

**BUSINESS
TOPICS**

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B **BUSINESS** **TOPICS**



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here are three basic types of a national economy: **free economy**, **controlled economy** and **mixed economy**. Ownership and **allocation of resources** are the key determinants here. If resources are owned and allocated by individuals (whose decisions are based on the **market forces of supply and demand**), the economic system is classified as a **market economy** or free economy. At the other extreme, all resources are owned and controlled by the state. This type of economy is called a **centrally planned economy**, controlled economy or **command economy**. In a state controlled economy it is the government who owns the **means of production** and people work for the government rather than for the company. They do not have the freedom of choice, for instance they cannot invest their money in business because all businesses belong to the state. In fact, most countries have mixed economies which means that there are two sectors: a **private sector** and a **public sector**. Business organisations controlled by individuals constitute a private sector while those owned and controlled by the state form a public sector. Investors can invest as they wish and they have the right to keep the profits they generate (although some of the profits are paid to the state in the form of taxes). State-owned companies are expected to **break even** and **generate profits** which go to the government. The proportion of the public sector and the private sector varies from country to country, with the public sector in most democratic countries being reduced over time.

Resources can be grouped into four main categories, which are: **land** (land for the buildings of factories, offices or shops, but also **raw materials**, grains, animals reared for meat and fish), **labour** (efforts and skills of people who change natural resources into products or services), **capital** (anything owned by a company – buildings, machines and equipment)

and **enterprise** (**entrepreneurs** who know how to start a company and who allocate the other resources).

Depending on the type of production, a national economy may be divided into three categories:

primary production (primary industries) including **extractive industries** (extraction of raw materials e.g. coal mining) as well as farming, forestry and fishery

secondary production (secondary industries) including **manufacturing** and **construction**

tertiary production (service industries) that includes direct services (e.g. health care, education, entertaining), trade and **services to trade**, with the latter two collectively called **commerce**.

Manufacturing can further be divided into traditional industries like e.g. light industry, heavy industry, food industry, chemical industry, pharmaceutical industry or textile industry, to name just a few.

A national economy can also be divided into main **industry sectors** such as for example:

- ▶ materials (e.g. metals or paper)
- ▶ industrials (capital goods like machinery, electrical equipment or building products)
- ▶ consumer goods (durable and non-durable)
- ▶ financials (banks, insurance companies)
- ▶ IT and telecommunication services
- ▶ trade and commercial services (e.g. transport, advertising)
- ▶ energy
- ▶ health care
- ▶ science and education
- ▶ entertaining
- ▶ utilities

TASK 1

Classify the following from the customer's point of view as advantages or disadvantages of a free economy. Try to explain why.

1. Consumers determine what is produced.
2. Competition increases.
3. Big and powerful companies may buy up smaller ones.
4. Everybody who has resources is free to run a business.
5. It is not easy to control air and water pollution.
6. Producers keep costs down.
7. Producers try to be innovative.
8. There may be considerable fluctuations in prices.

TASK 2

Classify the following from the customer's point of view as advantages or disadvantages of a command economy. Try to explain why.

1. Large firms cannot control the market.
2. Large firms cannot put up prices.
3. Lack of competition reduces efficiency.
4. Individuals are not free to set up a business.
5. Freedom of choice is lost.
6. Prices tend to be stable.
7. Consumer needs are not responded to quickly.
8. Companies do not invest much in research.

TASK 3

Use the words from the pool to complete the sentences below.

consumer discretionary • essential goods • consumer durables •
raw materials • utilities

1. [] are public services used by everybody e.g. gas supply or water supply.
2. [] or staples are those that are basic to our lives like bread or milk.
3. The [] sector includes goods that are not basic to our lives e.g. cars, entertainment or electronics.
4. [] are extracted from the earth.
5. [] are goods that can be used for a longer period of time e.g. TV sets or cars.

TASK 4

Match the words to form business collocations.

- | | |
|-----------------|--------------|
| 1. allocate | a. industry |
| 2. raw | b. company |
| 3. command | c. pollution |
| 4. commercial | d. economy |
| 5. construction | e. goods |
| 6. consumer | f. resources |
| 7. insurance | g. materials |
| 8. control | h. services |

TASK 5

Classify the categories below into three groups: **A – primary production**, **B – secondary production** and **C – tertiary production**.

- | | | | |
|--------------------------|---|---|---|
| 1. international trade | A | B | C |
| 2. domestic trade | A | B | C |
| 3. agriculture | A | B | C |
| 4. production of cars | A | B | C |
| 5. forestry | A | B | C |
| 6. insurance | A | B | C |
| 7. construction industry | A | B | C |
| 8. advertising | A | B | C |
| 9. wholesaling | A | B | C |
| 10. coal mining | A | B | C |
| 11. food processing | A | B | C |
| 12. warehousing | A | B | C |

TASK 6

Complete the sentences using the correct words from the pool.

**allocation • decisions • services • managers • allocate •
direct • materials • profit • resources • taxes • trade**

- The term 'commerce' refers to _____ and services to _____.
- Most _____ are limited, that's why we try not to be wasteful when allocating them.
- In a free economy all citizens are free to run a business for _____.

4. Communist states take [] how to use [] collectively, usually by the government.
5. Tertiary production covers [] services, [] and services to [] .

TASK 7

Mark the sentences as true or false.

1. Land and labour are, to a certain extent, renewable factors of production. true false
2. Primary industries provide us with raw materials which are needed for secondary production and with agricultural products which are processed by the food processing industry. true false
3. Movement of goods is an indispensable aid to trade, both domestic and international. true false
4. Generally speaking, warehousing deals with the storage of food and does not refer to the storage of other kinds of goods. true false
5. Good entrepreneurs are not always the most effective people to run a business in the long run. true false
6. At present, many experts believe that human resources contribute more significantly to business success than the other resources. true false

TASK 8

Complete the sentences.

1. Manufacturing can refer to capital goods, non-durable goods and [] goods.
2. State-[] enterprises are frequently abbreviated to SOEs.
3. SMEs stands for small and []-sized enterprises.

4. An entrepreneur is a person who knows how to start a [] by bringing together all [] and who is not [] of [] the risk.
5. A [] economy means no government [] in the business sector.
6. A 'laissez-faire' approach means that the government does not [] in business; it lets the [] mechanisms work freely, without any [] on the one hand and without any privileges on the [].

TASK 9

Put the words in the correct order to make sentences.

1. by individuals ■ in ■ owned and allocated ■ a market economy
■ are ■ resources
2. keep the profits ■ in a free ■ they generate ■ investors ■ econ-
omy ■ have the right to ■ market
3. for instance ■ capital ■ deposits ■ buildings and machines ■
is anything ■ as well as ■ owned by a company ■ on bank ac-
counts
4. and ■ covers ■ services to trade ■ which includes ■ commerce
■ direct services ■ as well as ■ tertiary production ■ trade
5. the ■ the ■ and other ■ includes ■ providing ■ banking system
■ financial sector ■ financial organisations ■ financial services ■
various



SETTING UP A BUSINESS





b

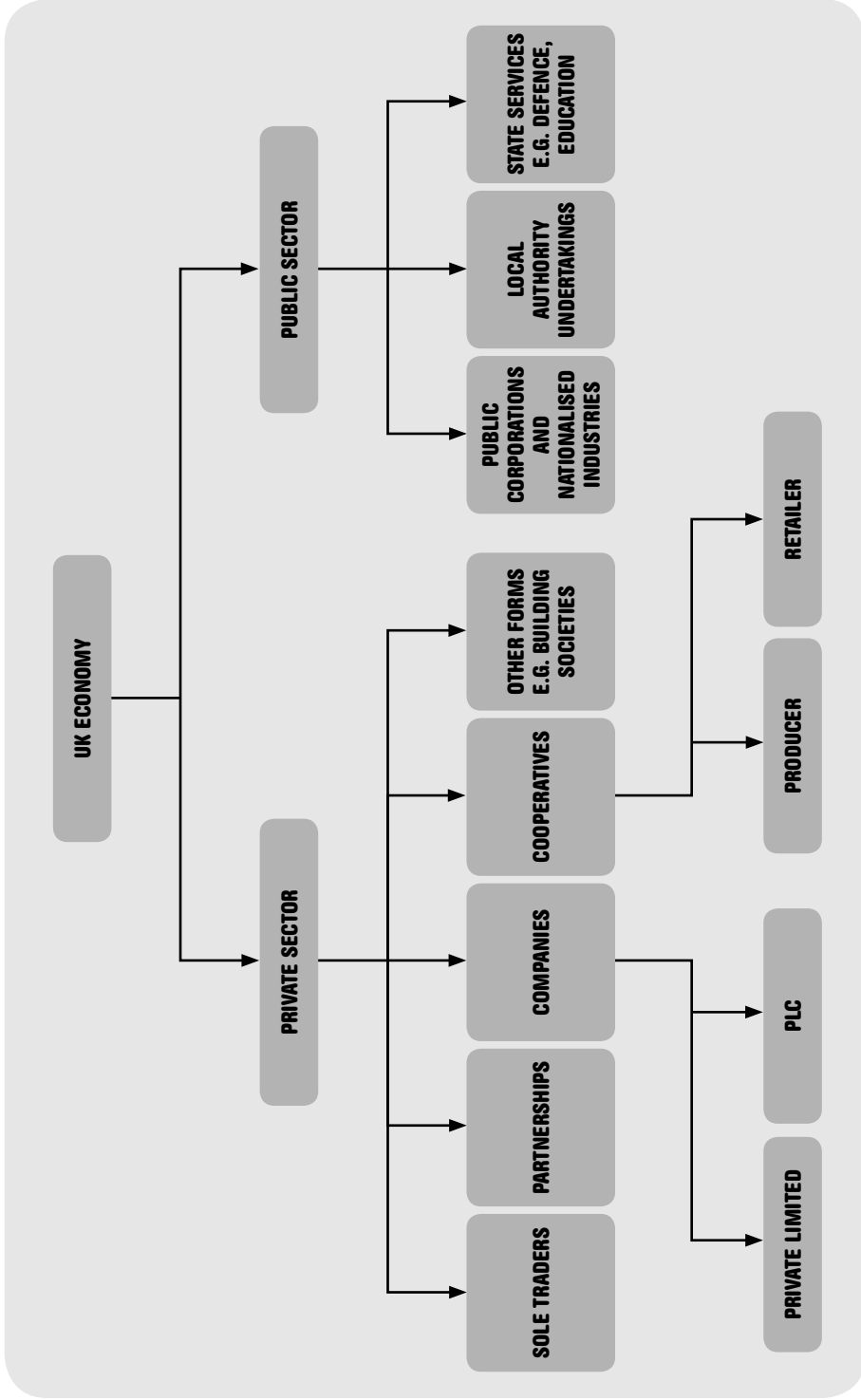
business is a word used widely in many languages. But what exactly does it mean? There are many definitions of the word. Most of them define it as work relating to the production, buying and selling of goods or services for a **profit** or **economic surplus**. Profit is the money that remains after all the expenses are paid. There are many types of **business units** in the commercial world. **Free market economies** are usually divided into private and public sectors (see the diagram on the next page).

The private sector is the part of the economy operated by **privately owned firms**, ranging from small **sole traders** to **multinational conglomerates**. By producing and selling their goods or services, they attempt to make profits for their owners.

The public sector forms the other important part of the economy. It includes all those activities that are **state-owned** or/and financed by the government (either central or local) e.g. public corporations in **nationalised industries**, national public services, local government services such as leisure centres, swimming pools, libraries. The emphasis is not on making a profit but providing a service for **the community**. **Revenues** often come from **taxpayers** as well as customers.

Almost all businesses start as small companies. Some will fail, some stay small but some **expand** and even become international companies. Each type has a role to play in the modern economy, with its own benefits and drawbacks. The definition of a 'small' company varies depending on the country and sector of the economy, but regardless of this they can benefit an economy in many ways:

- ▶ they create jobs
- ▶ they are innovative



- ▶ they are quick to identify new **market opportunities**
- ▶ they fill '**niche**' **markets** too small for large companies
- ▶ they provide competition for large firms
- ▶ they provide an opportunity for new **entrepreneurs**

Recent years have witnessed an increase in the number of small firms, or **small and medium enterprises (SMEs)**. In the UK over 90% of companies are classified as 'small'. Their owners want them to survive in the very competitive world as the number is still growing. Most firms in the private sector are either **sole traders, partnerships** or **limited companies**.

A sole trader

A typical sole trader is the simplest business unit. It may be just an individual who owns the business e.g. a window cleaner, local shopkeeper, or hairdresser. Usually the sole trader **provides the capital, bears all the risks** and makes the decisions. Perhaps surprisingly, sole traders are the most common form of business in the UK.

Advantages

- ▶ business easy **to establish**
- ▶ keeps all the profits
- ▶ decisions made quickly
- ▶ independence

Disadvantages

- ▶ limited sources of finance
- ▶ unlimited liability
- ▶ may lack business skills
- ▶ no one to share **workload** with

A partnership

A partnership is a legal form of business organization where two or more people trade together 'carrying on business with a view to profit'. Sometimes there is a limitation on the number of partners in a company (the exceptions may be in professions such as law and accountancy). Partners still have unlimited liability which means that each partner is **liable** for the debts of the other partners. The **amount of capital provided** by each partner is stated in a **Partnership Agreement**. This document also states the rights and responsibilities of the partners, the sharing of profits and losses, the **voting rights** and arrangements in case of **enlargement** and **dissolving** the firm.

Advantages

- ▶ can share **resources** and ideas
- ▶ bigger specialisation
- ▶ can cover for each other
- ▶ more capital available

Disadvantages

- ▶ unlimited **liability**
- ▶ profits must be shared
- ▶ decisions of one partner **binding** for all
- ▶ possible **disagreements**

Limited companies

We distinguish two types of limited companies: **public limited companies (PLC)** and **private limited companies (Ltd)**. Public limited companies can be **quoted** on a **stock exchange**. That means that the shares of the company are publicly available, in contrast to a private limited company which is not allowed to advertise its shares to the **general public**. Both forms of

company must indicate their status in their name. This is usually done by including the **abbreviations** at the end of the company's name, e.g. The Royal Bank of Scotland PLC . Both types can be formed by a minimum of two people but there are a lot of specific **administrative procedures** to be followed. First of all, the business must become **registered with the Registrar of Companies**. To do this a lot of documents must be **submitted**. The key documents to be drawn up are the **Articles of Association** and the **Memorandum of Association**.

The Articles of Association define:

- ▶ the number, rights and duties of directors
- ▶ the types and rights of shareholders
- ▶ the relationships between the shareholders and the directors

The Memorandum of Association states:

- ▶ the name of the company
- ▶ the purpose for which the company was formed
- ▶ the company's **registered office**
- ▶ the amount of capital the company is registered with
- ▶ **the authorized capital share** – the maximum capital share allowed

When all the necessary formalities have been met the founders will receive a **certificate of incorporation**. From that moment the company is a **separate legal entity** which means that it has a separate legal existence from its owners.

Advantages

- ▶ limited liability
- ▶ easier to **raise necessary capital**
- ▶ can enjoy **economies of scale**

Disadvantages

- ▶ takes longer and more costly to establish
- ▶ the annual accounts are open to public
- ▶ **clashes of interest** between directors and shareholders possible

Self employment

In Britain more than 60% of businesses are sole traders. Why do so many people turn their backs on traditional employment in favour of **self-employment** or other forms of employment? What makes them do that? People may have many reasons for wanting to set up a business.

Some may be tired of the constant struggle with unemployment and **job insecurity**. Every day workers are **laid off**, even by **well established companies**. Even if people are not dismissed they have no guarantee that their well paid jobs and **fringe benefits** offered by the company will not disappear overnight. So instead of waiting around to be **made redundant** they decide to take the future in their own hands and use their skills and knowledge to set up their own business.

They want to be **self-reliant** instead of depending on their employer. People don't want to make others rich, they want to get rich themselves. An employee's salary is often fixed, sometimes rises with inflation. When you run your own business, the more effort you put in it, the more likely you are to earn more. Success is dependent on the application of your skills. A little more effort can bring big rewards.

Another big attraction is the independence and freedom. You are your own boss, you make the decisions instead of being told what to do, controlled, assessed and, frequently, **reprimanded** by your superior. Employees are usually expected to work **set hours**. When working for yourself, you choose your hours of work. The same is true of days off and holidays. For some

people establishing a business may be even a **natural progression** from a hobby or interest.

Starting a business is both exciting and **rewarding** but it is also full of challenges. Approximately 40% of all new **businesses fail** within the first two years. Setting up a business requires full **commitment**, which particularly in the early stages means a lot of hard work and long hours. A **start-up** does not offer the advantage of the usual benefits associated with permanent jobs, such as pension rights, sick pay and other **perks**. Establishing your own company requires considerable investment of time, funds and energy. Therefore there are a lot of factors to be considered before going into business.

One of the basic questions to be asked is: “Have I got what it takes to run my own business?”.

There is no golden rule for how to be successful. There are forces beyond your control which can have a bigger **impact** on the condition of your company than your attitude and skills. Having said this, there are certain qualities found amongst successful business people.

A typical entrepreneur will have the following key qualities:

- ▶ **self-confidence**
- ▶ **self determination**
- ▶ **being a self starter**
- ▶ **good judgement**
- ▶ **commitment**
- ▶ **perseverance**
- ▶ **initiative**

Although some characteristics are a **valuable asset** if you have them, it is essential that you believe in your ability to run the chosen business. Running a business on your own can be a lonely occupation. For some people this is a good reason to go into business with someone else in a partnership or a limited company.

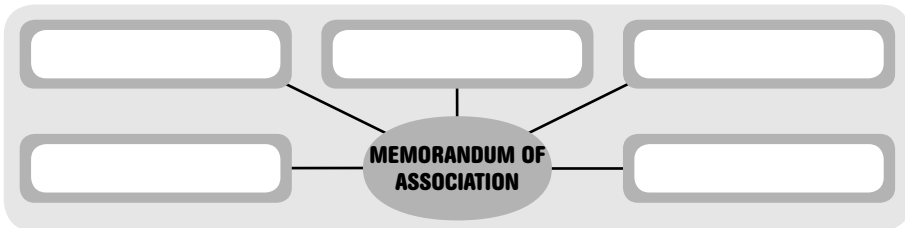
TASK 1

Match the words with their definitions.

- | | |
|-------------------------|---|
| 1. Initiative | a. the ability to take initiative, work independently, develop ideas |
| 2. Perseverance | b. the ability to be open minded when listening to other people's suggestions, while not forgetting about the objective of the business |
| 3. Being a self-starter | c. the willingness to make personal sacrifices |
| 4. Judgement | d. the ability to continue the task despite of various kinds of drawbacks |
| 5. Commitment | e. the ability to be proactive, to act rather than wait |

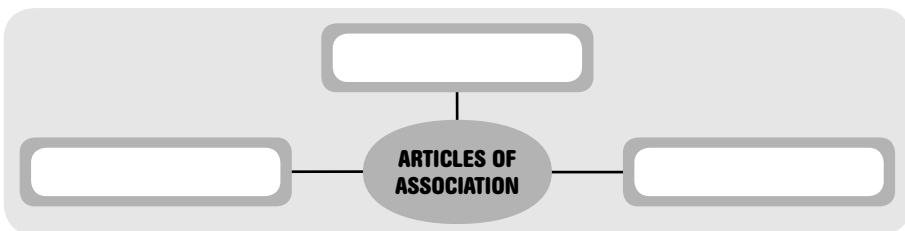
TASK 2

What information must be included in the Memorandum of Association?



TASK 3

Name the main areas covered by the Articles of Association.



TASK 4

Complete the expressions with the right prepositions.

1. to set _____ a business
2. to quote _____ a stock exchange
3. to register _____ the Registrar
4. to fail _____ 2 years
5. to be dependant _____ something
6. to turn back _____ something
7. to be available _____ somebody

TASK 5

Which of the advantages are typical for a sole trader, which for partnership type of business.

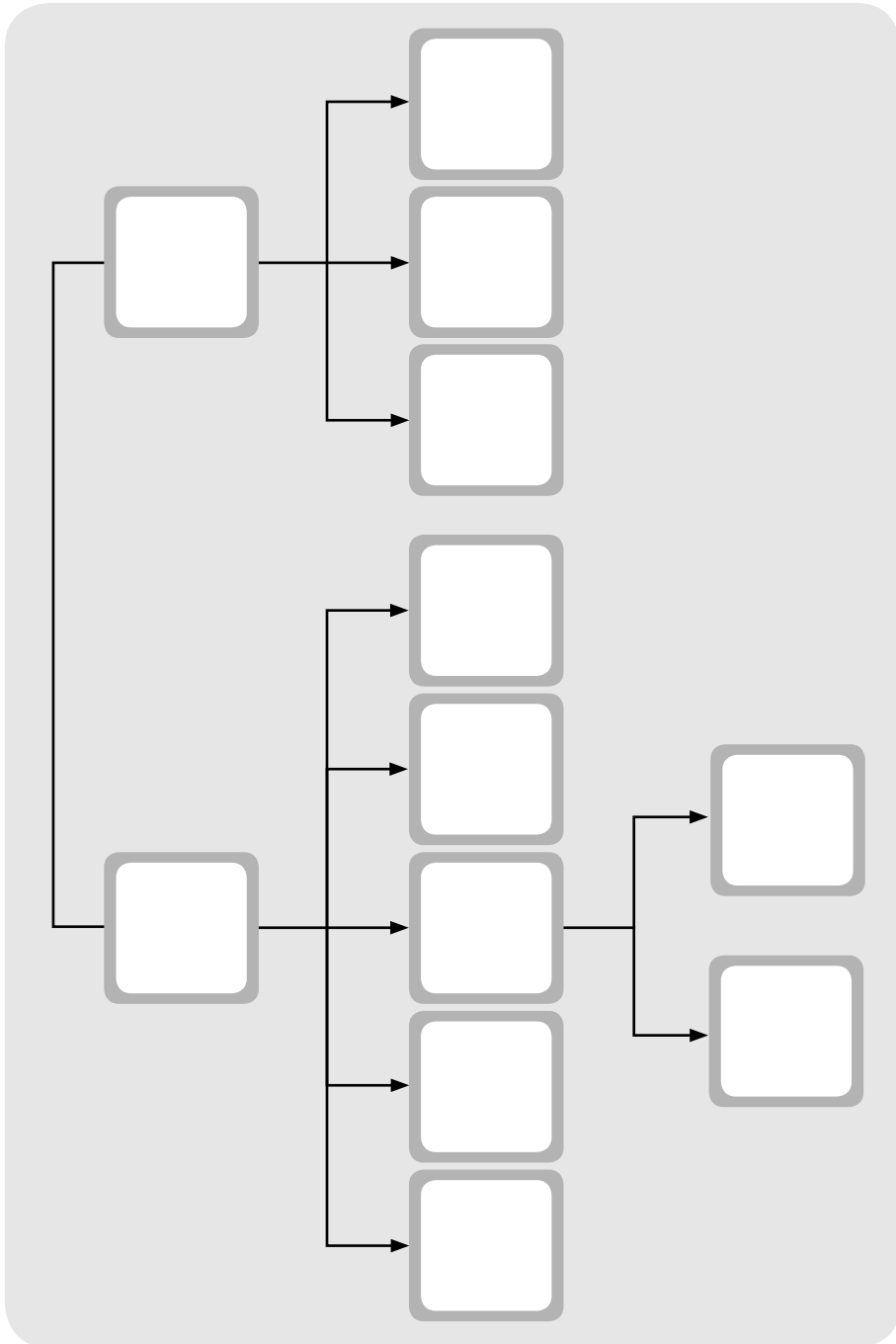
can be self-actualisation • can cover for each other •
 can make decisions quickly • division of labour •
 easy to set up • independence • keeps all the rewards •
 more resources of finance • share resources and ideas •
 shared responsibility

PARTNERSHIP

SOLE TRADER

TASK 6

Complete the diagram presenting the structure of the UK economy.



TASK 7

People decide to start their own business for many reasons. Give the reasons mentioned in the text.

1.

2.

3.

TASK 8

Find expressions in the text that mean the following:

1. amount of work
2. to present documents
3. to be fired
4. additional benefits
5. defined number of hours
6. a good thing to possess
7. influence

TASK 9

Unjumble the following words used in this unit.

kserp

varpeecesern

equoto

levisods

neertperunre

itmemmotcn

atviberbinoa

bellai

darkoowl

ruslups

TASK 10

Make word combinations using a word from each box. Then use the expressions to complete the sentences below.

small • public • state •
limited • registered • valuable

office • liability • businesses
• asset • owned • sector

1. In our country women run about 25% of existing [REDACTED].
2. Very often [REDACTED] companies are not free from political interference.
3. A nationalized company is a company that is [REDACTED].
4. A company whose owners are not fully responsible for the debts has [REDACTED].
5. All the official documents will be sent to the company's [REDACTED].

TASK 11

Complete the text using the words from the box.

Articles of Association • object • registered office •
Memorandum of Association • objects • incorporated • name

This document sets out:

- ▶ the company's [REDACTED]
- ▶ where the [REDACTED] of the company is situated (in England, Wales or Scotland);
- ▶ what it will do [REDACTED].

The [REDACTED] of a company may simply be to carry on business as a general commercial company. Other clauses to be included in the [REDACTED] depend on the type of company being [REDACTED]. Our

standard memorandum tries to cover most business types so you will be able to trade without restriction, however you should take professional advice if concerned. We provide both the [redacted] and memorandum in electronic format so they are easy to amend if required at some point in the future.

TASK 12

Match the words with their descriptions.

- | | |
|-----------------------|---|
| 1. niche | a. the amount of cash the owners invested in a company |
| 2. conglomerate | b. a person who starts his/her own business building it from the beginning |
| 3. entrepreneur | c. a theory that the larger the size of production, the lower the unit cost |
| 4. share capital | d. a group containing a lot of different companies in different businesses |
| 5. economies of scale | e. a specific area of a market which has its own special customers and requirements |

TASK 13

Some sentences were taken out of either the Memorandum (M) or Articles of Association (A). Decide which document they belong to and put 'M' or 'A' next to each sentence.

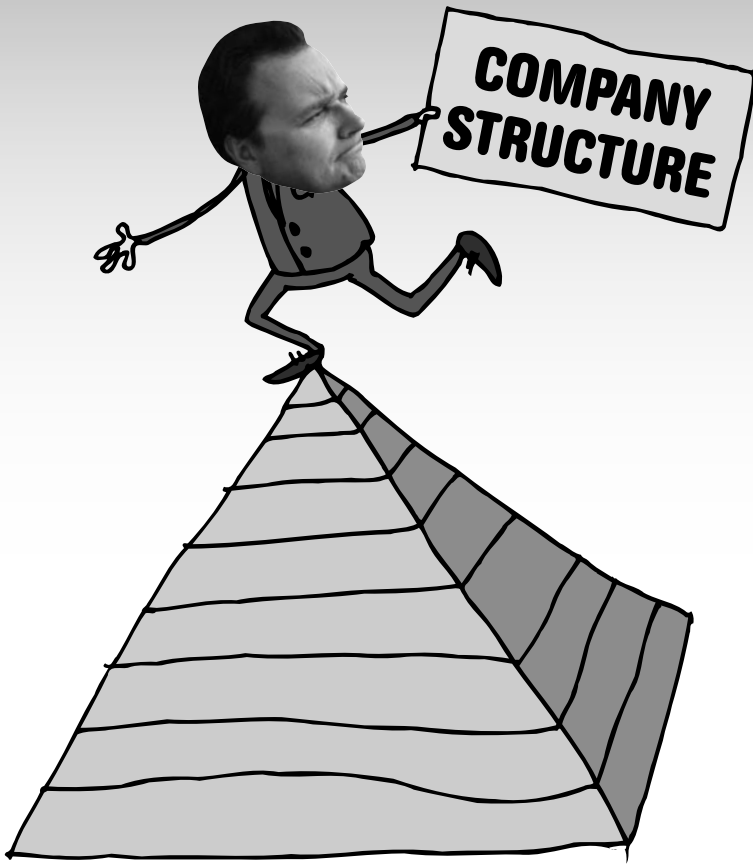
1. We, the persons whose names, addresses, and occupations are subscribed, desire to be formed into a Company.
2. The Partners agree that the business name for the Company shall be Lotus Magnus Ltd.
3. The main objects to be pursued by the Company are to set up and run electronic data processing centres and to carry the business of data processing.

4. We agree to take the number of shares in the capital of the Company set opposite our respective names.
5. The liability of the members is limited.
6. Shares in the Company are equal and indivisible.
7. The Company's share capital amounts to GBP 50,000.
8. The Company's bodies are the General Meeting and Management Board.
9. If the holders of the Fixed Rate Shares are entitled to vote at a GM each shareholder has one vote on a show of hands.
10. The Management Board manages the company's activities and represents it in and out of court.

TASK 14

Ponts for discussion

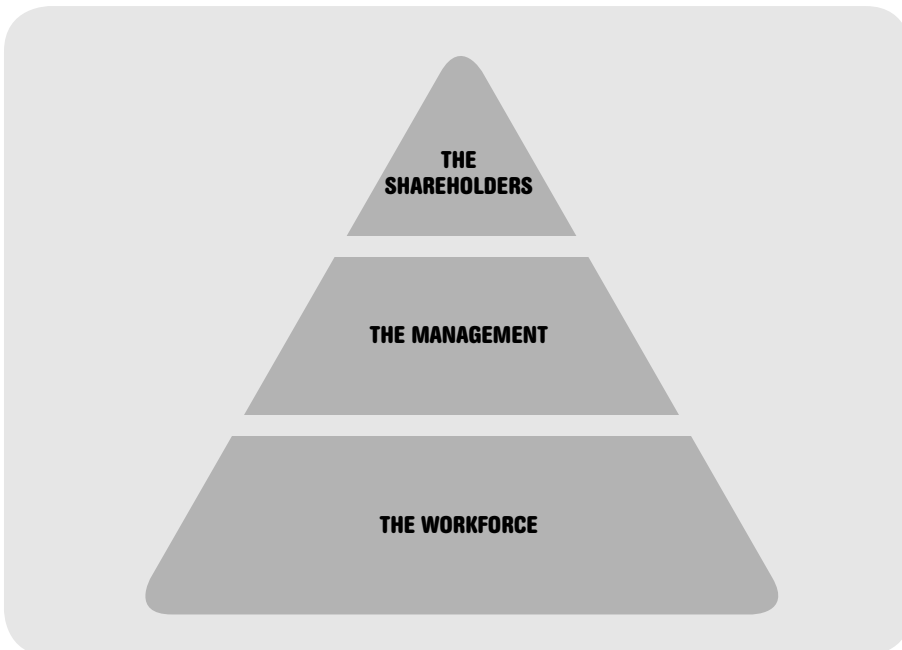
1. A group of friends have lost their jobs recently. They are planning to use their savings to start some business together. They would like to have equal rights in it. Which form of business organisation should they choose? Why?
2. What are the advantages of a business becoming a public limited company?
3. Some people set up their own businesses because they think that working for a big company is making other people rich. Do you agree with such arguments?





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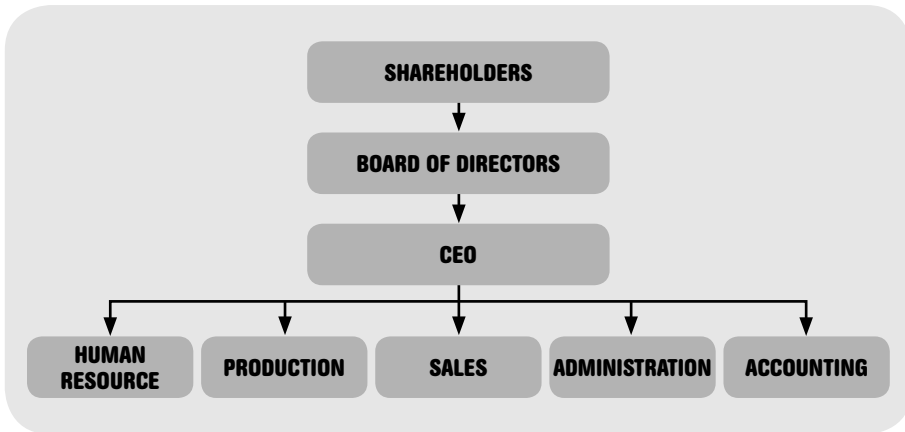
he simplest forms of business do not require an organisational structure because their owners often work on their own and therefore there is no need to lay out the responsibilities and duties. Most big companies, however, are made up of three groups of people:



The **shareholders** provide the capital, the management decide what the business should do and the **workforce** are the people who work for the company to achieve the objectives set by the management. In a well functioning organisation each group has clearly assigned roles to perform.

All businesses have to organise what they do. A clear structure shows which part of the business does what. **Organisation structure** refers to the levels of management and responsibilities within an organisation. The role

people take in an organisation and their relationship with other employees are usually represented through an **organisation chart**.



The chart shows:

- ▶ the positions in the organisation so the employees can identify who they are **accountable to** and who they have **authority** over
- ▶ the links and relationships between departments
- ▶ the **lines of command** within the company

There are many ways to structure a business. Factors affecting the organisation structure include:

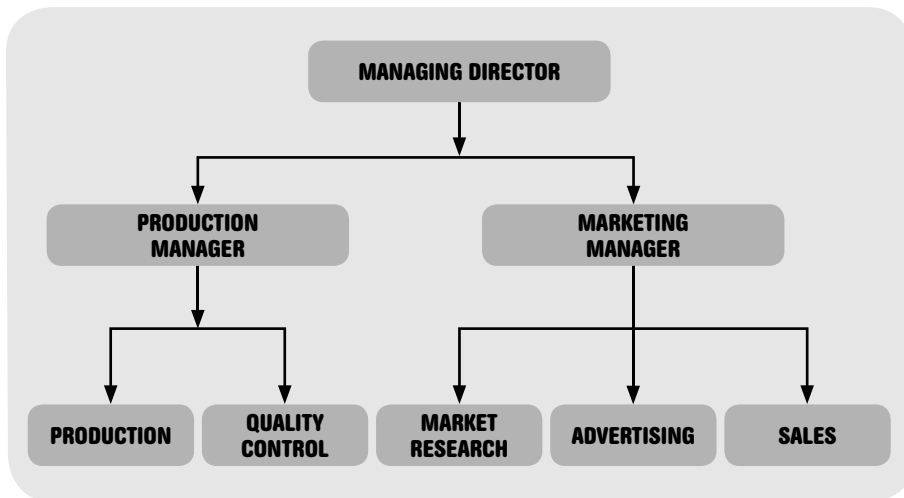
- ▶ the size of the organisation
- ▶ the technology used
- ▶ the market the company operates in
- ▶ staff skills
- ▶ product or service provided by the company

A decision which structure is optimal will depend on which is most likely to contribute to the success of the enterprise. Most commonly companies can be structured:

- ▶ **By function:** arranging the business according to what each section or department does
- ▶ **By product or activity:** organising according to the different products made or services supplied
- ▶ **By area:** geographical or regional structure
- ▶ **By customer:** where different customer groups have different needs
- ▶ **By process:** where products have to go through distinct stages as they are made

Functional structure

is one of the most commonly adopted forms of organisation structure. It allows the responsibilities for different functions and processes to be clearly **allocated** to different departments and employees.



