


## Internet research


Search for the keywords *no-frills chic* to find examples of how low-cost goods and services companies are investing in style to add value without increasing cost. Discuss how this formula could be applied to other products.

## Listening

**3**  **2:32** Lesage Automobile is a small independent car manufacturer. After several years of good results, the company is looking to invest to accelerate growth. Listen to two board members discussing their options, and answer the questions.

- 1 Who is Amelia?
- 2 Which options do a) Mikhail and b) Jack favour?
- 3 What are they drinking, and why?



**4**  **2:32** Listen again and complete options 1–8 in the first column of the grid below.

	a)	b)	c)	d)	e)	f)	g) other ...	h) other ...
1	refuse to _____							
2	produce a _____ in _____							
3	build own model in _____							
4	_____ cheapest existing model _____							
5	joint venture with _____ using old-generation _____							
6	import and _____ cheap cars from _____							
7	target traditional markets in _____							
8	target _____ markets in _____							
9	other ...							
10	other ...							

## Reading

**5** Read Amelia's note below. Find and enter six criteria a)–f) in the first row of the grid above.

Jack,

Here are my ideas so far on the criteria for the no-frills project. Obviously, we need to think about the political implications of relocating part of our production – I want to find out about possible incentives for investment in eastern Europe or Russia. Another area to think about is how a no-frills project affects our corporate image? We need to evaluate the risk, especially now that the Greens are becoming politically and economically more influential.

The analysts say that potential profitability is similar for all projects, so we don't need to worry about ROI at this stage; but we do have to consider how attractive each option is for the low-end customer. And we mustn't forget after-sales, which could be tricky with some of our options.

It's vital to predict how the unions will react. Staff morale is very important. Re: finance – can we use liquidity or debt? The family would prefer to avoid diluting our equity if possible.

What else do we need to take into account, and what are the priorities? Let me know what you think.

Amelia

## Discussion

**6** Work in small groups. Consider the options and the criteria in the grid above: delete, modify or add other ideas as you feel appropriate. Then quantify the options, weight the criteria and decide what to recommend to the Board of Lesage.

Student A turn to page 115.

Student B turn to page 116.

Student C turn to page 118.

Students D and E turn to page 121.