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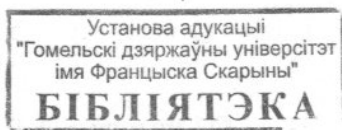
ПРАКТИЧЕСКОЕ ПОСОБИЕ
для студентов экономических специальностей

В 2 частях

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Целью практического пособия является оказание помощи сту-
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запаса. Практическое пособие состоит из аутентичных текстов и
заданий по 8 разделам и состоит из 2 частей. Первая часть прак-
тического пособия включает разделы «Economy», «Business organiza-
tion», «Management», «Marketing».

Практическое пособие адресовано студентам экономических
специальностей.

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Введение

Практическое владение английским языком в условиях обучения на неязыковых факультетах предполагает умение читать литературу на английском языке по специальности.

Целью практического пособия является оказание помощи студентам в развитии навыков различных видов чтения для извлечения необходимой информации и обогащения активного словарного запаса.

Практическое пособие состоит из аутентичных текстов и заданий по 8 разделам и состоит из 2 частей. Каждый раздел включает несколько текстов, объединенных одной темой и сопровождаемых вопросами и упражнениями, направленными на выявление уровня понимания прочитанных текстов и умение высказать свое отношение к полученной информации.

Первая часть практического пособия включает разделы «Economy», «Business organization», «Management», «Marketing».

Практическое пособие адресовано студентам экономических специальностей.

Unit 1 Economy

Ex. 1 Read and translate the text.

History of economics

In the 1500s there were few universities. Those that existed taught religion, Latin, Greek, philosophy, history, and mathematics. No economics. Then came the Enlightenment (about 1700) in which reasoning replaced God as the explanation of why things were the way they were. Pre-Enlightenment thinkers would answer the question, "Why am I poor?" with, "Because God wills it." Enlightenment scholars looked for a different explanation. "Because of the nature of land ownership" is one answer they found.

Such reasoned explanations required more knowledge of the way things were, and the amount of information expanded so rapidly that it had to be divided or categorized for an individual to have hope of knowing a subject. Soon philosophy was subdivided into science and philosophy. In the 1700s, the sciences were split into natural sciences and social sciences. The amount of knowledge kept increasing, and in the late 1800s and early 1900s social science itself split into subdivisions. economics, political science, history, geography, sociology, anthropology, and psychology. Many of the insights about how the economic system worked were codified in Adam Smith's *The Wealth of Nations*, written in 1776. Notice that this is before economics as a sub discipline developed, and Adam Smith could also be classified as an anthropologist, a sociologist, a political scientist, and a social philosopher.

Throughout the 18th and 19th centuries economists such as Adam Smith, Thomas Malthus, John Stuart Mill, David Ricardo, and Karl Marx were more than economists; they were social philosophers who covered all aspects of social science. These writers were subsequently called Classical economists. Alfred Marshall continued in that classical tradition, and his book, *Principles of Economics*, published in the late 1800s, was written with the other social sciences in evidence. But

Marshall also changed the question economists ask; he focused on the questions that could be asked in a graphical supply-demand framework. In doing so he began what is called *neo-classical economics*.

For a while economics got lost in itself, and economists learned little else. Marshall's analysis was downplayed, and the work of more formal economists of the 1800s (such as Leon Walras, Francis Edgeworth, and Antoine Cournot) was seen as the basis of the science of economics. Economic analysis that focuses only on formal interrelationships is called Walrasian economics.

Ex. 2 Answer the following questions.

- 1 Did the few universities of the 1500s teach economics?
- 2 When did the Enlightenment come?
- 3 How did Enlightenment scholars explain the world?
- 4 Was philosophy subdivided at that period?
- 5 It was in 1700s that the sciences were split into natural sciences and social sciences, wasn't it?
- 6 What subdivisions did social science itself split into in the late 1800s?
- 7 When was Adam Smith's "The wealth of Nations" written?
- 8 How could Adam Smith be classified?
- 9 What other economists of the 18th and 19th centuries do you know?
- 10 When was Alfred Marshall's "Principles of Economics" published?
- 11 What was seen as the basis of the science of economics?

Ex. 3 Read and translate the text.

Prologue to economics

There is almost universal agreement that economies are becoming more complex every year and that an understanding of how an economy works is more important than ever before. For someone who is just beginning to study economics, the task indeed appears to be a difficult one. Economics is the study of the way in which mankind organizes itself to solve the basic problem of scarcity. All societies have

more wants than resources, so that a system must be devised to allocate these resources between competing ends. In a very real sense, the complexity of the economy makes it difficult to decide exactly where to start. Simultaneously, production is taking place, goods and services are being allocated, and a great number of market participants are being motivated by a diverse set of goals. In addition, there is the complex financial system in which individuals, firms, and governments borrow and lend funds.

Economics is divided into two major branches: macroeconomics and microeconomics. Macroeconomics is the study of behavior of the economy as a whole with emphasis on the factors that determine growth and fluctuations in output, employment, and the level of prices. Macroeconomics studies broad economic events that are largely beyond the control of individual decision makers and yet affect nearly all firms, households, and other institutions in the economy. Specialists in macroeconomics are particularly interested in understanding those factors that determine inflation, unemployment, and growth in the production of goods and services. Such an understanding is necessary in order to develop policies that encourage production and employment while controlling inflation.

The other major branch of economics is microeconomics. Microeconomics is the study of behavior of individual units within the economy. The division of economics has resulted from the growing complexity and sophistication of economic research.

These two approaches and the topics they include are in fact interdependent. Individuals and firms make their decisions in the context of the economic environment, which has an impact on the constraints the decision makers face as well as their expectations about the future. At the same time, when taken as a whole, their decisions determine the condition of the overall economy. A good understanding of economic events and an ability to forecast them require knowledge of both individual decision making and the way in which individuals react to changes in the economic environment.

Ex. 4 Answer the following questions.

- 1 What is economics?
- 2 What are two major branches of economics?
- 3 What is macroeconomics?
- 4 What does macroeconomics study?
- 5 What is microeconomics?

Ex. 5 Read and translate the text.

The economic system

There are many forms of economic order, ranging from the mixed private enterprise system to partially or completely controlled economies. Regardless of their form, however, economic system is the system that a society uses for allocation and distribution of scarce resources. Private enterprise means that decisions about what and how much to produce are left to the discretion of owners and managers. In controlled economies such decisions are the responsibility of some governmental agency. There is, of course, no economy today that is completely free of governmental influence, nor is this condition necessarily undesirable. There are many beneficial services and protections available from government. The question then is a matter of degree. Irrespective of the form of economic order, it performs certain valuable functions in the life of organizations of all types.

Among the functions of the economic order the most important one is to provide some means of resource allocation. In a private enterprise this function is basically performed by the price mechanism. This simply means that demand for and supply of goods and services interact to set their market price. In the case of regulated utilities, there are governmental agencies such as public service commissions that determine the rates that may be charged by utility companies. These rates are set at the level that will allow a fair return on investments made by the companies. This form of regulated monopoly is considered, on balance, preferable to unchecked competition. This is true be-

cause of efficiency reasons. In taking actions in the area of employment, government is attempting to control the economy in such a fashion as to help the business community operate at the level of production that will yield full employment.

Without a system of distribution economy simply could not exist. A major part of this distribution system is credit. Economy flourishes on credit or extended methods of payment. Such a system literally affects every link in the distribution chain from the supplier of raw materials to the ultimate consumer. Without this vital financing function being performed, the economy would doubtless be forced to a lower order of production.

Economic goals for a nation include price stability, full employment, economic growth, and equitable distribution of income. Price stability contributes to the efficient allocation of resources and facilitates long-term planning.

Ex. 6 Answer the following questions.

- 1 What is a system?
- 2 What are three main concepts of a system?
- 3 What do they imply?
- 4 What is an economic system?
- 5 What functions does economic order perform?

Unit 2 Business organization

Ex.1 Read and translate the text.

Types and forms of business organization

A business organization is frequently referred to as a business entity. A business entity is any business organization that exists as an economic unit. Business entities can be grouped according to the type of business activity they perform.

1. Service companies perform services for a fee. This group includes companies such as accounting firms, law firms, repair shops, and many others.

2. Merchandising companies purchase goods that are ready for sale and sell them to customers. They include such companies as auto dealerships, clothing stores, and supermarkets.

3. Manufacturing companies buy materials, convert them into products, and then sell the products to the companies or to the final customer. Examples are steel mills, auto manufacturers, and so on.

The business entity concept applies to all forms of businesses – single proprietorship, a partnership, and a corporation.

A single (sole) proprietorship is business owned by an individual and often managed by that same individual. Single proprietors include physicians, lawyers, electricians, and other people who are 'in business for themselves'. In a single proprietorship, the owner is responsible for all debts of the business. Operating as a proprietorship is the easiest way to get started in a business activity. Other than the possibility of needing a local license, there are not any prerequisites to beginning operations.

A partnership is a business owned by two or more persons associated as partners. Partnerships are created by an agreement. Included in the agreement are such terms as the initial investment of each partner, the duties of each partner, the means of dividing profits or losses between the partners each year, and the settlement to be made upon the death or withdrawal of a partner. Accountants, attorneys, and other

professionals frequently operate their firms as partnerships.

A corporation is a business owned by a few persons or by thousands of persons. The owners of the corporation are called shareholders or stockholders. They buy shares of stock. If the corporation fails, the owners lose only the amount they paid for their stock. The personal assets of the owner are protected from the creditors of the corporation. The stockholders do not directly manage the corporation; they elect a board of directors to represent their interests. The board of directors select the president and vice president, who manage the corporation for the stockholders.

