

# The role of tangible and intangible resources marketing essay



Tangible assets include both current assets, such as inventory and fixed assets, such as buildings, machinery and land. Intangible assets include trademarks, goodwill, copyrights, patents and brand recognition. In order to develop technology or software's Microsoft uses intangible resources to develop state of the art operating systems and office suite programs among others. Trademarks, copyrights and patents protect Microsoft's technology and software codes, blocking its competitors to imitate, helping Microsoft maintain market leadership throughout the years. Brand name is a reputational asset and its value is reflected in the price premium the customers are willing to pay for Microsoft's product over that for its competitor's product (Grant 2005). With the launch of Microsoft tablet, Microsoft's tangible resources also come to use. For a good tablet Microsoft along with its software's also need effective and efficient hardware for the tablet performance and structure to compliment effective software.

Tangible resources are the physical assets of an organization such as plant, people and finance (Johnson et al. 2009).

Physical resources- such as the buildings, machines or the production capacity of the organization. The nature of these resources, such as the age, condition, capacity and location of each resource (Johnson et al. 2009).

For e. g. Microsoft has its corporate headquarters ' Microsoft Redmond campus' located in Redmond, Washington. Microsoft Redmond campus incorporates 8 million ft. of office space and nearly 30, 000 employees.

Intel's semi-conductor fabrication facilities which it uses to manufacture high quality fast and efficient chipsets and processors.

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Financial resources – such as capital, cash, debtors and creditors, and suppliers of money (Johnson et al. 2009). For e. g. Microsoft Corporation have total assets of 108 billion in financial year 2011. Apple Inc. in 2012 had liquidity of more than \$100 billion due to high sales of iPhones, iPads, iPods and MacBook's.

Human resources – including the mix (e. g. demographic profile), skills and knowledge of employees and other people in an organization's networks (Johnson et al. 2009).

For e. g. Bill Gates the founder of Microsoft is currently chairman and continues to influence Microsoft. Steve Ballmer is currently CEO of Microsoft Corporation. Bill Gates is the key driving force for Microsoft and since the beginning he believed in recruiting exceptionally intellectual staff.

While other organizations base their success on better technology or better manufacturing practices, Microsoft's success is based on the efficiency and effectiveness of their employees. Microsoft realizes the significance of their staff and values their staff.

## **Intangible Resources**

Intangible resources are non-physical assets such as knowledge, information and reputation (Johnson et al. 2009). For most companies, intangible resources are more valuable than tangible resources. Yet, in company financial statements, intangible resources remain largely invisible – in which only Research & development is taken into account. The omission or low evaluation of intangible resources is a key factor leading to large and growing divergence between companies' balance sheet valuations (“ book <https://assignbuster.com/the-role-of-tangible-and-intangible-resources-marketing-essay/>

values”) and their stock market valuations. Among the intangible resources that are omitted or undervalued the most important is company brand name (Grant 2005, p. 132).

A form of reputational asset is brand name and trademarks as their value their value is assurance of brand they give to customer. The value of brand name can be figured from the premium price that consumers are ready to pay for the company’s registered product over that for an imitated or unfamiliar brand. Brand value or brand equity can be predicted by taking the price premium attributable to a brand, multiplying it by the brand’s annual sales volume, and then calculating the present value of this revenue stream (Grant 2005, p. 132).

For example: Google Inc. has a brand value of \$69 billion dollar in 2012 because of its products and services like Google search engine, Google drive, android etc. Which continue to appeal to customers (Interbrand 2012).

Intellectual capital such as patents, brand, business systems and customer databases are company’s intangible resources. Value of these resources can be determined when businesses are sold, part of the value is ‘ goodwill’.

Goodwill is generated by the interaction of human and other resources directed toward the earning of income in a going concern. Goodwill can be:

Acquired by purchasing a going concern with which the goodwill is associated called purchased goodwill.

Generated internally by the ongoing, positive interaction of the entity’s resources called internally generated goodwill (Jackling et al. 2011).  
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Technology is an intangible asset whose value is not accurately stated in companies' balance sheets. Intellectual property – patents, trademarks, trade secrets, and copyrights – comprise artistic and technological resources where ownership is defined in law (Grant 2005, pp. 132-133). For e. g. Microsoft owns technology like windows operating systems, office computing, windows 8 IOS and Xbox PlayStations.

Research And Development: Microsoft employs almost 700 purely dedicated to long-term future focused research, in five lab facilities throughout the world, investing more than \$5 billion in these research and development activities. Bill Gates commented, “ Without basic research we cannot create the technology foundations for future generations to build on” (Microsoft 2011).

Patents granted to Microsoft gives it right to prevent other companies from using, distributing, making or selling the patented technology without Microsoft's permission. In order to use Microsoft's technology the other company has to pay royalties. Microsoft owns more than 10, 000 patents in United States of America.

For e. g. Microsoft earned \$ 792 million in Q2, 2012 from Samsung and HTC as patent royalties because Microsoft has a number of licensing deals in place with android based companies (BGR, 2012).

