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Unit 1

Corporate Innovation

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of corporate innovation;
- Understand the significance of innovation to the success of business in a changing market place;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.	Group discussion and problem solving.
	Related Theories Based on the opening case, the teacher holds a discussion about product and service innovation, and helps students gain a general understanding of corporate innovation.	Formal lecture interspersed with questions to/from the students.

Time Schedule	Class Content	Delivery Methods
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p>	Case study and problem solving — teacher-guided.
	<p>Focus on Skills Students finish the exercises in Language Focus; teacher explains creative thinking technique — brainstorming.</p>	Independent study; Group discussion — teacher-guided.

Background Information

1 Apple Inc. (previously Apple Computer, Inc.)

Apple Inc. is an American multinational corporation that designs and markets consumer electronics, computer software, and personal computers. The company's best-known hardware products include the Macintosh computers, the iPod, the iPhone and the iPad. Apple software includes the Mac OS X operating system; the iTunes media browser; the iLife suite of multimedia and creativity software; the iWork suite of productivity software; Aperture, a professional photography package; Final Cut Studio, a suite of professional audio and film-industry software products; and Logic Studio, a suite of music production tools. As of January 2010, the company operates 284 retail stores in ten countries, and an online store where hardware and software products are sold.

Established on April 1, 1976 in Cupertino, California, and incorporated January 3, 1977, the company was previously named Apple Computer, Inc. for its first 30 years, but removed the word "Computer" on January 9, 2007, to reflect the company's ongoing expansion into the consumer electronics market in addition to its traditional focus on personal computers. As of September 26, 2009, Apple had 34 300 full time employees and 2 500 temporary full time employees worldwide and had worldwide annual sales of \$42.91 billion in its fiscal year ending September 26, 2009.

For reasons as various as its philosophy of comprehensive aesthetic design to its distinctive advertising campaigns, Apple has established a unique reputation in the consumer electronics industry. This includes a customer base that is devoted to the company and its brand, particularly in the United States. *Fortune* magazine named Apple the most admired company in the United States in 2008, and in the world in 2008, 2009,

and 2010. In May 2010, Apple's market cap exceeded that of Microsoft for the first time since 1989.

iPod

On October 23, 2001, Apple introduced the iPod digital music player. It has evolved to include various models targeting the wants of different users. The iPod is the market leader in portable music players by a significant margin, with more than 220 million units shipped as of September 9, 2009. Apple has partnered with Nike to offer the Nike+iPod Sports Kit enabling runners to synchronize and monitor their runs with iTunes and the Nike+ website. Apple currently sells four variants of the iPod.

- iPod Classic (previously named iPod from 2001 to 2007), portable media player first introduced in 2001, currently available in a 160 GB model.
- iPod Nano, portable media player first introduced in 2005, currently available in 8 and 16 GB models. The newest generation has a 640x480 video camera (H.264, 30FPS) and an FM tuner with live pause and iTunes Tagging.
- iPod Shuffle, digital audio player first introduced in 2005, currently available in 2 and 4 GB models.
- iPod Touch, portable media player first introduced in September 2007.

Currently available in 8, 32, and 64GB models. The 32 and 64GB Gen 3 models feature a faster processor and include voice control and an external microphone.

iPad

On January 27, 2010, Apple introduced their much-anticipated media tablet, the iPad running a modified version of iOS. It offers multitouch interaction with multimedia formats including newspapers, magazines, ebooks, textbooks, photos, movies, TV shows videos, music, word processing documents, spreadsheets, video games, and all existing iPhone apps. It also includes a mobile version of Safari for internet browsing, as well as access to the App Store, iTunes Library, iBooks store, contacts, and notepad. Content is downloadable via WIFI and optional 3G service or synced through the user's computer. AT&T is currently the sole US provider of 3G wireless access for the iPad.

iPhone

At the Macworld Conference & Expo in January 2007, Steve Jobs revealed the long anticipated iPhone, a convergence of an Internet-enabled smartphone and iPod. The original iPhone combined a 2.5G quad band GSM and EDGE cellular phone with features found in hand held devices, running scaled-down versions of Apple's Mac OS X (dubbed iOS, formerly iPhone OS), with various Mac OS X applications such as Safari and Mail. It also includes web-based and Dashboard apps such as Google Maps and Weather. The iPhone features a 3.5-inch (89 mm) touch screen display, 4, 8, or 16 GB of memory, Bluetooth, and Wi-Fi (both "b" and "g"). The iPhone first became available on June 29, 2007 for \$499 (4 GB) and \$599 (8 GB) with an AT&T contract. On February 5, 2008, Apple updated the

original iPhone to have 16 GB of memory, in addition to the 8 GB and 4 GB models. On June 9, 2008, at WWDC 2008, Steve Jobs announced that the iPhone 3G would be available on July 11, 2008. This version added support for 3G networking, assisted-GPS navigation, and a price cut to \$199 for the 8 GB version, and \$299 for the 16 GB version, which was available in both black and white. The new version was visually different from its predecessor in that it eliminated the flat silver back, and large antenna square for a curved glossy black or white back. Following complaints from many people, the headphone jack was changed from a recessed jack to a flush jack to be compatible with more styles of headphones. The software capabilities changed as well, with the release of the new iPhone came the release of Apple's App Store; the store provided applications for download that were compatible with the iPhone. On April 24, 2009, the App Store surpassed one billion downloads. On June 8, 2009, at Apple's annual worldwide developers conference, the iPhone 3GS was announced, providing an incremental update to the device including faster internal components, support for faster 3G speeds, video recording capability, and voice control. On June 7, 2010, at WWDC 2010, the iPhone 4 was announced, which Apple says is its "biggest leap we've taken" since the original iPhone. The phone includes an all-new design, 960x640 display, Apple's A4 processor used in the iPad, a gyroscope for enhanced gaming, 5MP camera with LED flash, front-facing VGA camera and FaceTime video calling. Shortly after the release of the iPhone 4, it was realized by consumers that the new iPhone had reception issues. This is due to the stainless steel band around the edge of the device, which also serves as the phones cellular signal and Wi-Fi antenna. The only current fix for this issue is by purchasing a so called "Bumper Case" for the phone. Most think that this issue can be fixed in the near future by a simple software update. Apple has not yet commented on the issue.

- iPhone 3GS, currently available in an 8 GB model.
- iPhone 4, currently available in 16 and 32 GB models.

2 Google Inc.

Google Inc. (NASDAQ: GOOG, FWB: GGQ1) is a multinational public cloud computing, Internet search, and advertising technologies corporation. Google hosts and develops a number of Internet-based services and products, and generates profit primarily from advertising through its AdWords program. The company was founded by Larry Page and Sergey Brin, often dubbed the "Google Guys", while the two were attending Stanford University as Ph.D. candidates. It was first incorporated as a privately held company on September 4, 1998, with its initial public offering to follow on August 19, 2004. The company's stated mission from the outset was "to organize the world's information and make it universally accessible and useful", and the company's unofficial slogan – coined by Google engineer Paul Buchheit – is *Don't be evil*. In 2006, the company moved to their

current headquarters in Mountain View, California.

Google runs over one million servers in data centers around the world, and processes over one billion search requests and twenty petabytes of user-generated data every day. Google's rapid growth since its incorporation has triggered a chain of products, acquisitions and partnerships beyond the company's core search engine. The company offers online productivity software, such as its Gmail e-mail software, and social networking tools, including Orkut and, more recently, Google Buzz. Google's products extend to the desktop as well, with applications such as the web browser Google Chrome, the Picasa photo organization and editing software, and the Google Talk instant messaging application. More notably, Google leads the development of the Android mobile phone operating system, used on a number of phones such as the Nexus One and Motorola Droid. Because of its popularity and numerous products, Alexa lists Google as the Internet's most visited website. Google is also Fortune Magazine's fourth best place to work, and BrandZ's most powerful brand in the world. The dominant market position of Google's services has led to criticism of the company over issues including privacy, copyright, and censorship.

3 *Microsoft Corporation*

Microsoft Corporation (NASDAQ: MSFT, HKEX: 4338) is a public multinational corporation based in Redmond, Washington, USA that develops, manufactures, licenses, and supports a wide range of products and services predominantly related to computing through its various product divisions. Established on April 4, 1975 to develop and sell BASIC interpreters for the Altair 8800, Microsoft rose to dominate the home computer operating system (OS) market with MS-DOS in the mid-1980s, followed by the Microsoft Windows line of OSs. The ensuing rise of stock in the company's 1986 initial public offering (IPO) made an estimated four billionaires and 12,000 millionaires from Microsoft employees. Microsoft would come to dominate other markets as well, notably the office suite market with Microsoft Office.

Critics contend Microsoft uses monopolistic business practices and anti-competitive strategies including refusal to deal and tying, puts unreasonable restrictions in the use of its software, and misrepresentative marketing tactics; both the U.S. Department of Justice and European Commission found the company in violation of antitrust laws. Known for its interviewing process with off-the-wall questions such as "Why is a manhole cover round?", various studies and ratings were generally favorable to Microsoft's diversity within the company as well as its overall environmental impact with the exception of the electronics portion of the business.

Lecturing Hints

Opening Case

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers:

- 1) iPhone is much more than a communications device. It represents the idea of technology convergence, integrating multiple media into a single product. The widescreen iPod, new mobile phone, and revolutionary Internet communications device are all rolled into one iPhone.
- 2) By renaming itself, Apple demonstrates that it intends to lead the charge into the next era of digital communications. In my opinion, it is the technical innovation and convergence that made Apple develop toward a new direction.
- 3) iPhone, Apple's new product, has a large screen, switches smoothly between programs, and integrates easily with the firm's iTunes music software—all of which set it above potential competitors. If the iPhone attracts users the way its predecessor, the iPod, has, it will secure Apple's position in the marketplace. To maintain the advantage over its competitors, Apple has to continue the firm's legacy of innovation.
- 4) (Open-ended Answer)

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) The name change coincides with the **launch** of the iPhone, which offers users a full-featured cell phone **bolstered** by music capabilities and a 3.5-inch video screen for playing movies and television shows.

(苹果)公司名称的变更与iPhone手机的推出碰巧在同一时间。iPhone是一款全功能的手机,并具有音乐播放功能以及一个3.5英寸的屏幕用于播放电影和电视节目。

launch: (v.) to start something, usually something big or important
e.g.: The organization has launched a campaign to raise \$150,000.

bolster: (v.) give support to sb/sth; strengthen or reinforce sth

e.g.: The device is bolstered by a physical dialing keypad.

- 2) But the iPhone is much more than a communications device. It represents Jobs's idea of technology **convergence**, integrating multiple media into a single product.

但iPhone绝不仅仅是一个通讯装置，它代表了乔布斯的技术融合理念，将多媒体融入到一个单一的产品中。

convergence: (n.) the occurrence of two or more things coming together

e.g.: dynamic convergence network

- 3) But to be successful, the iPhone has to be unique for consumers—to continue the firm's legacy of **innovation**.

但是如果要成功，iPhone 对于顾客来说必须是独特的，也就是说，iPhone必须继续公司的创新传统。

innovation: (n.) a new idea, method, or invention

e.g.: We must encourage innovation if the company is to remain competitive.

- 4) Apple says the iPhone has a large screen, switches smoothly between programs, and **integrates** easily with the firm's iTunes music software—all of which set it above potential competitors.

Apple公司介绍说，iPhone拥有大屏幕，能够轻松转换应用程序，并且很容易与该公司的iTunes音乐软件相结合——这些都使得iPhone优于其潜在竞争者。

integrate: (v.) if two or more things integrate, or if you integrate them, they combine or work together in a way that makes something more effective

e.g.: Transport planning should be integrated with energy policy.

Suggested translation

苹果公司向消费者发出新的信号

苹果公司已不再是苹果电脑公司了。它当然还是一家电脑公司，但是公司总裁斯蒂夫·乔布斯和其他高层管理者想要世人知道苹果远不只是一家电脑公司。因此，公司的名称现在是苹果公司，显示了公司新的发展方向。公司名称的变更与iPhone手机的推出碰巧在同一时间。iPhone是一款全功能的手机，并具有音乐播放功能以及一个3.5英寸的屏幕用于播放电影和电视节目。“我不想人们认为这是一台电脑”，乔布斯说，“我视其为电话的重新发明”。

但iPhone绝不仅仅是一个通讯装置，它代表了乔布斯的技术融合理念，将多媒体融入到一个单一的产品中，集大屏幕ipod、新型手机和革命性互联网通讯工具于一身。“这些不再是三个分开的装置，”乔布斯在介绍iphone的演说中这样说。通过更名，苹果公司显示出其引领进入下一代数字化通讯时代的意图。“当你看到苹果公司名称变更时，显然电脑已无处不在”，一位注册的苹果公司的顾问评论说，“它不只是一台手机或电脑，而是同一个东西，它们已融合在一起”。

但是如果要成功，iPhone 对于顾客来说必须是独特的，也就是说，iPhone必须继续公司的创新传统。苹果公司的目标是在一年时间内占有智能手机市场1%的份额，这意味着它必须

一开始就要售出1000万部手机。乔布斯相信其公司能实现该目标。他承认，“我们正在进入一个竞争激烈的市场。我们认为我们将会拥有世界上最好的产品”。苹果公司介绍说，iPhone拥有大屏幕，能够轻松转换应用程序，并且很容易与该公司的iTunes音乐软件相结合——这些都使iPhone优于其潜在竞争者。如果iPhone能像其上一代产品iPod那样吸引用户，那它就能保障苹果公司的市场地位。由于iPod的出现，便携式CD播放机几乎已经是过去时代的遗物了，而手机对许多消费者来说则是日常必需品，因此，两者的结合，加之所增加的视频功能，使之有可能成为下一个人人必备的物品，即使消费者需要为这样的手机和与新格勒公司两年的合约付出500至600美元的价格。

甚至在推出iPhone之前，苹果公司就曾公布了某年最后一季度破纪录的10亿美元盈利，公司在这一期间销售了160万台iMac电脑和2 100万台iPod。消费者明显地对苹果公司的独特产品感兴趣，但是他们会抢购新的iPhone吗？

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about Google Inc.

Suggested answers: 

Headquartered in Silicon Valley with offices throughout North America, Europe, and Asia, Google Inc. is a multinational public cloud computing and Internet search technologies corporation. Google hosts and develops a number of Internet-based services and products, including Search, Advertising, Communication & Publishing, Location, Personal Productivity, Online Shopping, Business Solutions, Mobile, Development and Social Responsibility. To power its search and search-related services, Google runs patented, custom-designed programs on hundreds of thousands of machines that it also custom builds, which makes Google unique in today's bifurcated world of sophisticated software and hardware companies because it is a leader in both areas.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) Google is renowned for its innovation chops. The soul of the Google machine is rapid innovation. Innovation is the reason the company raced ahead of others and stays out in front.
- 2) Google Search—the best search engine on the Internet.
AdWords offers pay-per-click (PPC) advertising and site-targeted advertising for both text and banner ads for a specific keyword.
AdSense allows users to earn money quick and easy by placing ads on their websites.
Gmail—a new kind of webmail, built on the idea that email can be more intuitive, efficient, and useful.
Google Maps is probably the most popular solution in its category, allowing users to view maps and other imagery captured directly from the satellites.
20% project Rule—All Google engineers have 20% of their time to pursue projects that they're passionate about.
- 3) In 2004, Google went public in an unconventional initial offering at \$85 per share, raising nearly \$2 billion in the largest technology IPO ever. Today, Google is a top web property in all major global markets with a market cap of more than \$160 billion.
- 4) A big part of building that culture at Google is the often-admired but rarely-imitated 20% rule. All Google engineers have 20% of their time to pursue projects that they're passionate about. Google invests not only in product development, but also in employee development. The 20% project is a fast and firm rule, not to be tampered with during hard times. Instead of cutting back on benefits and perks, Google maintains them to encourage employee retention and job satisfaction.
- 5) Challengers come from all sides. Google's war with Microsoft and Apple extends to several fronts. Google has a cold war going on with China over search and censorship. Google's governmental malaise extends to Europe, where it is being accused of anti-competitive practices by smaller rivals. And in the United States, Google Buzz and Google Book Search are among the Google Web services the FTC and DOJ are looking at.

- 4** Ask students to summarize Text B, identifying good practices used in Google's operation, with its current problems and challenges.

Suggested answers: 

Good practice:

- 1) To power its search and search-related services, Google runs patented, custom-designed programs on hundreds of thousands of machines that it also custom builds. The optimal blending of technologies produces superior search results instantaneously.
- 2) Google is consistently improving its existing products and changing the game for its competitors.
- 3) Google invests not only in product development, but also in employee development.
- 4) All Google engineers have 20% of their time to pursue projects that they're passionate about.

Problems:

- 1) Google has reached a point where it could be accused of being equally dominant in its key market sector.
- 2) Google has tangled with regulators, lawmakers and consumer watchdogs over privacy concerns, copyright protection and the sheer dominance of its search engine.
- 3) Google is being accused of anti-competitive practices by smaller rivals in Europe.

Challenges:

- 1) Google's war with Microsoft and Apple extends to several fronts.
- 2) Google is thinly spread in a rapidly changing marketplace and a major shift in technology or consumer behavior could alter the playing field.
- 3) In a complex high-tech world, can Google be good at and innovate everything?

- 5** Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

A comparison between Google and Microsoft:

Google, the world's most successful internet company, dominates search while Microsoft, the world's biggest software company, owns the operating system universe.

A strategy for Google to rise to face the challenge from Microsoft: (Open-ended Answer)

Suggestions for Google to deal with the threat: (Open-ended Answer)

6 The teacher analyzes the passage and explains difficult sentences and key words.

- 1) Google is unique in today's **bifurcated** world of sophisticated software and hardware companies because it is a leader in both areas.

在当今一分为二的软件和硬件公司中，谷歌是独一无二的，因为在这两大领域它都是领先者。

bifurcated: (adj.) divided into or made up of two parts

e.g.: socially bifurcated populations.

- 2) To power its search and search-related services, Google runs **patented**, custom-designed programs on hundreds of thousands of machines that it also custom builds.

为了推动其引擎和与搜索相关的服务，谷歌在其量身定做的成千上万台机器上运行已获专利的量身设计的程序。

patented: (adj.) protected by patent

e.g.: These systems were patented in 1980.

- 3) No word in the English language exists to describe this **seamless** melding of hardware and software at such a massive scale, so we have named it Googleware.

英语中还没有一个现存的词可以描述这种软件和硬件如此全方位地天衣无缝的融合，因此，我们为它起了一个名字——“谷歌件”。

seamless: (adj.) done or made so smoothly that you cannot tell where one thing stops and another begins.

e.g.: All elements fuse into a seamless organic whole.

- 4) To Brin and Page, the founders, **sustaining** innovation as Google grows is their foremost challenge, for innovation is the reason the company raced ahead of others and stays out in front.

对于公司创始人Brin和Page而言，在谷歌成长过程中的持续创新是最主要的挑战，因为创新是公司领跑竞争者始终走在前沿的原因。

sustaining: (adj.) continuing to exist or happen for a period of time

e.g.: We have to make sustaining efforts to attain our goal.

- 5) And maintaining smart innovation amid **torrid** growth is a complex undertaking that has **vexed** other young enterprises of enormous promise.

在快速增长当中保持智能创新是一项复杂的任务，这使得其它很多拥有巨大前景的年轻企业感到棘手。

torrid: (adj.) rapid

e.g.: torrid economic growth

vex: (v.) to make someone feel annoyed or worried

e.g.: There was another grave problem to vex the new manager.

- 6) Instead of cutting back on benefits and **perks**, Google maintains them to encourage employee **retention** and job satisfaction.

谷歌并不削减员工的福利待遇，而是保留它们以激励员工留用，并提高其工作满意度。

perk: (n.) something that you get legally from your work in addition to your wages, such as goods, meals, or a car

e.g.: I only eat here because it's free—one of the perks of the job.

retention: (n.) *formal* the act of keeping something

e.g.: The UN will vote on the retention of sanctions against Iraq.

- 7) While many businesses say, “Our people are our most important resource,” Google lives this **platitude** by giving them an environment where they can be innovative.

当很多企业都说“员工是我们最重要的资源”时，谷歌通过给员工创造一个能创新的工作环境，来实践这一老生常谈。

platitude: (n.) a statement that has been made many times before and is not interesting or clever — used to show disapproval

e.g.: The talk is no more than a platitude.

- 8) The battle **escalated** in 2009 as the two high-tech titans went after each other's market share and revenue stream in Internet search, operating systems, enterprise applications and browsers.

随着这两大高科技巨头在网络搜索、操作系统、企业应用和浏览器等领域相互谋求对方的市场份额和收益源，到2009年这场竞争升级。

escalate: (v.) if fighting, violence, or a bad situation escalates, or if someone escalates it, it becomes much worse

e.g.: We do not want to escalate the war.

- 9) Both tech **conglomerates** realize that growth drivers must be had at the other's expense. 两大技术集团都意识到推动企业增长必须以牺牲对方为代价。

conglomerate: (n.) a large business organization consisting of several different companies that have joined together

e.g.: The firm has been taken over by an American conglomerate.

- 10) Google's governmental **malaise** extends to Europe, where it is being accused of anti-competitive practices by smaller rivals. And in the United States, Google Buzz and Google Book Search are among the Google Web services the FTC and DOJ are looking at.

谷歌与政府的不愉快延伸至欧洲，在那儿谷歌被较小的竞争对手指控进行反竞争行为。在美国，谷歌最新信息搜索和谷歌书目搜索都属于联邦贸易委员会和司法部所监督的网络服务内容。

malaise: (n.) a general feeling that you are not happy in your life

e.g.: One year after the crash, the markets remain mired in a deep malaise.

- 11) Like past **monoliths** of new growth industries, Google appears to be **invincible**. But Google is **vulnerable** just because it is thinly spread in a rapidly changing marketplace where rivals are eating away at the edges and fighting for **turf**.

就像新增长行业中以前的大企业一样，谷歌看上去不可战胜。但是谷歌又是脆弱的，因为它是在一个快速变化的市场中扩展，在这个市场中竞争对手相互啃咬，争夺地盘。

monolith: (n.) a large, powerful organization that cannot change quickly and does not consider the ideas or feelings of the people it affects

e.g.: It is misleading to see the legal system as a monolith.

invincible: (adj.) too strong to be destroyed or defeated

e.g.: Young athletes think of themselves as invincible.

vulnerable: (adj.) that can be easily harmed or hurt

e.g.: We work mainly with the elderly and other vulnerable groups.

turf: (n.) one's own neighborhood or territory.

e.g.: Turf wars are inevitable when two departments are merged.

Suggested translation

产品和服务：创新至关重要 ——谷歌公司案例分析

公司背景

谷歌是一家具有云计算和互联网搜索技术的跨国上市公司。

公司始于1996年1月拉里·佩奇和谢尔盖·布林的研究项目，当时他们俩都是加州斯坦福大学的博士生。两年后，谷歌公司成立。2004年，谷歌以非同寻常的每股85美元的发行价上市，募股融资将近20亿美元，是当时最大的首次发行股票。今天，谷歌是全球各主要市场的顶级网络企业，其市场总值超过1 600亿美元。谷歌总部位于硅谷，办事处分布于北美、欧洲和亚洲，提供和开发众多基于互联网的服务与产品。每天，有上千万人以100多种语言使用这些产品和服务，并已视谷歌和互联网为一体。人们对谷歌已是如此依赖，无法想象没有谷歌将如何生活。

产品和服务

谷歌是一家拥有众多产品的公司。首先，谷歌是一个搜索引擎。纵观其短暂的历史，通过综合考虑总体重要性和查询的相关性，谷歌公司一直专注于打造“完美的搜索引擎”。谷歌公司有上百种产品和服务，其中一些有用的鲜为人知。除了其占支配地位的搜索引擎外，谷歌还提供许多工具和平台，包括其更受欢迎的一些产品。一般来说，谷歌的产品和服务分为十大类：搜索、广告、交流与内容发布、定位、个人生产率、网上购物、商务解决方案、移动产品、发展与社会责任。

以下仅仅是部分谷歌最受欢迎的产品和服务。

谷歌搜索被认为是互联网上最好的搜索引擎，因为它提供来自于全世界无数网址的大量信息。

谷歌图像搜索是网络上最全面的图像搜索之一，它可以让你从整个互联网上的网址中找到图片。

谷歌新闻是互联网上最受欢迎的消息来源之一，因为它接收来自全世界几乎4 500种出版物的新闻和最新新闻摘要。

谷歌广告联盟是谷歌公司所提供的最具吸引力的服务之一，因为它使用户能够通过在自己的网站上发布广告来迅速而轻松地赚钱。许多网站使用广告联盟来使其内容产生经济效益。

谷歌广告词针对文本和横幅两种广告提供关键字点击收费广告和网站配置广告。有了谷歌关键字广告，你可以快捷、简便地为你的业务设计和运作广告。

谷歌电子邮件是一种新的网络邮件，它基于电子邮件可以更直觉、更有效和更有用的理念上。

谷歌博客是一个免费发表博客的工具，用来与世界轻松分享你的想法。

谷歌视频是在线视频服务的领头羊，它使你能够下载视频，与朋友或社区其他成员分享和评论视频。

谷歌地图可能是其同类产品中最受欢迎的，它使用户能够浏览直接从卫星采集的地图和其它图像。

谷歌办公组件是谷歌提供的一款免费的基于网络的文字处理、电子表格、演示文稿、表格和数据储存服务。它使用户能够在线创建和编辑文件，同时与其他用户进行实时协作。

谷歌引擎的动力：创新是关键

谷歌以其创新印记而著名。在咨询公司商业周刊的年度调查中，谷歌一直名列最赋创新能力的公司前二位。

Business Week

2010 Rank	2011 Rank	Company	R & D Spending (2011 US\$ Bil.)
1	1	Apple	\$2.4
2	2	Google	\$5.2
3	3	3M	\$1.6

在当今一分为二的软件和硬件公司中，谷歌是独一无二的，因为在这两大领域，它都是领先者。为了推动其引擎和与搜索相关的服务，谷歌在其量身定做的成千上万台机器上运行已获专利的量身设计的程序。这样，由世界上最具创新性公司进行的科技最优化融合即刻产生了超级搜索结果。英语中还没有一个现存的词可以描述这种软件和硬件如此全方位的天衣无缝的融合，因此，我们为它起了一个名字——“谷歌件”。

谷歌机器的灵魂是快速创新，这是几乎在该公司每一次董事会上都要讨论的最重要的问题。对于公司创始人Brin 和Page而言，在谷歌成长过程中的持续创新是最主要的挑战，因为创新是公司领跑竞争者始终走在前沿的原因。他们敏锐地认识到，在某个地方总有人在努力找到一种更好的、更快的以及更智能的做事的方法。在快速增长当中保持智能创新是一项复杂的任务，这使得其它很多拥有巨大前景的年轻企业感到棘手。

谷歌如何打造创新文化？

谷歌在产品和服务创新方面享有盛誉。谷歌人一直在革新他们现有的产品，也在改变与竞争者之间的游戏。但是，这个始终位于“最佳工作场所”名单前列的公司是如何培育出一个视创新为规则而非例外的环境的呢？

谷歌打造这一企业文化的很大一部分归因于常被人称道，但极少被人效仿的百分之二十规则。所有谷歌公司的工程师有20%的时间做他们倾心想做的项目，这便产生了一些大家所熟知

的谷歌产品，如谷歌电子邮件和谷歌新闻，这些产品在别处可能需要整个初创企业去开发。因此，不管一个项目有多么忙，时间多么紧张，主要参与者仍能够把时间花在他们真正倾心想做的事情上。

付出80%听起来有违直觉，因为我们大多数人漫不经心地向雇主承诺对任何工作任务都会100%地奉献。但是，谷歌的这一策略不但令公司中的一些杰出人才开发出创新产品，而且也造就更满意的员工。

谷歌不仅在产品开发方面进行投入，而且还在员工发展方面进行投入。20%项目是谷歌坚定不移的规则，不会因市场不景气而改动。谷歌并不削减员工的福利待遇，而是保留它们以激励员工留用，并提高其工作满意度。当很多企业都说“员工是我们最重要的资源”时，谷歌通过给员工创造一个能创新的工作环境，来实践这一老生常谈。

谷歌对战微软

由于其中两家最大的公司相互争夺饭碗，技术业就成了一个战场。谷歌，这一世界最成功的网络公司，统治着互联网搜索，而微软这一世界上最大的软件公司，则是操作系统的主宰。两家都试图侵入对方地盘。随着这两大高科技巨头在网络搜索、操作系统、企业应用和浏览器等领域相互谋求对方的市场分额和收益源，到2009年这场竞争升级。由于两家公司都视对方为其基本主打产品的主要威胁，2009年也许只是双方较量的热身，这种较量在接下来的几个月中还会接踵而至。两大技术集团都意识到推动企业增长必须以牺牲对方为代价。微软必须从谷歌互联网的统治地位中侵夺市场份额。另一方面，谷歌必须从互联网将业务拓展到微软涉足的许多市场中的一部分。

谷歌的挑战

挑战来自各个方面。谷歌与微软和苹果的竞争延伸到几个战线。谷歌与政府的不愉快也延伸至欧洲，在那儿谷歌被较小的竞争对手指控进行反竞争行为。在美国，谷歌最新信息搜索和谷歌书目搜索都属于联邦贸易委员会和司法部所监督的网络服务内容。

就像新增长行业中以前的大企业一样，谷歌看上去不可战胜。但是谷歌又是脆弱的，因为它是在一个快速变化的市场中扩展，在这个市场中，竞争对手相互啃咬，争夺地盘。科技或消费者行为的重大转变可能会改变竞争领域，就像曾经发生在广播电视网、音乐公司、电话公司和打字机生产商身上的情形一样。谷歌在搜索、电子邮件、办公应用、社交网络、门户网站和品牌广告、网络浏览器、移动操作系统、广告服务器和交换以及操作系统等方面陷入了最激烈的竞争。

谷歌道路上最大的障碍——就像微软过去多次所发现的那样——是其规模。谷歌已经达到了这样一个拐点：它可能被控告在其主要市场像微软一样占主宰地位。这个互联网巨头已经在隐私保护、版权保护以及其搜索引擎的绝对优势方面与监管机构、立法机构和消费者权益监督部门纠缠不清。

从长远来看，谷歌有一些紧迫问题太容易被投资者低估和忽视：

由于网络搜索、广告和数据管理演变进入到云计算，谷歌能不能或应不应该期望继续在这些复杂领域的主宰地位？

谷歌将如何使用，或被允许使用它所收集和保存的所有用户的大量数据？

在一个复杂的高科技世界，谷歌能精于一切和创新一切吗？

在哪里谷歌能够和应该力争取得最重要的市场发展？
谷歌最终会像以前每一个的强大的垄断者一样脆弱吗？
最终，谷歌可能会变成自己最凶恶的敌人吗？

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: ★

- | | | | |
|----------------------|----------------------|--------------------------|------------------------|
| 1. <u>market cap</u> | 2. <u>innovation</u> | 3. <u>invincible</u> | 4. <u>blog</u> |
| 5. <u>start-up</u> | 6. <u>titan</u> | 7. <u>revenue stream</u> | 8. <u>conglomerate</u> |

- 2** Complete the company profile of Google with the information from Text B.

Suggested answers: ★

Facts about Google Inc.

Company name: Google Inc.

Date of Establishment: 1998

Founders: Larry Page and Sergey Brin

Headquarters: Silicon Valley

Offices: throughout North America, Europe, and Asia

Market Cap: more than \$160 billion

Market Position: a top web property in all major global markets

Products & Services: Search, Advertising, Communication & Publishing, Location, Personal Productivity, Online Shopping, Business Solutions, Mobile, Development and Social Responsibility.

- 3** Read the passage “How Has Google Created a Culture of Innovation?” in Text B and write a summary of it.

Suggested answers: 

A big part of building a culture of innovation at Google is the often-admired but rarely-imitated 20% rule. All Google engineers have 20% of their time to pursue projects that they're passionate about. This has led to the creation of some well-known Google products, like Gmail, and Google News – products that might otherwise have taken entire start-ups to launch.

The 20% project is a fast and firm rule, not to be tampered with during hard times. So no matter how busy, how strapped for time, the key players will still be able to spend time working on their true passions. “Our people are our most important resource,” Google lives this platitude by giving their employees an environment where they can be innovative.

- 4** Translate the following passage into Chinese.

Suggested answers: 

谷歌99%的收入来自其广告项目，它在网络广告市场上实施了各类创新，帮助其成为市场上最大的广告商之一。通过使用双击公司的技术，谷歌能正确地确定用户兴趣和目标广告，从而使之与广告环境以及浏览广告的用户相关。谷歌分析使得网站所有者能追踪了解人们在哪里以及如何使用了它们的网站，这样就能进行更深入的研究，如何将网络用户带到你想让他们去的地方。

Business Focus

Brainstorming

What Is Brainstorming?

Brainstorming is a popular tool that helps you generate creative solutions to a problem. It combines a relaxed, informal approach to problem-solving with lateral thinking. It asks that people come up with ideas and thoughts that can at first seem to be a bit crazy. The idea here is that some of these ideas can be crafted into original, creative solutions to the problem you're trying to solve, while others can spark still more ideas. This approach aims to get people unstuck, by “jolting” them out of their normal ways of thinking.

Individual Brainstorming

While group brainstorming is often more effective at generating ideas than normal group problem-solving, study after study has shown that when individuals brainstorm on their own, they come up with more ideas (and often better quality ideas) than groups of people who brainstorm together.

When you brainstorm on your own, you'll tend to produce a wider range of ideas than with group brainstorming – you do not have to worry about other people's egos or opinions, and can therefore be more freely creative. For example, you might find that an idea you'd be hesitant to bring up in a group session develops into something quite special when you explore it with individual brainstorming. Nor do you have to wait for others to stop speaking before you contribute your own ideas.

Group Brainstorming

When it works, group brainstorming can be very effective for bringing the full experience and creativity of all members of the group to bear on an issue. Group brainstorming can develop ideas in more depth than individual brainstorming.

Another advantage of group brainstorming is that it helps everyone involved to feel that they've contributed to the end solution, and it reminds people that other people have creative ideas to offer. What's more, brainstorming is fun, and it can be great for team-building!

Brainstorming in a group can be risky for individuals. Valuable but strange suggestions may appear stupid at first sight. Because of this, you need to chair sessions tightly so that ideas are not crushed, and so that the usual issues with group problem-solving don't stifle creativity.

How to Use the Tool:

You can often get the best results by combining individual and group brainstorming, and by managing the process carefully and according to the "rules" below. That way, you get people to focus on the issue without interruption (this comes from having everyone in a dedicated group meeting), you maximize the number of ideas you can generate, and you get that great feeling of team bonding that comes with a well-run brainstorming session!

To run a group brainstorming session effectively, do the following:

- Find a comfortable meeting environment, and set it up ready for the session.
- Appoint one person to record the ideas that come from the session. These should be noted in a format that everyone can see and refer to. Depending on the approach you want to use, you may want to record ideas on flip charts, whiteboards, or computers with data projectors.
- If people aren't already used to working together, consider using an appropriate warm-up exercise or ice-breaker.
- Define the problem you want solved clearly, and lay out any criteria to be met.

Make it clear that that the objective of the meeting is to generate as many ideas as possible.

- Give people plenty of time *on their own* at the start of the session to generate as many ideas as possible.
- Ask people to give their ideas, making sure that you give everyone a fair opportunity to contribute.
- Encourage people to develop other people's ideas, or to use other ideas to create new ones.
- Encourage an enthusiastic, uncritical attitude among members of the group. Try to get everyone to contribute and develop ideas, including the quietest members of the group.
- Ensure that no one criticizes or evaluates ideas during the session. Criticism introduces an element of risk for group members when putting forward an idea. This stifles creativity and cripples the free running nature of a good brainstorming session.
- Let people have fun brainstorming. Encourage them to come up with as many ideas as possible, from solidly practical ones to wildly impractical ones. Welcome creativity!
- Ensure that no train of thought is followed for too long. Make sure that you generate a sufficient number of different ideas, as well as exploring individual ideas in detail.
- In a long session, take plenty of breaks so that people can continue to concentrate.

Where possible, participants in the brainstorming process should come from as wide a range of disciplines as possible. This brings a broad range of experience to the session and helps to make it more creative. However, don't make the group too big – groups of between 5 and 7 people are often most effective.

Related Theories

The Definition of Innovation

Innovation is a change in the thought process for doing something, or the useful application of new inventions or discoveries. It may refer to an incremental emergent or radical and revolutionary changes in thinking, products, processes, or organizations. Following Schumpeter (1934), contributors to the scholarly literature on innovation typically distinguish between invention, an idea made manifest, and innovation,

ideas applied successfully in practice. In many fields, such as the arts, economics and government policy, something new must be substantially different to be innovative. In economics the change must increase value, customer value, or producer value. The goal of innovation is positive change, to make someone or something better. Innovation leading to increased productivity is the fundamental source of increasing wealth in an economy.

Economic Conceptions

Joseph Schumpeter defined economic innovation in “Theorie der Wirtschaftlichen Entwicklung” (1912). (The Theory of Economic Development, 1934, Harvard University Press, Boston.)

- 1 The introduction of a new good — that is one with which consumers are not yet familiar — or of a new quality of a good.
- 2 The introduction of a new method of production, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.
- 3 The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- 4 The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.
- 5 The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position

Distinguishing from Invention

Invention is the embodiment of something new. While both invention and innovation have “uniqueness” implications, innovation also carries an undertone of profitability and market performance expectation.

An improvement on an existing form or embodiment, composition or processes might be an invention, an innovation, both or neither if it is not substantial enough. According to certain business literature, an idea, a change or an improvement is only an innovation when it is put to use and effectively causes a social or commercial reorganization.

In business, innovation can be easily distinguished from invention. Invention is the conversion of cash into ideas. Innovation is the conversion of ideas into cash. This is best described by comparing Thomas Edison with Nikola Tesla. Thomas Edison was an innovator because he made money from his ideas. Nikola Tesla was an inventor. Tesla spent money to create his inventions but was unable to monetize them. Innovators produce, market and profit from their innovations. Inventors may or may not profit from

their work.

Sources of Innovation

There are several sources of innovation. In the linear model of innovation the traditionally recognized source is manufacturer innovation. This is where an agent (person or business) innovates in order to sell the innovation. Another source of innovation, only now becoming widely recognized, is end-user innovation. This is where an agent (person or company) develops an innovation for their own (personal or in-house) use because existing products do not meet their needs. Eric von Hippel has identified end-user innovation as, by far, the most important and critical in his classic book on the subject, *Sources of Innovation*.

Joseph F. Engelberger, paraphrasing the conclusion of the 1967 US DoD program “Project Hindsight”, says that innovations require only three things: 1. A recognized need, 2. Competent people with relevant technology, and 3. Financial support.

Innovation by businesses is achieved in many ways, with much attention now given to formal research and development for “breakthrough innovations.” But innovations may be developed by less formal on-the-job modifications of practice, through exchange and combination of professional experience and by many other routes. The more radical and revolutionary innovations tend to emerge from R&D, while more incremental innovations may emerge from practice — but there are many exceptions to each of these trends. Accelerated radical innovation is another buzzword topping radical innovation expressing the target to move things quicker than by relying on the ideas flowing in from inventors. Users as customers buying products or using services are an important factor in innovation. Firms may incorporate users in focus groups (user centred approach), work closely with so called lead users (lead user approach) or users might adapt their products themselves. Regarding this user innovation, a great deal of innovation is done by those actually implementing and using technologies and products as part of their normal activities. In most of the times user innovators have some personal record motivating them. Sometimes user-innovators may become entrepreneurs, selling their product, they may choose to trade their innovation in exchange for other innovations, or they may be adopted by their suppliers. Nowadays, they may also choose to freely reveal their innovations, using methods like open source. In such networks of innovation the users or communities of users can further develop technologies and reinvent their social meaning.

Whether innovation is mainly supply-pushed (based on new technological possibilities) or demand-led (based on social needs and market requirements) has been a hotly debated topic. Similarly, what exactly drives innovation in organizations and economies remains an open question.

The World's Most Innovative Companies 2010

Even in these tough times, surprising and extraordinary efforts are under way in businesses across globe. From Politics to technology, energy, and transportation; from marketing to retail, health care, and design, each company on the following pages illustrates the power and potential of innovative ideas and creative execution.

Top 10 BY Industry			
		1. Facebook	LAST YEAR 15
		2. Amazon	LAST YEAR 9
Advertising & Marketing	◀	3. Apple	LAST YEAR 4
Architecture	◀	4. Google	LAST YEAR 2
Biotech	▶	5. Huawei	NEW !
China	▶	6. First Solar	LAST YEAR 18
Consumer Electronics	▶	7. PG&E	NEW !
Consumer Products	▶	8. Novartis	NEW !
Defense	▶	9. Walmart	LAST YEAR 33
Design	▶	10. HP	LAST YEAR 12
Energy	▶		
Fashion	▶		



Unit 2

International Operations

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of international operations;
- Understand the significance of international operation strategies for the success of business in the process of globalization;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Opening Case</p> <p>Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.</p>	Group discussion and problem solving.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Related Theories</p> <p>Based on the opening case, the teacher holds a discussion about the motivation, strategies of international operation in some famous transnational companies, and helps students gain a general understanding of international operations.</p>	Formal lecture interspersed with questions to/from the students.
Sections III-IV	<p>Case Study</p> <p>According to the tasks set for case study, teacher helps the students to make a case analysis step by step.</p> <p>Focus on Skills</p> <p>Students finish the exercises in Language Focus; teacher explains creative thinking technique — PEST analysis.</p>	<p>Case study and problem solving — teacher-guided.</p> <p>Independent study; Group discussion — teacher-guided.</p>

Background Information

1 Logitech International S.A. (Logitech)

Company Information

Logitech International S.A. (Logitech), headquartered in Romanel-sur-Morges, Switzerland, is the holding company for Logitech Group, a Swiss peripheral-device maker. Logitech makes peripheral devices for PCs, including keyboards, mice, game controllers and webcams. Logitech also makes home and computer speakers, headphones, wireless audio devices, as well as audio devices for MP3 players and mobile phones.

In addition to its Swiss headquarters, the company has offices in Fremont, California, as well as throughout Europe, Asia and the rest of Americas. Logitech's sales and marketing activities are organized into six geographic regions: Americas, Europe, Middle East, Africa, Australia, and Asia Pacific.

The Company develops and markets products in personal computer (PC) navigation, Internet communications, digital music, home-entertainment control, gaming and wireless devices. On December 11, 2009, the Company entered the market for enterprise video conferencing products and services. The Company operates in two industry segments, personal peripherals and video conferencing. The personal peripherals segment

encompasses the design, manufacturing and marketing of personal peripherals for PCs and other digital platforms. The video conferencing segment consists of the LifeSize division, and encompasses the design, manufacturing and marketing of high-definition (HD) video and audio communication products for the enterprise and small-to-medium business markets.

Production

The first Logitech mice were made in Le Lieu, in the Swiss Canton of Vaud by Dubois Depraz SA. Production facilities were then established in the US, Taiwan, Ireland and moved subsequently to Suzhou, China. As of 2005, the manufacturing operations in China produce approximately half of Logitech's products. The remaining production is outsourced to contract manufacturers and original design manufacturers in Asia. In December 2008, Logitech announced the production of its billionth mouse.

2 *IKEA (Ingvar Kamprad Elmtaryd Agunnaryd)*

Company Information

IKEA is a privately held, international home products retailer that sells flat pack furniture, accessories, and bathroom and kitchen items in their retail stores around the world. The company, which pioneered flat-pack design furniture at affordable prices, is now the world's largest furniture retailer.

IKEA was founded in 1943 by 17-year-old Ingvar Kamprad in Sweden. Currently, the company is owned by a Dutch-registered foundation that is believed to be controlled by the Kamprad family. IKEA is an acronym comprising the initials of the founder's name (Ingvar Kamprad), the farm where he grew up (Elmtaryd), and his home parish (Agunnaryd, in Småland, South Sweden).

INGKA Holding B.V. is the parent company for all IKEA Group companies, including the industrial group Swedwood, which commissions the manufacturing of IKEA furniture coming from any manufacturer worldwide (outsourcing), the sales companies that run IKEA stores, as well as purchasing and supply functions, and IKEA of Sweden, which is responsible for the design and development of products in the IKEA range. INGKA Holding B.V. is wholly owned by Stichting INGKA Foundation, which is a non-profit foundation registered in Leiden, Netherlands. The logistics centre Europe is located in Dortmund, Germany.

Inter IKEA Systems B.V. in Delft, also in the Netherlands, owns the IKEA concept and trademark, and there is a franchising agreement with every IKEA store in the world. The IKEA Group is the biggest franchisee of Inter IKEA Systems B.V. Inter IKEA Systems B.V. is not owned by INGKA Holding B.V., but by Inter IKEA Holding S.A. registered in Luxembourg, which in turn is part of Inter IKEA Holding registered in the Netherlands Antilles. The ownership of the holding companies has not been disclosed.

General Overview

The company which was originated in Småland, Sweden, distributes its products through its retail outlets. As of May 2010, the chain has 313 stores in 37 countries, most of them in Europe, North America, Asia and Australia. The IKEA Group itself owns 276 stores in 25 countries and the other 37 stores are owned and run by franchisees outside the IKEA Group in 16 countries/territories. 2006 saw the opening of 16 new stores. A total of at least 15 openings or relocations are planned for 2010.

In most languages, “IKEA” is pronounced something like [i'kea], but in English it is /aɪ'ki:ə/, similar to the word “idea.” As such, IKEA brought action in the Supreme Court of British Columbia successfully preventing a competitor in Victoria from using the name “Idea.” Its Chinese name is “宜家” (yíjiā), which literally means “fit for home” in written Chinese and sounds like the phrase “right now” in Cantonese pronunciation.

The IKEA Website contains about 12,000 products and is the closest representation of the entire IKEA range. There were over 470 million visitors to the IKEA websites in the year from Sep. 2007-Sep. 2008.

IKEA is keen to show leadership in adopting more environmentally friendly measures in its manufacturing processes. In 1990, IKEA adopted The Natural Step framework as the basis for its environmental plan (see “Environmental performance”, below).

IKEA Stores

The first IKEA store was opened in Sweden in 1958. The first stores outside Sweden were opened in Norway (1963) and Denmark (1969). The 1970s saw the spread of stores to other parts of Europe, with the first store outside Scandinavia opening in Switzerland (1973), followed by Germany (1974). During the same decade, stores were opened in other parts of the world, including Japan (1974), Australia and Hong Kong (1975), Canada (1976), and Singapore (1978). IKEA has expanded further in the 1980s, opening stores in such locations as France (1981), the Canary Islands (1981), Belgium (1984), the United States of America (1985), the United Kingdom (1987), and Italy (1989). IKEA has continued expansion into more countries in the 1990s and 2000s. Germany, with 44 stores, is IKEA's biggest market, followed by the United States, with 37. At the end of 2009 financial year IKEA group had 267 stores in 25 countries. The first IKEA store in Latin America opened in February 17, 2010 in Santo Domingo, Dominican Republic. However, the company has thus far not shown much of a presence in the developing countries.

Store Format

Older IKEA stores are usually very large blue buildings with few windows and yellow accents (the company's colors are also the national colors of Sweden). They are often designed around a “one-way” layout which leads customers along “the long natural way.” This layout is designed to encourage the customer to see the store in its entirety (as opposed to a traditional retail store, which allows a consumer to go right to the section

where the goods and services needed are displayed) although there are often shortcuts to other parts of the showroom. The sequence first involves going through furniture showrooms making note of selected items.

Then the customer collects a shopping cart and proceeds to an open-shelf warehouse for smaller items (Market Hall). Then the customer visits the furniture warehouse (Self Serve) where they collect previously noted showroom products in flat pack form. Sometimes they are directed to collect products from an external warehouse on the same site or at a site nearby. Finally they take their products to the cashier's station to make payment.

Newer IKEA stores, like the one in Mönchengladbach, Germany, make more use of glass, both for aesthetic and functional reasons. Skylights are also now common in the Self-serve warehouses. More natural light reduces energy costs, improves worker morale and gives a better impression of the product.

Whilst the original design involved the warehouse on the lower level and the showroom and marketplace on the upper, today most stores globally have the Showroom upstairs with the marketplace and warehouse downstairs. Additionally, some stores are single level. Some stores maintain separate warehouses to allow more stock to be kept on-site at any given time, although this occasionally results in challenges in finding the items, as well as a perception of having to queue in line twice. Single-level stores are found predominantly in areas where the cost of land would be less than the cost of building a 2-level store – examples include the store in Saarlouis, Germany and Haparanda, Sweden. Some stores also have dual level warehouses and machine controlled silos which allow large quantities of stock to be accessed throughout the selling day.

Most IKEA stores offer an “as-is” area at the end of the warehouse just prior to the cashiers. Returned, damaged and formerly showcased products which are not in new condition or taken out of the IKEA product range are displayed here, and sold with a significant discount, but also with a “no-returns” policy. Most IKEA stores communicate the IKEA policy on environmental issues in the “as-is.” In the United Kingdom, this is referred to as “Bargain Corner.”

In Hong Kong, where shop space is limited and costly, IKEA has opened three outlets across the city, which are actually part of shopping malls. They are tiny compared to common “large blue box” store design, but are huge by Hong Kong standard. Most of the outlets still have a “one-way” layout. An exception is the newest outlet in Telford Plaza, where the three independent floors can be accessed freely from each. However, following IKEA tradition, the cashiers are only located on the lowest floor.

The vast majority of IKEA stores are located outside of city centers, primarily because of land cost and traffic access. Several smaller store formats have been unsuccessfully tested in the past (the “midi” concept in the early 90s, which was tested in Ottawa and

Heerlen with 9,300 m², or a “boutique” shop in Manhattan). A new format for a full-size, city centre store was introduced with the opening of the Coventry (UK) store in December 2007. This is in response to UK government restrictions blocking retail establishment outside city centers, and the format is expected to be used for future IKEA stores in the UK. The Coventry store has 7 levels and therefore has a flow different from other IKEA stores.

Another feature of many stores is their long opening hours. Many IKEA stores are in operation 24 hours a day with restocking and maintenance being carried out throughout the night. However, public opening hours tend to be much longer than most other retailers, with stores open well into the evening in many countries. In the UK for example, almost all stores are open past 8pm with opening times often around 9-10 am. IKEA Croydon has one of the longest opening hours worldwide being open from 10am to 11pm Monday to Friday.

Småland

Many stores have a play area, named Småland (Swedish for small lands, and also the name of the province of Sweden where Ingvar Kamprad was born). Parents drop off their children at a gate to the playground, and pick them up after they arrive at another entrance. Parents are also given free papers by the on-site staff; the staff will set off these papers should a child need his or her parents sooner than expected.

Products

Furniture

Much of IKEA's furniture is designed to be assembled by the consumer rather than being sold pre-assembled. IKEA claims this permits them to reduce costs and use of packaging by not shipping air; the volume of a bookcase, for example, is considerably less if it is shipped unassembled rather than assembled. This is also a practical point for many of the chain's European customers, where public transport is commonly used; the flat-pack distribution methods allow for easier transport via public transport from the store to a home assembly.

IKEA contends that it has been a pioneering force in sustainable approaches to mass consumer culture. Kamprad refers to the concept as “democratic design,” meaning that the company applies an integrated approach to manufacturing and design (see also environmental design). In response to the explosion of human population and material expectations in the 20th and 21st century, the company implements economies of scale, capturing material streams and creating manufacturing processes that hold costs and resource use down, such as the extensive use of particle board. The intended result is flexible, adaptable home furnishings, scalable both to smaller homes and dwellings as well as large houses.

Not all furniture is stocked at the store level. For example, while a particular color of sofa model may be stocked and can be picked up at the store, another color of the same model that is not available in the store will instead have to be shipped from a warehouse to

the customer's home for an additional delivery charge. Unlike with other retail stores, any requests for a model to be shipped from the warehouse to the store for pickup would also incur the same delivery charge to the customer. Delivery charges can easily add another 10% to 25% to the purchase price.

Houses, flats

IKEA has also expanded their product base to include flat-pack houses, in an effort to cut prices involved in a first-time buyer's home. The product, named BoKlok was launched in Sweden in 1996 in a joint venture with Skanska. Now working in the Nordic countries and in UK, sites confirmed in England include London, Manchester, Leeds, Gateshead and Liverpool.

Manufacturing

Although IKEA household products and furniture are designed in Sweden, they are largely manufactured in developing countries to keep down costs. With suppliers in 50 countries, roughly 2/3 of purchasing is from Europe with about 1/3 from Asia. A small amount of products are produced in North America. Comparatively little production actually takes place in Sweden, though it still remains the fourth-largest supplier country (behind China, Poland and Italy). China accounts for about 2.5 times as much supply as Sweden. For most of its products, the final assembly is performed by the end-user (consumer).

