CHAPTER I. SCOPE OF DISTRIBUTIVE TRADE STATISTICS

A. Distributive trade as an economic activity

1.1. Economic activity. In general the term “economic activity” is understood as a process, that is to say, as the combination of actions carried out by a certain entity and resulting in a specific type of products (goods and services). An activity is characterized by (i) an input of resources; (ii) a production process; and (iii) an output of products. By convention, one single activity is understood as a process resulting in a homogeneous type of products. It is recognized that one activity may consist of one simple process or may cover a whole range of sub-processes, each of which might be classified in different activity categories. For statistical purposes an entity engaged in a given activity may be treated as either simple or complex. A simple entity is not subdivided into parts to which activities are attributed while a complex entity is, by definition, composed of several sub-entities each of which is seen as performing a specific activity.

1.2. Resale. Taking into account the above conventions the characteristics which make distributive trade different from other types of economic activity are mostly in specificity of its production process which is hereinafter referred to as “resale”. The resale includes a number of actions which might be undertaken to make goods available for buying including negotiating transactions between buyers and sellers or buying goods from the manufacturer on own account, transporting, storing, sorting, assembling, grading, packing, displaying a selection of goods in convenient locations. These actions can be organized or combined in different ways. Each combination of such actions resulting in the reselling of goods represents an activity falling within the scope of distributive trade. Some such combinations, typical to distributive trade, are called “type of operation” (see para. 3.24-3.37 for further details).

1.3. Sale without transformation. By convention, resale of goods represents sale without transformation. In general, goods are transformed if they undergo a substantial change in form, appearance or nature such that the goods existing after the change are new and different from those existing before the change. The following actions are not considered as substantial transformations of goods by ISIC, Rev.4: sorting, grading and assembling of goods, mixing (blending) of goods (for example wine or sand), bottling (with or without preceding bottle cleaning), packing, breaking bulk and repacking for distribution in smaller lots, storage (whether or not frozen or chilled), cleaning and drying of agricultural products, cutting out of wood fibreboards or metal sheets as secondary activities.

1.4. The distributive trade as an activity consists of (i) provision of a service to customers by storing and displaying a selection of goods in convenient locations and making them easily available for buying; and (ii) provision of other services incidental to

---

1 See International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC, Rev.4), United Nations publication, Series M/No., Rev.4, para [...]
the sale of goods or subordinated to the selling such as the delivery, after-sale repair and installation services.

B. Scope and structure of distributive trade in ISIC, Rev.4

1.5. Scope. A more precise definition of the scope of distributive trade as well as description of its structure can be given in terms of an activity classification. Following the decision of the United Nations Statistical Commission to adopt ISIC, Rev.4 as an international standard for activity classification, it is recommended that the scope of distributive trade is defined as the scope of section G - Wholesale and retail trade; repair of motor vehicles and motorcycles of ISIC, Rev.4. Countries which do not use ISIC, Rev.4 are encouraged to develop their national activity classifications in such a manner that the overall scope of distributive trade is the same as in ISIC, and implement it in all national compilations for the purposes of international comparability. Failing this, countries should at the minimum develop clear and precise concordances between distributive trade classes in their national classification and in ISIC, Rev.4.

1.6. Structure of distributive trade. According to the ISIC, Rev.4 classification scheme distributive trade is structured into three divisions - Division 45 includes all activities related to the sale and repair of motor vehicles and motorcycles, while divisions 46 and 47 include all other sale activities. The distinction between division 46 (wholesale) and division 47 (retail sale) is based on the predominant type of customer. Within the divisions 46 and 47 the classification scheme considers two additional levels of distinction based on the type of operation of units involved in such a trade and kind of products sold.