Advantages

- ▶ **Specialisation** – each department focuses on its own work; workers' specialist expertise can be used to the full

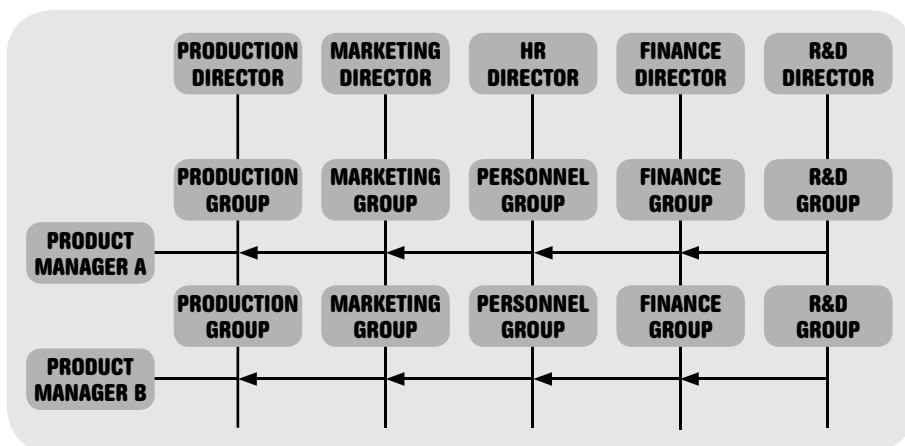
- ▶ **Accountability** – everybody knows who is responsible for the section
- ▶ **Clarity** – employees know their own and others' present roles and also opportunities for promotion and career development

Disadvantages

- ▶ Closed communication may lead to lack of focus; people may feel more loyal to the department than to the organisation
- ▶ Coordination may take too long
- ▶ There may be conflicts between departments
- ▶ Departments can become resistant to change

Matrix structure

is a combination of functional structure with project-based structure. It contains teams of people created from various sections of the business. These teams are usually created for the purposes of a specific project and only exist for the **duration** of the project. They are **led by** a project manager. The members of each team report to both the project manager and their own functional manager.



The main advantages of the matrix structure are:

- ▶ interdepartmental barriers are broken
- ▶ better co-ordination by the project leader results in tighter control
- ▶ it is clear who is responsible for the success or failure of the project
- ▶ the members of the team are chosen according to the needs of the project and their particular skills

The matrix structure seems to be a good solution in companies with a variety of **key activities**. But it must be remembered that this structure may create conflicts of interest which, in turn, may lead to lower efficiency in the use of resources. Another negative aspect is that if teams have a lot of independence, they can be difficult to **monitor**. Therefore the structure is seldom adopted by companies in which managers like to have a **tight control** over their **subordinates**.

Delegation

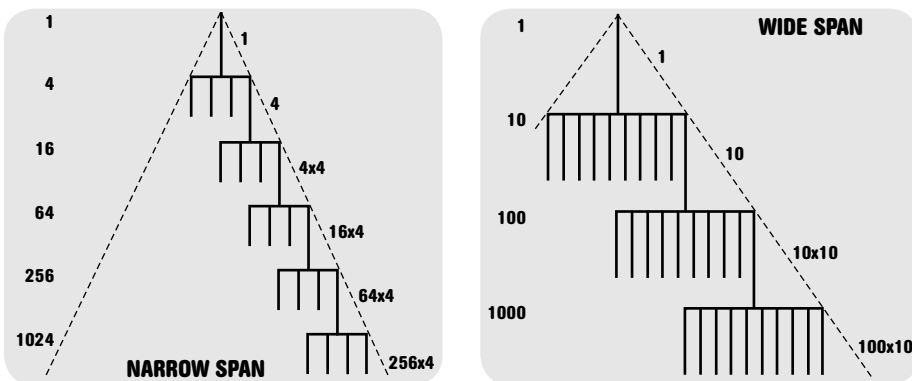
To function effectively managers cannot do every job themselves. One of the most important skills of every manager is the ability to **delegate** jobs. Delegation means giving a subordinate the **authority** to perform particular tasks. Delegating jobs allows the manager to concentrate on the more important aspects of his/her job but does not mean passing the responsibility for the completion of the task onto the subordinate. Subordinates are responsible to their **superiors** for the **outcome** of their job but if the job is done badly by the subordinate then it is the manager who takes the **ultimate** responsibility for this. Delegation can be a motivating factor for employees as they feel more trust is being put in them. It also gives workers better **career opportunities**. However, there are managers who are **reluctant** to delegate, especially those who feel insecure. They may

be afraid that the subordinate may fail or that the subordinate will do a better job.

Sometimes whether to delegate and how much to delegate depends on the **span of control** – the number of subordinates **directly responsible** to the superior. The span of control is said to be **wide** if the superior is **in charge of** many employees and **narrow** if the superior is in charge of a few employees. A **narrow span** enables the manager to keep control and reduces risk.

The size of the span may depend on:

- ▶ the complexity of the task
- ▶ subordinates' ability to complete the task
- ▶ the quality of communication



A **wide span** develops subordinates and allows for fewer levels of management. Therefore there is a direct link between the span of control and the **chain of command** which is a line of command from the top to the bottom of organisation. The longer the chain of command, the taller the organisation structure and the narrower the span of control. In general, **flat** organisations are characterised by centralised authority while tall organisations tend to be more de-centralised. A highly centralised organisation is an organisation in which authority is exercised mainly by a key group of managers.

TASK 1

Match the words with their definitions.

- | | |
|---------------------------|---|
| 1. Chain of command | a. levels of management and division of responsibilities |
| 2. Span of control | b. structure which allows instructions to be passed down from senior management |
| 3. Delegation | c. extent to which authority is passed down the organisation |
| 4. Organisation structure | d. number of subordinates directly responsible to a superior |
| 5. Decentralisation | e. giving a subordinate the authority to perform certain tasks |

TASK 2

Mark the sentences as true or false.


- In contrast to a flat organisation, a tall organisation will have relatively few layers or even just one layer of management. true false
- Due to the small number of management layers, flat organisations are often relatively big. true false
- The wrong organisation structure will hinder the success of the business. true false
- Internal factors such as size, product and skills of the workforce do not influence the organisational structure. true false
- As a business expands the chain of command will lengthen and the spans of control will widen. true false

TASK 3

Decide which situations described below refer to the narrow and which to the wide span of control.

A manager wants to keep a tight control • Few levels of hierarchy are needed • Employees need direction • Jobs are closely connected • A manager delegates jobs frequently • Employees lack skills

NARROW SPAN IS MORE LIKELY WHEN



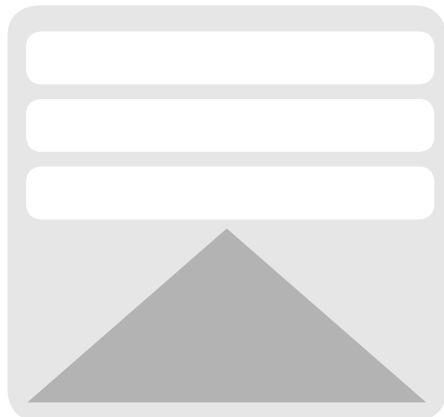
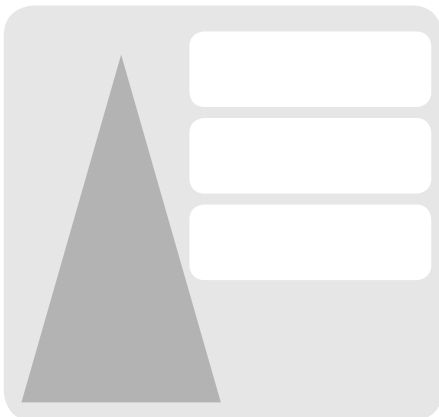
WIDE SPAN IS MORE LIKELY WHEN



TASK 4

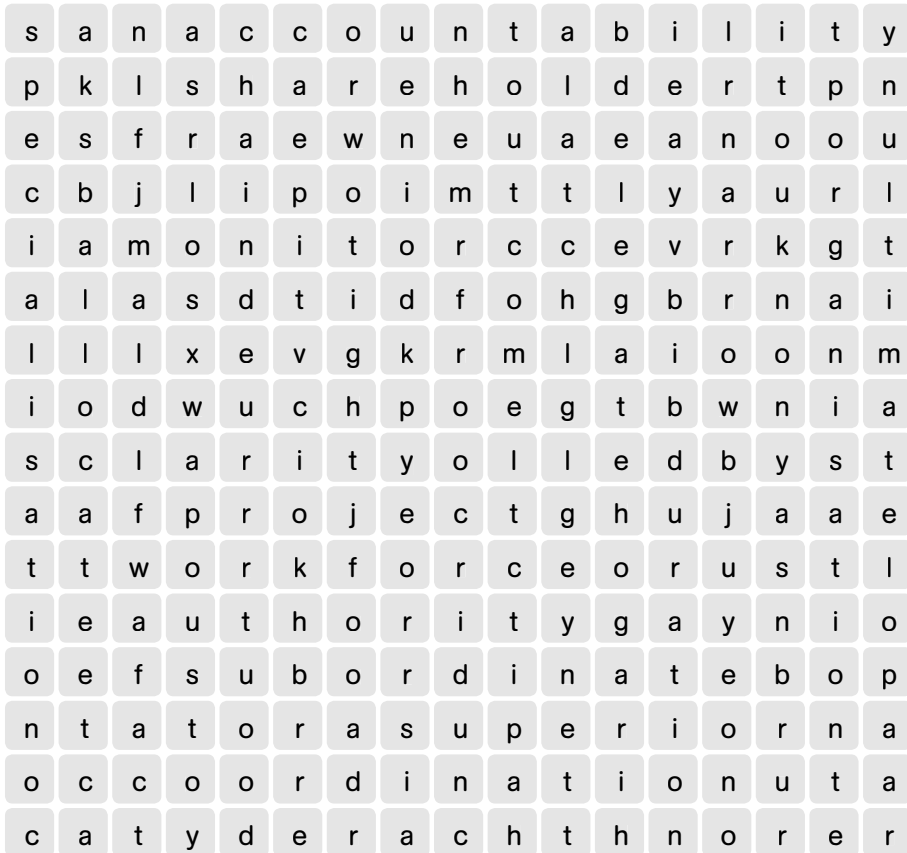
Which of the following are characteristic for the company structures represented below.

Employees may need training for multi-tasks • more promotion opportunities • slow decision-making • many layers of communication • people may feel isolated • wider span of control



TASK 5

Find at least 20 words used in the context of organisation structure



TASK 6

Complete the sentences using the words found in the grid in Task 5. You may need to change the form of the word.

1. To avoid a lot of misunderstandings while working on a project the between departments must be improved.
2. Motivated is essential if the company wants to reduce staff turnover.
3. A manager who does not know the employees is usually unwilling to jobs.

4. It was the [] decision to go into this unsuccessful merger.
5. In centralised companies [] decisions always belong to managers.
6. For delegation to work, the subordinates must be given the necessary [] to carry out the task.

TASK 7

Give synonyms to the following:

1. Tight (control) []
2. Outcome []
3. Ultimate []
4. Reluctant []
5. In charge of []

TASK 8

Points for discussion

1. As a company grows in size it may suffer problems with its chain of command. What problems may it experience?
2. How can the weaknesses of a functional structure be remedied?





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he size of a company depends on several factors, including the following:

- ▶ **The type of industry** it operates in, e.g. companies that offer personal or specialised services can find it difficult to meet customers' expectations if they are too big
- ▶ **The market size** – if the total number of customers is small, companies will also remain small
- ▶ **The objectives** of the business owners – they may be interested in keeping control of a small firm to avoid the risks and pressures of expanding the business

There are two main ways in which a business can expand:

Internal growth, also known as **organic growth**. This is growth through the gradual build-up of a firm's own resources, such as development of new products, acquisition of more machinery, hiring more people, innovation which may improve efficiency, etc.

External growth, also known as **inorganic growth**. This is growth by **amalgamation**, usually involving a merger or a takeover. A **merger** is a **mutual agreement** where two or more firms agree to form a new company. A **takeover** is usually a **hostile** form of **acquisition** in which one business acquires ownership of another without the agreement or full **approval** of the **target firm's** directors. A person or a company that starts a hostile takeover is known as a **black knight**.

A company wishing to resist or **ward off** being taken over has several options. One of them is a **poison pill**. It means undertaking actions that make the company look less attractive to **bidders** e.g. selling off a valuable part of the company. If the bidder is still interested in the firm, the target company may try to **repurchase** any shares that the hostile bidder has acquired at a price which makes the bidder ready to **withdraw the bid**. This is known as **greenmail**. Another option is to find a friendly partner, known as a **white knight**, ready to take a **stake** in the company, thus preventing a complete takeover by the hostile bidder. A company that is not a white knight but is regarded by the target company as a better option than a black knight is called a **grey knight**. In a '**dawn raid**' the acquiring company buys a substantial number of shares in the target company at the opening of the trading day, before the bid is known, and the value of those shares goes up.

To meet the costs of acquisition the acquiring company can borrow a significant amount of money using the assets of the target company as **collateral** for the loans, in addition to its own assets. The ratio of the company debt to its equity capital can in some cases be as high as 9:1 or even more. Interest payments on the loan are paid from the future cash-flow of the acquired company. This tactic, known as a **leveraged buyout (LBO)**, can be very risky and it may result in **bankruptcy** if things go wrong.

Growth may take the form of:

- ▶ **Horizontal integration** – when firms in the same industry and at the same stage of production merge. This tends to create oligopolies or monopolies.
- ▶ **Vertical integration** – when firms in the same industry but at a different stage of production go into alliance. This type of integration can be either **forward** (towards customers) or **backward** (towards suppliers).
- ▶ **Conglomerate diversification** – when one firm merges with or takes over a firm in a completely different industry.

Why should a company grow in size?

Most frequently companies seek to grow in order to achieve **economies of scale**:

- ▶ technical e.g. use of more specialised equipment
- ▶ managerial economies e.g. greater specialisation of middle managers
- ▶ commercial economies e.g. the ability to cut costs through bulk buying
- ▶ marketing economies e.g. spreading the cost of advertising and promotion
- ▶ risk-bearing e.g. obtaining supplies from different and diverse sources
- ▶ financial economies e.g. borrowing at lower rates

The benefits reaped from combining operations are called **synergies**, and may refer to both the cost side and the revenue side.

Other common reasons for growth include:

- ▶ efficiency gains from streamlining operations
- ▶ gaining market share
- ▶ increasing profits
- ▶ gaining more status and prestige for the owners and managers.

For a merger or acquisition to go ahead, the likely benefits of the integration must **outweigh** the problems known as **diseconomies of scale** that can affect the companies which form the alliance. The latter tend to arise when the firm grows so large that it cannot be managed effectively, or when it unites with what turns out to be an inappropriate partner firm. It may happen that after the integration:

- ▶ the economies of scale are smaller than expected or fail to materialise
- ▶ chains of command are excessively long and decision making becomes cumbersome
- ▶ communication is poor due to **insufficient** communication channels
- ▶ **clashes** of management styles and corporate cultures arise
- ▶ morale and motivation amongst staff deteriorate

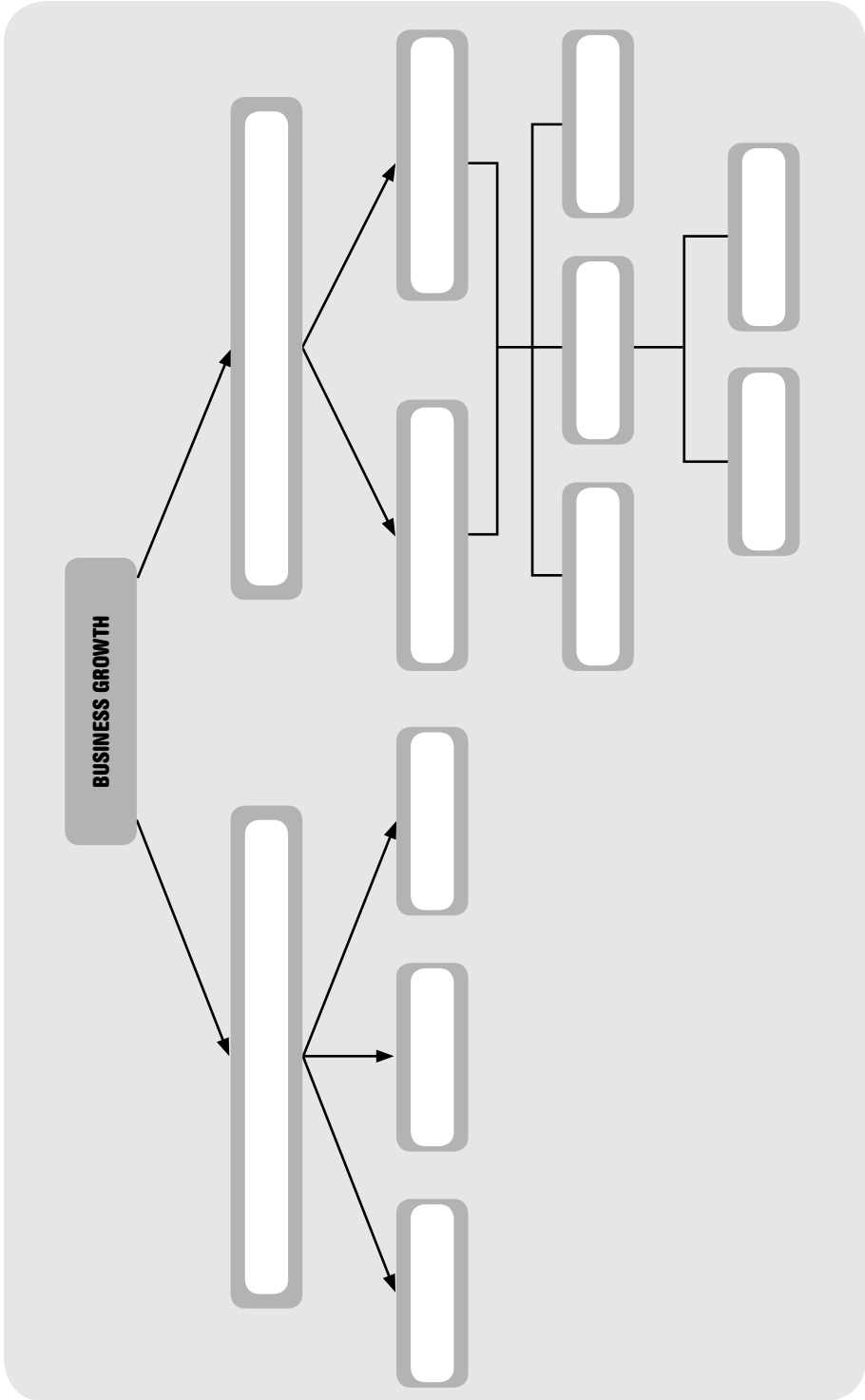
If economies of scale are so important, why do small firms continue to prosper? Small companies have certain advantages over large ones:

- ▶ they are more likely to operate in competitive markets where only most efficient firms will survive
- ▶ they are more likely to be **risk takers** so as a result they are innovative more frequently
- ▶ they have the structure that may allow for **greater flexibility and adaptability** to changing conditions
- ▶ they tend to be able to reach decisions more quickly and effectively, and be less bureaucratic
- ▶ they may enjoy better labour relations and have better communication between employees throughout the firm

However, the extent to which it is viable to remain operating as a small firm depends on the market and competitive environment. While there are always **niche** positions to be filled, sometimes the strategic alignments in the market can make it very difficult for small firms to flourish.

TASK 1

Complete the diagram on the next page to show how businesses can grow.



TASK 2

What words used in the text are similar in meaning to the following:

1. Resist
2. Not enough
3. Unfriendly
4. To be more important
5. An angry argument between two people or groups
6. A process in which two or more things are combined
7. To buy something back
8. Property you give to the bank if you fail to pay back the loan

TASK 3

Complete the following definitions.

1. is when one firm merges or takes over another in a completely different industry.
2. is an attempt to gain control of a company by buying more of its shares than anyone else.
3. is joining with firms in other stages of the production or sale of a product.
4. is a person or a company that invests money in another company in order to prevent it from being sold to a larger organisation.
5. are reductions in the cost of making and selling products that are made possible because the business is large.
6. is an attack made at the beginning of the day so that the firm being attacked is not prepared for it.

TASK 4

Which types of integration allow the following benefits:

1. The number of competitors in the industry is reduced.
2. Information about consumer needs can now be obtained directly by the manufacturer.
3. Supply of important components is assured.

TASK 5

Points for discussion

1. Give two examples of forward vertical integration of businesses.
2. What are the problems usually faced by small companies?
3. A vast proportion of mergers fail. What do you think the reasons for this may be?



MANAGEMENT

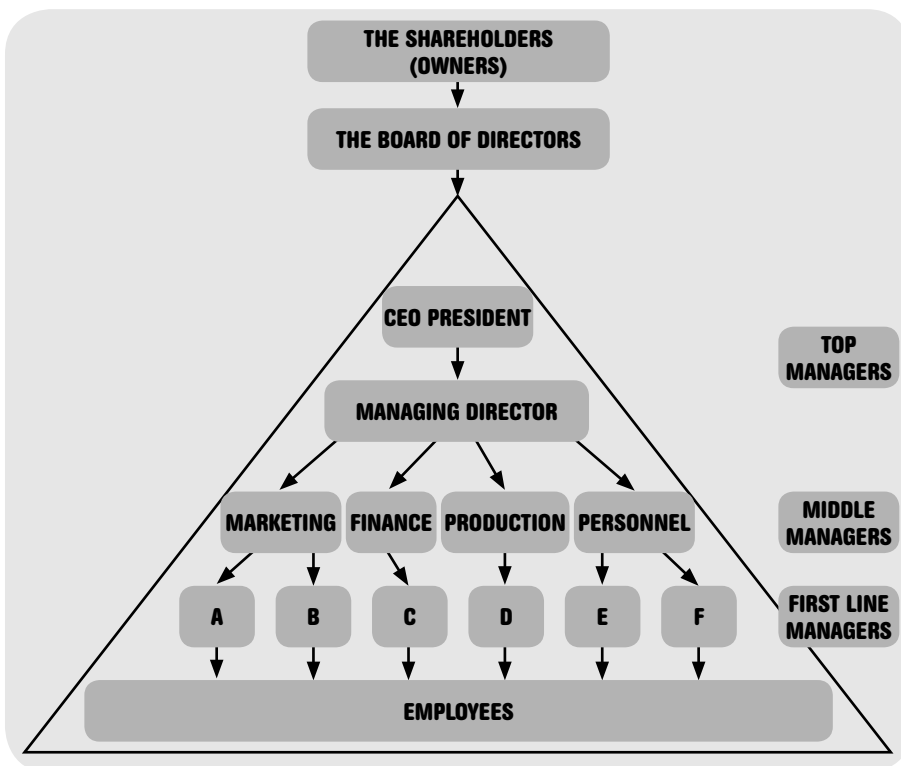




a

n organisation is a systematic arrangement of people brought together to **accomplish** some specific tasks. The characteristics of any organisation are: people, purpose, structure.

All organisations have managers. Management is a crucial component of any type of organisation. The importance of the role depends on the level of the company structure.



Most large companies today are not managed by their owners or **shareholders**. They are managed by a **CEO** (Chief Executive Officer) and a team

of officers. Companies are run by the directors collectively in a **Board of Directors**. A **director** is a person responsible for the **overall** direction of the company's affairs. The director's function is to take part in making decisions by attending meetings of the Board. A person who is given a title of director, such as e.g. 'Sales Director,' to give him/her the status in the company structure is not a director in the company law and is known as **de facto director**. When a CEO is also the head of the Board of Directors the firm is described as a **dual CEO** structure. When a CEO and the **Chairperson of the Board of Directors** are two different individuals the firm is said to have a **non-dual structure**.

The Board of Directors is responsible for taking major policy and strategic decisions. Decisions that are fundamental to the business should not be taken just by executive directors. An **executive director** is a person who performs a specific role in a company under a service contract which requires a **regular** involvement in management. The executive directors **sit on the Board** together with **non-executive directors** who have no managerial function in the company but are involved in its **governance**. They can contribute an independent view to discussions of the Board of Directors and ensure high standards of **financial probity**.

Whatever their title, the tasks can be very similar. So what do managers do?

'Management' is not easy to define and there is no single definition, but it is often described as a process of getting things done, efficiently and effectively, through and with other people. There are various ways of looking at the manager's jobs.

Looking at managerial functions we can say that all managers undertake the same tasks:

Planning – defining aims and establishing action plans. These **targets** give the organisation and its people a purpose and sense of direction.

Organising – **determining** what needs to be done and in what order. People **assigned** to the tasks must have **resources** to complete the tasks successfully.

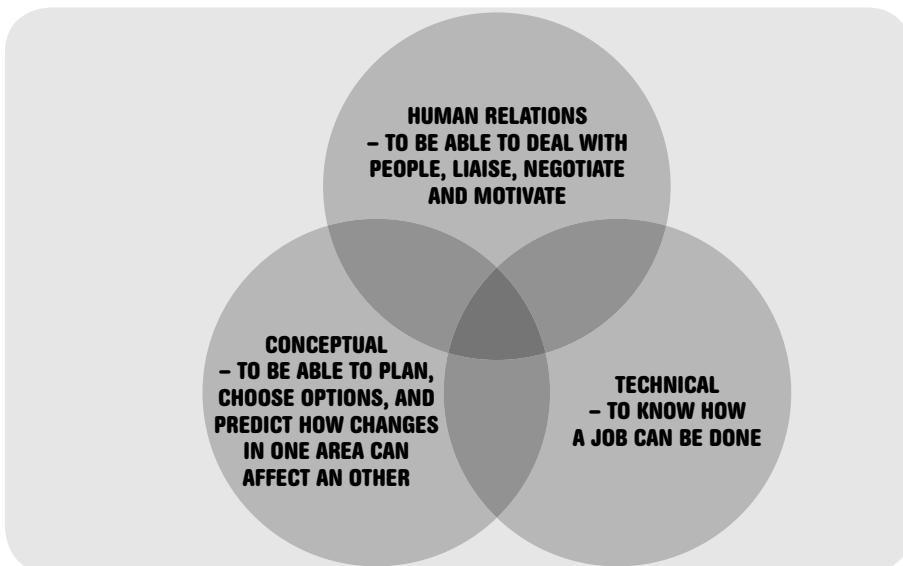
Leading – guiding and motivating all involved parties. It is necessary to bring people together and to make sure that they work together to achieve the plans set.

Controlling – monitoring activities **to ensure** that staff **are on target**. Performance of all **subordinates** must be measured and **evaluated**.

Without effective management a business may **lack** a sense of control and direction, co-ordination between departments or organisation of resources. Manager's duties include three kinds of roles that need to be performed regularly:

- ▶ interpersonal
- ▶ informational
- ▶ decisional

To be able to perform these roles a manager requires the following skills:



Obviously, the extent to which each of these skills is necessary depends on the level of the company structure we are referring to, e.g. for a CEO conceptual skills are a prerequisite while for a first-line manager this is not necessarily the case. Technical skills are more valuable on this level.

Leadership is a key managerial role. There are three main types of leadership styles which use different approaches to dealing with people:

Autocratic – the leader makes the decisions and tells the subordinates to carry them out. Communication in the business is mainly **top down** and the workers have little or no opportunity to comment on anything.

Democratic – the leader discusses the issues with the employees and involves them in **decision making process**. Communication is both top down and **bottom up**.

Laissez-faire – the leader gives little direction allowing the subordinates to make decisions. Communication is limited as clear direction is not given and clear feedback not expected.

The way to manage the organisation does not depend entirely on the manager's choice or belief, since leadership style is also influenced by factors such as:

- ▶ type of business
- ▶ nature of the task
- ▶ organisational structure
- ▶ risk involved

Not all decisions are equally important. Commonly, they can be divided into 3 categories:

strategic decisions – very important decisions that can affect the overall success of the business; usually taken by directors

tactical decisions – less important and taken more frequently; often taken by middle management

operational decisions – day-to-day decisions; usually taken by lower level management.

How to be a Good Manager

In early management theories organisations were **perceived** as machines which needed a good framework for using available resources in order to function effectively. The scientific approach to management, **pioneered** by Frederic W. Taylor, emphasised the importance of managers being involved mainly in planning and organising the work to be done. However, in the early 1920's a new idea surfaced. Elton Mayo found in his experiment in G.E.'s Hawthorn plant that productivity rose because of increased personal attention and rise in status. It became clear that people's needs were the key factor in achieving effectiveness. A good leader in a contemporary business organisation is someone who can inspire and get the best out of the workforce, getting them to work towards a common goal. According to Jack Welch, the legendary Chief Executive Officer of G.E., "a boss' job is to combine the intellect of his team to raise it to a new level". Therefore, a good manager **delegates** tasks to his employees, **empowers** them accordingly and allows them to make decisions. In his highly acclaimed book "Winning" (2005) Jack Welch gives tips on how to be a good leader in the 21st century. Here are some of them:

- ▶ Build a self-confident team
- ▶ Set the team's vision and make it come alive
- ▶ Energize the team; propagate '**can-do-attitude**'
- ▶ Be honest; establish trust by giving credit where credit is due
- ▶ Have courage to make unpopular decisions

- ▶ Ask questions and make sure they are answered with action
- ▶ Inspire risk taking and learning by setting the example
- ▶ Make sure the winners know they are the winners

The search for universally applicable principles of management which began at the end of the 19th century is not yet complete, and possibly never will be. Modern theories of management emphasise the need of taking into account social and environmental factors to be able to satisfy all **stakeholders** and take the business forward. Additionally, in the era of globalisation managers face new challenges. They need to understand what is going on in the world, take into consideration different economic, legal and cultural systems.

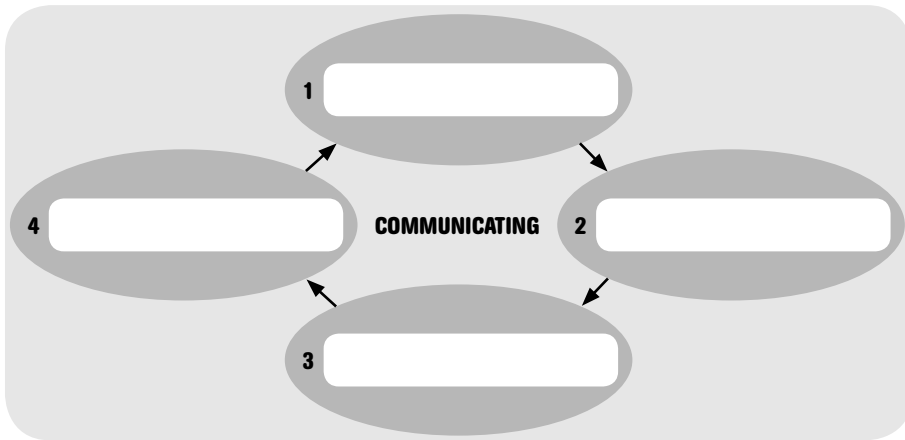
TASK 1

Match the words and expressions with their definitions.

- | | |
|---------------------------|--|
| 1. Shareholders | a. has overall responsibility for the day-to-day running of the company |
| 2. Board of directors | b. owners of the company |
| 3. De facto director | c. director who is a member of the Board and is appointed CEO |
| 4. Managing director | d. a company director who sits on the board and is actively involved in the running of the company |
| 5. Executive director | e. represents the interests of the shareholders |
| 6. Non-executive director | f. sits on the board but is not a working employee of the company |
| 7. Dual CEO | g. an executive who only holds a 'Director' title |

TASK 2

Complete the diagram showing the stages of management process.



TASK 3

Complete the sentences summarizing the functions of management using the words and expressions from the box.

potential abilities • action • organizing • setting objectives
 • evaluation • controlling • planning • re-assign •
 performance • putting • manageable • analyse • social skills
 • guide • directing • motivate • modify • select • divide •
 allocating resources • achieve • company objectives • depend on
 • change • environment • objectives • classify

1. _____ involves _____ for the organisation and then deciding how to _____ them. But because the _____ is always changing, managers will occasionally have to _____ or _____ the goals. Planning is usually mentioned as the first management function because others _____ it.
2. _____ is the process of _____ the plan into _____. Managers _____ and _____ the activities of the organisation and the relations between them. They _____ the work

into [] activities. This involves [] [], so that the [] can be obtained. They [] people to manage these [] and [] the jobs.

3. [] is the function in which managers practise their [] []. They [], teach and [] workers so that they reach their [] [] and at the same time achieve the [] [].
4. [] involves the [] how well the company [] are being met. Therefore, managers must measure the [] of their staff and try to improve it or [] the tasks if major problems exist.

TASK 4

Match up the words with their definitions.

- | | |
|--------------|--|
| 1. lack | a. to give someone a job to do |
| 2. liaise | b. to officially decide something |
| 3. pioneer | c. a situation when something is not present |
| 4. evaluate | d. to understand something in a particular way |
| 5. perceive | e. to provide a means of communication |
| 6. determine | f. to do something for the first time |
| 7. assign | g. to assess |

TASK 5

Correct the expressions below to form common collocations.

Communicate performance

Motivate resources

Allocate objectives

Set employees

Measure strategies

Develop information

TASK 6

Managers perform various tasks. Put them under the proper role heading.

negotiator • monitor • spokesperson • figurehead •
 disturbance handler • disseminator • liaison • entrepreneurial •
 leader • resource allocator

INTERPERSONAL ROLE	INFORMATIONAL ROLE	DECISIONAL ROLE

TASK 7

Tick the options that are true for the sentence.

Democratic leadership approach is appropriate when

- ▶ employees are skilled and trained
- ▶ there is a high degree of risk
- ▶ time is short
- ▶ employees are motivated
- ▶ jobs are repetitive
- ▶ leader is accepted
- ▶ there is no immediate time pressure
- ▶ the job itself is not motivating

TASK 8

Which type of decisions do the following situations belong to:

1. The company considers a merger with their competitors.
2. We have to decide how we want the goods to be delivered.
3. We can't decide on the new advertising campaign.

STRATEGIC

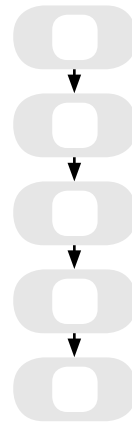
TACTICAL

OPERATIONAL

TASK 9

Complete a decision-making flow chart using the stages from the box.

- a. options are considered and decision is taken
- b. data is collected and analysed
- c. objectives of the business are established
- d. decision is reviewed and evaluated
- e. problem is identified and analysed



TASK 10

Fill in the missing words.

It is hard to say whether management is more art or science. Even if good managers are made rather than born, they have to use what they are born with. And they are likely to have qualities like:

- a. – to be able to understand various complex problems and to know how to cope with them
- b. – to be able to look for solutions to the problems, suggest them and handle the situations

- c. – to be able to tell the subordinates in a clear way about undertaken decisions
- d. – to be able to push through the ideas to their conclusion
- e. – to believe in success and be able to encourage people to act in the same way

TASK 11

What adjectives can be used to describe:

- a. Someone who tells you all the time what to do.
- b. A boss who makes all decisions by himself and expects everyone to follow them.
- c. Someone who is able to make people change their minds.
- d. Someone who is not afraid to express their ideas and feelings.
- e. Someone who deserves confidence.

TASK 12

Complete the text with the words given below.

**accomplish • rewarded • decision-making • change • obey •
empower • performance • hierarchy • delegate • subordinates
• authority**

Recent research has shown that traditional management styles are rapidly becoming obsolete. In the traditional model, senior management exercises its 1. to ensure that decisions are carried out by 2. at lower levels of the company 3. . However, in today's changing business environment, it has become clear that 4. is something that all managers will have to live with and adapt to. In the modern organisation 5. is no longer

restricted to senior managers, and employees are not expected to blindly 6. [] orders from above. Because of the increasing complexity of business, managers have to 7. [] tasks to people at lower levels and to 8. [] them to take the necessary decisions. It has become a system where what you achieve, in other words your 9. [], is what determines not only the respect that other people have for you but also how you are 10. [] for the work you 11. [] .

