

Studies on Chinese Enterprise Management Mode and Marketing Channel Reform Under the Network Economy Circumstance

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Abstract

The network economy is economic forms that built on basis of the production, distribution and use of the information. Under the network economic environment, there are new changes of business models and marketing channel, grasp these new changes and improvement of China's enterprise management channel strategy will help enterprises to achieve "going out" strategy goals.

Key words: Network economy; Enterprises operating mode; Marketing channels

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1. CHANGES OF ENTERPRISE MANAGEMENT MODE UNDER THE NETWORK ECONOMIC ENVIRONMENT

1.1 Changes from Mass Production to Mass Customization

In agricultural economic era, producers and consumers are in close proximity, even one, producers can produce something very in line with user requirements. To the industrial age, specialization of production increases in productivity, reduce unit costs, creating economies of

scale. Division of labor increasingly fine, more and more links, producers and consumers more and more far away, consumer demand often not known by producers due to the long production and marketing chain. From production conception to marketing, product ideas, marketing ideas in the evolution of the concept, see industrial society's efforts to overcome the separation of producers and consumers. But because of technology constraints, this separation not completely eliminated.

In the age of network economy, development of information technology had a revolutionary impact on mass production, digital network changing a single on multiple relationships and producer's dominance, users join back to the production. Via the Internet provides enterprise with customers instant two-way communication channel, customers from around the world can be informed about a company's products or business, access to information-based services, provide feedback, and even issued orders according to own needs in product design. In this way, enterprise products may vary due to the personalized of customer, but due to the network and still enjoy the economies of scale of mass production. Producers and consumers to divorce because of the industrial revolution, but now due to mass customization of the Internet age and the reintegration. Combination of agricultural economy, and industrial economic times benefits of production, mass customization make products in network economy era depends on information technology, the producer take the goods and services at end of the production chain into the hands of consumers, not only enjoys a lower cost, and very close to customer needs.

1.2 Changes from Production Economy to Service Economy

Changes from industrial economy to a network economy, performance as the economic center of gravity on the readjustment from manufacturing to services on the

industrial structure transformation. Rapid growth of the service industrial make its share of output and employment in the whole economy as continued to increase, the services sector gradually achieved a dominant position. In the 1980 of the 20th century, States members of the economic cooperation organization in a net increase of 65 million jobs, 95% is provided by the service industry. Network economy is service economy of information-dominated. Network economic times of service work, and industrial economic times of service work different, which only limited to production accessible service (as traffic facilities, and Bank,) and personal service (as commercial retail, and Home Economics service,), and former total contains 4 levels: personality service; commercial service; traffic transport, and communications utilities, area of service; information, and education, and health, and research and government sector of service. These departments central task is the creation, processing, and distribution of information. Of which the first 3 levels in industrial societies involved, but social development is of decisive importance is the 4th level of service increases.

In the Network economy age, competition among enterprises will be transferred service quality from the competition of products quality and cost. IBM says its company is not engaged in computer manufacturing, but in the provision of services to meet customer needs. Bill Gates thought, Microsoft 80% profits from the various upgrade and maintenance consulting services after product sales in the future, only 20% profit from the sale itself. In the 1980 of the 20th century, the rapid rise and development of trade in services in the world, increasingly promoting the growth of the world economy "engines", currently engaged in trade has been exceeded the amount of the global total of one-fifth. From the composition within the services trade, insurance, banking and communications business grew especially rapidly, surpassing the traditional primacy of tourism and transport, accounted for 46% in world services trade exports.

1.3 Changes from Entities Operating to Virtual Management

Virtual management is an actives improving specialized production efficiency, Networks economy caused to emergence of virtual management from both. First of all, Internet provides the material base to virtual management , makes the enterprise under the condition of limited resources, to obtain maximum advantage in the competition, to keep only the most critical functions, and other features in various ways such as joint, delegate, outsource, to integration with external resources to implement. Second, the market situation and new characteristics of competition, form the internal demand for virtual management. Changing market conditions requests enterprise must have a sensitive response of dynamic and flexible organization structure, thus need to establish virtual enterprises. The virtual enterprise has

the following advantages: conducive to technological development, expand the market, co-financing, streamlining, specialized production, and conducive to diversification, conducive to formation of enterprise groups.