## **Fast Paced Technology Markets**

As swift as technology is, it never seems to be fast enough. Today, technology is moving at lightning speed. Where computers used to be big box on your table, today prominence is on thinner, smaller and even mobile  
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computing. Where internet website used to represent endless possibility online, now we have Facebook, Twitter and other various kind of social media. Where mobile phones used to big chunky bars, which were just used for calling, today they thin, lighter & smarter and come range of features that make our lives easy and fun. Every day sees the launch new mobile phones with new technologies and some features that we couldn't have imagined 5 years before.

The fast pace technology market is driven by innovation and demand for change from a globalized business environment. Windows operating system both in computers and mobile phones are a fast paced technology market of Microsoft. Google's android system is also major component of fast paced mobile technology markets. Some examples of fast paced technology markets are:

Windows: In July 2009, only 3 weeks after the launch of windows 7 its share raise to 4% market share, whereas it took windows vista 7 months to reach the same mark. It also surpassed apple's snow leopard's market share after two weeks. As of June 23, 2010 windows 7 sold more than 150 million copies making it fastest selling operating system Microsoft has sold more than 630 million Windows 7 licenses until today (Microsoft 2012).

Windows Phone Marketplace: It is the app store of mobiles using Windows IOS. In 2011, windows phone market place games applications have increased by 149% and other apps by 266% from January- June 2011.

The Windows Phone 7 Marketplace in the United States has 101k free downloads and 20k paid downloads per day. After 20 months, Microsoft's Windows Phone platform has passed the 100, 000 application milestone.

Google Android Operating System: since the first android phone was sold in 2008, android system has grown to become world's leading mobile phone operating system in 2011. Android in second quarter of 2012, have a global smartphone market share of 68% and with 1. 2 million activations per day, it has over 500 million activated devices. As of September 2012 Google play have more than 675, 000 apps and a total number of 25 billion apps have been downloaded.

As we can see that whether it is pc operating, application store market or mobile phone operating software's, technology market as whole is growing at a tremendous speed. People are willing to buy new innovative products, which perform various advance functions and make our life more convenient and enjoyable.

The idea of pace in technology market can also be gained through Google's android operating system, which from April 30, 2009 to July 9, 2012 has released 8 version or updates to its platforms.

## **Roles of Tangible and Intangible Resources**

The development and deployment of Tangible and Intangible Resources in an effective and efficient gives a Microsoft, Google, dell etc. a competitive advantage over its competitors. These competitive advantages then lead to market growth, sales & profit for the company.

Microsoft has a number of valuable intangible resources including its brand name and software code that underlies its windows operating system. These valuable resources allow Microsoft to sell more products, relative to its competitors. These valuable resources lead Microsoft to a sustainable competitive advantage because these intangible resources are rare and its competitor's apple & oracle does not possess them and it is difficult for them to imitate resources.

For example, the software code underlying windows is rare because only Microsoft has full access to it. The code is difficult to imitate. A rival cannot simply copy the software code underlying windows and sell its own version of windows because the code is protected by copyright law and copying is illegal.

Tangible resources are flexible and imitation is easier than intangible resources, which by definition are inflexible. Therefore, intangible more than tangible resources have more potential for Microsoft to build competitive edge. Microsoft and Google's superior performance depends on their capability to invent new technology and defend its intangible assets (Teece 2000).

Tangible and Intangible Resources are important but it is also important how an organization deploys these resources. Having valuable brand name or knowledge state-of-the-art or equipment would be no good, if they not used effectively. The effectiveness and efficiency of tangible and intangible resources depends not only on their existence but also on how they are managed, their adaptability , innovatory capacity, cooperation between



people, the experience and learning about what works well and what doesn't (Johnson et al. 2009).

Core competences are skills and abilities by which resources are deployed through an organization's activities and processes such as to achieve competitive advantage in ways that others cannot imitate or obtain (Johnson et al. 2009).

For example: Dell computers have used its intangible resources to build core competencies of speed and cost efficiency. Dell spent years to develop competences in speedy and low cost delivery by reducing inefficiencies and time lags out of assembly and manufacturing, its tangible resources. The company also maintains healthy relationship with suppliers, thus it doesn't affect any supplying of components and manufacturing process.

## **Allocation of Resources**

Resource allocation is a process of finding the finest way to exploit available resources for a company to perform better. Companies try to allocate in a way that maximizes profits & minimizing costs, by strategic methods coming to use to establish operational guidelines, structuring the operation, implementing the policies and procedures that will help the organization to achieve its goals. Resource allocation encompasses the development and use of equipment, materials and labor in order to accomplish the task. In case of companies like Dell and Intel, whose production plants are vital for companies' survival or competitive advantage, it is required by allocation process to determine how to assemble the production plant's floor to best advantage, so that raw materials can move around with great degree of

efficiency through the manufacturing process. Subsequently, it is also important to design tasks related with the production effort for employees to achieve optimum level of production. With effective and efficient allocation and use of resources, it is likely to reduce the wastage of raw materials, gain high production turnovers from employees and therefore enabling the company to manufacture more products per day.

