

UNIT 1 BONHOMME

1.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 They hold the following positions:
 - President of the Brant Corporation
 - President of Bonhomme
 - Personnel manager of Bonhomme
- 2 Brant is a multinational company. It will have sales of manufacturing facilities in many overseas countries. Bonhomme operates on a smaller scale, and has much less capital at its disposal.
- 3 Bonhomme is a subsidiary company owned by Brant.
- 4 Overend wanted to tell the Bonhomme's executives how the takeover will affect them, and to reassure them about their future prospects with the company.
- 5 They were probably rather nervous, but did not wish to appear so.
- 6 The turning point came when somebody raised his hand and mentioned that those present in the room did not speak very good English.
- 7 Some positive effects: Bonhomme will have greater financial resources for future expansion; it will be able to exploit Brant's technical expertise; it will therefore be more competitive. Negative effects: the harmonious relations existing among the staff may be disrupted; changes in organization and personnel may be not as beneficial to the company as expected.
- 8 The method relies on subjective assessments made by employees. Some people may be too modest and underestimate their ability while others may overestimate their language skills. Nevertheless, this assessment will provide a useful, although not completely accurate, picture of the existing training needs.
- 9 The large number of staff who need training either urgently or as soon as possible; also the high proportion of senior executives whose standard of English seems to be inadequate.
- 10 It might be difficult to set up a programme which did not seriously disrupt the organization and operation of the company; some employees, especially the older ones, might object to the idea.

1.2 VOCABULARY SECTION

WHO WORKS FOR BONHOMME?

Pinot: We have a total **workforce** of about six hundred and fifty. About thirty per cent of the company's **personnel** are office staff, employed at our headquarters in Paris. A **few** more are located in Lille, where we have a small factory, and all the rest are engaged in overseas projects. We have very few unskilled **workers** on the **payroll**, because it's our policy to employ **labour** on a temporary basis as and when we need it. However, that makes our industrial **training** problems all the greater. The work our people do is highly **specialized** and at a very advanced **level**.

You can see how this will affect our language programme, especially since most of our **staff** speak very **little** English at the moment. The **Board of Directors** aren't much good and the **senior executives** are no better. **Junior management** seem to be the best. Duperrier, the **President**, has a **Personal Assistant** who's bilingual. But she's half-English, anyway.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answers given below are suggestions for guidance.

- 1 Might I suggest, Mr Overend, that Brant should consider investing in a language laboratory?
- 2 In my opinion, there is no substitute for learning a language in a country where it is spoken.
- 3 I'd like to point out that a language laboratory in itself is useless; it requires staff to run it, a full-scale training programme and a whole range of auxiliary services.
- 4 I must say that I'm not happy about any of the suggestions so far. Nobody seems to appreciate the scale of the problem.
- 5 The obvious course of action appears to be to approach the New Horizon Study Centre, who presumably have the professional expertise we are seeking.

1.4 FINANCIAL ANALYSIS

ARE EXPORTS REALLY NECESSARY?

The purpose of this exercise is to make students think about numbers and study graphs for necessary information.

It was on the basis of these graphs and figures that Bonhomme's Board of Directors agreed to Brant's takeover offer.

- 1 2006 turnover: \$33.1m.
2007 turnover: \$29.8m.
Therefore the 2007 turnover was down by about 10 per cent.
- 2 Estimated 2008 turnover was about \$31.9m. Thus, Bonhomme expected growth of approximately 7 per cent over 2007.
- 3 Exports, like turnover, peaked in 2006. However, exports fluctuated much more sharply than turnover. In 2004, exports rose rapidly, while there was a slight decline in turnover.
- 4 As per Table 1.3, exports account for a little more than a half of Bonhomme's profits. The graphs show that exports are expected to remain steady and turnover to rise. This suggests an increase in domestic sales.
- 5 Profit-wise years 2006-2007 showed a decisive upturn after the disappointing results of the previous 2 years. Students may like to list the factors that could account for the performance shown in the graphs.

1.5 DISCUSSING THE OPTIONS

Here are some suggested arguments for and against each course of action.

1 Use the New Horizon Study Center.

ADVANTAGES

The school is close to Bonhomme's premises, so staff would not spend too much time travelling to and from classes. The offer of tailor-made courses suggests that the school would be flexible in its approach to language training. The Director is American; Bonhomme's employees are especially likely to need American English since the Brant Corporation is a US multinational.

DISADVANTAGES

The school is fairly new. It may be difficult to get reliable information about the quality of its courses. It doesn't seem to use any new technologies in teaching English — such as computer- and Internet-based courses. Its services are rather expensive.

2 Send staff to an English-speaking country.

ADVANTAGES

Staff would be totally exposed to the English language. They would be able to practice in real-life situations what they had learned inside the classroom. The company could take full advantage of the advice given by the English Language Training Adviser.

DISADVANTAGES

The scheme could be expensive to run. It could also be difficult to administer and time-consuming for those organizing it. Staff would be away from work for prolonged periods of time.

3 Accept the offer of the Swedish company.

ADVANTAGES

The method could be effective if combined with one of the other ones, for example, setting up classes on Bonhomme's premises. The Swedish company offers a modern method and up-to-date equipment. The programmes are good value for money and apparently successful, although such claims would have to be checked, of course.

DISADVANTAGES

The method might not be suitable for more advanced students who need, above all, to practise English in real-life situations. Some people might react unfavourably to such an approach to language learning preferring more traditional face-to-face communication with a teacher.

4 Appoint a full-time English language instructor

ADVANTAGES

This could be an inexpensive solution. Time and money would be saved because staff would get back to work quickly after classes. The scheme could be extended simply and cheaply, if necessary. The quality of teaching could be easily monitored by the company. Programmes can be put together and easily changed to address specific needs of the staff.

DISADVANTAGES

With only one teacher available, each group of employees would have a limited number of teaching hours per week, or study in bigger groups, which makes learning less effective. As a result, many staff members might never reach an acceptable level of fluency in English. There might be difficulty in finding suitable rooms for the courses.

1.7 BUSINESS IDIOMS

- 1 Rubs people the wrong way** — irritates or upsets them.
- 2 (Straight) from the horses mouth** — directly from the person concerned
- 3 On the grapevine** — the information is passed from person to person; by word of mouth, informally.
- 4 Snapped my head off** — replied angrily.
Soft-soaping — flattering; persuading by gentle means.
- 5 Start the ball rolling** — initiate the discussion.
- 6 Be beyond somebody** — be too difficult for somebody to understand.
Passing the buck (again) — avoiding responsibility.
- 7 Run on a shoestring** — run with a very small amount of money.
- 8 Keep our options open** — stay free for choose; not to choose too soon.
- 9 Laid it on the line** — spoke frankly and directly.
(He) didn't pull any punches — came straight to the point; expressed himself in plain language.

UNIT 2 ELITE

2.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 It makes high-quality shoes, using expensive, even exotic materials. It is an 'up-market' firm selling prestige products, which are likely to combine workmanship with high fashion.
- 2 The form belongs to Marketing Personnel Services.
- 3 The client record form indicates that Elite plan to diversify into giftware, travel goods and clothing.
- 4 It is a specialist recruitment agency. In return for a fee, it carries out the preliminary work associated with hiring marketing personnel. It places job advertisements, analyses applications and draws up shortlists of candidates. The client company usually has the final say as to who will be appointed.
- 5 To save time and money: recruitment, especially in the early stages, is time-consuming, and therefore expensive. Also, a specialist agency, because of its experience, can often do the job of recruiting more efficiently than the company.
- 6 The Sales Representative, being an employee of Elite, should become more closely identified with the company's success, and will probably be more strongly motivated to develop sales in these markets; furthermore, a Sales Representative could be groomed to become head of a future sales subsidiary in the area.
- 7 Kazumichi mentioned he had carried out in-depth investigation of candidates' backgrounds; he assured Thompson that the data collected by him was 'comprehensive'.
- 8 Such information gives the company a more rounded picture of the kind of person they may be employing; it enables the company to make a more rational choice concerning the suitability of the applicant for the position.
- 9 In answering this question, students will give their own opinions. They need to look at both education and languages command.
- 10 Experience of selling giftware, travel goods and clothing; managerial experience; experience of setting up a sales operation in a new market. Elite need this expertise to implement their plans for the Far East markets.

2.2 VOCABULARY SECTION

FINDING THE RIGHT ONE

Thompson: In making **key** staff **appointments** you've got to bear in mind a number of **factors**. Obviously the **applicant's background** is **important**. You're looking for good academic **qualifications**, relevant **experience**, and some evidence of the person's **capacity** for success.

Attracting the right people is always difficult. That's why the **task** of personnel's **selection** is often left to consultants who **specialize** in such **work**. An ambitious young man or woman wants something that offers wider **scope** for his **talents**, or more **responsibility**. You've got to present the **job** as a **challenge** – something tough, but exciting.

But remember you also need specific personal **qualities** in the successful applicant: maybe a good **head** for figures, or the **knack** of getting people to work in a team, or a **flair** for design. And the **ability** to get on well with other people – that's **crucial**.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answers given below are suggestions.

- 1 The person appointed will be responsible to the General Manager, His or her main task will be to develop the company's sales both in the domestic and overseas markets. The Sales Director will also be responsible for directing the advertising and market research activities of the company.
- 2 Applications are invited from graduates, preferably in the 25-40 age range. A degree in chemistry, mechanical engineering or a related subject would be an advantage. Candidates must have a minimum of two years' experience in sales management.
- 3 The successful applicant will probably have worked in a technical field, but not necessarily in the shoe trade. A person with a qualification in shoe technology would be particularly welcome.
- 4 Salary: £80,000 plus, negotiable. Generous fringe benefits package, including company car, life assurance, pension plan and relocation expenses.
- 5 Please write or call Robert Sheridan (see contact information below), quoting reference number... Note: all applications will be treated in the strictest confidence.

2.4 STAFF TURNOVER

WHY ARE THEY LEAVING?

- 1 Leavers were as follows, by departments: Production, 6 full-timers and 7 part-timers; Sales, none; Transport, 3 full-timers; Design, 1 full-timer; Marketing, 1 full-timer.
- 2 Production has lost 13 people in 3 months, so it could be losing 50 a year out of total staff of 215. Turnover is therefore almost 25 per cent. Design seems to have a 50 per cent turnover, but figures are so small here, that they can be misleading. Transport appears to have a turnover of 75 per cent of its staff in the course of a year – high by any standards. Conclusions can also be drawn from the ages of leavers (12 out of 18 were over 25) and their length of service (4 out of 18 had been with the firm longer than 3 years). High labour turnover was apparently not caused by young people changing jobs before they settled down.
- 3 To investigate conditions in the Transport Department. Perhaps, it needs a real shake-up or a change of manager.
- 4 To investigate working conditions and possibly offer better training facilities in Production. Less reliance, perhaps, on part-time workers, but there may be good arguments against this.

2.5 DISCUSSING THE OPTIONS

Here are some suggested arguments for and against each candidate.

1 John Chung

ADVANTAGES:

He is young and ambitious. He also has drive and determination since he is trying to obtain a qualification in marketing by attending evening classes. He will know more about Elite's products and markets than the other candidates because he is currently working for the company's agent – the Far East Footwear Corporation. He has good experience in the shoe industry and an impressive personality.

DISADVANTAGES:

The suggestion that he 'works in bursts' means he could be inconsistent and even unreliable in his work. His experience seems to have been mainly connected with the shoe industry. It's not clear if he is able to manage a subsidiary sales company. Also his appearance ('flashy' clothes) might put off some customers.

2 John Pearwick

ADVANTAGES:

He has proven record of success, varied work experience and exceptional linguistic ability. He would impress people with his 'great presence' and also good appearance. His contacts with government officials could, in the future, be very useful for Elite. His long years of experience with leather goods and gift-ware cannot be matched by other candidates.

DISADVANTAGES:

He has not worked in the shoe industry. He is fifty and financially secure; will he have the energy and drive for such a challenging position? He has an 'intense manner' and we know that eight years ago he had a breakdown. Is he tough enough mentally for the job? He has asked for a substantially higher salary than the other candidates.

3 Anita Kato

ADVANTAGES:

To have reached such a responsible position so quickly, she must be both able and ambitious. She is the right age (34) and has the right 'profile' for the job since she is energetic, competitive and physically attractive. Her other qualities include determination – 5 years evening classes – and sales ability (78 per cent in the test). She will probably have a good knowledge of sales outlets in Japan.

DISADVANTAGES:

Probably has little knowledge of Hong Kong and Singapore markets. She also does not have a great deal of direct sales experience. Her lack of fluency in Mandarin could be a handicap. She has marital problems, yet she wants to adopt a second child. If she does this, will she be able to devote herself fully to the job?

4 Paolo Rizal

ADVANTAGES:

He has very good retail sales experience in the market Elite wishes to enter. He also knows about the clothing business. He is the right age to be groomed for a future managerial position. His score in the sales ability test was very high. His appearance could be an asset. Another asset is his brother in Hong Kong who knows the clothing and giftware markets.

DISADVANTAGES:

He has no experience of the Hong Kong and Japanese markets. His command of Chinese and particularly Japanese is inadequate. He has 'rather far-fetched' ideas and it has been suggested he lacks drive. Is he the kind of person who might eventually become head of a sales subsidiary?