1.7. Wholesale trade is defined as the resale (sale without transformation) of new and used goods to retailers, business-to-business trade, such as to industrial, commercial, institutional or professional users, or resale to other wholesalers, or involves acting as an agent or broker in buying merchandise for, or selling merchandise to, such persons or companies. The principal types of wholesale trade businesses are merchant wholesalers, i.e. wholesalers who take title to the goods they sell, such as wholesale merchants or jobbers, industrial distributors, exporters, importers, and cooperative buying associations, sales branches and sales offices (but not retail stores) that are maintained by manufacturing or mining units apart from their plants or mines for the purpose of marketing their products and that do not merely take orders to be filled by direct shipments from the plants or mines. Other types of wholesale trade businesses are merchandise and commodity brokers, commission merchants and agents and assemblers, buyers and cooperative associations engaged in the marketing of farm products. While by definition, wholesalers do not transform goods, they frequently physically assemble, sort and grade goods in large lots, break bulk, repack and redistribute in smaller lots, for example pharmaceuticals; store, refrigerate, deliver and install goods, engage in sales promotion for their customers and label design.

1.8. Retail trade is defined as the resale (sale without transformation) of new and used goods mainly to the general public for personal or household consumption or utilization,
by shops, department stores, stalls, e-commerce retailers, mail-order houses, hawkers and peddlers, consumer cooperatives etc. The goods sold in this division are limited to goods usually referred to as consumer goods or retail goods. Therefore goods not usually entering the retail trade, such as cereal grains, ores, industrial machinery etc., are excluded. Retail trade also includes units engaged primarily in selling to the general public, from displayed merchandise, products such as personal computers and software, stationery, paint or timber, although these sales may not be for personal or household use. Some processing of goods may be involved, but only incidental to selling, e.g. sorting or repackaging of goods, installation of a domestic appliance etc. Retail trade also includes the retail sale by commission agents and activities of retail auctioning houses.

1.9. **Structure of divisions 45.** This division includes all activities (except manufacture and renting) related to motor vehicles and motorcycles, including lorries and trucks, such as the wholesale and retail sale of new and second-hand vehicles, the repair and maintenance of vehicles and the wholesale and retail sale of parts and accessories for motor vehicles and motorcycles. Also included are activities of commission agents involved in wholesale or retail sale of vehicles. This division also includes activities such as washing, polishing of vehicles etc. Activities are grouped into 4 groups each of which has one basic class.

1.10. **Structure of divisions 46.** The first distinction that is considered in this division is based on the type of operation, i.e. how the wholesale trade activity is organized. Two groups of activities are distinguished (i) commission trade consisting of group 461 “Wholesale on a fee or contract basis” only without any further detailing and (ii) wholesale trade on own account representing aggregation of groups 462-469 depending on categories of goods sold. The second distinction concerns the split of wholesale trade on own account into specialized and non-specialized trade. Twelve classes are used in ISIC, Rev. 4 to present the groups of products sold (see below). The wholesaling which cannot be defined as specialized (i.e. selling one of these particular groups of products) is classified into group 469 “Non-specialized wholesale trade”.

1.11. **Structure of divisions 47.** The main structuring criterion used in division 47 is whether or not retail trade operations are organized as a store or not in store trade. The retail trade in stores includes groups 471-477. It is further subdivided by retail trade in specialized stores and non-specialized stores. The third criterion applied to retail trade in stores is category of goods sold. The not in stores retail trade consists of groups 478 and 479 which are further broken down into five classes depending whether they represent retail trade via stalls and markets or other retail trade not in stores such as mail order houses and internet.

1.12. **The ISIC, Rev. 4 divisions, groups and classes relevant to distributive trade statistics.** The entire structure of section G of ISIC, Rev.4 is presented below.
## Section: G - Wholesale and retail trade; repair of motor vehicles and motorcycles

