

New business

'Three components make an entrepreneur: the person, the idea and the resources to make it happen.' Anita Roddick (1942–2007), British founder of The Body Shop

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CASE STUDY

Taka Shimizu Cycles



STARTING UP

A Discuss these questions.

- 1 Would you like to start your own business? Why? / Why not?
- 2 What conditions are important for people starting new businesses? Choose the three most important from this list. Can you think of any others?
 - low taxes • good transport links • skilled staff • training courses
 - low interest rates • high unemployment • cheap rents
 - a strong currency • a healthy economy • government grants
 - a stable political situation • easy access to credit

B Many economies contain a mix of public- and private-sector businesses. Think of companies you know in the areas below. Which are public-sector companies, and which are private-sector ones?

- post office • railways • television • water • energy • telecoms
- cars • banks • newspapers • airlines • roads • mining

C Many companies in the UK have been privatised. What are the trends in your country? Talk about the business sectors in Exercise B.

VOCABULARY

Economic terms

A Match the economic terms (1–10) to their definitions (a–j).

- | | |
|--------------------------------|--|
| 1 interest rate | a) total value of goods and services produced in a country |
| 2 exchange rate | b) percentage increase in prices |
| 3 inflation rate | c) cost of borrowing money |
| 4 labour force | d) price at which one currency can buy another |
| 5 tax incentives | e) percentage of people without jobs |
| 6 government bureaucracy | f) the number of people working |
| 7 GDP (gross domestic product) | g) low taxes to encourage business activity |
| 8 unemployment rate | h) money from overseas |
| 9 foreign investment | i) official rules/regulations/paperwork |
| 10 balance of trade | j) difference in value between a country's imports and exports |

B Try to complete this economic profile without looking back at the terms in Exercise A.

The economy is stable following the problems of the past two years. By following a tight monetary policy, the government has reduced the *inflation rate*¹ to 2%. For borrowers, after going up dramatically, the i..... r.....² is now down to 8%. The last six months have seen a slight improvement in the e..... r.....³ against the dollar. For the country as a whole, the G.....⁴ has grown by 0.15%. Exports are increasing, and the b..... of t.....⁵ is starting to look much healthier.

In terms of jobs, the u..... r.....⁶ continues to be a problem, as it is still 16%. In order to stimulate the economy and attract f..... i.....⁷ from abroad, the government is offering new t..... i.....⁸, as well as making a renewed effort to reduce g..... b.....⁹ and red tape. Finally, a large skilled l..... f.....¹⁰ means there could be attractive investment opportunities over the next five years.

C  **CD2.1 Listen and check your answers to Exercise B.****D Think about some of the economic terms you looked at above in relation to your own country. Which do you think are going up / going down / staying about the same? Also consider the following:**

- consumer prices (the price of things in the shops)
- public spending (the money the government spends)
- consumer spending (the money people spend)

E What do you think are the biggest economic problems in your country at the moment? What do you think the government's priorities should be? Talk to a partner about your ideas.**F Write a short paragraph about the economic profile of your country.**

See the **DVD-ROM**
for the *i-Glossary*.



LISTENING

New business



Abdirashid Duale

A **CD2.2** Abdirashid Duale is the Chief Executive Officer of Dahabshiil, a global money-transfer company. Listen to the first part of the interview and answer these questions.

- 1 How many countries does the company transfer money to?
- 2 Dahabshiil helps four types of people or organisations. What are they?

B **CD2.3** Listen to the second part and complete these notes.

All successful new businesses have to:

- have a¹
- have a²
- know how they are going to³ that vision
- motivate their⁴
- keep their customers⁵
- maintain their⁶ with their customers
- make sure that the customers are happy with their⁷
- manage the difference between their income and their⁸



Susan Barratt

C **CD2.4** Susan Barratt, the CEO of Nature's Way Foods, talks about the advice she would give to anyone starting their own business. Listen and complete this extract from the audio script.

I hope they've got lots of¹. I think it is difficult and quite hard², and needs a significant level of commitment. I think it's really, really important to make sure you understand the³ and who your customers are going to be. And how you differentiate yourself, or make yourself different, from any of your⁴ in that marketplace.

People will only go to you and buy your⁵ or your service if they feel it is added⁶ over and above what they can get elsewhere, or something they can't get elsewhere.

So, for me, understanding the market and the⁷ is absolutely critical to the success of the business. The other key thing is that you've got sufficient⁸.

D **In groups, discuss these questions.**

- 1 What sort of problems do new businesses face?
- 2 What advice would you give to someone starting their own business in your country?