2.7 BUSINESS IDIOMS

- 1 **Give him a break** — give him an opportunity to prove his worth.
 - 2 **Give her an edge over the others** — give her an advantage.
 - 3 **Good track record** — person's achievements and successes in a particular field.
 - 4 **(An) up-market (firm)** — a firm producing and/or supplying high-quality and expensive goods.
 - 5 **Get the hang of it** — get used to it; understand how it works.
 - 6 **He wasn't cut out for that kind of thing** — he didn't have the qualities necessary for that job.
 - 7 **We were swamped with (applications)** — we got lots of applications.
 - 8 **Go through the mill** — undergo a demanding training.
 - 9 **Someone's slipped up** — somebody has made a mistake, has failed to carry out his/her duties.
- Give somebody a rocket** — reprimand somebody severely.

UNIT 3 SANTA CRUZ

3.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 Its present capacity is 350 beds.
- 2 New facilities, such as wings and annexes, have been added gradually over the years. The hospital has grown in 'a piecemeal fashion'.
- 3 It has acquired this name because the building in which the department is located is very small and lacking comfort.
- 4 Eighteen clerical staff, eight medical secretaries and three part-time workers.
- 5 They most enjoy the opportunity to leave 'the hut' and meet medical and nursing staff.
- 6 Knowing that the nine clerical workers were in the coffee-lounge, she should perhaps have attempted to persuade them to start work.
- 7 The term is accurate in that the stoppage was unauthorized; the employees were therefore challenging the hospital authorities. This action was, nevertheless, to some extent justified.
- 8 He realizes that this small incident could blow up into a major dispute. He doesn't want any escalation of the conflict.
- 9 He wants to be familiar with all the facts relating to Mrs Holmes's performance as department head.
- 10 None of the pieces of evidence shows Mrs Holmes in a bad light. In each case, she has made a decision which one could personally disagree with, but which she could justify.

3.2 VOCABULARY SECTION

WHAT WE CAN SAVE MONEY ON?

Devenish: As you know, our budget has been cut again, and we are being called on to make **economies** throughout the hospital **service**. One way we could achieve this **objective** would be to **phase on** some of our agency nurses and other staff who work on a part-time **basis**. These people do very valuable work, but they are not **indispensable**.

If we start getting rid of full-time staff, then we must expect strong opposition from the unions involved. Our first **aim** must be to maintain good labour **relations**. You can't run a hospital without the **goodwill** and **cooperation** of the people who work in it, and it's certainly not my **intention** to try.

In present **economic** conditions, there's bound to be strong **competition** for the limited **resources** that are available. Last year we put in **claims** for thirty extra administrative staff, but the General Management Committee **rejected** every single one, or very nearly. I think the only **concession** we got out of them was the appointment of three temporary clerks in Medical Records.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

I spoke to Mrs Holmes on 9 February in connection with the above mentioned incident. I indicated, as diplomatically as possible, that I thought she should have used more authority in dealing with her staff. Instead of justifying her actions, she attacked me personally, accusing me of undermining her authority and taking every opportunity to find fault with her. She seemed to think I was unaware of the pressure under which she worked.

We discussed how the dispute could be settled. Mrs Holmes was in favour of ignoring the incident. She felt she had dealt with the matter correctly, and there was nothing further to be said. In my view, her attitude and conduct prove that she lacks the necessary qualities to be an effective department head. She should, therefore, be relieved of her duties as soon as possible.

I would recommend that the matter be dealt with by someone in higher authority, preferably you yourself.

3.3 TIME OUT

There are no right answers. Solutions should distribute the burden of work as fairly as possible. Holiday arrangements cannot be normally changed, as well as medical appointments, training courses, etc.

3.5 DISCUSSING THE OPTIONS

Here are some arguments which could be used to answer the questions.

1 Who was to blame in the air conditioning accident?

Everyone was partly to blame for these reasons:

- the hospital management had done nothing to improve the air conditioning system in the Medical Records Department
- the nine employees stopped working without authorization
- Mrs Holmes failed to report the incident and did not try to persuade the workers to return to work.

2 Should the staff who refused to work lose a proportion of their pay?

This is debatable. One could argue that they should be prepared to suffer the financial consequences of their refusal to work. On the other hand, Mrs Holmes appeared to support their action by not ordering them to resume their duties. Also, possibly the building was so hot that they could not reasonably have been expected to work in such conditions.

3 Should the department head, Mrs Sheila Holmes, be retained in her present position?

It is difficult to make out a case for her dismissal. She appears to be carrying out her duties satisfactorily under the most trying conditions. It cannot be an easy job to run a department when the working conditions are so bad. Tension among employees of the Medical Records Department is probably inevitable but is hard to deal with. Mrs Holmes may not be as firm with her staff as some would like; she may be excessively sympathetic towards the workers from the slum suburbs. This is a matter of opinion. However, she is sensitive to the needs and aspirations of employees, and she is not afraid to make decisions, even if these are unpopular.

4 Why is morale low in the Medical Records Department?

Bad working conditions and possible resentment at some staff appearing to be given preferential treatment are the most probable reasons.

5 What steps could be taken to improve morale in this department?

The hospital administration could make a real effort to improve working conditions in the department; for example, by having efficient air conditioning system and fans ready to use when the building becomes too hot. Other ways of improving employees' comfort and motivating them to work together harmoniously should be investigated.

Another step to improve morale would be to set up a meeting between representatives of the hospital administration and of the different categories of employee in the Medical Records Department. If such meetings were held regularly, say, every two weeks, grievances could be aired and potential sources of conflict identified.

6 What steps should be taken to settle the present dispute and to avert problems in future?

Mrs Holmes and the two more senior administrators, Devenish and Miller, should work out together what they intend to do. They will probably decide to pay the employees for the period when they did not work, but warn them that unauthorized stoppages will not in future be tolerated. The warning will be given orally and in writing. They will also notify employees of the steps they are taking to improve working conditions (see above) and communications between management and staff. Finally, David Miler, Group Secretary, will talk frankly with Sheila Holmes and Jim Devenish about the problems in this department and will discuss with them ways of improving the running of the section.

3.7 BUSINESS IDIOMS

- 1 **All up in arms** — very angry and ready to argue.
- 2 **Be on the carpet** — to be in trouble for doing something wrong.
- 3 **Likes the sound of his own voice** — only talks himself, without listening to other people and without giving them a chance to speak too.
(**Can't get a word in edgeways** — to have no chance to speak because the other person is very talkative.)
- 4 **To hit it off** — to get on well together
It's high time (they settled their differences) — they should settle their differences now.
- 5 **To stick his neck out** — to express his view openly and frankly.
- 6 **(You've) hit the nail on the head** — you are absolutely right.
- 7 **To put me in the picture** — to familiarize me with the facts of the matter.
- 8 **Got the sack** — was fired.
- 9 **Few and far between** — very rare.

UNIT 4 GIORDANO

4.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 It was named after the Founder's favourite artist, Luca Giordano.
- 2 He can be admired for his business skills; also, for his willingness to bring art to the general public free of charge.
- 3 It is in a very bad financial situation. It is not generating enough income to carry out badly needed repairs and to finance the acquisition of new paintings.
- 4 They are not very cordial. The Friends are critical of the trustees' investment policies and are not keen to give more money to the Gallery.
- 5 The most important item was to discuss the Annual Report and approve the allocation of funds for the coming year.
- 6 These factors have all contributed:
 - There is no admission charge to the Gallery
 - The Gallery is inaccessible to tourists
 - Its capital has been eroded by inflation
 - It has used some capital to purchase pictures
 - Its income from investments and publishing is declining.
- 7 This is a credit squeeze in Italy. A bank might not accept the collection as collateral since, under the terms of the will, it might not be broken or sold.
- 8 Dr Tejero believes the Gallery must try to acquire works of art which come on to the market. He argues that the trustees are justified in drawing on capital to finance and purchases. Other members of the Board favour a more prudent spending policy and would like to have a review of the Gallery's financial situation and future prospects.
- 9 They should realize that the Giordano needs to raise at least \$3m in the very near future since the building is in urgent need of repair.
- 10 Selling some paintings would be the easiest and cheapest method of raising funds, providing there were no legal obstacles to doing this. The paintings could possibly be sold by private negotiations with interested buyers. In this case, the Gallery would avoid paying the commission which an auctioneer would normally receive.

4.2 VOCABULARY SECTION

Where's the money going to come from? Van Brees and Donatello are arguing about the Gallery's financial problems

Van Brees: Well, if we can't **raise** the money ourselves, we shall have to consider alternative sources of **finance**. As a museum, we qualify for a government loan. You don't think that's acceptable, I see. Neither do I! That means really that we shall have to find a way to **get round** the Founder's will. He couldn't have foreseen **present-day** conditions, and he made no **provisions** for **contingencies** like this one. If we are to **overcome** our **current** problems, we must set up some kind of **fund** which we can draw on in an **emergency**.

Donatello: That's an excellent idea! Indeed, I should like to propose that we use the Gallery's **financial** resources as investment capital, to buy works by **contemporary** artists which are likely to **appreciate** in value. Of course, the market for modern painting is highly **speculative**, so I'd like to offer my services to the fund in any advisory capacity.

Van Brees: We all know you are an **authority**, Signor Donatello, and your advice in such a venture would certainly be **invaluable**. However, I am afraid we cannot stake the future of the Gallery's **priceless** collection on the purchase of paintings which can turn out to be **worthless**. What I had in mind was that the trustees of the Gallery should apply for registration as a **charity**. If we have **charitable status**, we shall enjoy all sort of advantages.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. For example:

- The meeting then went on to discuss Mr Youngblood's request that he should be provided with a description of his duties. It was agreed that this should be brief and that the Director's powers should be defined as broadly as possible.
- Miss Parkinson proposed that the Director's main responsibilities should be worded in the following manner: 'It is the Director's duty to advise trustees on the growth of the collections, to undertake the care and display of the collections, and to administer the Gallery and its staff'.
- Miss Giulietta then referred to the Director's involvement in the building programme. It was decided to include this activity in the job description. This sentence was accordingly added: 'The Director will have an important role to play in the Gallery's plans for future expansion'.

4.4 FINANCIAL ANALYSIS

ART LOVERS AND OTHERS

- 1 The information taken from questionnaires is very approximate.
 - The total number of visitors as per Charts 1a and 1b, is 91,000. As we see from Chart 1a, parties make 56% of the total. Categories of individual visitors shown in Chart 1b, represent respectively 15.4% (tourists), 9.3% (art students), 19.2% (school children) of all visitors to the Gallery.
 - Chart 2 shows that in 2006, when the total number of visitors made approximately 99,000 people, 60.6% were Italians, and 39.4% foreigners.
- 2 With the admission charge of EUR8, the total number of visitors will make about 56,000. So, the expected income will be about EUR448,000.
- 3 Certainly, school children; probably parties (tourists on package tours) and Italians (local people); possibly students who might not be able to afford a high charge.
- 4 Start by agreeing the 'normal' charge, which will probably be not higher than EUR8, unless the students decide to go to the other extreme and charge EUR15 or even more. The question of an 'acceptable' scale is largely one of opinion and experiment. Charges which discourage young people and local citizens are not likely to be welcomed.

The probable incomes from different charges, based on Chart 3, are roughly:

NUMBER OF VISITORS (THOUSANDS)	ADMISSION (EUR)	INCOME (THOUSANDS EUR)
100	2	200
98	3	294
90	4	360
70	6	420
56	8	448
40	10	400
20	12	240
19	15	285

4.5 DISCUSSING THE OPTIONS

1 Launch a 'Save the Giordano' campaign

ADVANTAGES:

This would provide the Gallery with a continuing income for a period of a year or so. The campaign would be international in appeal, and the response of the art-loving public could be substantial. This method of raising finance emphasizes the charitable status of the Gallery. It could result in favourable publicity since the media would probably make a news story of the event. There should be no tax problems concerning this income, and currency from abroad could probably be remitted easily.

DISADVANTAGES:

It is not a long-term solution to the Gallery's financial problems. The campaign will need a lot of publicity, and a good deal of money will have to be spent on advertising. Thus, it requires both effort and money. This kind of appeal cannot be repeated, and the financial returns are unpredictable.

2 Charge for admission to the Gallery

ADVANTAGES:

This would give a predictable and constant source of income; it would enable the Gallery to do some forward planning and make it easier to raise loans for specific expenditure. It would produce an immediate cash flow, yet also make a contribution to the long-term financial stability of the Giordano. The scheme would be easy to administer and inexpensive to carry out. It involves a simple 'once-and-for-all' decision.

DISADVANTAGES:

It would go against the Founder's express wish that admission should be free of charge. It could arouse strong feelings among a small, but influential minority. Such people might take legal action to prevent charges being made for admission. Income from this source might eventually be taxed. It might become difficult to increase income from other means of fund raising.

3 Run a lottery

ADVANTAGES:

It might have a lot of public appeal – people like lotteries. There will be no problem with the will or the constitution of the Gallery. The lottery, if successful, can be repeated each year. It is self-financing – the cost of running it will be deducted from profits. The lottery would appeal especially to those who like to support a good cause.

DISADVANTAGES:

It could be a failure. To set it up would require a good deal of organization. A large number of ticket outlets would be necessary. It might be difficult to operate the lottery outside Italy.

4 Sell some paintings

ADVANTAGES:

This is a simple way of raising money. It could involve minimum expense. If the pictures were sold by auctions, the trustees might be delighted with the prices fetched by the paintings since art prices are often higher than predicted. The decision to sell would give the Gallery the opportunity to get rid of unexhibited pictures lying in the basement: storage of paintings is costly. In any case, the present crisis demands an exceptional sacrifice, such as the sale of paintings.

DISADVANTAGES:

The sale would contravene the terms of the will. Even if this problem could be overcome there are other difficulties. Fashions change. Today's rubbish becomes tomorrow's masterpieces. Selling paintings demands skill and judgement. It is necessary to sell when the market is at its peak. If they sell now, the pictures may realize less than their true value. The sale would create bad publicity and create dangerous precedent. The Gallery might be tempted to off-load paintings whenever it got into financial difficulties. Also, unloading paintings on the market might reduce the value of the rest of the collection.

