

# Unit 14 Logistics

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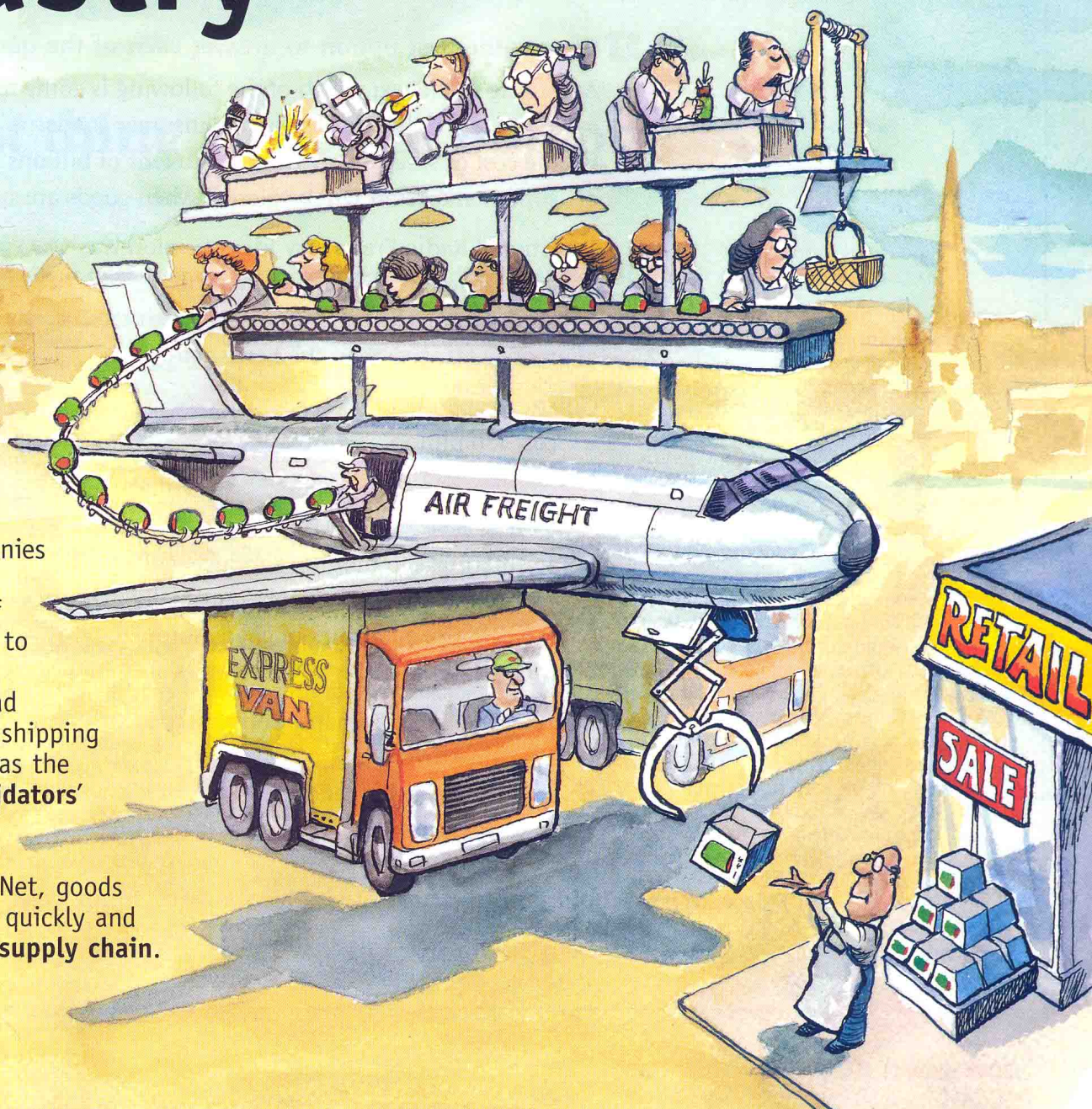
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# The invisible industry

## Keynotes

Logistics is the management of the **flow of products** from **raw materials** to finished goods. Smart logistics allow companies to reduce the costly **inventory** problem of overstocking. Thanks to improvements in the **freight industry** (road haulage, rail freight, shipping or air-cargo) as well as the international '**consolidators**' or '**integrators**' such as FedEx, UPS and Deutsche Post World Net, goods are moved ever more quickly and efficiently along the **supply chain**.



