

# Unit 12 Competition

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# Winner takes all

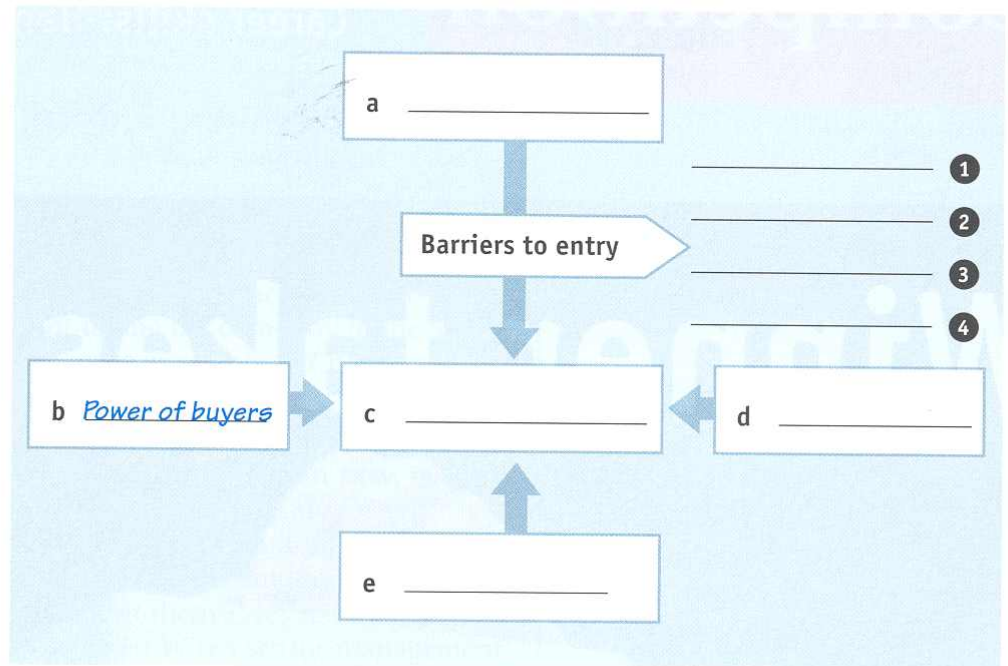


## Keynotes

Businesses **compete** against each other to sell their products and to increase or defend existing **market share**. When a company succeeds in creating a new market, **competitors** enter the industry, offering similar products but at a lower price. To stop their customers from **switching** to alternative products, businesses must maintain a **competitive advantage**. This can be achieved by **differentiating** the product or service, by having a lower **cost of production**, possibly through **economies of scale**, or by controlling the **source of supply** or the **distribution network**.

## Protecting a market

Listen to Robert Njiki, a professor of business studies, talking about how companies can analyse their competitive position in a market. Complete the diagram with the terms that he mentions.



### Speaking

All businesses have to adapt as their markets evolve and new opportunities emerge. Can you match the following companies with the products or services they originally sold? Do you know of other companies which have recently entered new markets?

- |                    |                                |
|--------------------|--------------------------------|
| 1 American Express | a forestry and wood            |
| 2 Nokia            | b mining and minerals          |
| 3 Nintendo         | c glass containers and bottles |
| 4 3M               | d ornaments and decorations    |
| 5 Shell            | e mail delivery                |
| 6 Danone           | f playing cards                |

How might established companies be affected by the following new products entering their industries?