4.7 BUSINESS IDIOMS

- 1 **Chickenfeed, peanuts** — ridiculously cheap.
- 2 **He has the gift of the gab** — he can be very eloquent and persuasive.
- 3 **Pushing our luck** — risking the possibility of not getting what we want by being too difficult and too demanding.
- 4 **(Let's) get down to business** — let's start doing what we came here to do.
- 5 **Go to any length** — use any means to achieve something.
- 6 **In the pipeline** — already in process, being dealt with.
- 7 **Gave a rough ride** — were very critical.
(It was) **touch and go** — it was a risky or critical situation; the chances were high that it would happen.
- 8 **(We're) going through a bad patch** — it's a difficult period.

UNIT 5 COCONUT GROVE

5.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 It is located on Vanilla Island in the West Indies.
- 2 Superb accommodation; first- rate service; excellent amenities and cuisine; a charismatic manager and fascinating guests.
- 3 Dick Jeffries – owner; Sammy – hotel manager; Sharma Singh – cook; Paul Drew – legal advisor.
- 4 Dick Jeffries concentrates on his ‘real business interests’ – his engineering company and his work for the Banana Board. Also, Paul Drew says to Dick, ‘You should spend more time at your hotel.’ The implication is that Dick does not know what is going on there.
- 5 He is shocked, especially when he learns his manager may be involved in the deception.
- 6 Paul became suspicious when a friend told him he was constantly overcharged for drinks, and then mentioned casually that Sammy made ‘even more mistakes than the two boys.’ He became convinced of the manager’s dishonesty when he learned Sammy had been getting supplies of drinks from Jo Henry, proprietor of a general store.
- 7 He fell into a trap rather too easily, panicked, then revealed information about the fraud to Jeffries and Drew.
- 8 He wanted to give himself time to decide what to do.
- 9 He knows she will probably leave if he dismisses the manager.
- 10 Students will give their own opinions when answering this question.

5.2 VOCABULARY SECTION

THE MAN WHO MADE IT PAY

Sammy: Listen, I’ll tell you. For years until independence came, this place was nothing. The only **commercial** activity was selling coconuts that fell off trees. The Vanilla Government decided to **diversify** the economy, start **promoting** the tourist **trade**. Mr Jeffries took this bit of land from the Government in 1993, on a fourteen-year **lease**. Now he **owns** the **freehold**. How do you think he made all this money?

When I came to this hotel in 2001, it was nothing. Buying the **premises**, renovating the place, buying all the **fixtures** and **fittings**, had taken every cent Mr Jeffries could lay his hands on. The **income** from the hotel barely **covered** his **overheads**.

The guests stole the ashtrays and never paid the bills, and the **creditors** were ringing up every other day and threatening **legal action**. The Coconut Grove’s only **assets** were the blue skies and the golden sand. Everything else was a **liability**.

But as soon as I saw this place, I knew it had terrific **potential**. An unspoilt tropical paradise! I passed the word around to a few of the boys in New York, Chicago, Miami. Suddenly we’re **prosperous**, we’re booked up solid right through the **season**. The bank balance is in the black again and Mr Jeffries is making a **fortune**. Well, he’s worked for it, I guess. But he **owes** a little bit of it to me, too. I tell you, when I started here there was nothing.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answers given below are suggestions.

It has come to my notice that there have recently been a number of complaints about the disappearance of valuable items from guest rooms. This is a very serious matter indeed since such thefts attract to the hotel a great deal of unfavourable publicity.

In order to improve security and safeguard the property of the guests, we have decided to carry out the following measures:

- 1** All locks on guest-room doors are to be changed. As from 26th October, master key will only be allocated to certain authorized personnel, namely: Room Service (6 keys), the General Manager; the Safety and Security Officer; the Proprietor. One spare key will be kept in the Emergency cupboard in Reception.
- 2** Notices have been put up in all rooms, warning guests to take care of their belongings, and advising them to leave their valuables at Reception for safekeeping.
- 3** Staff are reminded that they should notify the management immediately if they see any suspicious-looking person lurking in the vicinity of the hotel.

5.4 FINANCIAL ANALYSIS

CRIME DOESN'T PAY

- 1** Explain to the students that each item on the wholesaler's invoice on p. 50 is sold in packages of 12 (bottles, cans or cartons). To get to the unit price, they will need to divide the price of each item by 12. The Bar Menu shows price per unit. Norman bought 288 packs of fruit juice, 216 packs of Blik-Cola and 40 packs of Split Tonic. A pack of 12 fruit juices cost, wholesale, V\$7.20 or 60 cents a carton. They are sold in the bar V\$1.20 a carton, exactly double. The same is true of other drinks mentioned. The mark-up is therefore 100 per cent.
- 2** Norman hoped his profit would be as follows:

Sales (at twice cost price)	
2 x V\$3,739	(approx.) V\$ 7,500
Less cost of sales	
V\$ 2,492.8	(approx.) V\$2,500
Gross profit	
	V\$5,000
10 per cent for Sammy	V\$500
10 per cent for Daryl	V\$2,550
Norman's net profit	V\$2,250

- 3** His actual figures will probably look something like this:

Sales (one-third of V\$7,500)	
	(approx.) V\$2,500
Less cost of sales (one-third of V\$2,500)	
	(approx.) V\$ 850
Gross profit	
	V\$1,650
20 per cent for Sammy	V\$330
50 per cent for Daryl	V\$660
Norman's net profit	V\$660

In a 'normal' month, the two men buy about V\$1,000 worth of soft drinks – that is, they pay V\$1,000 to their suppliers, who do not give any discount. They sell in the bar exactly double the price they paid for them; therefore their gross profit is also V\$1,000. Sammy then takes 10 per cent of this: V\$100. This means that Norman's normal profit would be V\$450. Thus, he will actually make V\$210 extra in the coming month.

- 4 At his previous 10 per cent rate Sammy would normally receive V\$100 (see figures above). In a good month, he would get slightly more (V\$110), in a bad month, perhaps, rather less (V\$80).

5.4 DISCUSSING THE OPTIONS

Here are some arguments which could be used when considering the problem.

1 Options open to Dick Jeffries:

- He can turn a blind eye to the whole business.
- He can fire Sammy who is the 'brains' behind the fraud.
- He can get rid of Sammy and the two barmen.
- He can keep Sammy, but fire the two boys.
- He can keep all the staff, carry on usual, but watch them very closely and let them know they're been watched.
- He can give Sammy and the barmen a solemn warning and tell them if they behave dishonestly again, he will call in the police.
- He can bring in the police immediately and let them handle the matter.

2 A suggested solution: dismiss Sammy, but retain the barmen

- It is a question of ethics. Sammy must be dismissed because he violated the trust placed in him. He is a dishonest person, and therefore unsuitable to manage a hotel.
- If he remains, Sammy will wait for another opportunity to cheat the owner.
- He has corrupted the two barmen who were his subordinates. He has a bad influence on the rest of the staff.
- Once free from Sammy's evil influence, the two barmen should respond positively to the warning given by Dick Jeffries.
- By dismissing Sammy, Dick Jeffries proves that he does not tolerate dishonest practices in his hotel.
- By continuing to employ the barmen, Dick Jeffries will maintain good relations with the Tourist Board; by removing Sammy, Jeffries gets rid of the instigator of the fraud.

3 An alternative solution: retain Sammy and the barmen

- One cannot have high principles in business. Although dishonest, Sammy has been a highly successful manager of the hotel, and that is the most important consideration from Dick Jeffries' point of view.
- Jeffries should not jeopardize the prosperity of the business by getting rid of the staff. It would probably be much less profitable, for these reasons: Sammy would no longer be a manager; his excellent cook Mrs Singh, would probably leave; the hotel would not be recommended by the Tourist Board; the scandal would affect the hotels' reputation.
- If he chooses dismissal, Dick Jeffries will have to spend more time on the hotel's business, which he does not want to do.
- Can he afford to get rid of the staff? He'll need money for his son's education and his daughter's wedding.
- The staff will be very frightened when they know their fraud has been detected. A solemn warning from the owner should put a stop to their activities once and for all.

5.7 BUSINESS IDIOMS

- 1 **(Don't) rock the boat** — don't stir up trouble; don't upset things.
- 2 **At stake** — at risk; in jeopardy.
- 3 **Gave the game away** — revealed the true facts.
- 4 **(You won't) pull the wool over his eyes** — you won't fool or deceive him.
- 5 **(We've been) making a bomb** — we've been making a lot of money.
- 6 **A (real) live wire** — very energetic.
- 7 **Loudmouth** — boastful, talkative person.
Sloshed — drunk.
Pulled a fast one on him — played a trick on him, deceived.
- 8 **Tricked (Norman) into confessing** — deceived him in order to make him confess.
Point-blank — directly and openly.
- 9 **To hedge (their) bets** — protect themselves against loss.
- 10 **Pay through the nose** — pay excessive prices.

UNIT 6 TUMBRIL

6.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 Tumbril publishes educational books. By specializing, a firm can acquire a reputation in certain fields of study. Tumbril have built up an impressive list of titles in the social sciences and business. As a result, it is becoming known in academic circles throughout Europe.
- 2 **Advantages:** A contented workforce. Employees will feel they can air grievances, and that they have direct contact with management; a family atmosphere also helps to create in workers a spirit of loyalty to the firm and a feeling of common purpose and endeavour; decision-making can be quicker because the atmosphere is informal and there is less bureaucracy.
Disadvantages: People may be appointed to and kept in key positions when they are not good enough to do the job; the firm may be slow to adapt to changed conditions because it wishes to protect its staff from the effects of such change, decisions may be arrived at without sufficient preparation or consultation.
- 3 Technically, Sir Hubert Tumbril is ultimately responsible. However, Richard and Jonathan make the major decisions.
- 4 Interest in Tumbril's publications was far greater than expected. They were 'besieged with enquiries'.
- 5 Publishers often prefer to have a gentlemen's agreement with an agent rather than draw up a formal contract.
- 6 Jonathan favours a small organization which is conservative, but up-to-date in its business methods, and which has a young, intelligent sales force; Richard prefers an organization which is part of an apparently powerful and rapidly growing publishing group.
- 7 He should have been more cautious. He could have told the American that he would have to consult with other members of Tumbril's management before making any decision.
- 8 The American promised to purchase £1,200,000 worth of Tumbril's books. Gumpi's 20 per cent commission in this case will make £240,000.
- 9 Gumpi appears to offer greater financial stability, since it is backed by a large publishing chain. It also agrees not to handle the publications of Tumbril's competitors in return for being appointed sole and exclusive agent in Western Europe.
- 10 He is justified in feeling very upset because the content of the note and its tone are further evidence that all is not well with the Gumpi organization. The note, together with the rumours and the agent's slowness in settling its account, must make Richard feel extremely apprehensive.

6.2 VOCABULARY SECTION

Stoddard: They're **typical** of a lot of highly **reputable** old family businesses in Britain. They sometimes **lack** management **expertise** when they have to **tackle** unfamiliar problems but their intentions are excellent.

Tumbril almost went out of business in the late seventies. Then the company started to **flourish** again in the 1980s, when new universities and colleges were **mushrooming** all over the country. They took **advantage** of the huge demand for books for these new institutions. As a result, they now have a **healthy** bank balance and a thriving business, even though their decision-making is a bit lacking in sophistication still.

The danger with old family firms is that sometimes there may not be clear **organiza-**
tion chart, no chain of **command**. It's sometimes hard to tell who is **responsible**
for what, and who he **reports** to. When things go well, you have a very pleasant
atmosphere and **morale** is high, but when something goes wrong there can be
confusion and bad **feeling**.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answers given below are suggestions.

Monsieur A. Crivain

As requested, I am setting down the main facts concerning the mysterious disappearance of this author's disc.

Last February, Monsieur Crivain sent to this department a disc with his manuscript. He asked us to assess the work with a view to publication. We wrote to him acknowledging receipt of the material, adding that we were always pleased to hear from new authors. We promised to give him our opinion of what he had written in due course.

In March, our department moved to its present location. Since I was on vacation at the time, I was unable to supervise personally the transfer of the contents of my office. When I got back to work in the second week of April, I immediately checked to make sure no items had been lost or mislaid as a result of the move. To my horror, I discovered that Monsieur Crivain's disc was missing.

In spite of repeated searches and the most exhaustive enquiries, I have failed to trace the missing item. The Superintendent in charge of the relocation believes that the disc with Monsieur Crivain's manuscript may have been mistakenly thrown away, but this is only a surmise.

Recently, Monsieur Crivain has e-mailed our department, requesting the return of his manuscript. My approach has been to play for time, hoping that the material will eventually turn up. However, it now seems most unlikely that it will be found.

While we have obviously been negligent in losing the disc submitted to us, it is worth pointing out that Monsieur Crivain has been unwise, to the point of foolishness, in not saving the final copy of the manuscript on his hard disc.

6.4 FINANCIAL ANALYSIS

A BOOK FOR THE POCKET – OR THE COFFEE-TABLE?

This problem is best tackled by comparing the sales revenue with the cost of sales:

PAPERBACK

Gross revenue:

£525,000 (print run of 35,000 copies x average price of £15)

Production and sales costs:

£20,000 (£15,000 + £5,000)

Gross profit:

£505,000 (£525,000 - £20,000)

DELUXE EDITION

Gross revenue:

£600,000 (print run of 15,000 copies x average price of £40)

Production and sales costs:

£42,500 (£30,000 + average distribution cost of £12,500)

Gross profit:

£557,500.

