

Problems that epiphone faced essay sample



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1. 1 The competition with Gibson and the failure of recording guitars

Epiphone had introduced the recording series of guitars at the height of banjo boom in 1928. Although the market was certainly ripe, the recording guitars were not successfully accepted by the market because the recording guitars had a lack of celebrity endorsement and the volume of recording guitars was too small and arguably too ornate if compared to the mighty size and volume of the Gibson L-5. Epiphone took the concept of the Gibson L-5 as the inspiration of the new product, Masterbilt Series, but Masterbilts had their own identities. Their intention was to destroy it but not to imitate the Master Model. After that, Gibson returned fire by increasing the body width of its existing models and introducing the king-size Super 400. Once Epiphone launched out a new product, Gibson would introduce another product to counterattack.

We found that Apple Inc also faced the same problem with Epiphone. At the time Apple Inc launched out the iPhone 4S, it enjoyed to become the foreground of the public attention. Many people discussed about the iPhone 4S and awaited it imported into their country. However, the introduction of Samsung Galaxy S3 brought a danger to iPhone 4S's sales. In order to protect the market share, Apple Inc kept on improving and a new product, iPhone 5 produced. There is a phenomenon that once the news of Apple's new product is announced, the sales of Samsung's product will become flat. Thus, Samsung and Apple keep launching new models of smart phone to keep the reputation and sales of their products. (CNET News, 2012)

1. 2 The rise of foreign-made guitars

The early to mid-1960s were the boom time for Epiphone. However, the rise

of foreign-made guitars had given a heavy strike to the US industry. It had caused the market share of the Epiphone/ Gibson decreased by 40% and many companies which couldn't deal with this problem had closed down entirely. In addition to the fall in sales, the resignation of the Gibson manager Ted McCarty gave a great impact to the quality of the product. All of the problems arrived in a quick succession. In 1969, Gibson's parent company CMI was purchased by the Ecuadorian ECL Corporation which was the manufacturer of beer. The idea of moving Epiphone production to Japan had actually floated before the ECL takeover. However, the crisis was not solved until 1976 Epiphone introduced a number of new models including a series of scroll-bodied electrics. By 1979, Epiphone product list was gathering speed, with over 20 steel-string flat tops, and plenty more besides. To sum up, Epiphone overcame the problem of the competition of foreign-made guitars by improving the quality and producing speed at 1976 and 1979.

According to the Joint Organization Data Initiative, Russia was once the world's largest oil producer but Saudi Arabia overstepped it in June 2012. Saudi Arabia's oil output rose 3 percent to 10.1 million barrels a day in June from May as it exported the most in a month since November 2005. Although Russia pumped more 0.1 million barrels a day of oil than previous output, which is 9.9 million barrels, it still could not retain its world ranking. The reason why Saudi Arabia could overtake Russia as the world's largest oil producer was because Saudi Arabia has rich oil deposit and it adjusted its speed in producing the oil. (Business Week, 2012)

1. 3 Financial problem

Epiphone was handed down to Orphie and Frixo along with the death of their brother, Epi. They were respectively responsible for the financial and mechanical running of the operation. At the initial stage of the two brothers worked together, everything seemed to be business as usual. Epiphone continued to fight with Gibson and its guitar still popular among the players. Unfortunately, the cracks soon appeared. There were some clashes of view between Orphie and Frixo. In 1948, Frixo decided to sell his share to Orphie and withdrawn from the management. The leave of Frixo did not bring any benefits to Epiphone but even worse than before. The problem of the fall in the reputation for craftsmanship and innovation built up by Epi mixed up with the pressure of unionization had forced Epiphone to move its factory from Manhattan to Philadelphia. As a result of the craftsmen refused to move along with Epiphone's factory, there was a drop in quality and even caused Epiphone stayed on the edge of bankruptcy. Ultimately, Orphie decided to sell Epiphone to Gibson at the value of \$20, 000 in 1957 to solve the financial problem.

