

Worksheet A

A. Pre-reading

Quickly review students' suggestions before they read the text. Write them on the board and then compare them after they have finished reading.

Note: In this lesson, the vocabulary activities follow the students' first reading of the text, so try not to give them any help with vocabulary at this stage. Instead, ask them to try to work out the meaning from the context.

B. Vocabulary 1: Find the word

See if any stronger students already know (or can remember) any of the expressions before they refer back to the text.

Key:

1. financial casualties; 2. new entrants; 3. gain critical mass; 4. discounted fares; 5. influx; 6. spoil for choice; 7. cost-effective; 8. saturation point

C. Vocabulary 2: Expressions for formal writing

You might need to explain that sometimes the two choices (A and B) have a different meaning; in other cases they have a similar meaning, but only one choice is appropriate for the context. If they are having difficulties, encourage students to use their learners' dictionaries to help them with this activity.

Key:

1. B. The verb 'to expand' has a similar meaning to 'to grow'. The verb 'to extend' usually means 'to cover a bigger area' rather than simply 'to increase in size' (e.g. 'The low-cost travel industry now extends from Europe to the rest of the world.')
2. A. 'Moreover ...' is used to introduce a supporting argument and has a similar meaning to 'Also ...' and 'Additionally...'. If we want to introduce an argument that we think is more important than our previous one, we can use 'More importantly ...' or 'More significantly ...'.
3. A. 'This is not the fact for ...' is not a normal expression in English. However, we can use the expressions 'This is not so for / This is not the case for ...' to mean 'This is not true for/of ...', followed by a noun or noun phrase.
4. A. The phrase 'modes of' is normally only used in formal, written English, such as this text. Both 'way(s) of' and 'means of' have a similar meaning to 'modes of'. However, while 'means of' can be followed by a noun, we normally follow 'way(s) of' with a verb in the '-ing' form, and not a noun. So,

'ways of travelling' would be correct, whereas 'ways of travel' isn't correct.

5. A. The expressions 'the inverse' and 'to be inversed' are not normally used in English as an equivalent to 'the opposite' or 'to be the opposite (to) something'. The word 'inverse' can occasionally be used in technical subjects, normally as an adjective in expressions such as '(to be) in inverse proportion to'. However, we can use the noun 'the reverse', as an alternative to 'the contrary' and 'the opposite', (e.g. 'In other countries, it is the contrary/opposite/reverse.')

6. A. The expression 'the degree of' is a formal way of saying 'the amount of' or 'how much'. An equivalent expression to 'the kind of substitution that takes place' would be 'the type of substitution' or – less formally – 'the sort of substitution'.

7. B. We normally use 'highly' as an equivalent to 'very', whereas 'greatly' is normally used before a verb to mean 'very much'. So, 'is highly dependent on' (= 'is very dependent on') is correct, but 'highly depends on' isn't correct.

8. B. We use 'It could be argued that ...' in formal writing simply to introduce an argument, and this expression means 'it is possible to argue that...'. If we want to make it clear that we know that some people are likely to disagree with our argument, we can use expressions such as 'It is arguable whether ...' or 'Whether it is the case that ... is open to debate.'

D. Project

Get students to work either individually or in groups. They should present their strategy either as a class presentation or a written report. You could let students choose a different sort of business if they prefer.

E. Webquest

Good low-cost airlines to study include EasyJet <http://corporate.easyjet.com/about/what-we-do> and Ryanair <http://www.ryanair.com/en/about>, but low-cost airlines from the students' home countries would also be worth looking at.

The task could be extended by comparing low-cost airlines with national carriers. How are the latter competing with/differentiating themselves from their low-cost competitors?

Students can present their findings either in a class presentation or a written report.

Worksheet B

A. Pre-listening

This activity helps students to prepare for and practise listening for gist. When students have finished listening, review their answers as a class.

B. Comprehension

Get students to identify words or expressions in the dialogue which they used to decide on their answers. Monitor students' initial answers and then get them to check their answers against the listening transcript.

Key: 1. T; 2. F; 3. T; 4. F; 5. T; 6. T; 7. T; 8. T

C. Discussion

Review each group's answers with the whole class. Encourage them to reflect on the extent to which their buying decisions have been affected by the marketing strategies of products and services they have bought.

D. Project

Students could do this individually or in groups. Agree on the specific products and services they are going to look at and then set the project as homework. The students can then give short presentations in the following lesson.

A Pre-reading

Imagine you are launching a low-cost airline. What factors would affect how well your company does? Discuss and make a list.

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Now read the text below, a short profile of the European low-cost airlines market. Do the factors mentioned in the text match the ones in your list?

