MONEY, MATTERS AND COMMERCE

(Include the ten golden trading rules)

English for business, trade and finance. Marketing, money, commerce and letter writing, a complete short summary course (Free PDF) for schools and universities, but not only for students.

Carl William Brown

Economics is the social science that studies the production, distribution, and consumption of goods and services. Economics aims to explain how economies work and how economic agents interact. Economic analysis is applied throughout society, in business, finance and government, but also in crime, education, the family, health, law, politics, religion, social institutions, sex, war, and science.

Economy - the system of production and distribution and consumption. The efficient use of resources; "economy of effort". Types of economy. Planned economy, Free market economy Mixed economy. In the first type the government or state makes decisions about what will be produced, how it will be produced and in what quantities, at what price it will be sold and who will benefit from the sale of the products and services. Several countries in Eastern Europe followed this model in the past. The second type is also known as the "capitalist system". The main decisions about production and prices are established by the economics of supply and demand. Consumers choose who to buy from and how much they are willing to pay for a product or a service. Japan and USA are example of this type. Mixed type is the economy that combines elements of both free market and planned economy. Private companies are free to compete for most goods and services, but the government provides other services, such as public transport, education and health care. Italy, France, U.K. and Germany are example of mixed economy.

The first Law of Economics: the only thing more dangerous than an economist is an amateur economist. The second Law of Economics: the only thing more dangerous than an amateur economist is a professional economist!

The four factors of production: Natural resources, Labour, Capital and Entrepreneurship. In developing countries mining and farming provide most of the jobs for the working population. As countries like India and China become richer, industries grow up and people move from the countryside into the cities to find work in the secondary sector. Richer countries, like Japan and those in Europe and North America, employ most people in their service industries.

Three things are needed to make the economy of a country work: land, labour and capital, which are exploited by various enterprises to provide products and services. The three sectors of production: primary sector: farming, mining, fishing, forestry. The secondary sector processes the raw material from the primary sector. This means that they take the raw materials and transform them into goods and products. It includes manufacturing and construction. (food and beverage, textile, car industry, building). The tertiary sector involves the provision of services to final consumers and businesses. Types of industries in the

tertiary sector are: retailing, the sale of goods from a store; banking and insurance; education.

Commerce is a general term used to describe the sale and distribution of goods and services. The commercial activity of buying and selling goods and services is called "trade". Trade is divided into home trade, when goods and services are sold and bought inside a country, and foreign trade, when this commercial exchange happens between two different countries. In foreign trade we distinguish between import, when goods or services are bought from a foreign seller, and export, when goods or services are sold to a foreign buyer. Another aspect of commerce refers to the services which make trade possible, for example: banking, insurance, transport and marketing.

Trade - The business of buying and selling commodities; commerce.

Stages of a sales transaction

The basics of importing and exporting are not different from the essential principles of buying and selling on a single market. Business transactions usually go through a series of steps that bring buyer and seller closer together until the deal is finalised and completed.

Stage 1 The Enquiry. The buyer requests general information and a quotation. The voluntary offer. The seller offers goods to potential buyers. The unsolicited offers and spam. **Stage 2** The reply to the enquiry. The seller provides information and quotes prices. The follow-up letter. The buyer requests further information and a quotation.

Stage 3 The Order The buyer places the order. **Stage 4** The confirmation and execution of the order. The seller agrees to fulfil the order and arranges for delivery. **Stage 5** The payment. The buyer pays for the goods.

1. Introduction to business communication.

Personal phone calls. Business phone calls. Layout of a business letter. Faxes. Emails.

The supplier and the prospective customer .... Get in touch in order to do business.

Documents: business letters, faxes, and emails.

Keywords: addressee, person a letter, etc, is addressed to.

Layout: the way the parts of the letter are arranged.

Letterhead: name and address printed at the top of writing paper.

Written communication in business is increasingly done via email and certified emails and, to a lesser extent, by fax. Letters are still used, however, when sending documents like contracts, etc, which need signatures, or to accompany some parcels, or catalogues, etc.

Business letters are laid out following a standard sequence. You usually include the following elements:

Letterhead - References (Our Ref....../Your Ref.....) – Date - Addressee - Attention Line (The import Manager/ Mister....) – Salutation (Dear Sir/Madam etc.) – Subject Line (Your promotional offer) – Body of the letter – Closing greeting (Yours faithfully) – Signature – Enclosures (Enc: 1 list of articles).

Writing an email. Some elements that you need to write in a letter are automatically provided by the email system. For example, you don't need to write the date and your internet address. You should always write the subject of your message to signal to your addressee what the message is about. An email body text usually tends to be direct and to the point. As a general rule, avoid unnecessary information and wordy sentences. If you wish to provide more information or data attach a file. In general the register of the language tends to be more informal than in a business letter, so you can safely use abbreviations, acronyms and linguistic devices that speed up reading, and consequently, action. But caution: avoid excessively colloquial expression.

Fax machine have been replaced by new technologies such as text messages and e-mails. Traditional business letters have been substituted by e-mails. Text messages are not called sms in North America and the UK . The term "text messaging" is preferred. E-mails are a quick and simple way to send messages. E-mails can be sent and received at any time of the day and you can receive immediate feedback. Fax are still used because electronic signatures on contracts are not always recognized by law if you use emails, while faxed contracts with copies of signatures are. Nowadays, however we have the certified e-mail, and so the problem doesn't exist any longer.

Telephone communications are very useful and employed because they allow people to communicate on the move and do business from any location. Nowadays, however, with the development of wireless internet connections and mobile phones you can use your smartphone or Ipad or netbook wherever you are as well.

2. Offers and replies

Telemarketing. Unsolicited offers and spam. Replies.

The supplier....sends informative material, either unsolicited or on request. The prospective customer...examines the material and responds. Documents:

catalogues, price lists, brochures. Keywords: discount, that is a reduced price; junk mail: advertising material sent to people who have not requested it; quotation: a written statement of how much something will cost; spam: advertising material sent by email to people who have not requested it; telemarketing: is the telephonic equivalent of unsolicited offers and spam. It can be used to get new customers or to encourage old ones to continue or to increase the number of services they use. It tends to gain the listener's attention, giving the main message and encouraging the listener to take action, that is to buy.

3. Making and responding to enquiries

Enquiries on the telephone. Enquiries in writing. Internet enquiries. Responding to enquiries.

The prospective customer… phones or writes to ask for information or material. The supplier… responds as requested. Documents: catalogues, price lists, brochures, etc. Keywords: delivery: the act or process of taking things to their destination; payment: amount of money that has been or must be paid; samples: small amounts of a product for potential customers to evaluate; terms and conditions: how and when things will be delivered or paid for, how much it will cost.

If you need information about something, you can make an enquiry by phone or in writing. Many people prefer the phone as it is often quicker and means that you can ask follow-up questions if the answer you receive is not completely clear or does not tell you everything you need to know. In internet most websites have a FAQs (Frequently Asked Questions) section, but for those users who need more specific information there is usually an email address or an enquiry section with an online form to fill in.

When you reply to enquiries you should not only try to answer your prospective customers' questions, but also mention any other information that may induce them to place orders. When you receive a lot of requests for generic information you may send off whatever is requested (catalogues, price lists, etc.). Most enquiries, however, ask about prices and terms. You can give prices in two ways: supplying a price list, i.e. a list of your products and the price for each, valid for all customers up to the expiry of the list. This can be an enclosure in a letter or an attachment to an email; or making up a quotation, i.e. a price that you give a customer after evaluating the various aspects of that specific transaction. A quotation may refer just to the cost of goods or may include other costs, such as freight and insurance. A set of internationally recognized rules called INCOTERMS governs the composition of the price given in a quotation. Terms usually cover how things will be done: delivery terms state how and when the goods will be supplied and how they will be paid for; payments terms state how much the goods will be and particularly how much time is allowed for payment.

4. Negotiating Orders

Orders on the phone. Online orders. Orders in writing. Responding to orders. The customer....places the order. The supplier....acknowledges receipt of the order and responds. Documents: order forms, letter of order, email orders. Keywords: form: official document containing questions and spaces for answers; terms of sale: the conditions people offer or demand when selling something. Making orders on the telephone. After examining an offer, if you find the quotation acceptable, you place an order. You can usually order electronically using an online order form, or you can do it by post or fax on a form, either supplied by the seller with his offer, or on your company's own printed form. If you do it by post, you will usually write a short covering letter, which will mention only the previous correspondence, if any, and the hope that the order will be fulfilled with care. You may be also be able to order telephonically if you give your credit card number or if you are a regular customer. Customers are increasingly doing their shopping on the Internet where they make their purchases by filling in "order forms" on the various websites they visit. Payment is usually by credit card or, nowadays, with Paypal, which offers a higher degree of security. Obviously the basic information required for an order is always the same: name, address, article and quantity, but sites often ask for extra information like the purchaser's job or place of work for marketing purposes, and usually ask if the consumer is interested in receiving news updates electronically. Making orders in writing. If your order is in the form of a letter, the major points to cover are: quantity of goods: number of articles-weight of each item ordered: quality of goods: description of items (catalogue number, colour, model, finish, reference to samples submitted; price: price per item; total price of items ordered; discount granted if applicable; delivery terms: prompt-ready delivery; delivered by…including INCOTERMS; transport instructions: details concerning route to be covered, preference for a particular forwarding company, means of transport to be used (by road, rail, sea or air); insurance: instructions concerning coverage of the shipment; payment: details of settlement (means of payment agreed-time of settlement-name of bank involved in payment). Remember that your order is a legally binding document: if the supplier fills your order correctly, you cannot refuse payment. Responding to orders, giving confirmation. When an order comes in, you check to make sure that you can supply the goods requested and that the terms correspond to those stated in your offer. You then send your customer confirmation of the order if you can fulfil it. If you are not able to fulfil the order for any reason, you reply with an apology and, if appropriate, offer an alternative solution. If something is out of stock, for example, you could offer a different product with similar characteristics. You should never promise something that you cannot then provide. Your confirmation is a legally binding commitment to supply what has been ordered in conformity with the conditions stated.