The situation or problem above can be seen in the joint venture deal between IBM and China-based Lenovo Group in 2004. IBM sold its PC division to Lenovo Group and take a minority stake in a deal valued at \$1. 75 billion. The purchase would make Lenovo Group the third largest PC maker with an annual revenue exceeding 10 billion US dollars. By selling the PC business to a joint venture with Lenovo, it could add more than 5 percents per share to IBM's earnings in 2006, or \$85 million in net income. This would enable Lenovo to collaborate with IBM design teams for a certain period and able to

control the manufacturing. Besides that, Lenovo could use this chance to get into the China market. The main reasons for IBM to sell their PC division to Lenovo were to take 18.9% stake in Lenovo, to reach a worldwide business and powerful brand name, to open worldwide headquarters in New York and also to create world's third-largest PC in business (Spooner and Kanellos, 2004).

1.4 No dedicated workplace

Epiphone's firm had no proper office or its own workplace was one of the problems which identified by David Berryman. There were several times that Epiphone moved its company from place to place and every time it relocated to a new place, it had to build up its reputation again. Hence, Berryman incited the acquisition of a dedicated office in Seoul. They designated Jim Rosenberg as product manager and wanted to correct the misconception that Epiphone was secondary to Gibson. By having the dedicated office in Seoul, Epiphone now could feel at ease and able to concentrate on the product's quality control. Epiphone constantly improved its quality and developed more new models and all the effort paid off.

The case of Royal Caribbean Cruises Ltd had supported that a company with dedicated office could bring many benefits. Royal Caribbean Cruises Ltd announced that it would establish a dedicated corporate office in Mexico City, in response to get an opportunity to further strengthen the market leading position and offer even more valuable cruise benefits. (Royal Caribbean, 2010) In addition, many huge organizations also evidence that dedicated office provides flexibility and is a critical point to success. It can own more office space, conveniently to handle office infrastructure issues, <https://assignbuster.com/problems-that-epiphone-faced-essay-sample/>

save capital investments and make it easy to control material costs. There is probably no rule of thumbs within dedicated office space. It makes the business look more specialized and able to attract business partners because it looks like generating profits. (LinkedIn, 2012)

1. 5 Unceasing shift of the market demand

One of the problems that Epiphone faced was the unceasing shift of market demand. The favors of the consumers constantly changed from period to period. In order to survive in this competitive environment, it was crucial for Epiphone to make its products perfect and able to pander to the consumers' need. In the history of establishing the reputation of Epiphone, it tried hardly to develop different types of musical instruments according to the consumers' favors. Hence, it could remain its dominant position in the market and able to ensure that its market share would not dropped. For example, Epi had recognized the clue that banjos would become the trend of that contemporary era before it really happened so that he already armed his company to deal with it by introducing a line of banjos for not falling behind the other competitors. The early 1960s brought the explosion of folk music and Epiphone was ready to cater to it by reintroducing its Seville classical guitar.

The same situation can be found in the case of Samsung and Nokia. Nokia was once the top three in the mobile phone market but now it had been forgotten by the new generation due to the outdated of the functions and models. Both of Samsung and Nokia have produced smart phone but people will prefer Samsung's smart phone rather than Nokia's. The reason that caused Nokia to become desolate is because it did not produce its product in

accordance with the needs of the customers. Nokia's functions are inferior to Samsung in terms of camera pixels, RAM, display screen and weight of the phone. At the beginning, Samsung was only occupied a small market share. As a result of the company's constantly developing in order to cater the demand of the customers, it started to attract the attention of the public, especially for the youngster. Nowadays, it has become the strongest competitors of Apple Inc.

1. 6 Conclusion

Epiphone face a lot of problems in the process of establishing its population and it had overcome them one by one. We have identified several problems that have great impact for Epiphone and the actions that Epiphone undertook to solve the problems. Epiphone overcame the problem of the competition with Gibson and the unsuccessful of the recording guitars by introducing the new models, Masterbilts series. Epiphone kept on improving the quality and producing speed of the production to save back the market share that lost due to the rise of the foreign-made guitars. The other problem is the management split along with the financial problem and finally the company sold to Gibson for resolving the financial problem. The acquisition of proper workplace in Seoul helped the company to overcome the trouble of reestablishing the reputation when move to a new place. The last problem is the market constantly changed and Epiphone unceasing introduced the new models to cater the market.