digital camera    mobile phone    MP3 player

### Writing

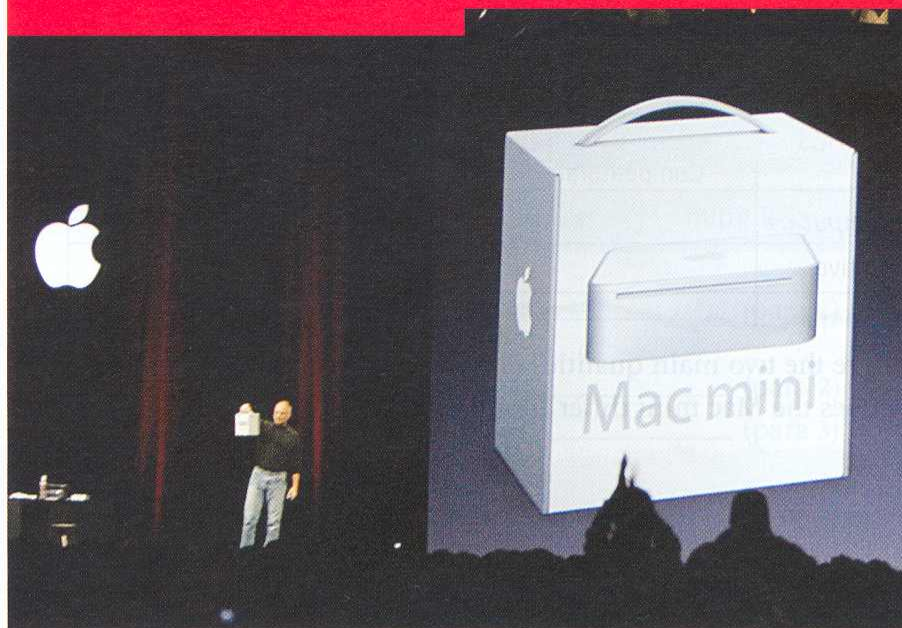
Choose a company that you know well. Imagine a new market that this company could enter. Write a press release explaining how it will do this. (See *Style guide*, page 30.)

### Reading

## Competitive advantage

**1** Read the text on the opposite page and answer the questions.

- 1 Who is Apple's principal competitor and how is the company trying to deal with it?
- 2 Which of the barriers mentioned in Preview has
  - a so far prevented Apple from gaining market share in the PC sector?
  - b made it difficult for companies to compete with Apple?



## Competitive advantage

## Crunch time for Apple

Apple's Steve Jobs is having another go at the mass market for computers

<sup>1</sup> During the first week of the year, Steve Jobs, the chief executive of Apple Computer, manages to look like the hippest boss in his industry. Every January, he coolly stands aside while other industry bosses go to Las Vegas for the Consumer Electronics Show. Then, in the second week, Mr Jobs mounts a stage in San Francisco at Apple's MacWorld conference. There, to oohs and aahs, he unveils Apple's latest products, all inevitably stunning in their design elegance and user-friendliness.

<sup>2</sup> But this week Mr Jobs went one step further. Encouraged by the runaway success of the iPod, and by profits that were up by 368 per cent on the same quarter a year earlier, he announced what is, in effect, a new corporate strategy. Instead of settling for being a niche player selling beautiful but expensive computers, the firm is returning to contest the mass market that it long ago ceded to Microsoft, Dell and others.

<sup>3</sup> That this challenge is even conceivable is due entirely to the iPod, which is going from strength to strength. The iPod's market share has grown from about one-third to two-thirds in the past year, at the expense of cheaper "flash" players.

### An Apple for everyone

<sup>4</sup> But Mr Jobs wants to attack even that remaining third of the market and this week he unveiled the Apple flash player, the iPod Shuffle. For Mr Jobs, who has never previously dabbled at the bottom of – nor explicitly attempted to dominate – any market, all this is unprecedented.

<sup>5</sup> Even though the iPod now outsells Apple's computers by volume, most of the firm's revenues still come from the computers. So Mr Jobs still needs to fix Apple's long-standing problem in its core business, which is that its global market share in computers seems stuck at about 3 per cent. Using the iPod's success to convert mainstream (i.e. Microsoft Windows) computer users might be the way to do it.