5. Making and responding to complaints

Complaints on the phone. Complaints in writing. Responding to complaints. The customer ....informs the supplier about problems connected with the execution of an order. The supplier....suggests an adjustment. Documents: complaint forms, letters, faxes, emails. Keywords: adjustment: a change made to correct or improve something. Making complaints on the phone. Unfortunately, in buying and selling, sometimes things can go wrong for a number of different reasons. Communication about this sort of problems needs tact and restraint by both the importer and exporter, as the situation may be due entirely to circumstances beyond their control. In a first complaint to a supplier, outline the situation and ask for an explanation and-or solution. The tone of the letter, email or phone call should be non-provocative and relaxed. It may later become firmer or more annoyed if the exporter fails to respond and to complaint adequately.

Planning your complaint:

1. Refer to the order or goods and say what the problem is.

2. Say whether you intend to take or have already taken any action, or suggest a solution.

a. When the delivery is late, you can:

- tell the supplier to speed it up and give a deadline or ultimatum,
- reject it,
- cancel the order,
- offer to keep the goods at a discount.

b. When articles are missing you may either ask your supplier to complete thè delivery or cancel the order for what is missing.

c. When you receive the wrong goods or extra goods you can:

- reject them and ask the supplier to deliver what you ordered,
- keep them if the exporter grants a discount,
- keep the surplus on "sale-or-return" basis or on consignment, which means that you will try to sell it at the best obtainable prices, but you

will pay only when you have sold it and return it if you can't.

d. When the goods are the wrong quality or faulty, you can:

- claim a replacement at the supplier's expense,
- return them (at the supplier's expense) and cancel your order,

• offer to keep them at a discount.

e. When you receive damaged goods, you have to find out who is responsible for the damage. For example, the exporter may not have packed the

goods correctly, or the carrier may have treated them roughly. In most cases you need to contact the insurers to recover the cost of the damaged

goods (and the lost profits) and you contact the suppliers for replacements, etc.

Responding to complaints:

Even if you feel that a complaint is unfounded, your reply should be polite and helpful. If the complaint is justified, you should try and put the matter right as quickly as possible.

Planning your letter or email

1. Say that you have received your customer's complaint and summarise the problem.

2. Apologise and explain the cause of the problem, if appropriate.

3. Accept the customer's suggestion or give a counter-proposal.

a. When you have delivered the wrong goods or quantities, or something is missing, apologise and negotiate what to do

• with extra goods: the customer can return them or keep them with a discount or on consignment;

• with missing goods: reassure the customer that they will be shipped immediately;

• with the wrong goods: arrange to pick them up if the customer doesn't want to keep them (despite favourable terms you can offer as an incentive).

b. When your customer is unhappy with the quality:

• if you agree with your customer, you should apologise and agree to replace the goods, or, if the customer is willing to keep them, accept (or politely reject) their conditions;

• you may disagree and insist you fulfilled the order correctly (but bear in rnind the old saying that the customer is always right - even if you are sure you are right, do you want to lose future orders?).

c. When your customer complains that the goods are faulty, first investigate the matter. If the complaint is justified, apologise and accept any reasonable suggestion ths customer makes to put matters right.

d. When the goods are damaged:

• if the goods get damaged in transit, your customers will deal with the insurers who covered the shipment.

You only have to give them a reply about any replacements required;

• if, however, the goods were damaged when they left your premises, you should apologise and replace them

4. Apologise again and refer optimistically to future business.

6. Payments problems

Making and responding to requests for payments. Letter of reminder. Responding to letters of reminder. The customer....responds to the suppliers' reminder. The supplier.....reminds the customer about overdue payment and follows up as necessary. Documents: letters, emails, faxes. Keywords: bad debt: non-payment; overdue: late; reminder: communication to solicit payment; repay: pay off the debts.

Late-paying customers. European businesses and official bodies lose around 25 billion euro every year because they have to finance unnecessary credits. Late-paying customers put the companies they buy from at risk of cash-flow problems and even bankruptcy, and late and uncertain payment is a major barrier to free trade. Bad debt (non-payment) is an even bigger problem. The European average fluctuated between 1.7 and 1.9% of all invoices in the period between spring 2004 and 2007, with the countries in the Baltic region and Central Europe the riskiest places to do business (around 3%) and Scandinavia the least risky (around 1.1 %)

Letter of reminder. You must be very careful when writing a letter of reminder. You cannot be sure your clients are deliberately avoiding paying you: they may genuinely have forgotten, so you need to maintain a delicate balance between stating your request clearly and keeping your clients' goodwill. This is especially true for a first reminder. If it is a first reminder:

a. simply remind your client that payment is late. Give all relevant details like the invoice or account number, the due date and the sum owed;

b. to maintain goodwill, presume this was an honest mistake and make sure the client understands that this is a gentle reminder that payment is due;

c. confirm your belief that this is the case and that you look forward to receiving payment in the next few days.

If it is not a first reminder, you should write more firmly, also mentioning your previous letters, phone calls or emails and giving the dates. State the action you

want your customer to take and anything you intend to do (for example interrupt the supply of products or a service, etc.). Reminders get progressively firmer and may then threaten legal action.

7. Job hunting. Making an application. When you find a job you are interested in, you need to convince your potential employer that you are the right person to fill the position. You do this either by sending a CV, or by filling in an application form, which many employers prefer as it gives a standardised format and thus saves the recruiter time. The CV or form will normally be sent with a covering letter in which you draw attention to the reasons why you would be right for the job, highlighting your key skills, experience and education, and getting the attention of potential employers. The letter should also demonstrate that you have done your homework: including details specific to the job you seek shows that you have taken the time to consider the position, the company, and their needs. Lastly, it should demonstrate your writing and editing skills and make potential employers want to know more about you. Online forms, however, are often sent without a covering letter.

What are the main points to include in a curriculum vitae? The Curriculum Vitae is an outline of a person's educational and professional history, usually prepared for job applications (L, lit.: the course of one's life). A CV is the most flexible and convenient way to make applications. It conveys your personal details in the way that presents you in the best possible light and can be used to make multiple applications to employers in a specific career area. For this reason, many large graduate recruiters will not accept CVs and instead use their own application form. An application form is designed to bring out the essential information and personal qualities that the employer requires and does not allow you to gloss over your weaker points as a CV does. In addition, the time needed to fill out these forms is seen as a reflection of your commitment to the career.

What information should a CV include? Personal details, Normally these would be your name, address, date of birth (although with age discrimination laws now in force this isn't essential), telephone number and email. Education and qualifications, Your degree subject and university, plus A levels and GCSEs or equivalents. Mention grades unless poor!

Work experience, Use action words such as developed, planned and organised.

Even work in a shop, bar or restaurant will involve working in a team, providing a quality service to customers, and dealing tactfully with complaints. Don't mention the routine, non-people tasks (cleaning the tables) unless you are applying for a casual summer job in a restaurant or similar.

Try to relate the skills to the job. A finance job will involve numeracy, analytical and problem solving skills so focus on these whereas for a marketing role you would place a bit more more emphasis on persuading and negotiating skills.

Interests and achievements, Keep this section short and to the point. As you grow older, your employment record will take precedence and interests will typically diminish greatly in length and importance. Don't put many passive, solitary hobbies (reading, watching TV, stamp collecting) or you may be perceived as lacking people skills.

Show a range of interests to avoid coming across as narrow : if everything centres around sport they may wonder if you could hold a conversation with a client who wasn't interested in sport. Hobbies that are a little out of the ordinary can help you to stand out from the crowd: skydiving or mountaineering can show a sense of wanting to stretch yourself and an ability to rely on yourself in demanding situations.

Any interests relevant to the job are worth mentioning: current affairs if you wish to be a journalist; a fantasy share portfolio such as Bullbearings if you want to work in finance.

Any evidence of leadership is important to mention: captain or coach of a sports team, course representative, chair of a student society, scout leader.

Anything showing evidence of employability skills such as teamworking, organising, planning, persuading, negotiating etc.

Skills. The usual ones to mention are languages (good conversational French, basic Spanish), computing (e.g. "good working knowledge of MS Access and Excel, plus basic web page design skills" and driving ("full current clean driving licence").

If you are a mature candidate or have lots of relevant skills to offer, a skills-based CV may work for you

Referees. Normally two referees are sufficient: one academic (perhaps your tutor or a project supervisor) and one from an employer (perhaps your last part-time or summer job). See our page on Choosing and Using Referees for more help with this.

8. Business The occupation, work, or trade in which a person is engaged. Commercial, industrial, or professional dealings. A commercial enterprise or establishment. Volume or amount of commercial trade. The business of America is business. The organization of business. Sole traders. Partnerships. Limited companies. Cooperatives (co-op) The growth of business. Mergers. Takeovers. Acquisitions. Joint Ventures. Multinationals. The structure of a company. Board of

directors. Managing director. Sales manager. Marketing manager. Human resources manager. Purchasing manager. Production manager. Finance Manager. Information Systems Manager. Business transaction. Speaking business. Writing business. Business Communication. Enquiries and replies. Offers and replies. Orders and replies, modification and cancellation of orders. Complaints and replies. Reminders and replies. Methods of payments. See also "factoring" and so on.

Synonyms: business, industry, commerce, trade, traffic. These nouns apply to forms of activity that have the objective of supplying commodities. Business pertains broadly to commercial, financial, and industrial activity: decided to go into the oil business. Industry entails the production and manufacture of goods or commodities, especially on a large scale: the computer industry.