The deluxe edition seems a more profitable choice. However, it will sell to very competitive and difficult-to-reach market, so the forecasted sales level may not be actually reached.

Having taken this into account, Students may decide to go for a low-risk paperback option, which will still generate enough profit.

6.5 DISCUSSING THE OPTIONS

Here are some arguments which could be used when considering the problem.

The factors which created the present crisis were, essentially, organizational weaknesses and bad judgement by the management. Examples of these are given below:

- Poor communications exist between Richard and Jonathan Tumbriel. Neither seems to know what the other is doing.
- There is no clear definition of responsibilities. Who is ultimately responsible for negotiating contracts with agents?
- The two men seem to have a different approach to business. Richard relies on personal contacts and trusts in his instinct and experience; Jonathan is more cautious, possibly more rational. For example, he sounds out a number of agents before choosing van Brasil.
- The company was excessively generous in supplying Gumpi with stock when there were persistent rumours that not only the American company but also the agent was in financial trouble and it had not settled its account with Tumbriel.
- As soon as the rumours about Gumpi became known, Richard or Jonathan should have made every effort to discover if they were true or not. It was an error of judgement to sit back and hope all would turn out for the best.

The company could choose one of the following courses of action.

1 Invite the American's successor, the new boss of Gumpi, to come to England

If they are able to contact the new man they might be able to persuade him to come to England to talk things over. A visit would be very helpful because it would enable Jonathan and Richard to get some first-hand knowledge of Gumpi's financial position. They would then be able to make a decision based on facts rather than rumours.

Alternatively, Richard Tumbriel could go across to Germany and get in touch with Gumpi's new boss. Even if he was unsuccessful in meeting him, which would in itself be suspicious, he could still gather useful information from trade sources about Gumpi's activities in Germany. He could find out, for example, whether the company owed money to other publishers.

2 Recall all stocks immediately

Desperate situations require desperate measures. All the signs point to Gumpi being in serious financial difficulties, therefore Tumbriel is justified in taking such an extreme step. There is no written contract between Gumpi and Tumbriel, so the solution is perfectly feasible. Tumbriel will be cutting its losses and extricating itself from a tricky situation relatively painlessly. The disadvantage of this course of action is that Tumbriel still has no firm evidence that Gumpi will settle its debts; this action could seem rather premature. (See also number 3.)

3 Cut loose from Gumpi and resume negotiations with van Brasil

This ruthless solution might be counter-productive. It might push Gumpi into being very uncooperative about repaying money owed. This is possibly not the time to resume negotiations with van Brasil. Tumbiril should perhaps deal with the Gumpi problem first before seeking another agent.

4 Appoint an overseas sales representative

This might be a good long-term solution - or it might not. There is no certainty that a representative would be more effective than a well-established agent, who would have extensive knowledge of the market and good contacts with the book-selling trade. Tumbiril may prefer to work through agents rather than use export salesmen. In any case, the decision to use a permanent representative is one which requires careful thought.

A SUGGESTED SOLUTION

There is no simple solution to this problem. Whatever they do, Tumbiril could still end up losing a lot of money. They could, nevertheless, try this approach:

- Firstly, they should make every effort to contact Gumpi's new boss. Since Richard Tumbiril initiated dealings with Gumpi, he is the person to go to Germany to try to sort things out. The trip would be well worth while. A great deal of money is at stake!
- Secondly, every effort should be made to recover the £110,000 worth of stock which is either in transit to Germany or already in the warehouse over there. Tumbiril are justified in asking for the return of these goods because they still have not been paid for earlier consignments.
- Thirdly, if Tumbiril cannot make any kind of useful contact with Gumpi, the company should take legal advice as to what to do next.

To avoid this kind of situation in the future,

- the responsibilities of Richard and Jonathan Tumbiril must be more clearly defined;
- important decisions, such as choosing new agents, should be discussed and approved at formal management meetings;
- the credentials of potential agents should be carefully checked.

6.7 BUSINESS IDIOMS

- 1 **(Got down to the) nitty-gritty** — talked about what was really important, dealt with the difficult and practical part of the matter.
Get the contract sewn up — have the contract finalized.
- 2 **I had misgivings** — I felt uneasy, I had doubts.
- 3 **(Let's) read the small print first** — Let's look into all the important details (of the contract).
Get carried away — become overexcited; lose the sense of reality.
- 4 **On the brink (of)** — very close to, on the verge of.
- 5 **Putting it mildly** — trying not to use much stronger words.
- 6 **Cut the ground from under our feet** — destroyed our chances of success.
- 7 **A run-of-the mill job** — a simple job presenting no special difficulty.
- 8 **Put the record straight** — clarify the matter; give the true facts.
- 9 **(Have) put your foot in it** — blundered, been tactless.

UNIT 7 HI-FLITE

7.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 He reports to the Store Manager, Jeffrey Coldstream.
- 2 One clerical assistant reports to Bascombe. All the porters, the lorry crews and four clerical assistants report to Landon.
- 3 It is taken quickly to the Loading Bay to await delivery.
- 4 Furniture, being a fast-selling line, would attract customers into the store; the department was put next to the Loading Bay, so heavy items of furniture could be quickly and easily transferred there.
- 5 The Loading Bay is always packed with furniture; the system of documentation is poor, making it difficult for individual items of furniture to be located; deliveries are not properly scheduled; drivers and porters are not well organized and trained for the job.
- 6 The Store Manager or Assistant Manager.
- 7 Such a high number of complaints will eventually harm the store's reputation for good quality merchandise and prompt, efficient service to the customer.
- 8 Their status within the company is very different. Landon is being groomed for the Board; Bascombe will probably not rise much higher in the company hierarchy. The two men have different backgrounds. Bascombe has clearly been very influenced by his army experience. He still behaves as if he is on the parade ground. Landon is probably more highly educated, polished and sophisticated. Neither man has much confidence in the other's ability.
- 9 The pay for drivers is apparently low. They have no incentive to work well and no prospects of promotion. The turnover of porters is high, probably for the same reasons. However, the root cause of the high turnover is that these groups of workers are not being properly organized; they are receiving no real direction or guidance from management, hence their low morale.
- 10 The Store Manager could get rid of lower-level staff, providing he followed the correct procedures for dismissal. He might not be able to get rid of someone like Landon without Head Office approval. He could set up meetings, and make changes in the organization chart. He could also probably establish a new system of documentation. Questions of higher pay, improved working conditions and training schemes would have to be referred to Head Office, especially if substantial amounts of money were involved.

7.2 VOCABULARY SECTION

HOW IT WORKS – IN THEORY AND PRACTICE

Bascombe: Now then, I'll tell you all about how we **despatch** to customers. Every day at 5 p.m. precisely I go through the **items** that have come in from the sales departments, and I make up the lorry **loads** ready for the next day. All the **invoices** that are going to one particular area go in the same **vehicle**. Next morning, the porters receive their instructions from me and proceed to **load** the items into the **trucks**. Then the **drivers** and their **assistants** come along, and they deliver the stuff to the customers. At least, that's what's supposed to happen.

One of our problems is that we've got no **mechanical** equipment for heavy stuff. Everything has to be moved by **hand**, and the staff aren't trained for it. They're working here in a very confined **space**, and there's never enough **room** to stack everything. Proper **storage facilities** would be a big help. But the biggest help of all would be if that silly little man Landon would stop filling this **place** up with furniture all the time.

Next, packing. Small or fragile items are packed in **cartons** or **cardboard** boxes. Larger pieces, if they have to go a long way, may be **packed** in wooden **containers**.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

On 19 February I bought a bedroom suite, selecting a model from the Windsor range. The number of the invoice was 301752. I was informed that I would receive the goods by Saturday 21 February. I waited patiently until the following Wednesday 25 February, but the suite still did not arrive, so I called the sales assistant, Mr M. B. Johnson. This man promised he would give the matter his most urgent attention.

On Monday 2 March two delivery men brought a suite to my house, but it was not the model I had ordered, so I told them to take it straight back to the store. I called the Sales Manager the following day. She apologized profusely and assured me the mistake would be rectified immediately.

Her idea of time obviously differs from mine because it was over two weeks later - Friday 20 March-that a new suite was delivered. The only snag was that the delivery men managed to drop the wardrobe and smash one of its doors.

This time, I was unable to contact the Sales Manager, but I did talk to Mr Johnson. I was, as you can imagine, very angry indeed. Johnson gave me his personal guarantee that there would be a replacement wardrobe in my bedroom by the evening of Wednesday 25 March. The Transport Manager subsequently confirmed this to me.

A further two weeks have now passed, but, as you see, I am still waiting...

7.3 HOW FAR AND HOW LONG?

- 1 Warehouse number 1 to Inverness: 550 km (nearly 7 hours). Warehouse number 2 to Portsmouth: 450 km (nearly 6 hours). (These figures are very approximate and assume that all roads are straight, which of course they are not. Actual distances and times would probably be 30-50 per cent longer.)
- 2 This is difficult to estimate quickly; there are 16 stores. One method is to guess the longest and shortest distances between a warehouse and a store, and assume that the average of these two distances is roughly the same as the average of all 16 distances. This gives the following results:
 - Warehouse number 1 (550 + 75) average 312.5 km
 - Warehouse number 2 (450 + 40) average 245 km
 However, there are obviously more stores in southern and eastern England than there are in the North, Scotland and Wales. The average distance from Warehouse number 1 is therefore shorter than that suggested.
- 3 Students will make up their own minds about this question.

7.5 DISCUSSING THE OPTIONS

What are the reasons for the breakdown in Hi-Flite's storage and delivery systems?

Here are some arguments which could be used when considering the problem.

- Neither Landon nor Bascombe seems to have a clear idea of his responsibilities. Landon is probably spending too much time in the furniture department instead of organizing an efficient delivery service; Bascombe should concentrate on the storage and documentation of goods, and stop ordering around the porters and drivers.

- There is a personality clash between Landon and Bascombe. They do not like each other, so they probably do not work well together. Bascombe may resent the fact that Landon is destined for a seat on the Board while Landon may not appreciate the other man's army background. Their tendency to criticize each other when things go wrong is revealing.
- The Store Manager, Transport Manager and Loading Bay Supervisor are not doing their jobs properly. Coldstream, the Store Manager, should have known that customers were dissatisfied with the store's delivery service; Landon should not be letting lorries go out with half-full loads; Bascombe should be making sure that furniture is properly stored and can be easily located.
- The documentation system is not working.
- Lorry crews and porters are given no training. They are not well paid and are given no incentive to work efficiently.
- Labour turnover in this department is too high. The procedure for handling customer complaints needs revising. The rate of complaints is high, but no remedial action has been taken.
- The store has concentrated too much on selling and too little on satisfying the customer with an efficient after-sales service.
- The organization chart is not satisfactory. It could be redesigned in a more logical manner which students may like to discuss.

What changes should be made in the system?

There is not a simple solution to the problem. A number of factors account for the inefficient storage system and poor delivery service. To improve these, action needs to be taken. Here are some changes the store could make to remedy the situation:

- Regular weekly meetings should be held, chaired by the Store Manager, and including Kevin Landon (Transport). James Bascombe (Loading Bay) and Sheila O'Malley (Furniture). The purpose of such meetings would be to plan the smooth running of the storage and delivery operations of the store; they would help to create in members a feeling of joint responsibility for the work done in this section of the store.
- The Store Manager should ensure that Landon and Bascombe know exactly the scope and limits of their responsibilities. This should be spelled out to the two men orally and in writing. Landon's job will be to deliver goods to customers promptly and in good condition. Bascombe will be responsible for the efficient storage of furniture while it is in the Loading Bay.
- A new system of documentation needs to be devised which identifies those items of furniture which are to be delivered on a particular day.
- A Chief Porter should be appointed, whose job would be to supervise the other porters. He would report to Bascombe.
- Lorry crews should be divided into small groups of perhaps three or four. Each group would select a leader who would report directly to the Transport Manager.
- The organization chart should be changed. Bascombe would be given the additional responsibility of organizing the porters; Landon would concentrate his energies on running the delivery service.
- The pay and working conditions of porters and lorry crews must be carefully reviewed. Consideration must be given to setting up a training scheme for these employees. If necessary, the Store Manager will have to request Head Office to authorize a pay increase for them, and to provide funds for their training.

7.7 BUSINESS IDIOMS

- 1 **No love lost between...** — they don't like each other.
They hate each other's guts — dislike each other intensely.
- 2 **Watch him like a hawk** — watch very carefully.
Always on the fiddle — always getting money by dishonest means.
- 3 **To be Jack-of-all-trades** — to be someone who's able to do a number of different jobs.
- 4 **(Works) like blazes** — works as hard as possible.
Pulls her weight — works to her full capacity.
- 5 **Hard-and-fast rule** — a rule that has been prescribed or laid down and which must be observed
- 6 **Hard core** — small, but united and determined group.
Hangers-on — people who work too little or just pretend they do their job.
- 7 **On the spur of the moment** — without thinking, spontaneously.
- 8 **(There's) been a run on that** — people have suddenly begun to buy the item in large quantity.
- 9 **Up to my eyes (in work)** — very busy indeed.
- 10 **Got it for a song** — bought it very cheaply.
Fell off the back of a lorry — it was probably stolen.

UNIT 8 BARNWOOD

8.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers.