Corporate Structure

Despite its Swedish roots, IKEA is owned and operated by a complicated array of not-for-profit and for-profit corporations.

The IKEA corporate structure is divided into two main parts: operations and franchising. Most of IKEA's operations, including the management of the majority of its stores, the design and manufacture of its furniture, and purchasing and supply functions are overseen by INGKA Holding, a private, for-profit Dutch company. Of the IKEA stores in 36 countries, 235 are run by the INGKA Holding. The remaining 30 stores are run by franchisees outside of the INGKA Holding.

INGKA Holding is not an independent company, but is wholly owned by the Stichting Ingka Foundation, which Kamprad established in 1982 in the Netherlands as a tax-exempt, not-for-profit foundation. The Ingka Foundation is controlled by a five-member executive committee that is chaired by Kamprad and includes his wife and attorney.

While most IKEA stores operate under the direct purview of Ingka Holding and the Ingka Foundation, the IKEA trademark and concept is owned by an entirely separate Dutch company, Inter IKEA Systems. Every IKEA store, including those run by Ingka Holding, pays a franchise fee of 3% of the revenue to Inter IKEA Systems. The ownership of Inter IKEA Systems is exceedingly complicated and, ultimately, uncertain. Inter IKEA Systems is owned by Inter IKEA Holding, a company registered in Luxembourg. Inter IKEA Holding,

in turn, belongs to an identically named company in the Netherlands Antilles that is run by a trust company based in Curaçao. The owners of this trust company are unknown (IKEA refuses to identify them) but are assumed to be members of the Kamprad family.

In Australia, IKEA is operated by two companies. Stores located on the East Coast including Queensland, New South Wales, and Victoria are owned by INGKA Holding. Stores elsewhere in the country including South Australia and Western Australia are owned by Cebas Pty Ltd. Like elsewhere, all stores are operated under a franchise agreement with Inter IKEA Systems.

Lecturing Hints

Opening Case

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers: 

- 1) Of course, Logitech is a 'born global' firm. Because the founders had a global vision from the start. The company did not follow the traditional preference of start-ups to target niche markets. Within five years of inception Logitech had operations in three locations (Switzerland, USA and Taiwan), including research and development and manufacturing.
- 2) Fremont locates in California, close to many of America's high-technology enterprises. Here Logitech can easily recruit employees undertaking R&D work (primarily software programming). More importantly, compared with Switzerland, Fremont is an optimal choice as the headquarters for the company's global marketing, finance and logistics operations.
- 3) China not only has large workforce with comprehensive technical education, it also has the kind of economic foundation that many high-tech and information-sector companies need. China's influence in the world economy was minimal until the late 1980s. At that time, economic reforms initiated after 1978 began to generate significant and steady growth in investment, consumption and standards of living. China now participates extensively in the world market and private sector companies play a major

role in the economy. It has been contended that China has become a price setter for the labor-extensive manufactured goods in the world market. China's integration into the world economy will help reduce price volatility in world prices.

4) (Open)

3 *The teacher analyzes the passage and explains the difficult sentences and key words.*

1) Within five years of **inception**, Logitech had operations in three global locations, including research and development and manufacturing.

罗技公司在初创的5年内，就在全球3个地点开展了包括研究、开发和生产在内的经营。

inception: (n.) the beginning of something, such as an undertaking; commencement
e.g.: Since its inception, the fund has held the backing to the note issue.

2) It was the first company to introduce a mouse that used **infrared** tracking rather than a tracking ball, and the first to introduce wireless mice and keyboard.

罗技公司是第一家推行使用红外线跟踪鼠标取代跟踪球鼠标的公司，也是第一家推行无线鼠标和无线键盘的公司。

infrared: (adj.) of or relating to the range of invisible radiation wavelengths from about 750 nanometers, just longer than red in the visible spectrum, to 1 millimeter, on the border of the microwave region.

e.g.: Advanced Inspection Technologies is happy to offer the Testo 881 infrared camera which provides a superior image for the most demanding inspector.

Suggested translation

罗技的全球化经营

罗技国际上市公司是一家为电脑和其它数码平台提供个人外围设备的供应商。该公司致力于开发和销售个人电脑导航、网络通信、数码音乐、家庭娱乐控制器、无线设备等产品。

罗技公司于1982年在瑞士的Apples市由两位意大利人Giacomo Marini 和Pierluigi Zappacosta 以及一位瑞士人Daniel Borel共同创办，该公司因其为世界上最大的电脑鼠标生产商之一而声名卓著。创办者一开始就具有全球眼光，公司没有遵从传统的瞄准利基市场的起始模式。罗技公司在初创的5年内，就在全球3个地点开展了包括研究、开发和生产在内的经营。公司现在的年销售额多于20亿美元，大多来自像鼠标、键盘和低成本的视频凸轮。

罗技公司在激烈竞争的个人电脑外围设备市场凭借技术创新赢得声望。罗技公司是第一家推行使用红外线跟踪鼠标取代跟踪球鼠标的公司，也是第一家推行无线鼠标和无线键盘的公司。罗技公司与其竞争者不同之处在于其不断创新、品牌知名度高以及强大的零售业务。

现在罗技公司依然在瑞士进行基本的研发工作（主要是软件编程），那里有200个员工。事实上，公司在法律上依然是隶属瑞士，但是公司总部却在加利福尼亚州的弗里蒙特，紧邻美国许多高科技公司。弗里蒙特有450个员工，有些研发工作（也主要是软件编程）也在这里进

行。然而最重要的是，弗里蒙特是公司全球销售、财务和物流运转的总部。罗技产品的人体工程学设计——样式和感觉——是由爱尔兰的一家外部设计公司负责。罗技公司的产品在亚洲生产。

到了20世纪90年代末期，罗技需要更大的产能。这次它转向了中国，公司大量的零售产品都在这里制造。就拿公司销售量最大的一种叫做Wanda的红外无线鼠标为例。这种鼠标在中国苏州一家罗技全资工厂组装，这个工厂有4000名员工，多数是像李娟这样的年轻女孩，19岁的李娟来自江西一个贫困的农村地区。月工资相当于75美元的她在传输带边坐一整天把三个细小的金属片插入电路板，每天重复插大约2千次。由李娟协助组装的鼠标卖给美国的消费者大约40美元一个。这40美元当中，罗技拿了8美元用于研发、开拓市场和公司经营的费用。从8美元扣除公司运营开销后剩余的部分属于罗技股东的利润。全球的分销商和零售商再拿掉15美元，其余14美元进了制造Wanda 零部件的供应商口袋。例如说，摩托罗拉的马来西亚厂家制造鼠标芯片，另一家美国公司，安捷伦科技公司的菲律宾厂家提供光学传感器。扣除这些剩下的3美元就是留给中国工厂的，用来支付工资、电费、运输费和其他营运成本。

Case Study

- 1 Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2 Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about IKEA.

Suggested answers: 

IKEA may be the world's most successful global retailer. Established by Ingvar Kamprad in Sweden in 1943 with 340 stores in 40 countries and regions, most of them in Europe, North America, Asia and Australia, IKEA sells flat pack furniture, accessories, and bathroom and kitchen items in their retail stores around the world. The 'IKEA formula', crucial to its international success, has developed gradually over time. The formula includes: low-cost service and the showroom/warehouse idea; low-cost, in-house design; flat packing; low-cost supply, low-cost materials and design; mobilizing staff's intuition and learning; diversification; and designing for children. Despite its standard formula, to achieve global success IKEA has to adapt its offerings to the tastes and preferences of consumers in different nations. As it expands overseas, IKEA continues to adapt to local requirements while trying to retain its low-cost strategy. However, this target has proven challenging for IKEA in a number of countries.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) IKEA's success, to a large degree has been shaped by the company's founder Ingvar Kamprad. He held a strong personal belief that if the furniture he sold was of a high quality and low enough in price then people would buy lots of it, and this certainly proved to be right. IKEA's pricing and catering to the local population (race, income bracket, etc) all contribute to the success of IKEA. The fact that they take each separate location and cater it to the local people surrounding it, definitely attract people of all economic brackets but their core competencies lie in ① cost leadership, i.e.: they can afford to make and sell stuff for a price that others cannot possibly match; ② Ability to come up with practical in-house quality designs and the ability to mass-produce them to keep costs low.
- 2) IKEA has diversified its product variety, organizational culture and management as it increases its investment in North America, Eastern Europe and Asia through the lens of both corporate and national culture.
- 3) IKEA began to expand internationally in 1963, opening its first international store in Norway. In its initial push to expand globally, IKEA used the same products and the same operational formulae but largely ignored the retailing rule that international success involves tailoring product lines closely to national tastes and preferences. This lack of adaptation to local circumstances caused serious problems when IKEA entered the US market. To solve this problem, besides redesigning its products, IKEA also adapted its routines in the US. However, even when adapting to the specificities of the different national markets, IKEA still followed its low-price focus.
- 4) As the end of the 20th century neared, there were a few possible causes for concern in the future. Some feared that the saturation point in the number of stores may have been reached already in some countries — for example Sweden, Germany, Belgium, and the Netherlands. This would mean that the potential for continued future growth at the same rate would possibly decrease, unless IKEA continued to aggressively enter new markets around the world. In these other developed countries that were less saturated by the IKEA concept, possible expansion was linked to trends in the birth rate, new housing starts, and the age structure of the population. (open)

- 4** Ask students to summarize Text B, identifying IKEA's operations concept around the world and discussing how IKEA will rise to the challenges in the international operations

Suggested answers: 

Operations concept:

Like all great business success stories, IKEA's is based on a simple yet effective concept — by offering a wide range of well-designed, functional home furnishings at affordable prices. Rather than selling expensive home furnishings that only a few can buy, the IKEA concept makes it possible to serve the many by providing low-priced products to help more people live a better life at home. The IKEA concept guides the way IKEA products are designed, manufactured, transported, sold and assembled. All of these factors contribute to transforming the IKEA concept into a reality.

Rising to the challenges in the international operations:

In the 1990s and the early twenty-first century, IKEA kept on its expansion, forging into Hungary (1990), Poland(1990s), the Czech Republic (1991), the United Arab Emirates (1991), Spain (1996), China (1998), Russia (2000) and Portugal (2004), with many more stores scheduled to open in the near future. Furthermore, IKEA is extending its product lines. It has added a new line of IKEA-branded kitchen appliances, such as refrigerators, dishwashers and microwave ovens; it schemes to add a line of private label grocery specialities (2006), such as smoked elk sausage. As it expands overseas, IKEA continues to adapt to local requirements while trying to retain its low-cost strategy.

- 5** Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

IKEA took several actions to overcome those challenges:

- 1) Defining the IKEA concept and philosophy in a document, written by Ingvar Kamprad helped the managers and the workers to better understand the concept of the company.
- 2) Standardization of IKEA approach, emerging a uniform concept to regional IKEA branches, creating detailed guidelines regarding the management and operating the stores, development of products, IKEA signs, architecture of the IKEA stores. Those steps helped to preserve the company identity.
- 3) Creating Expansion Groups and Operations Groups, these are made up of people that

deeply understand and are willing to apply the company culture, whose role is to plan expansion to new markets, establish operations, open new branches and train new staff to suit the organizational culture of the company. These steps also helped to preserve the company identity and to expose the new staff to the IKEA values and culture.

- 4) Central controlling of purchase, distribution and design functions of the stores in order to preserve the spirit and homogeneity of the company.
- 5) Preserving homogeneity of Scandinavian in senior management groups is used for better applying Scandinavian management philosophy while managing IKEA.
- 6) Putting extra emphasis on the corporate Swedish identity of the company for emphasizing the differentiation of the company and preventing from imitating.
- 7) Maintaining long-term relationship with suppliers in order to assure low and stable costs.

6 *The teacher analyzes the passage and explains the difficult sentences and key words.*

- 1) The company, which pioneered flat-pack design furniture at **affordable** prices, is now the world's largest furniture retailer.

宜家是大眾消费得起的平装设计家具的先驱者，现在是全球最大的家具零售商。

affordable: (adj.) that can be afforded

e.g.: I only hope they will remain competitive and affordable to our customers.

- 2) The IKEA Group itself owns 298 stores in 26 countries and the other 42 stores are owned and run by **franchisees** outside the IKEA Group in 16 countries/territories.

宜家集团自己在26个国家拥有298家店，而在另外16个国家和地区的42家店由宜家集团外的特许经营商经营和管理。

franchisee: (n.) an individual or a company that has the right to sell or rent another firm's products and to use its name

e.g.: Route 3 (Country Park Section) is managed and operated by the private sector franchisee.

- 3) The 'IKEA formula', **crucial** to its international success, has developed gradually over time.

对宜家公司的国际化成功起着至关重要的“宜家模式”是多年逐渐发展起来的。

crucial: (adj.) extremely significant or important

e.g.: It is also crucial to understand how your customers buy.

- 4) A low price is the result of a **methodical**, systematic approach from initial idea through product development, distribution and retail all the way to the customer's **dwelling**.

低价是从最初理念经过产品开发、配销、零售等一步步有条不紊的系统化发展的结果。

methodical: (adj.) arranged or proceeding in regular, systematic order

e.g.: These are methodical and systematic characteristics that would be useful in business.

dwelling: (n.) a place to live in; an abode

e.g.: Some 3,500 new dwellings are planned for this area.

- 5) The importance of selling at a low price was **ingrained** in Ingvar Kamprad, the founder of IKEA, even before he established IKEA in 1943.

甚至在1943年Ingvar Kamprad建立宜家公司之前，低价销售的重要性就深深地铭刻在这位宜家创始人的脑海中。

ingrain: (v.) to impress deeply on the mind or nature

e.g.: At small companies especially, green benefits can be an easy and effective way to ingrain a workplaces eco-friendly mission.

- 6) While his business grew, Kamprad **commenced** to advertise via both local newspapers and mail-order catalogues.

随着事业的逐渐发展，Kamprad开始在当地报纸和邮购目录上做广告。

commence: (v.) to enter upon or have a beginning; start

e.g.: Cone Denim (Jiaxing) Ltd. is targeted to commence its production in the first quarter of 2007.

- 7) Similar to the opening of its warehouse, in-house furniture design was initiated as a response to problem: in this case, furniture supplier **boycotts instigated** by IKEA's competitors.

情况与开办货仓相似，室内家具设计源于要解决这样的一个难题：当时的情形是，家具供应商受到宜家竞争对手的怂恿拒绝供货。

boycott: (n.) the act of refusing to get involved with

e.g.: The FTC (联邦贸易委员会) proved that the boycott affected price competition and had no reasonable justification.

instigate: (v.) to urge on; goad

e.g.: They instigated or forced others to conduct operation at risk of violating the rules on fire control safety, but did not cause serious results.

- 8) This act **unintentionally** initiated IKEA's novel business approach whereby customers could easily transport the **merchandise** in their own vehicles and assemble them later.

这个行为不经意地开创了宜家新的经营方式，顾客可以用自己的车辆轻而易举地运输购得的商品并在以后加以装配。

unintentionally: (adv.) without intention; in an unintentional manner

e.g.: I offended him quite unintentionally.

merchandise: (n.) goods bought and sold in business; commercial wares

e.g.: We can supply any reasonable quantity of this merchandise.

- 9) To reduce logistics costs further, IKEA **endeavors** to build new stores around its central warehouses.

为了进一步减少物流成本，宜家公司致力于在其中心货仓的周围建立新店。

endeavor: (v.) to attempt (fulfillment of a responsibility or an obligation, for example) by employment or expenditure of effort

e.g.: The Store Manager endeavored to satisfy the resentful customer's demand, but in vain.

- 10) IKEA tries to achieve this through both maximum **decentralization** and extensive internal training.

宜家公司努力通过最大限度的分权和大规模的内部培训来实现这个目标。

decentralization: (n.) to distribute the administrative functions or powers of (a central authority) among several local authorities

e.g.: The multiple market approach implies a high degree of decentralization.

- 11) In the early 1990s, IKEA **confronted** two major challenges, partially as a result of its rapid expansion.

在20世纪90年代初期，宜家公司面临两大挑战，部分是由于它迅速扩张引起的。

confront: (v.) to come face to face with, especially with defiance or trouble

e.g.: During the reign of King Louis XVI, France was forced to confront a major financial crisis which had been brewing for decades.

- 12) For example, in Warsaw, Poland, IKEA discovered that a full replication of its success formula would make IKEA stores too **costly** for the Poles, so it decided to install fewer toilets and **eliminate** air conditioning, essentially making the new stores look like 'what IKEA stores looked like 20 years ago'.

例如说，在波兰的华沙，宜家公司发现原封不动地照搬宜家的成功公式将会使波兰人觉得店铺太奢华昂贵，所以宜家公司决定减少安装洗手间并拆除空调，使这些新店看起来基本上就像“20年前宜家店的样子”。

costly: (adj.) of high price or value; expensive

e.g.: This method allows the user to use the tool through Web browser without the need of maintaining and investing in any costly software and hardware.

eliminate: (v.) to get rid of; remove

e.g.: Nowadays, some transnational firms are trying to use digital delivery to eliminate the middleman.

Suggested translation

瑞典零售商如何成为一家风靡全球的品牌 ——宜家个案研究

公司背景资料

宜家（全名是Ingvar Kamprad Elmtaryd Agunnaryd）是一家私营国际家居产品零售商，其全球零售店经营平装家具、家具附件、卫浴和厨具产品。宜家是大众消费得起的平装设计家具的先驱者，现在是全球最大的家具零售商。公司始建于瑞典的斯摩兰德，通过其零售店销售

产品。到2013年为止，宜家有340个店铺分布在40个国家，这些店铺大多在欧洲、北美、亚洲和澳大利亚。宜家集团自己在26个国家拥有298家店，而在另外16个国家和地区的42家店由宜家集团外的特许经销商经营和管理。宜家的目标市场是全球中产阶级，这些人寻求的是低价但是却设计美观的家具和家用产品，公司在全球实行统一的基本模式。

宜家模式的发展

对宜家公司的国际化成功起着至关重要的“宜家模式”是多年逐渐发展起来的，其核心就是给顾客配送低价的产品。低价是从最初理念经过产品开发、配销、零售等一步步有条不紊的系统化发展的结果。

甚至在1943年Ingvar Kamprad建立宜家公司之前，低价销售的重要性就深深地铭刻在这位宜家创始人的脑海中。他在瑞典的一个农场长大，孩提时代，他就从斯德哥尔摩大批量购进火柴，然后骑着自行车卖给周围的邻居。虽然他是低价卖出火柴，但由于是大批量进货，他依然能够有钱可赚。他的生意逐渐壮大，涉及到圣诞树装饰品和铅笔等等。

早期的宜家公司所卖的产品种类繁多，有手表、珠宝和画框，只要有能以低价卖出的产品都卖。随着事业的逐渐发展，Kamprad开始在当地报纸和邮购目录上做广告。直到1947年宜家才开始添加家具生产线，家具很快成为宜家的主流终端产品。Ingvar Kamprad 家乡邻近的当地家具生产商从附近的森林获取木材生产家具。这条生产线持续壮大，1951年Ingvar Kamprad 决定停止其他的产品，只关注低价家具，从那个时刻起，“我们今天所熟知的宜家诞生了”。

1. 低价服务和展厅/仓库理念

20世纪50年代致力于低价家具引起顾客对宜家产品质量的顾虑，因为传统的购买方式，顾客在订货之前不能看到家具。为了解决这个信息不对称的问题，宜家于1953年在阿姆霍特开了一个家具展厅，这样一来，顾客可以把宜家与其竞争对手的产品进行比较。

展厅理念成为宜家公司理念一个核心部分，并且恰当而又系统地运用到宜家的国际化扩张发展之中。1964年，宜家在斯德哥尔摩开了一家45 800平米引人注目的圆形店，吸引了成千上万的人排队等候它的开业。这家店有四层楼，顾客能够轻松自如地从一层走到另一层。然而，储存量和员工的不足无法给顾客提供合适的服务。为了解决这个问题，宜家建立了仓库，顾客可以自助式的购买。圆形店铺，开放式仓库以及自助式服务都成为宜家理念的核心组成部分。

2. 低价室内设计

20世纪50年代初期，瑞典国内激烈的竞争导致宜家公司于1955进行了另一项革新：开始设计自己的家具。情况与开办货仓相似，室内家具设计源于解决这样的一个问题：当时的情形是，家具供应商受到宜家竞争对手的怂恿拒绝供货。出乎宜家公司的竞争对手的意料的是，宜家公司没有陷入供货难的困境，相反，室内家具设计被证明是非常成功的。

3. 平板包装

平板包装设计开始出现，它源于宜家的一个员工害怕在搬运时损坏桌子，他把桌子腿拆卸下来把桌子放进车里。这个行为不经意地开创了宜家新的经营方式，顾客可以用自己的车辆轻而易举地运输购得的商品并在以后进行装配。自己动手组装家具，以及平板包装减少了物流运输所需的空间而且也降低了成本。

4. 低价供货

早在20世纪五十和六十年代，由于瑞典的供应商拒绝供货，迫使宜家向波兰的制造商寻求帮助，因为波兰的制造商提供家具的价格要比瑞典供应商的价格低。那个时期，宜家开始寻求国际上低价供货商去维持自己的低价策略。

到2004年，宜家的国际低价供货商网络已经发展到了33个国家，拥有43个贸易服务机构。有19%的产品和原料来自中国，12%来自波兰。

为了进一步减少物流成本，宜家公司致力于在其中心货仓周围建立新店。集中搞好同一地区几个店铺，宜家能够减少市场拓展费用和物流费用，尽管邻近几个商店的潜在竞争有可能对业绩有不利影响。

5. 低成本原料与设计

宜家始终如一地追求新的材料和新的设计来“适合宜家样式、功用和价格的理念”。例如，宜家开始使用木材来制作一种叫OGLA的椅子，但是后来转向用复合材料，最终使用中空复合材料，这样的椅子普通家庭能买得起。

6. 调动员工的直觉和学识

宜家把自己描述成“一个相信员工直觉的学习型和解决问题型的企业”，宜家公司努力通过最大限度的分权和大规模的内部培训来实现这个目标。

7. 多样化

在产品种类和地域扩张方面宜家坚持多样化。

8. 专为儿童设计

除了为整个家庭的需要提供服务，宜家在1997引入了为儿童服务的理念。为了创造对儿童友好型产品，宜家公司咨询了专门研究游乐和儿童研究的心理学家。用这种方法，宜家做了专门迎合儿童需要的设计，宜家也在店铺里面增添了游乐区和专门的儿童餐。

学习和适应国际市场

宜家的国际化扩张始于1963年，在挪威开了第一家国际店。20世纪六七十年代，宜家集中于欧洲市场，1969进入丹麦，1973年瑞士，1974年德国，1977年奥地利，1979年荷兰。

在欧洲的扩张过程中，宜家使用相同的产品和相同的经营模式，正如宜家1986-1999期间的总裁Anders Moberg所建议的那样“我们不花太多钱和时间来做研究，我们动用眼睛走出去观察，并且说有可能在这里做得很好。这样我们就能够适应，并且经常坚持己见。”

然而，当宜家开始做美国市场时，由于未能做出调整来适应当地环境而引起了严重问题。1985年宜家在美国开了第一家店，接下来的6年里又另开了6家店。这些店铺所出售的许多产品都是在瑞典生产的，遵从瑞典的设计，然后出口到美国。有些产品不能吸引美国顾客。例如，许多美国人用床头柜储存毛衣，但是宜家的床头柜太浅。许多美国人在他们的饮料中加入大量的冰块，宜家的杯子太小放不下。观察到这些问题，宜家重新设计了五分之一的产品并且推出了更大的杯子和抽屉更深的床头柜。

除了重新设计产品，宜家也调整了在美国市场的办事程序。宜家也增加了收银机来缩短排队等候时间，因为美国人深深厌恶在收银时等候。在1990年到1994年间，宜家在美国的销售额增加了2倍，到1993年初开始盈利。

然而即使是做出调整去适应美国市场的特点，宜家还是依然遵从低价为中心。

奋起应对国际化经营的挑战

在20世纪90年代初期，宜家公司面临两大挑战，部分是由于它迅速的扩张引起的。首先，它的管理费用增加；其次，国际化经营管理变得更加困难，特别是在开展向当地学习和有效解决问题方面。宜家做了三个决定，首先，宜家授予美国宜家的执行总裁更多的自主权；其次，它在1992年弃用了中心内部预算，因为内部计划系统太落后。在稍后几年，每个地区只需要满足成本与营业额之间的固定比率；第三，宜家通过将其特许经营权授予给宜家国际系统有限公司，引入内部竞争，从而把宜家集团和宜家国际系统有限公司分离开来。从那时候起，宜家国际系统有限公司就成为宜家商标的持有者，把宜家业务经营权授予给全球所有宜家商店。宜家集团依然是最大的特许经营商，持有大部分宜家店铺：到2005年9月为止，在全球224家宜家店铺中，宜家集团持有200家。这种出售特许权方式产生了内部竞争，因为宜家集团必须要跟其他宜家特许经营商竞争。

在20世纪90年代和21世纪初期，宜家持续壮大，打入了匈牙利(1990)、波兰(1990s)、捷克共和国(1991)、阿拉伯联合酋长国(1991)、西班牙(1996)、中国(1998)、俄罗斯(2000)和葡萄牙(2004)，计划在不久的将来要开更多的店铺。而且，宜家正在扩大其产品线，增加了新的宜家品牌的厨房器具，如冰箱、洗碗机和微波炉，它计划增加一种自主品牌特色食品种类，如麋鹿熏肠。

随着其海外扩张，宜家一方面继续调整以适应当地要求，另一方面坚持其低价策略。然而，事实证明这种策略让一些国家的宜家店铺遇到了挑战。例如，在波兰的华沙，宜家公司发现，原封不动地照搬宜家的成功公式将会使波兰人觉得店铺太奢华昂贵，所以宜家公司决定减少安装洗手间并拆除空调，使这些新店看起来基本上就像“20年前的宜家店样子”。即使做了这样的调整，1993年只有上层波兰人士才能光顾宜家。

同样，宜家也修改了在中国的模式，它提供了更多的收费组装服务，因为自己动手组装在中国不是很普及，而且这里劳动力价格低廉。宜家店开设在交通线路附近，而不是建在郊区，因为多数的顾客没有车。这些店的布局反应了那些普通中国人的公寓，更注重客厅和餐厅而不是厨房。然而就像在波兰一样，宜家想成为中国市场一件“低价外套”供应商都有困难，尽管通过当地采购尽量减少成本，在2004年宜家的价格仍被认为是中档，而不是低档。

结论

由于宜家在计划组建战略目标，了解当地市场特点和开经销店零售，宜家就被视为在实施零售商国际化。此外，为了实现国际化，宜家也建立了牢固的网络结构关系，拥有大量的供货商和顾客，还有成本费用结构。所有这些都为宜家的国际化经营作出了巨大贡献。

宜家很幸运地经历了多年卓越的发展，并且扩展了全球的经营和业务关系。在发展中国际化经营也遇到了挑战。尽管很多次面临的任務既复杂又艰巨，但宜家的协作努力成功迎接了这些挑战。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | | |
|----------------------|---------------------|---------------------|--------------------------|
| 1. <u>mail order</u> | 2. <u>warehouse</u> | 3. <u>in-house</u> | 4. <u>flat packaging</u> |
| 5. <u>logistics</u> | 6. <u>budget</u> | 7. <u>trademark</u> | 8. <u>franchise</u> |

- 2** Complete the company profile of IKEA with the information from Text B.

Suggested answers: 

Facts about IKEA

Company name: IKEA (Ingvar Kamprad Elmtaryd Agunnaryd)

Date of Establishment: 1943

Founders: Ingvar Kamprad

Headquarters: Småland, Sweden

Stores: 313 stores in 37 countries, most of them in Europe, North America, Asia and Australia

Market Position: the world's largest furniture retailer

Market Target: the global middle class

Products & Services: flat pack furniture, accessories, and bathroom and kitchen items

- 3** Read the passage "Learning and Adapting in the International Markets?" in Text B and write a summary of it.

Suggested answer: 

(Open)

4 Translate the following passage into Chinese.

Suggested answers:

20世纪50年代初期，瑞典国内激烈的竞争导致宜家公司于1955进行了另一项革新：开始设计自己的家具。情况与建立货仓相似，室内家具设计源于解决这样的一个问题：当时的情形是这样的，家具供应商受到宜家竞争对手的怂恿拒绝供货。出乎竞争对手意料的是，宜家公司没有陷入供货难的困境，相反，本地化的设计被证明是一个巨大的成功。

Business Focus

PEST Analysis

What is PEST Analysis?

It is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning.

The organization's marketing environment is made up of:

(1) The internal environment

e.g. staff (or internal customers), office technology, wages and finance, etc.

(2) The micro-environment

e.g. our external customers, agents and distributors, suppliers, our competitors, etc.

(3) The macro-environment

e.g. Political (and legal) forces, Economic forces, Social or Socio-Cultural forces, and Technological forces. These are known as **PEST** analysis.

Why is PEST analysis so important?

The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business. A PEST analysis is a business measurement tool. PEST is used to assess the market for a business or organizational unit. The PEST analysis headings are a framework for reviewing a situation, and can also, like SWOT analysis, and Porter's Five Forces model, be used to review a strategy or position, direction of a company, a marketing proposition, or idea. Completing a PEST analysis is very simple, and is a good subject for workshop sessions. PEST analysis also works well in brainstorming meetings. Use PEST analysis for business and strategic planning, marketing planning, business and product development and research reports. You can also use PEST analysis exercises for team building games.

It is important for these reasons:

(1) By making effective use of PEST Analysis, you ensure that what you are doing is aligned positively with the forces of change that are affecting our world. By taking

advantage of change, you are much more likely to be successful than if your activities oppose it.

(2) Good use of PEST Analysis helps you avoid taking action that is condemned to failure from the outset, for reasons beyond your control.

(3) PEST is useful when you start operating in a new country or region. Use of PEST Analysis helps you break free of unconscious assumptions, and helps you quickly adapt to the realities of the new environment.

Applicability of the Factors

The model's factors will vary in importance to a given company based on its industry and the goods it produces. For example, consumer and companies tend to be more affected by the social factors, while a global defense contractor would tend to be more affected by political factors. Additionally, factors that are more likely to change in the future or more relevant to a given company will carry greater importance. For example, a company who has borrowed heavily will need to focus more on the economic factors (especially interest rates).

Furthermore, conglomerate companies who produce a wide range of products (such as Sony, Disney, or BP) may find it more useful to analyze one department of its company at a time with the PEST model, thus focusing on the specific factors relevant to that one department. A company may also wish to divide factors into geographical relevance, such as local, national, and global.

Related Theories

The Definition of Globalization

Globalization (or globalization) describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.

The integration of global markets by the reduction trade barriers, improves communication, foreign direct investment, and so on. Globalization allows a multinational corporation to make a product in one country and sell it in another. This provides jobs in one country and less expensive goods in the other. Globalization also allows for the free flow of capital between countries, which many believe spurs economic growth. Proponents of globalization argue that it allows developing countries to continue and hasten their

levels of development, and that it protects consumers in developed countries. Opponents believe that globalization serves the interests of multinational corporations at the expense of small businesses, which sends jobs to other countries needlessly.

There has been growth in globalization in recent decades due to the following eight factors:

- (1) Technology is expanding, especially in transportation and communications.
- (2) Governments are removing international business restrictions.
- (3) Institutions provide services to ease the conduct of international business.
- (4) Consumers know about and want foreign goods and services.
- (5) Competition has become more global.
- (6) Political relationships have improved among some major economic powers.
- (7) Countries cooperate more on transnational issues.
- (8) Cross-national cooperation and agreements.

Why Firms Go International

Various reasons can prompt a company to think actively in terms of international operations. Some of them are listed below.

(1) Saturated domestic market: When the domestic market becomes saturated, attempts to increase market share become increasingly inefficient. At this point, a company may think of capturing markets abroad to generate new growth opportunities. Many American and European automobile companies have made clear their intentions to exploit the Asian markets.

(2) Competitive factors: Sometimes, competition may be less intense in overseas markets than in the domestic market. Thus, international operations would generate profitable business opportunities. In the case of other firms, overseas presence may become a compelling need in order to compete on an equal footing with competitors having a stronger international presence. Kodak's entry into Japan was meant to thwart Fuji's aggressive moves in the US.

(3) Excess capacity: When excess capacity exists, the burden of overheads can be killing. The firm comes under pressure for increasing sales by entering new markets. Tapping international markets through marginal cost pricing makes sense. Many Japanese companies aggressively export their products, using marginal costing.

(4) Product life cycle: Typically, a product goes through four stages – Introduction, Growth, Maturity and Decline. Different markets may be at different stages of development. If a product has reached the decline stage in the domestic market, a company could introduce it in another market, at a relatively early stage of the product life cycle.

(5) Diversification of risk: By having a presence in various markets, a firm can insulate itself from the ups and downs in individual regions. Ford, for example, might well have gone bankrupt in the late 1970s and early 1980s, had not its European operations generated

enough profits to compensate for the losses in North America.

(6) Financial reasons: If attractive investment incentives or venture capital are available, overseas expansion may make sense. By tapping such financial resources, firms can generate new growth opportunities efficiently and without running into a resource crunch.



Teaching Objectives

By the end of this unit, the students will

- Gain a basic understanding of strategic management;
- Understand the significance of strategic management to the success of business in a changing market place;
- Improve their analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Opening Case</p> <p>Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.</p>	Group discussion and problem solving.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Related Theories Based on the opening case, the teacher holds a discussion about strategic management, and helps students gain a general understanding of strategic management.</p>	Formal lecture interspersed with questions to/from the students.
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p> <p>Focus on Skills Students finish the exercises in Language Focus; teacher explains the creative thinking technique — SWOT analysis.</p>	<p>Case study and problem solving — teacher-guided.</p> <p>Independent study; Group discussion — teacher-guided.</p>

Background Information

1 Geely Holding Group

Geely is one of China's top ten auto manufacturers and also among the country's top 500 firms. Established as an independent firm in 1986, Geely launched its auto manufacturing business in 1997 and is today a fully integrated independent auto firm with a complete auto eco-system from design and research and development to production, distribution and servicing. In 2005 Geely Automobile Holdings Limited was listed on the Hong Kong Stock Exchange and is responsible for the majority of Geely's manufacturing operations.

Over the past ten years, Geely has grown faster than any other company in the Chinese automotive industry. The rapid growth has been built on careful planning and innovation. Geely's independent R&D in vehicles, engines, transmissions and hybrid technologies had meant that the firm is the only Chinese car manufacturer to have developed its own range of engines – including eight series of engines between 1 litre and 1.8 litres supporting both manual and automatic transmissions – plus other valuable technologies. Geely's development teams have enabled the firm to launch a major product offensive over the past few years with a range of cars and features designed to meeting key customer needs.

This has been backed up with a comprehensive dealer roll-out programme, international expansion, technological innovation, and strong management commitment.

Geely is headquartered in Hangzhou, the capital of Zhejiang province, and operates six car assembly and power-train manufacturing plants in China that are located in Lanzhou (Gansu province), Linhai (Zhejiang province), Luqiao (Zhejiang province), Ningbo (Zhejiang province), Shanghai and Xiangtan (Hunan province). These facilities enable a production capacity of approximately 300,000 cars per year.

2 *Volvo Car Corporation*

Volvo Car Corporation is a Swedish automobile manufacturer founded in 1927, in Gothenburg, Sweden. It is owned by Zhejiang Geely Holding Group, which bought the firm from Ford Motor Company in 2010.

Volvo was originally formed as a subsidiary company to the ball bearing maker SKF. It was not until 1935, when Volvo AB was introduced on the Swedish stock exchange, that SKF sold most of the shares in the company. Volvo Cars was owned by AB Volvo until 1999, when it was acquired by the Ford Motor Company as part of its Premier Automotive Group.

Volvo produces models ranging from SUVs, station wagons (estates), and sedans (saloons), to compact executive sedans and coupes. With approximately 2,300 local dealers from around 100 national sales companies, the US is Volvo Cars' largest market, followed by Sweden, Great Britain, Germany and China. In 2009 Volvo recorded global sales of 334,808 cars.

3 *Eastman Kodak Company*

Kodak's origins rest with Eastman Dry Plate Company, and the General Aristo Company, founded by inventor George Eastman and businessman Colin Craft in Rochester and Jamestown, New York. The General Aristo Company was formed in 1899 in Jamestown, New York, with George Eastman as treasurer, and this company purchased the stock of American Aristotype Company. Eventually, the business in Jamestown was moved in its entirety to Rochester, and the plants in Jamestown were razed. The Eastman Dry Plate Company was responsible for the first cameras suitable for non-expert use. The Kodak Company attained its name from the first simple roll film cameras produced by Eastman Dry Plate Company, known as the "Kodak" in its product line. The cameras proved such an enormous success that the word Kodak was incorporated into the company name. George Eastman registered the trademark Kodak on September 4, 1888. The Eastman Kodak Company was founded in 1892. The company is incorporated in New Jersey but has its offices in Rochester, New York. George Eastman, Kodak's founder, coined the advertising slogan, "You press the button, we do the rest."

In its name, the letter “K” had been a favorite of Eastman’s, he is quoted as saying, “it seems a strong, incisive sort of letter.” He and his mother devised the name Kodak with an anagram set. He said that there were three principal concepts he used in creating the name: it should be short, one cannot mispronounce it, and it could not resemble anything or be associated with anything but Kodak. It has also been suggested that “Kodak” originated from the suggestion of David Houston, a fellow photographic inventor who held the patents to several roll film camera concepts that he later sold to Eastman. Houston, who started receiving patents in 1881, was said to have chosen “Nodak” as a nickname of his home state, North Dakota (NoDak). This is contested by other historians, however, who cite that Kodak was trademarked prior to Eastman buying Houston’s patents

Lecturing Hints

Opening Case

- 1 Allow students a few minutes to go through Text A.
- 2 Work in small groups and discuss the questions given.

Suggested answers: 

- 1) (Open)
- 2) The first is a 100 percent stake. The second includes the trademark, intellectual property rights, 10 963 patents, more than 10 series of sustainable products and product platforms, two whole companies with a production capacity of 500 000 vehicles a year, an engine company and three auto parts companies. The third is more than 3 800 R&D engineers, the entire talent-training and innovation system and 2 325 branches in over 100 countries including social service institutions and 4S stores.
- 3) It is suitable for Chinese businesses that want to go abroad and become internationalized, of course, with appropriate chances and deals. Meanwhile, the chosen strategies should meet enterprise’s strategic demands and national industry policies.
- 4) The quality of Chinese product has been improved continuously; however, Chinese brands have yet got public recognition of foreign consumers. In order to solve this dilemma, we can spend two or three decades trying to win the public’s support, little by little, or simply acquire a highly respected, world-renowned mature brand.

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) If Chinese automobile enterprises do not “go abroad” to purchase **established** enterprises and brands, they will unlikely be able to address the issue of branding over the next 20 years.

中国的汽车企业如果不“走出去”购买国际知名企业和品牌的话，它们面临的品牌问题20年内都难以解决。

established: (adj.) respected or given official status because it has existed or been used for a long time.

e.g.: They are an established company with a good reputation.

- 2) Although Chinese enterprises have improved product quality, foreigners have yet to recognize Chinese brands. It is just like that some may become millionaires instead of noblemen overnight and it is the same with the public recognition of brands.

尽管中国企业提高了产品质量，但是外国人还是没有认可中国品牌。正如有些人一夜之间可以成为百万富翁却成不了贵族，同样，公众对于品牌的认可也是如此。

- 3) Purchasing Volvo is a result of economic globalization, which meets both Geely's own strategic demands and China's need for a new economic development pattern.

收购沃尔沃是经济全球化的结果，这既符合吉利自身发展的战略需要也符合中国新经济发展模式的需要。

Suggested translation

收购沃尔沃，吉利得到了什么？

中国的汽车企业如果不“走出去”购买国际知名企业和品牌的话，他们面临的品牌问题，20年内都难以解决。

一个国家经济发展方式的转变应该始于该国国民经济发展战略的转变。对于企业来讲，经济发展方式的转变就是企业核心竞争方式的转变，从根本上讲又是企业核心价值理念的转变。

近几年，吉利在战略转型上取得了一定的发展，我认为这与我们的国际化视野和战略是分不开的。

2010年3月28日，吉利与美国福特汽车签订了购买沃尔沃的协议。实际上从2002年开始，我就认为全球经济将发生巨大的变化，全球汽车制造业要发生大的调整。那时候我就认为，美国的通用和福特将会面临破产，很多人觉得不可能，但事实却发生了。

吉利为什么要收购沃尔沃？全球化背景下的中国企业必须明白中国企业在世界上的实际形象、地位和竞争力。目前中国汽车制造企业面临的一些难题，我认为在20年内都难以解决。

比如汽车品牌问题。中国汽车的品牌跟20年前的服装、鞋帽的品牌等差不多。尽管中国企业提高了产品质量，但是外国人还是没有认可中国品牌。就像有些人一夜之间可以成为百万富翁但成不了贵族，同样，公众对品牌的认可也是如此。

这个问题怎么解决？要么通过二三十年的时间一点一点地赢得公众的认可，要么购买一个在国际上已经受人尊敬的成熟品牌。

吉利从收购沃尔沃中得到了什么？首先是100%的股权。其二是商标权、知识产权、10963项专利、十几个系列的可持续发展的产品以及产品平台、两个完整的年产50万辆汽车的生产企业、一个发动机公司，以及三个汽车零部件公司。其三，超过3 800多个研发工程师，整个的人才培训以及创新体系和分布在100多个国家2 325个网点，其中包括社会服务机构和4S店。

“走出去，引进来”是推动经济发展方式转变的重要手段之一。收购沃尔沃是经济全球化的结果，这既符合吉利自身发展的战略需要，也符合中国新的经济发展模式的需要。今后，吉利要保持沃尔沃的独立性，以恢复其往日竞争力，尊重沃尔沃原有的核心价值和成熟的企业体系，巩固和扩大沃尔沃在欧美传统市场的份额，开拓中国和其它新兴市场，拓展沃尔沃产品线以满足各种用户对环保型汽车需求。

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about Kodak.

Suggested answers: 

Founded in late 1880s, with the slogan “you press the button, we do the rest”, today, as a multinational corporation with an iconic brand that is recognized in nearly every country around the world, Eastman Kodak Company has developed many new innovative products and processes of photography. Best known to the general public for its core leisure photography equipment and processes, e.g. traditional and digital cameras, film, kiosks and online printing, it has also expanded its business to include: printers- both industrial and personal, printing suppliers; document imaging or infoimaging, film and television, aerial and industry markets, research and development, medical imaging. Kodak is now struggling to achieve presence, penetration and profitability in the new digital marketplace.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) The photography industry continues to evolve with the rapid introduction of new technologies. No longer is a traditional film camera considered when a consumer wishes to capture pictures of friends, family, events or work-related images. Digital technology and the interest are the major drivers in today's competitive marketplace. Consumers can now record still images and movies, and then send and share them virtually instantaneously anywhere around globe.
- 2) Managing the traditional film business for cash and manufacturing share leadership; Leading in distributed output; Growing the digital capture business; Expanding digital imaging services.
- 3) Profit margins are far smaller in the digital world, so where a low-cost provider strategy would work when dealing with the volume of sales Kodak was accustomed to in traditional photography, this strategy does not necessarily work in the new digital world.

- 4** Ask students to summarize Text B, identifying the main strategies used in Kodak's operation process and the current challenge it is facing.

Suggested answers: 

Strategies adopted:

- 1) "wait and see" or "late mover" strategy
- 2) four-pillar strategy
- 3) low-cost strategy

Challenge:

How to implement a judicious exit strategy from the traditional photography to fully embrace new digital media.

- 5** Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

Comments:

Kodak's strategy has not worked. Kodak's share price dropped and the company was forced to downsize employee. Additionally, over the past ten years Kodak has accumulated above 2 billion dollars in losses.

Suggestions: (for reference)

Making full use of its strong commitment to R&D, making market segmentation carefully, developing industry partnership, adopting timely exist strategy, etc.

- 6** The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) The organization today is a multinational corporation with an **iconic** brand that is recognized in nearly every country around the world.

现在的柯达公司是一家拥有标志性品牌的跨国公司，其品牌几乎为世界每一个国家所认可。

iconic: (adj.) acting as a sign or symbol of sth

e.g.: The Chapel of King's college (Cambridge) is one of the most iconic buildings in the world.

- 2) Kodak is now struggling to achieve presence, **penetration** and profitability in the new digital marketplace by deciding to take a late mover strategy in the field of digital photography, which is one of its greatest challenges to date the company faces.

柯达现在决定在数码摄影领域采取后发战略，来努力取得在新的数码市场的地位、突破和获利，这是公司当前面临的最大挑战之一。

penetration: (n.) the act or process of making a way into or through sth

e.g.: Market penetration occurs when a company enters/penetrates a market with current products.

- 3) No longer is a traditional film camera considered when a consumer wishes to capture pictures of friends, family, events or work-related images.

当消费者想要拍下朋友、家人、活动或与工作相关的照片时，他们想到的不再是传统的胶卷照相机。

- 4) Although Kodak was one of the major players in the digital and traditional photography markets, organizations such as Canon, Fuji, and Sony make Kodak **pale into insignificance** when each multinationals' financial results are compared.

尽管柯达曾经是数码和传统摄影市场的一个主要玩家，但与每一个跨国公司的财务业绩比

较而言，佳能、富士和索尼等企业已经使柯达黯然失色。

pale into insignificance: to seem less important when compared with sth else

e.g.: As for me, other wonders pale into insignificance.

- 5) Rather than make a transformational change, Kodak has instead allowed this wing of the company to continue to **drain** resources and profits.

柯达没有采取转型变化，而是允许公司的这部分业务继续消耗资源和利润。

drain: (v.) to make sb/sth weaker, poorer, etc., by using their strength, money, etc.

e.g.: The civil war drained the country of its manpower and wealth.

- 6) Even though this arm of Kodak has been successful, Kodak has been **reticent** to fully **embrace** digital photography for two main reasons:

尽管柯达的这部分业务成功了，但是由于两方面的主要原因，柯达在完全投入数码摄影上有所保留：

reticent: (adj.) unwilling to tell people about sth

e.g.: The reticent captain of IndiGo knows how to keep his business on course

embrace: (v.) to take up the cause, ideology, practice, method of someone and use it as one's own

e.g.: These customers are at the leading edge of innovation as more and more insurance market leaders embrace business transformation.

- 7) The subsequent low-cost strategy that followed helped make photography simple, cheap and accessible to all, but by 2003 Kodak was still losing ground as it had still not fully embracing the new digital media.

随之而来的低成本战略使摄影变得简单、便宜、人人皆宜，但是到2003年，因为没有完全投入新数码媒介的生产，柯达仍然在丢城失地。

- 8) 2007 marks the final year of Kodak's four year strategy to **reinvigorate** the company. 2007年是柯达振兴公司的四年战略的最后一年。

reinvigorate: (v.) 1. impart vigor, strength, or vitality to

e.g.: Ford plans to reinvigorate its Lincoln brand.

- 9) HP could decide to leave Kodak to struggle to make profits in the low end of the market, and instead focus on high-end users with higher profit margins and growth opportunities.

惠普可能决定让柯达留在低端市场艰难获利，而自己专注于高端用户来获取更多利润和发展机会。

- 10) Taking advantage of short-term disruptive innovations, i.e. the inkjet printer, may provide a much needed **fillip** to cash flow and could improve profit margin.

利用短期破坏性创新，即喷墨打印机，可以为现金流提供急需的刺激并扩大利润空间。

fillip: (n.) a thing or person that causes sth to improve suddenly

e.g.: A drop in interest rates gave a welcome fillip to the house market.

