

1 Money and income

A Currency

The money used in a country – euros, dollars, yen, etc. – is its **currency**. Money in **notes** (banknotes) and **coins** is called **cash**. Most money, however, consists of **bank deposits**: money that people and organizations have in bank accounts. Most of this is on **paper** – existing in theory only – and only about ten per cent of it exists in the form of cash in the bank.

BrE: note or banknote;
AmE: bill

B Personal finance

All the money a person receives or **earns** as payment is his or her **income**. This can include:

- a **salary**: money paid monthly by an employer, or **wages**: money paid by the day or the hour, usually received weekly
- **overtime**: money received for working extra hours
- **commission**: money paid to salespeople and agents – a certain percentage of the income the employee generates
- a **bonus**: extra money given for meeting a target or for good financial results
- **fees**: money paid to professional people such as lawyers and architects
- **social security**: money paid by the government to unemployed and sick people
- a **pension**: money paid by a company or the government to a retired person.

Salaries and wages are often paid after deductions such as social security charges and pension contributions.

Amounts of money that people have to **spend** regularly are **outgoings**. These often include:

- **living expenses**: money spent on everyday needs such as food, clothes and public transport
- **bills**: requests for the payment of money owed for services such as electricity, gas and telephone connections
- **rent**: the money paid for the use of a house or flat
- a **mortgage**: repayments of money borrowed to buy a house or flat
- **health insurance**: financial protection against medical expenses for sickness or accidental injuries
- **tax**: money paid to finance government spending.

A financial plan, showing how much money a person or organization expects to earn and spend is called a **budget**.

BrE: social security; AmE: welfare
BrE: flat; AmE: apartment

Planned monthly budget for next year (€)			
Income		Outgoings	
Salary (after deductions)	3,250	Rent	900
Commission (average)	600	Bills	250
		Living expenses	1,200
		Health insurance	130
		Tax	800
Total	3,850	Total	3,280

2

Business finance

A Capital

When people want to **set up** or start a company, they need money, called **capital**. Companies can **borrow** this money, called a **loan**, from banks. The loan must be paid back with **interest**: the amount paid to borrow the money. Capital can also come from issuing **shares** or **equities** – certificates representing units of ownership of a company.

The people who **invest** money in shares are called **shareholders** and they own part of the company. The money they provide is known as **share capital**. Individuals and financial institutions, called **investors**, can also lend money to companies by buying **bonds** – loans that pay interest and are repaid at a **fixed future date**.

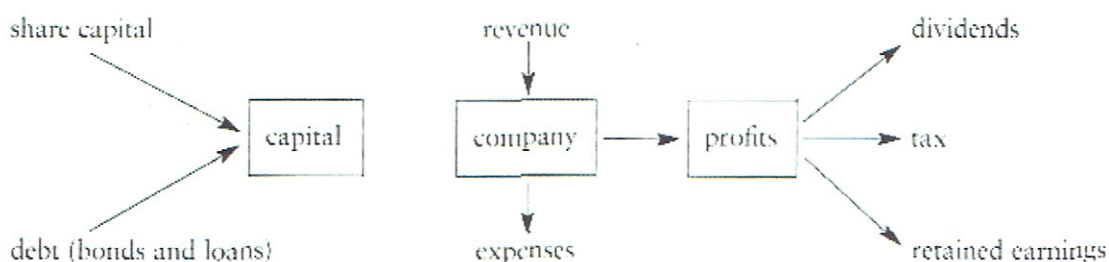
Money that is owed – that will have to be paid – to other people or businesses is a **debt**. In accounting, companies' debts are usually called **liabilities**. Long-term liabilities include bonds; short-term liabilities include debts to suppliers who provide goods or services on **credit** – that will be paid for later.

The money that a business uses for everyday expenses or has available for spending is called **working capital** or **funds**.

BrE: shares; AmE: stocks
BrE: shareholder; AmE: stockholder

B Revenue

All the money coming into a company during a given period is **revenue**. Revenue minus the cost of sales and operating expenses, such as rent and salaries, is known as **profit**, **earnings** or **net income**. The part of its profit that a company pays to its shareholders is a **dividend**. Companies pay a proportion of their profits to the government as **tax**, to finance government spending. They also retain, or keep, some of their earnings for future use.



C Financial statements

Companies give information about their financial situation in **financial statements**. The **balance sheet** shows the company's **assets** – the things it owns; its **liabilities** – the money it owes; and its capital. The **profit and loss account** shows the company's revenues and expenses during a particular period, such as three months or a year.