- 1 With a product like this, every market requires a different approach. Barnwood cannot afford serious mistakes. As technological innovators, they need to be in close touch with their customers, each side learning from the other.
- 2 Toothpaste is sold in a mass market, to people with no specialist requirements; choice of brands results from effective, repetitive advertising in mass media. Laboratory glassware is sold in a highly specialized market; customers are fairly easy to identify but much harder to please.
- 3 The fact that:
 - a the company had received one large order and might expect others;
 - b Tom Price had no first-hand knowledge of the area.
- 4 The building up of a balanced, diversified economy which will be able to exist, if necessary, without oil revenues.
- 5 'The plan provides for the setting up of a government fund to stimulate the development of private industry,' and for 'massive investment in scientific and technical education at colleges and universities.'
- 6 Social (possibly political) upheaval as new wealth erodes old ideas and attitudes; economic difficulties if development is not effectively guided; waste and pollution; supply bottlenecks.
- 7 Presumably, personal ability and determination as well as family background. She admits to 'political ambitions' and is almost certainly more interested in power than in money.
- 8 Presumably because he has been successful in promoting the business interests of the Sultanate.
- 9 Al Jabri: £125,000 and £625,000. Bannerman: £50,000 and £250,000. However, his retainer of £30,000 would have to be added to these figures.
- 10 Most probably business influence or advancement in his political career for having promoted the economic development of the Sultanate.

8.2 VOCABULARY SECTION

OVERCOMING THE PROBLEMS OF AFFLUENCE

Al Khalif: For an economy like ours, sudden economic **growth** brings problems, but it also brings great **opportunities**. True, there's always the **risk** of a **slump** in oil **prices** on the world market. That hasn't happened yet. Of course, a too rapid **influx** of **wealth** can lead to **inflation**. But so far we've avoided that.

We're using our money to **develop** the **infrastructure** of the country's **economy**. We want to build up its essential **services**, so that when the oil runs out we shall have all the **facilities** we need to survive as a fully **developed** state.

Meanwhile, we appreciate the **amenities** of living in a very **wealthy** society: the **consumer goods** in the shops, the **opportunities** for education and travel, the **status** that we enjoy among other oil-**producing** countries.

Our **credit** is good, so we can easily **raise** the **capital** we need for **development projects**, and we know we can **service** these **loans** out of our future oil **revenues**.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

To: **exports@barnwood.co.uk**

Subject: *Consular invoice needed*

As I've just learned from Frank Bannerman, our consignment to Codorah is been delayed by the customs as we didn't provide the consular invoice.

Please send the consular invoice ASAP bearing in mind the following

- 1** Show consignee as 'Frank Bannerman' not 'Codorah' only.
- 2** Under 'Quantity' write 'cases', not 'crates'.
- 3** Under 'units' out 'pieces', not 'items'.
- 4** Show prices in US\$ with sterling equivalent underneath.
- 5** Have the invoice checked and countersigned by London Chamber of Commerce.

Regards

*Tom Price,
Managing Director
Tom.Price@barnwood.co.uk*

8.4 FINANCIAL ANALYSIS

DESK RESEARCH

In this case, there is little to add to the instructions given in the Students' Book. It is helpful to sketch a few rough graphs based on the 'Value' data - these will remind you which markets are expanding, which are contracting and which fluctuating.

Changes in value per unit can be roughly compared by looking at figures for 2006-1007 in both parts of the table (e.g. sales value in Bahrain rose from 380 to 470, i.e. by slightly less than 24 per cent; but the number of units sold rose from 500 to 750, exactly 50 per cent. Therefore, the value per unit must have dropped sharply).

To compare unit values between different markets, division is necessary; thus, in 2007, each unit sold in Kuwait costs about \$905 (\$1,900,000 divided by 2,100), while in Iran it costs about \$523 (\$1,150,000 divided by 2,200).

8.5 DISCUSSING THE OPTIONS

Here are some suggested arguments for and against each course of action.

1 Sell 'on consignment' through Mrs Al Jabri.

ADVANTAGES

Little knowledge of the market required; documentation and banking arrangements simplified. Al Jabri Trading Co. has many interests and offers chance of diversification later. Mrs Al Jabri 'thinks big' and has ambitious plans.

DISADVANTAGES

Al Jabri does not offer exclusive agency and would not be deeply committed to Barnwood. Barnwood would gain little real knowledge of the Middle East market as a whole, or its potential. Mrs Al Jabri's remark about 'patience' raises doubts about her request for a large immediate consignment.

2 Sell through Frank Bannerman

ADVANTAGES

Barnwood, with no knowledge of the Middle East, might find it easier to deal with an American. Bannerman, as an honorary citizen, would be a very useful contact. Though he talks of 'big contracts', his commission is very low; he is obviously keen to help Barnwood set up its own sales office.

DISADVANTAGES

Low commission and relatively high retainer fee suggest Bannerman might lose interest if big contracts were not found quickly. Reliance on an individual, rather than a company, could be dangerous especially in case of political changes.

3 Sell through the Junior Assistant

ADVANTAGES

Barnwood would be very close to the market and well able to gain first-hand knowledge. The Junior Assistant can give valuable help with paperwork and bank guarantees: major problems for many exporters to the Middle East. His own contacts appear to be as good as those of Al Jabri or Bannerman.

DISADVANTAGES

The Junior Assistant is relatively low in the hierarchy and inexperienced (though Price was quite impressed by him); how far can his judgement be trusted? Barnwood would have to do all the hard work of marketing: advertising, negotiating, collecting payment, etc.

8.7 BUSINESS IDIOMS

- 1 **A fast talker** — someone who's trying to impress with a rapid sequence of facts and promises, probably not reliable.
Shooting a line — telling lies or half-truth in order to impress.
- 2 **Chatting up** — talking pleasantly about unimportant matters in order to win somebody's trust or help.
Pull some strings — use influence or personal contacts in order to get what you want.
- 3 **Knows the ropes** — knows how the system works, how to exploit it.
Hit it off together — be friendly; be able to work together easily.
A silent partner — one who invests capital in a firm, but takes no part in managing or running it
A share of the action — some of the responsibility for managing the firm, carrying out the project, etc.
- 4 **Plugging** — promoting, selling, usually by advertising.
Pulled out — abandoned the project
Caught on — became fashionable.
Come to a showdown — reach a crisis, leading to more or less violent action.
Credit squeeze — situation in which banks are reluctant to lend money (usually as a result of government decision).
Real setback — a serious delay in our plans.
- 5 **Putting the cart before the horse** — doing things in the wrong order.
- 6 **To have the knack** — have the ability to do something well, apparently without much effort.
- 7 **Take this with a pinch of a salt** — be very reluctant to believe that.
Skimmed through — read it very quickly, taking in only the most important points.
Red tape — confusing or frustrating bureaucracy.

UNIT 9 EASY-GO

9.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 They sent Merton to set up a franchise network - an organization of independent retail traders who would sell only Easy Go products. Bob Pickup's e-mail to Porter confirms that Merton was thought to have the right qualifications, background and qualities for the job.
- 2 He told the court that he had been working too hard and that he was worried by problems in his family.
- 3 His offence was not very serious, provided it did not occur more than once. A suspended sentence is a warning to the offender. If he breaks the law again, he may be punished for both offences.
- 4 The suspended sentence is a deterrent for Merton, but it is also a source of anxiety for Easy Go. If Merton really is unbalanced, he is likely to get into trouble again. Then he will go to jail, and Easy Go's work and reputation in Southeast Asia will suffer accordingly.
- 5 He does not immediately recall or dismiss Merton, though recall is 'the obvious answer'. He consults Pickup and is prepared to look at a number of ways of dealing with the problem. He also admits that Bill does give a lot of time to the company.
- 6 By making as little fuss as possible, he keeps his options open. If he made a fuss and showed that he considered the incident serious, he would be almost bound to sack Merton. The fewer people who know about the incident in Kuantan, the better for the firm and its reputation.
- 7 Pickup's attitude to Merton changes after he receives Merton's letter: 'He seems to be accusing us...' He says Merton is doing 'a tough and wearing job'.
- 8 The letter appears honest and sincere. The complaints of lack of support are serious and must be investigated. The tone of the letter may be unhappy, but it is not self-pitying and does not suggest acute depression, anxiety or breakdown.
- 9 Weakness of character ('It's full of self-pity'); excessive sensitivity or unpleasant personal qualities; lack of support from Head Office; lack of commitment to franchising; personal problems (including heavy drinking), because of disagreements with his wife and her extravagance.
- 10 He feels this is not the best way of selling Easy Go products, and would prefer to see a subsidiary sales company set up in Malaysia.

9.2 VOCABULARY SECTION

THE MEN WHO SELL EASY GO

You see, my job in Malaysia is to set up a **franchise network** for Easy Go outboards. Each **franchisee** will be an independent trader. He'll be in **business** on his own **account**, so he'll really have a **stake** in the company's success. He'll be **promoting** our products with our help. In return, he won't **handle** any other make of outboard motor. It's an **exclusive** agreement.

Naturally, I won't take just anybody. I've got to have dealers who are financially **sound**. And there are personal **qualities**. **Reliability, initiative**, good business sense: that's what I look for.

We demand a capital **investment** on their **part**, too. They can pay it all at once in an **lump sum** or by **installments**, so much a month, out of **income**. That's an added incentive to make profits! They can **fix** their own prices, so they really **stand** to make a great deal if they work hard.

But profits won't be **immediate**, I can tell you. It will take a year or two for Easy Go to become **established** in the Malaysian market. That's why we insist on a three-year agreement **initially**. It protects us as well as them.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

Personnel Manager: There's no doubt whatever in my mind that we've got a first-rate man here. He's mature, still young, but he's had very wide experience; he's held responsible positions in two companies; he's highly educated, a good linguist, a man with a lot of interests. Got his Yachtmaster's Certificate and he speaks fluent Malay and Thai. In the five years since he's been with us, he's gone up the ladder pretty fast. We tried him out as Area Manager in Bangkok; six months later it was confirmed. The year after that he was Assistant Regional Sales Manager, promoted to Regional Sales Manager after only twelve months. It's an impressive record; I think we must all agree.

Development Manager: Well, I'm not sure I can go along with you. If we look at this man's career in a little more detail, we find that he left school at the first possible moment, wandered from one dead-end job to another, and finished up getting an HND, which doesn't exactly make him highly educated. In 2002, he walked out of the first decent job he ever had and apparently set up in some sort of business of his own, which evidently flopped because ten months later he left England for good. Had his reasons, I daresay. As for his wide interests, if you ask me he likes to dabble in whatever he thinks is the latest fashion; shadow plays, photography, Zen Buddhism - what's all this got to do with selling outboard motors? All right - so he's done well with Easy Go - but in my opinion that's because his talents have been sadly overrated.

9.4 FINANCIAL ANALYSIS

CLAIMING EXPENSES

These headings are likely to appear, possibly with variations:

- **Travel:** air fares, rail fares; petrol or car mileage (with deductions for private use of company car); car repairs; car hire
- **Accommodation:** hotels, meals
- **Entertainment:** giving name(s) of people entertained and firms represented
- Postage and telephone calls
- Miscellaneous expenses

Expenses may need to be classified also according to the means by which payment was made: cash, company credit card, personal credit card (in separate columns). But the form must not become so complex that it becomes difficult to fill in or to read. It should collect the minimum quantity of information required for a specific, clearly defined purpose.

9.5 DISCUSSING THE OPTIONS

DISCUSSING BILL'S FUTURE

Here are some arguments for and against the courses of action mentioned by Jason Porter and Bob Pickup.

1 Ask for Merton's resignation

ADVANTAGES

Merton's departure would remove not only the problem but also the need to analyze or understand it.

DISADVANTAGES

A replacement would have to be found, trained and sent to Malaysia. Time and money invested in Merton's work would be lost.

2 Give Merton three months' sick leave**ADVANTAGES**

Merton would, if all went well, go back to work fit and well balanced. He would have no further excuse for misbehavior or dereliction of duty. The incident in Kuantan would blow over and be forgotten.

DISADVANTAGES

The development of the Malaysian franchises would be delayed. Merton's work would lose impetus; his contacts might forget him altogether. There is no guarantee that sick leave would help his financial and marital problems.

3 Allocate funds and personnel to support Merton**ADVANTAGES**

Less reliance would have to be placed on Merton as an individual, and more reliable market information might be obtained. The market might be developed more quickly by a team than by one man.

DISADVANTAGES

Expensive. Difficult to know what kind of support, and how much, to send. Danger of making organization unnecessarily complex.

4 Recall and replace Merton**ADVANTAGES**

His ability and experience would not be lost to the company. He would be under close supervision at Head Office and a final decision about his future could be postponed.

DISADVANTAGES

see point 1 above

5 Abandon franchising; set up sales subsidiary**ADVANTAGES**

Much closer control over development of market. Merton would be personally committed to success of scheme since he suggested it

DISADVANTAGES

Loss of time and money spent so far, and of much goodwill. Easy Go would be more heavily committed to the marketing operation than it is now. Capital investment would be greater. The company itself, and not just its agents, would be affected by Malaysian company law.

9.7 BUSINESS IDIOMS

- 1 A high flier** — a successful employee, likely to be rapidly promoted.
(He's) in the running (for the top marketing job) — He has a good chance of being selected.
- 2 A square peg in a round hole** — a person who is in the wrong sort of job for his (or her) talents, interests or inclination.
- 3 Level-headed** — sensible, well-balanced.
Reading between the lines — considering not only what was expressed, but also what was suggested or implied, perhaps unconsciously.
- 4 To short-change** — to give too little change, possibly deliberately.
I gave him a piece of my mind — spoke to him angrily; complained vigorously.
- 5 You won't be out of pocket** — won't find it necessary to pay with your own money.
- 6 Running up (bills)** — buying more and more things without paying for them.
(She) walked out on me — left me suddenly, angrily and finally.
- 7 Goes against the grain** — all my feelings and instincts are against this course of action.
- 8 Get a foot in the door (there)** — get established in this market, even if only in a small way.
We'll be laughing — our prospects will be excellent.
- 9 No strings attached** — there are no hidden obligations or commitments involved.
- 10 Burning the candle at both ends** — trying to do too much in work or play, or both.