Suggested translation

伊斯曼·柯达公司战略
——个案研究——

公司简介

伊斯曼·柯达公司成立于19世纪80年代末期，其广告口号简单明了——“你按快门,其余由我们来做”。从那时起,柯达公司开发了许多创新性的产品和工艺流程,其中许多到现在还被许多竞争对手使用——有趣的是,柯达被广泛认为是数码摄影的发明者。现在的柯达公司是一家拥有标志性品牌的跨国公司,其品牌几乎为世界每一个国家所认可。柯达公司为公众所熟知的是其核心的休闲摄影器材和工艺流程,如传统和数码照相机、胶卷、冲印店和网上冲印,同时柯达也扩展了其业务范围,包括:

- 打印机——商用和家用;
- 印刷供应商;
- 文件成像和信息影像;
- 电影和电视;
- 航空和工业市场;
- 研究与开发;
- 医学影像

柯达现在决定在数码摄影领域采取后发战略,来努力取得在新的数码市场的地位、突破和获利,这是公司当前面临的巨大挑战之一。

摄影行业特点

摄影行业在新技术的快速引领下不断发展。当消费者想要拍下朋友、家人、活动或与工作相关的照片时,他们想到的不再是传统的胶卷照相机。数码技术和对其的兴趣是当今激烈竞争市场的主要推动力。在这一市场中,现在几乎每台手机都配备了数码相机。消费者现在可以录拍静态图像和影片,然后几乎在瞬间就可以发送到世界任何地方去分享。尽管数码技术处于柯达战略的最前沿,柯达作为美国三大数码相机供应商之一,它受到其主要对手的激烈竞争。尽管柯达曾经是数码和传统摄影市场的一个主要玩家,但与每一个跨国公司的财务业绩比较而言,佳能、富士和索尼等企业已经使柯达黯然失色。

数码技术在2007年仍然是摄影器材行业的核心关注点。然而,尽管数码相机占了收入的很大一部分,但与传统摄影市场的相机相比,利润空间仍然很小。这使许多大的跨国公司必须向新的利润中心迈出新的一步。它们已经看到资源和创新被推向了加强型服务、喷墨打印机、零售商亭、网上服务、退出市场、经营多样化、并购、合资以及价值链成本的降低。

Brand	2005 Shipments	2005 Share	2006 Shipments	2006 share	% Change in Shipments, 2005-2006
Canon	5 000 000	18%	6 068 500	20%	21%
Sony	4 780 000	17%	4 940 800	17%	3%
Kodak	7 050 000	25%	4 867 000	16%	-31%
Nikon	2 326 400	8%	3 045 700	10%	31%
HP	2 130 600	8%	2 185 100	7%	3%
Olympus	1 964 800	7%	1 856 500	6%	-5%
Samsung	680 500	2%	1 496 400	5%	120%
Fujifilm	1 780 600	6%	1 444 700	5%	-19%
Panasonic	350 000	1%	1 046 300	3%	199%
Casio	405 000	1%	955 000	3%	136%

Fig. 2 Top Ten Camera Makers in 2006 by U.S. Market Share

Ranking	Brand	2008 Sales Volume (10,000 Sets)	2008 Market Share (%)	2007 Sales Volume (10,000 Sets)	2007 Market Share (%)	Year-on-Year Growth Rate
1	Canon	255.8	27.70%	223.2	26.10%	14.60%
2	Sony	201.3	21.80%	178.7	20.90%	12.60%
3	Samsung	142.2	15.40%	110.3	12.90%	28.90%
4	Nikon	85	9.20%	82.1	9.60%	3.50%
5	Olympus	75.7	8.20%	70.1	8.20%	8.00%
6	Kodak	51.7	5.60%	78.7	9.20%	-34.30%
7	aigo	32.3	3.50%	20.5	2.40%	57.60%
8	Panasonic	28.6	3.10%	28.2	3.30%	1.40%
9	Fujifilm	19.4	2.10%	27.4	3.20%	-29.20%
10	Casio	16.6	1.80%	13.7	1.60%	21.20%
	Others	14.8	1.60%	22.3	2.60%	-33.60%
Total		855.2	100.00%	923.4	100.00%	8.00%

Fig. 3 Top 10 Most Popular Digital Camera Brands in China

四大支柱战略

起初，柯达对于数码的发展采取了坐下来“观望”或“后发制人”的道路。到了2003年，随着越来越多的人选择数码产品，传统业务的销售量开始下降。

2003年9月25日，当时的首席执行官丹尼尔·卡珀向柯达的投资者提出了四大支柱战略。通过四大支柱战略，柯达曾指望到2010年成为价值200亿美元的公司。这一战略曾指望通过下列方式进行：

1. 经营传统胶卷业务获利并保持此业务份额的领导地位

柯达决定采取缓慢退出传统胶片业务的策略。这一决策实质上成了柯达自2000年以来业绩不佳的最重要原因。虽然摄影行业的未来明显是在数码领域，但是公司的主要利润却是来自其传统摄影业务。柯达没有看到它需要将自己早日定位在新兴的数码技术领域，而是寻求维持其在传统摄影行业的地位。柯达在这一领域的退出战略证明是非常缓慢的。

甚至在2007年，柯达依然宣布在这个业务领域裁员。柯达没有采取转型变化，而是允许公司的这部分业务继续消耗资源和利润。

2. 在分销输出方面领先

传统摄影行业的大部分利润来自于照片的冲印而不是拍照本身。随着转向数码摄影而出现的一个主要变化就是人们欣赏照片的方式。照片不再需要冲印出来欣赏；它们可以马上在照相机上看到。照片不再是冲印后寄给朋友或亲戚，而是可以通过电子邮件发送。

尽管在数码印刷业的利润很小，柯达还是热衷于确保从中获得一些利润。因此，柯达从零售商亭或零售场所转向了喷墨打印机和印刷业。

3. 发展数码拍摄业务

2003年，柯达在其数码摄影方面的业务非常成功。全球照相机的销量增长38%，超过了300万台。几乎所有的增长都来自于数码相机的销量，柯达在全球市场的占有率为8%。然而，这并不足以抵消公司在其他领域的损失。尽管柯达的这部分业务成功了，但是由于两方面的主要原因，柯达在完全投入数码摄影上有所保留：一是数码摄影的利润要远低于传统摄影；二是在这部分业务的成功完全不同于传统的摄影业务。数码摄影业务的成功削弱了传统的业务，而公司的大部分收入、资源和基础设施仍然来自于或服务于传统业务。

4. 扩展数码影像服务

这部分战略瞄准业务扩张和服务延伸，包括相框、日历和相册。同时也瞄准发展可以直接从手机打印照片的零售商亭，收购像Ofoto之类的公司——现在更名为柯达快速打印共享影楼（Kodak Easy Share Gallery）——作为推进其网上业务的一种方式。

经历三年的销售量下滑、股价大降、大幅裁员后，卡珀宣布柯达将通过对其战略计划的彻底变化来对公司进行彻底改造。随之而来的低成本战略使摄影变得简单、便宜、人人皆宜，但是到2003年，因为没有完全投入新数码媒介的生产，柯达仍然在丢城失地。

2007年是柯达振兴公司的四年战略的最后一年。很显然，柯达的战略没有奏效。尽管在1997年柯达就宣称数字化是未来之路，但一直到2007年柯达仍然抓住传统摄影不放。在此期间，柯达的股价下跌60%，公司被迫将员工从1988年时的145,000人裁减到2007年的30,000人。此外，在过去十年，柯达的损失累积达21亿美元。

低成本供应商战略

作为战略的一部分，柯达宣布公司决定在传统和数码产品和服务方面实施低成本供应商战略。数码市场的利润空间已经很小，因此，在传统摄影业，当涉及柯达所习惯的销售量时，低成本供应商战略可能会起作用，而在新的数码市场却未必管用。这迫使柯达公司出售其部分

业务包括医疗影像——一个有利可图的业务。因此，当柯达发现自己就像一条处在正在干涸池塘中的大鱼时，它试图实行经营多样化和进入制造业。如果将自己定位于喷墨打印机业的低成本供应商，柯达将不可避免地发现自己与惠普迎头相撞。取决于惠普的反应，这可能是风险很大的战略。惠普可以轻易开发类似的产品来直接改变柯达的低成本战略。另外，惠普可能决定让柯达留在低端市场艰难获利，而自己专注于高端用户来获取更多利润和发展机会。

在快速增长的市场出现时，柯达不是考虑在其中进行竞争的战略，相反，柯达仍然致力于维持其在一个衰退行业的地位。柯达在一个利润空间已经很小的行业中将自身定位为低成本供应商，其盈利在未来将会更小。

简而言之，柯达曾经是一个标志性品牌。它也曾经在数码领域投入数十亿的研究费用。然而，柯达没有将自身定位为市场的领导者，而是采取了成为一个低成本供应商的战略决策。

从传统摄影业实施明智的退出战略并不容易。利用短期破坏性创新，即喷墨打印机，可以为现金流提供急需的刺激并扩大利润空间。但是，因为消费者喷墨打印市场的短期可行性，这反过来要求企业及时地退出。柯达可能决定考虑利用数码服务领域进一步的技术发展，如模拟照片的快速数码扫描或者在线照片共享和存储，这些可能会确保柯达保持其长期的竞争优势。

柯达对于研发有很强的使命感，它可以使其转变为产品创新。该行业可能会分为两个部分：想获得“一闪即送”即时满足的消费者接下来很可能支持手机相机质量的提高；想以更专业的眼光审视自己照片的消费者会准备购买更先进的设备。如果柯达充分利用这一点，那么这一市场细分可能需要利用行业伙伴的合作。同时，由于相机销售仍然是柯达整个业务不可分割的一部分，柯达在继续发展其世界知名的品牌时，继续其相机销售的战略也许会将其引入到该行业其它许多更盈利的领域。

Focus on Skills

Language Focus

1 Find words or expressions in Text B which correspond to the following definitions.

Suggested answers:

- | | |
|--------------------------|--------------------------------------|
| 1. core | 2. partnership |
| 3. strategy | 4. multinational corporation/company |
| 5. profitability | 6. acquisition |
| 7. disruptive innovation | 8. market segmentation |

2 Complete the company profile of Kodak with the information from Text B.Suggested answers: **Facts about Kodak****Company Name:** Eastman Kodak CompanyDate of Establishment: late 1880sSlogan of Company: you press the button, we do the rest.Main Strategies of Company: four pillars strategy, low-cost provider strategyInitial Reaction to Digital Revolution: “wait and see” or “late mover”Main Competitors: Canon, Fuji, Sony, HP, etc.Products & Services: photography equipment and processes, printers, printing suppliers, document imaging or infoimaging, film and television, aerial and industry markets, research and development, medical imaging.**3 Read the passage “Four-pillar Strategy in Text B” and write a summary of it.**Suggested answers: 

The CEO Daniel Carp revealed the four pillars strategy to Kodak’s investors on 25 September 2003, which include: 1. Managing the traditional film business for cash and manufacturing share leadership. Kodak decided that it would adopt a slow exit strategy from the traditional film business, and sought to concentrate on maintaining its position in traditional photography. 2. Leading in distributed output. Kodak has been keen to ensure that it does receive some of those profits and moved into the sphere of ink jet printers and printing from kiosks or retail locations. 3. Growing the digital capture business. Kodak had a certain percent of the global market; however, Kodak has been reticent to fully embrace digital photography for one reason or another. 4. Expanding digital imaging services. This part of the strategy looked at expanding and services to include things like picture frames, calendars and photo albums, kiosks that could print images directly from mobile phones, and acquiring company.

4 Translate the following passage into Chinese.Suggested answers: 

摄影工业领域的主要竞争者是柯达、佳能、富士、索尼和惠普；二线市场则包括柯尼

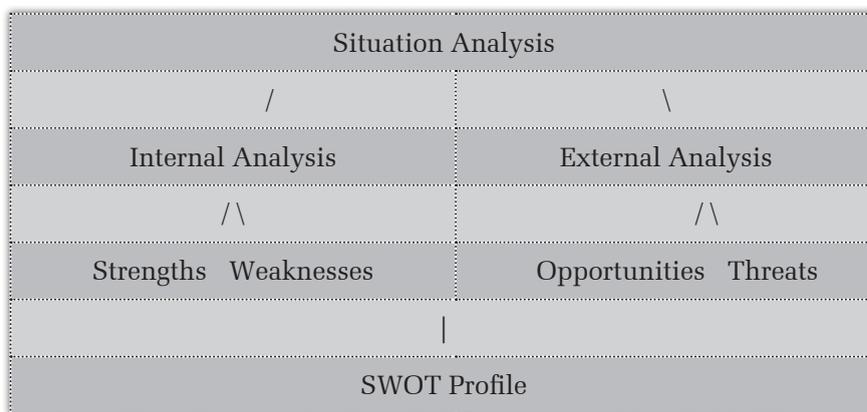
卡、施乐和奥林巴斯。竞争很激烈，每一家公司都在持续不断地推出新产品和创新，结果却发现，对手都以同样的新产品紧随其后。如果这些公司想获得早期利润并保持市场的领袖地位，那么，速度对市场来说是至关重要的。

Business Focus

SWOT Analysis

SWOT analysis is a simple framework for generating strategic alternatives from a situation analysis. It is applicable to either the corporate level or the business unit level and frequently appears in marketing plans. SWOT (sometimes referred to as TOWS) stands for Strengths, Weaknesses, Opportunities, and Threats. The SWOT framework was described in the late 1960's by Edmund P. Learned, C. Roland Christiansen, Kenneth Andrews, and William D. Guth in *Business Policy, Text and Cases*. The General Electric Growth Council used this form of analysis in the 1980's. Because it concentrates on the issues that potentially have the most impact, the SWOT analysis is useful when a very limited amount of time is available to address a complex strategic situation.

The following diagram shows how a SWOT analysis fits into a strategic situation analysis.



The internal and external situation analysis can produce a large amount of information, much of which may not be highly relevant. The SWOT analysis can serve as an interpretative filter to reduce the information to a manageable quantity of key issues. The SWOT analysis classifies the internal aspects of the company as strengths or weaknesses and the external situational factors as opportunities or threats. Strengths can serve as a foundation for building a competitive advantage, and weaknesses may hinder it. By understanding these four aspects of its situation, a firm can better leverage its

strengths, correct its weaknesses, capitalize on golden opportunities, and deter potentially devastating threats.

Internal Analysis

The internal analysis is a comprehensive evaluation of the internal environment's potential strengths and weaknesses. Factors should be evaluated across the organization in areas such as:

- Company culture
- Company image
- Organizational structure
- Key staff
- Access to natural resources
- Position on the experience curve
- Operational efficiency
- Operational capacity
- Brand awareness
- Market share
- Financial resources
- Exclusive contracts
- Patents and trade secrets

The SWOT analysis summarizes the internal factors of the firm as a list of strengths and weaknesses.

External Analysis

An opportunity is the chance to introduce a new product or service that can generate superior returns. Opportunities can arise when changes occur in the external environment. Many of these changes can be perceived as threats to the market position of existing products and may necessitate a change in product specifications or the development of new products in order for the firm to remain competitive. Changes in the external environment may be related to:

- Customers
- Competitors
- Market trends
- Suppliers
- Partners
- Social changes
- New technology
- Economic environment
- Political and regulatory environment

The last four items in the above list are macro-environmental variables, and are

addressed in a PEST analysis.

The SWOT analysis summarizes the external environmental factors as a list of opportunities and threats.

SWOT Profile

Strengths	Weaknesses	Opportunities	Threats
1.	1.	1.	1.
2.	2.	2.	2.
3.	3.	3.	3.

When the analysis has been completed, a SWOT profile can be generated and used as the basis of goal setting, strategy formulation, and implementation. The completed SWOT profile sometimes is arranged as follows:

When formulating strategy, the interaction of the quadrants in the SWOT profile becomes important. For example, the strengths can be leveraged to pursue opportunities and to avoid threats, and managers can be alerted to weaknesses that might need to be overcome in order to successfully pursue opportunities.

Multiple Perspectives Needed

The method used to acquire the inputs to the SWOT matrix will affect the quality of the analysis. If the information is obtained hastily during a quick interview with the CEO, even though this one person may have a broad view of the company and industry, the information would represent a single viewpoint. The quality of the analysis will be improved greatly if interviews are held with a spectrum of stakeholders such as employees, suppliers, customers, strategic partners, etc.

SWOT Analysis Limitations

While useful for reducing a large quantity of situational factors into a more manageable profile, the SWOT framework has a tendency to oversimplify the situation by classifying the firm's environmental factors into categories in which they may not always fit. The classification of some factors as strengths or weaknesses, or as opportunities or threats is somewhat arbitrary. For example, a particular company culture can be either a strength or a weakness. A technological change can be either a threat or an opportunity. Perhaps what is more important than the superficial classification of these factors is the firm's awareness of them and its development of a strategic plan to use them to its advantage.

Related Theories

Three Aspects of Strategy Formulation in Strategic Management

1 Corporate Level Strategy

What Should Be Our Growth Objective and Strategies?

Growth Strategies

1. **Vertical Integration:** This type of strategy can be a good one if the company has a strong competitive position in a growing attractive industry. A company can grow by taking over functions earlier in the value chain that were previously provided by suppliers or other organizations (“backward integration”). This strategy can have advantages, and making operations more difficult for competitors. However, it also reduces flexibility, raises exit barriers for the company to leave that industry, and prevents the company from seeking the best and latest components from suppliers competing for their business.

2. **Horizontal Growth:** This strategy alternative category involves expanding the company’s existing products into other locations and/or market segments, or increasing the range of products/services offered to current markets, or a combination of both. It amounts to expanding sideways at the point(s) in the value chain that the company is currently engaged in. One of the primary advantages of this alternative is being able to choose from a fairly continuous range of choices, from modest extensions of present products/markets to major expansions — each with corresponding amounts of cost and risk.

3. **Related Diversification (aka Concentric Diversification):** In this alternative, a company expands into a related industry, one having synergy with the company’s existing lines of business, creating a situation in which the existing and new lines of business share and gain special advantages from commonalities such as technology, customers, distribution, location, product or manufacturing similarities, and government access. This is often an appropriate corporate strategy when a company has a strong competitive position and distinctive competencies, but its existing industry is not very attractive.

4. **Unrelated Diversification (aka Conglomerate Diversification):** This fourth major category of corporate strategy alternatives for growth involves diversifying into a line of business unrelated to the current ones. The reasons to consider this alternative are primarily seeking more attractive opportunities for growth in which to invest available funds (in contrast to rather unattractive opportunities in existing industries), risk reduction, and/or preparing to exit an existing line of business. Further, this may be an appropriate strategy when, not only the present industry is unattractive, but the company lacks outstanding competencies that it could transfer to related products or industries.

However, because it is difficult to manage and excel in unrelated business units, it can be difficult to realize the hoped-for value added.

Stability Strategies

1. **Pause and Then Proceed:** This stability strategy alternative (essentially a timeout) may be appropriate in either of two situations: (a) the need for an opportunity to rest, digest, and consolidate after growth or some turbulent events - before continuing a growth strategy, or (b) an uncertain or hostile environment in which it is prudent to stay in a “holding pattern” until there is change in or more clarity about the future in the environment.

2. **No Change:** This alternative could be a cop-out, representing indecision or timidity in making a choice for change. Alternatively, it may be a comfortable, even long-term strategy in a mature, rather stable environment.

3. **Grab Profits While You Can:** This is a non-recommended strategy to try to mask a deteriorating situation by artificially supporting profits or their appearance, or otherwise trying to act as though the problems will go away. It is an unstable, temporary strategy in a worsening situation, usually chosen either to try to delay letting stakeholders know how bad things are or to extract personal gain before things collapse.

Retrenchment Strategies

Turnaround: This strategy, dealing with a company in serious trouble, attempts to resuscitate or revive the company through a combination of contraction (general, major cutbacks in size and costs) and consolidation (creating and stabilizing a smaller, leaner company). Although difficult, when done very effectively it can succeed in both retaining enough key employees and revitalizing the company.

Captive Company Strategy: This strategy involves giving up independence in exchange for some security by becoming another company’s sole supplier, distributor, or a dependent subsidiary.

Sell Out: If a company in a weak position is unable or unlikely to succeed with a turnaround or captive company strategy, it has few choices other than to try to find a buyer and sell itself (or divest, if part of a diversified corporation).

Liquidation: When a company has been unsuccessful in or has none of the previous three strategic alternatives available, the only remaining alternative is liquidation, often involving a bankruptcy. There is a modest advantage of a voluntary liquidation over bankruptcy in that the board and top management make the decisions rather than turning them over to a court, which often ignores stockholders’ interests.

What Should Be Our Portfolio Strategy?

Portfolio matrix models can be useful in reexamining a company’s present portfolio. The two primary models are the BCG Growth-Share Matrix and the GE Business Screen. The BCG Growth-Share Matrix model considers two relatively simple variables: growth

rate of the industry as an indication of industry attractiveness, and relative market share as an indication of its relative competitive strength. The GE Business Screen, also associated with McKinsey, considers two composite variables, which can be customized by the user, for (a) industry attractiveness (e.g, one could include industry size and growth rate, profitability, pricing practices, favored treatment in government dealings, etc.) and (b) competitive strength (e.g., market share, technological position, profitability, size, etc.)

The best test of the business portfolio's overall attractiveness is whether the combined growth and profitability of the businesses in the portfolio will allow the company to attain its performance objectives. Related to this overall criterion are such questions as:

- * Does the portfolio contain enough businesses in attractive industries?
- * Does it contain too many marginal businesses or question marks?
- * Is the proportion of mature/declining businesses so great that growth will be sluggish?
- * Are there some businesses that are not really needed or should be divested?
- * Does the company have its share of industry leaders, or is it burdened with too many businesses in modest competitive positions?
- * Is the portfolio of SBU's and its relative risk/growth potential consistent with the strategic goals?
- * Do the core businesses generate dependable profits and/or cash flow?
- * Are there enough cash-producing businesses to finance those needing cash?
- * Is the portfolio overly vulnerable to seasonal or recessionary influences?
- * Does the portfolio put the corporation in good position for the future?

What Should Be Our Parenting Strategy?

It, relevant for a multi-business company (it is moot for a single-business company), is concerned with how to allocate resources and manage capabilities and activities across the portfolio of businesses. It includes evaluating and making decisions on the following:

- * Priorities in allocating resources (which business units will be stressed)
- * What are critical success factors in each business unit, and how can the company do well on them
- * Coordination of activities (e.g. horizontal strategies) and transfer of capabilities among business units
- * How much integration of business units is desirable.

2 *Competitive (Business) Level Strategy*

Porter's Five Generic Competitive Strategies

1. **Overall Price (Cost) Leadership:** appealing to a broad cross-section of the market by providing products or services at the lowest price. This requires being the overall low-cost provider of the products or services. Implementing this strategy successfully requires

continual, exceptional efforts to reduce costs — without excluding product features and services that buyers consider essential. It also requires achieving cost advantages in ways that are hard for competitors to copy or match.

2. **Differentiation:** appealing to a broad cross-section of the market through offering differentiating features that make customers willing to pay premium prices. Success with this type of strategy requires differentiation features that are hard or expensive for competitors to duplicate. Sustainable differentiation usually comes from advantages in core competencies, unique company resources or capabilities, and superior management of value chain activities.

3. **Price (Cost) Focus:** a market niche strategy, concentrating on a narrow customer segment and competing with lowest prices, which, again, requires having lower cost structure than competitors.

4. **Differentiation Focus:** a second market niche strategy, concentrating on a narrow customer segment and competing through differentiating features.

5. **Best-Cost Provider Strategy:** (although not one of Porter's basic four strategies, this strategy is mentioned by a number of other writers.) This is a strategy of trying to give customers the best cost/value combination, by incorporating key good-or-better product characteristics at a lower cost than competitors. This strategy is a mixture or hybrid of low-price and differentiation, and targets a segment of value-conscious buyers that is usually larger than a market niche, but smaller than a broad market. Successful implementation of this strategy requires the company to have the resources, skills, capabilities (and possibly luck) to incorporate up-scale features at lower cost than competitors. This strategy could be attractive in markets that have both variety in buyer needs that make differentiation common and where large numbers of buyers are sensitive to both price and value.

Competitive Tactics

Two categories of competitive tactics are those dealing with timing (when to enter a market) and market location (where and how to enter and/or defend).

Timing Tactics: When to make a strategic move is often as important as what move to make. We often speak of first-movers, second-movers or rapid followers, and late movers (wait-and-see). Each tactic can have advantages and disadvantages.

Being a first-mover can have major strategic advantages when: (a) doing so builds an important image and reputation with buyers; (b) early adoption of new technologies, different components, exclusive distribution channels, etc. can produce cost and/or other advantages over rivals; (c) first-time customers remain strongly loyal in making repeat purchases; and (d) moving first makes entry and imitation by competitors hard or unlikely.

However, being a second- or late-mover isn't necessarily a disadvantage. There are cases in which the first-mover's skills, technology, and strategies are easily copied or even surpassed by later-movers, allowing them to catch or pass the first-mover in a

relatively short period, while having the advantage of minimizing risks by waiting until a new market is established. Sometimes, there are advantages to being a skillful follower rather than a first-mover, e.g., when: (a) being a first-mover is more costly than imitating and only modest experience curve benefits accrue to the leader (followers can end up with lower costs than the first-mover under some conditions); (b) the products of an innovator are somewhat primitive and do not live up to buyer expectations, thus allowing a clever follower to win buyers away from the leader with better performing products; (c) technology is advancing rapidly, giving fast followers the opening to leapfrog a first-mover's products with more attractive and full-featured second- and third-generation products; and (d) the first-mover ignores market segments that can be picked up easily.

Market Location Tactics: These fall conveniently into offensive and defensive tactics. Offensive tactics are designed to take market share from a competitor, while defensive tactics attempt to keep a competitor from taking away some of our present market share, under the onslaught of offensive tactics by the competitor. Some offensive tactics are:

- * **Frontal Assault:** going head-to-head with the competitor, matching each other in every way. To be successful, the attacker must have superior resources and be willing to continue longer than the company attacked.
- * **Flanking Maneuver:** attacking a part of the market where the competitor is weak. To be successful, the attacker must be patient and willing to carefully expand out of the relatively undefended market niche or else face retaliation by an established competitor.
- * **Encirclement:** usually evolving from the previous two, encirclement involves encircling and pushing over the competitor's position in terms of greater product variety and/or serving more markets. This requires a wide variety of abilities and resources necessary to attack multiple market segments.
- * **Bypass Attack:** attempting to cut the market out from under the established defender by offering a new, superior type of produce that makes the competitor's product unnecessary or undesirable.
- * **Guerrilla Warfare:** using a "hit and run" attack on a competitor, with small, intermittent assaults on different market segments. This offers the possibility for even a small firm to make some gains without seriously threatening a large, established competitor and evoking some form of retaliation.

Cooperative Strategies

These involve an agreement or alliance between two or more businesses formed to achieve strategically significant objectives that are mutually beneficial. Some are very short-term; others are longer-term and may be the first stage of an eventual merger between the companies.

3 *Functional Strategy*

Functional strategies are relatively short-term activities that each functional area within a company will carry out to implement the broader, longer-term corporate level and business level strategies. Each functional area has a number of strategy choices, which interact with and must be consistent with the overall company strategies.

Three basic characteristics distinguish functional strategies from corporate level and business level strategies: shorter time horizon, greater specificity, and primary involvement of operating managers.

A few examples follow of functional strategy topics for the major functional areas of marketing, finance, production/operations, research and development, and human resources management. Each area needs to deal with sourcing strategy, i.e., what should be done in-house and what should be outsourced?

Marketing strategy deals with product/service choices and features, pricing strategy, markets to be targeted, distribution, and promotion considerations. Financial strategies include decisions about capital acquisition, capital allocation, dividend policy, and investment and working capital management. The production or operations functional strategies address choices about how and where the products or services will be manufactured or delivered, technology to be used, management of resources, plus purchasing and relationships with suppliers. For firms in high-tech industries, R&D strategy may be so central that many of the decisions will be made at the business or even corporate level, for example the role of technology in the company's competitive strategy, including choices between being a technology leader or follower. However, there will remain more specific decisions that are part of R&D functional strategy, such as the relative emphasis between product and process R&D, how new technology will be obtained (internal development vs. external through purchasing, acquisition, licensing, alliances, etc.), and degree of centralization for R&D activities. Human resources functional strategy includes many topics, typically recommended by the human resources department, but many requiring top management approval.



Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of international marketing;
- Understand the significance of international marketing to the success of business;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions about critical thinking.	Group discussion and problem solving.
	Related Theories Based on the opening case, the teacher holds a discussion about marketing strategies, and helps students gain a general understanding of international marketing.	Formal lecture interspersed with questions to/from the students.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p>	Case study and problem solving — teacher-guided.
	<p>Focus on Skills Students finish the exercises in Language Focus; teacher explains the creative thinking technique — segmenting.</p>	Independent study; Group discussion — teacher-guided.

Background Information

1 Procter & Gamble Company (P&G)

The Procter & Gamble Company was incorporated in Ohio in 1905, having been built from a business founded in 1837. The Company's business is focused on providing branded consumer packaged goods. The Company's goal is to provide products of superior quality and value to improve the lives of the world's consumers. The Company's organizational structure is comprised of three Global Business Units (GBUs), Global Operations, Global Business Services (GBS) and Corporate Functions (CF). The Company has one of the largest and strongest portfolios of trusted brands, including Pampers, Tide, Ariel, Always, Pantene, Bounty, Pringles, Charmin, Downy, Iams, Crest, Actonel and Olay.

It is a global market leader in the beauty category. It is the global market leader in hair care. In skin care, its primary brand is Olay, which is the top facial skin care retail brand in the world. The Company is also one of the global market leaders in prestige fragrances, mainly behind the Gucci, Hugo Boss and Dolce & Gabbana fragrance brands. Grooming: This segment consists of blades and razors, face and shave preparation products (such as shaving cream), electric hair removal devices and small household appliances. Health Care: it competes in oral care, feminine care, pharmaceuticals and personal health. In personal health, it is the market leader in nonprescription heartburn medications and in respiratory treatments with Prilosec OTC and Vicks, respectively. In snacks, it competes against both global and local competitors. In pet care, it competes in several markets around the globe in

the premium pet care segment, with the Iams and Eukanuba brands. Fabric Care and Home Care: This segment is comprised of a variety of fabric care products, including laundry cleaning products and fabric conditioners; home care products, including dishwashing liquids and detergents, surface cleaners and air fresheners; and batteries. Baby Care and Family Care: In baby care, it competes mainly in diapers, training pants and baby wipes.

The Company is subject to various legal proceedings and claims arising out of its business which cover a wide range of matters such as governmental regulations, antitrust and trade regulations, product liability, patent and trademark matters, income taxes and other actions.

2 *FedEx Corporation*

FedEx Corporation (FedEx), incorporated on October 2, 1997, is a holding company. The Company provides a portfolio of transportation, e-commerce and business services under the respected FedEx brand. The Company operates in four segments: FedEx Express, FedEx Ground, FedEx Ground and FedEx Services. Federal Express Corporation (FedEx Express) is an express transportation company, offering time-certain delivery within one to three business days and serving markets. FedEx Ground Package System, Inc. (FedEx Ground) is a provider of small-package ground delivery service. FedEx Ground provides day-certain service to every business address in the United States and Canada. FedEx Freight Corporation is a provider of less-than-truckload (LTL) freight services through its FedEx Freight business (fast-transit LTL freight services) and its FedEx National LTL business (economical LTL freight services). FedEx Corporate Services, Inc. (FedEx Services) provides its other companies with sales, marketing and information technology support, as well as customer service support through FedEx Customer Information Services, Inc.

FedEx Express

FedEx Express offers time-certain delivery within one to three business days, serving markets through door-to-door, customs-cleared service, with a money-back guarantee. FedEx Express has approximately 59,000 drop-off locations (including FedEx Office centers), 664 aircraft and approximately 49,000 vehicles and trailers in its integrated global network. FedEx Express offers a range of shipping services for delivery of packages and freight. Overnight and deferred package services are backed by money-back guarantees and extend to virtually the entire United States population. FedEx Express offers three United States package delivery services: FedEx First Overnight, FedEx Priority Overnight and FedEx Standard Overnight. FedEx SameDay service is available for urgent shipments up to 70 pounds to virtually any United States destination. International express and deferred package delivery with a money-back guarantee is available to more than 220 countries and territories, with a variety of

time-definite services to meet distinct customer needs. FedEx Express also offers comprehensive international express and deferred freight services, backed by a money-back guarantee, real-time tracking and advanced customs clearance.

FedEx Trade Networks provides international trade services, specializing in customs brokerage and global ocean and air freight forwarding. FedEx Trade Networks provides customs clearance services for FedEx Express at its major hub facilities. Value-added services include Global Trade Data, an information tool that allows customers to track and manage imports. FedEx Trade Networks provides international trade advisory services, including assistance with the Customs-Trade Partnership Against Terrorism (C-TPAT) program, and through its WorldTariff subsidiary, FedEx Trade Networks publishes customs duty and tax information for over 100 customs areas worldwide. FedEx Trade Networks has 120 offices in 95 service locations throughout North America and in Asia, Europe, the Middle East and Latin America.

FedEx Ground

FedEx Ground serves customers in the North American small-package market, focusing on business and residential delivery of packages weighing up to 150 pounds. Ground service is provided to 100% of the continental United States population and overnight service of up to 400 miles to nearly 100% of the continental United States population. Service is also provided to nearly 100% of the Canadian population. In addition, FedEx Ground offers service to Alaska and Hawaii through a ground and air network operation coordinated with other transportation providers. The Company offers FedEx Home Delivery, which reaches nearly 100% of United States residences. FedEx Ground operates a multiple hub-and-spoke sorting and distribution system consisting of 520 facilities, including 32 hubs, in the United States and Canada.

FedEx SmartPost (a subsidiary of FedEx Ground) is a small-parcel consolidator, which specializes in the consolidation and delivery of high volumes of low-weight, less time-sensitive business-to-consumer packages, using the United States Postal Service for final delivery to residences. The Company picks up shipments from customers (including e-tailers and catalog companies), provides sorting and linehaul services and then delivers the packages to a United States Postal Service facility for final delivery by a postal carrier. Through its network of 25 distribution hubs and approximately 4,500 employees, FedEx SmartPost provides delivery Monday through Saturday to all residential addresses in the United States, including post office boxes and military destinations.

FedEx Freight

FedEx Freight Corporation provides a range of LTL freight services through its FedEx Freight (fast-transit LTL freight services), FedEx National LTL (economical LTL freight services) and FedEx Freight Canada businesses. FedEx Freight provides service to virtually all United States ZIP Codes (including Alaska and Hawaii). FedEx Freight's services are

supported by a no-fee money-back guarantee on eligible shipments. Internationally, FedEx Freight Canada offers freight delivery service throughout Canada, and FedEx Freight serves Mexico, Puerto Rico, Central and South America, the Caribbean, Europe and Asia through alliances and purchased transportation. FedEx National LTL provides economical service options. As of May 31, 2010, FedEx Freight Corporation was operating approximately 60,000 vehicles and trailers from a network of 492 service centers. FedEx Custom Critical provides a range of expedited, time-specific freight-shipping services throughout the United States, Canada and Mexico.

FedEx Services

FedEx Services provides its other companies with sales, marketing, information technology and customer service support. Through FedEx Services and its subsidiary FedEx Customer Information Services, Inc., the Company provides a convenient single point of access for many customer support functions, to sell the entire portfolio of transportation services. FedEx Mobile is a suite of services available on most Web-enabled mobile devices, such as the BlackBerry, and includes enhanced support for Apple products, such as the iPhone, iPod Touch and iPad. FedEx Mobile allows customers to track the status of packages, create shipping labels, get account-specific rate quotes and access drop-off location data for FedEx shipments.

FedEx Office's global network of digitally-connected locations offers access to copying and digital printing through retail and Web-based platforms, signs and graphics, professional finishing, computer rentals, and the range of FedEx day-definite ground shipping and time-definite global express shipping services. FedEx Office offers a range of FedEx Express and FedEx Ground services at virtually all United States locations. In addition, FedEx Office offers packing services at virtually all United States Office and Print Centers, and packing supplies and boxes are included in FedEx Office's retail product assortment.

The Company competes with United Parcel Service, Inc., DHL, TNT, Con-Way Freight, YRC Regional Transportation and UPS Freight.

Lecturing Hints

Opening Case

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers:

- 1) Open-ended Answer (Students can elaborate on this question in terms of P&G's marketing strategy, such as successful market segmentation).
- 2) Because P&G understands that different people want different mixes of benefits from the products.
- 3) P&G divides the total market into several relatively homogeneous groups with similar product interest based on different consumer demands. Moreover, P&G positions their shampoos as high grade products, and publicizes their individual strengths respectively. What's more, P&G releases several different products of different benefits within one single brand.
- 4) (Open-ended Answer)

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) P&G divide the total market into several relatively **homogeneous** groups with similar product interest based on different consumer demands.

根据不同的消费需求，宝洁公司按照对产品爱好的相似程度把整个市场分为几个大体相同的消费群体类别。

homogeneous: (adj.) consisting of parts which are similar to each other.

e.g.: The population of the village has remained remarkably homogeneous.

- 2) P&G **releases** several different products of different benefits within one single brand.

宝洁公司在一个单一品牌下推出几款有不同功效的产品。

release: (v.) to let (sth) be shown in public or available for use.

e.g.: If a company releases a film or musical recording, it allows the film to be shown in cinemas or makes the musical recording available for the public to buy.

- 3) **Given** the diversity of consumers and their varied hair needs, P&G has launched Rejoice in three unique variants:

考虑到消费者的多元性和他们对护发的不同需求，宝洁公司推出三种不同功效的飘柔洗发水。

given: (prep.) knowing about, considering

e.g.: Given the time available to us, we'll have to submit the report in draft form.

- 4) It is through this kind of superior market segmentation and positioning that P&G almost **monopolizes** the high end market of shampoos in the world.

正是通过这种卓越的市场细分和定位，宝洁公司几乎垄断了全球洗发水的高端市场。

monopolize: (v.) In business, to monopolize something is to control it completely and to prevent other people having any effect on what happens.

e.g.: The company had monopolized the photography market for so many decades that they didn't worry about competition from other companies.

Suggested translation

宝洁公司的市场细分

宝洁公司在美国销售很多知名品牌的洗衣粉、洗手液、洗发精、护肤液以及一次性纸尿裤，例如汰渍、舒肤佳、玉兰油、激爽、潘婷、飘柔、海飞丝、沙宣和帮宝适等。而且，针对不同的国际市场，宝洁公司的每一类产品都有许多品牌。譬如，宝洁公司销售的洗衣产品品牌在拉美有16种，在欧洲、中东和非洲有19种。宝洁公司的这些品牌在同一超市货架上相互竞争。但是宝洁公司为什么要在每一类产品中推出多个品牌，而不是把其资源集中于一个单一的、市场领先的品牌呢？答案是，事实上不同的人需要购买不同功效的产品。以洗发水为例，人们买它是为了清洗自己的头发，但是他们也想要其他的效果，比如让头发柔软，客户个性化的护发需求，高效的头皮护理，去除头皮屑，以及个性化的发型设计等。因此就有很多不同的洗发水客户群，每一个客户群都想寻求一种特别的功效组合。

通过这种方式，根据不同的消费需求，宝洁公司按照对产品爱好的相似程度把整个市场分为几个大体相同的消费群体类别。而且，公司还把其洗发精定位为高端产品，分别宣传它们的各自优点。例如，海飞丝能提供对头皮的最好的保护，并能有效的去除头皮屑；飘柔能让头发柔软、光滑，而且有润发的效果；潘婷主要提供个性化护发产品，让她们每天容颜靓丽，感觉完美；沙宣定位于美发以及头发造型，让消费者不费什么功夫就能打造出完美绝伦的个性化发型。

除此之外，宝洁公司还在单一品牌下，推出几款有不同功效的产品。飘柔洗发精在全球有着非常强大的市场占有率，并且在亚洲雄踞第一，成为最畅销的洗发精品牌。考虑到消费者的多元性和他们对护发的不同需求，宝洁公司推出三种不同功效的飘柔产品：

滋润护发型：用特殊配方配制具有更加护发效果，可使头发特别柔顺并易于梳理。适合于干性发质的人群。

柔顺洁发型：专为油性头发配制，能温和有效地去除头发油腻和污垢并且滋润头发使之如丝般顺滑。适合于头发经常出油或头发天生油性很高且容易粘连的人。

全能型：特别配制的三合一洗发精，可去除头皮屑、保持头发润发柔顺并终日散发芳香。适合于全家使用。

分割这些产品的有效地满足了不同消费群体的需求，同时也成功地占有了市场的主导份额。正是通过这种卓越的市场细分和定位，宝洁公司几乎垄断了全球洗发水的高端市场。

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about FedEx Corp.

Suggested answers: 

Headquartered in Memphis, Tennessee with offices throughout North America, Europe, and Asia, FedEx is the world's largest express delivery, ground small-parcel delivery, less-than-truckload freight delivery, supply chain management, customs brokerage, trade facilitation and e-commerce solutions company. FedEx offers various international packages and document delivery services to 214 countries, as well as international freight services and also offers commercial and military charter services. The Company operates in four segments: FedEx Express, FedEx Ground, FedEx Ground and FedEx Services.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) It presents FedEx's promise that the package can be delivered overnight as the customers require. This tagline tells that FedEx regards the consumers' needs as the top priority, which reflects the corporation's philosophy of superior service.
- 2) Because FedEx always regards the customers' needs as the top priority, and offers the best service. Another reason why FedEx is a corporate leader is that it's an organization filled with individual leaders.
- 3) FedEx works to stand apart from its competitors by creating a level of service that is difficult for competitors to match.
- 4) The FedEx's difficulty in differentiation lies in the nature of the industry and the

awareness level of the customer.

- 5) FedEx has divided itself into different business units to better serve customer needs. There are six segments, which are FedEx Express, FedEx Ground, FedEx Freight, FedEx Custom Critical, FedEx Trade Networks, and FedEx Supply Chain Services.
- 6) UPS is generally cheaper, and thus holds the competitive advantage in the US market. On the global level, FedEx is much more visibly differentiated from its competitors and they can make promises that their rivals cannot because of their resources. They do not have a sustainable competitive advantage nor do they possess distinctive competencies.

4 *Ask students to summarize Text B analysis, identifying the good practices adopted in FedEx's marketing, with its current problems and challenges.*

Suggested answers: 

Good practices:

- 1) To create a level of service that is difficult for competitors to match, differentiating their standard of quality from their competitors.
- 2) To divide itself into six different segments; FedEx Express, FedEx Ground, FedEx Freight, FedEx Custom Critical, FedEx Trade Networks, and FedEx Supply Chain Services. And Each service is targeted toward a specific segment of the market.
- 3) To build an international infrastructure to help build a competency for that market.

Problems: (open)

For instance

- 1) FedEx is relatively much more expensive than its rivals, and thus is disadvantageous in the market.
- 2) The competition is becoming increasingly intense, with the development of globalization.

- 5 Ask students to work in groups. Make a comparison between FedEx and its competitors in China such as China Post in the services they offer and decide on a strategy for FedEx to market in China.

Suggested answers: 

A comparison between FedEx and its competitors in China : (Open-ended Answer)

A strategy for FedEx to market in China: (Open-ended Answer)

- 6 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) On 12 February, 2004, FedEx Group **acquired** Kinko's, Inc.

2004年2月12日，联邦快递集团公司收购了金考公司。

acquire: (v.) come into the possession ownership of something concrete or abstract

e.g.: Microsoft Corp. once made a big move and bid to acquire Yahoo! Inc.

- 2) These principles have made FedEx employees show **unprecedented** dedication to their work and to their company.

这些理念使得联邦快递的员工对他们的工作和公司展现出前所未有的奉献精神。

unprecedented: (adj.) having no precedent or parallel; unheard-of; novel

e.g.: The air crash caused an unprecedented number of deaths.

- 3) FedEx's strengths in logistics, operations, and technological innovation allow them to pursue a **differentiation** business level strategy.

联邦快递在物流、运营和技术创新上的优势允许他们能够寻求一个与众不同的业务层战略。

Differentiation: (n.) a discrimination between things as different and distinct.

e.g.: The branch of mathematics that deals with limits and the differentiation and integration of functions of one or more variables

- 4) FedEx works to **stand apart** from its competitors by creating a level of service that is difficult for competitors to match.

联邦快递通过创造一种竞争对手难以比拟的服务水准来把自己与他们区分开来。

stand apart: to appear clearly different from other things or people.

e.g.: In order to stand apart from the other applicants during the process, one must make oneself noticeable.

- 5) This is considered a **premium** that a customer pays for the quality of service FedEx provides.

这被认为是客户为联邦快递公司所提供的高质量的服务应支付的酬金。

premium: (n.) payment or reward (especially from a government) for acts such as catching criminals or killing predatory animals or enlisting in the military.

e.g.: They encouraged customers with a premium for loyal patronage.

- 6) When it comes to shipping, customers are very price sensitive. They will usually just decide on the cheaper carrier, so there isn't much brand **loyalty** at all.

谈到投运，客户对价格非常敏感。他们通常选择价格相当低廉的投递公司，因此根本没有品牌的忠诚度可言。

loyalty: (n.) the quality of being loyal

e.g.: We all have a loyalty to the company.

- 7) The less they **resemble** their rivals, the better their customers can perceive their level of quality, becoming more willing to pay the premiums.

他们跟竞争对手之间相似度越少，他们的客户就能更好地感受到高水平的服务，也就更加愿意多付酬金。

resemble: (v.) appear like; be similar or bear a likeness to

e.g.: She resembles her mother very much.

- 8) Each service is **targeted** toward a specific segment of the market, according to the specific needs of different customers.

根据不同客户的特定要求，每一项服务都针对特定的细分市场。

target: (v.) intend (something) to move towards a certain goal.

e.g.: The nuclear weapons are targeted on Western Europe.

- 9) FedEx hopes to serve the immediate and psychological need for those who need a **guarantee** on time and delivery.

联邦快递希望为那些需要得到时间和投递保障的客户提供服务，满足他们的即时和心理需要。

guarantee: (n.) a written assurance that some product or service will be provided or will meet certain specifications

e.g.: Can you give me your guarantee that the goods will be delivered before Friday?

- 10) Their goal is to operate independently of each other yet to compete **collectively**.

他们的目标是各家独立经营而又一起合作与对手竞争。

collectively: (adv.) 1. in conjunction with; combined

e.g.: The houses are owned collectively by the company.

- 11) The main functional units are logistics and operations for its transportation system. These units assure the **coordination** and smooth flow of FedEx's deliveries.

主要的功能单元是运输系统的物流和经营。这些单元确保联邦快递公司的投递业务协调而顺利。

coordination: (n.) the skillful and effective interaction of movements

e.g.: The perfect coordination of the dancers and singers added a rhythmic charm to the performance.

- 12) Despite FedEx's **considerable** investments, they do not have a sustainable competitive advantage nor do they possess distinctive competencies.

虽然联邦快公司做了相当大的投资，然而他们没有可持续的竞争优势，也不拥有与众不同的能力。

considerable: (a.) large or relatively large in number or amount or extent or degree
e.g.: He bought the house at considerable expense.

Suggested translation

市场营销战略的焦点：市场细分与差异化 ——联邦快递集团公司案例分析

公司概况

联邦快递集团公司，前身是联邦快递公司，是一家物流服务公司，总部位于美国田纳西州的孟菲斯。联邦快递公司（FDX Corporation）成立于1998年1月，由当时的联邦快递（Federal Express）并购口径系统公司（Caliber System Inc.）后组建而成。联邦快递成立于1971年，作为联邦快递公司，最初由弗雷德·史密斯成立于阿肯色州的小石城。而联邦快递集团公司，则是一家特拉华州的企业，并购组建于1997年10月2日。

联邦快递集团公司是全球最大的快递公司，经营特快专递、小型包裹投递、零担货物运输、供应链管理、海关代理业务、贸易便利以及电子商务解决方案等业务，在全球有超过145 000名员工，每天投递320万个包裹。公司拥有634架飞机和42 500多台车辆。联邦快递集团公司向214个国家提供各种各样的国际包裹投递和文件传递服务，还有国际货运服务，并且提供商用包机和军用包机服务。2004年2月12日，联邦快递集团公司收购了金考公司（Kinko's Inc.）。现在它还提供文档解决方案以及商务服务，包括复印和印刷、符号和图形、视频会议、高速无线及有线互联网接入和电脑使用等。

联邦快递以其营销口号“它绝对、肯定必须一夜到达”而广为人知。这只是联邦快递成为行业龙头的一个原因。弗雷德·史密斯在1973年4月创建联邦快递，当时史密斯提炼出这些经营理念，使得联邦快递一下子取得了巨大的成功。这些理念也使得联邦快递的员工对他们的工作和公司展现出前所未有的奉献精神。1997年8月20日，联邦快递公司拿出大约2000万美元作为特别酬谢奖金，分发给近9万名联邦快递美国公司的员工，以褒奖他们非凡的努力。这可不是闲谈自吹，他们就是一个大家庭。

联邦快递成为行业领头羊的一个原因是，这是一个拥有众多有独特领导能力人才的企业。事实上，公司以极大的创造性和对细节的关注，就像它在孟菲斯中心对包裹分类一样，设计了由普通员工到中层管理者（然后到高层领导）的晋升流程。

联邦快递的业务层面战略

联邦快递在物流、运营和技术创新上的优势，允许他们能够寻求一种与众不同的业务层战略。联邦快递公司通过创造一种竞争对手难以比拟的服务水平来把自己和他们区别开来。联邦快递公司已经清晰地显示为一个创新者，但是他们需要让客户了解的是，他们提供高质量的服务。联邦快递公司的服务费用比其许多行业竞争者要高，这被认为是客户为其所提供的高质量的服务应支付的酬金。通过在水准上与其竞争者区别开来，联邦快递使它的客户认识到：如果他们愿意多付钱，那将是物有所值的。

实行差异化的目的是建立强大的客户基础，使得客户体会到联邦快递公司的服务确实比它

的竞争对手更胜一筹。尽管这个行业所有的竞争者都能够经营快递业务，但是联邦快递公司是最看重客户的。联邦快递公司提供的一些特别服务包括最大限度的支持、退款保证、以及上门提取包裹。联邦快递公司不遗余力地使自己与其对手区别开来。

差异化所存在的问题

然而，由于行业的特性和消费者的意识水平，实行差异化注定是困难重重的。谈到投运，消费者对价格非常敏感。他们通常选择价格相当低廉的投递公司，因此根本没有品牌的忠诚度可言。典型的顾客不会关心联邦快递公司的全球投递做得有多好，也不关心他们的物流和技术是多么富有创新。他们往往只想用尽可能低的价格将他们的包裹从甲地投递到乙地。对于这些消费者来说，服务质量的水准受负担能力的限制而变得模糊。因此联邦快递公司需要在尽可能多的方面与其竞争者，即UPS (美国快递公司)区别开来。他们与其竞争对手的相似度越小，他们的客户就能更好地体验到高水平的服务，也就更加愿意多付钱。

瞄准客户需求

联邦快递公司懂得，不同的客户有不同的需求，因此它将自己分成6个部分：联邦快递、联邦快递地面、联邦快递货物运输、联邦快递关键定制、联邦快递贸易网络和联邦快递供应链管理。根据不同消费者的特定要求，每种服务都针对特定的细分市场。通过根据需求瞄准特定的顾客，联邦快递希望为那些需要得到时间和投递保障的客户提供服务，满足他们的即时和心理需要。消费者在不同的时段可能会有不同的服务要求，超出某个单一的类别。某个公司可能需要将一份文件隔夜就投递到几个州之外，而第二天又需要运输某种货品。联邦快递懂得他们的客户会有各种不同的服务要求，因此对市场做了相应的分割。就这样，不管客户需要做什么，联邦快递公司总能够为他们提供服务。

市场分割

为了更好地为客户服务，联邦快递公司已经把业务分为几个不同的板块。其目标是他们各家能独自经营，但又一起合作与对手竞争。这种市场分割也是它与其竞争对手区别开了一种的手段。通过分为不同的业务板块，每个板块都能专攻其自己的市场，而不必着眼于整个市场。

最大的业务板块，即联邦快递，其宗旨是为任何需要快速投递小型包裹（文档、法律文件等）的客户提供时间和天数都确定的服务，并且提供退款保证，确保及时投递。联邦快递地面服务更多的是专注于在时间和目的地上限制较少的、企业对企业的中小型包裹投递服务。他们还承担企业对家庭的投递业务，即联邦快递的上门投递。第三个业务板块是重型包裹业务，即联邦快递货运。这种服务允许顾客在美国大陆区域内或者区域之间投递超过150磅重的包裹。这满足了对运输时间限制比较灵活的货物投递的服务需求。还有一个相对较小的业务板块是联邦快递关键定制，它提供的是需要特别小心处理或者需要使用特别装备车辆的产品运输服务。联邦快递贸易网络为国际贸易提供端到端的支持，联邦快递供应链管理同步货物流程，以提高客户满意度。根据上述显而易见，联邦快递公司对市场进行分割完全是根据客户的需要，而不是基于人口统计学上的地区。

联邦快递和联邦快递地面承担了公司大部分业务，也是现在公司盈利最多的板块，两者的总收入合起来超过140亿美元。联邦快递也是公司总体上成功的写照，因为这是联邦快递公司

引以为傲，也是它做得最好的领域。由于其投递能力及其对快递业务的承诺，联邦快递公司与快递服务业紧密联系在一起。

质量的差异化

联邦快递公司有能够满足所有这些分割市场消费者的要求。他们已经投入了特别大量的资金来发展他们的基础设施，目的是可以向客户提供最好的服务承诺。联邦快递公司每天运输300多万件物品到200多个国家。在联邦快递公司的每个业务单元内都是执行某些特别功能的具体功能单元。主要的功能单元是运输系统的物流和经营。这些单元确保了联邦快递公司的投递业务协调和顺利，最终的结果就是高质量的服务。这些服务包括客户服务反应和创新，例如它的空运机队、投运中心和包裹处理系统、包裹追踪、客服支持功能和物流支持。这不仅可以帮助联邦快递公司履行它的承诺，也在一定程度上使得它优于其竞争对手。

世界范围内的差别化

尽管联邦快递公司努力把它和竞争对手进行区别，它仍旧被拿来与美国的UPS做比较。因为UPS一般来说比较廉价，他们在美国市场上占有竞争优势。然而，在全球范围，联邦快递公司跟其竞争者之间有着明显的区别。因为具有资源上的优势，他们可以做竞争对手无法做到的承诺。随着将来这个宏大产业要实行全球化，其竞争对手很有可能会通过建立其自身的基础设施来消除这种差异。但是现在，就全球范围内的快递服务而言，联邦快递公司是雄踞老大位置的。

联邦快递公司拥有的投运中心遍布全世界，其空运机队有600多架飞机。这些都是其他公司很难以建立的。因为没有任何其他的企业拥有联邦快递公司的基础设施，人们把联邦快递公司视为全球快递公司。

虽然联邦快递公司做了相当大的投资，然而他们依然没有可持续的竞争优势，也不具备与众不同的能力。由于联邦快递公司运营着投递中心，并且正向国外市场开放，可以说，他们正在建立相对的优势，尽管他们在这一方面还需要作数年的努力，但他们已经走上了正确轨道。

目前，UPS控制着美国的国内市场，这保证了他们占有很大的国内市场份额，并且盈利也大于产业平均利润。然而，就像UPS花了几年时间来建设国内的基础设施一样，联邦快递公司正在建设国际基础设施，以支持其竞争国际市场的能力。现在，没有其他的货运公司正在寻求建立像联邦快递公司那样密集的全球网络。可以说，联邦快递公司正在实行的策略，以及由于其他领先公司缺乏行动，将会形成一种独特能力，并最终使联邦快递具有竞争优势。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | | |
|-------------------------|--------------------------|------------------------|-------------------|
| 1. <u>acquire</u> | 2. <u>incorporate</u> | 3. <u>logistics</u> | 4. <u>premium</u> |
| 5. <u>target market</u> | 6. <u>infrastructure</u> | 7. <u>coordination</u> | 8. <u>segment</u> |

- 2** Complete the company profile about FedEx Corp. with the information from Text B.

Suggested answers: 

Facts about FedEx Corp.

Company name: FedEx Corp.

Date of Establishment: January 1998

Founders: Fred Smith

Headquarters: Memphis, Tennessee

Market position: the world's largest express delivery, ground small-parcel delivery, less-than-truckload freight delivery, supply chain management, customs brokerage, trade facilitation and e-commerce solutions company

Products & Services: express delivery, ground small-parcel delivery, less-than-truckload freight delivery supply chain management, customs brokerage, trade facilitation and e-commerce solutions

Marketing strategy: focusing on segmentation and differentiation

- 3** Read the passage "Market Segmentation" in Text B and write a summary of it.

Suggested answers: 

FedEx has divided itself into different business units to better serve customer needs. There are six segments which are FedEx Express, the FedEx Ground, FedEx Freight, FedEx Custom Critical, FedEx Trade Networks, and FedEx Supply Chain

Services. FedEx Express is geared to satisfy time and day definite service for anyone needing speedy delivery of small packages. The FedEx Ground service caters more to a business-to-business small and medium package delivery with less time and destination restraints. FedEx Freight allows customers to send packages of over 150 pounds, regional and interregional, within the continental US. FedEx Custom Critical provides shipping of products requiring special care in handling or specially equipped vehicles. FedEx Trade Networks, which provide end-to-end support for international trade, and finally FedEx Supply Chain Services which synchronize the movement of goods for enhanced customer satisfaction. FedEx Express and FedEx Ground do the majority of the company's business, and are currently its most profitable aspects.