### Division Group Class

| 45 - Wholesale and retail trade and repair of motor vehicles and motorcycles |
|---|---|---|
| 451 – Sale of motor vehicles |
| 4510 - Sale of motor vehicles |
| 452 – Maintenance and repair of motor vehicles |
| 4520 - Maintenance and repair of motor vehicles |
| 453 – Sale of motor vehicle parts and accessories |
| 4530 - Sale of motor vehicle parts and accessories |
| 454 – Sale, maintenance and repair of motorcycles and related parts and accessories |
| 4540 - Sale, maintenance and repair of motorcycles and related parts and accessories |

| 46 - Wholesale trade, except of motor vehicles and motorcycles |
|---|---|---|
| 461 - Wholesale on a fee or contract basis |
| 4610 - Wholesale on a fee or contract basis |
| 462 - Wholesale of agricultural raw materials and live animals |
| 4620 - Wholesale of agricultural raw materials and live animals |
| 463 - Wholesale of food, beverages and tobacco |
| 4630 - Wholesale of food, beverages and tobacco |
| 464 - Wholesale of household goods |
| 4641 - Wholesale of textiles, clothing and footwear |
| 4649 - Wholesale of other household goods |
| 465 - Wholesale of machinery, equipment and supplies |
| 4651 - Wholesale of computers, computer peripheral equipment and software |
| 4652 - Wholesale of electronic and telecommunications equipment and parts |
| 4653 - Wholesale of agricultural machinery, equipment and supplies |
| 4659 - Wholesale of other machinery and equipment |
| 466 - Other specialized wholesale |
| 4661 - Wholesale of solid, liquid and gaseous fuels and related products |
| 4662 - Wholesale of metals and metal ores |
| 4663 - Wholesale of construction materials, hardware, plumbing and heating equipment and supplies |
| 4669 - Wholesale of waste and scrap and other products n.e.c. |
| 469 – Non-specialized wholesale trade |
| 4690 - Non-specialized wholesale trade |

| 47 - Retail trade, except of motor vehicles and motorcycles |
|---|---|---|
| 471 - Retail sale in non-specialized stores |
| 4711 - Retail sale in non-specialized stores with food, beverages or tobacco predominating |
| 4719 - Other retail sale in non-specialized stores |
| 472 - Retail sale of food, beverages and tobacco in specialized stores |
| 4721 - Retail sale of food in specialized stores |
| 4722 - Retail sale of beverages in specialized stores |
| 4723 - Retail sale of tobacco products in specialized stores |
| 473 - Retail sale of automotive fuel |
| 4730 - Retail sale of automotive fuel |
| 474 - Retail sale of ICT equipment in specialized stores |
| 4741 - Retail sale of computers, peripheral units, software and telecommunications equipment |
1.13. **Boundary of distributive trade.** The following activities are not considered to be transformation of goods and are included in distributive trade:

- physical assembly
- packing
- sorting and grading of goods in large lots
- breaking bulk
- repacking for distribution in smaller lots (e.g., pharmaceuticals)
- mixing (blending) of goods (for example wine or sand)
- bottling (with or without preceding bottle cleaning)
- storage (whether or not frozen or chilled)
- refrigerating
- delivering
- after-sale installation
- cleaning and drying of agricultural products
- cutting out of wood fibreboards or metal sheets as secondary activities
- engaging in sales promotion for their customers including the label designing
- washing, polishing of vehicles

1.14. The following are activities considered as either transformation of goods or as not being part of relevant distributive trade divisions and classes and are excluded:

- renting of motor vehicles or motorcycles
- renting and leasing of goods
- packing of solid goods and bottling of liquid or gaseous goods, including blending and filtering, for third parties
- sale of farmers' products by farmers
- manufacture and sale of goods, which is generally classified as manufacturing
- sale of food and drinks for consumption on the premises and sale of takeaway food
- renting of personal and household goods to the general public

C. Scope and structure of distributive trade in terms of CPC, Ver. 2 and COICOP

1.15. CPC. The Central Product Classification, Version 2 (CPC, Ver.2) constitutes a comprehensive product classification covering all goods and services that can be objects of domestic or international transactions. It is a basic statistical tool for establishing distributive trade statistics by product. Distributive trade services are classified in divisions 61 and 62 of CPC on the basis of two criteria (i) type of provided service (i.e. type of operation as it is discussed in para. 1.10-1.11 above) and (ii) the type of traded goods. As a result the list of commodities that can be sold is set against any of the two wholesale (commission and own account) and five retail trade types of operation (store and not in store retail trade; specialized and non-specialized and commission retail trade services).