Ex. 2 Answer the following questions.

- 1 What types of business entities do exist?
- 2 What activities do service companies perform?
- 3 What activities do manufacturing companies perform?
- 4 What is the easiest way to get started in a business activity?
- 5 How are called the owners of the corporation?

Ex. 3 Read and translate the text.

Why are companies referred to as Ltd., Inc., GmbH, SA.?

An individual, like Henry Ford, might want to begin a small enterprise and personally retain total responsibility and liability, but once it starts to grow, a partnership or a "company"—such as Ford Motor Company—would need to be formed. The key factor in owning any company is the guarantee called *limited liability*. The owners of a company never have to pay more than they have invested in the company. Their liabilities are limited. When a company goes bankrupt, the owners can never be required to pay its unpaid bills.

The worst that can happen to investors in a limited liability company is losing their initial investment if the company fails. By limiting the downside risk for shareholders, companies are able to attract *equity investors* and raise

large amounts of funds called *equity capital* through sales of shares rather than by borrowing money at potentially high interest rates.

The names of companies around the world reflect this guarantee of limited liability. The abbreviations "GmbH" in Germany, "Inc." in the United States, or "Ltd." in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares. The "S.A." in French-and Spanish-speaking countries also refers to limited liability by defining shareholders as "anonymous." Since the identity of shareholders can be kept secret, the creditors of a bankrupt company have no right to pursue them for the company's unpaid debts.

Many countries make a clear distinction between public and private companies, with separate designations, such as AG and GmbH in Germany, or Pic and Ltd. in Britain. Generally, "public" companies are those large enough to have their shares traded on stock exchanges, while smaller unquoted companies are said to be "private," even though their shares can be held by the public at large. In some countries, a large company is said to be privately owned if its shares are not available to the general public, hi the United States, where little distinction is made between public and private companies, most companies simply bear the title "Incorporated."

Ex. 4 Answer the following questions.

- 1 What is the key factor in owning any company?
- 2 What is the worst thing that can happen to investors in a limited liability-company?
- 3 How are companies able to attract equity investors?
- 4 In what way can companies raise large amounts of funds called equity capital?
- 5 What reflects the guarantee of limited liability?
- 6 What abbreviations indicate that the firm is a limited liability company?
- 7 Why are the creditors of a bankrupt company not able to pursue the shareholders?

8 Many countries do not make a clear distinction between public and private companies, do they?

9 How can a public company' de defined?

10 What kind of company is considered to be "private"?

11 How can a large company be called if its shares are not available to the general public?

12 What title do most companies bear in the US and why ?

Ex. 5 Read and translate the text.

Job specification

An interesting feature of the labour markets is that many organizations do not specify the type of person they require. Instead they will give the details of a job in a job specification. The Department of Employment has given the following definitions of a job description and job specification.

Job description. a broad statement of the purpose, scope, duties and responsibilities of a particular job.

Job specification. a detailed statement of the physical and mental; activities involved in the job. The specification is usually expressed in terms of behaviour. what the worker does, what knowledge he uses in' doing it, the judgments he makes and the factors he takes into account I when making them.

The great variety of job specifications which exists in business illustrates the range of specification in occupation. The five categories given below do not cover this wide range, but can become a guide to the role of manpower in organization.

1. *Unskilled.* Many jobs do not require any training or previous experience, for example manual labour or assembly work. These occupations are often highly repetitive and boring, as well as being poorly paid.

2. *Mechanical or motor skills.* There are some tasks in business which are performed by machines which require an operator. The

more complicated the machine, then generally the more skilled the operator must be.

3. *Intelligence and knowledge.* Occupations which require a high level of motor skill sometimes also demand a high level of intelligence and aptitude. But there are jobs which do not need mechanical skills but make demand on people's knowledge.

4. *Administrative or managerial skills.* The ability to organize other people is a rare skill. It not only requires knowledge and understanding of the functions within an organization, but also the ability to motivate people. In addition managers must be able to organize nonhuman resources using techniques of forecasting, planning, coordinating and controlling. These are techniques which require judgment as well as knowledge.

5. *Decision-making skills and initiative.* Decision-making is an everyday occurrence for everyone. We decide what to eat, what to wear, where to go, and so on. Similarly, decisions are part of an organization's everyday activities. The higher one goes up the hierarchy, the more necessary is the skill of decision. The risks which all organizations face mean that these organizations have to be run by people who have the ability to diagnose and assess the risk, and the capacity to decide on the correct strategy. Business is constantly changing and organizations require people with enterprise and initiative in order to survive.

Ex. 6 Answer the following questions.

- 1 Do all the organizations in labour markets specify the type of person they require?
- 2 Differentiate between a job description and a job specification.
- 3 In what terms is specification usually expressed?
- 4 Name some of job specifications that can become a guide to the role of manpower in organization.
- 5 What skills must a manager have?
- 6 What do managerial skills demand?
- 7 Prove that decision-making is an everyday occurrence for everyone.

ryone.

8 What sort of people do organizations require in order to survive a constantly changing world of business?

Ex. 7 Read and translate the text.

Entrepreneurs

Entrepreneur is a person who organizes and manages a business. This is a French word that has been accepted into the English language. Its popularity probably has something to do with its grand sound which befits anyone who has the initiative to create and run a business.

Entrepreneurs are a mystery to some people, especially those who are only comfortable with a nine-to-five existence and assured weekly paychecks and fringe benefits. The entrepreneur is a business person who prefers to take calculated risks in order to be his or her own boss.

Sometimes the entrepreneur is regarded as a business person who takes risks. This is not so. An entrepreneur is a business person who minimizes risks. He or she does this by advance planning, research, and meticulous consideration of all factors that could affect and possibly endanger her or his enterprise. When the entrepreneur forgets to do advance investigation and preparation, then he or she is a gambler at best, and a failure statistic at worst.

Speaking about entrepreneurship, Professor K. Vesper of the University of Washington says that "Businesses continue to be launched by people who didn't make it the first time around. A driving force in entrepreneurship... is addictiveness. Once people have a taste of freedom in a business of their own, they like it. They don't want to go back to working for someone else."

While the percentage of growth for men entering into business independence could be measured in the teens, women's increase in a single decade was 69 percent. There is no mystery here. Women go into business for the same reason men do – to make money and to be their own bosses. The rise in female entrepreneurship is reminiscent of

what the early-20th-century immigrants did – and the more recent waves of immigrants from different parts of the world. Entrepreneurship is regarded to be the first track to success. Rather than to take low-wage, big-industry job, people opt to use their wits and energy to climb the ladder of independence the entrepreneurial way.

Ex.8 Answer the following questions.

- 1 Why does the entrepreneur take calculated risk?
- 2 How does the entrepreneur minimize risks?
- 3 Why do women go into business?
- 4 When is the entrepreneur a failure statistic?
- 5 What is driving force in entrepreneurship?

Ex. 9 Read and translate the text.

Types of international business

Merchandise exports are goods sent out of a country whereas **merchandise**

imports are goods brought in. Since these are tangible goods that visibly leave and enter countries, they are sometimes referred to as visible exports and imports. The terms *exports* or *imports* are used frequently yet in reality the reference is only to the merchandise exports or imports.

Exporting and importing of goods are the major sources of international revenue and expenditure for most countries. Among companies engaged in some form of international business, more are involved in importing and exporting than in any other type of transaction.

Importing and/or exporting is usually but not always, the first type of foreign operations in which a firm gets involved. This is because at an early stage of international involvement these operations usually take the least commitment and least risk of a firm's resources. Exporting or importing are not typically abandoned when firms adopt other international business forms. Although this may sometimes occur, exporting and importing

usually continue, either by business with other markets or to complement the new types of business activities.

Service exports and imports refer to international earnings other than those from goods sent to another country. Receipt of these earnings is considered a service export, whereas payment is considered a service import. Services are also referred to as invisibles. International business comprises many different types of services.

Travel, tourism, and transportation. Earnings from transportation and from foreign travel can be an important source of revenue for international airlines, shipping companies, reservations agencies, and hotels. On a national level, such countries as Greece and Norway depend heavily on revenue collected from carrying foreign cargo on their ships. The Bahamas earns much more from foreign tourists than it earns from exporting merchandise.

Performance of activities abroad. Fees are payments for the performance of certain activities abroad, such services as banking, insurance, rentals (e.g., the *Star Wars* film), engineering, and management. Engineering services are often handled through turn-key operations, contracts for the construction of operating facilities that are transferred to the owner when the facilities are ready to begin operations. Fees for management services are often the result of management contracts, arrangements through which one firm provides management personnel to perform general or specialized management functions for another firm.

Use of assets from abroad. Royalties are the payment for use of assets from abroad, such as for trademarks, patents, copyrights, or other expertise under contracts known as licensing agreements. Royalties are also paid for franchising, a way of doing business in which one party (the franchisor) sells an independent party (the franchisee) the use of a trademark that is an essential asset for the franchisee's business. In addition, the franchisor assists on a continuing basis in the operation of the business, such as by providing components, managerial services, or technology.

Firms often move to foreign licensing or franchising after successfully building exports to a market. This move usually involves a greater international commitment than in the early stages of exporting. The greater involvement occurs because the firm commonly has to send

technicians to the foreign country to assist the licensee or franchisee in establishing and adapting its production facilities for the new product.