4 Translate the following passage into Chinese.

Suggested answers: 

总部位于法国的欧莱雅是1996年中国政府放宽对外国投资标准时进入中国的。1997年，它成立了一个子公司叫欧莱雅中国，开始经营中国业务。很快，欧莱雅中国的产品就广受欢迎。受早期成功的鼓舞，公司把更多的国际品牌引入到中国，目的是获得更大的市场份额。公司还采取了其他策略力求增加市场占有率。比如说，投资研发适合中国人头发和皮肤特点的新产品，招聘当地员工，通过并购本土品牌来扩大市场，等等。

Business Focus

Telecommuting

What is Telecommuting?

Telecommuting or telework is a work arrangement in which employees enjoy flexibility in working location and hours. In other words, the daily commute to a central place of work is replaced by telecommunication links. Many work from home, while others, occasionally also referred to as nomad workers or web commuters utilize mobile telecommunications technology to work from coffee shops or other locations. Telework is a broader term, referring to substituting telecommunications for any form of work-related travel, thereby eliminating the distance restrictions of telecommuting. All telecommuters are teleworkers but not all teleworkers are telecommuters. A frequently repeated motto is that “work is something you do, not something you travel to”.

A successful telecommuting program requires a management style which is

based on results and not on close scrutiny of individual employees. This is referred to as management by objectives as opposed to management by observation. The terms telecommuting and telework were coined by Jack Nilles in 1973

How Many People Telecommute?

When it works, group brainstorming can be very effective for bringing the full experience and creativity of all members of the group to bear on an issue. When individual group members get stuck with an idea, another member's creativity and experience can take the idea to the next stage. Group brainstorming can therefore develop ideas in more depth than individual brainstorming.

Another advantage of group brainstorming is that it helps everyone involved to feel that they've contributed to the end solution, and it reminds people that other people have creative ideas to offer. What's more, brainstorming is fun, and it can be great for team-building!

Brainstorming in a group can be risky for individuals. Valuable but strange suggestions may appear stupid at first sight. Because of this, you need to chair sessions tightly so that ideas are not crushed, and so that the usual issues with group problem-solving don't stifle creativity.

Potential Benefits

Telecommuting offers benefits to communities, employers, and employees.

For communities, telecommuting can offer fuller employment (by increasing the employ-ability of proximal or circumstantially marginalized groups, such as Work at home parents and caregivers, the disabled, retirees, and people living in remote areas), reduces traffic congestion and traffic accidents, relieves the strain on transportation infrastructures, reduces greenhouse gases, saves fuel, reduces energy use, improves disaster preparedness, and reduces terrorism targets.

For companies, telecommuting expands the talent pool, reduces the spread of illness, reduces costs, increases productivity, reduces their carbon footprint and energy usage, offers an inexpensive method of complying with the Americans with Disabilities Act of 1990 (ADA), reduces turnover and absenteeism, improves employee morale, offers a continuity of operations strategy, improves their ability to handle business across multiple timezones, and hastens their cultural adaptability. Full-time telework can save companies approximately \$20,000 per employee.

For individuals, telecommuting, or more specifically, work from home arrangements, improves work-life balance, reduces their carbon footprint and fuel usage, frees up the equivalent of 15 to 25 workdays a year—time they would have otherwise spent commuting, and saves between \$4,000 and \$21,000 per year in travel and work-related costs (not including daycare). When gas prices average \$3.00 per gallon, the average full-time employee who commutes 5 days per week spends \$138.80 per month on gasoline. If

53% of white-collar employees could telework 2 days a week, they could collectively save 9.7 billion gallons of gas and \$38.2 billion a year.

Half-time telecommuting by those with compatible jobs (40%) and a desire to do so (79%) would save companies, communities, and employees over \$650 billion a year—the result of increased productivity, reduced office expense, lower absenteeism and turnover, reduced travel, less road repairs, less gas consumption, and other savings.

Environmental Benefits

Telecommuting gained more ground in the United States in 1996 after “the Clean Air Act amendments were adopted with the expectation of reducing carbon dioxide and ground-level ozone levels by 25 percent.” The act required companies with over 100 employees to encourage car pools, public transportation, shortened workweeks, and telecommuting. In 2004, an appropriations bill was enacted by Congress to encourage telecommuting for certain Federal Government of the United States" Federal agencies. The bill threatened to withhold money from agencies that failed to provide telecommuting options to all eligible employees.

If the 40% of the U.S. population that holds telework-compatible jobs and wants to work from home did so half of the time,

- The nation would save 280 million barrels of oil (37% of Gulf oil imports)
- The environment would be saved the equivalent of taking 9 million cars permanently off the road.
- The energy potential from the gas savings would total more than twice what the U.S. currently produces from all renewable energy source combined.

Employee Satisfaction

Telework flexibility is a desirable perquisite for employees. A 2008 Robert Half International Financial Hiring Index, a survey of 1,400 CFOs by recruitment firm Robert Half International, indicated that 13% consider telework the best recruiting incentive today for accounting professionals. In earlier surveys, 33% considered telework the best recruiting incentive, and half considered it second best.

Related Theories

Target Marketing

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments.

Target marketing can be the key to a small business's success.

The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities.

So if, for instance, I open a catering business offering catering services in the client's home, instead of advertising with a newspaper insert that goes out to everyone, I could target my market with a direct mail campaign that went only to particular residents.

While market segmentation can be done in many ways, depending on how you want to slice up the pie, three of the most common types are:

- Geographic segmentation – based on location such as home addresses;
- Demographic segmentation – based on measurable statistics, such as age or income;
- Psychographic segmentation – based on lifestyle preferences, such as being urban dwellers or pet lovers.

Niche Market

A niche market is the subset of the market on which a specific product is focusing; therefore the market niche defines the specific product features aimed at satisfying specific market needs, as well as the price range, production quality and the demographics that is intended to impact.

Every single product that is on sale can be defined by its niche market. As of special note, the products aimed at a wide demographic audience, with the resulting low price (due to price elasticity of demand), are said to belong to the mainstream niche — in practice referred to only as mainstream or of high demand. Narrower demographics lead to elevated prices due to the same principle. So to speak, the Niche Market is the highly specialized market that tries to survive among the competition from numerous super companies.

In practice, product vendors and trade businesses are commonly referred as mainstream providers or narrow demographics niche market providers (colloquially shortened to just niche market providers). Small capital providers usually opt for a niche market with narrow demographics as a measure of increasing their gain margins.

Nevertheless, the final product quality (low or high) is not dependent on the price elasticity of demand; it is associated more with the specific needs that the product is aimed at satisfy and in some cases with brand recognition with which the vendor wants to be associated (e.g. prestige, practicability, money saving, expensiveness, planet environment conscience, power, etc.).

Why Establish a Niche Market

Niche market is a focused, targetable portion of a market.

By definition, then, a business that focuses on a niche market is addressing a need for a product or service that is not being addressed by mainstream providers. You can think of

a niche market as a narrowly defined group of potential customers.

For instance, instead of offering cleaning services, a business might establish a niche market by specializing in blind cleaning services.

Why should you bother to establish a niche market? Because of the great advantage of being alone there; other small businesses may not be aware of your particular niche market, and large businesses won't want to bother with it.

The trick to capitalizing on a niche market is to find or develop a market niche that has customers who are accessible, that is growing fast enough, and that is not owned by one established vendor already.

Online Niche Marketing

An often used technique for affiliate marketers is Internet-based niches. Segments of larger markets, referred to as niches, a website can be developed and promoted quickly to uniquely serve a targeted and usually loyal customer base, giving the affiliate a small but regular income stream. This technique is then repeated across several other niche websites until a desired income level is achieved. A bigger niche is harder to market to as the expense of online advertisements increases according to the popularity of the keywords used (on Adwords, for example).

Some niches may become saturated with marketers, increasing competition and thus, according to the economic law of supply and demand, reducing the slice of the pie available to each competitor. One solution is to find smaller, "undiscovered," but still profitable, niches, usually by searching out the best keywords to target. These lower cost keywords are called long-tailed keywords, as in the long tail of secondary keyword phrases that usually follow the main keyword in popularity of number of searches conducted by internet users. Some are too obscure and may have very few or even no clicks per month, and therefore not much use to target.

The concept of niche marketing can be well understood by the following example: A number of television channels cater to the need of a particular niche; for example, sports channels like STAR SPORTS, ESPN, STAR CRICKET, and TENNIS SPORTS target a niche of sports lovers.

Many business industries use **niche marketing** today. The use of High Impact eMarketing styles along with the Microsite or Landing Page builds company recognition and brand trust.

The process to find your niche business:

1. Find a niche product or service you are passionate about — this will greatly improve your chances of being successful. Why? Because it's the only way you're going to be able to devote the kind of time and effort to create a meaningful web site, build up the right traffic, generate worthwhile income, and enjoy what you're doing.

2. Choose a niche product or service you are knowledgeable about — reflect on what

skills, hobbies or products you know the most about. If you don't have the knowledge yet, then choose a niche product that you would love to promote, and then spend the necessary time to research it, so you can eventually become an expert in your marketing niche.

3. Define your niche market — do the necessary research to see if there is a market for your niche product. To create a profitable business for your niche product, you need to ask yourself these questions:

a) Is there sufficient demand for it? — If you choose a field that is too broad it may be hard to stand out from the competition i.e. camping equipment is your niche product. Well, unless you are a large corporation such as Sports Authority (a large retail store in my town), you won't stand out from the crowd. However, a more highly targeted niche product could be Coleman Camping Equipment.

b) Keyword research — use keyword tools such as the overture suggestion tool or wordtracker to how many people are searching each month on keywords related to your niche product.

Here's an example:

According to overture (at the time of writing this article), the keyword phrase “camping equipment” was searched 76164 times in one month. If you do a search on Google.com for camping equipment you will find 1,610,000 web sites show up — heck, that's too competitive. However “coleman camping equipment” generated 1242 searches in one month according to overture. Google.com shows 93,200 competing websites. That's much better though still somewhat competitive.

This is just one way to create a high ranking on the search engines for your newly targeted web site. This will then provide lots of targeted traffic to your site.

c) Take a survey? You may already have products or services that you selling to your customers. If so, ask questions within your survey about what product/service would help your customers business. If it can help them save time by gaining more knowledge or automating tasks, you could have a winner.

d) Create Your Own Unique Selling Position (USP) — study your competition to find out what they emphasize about the product which makes them stand out from the crowd. Then decide on something that will make your business unique from the others. It could be something unique about the product (ie. discount coleman camping equipment) or you could choose a more highly defined target market (i.e. boyscout organizations and clubs throughout the USA).

4. Build and promote your web site — to develop a profitable web site for your niche product you need to create a number of informative pages that will not only attract visitors from the search engines, but inform and move them to purchase from your site.

How to Find Niche Markets Online in Three Easy Steps For Free

There are plenty of products out there that require you to purchase a set of tools for upwards of \$100. Luckily, you don't need to spend that kind of money. With these free online tools you can find niche markets, and know how to target your website, ebook or blog to achieve maximum visits, click-throughs, and dollars into your pocket.

If you're interested in how to find niche markets online, look no further than this guide.

First Step: How To Find Your Niche Market

There are four great sites for finding your niche market. These are: clickbank, amazon, dmoz, and dummies (dot com). Each provides a number of free ways to help in identifying niche markets. Visiting these sites will definitely help you find a niche market for yourself.

Clickbank

When you visit clickbank, click on the Marketplace tab in the upper right corner of the screen. On the left hand side, you'll see a list of topics. Click the general topic you're interested in, and you will see a number of products for affiliate promotion. However, you're not going to promote anything on your website. You're just going to research what sells. Use this website as a tool for finding niche markets related to your interests.

You can also do a custom search on clickbank to narrow your focus, then sort by Popularity (general interest) or Gravity (what's hot right now). The most popular niches are also going to be the most competitive, so keep that in mind.

Amazon

Amazon is the internet's leading online marketplace. Look through the hottest products in demand on Amazon. This can help you in finding niche markets for your general interest.

DMOZ

DMOZ is somewhat different, in that it doesn't tell you how to find niche markets that sell well. However, it does give you a sense for how to think about them. DMOZ is basically an archive of all the niches on the Internet, arranged from broad topics to narrow focuses. If you know you want to make money online and you know you want to find a niche market, but don't know where to start, DMOZ is a great place to go for ideas. At the bottom of your chosen niche, you will find a few websites that best exemplify that niche.

Dummies

When you visit dummies, you can find the hottest how-to topics on the Internet. Because people use the Internet to learn how to do things, the "how-to" genre can be a great way to target your chosen niche market. Simply click the general topic you're interested in, and you'll be taken to a list of the most popular niches under that topic.

Second: Use Google Adwords

Once you find a niche, simply visit Google's External Keyword Tool. Type a few keywords you want to use, then click search. You'll get a list of popular searches related to

that niche. This will help you figure out what keywords you can use to lure people to your website, blog or e-book. Finding niche markets was never this easy.

Third: How to Choose the Right Keywords

You don't want to simply go with the most popular words shown by the Google tool, because that's what everyone is likely to do. You want to choose keywords that have less than 30,000 competing pages, but still draw in more than 200 visitors per month. This is the definition of a niche market: one without much competition, with a lot of potential customers. Google keyword tool will conveniently show how many competing pages and visitors per month you are likely to get per keyword. You can also modify your search to only include low competition keywords.

Once you find a niche market that you like and some keywords to go with it, you are ready to start creating content to draw interested customers to your site.



Unit 5

E-Commerce

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of e-commerce;
- Understand the significance of e-commerce in modern society;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in small groups and discuss questions for critical thinking.	Group discussion and problem solving.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Related Theories Based on the opening case, teacher holds a discussion about e-commerce, and helps students gain a general understanding of e-commerce.</p>	Formal lecture interspersed with questions to/from the students.
Sections III-IV	<p>Case Study According to the tasks set for case study, teacher guides students in making a step-by-step case analysis.</p> <p>Focus on Skills Students finish the exercises in Language Focus; teacher explains creative thinking technique — competitive analysis.</p>	<p>Case study and problem solving — teacher-guided.</p> <p>Independent study; Group discussion — teacher-guided.</p>

Background Information

1 Security of E-commerce

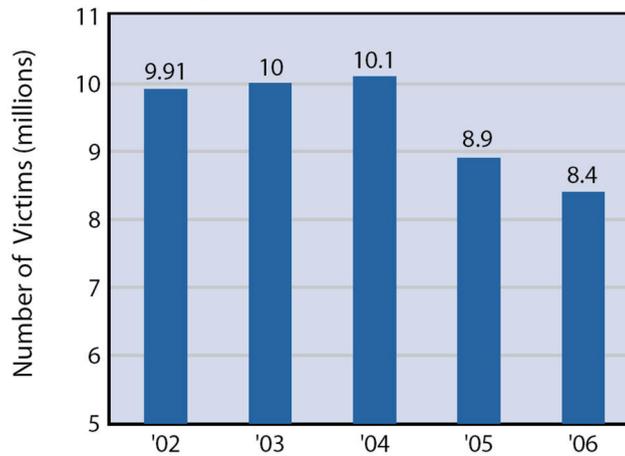
The most critical issue that exists for e-commerce is cyber security. There is mounting concern that the growth of the Internet has exacerbated criminal activities such as identity theft. In a recent survey, 80 percent of Internet users are concerned about being victims of online identity theft. But contrary to this belief, recent data show a notable drop in the number of victims and total costs associated with identity theft, a decrease of 6 percent and 12 percent, respectively.

More so, most identity theft actually takes place offline through the stealing of paper bills, account statements, credit cards, etc. Only 9 percent of identity theft crimes occur online. In fact, many recommend that utilizing online banking and bill paying services would reduce the threat of identity theft given the encryption and authentication technologies used, as well as the lack of any paper billing or statements to steal. It's not far-reaching to conclude this assessment given the possible correlation between the growing popularity of online banking and e-commerce activities and the decreasing number of identity-theft victims.

At the same time, consumers and businesses must remain vigilant when conducting

commerce online. Government must enact policy that focuses on the bad actors and fraudulent activities, not technologies and legitimate business practices.

Victims of Identity Theft



Source: Javelin Strategy & Research

Companies are definitely doing so by constantly upgrading and improving security features as well as creating initiatives to educate their customers on online safety. Consumers need to only purchase items from legitimate Web sites, be cognizant of phishing scams, be aware of industry programs and security tools that are available to them, and always be very protective of giving out personal and sensitive financial information to anyone online. Doing so will continue to make it more difficult for hackers and criminals to access consumer information and make online activities even safer.

ALEC model legislation such as the Anti-Phishing Act, the Computer Spyware Protection Act, and the Breach of Personal Information Notification Act assist states in ensuring that proper legislation is in place to curtail online crimes but at the same time not be detrimental to businesses and their efforts to provide the innovation and new services consumers demand.

2 State and Local Taxes of E-commerce

The fact that unfair taxation was the main impetus for the founding of our nation, it is disconcerting to see how unfair taxes have been piled onto the telecommunications industry. The nationwide average state and local tax rate on telecommunications services is more than 14 percent. This is astounding when compared to a tax rate for general business of 6.12 percent. In 2004, 34 states had tax rates (combined state and local) for telecommunications services that were over 11 percent. States have also begun looking to tax e-commerce, specifically with media downloads. The growing popularity of sites like

iTunes, Yahoo Music, etc. have caught the eye of states interested in increasing revenues in order to address budget deficits or expand government spending. At least 15 states levy taxes on music downloads and more are considering doing so.

3 Federal Taxes of E-commerce

Unfair taxation at the federal level also continues to be an issue. The Universal Service Fund (USF) has ballooned to astronomical portions. Last year, contributions to USF totaled more than \$7 billion. That is an increase of approximately 125 percent since 1998. If USF were on the Fortune 500 list, it would rank 325. The Universal Service Fund has become larger than such companies as Black & Decker, McGraw-Hill, eBay, and Harley-Davidson.



Even though reform took place last year to alleviate the burden of USF on companies (read consumers), the contribution factor has once again increased significantly to 11.7 percent for the second quarter of 2007. Many in Congress know that USF is in dire need of reform, but no one has agreed on what changes must occur. However, progress has been made in certain areas. New tax rules went into effect last summer that repealed the federal tax on some telecommunications services. The Internet tax moratorium, originally enacted in 1998, has been extended a couple of times and legislation has been introduced this session to make it permanent.

Through the *Resolution on Internet Taxation and the Principles of Communications Tax Reform*, ALEC has consistently urged states and Congress to refrain from taxing these critical and developing technologies in order to achieve maximum adoption by consumers. Most telecommunication taxes get passed directly to customers, effectively evaporating the demand for many telecom and online services.

4 *Other Policy Issues*

Taxation policy is a critical area for e-commerce, but other policy issues exist as well. While there has been a general movement to deregulate the industry since certain existing laws have been deemed archaic and ineffective in this new digital economy, there have been some attempts to add new regulatory measures to the industry.

Many states have inappropriately tried to regulate certain online activities related to e-commerce and, in doing so, have completely disregarded industry progress as well as jurisdictional precedence, as clearly defined by the Commerce Clause. These efforts, while well intended, have not taken into account the negative impacts that would resonate through different industry sectors and erode the benefits reaped by consumers. ALEC's Principles on Online Privacy advocates letting industry take the lead through ever-advancing innovation and industry initiatives. It also calls for government to avoid undue restrictions on e-commerce so that consumers can reap the full benefits that being online offers.

5 *ALEC*

The American Legislative Exchange Council, or ALEC, is a non-partisan, ideologically conservative, non-profit membership association of state legislators and private sector policy advocates. Among other activities, the group assists its members in developing "model laws" for state legislatures and serves as an easy-networking tool for fellow legislators to research how certain policy projects and problems have been handled in other states. ALEC has approximately 2,000 legislative members representing all 50 states, as well as more than 85 members of Congress and 14 sitting or former Governors who are considered "ALEC alumni". While the alumni elected to the United States Congress and as Governors are almost exclusively Republican, around one third of ALEC's legislative members are members of the Democratic Party.

ALEC's mission statement is to advance the Jeffersonian principles of free markets, limited government, federalism, and individual liberty, through a non-partisan, public-private partnership between America's state legislators and concerned members of the private sector, policy experts and the general public.

ALEC brings state lawmakers and business people together to substantively create policy. Both public and private task force members have a voice and a vote in shaping policy. In addition to the over 2,000 state lawmakers that are members of ALEC, there are also around 300 corporate, foundation, and other private sector members.

The chairmanship of ALEC is a rotating position, with a new legislator appointed to the position each year. The current chair of ALEC is Speaker William J. Howell of the Virginia House of Delegates. Day-to-day operations are run from ALEC's Washington, D.C.

office by an Executive Director and a staff of around 30.

6 *eBay Inc.*

eBay Inc. is an American Internet company that manages eBay.com, an on-line auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide. Founded in 1995, eBay is one of the notable success stories of the dot-com bubble; it is now a multi-billion dollar business with operations localized in over thirty countries. eBay expanded from its original “set-time” auction format to include “Buy It Now” standard shopping; shopping by UPC, ISBN, or other kind of SKU (via Half.com); on-line classified advertisements (via Kijiji or eBay Classifieds); on-line event ticket trading (via StubHub); on-line money transfers (via PayPal) and other services.

The online auction website was founded as AuctionWeb in San Jose, California, on September 3, 1995, by French-born Iranian computer programmer Pierre Omidyar as part of a larger personal site that included, among other things, Omidyar’s own tongue-in-cheek tribute to the Ebola virus. The very first item sold on eBay was a broken laser pointer for \$14.83. Astonished, Omidyar contacted the winning bidder to ask if he understood that the laser pointer was broken. In his responding email, the buyer explained: “I’m a collector of broken laser pointers.” The frequently repeated story that eBay was founded to help Omidyar’s fiancée trade Pez candy dispensers was fabricated by a public relations manager in 1997 to interest the media. This was revealed in Adam Cohen’s 2002 book, *The Perfect Store*, and confirmed by eBay.

Chris Agarpao was hired as eBay’s first employee and Jeffrey Skoll was hired as the first president of the company in early 1996. In November 1996, eBay entered into its first third-party licensing deal, with a company called Electronic Travel Auction to use SmartMarket Technology to sell plane tickets and other travel products. Growth was phenomenal; in January 1997 the site hosted 2 000 000 auctions, compared with 250 000 during the whole of 1996. The company officially changed the name of its service from Auction Web to eBay in September 1997. Originally, the site belonged to Echo Bay Technology Group, Omidyar’s consulting firm. Omidyar had tried to register the domain name echobay.com, but found it already taken by the Echo Bay Mines, a gold mining company, so he shortened it to his second choice, eBay.com. (Echobay.com is now owned by Echobay Partners, Ltd., a private equity firm based in Nevis.)

In 1997, the company received \$6.7 million in funding from the venture capital firm Benchmark Capital.

Meg Whitman was hired as eBay President and CEO in March 1998. At the time, the company had 30 employees half a million users and revenues of \$4.7 million in the United States. eBay went public on September 21, 1998, and both Omidyar and Skoll became instant billionaires. eBay’s target share price of \$18 was all but ignored as the price went to

\$53.50 on the first day of trading.

As the company expanded product categories beyond collectibles into almost any saleable item, business grew quickly. In February 2002, the company purchased iBazar, a similar European auction web site founded in 1995 and then bought PayPal on October 14, 2002.

In early 2008, the company had expanded worldwide, counted hundreds of millions of registered users, 15,000 employees and revenues of almost \$7.7 billion. After nearly ten years at eBay, Whitman made the decision to enter politics. On January 23, 2008 the company announced that Whitman would step down on March 31, 2008 and John Donahoe was selected to become President and CEO. Whitman remained on the Board of Directors and continued to advise Donahoe through 2008. In late 2009, eBay completed the sale of Skype for \$2.75 Billion, but will still own 30% equity in the company.

In July 2010, eBay was sued for \$3.8 billion by XPRT Ventures which accused eBay of stealing information shared in confidence by the inventors on XPRT's own patents, and incorporated it into features in its own payment systems, such as PayPal Pay Later and PayPal Buyer Credit.

Lecturing Hints

Opening Case

- 1 Allow students a few minutes to go through Text A.
- 2 Work in groups and discuss the questions given.

Suggested answers: 

- 1) Amazon.com clearly stands in today's front rank of online businesses. And it can legitimately claim to be the first of the Web bookstores to reach a global mass market, to be "Earth's largest bookstore".
- 2) The bulk of the Amazon management roster comes out of high technology; nobody at the VP level² or above ever held significant positions in mainstream book publishing. These executives do, however, represent decades of expertise in many sectors and functions relevant to the information business.
- 3) First, Barnes and Noble (a \$2.5 billion bookseller, operating mall stores and

“category killer” superstores, along with a moderate mail-order³ business.); second, Barnesandnoble.com, (another subsidiary, coming online in mid-1997, earlier than the corporate parent had originally planned.); third, Blackwells, (headquartered in England, making a similar run at the online market from a physical base.)

4) (Open-ended Answer)

3 The teacher analyzes the passage and explains the difficult sentences and key words.

1) With an Internet connection, consumers are now able to bank online, conduct book research, purchase books that were not readily **available to** them, and **utilize** enhanced customer service at the click of a button.

通过互联网连接，消费者现在可以通过点击按钮就能办理网上银行业务，进行读书研究，购买难以买到的书籍，并享用优质的客户服务。

utilize: (v.) put into service; make work or employ (something) for a particular purpose or for its inherent or natural purpose

e.g.: This new system lets users with heterogeneous storage platforms utilize all of its storage resources.

be available to: (v.) obtainable or accessible and ready for use or service

e.g.: The final agenda will be available to all attendees at the forum registration desk.

2) Early on, Amazon quickly realized the inherent advantages of the Internet and information technology — utilizing both to improve supply-chain logistics, **automate** ordering and billing systems, improve communication and customer service, etc.

在早期，Amazon就很快意识到互联网和信息技术的固有优势，利用两者可以用来改进供应链物流，使订购和计费系统自动化，改善沟通和客户服务等等。

automate: (v.) make automatic or control or operate automatically

e.g.: Many banks have begun to automate their services.

3) Amazon has also taken a step back and allowed markets to **evolve** naturally, and has given it some time to mature and develop on its own.

Amazon也退一步，让市场能自然地成长，给市场一些时间来逐步独立成熟并发展起来。

evolve: (v.) gradually change and develop into different forms

e.g.: The rational mind ensures that we survive, but not that we evolve.

Suggested translation

电子商务：Amazon在图书出版业面临的挑战

无论人们怎么预期Amazon的远景，Amazon都已经明确地站在了当今在线商务的前列。Amazon可以理直气壮地宣称它是第一个扩展到全球大众市场的网络书店，是“地球上最大的书店”，并且也给股东带来了巨大的财富，从2009年以来，18个月的股票价格回报超过

1300%。除了这些最佳结果之外，Amazon还促使互联网成为一个消费环境，而其中的规则、限制和机遇都与在实体渠道的体验不同。秉持着与一般零售商对市场不同的假定，Amazon成为互联经济中成功商务实践的先驱。

通过互联网连接，消费者现在可以通过点击按钮就能办理网上银行业务，进行读书研究，购买难以买到的图书，并享用优质的客户服务。美国图书出版协会估计在1996到2001年的美国图书业，以批发额来衡量，将以5%的复合年增长率增长。图书业正高度分化，没有一个公司控制的零售市场份额超过10%。库存管理是一个主要挑战：在任何一个给定的时间，出版的图书书目大概都会达到150万，或者说是光盘数量的6倍。

Amazon的管理层主要来自于高科技领域，没有一个身居副总裁或更高职位的人是出身于主流图书出版业的。然而，这些高管们在电子信息技术的相关部门都有十余年的专业经验。在早期，Amazon就意识到互联网和信息技术的固有优势，利用二者可以改进供应链物流，使订购和计费系统自动化，改善沟通和客户服务等。Amazon已经成为消费品品牌、物流、在线出版及软件开发。具有启发性的是，沃尔玛公司在1998年状告Amazon，控告其诱使沃尔玛公司的主要高管们离开沃尔玛，从而获得其知识产权：沃尔玛零售连接数据挖掘系统。由这些沃尔玛公司前高官们领导的两个领域——信息系统和物流——对未来的电子商务非常关键，这使得诉讼结果对两家公司的的发展计划十分重要。在过去的五年中，电子商务活动有着显著的增长，几乎1/3的网络用户在网上购买他们需要的大部分商品。通过智能手机和平板电脑进行购物的数量增长，也对推进网络购物起到了重要作用。

Amazon的竞争对手是与众不同的。三家主要的公司正试图进行实体和虚拟相结合的组合经营。巴尔内斯和诺贝尔公司，是一家25亿美元市值的图书商，经营着购物商场、“品类杀手”超市以及一定规模的邮购业务，还有一家子公司经营大学书店。Barnesandnoble.com,另一家子公司，1997年年中上线，比其母公司的初始计划还要早。和在其他地方一样，在这里Amazon迫使它的主要竞争对手对定价、联盟、促销做出反应，并维持先行者的强劲势头。总部在英格兰的布莱克维尔公司，在其实体基础上也进行类似的网上经营，博德、巴尔内斯和诺贝尔公司的主要实体竞争者也是这样。

在纯粹的网上空间，books.com是圣达特集团的门户。这个直销巨人成立于1998年，由HFS（华美达酒店、艾维斯汽车出租公司和科威房地产的经销商和其它公司）和CUC国际合并而成，掌握教育软件发行和拥有7000万用户的订购旅游及折扣购物服务的业务。Book.com的长远预期是基于CUC订购模式的，由于40-70美元的年度会员费可以补足差价，交易可以在批发价或更低的水平上完成。在圣达特集团的大量网站间的交叉销售领域，Book.com也获得了很大的影响力。其他虚拟书店已出现，但在上面提到的公司之外没有一家目前有真正的威胁。

在周围对手的大量宣传中，Amazon成功地再建了它自己的业务，为电子商务引入了新的策略和行为方式，并给投资者带来了超过1000%的回报。Amazon也退一步让市场能自然地成长，给市场一些时间来逐步独立成熟并发展起来。这个公司一贯地使观察家和它的竞争对手吃惊，使它的客户满意。如同楼·格士纳给IBM带来品牌消费品的经验教训一样，杰夫·贝索斯和类似的领导人把软件经济的原则应用到经济的新领域。许多观察家将会看到Amazon对市场占有率的追求与资本市场的收益性需求之间的竞赛，来看看增加投资的许诺是否可行。如果行，这对商业领导者和投资者来说都意义重大，因为过去的经济量尺将被淘汰。

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about eBay Inc.

Suggested answers: 

eBay, Inc., together with its subsidiaries, provides online marketplaces for the sale of goods and services, online payment services, and online communication offerings to a diverse community of individuals and businesses in the United States and internationally. The company also offers online apartment rental services and comparison shopping resource service, and also provides an Internet payment platform that allows merchants to authorize, process, and manage online payments. eBay, Inc. was founded by Pierre M. Omidyar in 1995 and is headquartered in San Jose, California.

- 3** Ask students to study all of the exhibits carefully and then work in small groups and discuss the questions given.

Suggested answers: 

- 1) Customer to Customer (C2C), Business to Customer (B2C) and Business to Business (B2B)
- 2) In addition to companies, millions of people sell on eBay.
- 3) The eBay fee system is quite complex; there are fees for listing a product (Insertion Fee) and fees when the product is sold (Final Value Fee), plus several optional adornment fees, all based on various factors and scales.
- 4) Under current U.S. law, a state cannot require sellers located outside the state to collect a sales tax, making deals more attractive to buyers. Although some state laws require purchasers to pay sales tax to their own states on out-of-state purchases, it is not a common practice.
- 5) The impact of driving buyers and sellers to use PayPal is that not only does eBay turn buyers into clients (as a pure auction venue its clients used to be predominantly sellers) but for each new PayPal registration it achieves via the eBay auction site it also earns offsite revenue when the resulting PayPal account is used in non-eBay transactions.

4 Ask students to summarize Text B.

Suggested answers: 

Summarize the business strategy of eBay:

- 1) The company's current business strategy includes increasing international trade.
- 2) A more recent strategy involves the company increasingly leveraging the relationship between the eBay auction site and PayPal.

Identify and discuss means that eBay treats Value Added Tax:

Most sellers that operate as a full time business do follow state tax regulations on their eBay transactions. The eBay requires sellers to include the VAT fees in their listing price and not as an add-on and thus eBay profits by collecting fees based on what governments tax for VAT.

5 Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

A comparison between e-commerce and traditional commerce:

eBay, the world's most successful online auction company, dominates C2C, B2C and B2B e-commerce while traditional auction houses, owns the several important fields of auction.

A strategy for eBay to rise to the challenge from traditional auction houses: (Open-ended Answer)

Suggestions for eBay to deal with the threat: (Open-ended Answer)

6 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) The successful online auction house has its roots in a 50-year-old **novelty** item Pez candy dispensers.

这家成功的网上拍卖行起源于有50年历史的新奇Pez糖果盒的拍卖。

novelty: (n.) originality by virtue of being new and surprising

e.g.: Elements of fancy and novelty entered her life.

- 2) The company collects a submission fee **upfront**, plus a commission as a percentage of the sales amount.

公司收取提交的预付款和一个百分点的销售总额的手续费。

upfront: (adj.) prepaid

e.g.: The bailout did not require upfront money from the government, and the world avoided an even bigger financial crisis.

- 3) Sellers might set the opening bid lower than the **reserve** price, a minimum acceptable bid price, in order to generate bidding activity.

卖家可以把开标价格定的低于最低售价，即最低可接受的投标价，用来引发竞标活动。

reserve: (n.) something kept back or saved for future use or a special purpose

e.g.: As I need money quickly, I must draw on my reserve.

- 4) eBay has become so popular that it has led to **academic** recognition with the creation of a new course at the University of Birmingham (UK).

eBay非常受欢迎，得到了学术界的承认，在伯明翰大学为此开设了一门新课程。

academic: (adj.) hypothetical or theoretical and not expected to produce an immediate or practical result

e.g.: University is an academic organization with a core of discipline.

- 5) It has over 60 local **sites** in the United States that enable users to easily find items located near them, to **browse** through items of local interest, and to meet face-to-face to conclude transactions.

在美国已经有60多家地方站点可以让用户很容易地在他们附近找到卖品，浏览符合当地喜好的商品，以及进行面对面交易。

browse: (v.) look around casually and randomly, without seeking anything in particular

e.g.: Before reading an article, I browse questions and items

site: (n.) a computer connected to the internet that maintains a series of web pages on the World Wide Web

e.g.: Can I accept payments online on my site?

- 6) It didn't take these two young **hotshot** Wall Street guys long to realize they had found an opportunity that would not only be **lucrative**, but also give them the sense of personal satisfaction they were missing.

不久这两个年轻的华尔街高手就意识到，他们不仅已经发现了一个赚钱的机会，还能把正在失去的个人满足感带回给他们。

hotshot: (n.) someone who is dazzlingly skilled in any field

e.g.: He's a hotshot at archery.

lucrative: (adj.) producing a sizeable profit

e.g.: Britain also took tighter control over the increasingly lucrative oilfields.

- 7) But after browsing and finding people selling the same or similar products, he decided to give it a try and was immediately **hooked**.

但是，当他浏览并发现人们在出售相同或相似的产品时，他决定尝试一下，并很快沉迷其中。

hook: (v.) get involved

e.g.: The BBC is hooked up with Australian television by satellite.

- 8) The eBay fee system is quite complex; there are fees for listing a product (Insertion Fee) and fees when the product is sold (Final Value Fee), plus several optional **adornment** fees, all based on various factors and scales.

eBay的费用系统非常复杂，其中有列录商品的费用（登录费），有出售商品时的收费（成交费），还有一些可供选择的装饰费，这些费用都根据不同的因素和销售额而定。

adornment: (n.) the action of decorating with something colorful and interesting

e.g.: You may see the cross worn as an adornment.

- 9) Although some state laws require purchasers to pay sales tax to their own states on out-of-state **purchases**, it is not a common practice.

尽管有些州的法律规定在州外购买商品也要向本州交销售税，但这并不是一个常规的做法。

purchase: (v.) obtain by purchase; acquire by means of a financial transaction.

e.g.: The more you see, the more you purchase.

- 10) However for the tax called **Value added tax (VAT)**, eBay requires sellers to include the VAT fees in their listing price and not as an add-on and thus eBay profits by collecting fees based on what governments tax for VAT.

然而，对于增值税，eBay要求卖方把增值税放到商品的定价里，而不作为追加价，这样eBay就可以在收取政府规定的增值税中受益。

Value added tax (VAT): VAT is similar to a sales tax. It is a tax on the estimated market value added to a product or material at each stage of its manufacture or distribution, ultimately passed on to the consumer.

e.g.: What you say is the attestation that value added tax has a tax bill.

- 11) The only place where expansion failed was Japan, where Yahoo! had a head start, and New Zealand where TradeMe, owned by the Fairfax media group is the **dominant** online auction website.

扩张失败的唯一地方只有日本，在那里是雅虎领先一步；还有新西兰，在那里是Fairfax媒体集团的TradeMe在网络拍卖上专主导地位。

dominant: (adj.) exercising influence or control.

- 12) In October 2009, eBay changed to an affiliate payout system that it calls Quality Click Pricing, in which **affiliates** are paid an amount determined by an undisclosed **algorithm**.

在2009年10月，eBay把加盟支付系统更改为一个叫做质量点击定价的系统，加盟公司会获得根据一个未公开的算法算出的报酬金额。

affiliate: (n.) a subordinate or subsidiary associate; a person who is affiliated with another or with an organization

e.g. The college is affiliated to (or with) the university.

algorithm: (n.) a precise rule (or set of rules) specifying how to solve some problem

e.g.: The results demonstrate the accuracy and effectiveness of the algorithm.

Suggested translation

eBay的电子商务

公司背景

eBay (eBay.com) 是世界上最大的拍卖网站，也是最具赢利性的电子商务公司之一。这家成功的网上拍卖行起源于有50年历史的新奇Pez糖果盒的业务。帕梅拉·克尔，一个Pez糖果盒的收藏友，想出一个在互联网上对这些果盒交易的点子。当她把这个想法和她的男朋友皮埃尔·奥米迪亚（现在是她的丈夫）分享时，奥米迪亚立刻被这个很快就会闻名的电子商务拍卖理念震动了。

1995年，奥米迪亚开办了这家公司，随后改名为eBay，此后成为了第一个网上拍卖行。尽管也针对小公司，但eBay的商务模式主要是为客户对客户的拍卖商务提供电子基础设施。技术取代了作为买卖双方中间人的传统拍卖师。

eBay中的拍卖

在eBay上，人们可以买卖任何物品。每天都有几百万种独特的拍卖业务在进行，还有50多万种新的卖品加入。公司收取提交的预付款和一个百分点的销售总额的手续费。提交的费用由你期望你的卖品的曝光度来决定。举例来说，如果你希望你的卖品出现在“特色拍卖”中，你得多交一些费用，如果你想让你的卖品出现在eBay首页的特色拍卖栏目中，还得交更高的费用。

卖家先要设定一个最小的开标价。卖家可以把开标价格定得低于最低售价，即最低可接受的投标价，用来引发竞标活动。如果成功中标，买卖双方可以就支付方式、运送方法、质量保证及其它细节进行谈判。eBay是当事人之间的联络，为买卖双发进行商务活动提供平台。

在经过数年的成功运作及拥有上千万的忠实用户后，eBay开始涉足B2C（网络零售），大多采用固定价格。到2003年前，eBay开办了几个特色网站，如eBay汽车网等。eBay也开办了一个商务贸易网站，小型和中型企业可以通过B2B和B2C模式进行新商品和二手货品的交易。除此之外，著名的半价零售网half.com现在也是eBay的一部分，负责个人到个人的支付网站PayPal.com现在也属于eBay。eBay已经非常受欢迎，得到了学术界的承认，在伯明翰大学为此开设了一门新课程。《在eBay.com.uk上买卖》课程提供了在线交易的具体指导。

eBay全球运作，允许在其上进行国际贸易。在25个国家都有其专属网站。其余超过160个国家的买家也可以参与进来。最后，eBay也在本地运作：在美国已经有60多家地方站点可以让用户很容易地在他们的附近找到卖品，浏览符合当地喜好的商品，以及进行面对面的交易。截至2012年12月，eBay拥有超过1.12亿的活跃用户。根据公司的年度财务报告，eBay在2012年销售额为141亿，预计2015年收入将达到235亿。

买家选择eBay的原因

eBay上成功的买家背景各不相同，有着丰富的经验和目标。当开始在eBay上出售商品时，乔纳森·格瑞斯和大卫·托普金都在华尔街格瑞斯担任过投资组合基金经理，托普金是辛迪加基金经理。在eBay上出售商品也不是他们有意而为。格瑞斯的父母要从他一直长大的家中搬走。格瑞斯和父母都没有地方保存他童年时期的一些收藏品，比如篮球卡片等等。“他并

不想直接把那些东西扔掉，他必须想个办法来解决这个问题”格瑞斯回忆道，“所以我们在eBay上出售这些物品，而且非常成功。经验传开，这样就很突然地，每个我们认识的想清理他们柜子的人都来找我们帮他们卖东西。”

这一对年轻人参与了一些慈善事业，在eBay上出售的物品帮助他们为此义举募捐。不久这两个年轻的华尔街高手就意识到，他们不仅已经发现了一个赚钱的机会，还能把正在失去的个人满足感带回给他们。“别误解我，钱在华尔街是很重要，”格瑞斯说，“但还有别的事情也是你需要做的。这会自行起飞，并拽着我们前行。”

格瑞斯和托普金在1999年1月在纽约城建立了哥谭市在线，开始利用业余时间eBay上卖东西。同年10月，格瑞斯离开华尔街开始集中精力全职在eBay上经营销售，托普金随后在2000年1月加入。今日，哥谭市在线的订制女鞋和配饰，每年有1千多万美元的销售额，并且每6个月翻一番。

安德鲁·罗宾逊的成功之路起源于他购买了两个台球桌之后。当他决定他更喜欢哪个桌子后，他听从朋友的建议，在eBay上卖掉另外一个桌子。“由于我从未上过eBay，我当时确实怀疑实际上是否有人能卖掉台球桌，”这位俄亥俄州哥伦布市的企业家说。但是，当他浏览并发现人们出售相同或相似的产品时，他决定尝试一下，并且很快沉迷其中。

开始的时候，罗宾逊（以前一位财富500强执行官）和他的妻子在家中进行商务运作。但很快查尔斯·基德尔作为合作伙伴加入进来。大约6个月后，他们雇佣了他们的第一个职员，现在他们有了由5名享有全面福利待遇的员工组成的员工队伍。“eBay的成功使我们能够持续地发展，现在我们已经待在我们第3座房子里了，”罗宾逊说，“目前的地方有15 000平方英尺，另外我们还有在旺季使用的辅助仓库。”

除了他们的波士顿台球桌eBay店，罗宾逊和基德尔还有9家零售家具店，总共有大约65名员工。

在圣地亚哥的组合资源国际（CRI），大卫·林恩作为IT主管，负责监督所有的在线活动。尼内亚·吉安多米尼科负责管理公司的批发配销公司ShopFTW.com（仓库发货店）以及公司在eBay上的销售。CRI是一个12年历史的批发制造商和进口经销商，主要经营大宗仓储会员店，如好市多批发，山姆仓储，BJ批发，偶尔也有过多的库存或额外的集装箱产品出售。

利润和贸易

eBay从各种收费中获利。eBay的费用系统非常复杂，其中有列录商品的费用（登录费），有出售商品时的收费（成交费），还有一些可供选择的装饰费，这些费用都根据不同的因素和销售额而定。美国本地的eBay对于基本的不经装饰的商品列表收取0.10到4美元（根据开标价而定），再收取成交价最高8.75%费用（从2009年5月生效）。英国本土的eBay.com.uk（ebay.com.uk办公室）的普通列表费为每100英镑收取0.15英镑到最多3英镑，再收取成交价的0.75%到10%成交费（2009年6月发布）。对于商务注册用户成交费可减少。除此之外，eBay自己的收费系统PayPal也进行单独的收费。

基于美国目前的法律，一个州不能对本州外的商家收税，这一点对买家来说非常有吸引力。尽管有些州法律规定在州外购买商品也要向本州交销售税，但这并不是一个常规的做法。不管怎样在eBay上交易的大多数全职运作的卖家都是遵循国家税务条例的。然而对于增值税，eBay要求卖方把增值税放到商品的定价里，但不作为追加价，这样eBay就可以在收取政府规定的增值税中受益。

公司目前的策略包括增加国际贸易。eBay已经拓展到包括中国和印度在内的二十四个国家。扩张失败的地方只有日本，在那里是雅虎领先一步；还有新西兰，在那里是Fairfax媒体集团的TradeMe在网络拍卖上占主导地位。

eBay公司的一项最新的战略是逐步调节eBay拍卖网站和PayPal的关系：促使买卖双方使用PayPal的影响是：eBay不仅使得买方变为客户（作为一个纯拍卖的地方，用户主要是卖方），而且通过eBay拍卖场而获得的每个PayPal新注册用户，若在eBay之外的网站的交易时使用了PayPal账号，eBay公司也能获得额外的收益。在公司的2008第1季度结果报告中，通过PayPal的总支付量上升了17个百分点，但是在eBay拍卖网站之外的支付量则上升了61个百分点。

对于大多数的列表种类，eBay卖家被允许使用各种支付系统，如PayPal, Paymate, ProPay 和Mondybookers。

eBay经营一个名叫eBay伙伴网络的加盟计划。eBay的加盟卖主会得到一定百分比的eBay卖家的交易费，以及所售货品50%到75%的佣金。在2009年10月，eBay把加盟支付系统更改为一个叫做质量点击定价的系统，加盟公司会获得根据一个未公开的算法算出的报酬金额。总收入数额就会除以加盟公司发给eBay的点击数，则每次点击所获得的报酬就会报告出来。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | | |
|-------------------------------|-----------------------|---------------------|---------------------|
| 1. <u>electronic commerce</u> | 2. <u>auction</u> | 3. <u>eBay</u> | 4. <u>bid</u> |
| 5. <u>warranty</u> | 6. <u>fixed price</u> | 7. <u>portfolio</u> | 8. <u>syndicate</u> |

- 2** Complete the company profile of eBay Inc. with the information from the case.

Suggested answers: 

Facts about eBay Inc.

Company name: **eBay Inc.**
Date of Establishment: 1995
Founders: Omidyar

Headquarters: San Jose

Offices: throughout North America, Europe, and Asia

Market Position: the world's largest auction site

Products & Services: auction on line (C2C, B2C, B2B).

3 Read the passage of "Profit and Transactions" in Text B and write a summary of it.

Suggested answers: 

The eBay collects fees including Insertion Fee, Final Value Fee, and several optional adornment fees. eBay requires sellers to include the VAT fees in their listing price and not as an add-on and thus eBay profits by collecting fees based on what governments tax for VAT. For most listing categories, eBay sellers are permitted to offer a variety of payment systems such as Paypal, Paymate, ProPay, and Moneybookers.

4 Translate the following passage into Chinese.

Suggested answers: 

在线拍卖商场eBay.com就是电子商务的缩影。任何持有信用卡的人都可以在eBay上注册，出售商品，可以拥有成千上万的潜在买家，并且不需要任何前期投资和专业技术知识。eBay上的商家会遇到很多电子商务的基本问题，比如如何选择合适的商品，怎样创建拍卖网页，设定起拍价格，产品贴图，和竞拍者交流，接受付款以及完成订单。

Business Focus

Competitive Analysis

What Is Competitive Analysis?

Competitive analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context through which to identify opportunities and threats. Competitor profiling coalesces all of the relevant sources of competitive analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment.

Given that competitive analysis is an essential component of corporate strategy, it is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures,

and intuition gained through the tidbits of information about competitors every manager continually receives.” As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitive analysis.

Competitor Profiling

The strategic rationale of competitor profiling is powerfully simple. Superior knowledge of rivals offers a legitimate source of competitive advantage. The raw material of competitive advantage consists of offering superior customer value in the firm’s chosen market. The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy. Profiling facilitates this strategic objective in three important ways. First, profiling can reveal strategic weaknesses in rivals that the firm may exploit. Second, the proactive stance of competitor profiling will allow the firm to anticipate the strategic response of their rivals to the firm’s planned strategies, the strategies of other competing firms, and changes in the environment. Third, this proactive knowledge will give the firms strategic agility. Offensive strategy can be implemented more quickly in order to exploit opportunities and capitalize on strengths. Similarly, defensive strategy can be employed more deftly in order to counter the threat of rival firms from exploiting the firm’s own weaknesses.

Clearly, those firms practicing systematic and advanced competitor profiling have a significant advantage. As such, a comprehensive profiling capability is rapidly becoming a core competence required for successful competition. An appropriate analogy is to consider this advantage as akin to having a good idea of the next move that your opponent in a chess match will make. By staying one move ahead, checkmate is one step closer. Indeed, as in chess, a good offense is the best defense in the game of business as well.

A common technique is to create detailed profiles on each of your major competitors. These profiles give an in-depth description of the competitor’s background, finances, products, markets, facilities, personnel, and strategies. This involves:

- Background
 - location of offices, plants, and online presences
 - history — key personalities, dates, events, and trends
 - ownership, corporate governance, and organizational structure
- Financials
 - P-E ratios, dividend policy, and profitability
 - various financial ratios, liquidity, and cash flow
 - Profit growth profile; method of growth (organic or acquisitive)
- Products.
 - products offered, depth and breadth of product line, and product portfolio balance
 - new products developed, new product success rate, and R&D strengths

- brands, strength of brand portfolio, brand loyalty and brand awareness
- patents and licenses
- quality control conformance
- reverse engineering
- Marketing
 - segments served, market shares, customer base, growth rate, and customer loyalty
 - promotional mix, promotional budgets, advertising themes, ad agency used, sales force success rate, online promotional strategy
 - distribution channels used (direct & indirect), exclusivity agreements, alliances, and geographical coverage
 - pricing, discounts, and allowances
- Facilities
 - plant capacity, capacity utilization rate, age of plant, plant efficiency, capital investment
 - location, shipping logistics, and product mix by plant
- Personnel
 - number of employees, key employees, and skill sets
 - strength of management, and management style
 - compensation, benefits, and employee morale & retention rates
- Corporate and marketing strategies
 - objectives, mission statement, growth plans, acquisitions, and divestitures
 - marketing strategies

Media Scanning

Scanning competitor's ads can reveal much about what that competitor believes about marketing and their target market. Changes in a competitor's advertising message can reveal new product offerings, new production processes, a new branding strategy, a new positioning strategy, a new segmentation strategy, line extensions and contractions, problems with previous positions, insights from recent marketing or product research, a new strategic direction, a new source of sustainable competitive advantage, or value migrations within the industry. It might also indicate a new pricing strategy such as penetration, price discrimination, price skimming, product bundling, joint product pricing, discounts, or loss leaders. It may also indicate a new promotion strategy such as push, pull, balanced, short term sales generation, long term image creation, informational, comparative, affective, reminder, new creative objectives, new unique selling proposition, new creative concepts, appeals, tone, and themes, or a new advertising agency. It might also indicate a new distribution strategy, new distribution partners, more extensive distribution, more intensive distribution, a change in geographical focus, or exclusive

distribution. Little of this intelligence is definitive: additional information is needed before conclusions should be drawn.

A competitor's media strategy reveals budget allocation, segmentation and targeting strategy, and selectivity and focus. From a tactical perspective, it can also be used to help a manager implement his own media plan. By knowing the competitor's media buy, media selection, frequency, reach, continuity, schedules, and flights, the manager can arrange his own media plan so that they do not coincide.

Other sources of corporate intelligence include trade shows, patent filings, mutual customers, annual reports, and trade associations.

Some firms hire competitor intelligence professionals to obtain this information. The Society of Competitive Intelligence Professionals maintains a listing of individuals who provide these services.

New Competitors

In addition to analyzing current competitors, it is necessary to estimate future competitive threats. The most common sources of new competitors are:

- Companies competing in a related product/market
- Companies using related technologies
- Companies already targeting your prime market segment but with unrelated products
- Companies from other geographical areas and with similar products
- New start-up companies organized by former employees and/or managers of existing companies

The entrance of new competitors is likely when:

- There are high profit margins in the industry
- There is unmet demand (insufficient supply) in the industry
- There are no major barriers to entry
- There is future growth potential
- Competitive rivalry is not intense
- Gaining a competitive advantage over existing firms is feasible

Related Theories

The Definition of E-commerce

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services. It also pertains to “any form of business transaction in which

the parties interact electronically rather than by physical exchanges or direct physical contact.”

