

# Industry discuss the macro and micro environments essay sample



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BUSTER**

Although the China market is large, it has low penetration rates and this is good for the future growth in the cell phone industry. The increasing numbers of people have acquired more than one mobile phone. The following paragraphs will discuss about the macro and micro environments on the cell phone industry and the impact of the changing environments on marketing mix.

Impact of Macro environments on Cell Phone Industry<sup>3</sup>. 1 Demographic environment'Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics. The demographic environment is of major interest to marketers because it involves people, and people make up markets' (Kotler et al. 2006, 82).

' The Population of china is 1, 321, 851, 888. Population growth rate is 0.606%' (Background Note: China 2008). ' Age structure of 0-14 years have 20.8%. Age structure of 15-64 years have 71.4%. And over than 65 years have 7.7%' (CHINA Demographics CHINA DEMOGRAFIA CHINE DEMOGRAPHIE). For the ethnic groups, Han Chinese has 91.9%; Zhuang, Manchu, Hui, Miao, Uygur, Yi, Mongolian, Tibetan, Buyi, Korean, and other have 8.1% (Background Note: China 2008).

Most of the well-known companies entry to the China's market. Because it has potential and the cell phone industry just starts. Both China Mobile and China Unicom have invested considerably in network improvements, especially in rural China, where approximately 750 million of China s population resides and teledensity is just 12 percent (CHINA Demographics CHINA DEMOGRAFIA CHINE DEMOGRAPHIE 2008). For example, Nokia, LG,

Motorola, SonyEricsson, Sharp, Panasonic want to carve out their new market.

3. 2 Economic Environment' The economic environment consists of factors that affect consumer buying power and spending pattern. Markets require buying power as well as people. Total buying depends on current income, prices, savings and credit. Marketers should be aware of major trends in income and of changing consumer spending patterns' (Kotler et al. 2006, 91).

The central parity rate of Renminbi against the US dollar is to break 6. 8 by the end of June and reach 6. 65 by 2008-end (Renminbi-US Dollar Exchange Rate to Break 6. 8 at June-end 2008). The benchmark one-year lending rate would rise 18 basis points, or 0. 18 percentage points, to 7. 02 percent, and that the rate for deposits would rise 27 basis points, to 3. 6 percent (David 2007, 5). China's inflation rate dipped to a still-high 7. 7 per cent in May (Inflation drops 2008). China's GDP expected to Grow by 10. 2 Per cent in 2008 (Chinese Academy of Sciences predicts 10. 2 per cent GDP growth in 2008 2008). The country's urban unemployment rate was registered at four per cent by the end of September, down from 4. 1 per cent recorded at the same period last year (China creates jobs for 9. 2 million urbanites in first nine months 2007 2007).

' DBTEL's strategy for survival in a saturated global handset market is to turn the mobile phone into a luxury fashion item. This year, DBTEL aims to win 15 per cent of China's handset market, even as domestic players pose fierce competition. DBTEL is not the first to pro mote mobile phones as status

symbols for the very rich. Nokia, the world's top mobile phone maker, set up Vertu last year that sells a platinum-encased handset for about \$A36, 500' (Baker 2003, 70).

Natural Environment'The natural environment involves natural resources that are needed as inputs by markets or which are affected by marketing activities' (Kotler et al. 2006, 94).

' Mobile phones, for example, contain heavy metals such as lead and beryllium, as well as bromide used as a flame retardant in the circuit boards, all of which are potentially dangerous for humans. China's first green regulations in the electronic sector - are intended to enhance environmental protection by reducing or eliminating certain toxic and hazardous substances in electronic products' (China's IT ministry sets up centres to combat electronic pollution 2007).

For example, the greenest electronic of them all is Sony Ericsson, and it barely gets a passing grade of 5. 1 out of 10. It scores top marks on the chemicals criteria by banning antimony, beryllium, and phthalates from all of its new models launched. The company also scores by going PVC-free. But it has a pitiful recycling rate of 1% to 13% (Greenpeace ranks Sony Ericsson at top 2008).

Technological environmentThe technological environment is perhaps the most dramatic force now shaping our destiny (Kotler et al. 2006, 98).

China's domestic mobile phone chip enterprises' shares are low. Because China's mobile phone chip design has a late start, its products focus on

mobile phone multimedia chip, such as MP3 decoder chip, image processor chip and chord chip, and its downstream customers are domestic mobile phone production enterprises, but it is difficult to enter supply systems of international mobile phone manufacturers such as Nokia and Motorola (CCID FORECASTS COMPOUND GROWTH FOR CHINA'S MOBILE TV OUTPUT 2008).

China's GPS phone market grew rapidly in 2007, and GPS phones, along with music and camera phones. ' The rise of multi-function devices, such as mobile phones with cameras or MP3 players built-in has not stopped people buying separate devices. Claude Floch, marketing director of GfK, said: " Although there are products with more functions for the same price, it doesn't mean it will kill the dedicated device' (Rob 2008, 28).

Impact of Micro Environments on the Cell Phone Industry<sup>4</sup>. 1

SuppliersSuppliers are an important link in the organization's overall customer ' value delivery system' (Kotler et al. 2006, 78).

There are 186 million mobile phones produced in mainland of china in 2003, the global Market share reaches 36% (Research and Markets: Research and Markets: There are 186 million mobile phones produced in mainland of China in 2003, the global market share reaches 36% 2004).

