

Modern business environment



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Modern Business environment is a rapidly changing environment. Marketing, as an important aspect of modern business, need more theories and techniques support in dealing with this environment. Therefore, the appropriate application of marketing theories and techniques poses great effect on business performance. Capabilities Based Marketing is a promising approach in handling some confusing marketing problems, which can't be solved merely by Conventional Marketing.

It helps us analyse marketing problems through another perspective – Relationship think. This essay selects E-Mode Corporation as a sample and use Capabilities Based Marketing to analyse it and provide resolutions accordingly. With the conclusions gotten from it, we check the application of Capabilities Based Marketing in modern business environment as well.

Description of E-Mode Marketing Situation

As a simple but typical organization, E-Mode Corporation is a perfect marketing sample to be viewed and tested by Conventional Marketing and Capabilities Based Marketing. Based on its high technology background, E-Mode focuses on manufacturing digital cameras, which integrate the features of web video camera and still digital camera. The digital camera can link to computer for on-line video-meeting as well as capture digital pictures off-line.

Therefore, E-Mode believes it has a promising marketing expectation in business and consumer classes. Unfortunately, E-Mode has no own channels

in selling this excellent product. Therefore, it would like to authorise two wholesalers, one in business channel and another in consumer class, to distribute this digital camera. There have two ideal wholesalers as E-Mode expects in local computer market – Ingro-Micro who fasten on retail computer market, and Legend Corp on business computer market. As one of the dominant wholesalers in consumer computer market, Ingro-Micro holds several exclusive sales agreements from computers, computer accessories to peripheral devices. It distributes goods to its authorised dealers, which invested by their owners respectively but should get authorization from Ingro-Micro to involve themselves into Ingro-Micro's product distribution system.

As a return, these dealers could not sell products conflicted to Ingro-Micro's but still have the autonomy in selecting other products. Ingro-Micro recognizes that digital camera is a good product and wants to handle it as usual – sign an exclusive sales agreement, which E-Mode can't accept because this agreement hampers its extension in business channel. Dissimilarly, Legend Corp is a famous business computer wholesaler in dealing with business channels. As a part of Legend Group, Legend Corp has its own distribution chain which is fully controlled by Legend Corp and distribute a serial of business computers – IBM, HP etc as well as Legend, a well-known local brand computer made by another subsidiary company of Legend Group – Legend Computer Ltd. In contrast with Ingro-micro, Legend Corp would rather focus on it main business of computers and has no interest in selling digital camera through its chain stores.

Also read the description of computer

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CBM approach and Implementation

In trying to introduce digital camera into these two wholesalers, E-Mode persuaded them separately. E-Mode promised Ingro-Micro that offers more margin than normal instead of an exclusive license, or provides advertisement support for Ingro-Micro for better sales. Both these terms were rejected by Ingro-Micro. As to Legend Corp, the persuasion through a set of comprehensive product & customer analysis presentations also failed. Finally, E-Mode found that there was not just marketing issues relating to this case.

Other business concerns, such as how Ingro-Micro balances the relationship with other product providers (That not enrage those product providers who signed exclusive sales agreement with Ingro-Micro), how Legend Corp abandons its insistence in selling solely computers, blocked the further progress. Obviously, these concerns could not be solved merely through conventional marketing techniques. Reviewing this case in another perspective, CBM approach, we could get some useful ideas in untangling this puzzle through following several procedures.

Define the Gap

By using Beer's three levels of achievement – Actuality, Capability and Potentiality (1985), we can define E-Mode's as follow.

* Actuality
 Good product – digital camera
 Financial resource for additional sales margin
 Advertisement budget
 Lack of distribution channels*
 Capability
 Promising marketing expectation of digital camera
 Strong technology background of E-Mode
 No conflict or competition with computer or its accessories*
 Potentiality
 Full distribution by Ingro-Micro and Legend

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Corp sales system Identify the participants There have three types of participants involved in this case. (Refer to chart 1.) From above chart, we could outline the relationship of participants as following. (Refer to Chart 2.)

Diagnose the Gap

Through above two steps, we will find both actuality and capability of E-Mode could not draw the attention of Legend Corp. There have no means for E-Mode to overwhelm Legend Corp's insistence of not selling products other than computer.

Perhaps some of Legend Corp's management could be persuaded to support digital camera, seeing that there has no such relationship available at present, it is unworthy of investing more resource into this unpredictable capability. On the other side, the advantage of "good product" in E-Mode's actuality does attract Ingro-Micro but seems not strong enough to conquer its balance concern. Since E-Mode has strong technology background in its capability, is it helpful that E-Mode "make" an exclusive product especially for Ingro-Micro to help Ingro-Micro have an excuse in balancing other product providers? But whether these actuality and capability be effective to Neutral participants? Legend Computer Ltd is a subsidiary company of Legend Group and hence plays an important role in affecting Legend Corp. Differing with Legend Corp, Legend computer Ltd would cooperate with other manufacturers if their products can promote its computers. Considered its important influence to Legend Corp, we can try to combine E-Mode business with Legend Computer and pile into the sales channel of Legend Corp. Other computer companies stand the same position as Legend Computer Ltd but they have medium influence on Legend Corp.

They will be E-Mode's further opportunities in selling its digital camera. As to Chain Store of Legend Corp, they are fully controlled by Legend Corp and only have less effect to it. We can ignore them and spare the resource for more important relationship – Legend Computer Ltd. The dealers of Ingro-Micro will not hold the same idea as Ingro-Micro because they have not such a constraint of balancing other product providers. They want enter the digital camera market to earn more profit and also have the ability to impose important influence to Ingro-Micro.