E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer-mediated network. Though popular, this definition is not comprehensive enough to capture recent developments in this new and revolutionary business phenomenon. A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals.

International Data Corp (IDC) estimates the value of global e-commerce in 2000 at \$350.38 billion. This is projected to climb to as high as \$3.14 trillion by 2004. IDC also predicts an increase in Asia's percentage share in worldwide e-commerce revenue from 5% in 2000 to 10% in 2004.

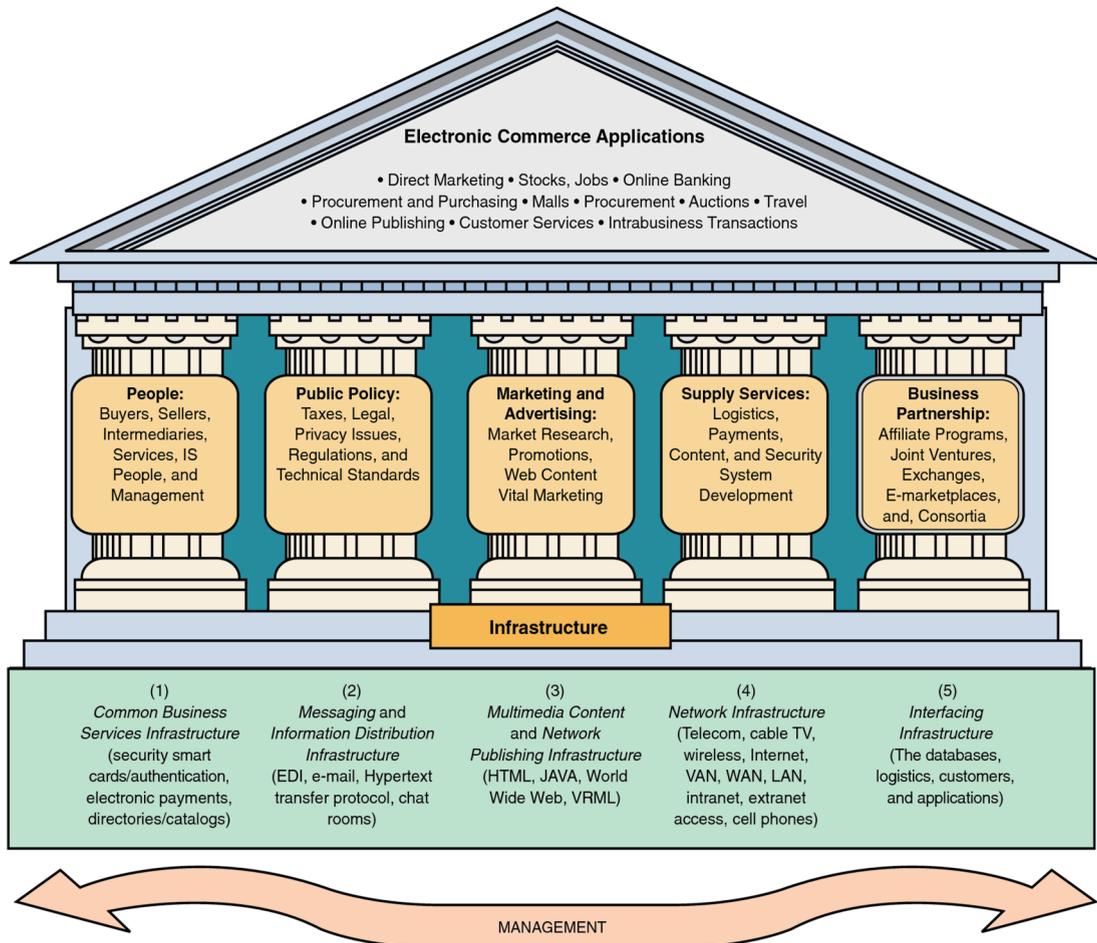
Is E-commerce the Same as E-business?

While some use e-commerce and e-business interchangeably, they are distinct concepts. In e-commerce, information and communications technology (ICT) is used in inter-business or inter-organizational transactions (transactions between and among firms/organizations) and in business-to-consumer transactions (transactions between firms/organizations and individuals).

In e-business, on the other hand, ICT is used to enhance one's business. It includes any process that a business organization (either a for-profit, governmental or non-profit entity) conducts over a computer-mediated network. A more comprehensive definition of e-business is: “The transformation of an organization's processes to deliver additional customer value through the application of technologies, philosophies and computing paradigm of the new economy.”

Three primary processes are enhanced in e-business:

1. Production processes, which include procurement, ordering and replenishment of stocks; processing of payments; electronic links with suppliers; and production control processes, among others;
2. Customer-focused processes, which include promotional and marketing efforts, selling over the Internet, processing of customers' purchase orders and payments, and customer support, among others; and
3. Internal management processes, which include employee services, training, internal information-sharing, video-conferencing, and recruiting. Electronic applications enhance information flow between production and sales forces to improve sales force productivity. Workgroup communications and electronic publishing of internal business information are likewise made more efficient.



A framework for e-commerce. (Source: Drawn by E. Turban.)

Scope of E-commerce

The following figure describes the broad field of e-commerce. As can be seen in the figure, there are many EC applications (top of the figure); many of these are shown throughout the book. To execute these applications, companies need the right information, infrastructure, and support services. Figure shows that the EC applications are supported by an infrastructure that includes hardware, software, and networks, ranging from browsers to multimedia, and also by the following five support areas:

1. People. They are the sellers, buyers, intermediaries, information systems specialists and other employees, and any other participants.
2. Public policy. There are legal and other policy and regulating issues, such as privacy protection and taxation, which are determined by the government.
3. Marketing and advertising. EC usually requires the support of marketing and advertising, like any other business. This is especially important in B2C online

transactions where the buyers and sellers usually do not know each other.

4. Support services. Many services, ranging from payments to order delivery and content creation, are needed to support EC.
5. Business partnerships. Joint ventures, e-marketplaces, and business partnerships are common in EC. These occur frequently throughout the supply chain (i.e., the interactions between a company and its suppliers, customers, and other partners). All of these EC components require good management practices. This means that companies need to plan, organize, motivate, devise strategy, and restructure processes as needed.



Unit 6

International Franchising

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of international franchising;
- Understand the significance of international franchising to the success of business in a changing market place;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in small groups and discuss questions for critical thinking.	Group discussion and problem solving.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Related Theories Based on the opening case, teacher holds a discussion about the marketing method of KFC, and helps students gain a general understanding of international franchising.</p>	Formal lecture interspersed with questions to/from the students.
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p> <p>Focus on Skills Students finish the exercises in Language Focus; teacher explains The McKinsey 7S Framework.</p>	<p>Case study and problem solving — teacher-guided.</p> <p>Independent study; Group discussion — teacher-guided.</p>

Background Information

1 KFC Original Recipe, Extra Crispy and Kentucky Grilled Chicken.

KFC Corporation, based in Louisville, Kentucky, is the world's most popular chicken restaurant chain, specializing in Original Recipe, Extra Crispy, Kentucky Grilled Chicken and Original Recipe Strips with home-style sides, Honey BBQ Wings, and freshly made chicken sandwiches.

Every day, more than 12 million customers are served at KFC restaurants in 109 countries and territories around the world. KFC operates more than 5,200 restaurants in the United States and more than 15,000 units around the world. KFC is world famous for its Original Recipe, fried chicken — made with the same secret blend of 11 herbs and spices Colonel Harland Sanders perfected more than a half-century ago. Customers around the globe also enjoy more than 300 other products — from Kentucky Grilled Chicken in the United States to a salmon sandwich in Japan.

KFC is part of Yum! Brands, Inc., the world's largest restaurant company in terms of system restaurants, with more than 36,000 locations around the world. The company is ranked #239 on the Fortune 500 List, with revenues in excess of \$11 billion in 2008.

2 *Other Fast Food Restaurants*

McDonald's (MCD) operates the world's largest fast food chain, and earns 37% of its revenue from franchising across its approximate 31,400 restaurant locations. Franchisees operate 65% of McDonald's restaurants worldwide.

Burger King Holdings operates 11 000 restaurants of its fast food Burger King chain worldwide and earned \$2.3 billion in revenue in 2007. Franchisees operate 88.5% of Burger King locations, which account for 22% of the company's revenue.

Harvey's is a fast food restaurant chain that operates in Canada, with locations concentrated in southern Ontario, southern Quebec, as well as the Maritimes, Manitoba, British Columbia, and Alberta. It serves hamburgers, hot dogs, French fries, onion rings, and other traditional fast food fare.

Arby's is a fast food restaurant chain in the United States and Canada that is a wholly-owned subsidiary of Wendy's/Arby's Group. It is primarily known for selling roast beef sandwiches and curly fries.

A&W Restaurants, Inc. is a chain of fast-food restaurants, distinguished by its draft root beer and root beer floats. A&W was arguably the first successful food franchise company, starting franchises in 1921 in Canada. Today it has franchise locations throughout the world, serving a typical fast food menu of hamburgers and French fries, as well as hot dogs.

3 *Krispy Kreme*

Krispy Kreme is an international phenomenon, which started in the US in 1937. Many are familiar with the classic doughnut and coffee combination, a US staple for years, but many may not know that the origin of Krispy Kreme first began in North Carolina. The story of Krispy Kreme started with Vernon Rudolph, the founder of Krispy Kreme, who bought a secret yeast-raised doughnut recipe from a New Orleans French chef and began selling this new confection in Winston-Salem, North Carolina on July 13, 1837.

What started off as confections sold only to local grocery stores, gradually evolved into a retail store when customers began asking for piping hot versions of the doughnut. As a result, Vernon Rudolph cut a hole in his wall and offered up his signature Original Glazed doughnut hot out of the oven directly to the eager customer.

By the 50s, Krispy Kreme had grown into a chain of small family-owned chain stores, creating the sweet doughnuts from scratch based on the original recipe, but results could vary. Rudolph decided to improve his popular confection by ensuring consistency with a central mix plant and a dry doughnut mix that was distributed to all Krispy Kreme stores. In addition, Rudolph began focusing on inventing unique doughnut-making equipment and also perfecting the automated doughnut-making process to ensure a consistent and delicious doughnut at all Krispy Kreme stores.

Krispy Kreme continued to gain popularity in the 60s, at which time, the hallmark green tile roof design became the uniform look of all stores. Vernon Rudolph's death in 1973 led to the sale of Krispy Kreme to the Beatrice Foods Company, from which the current owners finally bought it back in 1982. This heralded the beginning of Krispy Kreme as a worldwide phenomenon, which we know today.

Krispy Kreme takes its first step out of the US Southeast in the 20th century, with the first New York store opening in 1996, the first California store in 1999, and finally now, Krispy Kreme can be found in the US, Australia, Canada, Mexico, South Korea, Indonesia, Japan, Kuwait, Philippines, the UK, and Hong Kong in 2006.

The first Hong Kong Krispy Kreme store opened to much fanfare in August 2006, as staff handed out hot Original Glazed doughnuts to fans crowding into the Causeway Bay store.

The Causeway Bay store has been equipped to have the capacity of producing up to 2 000 doughnuts per day. The large glass window offers the customer a glimpse into the production process of the Krispy Kreme staple, the Original Glazed Doughnut, as they plop down from the conveyor belt, after being cooked in 100 percent vegetable shortening. As a result, Hong Kong sweet lovers have the first-hand experience of understanding the power of the Hot Light sign found outside the store. Whenever the Hot Light sign is switched on, that is the time to go in for a melt-in-your-mouth Original Glazed Doughnut, as that signals those doughnuts are just hot off the production line.

Lovers of the Original Glazed doughnut swear by it, but non-traditionalists usually have no trouble finding themselves a favorite flavor given the large array of choices on offer. Typical US flavors include the Chocolate Iced with Sprinkles, a colorful chocolate glazed confection, and the Cinnamon Apple, an apple filled doughnut with cinnamon toppings. Market-specific creations directed at the Asian palate include the Green Tea, a green tea icing doughnut, and the Glazed Stripes doughnut, a lighter version of the Original Glazed, aimed at the Asian consumer has a less-sweet orientated taste buds.

As mentioned before, it's not all about doughnuts, Krispy Kreme offers up the doughnut and coffee combination. Krispy Kreme serves up the premium Italian illy coffee, frozen blends for the summer, as well as cappuccino, latte and the house espresso.

Lecturing Hints

Opening Case

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers: 

- 1) McDonald's (MCD); Burger King Holdings; AJISEN RAMEN; Pizza Hut; King of noodle; DICOS; Yoshinoya
- 2) Open-ended answer.
- 3) KFC's site selection policy; KFC's supplier; Evaluation of supplier with STAR SYSTEM; KFC's training and stimulus system; KFC is keen on public service; KFC's franchise model; KFC's localized recipe.
- 4) The franchise fee for KFC is \$45 000 and the amount of investment will range in between \$1 379 900 to \$2 422 500. The owner of the franchise is liable to pay an ongoing royalty of 5% of the total revenue. Term of agreement in this case is 20 years after which it should be renewed to continue franchising. Besides these, the amount of net worth, cash liquidity and experience in restaurant business are other essential requirements. The requirement for net worth to hold a KFC franchise is \$1 000 000 and cash liquidity is \$500 000.
- 5) The concept of a franchise model is the backbone of a brand named restaurant. To be a successful franchise of KFC you should be determined to own at least 5 KFC restaurants in the long term. The restaurant should be located in a busy area where people have higher average earning. There must be multiple sources that are ready to finance your business in the long term.

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) KFC gained its popularity by selling chicken fried in its closely-guarded "Original Recipe"; because of this, the taste of the food and the recently successful pairing of KFC restaurants with other successful chains, KFC has become one of the foremost **icons** of the American restaurant industry.

肯德基因销售用其严格保密的正宗配方制作而成的炸鸡深受青睐。因此，其食物的美味加之最近和其他成功连锁店的联姻，肯德基已经成为美国餐饮业的最佳偶像之一。

icon: (n.) an image, picture, or representation

eg: Our captain is a symbol, a Real Madrid icon.

- 2) The owner of the franchise is **liable** to pay an ongoing royalty of 5% of the total revenue.

加盟商必须不断支付总收入的5% 作为特许经营费。

Liabile: (adj.) legally responsible for the cost of something

eg: the new policy has aroused great concern from those who are liable for income tax at a higher rate.

- 3) In contrast for a third party business all these costs should be **incurred**.

如果是由第三方来经营, 上述一切费用均由其承担。

incur: (v.) to cause to pay money because of something you have done

eg: If the council loses the appeal, it will incur all the legal costs.

- 4) There must be multiple sources that are ready to finance your business **in the long term**.

从长远来看, 应该有多种渠道为其经营提供资金支持。

in the long term: in the distant future

eg: In the long term, alcohol causes high blood pressure.

Suggested translation

肯德基——特许经营的黄金标准

肯德基——全称为肯塔基州炸鸡——是一家国际特许经营餐厅, 由哈兰德·桑德斯上校1952年创立于肯塔基州。从那时开始, 肯德基——现为百胜餐饮集团下属公司——已经在美国开设了11 000家餐厅(还有遍及全世界的其它80多个国家)。肯德基因销售用其严格保密的正宗配方制作而成的炸鸡食品深受青睐。因此, 其食物的美味加之最近成功和其他成功连锁店联姻, 肯德基已经成为美国餐饮业的最佳偶像之一。

肯德基美味的鸡块烹饪技术闻名于全世界。然而, 肯德基的配方至今是保密的。国外特许经营加盟店的数量日益稳定的增长。从2006年的5 316家到2009年的7 482家。而在美国, 特许经营加盟店的数量从2006年至2009年波动不大。另一方面, 加拿大特许经营加盟店自2006年以来就维持在773家不变。

成为一家肯德基特许经营店是扩大餐饮业的一个绝佳选择。肯德基特许经营费为45 000美元, 投资金额介于1 309 900美元到2 471 000美元之间。加盟商必须不断支付总收入的5%作为特许经营费。在这种情况下, 协议的期限为20年, 期满后延长特许经营权需要续约。此外, 净产值、现金周转和经营餐厅的经验则是其他的基本要求。肯德基特许经营要求持有净资产为150万美元及75万美元的现金周转。关于业务经验有三个重要方面, 即营销技能、行业经验和一般商业经验。

肯德基特许经营有很多不同的类型。在内部业务的情况下不需要支付特许经营费、启动成本、设备及存货费用。此外也没有工资和应收账款。如果是由第三方来经营, 上述一切费用均由其承担。

特许经营模式的概念是品牌餐厅的支柱。要成为一个成功的肯德基特许经营者, 你应该下

定决心长期拥有至少5家肯德基餐厅。餐厅应位于繁华地区，那里的人们有更高的平均收入。从长远来看，还应该有多种渠道为其经营提供资金支持。购买肯德基特许经营权为你提供了一个知名品牌的良好收益。这也有利于你获得企业支持和广阔的市场覆盖率。

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about Krispy Kreme.

Suggested answers: 

Krispy Kreme is a chain of doughnut stores. Its parent company is Krispy Kreme Doughnuts, Inc. (NYSE: KKD), based in Winston-Salem, North Carolina, United States. Krispy Kreme sells doughnuts, among them glazed doughnuts, served warm. Krispy Kreme doughnuts are sold in supermarkets, grocery stores, convenience stores, gas stations, Wal-Mart and Target stores in the US; Loblaws supermarkets and Petro-Canada gas stations in Canada; Woolworths supermarkets in Australia, and Tesco supermarkets, Tesco Extra and Moto service stations in the UK.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) Aggressive growth of its franchising business within a short time, Competition from its rivals, Company's inexperience in business management, greed of its franchisors.
- 2) Concentrating on growing revenues and profits at the parent-company level makes its outlets struggled and both suffered from "goal conflict".
Aiming to maximize sales, and thus boost royalty payments hurts the system in the long run by forcing units to compete with one another.
Requiring franchisees to buy equipment and ingredients from headquarters at marked-up prices also hurts franchisees in the long run.
- 3) (open)

- 4) Lessons we can learn from Krispy Kreme's rise and fall:
To avoid growing franchising business too aggressively unless timing is appropriate
To pursue win-win result instead of creating "goal conflict" between franchisors and franchisees
To strengthen professional business management as any business needs to

- 4** Ask students to summarize Text B, identifying the bad practices used in Krispy Kreme's operation in franchising and the possible ways of reviving the business.

Suggested answers: 

Bad practices:

To grow very quickly and sustain growth quarter after quarter.

To concentrate on growing revenues and profits at the parent-company level, while its outlets struggled.

To aim to maximize sales, and thus boost royalty payments, the franchisee needs to maximize profits by packing a market with outlets to boost its own growth.

To require franchisees to buy equipment and ingredients from headquarters at marked-up prices.

To become ubiquitous.

Possible ways of reviving the business:

(Open answers)

- 5** Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

- 1) Points to consider prior to franchising:

Prior to buying a franchise, potential franchisees should do the following.

Assess their own reasons for wanting to own a business.

Assess the lifestyle and income implications of owning and operating a business.

Assess the franchise opportunities consistent with Points 1 and 2 above.

Build their understanding of the franchise relationship by reading the relevant documents.

Narrow their franchise search to a few systems, then request further information.

If appropriate, and comfortable with the decision, they should select a system and

commence the application process.

Ensure that they have adequate borrowing capacity, including working capital, to successfully establish this type of business.

Be sure they receive and evaluate all disclosure material during the application process.

Be sure they receive legal and accounting advice from lawyers and accountants with franchise experience before making any final commitment.

Use the cooling-off period to check facts and figures and determine if they still want to proceed.

- 2) To form a revamped board — in which directors are fully independent.

To line up a big sum of money in new debt financing to help Krispy Kreme meet its immediate cash-flow needs.

To launch a cost-cutting program that includes a reduction in head count.

To go private or sell itself to another large chain, like McDonald's.

To get back to what fueled its phenomenal growth in the first place: really good doughnuts. (Open-ended answer)

6 *The teacher analyzes the passage and explains the difficult sentences and key words.*

- 1) When the company went public in April 2000, at the peak of the Internet whirlwind, investors **flocked** to buy into a business they could understand.

当这家公司在2000年4月正值互联网热的高峰期上市时，投资者蜂拥购买他们所看好的公司股票。

flock: (v.) to congregate in or head towards a place in large numbers.

eg: In the summer vacation, students flock to the museums and art galleries.

- 2) An old-fashioned franchise based in Winston-Salem, North Carolina, Krispy Kreme Doughnuts Inc. **boasted** solid fundamentals, adding stores at a rapid clip and showing steadily increasing sales and earnings.

作为一家位于北卡罗莱纳州温斯顿——塞勒姆的老式特许加盟公司，卡卡圈坊具备坚实基础，急速扩张店面，其销售和利润均呈持续增长态势。

boast: (v.) to possess something special

eg: The hotel boasts one of the best views of the sea.

- 3) And then, just as rapidly as its popularity spiked, Krispy Kreme **pitched** into a steep downward spiral that may yet end in bankruptcy.

然而就在那时，正如其受欢迎程度迅速飙升一样，卡卡圈坊也陷入了一个有可能导致其破产的恶性漩涡中。

pitch: (v.) to fall suddenly and heavily

eg: The old man was hit by a car and pitched over backwards.

- 4) That raised analysts' eyebrows, as blaming the Atkins diet for disappointing earnings

carried a whiff of desperation.

这使得分析家们大跌眼镜，作为收益令人失望的指责阿特金斯饮食法带着一丝绝望的气息。

- 5) Franchisees **alleged** channel stuffing, claiming that some stores were getting twice their regular shipments in the final weeks of a quarter so that headquarters could make its numbers.

加盟商断言渠道造假，声称一些商店在一个季度的最后几周里收到他们常规货运的两倍，这使得总部可以在数目上作假。

allege: (v.) to make a claim, a plea or offer justification for an act, especially before proof is available.

eg: The teacher alleged that the students might have cheated in the exam.

- 6) But there are pitfalls in the franchise model, and Krispy Kreme — through a combination of ambition, greed, and inexperience — managed to **stumble** into most of them.

然而，特许经营模式有缺陷，因此卡卡圈坊在其野心、贪心和缺乏经验的综合因素影响下使自己跌入了困境。

stumble: (v.) to strike one's foot against sth and almost fall.

eg: The tired old man stumbled out of the bar to look for a cab.

- 7) McDonald's Corp. is the gold standard in franchising, driving such profitability to individual restaurants that franchisees are eager to join the system and follow the company's **stringent** operating guidelines.

麦当劳公司是特许经营的黄金标准，它使一个个加盟餐馆获利丰盛，因此加盟店都渴望加入这一体系，并遵循公司严格的经营准则。

stringent: (adj.) strict; binding strongly; making strict requirements; restrictive; rigid; severe

eg: They have stringent quality requirements outlining what is acceptable.

- 8) If a franchisor packs a market with outlets to **boost** its own growth, it hurts the system in the long run by forcing units to compete with one another.

如果一个特许经销商是为了求其自身的发展不断地增加加盟店，从长远来看，它会迫使加盟商之间彼此竞争从而损害整个系统。

boost: (v.) to push up; hence, to assist in overcoming obstacles, or in making advancement.

eg: The unexpected win boosted the soldiers' morale.

- 9) "These returns declined as the **incremental** appeal of each new retail store fell upon market penetration."

“这些利润的下降是伴随着对每个新加盟店增加市场渗透的要求而产生的。”

increment: (n) An increment is an increase of some amount, either fixed or variable.
increase; added amount

eg: In China, a teacher's salary may have a fixed annual increment or one based on a percentage of its current value.

incremental: (adj.)

- 10) But what's good for the franchisor's bottom line isn't necessarily good for the franchisee's.

但是对特许经营者的底线有好处的不一定也对加盟商有好处。

- 11) In what **amounted to** an act of heresy to Krispy Kreme devotees, the company also added smaller "satellite" stores that didn't actually make doughnuts.

在忠实于卡卡圈坊事业的人看来像是异端邪说的做法中，公司另外增设了实际并不制作炸圈饼的小型“卫星”店。

amount to: be equal to or the equivalent of sth.

eg: What they said amounted to a direct denial.

Suggested translation

卡卡圈坊的没落！

——卡卡圈坊的兴衰是一个雄心、贪婪和缺乏经验的警世故事

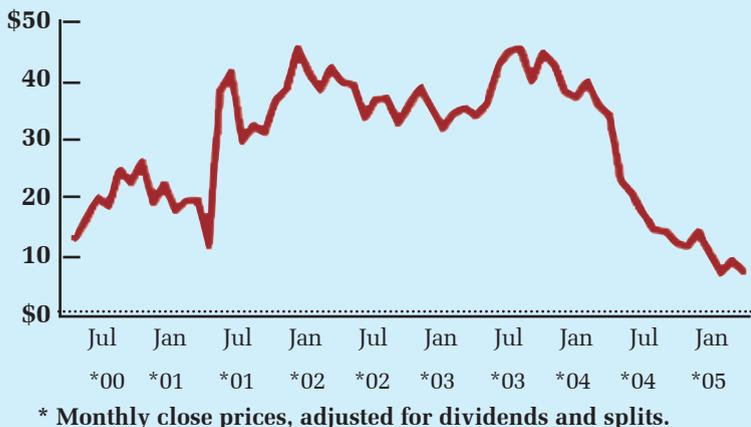
有什么能比卡卡圈坊（KKD）的甜甜圈更完美呢？经过油炸和加糖，卡卡圈坊的原味甜甜圈简直让人不可抗拒。有一段时间，卡卡圈坊的股价似乎也不可阻挡的上升。当这家公司于2000年4月正值互联网热的高峰期上市时，投资者蜂拥购买他们所看好的公司股票。作为一家位于北卡罗来纳州温斯顿—塞勒姆的老式特许加盟公司，卡卡圈坊具有坚实的根基，急速扩张店面，其销售和利润均呈持续增长态势。

但卡卡圈坊也有它的神秘性。它的甜甜圈，虽然很多年只能在东南部买到，但它吸引了一批忠实、甚至狂热的客户群。当公司决定走向全国时，它在曼哈顿、洛杉矶、拉斯维加斯等确保产生巨大反响的地方开设了特许加盟店，在那些街区客户都排队等候来购买Krispy Kreme甜甜圈。到2003年8月，KKD（卡卡圈坊）在纽约证券交易所每股接近50美元，比在纳斯达克首次公开发行时的21美元增长了235%。财富杂志也称Krispy Kreme是“最热门品牌。”在2004年2月的年度财政报表中，该公司公布了其包括澳大利亚、加拿大和韩国在内的将近400处销售点的销售额为6亿6560万美元，营业利润为9470万美元。

然后就在那时，正如其受欢迎程度迅速飙升一样，卡卡圈坊也陷入了一个有可能导致其破产的恶性漩涡中。该公司的困境浮出水面是在2004年5月，时任首席执行官的斯科特·莱文古德因卡卡圈坊作为一家上市公司第一次季度错失和第一次亏损而指责低碳水化合物饮食潮流。这遭到分析家们的反对，作为收益令人失望的指责，阿特金斯饮食法带着一丝绝望的气息。

美国证券交易委员会于2004年7月开始针对Krispy Kreme回购若干特许经营店的行为进行非正式的调查。由于股价大跌，股东们提起了诉讼。加盟商断言渠道造假，声称一些商店在一个季度的最后几周里收到他们常规货运的两倍，这使得总部可以在数目上作假。美国证券交易委员会在2004年10月将非正式查询提升到正式调查。即使公司还在继续增加门店，每周平均销售量——一个关键的零售衡量指标下降了。2005年1月，卡卡圈坊决定重新公布2004财年的财务状况。一位扭亏转盈专家斯蒂芬库珀取代莱文古德担任首席执行官，同时他还保持着安然公司临时首席执行官的职务。

Sugar High
The fall of Krispy Kreme's stock price left
Investors depressed.



在随后的一个月，该公司宣布美国纽约州南区检察官办公室也介入了调查——此举表明了对其中可能有犯罪行为关注。在四月，库珀通过新融资获得2亿2500万美元支撑住公司业务。该公司宣布，它预计其在最后一季度会有亏损，并警告投资者，不要信赖其公布的2001、2002、2003财政年度以及2004和2005财政年度前三个季度的财务报表。截至5月初，卡卡圈坊仍然没有提交其财务重述报表，其股价也徘徊在六美元之间。

出了什么差错呢？一家经营将近70年、拥有几乎传奇产品和忠诚客户群的公司，怎么会如此迅速败落呢？卡卡圈坊困境的故事，从根本上讲，是一份如何不增加特许经营的案例研究。根据一项统计，美国至少有2300家特许经营企业，其中许多是非常成功的。但是，特许经营模式有缺陷，因此卡卡圈坊在其野心、贪婪和缺乏经验的综合因素影响下，使自己跌入了困境。

逼迫型增长

从1937年低调地作为一家家族企业开始，卡卡圈坊慢慢地扩大了其在东南部的足迹。1976年，也就是创始人弗农·鲁道夫去世三年后，该公司被出售给比阿特丽斯食品有限公司，1982年，一群特许经营人将其购买回来。1996年，公司开始做全国性的特许经营。

但是，一旦卡卡圈坊上市，“就像所有公司一样，它面临着迅速发展和每个季度都要保持增长的巨大压力。”位于夏洛特的北卡罗莱纳大学贝尔克商学院的助理教授史蒂芬·克拉克如此评论道。不幸的是，克拉克补充说：“这不是那种可以无休止地增长的行业。”

麦当劳公司是特许经营的黄金标准，它使一个个加盟餐馆获利丰盛，因此加盟店都渴望加入这一体系，并遵循公司严格的经营准则。但是，卡卡圈坊把注意力集中在母公司的收入和利润增长上，而其加盟店却在艰难运作。“通常，你可以使一个系统发展得很大，即使个别分支机构并没有真正赢利，”凯斯西储大学维泽赫德管理学院的经济学家教授及特许经营专家斯科特·谢恩说道。他解释说，特许经营具有“目标冲突”：特许经营商力求最大限度地扩大销售，以此来增加特许经营费，而加盟商需要将利润最大化。如果一个特许经营商求其自身的发

展不断地增加加盟店，从长远来看这会迫使加盟商彼此竞争，从而损害整个系统。

“你可以在一个市场增加一个加盟店，而使你的销售额增长50%，但你可能使那个市场的特许经营商从有利可图变为无利可图，谢恩说道。因此，卡卡圈坊的报告显示2004财政年度的第二季度收入比2003年同一时期增长了将近15%，但是在同一时期同一加盟店的销售额仅仅增长了0.1%。这是一种时尚在萎缩吗？也许吧。但在2004年8月，JP摩根分析师John Ivankoe列举了“新加盟店利润明显下降”的问题时他写道：“这些利润的下降是伴随着对每个新加盟店增加市场渗透的要求而产生的。”一年前，Ivankoe已把卡卡圈坊的股票从“中立”等级调整到“减持”的级别，而“减持”的级别与“卖出”的评级是相同的。

变得贪婪？

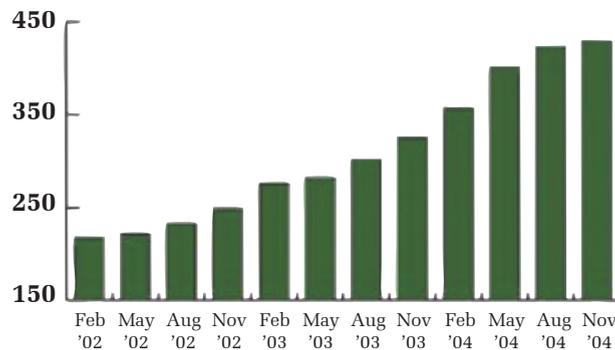
与其他加盟店分享市场份额并非是特许经营商面临的唯一的障碍。除了标准的特许经营费和专利使用费，卡卡圈坊还要求加盟者以标记的价格从总部购买设备和原料。这种策略，虽然并非闻所未闻，但从长远来看将伤害特许经营商的利益。

“特许公司可以有多种方式看待设备和配方的销售，” FranChoice公司总裁史蒂夫·霍基特说，该公司是特许经营商与潜在加盟商之间的中介公司。“一种方式把它看作一个真正的利润中心，甚至可以达到公司逼迫定价的程度。但最成功的那些特许经营公司却是围绕专利使用费而不是销售设备的收益来经营的。“随着时间的推移”霍基特说，“特许经营商更容易通过发展能够支付专利使用费的加盟商而获得成功。”。

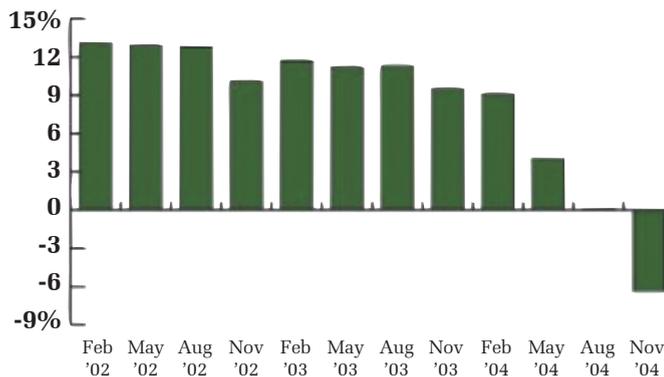
比如卡卡圈坊的竞争对手巨头Dunkin’Donuts一般就没有“将设备或产品销售给其加盟商”，凯特拉维尔这位有着6 400家连锁店的首席财务官如是说：“我们有一个强大的完全建立在加盟店销售额上的专利经营系统。”拉维尔说，这种模式“让公司和加盟者的利益保持一致。”

另一方面，卡卡圈坊在2003年通过卡卡制造及经销部门（KKM&D）出售所需要的原料和甜甜圈的制作设备而收进了1亿5 270万美元——占2003年销售额的31%。最初的设备打包出售40万美元能获经营利润20%或更高。但是，对特许经营者的底线有好处的不一定也对加盟商有好处。“[原材料和设备]以非常高利润出售给加盟店…这很难说需要减少多少利润才能够支持特许经营，但它必须这样做。”Ivankoe在2004年8月的一份报告中写道。

As Stores Go Up...
Number of Krispy Kreme stores systemwide



Growth Goes Down Percentage change in comparable store sales systemwide



Source: Company documents

激情不再

在追逐增长之中，卡卡圈坊也浪费了它的一些神秘感。“他们变得无处不在，”乔纳森·维特，这位洛杉矶KeyBanc资本市场的分析师说道。“不仅仅是在餐馆数量上，而且其销售额的一半左右开始来自杂货店、加油站、小卖部等其它地方。在任何地方，只要可以找到消费者，你就可以找到一个卡卡圈坊。”

在忠实于卡卡圈坊事业的人看来像是异端邪说的做法中，公司另外增设了实际并不制作炸圈饼的小型“卫星”店。与它的专有权式的加盟厂不同，在这些加盟厂可以看到点心是如何喷上光泽的——该公司称其为“甜甜圈制作剧场。”——一些新商店所供应的甜甜圈却是其他地方制作出来的。添加到货品单上的还有其他产品，包括由高碳水化合物、高热量的冷冻饮品或被人们称为“饮用甜甜圈”等组成的新品类。

进一步偏离了其核心产品的吸引力，2004年5月该公司宣布，为了应对低碳水化合物饮食的流行，它正在开发一种无糖的甜甜圈（到目前为止还没有推出一个无糖甜甜圈，然而新的管理团队正在开始审视这个理念。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | | |
|------------------------|----------------------|-----------------------|--------------------|
| 1. <u>irresistible</u> | 2. <u>bankruptcy</u> | 3. <u>aggressive</u> | 4. <u>pitfall</u> |
| 5. <u>royalty</u> | 6. <u>margin</u> | 7. <u>franchising</u> | 8. <u>doughnut</u> |

- 2** Complete the company profile of Krispy Kreme Doughnuts Inc. with the information from Text B.

Suggested answers: 

Facts about Krispy Kreme Doughnuts Inc.

Company name: Krispy Kreme Doughnuts, Inc.

Type: Public (NYSE: KKD)

Industry: Restaurant

Founded: 1973

Headquarters: Winston-Salem, North Carolina, United States

Products: Doughnuts, Sausage Rolls, Soft drinks, Hot Drinks

Revenue: 384 million USD (2009)

Net income: 4 million USD (2009)

Employees: 3 288 (2008)

Website: www.krispykreme.com

- 3** Read the part "Aggressive Growth" in Text B and write a summary of it.

Suggested answers: 

Open-ended answer.

4 Translate the following passage into Chinese.

Suggested answers:

与其他加盟店分享市场份额并非是特许经销商所面临的唯一障碍。除了标准的特许经营费加盟费和专利使用费外，卡卡圈坊还要求加盟者以标记的价格从总部购买设备和原料。这种策略，虽然并非闻所未闻，但从长远来看，将伤害特许经销商的利益。

Business Focus

The McKinsey 7S Framework

The McKinsey 7S model was named after a consulting company, McKinsey and Company, which has conducted applied research in business and industry. All of the authors worked as consultants at McKinsey and Company; in the 1980s, they used the model to analyze over 70 large organizations. The McKinsey 7S Framework was created as a recognizable and easily remembered model in business. The seven variables, which the authors term “levers”, all begin with the letter “S”: These seven variables include structure, strategy, systems, skills, style, staff and shared values. Structure is defined as the skeleton of the organization or the organizational chart. The authors describe strategy as the plan or course of action in allocating resources to achieve identified goals over time. The systems are the routine processes and procedures followed within the organization. Staff are described in terms of personnel categories within the organization (e.g. engineers), whereas the skills variable refers to the capabilities of the staff within the organization as a whole. The way in which key managers behave in achieving organizational goals is considered to be the style variable; this variable is thought to encompass the cultural style of the organization. The shared values variable, originally termed superordinate goals, refers to the significant meanings or guiding concepts that organizational members share

The 7S model can be used in a wide variety of situations where an alignment perspective is useful, for example to help you:

- Improve the performance of a company.
- Examine the likely effects of future changes within a company.
- Align departments and processes during a merger or acquisition.
- Determine how best to implement a proposed strategy.

How to Use the Model

The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and

performance) during other types of change.

Whatever the type of change — restructuring, new processes, organizational merger, new systems, change of leadership, and so on — the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

You can use the 7S model to help analyze the current situation (Point A), a proposed future situation (Point B) and to identify gaps and inconsistencies between them. It's then a question of adjusting and tuning the elements of the 7S model to ensure that your organization works effectively and well once you reach the desired endpoint.

Sounds simple? Well, of course not: Changing your organization probably will not be simple at all! Whole books and methodologies are dedicated to analyzing organizational strategy, improving performance and managing change. The 7S model is a good framework to help you ask the right questions — but it won't give you all the answers. For that you'll need to bring together the right knowledge, skills and experience.

When it comes to asking the right questions, we've developed a Mind Tools checklist and a matrix to keep track of how the seven elements align with each other. Supplement these with your own questions, based on your organization's specific circumstances and accumulated wisdom.

7S Checklist Questions

Here are some of the questions that you'll need to explore to help you understand your situation in terms of the 7S framework. Use them to analyze your current (Point A) situation first, and then repeat the exercise for your proposed situation (Point B).

Strategy:

- What is our strategy?
- How do we intend to achieve our objectives?
- How do we deal with competitive pressure?
- How are changes in customer demands dealt with?
- How is strategy adjusted for environmental issues?

Structure:

- How is the company/team divided?
- What is the hierarchy?
- How do the various departments coordinate activities?
- How do the team members organize and align themselves?
- Is decision making and controlling centralized or decentralized? Is this as it should be, given what we're doing?
- Where are the lines of communication? Explicit and implicit?

Systems:

- What are the main systems that run the organization? Consider financial and HR

systems as well as communications and document storage.

- Where are the controls and how are they monitored and evaluated?
- What internal rules and processes does the team use to keep on track?

Shared Values:

- What are the core values?
- What is the corporate/team culture?
- How strong are the values?
- What are the fundamental values that the company/team was built on?

Style:

- How participative is the management/leadership style?
- How effective is that leadership?
- Do employees/team members tend to be competitive or cooperative?
- Are there real teams functioning within the organization or are they just nominal groups?

Staff:

- What positions or specializations are represented within the team?
- What positions need to be filled?
- Are there gaps in required competencies?

Skills:

- What are the strongest skills represented within the company/team?
- Are there any skills gaps?
- What is the company/team known for doing well?
- Do the current employees/team members have the ability to do the job?
- How are skills monitored and assessed?

Key Points

The McKinsey 7Ss model is one that can be applied to almost any organizational or team effectiveness issue. If something within your organization or team isn't working, chances are there is inconsistency between some of the elements identified by this classic model. Once these inconsistencies are revealed, you can work to align the internal elements to make sure they are all contributing to the shared goals and values.

The process of analyzing where you are right now in terms of these elements is worthwhile in and of itself. But by taking this analysis to the next level and determining the ultimate state for each of the factors, you can really move your organization or team forward.

Related Theories

Franchisor & Franchisee

Franchising is a business model in which many different owners share a single brand name. A parent company allows entrepreneurs to use the company's strategies and trademarks; in exchange, the franchisee pays an initial fee and royalties based on revenues. The parent company also provides the franchisee with support, including advertising and training, as part of the franchising agreement.

Franchising is a faster, cheaper form of expansion than adding company-owned stores, because it costs the parent company much less when new stores are owned and operated by a third party. On the flip side, potential for revenue growth is more limited because the parent company will only earn a percentage of the earnings from each new store. 70 different industries use the franchising business model, and according to the International Franchising Association the sector earns more than \$1.5 trillion in revenues each year.

Companies Involved

The franchising business model is used across many industries, but it is most popular in the fast food restaurants, hotel, and casual & upscale restaurants industries. According to an International Franchise Association study, franchisee-owned locations accounted for 56.3%, 18.2%, and 13.1% of each respective industry's total locations in 2001.

"Franchising" is used to describe a number of business models, the most commonly identified of which is "business format franchising". But there are other models which are also dependent on franchise relationships. These include:

1. Manufacturer-Retailer — Where the retailer as franchisee sells the franchisor's product directly to the public. (eg. New motor vehicle dealerships).

2. Manufacturer-Wholesaler — Where the franchisee under license manufactures and distributes the franchisor's product (eg. Soft drink bottling arrangements).

3. Wholesaler-Retailer — Where the retailer as franchisee purchases products for retail sale from a franchisor wholesaler (frequently a cooperative of the franchisee retailers who have formed a wholesaling company through which they are contractually obliged to purchase. (eg. Hardware and automotive product stores).

4. Retailer-Retailer — Where the franchisor markets a service, or a product, under a common name and standardized system, through a network of franchisees. This is the classic business format franchise.

The first two categories above are often referred to as product and tradename franchises. These include arrangements in which franchisees are granted the right to distribute a manufacturer's product within a specified territory or at a specific location, generally with the use of the manufacturer's identifying name or trademark, in exchange

for fees or royalties.

The business format franchise, however, differs from product and tradename franchises through the use of a format, or a comprehensive system for the conduct of the business, including such elements as business planning, management system, location, appearance and image, and quality of goods.

Standardization, consistency and uniformity across all aspects are hallmarks of the business format franchise.

Business format franchising is today the fastest-growing segment of franchising and has spread to virtually every sector of the economy in Australia. It has significantly more franchise systems, more outlets, more employees and more opportunities than product and tradename franchises.

Business format franchising requires a unique relationship between the franchisor (the owner of the system) and the franchisee (the owner of the individual outlet), which is commonly referred to as a “commercial marriage”.

This ongoing business relationship includes the product, service and trademark, as well as the entire business concept itself from marketing strategy and plan, operational standards, systems and formats, to training, quality control and ongoing assistance, guidance and supervision.

In short, it provides small business (the franchisee) with the tools of big business (provided by the franchisor).

It is also a Win-Win relationship where the franchisor is able to expand its market presence without eroding its own capital, and the franchisee gains through access to established business systems, at lower risk, for their own commercial advantage.

The “commercial marriage” between franchisor and franchisee is ultimately a legal relationship, with the full obligations and responsibilities of both parties outlined in a highly detailed franchise agreement. This commercial contract varies in length and conditions from one system to the next, such that it would be almost impossible for any two franchise systems to have identical agreements.

By nature of the relationship, the franchise agreement will be imbalanced in favor of the franchisor, as the franchisor must at all times remain in control over certain standards critical to the ongoing success of the business format.

Advantages of the Franchising Model

- Franchisees require less initial capital than independently starting a company and can use proven successful strategies and trademarks.
- Franchisees are provided with significant amounts of training, not common to most entrepreneurs.
- The franchisor benefits because it can expand rapidly without having to increase its labor force and operating costs, using much less capital.

- Franchised stores have a higher margin for the parent company than company-owned stores because of minimal operating expenses in maintaining franchised stores. For example, DineEquity, Inc.(DIN) earned a 52.7% profit margin from franchisee-owned restaurants in 2007 while company-owned restaurants operated at a mere 6.7% profit margin.

Drawbacks of the Franchising Model

- Franchising stores reduces the amount of control that the parent company has over its products and service, which may lead store quality to vary greatly from store to store.
- Franchisees must pay a percentage of their revenues to the parent company, reducing their overall earnings.



Unit 7

Global Supply Chain Management

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of global supply chain management;
- Understand the significance of global supply chain management to the success of business in marketing place;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.	Group discussion and problem solving.
	Related Theories Based on the opening case, teacher holds a discussion about supply chain and helps students gain a general understanding of global supply chain management.	Formal lecture interspersed with questions to/from the students.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections III-IV	Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.	Case study and problem solving — teacher-guided.
	Focus on Skills Students finish the exercises in Language Focus; teacher explains creative thinking technique — ABC Analysis.	Independent study; Group discussion — teacher-guided

Background Information

1 *Dell Inc.*

Dell Inc. is a multinational information technology corporation based in Round Rock, Texas, United States, which develops, sells and supports computers and related products and services. Bearing the name of its founder, Michael Dell, the company is one of the largest technological corporations in the world, employing more than 96,000 people worldwide. Dell is listed at #38 on the Fortune 500 (2010). Fortune also lists Dell as the #5 most admired company in its industry.

Dell has grown by both organic and inorganic means since its inception — notable mergers and acquisitions including Alienware (2006) and Perot Systems (2009). As of 2009, the company sold personal computers, servers, data storage devices, network switches, software, and computer peripherals. Dell also sells HDTVs, cameras, printers, MP3 players and other electronics built by other manufacturers. The company is well known for its innovations in supply chain management and electronic commerce.

Dell traces its origins to 1984, when Michael Dell created PCs Limited while a student at the University of Texas at Austin. The dorm-room headquartered company sold IBM PC-compatible computers built from stock components. Michael Dell started trading in the belief that by selling personal computer systems directly to customers, PCs Limited could better understand customers' needs and provide the most effective computing solutions to meet those needs. In 1985, the company produced the first computer of its own design — the “Turbo PC”, sold for US\$795. PCs Limited advertised its systems in national computer

magazines for sale directly to consumers and custom assembled each ordered unit according to a selection of options. The company grossed more than \$73 million in its first year of trading.

The company changed its name to “Dell Computer Corporation” in 1988 and began expanding globally — first in Ireland. In June 1988, Dell’s market capitalization grew by \$30 million to \$80 million from its June 22 initial public offering of 3.5 million shares at \$8.50 a share. In 1992, Fortune magazine included Dell Computer Corporation in its list of the world’s 500 largest companies, making Michael Dell the youngest CEO of a Fortune 500 company ever.

In 1996, Dell began selling computers via its web site, and in 2002, Dell expanded its product line to include televisions, handhelds, digital audio players, and printers. Dell’s first acquisition occurred in 1999 with the purchase of ConvergeNet Technologies. In 2003, the company was rebranded as simply “Dell Inc.” to recognize the company’s expansion beyond computers. From 2004 to 2007, Michael Dell stepped aside as CEO, while long-time Dell employee Kevin Rollins took the helm. During that time, Dell acquired Alienware, which introduced several new items to Dell products, including AMD microprocessors. To prevent cross-market products, Dell continues to run Alienware as a separate entity but still a wholly-owned subsidiary.

In 2008 Dell switched the power sources of the Round Rock headquarters to more environmentally friendly ones, with 60% of the total power coming from TXU Energy Wind Farms and 40% coming from the Austin Community Landfill Gas-to-energy Plant operated by Waste Management, Inc.

In 2009, Dell acquired Perot Systems, a technology services and outsourcing company founded by H. Ross Perot. On September 21, 2009, Dell announced its intent to acquire Perot Systems (based in Plano, Texas) in a reported \$3.9 billion deal. Perot Systems brought applications development, systems integration, and strategic consulting services through its operations in the U.S. and 10 other countries. In addition, it provided a variety of business process outsourcing services, including claims processing and call center operations.

2 *Walmart Stores, Inc.*

Walmart Stores, Inc. was founded by American retail legend Mr. Sam Walton in Arkansas in 1962. Over forty years later, it has become the world’s largest private employer and retailer, on the top of the Fortune 500 list and has been among the most valuable brands for many years.

In the 1980s, Wal-Mart continued to grow rapidly due to the huge customer demand in small towns, where most of its stores were located. Commenting on the growth of Wal-Mart, Walton said: “When we arrived in these small towns offering low prices every day,

customer satisfaction guaranteed, and hours that were realistic for the way people wanted to shop, we passed right by that old variety store competition, with its 45 percent mark ups, limited selection and limited hours.” Wal-Mart stores were located at a convenient place in a big warehouse-type building and targeted customers who bought merchandise in bulk. Customers could buy goods at wholesale prices by becoming members and paying a nominal membership fee. By 1984, there were 640 Wal-Mart stores in the US, generating sales of about \$4.5 billion and accruing profit of over \$200 million.

Wal-Mart suffered a setback in 1992, when Walton died after a prolonged illness. But it continued its impressive growth in the 1990s, focusing more on establishing its stores overseas. In 1992, Wal-Mart expanded its operations in Mexico by entering into a joint venture with Cifra. Two years later, the company acquired 122 Woolco stores from Woolworth, Canada. By 1997, Wal-Mart had become the largest volume discount retailer in Canada and Mexico. In 1997, Wal-Mart acquired the 21-store German hypermarket chain, Wertkauf. Other international expansion efforts included the purchase of Brazilian retailer Lojas Americanas’ 40 percent interest in their joint venture, and the acquisition of four stores and additional sites in South Korea from Korea Makro. In January 1999, Wal-Mart expanded its German operations by buying 74 stores of the hypermarket chain, Interspar. The stores were acquired from Spar Handels AG, which owned multiple retail formats and wholesale operations throughout Germany.

By 2002, Wal-Mart had emerged as the largest company in the world in terms of revenues. Analysts felt that Wal-Mart had come a long way since 1979, when the company generated annual revenues of more than a billion dollar for the first time. By 1993, the company was doing a billion dollar business in a week and by 2001, it was crossing the billion dollar mark in every 1.5 days. Analysts attributed this phenomenal growth to Wal-Mart’s continued focus on customer needs and reducing costs through efficient supply chain management practices. The company was able to offer a vast range of products at the lowest costs in the shortest possible time. This was possible mainly due to two factors – Wal-Mart’s highly automated distribution centers, which significantly reduced shipping costs and time, and its computerized inventory system, which speeded up the checking out time and recording of transactions.

Today, with over 2.1 million associates worldwide, Wal-Mart operates more than 8,400 units in 15 countries under 55 different banners, and serves more than 200 million customers per week. Wal-Mart had \$405 billion in annual sales in fiscal year 2010 (FYE10, Feb. 1, 2009 to Jan. 31, 2010). The charitable giving numbers including cash and in-kind gifts was more than \$512 million in FYE10, a 20% increase over the previous year’s giving. In 2010, Wal-Mart regained the seat at the top of the Fortune 500, and ranked first among retailers in Fortune Magazine’s 2010 Most Admired Companies survey.

Lecturing Hints

Opening Case

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers: 

- 1) The direct selling is just one of the competitiveness of Dell. Dell's success is attributed to its whole supply chain.
- 2) Dell sets up a set of channels to contact customers, and the customers send the order which lists the disposition in detail to Dell directly, and then Dell purchases the raw materials from earlier suppliers and manufactures the products according to the order. So the essence of Dell's supply chain is simplifying and eliminating the middleman.
- 3) Dell may upgrade products concentrating on the latest products which may accelerate the steps of using new technology.
- 4) On one hand, it may reduce the core operational costs of firms through the optimization of distribution channels and the JIT management; On the other hand, it may improve customer service level through CKM and CRM. Dell's success is mostly attributed to its supply chain.
- 5) Today, the development of Chinese PC manufacturing industry has relatively lagged behind most global famous transnational corporations not only in quantity but also in business scale, technology, management and the experience of transnational operation and so on. To bridge these gaps, Chinese PC manufacturing industry should learn from Dell's direct selling, JIT management and the management experience to deal with the relationship among customers, suppliers and the company. Meanwhile, they should deeply understand the concepts of management included in the successful mode of Dell so as to find out the appropriate way for their own development.