Motorola has entered a strategic partnership with Suning to jointly explore direct supply retail in China. They will also implement two breakthrough programs on Motorola stock management and direct store goods supply for the first time this year (Biz Scene: MARKET 2007).

Marketing intermediaries Marketing intermediaries help an organization to promote, sell and distribute its goods to final buyers (Kotler et al. 2006, 78).

And as a result of the growth of China's fiercely competitive consumer markets, where even a white goods manufacturer tries its hand at selling mobile phones, there are an estimated 47, 000 advertising agencies in China (What's in a Name? China's New Foreign-invested Advertising Enterprises Regulations; 2004).

China 3C Group, a leading retailer and distributor of consumer and business products in China, announced that the Company has signed a strategic agreement with Hangzhou Hansi Brand Design Ltd., a well-known advertising agency based in Eastern China. The advertising will allow Hangzhou Hansi's advertising clients to display information about their brands at China 3C store locations (InvestSource, Inc.: China 3C Group Partners With Hangzhou Hansi Brand Design Ltd 2008).

4. 3 Customers 4. 31 Consumer markets Consumer markets are individuals and households that buy goods and services for personal or household consumption (Kotler et al. 2006, 79).

This study examined the acceptance of SMS advertising, an increasingly popular mobile marketing practice, among young Chinese consumers. Data were collected from 262 mobile phone users who were 21-35 years old (Jing and Mao 2008, 787).

Nokia's and Motorola's success in the ULC handset sector is driving other competitors to enter the market. ULC phones are targeted at three groups of

consumers: low-income people in rural or urban areas and young students; and PHS phone users who want better communication quality or roaming services (Research and Markets: Chinese ULC Phone Market to Peak in 2008 According to New Study 2008).

4. 4 Competitors Market-oriented organizations are aware of their competitors' relative strengths and weaknesses. They recognize that, to be successful, an organization must greater customer value and satisfaction than its competitors (Kotler et al. 2006. 80).

Added to the 30 existing vendors, there were over 80 mobile phone manufacturers authorized to sell mobile phones within China in September 2007. The approval system was abolished by the end of 2007, making it even easier for companies to move into the mobile phone business (Research and Markets Adds Report: Breaking Into First-tier Territory - Current Status of Emerging Mobile Phone Brands in China 2008).

' Sharp Corp. will begin selling mobile phones in China this month, trying to crack the world's largest and very challenging. The company said the phone, targeted at a high-end market, initially will be sold through one of China's largest cellphone retailers, Dixintong. It plans to expand distribution by the end of the year, offering additional models through mass-market retailers. Sharp declined to give sales projections' (Yukari 2008, 7).

#### 5. 0 Impact of the Changing Environments on Marketing Mix5. 1

Product Product mean developing the right goods and services for the target market, changing existing products and deleting unsuccessful product lines,

and developing branding, packaging and other product features (Rix 2004, 26).

Repair services and brand names are important things in mobile phone's product. Consumer will follow the product's brand names, repair services to choose their mobile.

' About 20 cell phone makers from home and abroad have recently set up customer service centers in a cell phone store on Xi Dan Street in Beijing, to provide one-stop customer services for mobile phone users. Customer service centers from Motorola, Panasonic, NEC, and Capitel have resided in the store. More mobile phone makers are also setting up their aftersale service centers, including Nokia, Sony Ericsson, LG, Panda, and Amoi. Experts say that setting up customer service centers in cell phone stores will help protect consumer rights, and build fair competition in the market' (Cellphone Store in Beijing Sets Up Aftersale Service Centers 2004).

5. 2 Price Variables Price means selecting the right base-price level, setting special prices and deciding on discounts, allowances, and whether and how to charge delivery costs (Rix 2004, 26).

' The prices of cellphones have been decreasing. In 2003, the cellphones at the prices between CNY 1, 001 and CNY 1, 500 represented the lion's share in Chinese cellphone market. But in 2007, those at the prices between CNY 501 and CNY 1, 000 represented the largest market share and those below the price of CNY 500 accounted for 20% of the market' (Over 200mn Mobile Phone to Be Sold in China in 2009 2008).



5. 3 Place Variables Place this means selecting distribution channels to make the product available to customers, selecting and negotiating with intermediaries, and arranging physical handling, storage and delivery (Rix 2004, 26).

Nowadays, selling mobile in the store is not the only way for market. ' China Mobile and Suning will place orders on mobile phone producers hand in hand and sell products with mobile communications business via respective channels in the future. The two companies would also jointly purchase as many as one million mobile phones and multi-channel sales will help to reduce product prices by 10 percent to 30 percent' (Suning Forms Alliance with China Mobile 2006).

5. 4 Promotion Variables Promotion means informing and persuading the market about the company's products, using advertising, personal selling, public relations and sales promotion (Rix 2004, 26).

Mobile phone show is a big promotion to let people to know some new products. Suning's " mobile phone festival" achieved great success in Chengdu. Motorola and Nokia transported nearly ten thousand on-sales phones to Suning's warehouse, hoping to benefit most from the promotion campaign (" Mobile Phone Festival" Triggers Competition 2004).

6. 0 Conclusion In conclusion, macro and micro environments on the cell phone industry and the impact of the changing environments on marketing mix affected the companies' decisions. Nokia, Motorola, Samsung are the biggest manufacturers in the china market. In future, it maybe attracts more

and more companies into china cell phone market. On that time, they need to have some new marketing strategies to tackle their enemies.

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