Commerce and trade refer to the exchange and distribution of goods or commodities: laws regulating interstate commerce; involved in the domestic trade. Traffic pertains in particular to businesses engaged in the transportation of goods or passengers: renovated the docks to attract shipping traffic. The word may also suggest illegal trade: discovered a brisk traffic in stolen goods.

9. Entering Foreign Markets. Market factors are the main reason companies decide to start doing business abroad. As their domestic markets become saturated, they turn to vast untapped markets in other countries, particularly in the developing world, where in countries like China increasing affluence brings new potential customers for all sorts of consumer goods that people in the developed world already have. Obviously there are risks involved: unfamiliar market conditions lead many companies into making basic errors and failing, or there may be political risks like corruption, War and civil unrest. How to enter foreign markets:

• risks can be limited by selling franchises to entrepreneurs who are given the right to sell a product or service in return for a share of the profits or a fee. This means it is the franchisee who makes the investment and takes the risks; • selling products to an import company which then resells them in their local market is also a relatively risk-free method of entering foreign markets; • local agents can be appointed to represent a company In return for commission on sales. Choosing the right agents is important as they should he familiar with the market and local regulations and also be able to check the credit-worthiness of potential clients; • opening a branches or setting up a subsidiary is far riskier, even with local investors, as both options require heavy initial Investment;

• joint ventures with a local partner operating in a related field are also expensive, but have the advantage that the local partner knows the market, and expenses, risks and useful local contacts are shared.

International Trade. Goods can be made or produced in one country and sent to another to he sold: this is known as exporting. China, for example, exports clothes to much of the EU.

Importing, on the other hand, is when goods are brought into a country to be sold there, so we can say the EU imports clothes from China. The balance of trade is the difference between how much a country exports and how much it imports. If a country exports more than it imports, it is said to have a trade surplus; if it imports more, it has a trade deficit. The balance of trade includes goods - visible exports and imports like food, machines, etc. - and services like tourism and banking, called invisible exports (because you cannot see what is sold) which bring in invisible earnings. A country's balance of payments is the difference between the money coming into a country and the amount going out. If more money comes into a country than goes out, there is a balance of payments surplus; if more money goes out, there is a balance of payments deficit. The balance of trade and the balance of payments are the methods used for talking about a country's volume of international trade

International organizations for global trade. To counteract protectionism and enforce a fair balance in global trading practices, a number of supranational organizations have been established, of which the World Trade Organization (WTO) is the most important. 'The WTO aims to ensure that global trading respects agreements designed to eliminate trade harriers and avoid trade distortion. The authors of these agreements are the member governments themselves - the agreements are the outcome of negotiations among members. This means that when a member government feels another is violating an agreement or a commitment that it has made in the WTO in any way, it can appeal to the WTO. Ultimate responsibility for settling disputes also lies with member governments, through the Dispute Settlement Body. THE WORLD TRADE ORGANIZATION • Location: Geneva, Switzerland

• Established: 1st January 1995 • memberships: 151 countries as of August 2007
• Function: it is a permanent organization ruling on international trade disputes.

Other important international organizations are the International Monetary Fund (IMF) and the World Bank (WB).The two were set up in 1994 to provide loans and encourage growth and stability in developing countries, but there is a lot of criticism about how the two organizations try to achieve these very valid goals. The primary mission of the IMF is to provide short-term financial assistance to countries experiencing serious financial difficulties, but IMF loans usually come with conditions, like decreased government spending and privatisation of vital national resources, which in many cases have left countries in worse states than those they were in before implementing the IMF reforms.

The World Bank, which provides low-interest loans to poor countries for development projects, has often been criticised for encouraging major infrastructure-building programmes, regardless of the sometimes enormous negative impact on the environment and local ecosystems.

Trade Blocs. There are enormous economic interests at stake in the world of trade and commerce. National producers want to protect their home markets so governments are under pressure to pass restrictive laws or subsidise, products, thus distorting trade. Free-trade areas have been established to promote trade between countries but behave much like national markets in that even as they eliminate internal trade barriers, they maintain external ones. The European Union (EU), the North American Free Trade Agreement (NAFTA), the association of South-East Asian Nations (ASEAN) and MERCOSUR in South America are all important trade blocs.

10. Payments in International Trade.

Risk assessment. More risk is involved in international trade than in home trade and exporters have to take into account a number of factors when specifying payment methods. These include the importer's credit standing, the country in which he operates and the degree of trust the seller has in him. If the buyer is rated negatively for any of these factors, the exporter will select a method of payment which makes the transaction safer for him, such as payment in advance. If the buyer is rated positively, the exporter will usually grant a more favourable form of payment, such as open account. Exporter Higher risk decreasing methods of payment are as follows: open account; bank transfer; clean bill collection; documentary collection; letter of credit; payment in advance. On the contrary importer higher risk decreasing methods of payments are: payment in advance; letter of credit; documentary collection; clean bill collection; bank transfer; open account.

Open Account. Open account terms are the least secure form of payment for the exporter. They are only granted to regular, reliable customers who agree to pay within a specific time. This is usually 30, 60, or 90 days after the invoice date. When goods are delivered at regular intervals, a customer may be granted monthly or quarterly credit terms. He will receive a statement of account S/A, a document which contains a list of all the transactions that have taken place during a fixed period of time and shows the amount owed by the buyer.

Payment in advance. This form of payment is generally used with contracts which require large investments, such as the construction of dams, pipelines or motorways. It isn't used very much in international trade because it is particularly unfavourable to the buyer. For small orders from new customers, two methods can be used, cash with order (CWO) and cash on delivery (COD). You state when

and how your customer must pay by giving payment terms. The main terms relating to these payment are:

- Cash With Order (CWO): payment is due when the order is placed. This tends to be used for small orders or goods made to order as the buyer risks the order not arriving, being substandard or late;

- Cash On Delivery (COD): the importer pays the invoice when it arrives with the order, which is delivered at the exporter's expense. It is a popular means of payment for trade within the EU as it avoids complicated bank transactions, but it involves some risk for the exporter;

- Documentary Collection: when shipping documents are required in an international transaction, the method of payment is known as documentary collection. For this payment method the exporter still draws a B/E, which has to be signed and accepted by the importer before any goods are sent. Once the goods have been despached, however, the exporter sends the B/E plus all the relevant shipping documents: the invoice (fattura); the bill of landing (B/L) (polizza di carico) and the insurance policy to his bank. The exporter's bank forward the shipping documents to the importer's bank when the B/E has been paid (Documents against payment D/P), or payment has been guaranteed at a later stage (Documents against acceptance D/A).

this is advantageous for both the importer and the exporter: • the importer pays for the goods or accepts the draft` when the goods are ready to be shipped and he can examine the documents and check if the order has been correctly fulfilled; • the exporter carries out the order and ships the goods knowing that the importer will collect them only after paying the invoice, or undertaking to pay by accepting a draft. As soon as the supply is ready for shipping, the exporter gives his bank the documents relating to the goods (the shipping documents) and a Bill of Exchange.

There are two types of **Documentary Collection**: • Documents against Acceptance (D/A): this states that on shipping the goods the exporter will be paid at a future date. The customer receives the shipping documents when he accepts the Bill of Exchange; • Documents against Payment (D/P): this states that when the buyer receives the documents (the invoice, the transport documents and the insurance policy) which give him ownership of the goods, he pays the Bill of Exchange; - Documentary Credit, also known as Letter of Credit (L/C). A letter of credit is a letter from a bank guaranteeing that a buyer's payment will be received on time and for the correct amount. If the buyer is then unable to pay for the purchase, the bank has to cover the payment. The letter of credit specifies all the terms of trade involved in the transaction: a detailed description of the goods, the time and place of delivery, the documentation required, etc. When these sales terms have been met and the documents have been submitted to the

importer's bank, the credit is released and the supplier is paid. This method of payment is secure for both the importer and the exporter because the banks involved have to check the documents carefully and then make the payments in accordance with the terms specified in the L/C. Letters of Credit are expensive and so not used for small sums of money or for regular and trusted customers, but are among the most secure and financially flexible instruments available to international traders because: • the importer knows that the bank will check the documents to make sure that the order has been filled correctly; • the exporter fills the order knowing that he will be paid without delay if the documents he gives to the bank satisfy the credit terms. A confirmed irrevocable letter of credit gives the maximum protection. This is because the buyer cannot cancel it without the exporter's permission. It is especially useful in high risk markets where payments might be restricted by events such as economic crisis or military action.

- Open Account: this allows trusted customers to pay periodically for goods already supplied. There is no pre-payment or other form of security to protect the exporter: the importer receives the goods and pays after a specified number of days. If deliveries are regular, the exporter issues a statement of account detailing the transactions for that period and the amount due. The statement of account is often used as a polite reminder that some payments are overdue. As well as the statement of account, customers may receive: • a Credit Note which is sent to customers who are owed money, either because they have paid more than they should have, or because they have returned goods they have already paid for; • a Debit Note which is a written record showing that the customer owes money, for example because they have been invoiced for less than the correct amount.

Methods of Payment

The final operation of a sales transaction is payment. The Bill of Exchange (B/E) or draft. Usually a bill of exchange is a document that orders a bank (the importer's bank) to pay a sum of money to another bank (the exporter's bank). The B/E also specifies when the payment must be made. This can be made at sight (sight draft, tratta a vista) or at a fixed future date, a term draft (tratta a scadenza). It can also be used as a form of credit for the importer because he can receive the goods but pay for them at a later date. It is a very common method of payment in international trade because it is a relatively simple procedure and doesn't require the attachment of any shipping documents. It is a written order whereby a person, the drawer (traente), requires another person, the drawee (trattario), to pay on demand, or at a future date, the sum of money stated to a third person, the payee. The drawer is the person who issues the order of payment. If he puts his name on the draft, he is the beneficiary. If he puts another person's name, he wants the money to be paid to that person.