Direct investments. Direct investment takes place when control follows the investment. This can amount to a small percentage of the equity of the company being acquired, perhaps even as little as 10 percent. The ownership of a controlling interest in a foreign operation is the highest type of commitment to foreign operations in the given country. Direct investment operations may be set up in order to gain access to certain resources or access to a market for the firm's product.

When two or more organizations share in the ownership of a direct investment, the operation is known as a **joint venture**. In a special type of joint venture, a **mixed** venture, a government is in partnership with a private company.

The **multinational enterprise**, or MNE, has a worldwide approach to foreign markets and production and an integrated global philosophy encompassing both domestic and overseas operations. The term **multinational corporation**, or MNC, is also quite common in the literature of international business. Another term sometimes used interchangeably with MNE, especially by the United Nations, is **transnational corporation**, or TNC.

Ex. 10 Answer the following questions.

- 1 What are merchandise exports and imports?
- 2 What are the major sources of international revenue and expenditure?
- 3 Why is importing/exporting the first type of foreign operations in which a firm gets involved?
- 4 Does international business comprise many or just a few types of services?
- 5 For what companies can earnings from transportation and from foreign travel be an important source of revenue?
- 6 What revenue do Greece and Norway depend on?
- 7 Does the Bahamas earn more from foreign tourists or from exporting merchandise?
- 8 What are fees?

- 9 What are royalties?
- 10 When does direct investment take place?
- 11 In what cases is the operation called a joint venture?

Ex. 11 Read and translate the text.

Organization

Early in human existence people learned that their individual efforts often fell short of success. They found that they were unable to accomplish many tasks that require more than individual effort. The result was that only limited goals could be attained. Therefore the necessity of group activity was discovered relatively early in human existence.

Group activity could be aimed at some higher, more complex set of goals and could thus bring greater benefits to all concerned. This quality of group activity must be counted as one of the chief requirements for success. Cooperation is a prime element of a group of people who want to achieve more than they can acting individually. A system of group relationships built upon and fostering cooperation, then, is basically the meaning of an organization.

This system of cooperation consists of several parts. The human element, the physical element, the work element, and the coordination element. All of these elements, taken collectively, can be thought of as an organization. Today, this system of cooperation is much more complex than it was in the first attempts at organization.

Thus, **organization is an open, dynamic, purposeful social system of cooperation designed to enhance individual effort aimed at goal accomplishment; consists of the human element, the physical element, the work element, and the coordination element; transforms resources into outputs for users.**

It is important to examine the various parts or components of organization theory in order to outline its broad scope. These components are. *goals, work, power and authority, delegation, structure.*

It was stated earlier that organizations were established to enable an individual to accomplish more in a group than he could as an individual. In other words, organizations are devices for pooling talent and ability into an effective whole that can accomplish some desired objective. Every organization is initially built to accomplish some goal. **The goal or purpose** is an unrealized state or condition that the members do not possess but which they deem desirable. It is imperative that organizational goals be clearly defined and communicated to all organization members who are to be affected by them. Goals are the starting point for the design and maintenance of the organization itself. At the same time, these goals must meet a need that society has defined as important. Thus, consumer needs play a crucial role in organization.

Once the goal of an organization is established, it is time for the members to decide on the type of work activity that will be necessary to accomplish these goals. Basically, any organization must perform two fundamental types of work, primary and secondary. *The primary work* (it also commonly referred to as line work) consists of production and distribution of goods and services that will satisfy consumer needs. *The secondary work* (it is often termed staff work) consists of all those activities that support and extend the operations of primary work. For example, in a manufacturing firm, the secondary work would include accounting, personnel and quality control.

No theory of organizations would be complete without a treatment of the roles that power and authority play in organizational activity. These two components of theory help explain the network of relationships that tie the other components of an organization together into some logical pattern.

Power is the ability to influence others successfully. It comes from any single or combination of possible sources. For example, one can have power over others because of one's intelligence, skill, or money. Regardless of its source, power enables its holder to exercise one's will over others. Thus, in order to understand the total workings of an organization, one must have an appreciation of the role that power plays in these workings.

Authority can be defined as power that has been given official recognition by the organization. Once an organization legally authorizes an individual to act on its behalf, that person is said to possess authority. Every member of the organization has some amount of authority to take action necessary to carry out his responsibility. The concern of the theorist is to understand how authority comes to be officially recognized by the organization and what considerations should be made regarding its use.

Organizations that enjoy any measure of success find it necessary to increase their membership and to assign duties to these additional members. The process that is used to add members to the organization will result in the necessity to divide the work of the organization into sub-units or groups. Each of these groups will be under the direction of a manager or managers. In order for these managers to perform their managerial duties properly, they must be granted appropriate responsibility and authority. The means for making these assignments is termed delegation. In general, *delegation* may be defined as the process of transferring an obligation (responsibility) and an accompanying right (authority) from a superior to a subordinate position in the organization. It is this basic process that enables an organization to grow. Without delegation, an organization simply cannot exist and prosper.

The patterns of work divisions and their hierarchical arrangements constitute the basic components of structure. Structure, then, is the hierarchical pattern of authority, responsibility, and accountability relationships designed to provide coordination of the work of the organization. It is basically a managerial tool that aids in guiding the organization towards its goals and can be considered the skeleton of the organizational body. The idea of hierarchy of authority, the division of organization by function, the differentiation of responsibility of the line (doers) and the staff (the advisors) are all inventions of the church and military leaders who were faced with the need to manage large aggregations of human, technical, and material resources. Organizations create an officially sanctioned structure known as the *formal organization* or *de jure* organization.

Ex. 12 Answer the following questions.

- 1 What did people find early in human existence?
- 2 What is the goal of an organization?
- 3 What is an organization?
- 4 What are the components of organization theory?
- 5 What role do power and authority play in building every organization?
- 6 What is the starting point for the design of an organization?
- 7 What is delegation and why is it necessary in today's organization?
- 8 Which is more important, formal or informal structure?
- 9 Can you give any example of

Ex. 13 Read and translate the text.

Organizational climate

Although the concept of organizational climate is somewhat nebulous, it is valuable in understanding several aspects of organizational behavior. **Organizational climate is the overall favourability of member attitudes and perceptions with reference to specific activities and features of an organization.**

Organizations tend to have their specific culture, a peculiar mix of values, attitudes, norms, habits, traditions, behaviors and rituals. Some organizations are well aware of their culture and regard it as a powerful strategic tool, used to orient all units and individuals toward common goals, mobilize employee initiative, ensure loyalty, and facilitate communication. They aim at creating a culture of their own and making sure that all employees understand it and adhere to it. The specific cultural values of an organization may concern, for example,

- the organization's mission and image (high technologies, innovative spirit, superior quality);
- seniority and authority (respect for seniority; seniority as a criterion of authority);

- the treatment of people (concern for people and their needs, equitable treatment or favouritism, privileges, respect for individual rights, training and developing opportunities, how people are motivated);

- the importance of different management positions and functions (authority of personnel department; importance of different vice-presidents' positions; respective role and authority of research and development);

- work organization and discipline (voluntary versus imposed discipline; punctuality; use of time clocks; flexibility in changing roles at work; use of new forms of work organization);

- decision making process (who decides; who has to be consulted; individual or collective decision making; need to reach consensus);

- circulation and sharing of information (employees amply or poorly informed; information readily shared or not);

- communication pattern (preference for oral or written communication; rigidity or flexibility in using established channels, use of meetings; who is invited to what meeting; established behaviour in the conduct of meeting);

- ways of handling the conflicts (desire to avoid conflict; preference for informal or formal ways; involvement of higher management);

- performance evaluation (confidential or public; by whom carried out; how results are used);

- socialization patterns (who socializes with whom during and after work; facilities such as separate dining rooms or reserved clubs);

- management and leadership style (paternalism; authoritative, consultative or participative style; flexibility and adaptability);

- identification with the organization (manager and staff adherence to company objectives and policies; enjoying working with organization).

Ex. 14 Answer the following questions.

- 1 What is organization climate?
- 2 What do organizations tend to have?
- 3 What are the most important cultural values in your opinion?

Ex. 15 Read and translate the text.

The field of organizational business

International business includes all business transactions that involve two or more countries. Such business relationships may be private or governmental. In the case of private firms the transactions are for profit. Government-sponsored activities in international business may or may not have a profit orientation.

There are three major motivations for private firms to pursue international business. These are to expand sales, to acquire resources, and to diversify sources of sales and supplies.

Sales expansion. Sales are limited by the number of people interested in a firm's products and services and by customers' capacity to make purchases. Since the number of people and the degree of their purchasing power is higher for the world as a whole than for a single country firms may increase their sales potentials by defining markets in international terms.

Ordinarily higher sales mean higher profits. If, for example, each sales unit has the same mark-up, more volume translates to more profits. Lucas film, for example, receives a percentage of the sales made by companies marketing *Star Wars* merchandise; thus Lucas film's revenues increase with each additional toy that Parker Kenner sells in the United Kingdom. In fact, profits per unit of sales may increase as sales increase. *Star Wars* cost approximately \$10 million to produce; as more people see the film, the average production cost per viewer decreases.

International sales are thus a major motive for firms' expansion into international business. A United Nations study indicated that among the largest industrial firms in the world, about 40 percent of their sales come from outside their home markets.