READING

New business ideas

A **Which new business has impressed you most in the last six years? Why did it impress you?**

B **Work in pairs. Student A, read Article A on the opposite page. Student B, read Article B. Make notes in this chart.**

	Article A	Article B
name of new business		
name of founder		
age of founder		
age of business at time of writing		
location of new business (city and country)		
number of employees		
what the new business is/does		

Watch the interviews on the DVD-ROM.

A

Internet whiz-kid's discount idea makes billions in two years

by Jonathan Birchall

Andrew Mason studied music at university, where he dreamt about making his riches as a rock star. Instead, the 29-year-old decided to set up an Internet business that offers discounts on everything from restaurant meals to hair transplants and yoga classes. The big idea is about to turn him into the latest web billionaire.

Google is preparing to buy Groupon, his two-year-old company, for \$5.3 billion, according to reports. The

proposed deal will put Mr Mason in a group of young Internet billionaires including Mark Zuckerberg of Facebook and the Google founders, Larry Page and Sergey Brin.

The site offers vouchers named "Groupons" that can be spent at participating retailers. Every user gets a discount offer based on his or her location and profile, but these huge discounts expire unless enough people sign up. The trend, described as "social buying", has spread rapidly across the Web, and Groupon was described by Forbes as "the world's fastest-growing company".

Its explosive growth and healthy profits have convinced Google to dig into its deep pockets. It is believed to have started its bidding at \$3 billion, a price that has been steadily rising

over the past few weeks.

Mr Mason appears to be a man who knows his worth. In April, it was reported that he turned down a \$2 billion offer from Yahoo, because the valuation was too low.

Groupon employs about 1,000 people, mostly based in Mr Mason's home town of Chicago. It is active in more than 80 countries

and is growing at the rate of 10 per cent a week by adding new users through Facebook and Twitter.



B

Help with exports

by Peter Marsh



Scattered around the world are many thousands of "micro-manufacturers" of craft items such as jewellery and handbags, often offering high standards of design and quality. Most, however, have little idea of how to sell their products in international markets.

At the same time, retail outlets are eager to get their hands on products that look new and different – but find it difficult to discover them.

Just over a year ago, Sandra Felsenstein, a 27-year-old former industrial engineer, decided to start a business that would try to link these two groups. Her approach was to find a series of high-quality manufacturers in her native Argentina – a country with a good reputation for design, yet poor connections to the rest of the craft trade worldwide – and link them with shops and distribution companies elsewhere.

Dinka, the four-person company she founded in Buenos Aires, is now showing signs of success. Ms Felsenstein has organised links with 30 Argentinian companies that have agreed to let Dinka promote their goods in export markets. Under these deals, Dinka will find buyers

for their products and handle shipments and customs formalities in exchange for a proportion of sales revenues.

She has laid the foundations, too, for establishing a network of retail outlets in other countries, arranging connections with retailers in Chile, Peru and Ecuador as a first step, while signing up a distributor in Austin, Texas, that she hopes will help them enter the potentially large US market.

Ms Felsenstein says she is also "exploring several opportunities" for finding retailers in Europe – particularly in Spain, Italy, Germany and Switzerland – where she thinks sizeable sales could be established for Argentinian-made goods.

C Note down two other interesting pieces of information about your article.

D Give your partner an oral summary of your article, then take notes as you listen to your partner's summary.

E Work in groups of three or four. Think about a business you could start as a group. Consider these questions.

- 1 What kind of business would it be?
- 2 Which country and city would you like to locate your new business in? Think of the factors mentioned in Starting up, Exercise A.
- 3 What do you already have as a group? Think about skills, experience and contacts.
- 4 What other strengths do you have? What about your gaps?
- 5 What difficulties do you think you may face? How will you overcome them?

LANGUAGE REVIEW

Time clauses

Time clauses provide information about actions and events in the past, present and future.

- We often use *when* to introduce time clauses.
*She remembers **when** she first started her business.* (past time)
When you fly first class, you get more leg room. (present time)
When I'm in Geneva, I'll review all the start-up costs. (future time)
- We can also use *while, before, after, until* and *as soon as* to introduce time clauses.
*He looked at our business plan **while** we were waiting.*
*We need to have a solid business plan in place **before** we launch our online business.*
After we finish this project, we'll look at new markets.
*He waited **until** she finished speaking.*
- When we use a time clause to talk about the future, the verb in the time clause is in the present tense or the present perfect tense.
*We'll deliver **as soon as** they **pay** their last bill.*
When we've finished the report, we'll e-mail it to you.

➔ Grammar reference page 147

A Match the sentence halves to make appropriate sentences.