TASK 13

Give English equivalents to the following:

1. struktura organizacyjna firmy
2. dyrekcja firmy
3. siedziba firmy
4. podstawowa działalność firmy
5. zarząd firmy
6. dyrektor naczelny
7. prezes zarządu
8. kierownictwo średniego szczebla
9. udziałowiec
10. przejrzystość/jawność finansowa

TASK 14

Points for discussion

1. Give examples of 3 decisions that managers in a retailing business may have to make.
2. Do you believe that there are any particular managerial skills that guarantee success in business?

3. Identify the leadership style that would be most effective in the following situations:
- ▶ an R&D department discussing a new product
 - ▶ a group of Finance Department employees preparing a financial report



**BUSINESS
COMMUNICATION**





C

ommunication is becoming increasingly important in today's business environment as companies face ever more numerous challenges to market success. Businesses are now operating across national boundaries and quick decisions based on the information they receive must be made. Advancing technology has changed the way people communicate. The Internet, particularly the popularity of e-mails, tele- and video-conferencing make it possible for people involved in a business project to work together no matter where they are located. Communicating is necessary to co-ordinate activities, pass on instructions to staff, control processes throughout the firm and ensure employees are in touch with what is happening in the company. More and more companies understand that the key to their success is good, effective communication at all levels, not only internally but also in relation to external stakeholders or the public. Knowing how to exploit different communications channels and using them most effectively so that messages reach the staff and the general public with real impact is a big challenge to managers today.

Companies must communicate:

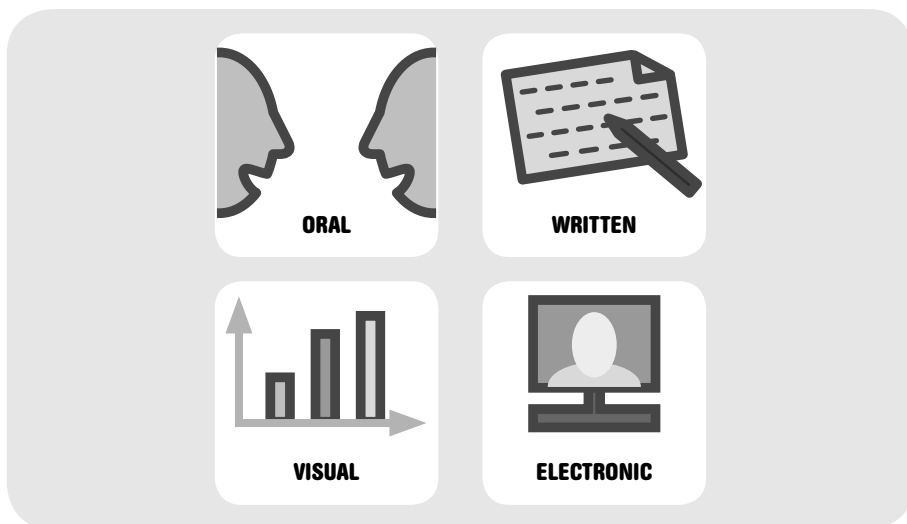
- ▶ **with employees** so that they know what they are expected to do and why;
- ▶ **with shareholders** so that they know how the company is performing and what sort of profit they can expect;
- ▶ **with suppliers** so that they know what the company needs and when they will receive the payment;
- ▶ **with customers** so that they know what the firm has to offer.

All these groups communicate with businesses in different ways. But what exactly is meant by 'communication'?

Communication means transferring thoughts and ideas from one person to another, who understands the content of the message.

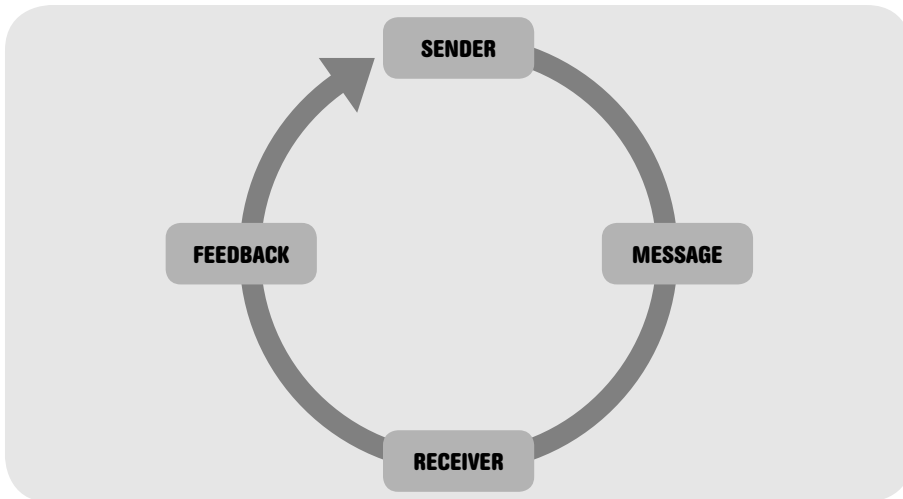
There are 4 main categories of communication:

- ▶ **oral**, e.g. face to face, telephone contact, meetings, debriefings
- ▶ **written**, e.g. memos, reports, letters, notices, **agendas**, **minutes**
- ▶ **visual**, e.g. posters, charts and graphs, Power Point displays, logos
- ▶ **electronic**, e.g. computer links, video conferencing



There is no one best method of communication, as different messages require different ways of conveying information. The form will depend on various factors such as cost, time available or the need for a written record. Each method is more potent if combined with others, as different communication methods used together increase comprehension and information retention.

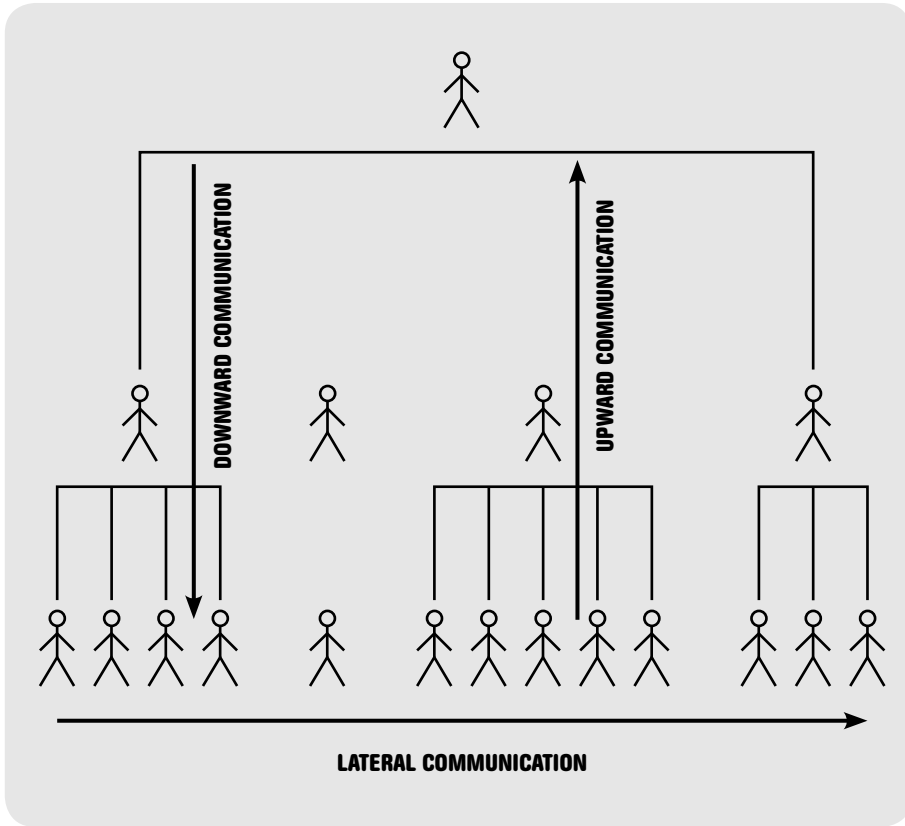
To serve its purpose, communication must be effective. **Effective communication** means that the message is received and understood, stimulating the recipient to take appropriate action or affecting the way the recipient thinks.



Communicating should be a two-way process as no matter how appropriate the system of communication is, it can be useless if the receiver does not understand what the sender is saying. **Two-way communication** is when there is a reply or response from the receiver. It leads to better and clearer information flow as the sender knows whether the receiver got the information and acted upon it. On the other hand, the receiver can make a contribution to the topic being communicated and as a result feel more involved in the communication process. Feedback is essential if clarity and progress are to be achieved.

The official channels of communication set up by companies are often illustrated in their organisation charts. They include:

- ▶ **Downward communication**, when messages are sent from managers to subordinates. This does not allow for feedback. Another disadvantage is that when passing through levels of hierarchy, especially in companies with tall structure, the original message can become distorted.



- ▶ **Upward communication**, when messages or feedback are sent from subordinates to superiors. It provides managers with information on various aspects of a company's activity, e.g. progress, quality or grievances.
- ▶ **Horizontal communication** (sometimes called **lateral**), when people at the same level of an organisation communicate with one another. It facilitates co-operation between departments on matters such as task co-ordination, sharing information and resolving conflicts.

Although the importance of effective exchange of information is widely understood, many common problems result from **miscommunication**. A breakdown in communication may occur for a variety of reasons. Examples of **barriers to effective communication** may include:

- ▶ **Jargon** – language used by the sender may be not known or hard to understand by the receiver
- ▶ **Noise** – any form of interference can make the process difficult or impossible
- ▶ **Medium** – wrong channel of communication can be used
- ▶ **Location** – people whose work is interconnected find it easier to communicate if brought together into a single location
- ▶ **Distrust** – parties involved in communication may have different wants, needs and attitudes, which may affect the communication process

Alongside the formal communication network there is also an informal one. The informal channels are often referred to as the '**grapevine**'. An active grapevine can sometimes cause a lot of damage to an organisation as it can spread incomplete or false information, gossip and rumours. It is also known as the '**jungle telegraph**'. Such informal links existing among employees cannot be eliminated but their importance can be partly diminished if the staff are well informed about management's decisions through the formal communication channels. On the other hand, the informal communication network can also be useful to managers, e.g. for floating new ideas to obtain the reaction of the workforce.

TASK 1

Complete the following definitions.

1. is the information or instructions being passed on by the sender to the receiver.
2. is the method used to send the information.
3. is the notification that a message has been received, understood and acted upon.
4. is when a firm communicates with individuals or groups outside the firm.

TASK 2

Give examples of the methods of oral and written communication within a company.

INTERNAL COMMUNICATION	
ORAL	WRITTEN
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<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

TASK 3

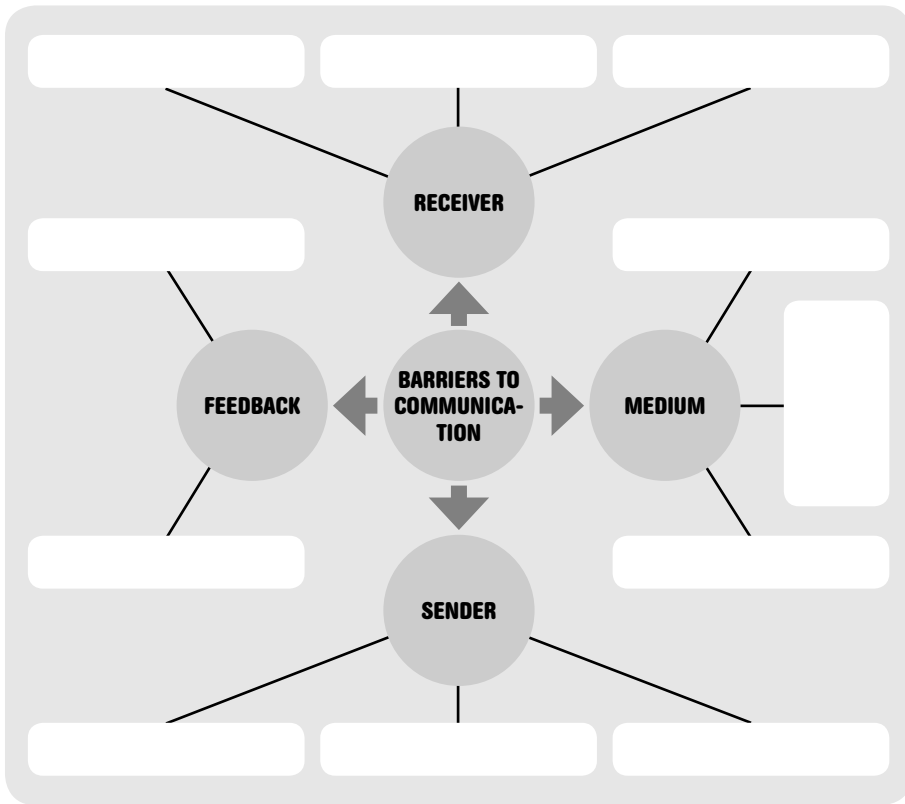
Complete the table using the following descriptions of either oral or written forms of communication.

1. Faster and more flexible
2. Reactions can be observed
3. Provides hard evidence of the message
4. Feedback can be provided immediately
5. Large quantities of data can be included
6. No opportunity for body language to enforce the message
7. Can be less precise

	ADVANTAGES	DISADVANTAGES
ORAL	<input type="text"/>	<input type="text"/>
WRITTEN	<input type="text"/>	<input type="text"/>

TASK 4

Identify problems that may affect effective communication.



TASK 5

Mark the sentences as true or false.

1. One-way communication does not allow the receiver to provide feedback. true false
2. Managers communicate policies, plans, information downwards, and employees communicate ideas, suggestions, complaints upwards. true false
3. People at all levels are willing to pass information upwards. true false

TASK 6

Find 16 words used in this unit



TASK 7

Translate the following sentences into English:

1. Listy handlowe są przykładem oficjalnej komunikacji pomiędzy firmą a jej partnerami i klientami.
2. Protokół zebrania zawiera główne punkty omawiane na zebraniu, wraz z informacją o podjętych decyzjach.
3. Komunikacja wizualna jest coraz częściej używana, szczególnie przy przedstawianiu danych liczbowych, trendów etc.
4. Wydajny system wewnętrznej komunikacji ma ogromne znaczenie ponieważ umożliwia sprawne kierowanie firmą.
5. Niejasny język może sprawić, że wiadomość zostanie niewłaściwie zrozumiana nawet jeżeli przekazywana informacja jest sama w sobie jasna.

 **TASK 8****Points for discussion**

1. Which method of communication would be most suitable for:
 - ▶ Informing all the employees about a new working time system
 - ▶ Explaining to an applicant why he was rejected
 - ▶ Finding out the name of your counterpart in another company
 - ▶ Holding an urgent discussion with employees working in different cities
2. Discuss 2 advantages and 2 disadvantages of new communications technology in the context of business communication.
3. How can managers use the 'grapevine' to further their own purposes?
4. How can businesses overcome some of the most common barriers to communication?









In the era of tough competition and **skills shortages** companies must ensure that they have the right employees to carry out the required activities. Most bigger organizations have a Human Resources Department, which is responsible for **the personnel function** of the organization. It is concerned with both the **provision and maintenance of a workforce**. A major task of this department is the **recruitment** of employees.

Recruitment is the process of **seeking and attracting** an adequate number of candidates, from whom the most suitable and qualified candidates can be chosen to fill the company's **vacancies**.

Hiring a new employee is an investment which can bring outstanding returns, so getting the right people is vital to the company's success. On the other hand, choosing the wrong person may increase costs or reduce quality.

There is never a guarantee that the best candidate has been chosen until he or she has started working. The company, however, may reduce the risk of making a mistake of employing a **poor performer** by running an effective recruitment and selection process.

The process begins when a **vacancy occurs**, either due to a requirement for a new skill, a change in the company structure or because an existing member of staff leaves.

Recruitment includes assessing the nature of the **post to be filled** and advertising it.

The main stages of recruitment

Job analysis

An analysis of the type of work the position involves (e.g. responsibilities, tasks, **duties**) and the type of worker who would best **suit the job**.

Job description

A statement about a job including :

- ▶ **job title**
- ▶ **job location**
- ▶ **reporting relationships**
- ▶ **duties**
- ▶ **special features of the job**

Job (person) specification

A profile defining the personal qualities required, including:

- ▶ details of **expected qualifications** and **experience**
- ▶ **mental and physical abilities** (e.g. initiative necessary to be used in the job)
- ▶ **disposition**

A **job advertisement (job ad)** is **drawn up** on the basis of the job description and person specification. Writing an accurate job description and person specification helps to ensure that the right information is included in the job ad. The latter should include the information what the company wants from **potential candidates**, ultimately leading to a satisfactory **appointment**.

Job advertisement

A description of both the job and person required to **fill the vacancy**, including:

- ▶ job title
- ▶ type of work involved
- ▶ experience required
- ▶ pay and conditions of work
- ▶ job location
- ▶ how to **apply for the post**

The next stage to consider is how and where to advertise. The range of methods is broad but one major decision to be made is to whether the company wants **to recruit internally** or **externally**. Both options have advantages and disadvantages which have to be taken into account.

Internal recruitment

Advantages:

- ▶ the applicant already knows the company and understands its culture
- ▶ the **applicant's strengths and weaknesses** are known to the company
- ▶ the recruitment costs may be lower
- ▶ the recruitment process may be shorter
- ▶ it builds up **employees' morale**

Disadvantages:

- ▶ not all skills may be available internally
- ▶ the recruit's old job needs to be filled
- ▶ **lack of new blood**, new perspectives
- ▶ internal promotion may **cause friction** among employees

External recruitment

Advantages:

- ▶ gives more choice
- ▶ increases pool of talent
- ▶ brings new perspectives and experience to the company

Disadvantages:

- ▶ usually more expensive
- ▶ takes more time
- ▶ may lower morale among employees
- ▶ depends on external **labour market**

Where to advertise

When the post is to be advertised externally the Human Resource Department staff responsible for this part of the recruitment process will have to decide on the location of the advert. It is important to ensure that the company attracts the right kind of applicants.

Possible places for advertising include:

- ▶ **noticeboards**
- ▶ the firm's magazine
- ▶ sectoral, specialist or industry-wide publications
- ▶ the company's website and other relevant internet sites
- ▶ **job centres**
- ▶ **employment agencies**
- ▶ **on campus recruitment**
- ▶ **headhunting** agencies

Nowadays the internet plays an enormous role in the recruitment process of many organizations. It simplifies work and gives new tools to gain the

best candidates from all over the world. **E-recruitment** lowers the costs and shortens the time of recruitment process. It is also very easy **to update the pool of vacancies**.

Applicants interested in the vacancy usually have to complete a **job application form** which requires **personal details** about their education and experience. It often asks for **references** in support of the application. Such an application form can be provided in either printed form or, as it is a more and more common practice, in an on-line version. The form should usually be accompanied by **a curriculum vitae (CV)**. Some companies require **a covering letter** or **personal statement**.

Selection

Following the advertising of the vacancy, **the selection** stage starts. The Human Resources Department receives the applications for the advertised post and must decide which candidates do not meet the job specifications and **reject their applications**.

The most suitable applicants are **put on a short-list** and are invited **to attend a job interview**. This is the most common form of selection procedure, as meeting **shortlisted candidates** face to face gives the interviewer the opportunity to find out more about them and assess their **suitability for the job**. It is often **supplemented** by various tests which help to assess intelligence, **verbal communication**, social skills, physical appearance (may be important for certain posts), confidence and also the ability to work in a team.

However, a job interview is a two-way process. Candidates have a chance to find out more about the post, likely **promotion prospects**, **chances for further training** and development as well as working conditions. They can assess how suitable the job and the organization itself is relative to their needs and expectations, and get an idea of whether or not they would fit in.

Most applicants realize that there are a lot of other candidates and if they want to be successful they will have to offer something that will make

them noticed. They try and master skills which will help them to do their best during the job interview. The recruiters, in turn, know that the applicants know what to expect. Therefore, nowadays job interviews are getting more and more sophisticated. Some companies run a series of selection procedures, called **assessment centres (AC)**. They are considered to be the most accurate method to assess applicants in both an individual and group based environment. It is impossible for the candidates to **anticipate** everything that they may encounter.

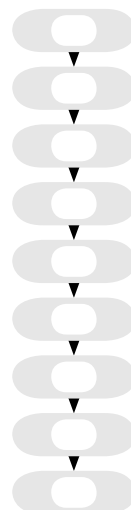
The tasks to be performed in the AC usually include:

- ▶ interviews
- ▶ aptitude tests
- ▶ intelligence tests
- ▶ case studies
- ▶ in-tray exercises
- ▶ presentations
- ▶ group activities

TASK 1

Put the below listed stages of recruitment process in order.

1. advertise the vacancy
2. appoint new workers
3. arrange interviews
4. conduct interviews
5. identify vacancy
6. make decisions
7. manage the response
8. prepare job description
9. short-list the candidates



TASK 2

Match the definitions of some of the selection process tools with their descriptions.

- | | |
|----------------------|--|
| 1. Aptitude tests | a. You may be asked questions about your education, previous experience, reasons for leaving your previous job. |
| 2. Case studies | b. Assess your characteristics and how you might react in different situations. There are no wrong or right answers. They are not timed. |
| 3. Interviews | c. Designed to measure a particular logical or analytical ability. Consist of multiple choice questions. They are timed. |
| 4. Personality Tests | d. Consist of a set of papers to analyse and make recommendations, usually in writing. Assess your ability to analyse information, think clearly, use your judgment. |

TASK 3

The sentences below are about the assessment centre. Put them in order to form a paragraph.

- a. One of the recruitment tools that involves an applicant in some form of practical work during which his/her behaviour is being observed and measured is the assessment centre.
- b. They make notes about each candidate, looking for certain skills such as taking the lead of the team or interacting with other members.

- c. Some jobs depend on a fully interactive team and the employer must make sure that the applicant is able to interact with his/her colleagues to complete the project smoothly.
- d. The applicant is under scrutiny by the assessors for each and every thing he/she does while carrying out the tasks.

TASK 4

Below you will find some advice on how to be successful at a job interview. Put each piece of advice into one of the categories given.

- get thorough knowledge of the company: what it does, recent achievements, etc
- think of the worst possible questions and prepare positive responses
- arrive before the scheduled time of your interview
- smile whenever appropriate
- avoid questions about issues that can be checked on the company web site
- listen carefully and ask questions
- be clear about your strengths
- decide on how to emphasize what you can do to benefit the company
- don't make negative statements about previous employers
- emphasise the strengths that relate to the position you are applying for
- establish good eye contact when talking
- get clear what on what you expect from the job and what you want to achieve
- having entered the room don't sit down until offered a seat
- keep your answers to the point but try to avoid "yes" or "no" ones
- use body language to show interest

PREPARATION FOR THE INTERVIEW	MAKING A GOOD IMPRESSION	CONDUCTING THE INTERVIEW

TASK 5

Match the words to form the expressions used in this unit.

- | | |
|--------------|---------------------|
| 1. Carry out | a. the lead |
| 2. Carry out | b. the applicants |
| 3. Use | c. with colleagues |
| 4. Take | d. the vacancy |
| 5. Interact | e. judgment |
| 6. Put | f. the applications |
| 7. Ask | g. on a short list |
| 8. Fill | h. tasks |
| 9. Attract | i. a project |
| 10. Reject | j. for reference |

TASK 6

Put in the missing prepositions.

1. While performing the tasks the applicants are [] scrutiny [] the assessors.
2. Our company offers a lot of chances [] development.
3. Interviewers assess the candidates suitability [] the job.
4. When the job description and person specification are ready the job ad is drawn [] .
5. You usually apply [] the job [] writing.
6. Choosing the right applicants may be vital [] the company' success.

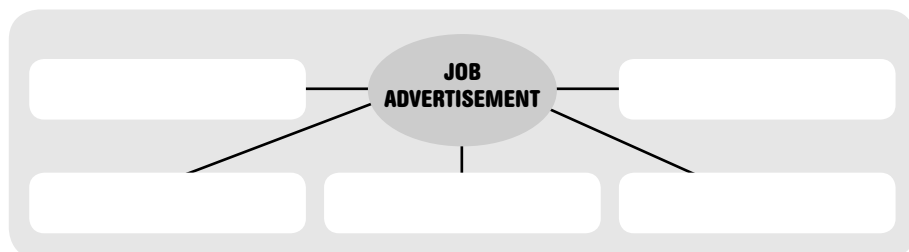
TASK 7

Using the expressions from the unit replace the following:

1. to carry out an interview
2. deep knowledge
3. to predict what to expect
4. to fit the job
5. to make an addition to something
6. highly developed; complex

TASK 8

Complete the word map with the elements of the job ad contents.



TASK 9

Find the matching halves of the sentences.

- | | |
|--|--|
| <p>1. Shortlisting should be based on the application</p> | <p>b. and is sufficiently interested in the company's line of business.</p> |
| <p>3. At the second-round interviews interviewers want to ensure that the candidate has the ability to function intelligently under pressure</p> | <p>b. as it is a quick way to locate positions in a particular field.</p> |
| <p>3. Job seekers increasingly are turning to the Internet for assistance in their searches</p> | <p>c. and assessed against the information the job description and person specification contain.</p> |

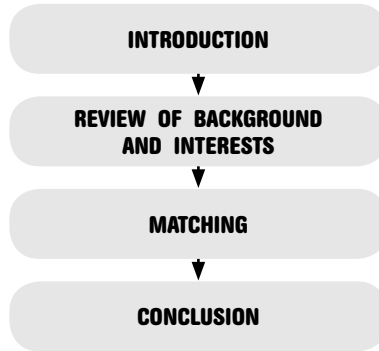
TASK 10

Complete the sentences with suitable words from the unit.

1. A [] is a letter describing your character and abilities, written by someone who knows you.
2. [] means to select and persuade people to work for the company.
3. The best specialists are often contacted by [] which try to persuade them to work for another company.
4. All the suitable applicants who are [] are usually invited to attend a job interview.
5. The assessment centre is one of the most effective recruitment [].

TASK 11

Match the descriptions and the headings to the stages of a job interview.



- The interviewer checks if your qualifications match your declared work
- The interviewer explains job details to see how interested you are in the position.
- The interviewer gets their first impression of you
- The interviewer explains what the next steps in the hiring process are.

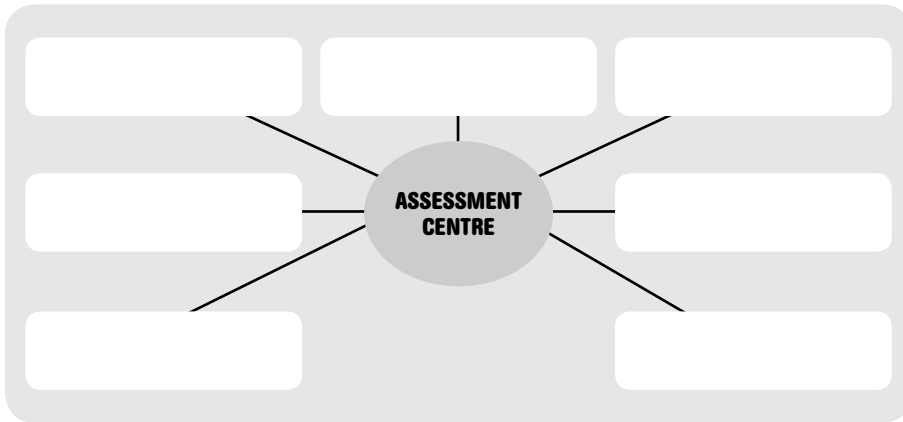
TASK 12

Give the words that the following sentences describe.

- Chances to be raised to a higher job grade.
- A request to an employer to be considered for a job vacancy.
- A place where you will have to perform duties.
- An empty position that requires someone to fill it.
- To give someone a job, position or responsibility.
- A printed document supplied by companies to applicants, asking questions about their background, experience, etc.

TASK 13

Complete the word map with the types of tasks used in assessment centres.



TASK 14

Below there are some statements concerning recruitment policy in various companies. Put the words in the correct order to make the sentences.

1. a job description ■ and lists ■ includes ■ the applicant must meet ■ the official ■ the requirements ■ vacancy notice
2. all applicants ■ job-related questions ■ must be asked ■ the same
3. a copy of ■ all interviewees ■ for the job position ■ must receive ■ prior ■ the essential functions ■ to the interview
4. finishes HRD ■ has been filled ■ position ■ that the ■ the rejected applicants ■ the recruitment process ■ when ■ will notify
5. are identified ■ ensure ■ for the job ■ good recruitment practices ■ that the best candidates
6. but very expensive ■ can make simple ■ employers ■ mistakes ■ recruiting staff ■ to take on new staff ■ when trying

TASK 15

Give English equivalents to the following expressions.

1. Opis stanowiska pracy
2. Rozmowa kwalifikacyjna
3. Możliwość awansu
4. Oceniać kwalifikacje
5. Przydatność na stanowisko
6. Głęboka wiedza
7. Odrzucić podanie
8. Lista kandydatów na rozmowę
9. Komunikacja słowna
10. Osoba poszukująca pracy

TASK 16

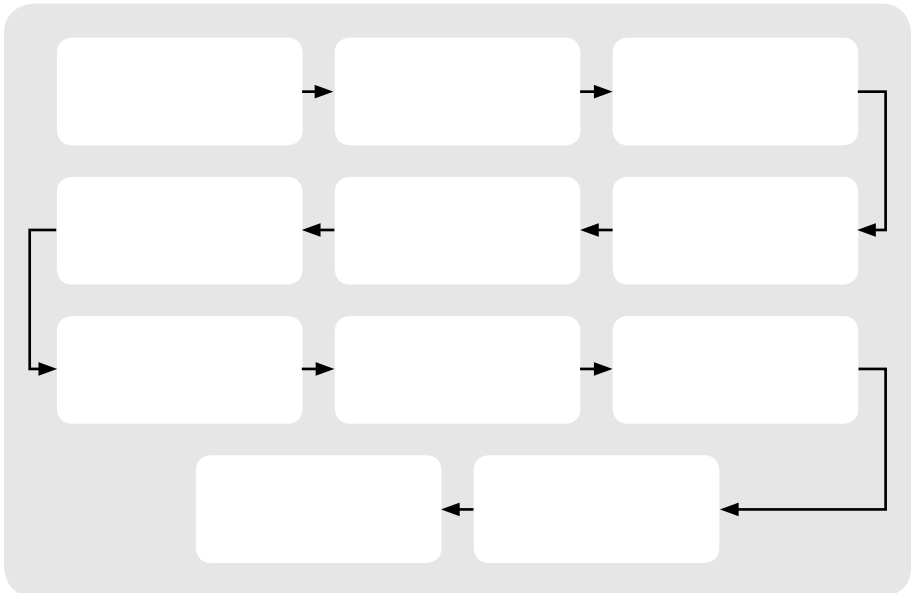
Translate into English the Polish parts of the sentences.

1. Proces rekrutacji will be a waste of time and money if it is not based on dokładnej analizie stanowiska i opisie pracy.
2. He is said że został mianowany na to stanowisko only because there were żadnych innych kandydatów ubiegających się o tę posadę.
3. The company decided to place ogłoszenia o wolnych miejscach pracy w prasie i miejscowym biurze pośrednictwa pracy.
4. The job ad the company placed stated warunki pracy i kwalifikacje wymagane na stanowisku but did not include any information regarding możliwości dalszego kształcenia i rozwoju.

TASK 17

The diagram below illustrates the selection procedure. Complete the stages using the descriptions given.

- Final decision is made – the best applicant is appointed to the post
- Their letters of recommendation are studied
- Second interview (usually a panel interview) is held
- The rejected applicants are informed that the vacancy has been filled in
- They are given additional tests e.g. aptitude test, personality test, intelligence test
- Candidates find the job add
- More tests are performed
- First selection is made – the best candidates are shortlisted
- Other candidates are rejected
- They send their CVs and letters of application
- Applicants are invited to attend a job interview



 **TASK 18****Points for discussion**

1. A manager is needed for a new outlet a company is opening soon. What should the HR department consider while selecting candidates for the manager?
2. For a position of your own choice, discuss how you would design the selection process, justifying why you would do things in that particular way.
3. What kind of skills are needed to be successful in business in today's world?





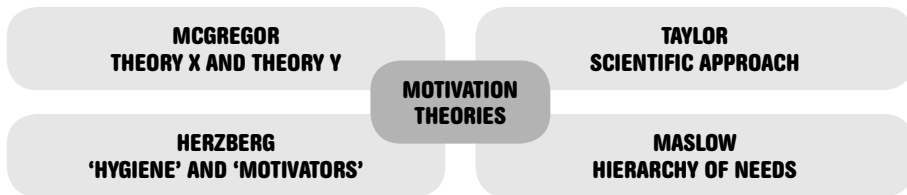
h

igh productivity in a business usually comes from employees who are motivated to work effectively. Good managers know that their people can be their most important **asset**.

In general, motivation is the extent to which a person makes an effort to do something. In business, motivation is the reason why an employee wants to work effectively for the organisation. Well motivated workers tend to be more productive, more co-operative and open to change, as a result to produce better quality work. It is the responsibility of management to motivate workforce.

The first question to be asked is: Why do people work? Money may be the main but not the only reason. People work to face challenges, achieve something for themselves, get satisfaction, or simply to have contact with other people. Employees may have different needs so the company may need to offer a range of rewards and the rewards must be **matched to the needs**. The manager must find out the particular needs and the ways of satisfying them although if the needs of individuals vary significantly it may be hard to introduce a system of motivation that satisfies everyone.

It has been observed that people working for themselves are usually very effective at their work as they can see the direct benefits of their efforts. However, when working for someone else their efficiency may drop as they may think that by generating profits for the company they are only lining other people's pockets. For decades managers have tried to understand what motivates employees to act positively in the interest of the organisation. The search for the answer has resulted in many theories of motivation.



Frederic W. Taylor represented a scientific approach to management. He based his theory on the **assumption** that people are motivated by money. He thought of employees working in factories as machines who, if paid more, could become more efficient. On this view, to improve productivity managers must motivate workers to produce more by high **incentive** payments for **exceeding targets**.

A totally different conclusion was drawn by Elton Mayo from a series of experiments he had carried out in the G.E. plant in Hawthorne. It turned out that man is a social creature motivated by social needs and that to motivate employees, managers must ensure that these needs are met. From this moment on, theorists have focused on the human factor in the workplace.

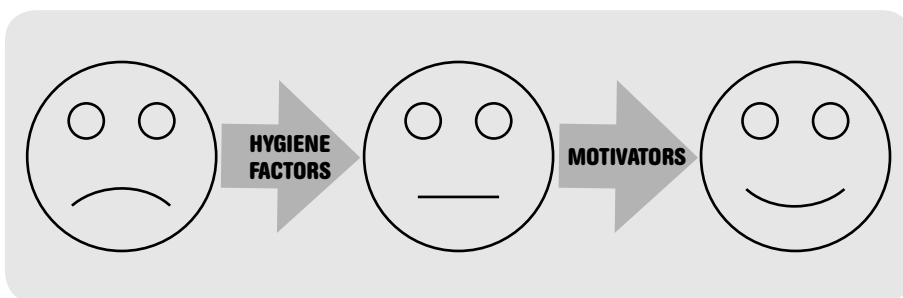
In 1954 **Maslow** argued that workers have a 'hierarchy of needs' which he presented in a form of a pyramid with basic needs at the bottom and higher needs at the top.



The basic assumption was that most people are motivated by the desire to satisfy a specific group of needs. At certain time one need is **dominant** and acts as a **motivator**. Once satisfied, this need no longer motivates and must be replaced by the next higher level need. The exception to this rule is the self-actualisation level. Self-actualisation needs cannot be completely fulfilled as achieving one need provokes a desire to reach another and therefore they are very powerful motivators.