1.16. International and national versions of the CPC exist in the same way as they exist for ISIC (see section D of this chapter). Statistical Classification of products by Activities (CPA), for example, is the European counterpart of CPC. ANZCS is the Australian and New Zealand Standard Commodity Classification. They differ significantly from CPC and each other not only in details and coding systems but also in their structuring.\(^2\)

1.17. Scope of product groups used in Section 6 of CPC, Ver.2. In order to enhance international comparability of data countries may use the correspondence table between CPC categories and activity classes of ISIC, Rev.4 as a guide on scope of such product categories. Such a table will be developed and included in the forthcoming Distributive Trade Statistics: Compilers Manual. When classifying statistical units in various classes of divisions 45-47, countries should follow the explanatory notes provided in ISIC, Rev.4 and CPC, Ver.2.

1.18. COICOP. Another option for classifying products of distributive trade is the Classification of Individual Consumption According to Purpose (COICOP). It relates to the purpose (or function) of the use of the commodities sold. Provision of retail trade data at detailed COICOP level facilitates the compilation of individual consumption expenditure of households in national accounts. Countries are encouraged to implement

\(^2\) More about the CPC and other product classifications such as SITS, HS etc. see at: http://unstats.un.org/unsd/cr/registry/regct.asp?Lg=1
this classification and present, as much as possible, the retail trade turnover by COICOP classes.³

1.19. For the purpose of achieving broad international and national comparability of distributive trade data by products countries are encouraged to present the 45 retail product classes (four digit level of CPC, Rev.2) grouped into the following seven product categories. Although, there is no one to one mapping between CPC and COICOP, the seven groupings are broadly reconcilable:

- Food, beverages and tobacco
- Clothing and footwear
- Household appliances, articles and equipment
  - Of which: Furniture
- Machinery, equipment and supplies
  - Of which: Information processing equipment
  - Of which: Motor vehicles and associated goods
- Personal and other goods
- Construction materials
- Other

1.20. In order to satisfy the needs of a wide range of users, it is recommended that countries draw up their own lists for the reporting of distributive trade by type of products depending on the product classifications used in their trade surveys and the need to comply with the international standards. It is desirable that countries prepare more detailed lists for retail trade rather than for wholesale trade since the former is useful in describing the flow of goods to households. Whatever list or classification of product will be used it should be linked to the classification of household goods and services for national accounts purposes.

D. Distributive trade in other activity classifications

1.21. ISIC. For classification of economic activities most of the countries either use the International Standard Industrial Classification (ISIC) directly or develop their national industrial classifications based on it. In the case of countries which do not use ISIC or whose national classifications differ from ISIC, it is recommended that they develop their national industrial classifications in a manner allowing for international comparability and identification of the kind of activity in compliance with at least the two-digit (division) level of ISIC. For a national industrial classification to be fully compatible with the section G of ISIC, Rev.4, the most detailed categories of classification in the national scheme should coincide with, or be aggregations or dissections of the individual classes of the ISIC.

³ See Classification of expenditure according to purpose, United Nations publications, Series M No.84, Sales No. E00XVII.6, New York 2000 and http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5&Lg=1
1.22. **NACE.** Statistical Classification of Economic Activities, Revision 2 (NACE, Rev.2) is the classification of economic activities implemented by European Union countries, some of the transition economies and other countries seeking admission to the European Union. It is fully compatible with ISIC, Rev.4 as in some cases it provides a subdivision of ISIC which is suited better to the structures of the European economies. Although, a single activity at the level of groups and classes may have a numerical code and disaggregation in NACE which differs from that in ISIC, the two classifications can always be aligned by aggregating the more detailed groups and classes of NACE into the groups and classes of ISIC. There is a full correspondence between the first two levels (sections and divisions) of these classifications. NACE, rev.2 has been revised in parallel with the fourth revision of ISIC. It has been in force since 1 January 2008. Countries shall produce their annual structural statistics on distributive trade using NACE, Rev.2 from this date onwards, and short term statistics from 1 January 2009. It is recommended that countries who use NACE continue to use NACE, Rev.2 as it is fully consistent with ISIC, Rev.4.