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) In this model, Dell sets up a set of channels to contact customers, and customers send the order which lists the **disposition** in detail to Dell directly, and then Dell purchases

the raw materials from earlier suppliers and manufactures the products according to the order.

在该模式中, 戴尔公司建立了一套与客户联系的渠道, 客户发送订单, 直接向戴尔列出详细的配置, 然后戴尔依据订单从早期的供应商那里购买原材料并且制成成品。

disposition: (n.) attributes of people and objects

e.g.: He has a cheerful disposition.

- 2) So the **essence** of Dell's supply chain is simplifying and **eliminating** the middleman.
因此, 戴尔公司供应链的本质是简化和排除中间人。

essence: (n.) the intrinsic or indispensable properties that serve to characterize or identify something

e.g.: The two things are the same in outward form but different in essence.

eliminate: (v.) to get rid of; remove

e.g.: We have eliminated all statistical tables, which are of interest only to the specialist.

- 3) In order to simplify the **coordination formalities** with the suppliers, Dell tries its best to reduce the quantity of suppliers, and specially selects cooperators who have the capability to store raw materials.

为了简化与供应商的协调手续, 戴尔公司尽量减少供应商数量, 并且专门选择具有储存原料能力的合作商。

coordination: (n.) the state of being coordinate; harmonious adjustment or interaction

e.g.: The perfect coordination of the dancers and singers added a rhythmic charm to the performance.

formality: (n.) a requirement of rule, custom, etiquette, etc.

e.g.: You must comply with all the necessary formalities

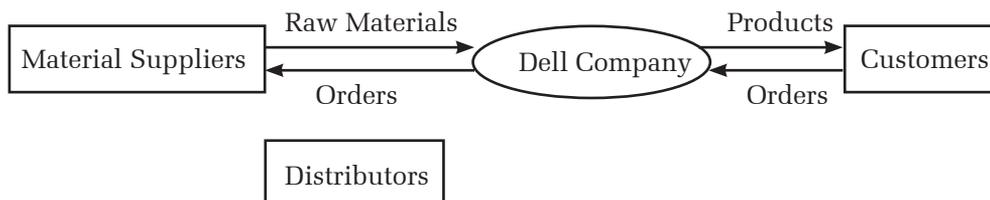
Suggested translation

戴尔向客户直销电脑

美国的戴尔公司是世界领先的电脑制造商之一, 开创了绕过分销商将个人电脑直接销售给消费者的独特模式。许多人认为, 戴尔的成功来自于直销。但是直销只是戴尔的竞争强项之一。戴尔的成功归功于其完整的供应链。

戴尔的供应链结构

戴尔公司采用了一种典型的直接的商业模式。在此模式中, 戴尔建立一套与客户联系的渠道, 客户发送订单, 直接向戴尔列出详细的配置, 然后戴尔公司依据订单从早期的供应商那里购买原材料并且制成成品。因此, 戴尔供应链的本质是简化和消除中间人。图1显示了戴尔的供应链具体结构(图1)。



戴尔供应链管理的优势

戴尔的成功主要受益于它的供应链管理能力和其独特的经营：“三大黄金原则”：坚持直销、杜绝库存以及与客户联盟。

直销

就降低原料成本和快速生产而言，戴尔的竞争力主要源于其独特的经营：电脑直接销售给客户。这就是说，客户可以通过电话、邮政和互联网直接订购电脑。通过消除中间商，戴尔大大减少了额外的花费，并几乎将其完全转化成它的利润。

一直以来，戴尔都是运用即时管理模式的缩影。戴尔的供应链成员仅仅包括供应商、制造商和客户。戴尔坚持原材料供应商把大部分产品放在其工厂附近的仓库。为了简化与供应商的协调手续，戴尔尽量减少供应商数量，并且专门挑选具有储存原料能力的合作商。图2反映了戴尔公司与其竞争对手在原材料成本和生产时间之间的差异（图2）。

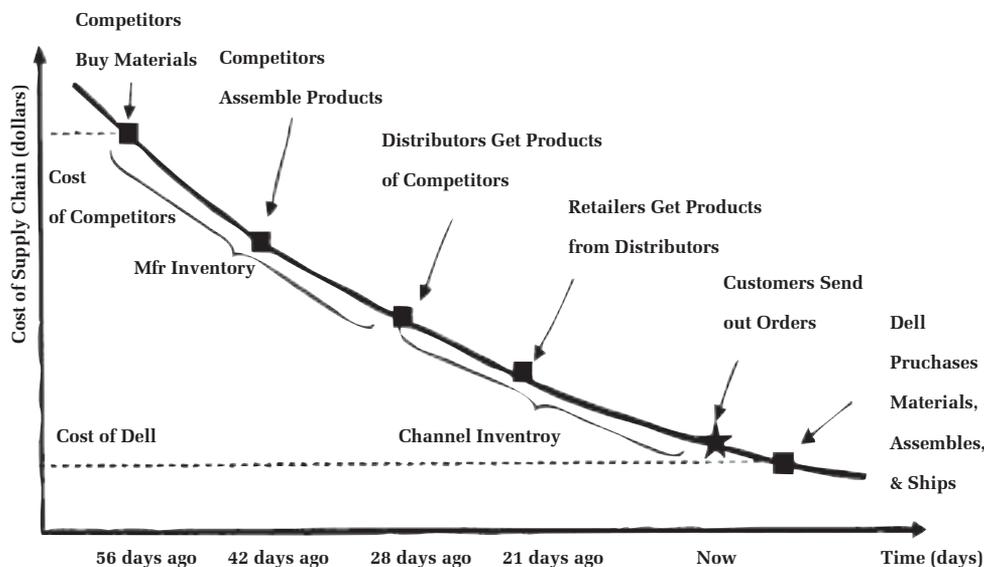


Figure 2. Comparison of Dell and Its competitors in materials cost and manufacturing time

在避免贬值和产品升级换代方面，由于重要部件（如微处理器）的性能正在不断升级，其价格一直在下降。新型电脑的开发周期连续地在缩短，技术创新在加快。当戴尔收到一批订单时，他们要求供应商及时提供电脑配件，从而会把库存降低到最低水平，最大限度的避免了渠道库存带来的损失。如果在仓库没有过时的产品，戴尔就可能集中研发最新产品，这可能加速运用新技术的步伐。

通过建立生产单元，戴尔开发了它的内部业务程序，在接受订单时生产单元即开始组装。它还建立了一个内部信息系统，让正在生产中的产品细节以电子方式提供给在生产链内的各方。为了管理计算机零部件的供应，戴尔公司一直与供应商和物流服务供应商保持密切的联系，让他们的供应商管理其库存系统，而戴尔公司专注于产品装配。此外，戴尔使用企业技术把他们的数据库和方法提供给供应商，使其了解戴尔公司的运作过程。在消费者方面，通过电

话或通过戴尔官方网站在线订购后，即生成一个跟踪代码，客户可以通过电话或在戴尔的网站用它来随时追踪其订单的进程。

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about Wal-Mart Stores, Inc.

Suggested answers: 

Wal-Mart was one of the largest private sector employers in the world, with employee strength of approximately 1.28 million. The company's founder, Sam Walton (Walton) had always focused on improving sales, constantly reducing costs, adopting efficient distribution and logistics management systems and using innovative information technology (IT) tools. According to analysts, Wal-Mart was able to achieve a leadership status in the retail industry because of its efficient supply chain management practices.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) According to analysts, Wal-Mart was able to achieve a leadership status in the retail industry because of its efficient supply chain management practices.
- 2) Wal-Mart always emphasized the need to reduce its purchasing costs and offer the best price to its customers. The company procured goods directly from manufacturers, bypassing all intermediaries. It was fully confident that the products being bought were not available elsewhere at a lower price. As Wal-Mart used sophisticated barcode technology and hand-held computer systems, managing the center became easier and more economical.
- 3) Wal-Mart was focusing on customer needs and reducing costs through efficient supply chain management practices. The company was able to offer a vast range of products at the lowest costs in the shortest possible time. It displayed all information

about the storage, packaging and shipping of a particular product, thus saving time on unnecessary paperwork. It also enabled the center supervisors to monitor their employees closely, enabling them to give directions and even guide them even on the move. This enabled the company to satisfy customer needs quickly and improve the level of efficiency of the distribution center management operations.

- 4) Wal-Mart set up its own satellite communication system in 1983. Explaining the benefits of the system, Walton said, “I can walk in the satellite room, where our technicians sit in front of the computer screens talking on the phone to any stores that might be having a problem with the system, and just looking over their shoulders for a minute or two will tell me a lot about how a particular day is going. On the screen, I can see the total of the day’s bank credit sales adding up as they occur. If we have something really important or urgent to communicate to the stores and distribution centers, I, or any other Wal-Mart executive can walk back to our TV studio and get on that satellite transmission and get it right out there. I can also go every Saturday morning around three, look over these printouts and know precisely what kind of work we have had.”
- 5) Wal-Mart Stores Inc. is facing a new reality: Its customers want more than just the lowest price. The world’s largest retailer, which only a few years ago could do no wrong, is now suffering from the kind of problems that have plagued weaker rivals like Kmart: cluttered stores, merchandise that turned off shoppers, and poor service. Meanwhile, Target Corp., while some six times smaller than Wal-Mart, is setting a new standard for discount retailing.

4 *Ask students to summarize Text B, identifying the good practices used in Wal-Mart’s operation and the company’s current problems and challenges.*

Suggested answers: 

Good practice:

- 1) Wal-Mart always emphasized the need to reduce its purchasing costs and offer the best price to its customers. The company procured goods directly from manufacturers, bypassing all intermediaries.
- 2) In 1998, Wal-Mart had over 40 distribution centers at different geographical locations in the US. Over 80,000 items were stocked in these centers. The distribution centers ensured a steady and consistent flow of products to support the supply function.
- 3) As Wal-Mart used sophisticated barcode technology and hand-held computer systems, managing the center became easier and more economical.
- 4) An important feature of Wal-Mart’s logistics infrastructure was its fast and responsive transportation system.

Problems and Challenges:

- 1) Wal-Mart Stores Inc. is facing a new reality: Its customers want more than just the lowest price. It is now suffering from the kind of problems that have plagued weaker rivals like Kmart: cluttered stores, merchandise that turned off shoppers, and poor service. Meanwhile, Target Corp., while some six times smaller than Wal-Mart, is setting a new standard for discount retailing.
- 2) Wal-Mart's sales growth has sagged, in part because the Bentonville, Ark-based retailer, while still a low-price leader, doesn't have products on the floor that attract today's shoppers — particularly in apparel, home furnishings and consumer electronics. It also has a problem with slow checkout service and its stores look uninspiring.

- 5** Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers:

Discuss in detail the distribution and logistics system adopted by Wal-Mart: (Open-ended Answer)

Briefly explain how IT benefited Wal-Mart's logistics and inventory management:

Instead of cutting inventory across the board, Wal-Mart made full use of its IT capabilities to make more inventories available in the case of items that customers wanted most, while reducing the overall inventory levels. Wal-Mart also networked its suppliers through computers.

What is the nature of benefits derived by Wal-Mart from the efficient supply chain management practices and how far they have contributed to its sustainable competitive advantage?

(Open Answer)

- 6** The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) Wal-Mart Stores, Inc. is an American **public corporation** that runs a chain of large discount department stores and a chain of **warehouse stores**.

沃尔玛是一家连锁经营大型折扣百货商店和仓储式商店的美国上市公司。

public corporation: incorporated firm whose shares are publicly traded and are usually held by a large number (hundreds or thousands) of shareholders.

warehouse store: a retail location with a limited variety of merchandise sold in bulk at a discount to customers.

- 2) The company's founder, Sam Walton (Walton) had always focused on improving sales, constantly reducing costs, adopting efficient distribution and **logistics** management systems and using innovative information technology (IT) tools.

该公司的创始人山姆·沃尔顿一直专注于提高销售额、不断降低成本、采取有效的分销和物流管理系统，并利用创新的信息技术（IT）工具。

logistics: the management of the flow of the goods and services between the point of origin and the point of consumption in order to meet the requirements of customers. Logistics involves the integration of information, transportation, inventory, warehousing, material handling, and packaging, and occasionally security. Logistics is a channel of the supply chain which adds the value of time and place utility.

- 3) Wal-Mart's highly automated **distribution** centers, which significantly reduced shipping costs and time, and its computerized **inventory** system, which speeded up the checking out time and recording of **transactions**.

沃尔玛的高度自动化的配送中心和计算机化的库存系统，前者大大降低了运输成本和时间，后者加快了出货时间及交易记录。

distribution: (n.) an arrangement of values of a variable showing their observed or theoretical frequency of occurrence

e.g.: The conference discussed the fair distribution of income and wealth.

inventory: (n.) a detailed list of all the items in stock

e.g.: The inventory showed that the store was overstocked.

transaction: (n.) the act of transacting within or between groups (as carrying on commercial activities)

e.g.: He left the transaction of the matter to his secretary.

- 4) Analysts **attributed** this phenomenal growth to Wal-Mart's continued focus on customer needs and reducing costs through **efficient** supply chain management practices.

分析家们认为，沃尔玛的发展归因于其持续关注客户需求，并通过高效的供应链管理降低其成本。

attribute: (v.) decide as to where something belongs in a scheme

e.g.: They attributed Edison's success to intelligence and hard work.

efficient: (adj.) being effective without wasting time or effort or expense

e.g.: She is an efficient manager.

- 5) The company **procured** goods directly from manufacturers, bypassing all **intermediaries**.

该公司直接从制造商采购货物，绕过所有的中介环节。

procure: (v.) get by special effort

e.g.: He managed to procure a pass.

intermediary: (n.) a negotiator who acts as a link between parties

e.g.: They disliked each other too much to meet, so they conducted all their business

through an intermediary.

- 6) By making the process **transparent**, the retailer could be certain that the manufacturers were doing their best to cut down costs.

通过过程透明化，零售商可以确定制造商在尽力降低成本。

transparent: (adj.) transmitting light; able to be seen with clarity

e.g.: The meaning of this passage seems quite transparent.

- 7) According to rough estimates, Wal-Mart was able to provide **replenishments** within two days (on an average) against at least five days for competitors.

据粗略估计，沃尔玛平均两天内就能够对货源进行补充，而竞争对手则至少需要5天。

replenishment: (n.) filling again by supplying what has been used up

e.g.: The custodian of the fund will cash the replenishment check at the bank and place the cash in the petty cash box.

- 8) Each distribution center was divided into different sections on the basis of the quantity of goods received and was managed the same way for both cased and **palletized** goods.

根据收到的货物数量，每个分销中心被划分成不同的部分，并且以同样的方式对箱装货物和托盘货物进行管理。

palletize: (v.) to store or move (freight, for example) by means of pallets

e.g.: palletized transport

- 9) As Wal-Mart used sophisticated **barcode** technology and hand-held computer systems, managing the center became easier and more economical.

由于沃尔玛采用了先进的条码技术和手持电脑系统，管理配售中心就变得更容易更经济了。

barcode: (n.) an optical machine-readable representation of data, which shows certain data on certain products

e.g.: Barcode label designing software generates professional and standardized barcode labels in all major Linear and 2D barcode fonts in few easy mouse clicks.

- 10) This **collaboration** between Wal-Mart and P&G was a win-win proposition for both because Wal-Mart could monitor its stock levels in the stores constantly and also identify the items that were moving fast. P&G could also lower its costs and pass on some of the savings to Wal-Mart due to better coordination.

这对于沃尔玛和宝洁来说，是一个双赢的合作方式，因为沃尔玛可以不断地监测商店中货物的库存水平，并且确定哪些商品销售快速。宝洁公司也可以降低成本，并且由于有了更好的合作，可将部分收益向沃尔玛转移。

collaboration: (n.) act of working jointly

e.g.: The two companies are working in close collaboration with each other.

Suggested translation

供应链管理实务
——沃尔玛案例分析——

公司背景

沃尔玛公司（以前被称为Wal-Mart，自2008年以来，被称为Walmart）（纽约证券交易所代码：WMT）是一家连锁经营大型折扣百货商店和仓储式商店的美国上市公司。该公司由山姆·沃尔顿于1962创办，于1969年10月31日注册成股份公司，并于1972年在纽约证券交易所上市。沃尔玛总部位于阿肯色州的本顿维尔，是美国最大的私营企业和最大的食品零售商。根据2010年福布斯全球上市公司2000强，沃尔玛是世界上营业额最大的上市公司。

沃尔玛是世界上最大的私营企业之一，雇员约128万人的规模。该公司的创始人山姆·沃尔顿（Walton）一直专注于提高销售额，不断降低成本、采取有效的分销和物流管理系统，并利用创新的信息技术（IT）工具。

据分析人士认为，沃尔玛能够在零售行业处于领头羊的地位是因为其高效的供应链管理实践。俄亥俄州哥伦布国防供应中心副司令的副官弗农L·比蒂说，“供应链管理以最有效的手段将合适的物品在合适的时间递送给合适的客户。没人能做的比沃尔玛更好。”分析家们认为，沃尔玛的发展归因于其持续关注客户需求，并通过高效的供应链管理降低其成本。该公司能够在最短的时间内以最低的成本提供种类繁多的产品。这可能主要应归于两方面的因素：沃尔玛高度自动化的配送中心和计算机化的库存系统，前者大大降低了运输成本和时间，后者加快了出货时间和交易记录。

管理供应链的采购和分销

沃尔玛始终强调必须降低采购成本并给客户提供最优惠的价格。该公司直接从制造商采购货物，绕过所有的中介环节。在价格方面沃尔玛是一个难缠的谈判商，只有当它完全确信所购买的产品不可能在其它任何地方以更低的价格购买到时才签订购买协议。据一名沃尔玛早期的员工克劳德·哈里斯说，“每一个采购员都必须强硬，这就是工作。我总是告诉采购员：‘你是在为你的客户进行谈判。你的客户应该得到你可以得到的最好价格。永远不要觉得对不起供应商。’他总是知道他能卖什么，而我们需要的是他的最低价格。‘我们会告诉供应商’，价格上不要留有给回扣的空间，因为我们这里不这样做。而且我们不需要你的广告或送货安排。我们的卡车直接在你的仓库上货。那么你最优惠的价格是多少？”

沃尔玛花了大量时间与供应商见面，了解他们的成本结构。通过过程透明化，零售商可以确定制造商在尽力降低成本。一旦满意，沃尔玛就坚定地与供应商建立长期合作关系。在极力讨价还价时，沃尔玛甚至不会放过像宝洁这样的大厂家。然而，该公司一般首选本地和区域供应商。

1998年，沃尔玛在美国不同的地方拥有40多个分销中心。在这些中心库存的商品超过8万种。沃尔玛自己的仓库直接供应的商品占库存的85%，而其竞争对手仓库直接供应量只占50%至65%。据粗略估计，沃尔玛平均2天内就能够对货源进行补充，而竞争对手则需要至少5天。沃尔玛运费粗略计算为3%，而对手公司则为5%。

根据收到的货物数量，每个分销中心被划分成不同的部分，并且以同样的方式对箱装货物和托盘货物进行管理。沃尔玛的存货周转率非常高，大多数货物每两周周转一次。在美国国内

分销的商品，通常托盘抵达，而进口货物则用可重复使用的盒子或箱子运送。在某些情况下，供应商将有些货物诸如汽车和药品直接送到商店。约85%在商店出售的货物是通过配送中心送货的。

配送中心通过确保产品配送的稳定性和持续性来支持其供应职能。由于沃尔玛采用了先进的条码技术和手持电脑系统，管理配送中心就变得更加容易更经济了。每位员工都可以接触关于该中心的所有产品库存水平的实时信息。他们只进行两次扫描，一次是识别托盘，另一次是确定货物从何处提取。不同的条形码标签被用来标记配送中心的不同产品、货架和货仓。手持电脑引导员工找到某一特定产品在配送中心某个货仓或货架上的位置。当计算机查明货物所在的仓位并取走产品时，工作人员会确认是否是应该取走的产品。需要从配送中心取走的产品数量由员工输入到手持电脑中，然后电脑就会更新主服务器上的信息。

手持电脑也能让包装部获取有关要包装产品的准确信息。它显示某一特定产品的存储、包装和运输的所有信息，从而节省不必要的文书工作时间。这也使中心的主管能密切监管其雇员，对其能发出指示，甚至在运作中指导他们。这使该公司能够快速满足客户的需求和提高配送中心管理工作的效率。

每个配送中心拥有个人卫生设施，如淋浴室和健身中心。它也提供食品、睡眠和处理个人事务的场所。配送中心也可用于会议和文书工作。沃尔玛的卡车司机有时能用上这些设施。

物流管理

沃尔玛的物流基础设施的一个重要特点是其快速反应的运输系统。配送中心拥有3 500多辆公司自己的卡车来提供服务。这些专用卡车车队使公司能在两天内将货物从配送中心运送到商店，每周两次补充货架。卡车车队是商店和配送中心有形的联系纽带。沃尔玛认为，它需要竭诚为客户服务的卡车司机。公司只聘请30多万公里无事故且没有重大交通违章的司机。

沃尔玛的卡车司机一般将配送中心的商品运到各个配送中心服务的零售商店。这些零售商店被认为是配送中心的客户。司机必须每天将他们的服务时间报告给调度员。根据可用的驾驶时间和从配送中心到零售商店之间的行程时间，调度员安排发车时间。调度员在司机抵达配送中心或从零售商店返回配送中心时通知司机他的调度安排。司机通常需要将一卡车货品从配送中心送往零售商店，然后空车返回。他得发送一卡车货品到零售商店并在那里过夜。无论他什么时候到达零售商店，他只能在所安排的卸货时间将卡车开到商店的卸货点。如果司机是下午和晚上送交货车，那么他们就要晚上在商店卸货。货车卸货的间隔为两个小时。譬如，假如一家商店有三车货到达，第一辆车将在午夜（12点）卸货，第二辆会在凌晨2点卸货，第三辆将在凌晨4点卸货。

尽管这些货车无人照管，但其安全将由司机负责，直到晚上由商店工作人员接管为止。由于业务量大，沃尔玛接收运送货物的车要远远多于卸货车。沃尔玛通过“私人车队司机手册”对司机的日常工作进行记录对他们进行严格监督。该手册的目的在于教育司机知道相关的行为规范。它还包括关于与商店人员安全交接货车以及沃尔玛的财产安全的条款声明。手册还包含一个其他行为的列表，违反列表要求该司机将被解聘。

为了使运送过程更高效，沃尔玛也使用在物流技术中被称作“直接转运”的技术。在这个系统中，工厂成品直接从供应商的制造工厂提出来、分类，然后直接提供给客户。该系统减少了成品的处理和仓储，实际上消除了配送中心和商店的作用。有五种类型的直接转运。

在直接转运过程中，从某一商店收到的不同货物的请购单转换成购买或采购订单。然后这些采购订单被转发给那些制造商，后者在特定时间内告之是否能够供应所需货物。如果制造商同意在指定时间内提供所需货物，货物就直接转发到一个叫作集结待运的地方。根据不同的商店接收来的订单进行货物包装，然后直接发送到各自的客户手里。

为了使直接转运发挥最大作用，沃尔玛不得不在其管理控制的方法上进行根本的调整。传统的做法是，采购、定价和促销决策都是高度集中并且一般是在公司层面上作出的。然而直接转运系统改变了这一做法。该系统将关注点由“供应链”转向“需求链”，这就意味着不是零售商将产品“推入”该系统，而是客户在他们所需要的时间和地点从系统中“拉走”产品。这种方法重视商店、配送中心和供应商之间频繁的、不拘泥于形式的合作，较以前大大减少了集中控制。

库存管理

沃尔玛开发了一种满足其商店个性化需求的能力。商店可以从若干个送货计划中进行选择。例如，有一个加速送货系统，即在位于一定距离地理中心的商店一天之内便可以得到补给。沃尔玛在IT和通讯系统上投放大量资金，从而能有效地跟踪销售及全国各地的商品库存信息。随着沃尔玛在美国的迅速扩张，必须要有一个良好的通信系统。因此，沃尔玛在1983年建立了自己的卫星通讯系统。在解释该系统好处时沃顿说，“我能走在卫星室，在那里我们的技术人员坐在电脑屏幕前，通过电话与任何一家系统可能存在问题的商店交谈，我只需站在他们身后看一两分钟电脑屏幕便可知这一天所发生的情况。在屏幕上，我可以看到当天交易的银行信贷销售总额。如果我们有真正重要或紧急情况需要与商店和配送中心沟通的话，我或者沃尔玛其他任何管理人员就可以走进我们的电视演播室，通过卫星传输就可以马上到那里。我也可以每星期六凌晨三点左右去看看这些打印出来的资料，便可以清楚地知道我们都做了什么工作。”

沃尔玛能够通过允许商店自己管理库存、跨越类别地缩小产品的包装尺寸和及时降价促销来减少非生产性库存。沃尔玛不是一刀切地削减库存，而是充分利用其信息技术的能力，在降低整体库存水平的同时，使客户最想要的货物能保持较多的库存。沃尔玛还通过计算机与供应商建立网络化联系。该公司开始与宝洁公司合作，在其商店维持宝洁产品的库存并建立了一个自动再订货系统，此系统连接了宝洁公司与其商店和其他分销中心的所有电脑。该计算机系统一发现某一商品库存不足后就给宝洁公司发出信号，然后系统再通过卫星通讯系统给最近的宝洁工厂发出补充货源的订单。然后宝洁将需要的货物发给沃尔玛配送中心或直接发到货品不足的商店。这对于沃尔玛和宝洁来说是一个双赢的合作方式，因为沃尔玛可以不断地监测商店中货品的库存水平，并且确定哪些商品销售快速。宝洁公司也可以降低成本，并且由于有了更好的合作，可将部分收益向沃尔玛转移。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | | |
|--------------------------------|---------------------|----------------------------------|------------------------|
| 1. <u>logistics management</u> | 2. <u>retail</u> | 3. <u>information technology</u> | 4. <u>inventory</u> |
| 5. <u>kickback</u> | 6. <u>replenish</u> | 7. <u>transaction</u> | 8. <u>distribution</u> |

- 2** Complete the company profile of Wal-Mart with the information from Text B.

Suggested answers: 

Facts about Wal-Mart

Company name: Wal-Mart

Date of Establishment: 1962

Founders: Sam Walton

Headquarters: Bentonville, Arkansas

Offices: worldwide

Market Cap: US\$170.70 billion

Market Position: the largest retailing company in the world

Products & Services: Discount Stores, Supercenters, Neighborhood Markets

- 3** Read the passage "Managing the Supply Chain Procurement and Distribution" in Text B and write a summary of it.

Suggested answers:

Wal-Mart always emphasized the need to reduce its purchasing costs and offer the best price to its customers. The company procured goods directly from manufacturers, bypassing all intermediaries. Wal-Mart was a tough negotiator on prices and finalized a purchase deal only when it was fully confident that the products being bought were not available

elsewhere at a lower price. According to Claude Harris, one of the earliest employees, “Every buyer has to be tough. That is the job. I always told the buyers: ‘You are negotiating for your customer. And your customer deserves the best prices that you can get. Don’t ever feel sorry for a vendor. He always knows what he can sell, and we want his bottom price. ‘We would tell the vendors,’ Don’t leave in any room for a kickback because we don’t do it here. And we don’t want your advertising program or delivery program. Our truck will pick it up at your warehouse. Now what is your best price?”

4 Translate the following passage into Chinese.

Suggested answers: 

沃尔玛开发了一种满足其商店个性化需求的能力。商店可以从若干个送货计划中进行选择。例如，有一个加速送货系统，即在位于一定距离地理中心的商店一天之内便可以得到补给。沃尔玛在IT和通讯系统上投放大量资金，从而能有效地跟踪销售情况及全国各地的商品库存信息。随着沃尔玛在美国的迅速扩张，必须要有一个良好的通信系统。

Business Focus

The ABC Analysis

What is it?

ABC analysis, Pareto’s law or “80/20 rule” are all-synonymous of the same tool which basically states that 20% of a given population represents 80% of a specific characteristic. In purchasing, the basic ABC analysis is used to identify which segments represent most of the spend in a given category or portfolio. Most of the time, few segments in a portfolio constitute the largest part of the total spend. Usually,

- The A segments represent approximately 80% of the total spend within a category.
- The B segments represent the following 15% of the total spend within a category.
- The C segments are the remaining (most of the time several segments) which represents the final 5% of the total spend.

The ABC approach can also be used in other analyses such as:

- Spend per supplier in a portfolio: few suppliers will represent most of the spend.
- Number of orders per supplier: few suppliers will have most of the orders in a portfolio.
- Number of items bought per supplier: few suppliers will deliver most of the articles

in a portfolio.

When and why to use it?

The ABC analysis can be also be useful in several steps of the Sourcing Value Chan:

1. Demand Identification, to gather the annual spend of a site
2. Demand Aggregation, to gather the annual spend of several sites
3. Opportunity Assessment, to identify leveraging opportunities

The ABC tool is used to identify the “vital few” from the “trivial many”, according to a defined set of criteria (e.g. annual expenditure, number of orders, number of claims, occupied space in the inventory, etc.). Different decisions may be taken from the result of the ABC analysis.

The basic utilization of the ABC analysis for a buyer is to use it with the spend as a criterion. It helps the buyer to identify the few A segments which will require special attention due to the “large amount of money” they represent. A small “mistake” in managing the few A segments may cost a lot to your company. The C segments will require a different approach to simplify the administrative burden to handle them. Special attention must be given to some C segments which may represent high risk for the business! This is one of the limits of the ABC analysis on spend! Risk must be discussed with the stakeholders. They will define with the buyer which of the C segments may be “risky” for the business and will require special attention from the buyer. Different categories will have different “risk” criteria. For examples: production items may be classified by “lead time”. The longer the lead-time the “riskier” the segment is. Other criteria for risk may be customer sensitivity to the segment, safety issues, etc...

The following 6-step’s are used to perform an ABC analysis:

- 1st step – Identify the objective and the analysis criterion
- 2nd step –Collect data about the analyzed population
- 3rd step – Sort out the list by decreasing impact
- 4th step – Calculate the accumulated impact and the percentage
- 5th step – Identify the classes
- 6th step – Analyze the classes and take appropriate decisions

Required Resources

An ABC analysis requires directionally correct data. It relies on the availability of systems allowing measurement of the criteria chosen for the analysis. This availability of data becomes critical whenever the population on target is spread over several sites, countries, etc., or worse, is not coded in a homogeneous way. Sometimes, a conversion of data using product standard codes is mandatory.

Tool Limitations

Most of the time only past annual spend is available to perform an ABC analysis. By definition it is what was “bought” but not what will be the next year’s spend. The use of

past annual spend is fine if the business needs will not change in the near future. The buyer may consider that next year figures will be the same as the last year's. In the case where the buyer considers that the future needs may vary from the past figures, it would be better, whenever available, to use "future annual spend" provided by the internal customers or "budgeted" figures. Special attention must be given to risk issues as explained in the When and Why to use it.

Related Theories

The Definition of Supply Chain Management

Supply chain management (SCM) is a broadened management focus that considers the combined impact of all the companies involved in the production of goods and services, from suppliers to manufacturers to wholesalers to retailers to final consumers and beyond to disposal and recycling. This approach to managing production and logistics networks assumes all companies involved in the process of delivering goods to consumers are part of a network, pipeline, or supply chain. It encompasses everything required to satisfy customers and includes determining which products they will buy, how to produce them, and how to deliver them. The supply chain philosophy ensures that customers receive the right products at the right time at an acceptable price and at the desired location.

Link Within the Supply Chain

With supply chain management, information, systems, processes, efforts, and ideas are integrated across all functions of the entire supply chain. Supply chains become more complex as goods flow from more than one supplier to more than one manufacturing and distribution site. The possibility of outside sources for functions like assembly and packaging are also options in the chain.

The basic tasks of a company do not change, regardless of whether or not it practices supply chain management. Suppliers are still required to supply material, manufacturing still manufactures, distribution still distributes, and customers still purchase. All of the traditional functions of a company still take place. The ultimate difference in a company that manages its supply chain is their focus shifts from what goes on inside each of the links, to include the connections between the links.

A company practicing effective supply chain management also recognizes that the chain has connections that extend beyond the traditional boundaries of the organization. Managing the connections is where the integration of the supply chain begins. Any improvement in or disruption to the supply chain linkages affects the entire chain. The

cumulative supply chain effect of uncertainty can be seen in this example. Suppose a manufacturer of integrated circuit boards receives a shipment of poor quality silicon. Because the manufacturer is dependent on its supplier for timely shipments, the poor quality lot results in a shipment delay to one of its customers. The computer manufacturer is forced to shut down its line because component circuit boards are not available. As a result, computer shipments to retailers are late. Finally, the customer goes to the retailer to purchase a new computer but is unable to find the desired brand. Frustrated, the customer decides to buy the product of a competitor. Consider too, the timing involved in this process. Because of production and transportation lead times, the actual receipt of the poor quality silicon probably occurred several months before the customer made a computer purchase.

SCM Benefits

In addition to helping to create an efficient, integrated company, supply chain management also plays a large part in reducing costs. A study by the A.T. Kearney management consulting company estimates that supply chain costs can represent more than eighty percent of the cost structure in a typical manufacturing company. These numbers indicate that even slight improvement in the process eventually can translate into millions of dollars on the bottom line. These costs include lost sales due to poor customer service or out of stock retail products. For every dollar of inventory in a system, there are one to two dollars of hidden supply chain costs: working capital costs, asset costs, delivery costs, write downs and so on. Leaner inventories free up a large amount of capital.

Depending on the industry, companies leading in supply chain performance achieve savings equal to three to seven percent of revenues compared with their median performing peers. One Efficient Consumer Response Study, sponsored by the Food Marketing Institute, estimated that 42 days could be removed from the typical grocery supply chain, freeing up \$30 billion in current costs, and reducing inventories by 51 percent.

Requirements of SCM

Customer Focus

All sources agree the fundamental focus of supply chain management begins by understanding the customer, their values, and requirements. This includes internal customers of the organization and the final customer as well. Companies must seek to know exactly what the customer expects from the product or service and must then focus their efforts on meeting these expectations. The process of suppliers must be aligned with the buying process of the customer. Even performance measurements must be customer driven, because the behavior of the final customer ultimately controls the behavior of the entire supply chain.

Information Flow

Another requirement is increased information flow. Companies must invest in the

technology that will provide access to greater amounts of timely information. Information makes it possible to move to more instantaneous merchandise replenishment and allow all parties in the chain to respond quickly to all changes. Information facilitates the decisions of the supply chain such as evaluation and exploration of alternatives. Information flow is key to the visibility of the product as it flows through the supply chain and is needed at every stage of the customer order. Improving the intelligence of where products are in the chain also improves inventory management and customer service capabilities. Issues of trust and security are fundamental to information integration. Many organizations are successfully dealing with these issues through the development of partnering relationships.

Employee and Management Support

As partners in the supply chain must also be highly flexible, supply chain strategies often require changes in processes and traditional roles. All members of the supply chain must be open to new methods and ideas. The flexibility and change required is often difficult for organizations and their employees. It is however, the ability to embrace necessary changes that will position a company to take advantage of the benefits of supply chain management. Because the supply chain is a dynamic entity, businesses are advised to organize for change. They must anticipate resistance and be prepared to deal with it. Training in the concepts of supply chain management will aid in this effort. Also, as with any organization change, the new ideas must be supported and embraced by all levels of management.

Measurement

Often companies undertake ways to improve themselves without also thinking about how to measure whether or not they have been successful. Performance measurement must consider the entire supply chain and be related to the effect on the ultimate goal of customer satisfaction. Therefore the final concept of supply chain management is ensuring measurement techniques are adequately considered during the implementation of supply chain management techniques.

Achieving the Goals of Supply Chain Management

Methods being used to achieve the goals of supply chain management can be divided into two categories. Some methods seek to achieve the goals through improving the processes within the links of the chain. There are also methods that seek to achieve the goals by changing the roles or functions of the chain.

The methods used to improve the process include modeling various alternatives, effective measurement, improved forecasting, designing for the supply chain, cross-docking inventories, direct store delivery, and electronic data interchange (EDI) technology. Direct store delivery methods bypass the distribution center. Products using direct store delivery include bakeries, cosmetics, snack foods, and other items where product freshness or quick replenishment is required. Cross-docking is a process that keeps products from coming to

rest as inventory in a distribution center. Products arrive at the center and are immediately off loaded, moved, and immediately reloaded on waiting delivery trucks.

EDI technology is the electronic exchange of information between the computer systems of two or more companies. It is used to process transactions like order entry, order confirmation, order changes, invoicing, and pre-shipment notices. The EDI movement was started by big retailers like Wal-Mart, Kmart, and Target. To do business with some of these large customers, EDI processing is a requirement. EDI delivers results by facilitating the constant and rapid exchange of information between companies. Customer order, invoice, and other information that would previously require hours of data entry can be done in minutes. Point of sale data can be transmitted in a matter of minutes or hours instead of weeks.

Methods that use changing roles include postponement strategies, vendor managed inventory, and supplier integration. Postponement strategies delay the differentiation of products in order to gain flexibility to respond to changing customer needs. Product inventory is held in a generic form so that as specific demand becomes known, the product can be finished and shipped in a timely manner. Vendor managed inventory and continuous replenishment programs are ways in which organizations are reaching beyond their boundaries and integrating their efforts with suppliers and customers. Point of sale data is transferred from customer to supplier in real time so that automatic replenishments can occur. Companies can even surrender the responsibility for managing inventory to some of their suppliers. Supplier integration moves beyond partnering with suppliers and focuses on aligning with all critical suppliers the supply chain.



Unit 8

Venture Investment

Teaching Objectives

By the end of this unit, students will

- Gain a general understanding of venture capital;
- Understand the significance of venture capital to the success of a new high technology business;
- Improve analytical skills and strengthen language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.	Group discussion and problem solving.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Related Theories Based on the opening case, teacher holds a discussion about venture investment, and helps students gain a general understanding of venture investment.</p>	Formal lecture interspersed with questions to/from the students.
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p> <p>Focus on Skills Students finish the exercises in Language Focus; teacher explains creative thinking technique — Business Plan Evaluation.</p>	<p>Case study and problem solving — teacher-guided.</p> <p>Independent study; Group discussion — teacher-guided.</p>

Background Information

1 IDG

International Data Group (IDG) is the world’s leading technology media, events and research company. Since its founding in 1964, IDG has been committed to helping people acquire and use technology successfully. As a result, IDG brands have become the trusted source for advice and insight into technology news and trends around the world.

Over the past 46 years, IDG has grown into a multi-billion dollar company, reaching technology audiences in more than 90 countries. In 2009, IDG had revenues of \$3.05 billion and approximately 13 000 employees worldwide.

IDG’s diverse products and services portfolio spans six key areas: online media, events and conferences, print publishing, lead-generation services, global marketing solutions and market research.

2 IDC

International Data Corporation (IDC), a subsidiary of IDG, is the premier global provider of market intelligence, advisory services and events for the information technology, telecommunications and consumer technology markets. IDC helps IT

professionals, business executives and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,000 IDC analysts provide global, regional and local expertise on technology and industry opportunities and trends in 110 countries worldwide.

3 Patrick Joseph McGovern

Patrick Joseph McGovern, Jr. (born August 11, 1937) is the chairman and founder of International Data Group (IDG), a company that includes subsidiaries in technology publishing, research, event management and venture capital.

He was listed on the Forbes 400 list of the richest Americans in 2007 as having a net worth of \$4.7 billion. By 2010, his net worth was \$3.1 billion, a decline of 35% from 2007.

Forbes magazine claims he earned a scholarship by designing an unbeatable tic-tac-toe program (now a trivial programming task, but no mean feat in the 1950s). He worked at the MIT student newspaper *The MIT Tech* on the features staff during his sophomore year. He has been observed to have a remarkable memory and apparently demonstrated it while an undergraduate, according to people who knew him at MIT.

For a time, he was an editor of *Computers & Automation* magazine, the first computer magazine in the world, founded, published and edited by Edmund C. Berkeley. He started International Data Corporation (IDC) with a friend in 1964, which produced a computer industry data base and published a newsletter, *EDP Industry & Market Report*. He started the weekly newspaper *Computerworld* in 1967. He has been divorced once, has four children, and lives in Atherton, California and Hollis, New Hampshire. He and his second wife Lore Harp gave MIT \$350 million to found the McGovern Institute for Brain Research. He is a trustee of MIT.

4 Kleiner Perkins Caufield & Byers (KPCB)

Since its founding in 1972, Kleiner Perkins Caufield & Byers, the Silicon Valley venture capital firm, has backed entrepreneurs in over 500 ventures, including AOL, Amazon.com, Citrix, Compaq Computer, Electronic Arts, Genentech, Genomic Health, Google, Intuit, Juniper Networks, Netscape, Lotus, Sun Microsystems, Symantec, Verisign and Xilinx. KPCB portfolio companies employ more than 250 000 people. More than 150 of the firm's portfolio companies have gone public. Many other ventures have achieved success through mergers and acquisitions. The firm has offices in Menlo Park, California; Beijing, China and Shanghai, China.

Kleiner, Perkins, Caufield & Byers is a venture capital firm specializing in investments in incubation and early stage companies. The firm seeks to invest in green technology innovation, information technology, pandemic and bio-defense, and life sciences. In

information technology sector, it prefers to invest in consumer, enterprise, semiconductor, security, wireless, and communication sectors. Within pandemic and bio-defense, the firm invests in surveillance, diagnostics, vaccines, antiviral drugs, and technologies enabling large-scale manufacturing. In life science sector, it invests in medical devices, drugs, vaccines, personalized medicine, diagnostics, and healthcare information technology and services.

5 *Sequoia Capital in China*

Sequoia Capital in China caters to the founders and management who have selected us as their business partners. With offices in Beijing, Shanghai and Hong Kong, Sequoia Capital has a mixture of local experience and global ties that let us work with great entrepreneurs to help build market leading companies. We have learned that the only way to help develop a fabulous company is one step at a time. This only happens if the company makes wonderful products or delivers a service that thrills large numbers of customers. If that occurs then founders, management, and employees of these companies prosper. It is only then that the investor deserves to be rewarded. It has to happen in that order. There are no shortcuts.

Sequoia Capital invests between \$100K-\$1M in start-ups addressing the energy, financial services, healthcare services, internet, mobile, outsourcing services and technology markets. These are situations where we have the privilege of collaborating with very special founders who have a unique insight on the customer problem and a novel idea for addressing that pain point. A seed stage investment often occupies space in our building where a subsistence of ramen, red bull and portable furniture are at the founding team's disposal. We enjoyed assisting entrepreneurs in this manner such as Gaurav Garg of Redback networks, Jerry Yang and David Filo of Yahoo and Chad Hurley and Steve Chen of YouTube.

Lecturing Hints

Opening Case

- 1** *Allow students a few minutes to go through Text A.*
- 2** *Work in groups and discuss the questions given.*

Suggested answers:

- 1) IDG is a technology media, research, event management, and venture capital organization. It invests in high quality companies and supports them with its subsidiaries and offices in many countries.
- 2) IDG pours large sums of funds into its programs to stimulate its development, provides various services for different industries worldwide, and IDG has professional staff and scientific management. All these factors lead itself to the world's leading technology media, events and research company.
- 3) Because high quality companies have long-term growth potentials and are more competitive, thus they have more chances to make greater profits for IDG.
- 4) Because IDG has a wide range of overseas market resources and a strong network.

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) IDG **primarily focuses** on leading companies in consumer products, franchise services, internet and wireless application, new media, education, healthcare, new energy, and advanced manufacturing sectors.

IDG 关注重点在消费品、连锁服务、互联网及无线应用、新媒体、教育、医疗健康、新能源、先进制造等领域的龙头企业。

primarily: (adv.) for the most part

e.g.: I'm primarily interested in history.

focus: (v.) direct one's attention on something

e.g.: We should focus our attention on our studies.

- 2) IDG is a **cohesive** and professional investment management team with **exceptional** educational and industry backgrounds, and in-depth experience in business management, capital markets and investment.

IDG是一支有凝聚力的专业投资管理团队,具有良好的教育和产业背景,丰富深厚的企业管理、投资运作和资本市场经验。

cohesive: (adj.) cohering or tending to cohere; well integrated

e.g.: In the group event, five athletes work together as one cohesive unit.

exceptional: (adj.) surpassing what is common or usual or expected

e.g.: He showed exceptional musical ability.

- 3) In addition to providing funding, IDG shares its professional **expertise**, experiences and resources with the companies to help them attract talents, set up modern management system, find strategic partners, and organize restructuring and mergers and acquisitions.

除为企业发展提供资金外, IDG还为企业在吸纳优秀人才、建立现代企业制度、寻找战略合作伙伴、重组并购等方面提供其专业知识、经验和资源。

expertise: (n.) skillfulness by virtue of possessing special knowledge

e.g.: A foreign coach has special knowledge and expertise.

Suggested translation

IDG在中国

国际数据集团（IDG）是一个集技术媒介、科学研究、活动管理和风险投资于一体的机构。IDG前身是国际数据公司（IDC）。IDC成立于1964年，是帕特里克·约瑟夫·麦克戈文和他的一位朋友在马萨诸塞州的牛顿维尔创建的。IDC现已成为IDG的子公司，IDG风险投资公司成立于2001年。

继第一笔资金之后，该公司又于2005年筹集了第二笔1.8亿美元的资金，引入了IDG以外的一些投资者。2008年，公司募集到第三笔2.8亿美元的资金，并将公司更名为Flybridge投资合伙公司，以便更好地反映其作为拥有广泛投资者基础和多种投资领域的公司定位。

商务

IDG的子公司IDG世博会主办各种大规模盛事活动，如大型会议，一般是技术商务大会。IDG世博会旗下有E for All大会及博览会，以及LinuxWorld大会及博览会。

IDG有自己的国际新闻社，即IDG通讯社。IDG通讯社总部位于波士顿，在纽约、华盛顿、旧金山、东京、台北、北京、新加坡、班加罗尔、巴黎、伦敦、斯德哥尔摩和布鲁塞尔都设有办事处。IDG通讯社为IDG网站提供新闻、图片、视频和其它社论，并在全球范围内印制各类出版物。

IDG 在中国

IDG在中国有其专门从事风险投资的子公司。IDG被认为是在中国最成功的海外风险投资公司之一。IDG投资合伙公司是专注于中国市场的专业投资公司，经营的基金总额为25亿美元。在香港、北京、上海、广州、深圳、硅谷、波士顿等地设有办事处。

IDG关注重点在消费品、连锁服务、互联网及无线应用、新媒体、教育、医疗健康、新能源、先进制造等领域的龙头企业，投资从初创期到公开招股前期公司生命周期的所有阶段，投资规模从百万美元到一亿美元不等。

自1992年开始，作为最早进入中国市场的国际投资基金之一，IDG已经投资了200多家各行业的优秀企业，包括携程、如家、百度、搜房、腾讯、金蝶、中国财经在线、搜狐、物美、伊芙心悦、九安、凡客诚品和汉庭，并通过并购或公开招股的方式，从美国和中国大陆的50家企业成功退出。

IDG是一支有凝聚力的专业投资管理团队，具有良好的教育及产业背景，丰富深厚的企业管理、投资运作和资本市场经验，其普通合伙人的合作时间都在10年以上。

在深入了解中国本土市场情况下，IDG投资是具有长期增长潜力的优质公司，并与企业家保持亲密的合作关系。除为企业发展提供资金外，IDG还为企业在吸纳优秀人才、建立现代企业制度、寻找战略合作伙伴、重组并购等方面提供其专业知识、经验和资源。

IDG资本获得了国际数据集团（IDG）和ACCEL Partners的鼎力支持，拥有广泛的海外市场资源及强大的网络支持。IDG资本致力于与企业家、行业领袖、各级政府部门建立良好关系，来参与中国企业的发展！

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about KPCB.

Suggested answers: 

Kleiner Perkins Caufield & Byers (KPCB) is a world leading venture capital firm located on Sand Hill Road in Silicon Valley, formed in 1972, named after its four founding partners: Eugene Kleiner, Tom Perkins, Frank J. Caufield, and Brook Byers. KPCB specializes in investments in incubation and early stage companies. So far, KPCB has supported hundreds of entrepreneurs in building over 475 companies, including such major names as Amazon, Sun Microsystems, Electronic Arts, Genentech, Intuit, AOL, Genomic Health, Verisign and Google. What's more, KPCB continues to look for new partners and format new funds such as KPCB XIII and Green Growth Fund to invest new fields to back entrepreneurs and innovation in greentech, information technology and life sciences ventures, etc. As a result, the success of KPCB is thought highly of and respected by many notable media and CEO's of famous companies in the world.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) KPCB specializes in investments in incubation and early stage companies in the fields such as information technology, energy, greentech industries, utilities, the life sciences, and pharmaceuticals, etc. Since 1972, KPCB has supported hundreds of entrepreneurs in building over 475 companies, including such major names as Amazon, Sun Microsystems, Electronic Arts, Genentech, Intuit, AOL, Genomic Health, VeriSign and Google.
- 2) In 1972, Eugene Kleiner, Tom Perkins, Frank J. Caufield, and Brook Byers founded KPCB. In 1974, KPCB was still active when the stock market crashed and investors were naturally wary of this new kind of investment fund. In 1978, KPCB experienced its first major fundraising year. In 1994, KPCB paid \$4 million for around 25% of Netscape and

profited from Netscape's IPO and subsequent \$4 billion acquisition by America Online. In August 1999, an investment of \$8 million in Cerent was worth around \$2 billion when the optical equipment maker was sold to Cisco Systems for \$6.9 billion. In 1999, Kleiner Perkins and Sequoia Capital paid \$25 million for 20% of Google. In December 1999, KPCB scored returns in Amazon.com was over 55 000% at the peak of that stock. Until 2007, the company has been an early investor in more than 300 IT (information technology) and biotech firms, over the past thirty five years. In March, 2008, KPCB announced the iFund. In April 2008, it was reported that KPCB was raising funds for a \$400 million growth-stage clean-technology fund. In May 2008, KPCB today announced the formation of its most recent fund, KPCB XIII and Green Growth Fund. In November 2008, Google's market capitalization stood at about \$108 billion. In April 2009, KPCB doubled their iFund investment to \$200 million. So far, KPCB has supported hundreds of entrepreneurs in building over 475 companies.

- 3) Kleiner Perkins Caufield & Byers (KPCB) is a world leading venture capital firm. KPCB is a world leader in investments in Information Technology, Energy, Greentech industries, Utilities, the Life Sciences, and Pharmaceuticals.
- 4)
 - a. the founders are with their technology industry experience;
 - b. its VC team has the uncanny capability to see around the corners and anticipate change better than anybody else;
 - c. it has notable members and high-profile individuals;
 - d. it has the qualities such as capability, knowledge, commitment, experience, strategic insight, business judgment, vision, capital, and so on.
- 5) To begin with, we should have a capable team. Secondly, we should be highly selective in the companies we will invest in and value the companies. Thirdly, we should format special fund. Finally, we should be committed to building businesses rather than merely financing them.

- 4** *Ask students to summarize Text B, identifying achievements in KPCB's investments, and discuss the venture that KPCB is facing.*

Suggested answers: 

Achievements:

- 1) Kleiner Perkins Caufield & Byers (KPCB) is a world leading venture capital firm.
- 2) KPCB is one of the "largest and most established" venture capital firms in the world.
- 3) KPCB is one of Silicon Valley's top venture capital providers.
- 4) KPCB is one of the most successful venture capital firms in the world.

- 5) KPCB plays a large part in the success of many notable companies.
- 6) KPCB has supported hundreds of entrepreneurs in building over 475 companies.

Ventures or Challenges:

- 1) Challenges from other venture capital firms.
- 2) The stock market crash and financial crisis.
- 3) Brain drain and the lack of talents.
- 4) The shortage of capital
- 5) (Open-ended Answer)

5 Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

A comparison between KPCB and Sequoia Capital:

On the one hand, both Sequoia Capital and KPCB founded in 1972, are world leading venture capital firms located on Sand Hill Road and respected by many notable partners and medias, and have funded a large number of world class companies. On the other hand, Sequoia Capital is a private equity and venture capital firm specializing in incubation, seed stage, start-up stage, early stage, and growth stage investments in private companies. It also invests in public companies. The firm seeks to invest in companies based in the United States for early and seed stage investments. However, for growth stage investments, it does not limit its investments to any country.