1.4 Changes from Competing to Win-Win Cooperation

In the process of change from industrial economy to a network economic, businesses from competition to cooperation in order to achieve a "win-win", cooperation will become a basic thinking of enterprise management strategy. Its various forms: mergers, acquisitions, joint ventures, technology transfer, as well as various forms of strategic alliances; and its partners also varied: customers, suppliers, and even competitors. Cooperation instead of competition as a new business idea, originated in goods characteristic which information goods in the era of knowledge economy era is different from material goods in industrial economy. First of all, information products with reusable, use of information goods is not used as material goods that would be consumed. Secondly, information goods are not entirely exclusive. All material goods that are exclusive, but if you have a message that does not exclude others also have this information. In addition, network technology for enterprises to implement the strategy offers good conditions for exchange of information. Through the Internet, between enterprise and partners can apply EDI information system for mutual interchange of information, information sharing, joint product development, production, marketing and after-sales service.

2. CHANGES OF ENTERPRISE MARKETING CHANNEL IN THE NETWORK ECONOMY

2.1 Structural Advantage of Marketing Channel Increasingly Prominent

In the fierce market competition, marketing channel played an extremely important role, marketing channels of whole-directional coverage, all-channel control to a target market is a prerequisite for the success of most products. With modern retail business development, the progress of science and technology, manufacturer of marketing channel environment has a lot of changes. Early in the development of the market economy, goods are in short supply, producers due to scarcity of community goods is in a dominant position within the channel. However, the market pattern changes make power in the marketing channel system to steer retailer by the manufacturer, the retailer gradually outlets resident in a pivotal position.

First, the market supply and demand development the buyer's market that the effective supply greater than the effective demand, consumers are becoming scarce

resources, with retailer at the forefront of channels, most near and directly impact the target market customers, has become a product goes to market “gatekeepers”. Second, the retailer through expansion, merger, and franchise outlets to expand size dramatically, retailers concentrated much more. For example, in 1996, United States “R” toy company sells products for United States toy market of 20%. Retailer strength growing enhances their structural advantage in bargaining with suppliers, manufacturers increasingly at a disadvantage position in the whole value chain. Third, with the trend of global economic integration strengthened, between sales channels difference is decreasing. Supermarkets, chain stores and direct marketing, and other forms prevalent in economically developed countries and regions. Many large retail institutions expanded to its own sales network all over the world. Internationalization of retail business development, in turn, further driving the producers to open up the international market ability, but concomitant is that internationalization of producers is more dependent on the international channel network.

2.2 Change of Channel Organization Structure from the Pyramid Model to the Flat Model

Traditional of sales channel structure is pyramid type, exists with many not overcome of shortcomings: first, manufacturers difficult to effective to control sales channel; second, multilayer structure hinder efficiency of improve, and bloated of channel does not conducive to formed products of price competition advantage; third, item type, and more level of circulation makes information cannot accurate and timely feedback; forth, manufacturers of sales policy cannot effective implementation. Therefore, many companies are changing marketing channels to a flat structure, sales channels are more shorter and sales networks more and more. Flat channels organization as a sales model, it simplified sales processes, reduce cost of sales, so that enterprises have larger profit margins. Flat is not simply reducing sales cycles, but to optimize the original supply chain, no value added links in the supply chain are excluded, make the supply chain transformation to value chain. Optimization of supply chain management will be one of the key factors of success of manufacturers, distributors, operators of e-commerce in the future. Integration of marketing network, and logistics network, and information network, and customer service network, and Internet, by the Internet, make the products sales, and logistics control, and information communication, and customer management and the views feedback organic combination up, makes traditional distribution mode to electronic distribution mode transformation, using e-commerce to solution traditional channel of low efficiency operation, to operate with shortest of supply chain, and most fast of reaction chain, and minimum of cost.

2.3 Terminal Marketing Channel Highlighting Personalized

Products customized for consumer not only reduce intermediate links, no product backlog, and personalized products price inelastic, so can bring greater profits for the enterprise. For example, Electrolux refrigerator, according to consumer preference for door panels, it is with this “people-oriented” concept, in entering the China market just a few months, the market share has entered similar appliance industry’s top five. Ford cars have always been as marketing case no difference of the industrial age of large-scale and low-cost, but in September 1999, Ford began to launch online plans, consumer clicks of the mouse, you can choose to their own parts, model, trusted distributors and insurance services, instant personalized order can be completed. Instead, if enterprises do not see the consumer differences, it will struggle to survive in the era of economic globalization.

2.4 New Marketing Channels Continue to Expand and Extend

Network economy to promote the innovation of marketing channel, the Internet has opened up an unprecedented network of space, people can look into a product, order, payment, delivery, advertising, market research and a series of business activities. The new channel’s advantage is its convenience and transparency. Both supplier and demander in online transactions, saving the cost of intermediaries, supply and demand information can be obtained communication in a timely, has greater appeal to both.