UNIT 10 MACQUILTER

10.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 Golfers are fashion-conscious and fashions may vary from country to country. Sales may depend on the personal recommendation or sponsorship of leading players. Extensive advertising may be necessary to make golfers aware of products and brand names.
- 2 From advertisements in golfing magazines or sports shops; from friends, professionals or instructors; from seeing brand names on gold equipment.
- 3 He knows it is 'the second biggest market in the world' for gold equipment. At the moment, markets outside Europe and North America account for only 14 per cent of Macquilter's sales. These markets are an obvious growth area which he wants to exploit.
- 4 So far the company has worked through an agent who 'concentrates too much on department stores' and has achieved little success. Macquilter needs to sell much more aggressively.
- 5 Young appreciates the importance of the professional player's contacts and the influence his recommendation will have.
- 6 To buy clubs for the coming season – but also to interest Young in his proposal that he should act as Macquilter's agent.
- 7 Being a professional golfer, he is unlikely to concentrate on anything but the game at this moment. He may be a little distracted, however, by the thought that this is the best time to talk to Young about his future.
- 8 Young is a personal friend of Hiroshi Kato and obviously feels he can trust him. Boyers (Marketing) is anxious to make the greatest possible impact on the Japanese market and regards Hashimoto as a thoroughly expert marketing man. Weiss (Finance) probably feels that franchising will give Macquilter maximum control over expenditure. Unlike the other two, he has no special contact in Japan who he feels should control the operation.
- 9 Hashimoto wants to know that he can plan a year ahead without having to worry about manufacturer's price increases.
- 10 Franchisees put their own capital into their business and have some freedom to fix their own prices. They pay for use of Macquilter's name and pay a royalty on sales; in return they get advice, credit facilities, and the support of a national advertising campaign.

10.2 VOCABULARY SECTION

AN UP-MARKET GAME

Frank Boyers, Head of Marketing in Macquilter, is talking to a young Product Executive who has just joined the firm. It is an informal chat, as they drive along the freeway to the office.

Boyers: We haven't yet discovered how to achieve satisfactory **market penetration** in Japan. We have complete **confidence** in our **product range**, and we know that there's growing **demand** over there for **high-quality** golf equipment.

Only the other day, a leading **sports goods** manufacturer in Tokyo **approached** us with a proposal to make Macquilter products under **licence**. He said he wanted to market a **prestige** range: that's what he called it. We weren't able to **reach agreement** with him because we couldn't get any **guarantee** that his stuff would be up to **standard**. We can't afford to have our name associated with anything that looks **cheap**.

Golfers are very **fashion**-conscious. They want gear that's **stylish** as well as being well made. For businessmen, especially, it's a **popular** pastime that can enhance an executive's **status**.

One customer of ours wanted a really **deluxe** west of clubs: gold-plated shafts, no less! The way he hit the ball wasn't quite so **impressive**, though.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answers given below are suggestions.

- 1 The performance of our retail stores division was particularly impressive. It achieved a pre-tax profit of 15bln yen.
- 2 Those of our branches that did not match up to our standards of profitability have been disposed of. Nevertheless, we continue to seek worthwhile opportunities for investment in retail outlets.
- 3 Sales of clothing have maintained their upward trend and vigorous promotion overseas has resulted in an outstandingly successful year of exports.
- 4 The introduction of synthetic foodstuffs during the year met with an encouraging response from the market.

CAN HE DO IT?

Obviously some of Boyers' activities will have to be curtailed – starting, almost certainly, with his last day's skiing. The Trade Fair does not open until his last full day (Wednesday). Unnecessary travelling must of course be avoided. The table below gives a general guide to the possible organization of his activities.

Sunday 8 November	
18.00	arrive Tokyo
Monday 9 November	
morning	to Osaka, meet agent
afternoon	to Fukuoka, dinner with supplier. Overnight stay
Tuesday 10 November	
morning	to Tokyo, meetings
19.00	Meeting and night-club visit
Wednesday 11 November	
morning	to Sapporo, visits
afternoon	to Tokyo
Evening	Trade Fair
Thursday 12 November	
07.35	to Osaka
11.30	Meeting in Osaka
19.30	Depart Tokyo

It will be a fairly hectic week, but the movements shown above will fit in quite well with airline schedules. Remember to allow travelling time to the airport and waiting time.

10.5 DISCUSSING THE OPTIONS

Here are some arguments that may be used for and against each course of action.

1 Make a deal with Hiroshi Kato.

ADVANTAGES:

Kato's fame as a golfer will certainly influence many Japanese players. Kato knows what he wants to do and how to do it. He is highly motivated, and there is a good relationship between him and Young. He wants to fix manufacturers' licensing agreements as well as sell golf clubs.

DISADVANTAGES:

Doing business with friends is not always satisfactory. Kato may have good ideas and intentions, but he lacks experience and training. His demands for commission, expenses etc. are perhaps rather high.

2 Negotiate with Toshi Hashimoto.

ADVANTAGES:

Hashimoto is an experienced salesman and entrepreneur. He knows the market and how to get results. He can handle Macquilter's full range of products and interests. Macquilter would remain free to sell through other channels as well.

DISADVANTAGES:

He will not be fully committed to Macquilter.; his own products, and other manufacturers', are likely to compete. He obviously intends to do business on his own terms, which may get tougher as time goes on. Macquilter will have little or no control over his methods.

3 Set up a franchise operation

ADVANTAGES:

Macquilter would keep control of the marketing operation. Franchisees would be strongly motivated to sell – their profits would depend on it. There is said to be plenty of demand for franchises.

DISADVANTAGES:

The operation would have to be set up and run by someone with a thorough knowledge of local conditions. Constant supervision would be required. Initial investment and running costs could be high. Macquilter could not sell through any other channel.

10.7 BUSINESS IDIOMS

- 1 **Sounded out (a number of firms)** — made preliminary enquiries with a number of firms.
- 2 **You can bet your bottom dollar** — you can be absolutely sure.
- 3 **The Hole-in-one Club** — a club which is open only to golfers who have hit the ball into the hole in one stroke — which requires great skill or remarkable luck, or both.
Put you one up on your opponents — to get an advantage over somebody, to have a sense of superiority.
- 4 **Over the hill** — too old.
- 5 **It's back to square one** — I will have to start all over again.
- 6 **You're loosing your touch** — you're loosing the instinctive skill you used to have.
- 7 **It's all over, bar the shouting** — something is nearly over and the result is certain.
- 8 **The sky's the limit** — there is no limit to what can be achieved.
- 9 **To go for broke** — risk everything in the hope of a really big return on investment.
Get it on the ground floor — get associated with the project right at the beginning before it becomes a success.
- 10 **It's a foregone conclusion!** — a conclusion about which everyone is already certain.

UNIT 11 TANSKIN

11.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 'The quality is high and we know your delivery dates can be relied on.' Prices are kept as low as possible (profits are cut). Presumably some Swiss customers must find the design of some Tanskin products attractive, otherwise they would not buy them at all.
- 2 Sales have risen 70 per cent in the past year and turnover is nearly £750,000.
- 3 Duthli says the company ought to be doing far better - and must do better if it does not want to be pushed out of the market altogether. (Duthli's words are not, of course, sufficient by themselves to make Sanderson seriously worried. Sanderson must already be aware that Tanskin's performance is not yet good enough.)
- 4 He knows that 'a real breakthrough' - a big expansion of overseas sales - is what Tanskin must aim for. Even Duthli does not doubt that the market potential is there, if only Tanskin can exploit it.
- 5 Blunt wants to seem to be fair to Round and not 'criticize anyone behind his back'. The arrival of a highly qualified whizz kid in a post that is equal in status to his own could threaten Blunt's prestige in the firm. The remark about a high salary is probably just an excuse for not showing enthusiasm.
- 6 Round considers that Tanskin has not been exporting to Switzerland long enough to expect high profits; prices must be kept low, export sales must be built up gradually.
- 7 They appear to dislike or distrust him. He also appears to be defensive about his activities.
- 8 He can see his own authority being reduced. If he already feels insecure, such an appointment may appear as a personal threat.
- 9 He is afraid that the other senior executives will make some irrevocable decision while he is away. If his suggestion is accepted, he hopes to be Head of the Department and in a stronger position to meet criticism from his colleagues.
- 10 The root of Tanskin's problem can hardly be in Switzerland, because there is no part of the firm's organization in that country. The trouble must lie in Manchester - though whether it can be blamed on any person or factor is doubtful. The real fault may be the management's attitude to export markets.

11.2 VOCABULARY SECTION

SHOOTING DOWN ARTHUR ROUND'S PROPOSAL

Holroyd: I'm afraid Arthur is a bit of an empire-builder.

Blunt: Mm. His idea of an Export **Department** is quite a good one, if we can make it **cost-effective**. It could have a dramatic **impact** on the **profitability** of our export operations.

Holroyd: Maybe. But it would involve a big **outlay**; it would be a serious **drain** on our **resources**, at least during the first year or two of **operation**. It would need a **staff** of at least three people, and probably we'd have to set up a permanent sales **force** overseas.

To get the thing off the ground this year, we'd have to **allocate** money that's already been earmarked for other departmental **budgets**. I really don't think they can **spare** it.

Blunt: But the new department would start to **contribute** to our **revenue** more or less immediately. I don't see why it shouldn't **break even** in two or three years.

Holroyd: It would make us short of **cash** and cash **flow** problems are what every accountant dreads. We must maintain sufficient **liquidity** in the firm to keep us out of trouble if our **creditors** suddenly ask us to settle all our **debts**. No, no, it's just not on. The **expenditure** would be out of proportion to the **benefits**. We can't **afford** to make mistakes on such a scale.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

I'm very sorry, but he doesn't think that group pension scheme is very suitable for us. You designed it, apparently, for firms that have a lot of workers, but the trouble is, we have fewer and fewer of them these days. You see, our company is becoming highly mechanized, so we're cutting down on labour. We're not actually getting rid of people; we're relying on natural wastage.

Another point Mr Holyroyd asked me to mention was that most of our workers are getting on in years. It just wouldn't pay us to increase their pension rights. Quite honestly, the cost of the premiums would be a tremendous drain upon our resources.

As for our part-time workers, they obviously aren't eligible for pensions. There's not a company in sight who are that generous to part-timers. That leaves us with workers who are injured in industrial accidents. Well, you already cover us for that, don't you?

So, I'm afraid that scheme you proposed just won't do for us. It's a pity, but there you are. Anyway, Mr Holroyd obviously thought the lunch was very useful and he hopes to meet you again very soon. Oh yes, one other thing, he kept his fingers crossed for your daughter; he's sure she did well in the exam.

11.4 FINANCIAL ANALYSIS

AN INCENTIVE FOR THE SALES FORCE

There is certainly no right answer here - and we are not going to prejudice the outcome of the contest by suggesting who the chief contestants are.

11.5 DISCUSSING THE OPTIONS

Here are some suggested arguments for and against each course of action.

1 A new Export Manager with design qualifications and export experience

ADVANTAGES

An excuse to get rid of Arthur Round, who seems to be unpopular. Little or no reorganization needed. Poor design is said to be the reason for poor export performance.

DISADVANTAGES

If Round is really a bad Export Manager, all that is needed is to replace him; design qualifications are irrelevant. But if Round is a good manager, the firm doesn't want to lose him. It may, in any case, be difficult to get rid of him. An Export Manager who is also a designer may be hard to find and will demand a higher salary, which may make it necessary to increase other managers' salaries also.

2 An agent in Switzerland

ADVANTAGES

A simple, low-cost solution. The agent will know the market and will be on the spot all the time - a major consideration in a market where taste and fashion are decisive.

DISADVANTAGES

Tanskin obviously have no experience of using agents; even Holroyd is not enthusiastic. The action that he suggests would mean a retreat by Tanskin from the Swiss market and an admission that they couldn't handle it themselves. Whatever an agent might achieve in Switzerland, other export markets would be no better off than they are now.

3 An Export Salesman, located in Switzerland

ADVANTAGES

This person would do all that an agent would do, but would be totally committed to Tanskin; the prospect of heading the European sales subsidiary would be a real incentive. Head Office organization would be unchanged (the Salesman would report to Round).

DISADVANTAGES

Recruitment and training of foreign staff, as well as conditions of work and Swiss labour regulations, might involve a lot of work in unfamiliar areas. One salesman would be quite inadequate, even in Switzerland, if Tanskin came anywhere near achieving its export growth targets. But there would be no contribution to exports outside Switzerland.

4 An Export Department at Head Office

ADVANTAGES

A really 'new look' for Tanskin's export marketing; sign of a long-overdue determination to take exporting seriously. The only course of action that would achieve anything outside Switzerland. It would allow overseas sales to expand rapidly and efficiently, maintaining Tanskin's record of prompt delivery. No serious organizational problems, once the Department was established.

DISADVANTAGES

There might be organizational and personnel shake-ups (would Round be the Head of the new Department?) The Department would be expensive and might not achieve the hoped-for results - a pilot scheme in, or for, Switzerland only might be preferable. Other managers may think (perhaps rightly?) that Round is just an 'empire builder' trying to strengthen his position and gain prestige.