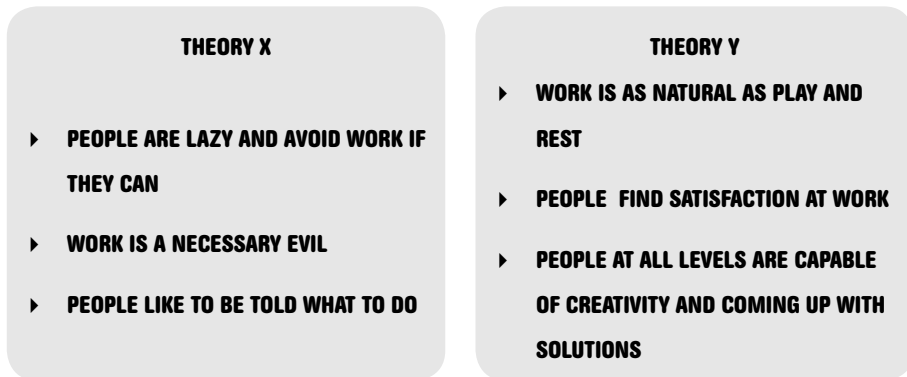
The first three levels are defined as **lower-order needs** and are satisfied within the organisational context. The two top levels are defined as **higher-order needs** and are met through the content of the job. Managers must identify the level of the hierarchy that a particular job provides and ensure that employees can benefit from the next level up the hierarchy.

Frederick Herzberg based his 'two-factor theory' on a survey he carried out on a group of workers in Pittsburgh. He came to the conclusion that people have two sets of needs which he called '**hygiene factors**' and '**motivators**'. The former group relates to the context within which the job is done (salary, working conditions, relationship with peers). 'Hygiene factors', if missing, may cause dissatisfaction but they don't actually satisfy. 'Motivators', which relate more to the content of the job (personal growth, responsibility, advancement) can, on the other hand, cause increased level of satisfaction, though their lack does not cause dissatisfaction.



Managers must ensure that 'hygiene factors' are addressed to avoid dissatisfaction, but 'motivators' must also be provided to create positive satisfaction.

McGregor's theory is based on two different sets of assumptions made by managers about their employees.



Managers who believe in Theory X think that the willingness to work is mainly influenced by external factors (e.g. high pay) and workers have to be pushed to work and closely supervised. Managers who believe in Theory Y think that motivation is an internal factor and they concentrate on providing a satisfactory working environment in which people can be interested in their work and perform it effectively. The role of a manager is to support the employees rather than impose discipline.

Overall, there are three factors that can motivate employees:

- ▶ financial rewards
- ▶ non-financial rewards
- ▶ job satisfaction

Financial rewards are described in detail in the next unit, so let's concentrate on the second and third factors.

A lot of people believe that money is the biggest **praise**. But **non-monetary benefits** can keep employees happier than high pay checks. Surveys show that money does not guarantee **staff retention**. People get a satisfying amount of cash and still leave after some time. A significant number of workers change their jobs not for financial reasons but for reasons such as improper **work-life balance** or lack of **appreciation**, both very common,

particularly in big companies. In other cases, employees do not leave the firm as such but find their subordinate-superior relationship **demotivating**, sometimes because they cannot get on with a particular superior. Managers may be able to recruit the right people but what they really need to concentrate on is how to keep these people. To **retain** talent and accelerate **staff performance** they should aim at increasing workers' satisfaction when it comes to the work environment.

A vast majority of employees claim they do not receive any kind of **recognition** or appreciation. Managers who want to have happy staff should make sure that they give encouragement frequently enough. And doing this they should be specific, as general praise does not have much **impact** on individuals. So instead of casually referring to "a good job", they should show appreciation for completing a particular task, e.g. "I like the way you handled this problem". Another thing to be kept in mind is **timing**. To be effective, appreciation should be shown immediately. If too much time elapses, the impact is much lower.

In his theory Herzberg emphasises the importance of workers enjoying their jobs. Some jobs are **dull** in nature and individual employees may have different ideas of what can make tasks less monotonous and consequently increase motivation. It is, however, generally agreed that motivating jobs should provide **variety**, allow individuals some responsibility and have a sense of purpose.

Designing motivating jobs

Job rotation – individuals are trained in a number of different jobs and systematically moved from one job to another. This provides greater variety, gives employees a feel for other areas of the company and, from the employer's point of view, allows **labour flexibility**. It does not make the tasks more interesting as such, though.

Job enlargement – employees' **range of duties** is widened so that they work harder but the job seems less **repetitive**. The level of responsibility remains the same.

Job enrichment – employees are offered additional challenging tasks, requiring more skill and carrying greater responsibility. It is **vertical extension** of the job.

Teamwork – employees are involved in working together in a small group to complete a particular process, product or project. The teams are allowed to make their own decisions. It gives the employees a feeling of control over their work, a sense of responsibility and greater social interaction. It also gives a sense of belonging to the company rather than being an isolated worker.

Empowerment – giving employees power over their work. The empowered workers have the authority to decide about tasks as well as the authority to carry them out.

Whatever action the manager decides to choose in order to engage, drive and retain employees, he or she must ensure that:

- ▶ Appropriate rewards are offered (no one appreciates more work without some kind of compensation)
- ▶ Individuals know how to achieve these rewards
- ▶ Individuals believe they are capable of achieving the rewards
- ▶ Individuals **perceive** the rewards as fair

TASK 1

Which management theories do the sentences below refer to?

1. Individuals have social needs. They like working in teams. They want to be listened to.
2. Show workers the best way to a job so they can increase productivity. Reward them for higher output.

TASK 2

Management based on which motivation theory is more likely to be represented by:

- | | |
|--------------------------|------------------------------------|
| 1. Giving responsibility | 2. Authoritarian, repressive style |
| 3. Staff development | 4. Tight control |
| 5. No development | 6. Achievements and improvements |
| 7. Empowering | 8. Depressed culture |

THEORY X

THEORY Y

TASK 3

Complete the pyramid with levels of the needs and match them with appropriate rewards.

teamwork • more responsibility • company car • job security •
basic pay • new job title • authority • pension • canteen

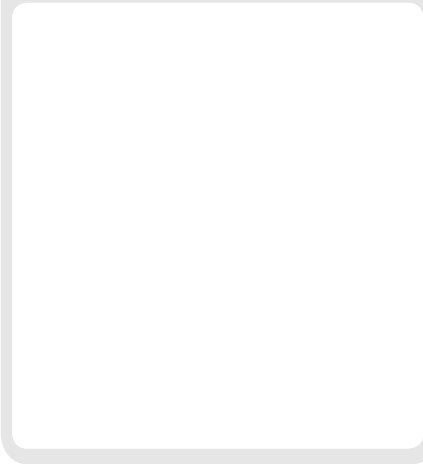


TASK 4

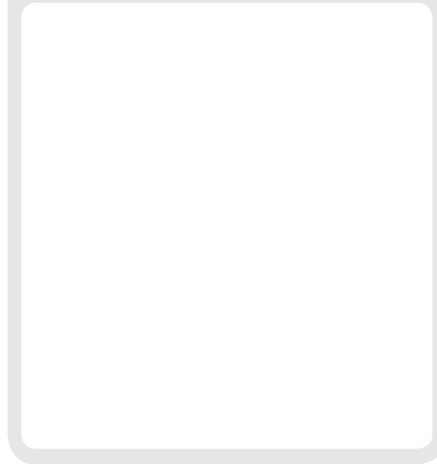
Put the following factors under the right headings.

salary • advancement/promotion • achievement • security
• recognition • personal growth/development • work itself •
relationship with supervisor • company policies •
work conditions • status • recognition

HYGIENE FACTORS



MOTIVATORS



TASK 5

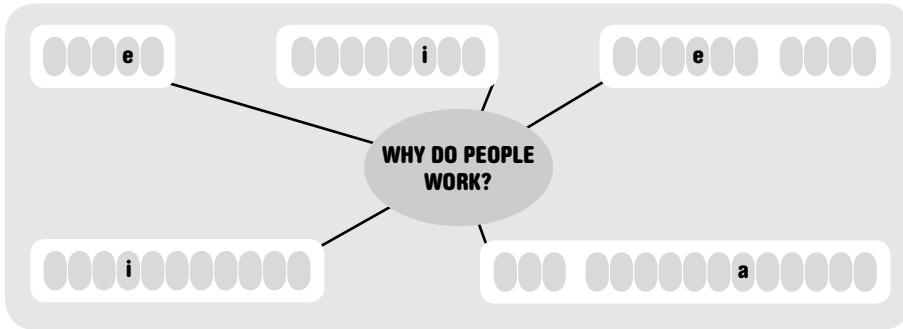
Match the statement to the person:

A – Taylor • B – Maslow • C – McGregor

1. 'People have different needs, from food and shelter to finding a self-fulfilment'. A B C
2. 'Money is the main motivator; pay people more money and they will work harder'. A B C
3. 'Some managers think that workers are lazy and have to be pushed to work'. A B C

TASK 6

Complete the diagram giving 5 reasons why people work.



TASK 7

Complete the following definitions.

1. – involves workers swapping round and doing specific tasks
2. – is the enjoyment derived from feeling that you've done a good job
3. – is when extra tasks of a similar level of work are added to a worker's job
4. – is when tasks of more complex skills are added

TASK 8

What words are used in the text to mean the following:

1. An expression of strong approval or admiration
2. The ability to keep workers from leaving a company
3. Effect, influence
4. Doing something at the most suitable moment
5. To give someone more control or power to do something

6. Involving repeating the same action over long periods of time
7. Something that you consider likely to be true
8. Something that makes you want to do something or work harder
9. Not interesting
10. Something that is more noticeable than other aspects of something



TASK 9

Points for discussion.

1. Maslow's theory, like all other theories, has its critics. Can you think of some of the weak points in his theory?
2. Herzberg believes pay is important but does not motivate. Why?
3. What would be the most suitable way to increase job motivation for the following jobs:
 - ▶ shop worker
 - ▶ production line worker
 - ▶ chef in a big restaurant

EARNING A LIVING





W

hy do people work? Most people work to live, they work to earn their living and to support their families. They work for money.

However, there are also workaholics – people who live to work. Many workaholics are ambitious, success-driven individuals who work hard to meet their self-fulfilment needs. They want to achieve status and recognition, they want to be praised and promoted. If they are **high performers**, they can be a valuable asset for their employers.

Regardless of motivation (which is presented in greater detail in the previous unit), people who work enter a legal contract with the employer which specifies the obligations and duties of both parties.

Contract of employment

A contract of employment, sometimes referred to as a **service contract**, can be signed for a specified period of time and then it is called a **fixed-period contract** e.g. a three-year contract, or, if someone has an important job or position, it can be an **evergreen contract** or even a **tenure**.

Shorter, non-permanent employment can take the form of a **performance contract** (the **contractor** performs a task or tasks specified by the **principal**) or a **short-term appointment** (e.g. to substitute for someone who is sick).

A contract of employment usually includes a **job title** (e.g. an assistant to the Procurement Manager) and a **job description** (the main duties). It also includes information on the **rate of pay**, **gross pay**, **tax deductions**

(the PAYE system – pay as you earn), **net pay**, and **frequency of payment**. **Working hours** are also stated in the contract (**fixed working hours**, a combination of **core time** and **flexible working hours, flexitime**) together with the information concerning overtime. Typical office hours in Great Britain are from 9 am to 6 pm. The contract should also include the **date of commencing work**, the length of **notice of leaving** and **disciplinary rules**.

Optionally, the contract may cover things like **grievance procedures, holiday entitlement, medical plan, insurance, pension scheme contributions, sickness benefits, maternity/paternity leave**, and **trade union subscriptions**.

The first month or three months of employment are often treated as a **probation period**, after which the decision whether to sign a contract of employment or not is taken.

Remuneration package

A remuneration package or **pay package** may contain the following:

Basic pay (method of paying employees)

- ▶ **hourly rate**
- ▶ **flat rate**
- ▶ **piecework**
- ▶ **pay-for-performance** (e.g. **commission on sales**)
- ▶ **combination of salary/wages and commission**

Bonuses and incentives

Fringe benefits/perks

Benefit schemes

Perks are **benefits in kind** added to the remuneration package. They may include accommodation, a company car, mobile, PC or palm top, free or subsidised meals and drinks and luncheon vouchers. The so called

cafeteria plan is a system in which an employee can choose the fringe benefits which are the best for him/her (up to a certain amount of money). The most common benefit schemes that companies offer are **low-interest loan schemes, child care**, medical and disability insurance, and **contributory or non-contributory pension schemes. Social security benefits** such as sickness benefits, **disabled benefits** and **unemployment benefits** are, as a rule, provided by governments.

An employee **working shifts** usually receives an extra **shift allowance** to compensate for late and night shifts (**unsocial working hours**, disturbed sleeping patterns).

Merit increases are variable, usually discretionary and irregular. Their aim is to reward those whose **performance** is excellent. The same applies to incentives, e.g. sales incentives, and bonuses, e.g. productivity bonuses, performance bonuses and attendance bonuses. An **incremental scale** is usually contractual and includes fixed, regular **increments. Cost of living increases** compensate for inflation.

Performance appraisal

Performance appraisal is an assessment of an employee's **performance**, usually on a regular basis – yearly or half-yearly. It measures the effectiveness of an employee, his/her results and achievements, **absenteeism, lateness**, ability to **meet objectives (MO)**, to **work to a deadline** (sometimes under pressure), his/her personality and behaviour. It is needed for **promotion/demotion** purposes, and for pay increases (both within the framework of incremental scale and merit increases). It also gives **feedback** to employees to encourage desirable performance and professional development.

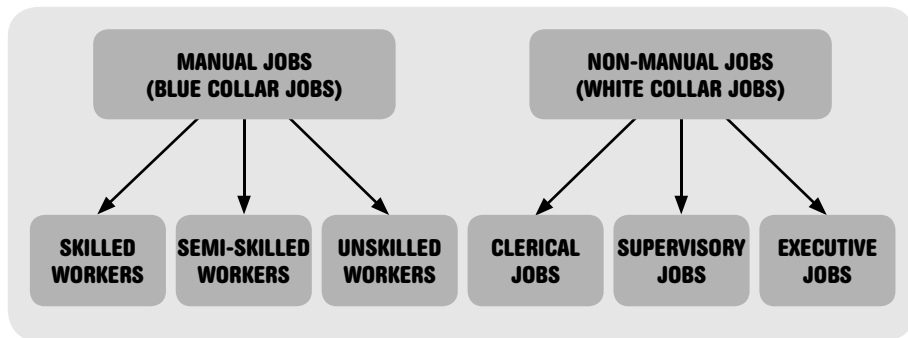
Most frequently **superiors rate** their **subordinates**; sometimes a group of **peers** rate a colleague. **HR managers** suggest either quantitative methods

of assessment (usually a six-point scale) or qualitative methods (a structured or semi-structured narrative on the employee's performance).

Appraisal records are kept in **personal files** in the **Human Resources Department** and are the basis for the employee's **track record**.

Types of jobs

The basic types of jobs are presented on the diagram below.



The other types of jobs include:

- ▶ full-time jobs
- ▶ part-time jobs
- ▶ temporary jobs
- ▶ seasonal jobs
- ▶ casual jobs

Additionally, a few more patterns of work such as **shift work**, **job sharing** and **hot desking** need to be mentioned here. **Freelancing** is another type of job; here a professional **freelancer/portfolio worker** works for different companies or individuals. Some people, for instance young mothers or the disabled, can work from their homes, using a computer in '**SOHO**' (small office/home office). This kind of job is classified as **remote working**, **teleworking** or **home working**.

Termination of employment

At the age of 60 or 65 people usually **retire**. If they retire before time, we say that they **take early retirement**. They become **pensioners** and receive **pensions**.

When an employee **quits the job**, it is called **resignation**. If an employer is not satisfied with employees, he/she dismisses them, or, more colloquially, **sacks** them or **fires** them. In both cases a notice of leaving is required. **Dismissal** can be either fair or unfair (e.g. for being pregnant). **Summary dismissals** without any warning are extremely rare – employees are dismissed on the spot in cases of **gross misconduct**. If an employer reduces staffing (**decrement**), he/she makes people **redundant** and then the people have the right to be given **redundancy payments**. **Redundancies** are a serious social problem, especially **massive lay-offs**. That is why some companies provide **outplacement services** to help their professional employees find new jobs.

Working conditions, health and safety at work

Employers are responsible for safe **work environment** and they have to follow all the **health and safety regulations** that are in force. **Safety inspectors** check how companies observe these regulations. If safety needs to be improved, they suggest **corrective actions**, i.e. issue **improvement orders** or **prohibition orders**.

Recently, the number of **industrial accidents** has been reduced because more employers and employees follow the safety regulations more strictly. Some industries, however, are more hazardous than others e.g. construction or coal mining.

The environmental factors affecting work performance include:

- ▶ hygiene/cleanliness
- ▶ illumination/lighting

- ▶ temperature/air-conditioning
- ▶ humidity/ventilation
- ▶ noise
- ▶ safety

A dangerous **work environment** may be costly to a company due to **accidents at work, work disruptions** and **absenteeism**.

The regulations in most European countries follow the EU directives and cover the following areas:

- ▶ health and safety management
- ▶ equipment safety
- ▶ manual handling of goods
- ▶ personal protective equipment
- ▶ workplace conditions
- ▶ display screen protective equipment

A safe work environment includes **user-friendly** facilities, safe machines and office equipment, **fire alarms, smoke detectors** and **emergency exits**. Some workers, particularly those working on **production lines** or on **construction sites**, require **protective clothing** e.g. hard caps and/or gloves. Office workers need extra protection for their eyes if they work with computers (protective glasses or computer screens to reduce eye-strain). **First aid kits** should be easily available in case of **emergencies**. All employees should be trained in providing first aid and in **emergency procedures**. Prevention of **occupational diseases** is an important issue and employees should have regular **medical check-ups** and, in some professions e.g. doctors or nurses, also **vaccination** programmes. What is important is, on the one hand, elimination of stress, overwork, and, generally speaking, excessive strain at work and, on the other, promotion of healthy life styles. Employees are entitled to have rest breaks at work, lunch breaks and coffee breaks during their working day. The duration of the breaks needs to be

strictly specified. Some groups of employees require special protection at work e.g. pregnant women and breastfeeding mothers as well as the disabled.

Office workers need **ergonomically designed** individual **workstations**. They also need safe and user friendly office equipment. The organisation of office space varies and depends on the office size, the number of office workers, the functions performed and employer's preferences. **Open-plan offices** are preferred by many employers since they are cheaper and the office staff can be continuously monitored all day long. Most employees, however, need some privacy and feel more comfortable in traditional office rooms rather than in one big office space, even if it is divided into **cubicles**.

TASK 1

Use words from column A and B to form business collocations.

- | | |
|-----------------|---------------|
| 1. medical | a. station |
| 2. smoke | b. accident |
| 3. merit | c. inspector |
| 4. emergency | d. retirement |
| 5. occupational | e. worker |
| 6. work | f. sharing |
| 7. portfolio | g. disease |
| 8. safety | h. exit |
| 9. first | i. detector |
| 10. working | j. aid |
| 11. job | k. check-up |
| 12. industrial | l. record |
| 13. appraisal | m. increases |
| 14. remote | n. hours |
| 15. early | o. working |

TASK 2

Join the halves.

- | | |
|--|---|
| 1. A firm is a company or a business | a. often consisting of many small companies. |
| 2. A business is an organisation | b. frequently run by a family with a small number of employees. |
| 3. A corporation is a large organisation | c. usually small and providing services. |
| 4. A company is an organisation | d. producing goods or providing services to earn a profit. |

TASK 3

Fill in the gaps with the correct preposition.

1. to promote a higher position
2. he works an assistant the Sales Manager
3. to work a computer screen
4. keep appraisal forms personal files
5. divided cubicles
6. trained providing first aid
7. accidents work

TASK 4

Complete the sentences.

1. Environmental factors work productivity in factories, assembly and in offices.
2. Noise is unwanted, troublesome and sometimes harmful sound distracts workers.

3. The perceived level of noise can be [] if a worker wears ear protectors.
4. Production [] should always be kept clean, even if the costs of keeping them clean are high.
5. Occupational diseases often result from [] safety and health [].
6. Negligence of safety at work often [] in [] accidents and lawsuits.
7. In Great Britain taxes are [] by HM Revenue and Customs and in the US by the Internal Revenue Service.
8. Senior [] receive 'golden handshakes' when they are forced to [] the company.
9. Employability of university graduates is higher than employability of [].
10. With more employee involvement and more empowerment, morale usually [].

TASK 5

Complete the terms matching the definitions.

- | | |
|--|----------------|
| 1. the premises, the building where you work | a. work [] |
| 2. the conditions you have at work | b. working [] |
| 3. a part of the office where you work | c. work [] |
| 4. all people who work in a company/country | d. work [] |
| 5. a colleague | e. work [] |

TASK 6

Finish the sentences.

1. Performance appraisal is a process in which [REDACTED].
2. Pension scheme is a system of [REDACTED].
3. Occupational diseases are those [REDACTED].
4. Open-space offices may be irritating for workers because [REDACTED].
5. First aid kits include [REDACTED].
6. The main function of safety inspectors is [REDACTED].
7. In American English a 'bio break' is a period of time when [REDACTED].
8. A hands-on boss is the one who [REDACTED], whereas a hands-off boss [REDACTED].
9. Human Resources Departments deal with [REDACTED].
10. An incremental scale shows [REDACTED].
11. A remuneration package can include [REDACTED].
12. Job security means that [REDACTED].
13. Sexual and racial harassment in the workplace should be [REDACTED].
14. Ageism is an unfair treatment of people because [REDACTED].
15. Nobody can be discriminated in the workplace on the grounds of [REDACTED].
16. Promotions are left to the discretion of [REDACTED].

TASK 7

Translate the sentences into English.

1. Wynagrodzenie zwykle dzieli się na płacę zasadniczą, premie, nagrody i tak zwane dodatki do pensji.

2. Praca na zmiany jest szkodliwa dla zdrowia, co więcej utrudnia stosunki rodzinne i kontakty towarzyskie. Nie wszyscy chcą to zaakceptować, a jeśli nawet akceptują, to oczekują rekompensaty finansowej.
3. Podatek od osób fizycznych jest potrącany co miesiąc od pensji brutto. Takie jest prawo podatkowe i nie możemy robić żadnych wyjątków.
4. Jeśli nie będzie cię na liście płac, skontaktuj się z działem kadr lub z księgowością i poproś ich o pomoc.
5. Możemy panu zapłacić 200% stawki godzinowej, pod warunkiem, że będzie to praca w nadgodzinach w soboty i niedziele. W przeciwnym razie możemy zaproponować jedynie zwykłą stawkę. Takie są przepisy.
6. Chciałbym, żeby mój szef zmienił zdanie na mój temat po ostatniej ocenie pracowniczej. Poprzednio nigdy nie doceniał moich wysiłków i zawsze dawał wyraz swojemu niezadowoleniu w bardzo nieprzyjemny sposób. Swego czasu zastanawiałem się nawet, czy nie odejść z pracy.
7. Czy wszystkie dodatki do pensji będą wyszczególnione w umowie o pracę? Jak będzie obliczana prowizja od sprzedaży?
8. Wiedziałem, że on ma być awansowany w przyszłym miesiącu. Natomiast nie miałem pojęcia, jakie stanowisko otrzyma i komu będzie podlegał.
9. Wykaz obowiązków na tym stanowisku będzie wkrótce rozszerzony o nowe zadania, ale wynagrodzenie prawdopodobnie pozostanie na tym samym poziomie.
10. Najwyższy czas, żebyśmy zdecydowali, kogo przesunąć na równoległe stanowisko, a kogo zwolnić.
11. Pracownik mojego działu ma zamiar już przejść na emeryturę, mimo że do osiągnięcia wieku emerytalnego brakuje mu jeszcze roku.

TASK 8

Choose the correct word.

1. Your holiday [] will remain unchanged.

entity • envisage • establishment • entitlement

2. Work accidents and [] diseases have to be reduced to a minimum.

professional • occupational • vocational • work

3. Workplace legislation should encourage [] in the health and safety at work.

elimination of risk factors • changes • protection • improvements

4. Men and women should have equal career [] and should not be discriminated because of their sex.

plans • options • opportunities • possibilities

5. You do not need a [] [] to work in most EU countries.

**working • worker's • work •
working**

**allowance • licence •
permission • permit**

6. [] of sickness should be sent together with a medical certificate after 48 hour [] from work.

**notification • evidence •
record • notice**

**present • absent •
absenteeism • absence**

 **TASK 9**

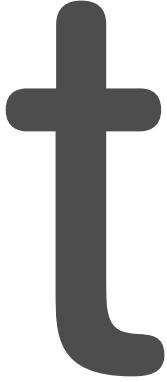
Match the terms from the pool with their definitions.

**Parkinson's law • red tape • employee morale • data base •
assembly plant • bureaucratic bubble**

1. integrated collection of all the data resources in a company
2. manufacturing in which the product is placed on a conveyer belt and specific production tasks are performed while the product travels from one work station to another
3. a theory which says that work expands to fill the time available (the more time you have the longer it takes to do the job)
4. paperwork, bureaucracy
5. a language used by office managers/staff – it has a lot of jargon, complex phrases and makes written communication difficult to understand
6. attitude of employees to their job and their employer







rade unions (called industrial unions in the U.S.) are organisations comprising workers of one profession. Their function is to represent workers' interests and to help achieve common goals such as **wages, working hours** and **working conditions**. **Labour unions** are made up of workers of various occupations from various companies. A typical example here is the Polish labour union 'Solidarity' which, at some point, had 10 million members from most companies in Poland and a very strong representation. It was the first independent labour union in the communist regime who fought for the workers' rights and, ultimately, changed the political and economic system in Poland.

When **bargaining** as an organised group, workers can better voice their needs and obtain improvements in **job security**, get higher wages and have better working conditions. They appoint their representatives to **hold talks** with the managers and the government. **Unionised workers** can be better represented in **contract negotiations**, in **industrial disputes** and can fight for pro-union legislation more effectively.

Union membership

Trade union membership is achieved by signing a declaration and by paying **subscriptions**. Theoretically, trade union subscriptions are **voluntary** but in the so called '**closed shops**' managers – based on an **employment agreement** – cannot hire non-union workers, so joining the union is a prerequisite of employment. This type of an employment agreement gives the union privileges in the areas of wages and working conditions. Critics say it violates the principle of freedom; a company may lose the best recruits

just because they do not wish to join the union. In many countries 'closed shops' are prohibited e.g. in the United States and in the European Union. An '**open shop**' refers to a company in which union membership is voluntary and non-union workers do not pay any union fees if they do not want to join the union. This type of arrangement prevails in most democratic countries.

Collective bargaining

Collective bargaining is a negotiation process between managers and union representatives. If bargaining is confined to a single company, it ends as a **single-plant single-employer** agreement. If, however, there are several unions in a company, they may join their efforts to negotiate an agreement with the management in **coalition bargaining**. In **industry-wide bargaining** a single union representing all unions in a given industry negotiates an agreement with several employers in that particular industry.

Sometimes, in the times of recession or high **unemployment**, union members can decide to make concessions e.g. to accept pay cuts that would help the employer to remain competitive on the market or to avoid **bankruptcy**. Such concessions have the name of **givebacks**. They help the employees to keep their jobs, even if sometimes they do not earn as much as they want (e.g. cost-of-living wage increases are temporarily halted even though consumer prices increase).

In the case of **industrial disputes** that do not end in an agreement, **mediation** or **arbitration** can be used, of course if the both parties agree. A mediator is an outside person who makes unbiased recommendations on how to **settle a dispute**. As regards arbitration a **legally binding** decision is made on how to solve the problem. An arbitrator is a kind of a judge who listens to the both sides of the conflict and gives his/her verdict.

Industrial action

In the case of industrial disputes that are not solved effectively at the bargaining stage trade unions can use **strikes, working-to-rule, picketing** or **boycotting**. Today **collective bargaining** is often successful and the number of strikes and other forms of industrial action is reduced. However, there are professions like teachers or nurses that sometimes decide to **go on strike** because without it they cannot improve their situation. **Hunger strikes** are not very common. Even though they attract the attention of the media, they are not always effective.

Grievances

Shop stewards, who represent the local union on a day-to-day basis, submit an employee's grievance (a complaint about any violation of the **union contract** e.g. **unfair dismissal**, transfer to a lower or less paid position, unfavourable changes in work assignments) to his/her **immediate supervisor**. This is a typical **grievance procedure** under which if a problem is not solved by a lower rank representative of the management, it goes higher: from the immediate supervisor to a higher level manager and, finally, to an impartial arbitrator. If, however, the conflict is not solved by the arbitrator, then the **Industrial Tribunal** may be used as a last resort.

Nonunionised business organisations

In nonunionised companies managers often offer comparable wages and working conditions to their employees. If communication within the company is efficient, if workers are satisfied with what they are offered and if **grievance handling** is effective, workers do not need to join the union. For some employers the threat of unionisation is effective in securing wages and working conditions that are the same or similar to those in unionised

companies. With good labour-management communication it is possible to eliminate massive layoffs even if there are no unions to represent the interests of workers.

A trend that is observed nowadays is that more and more employees choose not to join the unions. It holds true to many workers in the growing service sector. Typically they are better educated and better paid than factory workers in the 20th century. They are ready to relocate and are not afraid of changing jobs. Generally, their **job security** is higher and they do not feel that they need the sort of protection and representation trade unions can offer.

TASK 1

Match the words to form collocations.

- | | |
|----------------|---------------|
| 1. unfair | a. steward |
| 2. immediate | b. binding |
| 3. grievance | c. dispute |
| 4. collective | d. shop |
| 5. industrial | e. supervisor |
| 6. closed | f. dismissal |
| 7. legally | g. layoffs |
| 8. massive | h. procedures |
| 9. shop | i. bargaining |
| 10. employment | j. agreement |

TASK 2

Complete the sentences.

1. Shop steward's functions include _____.
2. Higher job _____ means that employees are not afraid of losing _____.

3. An arbitrator may be used when [REDACTED].
4. A grievance is a complaint about [REDACTED].
5. In most cases hunger strikes attract the attention of the [REDACTED].
6. If arbitration does not help, the conflict can be solved by a decision of the [REDACTED].
7. [REDACTED] bargaining denotes negotiations between trade unions and employers, usually over working conditions and pay.

TASK 3

Answer the questions.

1. What is the difference between trade unions and labour unions?
2. What forms of industrial action do you know?
3. How would you explain the term 'collective bargaining'?
4. What are the most frequent reasons of strikes?
5. Do you think that trade unions will cease to exist soon?
6. Do governments need labour unions as partners in solving industrial disputes?
7. What do trade unions fight for?

TASK 4

Give a definition of the following words and expressions:

1. dismissal
2. closed shop
3. shop floor workers
4. work-to-rule
5. bankruptcy
6. picketing

7. trade union subscriptions
8. halt
9. prevail
10. submit

TASK 5

Unjumble the words.

1. foncine
2. rapomterily
3. totartibar
4. egjud
5. dercvit

TASK 6

Mark the sentences as true or false.

1. Shop stewards need good communication with managers to prevent conflicts between trade unions and management. true false
2. Managers are always required to represent the interests of shareholders. true false
3. Labour unions are never politically biased, they only represent and voice the needs of their members. true false
4. Massive layoffs can always be avoided provided the staffing levels are reasonable. true false
5. Irrespective of the current market situation trade unions can always demand higher wages, even if inflation is low. true false
6. Global companies encourage their employees to join trade unions because this way they can enjoy better communication within a company. true false

TASK 7

Choose the appropriate word.

1. Trade unions try to **ensure / assure / encourage** fair wages and safe **work / working** conditions.
2. The **idea / position / option** of free markets translates **for / in / into** **deregulated / regulated** labour markets and consequently **diminished / increased** power of trade unions.
3. Unions **defend / offend / retain** workers who have been **done / made / considered** redundant or unfairly **dismiss / dismissed**.
4. In **group / collective / joint** bargaining, union representatives negotiate on **permission / behalf / name** of a group of employees.
5. Employers do not have to **recognise / regard / represent** unions but employees cannot be **prohibited / precluded / prevented** from joining a union.
6. A 'sit in' form of protest is when employees **occupy / leave / retain** the company premises.

TASK 8

Translate the expressions into English.

1. Spór zbiorowy
2. Rozstrzygnąć spór
3. Dokonać ustępstw
4. Składka na związki zawodowe
5. Branża
6. Koniunktura gospodarcza
7. Pogwałcenie umowy
8. Wspólny cel



THE MARKET





a

market is a place where or a situation when **market participants** (sellers or buyers) meet and exchange goods or services. Today, with TV shopping, internet shopping and telephone shopping it is frequently a 'situation' rather than a specific place.

Types of markets

Markets can be classified into the following types, according to the region or area: the **global market**, **international market**, **domestic** or **home market**, **regional market** and **local market**. Markets can also be classified into **legal markets** and **illegal markets** (also called **black markets**, **grey markets** or **twilight zones**). The third classification is based on what is traded on a given market; here we have two general categories: a **consumer market** (for consumer goods) and an **industrial market** (for industrial products) and several specific categories e.g. a **commodity market**, **property market**, **securities market**, **financial market** or **foreign exchange market**. Depending on the seller and quantities sold, we also talk about a **wholesale market** and **retail market**. Goods can be sold on **street markets**, **flower markets** or **fish markets**. Internet users may prefer buying on the **virtual market** to buying in real shops.

The law of supply and demand

The two major forces on the market are **supply** and **demand**. Supply is the total amount of a specific **commodity** that sellers can offer at a given price and in a given period of time. Demand is the total amount of a specific

commodity that buyers are ready to buy at a given price and in a given period of time. The determinants of demand include the price of the product, the prices of substitute goods available on the market, the number of buyers, their incomes, the **purchasing power of the currency** and customers' tastes and preferences. Other consumer characteristics like age, education, religion, sex may also determine demand. Supply is determined, among others, by the price of a product, technology, production costs, taxes, number of suppliers, availability of **labour** and availability of resources.

The law of supply and demand says that **market prices** are set by the intersection of the supply curve and the demand curve. As prices rise sellers offer larger quantities of the product. Yet, if **supply exceeds demand**, the market becomes **overstocked with merchandise** – it is **congested** or 'glutted' and prices fall.

An **equilibrium price** is the price at which **supply meets demand**. It can be said that at the equilibrium price both buyers and sellers are satisfied. Markets are **well-balanced** if the price of a commodity attracts as much demand as the sellers can meet. In a well-balanced market customers can afford to buy the products they wish to buy (at reasonable prices). Sellers are able to sell their products with a **profit margin** which is satisfactory for them.

On the other hand, if demand exceeds supply, prices tend to rise dramatically and there are **shortages of goods** on the market. Some goods are difficult to buy and when they are offered for sale, their prices are **prohibitive**. The market becomes **disturbed** or completely **disrupted**. Despite the fact that customers have money and want to buy things, they are not able to do so.

In a free market economy the market can adjust prices to reduce or minimise **fluctuations** in demand and supply. In a command economy or in a mixed economy **government interference** may affect supply and demand. Governments usually intervene by means of taxes, **minimum wages** or **subsidies**. Nowadays, many markets are regulated by laws and regula-

tions. **Deregulated markets** in which all the regulations have been lifted can reduce fluctuations in supply and demand better and faster than the regulated ones.