2.5 More Focused on the Channel Members of Customer Relationship Management

Due to gain a new customer costs are significantly higher than the cost of keeping old customers, establishing and managing communication with customers is especially important. Core of relationship marketing is customer loyalty to the brand. Research has shown that customer loyalty increase 5%, enterprise profits increased 25%. The era of economic globalization, and networks used more generally, through development of the database software, can set up archives of target customers. Targeted customer-specific features to implement “one-to-one” marketing. For example, Amazon online bookstore, established a huge customer database as a low cost, using the previously customer shopping information, cleverly reminding customers to browse could trigger interest in other books, and so on. Method of marketing in today is no longer to impose information to customers, but tries to attract the interest of consumers, get their licenses, and communication with them about products: helping them to learn more about product information, through introduction of “permission marketing” to foster customer loyalty.

3. THE DEVELOPMENT STRATEGY OF CHINESE ENTERPRISES UNDER NETWORK ECONOMY

Under the network economic environment, traditional marketing channel model and management style is no longer fit for market with globalization, demand diversification, consumption of personalized. Therefore, on the proper improvement to the China's enterprise marketing channel, will be more conducive to enterprise change management, achieve "going out" strategy goals.

3.1 The Government Should Strengthen the Construction of Information Network

The government should strengthen the construction of information network, improving the operation of trade practices, make e-commerce to enter circulation in trade. First, can use electronic data interchange to improve customs procedures, import and export business implement computer network with the Customs, through network data transmission to implement reporting, auditing, review, issuing instructions, speeding up speed, reducing trading costs. Second, to improve the logistics system by electronic data interchange, combined transportation, storage of information, traffic, realizing transportation revolution. Finally, paid links for electronic access to international trade, thus, audit, payment, delivery of documents are available through the Internet Bank, multinational enterprises' marketing channel more faster and more smoothly.

3.2 Enterprise Implement of Reconstruction Supply Chain

Reengineering of supply chain is an important part of corporate management. Enterprises supply chain of the hierarchy is a supplied by suppliers at different levels, scope of supply involves not only the raw materials, but also parts and even the entire production system. On the one hand, enterprises should carefully selected suppliers, through acquisitions, strategic alliances, joint ventures and other means form a close relationship with suppliers, make it reasonable to supply chain; on the other hand, enterprise can only control the core ability, and make the ability of non-core business virtual, outsourced to specialized suppliers, that is, integration to their business processes and services for regional and global.

In 21st century, enterprise development has entered the supply chain stage of quickly response, through means of e-commerce and partners formation of logistics and information flow seamlessly connect, through training supplier to consolidate their ability, in order to achieve accurate and rapid response to consumer demand. For example, dell connecting with hundreds of suppliers over the Internet, issued every two hours via the Internet to the warehouse parts need to be notified, from the orders issued to the computer parts personalized assembling,

and then to the consumers receive computers are often in less than a week. Therefore, domestic enterprises may be appropriate in the light of their mode of operation, establish stronger strategic partnerships with suppliers, for some standardization of major export commodities, can implement custom production according to customers' different requirements.

3.3 Establishment of Flattening Channel Structure

Channel flat to minimize supply chain links, reduce costs, improve profits, and to channel partners profit space, is the direction of the modern enterprises channel construction and development. For example, IBM company's channel strategy with dealers of the direct marketing plans and electronic supporting to adapt to the trend of the times, also makes IBM channel more flat. Distribution channels flat, shortening the supply chain, reduce cost, which should be pursued by the construction of Chinese enterprise distribution channels in the future.

3.4 Establishment of Effective Customer Relationship Management Systems

Customer relationship management (CRM), from a "customer-centric" business model, is a management system aimed at improving the relationship between enterprise and customer. It is implemented in the enterprise market, sales, technical support, and other customer-related department. Goals is by providing a fast, thorough, high quality of service to attract and retain more customers, by optimizing processes of customer-facing to reduce the cost of getting customers and retain customer, it relates to the enterprise how exchange and interaction with customers and potential customers in the future. It can help enterprises to take full advantage to clients of external business resources, expansion of new markets and business channels, increase customer satisfaction and company profitability.

3.5 Promotion Database Marketing

Database marketing refers to business by gathering and accumulation of suppliers and consumers extensive information, analysis vendors, consumer behavior after it is processed, to products for accurate positioning, develop an effective marketing plan. Under the conditions of economic globalization, integration of a whole marketing channels can use the Internet, so as to establish close linkages with suppliers, distributors and consumers. Enterprises not only can use it to enhance direct communication with local suppliers, established rapid response supply chain, but also build a Web site, may strength direct exchanges with consumer and dealer by email, and product information feedback, establishing a target customer archives by database, flexible use of different direct marketing means to implement customer relationship management.

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