A strategy for **KPCB** to invest in the future: (Open Answer)

Suggestions for **KPCB** to reduce the venture: (Open Answer)

6 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) Many corporate executives have said that KPCB **played a large part** in their company's success.

许多公司高管们说过，KPCB公司在他们公司的成功中发挥了很大作用。

play a part: have an effect on/upon, have an impact on

e.g.: A good diet and fitness play a large part in helping people live longer.

- 2) KPCB specializes in investments in **incubation** and early stage companies.

KPCB公司擅长投资处于孵化期和早期发展阶段的公司。

incubation: (n.) maintaining something at the most favorable temperature for its development

e.g.: Hepatitis has a long incubation period.

- 3) KPCB is highly selective in the companies it invests in, and it aims to build “**category defining companies**” that will become leaders in the field.

KPCB公司对于它投资的公司很挑剔，它的目标旨在建立能成为该领域领头羊的“类别界定公司”。

category: (n.) a group of people or things that are all of the same type

e.g.: There are five categories of workers.

- 4) At that point, the founders of most venture capital firms came from financial backgrounds, however Kleiner Perkins’s founders **distinguished** themselves through their technology industry experience.

在这一点上，大部分风险资本公司的创始人出身都有金融背景，但是Kleiner Perkins公司的创始人因其技术行业经历而与众不同。

distinguish: (v.) to be the thing that makes someone or something different or special

usage: distinguish somebody/something from

e.g.: The factor that distinguishes this company from the competitors is its customer service.

- 5) Located, in Menlo Park, California, Kleiner Perkins would have **access** to the **burgeoning** technology industries in the area.

坐落在加州门洛公园的Kleiner Perkins公司有机会进入该地区的新兴技术产业。

access: (n.) the right to obtain or make use of or take advantage of something (as services or membership)

e.g.: Access to the papers is restricted to senior management.

burgeon: to grow or develop quickly

e.g.: They are in the burgeoning market of digital cameras.

- 6) They swing for the fences and understand technology and **leverage** better than anyone else I’ve ever worked with.

他们比我曾经合作过的任何人更善于“孤注一掷”、更懂技术和借贷经营。

leverage: (n.) investing with borrowed money as a way to amplify potential gains (at the risk of greater losses)

e.g.: The conservative company had always avoided high leverage.

- 7) They saw the opportunity presented by the **impending** energy and environmental crisis and had the vision and patience to invest in Bloom Energy for the long term.

他们看到了即将发生的能源和环境危机带来的机遇，因而在对Bloom Energy 公司进行长期投资中显示了其远见和耐心。

impending: (adj.) close in time; about to occur

e.g.: She was keyed up over her impending operation.

- 8) From serving as extended members of our management team and leading full-time **recruiting** efforts, to sharing best practices from world-class consumer companies, the

Kleiner Perkins team has been **unparalleled** and instrumental in growing our young company.

从作为我们管理团队的外围成员并领导全职招聘工作，到分享世界一流消费服务公司的最佳做法，Kleiner Perkins公司的团队在促进我们新公司的发展上是无与伦比的。

recruit: (v.) to find new people to work in a company, join an organization, and do a job etc.

e.g.: We're having difficulty recruiting enough qualified staff.

unparalleled: (adj.) bigger, better, or worse than anything else of its kind

e.g.: an achievement unparalleled in sporting history

- 9) KPCB quickly recognized the potential of our **disruptive** technology and has remained active and supportive investors.

KPCB公司迅速地意识到我们的突破性技术潜力，成为一直积极支持我们的投资者。

disruptive: (adj.) causing problems and preventing something from continuing in its usual way

e.g.: Night work can be very disruptive to home life.

- 10) KPCB's **incredible** success at creating innovative companies stems from the uncanny capability of its VC team to see around the corners and **anticipate** change better than anybody else.

KPCB公司在创建创新型企业方面取得的令人难以置信的成功，在于公司风险投资团队拥有不可思议的能力，他们比别人更精于见微知著并预测时世变化。

incredible: (adj.) extremely good, large, or great [= unbelievable]

e.g.: There was blood everywhere and the pain was incredible.

anticipate: (v.) the practice or system of censoring something

e.g.: The schedule isn't final, but we don't anticipate many changes.

- 11) KPCB is **committed** to building businesses rather than merely financing companies.

KPCB公司致力于企业的构建和发展，而不仅仅是为公司融资。

commit: (v.) to decide to use money, time, people, etc. for a particular purpose

e.g.: A lot of money has been committed to this project.

Suggested translation

KPCB: 世界主要的风险投资公司

——KPCB案例研究

克莱纳—帕金斯—科菲尔德—拜尔斯公司（KPCB）是一家世界主要的风险投资公司，总部位于硅谷圣希尔路。《华尔街日报》曾称其为世界上“最大最负盛名”的风险投资公司之一。《纽约时报》曾说过它是“硅谷最杰出的投资公司之一”。许多公司高管们都说过，KPCB公司在他们公司的成功中发挥了很大作用。

公司背景

KPCB公司擅长投资处于孵化期和早期发展阶段的公司。从1972年开始，KPCB帮助数以

百计的企业家创立了超过475家公司，包括如下一些大公司：亚马逊公司、太阳微系统公司、艺电有限公司、基因技术公司、财捷公司、美国在线、健康基因、威瑞信和谷歌。KPCB所投资的150多家资产组合公司已成功上市。其导师团队包括世界主要风险投资家约翰·杜尔，太阳微系统公司共同创始人比尔·乔伊，美国太空总署火箭科学家K. R. 斯里德哈，美国前副总统艾尔·戈尔和美国前国务卿科林·鲍威尔。

公司总部在加利福尼亚州门洛公园，在中国上海和中国北京设有办事处。

KPCB公司在信息技术、能源、绿色技术、公用工程、生命科学和药品等领域的投资走在世界前列。KPCB公司对于它投资的公司很挑剔，它的目标旨在建立能成为该领域领头羊的“类别界定公司”。传统上，KPCB专注于企业早期阶段的投资，但也涉足后期阶段的投资。KPCB在业内享有盛誉，在建立世界级公司上被视为有着最好的业绩记录。正因为如此，获得KPCB投资的公司都被认为是有着巨大潜力的公司。

公司内著名的成员包括合伙人约翰·杜尔、雷·莱恩和布鲁克·拜尔斯，还包括一些知名度很高的个人，如太阳微系统公司共同创始人比尔·乔伊（2005年1月入股），美国前国务卿科林·鲍威尔（2005年7月跻身新建职位“战略有限公司股东”）和美国前副总统艾尔·戈尔。艾尔·戈尔2007年11月入股，作为合作的一部分，通过KPCB公司和戈尔本人的世代投资管理(GIM)公司的合作，来推动绿色技术、商务和政策解决。2008年，太阳微系统公司的约翰·盖奇加入戈尔公司，成为合伙人。

该公司是以4位创始人的名字命名的，即尤金·克莱纳（荣誉退休），汤姆·帕金斯（荣誉退休），弗兰克·J·科菲尔德（荣誉退休）和布鲁克·拜尔斯。KPCB公司成立于1972年。

像其它风险投资公司一样，KPCB公司不鼓励在持有股份的公司之间进行交易。这一点类似于日本企业集团的公司架构。

历史

风险投资行业的成长由于沙山路出现了独立投资公司而突飞猛进，克莱纳、帕金斯、科菲尔德和拜尔斯即是其中的先锋。在这一点上，大部分风险资本公司的创始人出身都有金融背景，但是Kleiner Perkins公司的创始人因其技术行业经历而与众不同。克莱纳是飞兆半导体公司创始人之一，帕金斯是惠普公司早期电脑硬件部的领导之一。坐落在加州门洛公园的Kleiner Perkins公司有机会进入该地区的新兴技术产业。至20世纪70年代初期，圣克拉拉谷已有很多半导体公司，还有一些使用它们的装置及编程和服务公司的早期电脑公司。风险投资公司在1974年经历了一个暂时的低迷时期，当年股市崩溃，投资者自然对这种新型投资基金心存提防。然而，Kleiner Perkins公司在那个时期仍然很活跃。克莱纳投资于天腾电脑——吉米·崔华格于1975年创建的早期电脑系统生产厂家。直到1978年，该行业募集到7亿5千万美元，风险投资才经历第一个主要募款年。

投资

在过去35年内，该公司一直是300多家信息技术公司和生物技术公司的早期投资者，这些公司包括亚马逊、美国在线、柏瑞安科技公司、康柏电脑公司、艺电有限公司、伟创力公司、基因技术公司、谷歌、财捷公司、莲花发展公司、巨积公司、大媒体公司、网景公司、量子汽车公司、赛格威公司、太阳微系统公司和天腾电脑公司。目前私人投资包括EEStor, Vertica, Chegg, Shopkick, Zynga, Ocarina Network, Cooliris和OptiMedica。

• 生物技术	• 生活方式
• 商务产品和服务	• 市场营销/广告
• 清洁技术	• 多媒体和娱乐业
• 电脑和外部设备	• 医疗设备和器械
• 消费者产品和服务	• 手机
• 教育	• 纳米技术
• 电子器件/仪表	• 网络和设备
• 金融服务	• 零售/批发
• 食品/饮料	• 半导体
• 游戏	• 软件
• 保健服务	• 体育运动
• 信息技术服务	• 电信
• 工业/能源	• 旅行
• 互联网/网络服务	

KPCB公司所投资的行业和领域

1994年，KPCB在网景公司投资400万美元取得约25%的股权，然后从网景公司的上市以及随后被美国在线以40亿美元收购中获利。1999年8月，讯伦公司将光缆设备制造厂以69亿美元出售给思科系统公司，这样，KPCB在讯伦公司的800万美元投资就值约20亿美元。

1999年，Kleiner Perkins公司和红杉资本在谷歌投资2 500万美元，取得谷歌20%的股权——到2008年11月，谷歌的市场资本总额达到了约1 080亿美元。KPCB在Amazon.com的初期投资利润在1999年12月股市巅峰时期超过了55 000%，尽管其投资价值随后由于Amazon.com的股价处于低迷时期而有所减少。

2008年3月，KPCB公司宣布发行iFund基金，即1亿美元的风险投资启动资金，为苹果公司的iPhone和iPod触摸平台研发应用、服务和零配件提供资金，包括shopkick, ngmoco, Booyah和Shazam。KPCB的其它移动启动资金包括为设在班加罗尔市外的InMobi移动广告网络。KPCB公司的iFund基金在2009年翻了一番，达到了2亿美元。

据报道，2008年4月，KPCB为成长期的清洁技术基金募集到4亿美元。

“Think America”基金

2008年，KPCB宣布一项计划：来年下半年开始，在美国公路上投放多达50,000辆的电动汽车，这将使旧金山南部的这个著名技术开发区成为这些电动汽车的中心。这种风险投资将命名为“想想北美（Think North America）”基金，主要集中在加州门洛公园。

该计划将使Kleiner和RockPort 投资管理公司和想想全球（Think Global）公司联合起来。RockPort 投资管理公司是一家致力于清洁技术的风险投资公司，而想想全球（Think Global）公司则是挪威一家电动汽车生产商。

绿色发展基金

KPCB绿色发展基金于2008年宣布建立，启动资金为10亿美元，投资并支持后期的大型绿色能源企业。这一基金为更为成熟的企业提供发展资金，这些企业在解决全球气候危机、提升自然资源有效利用的问题上提出了创新、可发展的解决方案，具有市场开拓创新的牵引力。通过绿色发展基金，我们在各种技术领域支持公司，包括替代能源、可再生能源和交通低碳方案等。

个人观点

很多著名的首席执行官对KPCB公司表达了他们的个人观点，以下是一些有代表性的个人观点：

“我与KPCB公司共事了20多年。这是一家令人惊奇的公司；他们比我曾经合作过的任何人更善于“孤注一掷”，更懂技术和借贷经营。他们一次又一次地选派人员帮助谷歌取得巨大成功。”——谷歌董事长兼首席执行官埃里克·施密特博士

“在绿色科技成为主流之前的若干年，KPCB公司就已经认识到它的潜力。他们看到了即将发生的能源和环境危机带来的机遇，因而在对Bloom Energy 公司进行长期投资中显示了其远见和耐心。KPCB懂得要培养改变世界的公司需要做些什么。他们信奉成功和显赫重要的教义。”——Bloom Energy创始人和首席执行官K.R.斯里德哈

“KPCB公司的合作伙伴在我们公司扮演不同的角色，促成了Zynga的快速成长。从作为我们管理团队的外围成员并领导全职招聘工作，到分享世界一流消费服务公司的最佳做法，Kleiner Perkins公司的团队在促进我们新公司的发展上是无与伦比的。Kleiner Perkins公司与我们一起分享创建英特网财富的喜悦，他们一直是我们的最佳伙伴。”——Zynga创始人和首席执行官马克·平卡斯

“KPCB公司从一开始就参与Align科技公司的经营管理。KPCB公司迅速地意识到我们的突破性技术潜力，成为一直积极支持我们的投资者。除了运用合适的资本，我们还能够促使他们与合作伙伴、企业家、科学家、行业和公共事物的领导者等的广泛人脉网络获取真知灼见来加速我们的进展。”——Invisalign总裁和首席执行官托马斯M·普雷斯科特

KPCB公司在创建新型企业方面取得的令人难以置信的成功，在于公司风险投资团队拥有不可思议的能力，他们比别人更精于见微知著并预测时世变化。KPCB公司致力于企业的构建和发展，而不仅仅是为公司融资。KPCB公司创投团队具有资深的经验，战略洞察力，商业判断力和远见性，Corventis公司因此获益匪浅。——Corventis总裁和首席执行官Ed Manicka

Focus on Skills

Language Focus

- 1 Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: ★

- | | | | |
|---------------------------|------------------------|-----------------------|---------------------|
| 1. <u>venture capital</u> | 2. <u>investor</u> | 3. <u>initiative</u> | 4. <u>leverage</u> |
| 5. <u>disruptive</u> | 6. <u>entrepreneur</u> | 7. <u>acquisition</u> | 8. <u>cultivate</u> |

- 2 Complete the company profile of Kleiner Perkins Caufield & Byers with the information from Text B.

Suggested answers: ★

Facts about Kleiner Perkins Caufield & Byers.

Company name: **Kleiner Perkins Caufield & Byers.**

Date of Establishment: 1972

Founders: Eugene Kleiner, Tom Perkins, Frank J. Caufield, & Brook Byers

Headquarters: Menlo Park, California, United States

Offices: Menlo Park, California USA; Shanghai & Beijing, China

Type: Limited liability company

Industry: Venture Capital

Products: Investments, private equity funds

Website: www.kpcb.com

- 3 Read the passage "Investments" in Text B and write a summary of it.

Suggested answers: ★

KPCB has achieved a big success in investments. It has been an early investor in more than 300 IT (information technology) and biotech firms, over the past thirty five year. KPCB has gained a high return by investing Netscape, America Online, Cerent, Cisco Systems, Google, Amazon.com, and so on. Moreover, KPCB succeeded in forming

the iFund in March, 2008, and doubled their iFund investment in April 2009 to \$200 million. In April 2008, KPCB was raising funds for a \$400 million growth-stage clean-technology fund.

4 *Translate the following passage into Chinese.*

Suggested answers: 

2008年5月, KPCB 宣布了它的最新基金KPCB XIII 的成立。KPCB XIII基金, 计划用三年左右的时间投资7亿美元支持企业在绿色技术、信息技术和生命科学等方面的创业和创新。公司也宣布发起5亿美元的绿色发展基金, 欲帮助加快大众市场采用解决世界气候危机的方案。KPCB XIII基金将主要支持早期创业的企业, 而绿色发展基金将支持已经进入成长期的公司。KPCB XIII 基金和绿色发展基金的绿色技术覆盖范围将延长企业的现有协作与伦敦世代投资管理为基础。通过联盟, 公司间积极合作以寻求、资助和加速那些有助于解决气候危机的绿色方案。公司的领袖John Doerr 说: 12亿美元的投资将有助于把突破性创新推向市场。

Business Focus

Creating and Evaluating Your Business Plan

Creating a Business Plan

A business plan is a description of a business and its plans for the next one to three years. It explains what the business does (or will do if it's a new business); it suggests who will buy the product or service and why; it provides financial forecasts demonstrating overall viability; and indicates the finance available and explains the financial requirements. For larger organizations — the business plan is typically called the “corporate strategy”.

A simple business plan should be clearly set out under the following headings:

1. Contents page
2. Details about the owner
3. A description of the business
4. An outline of the market
5. Advertising and promotion
6. Premises and equipment
7. How the business is organized
8. A guide to how much it costs to produce the product or service

9. Details of how the finance will be raised
10. A outline of cash flow in the first year
11. Plans for future expansion.

The business plan sets out the means by which an organization will achieve its business objectives. Without a clear plan a business will have little sense of direction.

Business plans are particularly important for new start up businesses, because they provide a framework for the owner to work to. Also if the owner wishes to raise finance from a bank or other lender then it will be essential to provide a clear business plan, so that the bank can feel confident in making a loan.

Evaluating a Business Plan

How does an investor or banker accomplish a business plan evaluation?

When a business plan has been drawn up, evaluation is critical. The business plan evaluation phase it's best to be concentrated on the value of the plan and whether it has the results forecasted.

The business plan will be the subject of intensive scrutiny by the banker or the investor. Before this happens, thorough proofreading is essential. First evaluate the plan yourself, to eliminate any possible weak points or flaws. In this process, look at the plan from a different perspective, as an outsider, as one of the readers targeted. The business plan evaluation is strictly linked to the type of reader. In his or her eyes, which aspect of the plan plays the crucial role?

To put it plainly:

- If it is the **investor**, he will be interested in long-term profit he can make from investing. In other words, he will look closely at the viability and growth possibilities of your project. Equally, he will want to identify potential exit routes at the time of investment. He will therefore focus on management information, marketing and sales perspectives, and naturally, on the finance.
- **Buyers** will look for a business with potential and perspective. They will have your products and services as their main focus. Facts and figures related to marketing and finance play almost as important a role.
- **Bankers and business partners offering credit** will be primarily interested in your solvency. For this reason stress the healthy state of your finances. If called upon, you may also wish to reveal your fixed assets as collateral.
- Most **good job applicants** will be concerned about their paychecks. Can the employer ensure regular salary payments for the personnel? As well as this, future employees will take an interest in your company's financial history and your forecasts.

Risk analysis is fundamental when your business plan targets investors or bank funds. Reassure them with an exit strategy. This will give you the opportunity to disclose possible

risks, and give you a double advantage. It will reveal you as someone who thinks ahead, who considers damage control. In the case of an unexpected disaster, it will show that you have thought of the legal implications.

Once again, write your proposal so that it covers all the relevant questions which may be raised by all possible interested readers.

The business evaluation plan can not be limited only to content. While evaluation criteria may differ from case to case, the main aspects under review remain the same:

- The **written business plan** itself — dates and deadlines must be analyzed exhaustively. All fundamental questions must be answered.
- The **manner of presentation** — form, clarity, conciseness, logical presentation, a realistic approach.
- The **viability of the business** — from the point of view of market competitiveness, management capability and financial competence. Does the business plan present a business strategy with a strong and sustainable competitive advantage?

Related Theories

Why should I Raise Venture Capital?

Most companies seek to raise venture capital to support or stimulate economic growth. Other companies raise venture funding to establish credibility or to access resource networks which their venture capital partners have developed through years of experience. A seasoned venture partner often becomes a valuable confidant, advisor and sounding board for an otherwise lonely chief executive or founder.

Certainly, venture capital financing is not a prerequisite for success. Many companies, both private and public, have achieved success absent venture funding (e.g. United Parcel Service and Microsoft Corporation). In fact, only 276 companies received their first round of institutional venture funding in their first year of existence.

Today's global business environment is increasingly competitive requiring decisiveness, broader relationship networks, abundant financial resources, and a global presence in order to compete effectively. The venture capital relationship can often bring that exact mix of support in addition to financial funding. Examples of such beneficial partnerships abound among prominent companies, e.g., Nextel Communications, Compaq Computer, Powersoft, Staples Office Supply, Wellfleet Communications and others.

What Alternatives Exist?

For those companies which do not seek or are unable to attract venture funding, many

alternatives exist:

Boot Strap: More than half of all funding for early and expansion stage companies is provided by company founders in the form of personal investment and foregone salary (sweat equity). Contributions by friends and family, coupled with earnings from operations are sufficient to support many companies through initial phases of development. Cash advances on purchases or development contracts from customers and strategic partners is another cheap substitute for equity financing, when available.

Angels: Angels, or wealthy individuals, are another important source of financing. In many instances, angels have earned their money as successful entrepreneurs and business managers, and are capable of providing business counsel and advice in addition to capital. Angels have a reputation for making quick investment decisions but their resources are typically limited. Accordingly, Angels are often less tolerant of losses and have a shorter investment horizon than most venture capitalists.

Private Placement: Investment banks and agents raise equity capital for emerging companies by “placing” unregistered securities with accredited investors. Private placements usually result in less equity dilution for existing shareholders than venture financing. Fees and expenses are high relative to funding from venture or Angel investors, and the timetable for completing a private placement is often long and uncertain. Private investors generally offer little or no business counsel, and tend to have minimal tolerance for losses and under-performance.

Initial Public Offering: Few companies are able to access public equity markets. The public market is attractive for its high valuations, abundant capital supply and liquidity characteristics. Transaction costs are high, including ongoing legal expenses associated with public disclosure requirements. Companies often chose to fund long term strategic initiatives with venture funding instead of public equity to avoid legal exposure and the public market’s focus on near term quarterly performance.

Which Industries Attract Venture Capital?

Above all, venture capitalists seek industry segments poised for rapid growth and exceptional profits. Sustained growth and profitability beyond a five year horizon is essential to create a premium exit value in a public offering or sale. Ordinarily, emerging markets and industry segments offer these characteristics. Occasionally, a new segment within a mature market, or a new method of solving an existing problem, creates a sustained, rapid growth opportunity. For instance, a new distribution model developed by Staples Office Supply created buying efficiencies which enabled Staples to capture market share from then existing “mom & pop” operations.

Venture capitalists seek markets sufficiently large to achieve \$100 million or greater in value. Market critical mass is necessary to produce liquidity in a public offering or sale. Small markets may not attract attention from stock analysts or strategic buyers sufficient to

generate premium values.

Occasionally, niche markets with unusually high barriers to entry will drive profitability sufficient to build substantial value and liquidity.

Not surprisingly, the information technology and health care industries attracted over two thirds of venture capital dollars disbursed in 1993. Most segments within these two industry categories are large and growing rapidly. They have high barriers to entry and attract premier management talent from around the world. Consumer and retail attracted another 10% of venture dollars disbursed in 1993.

Does My Company Qualify for Venture Capital?

Provided your company is in one of the industry segments attractive to venture capitalists, most evaluation criteria deployed are under management's control. Consequently, the due diligence process will focus on assessing management's strengths and weaknesses.

A demonstrable track record of success by the existing managers, preferably as a team, is essential. Experience in the same or a related industry is an advantage. Management will be graded on their maturity, creativity, commitment, leadership skills and communication skills. The ability of top management to attract, develop and retain new talent is imperative. Senior management should have an objective view of their own weaknesses.

Finally, management's goals and objectives must be consistent with the investor's. Chemistry between the venture capitalist and management should not be underrated, as both parties will be entering into a long term and professionally intimate relationship.

Other factors which will be evaluated by prospective investors include the following:

- How compelling is the competitive advantage of the company's product or service?
- What investment level is required to sustain this advantage?
- How is the company's market positioning unique and differentiated?
- Is competition well established or entrenched and what is their philosophy?
- Does your company have adequate access to existing distribution channels?
- Does the economic model generate sufficient operating leverage?
- How does employee productivity, re-investment rate and capital intensity compare to similar companies?
- What is price and valuation relative to comparable private companies?
- Are existing customers satisfied and committed to your product or service?
- Is sales momentum building?

What Should I Expect from the Due Diligence Process?

The due diligence process will comprise between four and ten weeks of rigorous analysis. It will involve multiple meetings and interviews with management, at both the investor's and company's offices. The investor will conduct numerous telephone interviews with existing and prospective customers. An on-site visit with a key customer may be requested.

Management credentials will be verified through references supplied by the company and the investor's own contacts. A technical consultant may be retained to assess strengths and limitations of proprietary technology. A marketing consultant may be hired to evaluate market dynamics and to augment market research conducted by the venture capitalist, including periodical searches and interviews with market gurus, editors and competitors. Financial analysis will test the economic model's sensitivity to key sales and expense assumptions.

The primary objectives of this process are to:

- Understand how management approaches problems, issues and decisions.
- Confirm management's representations and the investor's own perceptions regarding the company's technology and market opportunity.
- Identify key vulnerabilities and risks so that the risk/reward outlook can be quantified.
- Gain an intimate understanding of the company and its market so that as a partner, the venture capitalist is prepared to counsel management to anticipate and manage change.
- Concurrent with the due diligence process, the venture capitalist and management will negotiate terms of a transaction. Valuation expectations should be discussed early in the process in the context of a range. Valuation is not likely to be resolved until the investor has identified all risks and vulnerabilities through due diligence.

How Will a Venture Capitalist Value My Company?

Valuation methods are different depending on your company's stage of development. Early stage companies are valued based on management's investment or contribution in the form of hard dollars, sweat equity, opportunity cost and intellectual value. Prior demonstrable success in a venture backed company will increase management's appeal and negotiating strength considerably.

Expansion stage companies are ordinarily valued based on comparable company multiples of sales, while late stage companies are valued based on comparable earnings multiples. In all cases, valuation will correlate directly with potential growth and earnings.

Venture investors seek to earn between 5 and 10 times their initial investment within a 5-8 year investment horizon. Venture capitalists seldom charge fees or require current income (i.e. interest or dividends) on investments. Capital appreciation is the primary goal and is usually realized through a sale of the company to a strategic buyer or an initial public stock offering. Contrary to popular misconception, an IPO is not necessarily a preferred exit vehicle. A sale or merger may provide a more rapid exit and avoid exposure to unpredictable public market volatility.

How will an investment be structured?

Convertible preferred stock is the most customary structure used by the venture

community. Other equity securities, or combinations of debt and equity (i.e., subordinated notes and warrants) can be structured to mirror the economics of convertible preferred, but may be unnecessarily complex.

Investors will require priority (“preference”) on the value of their principal investment over management’s “sweat equity” in the event of a liquidation or sale of the company.

An accruing dividend of 8%-12% is typical, and provides a “minimum return” on top of the preference on principal. If the company performs well, investors will convert their preferred stock to common stock to participate in capital appreciation. Investors purchasing a minority ownership position will require certain rights and protective covenants to restrict management from taking unilateral action detrimental to investors.

The following list applies equally to raising both equity and debt to improve the odds of securing venture capital:

- Regardless of your company’s stage of development or capital needs, start developing relationships with potential investors as soon as practicable.
- Qualify potential investors based on their preferences and availability of capital — not all venture capital funds have moneys available for new investments.
- Prepare a concise business plan and update it regularly.
- Be realistic in financial projections. Unrealistic projections may impair credibility on a first impression.
- Do not be secretive or suspicious. Encourage all members of the management team to communicate freely and openly with potential investors.
- Develop an in-depth knowledge of your market and competition before seeking investors. Contact opinion leaders in your market before investors begin their due diligence.
- Encourage customer references early. Customers have already invested in your product and have a vested interest in your company’s success.
- Travel to the investor’s office to secure an initial meeting.
- Seek advice from venture capitalists even if they reject your initial proposal. Change your business plan or approach based on feedback if appropriate.
- Don’t be discouraged - perseverance is often a key ingredient to your success.



Unit 9

International Service Outsourcing

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of international service outsourcing;
- Understand the significance of outsourcing to the success of business in a changing market place;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.	Group discussion and problem solving.
	Related Theories Based on the opening case, the teacher holds a discussion about the advantage of outsourcing, and helps students gain a general understanding of outsourcing.	Formal lecture interspersed with questions to/from the students.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p>	Case study and problem solving — teacher-guided.
	<p>Focus on Skills The students finish the exercises in Language Focus; teacher explains creative thinking technique — core competency analysis.</p>	Independent study; Group discussion — teacher-guided.

Background Information

1 IBM

Abbreviated from International Business Machines Corporation and nicknamed “Big Blue” (for its official corporate color), is a multinational computer technology and IT consulting corporation headquartered in Armonk, New York, United States. The company is one of the few information technology companies with a continuous history dating back to the 19th century. IBM manufactures and sells computer hardware and software (with a focus on the latter), and offers infrastructure services, hosting services, and consulting services in areas ranging from mainframe computers to nanotechnology.

IBM has been well known through most of its recent history as one of the world’s largest computer companies and systems integrators. With over 388 000 employees worldwide, IBM is one of the largest and most profitable information technology employers in the world. IBM holds more patents than any other U.S. based technology company, and has eight research laboratories worldwide. The company has scientists, engineers, consultants, and sales professionals in over 170 countries. IBM employees have earned five Nobel Prizes, four Turing Awards, five National Medals of Technology, and five National Medals of Science.

2 Call Center

A call center is an office where a company’s inbound calls are received or outbound calls are made. Call centers are increasingly popular in today’s society, where many companies have centralized customer service and support functions. Call centers employ

many staff in customer service, sales, and support functions.

Many call centers use a number of different technologies to help improve performance and customer experience. Inbound call centers often use automatic call distribution, in which incoming calls are assigned to representatives in the order in which they are received. Other call centers utilize call monitoring, in which customer calls are randomly monitored by quality assurance staff to ensure that phone representatives meet customer needs. Call center technology evolves constantly, helping call center staff assist customers more efficiently and effectively.

Call centers have been increasingly popular as outsourcing increases. With outsourcing, a company contracts out some jobs to be handled by other companies. As it can be expensive to maintain call center equipment and staff, some companies choose to outsource their telephone functions to an external call center. In this case, external call center staff can be trained to answer phone calls from a number of different companies.

3 *The 2008 Mumbai Attacks*

The 2008 Mumbai attacks were more than ten coordinated shooting and bombing attacks across Mumbai, India's largest city, by Islamic terrorists from Pakistan. The attacks, which drew widespread condemnation across the world, began on 26 November 2008 and lasted until 29 November, killing at least 173 people and wounding at least 308.

Eight of the attacks occurred in South Mumbai. There was also an explosion at Mazagaon, in Mumbai's port area, and in a taxi at Vile Parle. By the early morning of 28 November, all sites except for the Taj hotel had been secured by Mumbai Police and security forces. An action by India's National Security Guards (NSG) on 29 November (the action is officially named Operation Black Tornado) resulted in the death of the last remaining attackers at the Taj hotel, ending all fighting in the attacks. Ajmal Kasab, the only attacker who was captured alive, disclosed that the attackers were members of Lashkar-e-Taiba, the Pakistan-based militant organization, considered a terrorist organization by India, the United States, the United Kingdom, the United Nations, among others. The Indian Government said that the attackers came from Pakistan, and their controllers were in Pakistan.

On 7 January 2009, after more than a month of denying the nationality of the attackers, Pakistan's Information Minister Sherry Rehman officially accepted Ajmal Kasab's nationality as Pakistani. On 12 February 2009, Pakistan's Interior Minister Rehman Malik, in a televised news briefing, confirmed that parts of the attack had been planned in Pakistan and said that six people, including the alleged mastermind, were being held in connection with the attacks. A trial court on 6 May 2010 awarded Ajmal Kasab the death sentence on five counts.

4 *Accounting Scandal at Satyam*

On 7 January 2009, company Chairman Ramalinga Raju resigned after notifying board members and the Securities and Exchange Board of India (SEBI) that Satyam's accounts had been falsified. Raju confessed that Satyam's balance sheet of 30 September 2008 contained:

- inflated figures for cash and bank balances of Rs 5 040 crore (US\$ 1.07 billion) as against Rs. 5 361 crore (US\$ 1.14 billion) reflected in the books.
- an accrued interest of Rs.376 crore (US\$ 80.09 million) which was non-existent.
- an understated liability of Rs. 1 230 crore (US\$ 261.99 million) on account of funds was arranged by himself.
- an overstated debtors' position of Rs. 490 crore (US\$ 104.37 million) (as against Rs. 2 651 crore (US\$ 564.66 million) in the books).

Raju claimed in the same letter that neither he nor the managing director had benefited financially from the inflated revenues. He claimed that none of the board members had any knowledge of the situation in which the company was placed. He stated that "What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of company operations grew significantly (annualised revenue run rate of Rs. 11 276 crore (US\$ 2.4 billion) in the September quarter of 2008 and official reserves of Rs. 8 392 crore (US\$ 1.79 billion)). As the promoters held a small percentage of equity, the concern was that poor performance would result in a takeover, thereby exposing the gap. The aborted Maytas acquisition deal was the last attempt to fill the fictitious assets with real ones. It was like riding a tiger, not knowing how to get off without being eaten.

Lecturing Hints**Opening Case**

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers: 

1 No, it didn't. It just outsourced part of their non-core competence —call center, because

they have no experience in designing, much less managing a call center. If they outsource the call center, they can allow field staff to concentrate on what they do best — core competences.

- 2 IBM outsourced their call center, and they lowered the overall cost of the operation, saving time to develop its core business to broaden its scope of services and not keeping their resource from being drained by routine or “systematic” functions. Secondly, they achieved superior call center performance and customer satisfaction. Because the outsource agency focused on what it did best to provide teleservices for lead generation and sales. Thirdly, they sped up the implementation of their business. Lastly, they maintained flexibility.
- 3 Open-ended answer

3 *The teacher analyzes the passage and explains the difficult sentences and key words.*

- 1) Facing fierce competition, they realized the need to **re-engineer** their go-to-market strategy to dramatically reduce both sales and service costs—to move away from a “blue suit” field sales business model.

面对激烈竞争，他们意识到需要重新设计进入市场的策略以减少销售和服务成本——从而走出目前的现场销售模式。

re-engineer: (v.) plan and direct again

e.g.: Our company decides to re-engineer its strategy to overcome the difficulty it is facing .

- 2) They also recognized they had no experience of designing, much less managing, a call center.

他们也认识到自己毫无设计呼叫中心的经验，更别提管理这样一个客服中心了。

- 3) Outsourcing enables **executives** to focus their energies on the “what” of their business and less on the “how.”

外包可以让主管们将他们的精力更多地放在业务上，即应该做“什么”业务，而不是“如何”做业务。

executive: (n.) a person responsible for the administration of a business

e.g.: “We are not selling at a cheap price but a very reasonable price,” a Sony executive involved in the deal said.

- 4) The call center was charged with all facets of customer acquisition and **retention** — from lead generation to assuring customer satisfaction to inbound customer service and support.

呼叫中心负责日常客户获取和保留的方方面面——从消费意向勘察到确保顾客满意度再到对入境客户服务和支持。

retention: (n.) the act of retaining something

e.g.: One of the big questions in the global outsourcing market and especially in China is the acquisition and retention of talents.

- 5) The Direct Marketing Group is responsible for generating new product **leads**, **upgrades**, service contracts and seminar attendance.

直销部负责收集新产品的消费意向、产品升级、劳务合同的签订以及研讨会出席。

leads: (n.) pieces of information of developing new products or new customers

e.g.: The call center generated 100% of their goal for leads.

upgrade: (n.) software that provides better performance than an earlier version did

e.g.: Is the need to upgrade your business image, or to the customer when to do such training?

Suggested translation

聚焦核心竞争力

1992年，IBM公司遭遇了一系列的不同难题。面对激烈竞争，他们意识到需要重新设计进入市场的策略以减少销售和服务成本——从而走出目前的蓝衬衫现场销售商业模式。IBM公司认为建立呼叫中心，可以作为销售和客服渠道，还能将提高服务质量和降低运营成本最好地结合在一起。

他们也认识到自己毫无设计呼叫中心的经验，更别提管理这样一个客服中心了。外包可以让主管们将他们的精力更多地放在业务上，即应该做“什么”业务，而不是“如何”做业务。他们认为这通常是外包最具说服力的原因。因此，IBM公司将电信服务中心的设计、人员配备及管理都外包出去，这样他们就能够与服务周期的所有阶段为顾客提供服务。第一个电信服务中心在90天之内成立并运作，仅为IBM公司估计需要在内部完成时间的三分之一。他们在加里佛利州合作建立了一个具有战略性地理位置的呼叫中心。这个呼叫中心负责日常客户获取和保留的方方面面——从消费意向勘察到确保顾客满意度再到对入境客户服务和支持。

为了提供全面综合的市场营销，IBM电信服务中心严格分成三个部门：客服部处理简单的业务咨询、为顾客提供技术支持和帮助解决复杂问题；销售部负责账户管理以及无需现场销售支持的IBM产品的销售与服务；直销部负责收集新产品消费意向、产品升级、劳务合同的签订以及研讨会出席。

服务中心要成功纳入IBM公司结构，电信服务人员就必须接受培训，以掌握所要求的产品知识与客服技巧，来充当IBM公司的代理人。正如人们对如此彻底的策划与实施所期望的那样，其结果令人印象深刻：

客户联系成本降低97%：从以前现场联系的500英镑到现在电话营销联系的15英镑；

现场销售周期缩短80%；

消费意向目标实现率125%；

超出顾客期望的时间占78%——根据一项客户满意度调查的数据。

建立了营销数据库——主要是客户信息，这些信息可以改善目标市场的确定、更好的对顾客需求做出反应、与顾客保持良好的关系并留住客户。

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation about SinoCom.

Suggested answers: 

SinoCom Software Group Limited (SinoCom) is the largest software outsourcing and exporting company based in Beijing. Founded in August, 1995, SinoCom is a famous high-tech company that focuses on offshore software outsourcing, technical support and services. It has more than 3 000 employees. Its outsourcing projects covered many different fields, such as bond, finance, insurance, telecom, currency, e-business, etc. Today, the company achieves such great performances that it becomes the largest software outsourcing company in China.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) 1. Transfer of outsourcing business from India.
2. Chinese government's support of the software outsourcing industry.
3. The growing need for unified software and processes in China.
4. Strengthening of the Japanese Yen improves margins earned by Chinese service providers.
- 2) SinoCom is a well-known as high-tech company that focuses on offshore software outsourcing, technical support and services.
- 3) SinoCom's outsourcing projects covered many different fields, such as bond, finance, insurance, telecom, currency, e-business, etc.
- 4) SinoCom was listed on the Stock Exchange Hong Kong in 2004, becoming the first Chinese outsourcing enterprise listed on the international stock market. And in 2005, it is honored with "Outstanding contribution awards of software outsourcing services"

on the third China International Software and Information Services Conference in 2005, in 2006, also honored with “Outstanding contribution awards of software outsourcing services” on the fourth China International Software and Information Services Conference of China.

- 4** Ask students to summarize Text B, identifying the market growth drivers of and barriers to China software outsourcing industry.

Suggested answers: 

Market growth drivers:

1. Transfer of outsourcing business from India.
2. Chinese government’s support of the software outsourcing industry.
3. The growing need for unified software and processing in China.
4. Strengthening of the Japanese Yen improves the margins earned by Chinese service providers.

Market grow barriers:

1. Global economic downturn.
2. Reality check on profitability of projects.
3. Lack of talent.

- 5** Ask students to work in groups to discuss the situations given and propose a solution or decision based on their analysis.

Suggested answers: 

(Open-ended Answer)

- 6** The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) And in 2005, it is honored with “Outstanding contribution awards of software outsourcing services” on the third China International Software and Information Services Conference of China in 2005.

2005年在第三届中国国际软件和信息服务交易会上，中讯公司荣获“软件外包服务杰出贡献奖”。

- 2) (SinoCom was) Honored as “Most Potential Chinese Small to Mid-size Enterprises

(SMEs) of 2009” in Forbes’s Chinese edition for five **consecutive** years and in 2009. 中讯在2009年连续五年入选福布斯中国版“最具潜力中小企业榜”。

consecutive: (a.) successive

e.g.: For the fourth consecutive year, TBWA Paris was elected “Agency of the year” at Cannes 2006.

- 3) The state council announced a special 15% **tax cut** effective February 2009, until the end of 2013, for outsourcing companies.

国务院宣布自2009年2月开始到2013年底对外包企业减免15%的税收。

tax cut: the act of reducing taxation

e.g.: The tax cut will boost the economy.

- 4) The economic stimulus package will also support industries such as telecom and energy, which are the key customers of SinoCom’s software outsourcing industry.

经济刺激一揽子计划也扶持了诸如电信和能源方面的行业，它们是中讯软件外包行业的重点客户。

- 5) Although SinoCom has experienced solid growth and has the potential to become an important source of outsourcing business, it still has its own growth **barriers**.

尽管中讯经历了持续增长，有潜力成为外包业务的重要来源，但它依然有自己的发展障碍。

barrier: (n.) any condition that makes it difficult to make progress or to achieve an objective

e.g.: Green barrier is nowadays trade obstacle that enterprises have to face in international trade.

- 6) Global CIOs are cutting IT budgets and renegotiating contract terms.

全球信息总监们都在削减IT预算成本，重新协商合同条款。

- 7) Now that labor costs are increasing and IPO listings are less likely to materialize, outsourcers are re-examining their portfolio and will be less inclined to accept projects that may appear **unprofitable**, thus reducing growth.

由于劳务成本在增加，首次公开募股也不大可能会实现，外包商正重新考虑其投资方案，有可能不接受无盈利的项目，从而会减少外包的增长。

unprofitable: (a.) producing little or no profit or gain

e.g.: Sometimes, we can't buy insurance for certain risks on the marketplace — usually because companies find it unprofitable.

Suggested translation

日本市场上的中国外包公司

中讯软件集团有限公司总部在北京，是一家最大的软件外包和出口企业。公司于1995年8月成立时，主要从事为中国的客户提供软件开发外包服务及相关售后服务。1999年，中讯预测到日本软件外包市场潜力巨大，因此决定调整战略将其市场针对日本买家。如今，中讯集团在日本市场已经有十多年的历史了。

现状

由于全球金融危机，中讯在日本市场的外包业务也受到影响，但是仍然保持了稳定的增长。截止2011年12月31日，中讯集团总收入为6亿8千4百万港币，与2010年同期相比增长了12.4%，净利润为1亿8千6百万港币，约为上一年的170%。在日本的软件开发业务仍旧是中讯集团的主要业务，超过96%的收入来源于日本市场。这些外包项目涵盖许多领域，如债券、金融、保险、电信、货币、电子商务等。在日本市场的软件外包业务中，中讯在项目管理、质量控制、保密管理等方面积累了丰富的知识与经验，从而使其在项目管理、技术、质量和价格等方面具有竞争优势。

解决方案

针对日本市场，中讯已经开发了数百个海外软件项目，其软件开发管理能力获得了极大地提升。现在，中讯具有每月以100多名员工运营一个项目并在大型电脑上开发启发式软件的能力。公开发售股票之后，中讯已经成功收购了几家公司，其中包括2007年收购上海申软。收购之后，中讯巩固了其在华东地区的资源基础。它也成功兼并了在日本的三家下属公司，此次整合旨在提供更为灵活、统一及完整的客户支持。

中讯对客户商业机密以及专有信息非常慎重，在开发流程、工作环境和员工意识方面制定了具体的安全措施。通过提高员工安全意识、签订安全协议、按期和随机检查等途径，公司实现了其安全目标。通常中讯公司与客户和员工都签订保密协议。然而，中讯也能满足客户特定的安全与保密要求，如办公场地的分隔、办公室的安保、当地局域网的分隔。

对于软件外包公司来说，和海外客户保持良好的沟通十分重要。中讯公司有专用线路将北京总部与东京的客户站点以及与中国和日本市场其他办事处连接起来。这大大促进了公司与客户及自己团队成员的不断沟通，克服了不同地域的障碍。他们还通过专用数据线建立了网络语音电话和视频会议系统，这样就可以容易地和客户及自己的团队讨论商务事宜或者开发问题。这大大提高了中国团队与日本客户之间沟通的效率和透明度。

中讯牢记客户利益，在项目管理、质量管理、商务机密及客户专有信息管理以及成本管理方面作出了巨大的努力。离岸软件外包业具有发展潜力大和进入门槛高的特点，而对中国来说，日本向中国外包软件开发的市場增长尤其迅速。在上百个已完成项目中，中讯软件在经营管理、质量管理、保密管理和成本控制方面都做得非常出色，赢得了许多重要客户的信赖，使公司与许多客户建立了长期稳定的合作关系。

成果

而今，中讯已经是一家著名的专攻软件外包、技术支持与服务的高科技公司。截止到2010年3月，该公司拥有员工3 012人。中讯目前雇佣员工超过3 000人。2005年，在第三届中国国际软件和信息服务业交易会上，中讯荣获“软件外包服务杰出贡献奖”，2006年入选“中国软件出口企业100强之一”，并在2009年连续5年入选福布斯中国版“最具潜力中小企业”榜。同年，中讯入选“中国十大服务外包领军企业”榜。中讯在软件开发及管理方面的能力已经受到了客户的广泛认可。

推动中讯软件外包业迅速发展的因素主要有三个方面：

印度外包业务的转移

最近有几件大事严重损害了印度作为全球软件外包首选的可信度。如：

- 2008年的孟买恐怖袭击事件。
- 印度第四大软件外包公司——萨蒂扬软件技术有限公司的10亿元财务账户丑闻事件。
- 印度第三大软件外包公司——威普罗被世界银行列入黑名单。

中国政府对外包行业的政策支持

- 国务院宣布自2009年2月开始到2013年底对外包企业减税15%。这一措施为外包企业生存并参与市场竞争提供了更多的激励空间。
- 经济刺激一揽子计划也扶持了诸如电信和能源方面的行业，它们是中讯软件外包行业的重点客户。

日元的增值提高了中国供应商的利润

- 中讯约50%的软件外包生意都是来自日本，而且合同也主要都是以日元为货币进行交易。2008年日元增值对于中讯在日本市场的业务产生了积极的意义。
- 尽管中讯经历了持续增长，有潜力成为外包业务的重要来源，但它依然有自己的发展障碍。

全球经济低迷

中讯的外包业务受当前经济滑坡影响。影响外包发展的因素主要有以下几个方面：全球信息总监们都在削减IT预算成本，重新协商合同条款。当然大多数情况都是业务量不变，但费用却大大减少。外包决策被迫延迟或取消，影响了合同的签订量。从历史角度上说，公司等要等到经济复苏才会考虑外包部分业务。

项目效益的现实核查

风险资本的投入及首次公募的发行加速了中国外包业的近期发展，衡量行业成功与否的标准是营业额而非利润，因此许多公司承接了各类项目，包含一些无利可图的项目，以增加营业额和客户数量。由于劳务成本在增加，首次公开募股也不太可能会实现，外包商正重新考虑其投资方案，有可能不接受无盈利的项目，从而会减少外包的增长。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | |
|-----------------------------|-----------------------|--------------------------|
| 1. <u>economic downturn</u> | 2. <u>integration</u> | 3. <u>growth barrier</u> |
| 4. <u>labor costs</u> | 5. <u>e-business</u> | 6. <u>profit</u> |
| 7. <u>financial crisis</u> | | |

2 Complete the company profile of SinoCom with the information from Text B.

Suggested answers: 

Facts about SinoCom

Company Name: SinoCom Software Group Limited

Time of Entering Japanese Market: 1999

Time of Establishment: August, 1995

Number of Employees: 3012 (till March 2010) people

Core Business: bond, finance, insurance, telecom, currency, e-business, etc.

Key Industries: project management, technology, quality, and price

3 Read the part "There are mainly three drivers that motivate the growth of SinoCom software outsourcing industry." in Text B and write a summary of it.

Suggested answers: 

There are four factors that drive the growth of Chinese software outsourcing industry. Firstly, it is the transfer of outsourcing business from India. Secondly, the Chinese government's support of the software outsourcing industry drives the growth. Thirdly, the growing need for unified software and processes in China. Lastly, strengthening of the Japanese Yen improves the margins earned by the Chinese service providers.

4 Translate the following passage into Chinese.

Suggested answers: 

中讯集团不断提高公司技术能力，尤其是在网络技术、电子商务以及IP通讯等领先技术方面。如今，中讯集团能为日本客户提供全面的外包软件服务，包括基本设计、功能设计、详细设计、编程测试以及安装和维护等。凭借宽泛的专业知识、复杂的技术水平以及优异的管理能力，中讯软件集团得到了国内外客户的信赖，并与日本知名客户建立了长期、稳定的合作关系，为未来继续发展开创了牢固的平台。

Business Focus

Core Competency Analysis

What Is Core Competency Analysis?

A core competency is a specific factor that a business sees as being central to the way it, or its employees, works. It fulfills three key criteria:

1. It provides consumer benefits.
2. It is not easy for competitors to imitate.
3. It can be leveraged widely to many products and markets.

The idea of the “core competence” is one of the most important business ideas that has shaped our world. It is one of the key ideas that lies behind the current wave of outsourcing, as businesses concentrate their efforts on things they do well, and outsource as much as they can of everything else.

A core competency can take various forms, including technical/subject matter know-how, a reliable process and/or close relationships with customers and suppliers. It may also include product development or culture, such as employee dedication. Core competencies are particular strengths relative to other organizations in the industry which provide the fundamental basis for the provision of added value. Core competencies are the collective learning in organizations, and involve how to coordinate diverse production skills and integrate multiple streams of technologies. It is communication, an involvement and a deep commitment to working across organizational boundaries. Few companies are likely to build world leadership in more than five or six fundamental competencies.

The value chain is a systematic approach to examining the development of competitive advantage. It was created by M. E. Porter in his book, *Competitive Advantage* (1980). The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organization. The ‘margin’ depicted in the diagram is the same as added value. The organization is split into ‘primary activities’ and ‘support activities’.

The Benefits of Core Competency Analysis

The benefit of the analysis to the company includes the following.

1. You can focus your efforts so that you develop a unique level of expertise in areas that really matter to your customers. Because of this, you’ll command the rewards that come with this expertise.
2. You can learn to develop your own skills in a way that analyzes your company’s core competences.
3. It is a disciplined approach to identifying those activities that the business must undertake to compete in the market.
4. It is a process for evaluation and prioritization of the collective know how of the business.

5. It is a process for identifying values and prioritizing the activities of the business in a way that lends itself to making strategic decisions on the use of company resources or the need for new or additional resources.

By building the skills and abilities that your company most values, you'll win respect and be more likely to get the career advancement that you want.

Core competency analysis provides a review format useful in identifying the need for improvement in key strategic activities, practices and systems. When completed the core competency analysis separates those strategic functions best done inside the company and those that are candidates for outsourcing. The activities kept inside are those strategic activities that the company does extremely well and, importantly, add real or perceived value to the business and give the business a competitive advantage.

Related Theories

Outsourcing Defined

Outsourcing is any task, operation, job or process that could be performed by employees within your company, but is instead contracted to a third party for a significant period of time. Hiring a temporary employee while your secretary is on maternity leave is not outsourcing. In addition, the functions that are performed by the third party can be performed on-site or off-site.

The most common model of outsourcing that is in the news today refers to jobs that are being sent overseas to countries like India or China. This is more commonly called *offshoring*. Examples include telephone call centers, tech-support and computer programming. More common examples that are not going overseas are janitorial services, after hours answering services and security services.

Advantages of Outsourcing

1. Focus on Core Activities

In rapid growth periods, the back-office operations of a company will expand also. This expansion may start to consume resources (human and financial) at the expense of the core activities that have made your company successful. Outsourcing those activities will allow refocusing on those business activities that are important without sacrificing quality or service in the back-office.

Example: A company lands a large contract that will significantly increase the volume of purchasing in a very short period of time; Outsource purchasing.

2. Cost and Efficiency Savings

Back-office functions that are complicated in nature, but the size of your company is

preventing you from performing it at a consistent and reasonable cost, is another advantage of outsourcing.

Example: A small doctor's office that wants to accept a variety of insurance plans. One part-time person could not keep up with all the different providers and rules. Outsource to a firm specializing in medical billing.

3. Reduced Overhead

Overhead costs of performing a particular back-office function are extremely high. Consider outsourcing those functions which can be moved easily.

Example: Growth has resulted in an increased need for office space. The current location is very expensive and there is no room to expand. Outsource some simple operations in order to reduce the need for office space, for example, outbound telemarketing or data entry.

4. Operational Control

Operations whose costs are running out of control must be considered for outsourcing. Departments that may have evolved over time into uncontrolled and poorly managed areas are prime motivators for outsourcing. In addition, an outsourcing company can bring better management skills to your company than what would otherwise be available.

Example: An information technology department that has too many projects, not enough people and a budget that far exceeds their contribution to the organization. A contracted outsourcing agreement will force management to prioritize their requests and bring control back to that area.