## Preview Demand and supply

Discuss the following questions in pairs.

- 1 Have you ever gone to the shops to buy something and not been able to find it? If so, how did you react?
- 2 Why do shops not always have all their usual stock?
- 3 Even goods that make it to the shelves can disappear because of theft. How do retailers try to reduce this problem?



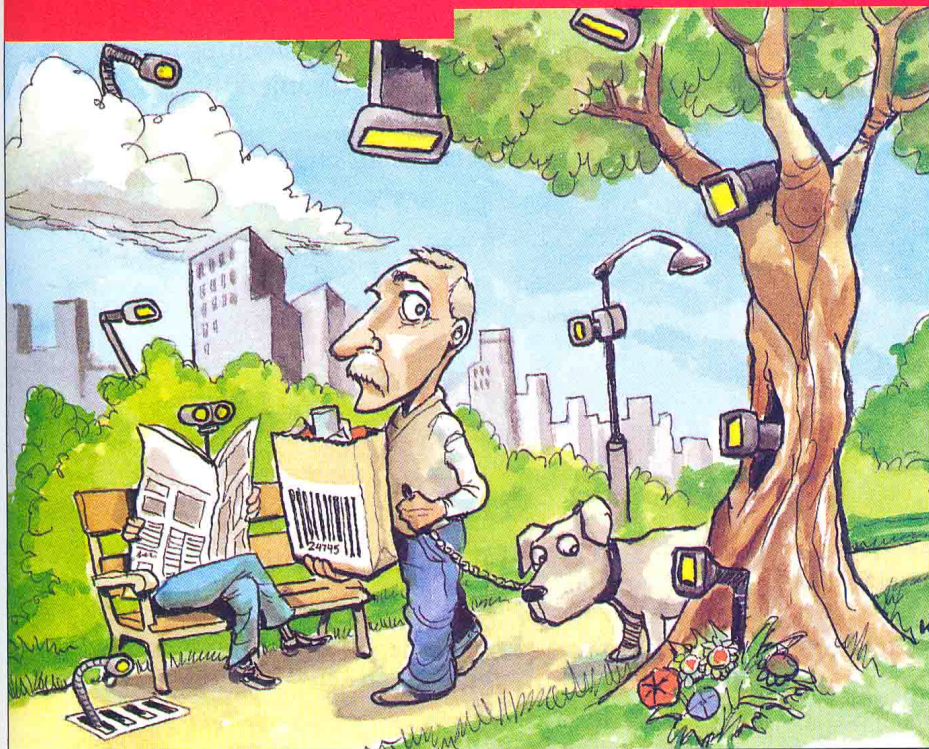
## Reading Retail logistics

**1** Read the text on the opposite page about 'smart tags'. List the four advantages of using smart tags that are mentioned.

**2** Choose the best option to answer each of the questions.

- 1 According to the text which of the following is going to happen?
  - a smart tags will reduce sales of consumer goods
  - b the cost of smart tags will run into tens of billions of dollars
  - c supermarket staff will be alerted when goods are stolen
- 2 Traditional Radio Frequency Identification was
  - a less efficient than the new smart tags.
  - b harder to produce than the new smart tags.
  - c more expensive than the new smart tags.
- 3 Gillette's experiment will
  - a cost \$30 billion.
  - b tag shelves as well as goods.
  - c use barcodes to track goods.
- 4 Using smart tags to monitor products will
  - a reduce the number of mistakes usually made.
  - b increase the quantities of goods shipped.
  - c increase the number of inventories.
- 5 By using the 'kill command' consumers will
  - a lose their privacy.
  - b receive after-sales benefits.
  - c lose after-sales services.

**Speaking** Would you object to buying goods with smart tags? Why? / Why not?



## Retail logistics

## The best thing since the barcode

Smart labels may be about to change the way that companies distribute and sell almost everything they make.