<sup>6</sup> This is why Mr Jobs also announced his most radical product, the Mac mini, a fully-fledged but tiny computer. The twist, in Mr Jobs's words, is that it is BYODKM, or "bring your own display, keyboard and mouse". Buyers are expected to plug in whatever monitors and peripherals they have already. Leaving out these bits makes the Mac mini Apple's first truly low cost computer, "so that people who are thinking of switching will have no excuse," says Mr Jobs.

### Glossary

*hip* fashionable, trendy

*unveil* reveal, disclose

*cede* give up, abandon

*dabble* get involved in as an amateur

*peripherals* printers, scanners and other devices used with a computer

*revered* respected and admired

<sup>7</sup> Cutting the price tag by leaving out the peripherals is a shrewd way of minimising two risks: it is unlikely to cannibalise the sales and profit margins of Apple's more expensive models; and it is likely to snap many Windows users out of their inertia and into making the switch.

<sup>8</sup> Mr Jobs hopes that as its seamlessly integrated range of products grows further, Apple will become the most revered brand in the digital home and in consumer electronics. This is why Mr Jobs has opened 101 retail stores around the world, their locations hand-picked by a former Gap manager. It also helps that an ecosystem of accessories is blooming. That growth will continue further once Mercedes, Nissan, Volvo and Ferrari have joined BMW and started to offer iPod controls in their steering wheels, as announced by Mr Jobs this week. And it helps that Mr Jobs, also the boss of Pixar, a hugely successful animated-film studio, understands the world of entertainment better than probably any other boss in his industry.

<sup>9</sup> Apple leads the market for online music with iTunes, which works only with the iPod, while Microsoft is pushing a rival software format, Windows Media, in an attempt to make it the industry standard. Mr Gates could come from behind once again. On the other hand, Mr Jobs has been more circumspect this time around – designing iTunes to work with Windows, for instance, doing marketing deals for the iPod with Hewlett-Packard and Motorola and, with this week's announcements, fighting off competition from lower cost rivals. It is too early to tell which of these two generals is still fighting the last war ■

**2** Read the text again. Complete the tables about Apple Computer and answer the questions.

**Apple Computer Inc.**  
Competitive overview

**1** Original market

Products	Competitors	Current market share	New product
personal computers			
Market objective			

- a What are the two main qualities of Apple products?
- b How does the Mac mini differ from other Apple computers?

**2** New markets

Products	Competitors	Current market share
1		
2		
3		
Market objective		

- a How is Apple trying to defend itself against its competitors?
- b What structural change has it introduced to distribute its products to a wider market?
- c What agreements has Apple made with other companies?

**Speaking**

What are the main reasons why Apple does not have a larger share of the personal computer market?

Do you think that Apple's new strategy for the personal computer market will be successful? Why / Why not?

**Vocabulary 1 Expressions with have**

Look at the subheading of the text on page 103. *Having another go at* can be paraphrased as *making another attempt to succeed in*. Use the appropriate form of *have* with the following phrases to paraphrase the underlined words in the sentences below.

trouble with    a look at    a right to    a stake in    no idea    in mind

- 1 Could you check out the latest sales figures and let me know what our share of the computer market is?
- 2 What sort of marketing campaign are you considering?
- 3 We've encountered some problems with the software on the new operating system.
- 4 Blackthorn Industries owns a percentage of the company.
- 5 All employees are entitled to know where we stand in relation to our competitors.
- 6 I don't know what they're planning to do. But the rumour is that they're bringing out a new version.

## Vocabulary 2 Compound nouns

Join nouns from the two boxes to form compound nouns from the text on page 103. Complete the definitions below with the compound nouns.