1.23. **NAICS.** The North American Industry Classification System (NAICS) is developed to provide common industry definitions for Canada, Mexico, and the United States that facilitate economic analyses of the economies of the three North American countries. NAICS is built on a production-oriented or supply-based conceptual framework and classifies industries rather than activities. This means that production units that use identical or similar production processes are grouped together in NAICS. The system strives for compatibility at the two-digit level of ISIC, however, there are major differences between the NAICS and ISIC classification structures. An easy conversion of data according to NAICS into ISIC/NACE is not possible. A detailed concordance between NAICS and ISIC, Rev.3.1 is published on the UNSD web site (http://unstats.un.org/unsd/cr/registry).

1.24. **ANZSIC.** The Australian and New Zealand Standard Industrial Classification (ANZSIC) was revised in 2006 and accounts for industries which are specific to Australia and New Zealand. As with ISIC, the conceptual framework for ANZSIC has been re-evaluated to have a stronger emphasis on the supply side approach. The ANZSIC structure broadly follows the ISIC structure and ANZSIC aligns with ISIC, Rev. 4 at the subdivision level (2-digits) as far as practicable. A correspondence between ANZSIC and ISIC is available from the Australian Bureau of Statistics website.

**E. Selected boundary issues**

**Outsourcing – boundary between wholesaling and manufacturing**

1.25. **Outsourcing.** The term “outsourcing” of production is used when the principal unit (i.e. principal) contracts another productive unit (i.e. the contractor) to carry out specific aspects of the production activity of the principal, in whole or in part in the production of a good or a service. While the activity classification of the contractor is straightforward and does not change with the outsourcing, that of the principal is very
much affected by the nature and extent of the outsourcing and requires conventions for a
consistent treatment. The classification of the principal units is a significant boundary
issue, because the decisions made regarding their activity affect the scope of
manufacturing, wholesale (and retail trade) divisions.

1.26. *Types of outsourcing.* There could be three cases of outsourcing, namely (i)
outsourcing of support functions; (ii) outsourcing parts of the production process; and
(iii) outsourcing of the complete production process. In each of these cases, the principal
and the contractor may be located within the same economic territory or in different
economic territories. The actual location does not affect the classification of either one of
these unit.

1.27. *Outsourcing of support functions.* In this case, the principal (wholesaler or
retailer) carries out the resale of goods and services, but outsources certain support
functions, such as accounting or computer services, to the contractor. In such a case, it is
recommended that the principal remains classified to the respective ISIC class of section
G that represents the core production process (resale by type of sale and type of goods
sold). The contractor is classified to the specific support activity it is carrying out, e.g.
ISIC class 6920 (Accounting, bookkeeping and auditing activities; tax consultancy) or
6202 (Computer consultancy and computer facilities management).

1.28. *Outsourcing of parts of the production process.* The principal (manufacturer)
outsources a part of the production process (of a good or a service), but not the whole
process, to the contractor. The principal owns the material inputs to be transformed by the
contractor and thereby has ownership over the final outputs. In such a case, it is
recommended that the principal be classified in the appropriate manufacturing class of
ISIC as if it were carrying out the complete production process. The contractor is
classified according to the portion of the production process that it is undertaking. In case
of the transformation of a good, the contractor is classified in the same or separate ISIC
category. Also in the case of outsourcing of a service, the activities of the principal and
the contractor might not be classified in the same ISIC category.