AT A Tesco's supermarket in Cambridge, England, the shelves have begun to talk to their contents, and the contents are talking back. Soon, razors at a Wal-Mart store in Brockton, Massachusetts will begin to let staff know when they suspect theft. A group of firms will attempt to track, in real time, many thousands of goods as they travel from factory to supermarket shelf. Consultants talk about cost savings and extra sales that could run into tens of billions of dollars a year.

The reason for the sudden excitement is a new, super-cheap version of an old tracking technology called Radio Frequency Identification (RFID). RFID systems are made up of readers and "smart tags" – microchips attached to antennas. When the tag nears a reader, it broadcasts the information contained in its chip. In the past four years the cost of the cheapest tags has plunged from \$2 to 20 cents. In the next two to three years prices are likely to fall to five cents or less. Gillette announced that it had put in an order for half a billion smart tags, signalling the start of

their adoption by the consumer goods industry. If they catch on, smart tags will soon be made in their trillions and will replace the barcode on the packaging of almost everything that consumer goods giants such as Procter & Gamble and Unilever make.

Gillette is piloting two uses for its tags. The first combines smart tags with "smart shelves", which are fitted with tag readers. Gillette says that retailers and consumer goods firms in the USA lose around \$30 billion a year in sales because shop shelves run out of products and stand empty. On Gillette's smart shelves, the tagged razors let the shelf know when they are coming and going, and the shelf keeps count. If it gets too empty, the shelf sends a message to store staff to say it needs to be filled.

Gillette is also piloting the use of smart tags to track products as they move from factory to supermarket. Using barcodes can be a labour-intensive, error-prone task. Smart tags can be scanned automatically as pallets of products pass along conveyor belts and through loading bays. As a result, ship-

### Glossary

**adoption** mass use of something

**shrink** make smaller

**invasive** entering without permission

**forego** decide not to have something

ment errors and theft will be reduced, argues Gillette. Because manufacturers can be certain that they are shipping the right quantity of goods to the right place at the right time, they can also afford to shrink the inventories they maintain in case of error.

The biggest worry is that consumers might reject smart tags because they seem too invasive of their privacy. If firms link products to customers at the checkout, ordinary objects could become traceable to their purchasers (imagine a stray drinks can at the scene of a crime). Here too the Auto-ID Centre seems ahead of the game. Its chip specifications include a "kill command" that can permanently disable the tag. The centre is working on a privacy policy, a draft of which gives the customer the option to kill tags at the checkout. The customer would forego after-sales benefits, such as better warranty and returned goods services, for instance, or chickens that could tell ovens how to cook them. But the kill command is just the thing for those who suspect that their fridge has begun to spy on them ■

Vocabulary 1 **Supply chain management**

Put the words and phrases in the correct groups.

run out of   keep count   broadcast   antennas   microchips  
empty shelves   store staff   scan readers   fill   disable/kill

inventory control	smart tag technology

Vocabulary 2 **Compound nouns**

Match the words to form word partnerships.

- |                  |            |
|------------------|------------|
| 1 after-sales    | a belt     |
| 2 returned goods | b benefits |
| 3 error-prone    | c bay      |
| 4 conveyor       | d versions |
| 5 loading        | e task     |
| 6 super-cheap    | f industry |
| 7 consumer goods | g service  |

Now use the word partnerships to complete the sentences.

- Most electronic products carry a warranty and after-sales benefits .
- Accounting software has greatly improved the \_\_\_\_\_ of having to come up with exact figures.
- Goods are put onto lorries at the factory \_\_\_\_\_ .
- When supplies arrive at the factory they are placed on a \_\_\_\_\_ to be transported straight to the workshops.
- Fake goods are usually \_\_\_\_\_ of expensive brands.
- The \_\_\_\_\_ is interested in the new tracking technology.
- Our \_\_\_\_\_ is expensive to run but customers really appreciate being able to bring things back if they need to.