Competition and market structure

Market competition assures that the needs of the society are met best. Thanks to competition only companies which are able to adjust their products to the ever changing requirements of the market can be successful. As Adam Smith said, economy is regulated by “the invisible hand of competition”, thanks to which consumers receive the best products at the best prices. In a mixed economy there are attempts to dominate or even **monopolise** a market. These are prevented by antitrust laws that are aimed to increase the role of competition. Such laws prohibit ‘cut-throat competition’.

There are four types of competition, relating to different market structures:

Pure competition, e.g. in agriculture, is a situation in which companies are so small that none can individually influence prices. Products are very similar. It is easy for a company to enter or leave the market. Of course, the EU agriculture support programmes make farming less competitive since some farmers enjoy subsidies and grants while others don't. In pure competition prices are set entirely by the law of supply and demand.

Monopolistic competition is when there are few companies in an industry and when their products differ. This type of competition is typical for retail shops which charge different prices for the products they sell. Companies in monopolistic competition are rather small and it is relatively easy to enter or leave the market.

Oligopoly is a type of competition where there are a handful of powerful companies that can control prices. If one company

cuts prices, others will probably do the same. To enter the market you need huge investment so market entry is restricted to those who have enough money.

Monopoly is a type of competition when one powerful company has eliminated its rivals and can exercise full control over the prices it charges. **Regulated monopoly** means that there is only one company offering the product in the region but the prices it charges are subject to government regulations. Companies selling electricity, water or gas (**public utility companies**) are, in fact, regulated monopolies.

Every company tries to be as competitive as it can. Even **market leaders** should not forget about competition. **Challengers** must be competitive either to beat the market leader or – in the worst case scenario – not to be beaten by **market followers**. Market followers should also do their best to be more competitive because, with time, they may grow and increase their **market share**. If they are not competitive enough, they may soon be eliminated from the market. They must **keep up with the competition** not to **go bankrupt**. Every company tries to gain a **competitive advantage** by:

- ▶ **cost leadership** – trying to be a low-cost producer
- ▶ **differentiation** – trying to be unique, different than others
- ▶ **focus strategy** – trying to select a small part of the market segment and to serve it, trying to exclude competitors.

If a company has a competitive advantage over its rivals, it is likely to be successful on the market.

TASK 1

Complete the sentences.

1. If demand meets supply the market is well- and there are no of goods.

2. When the market is saturated with goods, customers are well [] with the goods they wish to buy and [] are reasonable.
3. When demand exceeds supply, stocks are quickly depleted, goods are in short supply – they are scarce or [] and then prices tend to [] dramatically.
4. When supply exceeds demand, the market becomes congested [] goods and prices start to [] .
5. Higher customers' incomes usually increase [] – people have more money and they buy more.

TASK 2

Find the odd word or expression in each line.

1. foodstuffs, counterfeiters, dairy products, essential goods, staple goods
2. flood, hurricane, tornado, currency, drought, landslide
3. low quality, cheap, downmarket, fakes, luxury goods, tacky
4. social unrest, well-balanced, saturated, stable
5. street trader, seller, buyer, foreign exchange, vendor

TASK 3

Complete the text.

In an underground [] or black market illegal [] are carried []. These may [] drug trafficking [] arms trade. A grey market, which [] also called a twilight zone, [] a place where sellers [] profits without [] taxes and where counterfeiters [] poor quality fakes under [] names. Such counterfeit [] are sold illegally [] their manufacturers abuse copyrights and damage the brand image.

TASK 4

Complete the sentences.

1. When goods are scarce, prices [REDACTED].
2. When demand exceeds supply, the market [REDACTED].
3. The purchasing power of the local currency is an important determinant of [REDACTED].
4. When demand is higher than supply, goods are [REDACTED].
5. A disturbed market is characterised by [REDACTED].
6. Market prices are set up [REDACTED].

TASK 5

Match the terms with the definitions.

- | | |
|------------------------|--|
| 1. counterfeiter | a. a market for currencies |
| 2. fake | b. the company having full control over prices |
| 3. deregulated market | c. a market where shares and bonds are traded |
| 4. monopolist | d. buyers and sellers on a given market |
| 5. foreign exchange | e. a person who copies brands illegally |
| 6. stock exchange | f. a market where all regulations have been lifted |
| 7. market participants | g. a counterfeit product |

 **TASK 6**

Choose the correct word from the pool.

keep • get • make • do • put •
take • turn • meet

1. up with competitors
2. down to business
3. an offer
4. an offer
5. the requirements
6. down an offer
7. on new workers
8. a deadline
9. off till tomorrow
10. up for lost time
11. the needs
12. the conditions
13. an appointment
14. an appointment
15. losses
16. on more work
17. a complaint
18. a discount
19. an obligation

TASK 8

Points for discussion

1. Demand falls. What happens on the market?

Think about:

- ▶ producers and sellers
- ▶ customers
- ▶ competition
- ▶ causes
- ▶ results

2. Demand rises. What happens on the market?

3. How would you characterise the market in Poland?

4. What determinants of supply and demand do you know?

5. What is your opinion on counterfeiters and fakes?

6. Who buys fakes and why?

TASK 9

Translate into English.

1. Dostawcy powinni zaopatrywać klientów w te towary, które odpowiadają ich gustom i preferencjom. Wtedy najszybciej będą mogli je sprzedać i najwięcej zarobić.
2. Nasza oferta sprzedaży jest aktualna do końca miesiąca. Później ceny zostaną prawdopodobnie podniesione o kilka procent.
3. Przy niedoborach towarów na rynku trudno jest oczekiwać zniżek cen i specjalnych promocji.
4. Tanie towary łatwiej sprzedają się w krajach, gdzie przeciętny dochód na głowę jest niski.

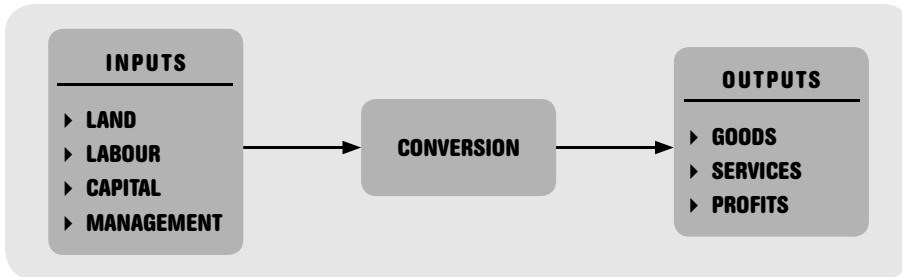
5. Ceny surowców i koszty produkcji są podstawowymi wyznacznikami podaży i mają bezpośredni wpływ na ceny produktów – im wyższe ceny surowców i koszty produkcji, tym wyższa cena produktów finalnych.
6. Unikanie podatków jest typowe dla szarej strefy – producenci i sprzedawcy „podróbek” wykorzystują popularność markowych towarów i osiągają duże zyski, nie płacąc podatków.
7. Już najwyższy czas, żebyście pomyśleli o zastąpieniu handlu wymiennego transakcjami pieniężnymi.
8. Gdybyśmy wiedzieli, jakie tendencje wystąpią na rynku, moglibyśmy podjąć stosowną decyzję już teraz. Niestety, musimy poczekać aż wyniki badań będą gotowe.
9. To wszystko prawda, ale nie rozumiem, co to ma wspólnego z głównym tematem naszego spotkania, którego celem jest zwiększenie konkurencyjności naszych towarów i pozyskanie nowych rynków.
10. Dopóki będą reklamacje dotyczące jakości, nie dorównamy konkurencji. Niezawodność liczy się dziś najbardziej.





Inputs and outputs

Production is defined as the use of resources (**inputs**) that are converted into finished goods or services (**outputs**). Services are **intangible** outputs of the conversion process. From the producer's point of view, the conversion process is expected to generate profits. Therefore, the price the producers charge includes the **costs of production** plus a **profit margin**.



Inputs include **5 Ms of production**: materials, manpower, money, machines and management. They are needed to start and maintain production.

Methods of production

The **methods of production** can be classified as:

Mass production or continuous manufacturing process which is characterised by huge orders, long **production runs**, **economies of scale** (lower unit costs with increased output), and highly mechanised, automated or even robotised production. This method of production is **capital-intensive**. Automation means replacement of **shop floor workers** with machines that can carry out the production process and require little help from factory workers. This way repetitive tasks can be performed by machines. People just

design the production systems and inspect the outputs. Robotisation and automation are often supported by computer-aided design (**CAD**), for example cars designed on computer screens, and by computer-aided manufacturing (**CAM**) which is a computer control of the manufacturing process.

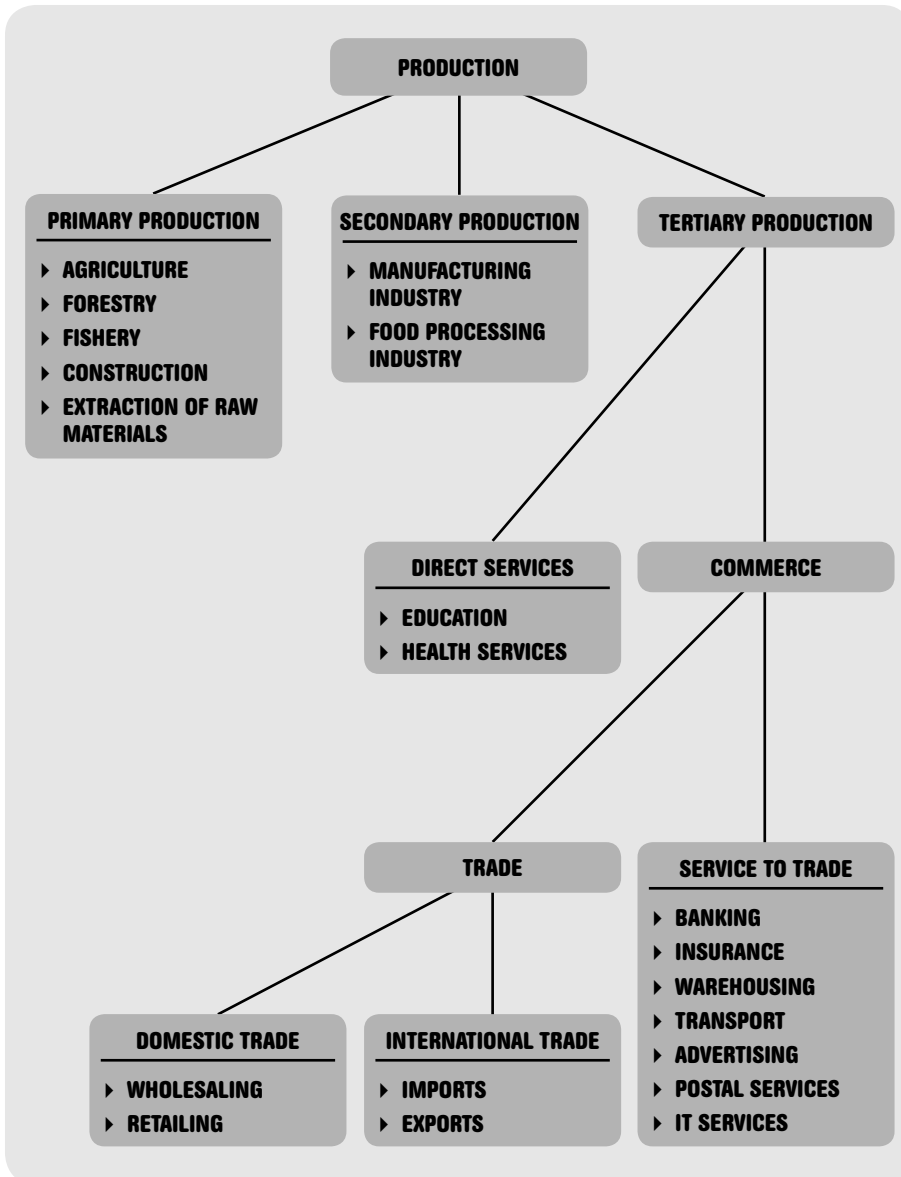
Batch production or intermittent production in which production runs are shorter because of smaller orders. In order to produce the next **lot** (batch) machines have to be reset. Skilled labour is needed to **operate versatile machines**. Since orders are not huge sometimes the machines do not work (**idle time**). Batch production is often used when manufacturing furniture or printing books.

Job production or jobbing production when the manufacturer (often a **craftsman**) receives a unique order. This type of production is **labour-intensive** (hand-made products) and requires high skills to meet the product specification.

Sectors of production

Production can be divided into three types: **primary** (extractive industry and farming), **secondary** (manufacturing industry and construction) and **tertiary** (services) (see: Sectors of economy).

An economy with a strong manufacturing sector has been very important since the times of the Industrial Revolution (around 1750), when we moved from an agrarian society to an industrial society. The 19th century and the first few decades of the 20th century – the **production era** – offered jobs to ex-farm workers who moved to towns to find employment in new **factories** and **production plants**. In the production era the manufacturing industry was under pressure to produce more and more. To meet the growing demand for goods **mass production methods**, **automation** and **robots** were introduced.



From the late 20th century onwards, we have seen a shift from manufacturing to a service economy. Service industries such as banking, insurance, transportation, mail services or advertising are becoming increasingly important and offer more and more jobs. The relative importance of the manufacturing sector is decreasing and, as a result, factories are being closed down in developed countries and production is **outsourced** or

moved to low-cost countries particularly in Asia and Africa. European and American factory workers have to be retrained to acquire skills needed to find new jobs in the service sector. In highly developed countries around 80% of workers are employed in the service sector and the number of jobs in agriculture and manufacturing has been shrinking for decades. What will the future trends be like? Sir Winston Churchill once said that the future empires would be the empires of the mind. Who knows?

Functions of the production department

Production can involve both the manufacture of goods and the provision of services. In the latter case a company may not have a production department as such. The basic objectives of a production department can be summarised as follows:

- ▶ produce a specific product on schedule at minimum cost
- ▶ produce maximum volume of output
- ▶ generate maximum return on assets
- ▶ ensure product quality

Production manager is responsible for the overall management of the production process. The key functions include:

production planning (what product to offer) or **service planning** (what service to offer); at this stage products or services must be designed so as to satisfy customer needs. In the case of services the process and personnel rendering services are of key importance, in the case of production planning technology and design are significant

choice of facility location which, generally speaking, should be decided on considering proximity of raw materials, availability of labour, transport links and transportation costs and proximity to

the markets where products will be sold; in the case of services it is absolutely necessary to locate the facilities close to the **target customers**

layout of production facilities – here the managers have to decide how to arrange production facilities so as to select the layout that best suits ergonomic production and safety

implementation of the production plan which should be proceeded by:

- ▶ the make-or-buy decision – deciding whether to manufacture a product or component or buy it from an outside supplier
- ▶ the decision what raw materials to buy and which supplier to choose

inventory control that tells us what inventory we need to have on hand to secure an undisturbed production process.

Just-in-time (JIT) inventory control, also called **lean production**, is a system invented by Toyota that keeps production almost stockless – **subcontractors** deliver the parts exactly when they are needed. This way storage costs are reduced and exactly the right amount can be produced.

materials requirement planning (MRP) which is a system that secures that adequate amounts of materials or components are available at the time when they are needed

control of the production process consisting in monitoring the production process, preventing problems and solving them, eliminating **bottlenecks** and reducing idle time; it comprises procedures for coordinating materials, machines and workers to assure highest production efficiency and highest **production capacity**

quality control whose aim is to spot faulty products and reject them. These are items which do not meet the quality standards established by the producer and cannot be offered to customers.

Product portfolio

In business the name of the game is profit. **High profitability** is every businessman's dream. Hence, the right decision on what to produce is likely to result in **handsome profits**.

The experts of the Boston Consulting Group analysed various categories of products from the producer's point of view and suggested the BCG Matrix which is also known as a **product portfolio**.

		MARKET SHARE (CASH GENERATED)	
		HIGH	LOW
GROWTH OF THE MARKET (CASH USED)	HIGH	STARS (CASH GENERATED IS EQUAL TO CASH USED)	DILEMMAS (CASH GENERATED IS LESS THAN CASH USED)
	LOW	CASH COWS (CASH GENERATED IS GREATER THAN CASH USED)	PETS/DOGS (CASH GENERATED IS LESS THAN CASH USED)

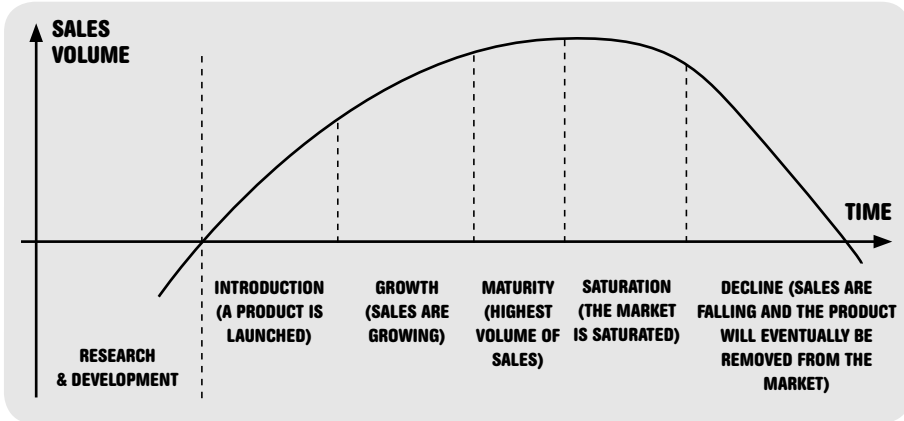
Cash cows are the products that **generate** highest profit for the producer. **Stars** are likely to replace cash cows in the future provided they are able to hold their high market share. In the case of a **dilemma** (also called a **problem child** or **question mark**) it is uncertain whether a product will become a star or a **pet**. **Pets** or **dogs** are, in fact, **cash absorbers**; they absorb cash **surpluses** created by more profitable products.

With the product portfolio in mind, the 80/20 rule can be better understood. This rule, also called Pareto's rule, says that 20% of items produced by the company account for 80% of the company income.

Product lifecycle (PLC)

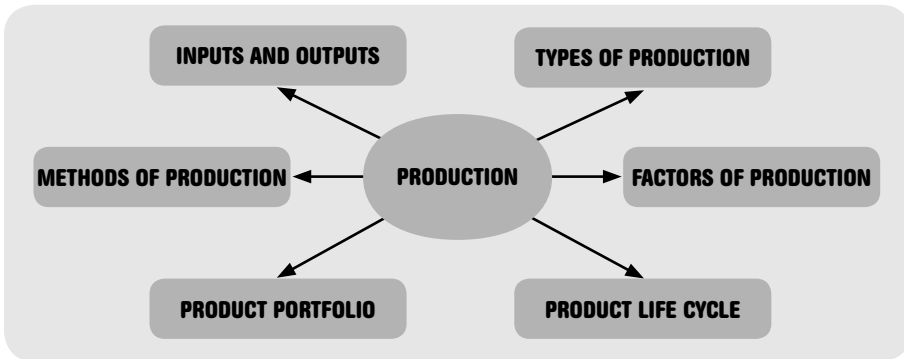
A product lifecycle includes five stages in the existence of a product on the market. These stages are preceded by the research and develop-

ment stage at which a company invests a lot of money to develop a new or enhanced product. These stages should be considered when planning production.



TASK 1

Discuss the points presented in the boxes.



TASK 2

Decide which box (in task 1) each of the following collocations belongs to.

1. Converted into finished goods
2. Skilled/unskilled/semi-skilled worker
3. Production site
4. Mass production

5. Generate profits
6. Cash absorber
7. Batch production
8. Lean production
9. Dogs
10. Production run
11. Labour
12. Maturity

TASK 3

Put the words in the correct order to make sentences.

1. faults ■ and ■ quality control ■ at ■ eliminating ■ aims ■ defects
2. by ■ of ■ productivity ■ shop floor ■ can be ■ higher ■ increased ■ workers ■ motivation
3. something ■ economies of scale ■ in very large quantities ■ the financial advantages ■ are ■ of ■ producing
4. the total value ■ in ■ in ■ GNP ■ of all ■ is ■ goods and services ■ a country ■ produced ■ a year

TASK 4

Fill the gaps with suitable words.

1. Higher value of outputs reflects the value which is to them as compared to the value of .
2. Extraction of raw materials is classified as production.
3. Tertiary production covers and services.
4. Products that generate highest profits are called .

5. Effective of space results from a good layout.
6. of labour is an important consideration when looking for the best production site.
7. In production the unit costs are very high since this type of production is labour .

TASK 5

Match the words from two columns.

- | | |
|---------------|------------------|
| 1. batch | a. machines |
| 2. versatile | b. specification |
| 3. cash | c. handling |
| 4. product | d. production |
| 5. material | e. capacity |
| 6. production | f. cow |

TASK 6

Mark the sentences as true or false.

1. Production planning is checking that all production plans are implemented correctly. true false
2. Production planning is checking that all production plans are followed according to the schedules. true false
3. Idle time is the time lost e.g. when a machine breaks down or when components do not arrive on time. true false
4. Automation and robotisation of the production process will inevitably lead to lay-offs and at the same time will decrease production capacity. true false
5. Core production is the main production of a company, not necessarily the one that generates highest profits. true false

TASK 7

Complete the following text.

Total Quality Control (TQC) was [] in the 1970s by the Japanese. Initially it concentrated [] how to obtain low unit costs [] the best [] quality. Its objective is [] strive to be “the [] of the best”. The producer must do everything to eliminate [] quality, because [] costs money. If any [] in the quality system is weak, the chain []. The general focus is [] quality which can be affected [] management, employees, facilities or materials.

TASK 8

Join the halves.

- | | |
|--|--|
| 1. Robots are | a. computer aided design. |
| 2. Just-in-time production | b. uses computers to support manufacturing. |
| 3. Computer aided manufacture | c. we talk about automatic warehousing. |
| 4. When computers are used for handling materials and products | d. designing new products or improving the old ones. |
| 5. Subcontractors usually | e. accurate and can work long hours. |
| 6. Research and Development Department deals with | f. is sometimes called lean production because no stocks are held. |
| 7. Some R&D Departments use | g. locate their facilities close to the main production plant. |

 **TASK 9**

Discuss the differences between the three methods of production.

Consider the following:

- ▶ production facilities
- ▶ orders
- ▶ labour
- ▶ investment
- ▶ size of the business
- ▶ economies of scale
- ▶ machines
- ▶ production costs
- ▶ price of products
- ▶ customers

 **TASK 10**

Points for discussion.

1. Are you for or against outsourcing? What are the advantages and disadvantages of outsourcing?
2. What is the difference between outsourcing and off-shoring?
3. What is the difference between off-shoring and near-shoring?
4. Stages of a product lifecycle.
5. Imagine that you are going to set up a business. What resources do you need to start production? Discuss each of them.
6. Why is the strategic location of production facilities vital? Think about:
 - ▶ transport links
 - ▶ availability and cost of labour

- ▶ proximity of raw materials
- ▶ decision to buy/rent/build a production plant
- ▶ decision to buy/lease machines
- ▶ potential customers in the area.

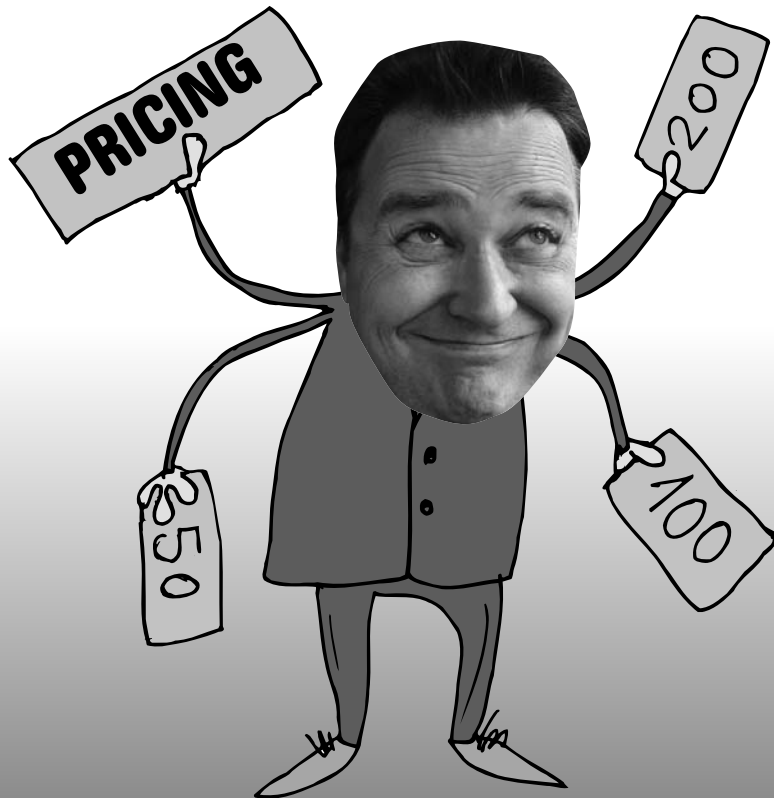
TASK 11

Translate the sentences into English.

1. On powiedział, że otwarcie zakładu będzie opóźnione o około dwa miesiące w związku z przerwami w dostawach surowców.
2. Teraz, kiedy ceny surowców wzrosły, a kurs dolara pozostaje na tym samym poziomie, eksport staje się coraz mniej opłacalny. Nie rozumiem więc, dlaczego podpisaliśmy ten długoterminowy kontrakt.
3. Powiedziano nam, że inwestycje w przemyśle ciężkim zostaną znacząco zmniejszone w następnych kwartałach, ale nie ujawniono dokładnie o ile.
4. Wzrost cen i obniżka płac mogą mieć wpływ na uzdrowienie gospodarki. Ale dlaczego nie bierze się pod uwagę wzrostu produkcji?
5. Zastanawiam się, czy nasza nowa fabryka będzie w stanie utrzymać zwiększone tempo produkcji do końca roku, szczególnie wobec kłopotów z surowcami i częściami zapasowymi do maszyn.
6. Żadne długofalowe plany zwiększenia produkcji nie mogłyby być zrealizowane, gdyby nastąpił powrót hiperinflacji.
7. Dopóki będziemy w stanie produkować przy wykorzystaniu wszystkich naszych mocy produkcyjnych, nie musimy się martwić o to, gdzie znaleźć klientów na nasze towary.
8. Na pewno ich spotkałeś w hali montażowej. Widziałem, jak rozmawialiście. Szkoda, że nie pamiętasz.

9. Gdybym wtedy wiedział tyle, ile wiem teraz, nie podjąłbym decyzji o zaprzestaniu dalszej produkcji.
10. Nalegał, aby natychmiast udzielono mu odpowiedzi na wszystkie pytania. Zastanawiałem się, czy gdyby rzeczywiście je otrzymał, podjąłby natychmiast decyzję o zmianie technologii. Chyba nie.







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fter a product or service has been developed, it has to be priced. Prices are relative; they do not depend only on the costs of materials and other production costs, but on the prices of other goods, especially **substitutes**. Prices reflect the value that customers associate with them and the amount of money they are ready to spend to buy the product. Some consumers may prefer to spend money on leisure-time activities, others may prefer to buy the latest model of a top-of-the-range car every year. People with higher incomes may be likely to spend a lot on cosmetics and fashion accessories while those with limited budgets may need to economise and use public transport instead of private, which is more expensive. Those who care for the environment will also choose not to use private transport but for different reasons.

Pricing objectives

Volume objectives refer to such goals as **sales maximisation** and **market share increase**. Sales maximisation is a strategy under which a maximum **profitability level** is established. Then the company tries to maximise sales as much as it is possible. Another volume objective is to increase the company market share (the percentage part of the market controlled by that company). Sometimes a company is successful if it manages to maintain its market share. Most frequently, however, companies aim to increase their market share. If a company increases its market share, it translates into lower production cost per one unit and higher profits (economies of scale: the more you produce the lower the unit costs).

Profitability objectives refer to such goals as **profit maximisation**. By increasing prices up to a certain level we can increase **profitability**. Above this level we may lose customers who will probably accept a 3% increase in the price but may not accept a 10% increase. For example a 7% increase may result in losing 10% of customers, thus it is unprofitable. But if we increase the price by 2% and lose 1% of customers, profitability will increase. Another profitability objective is the **target return goals** which depend on prices. If a company wants to achieve a given **return on sales** or **return on investment**, it needs to set the prices at a level that guarantees the highest return.

Social objectives take consumer's income into consideration. When setting the prices for essential products social considerations are important – people with low incomes or those receiving **social benefits** or **unemployment benefits** should afford to buy staple commodities.

Most companies take into account the prices set by the **market leader**, especially if the number of suppliers is limited, e.g. in oligopolistic markets. Companies also **create their image** by means of the prices they charge. If they set prices high, they wish to stress that their products are of excellent quality. If they wish to create the perception that they are interested in providing for mass market customers at affordable prices, they will probably set their prices at a lower, yet still acceptable level (considering the higher volume of sales).

Pricing strategies

Cost based pricing. This pricing strategy is based on the costs of production, distribution, transport and marketing, to which a **profit margin** is added. With the use of a **break-even analysis** it is possible to identify the level of sales, at a given price, needed to cover all the costs incurred. The **break-even point** is the

point at which the total costs incurred equal the total **revenue on sales**. Beyond this point sales **generate profits**. Sales that are lower than the break-even point will **generate losses**.

Skimming pricing. When a new product is introduced its price is set relatively high as compared with the prices of the **competing products**. The message customers get this way is that the new product is better, more **sophisticated** or more **technologically advanced**. If the customers wish to have it, they have to pay more. With time, when demand drops or when a newer product is launched, the price is gradually reduced. Skimming pricing is typical for **cutting-edge technologies** that are more innovative than those existing on the market, e.g. new generation mobile phones or PCs.

Penetration pricing. When a new product is launched its price is low relative to similar products. It is because a lower, more attractive price is expected to be easily accepted by the customers, who might not buy the product if its price were higher. Penetration prices are often used for cheaper products e.g. toothpaste or shampoo. And again, with time, when the product acquires many **loyal customer** its price is likely to be raised.

Price lining strategy. This strategy means that the price is not set on each individual product separately. Prices are set on specific **lines of products**, e.g. cosmetics priced at 5 Euros, at 10 Euros and at 15 Euros. Such a pricing strategy may be popular if a shop is located in an area where the average income is low. It is a very popular pricing strategy in clearance sales. With higher prices this strategy is not used because **better-off customers** prefer individual prices that are related to quality.

Psychological pricing. In this pricing strategy, which is extremely popular all over the world, prices are uneven, e.g. 6.99 Euros instead of 7 Euros. Sellers believe that customers perceive **odd prices** as lower because they pay attention to the first digit and

ignore the two others. On the other hand, if they want customers to perceive the product as a high quality product, they will charge 50.15 Euros instead of 49.99 Euros. Consumers, as a rule, believe that the higher the price the higher the quality. So though the difference is just 16 Eurocents, the higher price suggests a better product. This fact is used in psychological pricing to determine the best price for a given product.

TASK 1

Match the words from both columns. Sometimes 'of' is required between two words.

- | | |
|------------------|-----------------|
| 1. amount | a. share |
| 2. costs | b. analysis |
| 3. market | c. losses |
| 4. unit | d. production |
| 5. unemployment | e. sales |
| 6. profit | f. prices |
| 7. break-even | g. money |
| 8. generate | h. benefit |
| 9. affordable | i. costs |
| 10. maximisation | j. maximisation |

TASK 2

Mark the sentences as true or false.

1. In poorer countries prices operate as the main determinant of buyers' choice. true false
2. In the marketing mix price is less important than the product. true false

3. In some industries, e.g. the oil industry, pricing is the key factor; that's why bigger companies set up their pricing departments to determine appropriate prices. true false
4. Among poorer customer groups price is more important than quality, whereas those with higher incomes never consider price that way. true false
5. Tacky goods are high quality goods offered at clearance sales at very low prices. true false
6. Sky-high prices are often set in the times of galloping inflation. true false
7. Some prices reflect fast market changes. As a result they change day after day. Sometimes they are referred to as exorbitant prices. true false
8. Prohibitive prices are those that most customers cannot afford to pay. true false
9. Reasonable prices are those that are seldom acceptable for both buyers and sellers. true false
10. Skimming prices are often used when a company launches sophisticated, high tech products. true false

TASK 3

Choose the odd word or expression.

1. wealthy ■ rich ■ powerful ■ well-off ■ affluent
2. obsolete ■ cutting-edge ■ advanced ■ sophisticated ■ state-of-the-art
3. staple commodities ■ essential goods ■ industrial goods ■ basic foodstuffs
4. price ■ charge ■ margin ■ manufacturer ■ profit
5. losses ■ earnings ■ profits ■ benefits ■ revenue

6. set ■ fix ■ currency ■ freeze
7. value ■ brand ■ supplier ■ quality ■ price
8. regular ■ prohibitive ■ domestic ■ reasonable ■ low
9. raise ■ double ■ reduce ■ fluctuate ■ fix

TASK 4

Complete the following sentences using the words from the pool.

predatory • tag • popular • discount • aggressive •
 bargain • factory • price • fixed • guaranteed •
 overpriced • premium • retail

1. Consumers want top quality products but many actually buy them at sales at [] prices.
2. A [] price is paid when wholesalers buy goods ex works.
3. Slightly [] bonds can find a ready market when the rate of inflation is high.
4. A [] or [] price is an official price set by the government.
5. A [] list shows the prices of all products or services offered by a company.
6. A [] price is a very high price for a product which is special or unusual.
7. RRP stands for recommended [] price.
8. A [] price is lower than the normal price.
9. In American English a [] price is the same as low price.
10. A price [] is a small ticket showing the price of a product.
11. [] pricing can increase sales quickly because of cheaper prices than those charged by competitors.

TASK 5

Crossword puzzle.

■	■	■	■	■	value expressed in terms of money					
■	■	■	■	■	■	■	■	■	_____ of scale	
■	■	■	■	■	a small part of the market					
■	■	■	■	a break-_____ point						
■	■	■	■	■	something you aim at					
■	■	■	■	■	_____ on investment					
■	■	■	■	■	■	■	■	■	you can afford it	
■	■	■	■	■	■	■	■	money obtained for goods sold in a given period of time		
■	■	■	■	■	■	■	opposite of decline			
■	■	■	■	■	■	■	■	■	■	an element of SWOT analysis
■	■	■	opposite of gross							

TASK 6

Translate the following definitions:

1. Kickback to potoczny termin oznaczający pieniądze płacone jako łapówka (np. politykowi).
2. Royalty to pieniądze płacone właścicielowi praw autorskich lub właścicielowi patentu za prawo korzystania z ich własności.
3. Predatory policy to polityka cenowa – towary są sprzedawane po bardzo niskich cenach, tak aby wyeliminować konkurencję z rynku.
4. Break-even point to moment, w którym dochód ze sprzedaży jest równy kosztom. Beyond this point firma zaczyna generować zyski.
5. Trade price to cena za towary, jaką detalista płaci hurtownikowi lub producentowi. Zwykle zawiera ona trade discount.
6. W.c. w języku biznesu oznacza 'bez opłat'.

7. Windfall profits to duże i nieoczekiwane zyski. Inne określenie, jakie jest używane dla opisanie dużych zysków to 'handsome profits'.
8. Tycoon to bogaty i wpływowy biznesmen (np. magnat prasowy).

TASK 7

Goods and services are sold at a given price, but price goes by many names. Match the terms that denote various types of prices with the appropriate kind of product, service or provision.