The drawee is the person who pays the sum of money. He is the debtor. The payee is the beneficiary, the person who will cash the money. The payee and the drawer may be the same person.

The time of payment, called the maturity, may vary: • a draft at sight can be cashed at any time; • a draft at 30/60/90 days can be cashed 30/60/90 days after receiving it; • if a date is written on it, that is when it can be cashed. The acceptance is an essential requirement of the draft. You can't demand payment if the drawee doesn't agree to pay. When you have drawn up a draft, you send it to the drawer. The drawee writes accepted followed by his signature across the face of the draft. The acceptance is the official engagement to pay the draft when it falls due. If the drawee writes the name of a bank on the draft, the draft is domiciled with that bank and the payee will have to go to that specific bank to collect the money. The Bill of Exchange is negotiable: it can be transferred by endorsement to another person who becomes the new beneficiary. The payee (the endorser) transfers his rights to another person (the endorsee) by signing the back of the bill. The payment The payee can dispose of a draft in different ways: he can wait for maturity and then ask the drawee to honour it; lie can rise it to pay a debt by endorsing it to another payee; he can discount it with the bank, i.e. he can sell it to his bank which will give him cash less a percentage. The bank transfer is the most common, fastest, and one of the simplest - and cheapest in terms of banking charges - ways of making a national or international payment. It Is an irrevocable and unconditional order of payment. The money is taken directly from the debtor's account and put into the creditor's. If the payment is urgent, the most common means for banks to transfer money nowadays is through SWIFT (Society for Worldwide Interbank Financial Telecommunications), a non-profit organisation with a computer system allowing same-day transfers. The debtor goes to his or her bank (or, increasingly, this can be done online) and fills in a form stating how much money has to be transferred and who it is to go to. For this the payee's bank details are necessary:

- Bank and branch - BIC (Bank Identifier Code) - IBAN (International Bank Account Number) - BBAN (Basik Bank Account Number) for national transfers.

Cheques are used only for small sums and are not considered a very secure method of payment as they may bounce - in other words, not be covered, which means that the person who tries to cash the cheque is not paid. It is also a slow method of international payment as exporters generally wait until a cheque has been cleared before shipping goods, and this can take weeks.

Credit cards are used particularly when buying on the Internet or by phone, as it is sufficient to give the card number and expiry date to make a payment. This, of course, means that there is considerable risk of fraud: cards can be stolen or cloned, or card numbers and other details may be copied. The risk, along with the

fact that credit card companies charge the seller a percentage of the sum paid, means that cards are only used for relatively small payments.

Ebanking. Electronic banking, or ebanking as it is widely known, is an umbrella terns for the system whereby people perform banking transactions electronically, instead of having to go to the brick-and-nlortar institution. Most traditional banks nowadays also offer I an ebanking option for slaking payments, transferring money or just keeping an eye on the balance in accounts. There are various types of ebanking, for example: Internet or online banking, done, as its name suggests, through the Internet; computer or home banking, carried out via a customer's computer

which connects to the bank's software, or phone banking. Many banks offer a combination of these services, but the most important and widely used forni of ebanking nowadays is Internet. "I 'his is an offshoot of computer banking and allows users to perform banking operations 24/7 front anywhere in the world where there is an Internet connection. No special software is needed, but security is still a major concern. Protection through single-password authentication, as in most secure Internet shopping sites, is not considered secure enough for banking applications in sonic countries, as passwords can be copied or lost, so many online banks inpose a second layer of security, often single-use passwords or devices generating single-use passwords. "There has been considerable growth in the number of virtual or Internet banks which only exist via the Web and do not have physical branches. They generally have lower operating costs than brick-and-mortar ones and are thus often able to offer their customers higher-yielding accounts on investments and lower costs.

Financing Services for International Trade. International commerce needs financing as exporters often have to wait a long time before being paid and may have considerable expense during that period. The following are ways in which exporters can finance their activities. Export financing. If exporters receive a large order, but need financial support as it may be necessary to buy new machinery or a big stock of raw materials, their bank may help by providing a loan on which it will obviously be necessary to pay interest. The bank will want to check the contract of sale and will demand security. The exporters will pay the loan back when they are paid by their customers.

Factoring. Often referred to as accounts receivable financing, factoring is when exporters sell the money they are owed (in the form of invoices) to a "factor", usually a pool of banks, insurance companies or private factoring companies, for the face value of the sold accounts receivable, less a factor's fee. The factor then recovers the full amount from the importer. This can be done with or without recourse: without recourse means that the factor cannot claim money from the exporters if the debtor does not pay.

Leasing. This is a form of financing used in both domestic and international trade and means the buyer pays for consumer durables like cars or computers in instalments. An international leasing company pays the exporter for the goods in advance, and thus becomes the new owner. The company then leases the goods to the importer, who pays for the right to use them for the duration of the lease.

Insurance. The purpose of insurance is to cover risks like fire and theft, but also injury to employees and third parties (liability insurance). In international trade, insurance allows trading partners to obtain compensation if goods get lost or damaged. In the warehouse, goods are usually covered by general property insurance. When they leave the warehouse, however, special cover must be taken out because of the new risks they run while in transit.

Who pays for insuring the goods? The INCOTERM clause mentioned in the offer, order and confirmation of order (CIF, CIP, Ex Works...) states this. However, it is usually the exporter who insures the shipment. This cost is recouped by entering the relative amount in the invoice, unless it was already included in the quotation (CIF, for example). When the insurance is arranged by the forwarders, it is included in their invoice together with the cost of the other services they provide.

The contract stipulated with an insurance company is called an insurance policy. The insurance policy is one of the shipping documents (the others are the invoice and the document of carriage) given to the importer's bank when Documents against Acceptance (D/A) or Documents against Payment (D/P) terms (see Finance and payments, p. 225) have been negotiated. The insurance company is referred to as the insurers, or underwriters, the company taking out the insurance is called the insured and the money paid for the insurance is called a premium. In exchange for the premium, the insurers agree to 1 compensate the insured if something happens to the goods insured and they have to make a claim. The premium is calculated on the basis of • the value of the goods, as declared by the insured; • the risk: the premium on perishable or fragile goods, for example, is higher than that applied to durable articles, as damage is more probable; • the extent of the cover required. The more risks are covered by the policy, the higher the premium. In general, the value insured not only covers the value of the shipment, but also the freight, the cost of the premium and the expected profit obtainable from the sale of the goods. This means that the importer can be sure not to lose money if something happens to the goods.

11. Documents in International Trade. Doing business internationally requires more paperwork than trading within a single country. Some documents used in home and international trade are the same, but there are others required solely for import and export. The invoice. The most important document in both national and international trade is the invoice. This is the demand for payment for the goods supplied. It is normally issued in several copies, as it is also needed by

those intermediaries (bankers, forwarders, carriers, insurers) who provide their services in connection with the delivery and payment operations. It contains: • the names and addresses of all parties to the transaction, • a complete and precise description of the goods with the price per unit, • the total price,

• the quantity or number of items being sold, • packing, transport and payment data. In international trade, all information required by customs must also be included.

The proforma invoice. The proforma invoice differs from an ordinary invoice in that it does not refer to goods supplied, but to goods that you will supply on the terms stated when the transaction is finalized. Customers may need a proforma invoice to ask for an import licence or to transfer money if payment is required in advance, when it is too early for a real invoice to be issued. The electronic invoice or e-invoice. The electronic invoice contains the same information and has the same functions as a paper invoice, but is, of course, quicker to send, store and retrieve as everything is done electronically. Special software ensures that invoices are read-only documents so they cannot be altered by the trader who receives them and, for additional security, electronic signatures can also be added.

Export documents. In exporting goods, various other documents are required besides the invoice, depending on which countries are involved in the transaction. Customs documents certify the origin and composition of a shipment, so that the proper tariff can be applied.

In the EU. As trade between member countries of the European Union is free, no customs duties are imposed on goods circulating within it. The only documents required are a VIES (VAT Information Exchange System) form so authorities can check the correct amount of VAT has been paid and a detailed INTRASTAT (International Trade Statistics) return so national governments can compile statistics.

Outside the EU

• SAD: a Single Administrative Document, or SAD, is the customs document that accompanies goods exported from or imported to the European Union and the European Free Trade Area (Switzerland, Liechtenstein, Norway and Iceland). SAD can also be submitted electronically.

• Export licence: is only necessary for certain products or countries in the case of restrictions or sanctions.

• Consular invoice: this document is sometimes required by the customs authorities of the importer's country. By certifying the current price of the goods in the exporter's country, the consular invoice allows customs authorities to make

sure that the importer does not evade import duty through a false declaration of the value of the goods.

• Certificate of Origin: certifies where the goods have been produced. It is generally required by countries which have imposed restrictions on imports, or grant certain selected countries preferential trade tariffs.

• ATA carnet (Carnet de Passages en Douane for Temporary Admission): must travel with goods that are not exported

permanently, but are sent or taken abroad to be shown to prospective customers, displayed in fairs or exhibitions, or used in events. No customs duties are levied, but the goods must be re-imported in full. ATA carnets do not cover perishable or consumable items or goods for processing or repair.

Transporting goods. Most companies use forwarding agents, often also known as freight forwarders, to transport goods, rather than do it themselves.

On behalf oft the exporter, forwarders: • pack the goods in standard or special export packages; • hire carriers or, in some cases, transport the shipment themselves to the port or airport of departure, or to the place of destination;

• contact the insurers and arrange to cover the goods against a transport risks; • supervise export formalities.