Resource acquisition. Manufacturers and distributors seek out products and services as well as components and finished goods produced in foreign countries. Sometimes this is to reduce their costs. For example, Lucas film used studios in the United Kingdom in the film-

ing of *Star Wars* and Kenner manufactures its Laser Pistol in Hong Kong. The potential effects on profits are obvious. The profit margin may be increased, or cost savings may be passed on to consumers, thereby permitting more people to buy the products.

Diversification. Companies usually prefer to avoid wild swings in their sales and profits; so they seek out foreign markets and procurement as a means to this end. Lucas film has been able to smooth its yearlong sales somewhat because the summer vacation period (the main season for children's film attendance) varies between the northern and southern hemispheres. It has also been able to make large television contracts during different years for different countries. Many other firms take advantage of the fact that the timing of business cycles differs among countries. Thus while sales decrease in one country that is experiencing a recession, they increase in another that is undergoing recovery. Finally by depending on supplies of the same product or component from different countries, a company may be able to avoid the full impact of price swings or shortages in any one country that might be brought about, for example, by a strike.

Ex. 16 Answer the following questions.

- 1 How would you define the concept international business?
- 2 What are the main motives for a firm to join international business?
- 3 What do companies prefer to avoid?

Unit 3 Management

Ex.1 Read and translate the text.

Art or science?

Management is the art and science of making appropriate choices.

To one degree or another, we are all involved in managing and are constantly *making decisions* concerning how to spend or use our resources.

Like most things in our modern, changing world, the function of management is becoming more complex. The role of the manager today is much different from what it was one hundred years, fifty years or even twenty-five years ago. At the turn of the century, for example, the business manager's objective was to keep his company running and to make a profit. Most firms were *production oriented*. Few constraints affected management's decisions. Governmental agencies imposed little regulations on business. The modern manager must now consider the environment in which the organisation operates and be prepared to adopt a wider perspective. That is, the manager must have a good understanding of management principles, an appreciation of the current issues and broader objectives of the total economic, political, social, and ecological system in which we live, and he must possess the ability to analyze complex problems.

The modern manager must be sensitive, and responsive to the environment — that is he should recognize and be able to evaluate the needs of the total context in which his business functions, and he should act in accord with his understanding.

Modern management must possess the ability to interact in an ever-more-complex environment and to make decisions that will allocate scarce resources effectively. A major part of the manager's job will be to predict what the environment needs and what changes will occur in the future.

Organizations exist to combine human efforts in order to achieve certain goals. Management is the process by which these human efforts

are combined with each other and with material resources. Management encompasses both science and art. In designing and constructing plans and products, management must draw on technology and physical science, of course, and, the behavioral sciences also can contribute to management. However much you hear about "scientific management" or "management science", in handling people and managing organizations it is necessary to draw on intuition and subjective judgment. The science portion of management is expanding, more and more decisions can be analyzed and programmed, particularly with mathematics. But although the artistic side of management may be declining in its proportion of the whole process it will remain central and critical portion of your future jobs. In short.

- Knowledge (science) without skill (art) is useless, or dangerous;
- Skill (art) without knowledge (science) means stagnancy and inability to pass on learning;

Like the physician, the manager is a practitioner. As the doctor draws on basic sciences of chemistry, biology, and physiology, the business executive draws on the sciences of mathematics, psychology, and sociology.

Ex. 2 Answer the following questions.

- 1 Is the role of the manager today the same or much different from what it used to be?
- 2 Why is the function of management becoming more complex?
- 3 Must the manager only have a good understanding of management principles?
- 4 What must the modern manager be responsive to?
- 5 What will a major part of the manager's job be?
- 6 What kind of process is management?
- 7 How does management encompass both science and art?
- 8 The manager is a practitioner, isn't he?

Ex. 3 Read and translate the text.

Principles of the management

Different scholars offer different sets of principles of management. The most famous are the following fourteen. But the main principle should be read as follows. "there is nothing rigid or absolute in management affairs, it is all a question of proportion." Accordingly if you view the following list of these principles as a set of important topics and sometimes applicable guidelines for managers, you will be keeping close to the spirit in which they were originally suggested.

1 Division of work. Within limits, reduction in the number of tasks a worker performs or the number of responsibilities a manager has can increase skill and performance.

2 Authority. Authority is the right to give orders and enforce them with reward or penalty. Responsibility is accountability for results. The two should be balanced, neither exceeding nor being less than the other.

3 Discipline. Discipline is the condition of compliance and commitment that results from the network of stated or implied understandings between employees and managers. Discipline is mostly a result of the ability of leadership. It depends upon good supervisors at all levels making and keeping clear and fair agreements concerning work.

4 Unity of command. Each employee should receive orders from one superior only.

5 Unity of direction. One manager and one plan for each group of activities having the same objective is necessary to coordinate, unify, and focus action.

6 Subordination of individual interests to general interest. Ignorance, ambition, selfishness, laziness, weakness, and all human passion tend to cause self-serving instead of organization-serving behavior on the job. Managers need to find ways to reconcile these interests by setting a good example and supervising firmly and fairly.

7 Remuneration of personnel. Various methods of payment may be

suitable, but amounts should reflect economic conditions and be administered to reward well-directed effort.

8 Centralization. Like other organisms, organizations need direction and coordination from a central nervous system. But how much centralization or decentralization is appropriate depends upon the situation. The degree of centralization that makes best use of the abilities of employees is the goal.

9 Scalar chain (line of authority). The scalar chain is the chain of command ranging from the top executive to the lowest ranks. Adhering to the chain of command helps implement unity of direction, but sometimes the chain is too long, and better communications and better decisions can result from two or more department heads solving problems directly rather than referring them up the chain until a common superior is reached.

10 Order. Both equipment and people must be well chosen, well placed, and well organized for a smooth-running organization.

11 Equity. Kindness and justice will encourage employees to work well and be loyal.

12 Stability of tenure of personnel. Changes in employee assignments will be necessary, but if they occur too frequently they can damage morale and efficiency.

13 Initiative. Thinking through a plan and carrying it out successfully can be deeply satisfying. Managers should set aside personal vanity and encourage employees to do this as much as possible.

14 Esprit de corps. Build teamwork.

Ex. 4 Answer the following questions.

- 1 How many principles of management are there?
- 2 What are they?
- 3 What does discipline depend upon?
- 4 Who needs to find ways to cause organization-serving behavior on the job instead of self-serving?
- 5 What is the scalar chain?

Ex. 5 Read and translate the text.

Scientific Management

No one has had more influence on managers in the 20th century than Frederick W. Taylor, an American engineer. He set a pattern for industrial work which many others have followed, and although his approach to management has been criticized, his ideas are still of practical importance.

Taylor founded the school of Scientific Management just before the 1914-18 war. He argued that work should be studied and analyzed systematically. The operations required to perform a particular job could be identified, then arranged in a logical sequence. After this was done, a worker's productivity would increase, and so would his/her wages. The new method was scientific. The way of doing a job would no longer be determined by guesswork and rule-of-thumb practices. If the worker followed the prescribed approach, his/her output would increase.

Taylor's solutions to the problems were based on his own experience. When he was with Bethlehem Steel, Taylor criticized management and workers. He conducted many experiments to find out how to improve their productivity. He felt that managers used not the right methods and workers did not put much effort into their job. They were always 'soldiering' - taking it easy. He wanted both groups to adopt a new approach to their work. The new way was as follows.

- 1 Each operation of a job was studied and analyzed;
- 2 Using the information, management worked out the time and method for each job, and the type of equipment to be used;
- 3 Work was organized so that the worker's only responsibility was to do the job in the prescribed manner;
- 4 Men with the right physical skills were selected and trained for the job.

The weakness of his approach was that it focused on the system of work rather than on the worker. With this system a worker becomes a tool in the hands of management. Another criticism is that it leads to

deskilling reducing the skills of workers. And with educational standards rising among factory workers, dissatisfaction is likely to increase. Finally, some people think that it is wrong to separate doing from planning. A worker will be more productive if he/she is engaged in such activities as planning, decision-making, controlling and organizing.

Ex. 6 Answer the following questions.

- 1 Give some information about F.W. Taylor and his contribution to management.
- 2 What school did he found before World War I?
- 3 What new approach to management did he propose? Speak for and against his principles.
- 4 What was the weakness of his approach?
- 5 What does Taylor's new approach to management lead to according to some of his critics?

Ex. 7 Read and translate the text.

Management by objectives

Management by objectives (MBO) is a system which was first described by Peter Drucker in 1954. Since then, MBO has attracted enormous interest from the business world, and its principles have been applied in many of the world's largest companies.

P. Drucker emphasized that an organization and its staff must have clear goals. Each individual must understand the goals of the enterprise he/she works for, and must make contribution to them. It is also vital that the individual knows what his/her manager expects of her. An individual must know what sort of results he/she is expected to achieve.

If an organization uses MBO approach, it must pay careful attention to planning. A special feature of MBO is that the subordinate participates with the manager in developing objectives.

Various kinds of MBO systems are used in organizations. Here is an example of how a programme might work in a company. The programme consists of several stages. First, the subordinate's job is defined. Next, his/her current performance is evaluated. Then, new objectives are developed by the subordinates and their managers. Finally, the programme is put into action. Later, there are periodic reviews of the person's performance, and his/her progress is checked.

The subordinates and the manager discuss the objectives and make plans for achieving them. The manager may help in some way, perhaps by providing more training for the subordinate or buying more modern machines. From time to time, the subordinate and the manager meet to discuss progress. It is vital that the manager receives feedback from the subordinate on performance and achievements.