1.29. *Outsourcing of the complete production process.* Two specific cases have to be
considered when the principal outsources the complete production process to the
contractor, namely:

(a) *Outsourcing of service producing activities, including construction* - in
this case both the principal and the contractor are classified as if they were carrying out
the complete service activity;

(b) *Outsourcing of manufacturing activities* to contractor – in this case the
principal does not physically transform the goods at the location of its unit. The following
activity classification rules are recommended:

(i) A principal that owns the material inputs and thereby has economic
ownership of the outputs, but has the production done by others, is classified to
section C (manufacturing) of ISIC, Rev.4, specifically to the classification category that corresponds to the complete (outsourced) manufacturing activity;

(ii) A principal that has the production done by others, but does not own the material inputs, should be classified to section G (wholesale and retail trade; repair of motor vehicles and motorcycles) of ISIC, Rev.4, specifically to the classification category that corresponds to the activity characterized by the type of sale (e.g. wholesale or retail sale) and type of goods sold. In this case, it should also be evaluated if the principal carries out other activities, such as design or research and development. If indeed other production activities are undertaken by the principal, the usual rules for identifying the principal activity of the principal should be applied (see para. 3.12 for the top-down method).

(iii) The contractor in such a case is classified to section C (manufacturing) of ISIC, Rev.4, specifically to the classification category that corresponds to the manufacturing activity performed by the contractor.

Distinction between retail trade and financial services

1.30. Units offering consumer credit lines. Many retail stores and other economic entities involved in distributive trade offer their customers purchases on credit. For this purpose they may issue membership cards allowing customers to make purchases within a pre-arranged credit limit. Consumer credit is a form of a short-term loan extended to individuals for personal or household use, rather than to businesses. The consumer credit is offered also by finance companies which are active in the consumer credit industry, typically, the (i) a small loan company, which has contact with consumers as originators and makes loans to them directly; and (ii) finance company, which does not deal directly with consumers, but purchases and holds consumer instalment debts related to the sale of durable goods on time.

1.31. The classification of financial institutions involved in consumer credit transactions is quite straightforward (classified in section K of ISIC, Rev.4 “Financial and insurance activities”) and it is not dealt with in the present recommendations. Compilers of distributive trade statistics however, must pay attention to the cases, when the originator and holder of consumer credits is a retail trade unit that has a separate establishment (or ancillary activities, see para. 3.10-3.11) dealing with consumer credits. Because the 2008 SNA distinguishes separately non-financial and financial sectors, it is recommended to define two separate units in this case, one for the entity engaged in non-financial (trade) activity and the other one for the entity engaged in financial activity (provision of consumer credits), as long as the necessary financial accounts are available for each of them, whenever possible, even if the two together have all the other attributes of an economic entity and consolidated accounts are compiled for them as a single unit. Both units will be classified in their own rights, as the second one will be a financial institution and not a distributive trade unit. However, if the unit providing consumer

---

4 See System of National Accounts, 2008, Chapter 4 for institutional sectors and institutional sector classification
credits is not statistically observable separately (i.e., separate accounts of its activity are available), it is recommended that it should be treated as part of the relevant statistical unit involved in an ancillary activity and will not affect classification of that unit in distributive trade.

F. Scope of distributive trade statistics

1.32. In general, distributive trade statistics are statistics reflecting characteristics and activities of the units belonging to distributive trade sector of an economy. Taking into account the role of ISIC, Rev.4 as the activity classification for use in all applicable areas of economic statistics, it is recommended that the distributive trade sector of an economy is defined as consisting of all resident entities recognized as statistical units and classifiable in Section G of ISIC, Rev.4, irrespective of their size, form of economic and legal organization and ownership (see Chapter III for recommendations on statistical units). The residency of economic entities should be determined in accordance with the rules laid out in 2008 SNA. Distributive trade activities carried out by entities not classified in Section G of ISIC, Rev.4 are not covered by distributive trade statistics.

1.33. By convention, the data items falling within the scope of distributive trade statistics are those reflecting: (i) the characteristics of entities belonging to the distributive trade sector; (ii) receipts and other revenues and purchases of those entities which are recorded in their profit and loss statements and used for calculation of trade output, intermediate consumption and value added; (iii) investment of entities in non-financial assets and changes in inventories; and (iv) employment information which is closely related to the most of previous groups of items (see Chapter V for detailed recommendations). Other data items such as, for example, data items on financial position of the entities are explicitly excluded. They are compiled as a part of financial or other relevant statistics.