On behalf of the importer, forwarders: • unload the goods from the ship or plane and arrange transport to the final destination; • pay customs duties and other taxes or bureaucratic expenses. In this case the forwarders are also clearers; • supervise import formalities; • in the event of missing or damaged goods, handle the necessary procedures (e.g. contacting the insurers).

Packing. When packing goods, these factors must be considered: • weight and size of goods (also see freight costs); • type of goods: are they fragile, perishable, very valuable, etc.; • freight costs, which may depend either on the weight or on the dimensions of the package. Packers should therefore make sure not only that the goods are efficiently packed, but also that the size and weight of the package are minimized; • type of transport, and if the transport is by road, for example, the conditions of the roads; • the importer's instructions: importers sometimes give particular packing instructions when placing the order. However, while standard packing is usually included in the price of the goods, customers may be charged extra for the cost of special packing; • the weather conditions (for example, extreme humidity or dryness) that might damage an insufficiently protected consignment; • the distance the goods have to cover. Different packing containers. Goods can be packed in different way using: • cartons or cardboard boxes - made of cardboard for small and medium-sized articles; • drums - made of metal, e.g. for chemicals and paint; • cases - made of wood or plastic; •

barrels - made of wood, e.g. for liquids; • crates - made of wood or plastic, e.g. for fruit and vegetables • bales - for soft goods (e.g. textiles) that are pressed together and wrapped in a protective material. Goods shipped without packing travel in bulk.

Means of transporting goods. Goods may travel by land, sea or air. Over short distances they usually travel by land. Otherwise, "intermodal" carriage is used, i.e. they travel by various different means of transport to their destination, for example by road to the port, by ship and then by road again to the final destination.

- Means • Cost & Speed • Distance • Advantages • Disadvantage • Types of goods

- Road • fairly cheap and fast • short & medium • completeness of service (door-to-door) • speed subject to road, traffic & weather conditions • small/medium.

- Rail • cheap and relatively fast over long distances • any distance overland • not conditioned by road, weather & traffic conditions • lack of flexibility as to times and routes; cargo loaded & unloaded several times, risks & delays • large loads (e.g. machinery); goods in bulk (e.g. coals)

- Air • expensive and very fast • medium & long • very few risks: cargo transit time minimal • distance from airport may be a problem • high value, low bulk; perishable; urgent items.

- Sea • cheap and slow • any distance • container ships: simplified & cheap Loading and unloading fixed routes, distance from/to port • any type of large and bulky, or containerised cargo.

Transport documents. Transport documents which must accompany the goods in transit, all have different names, depending on what means of transport is involved.

The International Road Consignment Note is • a receipt for the goods • a contract of carriage between the exporter and the carriers. It contains information about the shipper, the carrier and the buyer, including where the goods are picked up and delivered, and a description of the goods. If the goods the carriers received are damaged, they may add details to the Consignment Note. These notes are known as reserves. Copies of the note are kept by the sender (consignor), the carriers and the buyer (consignee). The Railway Consignment Note is a receipt for the goods issued by the railway station. This is also given to the customs authority and to the stations the goods leave from and arrive at. The Air Waybill is • a receipt for the goods from the airline • a contract of carriage between the shipper and the airline • a customs declaration • a bill for the freight.

It is a standard document used for air transport, printed in English and the language of the carrier. It is not necessary for goods travelling between countries in the EU but its use is nonetheless encouraged.

The Bill of Lading (B/L) for shipments by sea is

• a contract obliging shipper and carrier to respect a number of stipulated conditions

• a receipt stating that the goods have been loaded on a ship under the responsibility of the carrier

• a document of title, stating who is the legal owner of the goods.

The B/L may be clean, when the carrier states that the goods were in a good condition when received, or foul, when they were not in a good condition.

Although the B/L normally only covers transport by sea, a combined B/L may occasionally be issued to cover the sea travel and the transport to and from the port.

IMCOTERMS 2000. (International Commercial Terms). These are expressions used in international trade contracts. They were listed by the International Chamber of Commerce (ICC) to avoid confusion between people in different countries about what exactly is included in the prices quoted.

Group E. Departure. The buyer collects the goods at the seller's premises. Term. EXW - Ex Works + named place. The price covers the cost of the goods only. At the seller's premises, ownership is transferred to the importer who bears all expenses (loading, transport, insurance, customs duties) and risks connected with the delivery o the goods. Prices appearing in price lists are normally quoted EXW. The buyer is responsible for loading the goods on a truck or container at the seller's premises and for the subsequent costs and risk. This term is the most advantageous for the seller.

Group F. International Carriage not Paid by Seller The seller arranges and pays for the pre-carriage in the country of export. Terms. FCA - Free Carrier (.....named place), unloaded at the seller's dock OR a named place where shipment is available to the international carrier or agent, not loaded. This term can be used for any mode of transport. FAS - Free Alongside Ship + named port of shipment. Ocean shipments that are NOT containerised. FOB - Free On Board + named port of shipment. This term is used for ocean shipments only where it is important that the goods pass the ship's rail.

Group C. International Carriage Paid by Seller The seller arranges and pays for the main carriage without assuning the risk. CFR - Cost and Freight + named port of destination. This term is used for ocean shipments that are not containerised.

CIF - Cost, Insurance and Freight + named port of destination. This term is used for ocean shipments that are not containerised. CPT - Carriage Paid To + named place of destination. This term is used for air or ocean containerised and roll-on roll-off shipments. CIP - Carriage and Insurance Paid To + named place of destination. This term is used for air or ocean containerised and roll-on roll-off shipments.

Group D. Arrival at Stated Destination The seller makes the goods available on arrival at an agreed destination in the buyer's country. DAF - Delivered At Frontier + named frontier of destination. This term is used for any mode of transportation delivered by land, not unloaded. DES - Delivered Ex Ship + named port of destination. This term is used for ocean shipments only, not unloaded. DEQ - Delivered Ex Quay + named port of destination. This terns is used for ocean shipments only, unloaded, not cleared. DDU - Delivered Duty Unpaid + named place of destination. This terni is used for any mode of transportation, not unloaded, not cleared. DDP - Delivered Duty Paid + named place of destination. This term is used for any mode of transportation not unloaded, cleared. The seller is responsible for most of the expenses, which include the cargo insurance, import customs clearance, payment of customs duties and taxes at the buyer's end and the delivery of goods to the final point of destination. The seller may opt not to insure the goods at his/her own risk. This term is the most advantageous for the buyer.

12. Price, Supply and Demand.

Products are made to be sold (supply) and consumed (demand). Supply is how much of something is offered for sale at a certain time. In most cases, producers can increase supply when demand goes up, but this does not apply to everything, especially raw materials. Market supply is the sum of all sellers' individual supplies. Demand for a product means how much consumers buy that product. Individually, a consumer's actions make little difference. If someone decides to buy more or fewer beauty products but everyone else goes on buying as before, then it will make no difference. But if everyone starts to buy more, that will make a difference and demand rises. Demand falls when people all decide they want to buy less. The market forces of supply and demand set the price at which sellers are willing to sell and buyers are willing to buy. If something becomes scarce, prices go up. Oil production, for example, cannot be increased beyond a certain limit, at least in the short term, so when there are crises like the war in Iraq, with a resulting drop in oil production which other countries cannot compensate for, prices rise. In the same way, if there is a lot of something available, prices go clown. The factors influence each other: with products that are not considered basic needs, price is an important factor in demand and, as supply is mostly a response to demand, price also usually affects supply. A fall in price usually makes you want to buy more, and a rise in price makes you want to buy less.

Basic needs arc referred to as "inelastic demand". Things that we want, but can do without are classified as "elastic demand".Business The occupation, work, or trade in which a person is engaged. Commercial, industrial, or professional dealings. A commercial enterprise or establishment. Volume or amount of commercial trade.

The business of America is business.

The organization of business. Sole traders. Partnerships. Limited companies. Cooperatives (co-op)

The growth of business. Mergers. Takeovers. Acquisitions. Joint Ventures. Multinationals.

The structure of a company. Board of directors. Managing director. Sales manager. Marketing manager. Human resources manager. Purchasing manager. Production manager. Finance Manager. Information Systems Manager.

Business transaction. Speaking business. Writing business. Business Communication. Enquiries and replies. Offers and replies. Orders and replies, modification and cancellation of orders. Complaints and replies. Reminders and replies. Methods of payments. See also “factoring” and so on.

Synonyms: business, industry, commerce, trade, traffic. These nouns apply to forms of activity that have the objective of supplying commodities. Business pertains broadly to commercial, financial, and industrial activity: decided to go into the oil business. Industry entails the production and manufacture of goods or commodities, especially on a large scale: the computer industry.

Commerce and trade refer to the exchange and distribution of goods or commodities: laws regulating interstate commerce; involved in the domestic fur trade.

Traffic pertains in particular to businesses engaged in the transportation of goods or passengers: renovated the docks to attract shipping traffic.

The word may also suggest illegal trade: discovered a brisk traffic in stolen goods.