BrE: profit and loss account; AmE: income statement

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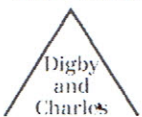
Buyers, sellers and the market

A

Customers and clients



Best Travel



Digitco

Company	Products/services	Customer / client base
Autocomp	products: car components	customer base: car companies
Best Travel	services: package holidays	customer base: general public
Digby and Charles	professional services: architecture	client base or clientele: companies, government organizations and the public
Digitco	products: cheap computers	customer base: general public

People who buy 'everyday' services such as train travel or telephone services are called **customers**. You can also talk about the **users** or **end-users** of a product or service, who may not be the people who actually buy it. For example, when a company buys computers for its staff to use, the staff are the end-users.

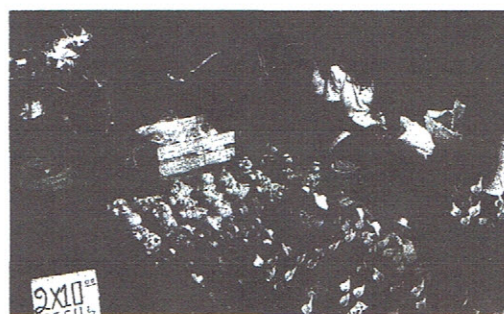
People who buy products or services for their own use are **consumers**, especially when considered as members of large groups of people buying things in advanced economies.

B

Buyers and sellers

A person or organization that buys something is a **buyer** or **purchaser**. These words also describe someone in a company who is responsible for buying goods that the company uses or sells. These people are also **buying managers** or **purchasing managers**.

A person or organization that sells something is a **seller**. In some contexts, for example selling property, they are referred to as the **vendor**. People selling things in the street are **street vendors**.



Street vendors

C

The market

The **market**, the **free market** and **market economy** describe an economic system where prices, jobs, wages, etc. are not controlled by the government, but depend on what people want to buy and how much they are willing to pay.

D

Word combinations with 'market'

market	forces pressures	the way a market economy makes sellers produce what people want, at prices they are willing to pay
	place	producers and buyers in a particular market economy, and the way they behave
	prices	prices that people are willing to pay, rather than ones fixed by a government
	reforms	changes a government makes to an economy, so that it becomes more like a market economy

Note: Marketplace is written as a single word.

1 Find expressions in A and B opposite with the following meanings.

- 1 Someone who buys food in a supermarket. (3 expressions)
- 2 All the people who buy food from a particular supermarket chain, from the point of view of the chain.
- 3 Someone who buys the services of a private detective agency.
- 4 All the people who buy the services of a private detective agency, seen as a group. (2 expressions)
- 5 Someone who sells goods or services.
- 6 Someone selling a house. (2 expressions)
- 7 Someone buying a house. (2 expressions)
- 8 Someone who sells hamburgers to tourists outside the Tower of London.
- 9 Someone whose job is buying tyres for a car company. (4 expressions)
- 10 Someone who uses a computer, even if they have not bought it themselves, but their company has. (2 expressions)

2 Complete the TV reporter's commentary with expressions from C and D opposite.

In China, all economic activity used to be controlled by the state. Prices were fixed by the government, not by buyers and sellers in the market (1) But in the last 20 years there has been a series of market (2) that have allowed people to go into business and start their own companies. Market (3) are determined by what buyers are willing to pay, rather than by the state. There are still state-owned companies that lose a lot of money. Until recently, they have been protected from market (4) , but market (5) will eventually mean that they close down. Of course, the market (6) has its losers: those without work, and victims of crime, which used to be very rare.



Markets and competitors

A Companies and markets

You can talk about the people or organizations who buy particular goods or services as the **market** for them, as in the 'car market', 'the market for financial services', etc. Buyers and sellers of particular goods or services in a place, or those that might buy them, form a **market**.

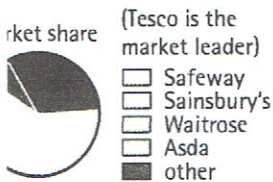
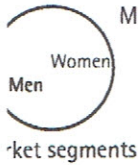
If a company:

enters penetrates	}	a market	it starts selling there for the first time.
abandons gets out of leaves			it stops selling there.
dominates	}	a market	it is the most important company selling there.
corners monopolizes			it is the only company selling there.
drives another company out of	}	a market	it makes the other company leave the market, perhaps because it can no longer compete.

B

More word combinations with 'market'

'Market' is often used in these combinations:



market	}	growth	In the late 1990s, Internet use was doubling every 100 days. Market growth was incredible.
		segment	Women are a particularly interesting target for the Volvo V70. They are an important market segment for Volvo.
		segmentation	The Softco software company divides the software market into large companies, small companies, home office users, and leisure users. This is its market segmentation .
		share	Among UK supermarkets, Tesco sells more than any of the other chains. It has the highest market share .
		leader	Tesco is the market leader among UK supermarkets as it sells more than any of the other chains.