- | | |
|--|--------------------------------------|
| 1 Could you check the departure time | a) until the meeting has finished. |
| 2 As soon as interest rates rise, | b) as soon as you get to the office. |
| 3 We need to stay | c) until we've saved enough money. |
| 4 The Finance Director needs to speak to you | d) while you are still working. |
| 5 She will move to Frankfurt | e) when the conditions are right. |
| 6 We won't open our new office | f) when she finds a good job. |
| 7 I think you should save some money | g) before we leave for the airport. |
| 8 We can set up in that country | h) the economy will slow down. |

B Complete these sentences with *when, while, before, after, until* or *as soon as*. More than one answer may be possible in each case.

- We won't buy anything new we've paid off all our debts.
- They'll start the meeting the manager arrives.
- I was finishing the report..... my boss went out with clients.
- It's urgent, so I'll phone you I get home.
- Can you check the figures you go home?

C Birgit Scheider is writing to her previous boss, a successful American businesswoman. Read her questions about starting a new business and choose the most appropriate option in each case.

I remember *before / as soon as / when*¹ I first thought about quitting my job and you advised me to gain some experience *as soon as / while / before*² I started a new business. I need to earn some profit *until / as soon as / before*³ possible, as I don't have much spare cash. Or do I have to accept that I won't have much money *as soon as / until / while*⁴ I'm starting up my new business? Do I need to have some savings *when / while / as soon as*⁵ I get my new business off the ground? I'm just not sure how I'll survive *as soon as / when / until*⁶ my company starts earning money.

Please advise me *before / as soon as / while*⁷ you can.

D CD2.5 Listen and check your answers to Exercise C.

SKILLS

Dealing with numbers



A CD2.6 Say these numbers. Listen and check after each group.

- 1 a) 362 b) 1,841 c) 36,503 d) 684,321 e) 4,537,295
 2 a) 3.5 b) 2.89 c) 9.875
 3 a) $\frac{3}{4}$ b) $\frac{1}{8}$ c) $\frac{6}{7}$ d) $\frac{1}{2}$ e) $\frac{2}{3}$
 4 a) 15% b) 50% c) 97% d) 100%
 5 a) £80 b) \$5,800 c) €150,000 d) €20,000

B Try to answer these questions.

- 1 What is the population of your a) country? b) city?
- 2 How many people work for your company / study at your institution?
- 3 What is the average salary in your country?
- 4 What is the current inflation rate?
- 5 Approximately how many people are unemployed?
- 6 What is the interest rate for savings?
- 7 What fraction of their income do you think people spend on living costs?
- 8 What percentage of your income do you spend on transport?

C CD2.7–2.10 Listen to four extracts from a radio business-news programme. Underline the numbers you hear.

- 1 a) Inflation rate: 2.0% / 1.2 %
b) Unemployment: 1,258,000 / 1,800,000
- 2 a) Profits increase: \$1.8 billion / \$1.8 million
b) Sales increase: 80% / 18%
- 3 a) Job losses: $\frac{1}{3}$ / $\frac{1}{4}$
b) Workforce reduction: 15,000 / 5,000
- 4 a) Interest rate reduction: 0.5% / 1.5%
b) Economic growth: 2.8% / 1.8%

D Work in pairs. You work for a marketing department, which is launching a new range of mobile phones in an overseas market. You are gathering statistical information.

Student A: Turn to page 135.

Student B: Turn to page 140.

- 1 Ask each other questions to complete your charts.
- 2 Discuss which are the best markets to launch the new range of phones in.

USEFUL LANGUAGE

SAYING LARGE NUMBERS

912,757,250 =

912 = nine hundred and twelve million,

757 = seven hundred and fifty-seven thousand,

250 = two hundred and fifty

FRACTIONS

 $\frac{5}{7}$ = five-sevenths $\frac{2}{5}$ = two-fifths $\frac{1}{2}$ = a half $\frac{1}{4}$ = a quarter

BRITISH AND AMERICAN ENGLISH DIFFERENCES

320 = three hundred and twenty (BrE)
three hundred twenty (AmE)

0 = nought/oh (BrE) / zero (AmE)

DECIMALS

1.25 = one point two five

0.754 = nought point seven five four (BrE)
zero point seven five four (AmE)
point seven five four (BrE/AmE)

PERCENTAGES

65% = sixty-five per cent

CURRENCIES

£3,000,000 = three million pounds

€16,000 = sixteen thousand euros



TAKA SHIMIZU CYCLES

An expanding business wants to begin production outside Japan

Background

Taka Shimizu Cycles (TSC) is based in Nagoya, Japan. Its brand is well known in Japan and in the United States. The company sells four models of bicycle:

- **road bicycles** for the non-enthusiast, general user. Price: US\$100–\$300
- **touring bicycles** for serious cyclists who travel long distances. Price: US\$600–\$3,000
- **racing bicycles** for professional cyclists. Price: US\$1,000 upwards
- **mountain bicycles** for energetic, adventurous, keep-fit cyclists. Price: US\$100–\$250

Note: The company is about to launch a new bicycle for children, which has great sales potential.