11.7 BUSINESS IDIOMS

- 1 **Put it in a nutshell** — to tell the story as briefly as possible.
- Under a bit of a cloud** — some sort of trouble; under reproach or suspicion.
- 2 **Stick to your guns** — persist in what you believe to be right.
- 3 **Corner the market** — obtain a virtual monopoly.
- 4 **The hard sell** — promoting goods by using a tough, confident tone in advertising; the soft sell uses a gentle, low-key approach. The hard sell — commands the customer to buy, the soft sell suggests that he should.
Flopped — was a complete failure.
- 5 **I've got enough on my plate** — I've got enough things to do or to worry about.
- 6 **Window-dressing** — making the front or public areas of the firm's premises look as elegant and impressive as possible.
- 7 **It fell through** — the plan was abandoned.
- 8 **Racking my brains** — forcing (literally, torturing) my brain to think harder or to try to find an idea.
- 9 **Getting people's backs up** — irritate and annoy people.
Throwing his weight around — exercising his authority; telling everyone what to do.
Throwing his weight around — he's trying to make people implement his unreasonable decisions using his position.
- 10 **A job lot** — a collection of miscellaneous unsold goods, offered cheaply to anyone who will buy all of them.

UNIT 12 BLICK CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 The parent company or holding company – Blick Corporation (USA).
- 2 Indigenization is the process by which the citizens of a country (e.g. Bakumba) gain ownership of all or part of a foreign company's shares or assets in their country. Nationalization is the process by which the state takes over the ownership of any industrial or commercial organization, whether its original owners were foreign or not.
- 3 We don't know for certain. Hanna Mrozekova says the results will be to develop a wealthy new middle class, but this may not be the Government's conscious purpose. The ostensible reason for the decree is probably a wish to undermine foreign dominance of the Bakumban economy.
- 4 The decrees governing the issue of labour permits to foreigners. This could lead to the departure of some expatriate managers, regardless of indigenization. This might make Blik Corporation even more determined not to accept indigenization, or Blik might use the management takeover as a bargaining counter in negotiations over the sales of shares.
- 5 They fear that the formula of their basic syrup will become known.
- 6 Conditions and profits (which are not too bad even now) may well improve. The market is certainly going to expand as the country develops.
- 7 The Bakumban Issues Commission has consistently undervalued the shares of foreign companies.
- 8 Mrozekova is an expert on the Bakumban economy and the question of indigenization needs to be studied in its economic context.
- 9 She doesn't commit herself, but her e-mail implies that Blik should give way to the Government, because indigenization is (a) inevitable ('within the historical logic of transferring power...') and (b) limited in its effects ('we are not seeing "creeping nationalization"...').
- 10 It provides 4,000 jobs in high-unemployment areas. It contributes substantially to Bakumban government revenues in taxes and loan interest. It brings foreign currency into the country. Its training programme for local managers is well under way, but far from complete. Its presence benefits Bakumba, but if it is to stay the company must continue to be competitive; therefore it must keep the secret of the formula and must be wholly American-owned.

12.2 VOCABULARY SECTION

'Shareholders' funds': well, that means all the money that the shareholders have **invested** in the **business**, whether it's in **ordinary** shares or in **profits** that have been **retained** by the firm. Such profits are usually called **reserves**.

The reason that shareholders' funds are down this year is that we paid an exceptionally high **dividend** to our **ordinary shareholders**. As you can see, **profits** were right down from 22 million to under 8 million. It's true that we paid rather less **interest** this year on our **borrowings**, but that was because interest **rates** fell.

We actually increased the total **amount** of our funded debt: that means long-**term** debts which are regarded as permanent **borrowings** and listed among the **liabilities** of the company. Admittedly the last twelve months has been an unusual **period**, and some of these **figures** are a bit artificial. We've recently **invested** a **substantial sum** of money in new plant. So far we've had no **return** on our **invested capital**.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

He pointed out, first, that Blik provided a great deal of employment in Bakumba, so if it withdrew from the area, this would have a serious effect on the country's economy. Furthermore, although Blik is taking advantage of the low wage rates in this country, it pays its employees adequately and gives them certain benefits such as subsidized housing.

He doubted whether the Bakumban Government was keen to nationalize Blik's facilities – for example, its bottling plants – and set up a new corporation. The Government had too many other important projects to deal with.

Secondly, my contact referred to other ways in which Blik was benefiting the Bakumban economy; for instance, it was paying taxes and earning large amounts of foreign currency. The local authorities, in particular, would object strongly if they lost several million dollars as a result of Blik pulling out of the country,

My informant thinks it more than likely the Government would not rigorously enforce its new ruling. If it came to a showdown, it would compromise rather than force the Corporation to leave Bakumba.

12.4 FINANCIAL ANALYSIS

A BALANCE SHEET – A DISCOURAGING PICTURE?

The top half of the panel contains a summarized Profit and Loss Account for 2007. Gross profit has fallen to a little over one-third of 2006 figure; unfortunately we have no figure for turnover in 2005. Revenue from licensing agreements (with other companies who pay for the privilege of using Blik's name or processes) is down, and income from investments has dropped almost to zero. Earnings per share are also down, but not as much as one would expect in view of the decline in profits. This fact, coupled with the fall in Shareholders' Funds (i.e. share capital plus reserves) makes one suspect that the capital structure of the company has been drastically altered in the past year, possibly by reducing the number of ordinary shares and increasing the company's reliance on loans; the funded debt has increased by almost 20 per cent. The company has thus become much more highly geared than it was a year ago; that is, the ratio of loan capital to ordinary shares has increased. Given Blik's generally disappointing performance, this must make the ordinary shares unattractive to investors. It may well be, of course, that the result have been deliberately presented in the worst possible light, to discourage indigenization or make it less effective.

12.5 DISCUSSING THE OPTIONS

Many of the advantages, and sometimes the disadvantages, of the proposed courses of action are stated in the Casebook. Only additional ones are mentioned here.

1 Blik should pull out of Bakumba

ADVANTAGES

This might strengthen Blik's hand if it is threatened with indigenization in other countries (assuming that other governments do not want foreign companies to disappear altogether).

DISADVANTAGES

Loss of substantial capital investments and growing market in a developing country. Little prospect of compensation from the Bakumban Government. Bad for morale of Blik managers in similar situations elsewhere.

2 Blik should cooperate with the Government

ADVANTAGES

A realistic policy – ‘bowing to the inevitable’. It offers a faint hope that Blik’s managers may be given some say in the process of indigenization.

DISADVANTAGES

It is questionable whether cooperation will in fact foster goodwill. Apparent weakness on Blik’s part, together with low share valuations by BIC, could leave lasting bitterness.

3 Blik should resist the Government demands

ADVANTAGES

Some concessions would probably be won, if only a delay in the sales of shares. Blik would not only improve its own position, but that of other foreign companies.

DISADVANTAGES

Blik is not big enough to beat the Government, and may ultimately weaken its own position if it tries to bluff its way out of trouble or to fight.

12.7 BUSINESS IDIOMS

- 1 **How do you want me to play it?** — What do you expect me to say or do?
So, you’ll have to play it by ear. — You will have to decide what to do or say only when the moment for it arrives; don’t make any plans.
- 2 **A blue-chip investment** — a highly profitable investment – therefore, a company whose shares fetch a high price.
- 3 **You needn’t spell it out.** — to explain in detail what it means.
- 4 **Come on stream** — started production.
Down the drain — wasted
- 5 **A going concern** — a business which is fully active and running normally.
- 6 **(By) rule of thumb** — by approximate calculation and guesswork.
- 7 **That’s your pigeon** — that’s your business or affair.
I’m hoping to steer clear of — to avoid
- 8 **A heart-to-heart talk** — to talk honestly and sincerely.
Fobbed off — put off with false excuses or promises.
- 9 **I’ll take a raincheck on** — I may accept the invitation another time, but not now.

UNIT 13 CARBONIDE

13.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 His factory had been polluting their residential area with soot (or carbon black, which is similar) for the past three years.
- 2 (a) Black smoke (b) carbon dust (c) heavy lorries in narrow streets (d) lead compounds in the atmosphere, possibly accumulating and reaching dangerous levels in vegetation, animals and human beings.
- 3 She wants to become a Member of Parliament. The campaign she is leading against Dolnovo Chemicals will help make her a well-known public figure,
- 4 It provides 500 jobs, thereby supporting many families and indirectly helping many other local businesses to prosper. It pays rates (i.e. local property taxes) to the local government authority.
- 5 He likes the town and works hard to help keep it going as a lively, active community.
- 6 Carbonide prefers to isolate its managers – to keep them out of local politics, prevent them forming too strong an attachment to an area or becoming locally too well known. This helps the Corporation to avoid unwelcome publicity. Lars, from this point of view, has not been too successful.
- 7 The factory was built on a railway line which has since been removed; goods therefore are transported by road. The prevailing wind blows smoke and dust across the residential part of the town.
- 8 To ask for his advice; his problems arise from Dolnovo Chemicals' relations with the public. Regardless of what other actions he takes, Laurensen must reassure the people in the town.
- 9 He believes that people in Dolnovo, who have up to now been apathetic or silent, will realize that a minority interest (the Action Committee) is threatening the jobs of many workers. These people will then turn against the Action Committee.
- 10 They want to hear (a) that there will be much less smoke, fewer lorries, and no more lead in the atmosphere; and (b) that no jobs are going to be lost. There is no authority that could make both these statements entirely credible, but Lars Laurensen's word is likely to carry more weight than anyone else's.

13.2 VOCABULARY SECTION

Mrs. Radovanska: When I was a little girl, you could catch fish in the river here. But the **waste** from the chemical factory has **contaminated** the water and killed all the fish. My dad grew beautiful lettuces, but nowadays some of the **fumes** from the factory are so **poisonous** that we're frightened there may be a risk of brain damage to our children.

The old steelworks were dirty, but it was plain natural dirt, not like this, ruining the countryside and filling people with **noxious** chemicals.

Barnum: We must convince people that caring for the **environment** is a top priority with Carbonide. They have an excellent record worldwide as a company caring for **conservation** of natural resources, and they're keen to promote their image as a responsible and public-spirited company.

I'm sorry to say that there are certain **public groups** who seek to undermine public faith in Carbonide's good intentions. We've just issued a press release about the work that Dolnovo Chemicals is doing to keep the **emissions** from its factory within acceptable limits. It's natural that the public should have strong feeling about any **threat** to their safety, but believe me, their fears in this case are completely groundless.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The version given below is a suggestion.

They talk ceaselessly about the 1,000 or so jobs they've created for men and women living in this area.

They tell us that their money has inspired in people a new faith in the future, and a spirit of togetherness. They boast of the financial support they've provided for organizations like choral societies, football and basketball teams, schools and the Leisure Centre.

But somehow, perhaps because they've got so many other things on their mind, they've forgotten to mention another 'benefit' they've brought to our town. That other 'benefit' is death.

And you know, my dear friends, they even offer us a choice of the way we can go!

- We can choke on carbon dust (our town had thirty tons a square kilometre last year)
- Or, if we want to make a quicker exit, we can stand around near the factory's main gates. Soon one of their trucks will come roaring out and BANG It won't be pretty, but it'll be quick.
- The third way is slow, but sure. You just wait for the lead in the air, and the rivers, and the earth, to get to you too and finish you off. It won't be pleasant; it won't be quick, but it will be effective.
- Those, my friends, are some of the 'benefits' not mentioned by this modest and socially minded Corporation.

13.4 FIGURES AND TRENDS

- 1 18 per cent of the population has lived in Dolnovo for less than 5 years. If the Dolnovo Chemicals workforce is a typical cross-section of the town, then 90 of them must have moved in during that period. However, as they are workers in a new industry, the true figure is likely to be somewhat higher.
- 2 (a) In 1993 84 per cent wanted ICC to take over the steel mill;
In 2007 only 39 per cent definitely want ICC to stay.
(b) In 1993 8 per cent thought pollution to be the most serious threat; in 2007 this figure rose to 49%.
- 3 The Resident's Action Committee will probably find all the figures depressing after all, they want better living conditions, not unemployment. The increase in the 'don't knows' between 1993 (Chart 1 – 13%) and 2007 (Chart 3 – 30%) suggests a confused and demoralized community. However the answers to question 2 above do also suggest that an increasing number of people agree on the need to take action of some sort. The fall in unemployment from 24% in 1999 to 10% in 2007 and apparent upswing in the population figures (18 per cent have been in Dolnovo less than seven years) will cheer Laurensen, because the revival of the town, insofar as it has revived, must be largely due to ICC.

13.5 DISCUSSING THE OPTIONS

Here are some arguments for and against each proposed course of action.

1 Employ a public relations consultant.

ADVANTAGES

No major changes would be required at the factory; there would be little or no interference in production. No jobs would be lost, and it should be possible to persuade the people of Dolnovo that the chemical works is for their own good.

DISADVANTAGES

Uncertain, but perhaps considerable, expenditure which would add nothing to the firm's assets. The effectiveness of PR is sometimes hard to assess, and its results may be short-lived.

2 Defend the firm's record

ADVANTAGES

No changes of any kind in the factory. Minimum expense. Laurensen would find quite a lot of support locally. Once silenced, the Residents' Action Committee would probably not revive.

DISADVANTAGES

Hard work for Laurensen, who would have to find and lead supporters in a town where he is a foreigner. He would be splitting the community into two opposed groups. If he lost, his position would become impossible. In any case, publicity of this kind is what Carbonide prefers to avoid.

3 'Clean up' a factory

ADVANTAGES

A fine example of Carbonide's concern for the environment and the quality of life. Its beneficial efforts will be permanent.

DISADVANTAGES

Enormously expensive. The problem of the lorries in the town centre would remain.

4 Move Project 73 to another country

ADVANTAGES

Easy, and even profitable, at least in the short term. It would remove public fear of lead poisoning – this would silence criticism in the national press and make Mrs Radovanska a much less conspicuous figure.