- | | |
|------------------|---------------------|
| 1. rent | a. apartment |
| 2. fare | b. education |
| 3. interest | c. local utilities |
| 4. toll | d. sales |
| 5. premium | e. clerical work |
| 6. salary | f. insurance |
| 7. commission | g. credit |
| 8. rate | h. public transport |
| 9. honorarium | i. unemployment |
| 10. dole | j. lecturer |
| 11. fee | k. motorway |
| 12. contribution | l. trade union |
| 13. subscription | m. pension scheme |
| 14. wage | n. manual work |

TASK 8

Translate the sentences into English.

1. Czy nie widzisz, że czas już obniżyć nasze ceny? Jeśli nie zrobimy tego natychmiast, konkurenci przyciągną naszych najbardziej lojalnych klientów.

2. W sytuacji wychodzenia z kryzysu gospodarczego wiele firm chce przenieść ciężar rosnących kosztów na klienta, podnosząc ceny towarów tak, że na ich zakup stać tylko najzamożniejszych.
3. Pomimo, że od pewnego czasu ceny tych kosmetyków ulegają znacznym podwyżkom, klienci kupują je nadal, a ostatnio odnotowaliśmy nawet wzrost sprzedaży.
4. Tempo wzrostu cen przerosło nasze oczekiwania. Czy rzeczywiście należało podwyższyć je pięciokrotnie w ciągu trzech lat? Nie podobają mi się takie radykalne zmiany. Uważam, że mogą być zbyt ryzykowne.
5. Nie zaprzeczam, że wzrost cen był krótkowzroczną decyzją. Szkoda, że nie zapytałeś mnie o zdanie. Teraz nie macie już szansy, żeby odzyskać klienta.
6. Czasami utrzymanie wysokiej ceny może być lepszą taktyką niż jej obniżanie. Klient otrzymuje informację, że pomimo niższych cen oferowanych przez konkurentów, nasza dotychczasowa cena pozostaje niezmienniona i nadal odzwierciedla wyższą jakość.
7. Przy wprowadzaniu nowego produktu na rynek możecie ustalić stosunkowo niską cenę, ale po dwóch, trzech kwartałach możecie ją podnieść o 5–10%. Jeżeli produkt będzie podobał się klientom, prawdopodobnie zaakceptują wyższą cenę.

TASK 9

Points for discussion.

1. Prices of essential goods in Poland.
2. Prices of fashionable clothes for young people. Are they affordable for everyone?
3. Prices of medical and dental services in private clinics in Poland.
4. Rent for a double bedroom flat in Warsaw.

5. Prices that language schools charge for advanced Business English courses.
6. Fares for public transport in big Polish cities.
7. Famous brands and their prices.
8. Prices of counterfeit products.





p

romotion is one of the four elements of the **marketing mix** or **four Ps** (first presented by Philip Kotler), with the other four being product, price and place (or distribution). From the customer's point of view, product translates into **customer solution**, price into **cost**, place into **convenience** and promotion into **communication**. So, instead of four Ps, we have **four Cs** (they were first put forward by Robert Lauterborn in 1990).

A **promotional strategy** is aimed at informing the customers about the existence of the product, persuading them to buy it and influencing their **buying decision**. Sometimes **promotional campaigns** are to develop the **primary demand** (a general category of products e.g. health food is promoted). More frequently a promotional strategy tries to develop the **selective demand** – a particular product or brand is promoted.

Some companies use a promotional strategy to reach selected markets, others to maintain their position on the market, still others to increase their **market share**.

Aims of promotional strategy

Increasing sales is extremely important for every company, which is why promotional strategies are used. There are four basic objectives of a promotional strategy: providing information about products and prices, **positioning** of a product, increasing sales and keeping sales high. Providing

information is crucial because without it customers wouldn't know what products are available at a given point in time and at what prices. Positioning a product requires that a specific **market segment** at which the product is aimed should be identified, so that the likely users of the product can also be identified. In other words, the product is to have a special appeal to a specific group of customers, not to the whole of the market. A broader appeal is not needed since we want to position our product in a specific market segment (e.g. customers who avoid genetically modified food).

Another important point is that in order to keep **sales volume** high, sales should be 'smoothed' over periods when the product or service is less frequently bought. For instance, hotels offer 'weekend packages' at reduced prices to off-season guests. Such stabilised sales are beneficial for the company and improve financial planning.

Types of promotional strategies

Most companies use a combination of two main types of promotional strategies:

pulling strategy that helps to sell mainly consumer goods consists in heavy advertising and using promotional tools; customers who become interested in the product ask retailers for it and retailers buy the product from manufacturers

pushing strategy that helps to sell industrial goods (here the manufacturer promotes his/her product through intermediaries who are invited to buy the product by special discounts or promotions) as well as by cooperative advertising (producers share the cost of local advertising with retailers); then wholesalers and retailers 'push' the product to customers persuading them to buy it.

Personal selling

Promotion can involve **personal selling** and **non-personal selling**. Personal selling is the use of a promotional **sales presentation** to a potential buyer (**prospect**). Today sales people do much more than just selling. They **create demand** and advise customers on what to buy. They receive and handle orders, they are involved in '**creative selling**' – persuading customers about the benefits of a product and comparing it with the alternative products on offer.

The sales representative (**sales rep**) can either use a 'canned' sales presentation – the one that is given to all customers, irrespective of their characteristics, or a **tailor-made** or **personalised** sales presentation that is **customised** to the needs of a particular customer. Present-day **sales talk** or **sales pitch** requires very good interpersonal skills and a careful analysis of customer's needs. If, for instance, you sell cars and your potential customer is preoccupied with safety issues (and that's for the sales person to find out!), it is useless to highlight the speed or fuel consumption specifications. Instead, the sales rep should concentrate on excellent safety devices the manufacturer provides. If, on the other hand, a sales presentation is to be given to a young, fashion-conscious customer, then the focus will probably be on modern design, fashionable colour and trendy accessories. Aggressive 'hard sell' techniques are not recommended because most customers do not like to be pushed into buying decisions.

Generally speaking, there are seven basic stages of the sales process:

- ▶ prospecting (identifying potential customers)
- ▶ qualifying (identifying prospects who have the money and the authority to buy)
- ▶ approach (preparing a careful approach to the customers)
- ▶ presentation (presenting a product, showing its features and stressing its advantages)

- ▶ demonstration (showing the potential buyer how good it is to have the product e.g. test driving)
- ▶ transaction (selling the product)
- ▶ follow-up (offering **after-sales service**, identifying the level of customer satisfaction with the product).

Personal selling is extremely important but it is rather expensive so now, in the era of supermarkets, it is often used for up-market, luxury goods such as designer clothes or expensive cars rather than for mass products.

Public relations

According to the definition of the British Institute of Public Relations “Public relations is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics”. In other words, Public Relations is the planned and sustained effort to create and maintain a **favourable image** of the company. **PR officers** try to persuade the **general public** that “we are a caring company”, we do everything we can for our customers, business partners, employees and all other **stakeholders**. PR use all sorts of company publications to create a positive image. Journalists are given ‘**press kits**’ to have the facts and figures about the company at hand. New stories are created to get massive **publicity**. All achievements are widely publicised in the media. What is worth stressing is that publicity is cheaper and generally more credible than advertising. Even in politics ‘**spin doctors**’ are sometimes needed.

Sales promotion

Non-personal selling comprises three elements: sales promotion, advertising and Public Relations.

Sales promotion is aimed at increasing sales. It uses various methods such as **fairs, exhibitions** and **trade shows**. Typical promotional tools used

at the **point of sale** include personality promotions (a celebrity promotes a product), **samples**, testers, coupons, competitions, small gifts (sometimes called **premiums** or **freebies**) given to a customer for buying a product, loyalty cards for regular customers, cash lotteries, two for the price of one, **price discounts**, **seasonal sales** and **clearance sales**. They are all aimed at encouraging customers to buy a product by offering them an instant reward or an incentive to buy. For example, **leader prices** in supermarkets attract **price-conscious** buyers who decide to buy a product mainly because its price is attractive, even if they do not need it just yet.

Promotional mix

To promote successfully we need to combine personal and non-personal selling and to select an appropriate **promotional mix** – a combination of personal selling, advertising, Public Relations and sales promotion. When selecting a promotional mix we can use the following guidelines:

- ▶ Decide if we are going to spend money on advertising or on personal selling or on both.
- ▶ Use personal selling in the case of industrial goods or luxury goods and advertising when selling consumer goods.
- ▶ Consider the price of a product; if it is low, then advertising is more cost-effective than personal selling because we can benefit from **economies of scale**: with mass products the cost of advertising a single product decreases with increased sales volume.
- ▶ Remember that advertising can assure customers that their buying decision was right and can facilitate **repeat purchases**.

Generally, we can say that the importance of promotion in the present-day era of consumerism is great. Promotion is more aggressive and more

sophisticated than it was twenty years ago. With increased supply of goods on the market, products need to be promoted intensively and the methods of promotion need to be adjusted to the ever changing expectations of customers.

TASK 1

Complete the sentences:

1. The _____ mix is sometimes called 4Ps. It includes _____, _____, _____ and promotion.
2. The _____ mix covers _____, _____, _____ and sales promotion.
3. The basic aim of promotion is to _____.
4. Positioning a product deals with identifying _____.
5. Pushing strategy is used mainly for _____.
6. Personal selling is a _____ element of _____ used when we sell luxury, high-value products.

TASK 2

Discuss the following statements and give your comments.

1. 21st century – the era of consumerism.
2. Promotion is getting more and more aggressive.
3. Successful sales people must have good interpersonal skills.
4. Price discounts speak louder than advertisements.
5. Customers love free samples and testers.
6. Personality promotions are most effective in the entertainment business.
7. Customer attendance is high in most shopping centres in Poland.

8. Make the act of buying easy and enjoyable for the customer!
9. Any publicity is good publicity.
10. Promotion of mobile phones in Poland.

TASK 3

Match the words below to form 12 business collocations.

- | | |
|---------------|---------------|
| 1. price | a. image |
| 2. sales | b. leader |
| 3. seasonal | c. protection |
| 4. customer | d. customer |
| 5. leader | e. volume |
| 6. trade | f. buyer |
| 7. loyal | g. discount |
| 8. favourable | h. attendance |
| 9. loss | i. fair |
| 10. potential | j. pitch |
| | k. sales |
| | l. price |

TASK 4

Decide how you would promote the following products and services:

1. sports cars
2. mobile phones
3. designer clothes
4. books for students
5. photocopying services
6. language courses

TASK 7

Points for discussion.

1. Why is personal selling an important element of promotion? What qualities do sales people need to be successful?
2. How would you promote your college? What methods of promotion can be most efficient?
3. What is the difference between the pushing strategy and the pulling strategy?
4. What is market segmentation? Why is it important?
5. What do you think about promotion of junk food?

TASK 8

Choose the appropriate word.

1. PR departments are **responsible / obliged** for good press relations and for presenting news about the company in a **pink / positive / glorious** light.
2. Sponsoring activities are also a part of the duties **done / performed / made** by PR **offices / officers**.
3. Good **corporate / company / structural** communication is extremely important since it promotes understanding of the **organisation / organisational** goals both internally and externally.
4. Lobbying is also one of the activities of PR departments. It consists in dealing with legislators and government **representatives / figures / officials** to **promote / protect / promise** legislation that is **beneficiary / benefit / beneficial** for the company.
5. PR officers **advise / advice** management how to respond **on / at / to** social issues, when and how to recall a product, and what to do when the public confidence in the company or its product is shaken.

6. The term 'publicity' is often **replaced / repositioned / recognised** by another term 'marketing public relations' (MPR) but, in fact, they are not identical – MPR is a much broader term. It also includes building interest in a product category, assisting **with / in** the **lunch / launch** of a new product and influencing specific **targeted / targeting / target** groups.
7. A price reduction may have a negative **effect / affect** on the product **positioning / position**. When a company positions a product in a particular way, it **tries / needs** to inform customers and **prospective / prosperous / prospects** how the product relates to other products either offered by this company or by its **competitors / competition**.

TASK 9

Imagine that you work for the PR department. Write an article about your school. Here are some prompts you can use.

- the kinds of studies the school offers: part-time and full-time, undergraduate (B.A. diploma) graduate (M.A. diploma in...), postgraduate (MBA diploma) and doctoral (Ph.D. diploma)
- the faculty (senior professors and younger faculty)
- the structure: the Rector, the Deans, Departments and Chairs
- the standard of education (accreditations, ranking lists)
- the curriculum (main courses)
- international student exchange agreements
- scientific achievements/research
- publications
- executive education for top and middle managers
- international cooperation

- students associations and clubs
- tuition fees
- internships for students
- student services: library, bookshop, medical care, sports, canteens and cafeterias, parking lots







a

Advertising is a non-personal sales presentation directed at a large number of potential buyers. A product or service is advertised by means of **advertisements**, both **indoor** and **outdoor**, not by sales people.

Functions of advertising

What are the functions of advertising? They can be summarised by the acronym 'AIDA', and are very much the same as the functions of promotion in general.

A – awareness (the customer is aware that the product exists and is informed of its features)

I – interest (the customer gets interested in the product)

D – desire (the customer wants to have the product)

A – action (the customer buys the product)

The first function is **informative**: customers are informed that a particular product is available for them to buy and they are informed about the features of the product and its advantages. The informative function of advertising is vital in **business-to-business (B2B) advertising** (also called **company-to-company** or **C2C** advertising) since before the purchasing managers in companies take the decision to buy a machine, office equipment or materials, they need to compare offers of various suppliers.

The remaining three functions are **persuasive**: customers are persuaded to buy a product for the first time or to make **repeat purchases**. The

persuasive functions are particularly important when companies advertise their products to personal customers.

Types of advertising

Two types of advertising can be distinguished: **product advertising** and **institutional advertising** (also called **prestige advertising**). The former refers to a situation when a product or service is advertised, the latter involves promotion of a company, its goodwill or a concept, philosophy or idea.

Yet another type of advertising called **issue advertising** or **social advertising** or **advocacy advertising** is becoming more and more important as a result of the increased visibility of **corporate social responsibility (CSR)**. It highlights social or public issues such as environmental protection, drunk driving or family violence with the aim of influencing public opinion and, sometimes, to introduce changes in legislation.

If the costs of advertising are shared by producers and retailers, then we call it **cooperative advertising**.

Saturation advertising is a very intensive type of advertising; the same advertisement is shown on TV several times during one evening or printed several times in one newspaper.

Drip advertising is yet another type of advertising in which advertisements of a product are shown repeatedly over a long period of time.

Word-of-mouth advertising is free: companies do not pay for it. It involves a satisfied customer telling friends and acquaintances how good the product is and encouraging them to buy it. This type of advertising is very effective because the advertising message is given by our friends or relatives whom we tend to trust more than we trust paid advertisements.

Shock advertising uses images which are frightening, shocking, vulgar, disgusting, and which provoke negative feelings. Advertisers present

a product in a shocking way because they believe people will remember it better. Sometimes shock advertising can be used in social advertisements, e.g. Saatchi and Saatchi made an advertising campaign to highlight the shortage of public toilets in New York: billboards presented a man urinating publicly in the street.

Subliminal advertising is illegal because it is a sort of customer manipulation of which the viewers are not aware. A picture advertising a product flashes onto a screen for a fraction of a second so that people do not know that they have been exposed to it.

Comparative advertising, which is illegal in many countries, consists in comparing one product to another or others to show that it is better or cheaper than those offered by competitors.

Endorsement or **product endorsement** is a situation when a well-known person (a celebrity) advertises a product and evokes positive associations of it. It is particularly effective with younger customers who are more likely to attribute the positive qualities of a celebrity (a pop star or sports champion) to the product he or she endorses.

Viral advertising is a relatively new type of advertising. Internet users receive viral ads from their friends and colleagues and, if they like them, they email them to more friends. This type of advertising is cheap and it is particularly popular with young people. Sometimes it is called word of electronic messaging.

Advertising media

Each company has its **advertising budget** and it has to allocate it in the best possible way. **Advertising expenditures** have to be controlled and analysed very carefully. If the market is well supplied with goods, businesses need to advertise heavily. Advertising budgets increase and the money must not be lost. Some companies use the **comparative-parity**

method: they just spend on advertising as much as their competitors do. When planning an advertising budget it is essential to consider the cost of advertising, the frequency of advertising and the media used.

The most popular advertising media grouped into two categories include:

Indoor advertising media

Television. It is a very effective medium of advertising due to its wide coverage and attractiveness. The impact of TV advertising is huge since it combines moving pictures with text and music. The combined effect of audio and visual stimuli is more powerful than the effect of a single stimulus. **TV commercials** and **TV spots** are expensive but the advertising message reaches millions of viewers, especially when shown in **prime time**. National TV networks charge a lot for broadcasting commercials; local TV stations offer slightly lower charges. **Narrowcasting** is a kind of TV advertising in which products or services are advertised on selected TV channels (e.g. MTV) to reach a particular audience (target customers).

Newspapers. These are often used in advertising – from local and national newspapers, dailies, weeklies, to magazines and professional journals. Tabloids are a good choice when advertising consumer goods targeted at buyers with limited incomes, ladies' magazines are ideal for advertising clothes and cosmetics while business journals may be used when advertising products that appeal to business people. Newspaper advertising is rather cheap when a small space for an advertisement (so called **classified ad**) is bought in a local newspaper. However, in case of buying a bigger space – a page or half a page (so called **display ad**) in a national newspaper with a huge readership, the charge grows. Newspaper advertising can be tailored to local communities (local papers) or it may reach all readers in the country (national newspapers). It is quite effective and relatively cheap. Sometimes newspapers and magazines publish **advertorials** – sponsored articles that look like editorials so readers may not know that their aim is to advertise. Advertorials are frequently published in

ladies' magazines. Advertising **inserts** are sometimes attached to newspapers or magazines, especially those with nation-wide circulation and huge readership.

Radio. Radio advertisements are called **radio commercials** or **radio spots**. They are effective and, considering their price, they may be the medium of choice for smaller companies with limited advertising budgets. What most listeners of radio commercials remember is an advertising **slogan** and a **jingle** which accompanies the advertising message. And again, depending on the advertising budget and on the needs, local and national radio stations can be used.

Direct mail. Unsolicited advertising materials such as brochures, leaflets and folders, collectively called **junk mail**, are sent to people's houses by mail (**mailshots**). Many people throw them away without reading them but some get interested in the products, especially if they are sold at deep discounts. **Flyers**, although not distributed by post offices, are very similar to direct mail. They are leaflets left at doorsteps or behind windscreen wipers of cars. **Door-hangers** are leaflets left at door knobs of people's houses or flats. **Direct advertising** involves contacting people directly by mail. Personal letters presenting current sales offers can also be sent to individual customers; sometimes the offer is tailor-made to meet the needs of a specific customer, sometimes it is a circular letter sent to a bigger group of prospective customers.

The Web. It is becoming a more and more powerful medium of advertising. Internet advertisements are a cost-effective way of reaching specific groups of customers. A company which advertises its products or services online has a worldwide coverage with a multibillion market of potential buyers. Moreover, internet users can contact the company immediately and get further information about the product or service they are interested in. Paid search accounts for about 50% of the spending on **online advertising**. Traditional **plain-image banner ads** are now being replaced by **animated pop-ups** and by **online video ads**. **Junk mail** can also be sent

via e-mail (**spam**), and there are specialist **tracking devices** which gather information on people's preferences as they browse the internet and allow targeted advertising based on this information.

Outdoor advertising media

Outdoor advertising, as opposed to indoor advertising, reaches potential buyers when they are outside of their home. Here the basic advertising tools include:

- ▶ **billboards** or **hoardings**, **posters** and **neon signs** placed on buildings or along motorways
- ▶ **street furniture** which includes city lights placed on bus shelters or in public toilets
- ▶ **transit advertising** which refers to advertisements on trams and buses
- ▶ **ambient advertising** used in football stadiums; the name or logo of a company is visible when looking at the grass on a football pitch
- ▶ **trailers** shown in cinemas before a film show; they are used to advertise products which cinema goers may be interested in
- ▶ **digital signage** which refers to huge digital video screens placed in heavy traffic areas e.g. in city centres, railway stations or supermarkets that display advertisements, latest news, weather forecasts and short entertaining programmes.

Effectiveness of advertising

The effectiveness of advertising depends on **OTS (opportunities to see or exposures)**. To be effective an advertisement has to be repeated many times (**threshold effect**). On the other hand, excessive advertising can be

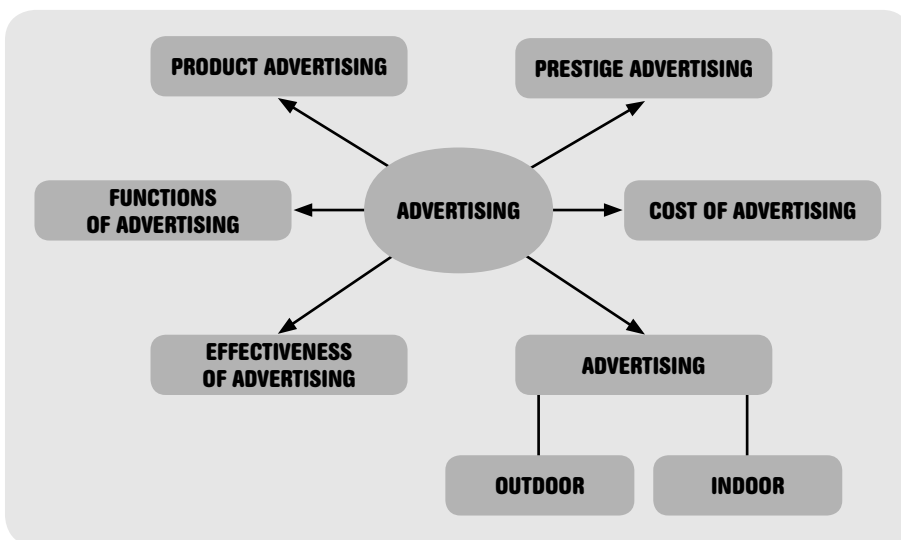
counterproductive because viewers, listeners or readers can be irritated if an advertisement is repeated too frequently.

The effectiveness of advertising can be enhanced by **endorsements** (a product or service is advertised by a celebrity: a film star, model or sports champion whom many customers regard as a **trendsetter**). It can also be enhanced by using **product placement** (a method of advertising in which an easily recognisable brand product is shown in a film many times) or by using **teaser ads** which do not give complete information about a product or service to potential customers and doing so increase their interest. If demand for a given product falls, **reminder ads** can boost sales.

The decisions which advertising media and methods to use, whether to hire an **advertising agency** or not, and what amount of money to spend on advertising are crucial in a successful advertising campaign. The right choice of the advertising medium or media contributes greatly to the effectiveness of advertising. An advertising campaign that involves two or more different forms of media is referred to as a **cross-media campaign**.

TASK 1

Look at the word map and discuss the topics in the boxes.



TASK 2

Here are some adjectives that can be used to present a good advertisement. Which are important for you?

Eye-catching	Innovative	Creative
Persuasive	Sexy	Informative
Inspiring	Funny	Colourful
Shocking	Nostalgic	Clever

TASK 3

Match the words from column A and B.

- | | |
|----------------|----------------|
| 1. TV | a. budget |
| 2. threshold | b. ad |
| 3. advertising | c. revenue |
| 4. product | d. effect |
| 5. sales | e. media |
| 6. teaser | f. spot |
| 7. heavily | g. advertised |
| 8. mass | h. advertising |

TASK 4

Give a definition of:

1. reminder ad
2. OTS
3. B2B marketing
4. junk mail

5. spam
6. teaser ad
7. advertorial
8. tabloid
9. trailer
10. prime time

 **TASK 5**

Translate the following sentences into English.

1. Specjaliści od reklamy często odwołują się do naszej ambicji, pragnienia sukcesu i łatwego życia i, jak się wydaje, taka taktyka jest w większości przypadków skuteczna.
2. On sugeruje, żebyśmy skorzystali z usług jednej z najlepszych agencji reklamowych na świecie. Mówi, że Saachi and Saachi mają najlepszych ekspertów od reklamy i że do nich właśnie powinniśmy się zwrócić.
3. Reklama musi być kontrolowana, głównie po to, by chronić konsumentów i nie podawać im błędnych informacji.
4. Prawna kontrola reklamy umożliwia eliminowanie tych reklam, które nie mówią prawdy o produktach lub usługach.
5. Katalogi i ulotki reklamowe mogą być wysyłane bezpośrednio do klientów, jednakże wielu klientów wyrzuca je do kosza bez czytania.
6. Nie wolno Panu zapominać, że świadczymy usługi reklamowe od lat i że zdobyliśmy bardzo dobrą reputację wśród naszych klientów.
7. Jeśli oni będą chcieli korzystać z naszych usług w przyszłości, być może przy następnej kampanii reklamowej zaproponujemy im korzystniejszą cenę niż teraz.

8. Czy chcielibyście to przemyśleć? Możemy poczekać jeszcze kilka dni z podjęciem ostatecznej decyzji co do wysokości nakładów na przyszłoroczną kampanię reklamową. Ale 15 listopada to termin ostateczny.
9. Gdyby wasz budżet na reklamę był wyższy o 20–30%, wtedy można byłoby skorzystać z większej liczby billboardów w centrum miasta. Niestety, nie był.
10. Oni sugerują, żebyśmy wysłali materiały reklamowe pocztą. Zastanawiam się, czy to najlepszy pomysł w naszej sytuacji. Może warto by jeszcze skonsultować się z innymi ekspertami od reklamy.

TASK 6

Complete the sentences below.

1. _____ is defined as a non-personal _____ presentation that is _____ at many potential customers.
2. Advertising expenditures _____ considerably _____ a company to a company – from a budget of 1% of sales revenue in _____ company to 30% in another.
3. Some companies _____ the comparative-parity method – they spend _____ _____ on advertising as their _____.
4. _____ advertising improves the _____ of a company and – in the long _____ – can be very effective.
5. Excessive _____ may be harmful because people _____ _____ when they are _____ to the same advertisement too frequently.
6. Corporate advertising is the same as _____.
7. PR activities involve contacts with various _____ such as _____, _____ and _____.
8. Issue advertising is aimed at influencing people's opinions e.g. advertising against _____ or advertising promoting _____.

9. B2B or C2C advertising is concerned with [REDACTED].
10. Establishing good relations with the media is a precondition of all PR [REDACTED].
11. PR officers try to show their company in [REDACTED].
12. Advertising [REDACTED] are responsible for preparing a 'copy' which is a verbal component of an advertisement and an 'artwork' which is a [REDACTED] component such as a picture, graphic image of photograph.

TASK 7

Decide which word or expression is odd.

1. advertising agency ■ designing an advertisement ■ legal control
■ advertising media ■ buying media space ■ cross-media advertising
2. calendars ■ gadgets ■ commercial radio ■ logo
3. sound ■ movement ■ colour ■ newspaper ad ■ jingle
4. billboards ■ neon signs ■ posters ■ display ads ■ hoardings
5. advertiser ■ ad ■ advert ■ advertisement
6. effective ■ saturated ■ eye-catching ■ teasing ■ sexy
7. slogan ■ threshold effect ■ OTS ■ exposure
8. spot ■ prime time ■ classified ad ■ audience ■ TV commercial

TASK 8

Points for discussion.

1. Advantages and disadvantages of advertising
2. Your favourite advertisement
3. Advertisements – an important element of business communication

4. Is it better to use the services of advertising agencies? Why?
5. TV commercials and radio commercials
6. Advertising increases prices
7. Effectiveness of product placement
8. Advantages of using endorsements
9. Alcohol and tobacco advertising
10. Word-of-mouth – the best form of advertising

TASK 9

Mark the sentences as true or false.

1. Generally speaking, sponsoring has the same goals as prestige advertising. true false
2. Sponsors do not provide money to finance charities just because they think the funds are often misappropriated. true false
3. To achieve the goal it is not necessary to reveal the sponsor's name, people will know it anyway. true false
4. Sponsoring popular events hardly ever helps to create a favourable image of the sponsor. true false
5. Sponsors often donate huge amounts of money to show that they care more about social issues than their competitors. true false
6. Copywriters are the people who are responsible for the protection of copyrights, but in fact they are rarely successful. true false
7. Infringement of copyrights is common among copywriters, especially in the twilight zone. true false
8. Copycat products are those that are designed by one company and then illegally copied by another. true false

TASK 10

Choose the correct form.

1. We must keep our costs within the **advertisement / advertising** budget.
2. **Advertising / advertisement** companies are paid for preparing attractive and efficient **advert / advertising** campaigns.
3. (An) **Advertisement / advertising** in tabloids is not always cheaper than in business magazines.
4. Newspaper inserts are a good form of **adverts / advertising**, especially in popular Sunday papers.
5. Experts in **advertisements / advertising** suggested that we should use TV commercials more frequently, at least once a month.
6. Slogans are an important component of radio spots, they can also play an significant role in newspaper **advertising / ads**.
7. (An) **Advertising / ad** says something positive about the product or service advertised, what's more, it lets the seller repeat a message many times.
8. Such forms of **advertisements / advertising** as network TV require large budgets.
9. Which **advertising / advertisement** do you remember best?
10. **Advertising / advertisements** can build up an image of a product but can also trigger quick sales.

TASK 11

Give your opinion on the following:

1. What is the role of newspapers today?
2. What makes 'King Telly' so powerful?

3. What television programmes do you like most? How often do you watch them?
4. Will the internet become the most important medium of advertising?
5. Do you like advertisements on the internet? Do you think they are effective?
6. What irritates you in advertisements?

TASK 12

Imagine you are a media planner and decide which advertising medium/ media you would use to advertise:

- ▶ a cooking book for students
- ▶ holiday packages offered by a global tour operator
- ▶ top-market sports cars
- ▶ a partnership offering accounting services for sole traders
- ▶ a local greengrocer's
- ▶ a students' scientific club
- ▶ a network of fitness clubs in a big city
- ▶ a new revolutionary model of a mobile phone

TASK 13

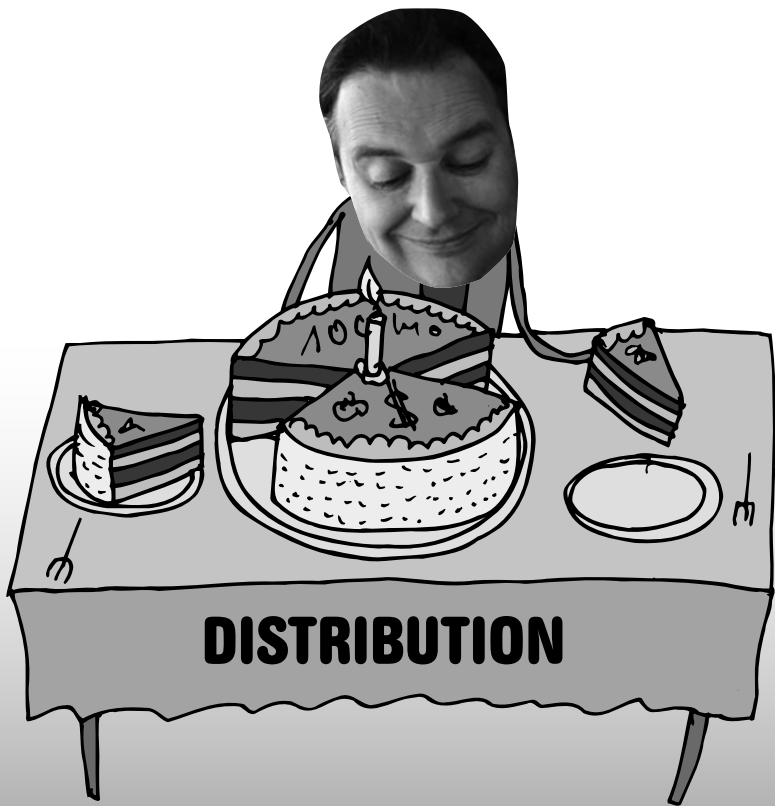
Translate the following text.

Jednym z najbardziej popularnych nośników reklamy stała się w ostatnich kilku dziesięcioleciach telewizja. Jej najważniejsze zalety to masowy zasięg i bogactwo środków wyrazu. Dzięki zaangażowaniu zmysłu wzroku i słuchu oddziaływanie telewizji jest silniejsze niż radia lub prasy.

Jednakże telewizja jako medium reklamy jest bardzo droga. I to jest jej główna wada. Na przykład nadanie 30-sekundowego filmu reklamowe-

go w którejś z najpopularniejszych polskich stacji telewizyjnych w czasie najwyższej oglądalności może kosztować nawet kilkadziesiąt tysięcy złotych. Należy jednak wziąć pod uwagę, że tego typu reklama może być odebrana przez kilka milionów widzów, a wtedy koszt dotarcia do jednego widza nie jest już tak szokujący. Telewizja jest najbardziej atrakcyjnym medium dla potężnych firm globalnych, które dysponują dużym budżetem na reklamę i które pragną dotrzeć do masowego klienta.

Cena reklam telewizyjnych jest zaporowa dla małych firm i dlatego zwykle korzystają one z innych nośników, takich jak lokalne radio czy lokalne gazety, albo też reklamują się, wysyłając ulotki do potencjalnych klientów.





d

istribution channels are the paths the goods follow on their way from the producer to the final consumer. **Direct distribution channels** refer to a situation when the customer buys directly from the producer. Direct distribution channels are characteristic of **industrial goods** which are sold **ex works** (directly from the factory) without any **intermediaries** (or **middlemen**). In the case of **consumer goods**, **indirect distribution channels** are used. Here the producer and the customer do not meet to transact business.

Wholesaling and retailing

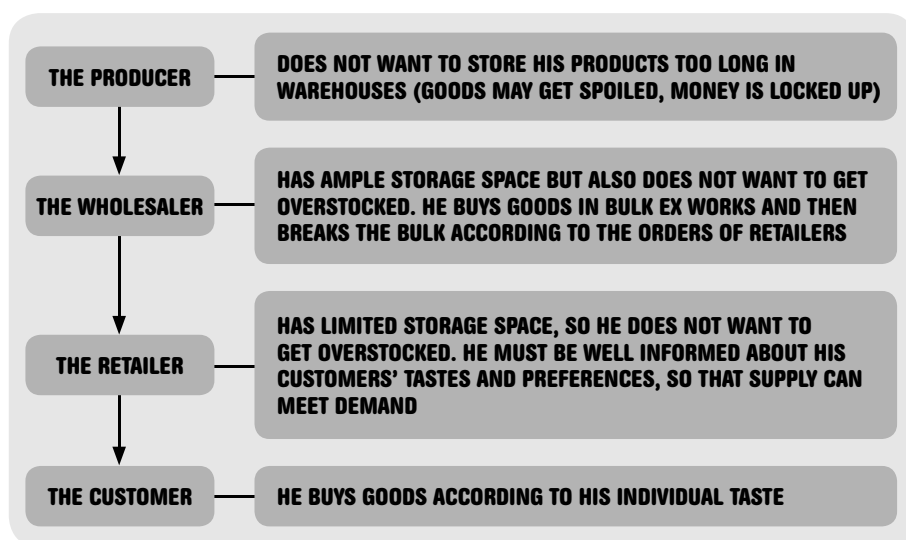
The **wholesaler** is an intermediary who buys the goods **in bulk** from the producer, transports them to the **warehouse**, **stores** them there and then sells them in smaller portions to **retailers**. The main functions of wholesalers include buying the goods, transporting them and **warehousing**. They need **storage space** to keep the goods, they face the risk that the goods get spoiled or damaged in transport, and they have to cover the cost of transport, loading, unloading and warehousing. If, which is sometimes the case, the wholesaler sells industrial products to companies, he/she is called an **industrial distributor**.