C Competitors and competition

Companies or products in the same market are **competitors** or **rivals**. Competitors **compete** with each other to sell more, be more successful, etc.

The most important companies in a particular market are often referred to as **key players**.

Competition describes the activity of trying to sell more and be more successful. When competition is strong, you can say that it is **intense**, **stiff**, **fierce** or **tough**. If not, it may be described as **low-key**.

The **competition** refers to all the products, businesses, etc. competing in a particular situation, seen as a group.

1 Use the correct form of the words in brackets to complete the sentences.

- 1 European films do not export well: European movies barely (abandon/corner/penetrate) the US market.
- 2 In the 1970s, Kodak (corner/enter/leave) the instant photography market, until then (abandon/dominate/penetrate) by Polaroid.
- 3 The Hunt brothers tried to fix silver prices and to (corner/enter/leave) the silver market, (enter/drive out/monopolize) all competitors.
- 4 In the 1940s, MGM (abandon/get out of/monopolize) the market on film musicals. But by the late 1950s, Warner Bros had also started buying film rights to musicals.

2 Replace the underlined expressions with expressions from B opposite. You may need to add a verb in the correct form.

I'm Kalil and I'm marketing manager for CrazyCola in a country called Newmarket. In this market, we (1) sell more than any other cola. In fact, we (2) have 55 per cent of the market. (3) Sales are increasing at seven to eight per cent per year. There are two main (4) groups of users: those who drink it in cafés, bars and restaurants, and those who buy it to drink at home. Of course, many users belong to both groups, but this is our (5) way of dividing our consumers.

3 Read this description of a language training market. Answer the questions.

In Paris, 500 organizations offer language training to companies. However, 90 per cent of sales are made by the top five language training organizations. The market is not growing in size overall. Organization A has 35 per cent of the market, and faces stiff competition from B, which has about 25 per cent of the market, and from C, D and E, who each have 10 per cent, but who are trying to grow by charging less for their courses.

- 1 How many competitors are there in this market?
- 2 Is competition in the market strong?
- 3 Who is the market leader?
- 4 Who are the two key players?
- 5 Who mainly makes up the competition, from the market leader's point of view?
- 6 If one competitor increases its market share, can the others keep their market share at the same level?

Marketing and market orientation

A

Marketing

Marketing is the process of planning, designing, pricing, promoting and distributing ideas, goods and services, in order to satisfy **customer needs**, so as to make a profit.

Companies point out how the special characteristics or **features** of their products and services possess particular **benefits** that satisfy the needs of the people who buy them.

Non-profit organizations have other, social, goals, such as persuading people not to smoke, or to give money to people in poor countries, but these organizations also use the techniques of marketing.

In some places, even organizations such as government departments are starting to talk about, or at least think about their activities in terms of the **marketing concept**.

B

The four Ps

The four Ps are

product: deciding what to sell

price: deciding what prices to charge

place: deciding how it will be distributed and where people will buy it

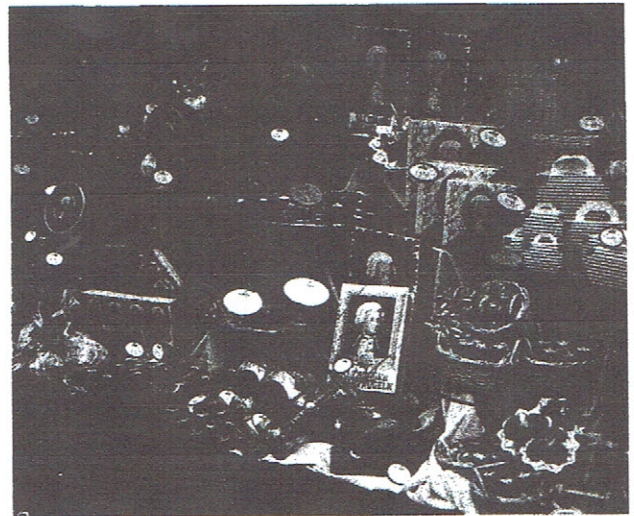
promotion: deciding how the product will be supported with advertising, special activities, etc.

A fifth P which is sometimes added is **packaging:** all the materials used to protect and present a product before it is sold.

The four Ps are a useful summary of the **marketing mix**, the activities that you have to combine successfully in order to sell. The next four units look at these activities in detail.

To **market** a product is to make a plan based on this combination and put it into action. A **marketer** or **marketeer** is someone who works in this area.

(**Marketer** can also be used to describe an organization that sells particular goods or services.)



Promotion

C

Market orientation

Marketers often talk about **market orientation**: the fact that everything they do is designed to meet the needs of the market. They may describe themselves as **market-driven**, **market-led** or **market-oriented**.