Vocabulary 3 **Word-building**

Complete the table with the correct form of words from the text on page 121.

verb	noun
1 <i>distribute</i>	distribution
2	excitement
3 broadcast	
4	adoption
5 combine	
6	shipment

Listening 1 **The smart tag press conference**

**1** Kate Upshaw, a retail specialist, talks about the advantages smart tags will offer retailers and manufacturers. Listen to part one and note the points she makes.



**2** In part two Kate deals with questions from journalists. Put the following topics in the order they are discussed.

security mistakes privacy  
unemployment

Topic	Response
1	
2	
3	
4	

Now listen to part two again. Does Kate actually answer each question? Make notes on her responses.

**3** In part three one of the journalists talks about measures retailers should take to protect consumers. Listen and make notes.

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_

**Speaking**

Do you think the measures the journalist mentions would work? Why? / Why not? Would you mind companies monitoring your movements?

Language check **Passives**

The passive is formed with the appropriate tense of the verb **be** + the past participle of the main verb.

... smart shelves which **are fitted** with tag readers.

Smart tags **can be scanned** automatically.

As a result, shipment errors and theft **will be reduced**.

– We use the passive form when the agent is unimportant.

The tags **are currently being piloted** in major supermarkets (by Gillette).

– The passive is often used in formal reports and notices.

It **has been established** that shipment errors **will be greatly reduced**.



For more information, see page 161.

**Practice**

**1** Write the following sentences in the passive. Do not include the agent if it is not important.

1 Consumer groups have brought the issue of consumer privacy to light.  
The issue of consumer privacy has been brought to light.

2 Manufacturers will install smart tags on all sorts of products.  
 \_\_\_\_\_

3 Consumer groups are preparing petitions against the use of smart tags.  
 \_\_\_\_\_

4 Lorries and trucks transport raw materials to the factories.  
 \_\_\_\_\_

5 Supermarkets are considering eliminating checkouts altogether.  
 \_\_\_\_\_

6 Consumers should try to access more information about smart tags.  
 \_\_\_\_\_

**2** Complete the text with either the appropriate active or passive form of the following verbs.

make find buy load use scan track remove access  
 send transport insert throw away



**D**uring one of the last stages of production, tag readers <sup>1</sup> are inserted into the packaging of certain items destined for a well-known supermarket chain.

They are then <sup>2</sup> \_\_\_\_\_ onto trucks and <sup>3</sup> \_\_\_\_\_ to the supermarkets.

A young woman <sup>4</sup> \_\_\_\_\_ one of these items and <sup>5</sup> \_\_\_\_\_ her credit card to pay for it. Information about her, such as her name, address and a list of all the items in her shopping trolley <sup>6</sup> \_\_\_\_\_ into the shop's computer system.

She then <sup>7</sup> \_\_\_\_\_ various

purchases in different stores, paying each time with the same credit card.

What she doesn't realise is that all her movements <sup>8</sup> \_\_\_\_\_ and that until the packaging of the tagged item

<sup>9</sup> \_\_\_\_\_ and <sup>10</sup> \_\_\_\_\_ information about everywhere she goes, everything she buys and how much she is willing to pay for items

<sup>11</sup> \_\_\_\_\_ easily by marketers and retailers.

Soon, a letter <sup>12</sup> \_\_\_\_\_ to her suggesting that all the products she prefers to buy from high street retailers

<sup>13</sup> \_\_\_\_\_ in the supermarket at more competitive prices.

# Dilemma & Decision

## Dilemma: Is grey the new black?

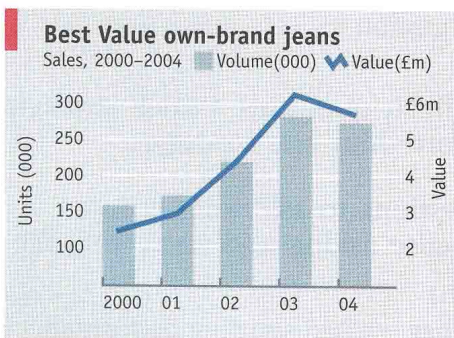
### Brief

Many producers of branded goods refuse to distribute through supermarket chains, fearing that price-cutting could damage their brand image. They distribute exclusively through selected retailers. Grey marketers challenge this by obtaining branded goods through alternative supply routes and selling them at much cheaper prices.