Trade restrictions and distortion. The importation and exportation of goods may he subject to restrictions imposed for a variety of reasons. These may include, commercial restrictions like tariffs - and quotas which can be adopted either by national governments or by trade blocs. • tariffs are taxes placed on imports by national governments or trade blocs. By increasing the price of foreign goods on the domestic market, tariffs protect local producers, as consumers are discouraged from buying snore expensive imported products; • quotas establish the maximum quantity of something which can he imported and are again

decided by national governments or trade blocs to protect their own industries. If you wish to import goods subject to quotas, you must first obtain an import licence, i.e. an authorisation to introduce them into your country. Trade may also be restricted for reasons that are not strictly commercial. Sensitive technology and components that can be used to develop armaments are usually exported only under government supervision and the sale abroad of national antiques is forbidden in most countries. The export of any restricted goods requires an export licence. Non-commercial restrictions include: • trade sanctions or embargoes, which are usually imposed by governments as an expression of disapproval of a country's policies. Restrictions may be general, i.e. involve all types of product or specific, i.e. involve particular types of product. For example, within the European Union, arms embargoes are in force against several countries including Afghanistan, China, Liberia, Libya, Sudan and Zimbabwe. Other restrictions can be to protect health or consumers' rights and may take the form of: • bans, when something may not be imported at all. An example of this type of restriction is the ban on importing poultry from certain areas as a result of the bird-flu scare; • regulations and standards, which often apply to products destined for human consumption in one way or another, either because it is felt that these could be a health risk (as in some Chinese toys which do not respect EU safety regulations) or because they do not match product descriptions. An example of this latter case is Indian "whisky", which cannot be sold in the EU as whisky because it is made froth sugar cane, and not malt. Trade can also be distorted by: • government subsidies, which allow companies to produce for less than cost price and therefore to charge less than foreign competitors. These may be challenged by appealing to the WTO, the World Trade Organization; • dumping, which is selling at prices lower than cost or than the price in the home market, to squeeze out competitors, win foreign customers or to reduce excess stocks. Anti-dumping legislation makes this practice illegal.

Globalisation. The production and distribution of the same products and services on a worldwide basis - in London, Lima or Lahore - has been defined "globalisation". Every day news programmes are hill of demonstrators protesting against the phenomenon. But is it really all bad? In the view of no-global activists, the villains of the story are multinational corporations, which are accused of putting profit above all other considerations. There are a wide range of accusations, from exploitation of child labour and pollution to the loss of variety and identity. Let's take this final point first: everyone has heard of globalization, but what about glocalization? This is when a multinational thinks globally but acts locally. An example could be the Swiss corporation, Nestlé. Among its many products is instant coffee, but although the name and packaging are always more or less the same, Nestlé produces over 200 different varieties to cater for different local preferences.

Despite adapting their products to suit different markets, multinationals still enjoy economies of scale from operating all over the world. Moreover, with the amount of money needed for research and development (R&D) nowadays, many discoveries would never have been made without the potential sales from a global market. Production has also been globalised, with benefits both for multinationals, which have much lower production costs, and for workers in the developing world. Countries like India, which have become major outsourcing destinations, have made enormous progress in reducing poverty, whereas countries like Sub-Saharan Africa, untouched by globalisation, have seen their poverty rates unchanged.

The Pros and Cons of Globalisation FOR Who? • The World Trade Organization • The International Monetary Fund • The World Bank Why? There is evidence that inequalities in global income and poverty are decreasing and that globalisation has contributed to this turnaround. For example, the World Bank notes that China's income per head has become four times greater since the country opened to world trade. Poor countries that have lowered their tariff barriers have seen increases in employment. In addition to providing jobs, companies moving to developing countries often export higher wages and better working conditions. AGAINST Who? • Environmentalist groups such as Friends of the Earth and Greenpeace • Some Trade Unions • Left-wing organizations such as the Social Forum

Why? The gap between rich and poor nations is increasing and rising inequality is the inevitable result of market forces. Large corporations invest in poor countries only because they can make greater profits from low wage levels or because they can get access to their natural resources.

13. Channel of distribution: Manufacturer, Wholesaler, Retailer, Consumer.

Marketing - the exchange of goods for an agreed sum of money. The commercial processes involved in promoting and selling and distributing a product or service; "most companies have a manager in charge of marketing". marketing - shopping at a market; "does the weekly marketing at the supermarket". shopping - searching for or buying goods or services; "went shopping for a reliable plumber"; "does her shopping at the mall rather than down town".

What Marketing is About. Marketing is an important part of the production cycle we saw in the chapter The economy. It is not just a part of the sales process, but is often involved in the process of creating a product before it is even designed. Market researchers find out which people want to buy what and then, for the sales campaigns, how much potential consumers are prepared to pay.

Successful marketing means getting the right product to the right people: • at the right price, • at the right time

• in the right place • in the right packager • with the right promotion.

Through marketing producers can:

1. identify a market opportunity. This is when a producer investigates what consumers want or need. This can be done through questionnaires, focus groups or simply through tracking consumers' preferences and buying habits;

2. design a product or service to meet those needs. Part of this involves defining "the "target", i.e. which consumers will be potential consumers (by age, gender, social status, etc.). The "new" product will not usually be new - it will often be based on something already on the market, but designed to appeal to a different target or with new, updated features;

3. choose a price. Consumers assume that price is based upon what something costs the producer, but that is not usually the case nowadays. Modern businesses are market-oriented, whereas in the past they were product-oriented. Pricing has become a science which aims at deciding how much consumers can he persuaded to pay (and marketing research looks at how to persuade them). Obviously this also involves what competitors are charging- for similar products and services;

4. decide the most appropriate presentation and packaging. Choice of a name is very important here. The name and what the product looks like must reinforce the image that is being sold;

5. design the promotional strategies. With toiletries, cosmetics and perfumes, companies may often use testimonials: a beautiful, sophisticated person with the right image who promotes the brand. This would probably not be as appropriate for a video game or hamburgers;

6. decide on the most appropriate distribution channels. This means whether a product should be sold on the Internet or in boutiques, supermarkets or expensive department stores. Caviar would not be a great success in a discount store!

Channel of distribution: Manufacturer, Wholesaler, Retailer, Consumer.

Market Research. Market research can be divided into two basic types: field or primary research and desk or secondary research. The type of information collected can be quantitative, referring to numbers and statistics (for example how many teenagers wear a particular brand of sports shoes), or qualitative, with more in-depth information like why people buy something, etc.

1. Field research involves collection of data directly from people who may be customers or potential customers. The information can be gathered through: interviews, either in person or on the phone; - questionnaires, by post, at points of sale or, increasingly, on-line; - focus groups.

2. Desk research uses data that has already been collected. Sources can be internal, for example financial accounts, sales and customer, reports or external, like statistics or reports from government bodies or trade associations, trade journals and publications. Nowadays much desk research uses data gathered electronically: for example, externally and internally from the Internet where search engines track the types of sites people visit, or internally through the use of store cards which track what people buy, how often they shop, how much they spend, etc.

Market Segmentation. Market segmentation is how a market is divided. This is an important concept in marketing as a product i5 normally designed with a target segment in mind.

Market segments can be defined according to:

• gender • age range • social status (based on income, profession or education • family structure (families with children, single people, etc.) • geographic area • interests.

The Marketing Mix.

Finance. 1. The science of the management of money and other assets. the study or management of money affairs. (often in plural) the money one has to spend.

2. The management of money, banking, investments, and credit.

3. finances Monetary resources; funds, especially those of a government or corporate body.

4. The supplying of funds or capital.

tr.v. fi•nanced, fi•nanc•ing, fi•nanc•es

1. To provide or raise the funds or capital for: financed a new car.

2. To supply funds to: financing a daughter through law school.

3. To furnish credit to. The marketing mix covers all the activities normally associated with marketing. These are often known as the 4Ps: • Product: finding the right product or combination of products for that market (through research, design and development); • Price: deciding the most profitable price possible, bearing in mind the competition and demand; • Place: making the product

available when and where necessary; • Promotion: persuading customers to buy the product, with suitable means of communication.

Product. Branding and packaging are two aspects of marketing strategies that consumers hardly ever notice but that serv to differentiate products, which may in fact be very similar. Branding Brand-naming agencies specialise in evaluating the product, the image the company wants to project to the consumer (perhaps its high-tech or homely nature, its price advantage, or style) and finding the best name for it. A good brand name should be memorable and appropriate, it should be pronounceable and have no unpleasant connotations in any relevant language or culture where the product may he sold. Successful brand names are often the most important asset} a company may have as consumers will often pa; a lot more for a brand that has a good reputation. Since it is very difficult, time-consuming and expensive n create successful new brands, companies often find it quicker and cheaper to take over companies whose finance may not be in great shape, but whose products are well-known to consumers.

Packaging. The type of packaging a product is sold in is determined by several factors: what best protects the characteristics of the product, what is perceived by the consumer as being practical or attractive, what the best size of packaging is for that product, how the product may be made to look different from its competitors.

Price. Good marketing means putting a product on the market at a price that is competitive (so in line with what competitors are charging), but still profitable. The final price depends not only on production and marketing costs, but also on the company's general strategy: there are a lot of reasons for deciding on one price rather than another.

Pricing strategies Definitions. Loss leaders - products sold at less than cost to attract customers to buy other, more profitable products. Capturing pricing - selling the equipment cheaply and the consumable material necessary at a high price. Cost-plus pricing - price based on costs and a profit margin. Market-led pricing - setting prices according to competitors' pricing. Market-oriented-pricing - used to influence customer behaviour. Penetration pricing - cheap initial prices to gain market share. Market skimming - charging a high initial price for an innovative new product

Place. The "right place" is where and how you sell your product. You have to decide whether you want to distribute it directly to consumers (for example, through the Internet), or through wholesalers, agents or retailers. The choice will depend on the type of consumers you are targeting, your competitors' choices, and your company's resources (what you can afford).

Promotion. Promotion is used to: • launch new products; • increase sales of existing products; • improve the company's image and/or strengthen its brand, (or even to change it). Often more than one type of medium will be used. Informational items. These make up the company's official face. Information about a company is regularly circulated in letterheads, business cards, on panels on the sides of company vehicles, in leaflets, flyers and catalogues. Public relations (PR). Another "informational" way of promoting a product, brand or the company is through public relations. PR can be in the form of press releases, sponsorships, advertisements (also called ads or adverts), etc. Advertising Advertisers choose from the large variety of available means the medium which best delivers their message to potential customers in the most cost-effective way. This can be done in various ways. There is usually one primary medium, e.g. television or the press, which is used to lead the campaign, and one or more other means support the campaign (secondary media). These could be billboards (cartelloni pubblicitari) or the radio, etc.