5. Staffing Flexibility

Outsourcing will allow operations that have seasonal or cyclical demands to bring in additional resources when you need them and release them when you're done.

Example: An accounting department that is short-handed during tax season and auditing periods. Outsourcing these functions can provide the additional resources for a fixed period of time at a consistent cost.

6. Continuity & Risk Management

Periods of high employee turnover will add uncertainty and inconsistency to the operations. Outsourcing will provide a level of continuity to the company while reducing the risk that a substandard level of operation would bring to the company.

Example: The human resource manager is on an extended medical leave and the two administrative assistants leave for new jobs in a very short period of time. Outsourcing the human resource function would reduce the risk and allow the company to keep operating.

7. Develop Internal Staff

A large project needs to be undertaken that requires skills that your staff does not possess. On-site outsourcing of the project will bring people with the skills you need into your company. Your people can work alongside of them to acquire the new skill set.

Example: A company needs to embark on a replacement/upgrade project on a variety of custom built equipment. Your engineers do not have the skills required to design new and upgraded equipment. Outsourcing this project and requiring the outsourced engineers to work on-site will allow your engineers to acquire a new skill set.

Disadvantages of Outsourcing

1. Loss of Managerial Control

Whether you sign a contract to have another company perform the function of an entire department or single task, you are turning the management and control of that function over to another company. True, you will have a contract, but the managerial control will belong to another company. Your outsourcing company will not be driven by the same standards and mission that drives your company. They will be driven to make a profit from the services that they are providing to you and other businesses like yours.

2. Hidden Costs

You will sign a contract with the outsourcing company that will cover the details of the service that they will be providing. Anything not covered in the contract will be the basis for you to pay additional charges. Additionally, you will experience legal fees to retain a lawyer to review the contracts you will sign. Remember, this is the outsourcing company's business. They have done this before and they are the ones that write the contract. Therefore, you will be at a disadvantage when negotiations start.

3. Threat to Security and Confidentiality

The life-blood of any business is the information that keeps it running. If you have payroll, medical records or any other confidential information that will be transmitted to the outsourcing company, there is a risk that the confidentiality may be compromised. If the outsourced function involves sharing proprietary company data or knowledge (e.g. product drawings, formulas, etc.), this must be taken into account. Evaluate the outsourcing company carefully to make sure your data is protected and the contract has a penalty clause if an incident occurs.

4. Quality Problems

The outsourcing company will be motivated by profit. Since the contract will fix the price, the only way for them to increase profit will be to decrease expenses. As long as they meet the conditions of the contract, you will pay. In addition, you will lose the ability to rapidly respond to changes in the business environment. The contract will be very specific and you will pay extra for changes.

5. Tied to the Financial Well-Being of Another Company

Since you will be turning over part of the operations of your business to another company, you will now be tied to the financial well-being of that company. It wouldn't be the first time that an outsourcing company could go bankrupt and leave you holding-the-bag.

6. Bad Publicity and Ill-will

The word “outsourcing” brings to mind different things to different people. If you live in a community that has an outsourcing company and they employ your friends and neighbors, outsourcing is good. If your friends and neighbors lost their jobs because they were shipped across the state, across the country or across the world, outsourcing will bring bad publicity. If you outsource part of your operations, morale may suffer in the remaining work force.

Outsourcing Success Tips

Outsourcing success is dependent upon how well you manage the process before and after the outsourcing contract is signed. Many companies award the outsourcing contract to the lowest bidder without understanding what it means to the business and without performing a complete vendor selection process. When things start to fall apart, like missed delivery dates, quality problems occur or bad customer service, the blame-game starts and everyone runs for cover. The following outsourcing success tips will help ensure that outsourcing will succeed in your organization and you will achieve the results you desire.

Tip 1: Outsource for the Right Reasons

Taking a bad business process and outsourcing it only makes the problem worse. Without a doubt, an outsourcing vendor should add value to your business, but should not be relied upon to fix the problems inherent in your business. For example, if your IT department consistently misses deadlines because users keep changing their minds, outsourcing this function will result in higher costs and higher levels of frustration.

Tip 2: Thorough Vendor Selection Process

In the Deloitte Consulting — 2008 Outsourcing Report 35% of executives responded that they wished they would have “Spent more time on vendor selection and vendor evaluation” before signing an outsourcing contract. The outsourcing decision can be distorted by emotions and manipulated by company politics. A successful vendor selection process will remove the emotions and control the company politics.

Tip 3: Make It Measurable

Also, in the Deloitte Consulting — 2008 Outsourcing Report 49% of executives responded that they should have “Defined realistic service levels that align with business goals”. If you don’t analyze and define quality measurements and/or service levels, how will you know if your outsourcing vendor is performing to your standards?

Tip 4: Follow Up

After the newness of the outsourcing relationship wears off, it is human nature to sit back and enjoy the ride for a while. Unfortunately, this leads to complacency and attention to performance can be forgotten. In order to avoid these symptoms, set a timetable to review your outsourcing vendor’s performance. Also, appoint a manager or executive that will be held responsible for the follow up. If needed, send your staff to be trained in vendor

management skills and techniques (check with local colleges or universities). This strategy will also yield the ability to deal with unforeseen circumstances on a timelier basis and mitigate the risk associated with outsourcing.

Tip 5: Know When Your Going Over Your Head

Seek an experienced advisor or consultant if your outsourcing project involves any of the following circumstances:

- The project is big enough that it will expose the company to significant risks
- Company politics are jeopardizing the success of the project
- Management does not have the experience in vendor evaluation and vendor selection

The Successful Vendor Selection Process

The vendor selection process can be a very complicated and emotional undertaking if you don't know how to approach it from the very start. Here are five steps to help you select the right vendor for your business. This guide will show you how to analyze your business requirements, search for prospective vendors, lead the team in selecting the winning vendor and provide you with insight on contract negotiations and avoiding negotiation mistakes.

1. Analyze the Business Requirements

Before you begin to gather data or perform interviews, assemble a team of people who have a vested interest in this particular vendor selection process. The first task that the vendor selection team needs accomplish is to define, in writing, the product, material or service that you are searching for a vendor. Next define the technical and business requirements. Also, define the vendor requirements. Finally, publish your document to the areas relevant to this vendor selection process and seek their input. Have the team analyze the comments and create a final document. In summary:

- 1) Assemble an Evaluation Team
- 2) Define the Product, Material or Service
- 3) Define the Technical and Business Requirements
- 4) Define the Vendor Requirements
- 5) Publish a Requirements Document for Approval

2. Vendor Search

Now that you have agreement on the business and vendor requirements, the team now must start to search for possible vendors that will be able to deliver the material, product or service. The larger the scope of the vendor selection process the more vendors you should put on the table. Of course, not all vendors will meet your minimum requirements and the team will have to decide which vendors you will seek more information from. Next write a Request for Information (RFI) and send it to the selected vendors. Finally, evaluate their responses and select a small number of vendors that will make the "Short List" and move on to the next round. In summary:

- 1) Compile a List of Possible Vendors
- 2) Select Vendors to Request More Information From
- 3) Write a Request for Information (RFI)
- 4) Evaluate Responses and Create a “Short List” of Vendors
3. Request for Proposal (RFP) and Request for Quotation (RFQ)

The business requirements are defined and you have a short list of vendors that you want to evaluate. It is now time to write a *Request for Proposal* or *Request for Quotation*. Whichever format you decide, your RFP or RFQ should contain the following sections:

- 1) Submission Details
- 2) Introduction and Executive Summary
- 3) Business Overview & Background
- 4) Detailed Specifications
- 5) Assumptions & Constraints
- 6) Terms and Conditions
- 7) Selection Criteria
4. Proposal Evaluation and Vendor Selection

The main objective of this phase is to minimize human emotion and political positioning in order to arrive at a decision that is in the best interest of the company. Be thorough in your investigation, seek input from all stakeholders and use the following methodology to lead the team to a unified vendor selection decision:

- 1) Preliminary Review of All Vendor Proposals
- 2) Record Business Requirements and Vendor Requirements
- 3) Assign Importance Value for Each Requirement
- 4) Assign a Performance Value for Each Requirement
- 5) Calculate a Total Performance Score
- 6) Select the Winning Vendor

Outsourcing Myths

There are a number of misleading notions that are being circulated regarding outsourcing. This article explains why each outsourcing myth is not true and the reason why it is a myth.

Myth 1: Outsourcing will solve all your problems.

The first outsourcing myth is the biggest. If you have problems in your business, outsourcing does not magically make them go away. For example, I had a client that was considering outsourcing customer service because their employees were not able to keep up with the call volume. Instead of hiring additional employees they were considering outsourcing. Upon analyzing the call logs, it was discovered that a majority of calls pertained to the software interface for the product (it was confusing and poorly designed). The problem was a poorly designed interface that was causing a large amount of support

calls. Outsourcing would not have solved that problem. It would just move the problem from one place to another.

Myth 2: Outsourcing companies will do it better than you can.

There is a perception that any company that performs outsourcing will do it better than you because they specialize in it. True, they are motivated to deliver quality service. But, after the contract is signed (i.e. their price is fixed for the next 2 to 5 years) their motivation is to reduce costs in order to maximize profits. Their shareholders are not your shareholders. It is possible that the extra money you spend on that back-office service is what gives you the edge over your competitors.

Myth 3: Outsourcing will save you money.

The other perception is that any outsourcing company can also do it cheaper than you. A majority of this depends upon how well your company negotiated the contract. If the contract contains limitations or maximum levels, penalties may start to be assessed. Suddenly, that “fixed price” contract turns into an outrageous financial obligation of the company.



Unit 10

Intercultural Business Communication

Teaching Objectives

By the end of this unit, students will

- Gain a basic understanding of intercultural business communication;
- Understand the significance of intercultural communication to the success of business in a global market;
- Improve analytical skills and language ability.

Suggested Teaching Schedule

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	Opening Case Allow students a few minutes to go through the opening case, and then ask them to work in groups and discuss questions for critical thinking.	Group discussion and problem solving.

<i>Time Schedule</i>	<i>Class Content</i>	<i>Delivery Methods</i>
Sections I-II	<p>Related Theories Based on the opening case, teacher holds a discussion about intercultural business communication and helps students gain a general understanding of intercultural communication.</p>	Formal lecture interspersed with questions to/from the students.
Sections III-IV	<p>Case Study According to the tasks set for the case study, teacher guides students in making a step-by-step case analysis.</p> <p>Focus on Skills Students finish the exercises in Language Focus; teacher explains creative thinking technique — Cultural Dimensions.</p>	Case study and problem solving — teacher-guided. Independent study; Group discussion — teacher-guided.

Background Information

1 *Walt Disney Company*

The Walt Disney Company (NYSE: DIS) is the largest media and entertainment conglomerate in the world. Founded on October 16, 1923 by brothers Walt Disney and Roy Disney as the Disney Brothers Cartoon Studio, the company was reincorporated as Walt Disney Productions in 1929. Walt Disney Productions established itself as a leader in the American animation industry before diversifying into live-action film production, television, and travel. Taking on its current name in 1986, The Walt Disney Company expanded its existing operations and also started divisions focused upon theatre, radio, publishing, and online media. In addition, it has created new divisions of the company in order to market more mature content than it typically associates with its flagship family-oriented brands.

The company is best known for the products of its film studio, the Walt Disney Motion Pictures Group, today one of the largest and best-known studios in Hollywood. Disney also owns and operates the ABC broadcast television network; cable television networks such as Disney Channel, ESPN, and ABC Family; publishing, merchandising, and theatre divisions; and owns and licenses 11 theme parks around the world. The company has been

a component of the Dow Jones Industrial Average since May 6, 1991. An early and well-known cartoon creation of the company, Mickey Mouse, is the official mascot of The Walt Disney Company.

2 *Disney Theme Parks*

Walt Disney Parks and Resorts is the segment of The Walt Disney Company that conceives, builds, and manages the company's theme parks and holiday resorts, as well as a variety of additional family-oriented leisure enterprises. It is one of four major business segments of the company, the other three being Consumer Products, Media Networks, and Studio Entertainment.

The Parks and Resorts division was founded in 1971 as Walt Disney Attractions when Disney's second theme park, the Magic Kingdom at the Walt Disney World Resort in Florida, opened, joining the original Disneyland in California. The chairman of Walt Disney Parks and Resorts is Thomas O. Staggs, formerly the Senior Executive Vice President and CFO. Staggs reports to Disney CEO Robert Iger.

In 2009, the company's theme parks hosted approximately 119.1 million guests, making Disney Parks the world's most-visited theme park company.

Los Angeles Disneyland

Shortly after developing the idea of a theme park, Walt Disney hired the Stanford Research Institute to conduct an economic feasibility study of his amusement park plan and then a follow-up study to analyze demographics and traffic patterns in order to come up with a recommendation for the site. Based on the results of this study, Disney acquired 160 acres of land in Anaheim, California in 1953, and later obtained financing from ABC Television to move forward with the plan. With the financing agreement, ABC owned 34.48% of the shares of the new "Disneyland" park, which was the equivalent of the proportion of shares owned by Walt Disney Productions. In order to finance construction, ABC put up half-a-million dollars and guaranteed loans for a further \$4.5 million. The Los Angeles Disneyland theme park was finally opened in July of 1955.

Orlando Disney World

The success of Disneyland created a real estate boom in Anaheim, resulting in Disneyland being surrounded by a ring of hotels, motels, restaurants, and other businesses. For his next theme park project, Walt Disney aimed for undiluted control over the business and its revenue stream. Walt Disney World Resort opened in 1971 on a huge track of 29,000 acres that Walt acquired outside of Orlando, Florida. Walt Disney World eventually comprised three separate theme parks: the original Magic Kingdom, the Experimental Prototype Community of Tomorrow (EPCOT) Center that opened in 1982 which in itself hosted two themes: Future World and World Showcase, and Disney-MGM Studios which opened in 1989.

The experience of creating a theme park as a destination resort represented a major development in Disney's conception of a theme park and was influential in its expansion plans into Europe. The huge 27 000 acre site allowed Disney to broaden the scope of its theme park activities to create themed hotels, golf courses and other sports, convention facilities, night clubs, a range of retail stores, even residential housing. The complementary coupling of a theme park with resort facilities that could even host commercial activities (conferences, a technology park) became central to Disney's theme park strategy.

By 1990, Walt Disney World had become the largest center of hotel capacity in the United States with approximately 70 000 rooms, of which almost 10 percent were owned and operated by Disney. Even though the room rates charged by Disney were considerably higher than other hotels in the vicinity, they achieved a remarkable occupancy rate of 94 percent during the late 1980s.

Tokyo Disneyland

Tokyo Disneyland, which opened in 1983, was a major departure for Walt Disney Company. The Oriental Land Company Limited (OLCL), a Japanese development company, had approached Disney with a proposal to open a Disneyland in Japan. Disney's top management regarded a Disney theme park in another country with a different climate and a different culture as a risky venture. Disney insisted on a deal that would leave OLCL with all the risk: the park would be owned and operated by OLCL while Disney would receive royalties of 10% on the admissions revenues and 5% on receipts from food, beverages, and souvenirs. These royalties represented licensing fees for Disney's trademarks and intellectual property, engineering designs for rides, and ongoing technical assistance. Despite the challenges of limited space and cold winter weather, Tokyo Disneyland was a huge success. By the late 1980s it was drawing 15 million visits a year — more than any other Disney park.

Hong Kong Disneyland

The Hong Kong Disneyland Resort was built by the Government of Hong Kong and The Walt Disney Company and officially opened on September 12, 2005. The world's smallest Disneyland resort, it consists of the Hong Kong Disneyland theme park, two hotels (Disneyland Hotel and Disney's Hollywood Hotel), and retail, dining and entertainment facilities stretching over 1.3 square kilometers (320 acres) on Lantau Island. It is located on reclaimed land beside Penny's Bay, at the northeastern tip of Lantau Island (approximately two kilometers from Discovery Bay), in Hong Kong.

This is the second project of The Walt Disney Company's extension into Asia after the opening of the Tokyo Disney Resort more than 20 years ago. Currently, the Resort is overseen by Managing Director Andrew Kam who reports to Bill Ernest, President and Managing Director, Disney Parks & Resorts, Asia.

Lecturing Hints

Opening Case

1 Allow students a few minutes to go through Text A.

2 Work in groups and discuss the questions given.

Suggested answers: 

- 1) Bratina always take a bottle of water in hand or jammed into a cup holder in her car. Because she just likes to make sure she has water available.
- 2) For Americans, who spend so much time sitting in traffic, their cars are extensions of their offices and family rooms. In the absence of an autobahn, comfort and convenience — and cup holders — can be more important than torque.
- 3) There are two reasons: one is the dealer network was in disrepair; the other is the “arrogance” of German cars: You will accept the perfect cars we give you, not the rolling living rooms you ask for. VW has never understood the expectations of American public and the market.
- 4) (Open-ended Answer)

3 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) For Americans, who spend so much time sitting in traffic, their cars are extensions of their offices and family rooms. In the absence of an **autobahn**, comfort and convenience — and cup holders — can be more important than torque.

对于大部分时间都在车上度过的美国人来说，车就是他们办公室和家庭空间的延伸。在还没有高速公路时，舒适、方便，甚至于杯托，都比汽车的扭矩更为重要。

autobahn: (n.) an expressway in a German-speaking country

e.g.: The autobahn has no sharp corners.

- 2) Volkswagen, originally a **beloved**, albeit quirky, **counterculture** brand, has never seemed to fully grasp the American market.

大众汽车，尽管这个品牌有些古怪，但作为从一开始就深受大家喜欢的反主流文化的品牌，却似乎从未全面占领美国市场。

beloved: (adj.) dearly loved

e.g.: This man was beloved by all who knew him.

counterculture: (n.) a culture with lifestyles and values opposed to those of the established culture

e.g.: A thriving counterculture strikes back at an uncaring society, rebelling with words, music and often violence.

- 3) The German reputation for design and engineering excellence sometimes came to **distributors** as **arrogance**.

德国人设计和工程上的优异有时候被经销商理解为自大。

distributor: (n.) a person with authority to allot or deal out or apportion

e.g.: Supervise dealers and develop secondary distributors.

arrogance: (n.) overbearing pride evidenced by a superior manner toward inferiors

e.g.: Arrogance arrested his progress.

- 4) We needed to change our style in the U.S., as we are a very **stubborn bureaucratic** German company — and German management — to some extent. I am here to listen.

由于我们是一家非常固执的官僚主义的德国公司，某种程度上也是德国式管理，我们需要改变我们的美国风格，我在这里的任务就是倾听意见。

stubborn: (adj.) persisting in a reactionary stand

e.g.: He is a stubborn.

Suggested translation

大众汽车在美国市场的成功关键在于文化理解

对于一个新的首席执行官来说，第一印象很重要。斯蒂芬·雅各比在做美国大众汽车集团总裁兼首席执行官初期，曾经收到了加利福尼亚一位经销商的信，拒绝他的邀请去参加雅各比的第一次全体经销商会议。

自2007年来到所移居的这个国家以来，雅各比努力学习了很多东西。早期也从公司通讯部新主管吉尔·布拉迪娜那里学了一课。“他总是问我为什么一直口渴，”布拉迪娜说道。任何时候见到布拉迪娜，都能在她手中或是汽车杯托里看到一瓶水。“其实我并不是口渴，准确地说我只是喜欢手边保证随时都有水。”布拉迪娜总是随身带着水。有谁不是这样呢？不过，显然只有德国人了。对于大部分时间都在车上度过的美国人来说，车就是他们办公室和家庭空间的延伸。在还没有高速公路时，舒适、方便，甚至于杯托，都比汽车的扭矩更为重要。

大众汽车，尽管这个品牌有些古怪，但作为从一开始就深受大家喜欢的反主流文化的品牌，却似乎从未全面占领美国市场。当雅各比在2007年接管美国市场后，大众汽车（包括奥迪）在美国市场的销售份额就一直徘徊在2%，远不如20世纪70年代甲壳虫鼎盛期的7%份额。（大众公司现在的美国市场份额是将近2.9%，有了显著的增长，但还是比现代汽车的市场份额在同期从2.9%到4.3%的增长速度微缓慢一些。）因运输延误、产品质量投诉、混乱以及偶尔短暂的品牌展示，大众汽车的经销商网络年久失修被拖累。德国人设计和工程上的优异有时候被经销商理解为自大。你要接受我们提供的完美的汽车，而不是你要的滚动的起居室。林兰德说：“质量不可靠的阴影一直困扰大众汽车几十年，然而美国人对于汽车的期盼值，大众却一直没有把握到。当我们和大众公司谈起美国市场时，他们总是一副竖起耳朵做狗脸的样子。”

雅各比，这个51岁的国际市场的运营老手，坚持认为他在倾听。他讲述了过去的引人入胜的文化冲击故事，首先是自己作为一个二战空军将领的小儿子，爱幻想、无目标，在战后德国成长的经历；接着是在日本和中国的大众集团工作以及在欧洲的日本三菱汽车集团工作的经历。他学会了先观察，再采取行动。雅各比说：“很明显，我们并没有了解我们顾客的需求。由于我们是一家非常固执的官僚主义的德国公司，某种程度上也是德国式管理，我们需要改变我们的美国风格。我在这里的责任就是倾听。”

Case Study

- 1** Ask students to read Text B quickly for familiarity and to get an overall view. Tell the students NOT to read the questions first.
- 2** Ask students to read Text B a second time to gain a good grasp of the facts and to make a short presentation of Disney Theme Park.

Suggested answers: 

Founded by Walt Disney on July 17, 1955, Disney Theme Parks' goal was to create a unique entertainment experience that combined fantasy and history, adventure, and learning in which the guest would be a participant, as well as a spectator. In 2009, the company's theme parks hosted approximately 119.1 million guests, making Disney Parks the world's most-visited theme park company.

Current Disney-designed theme parks in California, Florida, Japan, and France are divided into distinct lands. All the parks include a number of similar lands with identical attractions. These include Main Street, Frontierland, Tomorrowland, Fantasyland, and Adventureland.

- 3** Ask students to study all of the exhibits carefully and then work in groups and discuss the questions given.

Suggested answers: 

- 1) Disney's success can be traced to the control of the environment to create a unique experience for the visitor. This control is achieved through highly systematized operations management and human resource management.
- 2) a. Disney's policy of serving no alcohol in the park.

- It's not correct, because this is a country where a glass of wine for lunch is a given.
- b. Disney thought that Monday would be a light day for visitors and Friday a heavy one.
It's not correct. The reality was the reverse.
- c. Disney thought that Europeans don't take breakfast.
It's not correct. Everybody showed up for breakfast.
- d. Disney tried to use the same teamwork model with its staff.
It's not correct. It ran into trouble in France. In the first nine weeks of Euro-Disneyland's operation, roughly 1,000 employees, 10 percent of the total, left.
- e. Disney thought the Europeans would stay four or five days.
Most Europeans regard theme parks as places for day excursions.
- 3) a. The company changed the name to Disneyland Paris in an attempt to strengthen the park's identity.
b. Food and fashion offerings changed.
c. The prices for day tickets and hotel rooms were cut by one-third.
- 4) a. Paris offered key economic and infrastructure advantages, together with strong backing from the French government.
b. Paris was chosen because of demographics and subsidies. About 17 million Europeans live less than a two-hour drive from Paris. Another 310 million can fly there in the same time or less.

4 Ask students to summarize Text B, identifying good practices and challenges of Euro Disney.

Suggested answers: 

Good practice:

- 1) Europe had always been a strong market for Disney movies, toys, books, and comics.
- 2) Paris offered key economic and infrastructure advantages, together with strong backing from the French government. About 17 million Europeans live less than a two-hour drive from Paris. Another 310 million can fly there in the same time or less.

Challenges:

- 1) The negotiations with the French government were taking far longer than expected.
- 2) Shortly after Euro Disney opened, French farmers drove their tractors to the entrance and blocked it.
- 3) Because of operational errors, Euro Disney visitor numbers plummeted.

- 5 Ask students to work in groups. Decide on a strategy for Euro Disney to rise from the crisis.

Suggested answers:

- a. The company changed the name to Disneyland Paris in an attempt to strengthen the park's identity.
- b. change food and fashion offerings.
- c. Cut the prices for day tickets and hotel rooms by one-third.

- 6 The teacher analyzes the passage and explains the difficult sentences and key words.

- 1) The Walt Disney Company (NYSE: DIS) is the largest media and entertainment **conglomerate** in the world.

沃特迪斯尼公司（纽约证交所：DIS）是世界上最大的媒体和娱乐集团公司。

conglomerate: (n.) a group of diverse companies under common ownership and run as a single organization

e.g.: A Japanese conglomerate or cartel

- 2) Walt Disney Productions established itself as a leader in the American **animation** industry before diversifying into live-action film production, television, and travel.

在多元化发展进入电影制作、电视和旅游之前，沃特迪斯尼制作公司在美国动画行业一直处于领先地位。

animation: (n.) the making of animated cartoons

e.g.: Three-dimensional animation

- 3) Disney also emphasizes the continual **renewal** of its theme parks' appeal through investment in new attractions.

迪斯尼公司也强调通过投资新景点，来突出其不断更新的主题乐园的魅力。

renewal: (n.) the act of renewing

e.g.: Must I bring the books for renewal?

- 4) The Disney characters that everyone knew from the cartoons and comic books were on hand to **shepherd** the guests and to direct them to the Mickey Mouse watches and Little Mermaid records.

人们从动画电影和漫画书籍中所认识的迪斯尼动画人物，随时可带领、引导游客到出售米老鼠手表和小美人鱼唱片处。

shepherd: (v.) watch over like a shepherd, as a teacher of her pupils

e.g.: The children were shepherded around by two teachers.

- 5) When word first got out that Disney wanted to build another international theme park,

officials from more than 200 locations all over the world **descended** on Disney with pleas and cash **inducements** to work the Disney magic in their hometowns.

当传言说迪斯尼准备再建造另一个国际主题公园时，全球200多个地区的官员带着各种理由和现金诱惑，突然造访游说把迪斯尼主题公园建在自己的家乡所在地。

descend: (v.) visit sb/sth unexpectedly or inconveniently

e.g.: My sister's family is descending on us this weekend.

Inducement: (n.) a positive motivational influence

e.g.: They have little inducement to work harder.

- 6) To the **exasperation** of the Disney team headed by Joe Shapiro, the talks were taking far longer than expected.

令乔·夏皮罗领导的迪斯尼团队恼火的是，商谈时间远远超出预期。

exasperation: (n.) actions that cause great irritation (or even anger)

e.g.: She blew out her cheeks in exasperation.

- 7) **Unperturbed**, Disney pushed ahead with the planned summer 1992 opening of the \$5 billion park.

1992年夏天，迪斯尼泰然自若地按原定计划推行了这个耗资50亿美元的公园的开园仪式。

unperturbed: (adj.) free from emotional agitation or nervous tension

e.g.: The king just hesitated for a slight moment and continued quite unperturbed

- 8) It seems that most Europeans regard theme parks as places for day **excursions**.

大部分的欧洲人似乎都把主题乐园当作一次短途旅游。

excursion: (n.) short journey, esp. one made by a group of people together for pleasure

e.g.: He shepherded us on an excursion.

- 9) As a result, by the end of 1994 Euro-Disneyland had **cumulative** losses of \$2 billion.

结果，到1994年底，欧洲迪斯尼乐园已经累计亏损了20亿美元。

malaise: (adj.) increasing by successive addition

e.g.: Scientific knowledge is cumulative.

Suggested translation

欧洲迪斯尼乐园：从梦想到梦魇——迪斯尼案例分析

迪斯尼公司背景

沃特迪斯尼公司（纽约证交所：DIS）是世界上最大的媒体和娱乐集团公司。该公司的前身是沃特·迪斯尼和罗伊·迪斯尼兄弟于1923年10月16日创建的迪斯尼兄弟卡通工作室，并于1929年重组为沃特迪斯尼制作公司。在多元化发展进入真人电影制作、电视和旅游之前，沃特迪斯尼制作公司在美国动画行业一直处于领先地位。1986年采用现有名称之后，沃特迪斯尼公司扩大了现有的业务范围，开始专注于戏剧、广播、出版以及网络媒体等方面的经营。

沃特迪斯尼是以其影片产品而闻名，迪斯尼电影公集团现已是好莱坞最大最著名的电影公司之一。迪斯尼现在全球有11家主题乐园。米老鼠是沃特迪斯尼公司的正式吉祥物。

迪斯尼主题乐园

迪斯尼乐园于1955年7月17日由沃特·迪斯尼定位为单一性公园，并于1955年7月18日在加利福尼亚的阿纳海姆向公众开放。2009年，这些主题乐园接待了大约一亿一千九百一十万游客，使其成为了世界上最热门的乐园。

沃特迪斯尼开创了主题乐园的概念。他的目标是创建一个独特的娱乐体验的，能够将幻想、历史、冒险、学习融合在一起，游客在其中将会是一个参与者和观众。目前位于加利福尼亚、佛罗里达、日本和法国的迪斯尼主题公园都分为不同的乐园园地。所有的乐园都包括许多具有类似的园地与相同的景点，包括主要大街、边疆园地、明日园地、探险园地等。

迪斯尼的成功在于对于环境的控制来为游客营造独特的体验。这种控制是通过高度系统化的运营管理和人力资源管理实现的。迪斯尼公司也强调通过投资新景点，来突出其不断更新的主题乐园的魅力，随后通过大力推广予以支持。

欧洲迪斯尼乐园的失败

在1992年之前，沃特迪斯尼公司对主题乐园的经营一直是成功的。在乐园中，有黑暗隧道和颠簸旅程等来让小孩子感到一点点恐惧，但没有任何与现实世界中一样的恐怖情景。人们从动画电影和漫画书籍中所认识的迪斯尼动画人物，随时可带领、引导游客到出售米老鼠手表和小美人鱼唱片处。阿纳海姆的迪斯尼乐园一经运营，马上取得了成功。

20世纪七十年代的佛罗里达迪斯尼乐园再次取得成功。1983年东京迪斯尼乐园的成功运营证明了日本人对米老鼠这一动画人物的钟爱。随着在日本取得的巨大支持，1986年，迪斯尼决策层把注意力转向了法国，更具体的说是转向了自称为欧洲高雅文化和风格中心的巴黎。很多人询问：“他们为什么选择了巴黎？”当传言说迪斯尼准备再建造另一个国际主题公园时，全球200多个地区的官员带着各种理由和现金诱惑，突然造访游说迪斯尼把主题公园建在自己的家乡所在地。之所以选择巴黎，是因为人口和补贴的原因。大约有一千七百万欧洲人居住在距离巴黎两小时的车程范围内。另外三亿一千万人可以在两个小时或更少时间内乘飞机到达巴黎。除此之外，法国政府拿出一千万美元作为各种激励措施，希望迪斯尼乐园这项工程能够给法国人提供三万个就业机会。

从项目一开始，迪斯尼犯下的文化失误就给迪斯尼工程定下了基调。令乔·夏皮罗领导的迪斯尼团队恼火的是，商谈时间远远超出预期。

有一些巴黎的知识分子攻击说，引入迪斯尼梦幻世界，是对法国文化的一种攻击，一位著名的学者称之为“文化上的切尔诺贝利”。法国文化部部长宣称他将抵制迪斯尼乐园的开业典礼，宣称那是不受欢迎的美国人和那个消费社会的陈词滥调。1992年夏天，迪斯尼泰然自若地按原定计划推行了这个耗资50亿美元的公园的开园仪式。迪斯尼欧洲乐园开业不久，一些法国农民就开着他们的拖拉机堵在了乐园的入口处，这次电视直播的示威并非针对迪斯尼公司，而是矛头直指要求取消法国农业补贴的美国政府。但这还是把世界的注意力吸引到了迪斯尼和巴黎这段无爱情的婚姻结合上。

接着出现了运营差错。迪斯尼乐园里不允许供应酒类的政策，这与允许午餐时喝上一杯的国家规定相反，引起了人们的惊讶。迪斯尼曾经以为，周一游客较少，而周五游客较多，并据此进行了人员分配，但现实正好相反。另一个让人不愉快的意外是酒店早餐的崩溃。一位迪斯尼的主管回忆道：“我们被告知欧洲人通常都不吃早餐，所以我们减少了餐厅的数量。但你

猜发生了什么？每个人都来吃早餐。在某些只有350个座位的餐厅里，我们要供应2 500份早餐。排队的人多得令人吃惊。更糟糕的是，他们并没有像我们预想的那样，需要典型的法国式早餐：羊角面包和咖啡，而是要熏肉和鸡蛋。”“午餐同样是个大问题，人们全部在12点半来吃午餐，排队的人很多，我们的工作人员不得不一直微笑着，请那些等得不耐烦的顾客安静下来，并劝说他们，可以“改变一下习惯”，在11点或2点就餐。”

员工配置也是个主要问题。迪斯尼曾尝试使用在美国和日本都运作良好的同样的团队模式，但是在法国却出现了问题。在欧洲迪斯尼开业之后的前九周里面，大约有一千名员工（占员工总数的10%），辞职离开了。

其中一个最大的问题，就是欧洲人并不像迪斯尼公司所预期的那样，在乐园里面逗留很长时间。虽然迪斯尼公司按照原计划，成功在一年内吸引了大约九百万的游客前来，但是大部分人仅仅呆了一到两天。很少有游客像迪斯尼所希望的那样呆上四五天。大部分的欧洲人似乎都把迪斯尼主题乐园当作一次短途旅游。更糟糕的是，法国游客的数量并没有达到预期目标。在1994年，仅仅只有40%的游客是法国人。一位迷惑不解的主管发现，许多游客都是居住在欧洲的美人，更令人奇怪的是，甚至还有到欧洲度假的日本人！结果，到1994年底，欧洲迪斯尼乐园已经累计亏损了20亿美元。

原因：缺乏跨文化沟通

迪斯尼欧洲乐园的案例很好地体现了跨文化沟通的重要性。迪斯尼在日本和美国的主题乐园都特别成功，于是就认为在欧洲建迪斯尼乐园必定也是简单而成功。结果，迪斯尼犯了一些关键性的“文化”错误。甚至在开始建设之前就出现了问题。迪斯尼动用律师来进行建筑施工和其他合同谈判的行为冒犯了法国人。在法国，只有谈判无法进行时，才会诉诸律师，这意味着迪斯尼方面的不信任。迪斯尼还根据美国迪斯尼乐园着装规范对欧洲迪斯尼乐园员工的着装制订了严格的规范。这些关于脸毛、指甲长度和外表打扮的规定，都被认为是对法国风格和文化的一种攻击。

迪斯尼的错误做法不仅冒犯了法国人，也减少了他们的潜在利润。迪斯尼认为欧洲人不会坐下来吃早餐，这是他们日常生活的做法。但是，欧洲人在度假时是喜欢坐下来享受早餐的。这个错误使得餐厅拥堵，游客不满。迪斯尼还延续在美国的做法，禁止在主题乐园中销售酒类饮品。这对一个喜欢在吃饭的时候喝上一杯的国家，简直就是一种侮辱。迪斯尼还像在日本和美国那样，在法国依靠纪念品销售。但欧洲人却没有在旅行时放纵购买纪念品的习惯。幸运的是，现在迪斯尼已经做了必要的文化方面的修正，欧洲迪斯尼乐园的运营已经比开园初期好了很多。

迪斯尼如何解决文化差异方面的问题？

在这一点上，欧洲迪斯尼已经改变了它的策略。首先，公司把乐园的名称改成了巴黎迪斯尼乐园，来加强乐园的归属地身份。把“欧洲”这个修饰词去掉，使公众不再误解，乐园的所有都是和欧洲相关，并使得乐园免去对欧洲文化和欧洲归属感的激烈讨论。除此之外，这个新名字还使得欧洲的迪斯尼乐园和巴黎这个浪漫城市的内涵有了坚实的结合。

其次，乐园的食物和时尚风格有了转变。一位经理说道：“我们开园之初，餐厅都是提供法国式的食物，但是我们发现游客更喜欢美国乐园里面的自助式餐饮服务。同样地，时尚店里的产品风格起初也都显示了法国市场的传统，但后来我们有所改变，使产品范围具有特定的迪斯尼形象。”

第三，迪斯尼白天的票价和酒店房间的费用都减少了三分之一。由此，迪斯尼乐园的游客人数从1994年的880万，增加到了1996年的1 170万。

Focus on Skills

Language Focus

- 1** Find words or expressions in Text B which correspond to the following definitions.

Suggested answers: 

- | | | | |
|----------------------|--------------------|----------------------------|-----------------------|
| 1. <u>theme park</u> | 2. <u>affinity</u> | 3. <u>boycott</u> | 4. <u>light day</u> |
| 5. <u>patron</u> | 6. <u>descend</u> | 7. <u>attendance level</u> | 8. <u>systematize</u> |

- 2** Complete the company profile of Disney with the information from Text B.

Suggested answers: 

Facts about Disney

Company name: Walt Disney Company

Date of Establishment: October 16, 1923

Founders: Walt Disney and Roy Disney

Divisions: theatre, radio, publishing, online media

Its film studio: Walt Disney Motion Pictures Group

Number of theme parks: 11

Official mascot: Mickey Mouse

- 3** Read the passage "How has Disney Solved the Intercultural Problems?" in Text B and write a summary of it.

Suggested answers: 

During the winter of 1993/94, Euro Disney visitor numbers plummeted. At this point, Euro-Disney changed its strategy. First, the company changed its name to

Disneyland Paris. In particular, the renaming of the park as Disneyland Paris had helped alleviate ambiguity and conflict over the park's identity. Second, food and fashion offerings changed. Third, the prices for day tickets and hotel rooms were cut by one-third.

Despite heavy advertising, the addition of new attractions, and the fine-tuning of Disney's image, customer service, and offering of food, drinks, and souvenirs, Euro Disney had yet to reach the initial forecast of 11 million visitors annually.

4 Translate the following passage into Chinese.

Suggested answers:

迪斯尼欧洲乐园的案例很好地体现了跨文化沟通的重要性。迪斯尼在日本和美国的主题乐园都特别成功，于是就认为在欧洲建迪斯尼乐园必定也是简单而成功。结果，迪斯尼犯了一些关键性的“文化”错误。甚至在开始建设之前就出现了问题。迪斯尼动用律师来进行建筑施工和其他合同谈判的行为冒犯了法国人。在法国，只有谈判无法进行时，才会诉诸律师，这意味着迪斯尼方面的不信任。迪斯尼还根据美国迪斯尼乐园着装规范对欧洲迪斯尼乐园员工的着装制订了严格的规范。这些关于染发脸毛、指甲长度和外表打扮的规定，都被认为是对法国网络和文化的一种攻击。

Business Focus

Hofstede's Cultural Dimensions

Understanding Workplace Values Around the World

We know we are living in a global age. Technology has brought the world much closer together. This means that people of different cultures find themselves working together and communicating more and more.

This is exciting and interesting, but it can also be frustrating and fraught with uncertainty. How do you relate to someone of another culture? What do you say, or not say, to start a conversation off right? Are there cultural taboos you need to be aware of?

Building connections with people from around the world is just one dimension of cultural diversity. You also have issues like motivating people, structuring projects, and developing strategy.

What works in one location may or may not work somewhere else. The question is, "How can I come to understand these cultural differences?" Are we relegated to learning from our mistakes or are there generalized guidelines to follow?

Fortunately, a psychologist named Dr Geert Hofstede asked himself this question in the 1970s. What emerged after a decade of research and thousands of interviews is a model of cultural dimensions that has become an internationally recognized standard.

With access to people working for the same organization in over 40 countries of the world, Hofstede collected cultural data and analyzed his findings. He initially identified four distinct cultural dimensions that served to distinguish one culture from another. Later he added a fifth dimension and that is how the model stands today.

He scored each country using a scale of roughly 0 to 100 for each dimension. The higher the score, the more that dimension is exhibited in society.

The Five Dimensions of Culture

Armed with a large database of cultural statistics, Hofstede analyzed the results and found clear patterns of similarity and difference amid the responses along these five dimensions. Interestingly, his research was done on employees of IBM only, which allowed him to attribute the patterns to national differences in culture, largely eliminating the problem of differences in company culture.

The five dimensions are:

1. Power Distance (PD) - This refers to the degree of inequality that exists — and is accepted — among people with and without power. A high PD score indicates that society accepts an unequal distribution of power and people understand “their place” in the system. Low PD means that power is shared and well dispersed. It also means that society members view themselves as equals.

Application: According to Hofstede’s model, in a high PD country like Malaysia (104), you would probably send reports only to top management and have closed door meetings where only a select few, powerful leaders were in attendance.

	<i>Characteristics</i>	<i>Tips</i>
High PD	Centralized companies Strong hierarchies Large gaps in compensation, authority, and respect	Acknowledge a leader’s power Be aware that you may need to go to the top for answers
Low PD	Flatter organizations Supervisors and employees considered almost as equals	Use teamwork Involve as many people as possible in decision making

2. Individualism (IDV) — This refers to the strength of the ties people have to others within the community. A high IDV score indicates a loose connection with people. In

countries with a high IDV score there is a lack of interpersonal connection and little sharing of responsibility, beyond family and perhaps a few close friends. A society with a low IDV score would have strong group cohesion, and there would be a large amount of loyalty and respect for members of the group. The group itself is also larger and people take more responsibility for each other's well-being.

Application: Hofstede's analysis suggests that in the Central American countries of Panama and Guatemala where the IDV scores are very low (11 and 6, respectively), a marketing campaign that emphasized benefits to the community or that tied into a popular political movement would likely be understood and well-received.

	<i>Characteristics</i>	<i>Tips</i>
High IDV	High valuation on people's time and their need for freedom Enjoyment of challenges, and expectation of rewards for hard work Respect for privacy	Acknowledge accomplishments Don't ask for too much personal information Encourage debate and expression of own ideas
Low IDV	Emphasis on building skills and becoming masters of something Work for intrinsic rewards Harmony more important than honesty	Show respect for age and wisdom Suppress feelings and emotions to work in harmony. Respect traditions and introduce change slowly

3. Masculinity (MAS) — This refers to how much a society sticks with, and values, traditional male and female roles. High MAS scores are found in countries where men are expected to be tough, to be the provider, to be assertive and to be strong. If women work outside the home, they have separate professions from men. Low MAS scores do not reverse the gender roles. In a low MAS society, the roles are simply blurred. You see women and men working together equally across many professions. Men are allowed to be sensitive and women can work hard for professional success.

Application: Japan is highly masculine with a score of 95 whereas Sweden has the lowest measured value (5). According to Hofstede's analysis, if you were to open an office in Japan, you might have greater success if you appointed a male employee to lead the team and had a strong male contingent on the team. In Sweden, on the other hand, you would aim for a team that was balanced in terms of skill rather than gender.

	<i>Characteristics</i>	<i>Tips</i>
High MAS	Men are masculine and women are feminine. There is a well defined distinction between men's work and women's work.	Be aware that people may expect male and female roles to be distinct. Advise men to avoid discussing emotions or making emotionally-based decisions or arguments.
Low MAS	A woman can do anything a man can do. Powerful and successful women are admired and respected.	Avoid an "old boys' club" mentality. Ensure job design and practices are not discriminatory to either gender. Treat men and women equally.

4. Uncertainty/Avoidance Index (UAI) — This relates to the degree of anxiety society members feel when in uncertain or unknown situations. High UAI-scoring nations try to avoid ambiguous situations whenever possible. They are governed by rules and order and they seek a collective "truth". Low UAI scores indicate the society enjoys novel events and values differences. There are very few rules and people are encouraged to discover their own truth.

Application: Hofstede's Cultural Dimensions imply that when discussing a project with people in Belgium, whose country scored a 94 on the UAI scale, you should investigate the various options and then present a limited number of choices, but have very detailed information available on your contingency and risk plans. (Note that there will be cultural differences between French and Dutch speakers in Belgium!)

	<i>Characteristics</i>	<i>Tips</i>
High UAI	Very formal business conduct with lots of rules and policies. Need and expect structure. Sense of nervousness spurns high levels of emotion and expression. Differences are avoided.	Be clear and concise about your expectations and parameters. Plan and prepare, communicate often and early, provide detailed plans and focus on the tactical aspects of a job or project. Express your emotions through hand gestures and raised voices.
Low UAI	Informal business attitude More concern with long term strategy than what is happening on a daily basis Accepting of change and risk.	Do not impose rules or structure unnecessarily. Minimize your emotional response by being calm and contemplating situations before speaking. Express curiosity when you discover differences.

5. Long Term Orientation (LTO) — This refers to how much society values long-standing - as opposed to short term — traditions and values. This is the fifth dimension that Hofstede added in the 1990s after finding that Asian countries with a strong link to Confucian philosophy acted differently from western cultures. In countries with a high LTO score, delivering on social obligations and avoiding “loss of face” are considered very important.

Application: According to Hofstede’s analysis, people in the United States and United Kingdom have low LTO scores. This suggests that you can pretty much expect anything in this culture in terms of creative expression and novel ideas. The model implies that people in the US and UK don’t value tradition as much as many others, and are therefore likely to be willing to help you execute the most innovative plans as long as they get to participate fully. (This may be surprising to people in the UK, with its associations of tradition!)

	<i>Characteristics</i>	<i>Tips</i>
High LTO	Family is the basis of society. Parents and men have more authority than young people and women. Strong work ethic High value placed on education and training.	Show respect for traditions. Do not display extravagance or act frivolously. Reward perseverance, loyalty, and commitment. Avoid doing anything that would cause another to “lose face”.
Low LTO	Promotion of equality. High creativity, individualism Treat others as you would like to be treated. Self-actualization is sought.	Expect to live by the same standards and rules you create. Be respectful of others. Do not hesitate to introduce necessary changes.

For a list of scores by dimension per country and more detailed information about Hofstede’s research, visit his website.

Key Points:

Cultural norms play a large part in the mechanics and interpersonal relationships at work. When you grow up in a culture you take your norms of behavior for granted. You don’t have to think about your reactions, preferences, and feelings.

When you step into a foreign culture, suddenly things seem different. You don’t know what to do or say. Using Hofstede’s Cultural Dimensions as a starting point, you can evaluate your approach, your decisions, and actions based on a general sense of how the society might think and react to you.

Of course, no society is homogenous and there will be deviations from the norms Hofstede found, however, with this as your guide you won't be going in blind. The unknown will be a little less intimidating and you'll get a much-needed boost of confidence and security from studying this cultural model.

Related Theories

Intercultural communication is a form of global communication. It is used to describe the wide range of communication problems that naturally appear within an organization made up of individuals from different religious, social, ethnic, and educational backgrounds. Intercultural communication is sometimes used synonymously with cross-cultural communication. In this sense it seeks to understand how people from different countries and cultures act, communicate and perceive the world around them. As a separate notion, it studies situations where people from different cultural backgrounds interact. Aside from language, intercultural communication focuses on social attributes, thought patterns, and the cultures of different groups of people. It also involves understanding the different cultures, languages and customs of people from other countries. Intercultural communication plays a role in anthropology, cultural studies, linguistics, psychology and communication studies. Intercultural communication is also referred to as the base for international businesses. There are several cross cultural service providers around who can assist with the development of intercultural communication skills. Research is a major part of the development of intercultural communication skills.

The following types of theories can be distinguished in different strands: focus on effective outcomes, on accommodation or adaption, on identity negotiation and management, on communication networks, on acculturation and adjustment.

Theories Focusing on Effective Outcomes

Cultural Convergence

In a relatively closed social system in which communication among members is unrestricted, the system as a whole will tend to *converge* over time toward a state of greater cultural *uniformity*. The system will tend to diverge toward diversity when communication is restricted.

Anxiety/Uncertainty Management

This theory focuses on management of uncertainty (e.g., the inability to predict or explain others' attitudes, behavior, or feelings) and anxiety (e.g., feelings of being uneasy, tense, worried, or apprehensive)

Effective Group Decision Making

This theory is about decision making within groups. Therefore it presents different group constellations and their way of decision making as well as their prospect of success.

Theories Focusing on Accommodation or Adaption

Communication Accommodation Theory

This theory focuses on linguistic strategies to decrease or increase communicative distances.

Intercultural Adaption

This theory is designed to explain how communicators adapt to each other in “purpose-related encounters”, at which cultural factors need to be incorporated.

Co-cultural Theory

In its most general form, co-cultural communication refers to interactions among underrepresented and dominant group members.

Co-cultures include but are not limited to people of color, women, people with disabilities, gay men and lesbians, and those in the lower social classes. Co-cultural theory, as developed by Mark P. Orbe, looks at the strategic ways in which co-cultural group members communicate with others. In addition, a co-cultural framework provides an explanation for how different persons communicate based on six factors.

Theories Focusing on Identity Negotiation or Management

- Identity Management Theory
- Identity Negotiation Theory
- Cultural Identity Theory

Theories focusing on communication networks

- Networks and Outgroup Communication Competence
- Intracultural Versus Intercultural Networks
- Networks and Acculturation

Theories Focusing on Acculturation and Adjustment

Communication Acculturation

The Theory attempts to portray “cross-cultural adaption as a collaborative effort in which a stranger and the receiving environment are engaged in a joint effort.”

Anxiety/Uncertainty Management

When strangers communicate with hosts, they experience uncertainty and anxiety. Strangers need to manage their uncertainty as well as their anxiety in order to be able to communicate effectively with hosts and then to try to develop accurate predictions and explanations for hosts' behaviors.

Assimilation, Deviance, and Alienation States

Assimilation and adaption are not permanent outcomes of the adaption process; rather, they are temporary outcomes of the communication process between hosts and

immigrants. “Alienation or assimilation, therefore, of a group or an individual, is an outcome of the relationship between deviant behavior and neglectful communication.”

Other Theories

- Meaning of Meaning Theory — “A misunderstanding takes place when people assume a word has a direct connection with its referent. A common past reduces misunderstanding. Definition, metaphor, feed forward, and Basic English are partial linguistic remedies for a lack of shared experience.”
- Face Negotiation Theory — “Members of collectivistic, high-context cultures have concerns for mutual face and inclusion that lead them to manage conflict with another person by avoiding, obliging, or compromising. Because of concerns for self-face and autonomy, people from individualistic, low-context cultures manage conflict by dominating or through problem solving”
- Standpoint Theory — Is an individual experiences, knowledge, and communication behaviors are shaped in large part by the social groups to which they belong.
- Stranger Theory — At least one of the persons in an intercultural encounter is a stranger. Strangers are a ‘hyperaware’ of cultural differences and tend to overestimate the effect of cultural identity on the behavior of people in an alien society, while blurring individual distinctions.
- Feminist Genre Theory — Evaluates communication by identifying feminist speakers and reframing their speaking qualities as models for women’s liberation.
- Genderlect Theory — “Male-female conversation is cross-cultural communication. Masculine and feminine styles of discourse are best viewed as two distinct cultural dialects rather than as inferior or superior ways of speaking. Men’s report talk focuses on status and independence. Women’s support talk seeks human connection.”
- Cultural Critical Studies Theory — The theory states that the mass media impose the dominant ideology on the rest of society, and the connotations of words and images are fragments of ideology that perform an unwitting service for the ruling elite.
- Marxist Theory - Marxism is a theory based on Dialectical Materialism, which aims at explaining class struggle and the basis of social relations through economics.

Intercultural Communication Competence

Intercultural Communicative Competence has been said to combine three components:

- knowledge (= information necessary to interact appropriately and effectively)
- motivation (e.g. positive affect toward the other culture, empathy)
- skills (= behavior necessary to interact appropriately and effectively)

Intercultural communication principles guide the process of exchanging meaningful and unambiguous information across cultural boundaries, in a way that preserves mutual

respect and minimizes antagonism. For these purposes, culture is a shared system of symbols, beliefs, attitudes, values, expectations, and norms of behavior. It refers to coherent groups of people whether resident wholly or partly within state territories, or existing without residence in any particular territory. Hence, these principles may have equal relevance when a tourist seeks help, where two well-established independent corporations attempt to merge their operations, and where politicians attempt to negotiate world peace. Two factors have raised the importance of this topic:

- Improvements in communication and transportation technology have made it possible for previously stable cultures to meet in unstructured situations, e.g. the internet opens lines of communication without mediation, while budget airlines transplant ordinary citizens into unfamiliar *milieux*. Experience proves that merely crossing cultural boundaries can be considered threatening, while positive attempts to interact may provoke defensive responses. Misunderstanding may be compounded by either an exaggerated sensitivity to possible slights, or an exaggerated and over-protective fear of giving offence;
- Some groups believe that the phenomenon of globalization has reduced cultural diversity and so reduced the opportunity for misunderstandings, but characterizing people as a homogeneous market is simplistic. One product or brand only appeals to the material aspirations of one self-selecting group of buyers, and its sales performance will not affect the vast multiplicity of factors that may separate the cultures.