

Business strategy analysis for creative technology



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BUSTER**

In order to ensure we do not miss out any information, we will also browse through magazines and books to help gather information and theories. The report will consist of an introduction which mention about the purpose and objectives of the report. It will also include the Problems facing by Creative Technology, suggested solutions to advice Creative to achieve their objective and also the findings and research to help support and Justify the solutions. The report will lastly conclude the findings and research.

I am assuming that Creativeness unstable revenue and flatted profits have nothing to do with other investments which are not stated in the internet. I also assumed that Creative have either not applied the solutions I suggested or have not succeed in applying similar solutions to its situation. 2. Problem Inquiring There are a few reasons why Creative Technology has been facing unstable revenue prices They are: Features of their MPH have been one of the main issues why Creative has failed to win its competitors like Apple even in the Singapore market.

Apple was able to attract youngsters with its functions from the ' TOUCH and also the classy design and size of the POD Anna. When youngsters turn to Apple, Creative would then lose their popularity. When consumers compare Creativeness products with Apple's POD, they would have a ' Unsatisfied Feeling towards Creativeness products due to the style and functions. Creative also knows that they have been lacking of innovative ideas to match Apple's design for the POD. Youngster, big portion of the market, would often look at styles of the product before going into the functions.

When the group or users begin using POD products, they would tend to get lock-in and stick with the product, which makes switching of brands a much more hazel to them, therefore users would think twice before switching.

When lesser consumers choose Creative, reviews would get affected and thus others would tend to doubt the quality of the product. (Refer to Research and Findings 2. 3.) Tense competition was worrying creativeness market share as more and more new entrant have enter into the market to fight for a place.

Creative Technology who has only about 2% of the market share needs to compete with new entrants to survive in the market. When new entrant enters the market, Creativeness market share will drop due to the market strategy it is using. Although Creativeness prices are affordable, new entrants with cheaper products would often be welcomed at the start. (Refer to Research and Findings 2. 3. 2) Despite producing Creative Zen X-If and Zen Stone to match Apple's POD, consumers loud still prefer to Apple products even if they have to pay more. Apple dominates up to 71% of the market while creative only 2%.

These shows that Creativeness marketing strategies are not comparable to Apple's. Apple would focus more on showing how stylish their products are before going into the detail of the functions. (Refer to Research and Findings 2. 3. 3) Focusing on many markets would cause the company to lose focus on its products. Creative produced not only Portable Media Players but also many other products such as musical keyboards, sound cards, gamin keyboards and mouse, etc. This loud cause creative to divide concentration equally which would tend to lose focus in a product line.

Even for one product line, Creative also tried to target different type of consumers in the market. For example, Creative offered different type of Zen Series to different consumer. These made them lose focus on the type of specific market target. With Comparisons of Creativeness Annual Profit and Annual revenue to Apple's major events, I realized that when Steve Jobs return to Apple in the year 1997, Creativeness Revenue tipped down a little. When Apple POD was first launched in October 2001, cause Creativeness revenue to drop drastically.

In later part of year 2005, Creative launch their most achieved product, the Sound Blaster X-If sound cards which was known as a high end gaming sound card and enjoyed a good launched off within the gamers market. Apple only managed to introduce the popular POD Anna in September 2005 which I think is the cause of the decrease in revenue for Creative. In 2006 Apple further improves their POD Anna. Creative only manage to enjoy a year of increase in their revenue after a record low revenue for 3 years. (Refer to Research and Findings 2. 3. 4) Creative Technology did not focus on their outstanding product, the Sound Blaster sound cards.

The Sound Blaster has become a well-known model of sound cards among gamers in the market and has won awards for it too. Creative did not took the advantage when it had a successful launched off. The mistake which cause Creative to lose the opportunity to increase its market share in the PDP market was when Creative did not focus their marketing techniques on their Sound Cards. Creative did not follow up their marketing strategies for the X-If Sound cards which thus cause them to lose revenue in the years after the launch off in year 2005 and 2006. . 2.