European low-cost airlines

Since the early 1990s, there has been a significant growth in the European low-cost air travel market.

Threat of new entrants

With deregulation and the development of new regional airports, there are opportunities for new companies to enter the marketplace. However, there are significant cost implications in setting up and running an airline business. The risks can be high, as illustrated by various financial casualties over the past ten years. New entrants have to balance the risk against the opportunity to enter the market. Moreover, it is an intensely competitive market, and new entrants might not be able to gain the critical mass needed to survive.

Supplier power

There are various suppliers to this industry, including aircraft manufacturers (Airbus and Boeing are the two largest), refuelling facilities and airports.

Buyer power

With the introduction of low-cost fares, discounted fares (from national carriers) and the influx of numerous airlines, buyers (mainly individuals rather than companies) have increased the power of choice. Of course, the level of buyer power also depends on the number of airlines flying to the chosen destination. For example, several airlines fly from the London region to Paris, and customers are spoiled for choice, but this is not so for all departure and arrival locations.

Threat of substitutes

There are other modes of travel within Europe – car, coach and train. In some countries, the train service is highly efficient, comfortable and cost-effective; in others, it is the opposite. Therefore, the degree of substitution is highly dependent on the availability and efficiency of the alternative forms of transport.

Industry competitors

This has become a highly competitive market. It could be argued that it is at, or near, saturation point. However, that might not discourage new entrants if they believe they can gain a sustainable competitive advantage. They could do this through some form of differentiation (offering a service that seems in some way unique in the minds of customers), or focus (concentrating on a single route or small group of routes, and offering a cheaper and/or more frequent service on those routes).

Adapted from *Foundations of Marketing* by Jonathan Groucutt, pp. 111 © Palgrave Macmillan 2005

B Vocabulary 1: Find the word

Find words and expressions in the text that match the definitions below.

1. Companies (or people) who go bankrupt or lose money because of a particular situation are _____ of that situation.
2. Companies that begin operating in a market where there are already established suppliers are _____ to that market.
3. When a company has become big enough to function effectively, we can describe this as to _____.
4. travel prices that are reduced for a fixed period of time _____
5. when a lot of people or things arrive at the same time _____
6. When you have so many things to choose from that it's hard to decide between them, you are _____.
7. When something is _____, it is giving the best possible revenue or profit in relation to the amount of money originally invested.
8. When no new companies can enter a market because there are too many competitors, the market has reached _____.

C Vocabulary 2: Expressions for formal writing

Choose the correct equivalent expression to the one in the text: **A or B.**

1. ... *there has been a significant growth in the European low-cost air travel market.* [opening sentence]
A. The European low-cost air travel market has significantly extended.
B. The European low-cost air travel market has significantly expanded.
2. **Moreover**, *it is an intensely competitive market ...* [section 1, lines 8-9]
A. In addition, ...
B. More importantly, ...
3. ... **this is not so for all departure and arrival locations.** [section 3, lines 8-9]
A. This is not the case for ...
B. This is not the fact for ...
4. *There are other modes of travel ...* [section 4, line 1]
A. There are other means of travel
B. There are other ways of travel
5. *In some countries ...; in others it is the opposite.* [section 4, lines 2-4]
A. ... in others it is the contrary.
B. ... in others it is inverted.
6. ... **the degree of substitution ...** [section 4, line 4]
A. how much substitution takes place
B. the kind of substitution that takes place

7. ... **is highly dependent on** ... [section 4, lines 4-5]
A. ... highly depends on ...
B. ... greatly depends on ...
8. **It could be argued that** ... [section 5, lines 1-2]
A. It is arguable whether ...
B. One possibility is that ...

D Project

You have decided to open a new fast food restaurant (either in your local neighbourhood or near your school).

First decide on what kind of fast food you are going to sell, and then work out what your marketing strategy is going to be.

To do this, analyze the market under the categories used in the text:

1. Threat of new entrants
2. Supplier power
3. Buyer power
4. Threat of substitutes
5. Industry competitors

E Webquest

Choose two different low-cost airlines and compare their marketing strategies. Consider the five factors mentioned in the text and anything else that you think is relevant. You will need to look at the companies' own websites and at news articles about them.

When you look at the company website, click on the 'Company information', 'Corporate' or 'About us' area of the site, rather than the flight sales and information intended for passengers.

A Pre-listening

What do you understand by the term 'competitive advantage'? How can companies make and keep their products competitive? Discuss and make notes.

