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**New Business Philosophy in Mobile Internet Era**

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## **New Business Philosophy in Mobile Internet Era**

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### **Abstract**

There is evidence that adoption of mobile shopping has been quick, and the increased functionality offered by smart phones offers significant potential for the development of marketing and retailing through the mobile Internet channel. The purpose of this paper is to add to knowledge on business management philosophy by studying new commercial features in the mobile Internet era through cases of several successful enterprises. This article analyses the new ideas of business philosophy under the new commercial features of the mobile Internet era, which can be summarized as an "operation principle triangle": platform-oriented, user-prioritized and experience-oriented. Furthermore, the article utilizes some cases, such as Xiaomi Tech, Apple Inc., and Alibaba Group, to interpret the relationships between new ideas of business philosophy and new commercial features of the mobile Internet era. This article has significant theoretical meanings and practical values.

**Keywords:** Mobile Internet; Business philosophy; Case study; Information technology.

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## **Introduction**

The information technology (IT) development has once caused two waves that imposed profound influences on the competition strategy between enterprises in the last 50 years. The first wave was signified by the arrival of IT during the 1960s to the 1970s. The second wave was a result of the Internet sprung up around 1980s. Now we are standing at the edge of the third wave caused by the revolution in competition strategy. The founding father of Competitive Strategy - Michael E. Porter delivered a speech at the Harvard Business Review Annual Conference in China in 2014. He said in the third wave of IT technology, the technology itself has become an indispensable part in products and service. The New generation of digital products like iPhones and iPads are equipped with sensors, processors, and software that are all connected to the mobile Internet network. He said the scale of the third wave of IT development would be much bigger than the former two and would stimulate more creations and inventions to improve the effectiveness and efficiency of products and services (Porter, 2014). It is vital for companies and businessmen to sense the new features of mobile Internet business and develop a new philosophy of management thinking and competitive strategy. There is a lack of previous research addressing business management philosophy relevant to commercial features in the mobile Internet era. This paper provides a meaningful insight into mobile business strategies by analyzing commercial features and business management philosophy.

This article has several contributions: firstly, we analyze the new commercial features in the mobile Internet era. Mobile Internet and smart phones are currently emerging in young and small groups. These new groups might shake the usual commercial mode and introduce a new business mode by smart phones and online services. Secondly, we analyze the business philosophy in the mobile Internet era by studying customer behavior and successful Internet enterprises. Finally, we identify the new business philosophy. This article contributes to the strategies and senses of business management in the mobile Internet era and has significant theoretical meanings and practical values.

## **New Business Features in Mobile Internet Era**

In old days, manufacturers and retailers had to set up a lot of solid stores to attract target customers when mobile Internet was not available at that time. With the application of Internet technology these days, customers can buy anything they want without time and space limitation. In the mobile Internet era, customers do not have to choose from the goods shelves in the stores. They can customize their own shopping cart by using their phone. This phenomenon indicates that new social communities will be formed by people who choose the same products and services or individuals who possibly share similar

interests and values. The business based on the new Internet era will have the following features:

*Business Model: From Sale-oriented to User-oriented*

In the industrial era with no Internet, the business model is like the one customers have to shop in offline stores, and their activities are also centered on these stores. However, with the emergence of the Internet, it is no longer necessary for customers to go to those offline stores (Zhao, 2014). Instead, E-commerce platforms, firms, and logistics are now planning the activities around the customers. The Business model has transformed from "moving objects around people" to "moving people around objects", and the future of business should be based on people rather than products.

In the mobile Internet era, customers change their consumption behavior and pattern due to easy access to online information that gives them too many choices about products and services. These changes will create new arisen social communities. Using smart phones as an example, customers who use iPhone are more likely to gather together to form an iPhone social community while customers that use Xiaomi will make up another social community. Customers under the same social community share the same consumption consciousness, responsibility and tradition. They share information and communicate with each other via the Internet without the influence from enterprises and companies. Some successful brands not only succeed in their quality and effects, but also utilize customers' using experience to tie them together and bring social benefits into the social community. What is more, brands with a higher society degree of recognition are easier to gather customers and build consumer loyalty. The Apple Company attracts different consumer from different fields and provides the best service so that those customers will buy iPhone and iPad repeatedly rather than buy other brands.