The product providers of Ingro-Micro will not oppose E-Mode's attempt in selling digital camera in Ingro-Micro's distribution system as long as E-mode signs a similar exclusive agreement with it. Otherwise they will challenge Ingro-Micro for its unfair agreements with E-Mode and cancel their cooperation with Ingro-micro consequently. It is not a wise way to persuade separately these providers to accept a Non-Exclusive agreement between E-Mode and Ingro-Micro. What we try to do is to decrease their negative influence on Ingro-Micro.

Identify Improvement Methods

* Method to Legend Corp (Refer to Chart 3.)By using Combination Move and Bypass (Avoidance) Move of Five Networking Moves (Smith, P.

2000: 77-78), E-Mode can propose a joint promotion with Legend Computer Ltd. That is, to bundle digital camera in a low price with Legend computer. As a motivator to Legend Computer Ltd, E-Mode should allocate its advertisement budget to this joint promotion to subsidize its lower price of digital camera. Since it is just a promotion of Legend Computer Ltd and the

digital camera will not sell separately in chain stores, it will not conflict with Legend Corp's insistence of not selling products other than computer. What we should keep in mind is, this joint promotion is just a special event and it is uneconomical for E-Mode to invest additional resource to support such event any more. Thus, upon the success of this joint promotion, E-Mode should try to "modify" digital camera more like a computer accessory rather than a peripheral product to bundle with Legend computer in the future.

Considering E-Mode's strong technology background, it is uncomplicated to modify digital camera in terms of software or shape etc to be close to Legend computer. Accordingly, E-Mode can cross over Legend Corp and sell digital camera in its chain stores. Furthermore, if this operation mode with Legend Computer Ltd runs well, E-Mode can also extend it to other computer companies as well.* Method to Ingro-Micro (Refer to Chart 4.

)In order to bring digital camera into Ingro-Micro's distribution system, we can attempt to utilise Bypass (Flanking) Move and Separation (Blocking) Move of Five Networking Moves (Smith, P. 2000: 77-79). That is, by using Flanking of Bypass Move, E-Mode can persuade some key dealers of Ingro-Micro sell digital camera first. As a return, the additional sales margin E-Mode promise to Ingro-Micro should be moved to these dealers as incentive to make sure they are willing to do business with E-Mode. Due to the limited financial resource, E-Mode needn't cover other dealers entirely. As a result, other dealer will also want participate into this business for its profit (Both normal sales margin and additional incentive) and would like to purchase digital camera from key dealers directly or ask Ingro-Micro for digital camera.

There will have two issues arising from it. Firstly, Ingro-Micro will feel menace from its key dealers for they have the ability of selling goods to other dealers, that is what Ingro-Micro unwilling to see. Secondly, other dealers will pose pressure progressively on Ingro-Micro for digital camera. Now the conflict between E-Mode and Ingro-Micro has been transferred to key dealers, other dealers and Ingro-Micro. It seems that the best way for Ingro-Micro is to reconsider digital camera. As we mentioned above, it is necessary for E-Mode to modify its digital camera close to Legend computer.

The original model now can be seen as an exclusive product especially for Ingro-Micro. It's acceptable for E-Mode to sign an exclusive agreement on this model with Ingro-Micro. Hence Ingro-Micro will find a way to keep its principle of doing business in an exclusive way. Meanwhile, the negative effect from other providers can be decreased even block accordingly.

Issues

Regarding above methods, some issues still need to be concerned while implement these methods in practice.

1. As investment of enhancing relationship with Legend Computer Ltd, it is necessary for E-Mode to subsidize its digital camera while jointly promoted with Legend computer. How will E-Mode do if Legend Computer Ltd insists this low price in their further bundle cooperation? 2. By modifying its digital camera for Legend computer, or for other brands computer, it is somewhat a kind of Lock-in Move (Smith, P.

2000: 81) to E-Mode itself instead of to Legend Computer Ltd or other computer companies. This will decrease E-Mode's flexibility in trading these

modified digital cameras to other channels while there has trouble in cooperating with Legend Computer Ltd. 3. When E-Mode try to extend its digital camera to other computer companies, whether there will be “exclusive” issues arise from Legend Computer Ltd just like Ingro-Micro had? After all, it is bundling with Legend Computer that E-Mode can enter Legend Corp’s chain stores. 4.

The time Ingro-Micro distributes digital camera to its dealers, E-Mode will cut down its incentive to those key dealers accordingly. What will these key dealers react to it? Some of these issues could be solved by another round of CBM approach, but others still could not be estimated accurately.

Conclusion

Reviewing above CBM approach to E-Mode, we can find that E-Mode’s marketing problem is common in current business environment. In real life, even more complicated marketing situation will come up.

These problems, twisted together or linked each other, can hardly be solved solely by conventional marketing techniques. Perhaps the reason is that we only pay our attention to current “ actuality” and build up our attempt base on this level. Capabilities Based Marketing (CBM) (Smith, P. 2000), based on relationship think, differ from conventional marketing and give us a new perspective in viewing marketing problems. Feeling like a “ Soft” approach instead of CM’s “ Hard”, CBM show us the idea to handle marketing problems through capabilities, whether present or enhanced capabilities. It steps forward our attention from actuality to capability and thus increase our means.

However, from aforementioned two methods and possible implementation issues, we can find that there still need conventional marketing techniques (Product Innovation, Price, Promotion etc.) in supporting CBM approach.

Sometimes we obtain ideas from CBM and implement them by CM techniques. Furthermore, modern business environment is too complicated to be dealt with, many marketing problems still can not be addressed.

Possibly both CBM and CM need to be further improved and it is wise for us to utilise them simultaneously in modern society.