There are many benefits of MBO. The system helps the subordinates to see clearly their role in the organization. They have a say in how their job is performed, and what goals should be. Workers feel more responsible and motivated. MBO is a good technique for assessing the individual's performance. People are judged on results, rather than on the personal feelings and prejudices of the managers.

The main limitations of the system are that it is time-consuming and may create a lot of paperwork. In practice, MBO programmes are often fully supported by managements. This could be because managers are not always skilled at interviewing and giving guidance.

Ex. 8 Answer the following questions.

- 1 Who is the "father" of MBO?
- 2 What are the principles of the system?
- 3 How does the program work?
- 4 What are the benefits and limitations of the system?

Ex. 9 Read and translate the text.

Management as a profession

The criteria necessary for professional status include three major components.

- An acceptable *level of competence* in a specified field of knowledge.
- The placing of *the interests of society before personal interests* in carrying out functions of the profession.
- A *code of conduct* as behavior imposed upon members and usually enforced internally.

If we examine the field of management in light of these characteristics, what shall we find out?

There is no question that management as a discipline has developed a body of knowledge, which is becoming more and more sophisticated part of the curriculum in many academic institutions. Research in the field, particularly in the quantitative and behavioral areas, shows promise of making even more significant advances in the future. More and more academic institutions offering business programs are devoting their primary attention to graduate education in the area of management, with a particular emphasis on both theoretical and practical research. A growing number of business schools are making efforts to integrate faculty move closely with members of the business community so as to apply research findings to actual business problems.

With respect to the second criterion of professionalism, that of placing the interest of society before personal interest in the conduct of activities the issue is much less clear-cut. Businessmen in general recognize that the role of management does include the responsibility of devoting business resources to the common interests of society. One difficulty facing the manager, however is determining what is meant by the "interest of society". Many corporations fear to allocate significant resources to social and ecological programs because stockholders would complain that such allocation is not consistent with their own financial interests. Corporations that fail to allocate stockholder re-

sources for social and ecological programs receive criticism from political and civic groups accusing them of being interested only in profits. But we should admit that corporate management is indeed becoming more involved in the problems of society, whether because of self-interest or concern for others.

It is in the third criterion of professionalism that the case for management is perhaps the weakest. Let's consider an example taken from the Harvard Business Review. Executives were presented with the following hypothetical situation. "The minister of a foreign nation where extraordinary payments are common in order to lubricate decision making machinery asks you as Marketing Director for a \$ 200,000 consulting fee. In return he promises special assistance in obtaining a \$ 1 million contract which would produce a \$ 5 million profit for your company. What would you do?" 36 per cent of these executives said that they would pay the fee, feeling it to be ethical in the moral climate of the country; 22 per cent said they would pay the fee but felt it was unethical though necessary to insure the sale; and 42 per cent said they would refuse to pay the fee. This simple example shows that each person in business looks to his or her own personal code of ethics to determine acceptable behavior in a given situation. There is a wide variety of behavior results, since individuals view a given situation in different ways, as their personal values and principles dictate. We recognize that each member of our society must answer ultimately to his or her own conscience. But it remains for the field of management to develop a position that is consistent with the professional, ethical status of its members.

Ex. 10 Answer the following questions.

- 1 What components do the criteria necessary for professional status include?
- 2 Why do business schools try to integrate academic education with members of the business community?
- 3 Why is the issue of "placing interests of society before personal interests" less clear-out?

4 Why is "a code of conduct" the weakest point?

Ex. 11 Read and translate the text.

"International" managers

Executives and managers who can operate effectively across cultures and national borders are invaluable players in the global business arena. As the world grows ever smaller, improved *cross-cultural* skills and an international perspective are critical executive qualities. As more and more companies expand abroad, competition for top talent to run new international operations will steadily intensify.

The 2010s will test the capacities of multinational corporations to react rapidly to global changes in human resources as in all other areas of the company.

Global selection systems enable a company to find the best person anywhere in the world for a given position. The system measures applicants according to a group of 12 character attributes. These twelve categories are: motivations, expectations, open-mindedness, respect for other beliefs, trust in people, tolerance, personal control, flexibility, patience, social adaptability, initiative, risk-taking, sense of humour, interpersonal interest, spouse communication.

Beyond superior technical and managerial skills, an effective international executive displays a combination of desirable personal qualities. These include adaptability, independence, leadership - even charisma.

What part can management education play in developing the international manager? A good deal. Management education can provide training in the so-called "hard" skills such as international marketing and finance and in the so-called "soft" skills such as international relationships. We can easily define certain "hard" skill and knowledge areas that the international manager will need and which are very susceptible to formal education and training approaches. These include an understanding of the global economy and foreign business systems, international marketing, international financial management, political

risk analysis and the ability to analyze and develop sophisticated global strategies.

We can also point to some "soft" skill areas such as communication, leadership, motivation, decision-making, team-building and negotiation where research indicates that national cultural differences can have important effects. (The international manager is said to spend over half of his or her time in negotiation.) International managers need at least to be aware of some of the issues involved. They need, furthermore, not only to be aware of how foreign cultures affect organizational behaviour and management style, but also to understand how their own culture affects their own style.

Ex. 12 Answer the following questions.

- 1 What is the most important aspect of manager's job?
- 2 What is a worker's performance closely related to?
- 3 What does motivation refer to in a business context?
- 4 Recruiting good people isn't a difficult task, is it?
- 5 What does a poorly – selected labor force mean?
- 6 What points might be included in a "man profile"?
- 7 Are there many sources of recruitment?

Ex. 13 Read and translate the text.

Problem solving

Problems can be located in only two places - in the work situation and in people. Problems in the work situation can be further subdivided into those located in plant, machinery and equipment, and problems located in procedures, methods and ways of working. Problems with people can be subdivided into those located in individuals and those in groups.

Locating the source of a problem is not a simple task because different people see the same problem caused by different reasons. Nev-

ertheless, your first task in a problem-solving meeting is to agree on the source

of the problem.

When the source of the problem has been located, a decision has to be made. Decisions are of two types. quality decisions, and acceptance decisions. Quality decisions are those which may be regarded as good decisions and will solve the problem. However, the word "good" is open to argument here. Decisions can only be judged retrospectively. You cannot say "This is a good decision", only, "That was a good decision". For this reason the word "quality", rather than good, is used to describe a decision which, when implemented will be efficient. Acceptance decisions are those which will be accepted by the people involved in the problem.

The majority of decisions tend to fall in the middle, where quality and acceptance are of equal importance. Who takes the decision then? The majority of problems are being solved during meetings. Here are seven sections to guide you in the conduct of such meetings.

1 *Understand the language.* Problems cannot be solved if the language is not thoroughly understood. And not simply the language of the country, but the language of the particular subject, trade, industry.

2 *Get the facts.* The difficulty in getting all the facts is that, often, we do not know how many facts there are. When we meet to solve problems, we are considering symptoms.

3 *Locate the cause of the problem.* If opinions in the meetings are strongly divided as to the cause, then you must develop possible courses of action for each.

4 *State in objective terms.* This is stating the problem without subjective opinion, without adjectives that indicate what someone thinks about the statement. Where possible, the problem should be stated in quantitative rather than qualitative terms.

5 *Consider possible solutions.* Possible solutions are not probable solutions; they are possible. Make sure that all possible solutions are recorded for consideration.

6 *Screen solutions.* When a meeting makes a lot of progress, ideas flow, much discussion takes place, and solutions are sometimes tabled

more in enthusiasm than in cold, logical deliberation. Screen the possible solutions. Be very careful of solutions that have been transferred from other situations. This is not a good basis for accepting the solution. What happened in another place, in another time, is unlikely to be the same in the current climate.

Ex. 14 Answer the following questions.

- 1 Where can problems be located?
- 2 How can problems in work situation be subdivided?
- 3 How can problems with people be subdivided ?
- 4 What is your first task in a problem – solving meeting?
- 5 What types are decisions of?
- 6 Where do the majority of decisions tend to fall?

Unit 4 Marketing

Ex. 1 Read and translate the text.

Evolution of marketing

The evolution of marketing is the evolution of the *exchange process*. Unless two or more individuals or organizations have something to exchange, there is no need for marketing. The desire to exchange occurs only when someone produces more than he/she can consume (*a surplus*). This surplus is exchanged for surplus someone else produced. Possibly the first *marketing transaction* took place when one cave-dweller, who enjoyed making arrows but did not like to hunt, persuaded a fellow cave-dweller, who liked to hunt but did not enjoy making arrows, to accept some arrows in exchange for some animal skins and meat. Since that primitive time, marketing has become very sophisticated indeed.

The Egyptians, Phoenicians, Greeks, and Romans all had well-developed trade systems. The Old Testament contains many references to such marketing topics as *money, wealth, credit, products, international trade, government regulation, middlemen, taxation, poverty, welfare, pricing, trade fairs, and business ethics*.

During the Middle Ages trade declined. However, it picked up again during the Age of Discovery (roughly 1400-1760 A.D.) as merchants sought to extend their reach over much of the world. As you no doubt recall, Columbus made his first voyage to America in an effort to find a more direct trade route to Asia and the Far East.

In the late 1700s the Industrial Revolution began, and as it continued, marketing grew in importance. This latter-day development can be divided into three periods—the *production era, the sales era, and the marketing era*.

Ex. 2 Answer the following questions.

- 1 What is the evolution of marketing?
- 2 Is there any need for marketing unless two or more individuals or organizations have something to exchange?