mass      niche      core      market      profit


business      margin      share      player      market

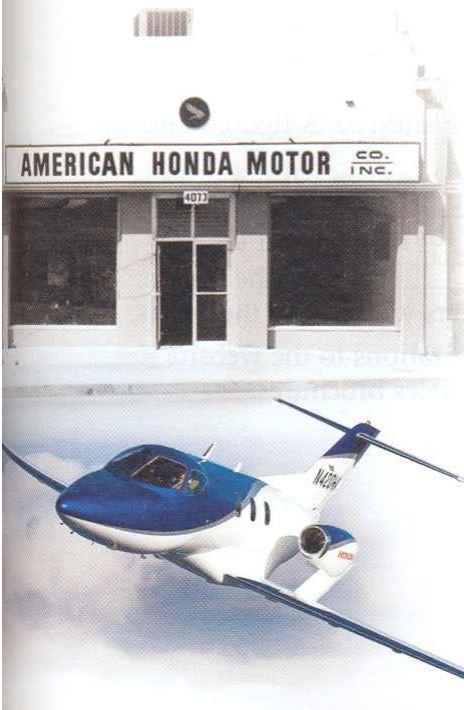
- 1 \_\_\_\_\_ (para 2)      a company that is present in a small segment of a market
- 2 \_\_\_\_\_ (para 2)      the largest source of customers
- 3 \_\_\_\_\_ (para 3)      the proportion of a market that a company occupies
- 4 \_\_\_\_\_ (para 5)      the central activity of a company
- 5 \_\_\_\_\_ (para 7)      the difference between costs and sales

### Practice

Complete the article with the appropriate form of words and phrases from Vocabulary 1 and 2.

Pixar, the highly successful computer animation company, was originally a division of George Lucas' company, Lucas Films. In 1986 Steve Jobs, who <sup>1</sup> *had a stake* in the company, bought out George Lucas and took control. Originally, Pixar's <sup>2</sup> \_\_\_\_\_ was the creation of computer systems for visual processing. However, the company was never more than a <sup>3</sup> \_\_\_\_\_ in this sector and its <sup>4</sup> \_\_\_\_\_ was insufficient to justify further investment. Pixar was soon facing a critical situation as they were <sup>5</sup> \_\_\_\_\_ sales of their machines. To promote sales and improve <sup>6</sup> \_\_\_\_\_, John Lasseter, the creative director, prepared a series of commercials, but he <sup>7</sup> \_\_\_\_\_ that one day film-making would become Pixar's main source of revenue. Today, Pixar is one of the most successful operations in its sector and has produced some of the most popular animated pictures for the <sup>8</sup> \_\_\_\_\_, such as *Finding Nemo* and *The Incredibles*.

**Listening 1**  Listen to a business analyst talking about the history of Honda. Take notes and complete the table.



Company opens	Develops first product	Enters US market	Diversifies	Enters new industries	Future plans
Date <i>1946</i>	Date _____	Date _____	Date <i>1963</i>	Dates _____	Date <i>now →</i>
Founder <i>Soichiro Honda</i>	Product _____	Product _____	Sector _____	1 _____	Industry _____
Company name _____	Product name <i>A Type</i>	Product name <i>Supercub</i>	Product name _____	2 <i>generators</i>	Prototype name _____
_____	_____	_____	_____	3 _____	_____
_____	_____	_____	_____	4 <i>aircraft engines</i>	_____

Study the examples taken from the text on page 103.

- a *Every January, he coolly **stands** aside **while** other industry bosses go to Las Vegas ... (para 1)*
- b *Mr Jobs hopes that **as** its seamlessly integrated range of products **grows** further, Apple **will become** the most revered brand ... (para 8)*
- c *That growth **will continue** further **once** Mercedes, Nissan, Volvo and Ferrari **have joined** BMW and **started** to offer iPod controls in their steering wheels ... (para 8)*

**1** Which of the examples above includes the following?

- 1 a time clause and a main clause both in the present tense
- 2 a time clause in the present perfect and a main clause in the future
- 3 a time clause in the present and a main clause in the future

**2** Which of the verbs in bold above could be replaced by a present simple form?

**3** Study the conjunctions that can be used in time clauses. Which could be used to replace the conjunctions in the examples above?

while	as	once	until (till)	before/after
whenever		by the time	as soon as	when



For more information, see page 162.

**Practice**

Complete the sentences with the appropriate form of the verbs in brackets. You may need to use negative verb forms in some cases.