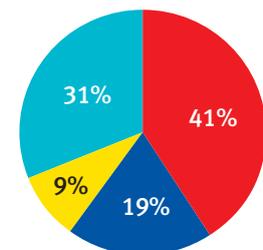
In the next 10 years, TSC plans to expand in Europe and South-East Asia so that it becomes a global company. To do this, it has decided to build its own factory in an overseas country. The factory will have approximately 2,000 workers, who will produce the frames for the cycles locally. Other components, such as saddles, gears, chains, tyres, etc., will be imported.

Workers will be recruited locally and trained, if necessary, at a special school set up for that purpose.

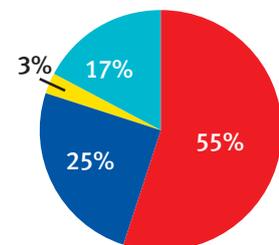
The company is considering four countries as a location for the factory. There is some information about each country on page 73. They are code-named A, B, C and D.

Sales revenue of cycle models as a percentage of turnover

Last year



Previous year



Task

You are members of the planning committee, which must choose a location for the new factory.

- 1 **Work in pairs.** Discuss the advantages and disadvantages of each location.
- 2 **Work in small groups.** Discuss the four countries and rank them in order of suitability as a location.
- 3 **Meet as one group,** with one of you leading the discussion. Decide which is the most suitable location for the new cycle factory.

COUNTRY A (EUROPE)

Population 120–150 million (exact figure not available)
GDP per capita* US\$21,100
Geography A variety of physical features + climate changes
Economy

- Growth rate (last year): 2%
- Inflation rate: 7.2%
- Interest rate: 6.5%
- Unemployment rate: 8.25%

Taxes

- Business tax on annual profits: 22%
- Import tax on cycle components: 8%

Transport

- Good rail network, but poor roads (frequent traffic jams)
- New international airport
- Sea ports not very efficiently run

Labour

- Unskilled labour available; a lot of training needed for cycle workers
- Wage rates: rising in major cities

Comments

- Political problems: people in some southern provinces want to become independent.
- The government will contribute 30% towards the cost of a new factory.

COUNTRY B (EUROPE)

Population 4.6 million
GDP per capita* US\$65,800
Geography No mountains, few hills; very flat land
Economy

- Growth rate (last year): 1.9%
- Inflation rate: 1.6%
- Interest rate: 2.2%
- Unemployment rate: 3%

Taxes

- Business tax on annual profits: 12%
- Import tax on cycle components: 18%

Transport

- Has a fully integrated road and rail network
- International airport
- Two modern seaports; high charges for handling goods

Labour

- Not much skilled labour available
- Wage rates: high

Comments

- The country has a stable government.
- There are strict new laws on pollution.
- There are generous tax credits for building new factories.

COUNTRY C (ASIA)

Population 110 million
GDP per capita* US\$3,800
Geography Several mountains in the north, flat in coastal areas
Economy

- Growth rate (last year): 8.9%
- Inflation rate: 7.25%
- Interest rate: 7.8%
- Unemployment rate: 6.9%

Taxes

- Business tax on annual profits: 15%
- Import tax on cycle components: 35%

Transport

- Good transport around the main seaports
- Small but well-managed airport
- Road network needs a lot of investment

Labour

- Plenty of skilled labour available
- Wage rates: low but rising fast

Comments

- About 70% of the population in major cities are under the age of 30.
- There is a strong protest movement against international companies.

COUNTRY D (ASIA)

Population approximately 262 million
GDP per capita* US\$3,580
Geography Mountains, hills and flatlands
Economy

- Growth rate (last year): 4.6%
- Inflation rate: 8.7%
- Interest rate: 8%–12%
- Unemployment rate: 7.1%

Taxes

- Business tax on annual profits: 28%
- Import tax on cycle components: 5%

Transport

- Several modern, well-run airports; low rates for handling cargo
- Road and rail network needs investment
- Government has a five-year programme to improve transport system

Labour

- Large supply of unskilled workers who are used to working long hours
- Unions in cycle industry
- Wage rates: average

Comments

- A lot of paperwork is required for new businesses.
- There are serious problems with air and water pollution.
- Profits are tax free for the first three years after a factory has been built.

* GDP per capita = Gross Domestic Product per person (the value of goods produced per person in a country during a period of time)

Watch the Case study commentary on the **DVD-ROM**.

Writing

Write an e-mail to the Head of the Chamber of Commerce of the country you have chosen. You should introduce Taka Shimizu Cycles and suggest a possible meeting in order to discuss the proposal further.

→ Writing file page 126