- 3 When does the desire to exchange occur?
- 4 How did the first possible marketing transaction take place?
- 5 Marketing has become very sophisticated indeed since primitive times, hasn't it?
- 6 What nationalities had well-developed trade systems?
- 7 Does The Old Testament contain any references to such marketing topics as money, wealth, credit, international trade etc?
- 8 What happened with trade during the Middle Ages?
- 9 Why did trade pick up again during the Age of Discovery-?
- 10 Did marketing grow or decline in importance while the Industrial Revolution continued?
- 11 How many periods can the latter-day development be divided into?

Ex. 3 Read and translate the text.

What is marketing?

It is impossible to speak about **marketing** without understanding what "needs and wants" mean. So let's begin with the definition of needs and wants. A **need** occurs when a person feels physiologically deprived of basic necessities like food, clothing, and shelter. A **want** is a felt need that is shaped by a person's knowledge, culture, and personality. So if you feel hungry, you have developed a basic need and desire to eat something. Let's say you then want to eat an apple or a candy bar because, based on your past experience and personality, you know these will satisfy your hunger need. Effective marketing, in the form of creating an awareness of good product at convenient locations, can clearly shape a person's wants.

The American Marketing Association, representing marketing professionals in the United States and Canada, states that "**marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.**" Many people incorrectly believe that marketing is the same thing as advertising or personal selling. This definition shows marketing to be

a far broader activity. Further, this definition stresses the importance of beneficial exchanges that satisfy the objectives of both those who buy and those who sell ideas, goods, and services—whether they are individuals or organizations.

To serve both buyers and sellers, marketing seeks (1) to discover the needs and wants of *prospective customers* and (2) to satisfy them. These prospective customers include both individuals buying for themselves and their households and organizations that buy for their own use (such as manufacturers) or for *resale* (such as wholesalers and retailers). The key to achieving these two objectives is the idea of exchange, which is the trade of things of value between buyer and seller so that each is better off after the trade.

For marketing to occur, at least four factors are required. (1) two or more parties (individuals or organizations) with unsatisfied needs, (2) desire and ability on their part to be satisfied, (3) a way for the parties to communicate, and (4) something to exchange.

Ex. 4 Answer the following questions.

- 1 Differentiate between needs and wants.
- 2 What is marketing?
- 3 Is marketing the same as advertising or personal selling?
- 4 What are marketing objectives?
- 5 What is exchange?
- 6 What factors are required for marketing to occur?

Ex. 5 Read and translate the text.

The nature of lifestyle

Lifestyle is defined as *how one lives*. One's lifestyle is a function of inherent individual characteristics that have been shaped and formed through social interaction as one moves through the life cycle. Thus, lifestyle is influenced by such factors as culture, values, demographics, subculture, social class, reference groups, family, and individual

characteristics such as motives, emotions, and personality. Individuals and households both have lifestyles. While household lifestyles are in part determined by the individual lifestyles of the household members, the reverse is also true.

Our desired lifestyle influences our needs and attitudes and thus our purchase and use behaviour. It determines many of our consumption decisions which, in turn, reinforce or alter our lifestyle. Thus, marketers view lifestyle as central to the consumption process. Lifestyle analysis can be used by marketers with respect to specific areas of consumers' lives, such as outdoor recreation. This is a common, very applied approach. A second approach is to capture the general lifestyle patterns of a population.

Attempts to develop quantitative measures of lifestyle are initially referred to as psychographics. In fact, psychographics and lifestyle are frequently used interchangeably. Now psychographics or lifestyle studies typically include the following.

- *Attitudes.* evaluative statements about other people, places, ideas, products, etc.

- *Values.* widely held beliefs about what is acceptable and/or desirable.

- *Activities and interests.* nonoccupational behaviours to which consumers devote their effort, such as hobbies, sports, public service, and church.

- *Media patterns.* which specific media the consumer utilizes.

- *Usage rates.* measurements of consumption within a specified product category. Often consumers are categorized as heavy, medium, light, or nonusers.

Consumers can be categorized also according to their self-orientation and resources. Marketers differentiate three primary self-orientations.

- *Principle-oriented*- these individuals are guided in their choices by their beliefs and principles rather than by feelings, events, or desire for approval.

- *Status-oriented* - these individuals are heavily influenced by the actions, approval, and opinions of others.

- *Action-oriented* - these individuals desire social or physical activity, variety, and risk-taking.

The second dimension, termed resources, reflects the ability of individuals to pursue their dominant self-orientation. It refers to the full range of psychological, physical, demographic, and material means on which consumer can draw. Resources generally increase from adolescence through middle age and then remain relatively stable until they begin to decline with older age.

Ex. 6 Answer the following questions.

- 1 How is lifestyle defined?
- 2 What factors is lifestyle influenced by?
- 3 Are household lifestyles partly determined by the individual lifestyles of the household members or is the reverse true?
- 4 What does our desired lifestyle determine?
- 5 How do marketers view lifestyle?
- 6 With what respect can lifestyle analysis be used by marketers?
- 7 What is psychographics?
- 8 What do lifestyle studies now include?
- 9 How can consumers be categorized?

Ex. 7 Read and translate the text.

Satisfying consumer needs

Marketing doesn't stop with the ideas obtained from discovering consumer needs. Since the organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a specific group of potential consumers. This is the target market, one or more specific groups of potential consumers toward which an organization directs its marketing program.

There are many possible ways to satisfy the needs of target customers. A product can have many different features and quality levels. Service levels can be adjusted. The package can be of various sizes, colours, or materials. The brand name and warranty can be changed. Various advertising media – newspapers, magazines, radio, television,

billboards – may be used. A company's own sales force or other sales specialists can be used. Different prices can be charged. Price discounts may be given, and so on. With so many possible variables, is there any way to organize all these decisions and simplify the selection of marketing mixes? The answer is yes.

Having selected the target market? The firm must take steps to satisfy the consumer's needs. Someone in the organization's marketing department, often the marketing manager, must take action and develop a complete marketing program to reach consumers by pulling a combination of four levels, often called the four Ps.

- Product. a good, service, or idea to satisfy the consumer's needs.
- Price. what is exchanged for the product.
- Promotion. a means of communication between the seller and buyer.
- Place. a means of getting the product into the consumer's hands.

The four Ps are the elements of the marketing mix. These are the marketing manager's controllable factors, the marketing actions of product, price, promotion, and place that he or she can take to solve a marketing problem. The marketing mix elements are called controllable factors because they are under the control of the marketing department in an organization.

Two more questions are to be answered in this text. The first one is. What is marketed? Goods, services, and ideas are marketed. Goods are physical objects, such as toothpaste, cameras, or computers that satisfy consumer needs. Services are intangible items such as airline trips, financial advice, or telephone calls. The second is. Who buys and uses what is marketed? Both individuals and organizations buy and use goods and services that are marketed. Ultimate consumers are the people – whether 80 years or 8 months old – who use the goods and services purchased for a household. A household may consist of one person or ten. Organizational buyers are units such as manufacturers, retailers, or government agencies that buy goods and services for their own use or for resale.

Ex. 8 Answer the following questions.

- 1 What is the target market?
- 2 What is the four Ps?
- 3 How are called the marketing mix elements?
- 4 What are goods?
- 5 What are services?

Ex. 9 Read and translate the text.

The uniqueness of service

Services are intangible items such as airline trips, financial advice, or telephone calls that an organization provides to consumers. To obtain these services, consumers exchange for money or something else of value, such as their own time.

There are four unique elements to services. intangibility, inconsistency, inseparability, and inventory. These four elements are referred to as the four Fs of services.

Intangibility. Services are intangible; that is, they can't be held, touched, or seen before the purchase decision. In contrast, before purchasing a traditional product, a consumer can touch a box of laundry detergent, kick the tire of an automobile, or sample a new breakfast cereal. A major marketing need for services is to make them tangible or show the benefits of using the service.

Inconsistency. Marketing services are challenging because the quality of a service is often inconsistent. Since services depend on the people who provide them, their quality varies with each person's capabilities and day-to-day job performance. Inconsistency is much more of a problem in services than it is with tangible goods. Tangible products can be good or bad in terms of quality, but with modern production lines the quality will at least be consistent.

Inseparability. A third difference between services and goods, related to problems of consistency, is inseparability. In most cases the consumer cannot (and does not) separate the service from the deliverer of the service or the

setting in which the service occurs. For example, to receive an education, a person may attend a university. The quality of the education may be high, but if the student finds counseling services poor, or sees little opportunity for extracurricular activity, he or she may not be satisfied with the educational experience.

Inventory. This element requires the provision of service along with any needed equipment. If a physician is paid to see patients but no one schedules an appointment, the fixed cost of the idle physician's salary is a high inventory carrying cost. In some service businesses, however, the provider of the service is on commission or is a part-time employee. Inventory carrying costs can be significantly lower or nonexistent because the idle production capacity can be cut back by reducing hours or having no salary to pay because of the commission compensation system.

Ex. 10 Answer the following questions.

- 1 What are services?
- 2 What four unique elements are there to services?
- 3 What is a major marketing need for services?
- 4 Why are marketing services challenging?
- 5 What cannot the consumer separate the service from?
- 6 What does inventory require?

Ex. 11 Read and translate the text.

International marketing

Stated simply, international marketing is marketing across national boundaries. Since the end of World War II, improved travel, communications, and technology have fostered a tenfold increase in trade among nations.