Retailers are intermediaries who buy different goods from one or many wholesalers and then sell them to individuals. They sell the goods at prices which are higher than the ones paid to wholesalers because they have to cover the **cost of sales** and want to earn a profit (**profit margin**). As a result the customer has to pay three profit margins: the one for the producer, the one for the wholesaler and the one for the retailer. Retailers

are responsible for displaying the merchandise in an attractive way, for arranging a proper **shop layout**, for window display and for displaying the prices of goods e.g. price-tags attached to clothes. They also give customers information about products and offer **after-sales service**. They transmit information about customers' preferences to wholesalers.

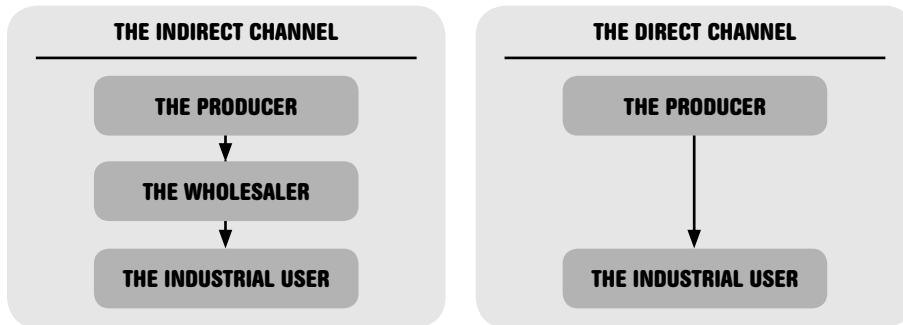
Distribution channels

There are many different distribution channels depending on the market and on consumer needs. In the case of services a **direct channel** is common. The service provider meets the customer and renders the service to him/her. Examples are medical services or education. Frequently the direct channel is also used by **corporate customers** who buy goods in bigger quantities for their organisations. The direct channel may also be used by manufacturers who want to eliminate intermediaries and have better control over selling and pricing. Clothes producers who open their own **retail outlets** are a good example. What is important is that they have complete control of the selling standards and of **after-sales service**. The traditional channel of distribution for consumer goods is presented on the diagram below.

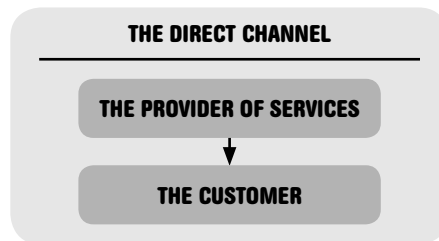


The indirect distribution channel is used by smaller manufacturers who can neither hire their own **sales staff** nor invest in renting or buying retail outlets, because they do not have enough money. In the **indirect channel of distribution** there are two intermediaries: the wholesaler and the retailer. This type of distribution channel is used for most consumer goods, for agricultural products, for accessory equipment and many other products. We observe a tendency towards eliminating the intermediaries (e.g. cash-and-carry shops) which results from the need to reduce the price the customer pays, especially when the supply of goods is high.

Distribution channels used to distribute industrial goods are usually shorter.



In the case of services (both consumer services and industrial services) the direct channel of distribution is most frequent.



The selection of the best channel of distribution also depends on which market segment or segments we want to reach. Sometimes multiple distribution channels are the best solution. For instance, we can use wholesalers to distribute our products. Yet, at the same time, we may operate through our own network of retail outlets.

Distribution strategies

Distribution strategies depend on the type of product and on supply and demand. From our everyday experience we know that certain goods like mineral water or chewing gum can be bought in every outlet while others are available in one outlet only.

Intensive distribution strategy is the one in which a product is available in many diverse types of outlets: supermarkets, local shops, convenience stores at petrol stations, kiosks, vending machines, restaurants etc. The location of a retail outlet is convenient to buyers, so that they do not waste their time looking for somewhere to buy the product. Urban areas are particularly well saturated with various outlets which makes buying easy and fast e.g. buying soft drinks or candy bars.

Selective distribution strategy means selling through a limited number of retailers specifically selected to sell the merchandise. This strategy is frequently used when selling household appliances and electronic goods the sales of which require trained shop assistants able to offer advice to the buyer and to help him/her in taking the decision what to buy. They must also be trained in how to deal with customer complaints.

Exclusive distribution strategy means that only one retailer (or wholesaler) in a given area has the exclusive right to sell the merchandise. Dealers of up-market cars can be an example here. Usually the manufacturer helps the exclusive seller in promotion and advertising but he/she requires that certain **customer attendance standards** and after-sales service standards are observed so as to create a good image of the brand.

Before producers decide which distribution strategy to choose for their products, they need to identify their sales targets and decide what pricing policy to use, what location to choose for retail outlet(s), and what image of the product they want to convey.

Physical distribution

Physical distribution is the movement of goods from the manufacturer to the customer. It includes elements such as **order processing**, **materials handling**, transportation of goods, warehousing, **inventory control** and **customer service**. All the physical distribution elements are equally important since they contribute to customer satisfaction. For example, high customer service standards may contribute to increased sales. Warehousing must guarantee that the quality of goods remains high. Materials handling, which is the way of lifting, pushing or carrying goods, must be appropriate for the type of product, for example glass or explosives must be handled with care. Inventory control deals with controlling the level of stocks and the costs of storage. If the costs are too high, the customer will probably not want to buy. Order processing is concerned with preparing the order for shipment. Here keeping the **delivery dates** is crucial.

TASK 1

Match the words with a similar meaning.

- | | |
|-----------------|--------------|
| 1. intermediary | a. provider |
| 2. send | b. batch |
| 3. merchandise | c. final |
| 4. supplier | d. dispatch |
| 5. ultimate | e. middleman |
| 6. lot | f. produce |
| 7. manufacture | g. goods |

TASK 2

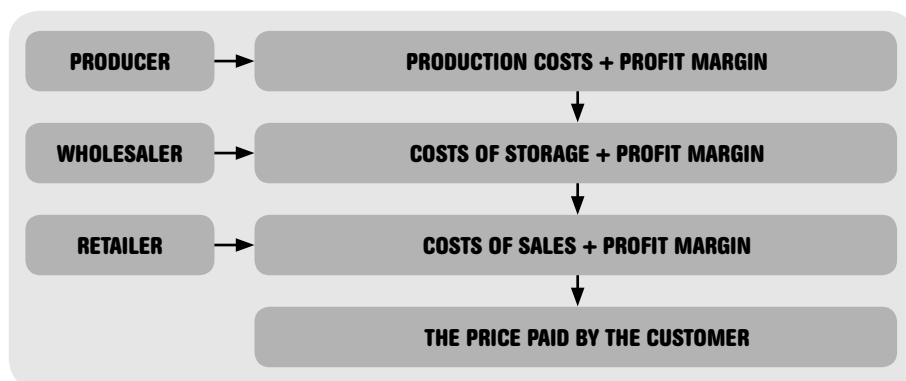
Find the odd word in each line.

1. storage space ■ sales staff ■ wholesaler ■ warehouse ■ intermediary

2. convenience store ■ up-market ■ supermarket ■ outlet ■ mall
3. window display ■ cost of sales ■ shop layout ■ retailer ■ price-tags ■ production facilities
4. loading ■ transport ■ corporate customer ■ unloading ■ forwarding
5. banking facilities ■ credit ■ postpone ■ discount ■ price
6. middleman ■ retailer ■ intermediary ■ manufacturer ■ wholesaler
7. this side up ■ fragile ■ handle with care ■ assembly plant
8. guarantee ■ after sales service ■ relocate ■ receipt ■ repair
9. profit margin ■ cost of sales ■ lot ■ discount ■ price
10. supply ■ commodity ■ deliver ■ distribute ■ provide

TASK 3

Comment on the following graph:



TASK 4

Answer the following questions.

1. What business activities are connected with distribution? Why are they important?

2. Imagine you are a car dealer. Would you prefer to work under the exclusive distribution strategy framework or would you prefer selective distribution?
3. What is the difference between direct and indirect channels of distribution?
4. When and why do we buy directly from the wholesaler? What sort of products do we usually buy this way?
5. What are the advantages and disadvantages of using intermediaries?
6. How does a retailer cooperate with the wholesaler?
7. Wholesalers tend to disappear. Do you think they will be eliminated from the market in the nearest future?

TASK 5

Match the words in column A with their explanations in column B.

- | | |
|-------------------------|--|
| 1. intermediary | a. the one who buys in bulk |
| 2. wholesaler | b. the one who covers the cost of sales |
| 3. producer | c. the one who pays the highest price |
| 4. retailer | d. the one who is in between |
| 5. consumer | e. the one who manufactures |
| 6. ex works | f. a place to keep the goods |
| 7. storage space | g. to have too many products stored |
| 8. to break the bulk | h. directly from the factory |
| 9. to be overstocked | i. all the goods wanted by customers are available |
| 10. supply meets demand | j. to divide the stock into smaller portions |

TASK 6

Translate the sentences into English.

1. Kupowanie towarów prosto z fabryki oznacza niższe ceny, ale wiąże się z dodatkowymi kosztami załadunku, transportu i rozładunku.
2. Kupowanie hurtem rzadko ma miejsce w przypadku detalistów, głównie dlatego, że nie mają dostatecznie dużo przestrzeni do składowania. Ponadto, nie chcą zamrażać zbyt dużo pieniędzy.
3. Pokryliśmy koszty transportu, ale nie zamierzamy już ponosić żadnych dodatkowych kosztów.
4. Marża jest zyskiem dla każdego pośrednika; często klient płaci cenę, która zawiera dwie lub trzy marże.
5. Informacja byłaby przekazana producentowi dużo wcześniej, ale niestety, nie mieliśmy możliwości skontaktowania się z nim w zeszłym tygodniu z uwagi na ogromny nawał pracy.
6. Przepisy Unii Europejskiej pozwalają na swobodny przepływ towarów i usług we wszystkich krajach członkowskich.
7. Od czasu, kiedy nawiązaliśmy współpracę z tym pośrednikiem, nasze obroty ciągle wzrastają. Szkoda, że wcześniej tego nie zrobiliśmy. Nasz udział w rynku byłby na pewno większy.
8. Niewątpliwie towar był niewłaściwie opakowany. Stale powtarzam, że im lepsze opakowanie i dokładniejsze oznakowanie, tym mniejsze straty. Nalegam, żeby co najmniej dwóch pracowników sprawdzało opakowanie przed wysyłką.
9. Nie wolno nam niczego obiecywać dopóki nie otrzymamy odpowiedzi na piśmie od wytwórcy. Ostatnim razem powiedział, że nie będzie mógł szybko dostarczyć nam towaru i musieliśmy czekać na następną partię ponad dwa tygodnie.
10. Gdyby handel detaliczny szybko uzupełnił wyczerpane zapasy, nie byłoby nadwyżek towarów w magazynach fabrycznych ani w hurto-

wniach. Wiadomo przecież, że ich powierzchnia magazynowa jest ograniczona.

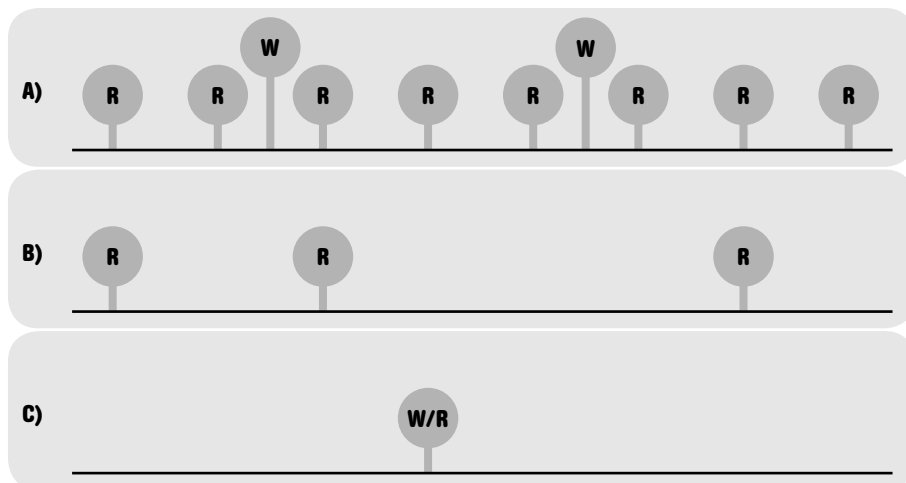
TASK 7

Complete the sentences.

1. The customer is the final element in the _____ of distribution from the _____ to the end-user.
2. If goods are _____ too long they may get _____ or _____ fashion.
3. Retailers usually _____ their _____ with several wholesalers; this way they can offer a _____ range of products _____ their customers.
4. The customer is not always the _____ user of the product he/she buys.
5. We are supplied _____ the goods _____ several wholesalers.

TASK 8

Look at the graph and comment on the advantages and disadvantages of each distribution strategy.



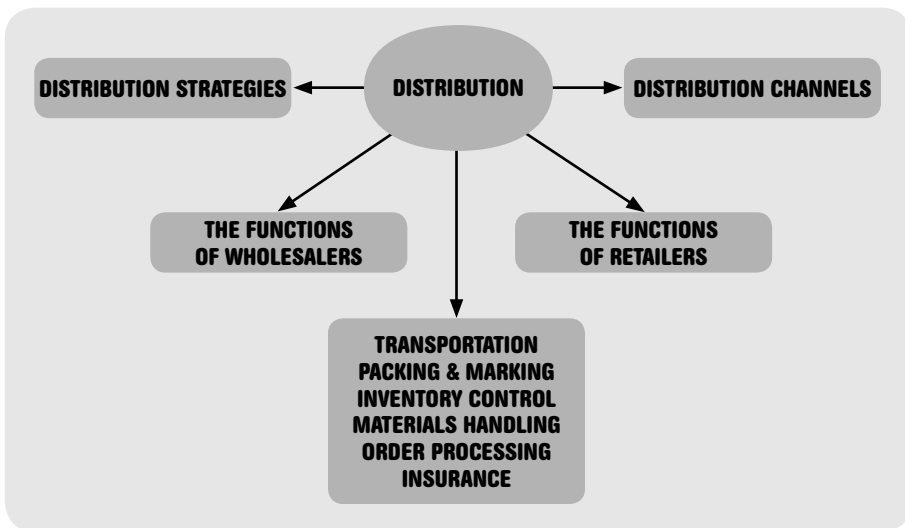
TASK 9

Decide which distribution strategy you would use for the sales of the following products and why.

1. fast food
2. designer clothes
3. flowers
4. exclusive up-market cosmetics
5. mobile phones

TASK 10

Look at the word map. Discuss the points in each box.







Modes of transport

There are five **modes of transport**: air, road, water, rail and pipelines. Each mode has specific **means of transport**, for example ocean liners, ferries, passenger ships, cargo ships, barges, oil tankers, sailing ships or yachts are used to carry goods and people by water. The choice of the mode of transport depends on the type of the product, its value, size and weight, on the distance to be covered and on speed. For example, **perishable goods** require a fast transport mode while **bulky goods** like coal or sand can be transported by water. Speed is essential for most passengers and for some types of cargo. Other important considerations include the cost of transport, its availability in different locations (sea ports or airports may not be available in a given area), its flexibility (e.g. **door-to-door transport services**) and frequency (e.g. flight schedule). Sometimes it is better to use **combined transport**, for instance water or rail transport can be combined with **road haulage**.

Air transport is very fast, but it is quite expensive. It is ideal for passenger transport **over long distances (intercontinental flights)**. **National airlines** can be expensive, especially if a customer buys a **business class** ticket (**economy class** is cheaper), but flights on **low-cost airlines** are quite affordable even for lower-income tourists. With **electronic ticketing** and lower **air fares**, air transport is becoming more and more popular with business people and tourists. It is also used for cargo: especially light, valuable or perishable goods like organs for transplantation, diamonds, live lobsters or fresh flowers.

Road transport is the core mode of transport nowadays. The network of motorways is growing. Fast **ring roads bypass** big cities and link the main centres of population and industrial areas. The advantages of road

haulage include flexibility of **routes**, acceptable prices, door-to-door transport and no need of **transhipments**. However, it is not suitable for many bulky goods; there may be **delays** caused by bad weather, **congestion** and **road accidents**, it pollutes the environment (carbon dioxide emissions) and the cost of petrol is getting higher and higher. **Public road transport** includes buses, trams and, sometimes, also underground in big cities and coaches on longer distances. It offers low fares and is quite reliable. **Private road transport** is by far the most popular method of transport both in urban and rural areas. It is relatively expensive due to the growing prices of cars and **fuel**. It may be slow in **rush hours** because of **traffic jams** in congested streets, especially in city centres. **Paid motorways** with four or six **lanes** are faster and safer than narrow, **bumpy** roads but drivers have to pay a **toll** to drive on them.

Rail transport is very good for bulky and durable goods. It is cheaper than road transport and is quite fast. Still, it has some disadvantages such as fixed routes and timetables or increased risk of damage to the cargo due to extra **loading** and **unloading**. **Containerisation** can reduce the risk of loss, pilferage or damage because goods are packed into containers in the factory and delivered as a **unit load** to their destination. As regards passenger trains they are often used by commuters (so called **commuter trains**) and by people who travel over long distances. More and more frequently tourists and business people who **travel light** choose to travel in **high-speed trains** e.g. TGV in France, ICE in Germany and cross-channel Eurostar from London to Paris. The fastest and newest passenger train in Europe reaches the speed of 320 kph and attracts people who want to travel fast. Today the number of high-speed passengers in the EU is 15 m. a year and it is forecast to double in the next five years. High-speed electric trains will probably revolutionise travelling in Europe as they seem to be an increasingly attractive alternative to air travel.

Water transport is the general term for **sea transport** and **inland water transport**. Inland waters include rivers, canals and lakes on which boats can travel. They are collectively called **inland waterways**. This mode of

transport has been used for centuries. It is the cheapest transport of all but it is also the slowest. It is an ideal mode for bulky goods and other sizable kinds of cargo, of course when speed is not a priority.

Pipelines are a less common mode of transport, but they are far from being unimportant. Unlike the four modes above, they are unsuitable for transporting solids, but they are crucial for transporting liquids and gases.

Crude oil, petrol, gas, water and sewage are transported by pipelines, **water lines** and **sewers**.

Forwarders and carriers

There are two categories of people professionally involved in transport: **forwarders** and **carriers**.

A forwarder is a person or a company that accepts the cargo for transport, arranges all formalities connected with obtaining **shipping documents**, takes out **goods-in-transit insurance**, and helps with packing and marking of goods. Forwarders are responsible for the **logistics of transport**. They choose the most appropriate mode and the best means of transport. It is their duty to arrange that the **consignment** reaches the destination in due time and in a sound condition. They sign the **freight contract** with the company for which they arrange transport and choose the best carrier.

A carrier is a person or a company that actually transports the goods. Carriers are paid for carriage only. They usually own the means of transport they use to carry a given consignment.

Main transport documents

The forwarder is responsible for preparing and collecting all the documents required for the **shipment** of a particular consignment. A **bill of lading**, for instance, is a document that evidences an agreement with the

forwarder and gives information about the goods that are transported. A **document of title**, e.g. a bill of lading (B/L) or an **invoice**, is always needed in transport. Sometimes a **packing list** may be required. In addition, documents like a **certificate of origin**, a **sanitary certificate**, an **export licence** and an **insurance certificate** may also be needed. A **delivery receipt** is a document the buyer signs to confirm that he/she has received the goods.

TASK 1

Match the words in column A and B.

- | | |
|---------------|--------------|
| 1. travel | a. distance |
| 2. holiday | b. transport |
| 3. congested | c. routes |
| 4. combined | d. receipt |
| 5. bulky | e. by air |
| 6. public | f. documents |
| 7. high-speed | g. goods |
| 8. short | h. train |
| 9. fixed | i. resort |
| 10. fleet | j. roads |
| 11. delivery | k. on foot |
| 12. commuter | l. of cars |
| 13. transport | |

TASK 2

Mark the sentences as true or false.

1. Recently the number of cars has increased even though the price of petrol has been higher and higher. true false

2. Door-to-door logistic services are becoming less and less popular, probably due to their high prices. true false
3. The average density of public roads in Poland is quite high but the quality of roads is far from satisfactory. true false
4. In Poland the number of ring roads bypassing big cities is sufficient although critics claim that it is definitely too low as compared to other EU countries. true false
5. Good road infrastructure always attracts foreign investors; in many instances it may be considered more important than local taxes or legal regulations. true false
6. Air terminals, runways and traffic control towers are rarely considered to be the most essential elements of airport infrastructure. true false
7. Traffic wardens cannot give drivers tickets for exceeding the speed limit or not yielding way (only police officers can do that) but they can check if drivers have parked their cars legally. true false
8. If drivers want to economise on fuel, they should drive at a controlled speed that allows for lower fuel consumption. true false

TASK 3

Find the odd word.

1. carrier ■ cargo ■ forwarder ■ tanker ■ freight
2. congested ■ rush hour ■ dispatch ■ traffic jam
3. speed, toll ■ motorway ■ forwarding order ■ road ring
4. tank car ■ boat, ■ lorry, ■ van ■ sedan ■ SUV
5. density ■ crude oil ■ petrol ■ pipeline ■ oil refinery
6. ticket ■ insane ■ traffic warden ■ speed limit, ■ road signs

TASK 4

Match the parts of sentences adding the missing words and phrases from the box.

infrastructure • emissions • spoiled • air • perishable • shipping • forwarder • nuisance • non-durable • motorways • parking areas • combined with • hybrid • fuel

- Road [] can be improved
- [] consumption
- Air transport is
- Cooling chambers are
- Gas [] contribute greatly
- Newly constructed [] offer
- Perishables are [] goods
- Traffic jams
- The freight [] is responsible
- a. to [] pollution.
- b. better driving conditions.
- c. for collecting [] documents.
- d. is reduced in [] cars.
- e. that can get [] easily.
- f. by building more ring roads and [] .
- g. can be a [] in rush hours.
- h. often [] road transport.
- i. often used to transport [] goods.

TASK 5

Complete the sentences.

- Loading and unloading add [] the [] of transport.
- The size and [] of goods are important [] choosing the [] .
- Containerised goods [] better protected from [] and pilferage.

4. Shipping documents may [] export [] or sanitary certificate.
5. Air [] is reduced when we use [] petrol.
6. Over the last 10 years there [] a significant (47%) [] in rail services in Poland while, at [] time, the role of [] transport [] increased.
7. There are [] motorways in Poland [] in e.g. Germany. Besides [] quality is low.

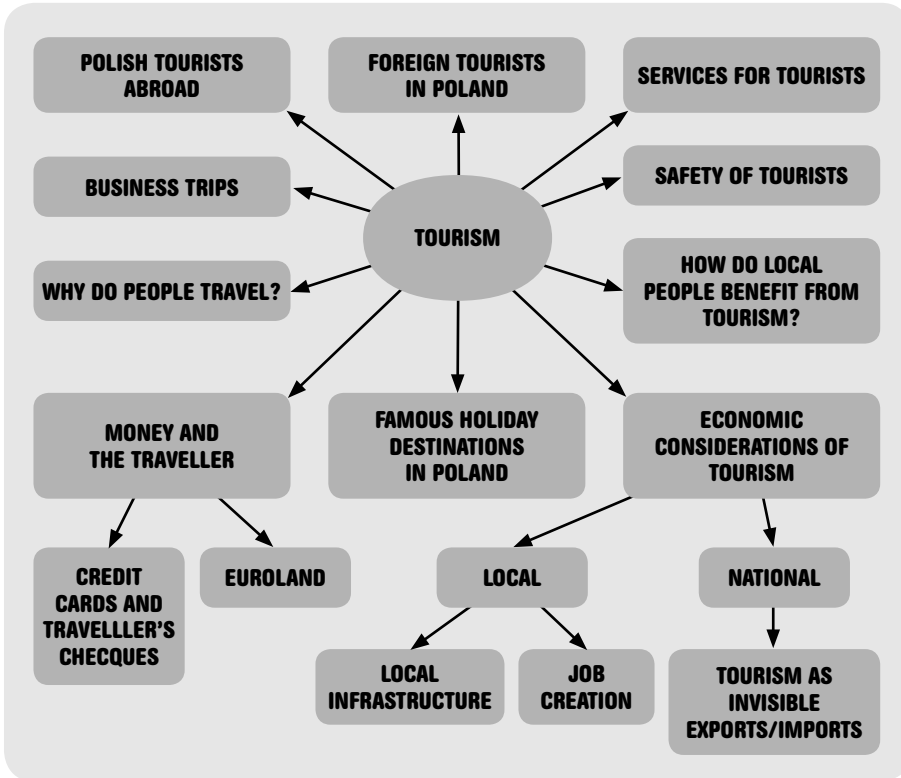
TASK 6

Translate the sentences into English.

1. Sprawny system transportowy przyczynia się do lepszego wykorzystania zasobów.
2. Kontenery są dużymi metalowymi skrzyniami, które są używane do transportu towarów, szczególnie drogą kolejową i morską. Konteneryzacja zmniejsza ryzyko uszkodzenia czy utraty towarów w transporcie.
3. Autostrady i obwodnice omijają duże i małe miasta, a tym samym przyczyniają się do szybszego i sprawniejszego transportu.
4. Duża konkurencja między firmami przewozowymi powoduje obniżenie kosztów transportu; dotyczy to głównie transportu samochodowego.
5. Transport morski jest często wykorzystywany w handlu międzynarodowym ze względu na swoją niską cenę.
6. Gdybyście mieli jakieś szczególne wymagania dotyczące ubezpieczenia towarów w transporcie, to powiadomcie nas o tym. Z przyjemnością je spełnimy.
7. Poprosił nas o złożenie wszystkich dokumentów przewozowych do 27 lipca. Powiedział, że jakiegokolwiek opóźnienie będzie skutkowało dodatkowymi opłatami.

TASK 9

Transport is closely connected with tourism. Look at the word map and discuss each box.



TASK 10

Points for discussion.

1. Do you like to travel? Why do you travel?
2. Your favourite holiday destination(s).
3. Cultural considerations of tourism.
4. The role of tourism in Greece and Spain.
5. Public transport in Poland.
6. Commuters in a big city.

7. Road infrastructure in Poland.
8. A suggested itinerary of a three day business visit of the sales manager of the Nike company.
9. Your views on air transport.
10. The transport of tomorrow.
11. Free movement of people in the European Union. How do the Poles benefit?
12. The transport you use when commuting to work/college. Private or public? What are your problems? What are the advantages?





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oods are products to be sold. Hence, sale is the final goal of production. Goods can be sold either on the domestic market or on the international or global market. What is most important is to attract as many customers as possible and offer them a product they will, hopefully, buy regularly.

First of all, it is important to define who the target customers are or are likely to be in the future. To do that, the market has to be divided into several distinctive groups: people with the same preferences, similar wants and needs and similar incomes. This is called **marker segmentation**, or more precisely, **consumer market segmentation** (when consumer goods are to be sold) and **industrial market segmentation** (when industrial goods are to be sold). To be able to provide customers with an attractive product, companies need to do market research: collect and analyse information about their target customers and about competitive products on the market.

The research is expected to answer the following questions:

- ▶ Who are our customers? Who are our prospective customers?
- ▶ Why do they buy our product?
- ▶ How much do they pay/ are ready to pay?
- ▶ How often do they buy it?
- ▶ Where do they buy it?

There are two basic methods that can be employed when doing market research:

- ▶ **desk research** in which the existing data such as customer complaints, sales figures or statistics are analysed
- ▶ **field research** in which primary data are collected by means of questionnaires, interviews, consumer panels/focus groups or test marketing (selling a limited quantity of a product tentatively on a given area); later the data are analysed by marketers.

By a careful analysis of the target market segment producers are able to identify or even anticipate customers' needs and preferences. In other words, in order to attract more customers and make their products more popular, they need to provide the reasons for customers to buy their goods. It is important to remember that nowadays people buy benefits rather than products. They pay to make their life better, easier or more pleasant. How can producers guarantee these benefits? By offering customers higher quality, improved design, more attractive product features (e.g. better durability, reliability, smaller size), better technology, extras that go with the product/optional features, better information about the product and, of course, more attractive price. What is needed is a **unique selling proposition** (USP) – a feature that makes a particular product more desirable than others offered for sale.

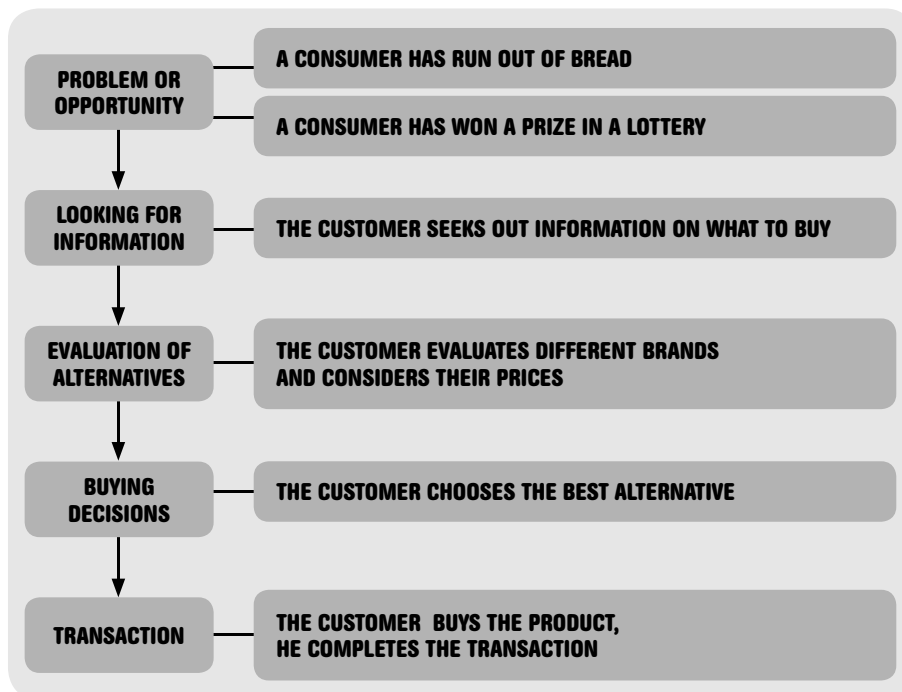
Product development is closely connected with market research. No product can exist if customers do not want to buy it. But products get obsolete or get out of fashion and demand for them falls. That is why new products should be developed to meet the changing requirements, tastes and preferences of target customers. The existing products can be enhanced or upgraded, the existing **product lines** can be extended. Brand new products based on cutting-edge technologies and sophisticated solutions are most attractive to customers who are likely to pay a lot to buy them. However, it should be noted that repeat purchases are much better for the seller than a single transaction.

There are two basic kinds of customers: **regular customers** and **casual or chance customers**. Customers of tomorrow are called **potential or prospective customers (prospects)**. There is also a growing group of **brand conscious customers** who can be either **loyal** to their favourite brand or who can switch from one brand to another (**brand-switchers**).

Consumer buying behaviour

In order to attract customers marketers should study their behaviour and then develop appropriate strategies that could persuade them into buying. Consumer buying behaviour is determined by their perceptions, attitudes, previous experiences, religion, age, sex, education, place of residence and – last but not least – their incomes. Consumer buying decisions are of great significance since the profits generated by producers, wholesalers and retailers depend on them.

Let us look at the basic stages of **consumer decision making**.



Later consumers use the product, assess its benefits and evaluate their experience. If the feedback is positive, they repeat their buying decision. If, however, the feedback is negative, they start the process again from the very beginning and choose an alternative product.

Another important factor which greatly contributes to customer satisfaction is **customer service**. The quality of **attendance** and **after-sales service** are essential here. If a customer is well attended, the chances that he or she will become a regular customer increase. The same is true for after-sales service. The longer the guarantee the better for the customer. Sometimes, customers may also wish to have a special **extended guarantee** and then they can buy it for a small amount of money.

Consumer protection

A customer has the right to be **fully informed** about the product he or she is going to buy, to pay a **fair price** for it, and – if the product is **faulty** – to get a **cash refund, replacement** or **repair**. **Customer's rights** cannot be taken away by dishonest sellers. Consumers need protection from unfair practises of dishonest traders who may deliberately mislead consumers or deliberately sell faulty goods.

A customer who buys something, pays for it and receives a **receipt**, enters a **legal contract** with the retailer. If the retailer **breaks the contract** (e.g. gives misleading information about the product, does not give complete information or sells a product that does not meet the description on it), the buyer has the right to get his money back (**money-back guarantee**). Notices in shops saying “No money refund” are illegal under the EU legislation because the retailer has the obligation to offer a refund if a customer requires it or does not want to accept a replacement.

An important segment of consumer protection deals with **food safety**. If food is **unfit for human consumption**, it must not be sold. In the case of food proper **labelling** and **marking** is extremely important. So is the

expiry date. Here lawbreakers may face **fines** or even **imprisonment** because they endanger consumers' health. It is also the retailer's obligation to mark the **net weight** of a product and to **display the price** very clearly so that the customer can see it easily (small print is not permitted).

The description of a product must be true (e.g. a silk blouse is truly made of silk); it is an offence to give a false description of a product. When selling certain types of goods, e.g. medicines, electrical equipment, toys etc., the retailer must provide the customer with **safety regulations, warnings** (often in pictograms) or **safety advice**. Except for **generic products**, proper packing and labelling play an important role in making the customer **fully aware** of what he buys.

Consumer protection is provided by the government, local authorities (Consumer Protection Departments and Trading Standards Departments), **consumers associations** as well as professional and trade associations, e.g. an association of hoteliers can draw up a **code of practise** for hoteliers and set the standards of hotel services.

In 2004, the European Commission for Health and Consumer Protection issued ten basic principles of consumer protection in the European Union:

- ▶ "Buy what you want, where you want
- ▶ If it doesn't work, send it back
- ▶ High safety standards for food and other consumer goods
- ▶ Know what you are eating
- ▶ Contracts should be fair to customers
- ▶ Sometimes consumers can change their mind
- ▶ Making it easier to compare prices
- ▶ Consumer should not be misled
- ▶ Protection while you are on holiday
- ▶ Effective redress for cross-border disputes".

(<http://europa.eu.int/citizensrights/>)

Retailing

Retailers are usually the final link in the channel of distribution. They have direct contacts with customers and can transfer information about their preferences to producers.

The location and size of a **retail outlet**, pricing strategy and product selection are the basic decisions retailers have to face. Retailers usually use the services of several wholesalers because they need a **wide range of products** to attract customers. Retailers promote the products they offer for sale by eye-catching **window display**, by offering special **coupons**, **discounts** and **price reductions** and by giving customers information and advice about the goods they sell.

Retail outlets are usually classified according to the size of the **selling area** which may vary from several to 20,000 square meters. The most popular types of retail outlets include:

- ▶ newsagents
- ▶ vending machines
- ▶ small shops/local shops/corner shops
- ▶ off-licence shops
- ▶ specialty shops (offering a narrow range of products)
- ▶ convenience stores, e.g. at filling stations
- ▶ discount stores
- ▶ off-price retailers who buy excess stock of brand-name labels and sell them at low prices
- ▶ multiple store, e.g. Sephora or Mothercare
- ▶ variety chain stores, e.g. Marks & Spencer stores which sell clothes, footwear, cosmetics and food

- ▶ department stores
- ▶ supermarkets and hypermarkets.

Now **multiples** are becoming more and more popular retail outlets. They have a wide **market coverage** – they include tens or even hundreds of shops which sell one type of **merchandise**. They usually look identical, so that customers can recognise them easily. The **layout** inside multiples is also similar.

Super- and hypermarkets are by far the biggest retail outlets. They may be bigger than department stores and they offer different categories of merchandise (foodstuffs, clothes, household equipment, cosmetics etc.). They operate on a **self-service** basis and offer very low prices (sometimes **leader prices**) of selected products and lots of promotions. They are often located in the suburbs and offer good **parking facilities** to customers. Supermarkets and hypermarkets usually sell the goods (sometimes over 50,000 different products) on one floor.

