

When eBay bought Skype

Level: Pre-intermediate upwards

Timing: 90 minutes plus

Material needed: One copy of the student worksheet and Vocabulary record per student

Group size: Any

Overview

This lesson plan for both pre-experience and in-work business students is based around an original article first published in *Business Spotlight* Issue 2/2014. The article is about eBay's acquisition of Skype.

The tasks in the student worksheet will help the students to understand the content of the article and the language used. Additionally, the worksheet provides ways to look at language points in detail, questions for discussion and a research task.

The teacher's notes provide suggestions for teaching and learning strategies as well as ideas on how to present the tasks in the classroom, any necessary answer keys and extension tasks (for in class or as homework).

Lead-in

Students read the questions and then share their answers (to the best of their knowledge) in a group discussion. After they have discussed them, get them to read the article to check their answers.

Key words

Students read the definitions and match them to the key words. Then they should read the article to find them and see how they are used in context. The definitions are listed in the order that the words and phrases appear in the article.

Key:

1. profitable; 2. speculation; 3. eclipsed; 4. upstart;
5. core market; 6. purchase; 7. ease; 8. real estate (American English); 9. bargaining; 10. pursue; 11. merger;
12. take up; 13. third-party operators; 14. investors

Understanding the article

Students answer the questions with information from the article and then discuss their answers.

Key:

1. Microsoft
2. 2003
3. eBay, \$2.6 billion
4. a group of private investors, \$0.7 billion
5. They thought it would allow their buyers and sellers to talk rather than email. They hoped that this would ease their move into selling larger items such as cars, travel, and real estate. They thought it would allow customers to bargain face to face.
6. When they bought PayPal, both companies benefited.
7. Neither buyers nor sellers on eBay wanted to chat with each other. They preferred to keep the contact between them in writing.
8. eBay was conservative and bank-like, while Skype was idealistic and informal. This made the two companies culturally incompatible.

Language – capitalization

Students are asked to look closely at when capital letters are used. They should write all the words in the article that make use of capital letters that can be put into the categories in the box (with the exception of the first word in each sentence).

Key:

Company names	Area and countries	Abbreviations and acronyms
eBay Inc.	US	Inc. (= Incorporated)
Skype Technologies	China	CEO (= Chief Executive Officer)
Amazon	eastern Europe	VoIP (= Voice over Internet Protocol)
Google	Brazil	
Facebook		
PayPal		
Business Week		
MySpace		
Microsoft		

When eBay bought Skype

Extension task

Ask the students to say or find out what the abbreviations and acronyms mean and write them out in full.

Teaching and learning strategy: the 'small picture'

Looking at specific aspects of written language

When teaching with articles and texts, we often ask students to look at the 'big picture' via tasks such as comprehension questions and discussions.

In contrast, task 4 asks students to look closely and carefully at just one small but important part of written English. In this case it's the use of capital letters in words and acronyms that appear in the article but any specific aspect could be addressed, for example, use of commas, apostrophes, prefixes, etc.

After identifying the relevant words or phrases in the article, students should see if they find any patterns, rules or guidelines. They could compare these with what they find in grammar books and other reference material. A further task could be to decide how they would explain these to other language learners: maybe by writing a tip.

This 'self-discovery' way of looking at specific language points is not only for low-level students. It also works well as a revision exercise with more advanced students or as a way of highlighting and dealing with fossilized errors that you have noticed the students making again and again.

Discussion questions

These questions expand on the topic and open it up to discussion about internet-based companies in general, students' feelings about them and the companies' potential for staying in business ten years from now.

Webquest

Students are asked to find out about other mergers – either high-profile ones that can be researched on the internet or, if they do not have internet access, they could talk about local mergers that they know about or have read about. The three different versions of this task aim to provide teachers with at least one task that will fit their students' learning needs.

Vocabulary record

Here, students should be encouraged to record all of the new and useful vocabulary they have learned during the lesson, not only in the form presented in the article but also in related forms.

Related topics on onestopenglish

For follow-up lessons on the same or related topics go to the following lesson plans in the Business section on onestopenglish:

Business Spotlight: Coca-Cola's biggest mistake
<http://www.onestopenglish.com/business/business-spotlight/coca-colas-biggest-mistake/552768.article>

Business tasks: Risk and danger
<http://www.onestopenglish.com/business/business-tasks/risk-and-danger/156133.article>

Business tasks: Success and failure
<http://www.onestopenglish.com/business/business-tasks/success-and-failure/>

You may also find topical and relevant Guardian news lessons here on onestopenglish:
<http://www.onestopenglish.com/skills/news-lessons/>

Blackberry: Is this RIP for BBM?
<http://www.onestopenglish.com/skills/news-lessons/weekly-topical-news-lessons/2013-weekly-news-lesson-archive/weekly-news-lesson-364-14th-november-2013-blackberry-is-this-rip-for-bbm/553218.article>

When eBay bought Skype

1 Lead-in

Answer the questions below.

- What type of companies are eBay and Skype?
- What services do they provide?
- How do both companies make money?
- What difficulties do you think companies of this type face?