Suggested Solutions Base on Theories Learnt From my opinion, I think that there is still good chances that Creative can stand up to increase its marketing share and help stabilize or increase their revenue. In order for Creative to increase its profit, they have to control their expenses. Please Refer to Next page for Table. Actions Rationales Possible Outcomes First Mover Advantage allows the initial occupant to gain advantage of being the first to introduce such product to the market. Creative can register patent and trademarks for the new product to discourage any new entrant from entering into the market.

Creative can also price its price of the product such as to a markup of 10% from the cost price to make the market less attractive Creative should register the patent and trademark for its new product so as to protect itself from future competition and to stall time for new entrants to come out with a comparable product without disrespecting the intellectual property. Creative should price the product aggressively in order to make the market look less attractive to bigger competitor or new entrant.

After a period of time, Creative will be able to recoup back all investments on the project. Creative would most likely not face any competition for the first half of the year since the new product is launch and also will be able to offer customers at low price such as 10% mark up from the cost price. Creative would also be able to dominate the market at the launching off stage and early adopters stage allowing them to gain almost the whole market if it is a whole new line of product that is not offered by other companies.

Versioning, a pricing strategy, involves offering similar products of different degree of certain specifications, in this case is capacity, to different market segment. It also allows many to know more about the preference of their customers. Versioning also helps to maximize profits from the sales of the product. Ways to Version: Creative can produce Zen X-If Wireless in 3 different versions, knowing to be the common capacity- BIB, BIBB and BIBB of memory space.

Creative should price the BIBB Zen X-If 30% more expensive than the BIB Zen X-FL but price it cheaper by 70% compared to the price of the BIBB Zen X-FL After adopting the Goldbricks Pricing Strategy, Creative can try to produce more of the BIBB Zen X-If than the 2 extremes Creative should produce 3 different versions of the Zen X-If in order to allow them to dope Goldbricks Pricing Strategy. Goldbricks Pricing Strategy will help to push customers to purchase the BIBB Zen X-If.

To increase the number of consumers purchasing the BIBB Zen X-If from consumers purchasing the BIB and BIBB, Creative should price the BIBB Zen X-If more strategically. A Strategic way would be BIBB one cost only a few more dollars more and it would be quite expensive to purchase the BIBB product when it cost much more. To decrease its unnecessary expenses, Creative should produce more of the BIBB Zen X-If as the Goldbricks Pricing would increase the sales of it and decrease the sales of the BIB and BIBB Zen X-if.

That means that creative can save cost by producing less number of the extremes. More consumers will choose the BIBB Zen X-If Wireless as

compared to the number of customers going for the BIB and BIBB Zen X-If. At this moment, creative have to produce the equal number of BIB Zen X-IF, BIBB and 32 KGB X-If Wireless as they could not predict or advice customers of the worthiness of purchasing either of the product. Creative can save a lot of its expenses by producing more BIBB Zen X-If Wireless than to produce an equal number of devices for all 3 versions.

This will help to increase its profits while Goldbricks pricing will stabilize or increase its revenue. Bundling, a form of versioning, is when two or more distinct products are offered to the different market segment. It can help the company to increase the value extracted from their customers when it reduces the dispersion in their willingness to pay. Ways Creative can Bundle: Creative should offer their speakers at a discount of 30% - 20% to consumers who have purchased a Creative Sound Blaster sound card.

They should bundle different version of Creative Speakers with different Sound Blaster sound cards. Creative can also sell their higher quality headphones at a 50% discount to consumers who have purchased their Zen MPH player Creative should offer their speakers at a discount of only 30% to 20% because consumers who purchase sound cards would most probably buy a speaker. If they are fixing a new rig. Creative use this opportunity to showcase they ' All Creative Sound System' Quality to consumers allowing them to enjoy the benefits both High-End Sound Cards with High-End Speakers.

Creative should bundle different cost of speakers with different versions of sound awards to prevent increasing unnecessary expenses. All the versions

of the sound cards are different so should the offers. If the bundled speakers of the lower-end sound cards are similar to the higher-end sound card, more consumers would choose the lower-end sound cards which will cause Creative the recoup lesser from the sale of the sound cards. Creative will enjoy a free advertising from their Zone and IVR often have people reviewing the quality and worthiness of the purchase.