Retailing without shops refers to party selling, TV shops or teleshopping, direct selling (e.g. Avon) and, of course, internet shopping. Recently, internet shopping has become very popular and many people use this method of selling and buying.

Many retailers try to increase their **sales volume** by diversifying the products they offer for sale, e.g. drugstores that sell soft drinks and confectionary. Keeping many diversified products in one shop is called **scrambled merchandising**. It is becoming more and more popular because it is appealing to those customers who seek **one-stop shopping**.

Sales may be **at a profit** or **at a loss**. Sales may be **brisk** and it means that the goods are **easy going**. Sales may function on a **cash-and-carry** basis (you pay cash and carry the goods home) or on a **cash on delivery** basis (COD) – you pay for the goods after they have been delivered to your place. A **cash only** sale means that the buyer cannot pay using a credit card or cheque.

Trade contract

In retail trade a **receipt** is the evidence of a transaction with an individual customer. It contains information about the seller, the product bought, quantity, unit price and total price. It also shows the date of the transaction. If, however, the transaction is concluded between a wholesaler and the retailer who **places a bigger order for** a particular product, then a **trade contract in writing** is required to protect the rights of both **parties to the contract**: the buyer and the seller. However, before a contract can be signed, the parties negotiate its terms and conditions. These are the items a typical trade contract includes:

- ▶ names of the parties to the contract
- ▶ product specification/product description
- ▶ quality
- ▶ quantity
- ▶ unit price, discounts (e.g. quantity discount, cash discount, prompt settlement discount), total price
- ▶ method of payment (e.g. cash, bank transfer, cheque)
- ▶ terms of payment (e.g. trade credit of 30, 60 or 90 days)
- ▶ packing, marking, labelling
- ▶ after-sales service/warranty
- ▶ accessories, spare parts and extras that go with the product
- ▶ delivery date(s)
- ▶ method of transport
- ▶ special requirements
- ▶ stipulated penalties.

Once a trade contract has been signed, it is **legally binding**. A contract is a written confirmation that an order has been placed with the seller at the

price quoted (together with the discounts that have been **granted**). If the **terms and conditions of the contract** are not met by one party, e.g. when the delivery dates have not been kept or when settlement has not been made **in due time**, we talk about a **breach of contract** – a violation of a **valid** contract. In such a situation, stipulated penalties can be used, or – in more difficult cases – legal action can be taken and the matter **taken to court**.

TASK 1

Match the words in column A and B.

- | | |
|------------|----------------|
| 1. faulty | a. print |
| 2. false | b. standards |
| 3. legal | c. regulations |
| 4. local | d. trading |
| 5. fair | e. information |
| 6. small | f. goods |
| 7. trading | h. council |

TASK 2

Find the odd word in each line.

1. fine ■ offence ■ imprisonment ■ deliberately ■ jail
2. faulty ■ misleading ■ false ■ true ■ defective
3. description ■ council ■ marking ■ labelling ■ pictogram
4. receipt ■ consumption ■ obligation ■ refund ■ replacement
5. hotelier ■ food ■ service ■ endanger ■ accommodation
6. standards, protection, regulations ■ rules ■ principles
7. baby formulas ■ medicines ■ books ■ foodstuffs

TASK 3

Give synonyms or antonyms of the following:

1. potential customer
2. casual customer
3. brand switchers
4. consumer market segmentation
5. wholesaler
6. profit

TASK 4

Complete the sentences.

1. Product enhancement means that new, more attractive [] are added to it.
2. [] customers are those for whom a product is manufactured.
3. Customer's religion, culture, education and social background may affect his [] decisions.
4. If the customer is [] with the product, he will probably [] it [].
5. This product sells well. It is particularly [] with teenagers.
6. [] are usually transmitters of information from [] to producers.
7. [] sell one type of [] through a network of shops located all over the county and looking the [].
8. If you make a complaint, you face two alternatives – your complaint may be either accepted or [].

TASK 5

Mark the sentences as true or false.

1. In mail order selling the buyer needs a catalogue to choose from.
 true false
2. Retailing means selling in small quantities. true false
3. Sales people rarely get a commission on the value of goods they have sold. true false
4. Malls are very popular in the USA (in Warsaw we have Sadyba Best Mall). true false
5. A receipt the customer receives at a check-out is not required when he lodges a complaint. true false
6. Specialty stores offer exclusive, luxury products of great value to a limited group of customers. true false
7. Pieces of art can be bought exclusively at an auction. true false
8. A patron is a person who regularly does his shopping in a particular store or who always goes to a particular pub. true false

TASK 6

Match the words with their definitions.

- | | |
|---------------------|--|
| 1. sales volume | a. a proof that you have bought the product |
| 2. one-stop shopper | b. money you owe to someone |
| 3. tailored | c. the quantity of goods sold |
| 4. amount due | d. adjusted to the needs of a specific customer |
| 5. receipt | e. the one who doesn't like to go from one shop to another |
| 6. fine | f. money you have to pay for something offensive you have done |

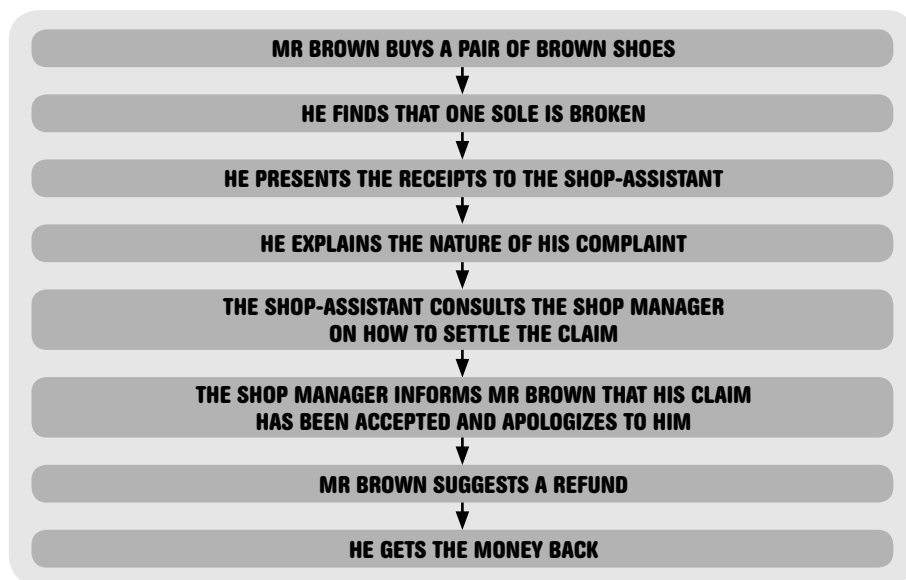
TASK 7

Look at the consumer decision making process again and match the sentences below with the appropriate stages of the process. Note that the sentences inform us about the steps sellers can take to increase sales.

1. Persuade customers that our products are better than those offered by competitors.
2. Accept the payment.
3. Make the act of buying easy and enjoyable for the customer.
4. Create new needs by offering innovative products.
5. Supply prospective customers with easily available information about the product.

TASK 8

Make a short story based on the following diagram.



Try to add as many details as you can. Think about alternative developments (Mr Brown is offered a replacement, his shoe is repaired, his complaint is rejected).

TASK 9

Join the halves.

- | | |
|--------------------------------------|---|
| 1. Pressure groups support consumers | a. is an important part of consumer protection. |
| 2. The government should ensure | b. effective consumer protection rights. |
| 3. Unsolicited foods | c. in maintaining trading standards. |
| 4. Food safety | d. are those that you haven't ordered. |
| 5. It is the retailer's obligation | e. often presented in the form of pictograms. |
| 6. Warnings are | f. to display the price. |

TASK 10

Answer the following questions.

1. If you were a producer of expensive cosmetics, who would be your target customers?
2. What income and age brackets should they represent?
3. Do you prefer to be a cash customer or to use a credit card? What are the advantages and disadvantages of each way of payment?
4. If you were a merchant, would you prefer regular customers with rather poor shopping habits or casual ones doing big shopping from time to time?
5. How far do the tastes and preferences of prospective buyers affect production?
6. Why are some customers brand conscious and what is the result of this attitude?

7. What affects consumer buying behaviour?
8. Why is it important for the customer to take informed decisions when purchasing products?
9. What unfair practices of dishonest traders do you know?
10. Why is food safety important?
11. What do you think about health food and GM food?
12. What do business partners usually negotiate before they sign a trade contract?
13. What advice would you give to shopkeepers in your area?



TASK 11

Translate the following sentences into Polish.

1. Let's talk business. We need some further information about the product qualities and about the possible discounts before we place a firm order with you.
2. They hardly ever reject complaints but they tend to offer replacements rather than refunds.
3. They have been assisted by their business contacts in Asia since 1999.
4. Had the price list been available on demand, they could have agreed to place a more significant order. Another lost opportunity he regrets so much!
5. We have found a ready market here and our products sell like hot cakes.
6. He is the person I could do business with; he has professional integrity, is reliable, well-organised, and has an extremely businesslike attitude I admire so much.

TASK 12

Points for discussion

1. Ways of attracting new customers.
2. How do supermarkets attract customers?
3. The importance of customer service. How can customer service be improved?
4. Shopping round the clock.
5. Competition between small shops and supermarkets in Poland.
6. Consumer protection in Poland.
7. Do you read labels. Why? Why not?
8. Advertisements of GM food/fast food.
9. Your shopping habits.
10. Your views on seasonal sales.
11. The consumer protection principles in the European Union.

TASK 13

Translate the sentences into English.

1. W firmach akwizytorzy nie są zazwyczaj mile widziani.
2. Wyprzedaże posezonowe stają się ostatnio coraz bardziej popularne w Polsce. Klienci zawsze znajdują na nich jakieś okazje, a ceny są zdecydowanie niższe.
3. Wolelibyśmy, aby realizacja naszego zamówienia została zakończona do końca maja zgodnie z warunkami umowy.
4. Powinieneś być zapłacić kartą kredytową, a nie gotówką. Teraz nie masz nawet za zapłacenie za parking. No i co zrobimy?

5. Kredyt handlowy oznacza, że płatność za towary zostaje odroczone na 30, 60 lub 90 dni.
6. Pomimo że supermarkety oferują niskie ceny, nie wszyscy klienci lubią robić tam zakupy.
7. Wszyscy klienci z pewnością wiedzieli, że nasze sklepy dają gwarancję zwrotu gotówki w ciągu 14 dni.
8. Lubię moją pracę, pomimo że czasami irytują mnie ludzie, którzy przychodzą do naszego salonu i zadają mnóstwo pytań. I tak na pierwszy rzut oka widać, że nie kupię żadnego samochodu.
9. Czy mógłby mi Pan powiedzieć, jakie są Pańskie wymagania co do opakowania i oznakowania towarów? Jakie terminy dostaw Pana interesują?
10. Proszę sprawdzić jeszcze raz kod kreskowy – interesuje mnie data przydatności. Muszę być pewna, że jedzenie jest świeże i nadaje się do spożycia. Inaczej go nie kupię. Nie chcę się rozchorować.





Absolute advantage and competitive advantage

Why do countries need international trade? What are the reasons for export and import? Let's start with the following statement: no country can be **self-sustaining**, which means that it cannot produce all the goods its citizens need because either it hasn't raw materials or because the goods produced in other countries are better or cheaper. Because of the climate, bananas grow in Africa but do not grow in Canada. Brazil can produce coffee, Norway can't. This is called **absolute advantage**.

The next question is why many customers prefer German cars to Korean ones. Because the Germans have a **competitive advantage** over their competitors – their cars are considered to be more reliable and safer. They have a longer tradition of car manufacturing, they are experts in car production, they use better technology and materials, they have highly skilled workers. That is why their cars **find an easy market** in many countries all over the world.

Benefits of international trade

Countries have different **resources**: raw materials, skilled labour or cheap labour, more advanced technologies or better transport links. Thanks to **international exchange of goods** these resources can best be used to offer customers all over the world a wider range of goods that are available to them.

Generally speaking, international trade means faster **economic growth**. Trade partners sign **long-term agreements** thus contributing to closer **economic ties** between countries. When countries **cooperate closely**, they benefit from the **free flow of products, labour and capital** (at least in the regions that **promote free trade**, e.g. the European Union). They enjoy better **employment opportunities** and lower **unemployment rates** since export means **creation of new jobs**.

Economies of scale make it possible to lower the prices of goods produced globally and available on the global market. Competition results in increased **efficiency of production** and – ultimately – **improved living standards**.

International trade is not evenly distributed all over the world. Most transactions are concluded between the rich: the EU, the US and Canada and Japan. Central and Eastern Europe account for only 12% of imports into the EU and 16% of exports from the EU while Asian countries (except Japan) enjoy higher exports than imports with the EU. Developing countries can benefit from **aid-and-trade agreements** most because more preferential **terms and conditions of trade** offered to them at a **bilateral level** help them to fight poverty and to promote development.

Methods of payment in international trade

Popular methods of payment used in international trade include:

cash with order (CWO) – the buyer pays cash when he places an order

cash on delivery (COD) – the buyer pays cash when the goods are delivered

documentary credit – a **Letter of Credit (L/C)** is used; it gives the seller two guarantees that the payment will be made by the

buyer: one guarantee from the buyer's bank and another from the seller's bank

bills for collection – here a **Bill of Exchange (B/E)** is used

open account – this method can be used by business partners who trust each other; the two partners need to have their accounts with the banks that are correspondent banks.

The prices quoted in trade contracts are usually expressed in **International Commercial Terms (INCOTERMS)** such as for example:

- ▶ CIF – cost, insurance, freight
- ▶ C&F – cost and freight
- ▶ FOR – free on rail
- ▶ FOB – free on board
- ▶ EXW – ex works

INCOTERMS show the elements included in the price the seller quotes, with ex works being the cheapest price since it includes only the unit price of a product; transport, loading, unloading and insurance are not included and the buyer has to cover their costs.

Globalisation

As companies grow they usually look for new markets abroad where they can sell their products. They open **subsidiaries, branches, plants and factories** overseas. They launch new products, they **enter new markets**. They **win orders** all over the world. Their products are available to buy everywhere. Think of Coca-Cola or Puma – these names sound familiar to customers in many regions of the world. They are really global brands for global customers.

Arguments for globalisation

- ▶ Globalisation increases competition and reduces prices.
- ▶ Big **multinational companies** create new jobs in developing countries.
- ▶ Capital flows from the rich to the poor in the form of investment.
- ▶ Living standards in **low-cost countries** increase.
- ▶ Consumers have a greater variety of goods offered for sale.
- ▶ Global companies cooperate with local partners – **outsourcing** and **subcontracting**.

Arguments against globalisation

- ▶ Multinationals use **cheap labour**.
- ▶ When a company globalises, its capital moves out of the country.
- ▶ Globalisation may result in unemployment in the West.
- ▶ Global companies do not care about the environment.
- ▶ There are **cross-cultural** problems and language problems.
- ▶ Multinational companies are a threat to small domestic companies.

Anti-globalists oppose the expansion of big multinationals; they want to protect their domestic markets. They think that global hypermarkets are a threat to small shops because they offer a wider range of goods at much lower prices, they offer discounts and leader prices and try to create a global customer for global brands. Anti-globalists believe that global companies lack **social responsibility**, do not care for **staff welfare** and pollute the environment (ozone layer, acid rains, carbon dioxide emissions etc.).

Anti-globalists criticise multinational companies for their strategies of **maximising profits** and for ignoring **social** and **ethical issues** to the detriment of the state in which they operate. Anti-globalists blame globalists for production of **weapons** and **arms trade**, for turning a blind eye to terrorists who buy those weapons and trade in drugs.

Trade restrictions

Big multinationals put pressure on governments and **trade organisations** to **liberalise** and **deregulate trade**. They stress the importance of free trade and oppose to **trade restrictions** which hamper free market development. They argue that free trade means higher quality standards, lower costs, a wider variety of products, better development opportunities for poorer countries and free movement of goods and capital.

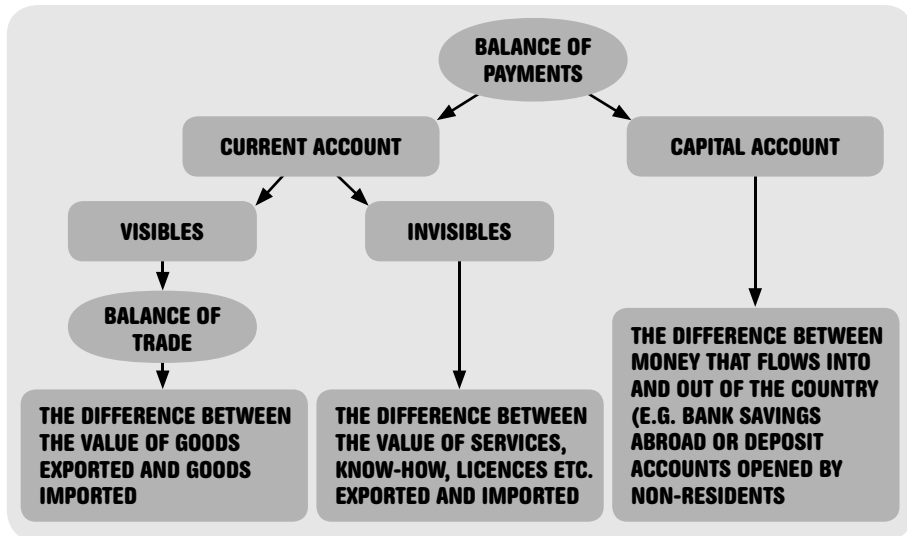
On the other hand, national governments try to protect domestic producers, especially small businesses and '**infant industries**'. They try to prevent **unfair competition** (e.g. **dumping prices**) and **impose restrictions** on imports at the same time giving **subsidies**, **grants** and **tax reliefs** to domestic producers. The most frequent restrictions on imports include **customs duties**, **tariffs**, **quotas**, **excise duties** and **import licences**. Sometimes, in very extreme economic or political situations, a government may decide to impose an **embargo** – a complete **ban** on trade with a particular country.

The **World Trade Organisation** (WTO), the **World Bank**, the **International Monetary Fund** (IMF) and **trading blocs** such as the European Union, NAFTA (the North American Free Trade Association) or CEFTA (Central European Free Trade Agreement) promote free trade and try to **lift trade barriers**.

On the other hand, organisations like OPEC do not promote free trade; they secure high prices of oil and protect the interests of oil producers.

Balance of payments and balance of trade

Governments try to lower imports and **boost exports** and this way achieve a **favourable balance of payments** and favourable **balance of trade**.



When companies export or import goods they contribute to a **surplus** or **deficit** on the balance of payments. The important thing to remember is that the balance of payment current account is composed of **visible** and **invisible trade** (or visible exports and imports and invisible exports and imports).

The third world

When we look at a map of the world we can see a dividing line that separates the rich North and the poor South. The United States of America, the European Union and Japan are considered to be **highly developed countries** with advanced technologies, booming economies and high **per capita income**.

The Third World countries of Africa and Asia suffer from **poverty** and hunger. They need **aid** from the rich countries in areas such as education

or medical care. They need investment to develop local infrastructure, to build roads, airports and railways. They need new schools and hospitals, they need vaccination programmes. They need better hygiene and sanitation to prevent epidemics. They need money to fight against AIDS. Children need 'save the children' programmes or 'distant adoption' programmes to survive. If you want to support a child in Africa, you just donate 8\$ a month.

Debt relief programmes are yet another initiative supported by many Europeans who believe that **remission of debts** would give the Third World countries new development opportunities. Financial organisations, however, are not in favour of **writing off debts**. Rather, they suggest the following measures:

- ▶ **rollover debts** (renew them)
- ▶ **reschedule debts** (postpone their repayment)
- ▶ use exports to pay **high interest on loans**.

Most economists are of the opinion that to help the Third World the rich countries and also the countries with **emerging economies** should trade with the developing ones. By offering them **barter** transactions the developed countries can benefit as well. The Third World countries can, in turn, offer raw materials, semi-products or cheap labour.

TASK 1

Fill the gaps.

1. [] brands are often cheaper than national brands.
2. Franchising is used by McDonald's all over the world. A [] agreement specifies the norms and standards that the local owner should follow.
3. [] of scale lower unit costs.
4. Multinationals are a [] to small [] companies.

5. There are about 140 member [redacted] in the World Trade Organisation.
6. Globalisation means that similar goods are sold worldwide [redacted] prices.
7. The Internet has accelerated the integration of [redacted] culture.
8. Supranational companies cooperate with local partners using [redacted].
9. In order to help developing countries some financial experts recommend [redacted] which are better than writing off their debts.
10. Epidemics can be prevented by [redacted] programmes, better [redacted] and [redacted].
11. The WTO and the IMF try to promote [redacted].
12. If you want to support a child in Africa just [redacted] a month.

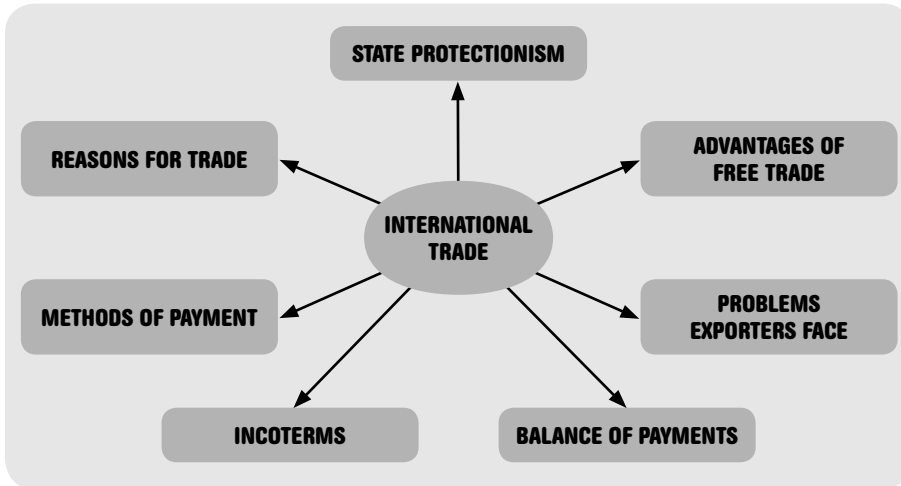
TASK 2

Match the words in column A and B.

- | | |
|-------------------|--------------|
| 1. trade | a. growth |
| 2. quote | b. prices |
| 3. economic | c. contract |
| 4. bilateral | d. figures |
| 5. child | e. agreement |
| 6. favourable | f. labour |
| 7. jobless | g. balance |
| 8. create | h. companies |
| 9. unemployment | i. flow |
| 10. cheap | j. jobs |
| 11. capital | k. labour |
| 12. manufacturing | l. rate |

TASK 3

Look at the following word map and discuss it.



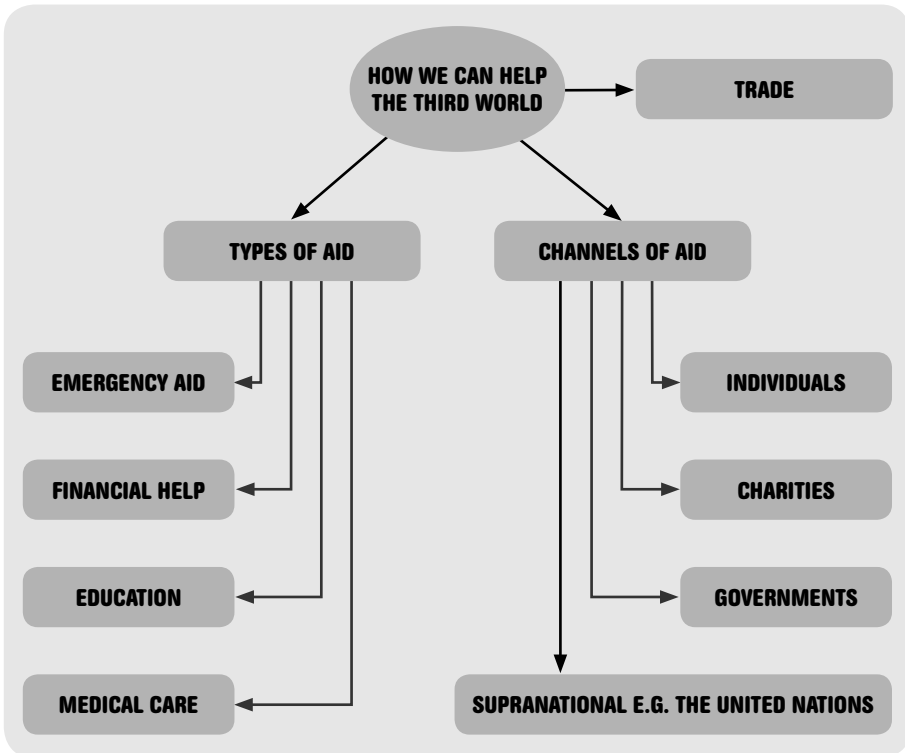
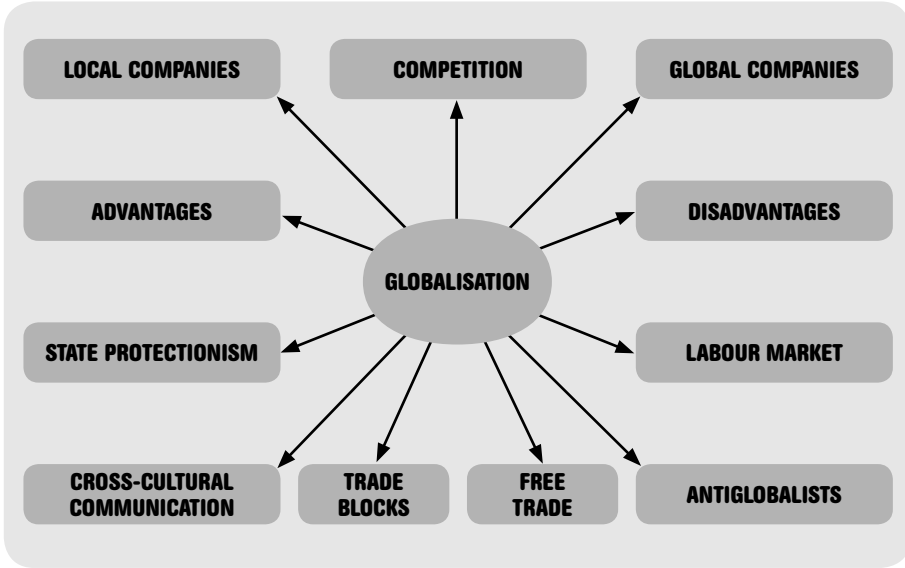
TASK 4

The word map above presents one box which was not mentioned in the text i.e. “Problems exporters face”. Mark the following prompts as false or true.

1. Additional costs of transportation
2. Easier procedures
3. More export documents (e.g. certificate of origin)
4. Lower quality of products
5. Exchange rate fluctuations
6. Cross-cultural problems
7. Higher taxes for exporters
8. The risk of not receiving the payment for the goods
9. Conflicts, wars, terrorism
10. Barriers to trade

TASK 5

Look at the word map and discuss the topics in the boxes.



 **TASK 6**

Mark the sentences as true or false.

1. Globalisation integrates economies, yet it destroys local culture and traditions. true false
2. The WTO and IMF are the targets of criticism and protests from anti-globalists. true false
3. Globalisation hampers cross-border social and cultural exchange. true false
4. Supranational institutions are accountable to the local authorities for environmental pollution. true false
5. The process of industrialisation leads to global warming. true false
6. Transnational companies hardly ever exploit the resources of poorer countries. true false
7. The emerging Chinese economy will not influence businesses in Europe and the US. true false
8. 'Dirty' industries do not always pollute the environment. true false
9. We do not need to conserve exhaustible resources, they are plentiful and will be used for thousands of years to come. true false
10. Genetically modified food is banned in the US and in Canada. true false
11. Many global companies would like to function under the meritocracy system as it allows to give the greatest power and positions to those with greatest ability. In fact, talented employees are

the most valuable resource for every company, not only for multi-nationals. true false

12. Globalisation encourages companies to 'think globally' but to adopt the local methods and ways. true false
13. Going global is more difficult in countries with deregulated economies. true false
14. The law makes it possible for overseas companies to invest in Poland and for Polish companies to sell their shares outside Poland. true false

TASK 7

Choose the correct answer.

1. SWOT analysis covers the following elements:

strengths, work, opportunities, time • strengths, workload, options, trade • strengths, weaknesses, opportunities, threats • strengths, work force, occupation, tools

2. The European Union 55% of all international official assistance to the developing world.

provides • grants • offers • allows

3. One billion people in the world have to on less than a dollar a day.

support • sustain • sanction • survive

4. Foreign investment into developing countries has six-fold in the last decade.

increased • spread • soar • supplied

5. International debt [] would be beneficial to poor African countries.

investment • relieve • remission • transformation

6. The EU [] human rights and democracy all over the world.

supplies • sustains • supplements • supports

7. This programme is [] at improving environment, transport, industry, quality standards and working conditions in candidate countries.

appointed • aided • aimed • allied

8. Humanitarian [] often includes food supplies, medicines, logistical support and disaster prevention.

aim • addition • access • aid

9. Free movement of goods, services, capital and [] is believed to be a great achievement of the EU.

labour • authority • institutions • envoys

10. The EU and the USA are the two largest economies and they are becoming increasingly [].

international • interactive • impact • interdependent

11. The EU enlargement will [] an internal market of about 500 million consumers.

constitute • create • contain • complete

12. In international trade, contracts between the parties are always [].

writing • in writing • printed • in small print

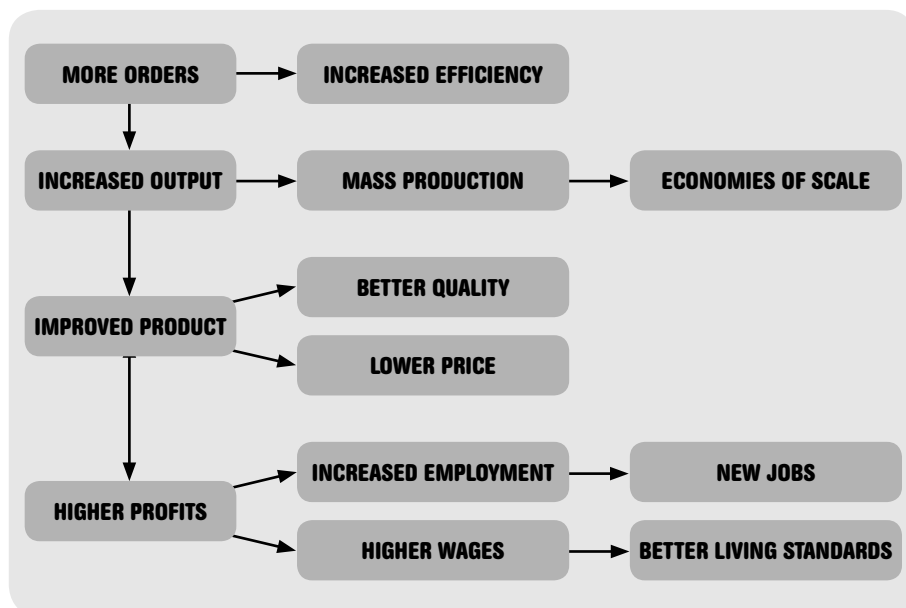
TASK 8

Answer the following questions.

1. Why do governments help exporters? How do they help?
2. What are the benefits of international trade?
3. What can developing countries export?
4. What is the importance of tourism as invisible exports/imports?
5. What can make export more profitable?

TASK 9

Discuss the diagram below.



Use the following expressions when discussing the graph:

- is due to
- results in
- leads to
- is caused by
- is a result of
- results from
- makes it possible to

TASK 10

Here are some facts and opinions regarding local and global companies. Compare local and global companies using these opinions as prompts. Add some examples to illustrate them.

You can use 'while', 'whereas' 'on the one hand _____ and on the other hand', 'as compared to', 'contrary to', 'additionally', 'consequently' or any other suitable words to join/contrast the opinions.

Local companies

- local staff, local executives
- traditional, local products
- low staff turnover
- fair wages
- small batches, hand made products
- taxes are levied
- traditional technology
- lower investment
- free market competition
- local language, traditions and culture
- limited advertising budget
- acting locally

Global companies

- local staff, foreign executives
- global products
- high staff turnover
- using cheap labour
- mass production
- tax avoidance or even tax evasion (tax havens)
- sophisticated technology
- higher investment
- oligopoly, monopoly
- English, global culture
- a lot of money spent on advertising
- open borders, global operations

TASK 11

Translate the sentences into English.

1. Ludność świata wzrosła z 2,5 do 6 miliardów ludzi w ostatnich 50 latach.

2. W tym samym czasie przeciętny dochód na głowę zwiększył się prawie trzykrotnie.
3. Globalizacja pomaga ograniczyć ubóstwo w wielu rozwijających się krajach, ale nie jest w stanie zastąpić pomocy, którą trzeba świadczyć krajom rozwijającym się.
4. Czy tego chcemy czy nie, nie da się uciec przed globalizacją. Handel międzynarodowy jest ściśle związany z procesem globalizacji i ze zmianami gospodarczymi na świecie.
5. Spowolnienie gospodarcze na świecie może mieć negatywny wpływ na pomoc, którą kraje rozwinięte oferują krajom rozwijającym się.
6. Popieram pogląd, że zachęcanie do inwestycji i tworzenie miejsc pracy jest szczególnie istotne dla małych i średnich firm. W przyszłości one też mogą stać się ważnymi eksporterami.
7. Pomoc zagraniczna dla krajów Trzeciego Świata może zmniejszyć ubóstwo i mieć wielki wpływ na rozwój gospodarczy tych krajów.
8. Jeżeli podjęte ostatnio przez Ministerstwo Rolnictwa kroki zmierzające do zwiększenia produkcji rolnej zawiodą, będziemy zmuszeni w następnych latach importować znaczne ilości żywności.
9. Nie wiadomo, czy w obecnej trudnej sytuacji ekonomicznej lepiej zaciągnąć kredyty, czy też wydajniej pracować, więcej produkować i oszczędniej żyć.
10. Zarówno redukcja zadłużenia, jak i całkowite umorzenie długów nie zlikwidują problemu zadłużenia na świecie. Wciąż będą istnieć dłużnicy i wierzyciele.
11. Rozważa się obecnie możliwość zamknięcia dwóch starych zakładów chemicznych. Stanowiłoby to poważny krok w walce przeciwko zanieczyszczeniu środowiska naturalnego w naszym regionie.
12. Powstanie MFW było koniecznością, ponieważ druga wojna światowa spowodowała zerwanie dawnych więzi handlowych i ogólny brak równowagi w handlu światowym.

13. Niepotrzebnie zwołano następną konferencję na temat ochrony środowiska. Moim zdaniem, należy zapobiegać zanieczyszczeniu, a nie ciągle debatować na ten temat.
14. Rząd będzie w stanie przyciągnąć inwestorów zagranicznych jedynie pod warunkiem, że obowiązujący obecnie system podatkowy zostanie uproszczony.



TASK 12

Points for discussion.

1. Do you agree that we live in a global village?
2. Are you for or against globalisation? Why?
3. Think locally, act globally.
4. Can globalisation be prevented?
5. Globalisation and politics. Globalisation and corruption.
6. Can you help people who suffer from starvation, diseases and poor living standards? How? Do you want to help? What have you done so far?
7. Food supplies and food production in the world. In the EU.
8. How do volunteers and charities help? How do they raise money?
9. Your favourite global brands.
10. The role of fairs and exhibitions in promoting and facilitating international trade.

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