2 Key words

Read the definitions and match them to the key words. Then find them in the article to read them in context.

bargaining	core market	ease	eclipsed	investors
merger	profitable	purchase	pursue	real estate
speculation	take up	third-party operators	upstart	

1. money-making / able to make money _____
2. ideas or discussion about why something has happened or what might happen

3. when a company is made to seem less successful or important by another company that is becoming more successful or important _____
4. a new person or company who behaves as if they are more important than the ones who are already there _____
5. the place where a company does most of its business _____
6. the process of buying something _____
7. the ability to do something easily _____
8. land and the buildings on it _____
9. the act of trying to persuade someone to give you a better price _____
10. to try to achieve something _____
11. the process of combining two companies or organizations to form a bigger one

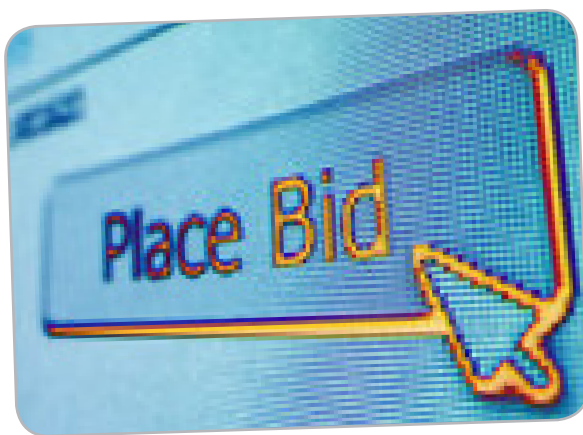
12. to start doing something regularly _____
13. other people in business who are not one of the two main people or organizations

14. people who put money into a company in order to make more money for themselves

When eBay bought Skype

When eBay bought Skype

by Vicki Sussens



Companies merge in order to increase profit and market shares. But how do customers react? VICKI SUSSENS reports about a failed merger.

1 The background

On 14th October 2005, the internet auction site eBay Inc. bought the internet telephone company Skype Technologies for \$2.6 billion (then about €2.1 billion). Only two years old, Skype had already been downloaded more than 182 million times in 225 countries. It was popular because of its free telephone services and earned money through premium services. But it was not profitable. Other online services such as Amazon and Google were already developing beyond their original businesses. When eBay acquired e-commerce companies, there was speculation that it, too, was trying to become a broader internet portal. eBay's then CEO, Meg Whitman, denied this.

2 The problem

Internet giants can lose favour quickly if they fall behind in technology, stop offering the perfect user experience or,

simply, lose their 'buzz'. They can also be eclipsed by the next upstart, as MySpace was by Facebook. What's more, eBay's growth in its core market, the US, was slowing. So it needed to find ways to secure its position as a top e-commerce site.

3 The solution

The success of eBay was based on bringing together buyers and sellers. It believed Skype could help it further. eBay's purchase of PayPal had improved the ease of online transactions. Now, eBay hoped the VoIP firm could help it move into areas such as new cars, travel and real estate, where telephone contact between buyers and sellers is important. Skype could help eBay in markets where there is less trust and where bargaining is part of the culture, such as China, eastern Europe and Brazil. The value of both Skype and eBay is based on membership size and the two companies hoped to benefit from each other's networks, as eBay had done with PayPal. "Together we can pursue some very significant growth opportunities," Whitman told *Business Week*.

4 What happened next

The merger was a failure. The users of eBay did not take up the Skype option, preferring to stick with email. Although people used Skype to chat, the groups using eBay – buyers, sellers and third-party operators – did not want to talk to each other. The two firms also had very different cultures. At eBay, there was a conservative, bank-like culture, while Skype was idealistic and informal. And Skype did not develop into a profitable business on its own. Four years after having bought Skype, eBay sold it at a loss, for \$1.9 billion, to a group of private investors. Today, the eBay / Skype merger is regularly referred to as one of the worst of all time. In 2011, Microsoft bought Skype.

© *Business Spotlight*, 2/2014, www.business-spotlight.de

When eBay bought Skype

3 Understanding the article

Answer the questions and then discuss your answers.

1. Who owns Skype now?
2. When was Skype founded?
3. Who bought Skype in 2005 and how much did they pay for the company?
4. Who did they sell it to? How much was their loss?
5. How did the 2005 buyer believe the acquisition of Skype would improve their business model?
6. What past, successful, acquisition led the 2005 buyer to believe this?
7. What aspect of customer behaviour made this merger unsuccessful?
8. What company culture factors added to the failure of the merger?

4 Language – capitalization

Apart from the first word in each sentence, find all the words that contain capital letters in the article and write them into the table below.

- Look carefully at the use of capital letters in these words, names, acronyms, etc. Can you find any patterns, rules or guidelines?
- How would you explain these rules to other language learners?
- Are there any words that make unusual usage of capital letters?

Company names	Areas and countries	Abbreviations and acronyms

When eBay bought Skype

5 Discussion questions

Discuss the following questions.

- Can you think of any big internet-based companies that have lost their 'buzz'?
- Who are today's biggest internet-based companies?
- Which, if any, would you be willing to invest money in?
- Which of them do you think will still be around (and profitable) in ten years' time?

6 Research, report writing and presentation

- **Option a:** Using the same four headings as found in the article, research and write a report about another failed merger or takeover. Analyse what went wrong and what, if anything, could have been done to save it.
- **Option b:** Complete the task specified in Option a, but instead of a report, prepare and give a presentation.
- **Option c:** Using the same format as the article but changing the headings, write about a successful merger or takeover. Explain why it succeeded where others failed.

When eBay bought Skype

Vocabulary record: When eBay bought Skype

verb	noun	adjective (+ opposite)	adverb (+ opposite)
merge			
	purchase		
		profitable	
			easily

Vocabulary record