A company choosing to enter international markets can achieve many benefits, but can also encounter many difficulties.

The main reason for companies to do international marketing is to exploit a better business opportunity in terms of increased sales and

profits. Either firms are limited in their home country or their opportunities are great in the foreign countries.

Many companies find themselves with little room for growth in their domestic market. Competition may increase and leave a smaller portion of the pie to enjoy, or demand may shift to a newer, better product. The economic environment in the home country may be undesirable because of higher taxes or a recession. It would seem logical to turn to other markets in any of these cases. So foreign markets may offer an opportunity for growth. A product that is mature and facing dwindling sales at home may be new and exciting in other countries.

Among the conditions that influence the success of international marketing are economic, political, legal and cultural ones.

Economic conditions. There are several important rules to international marketing in light of a country's economic conditions. The product must fit the needs of the country's consumers and the product must be sold where there is the income to buy it and effective means of distributing, using, and servicing it. Five aspects of these considerations are (1) the country's stage of economic development, (2) multinational trade groups, (3) the country's economic infrastructure, (4) consumer income, and (5) currency exchange rates.

There are over 200 countries in the world today, each of which is at a slightly different point in terms of its stage of economic development. However, they can be classified into two major groupings that will help the international marketer better understand their needs.

- Developed countries have somewhat mixed economies. Private enterprise dominates, although they have substantial public sectors as well.

- Developing countries are in the process of moving from an agricultural to an industrial economy. There are two subgroups within the developing category. (1) those that have already made the move and (2) those that remain locked in the preindustrial economy.

Political and legal conditions. The difficulties in assessing the political and legal condition of a country lie not only in identifying the current condition but also in estimating exactly how long that condition will last. Some transnational companies use analyses ranging

from computer projections to intuition and forecasts to assess a country's condition. The dimensions being evaluated include the government attitude toward foreign marketers, the stability and financial policies of the country, and government bureaucracy.

Some countries invite foreign investment through offering investment incentives, helping in site location, and providing other services. Hungary is currently offering a five-year "tax holiday"—a period during which no corporate taxes will be assessed—to encourage foreign firms to develop manufacturing capabilities there. In addition, a country or group of countries can establish equitable standards to enable foreign products to compete fairly in their domestic markets. The European Union has a huge staff in Brussels, Belgium, developing directives to establish such standards for products marketed in the EU after 1992.

Millions of dollars have been lost in the Middle East as a result of war and changes in governments. When instability is suspected, companies do everything they can to protect themselves against losses. Companies will limit their trade to exporting products into the country, minimizing investments in new plants in the foreign economy. Currency will be converted as soon as possible.

Even friendly countries can change their policies toward international marketing. Quotas can be revised or set, currency can be blocked, duties can be imposed, and in extreme cases companies can be expropriated.

Ex. 12 Answer the following questions.

- 1 What are the benefits of international marketing?
- 2 What difficulties can a company encounter when entering international marketing?
- 3 What are some of important rules to international marketing?
- 4 What is the main difficulty in assessing the political and legal condition of a country?
- 5 What dimensions are taken into account when evaluating political and legal condition?

Ex. 13 Read and translate the text.

Cultural environment

Culture is the total of a society's beliefs, art forms, morals, laws, and customs. It dictates the manner in which we consume, the priority of our wants and needs, and how (those wants and needs should be satisfied). Because cultures can vary greatly from nation to nation, international marketers must adjust their marketing controllable variables to each particular culture. Specifically, they must consider differences in language, color connotations, and mores. Let's consider each of them.

Language. There are thousands of languages and dialects in the world. Marketers, especially in promotional messages, must understand and properly use the language of the host country. To do otherwise invites true marketing blunders. For example, in Spanish the Chevrolet brand name "Nova" means "It does not go." In Cantonese the name "Philip . Morris" sounds like the phrase meaning "No luck." In Japan, General Motors' phrase "Body by Fisher" translates to "Corpse by Fisher."

Language becomes a particular concern in countries that speak numerous languages, in India, for example, there are 203 dialects. Even in countries that use the same language as the international marketer, communication problems can exist. Even though Great Britain and the United States both speak the same language, cultural differences exist. English homemakers hope furniture wax "will not trade off" and shoppers buy "tins" (rather than "cans") of grocery products. Such minor differences can make promotional messages sound foolish rather than persuasive.

Colors. Color is a large, though often subliminal part of a marketing effort. Colors in advertisements, on packages, and the product itself may communicate different impressions to different cultures. For example, blue is considered a warm color in Holland and a cold color in Sweden. White is for funerals and red is popular in China and Korea. Red, however, is not popular in Africa. Purple is associated with death in Brazil and in many Spanish-speaking countries. Yellow flowers are a sign of infidelity in France, but one of death in Mexico.

Mores. Mores are the customs and values of a culture. A nation's values reflect the religious or moral beliefs of its people. Understanding and working with these aspects of a society are also factors in successful international marketing, For example.

- a door-to-door salesman would find selling in Italy impossible, because it is improper for a man to call on a woman if she is at home alone.

- McDonald's and other hamburger restaurants would not have a chance in India, where the cow is considered sacred.

- the British don't believe marketing is quite respectable, a factor contributing to their loss of markets in which they had the technological lead

German exporters such as BMW probably are the most sophisticated in understanding the values of the customers of the nation's to which they sell products. Germany (not Japan) has passed the United States as the world's largest exporter through a strategy that stresses high-quality products sold to specific market segments by a strong network of dealers.

Every nation has some unique behavior patterns. These may largely influence marketing strategies. The English and Japanese drive on the left side of the road. Thus, cars marketed in England and Japan must have the steering wheel on the right side. Other examples of cultural mores include the fact that the average Frenchman uses almost twice as many beauty aids as his female counterpart. Pepsodent toothpaste was unsuccessful in Southeast Asia because it promised white teeth in a culture in which black or yellow teeth are symbols of prestige. Maxwell House advertised itself as the "Great American Coffee" in West Germany, where the general populace has little respect for American coffee.

Ex. 14 Answer the following questions.

- 1 What is culture?
- 2 What does culture dictate?
- 3 Why must international marketers adjust their marketing controllable variables to each particular culture?

- 4 What aspects must international marketers consider?
- 5 Do communication problems only exist in the countries that speak numerous languages or even in the countries that use the same language?
- 6 Can minor language differences make promotional messages sound persuasive or foolish?
- 7 What can colours mean for different cultures?
- 8 What exporters are considered to be the most sophisticated?
- 9 Has every nation any unique behavior patterns?
- 10 What can largely influence marketing strategies?

Ex. 15 Read and translate the text.

Branding

A brand is a name given by a business to one or more of its products. Branding gives products an identity that distinguishes them from similar products produced by rival firms. It helps to generate brand loyalty, encouraging customers to regularly purchase particular products. The demand for a product with strong brand loyalty tends to become less price sensitive, meaning that price can be increased without losing much demand. Selecting a brand name is therefore a very important part of a firm's marketing strategy.

Organizations can use a number of different approaches to branding;

- **Individual or multiple branding**, where business uses a range of brand names for a variety of products. For example, Procter & Gamble relies on this branding policy for its range of fragrances, including Hugo Boss, Old Spice and Giorgio Beverly Hills. Such branding allows the firm to develop brands for particular market segments.

- **Corporate or overall family branding**, where all the firm's products are branded with the same name. Virgin» Kraft, Heinz, Microsoft and Ford employ this approach. This type of branding means that the promotion of one item will promote other products within the family. It can increase consumer confidence in the entire range, so increasing sales and profits.

- **A mixture of corporate and individual branding**, where products are given individual brand names but the corporate brand name is also prominent, e.g. Nestle and Walls.

A brand name should be snappy, easy to remember, unique and convey appropriate images or values. In addition, popular brands are often supported by advertising catch phrases, such as "A Mars a day helps you work, rest and play".

Most organizations employ specialist identity and naming consultants to handle this creative process. The name is the first and greatest expression of the brand. It is vital you get it right and they carry out extensive consumer research. For a food launch they might ask for a description of the product, and get people to be wishful and say what they would like it to do for them. Once they have a shortlist they go through the linguistic, cultural and legal trademark checking stages,

A major problem for organizations that trade globally is finding names that translate appropriately. One way to avoid language and translation difficulties is to invent a completely new word, such as Toyota's Avensis. But there are problems even here. For example, firms must be careful which letters they use. The sounds for R and L, for instance, can be confusing and difficult for Asian customers to pronounce, which might deter them from asking a particular product. Studies by Interbrand Group, which has offices in 22 countries, also warns against using the number 8 when launching a food product in China, because it has connotations with death.

The fact that many cultures read from right to left can also cause difficulties with names and packaging. Interbrand's director of naming recalls the story of washing powder that used three cartoon images on its packaging - the first illustrating a dirty shirt, the second the shut going to the washing machine, and the third a clean shirt. When the packaging was launched in China it was read the other way around

Ex. 16 Answer the following questions.

1 What is brand?

2 Why is selecting a brand name an important part of a company's marketing strategy?

3 Name some of the approaches to branding that organizations can use.

4 What characteristics should a brand name have?

4 How is brand created?

5 What requirements should a brand name meet?

6 What is the first and greatest expression of the brand?

7 How can language and translations difficulties as well as the other ones based on cultural differences be avoided and overcome?

Ex. 17 Read and translate the text.

Consumers are so different

Consumer's self-orientation determine the types of goals and behaviours that individuals will pursue. Marketers differentiate the following groups of consumers.