Advertising Media. Press. Advantages. • can be relatively cheap depending on circulation and position in paper, etc. • can include detailed information • can reach large numbers of consumers in right segment (cultural level, gender, age group, etc.) Disadvantages • being static may lack visual impact • lots of competing ads especially in special-interest magazines. Direct Mailing Advantages • can give lots of specific information

• target can be carefully selected • messages can be personalised Disadvantages • can he thrown away without being read (junk mail) • can cause irritation Telemarketing Advantages • as with direct mailing, target can be carefully selected • messages can be personalised • can give lots of specific information Disadvantages • is expensive • can cause irritation Tv Advantages • has wide reach with national TV (e.g. prime-time slots) • can reach specific targets (local TV for local facilities/events & smaller companies) • adverts can be repeated Disadvantages • are very expensive both to produce and to air • viewers may zap during commercial breaks or just not pay attention • viewers tire of ads quickly so they need to change to maintain effectiveness.

Radio Advantages • is cheaper than TV • can reach specific targets (local stations / particular programmes)

• can be repeated Disadvantages • has smaller audience than TV • has no visual reinforcement so is no good for detail Product Placement Advantages • can reach wide and/or specific audiences depending on film, game, or programme • can he prestigious and enhance image Disadvantages • can he very expensive, e.g. having James Bond drive a Ford Mondeo • audience might be too involved in story to notice product Outdoor Advertising Advantages • can be used as reinforcement of primary medium • can reach a lot of people • is relatively cheap

Disadvantages • loses impact if not changed regularly Sponsorship Advantages • can reach large numbers • can be cost-effective Disadvantages • can be very expensive (e.g. Formula 1, America's Cup) Internet Advantages • is relatively inexpensive • has growing reach and/or specific targets • is easy to update Disadvantages • Internet users can ignore or close ads. • spam is deleted without being read

Trade fairs. Trade fairs and exhibitions are enormously important in international trade. They provide a showcase for companies to publicise their products and an opportunity for potential customers to see what is available in a particular sector and to compare price, quality and product range all under one roof.

Channels of distribution. Choosing the most effective channel of distribution is one of the many vital decisions that a company must take to ensure that a product sells well.

Products can be sold: 1. directly to consumers. For example, some farmers have a farm shop or market stalls where they can sell their produce themselves.

Some manufacturers display their products in a mail-order catalogue. Customers choose the products on the basis of the pictures and the descriptions, place their orders and pay for the purchase which is delivered by mail or courier. Nowadays the Internet has made this much easier and more popular.

Factory outlets are special points of sale where products displayed for customers come directly from the factory skipping all intermediate distribution channels. Sometimes they sell old lines or seconds.

2. to wholesalers. • Wholesalers buy goods in bulk then sell retailers the smaller quantities that they need. • They provide storage facilities. • They organise the delivery to the individual retailers. • They may specialise in one type of product. • They may also be in the form of "Cash and Carry" where retailers and smal businesses collect the goods themselves.

3. to retailers. These are all kinds of shops and points of sale: boutiques, supermarkets department stores or vending machines, etc. They are responsible for fixing the price to the public, promoting and advertising the product at their outlet.

4. via agents. Agents act as intermediaries. They secure orders for the product and take commission. They are used particularly, but not exclusively, in foreign markets.

The Internet as distribution channel. The Internet is a revolutionary distribution channel. At the beginning there were difficulties for both manufacturers and consumers, but the volume of business carried out through the Net is constantly

growing. Sectors such as airline tickets and hotel bookings, etc. are the fastest growing, followed by books and music. These sectors reflect the relatively young age range of Internet users. Selling products and services through the Internet has many advantages:

• The direct relationship with customers eliminates intermediaries such as wholesalers or agents. This lowers costs and speeds up the whole process of selling and getting paid.

• The need for stocks is limited. Some products can even be - manufactured according to demand.

• Displaying the goods on a website is cheaper than producing 2 brochures and catalogues, and mailing them.

• Information on the products and price variations can be updated: frequently and at relatively low cost.

• Customer care and after-sales follow-up can be implemented with considerable efficiency For example, customer satisfaction can be measured through questionnaires and the analysis of the replies allows service to be improved.

• As costs are dramatically cut, lower prices can be quoted, and this may result in larger volumes of sales.

The Internet is, however, not yet the infinite market square where sellers display their products and cash their rewards. Consumers in some countries are still wary (diffidente) and use it for their purchases with extreme caution. Products whose quality needs to be tested or that need to be tried on still have relatively little chance of being sold on the Web. Payment security is another element that requires caution. People obviously do not want to have their credit card numbers roaming cyberspace, where they can be intercepted and used by computer-literate crooks (truffatori).

14. Ways of Organizing Business. The company.

The various forms of business ownership. Mergers, acquisitions and take-overs, three ways for companies to grow. From centrally-planned economies to free-market economies, the Government's role in the economy. Commercial websites, not only a means of giving information about a company, but also of selling its products. Companies. A company is a unit of management. It is an organisation that carries out business under a particular name and controls the way in which its resources are used. It takes decisions on such matters as the methods of production or the way products are marketed. A company is not a unit of production, such as a factory, a farm or a mine. One company may own and control one or more units of production.

Businesses may vary in size, from a single individual to large companies employing thousands of people, an they may be organised in different ways. Sole traders. The smallest type of business organisation is a sole trader. Sole traders run their businesses in their own names and for their own benefit an are responsible for whatever happens to the company. A sole trader normally runs a small business such as a small shop, or provides a service as a carpenter, a window cleaner or a car mechanic, etc. Advantages. The sole trader: • does not need to make complicated legal arrangements and does not need a lot of money to set up the company. • has full control over the business, takes all decisions on how to run it and does not have to negotiate or agree with anyone else. The success or failure of the business depends entirely on his/her skills, talents and decisions. • does not have to share the profits with anyone. • can have close personal relations with staff and customers. Disadvantages The sole trader... • is entirely responsible for the business's finances. If something goes wrong and the business runs into debt or goes bankrupt, the sole trader loses his/her personal assets together with the company. • cannot share the responsibilities of running the business. • has limited capital as no one else contributes resources. Extra financing must be found through borrowing. • is in trouble if there are health or family problems as the business may be seriously affected. Partnerships. A partnership is when two or more people join together to form and run a business. In a partnership each partner contributes to the capital needed in equal or agreed parts and then shares the profits and the losses according to the amount of capital they invest. Partnerships are common in small retail and service businesses (e.g. restaurants). There can be some partners - called sleeping partners - who do not contribute to the management of the company. A partnership can be unlimited or limited. In an unlimited partnership the partners are like sole traders: they are liable to the full extent of their personal properties if the business runs into debt. In the UK, a limited partnership is called a limited liability partnership because, in the case of bankruptcy, the partners lose only the capital they contributed and not their personal assets. This is a common arrangement, particularly in accounting and law firms. In the USA, limited partnerships (the abbreviation is LP) also involve limited liability for the partners, who are responsible for the partnership's debts only up to the amount they invested. At least one partner, however, must be liable without limitation. Cooperatives. In cooperatives the business is owned and run by its members, who provide the money to set up the business and share the profits. Each member has a vote, regardless of the amount of capital invested, unlike the situation in partnerships. Cooperative members may he the people who work there (worker cooperatives) or groups of traders who join together to buy, sell or produce in larger units. Small shopkeepers, for example, may group together into retail cooperatives to buy in bulk at better prices. An example of a producer cooperative can be seen in Val d'Intelvi in the province of Como, where farmers

were having problems selling their milk because of the high price of transporting it. The local dairy farmers formed a cooperative which bought the milk they produced and made it into mozzarella cheese for sale. Governments often offer privileges to people who wish to set up cooperative societies as a means to fight unemployment. Privileges may include low-interest loans, simplification of accounting procedures and tax relief. Limited companies. Limited companies are owned by shareholders. These people invest their money in units of property of the company, called shares. If the company gets into debt, shareholders are liable only for the value of the shares they possess. This limits their risk as their personal assets are not involved. Part of the profits of the company are paid to shareholders in proportion to the number of shares they hold. These payments are called dividends. There are two kinds of limited company. Private limited companies have the abbreviation "Ltd" after their name and are usually small companies, owned by a minimum of two and a maximum of fifty shareholders. Shares representing the capital of the company are bought or sold privately by direct agreement, normally only with the permission of the other shareholders. These companies are not quoted on the Stock Exchange.

• Public limited companies (Plc) are usually very large. They have at least two shareholders, but there is no upper limit, so they can have thousands. They must have a minimum share capital and their shares are offered freely on the Stock Exchange. Multinationals. Multinationals are companies that own and control production facilities} in more than one country. A company may decide to "go global", i.e. to expand in other countries for a variety of reasons: • to employ cheaper labour; • to process raw materials found in the host country; • to meet the specific needs of each national market and reduce transport and distribution costs; • to compete successfully with rival companies in existing or potential markets; • to take advantage of incentives offered by countries wishing to attract foreign investments (e.g. tax rebates - sconti fiscali); • to expand its held of activities. This may he done through merger, acquisition or take-over operations resulting in the control of another company.

Positive aspects for the host country. Countries in the developing world act as hosts for a large number of multinationals. Why the businesses do it is clear, but what benefits do the host countries have? Obviously one of the key advantages in welcoming Nike, Coca-Cola or any other world player is the fact that when a multinational sets up a factory, jobs are created. Work is also created more indirectly through the use of local suppliers who might provide components or services. Some foreign investors also provide services like health care for their employees, who also benefit from learning new skills, being trained or even just gaining experience in new technologies or work practices. In terms of the national economy, the countrvs balance of payments may also be improved: products that were previously imported from abroad are produced locally (SEAT and FIAT's

factories for the local markets in South America, for example), reducing imports, and exports can increase if the products arc sold outside the country producing them (as with the many Japanese car producers with factories in Britain supplying the EU).