Best Value is a leading UK supermarket chain that has been offered a 'grey consignment' of genuine branded jeans at a very heavily discounted price. The brand-owner, GenX, is aware of the situation and has threatened legal action if Best Value sells the jeans. Best Value could sell a lot of the jeans and even the legal threats from GenX could generate positive publicity. However, losing a major legal battle could be costly and sales of Best Value's own brand of jeans could suffer.

### Task 1

Work in groups. You are Best Value's purchasing team. Look at the information below. List the advantages and disadvantages of accepting the consignment of GenX 250 jeans.



Turn to page 146 to find out what happened to Tesco, a UK supermarket chain, when it was in a similar situation.

### Task 2

Discuss the best course of action to take. Possible options include:

- 1 Refuse the GenX 250 jeans.
- 2 Sell the jeans but hope to get GenX's permission by negotiating an acceptably high retail selling price.
- 3 Accept the shipment and sell the jeans at the heavily discounted price risking legal action from the brand-owner.

### Task 3

Each group presents its decision to the rest of the class. The other groups should ask questions about the proposed action.

### Write it up

Write a formal fax to GenX explaining what course of action you are going to take and why. (See Style guide, page 20.)



## Unit 10 page 92 Decision

*Hello!* magazine was ordered by London's High Court to pay £1,033,156 to *OK!*. The judge also ruled that *Hello!* had breached the couple's commercial confidentiality but rejected their claim that the photos intruded on their privacy. *Hello!* was told to pay the couple \$14,600

in total, including only \$3,750 each for the 'emotional hurt' caused. After a second hearing, it was decided that *Hello!* pay 75 per cent of the legal costs for the first court case and 85 per cent of the costs of the hearing which decided who should pay the legal costs!

## Unit 12 page 108 Decision

Extract from *The Economist* 'Bitter-Sweet' 21 September 2002

**ON 17 SEPTEMBER 2002** the board announced the abandonment of its plans to sell its controlling stake in Hershey Foods. It was seen as an important success for lobbies and protest groups everywhere. On the other hand, *The Economist* magazine business expert believes that in the long run the town may live to regret

its apparent victory:

"The ultimate loser may be Hershey Foods. Although its new management is doing well, the firm is again protected from the risk of unwanted takeover, with all that can mean for dampening incentives and innovation. There may well be missed opportunities – a multinational owner

like Nestlé could have taken Hershey's cheap chocolate into big new markets such as China. Hershey itself has never been able to persuade anyone but Americans to eat Hershey Kisses. So there may eventually be reason for the townfolk of Hershey to regret this week's events. But for now their victory must taste exceedingly sweet" ■

## Unit 13 page 118 Decision

Lambert Associates, a company that has done much to improve the architecture and the working conditions of thousands of office workers in central London, is once again planning to transform a building, which badly needs a facelift, into luxury offices.

The company is aware that the occupants are worried about their future and deeply regrets not informing them sooner about the budget that has been set aside to ensure that they won't find themselves in the street. Not only does each resident have six months rent-free to find new housing but Lambert Associates intends to give them a six-month extension if they need it. In addition, they are helping the residents to find new housing in residential areas of the city and will pay their moving costs. 'We have always put people before profit and this situation is no exception,' said the communication manager at the company. 'We are confident that we can find a win-win situation for everyone.'

## Unit 14 page 126 Decision

The Tesco case study: Trouser suit

Nov 22nd 2001 | NEW YORK

### The European Court sides with Levi Strauss in its battle with Tesco.

On November 20th the European Court of Justice decided that Tesco, a UK supermarket chain, should not be allowed to import jeans made by America's Levi Strauss from outside the European

Union and sell them at cut-rate prices without getting permission first from the jeans maker. Ironically, the ruling is based on an EU trademark directive that was designed to protect local, not US, manufacturers from price dumping. The idea is that any brand-owning firm should be allowed to position its goods and segment its markets as it sees fit: Levi's jeans, just like Gucci handbags, must be allowed to be expensive.