Since the intangible resources gives rise to increasing returns to scale, the growth opportunities implied by the rising importance of intangibles are potentially vast. Realizing this growth potential, however, depends on the ability to reallocate labour and both tangible and intangible capital to their most productive use. Furthermore, the ability to effectively reallocate tangible resources takes on heightened importance, given the inherent difficulties in reallocating intangible assets. Companies intangible resource can be its employee with inherent talents, who can benefit the company in long-term. So the company will assist that employee in developing his or her skills, which in turn would lead to an important resource dedicated towards company's goals and development. Companies utilize this model for improve employees skills and talents for promotion to managerial and administrative positions for the future, thus enabling the company with reliable supply of capable and qualified leaders for next generation.

## **Intangible over Tangibles**

Intangible resources are more important factors in long-term success and additionally a source of competitive advantage.

Intangible resources:

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Are difficult to accumulate

Have the ability to be in multiple uses simultaneously

In relation with tangible resources, intangible resources are a better source of core competencies. However, in the global economy, the performance of a corporation lies more in its intellectual and systems proficiencies than in its tangible assets. Furthermore, the ability to manage human intellect - and to transform it into valuable products and services - is fast becoming the critical executive skill of the age (Hitt et al. 2008).

Because intangible resources are less evident and harder for competitors to imitate, acquire or substitute, organizations are more focused on intangible resources rather than tangible resources as the source of their core competencies and capabilities.

Microsoft emphasis more on intangible resources and intangible resources are more valuable than physical assets of Microsoft. Microsoft's business performance is dependent upon intangible characteristics:

Ability to change

Ability to innovate

Develop and retain the best people

Create one to one customer relationship

For e. g. Microsoft's market capitalization is driven by intellectual and intangible attributes rather than its tangible resources.

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Bill gates said – Our primary assets, which are our software and our software development skills, do not show up on the Balance Sheet at all (The Economist 1999).

For Microsoft, its intangible assets are brand names, patents and technological expertise.

Microsoft's Intangible assets are more vital because they can be transformed to tangible assets, eventually generating revenue. Microsoft's software codes, patents and inventions are key examples.

Intangible assets are all the elements of a business enterprise that exist in addition to working capital and tangible assets. They are the elements, after working capital and tangible assets that make the business work and are often the primary contributors to the earning power of the enterprise. Their existence is dependent on the presence, or expectation, of earnings (Smith And Parr 1994).

Traditional accounting rules either understate intangible resources value or completely ignore them; balance sheets show little evidence on their values. A significant portion of the market value of Microsoft comes from intangible assets but its balance sheets undervalue the brand name of Microsoft. Due to intangible resources market values often surpassed book values, and the difference is attributable to the value of a company's intangible assets.

Over time, patent's value reduces because of changes in technology, markets and processes. The value of the patent as an intangible asset remains on the accounts at the value the patent was produced or bought.

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During the life of the patent, intangible asset became more valuable because it didn't allow competitors to develop the same technology or product. But, at the end of the patent's life, its value falls to nearly zero. Throughout this rise and fall of the patent's value, its book value of the patent remained consistent

For example, fiscal year ending June 30, 2007 the value of goodwill and intangibles on Microsoft's balance sheet was \$5.6 billion. But Interbrand's estimate of 2006 shows that the value of Microsoft brand name is \$58.7 billion.

## **Conclusion**

In companies like Microsoft, Google, Intel & Dell both tangible and intangible resources play a vital role in their specific fields. While intangible resources such as trademarks, goodwill, copyrights, patents and brand recognition are significant for Google & Microsoft's products like Windows OS, Office suites, android operating system, Google search engine & various other software's. Whereas tangible resources are important for companies like Intel and Dell, as they require sophisticated manufacturing process and techniques to produce state of the art chipsets and sleek laptops and pc's. But, now with the launch of Microsoft's latest surface tablet, Microsoft's tangible resources such as manufacturing plants also gained importance. Intellectual capital such as patents, copyrights & brand gave Microsoft competitive advantage as they blocked competitors from using its software codes, eventually giving Microsoft lion share in market. Continuous research & development of Microsoft has resulted in constant improvement in its OS platforms starting in 1985 until windows 8 in 2012. Although Microsoft was pioneer in software <https://assignbuster.com/the-role-of-tangible-and-intangible-resources-marketing-essay/>

markets, through its tangible resources also entered the hardware market in 2012 releasing its first windows tablet. With a good brand value & goodwill, high patents & copyrights, Microsoft will continue to flourish in the computer market.

## **Appendix**

Desktop Top Operating System Share Trend

Source: NetMarketShare

Total growth in game applications in different platforms from January to June 2011.

Source: Distimo

Growth of total number of applications in Windows Mobile Phone App Store

Source: Distimo