A good review of the product would be considered a free advertisement to new consumer who just entered the market. Creative will be able to increase the sales of its speakers or headphones. However if the product is not up to expectations of consumers, it will cause consumers to blacklist Creativeness products and might have an impact on future products. Promotional Pricing, a pricing strategy, can be used when the market consist of many consumers with low willingness to pay. It can use to increase the sales for older series of products as well.

It will usually involve some form of inconvenience for the customers.

Practices: Creative can offer their older series of products at a discounted price during IT how's, PC shows, Come or Sites to late majority or laggards. Creative can also use these opportunities to introduce and market their new products to early adopters and early majority. Creative should offer products at discounted prices in IT fairs to find out which customers have low willingness to pay for their products and who belongs to the early adopters and early majority.

Creative can also allow its products to be sold to late majority and laggards who can help Creative clear excess stocks for the older series of product. The

inconvenience faced by consumers to enjoy products at such prices is the crowd. Creative will be able to find out more about their customers. Creative can reduce the excess stocks for the older series of products to prevent unnecessary loss. Creative can market and introduce its new products to consumers who are eager to find out more. Making customers lock-in to Creative product is one of the best ways to increase its market share and revenue.

Creating Lock-in: like The Digital Life in Singapore. Creative can announce their pre launch of their new product to the market. Between the announcement period and launched off of the product, Creative can view opinions of others through internet and forums. This strategy is known as anticipating strategy. Creative have to conduct many SQ before releasing the batch of product to reduce or prevent bad reviews on quality.

Maintaining Lock-in: Creative should provide good customer service to the customer as a value added service to increase the value of its product.

Creative can estimate the switching cost of the customer by calculating the total value of both the customer and supplier bear. Breaking others Lock-in: Creative can offer their MPH at a markup price of 10% from the cost price to consumers who are willing to switch to their product. Creating Lock-ins between your products and the customer is very important as it give the companies a confidence of their future. Creative should advertise their products in order to attract and inform consumers of the product.

This would increase awareness of such product and also increase the sales if the products are introduced or have good reviews by early adopters and

reviewers. By creating a waiting time, it keeps customers in suspense of the new product. Creative can let consumers know the key features of the product but hang on to product and reduce early reveals or reviews of the product. Creative can view opinions and additional demands of what consumers are looking for in the product. Modification can still be done to the product without consumer knowing.

Adding value to the product helps to increase the switching cost which means that customers might think harder whenever there is an opportunity to switch brands. Switching cost. If the plan succeeds, customers who have higher switching value will stay with the product for a long period of time. However, hard work and profit sacrifice is required to make the plan succeed. Sacrifice first, enjoy the profits later. Creative will be looking to have their consumers by their side for a period of time. In this period of time, it is Creativeness responsibility to improve its service and product to maintain the relationship with the customers.

Creative will have low profits at the beginning of the stage but will enjoy a gradual increase in profits as time pass. Creative will be able to gain market share after attracting consumers to switch to their products. Entrenchment of Customers includes offering value added information services to deepen relationship between company and consumer. Entrenching Customer: Creative can reward their customer who have either spent \$300 in a single receipt or have been using a Creative product for 2 years, with a loyalty card which can give customer discounts in the future.

Creative need to improve the relationship with existing customers and also think of ways to attract new customers who are intending to use Creative products. By offering such card to new users, it further add value to Creative products. When customers need another few dollars to reach the \$300 mark, they would consider purchasing another Creative product. When Customers purchase more Creative reduce, the switching cost will increase. Creative can hold on to customers and also create Lock-Len between the company and the customers. Revenue can be stabilized as customers are loc-in to product.

Building alliance involves companies owning small market share, as they cooperate to produce a product to compete the dominant firm, which may balance up the market (Refer to Research and Findings 2. 3. 5) Build alliance: Creative should Join and co-operate with other companies or rivals such as Microsoft, Samsung, Philips, etc to come out with an ' pod Killer' to once again balance the market. Entering the alliance. Building alliance among small market share holders can be risky to the dominant firm and it can balance out the market once it succeeds.