- 1 We (make) will make every effort to get our new medicine onto the market **before** our main competitor (release) \_\_\_\_\_ theirs.
- 2 **As soon as** we (find) \_\_\_\_\_ a supplier who can provide the circuits, we (move ahead) \_\_\_\_\_ with the production phase.
- 3 **Whenever** a new competitor successfully (enter) \_\_\_\_\_ a market, profit margins (tend) \_\_\_\_\_ to fall.
- 4 The new vehicle (go) \_\_\_\_\_ on sale **until** it (complete) \_\_\_\_\_ its road trials.
- 5 Let me know **when** you (get) \_\_\_\_\_ the latest sales figures, and we (decide) \_\_\_\_\_ what to do then.
- 6 **Once** the salespeople (understand) \_\_\_\_\_ the advantages of the new model, it (be) \_\_\_\_\_ much easier for them to sell it.
- 7 I don't see how we (can / be able to) \_\_\_\_\_ confirm the orders **until** we (know) \_\_\_\_\_ when our dealers will receive the goods.
- 8 Sandra (make) \_\_\_\_\_ the necessary alterations to the website **while** Jodie and I (prepare) \_\_\_\_\_ the sales brochures.

## Handling conflict

When conflict occurs at work, it is important to deal with it appropriately before it causes further problems. Look at the following phrases, which can be used when handling conflict.

- Whether you like it or not ...*
- Can we set aside our differences?*
- I don't see what all the fuss is about.*
- What are your views on this?*
- I'm sorry, but there's no point discussing this any further.*
- I'm sure that won't be a problem.*
- I know we don't see eye to eye on this but ...*
- Let's keep things in perspective.*

Look at three strategies for handling conflict and match them with phrases a-h.

- Minimise: ignore a conflict or try to make it seem less important.
- Accommodate: try to find a compromise solution that is in the interests of all those involved.
- Dictate: use your authority to impose a solution to the problem.

What do you think the advantages/disadvantages of each approach are?

## Listening 2

**1** Listen to three dialogues. What is the source of conflict in each dialogue, and which strategy is used by each of the six colleagues?

**2** Listen again. Which of phrases a-h above are used?

## Speaking

**1** Work in pairs. Turn to page 143 and read the descriptions of situations involving conflict between a manager and member of staff. Take turns to play the roles of manager and member of staff, using a different strategy each time.

**2** Think of a situation where you have been involved in conflict. What was the cause of the problem? What attitude did you take? How successful were you at resolving the conflict? Do you think you reacted in the right way?

## Culture at work

### How much confrontation?

Some cultures consider conflict to be a normal part of working life and see it as a factor that can enhance performance and generate creativity. Other cultures, on the contrary, believe that interpersonal conflict should be avoided at all costs and that the interests of the individual should be subservient to those of the group or the community. Which of the two attitudes is closest to your culture?

# Dilemma & Decision

## Dilemma: The cola comeback

### Brief

Parle Ltd is an independent company that produces and distributes soft drinks and sodas, including its best-selling Thums Up cola, on the market in India. Until recently, the company had been protected from outside competition by government regulations which prevented foreign competitors from entering the market. However, the government has now changed to a free-market policy, and foreign companies are now able to set up plants and distribution networks inside the country. Parle is well aware of the power of the US giants, Pepsi and Coca-Cola. But what can they do to protect their market?

### Task 1

Work in groups of three. You are directors of Parle and you have arranged a meeting to decide what strategy your company should adopt to prepare Thums Up for the free market. Choose a role on page 143 and prepare the arguments that you would use to convince your fellow directors to follow your advice.

### Task 2

Hold a meeting and present your arguments.

### Task 3

Decide together on the best course of action for the company to adopt.

### Write it up

Write an email confirming the decisions that you have made. (See *Style guide*, page 20.)

## Decision:

- ◉ Listen to Dinesh Madhur talking about the strategy that was adopted for Thums Up.