DISADVANTAGES

Local complaints about dirt and lorries would continue, Laurensen would lose a major prestige project, which would certainly damage his career prospects.

13.7 BUSINESS IDIOMS

- 1 **Worked up** — very upset or worried
- Throw the baby out with the bath water** — lost the good things at the same time as getting rid of the bad things
- 2 **To opt out of the rat race** — choose not to take part in the hurried, competitive life of the city dwellers, especially those involved in business.
- (To) play your cards right** — exploit your advantages.
- 3 **Grassroots (reactions)**
- 4 **Lame-duck (industries)**
- 5 **Sit on the fence**
- 6 **Jockeying for position**

UNIT 14 AFJUZ

14.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 Is it not easy to distinguish good from less good oranges just by looking at them. People who buy oranges therefore tend to look for a brand name that they believe they can trust.
- 2 It requires constant advertising to keep the brand name in the front of the customer's mind so that he or she automatically associates the product with the brand name.
- 3 It is an organization which distributes a particular type of product on behalf of the growers or manufacturers. Many boards are financed and run as government bodies.
- 4 She had specialist knowledge of the citrus-fruit trade in a number of countries.
- 5 Aziz followed Ms Spandrel's advice. Despite her confident forecast, AFJUZ still have only 0.8 per cent of the UK market.
- 6 There is a record crop which will soon be ready for picking.
- 7 'Dumping' fruit at low prices would be regarded as unfair competition. Other citrus-fruit producers would object, and UK wholesalers would also be unhappy: sudden fluctuations make the market unpredictable and can lead to higher prices in the long run.
- 8 With their limited advertising budget, Cluttons can reach only a small number of potential customers. They have therefore made no attempt to penetrate the mass market.
- 9 At the moment the public scarcely know the name AFJUZ at all. If even a few people become familiar with the name, they will represent a big percentage increase in sales. So the Advertising Manager's remark may well be justified.
- 10 A carefully coordinated, well-timed campaign must also be followed up soon after, to make sure the public do not forget the name too easily.

14.2 VOCABULARY SECTION

Marketing agricultural **products** is never easy, not even when you're working for a big organization and the producer is already up among the leaders. Citrus fruit (oranges, lemons, that type of thing) is a particularly good example of the problem.

For a start, the market is **limited**. No one can eat more than a certain amount of fruit. It's one of the **items** on everybody's shopping list, but most people can't tell one sort of sort of oranges from another. So they either take what the greengrocer gives them, or else they look for a **brand** they are familiar with.

Admittedly, we sell a lot of **unbranded** oranges to supermarkets and food chains who distribute them under their own **labels**. But this doesn't really help the citrus **producers** who want their fruit to be sold under their own brand name.

That's one reason of course, why we often wrap individual oranges in tissue paper, or stamp AFJUZ on the orange itself. As long as the name is a **registered trademark** no one else can use it.

What do I think of AFJUZ? Well, they're just oranges. They're nice, but there's nothing special.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answers given below are suggestions.

- 1 He enquired about the lemon cartons. Seemed to be a bit upset. Reminded me his customers wanted smaller sizes (8-10 kilos). They're easy to handle and slip into van. Promised plenty of orders if we supply smaller containers.
- 2 Talked about problem of selling AFJUJ. He praised the quality of our oranges (juicy, easy to peel, keep well). Very critical of our delivery service. Says supplies are irregular – rather gets too many oranges or none at all.
- 3 Drew my attention to the way Sicilian Oranges are promoted. He saw them on 8 advertising boards in one tube alone (opposite elevators). Phillips thinks we should be using the same method – 'hit the public between the eyes' – with our brand name.

14.4 FINANCIAL ANALYSIS

There are essentially two types of advertising media shown in the table: (a) press (and internet) advertising; (b) point-of-sale and outdoor advertising and promotional campaigns.

Which of these two types is likely to be most effective in this case?

Impulse-buying is likely to play an important role in sales of such items as grapefruit. Point-of-sale and outdoor advertising therefore look more promising from Jenny Coleman's point of view. Handouts probably won't serve much purpose, because there is not much hard information that you can give people about grapefruit and the handouts would probably not be read anyway. A couple of young women giving away free samples, however, could attract a lot of attention and goodwill; everyone likes to get something for nothing, and a person who finds her/himself carrying home a free grapefruit will probably buy one or two more so that everyone in the family can have one. The impact of the street campaigns is likely to be greater, though, if a potential buyer has been prepared for it by seeing advertisements in the local press.

14.5 DISCUSSING THE OPTIONS

These are some of the arguments for and against each proposal.

1 John Smith & Co. (promoting to independent specialist greengrocers).

ADVANTAGES

The advice seems to be disinterested; Smiths ask nothing for themselves. On-the-spot display advertising hits the customer at the point of sale, where most buying decisions are made. Individual display items are cheap and easily distributed.

DISADVANTAGES

There is no incentive for the small shop-keeper to put up the display material he receives. The campaign would have no overall plan or timing. There would still be 40 per cent of the market left untouched.

Note: Smiths do not handle 60 per cent of all citrus fruit: this figure refers to independent greengrocers.

2 Dunne Bros (regional promotion)**ADVANTAGES**

Campaign would be well timed and coordinated and would make AFJUZ a well-known name in the region. The idea could be easily extended to other regions. Dunne Bros would have an incentive, as the agents, to try hard to sell AFJUZ: they have their own specialist sales force.

DISADVANTAGES

The regions, though large in area, represent only 18 per cent of the total UK market. Dunne Bros have only part of that 18 per cent. AFJUZ would have to commit the whole year's budget to a single month's campaign in a small corner of the market.

3 Vasco (supermarket outlets)**ADVANTAGES**

The only proposal to come from an organization with its own shops, and ready to place a firm order at once. Nationwide sales and advertising assured.

DISADVANTAGES

Little chance for personal recommendation from shopkeeper to customer. Marketing Board would have no control over UK market; Vasco could pull out the agreement at any time, leaving AFJUZ to try to find another agent at short notice.

**4 Clutton & Cummings
(substantial discount to trade buyers)****ADVANTAGES**

Wholesale buyers would certainly be attracted: they in turn would make sure that their retail customers bought AFJUZ. The oranges are of extremely good quality, and would become their own best advertisement.

DISADVANTAGES

Even well-established brands have to advertise constantly to keep their names before the public. AFJUZ may be as good as better known brands, but they are unlikely to be conspicuously better.

14.7 BUSINESS IDIOMS

- 1 **In a flap** — upset, in a panic.
Carry the can — take responsibility for something that went wrong.
- 2 **Scrapping the bottom of the barrel** — using the last remaining resources, even though they may be of poor quality.
- 3 **Starting from scratch** — to start from nothing, from the very beginning.
Have their work cut out — to have as much work as they can possibly do.
- 4 **Pulled a fast one** — cheated somebody; played a trick on somebody.
On the spot — immediately, here and now.
- 5 **Make it to the top** — succeed in reaching a top job.
Pays lip service to... — says he agrees with it or accepts the idea, but probably reluctant to put it into practice.
Get a raw deal — are badly treated or not treated fairly.
- 6 **Went out of their way** — did something with more effort than usually.
- 7 **Reached a stalemate** — reached a position (as in chess) where no one can make progress or win the game.
Ball's in your court — it's up to you now to make the next move.
- 8 **(Give us) a flying start** — a very good start.
Tight-fisted — unwilling to spend money.

UNIT 15 KYEL

15.1 CASE STUDY

UNDERSTANDING THE CASE

Suggested answers

- 1 Brismel appoints about a dozen senior managers in the finance and marketing divisions of Kyoung-Sung, and it is of course a major shareholder, with several seats on the Board of Directors.
- 2 They need large sums for research and development (R&D) and for investment in new technologies and products.
- 3 A new-type interactive whiteboard which weights less than other IWBs, has got the highest percentage of active space and a special anti-glare protection.
- 4 They have to meet stiff competition in a field where technological development is very rapid.
- 5 Advanced technology demands high capital investment, but retail prices have to be kept to a minimum. The manufacturer's profit on each unit sold is therefore relatively low. The demand on IWBs however has been constantly growing, so a successful product is likely to sell in large numbers.
- 6 Their subcontractor (Dong-A) for the supply of lamps for projectors has gone out of business.
- 7 In the short term, their reputation is probably more important. They have adequate financial backing and have made good profits in recent years; if one product loses money, others will make up for it. A blow to their reputation for prompt delivery and reliability could have a lasting effect.
- 8 This is a complex problem – not just a production one. The decision that is reached now will affect finance, marketing and other areas of the company.
- 9 The firm risks losing its reputation for prompt delivery, its lead over its competitors, the glory of its technological triumph, and the reputation for brilliant innovation (probably in that order of importance).

15.2 VOCABULARY SECTION

KYEL is only one among many **manufacturers** of educational technology **products**, but believe me, we're the pace-setters. Take our new Starboard 90, for instance. Advance **orders** are the highest for any **model** that we've ever produced.

The technical **specification** is quite remarkable. I've never seen a **board** of this type with so many of the **features**. For instance, there's no **need** to use a stylus: it's got a **device** which **answers** to any touch of the screen.

The trouble is going to be to **meet** the **demand** that we're expecting. We have a **commitment** to our dealers all over the world to **supply** with goods their customers **want**. But our dealers are under no **obligation** to us. There are no exclusive agreements. So keeping up with our production schedules isn't just desirable; it's an absolute **necessity**.

THE RIGHT WORDS IN THE RIGHT PLACE

There are many possible versions of this exercise. The answer given below is a suggestion.

But there's another company, Rainfields, which also made an offer. That was at the end of August. However, the Directors advised shareholders not to accept it. Early in September, Rainfields made another offer. They're now prepared to buy 75 per cent of Goody's shares at a price of £7.95. They're paying cash for the shares, by the way. It's worth noting that there are no conditions attached to this offer. The final date has been put back to 28 September.

The Directors think the values of the two offers are really just about equal; at least, that's what their financial advisers have told them. But they point out that Ernesto's offer is conditional. It depends on Ernesto getting 55 per cent of the outstanding shares. The problem is that Rainfield might buy enough shares to make it impossible for Ernesto to get 55 per cent of the shares.

Another point the Directors made was that Ernesto's financial power might not be sufficient to enable Goody's to finance its long-term development programme; it might also reduce the company's chances of achieving its earnings targets.

The Directors recommend you accept one of the offers because both offers are in fact substantially higher than the price of the shares (£6.05) before this present takeover bid. The financial advisers of the Directors lean towards the Rainfield offer because this guarantees that at least 75 per cent of shares will be purchased.

Taking all the factors into consideration, the Directors think you should accept the Rainfield offer rather than Ernesto's unless another amended offer is made. They advise shareholders like yourself to give your shares to your financial advisers, for example, your bank or your stockbroker, but tell them not to deposit the shares until close to the deadline set by Rainfield, so that you can still have a change of heart if another, better offer is made either by Ernesto or another company.

15.4 SPECIFICATIONS

This is a very simple exercise and needs no guidelines. It won't be difficult for students to match the needs of the potential buyers with characteristics of the two IWBs.

15.5 DISCUSSING THE OPTIONS

1 Start production on schedule.

ADVANTAGES

No disruption of production schedules (a major consideration for such a large manufacturer). Agents and dealers will be happy. There is a reasonable chance of finding a new supplier for the projector lamps.

DISADVANTAGES

A successful launch followed by a bottleneck in supplies would have a disastrous effect on dealer's confidence: frustration and disappointment all round. All the advantages of the course of action depend on a new supply of projector lamps being found.

2 Delay the launch date

ADVANTAGES

Much the safer decision – the only one which does not gamble with the firm's reputation or resources. The consequences (for production schedules and deliveries) will be serious, but will at least be predictable.

DISADVANTAGES

The only decision which is certain to lead to delay and frustration. Many big customers are already waiting for their first stocks of Starboard 90.

3 Use different projector lamps**ADVANTAGES**

Other lamps are easily obtainable. The quality of projection will be lower, but the price can be reduced. Starboard 90 will still be better than anything else in the market – at the moment.

DISADVANTAGES

The product will be less attractive and impressive than customers have been led to expect. Changing the lamps used in projectors would also mean making changes in the production line.

4 Bring forward the launch date of the Starboard 100.**ADVANTAGES**

This product is technologically even more impressive and advanced than Starboard 90. It will probably sell in larger numbers if it appears before the Starboard 90 than if it appears after.

DISADVANTAGES

Disruption to production schedules. Designers will have to rush to finish development work, and because of that the product may turn out not to be 100 per cent reliable. The market is totally unprepared for the Starboard 100.

15.7 BUSINESS IDIOMS

- 1 Jet lag** — the feeling one has after flying a long time, especially across several time-zones.
- 2 Pace-setter** — someone that other people try to keep up with.
Cut corners — save money or time by cutting out or oversimplifying some essential stages in an operation.
- 3 Dried up** — came to an end.
To play havoc — have a disastrous effect on
- 4 Made a bomb** — made a very large profit
Ploughed back — reinvested
- 5 New blood at the top** — new senior management
Better the devil you know (than the one you don't know) — it's better to deal with something you know even if you don't like it (rather than with something with which you are unfamiliar)
- 6 Economies of scale** — savings in resources that result from mass production or other methods of doing a job on a much larger scale.
- 7 A flash in the pan** — a brilliant success that is short-lived or that leads to nothing.
- 8 Slashed the budget to ribbons** — cut the budget drastically.
Pet schemes — favourite plans; ideas that you particularly wanted to put into practice.
- 9 Razzamatazz** — fuss and publicity.

