

## 6 Trade, Case study: Ashbury Guitars, page 53

### Information file: Ashbury Guitars

Models	You want KGC to supply three models: Ashbury SG1000, SG500 and SG200. The SG1000 has some special additional features.	
Quality	All the guitars should be manufactured in KGC's own factory, or quality may suffer. There are alternative suppliers in Korea but the quality of their products is probably not as good as KGC's.	
Quantity	You want to place the following first order:	
	Model	Quantity
	SG1000	750
	SG500	500
	SG200	300
	You are sure that demand will be good for the SG1000. The cheaper guitars <i>may</i> sell well. However, there is strong competition in the lower price ranges. If all the guitars sell well, you will place a larger order in three months' time.	
Price	KGC have quoted these prices:	
	SG1000	US\$ 920
	SG500	US\$ 550
	SG200	US\$ 475
	All prices are FOB Pusan, Korea. Your normal profit margin is 33%, but for the SG1000, it will be 40%.	
Delivery	By June 1. A later date will affect sales. (Music festivals in California in May always stimulate demand.)	
Discounts	Although this is a first order, you hope to negotiate a discount of at least 6% off the quoted price and 10% on further orders of over 1,000.	
Payment	Letter of credit 60 days. This will give you time to sell some of the guitars before paying for them.	
Guarantee	At least two years, three if possible.	
Exclusivity	You would like to have a non-exclusive contract so that you can order from other Korean guitar manufacturers.	
Transport	By sea in containers. Prices should be CIF San Francisco. If prices are FOB, Pusan (Korea), it will add 5% to your purchase price.	

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### F Densham, Sales Manager

You have strong feelings about how the company can increase its profits. You want to subcontract the manufacture of the car's engine to another company. The workers who did this job before could then be retrained to make the bodies of the cars. You do not want the car to be produced in another country – it would no longer be a British car. You are sure that workers in another country could not produce cars of the same quality. You want to increase output in England by about 10% a year.