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You are going to listen to a conversation about marketing strategy between Tim, a business studies student who is working as an intern in the marketing department of a large chocolate manufacturing company, and Carla, the marketing manager. Listen to the dialogue and compare your ideas with the ones mentioned.

B Comprehension

Listen to the dialogue again and decide whether these statements about what Carla says are true (T) or false (F).

1. Competitive advantage isn't always achieved through pricing.
2. Customers for chocolate bars are never affected by price.
3. Premium (luxury) products shouldn't be too cheap or people might think that they aren't any better than cheaper ones.
4. For most manufacturers, the price charged to customers is more significant than the cost of production.
5. Controlling production costs makes companies freer to decide what price they wish to charge.
6. Differentiation means offering a product that is different from others on the market.
7. Producing products that are focused on specific groups of customers can make those customers more loyal to the brand.
8. Most companies use several different ways of gaining competitive advantage.

C Discussion

Make a list of some of the products you buy. What kind of products do you choose on price? What kind of products are you prepared to pay a premium price for? Then compare your list with other people in the class. Do you agree with each other's decisions?

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D Project

Think of – or research on the internet – two or three products or services which compete with each other directly. How do the manufacturers of each product try to obtain competitive advantage? Do they use pricing, differentiation, focus or a combination of the three?

Tim, a business studies student, who is working as an intern in the marketing department of a large chocolate manufacturing company, is talking to Carla, the marketing manager, about marketing strategy.

Tim: I've noticed that you spend lots of time in marketing meetings talking about the competition.

Carla: Yes, that's right.

Tim: And in these conversations, people often use the expression 'competitive advantage'.

Carla: Right?

Tim: But I'm not absolutely sure what 'competitive advantage' means. For instance, when people said in the meeting we must price our new range of chocolate bars competitively, I assumed they were just talking about the price.

Carla: Well, competitive advantage could be to do with pricing, but not necessarily. Pricing is not the whole story. In fact, we can use 'competitive advantage' to talk about any factor that gives us an advantage or edge over our competitors. That doesn't just mean the price.

Tim: But the price is important for chocolate bars, right? If you want to be competitive, you need to have the cheapest price, don't you?

Carla: No, not necessarily. If you think about it, many people don't choose their chocolate bar solely on price, because the total cost of a chocolate bar is not that high compared with other kinds of products. So, we might decide that a particular product needs to be in the middle of the price range for similar products, or at the lower end of the price range, rather than having to be the cheapest.

Tim: I see.

Carla: And for our premium products, like our luxury chocolates range, we don't want the products to be too cheap, or people will think the quality is not as high as we are claiming it is.

Tim: OK, I understand.

Carla: In fact, something that's much more important for us as a business than the price for the customer is the cost of production for us. If we can get our production costs lower and take costs out of the business, this gives us more freedom to charge lower prices when we need to, and yet still make a profit. Now this doesn't mean being the cheapest. Instead, it has more to do with being able to charge what prices you think are appropriate for the product you're selling. We can have this price flexibility because we've kept the cost of production as low as we can, while still maintaining the quality of our products.

Tim: Right, I understand all that. But you said there were other forms of competitive advantage that don't involve price, or even the cost of production. Can you give some examples?

Carla: Yes, well another strategy for gaining competitive advantage is through having a product that has a special feature that seems unique to the people who buy the products. For example, last year we launched our 'Real fruit' chocolate bars range. Now many of our competitors have fruit-flavoured bars, but our products are the only ones on the market that have pieces of real dried fruit in them. None of our competitors make these, so we can charge a premium price for them. We can describe this as gaining 'competitive advantage' through differentiation.

Tim: Right.

Carla: And we can also gain competitive advantage by focusing products on a particular group of customers. An example of this is our sugar-free range of chocolates aimed at diabetics. Also, we make 'guaranteed nut-free' products for people who have a nut allergy, which we manufacture in a separate factory where no nut products are ever made. Again, people who need these products will often be more loyal to our brand, because we are meeting their needs when maybe our competitors aren't.

Tim: And which of these forms of competitive advantage is most important for this company?

Carla: Wow, that's really hard to answer. Sometimes we gain an advantage through cost and pricing, sometimes through differentiation and sometimes through focus. It depends on the product range. I suppose what I'm saying is that it's a real mixture. And the same is true for most companies and industries.

Tim: So, would you say that this company has a competitive advantage over its competitors, Carla?

Carla: Hmm. We do in some areas, but not in others. In business, competitive advantage is something you have to fight to maintain every day. Even when you think you have competitive advantage one day, you might end up losing it the next – it's never permanent. So, to go back to your very first question, that's why people here spend so much time talking about it!