Negative aspects for the host country. Multinationals are frequently seen today as organisations dedicated to the exploitation of the developing world. Why is there this idea? Many multinationals have far more money and power than the countries that host them and this means they can often dictate government policy. If a multinational needs a law changed, it can often he enough to threaten to leave and the government has to oblige, rather than lose the income and work the company provides. This can be the case with factories producing dangerous products or using toxic ingredients. The rigid health and safety laws in the multinational's country of origin are not applied in the host country so the multinationals save a huge amount of money but put the lives and environment of the local people at serious risk. Profits from the multinational's business activities do not stay where they are produced but are sent out of the country. The competition from well-organised multinationals can even prevent local initiatives from flourishing so although the multinational provides jobs, it can actually stop other businesses growing up and providing more work. How companies can grow. A merger takes place when two companies "merge" together and a new, larger and more powerful company is formed. This is usually clone between companies operating in the same sector. For example, the merger in 2007 between the two Italian banks, Banca Intesa and San Paolo, created the largest bank in Italy with around 20% of the market. An acquisition is a simple purchase. A company may buy another company operating in the same sector to get rid of a competitor, or a company operating in a parallel field to diversify its activities. A take-over occurs when a company buys enough shares of another company to gain control of it."lake-avers can be friendly, when the two companies negotiate the operation. A take-over is hostile when the buying company buys enough of the other company's shares on the Stock Market to acquire control, even if the other company does not want to be controlled by the company taking it over. State-owned businesses Governments provide a variety of services and are often the largest employers in any given country. Governments may also run enterprises which manufacture and sell products. The number of such companies depends on what type of economy the country has: • in centrally-planned economies, all the means of production are owned and run by the government that decides what and how much of anything consumers need. Production and distribution are planned centrally. Prices are not subject to supply and demand but are set by the government and consumers cannot affect them; • in free-market economies, what services and goods are provided is dictated by market forces. The state only runs those enterprises that are essential for the public interest, such as social or national security services; • in mixed

economies, governments provide services for the public interest and run enterprises that may provide services or manufacture goods. Publicly-owned enterprises are usually not run to make a profit, and the state intervenes to cover any losses incurred. In the past, in many countries around the world, governments owned a lot of companies, but the recent trend has been to privatise these by passing ownership and control over to private investors. Companies on the web No company, however small, can afford not to be on the Internet today. Companies spend a fortune developing websites and registering them with the most important search engines to ensure that when a potential customer searches the Internet for information about their products, their sites will he listed along with the others related to the same keywords. Commercial websites introduce the company and give information about where it is haled, what products it manufactures or what services it provides, contact names and numbers. Many websites have a section with "FAQ's" - Frequently Asked Questions. This section saves the company from having to give individual replies to the most common queries.

Many commercial websites are not for giving information about the company, but for selling its products. This type of activity is called e-commerce and nowadays there are companies that only exist on the Internet: they do not have physical points of sale where people can go to buy their products. E-commerce can be divided into different categories: • Consumer to consumer (C2C). This is when consumers use the Internet as an Intermediary to sell to each other and includes auction sites like eBay. • Business to business (B2B). This describes the commercial transactions between a business and its suppliers, distributors or retailers: all buying and selling where consumers are not involved. • Business to consumer (B2C). This is also known as electronic retailing when businesses like amazon.com sell products or services directly to sell products or services directly to consumers. Some of the businesses may be dotcoms like Amazon, i.e. a company that only exists on the Internet, but others may he "click and brick" businesses, traditional businesses that have an Internet division for sales.

• Mobile commerce (m-commerce).This uses mobile phones and wireless Internet access and is a sector many believe will grow as technology becomes more sophisticated. Banking is increasingly done via m-commerce and other key areas of activity for m-commerce include downloading music or booking tickets.

15. Finance. 1. The science of the management of money and other assets. the study or management of money affairs. (often in plural) the money one has to spend. 2. The management of money, banking, investments, and credit.

3. finances Monetary resources; funds, especially those of a government or corporate body. 4. The supplying of funds or capital. tr.v. fi•nanced, fi•nanc•ing, fi•nanc•es 1. To provide or raise the funds or capital for: financed a new car. 2.

To supply funds to: financing a daughter through law school. 3. To furnish credit to.

15. The Stock Exchange.

In basic ways the Stock Exchange operates in much the same way as any other market. In fact it is often known as the Stock Market. 1 It offers stocks, debentures- and bonds but, unlike other markets where anyone can buy what they need, on the Stock Exchange the buying and selling has to be done by intermediaries - the broker.&. There are two main reasons for this: a) buying and selling (normally known as trading) on the Stock Exchange is a complex procedure; b) the Stock Exchange deals in people's savings, which must be protected from fraudulent or ignorant handling. Brokers belong to companies specialised in trading stocks, and can also act as investment advisers to their clients. Their profit comes from the commission they charge on the operations they carry out on behalf of their clients. As the Stock Exchange is a market, the price of the shares and other securities changes every day. The "game" is to guess which way the prices will move in the immediate future - up or down, on the basis of supply and demand. When the value of shares goes up, investors may decide to buy shares in the belief that the positive trend will continue, or may sell their shares and make a profit based on the difference between their buying and selling price. If share prices go down, investors sell their shares at a loss, or buy shares anticipating that they will go back up again. Most trading consists of long periods of small winners and losers followed by a few huge winners that make the difference between overall profitability and simply breaking even or losing due to trading costs (commissions, spread, and slippage). It is our ability to let the huge winners become just that - huge - that determines how we will perform overall during the year. And finally remember that most trading consists of long periods of small winners and losers followed by a few huge winners that make the difference between overall profitability and simply breaking even or losing due to trading costs (commissions, spread, and slippage). It is our ability to let the huge winners become just that - huge - that determines how we will perform overall during the year.

These 10 golden rules give you the fundamental guidelines to successful trading.

1. Plan your trade and trade your plan. You must have a trading plan to succeed. But if you are good enough you can manage even without it, provided you have a vision of the future. Making money in the markets has almost nothing to do with how often you win — but everything to do with how you manage your risk.

2. The trend is your friend. Do not buck the trend. When the market is bullish, go long. On the reverse, if the market is bearish, you short. Never go against the trend, if you are not good enough to do so and if you can't wait the right moment again.

3. Focus on capital preservation. The most important step that you must take when you deal with your trading capital. You main goal is to preserve the capital. You should not trade more than 3-5% of your deposit in a single trade. Some other traders advice never to risk more than 2% of your account equity on any one investment, trade, or recommendation.

4. Know when to cut loss. If a trade goes against you, sell it and let go. Do not hold on to a bad trade hoping that the price will go up. Most likely, you end up losing more money. Before you enter a trade, decide your stop loss price, a price where you must sell when the trade turns sour. It depends on your risk profile as of how much you should set for the stop loss. Anyway, you can manage even without a stop loss point, but you must buy at the right, perfect moment. Anyway it's always better to use protective stops!

5. Take profit when the trade is good. Before entering a trade, decide how much profit you are willing to take. When a trade turns out to be good, take the profit. You can take profit all at one go, or take profit in stages. Once you have covered the spread, you have nothing to lose. In any case you must be able to le the profit run, that's the real secret of a real good trader. Always remember that how you exit a trade is as important, if not more important, than how you enter it.

6. Be emotionless. Two biggest emotions in trading: greed and fear. Do not let greed and fear influence your trading plan. That's very important indeed, you must have, what we call an ice blood.

7. Be a really well informed trader. Trade only when you have done your own research and analysis. Read all the news and try to guess what is happening afterwards. Be very careful and learn also how to Ignore the News when necessary.

8. Keep a trading journal. When you buy a currency or stock, write down the reasons why you buy, and your feelings at that time. You do the same when you sell. Analyze and write down the mistakes you have made, as well as things that you have done right. By referring to your trading journal, you learn from your past mistakes. Improve on your mistakes, keep learning and keep improving. Anyway, feel free also not to have one, if you have a very powerful memory, and if you can learn from your previous mistakes.

9. When in doubt, stay out. When you have doubt and you are not sure where the market or stock is going, stay on the sideline. Sometimes, doing nothing is the best thing to do.

10. Do not overtrade. Ideally you should have 3-5 positions at a time. No more than that. If you have too many positions, you tend to be out of control and make emotional decisions when there is a change in market. Do not trade for the sake of trading.

And finally remember to let profits run

This simple rule is the key to being a successful trader. It is three simple words that are very hard to actually implement. When we get a profitable trade our natural fear of losing the unrealized cash kicks in and we truly want to close it out now and take the money. Most trading consists of long periods of small winners and losers followed by a few huge winners that make the difference between overall profitability and simply breaking even or losing due to trading costs (commissions, spread, and slippage).

It is our ability to let the huge winners become just that - huge - that determines how we will perform overall during the year.

The key to letting winners run is to have trailing stops that are outside the daily noise of the market so that they are not tight enough to get stopped out during 'normal' trading. This means being prepared to give up a significant portion of a winning trade's open profit and is the thing that makes this so hard to implement. In fact, we should be adding to a winner and widening stops rather than working out how tight our stops can be to capture maximum profit. The trade has already shown you that it intends to be a winner, and the chances are it is a low-risk idea to add to the position now rather than 'strangle it' with stops that are too tight.

It is very important that your position management rules allow for large winning trades, and that the rules are pre-defined and understood before you place the trade. This will allow you (if you have confidence in your method and discipline) to stick to your rules when you do get the big winner.

Thanks to:

Daimon Club International

The world of English

Trading Lovers

Carl William Brown