Actualizers are successful, sophisticated, active, "take-charge" people with high self-esteem and abundant resources. They are interested in growth and seek to develop, explore, and express themselves in a variety of ways - sometimes guided by principle, and sometimes by a desire to have an effect, to make a change. Image is important to Actualizers, not as evidence of status or power, but as an expression of their taste, independence, and character.

Fulfilleds are mature, satisfied, comfortable, reflective people who value order, knowledge, and responsibility. Most are well educated, and in (or recently retired from) professional occupations. They are well-informed about world and national events and are alert to opportunities to broaden their knowledge. Content with their careers, families, and station in life, their leisure activities tend to center around the home. Fulfilleds have a moderate respect for the status quo institutions of authority and social decorum, but are open-minded about new ideas and social change. Fulfilleds tend to base their decisions on strongly held principles and consequently appear calm and self-assured. Ful-

filled are conservative, practical consumers; they look for functionality, value, and durability in the products they buy.

Believers are conservative, conventional people with concrete beliefs based on traditional, established codes. family, church, community, and nation. Many Believers express moral codes that are deeply rooted and literally interpreted. They follow established routines, organized in large part around their homes, families, and social or religious organizations to which they belong. As consumers, they are conservative and predictable, favoring native products and established brands.

Achievers are successful career- and work-oriented people who like to, and generally do, feel in control of their lives. They value consensus, predictability, and stability over risk, intimacy, and self-discovery. They are deeply committed to work and family. Work provides them with a sense of duty, material rewards, and prestige. Their social lives reflect this focus and are structured around family, church, and career. Achievers live conventional lives, are politically conservative, and respect authority and the status quo. Image is important to them; they favor established, prestige products and services that demonstrate success to their peers.

Strivers seek motivation, self-definition, and approval from the world around them. They are striving to find a secure place in life. Unsure of themselves and low on economic, social, and psychological resources, Strivers are concerned about the opinion and approval of others. Money defines success for Strivers, who don't have enough of it and often feel that life has given them a raw deal. Strivers are easily bored and impulsive. Many of them seek to be stylish. They emulate those who own more impressive possessions, but what they wish to obtain is generally beyond their reach.

Experiencers are young, vital, enthusiastic, impulsive, and rebellious. They seek variety and excitement, savoring the new, the offbeat, and the risky. Still in the process of formulating life values and patterns of behavior, they quickly become enthusiastic about new possibilities but are equally quick to cool. At this stage of their lives, they are politically uncommitted, uninformed, and highly ambivalent about

what they believe. Experiencers combine an abstract disdain for conformity with an outsider's awe of others' wealth, prestige, and power. Their energy finds an outlet in exercise, sports, outdoor recreation, and social activities. Experiencers are avid consumers and spend much of their income on clothing, fast food, music, movies, and video.

Makers are practical people who have constructive skills and value self-sufficiency. They live within a traditional context of family, practical work, and physical recreation and have little interest in what lies outside that context. Makers experience the world by working on it - building a house, raising children, fixing a car, or canning vegetables - and have sufficient skill, income, and energy to carry out their projects successfully. Makers are politically conservative, suspicious of new ideas, respectful of government intrusion on individual rights. They are unimpressed by material possessions other than those with a practical or functional purpose (e.g., tools, pick-up trucks, or fishing equipment).

Strugglers' lives are constricted. Chronically poor, ill-educated, low-skilled, without strong social bonds, elderly and concerned about their health, they are often resigned and passive. Because they are limited by the need to meet the urgent needs of the present moment, they do not show a strong self-orientation. Their chief concerns are for security and safety. Strugglers are cautious consumers. They represent a very modest market for most products and services, but are loyal to favorite brands.

Ex. 18 Answer the following questions.

- 1 How many groups of consumers do marketers differentiate?
- 2 Why is image important to Actualizers?
- 3 What is the main characteristic of fulfillers in opinion?
- 4 To what group do you (your parents, friends, relatives), belong?

Ex. 19 Read and translate the text.

Alternatives for international operations

Once a company has decided to enter the international marketplace, it must select a means of entry. The option chosen depends on its willingness and ability to commit financial, physical, and managerial resources. Host countries not only seek the benefits of additional products available for sale but are often even more interested in the number of good jobs available for local workers. Let's consider the alternatives for international operations.

Exporting is producing goods in one country and selling them in another country. This entry option allows a company to make the least number of changes in terms of its product, its organization, and even its corporate goals. Host countries usually do not like this practice, because it provides less local employment than under alternative means of entry.

Indirect exporting is when a firm sells its domestically produced goods in a foreign country through an intermediary. It involves the least amount of commitment and risk, but will probably return the least profit. The kind of exporting is ideal for the company that has no overseas contacts but wants to market abroad. The intermediary is often a broker or agent that has the international marketing know-how and the resources necessary for the effort to succeed.

Direct exporting is when a firm sells its domestically produced goods in a foreign country without intermediaries. Most companies become involved in direct exporting when they believe their volume of sales will be sufficiently large and easy to obtain that they do not require intermediaries. For example, the exporter may be approached by foreign buyers that are willing to contract for a large volume of purchases. Direct exporting involves more risk than indirect exporting for the company, but also opens the door to increased profits.

Under *licensing* a company offers the right to a trademark, patent, trade secret, or other similarly valued items of intellectual property, in return for a royalty or a fee. In international marketing the advantages

to the company granting the license are low risk and a capital-free entry into a foreign country. The licensee gains information that allows it to start with a competitive advantage, and the foreign country gains employment by having the product manufactured locally.

When a foreign company and local firm invest together to create a local business, it is called a *joint venture*. These two companies share ownership, control, and profits of the new company. The advantages of this option are twofold. First, one company may not have the necessary financial, physical, or managerial resources to enter a foreign market alone. The disadvantages arise when two companies disagree about policies or courses of action for their joint venture.

The biggest commitment a company can make when entering the international market is *direct ownership*, which entails a domestic firm actually investing in and owning a foreign subsidiary or division. The advantages to direct ownership include cost savings, better understanding of local market conditions, and fewer local restrictions. Firms entering foreign markets using direct ownership believe that those advantages outweigh the financial commitments and risks involved.

Ex. 20 Answer the following questions.

- 1 What does the operation of means of entry to international market depend on?
- 2 What is exporting?
- 3 What is licensing?
- 4 What is joint venture?

Ex. 21 Read and translate the text.

Designing an international marketing program

An international marketer goes through the same steps in designing a marketing program as domestic marketer. However, the international marketer must decide whether to use a global or customized approach. Careful marketing research must be done to help the international

marketer decide whether to modify or maintain domestic product, price, place, and promotion strategies.

We start with the **product**. The following options can be considered here.

- *Extension*. Selling the same product in other countries is an extension strategy. It works well for products like Coca-Cola, Wrigley's gum, General Motors cars, and Levi's jeans.

- *Adaptation*. Changing a product in some way to make it more appropriate for a country's climate or preferences is an adaptation strategy. For example Exxon sells different gasoline blends based on each country's climate.

- *Invention*. Designing a product to serve the unmet needs of a foreign nation is an invention strategy. This is probably the strategy with the most potential, since there are so many unmet needs, yet it is actually the least used.

Price. Most foreign countries use a cost-plus pricing strategy. For international firms this can mean their products are priced higher than the local goods. Why? International products must include not only the cost of production and selling, but also tariffs, transportation and storage costs, and higher payments to intermediaries.

Dumping is when a firm sells a product in a foreign country below its domestic price. This is most often done to build a share of the market by pricing at a competitive level. Another reason is that the products being sold may be surplus or cannot be sold domestically, and are therefore already a burden to the company. The firm may be glad to sell them at almost any price.

Some U.S. pharmaceutical firms have sold penicillin, for example, at a lower price in foreign countries than at home. They justify this by saying that R&D costs are not included in foreign prices. Japan has been accused of following a dumping strategy for some of its products in the United States. Its response is that the volume sold here allows economies of scale, the savings of which are passed on to U.S. consumers.

An unusual pricing dimension of international marketing is *countertrade*, using *barter* rather than money in making international sales.

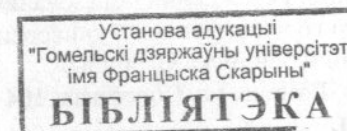
Although countertrade accounts for only about 10 percent of the world trade, it is growing in importance. An unpleasant aspect of pricing is *bribery*, the practice of giving or promising something of value in return for a corrupt act. This is a common practice in many countries to reduce red tape and make sales. Although in many countries bribery is an accepted business practice in some international sales, it is officially illegal in all countries.

Place. An international marketer must establish a channel of distribution to meet the goals it has set. The first step involves the seller; its headquarters is the starting point and is responsible for the successful distribution to the ultimate consumer.

The next step is the channel between the two nations, moving the product from the domestic market to the foreign market. Intermediaries that can handle this responsibility include resident buyers in the foreign country, independent merchant wholesalers who buy and sell the product or agents who bring buyers and sellers together. Once the product is in the foreign nation, that country's distribution channels take over. Foreign channels can be very long or surprisingly short, depending on the product line.

Ex. 22 Answer the following questions.

- 1 What must the international marketer decide?
- 2 Why must careful marketing research be done?
- 3 What type of pricing strategy do most foreign countries use?
- 4 Is bribery officially legal or in all countries?
- 5 What must an international marketer establish to meet the goals?
- 6 What steps does product placement involve?



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