*Customer Behavior: From Passive to Active*

In the industrial era, customers bought what factories produced and they did not have the opportunities to choose which one to buy but to buy or not. While in the mobile Internet era, the demands of customers become more diversified and there are more factories and enterprises to satisfy these demands. The relationship between companies and customers changes from simply "dealer-guest" relationship to complex mental relationship. People buy products considering not only its usage, price and brand. Companies allow the customers to leave messages and advice on their websites to help them improve their products and make products more suitable for their customers. In back, customers pay more attention to the products and make it more likely to buy the company's products.

In the mobile Internet era, customers are producers. Companies invite people to join in the creation and produce part of the product and make people feel they are part of the product. Customers between 20 to 40 years old are mostly wanted to involve in the developing and designing parts so that the product can better meet their demands. These changes from customers will lead

the future of mobile Internet business. Xiaomi, a famous Chinese mobile phone brand, is famous for its user experience. Lei Jun, CEO of Xiaomi mobile phone, declared he was a great fan of Steve Paul Jobs and dress up like Jobs. In that way, many iPhone fans pay attention to Xiaomi mobile phone which definitely gains popularity for the phone. Xiaomi mobile phone brings great convenience to the consumer by combing online services with mobile technology. Users can share their experience and address their problems on Xiaomi personal social community - MIUI where many engineers and software developers of Xiaomi mobile phone are waiting there to improve user experiences and solve problems. In this kind of consumption mode, customers are greatly involved in the social community and develop a brand loyalty to Xiaomi mobile phone.

*Economic Features: From Scale Economy to Scope Economy*

"Standardization", "scale", and "assembly line" has been the central industrial doctrine of the centurial industrial history (Zhao, 2014) Nowadays, with the development of the mobile Internet, the traditional industrial era seems have gradually faded out. The economic and social organizations in mobile Internet era will go through a revolutionary change where they no longer exist as a stagnant "matrix structure" but a dynamic "web structure" supported by Internet groups.

In the light of the traditional times of the scale economy, the economical profit decreases as the scale increases. And it would be of entrepreneur's interest to limit the variety of their products (Adhering to standardization and assembly line). However, the wining rule could be quite the opposite nowadays - it is those who could satisfy the demands of the customers at the end of the long tail that is able to reach a stronger profitability in the future. The Internet economy is actually a long tail economy and a scope economy. During the scale economy times, it is the "80/20" principle that leads to the success of one enterprise. While during the scope economy times, it is the "20/80" principle. For example, 80% of the sales by Amazon are achieved from countless books that are only sold for once or twice instead of those from the few bestsellers. Therefore, communities and fans groups would self-limit the scale, which is the consciousness of future business. When the industrial age comes to an end and the scale logic is over, the community logic restarts. Scale economy ends while the industrial era passes. The scope economy starts while mobile Internet era comes.

Branding in the Internet era is like durian - costumers end up either love it or hate it. Different consumer groups and communities would be formed based on different brand preferences. In the smart phone area, people call customers "Apple fan" who buy iPhone and other Apple products every time there is a new type. "Apple fans" firstly get used to the iPhone then iPod and Macbook and other Apple products. Customers share their good experience with their friends and relatives and invite them to use Apple products and become a member of Apple social community. A research shows that 80% "Apple fan"

shows they will buy the new version iPhone or iPad even their phone was just bought less than a year.

### Logic of Mobile Internet Philosophy

Mobile Internet philosophy is a multidimensional, web-like, community ecology system. Such philosophy is connected by joints, and forms various ecosystems, which could be linked and form an ecosystem of larger size. Such bigger ecospheres could be further linked with each other and eventually form the framework of a large ecosphere. Numerous domestic and abroad Internet experts, involving Yun Ma and Jun Lei, have summarized the features of the mobile Internet. In general, they could be categorized into three broad aspects in Table 1: "What to do: platform-oriented", "Why to do: user-prioritized", and "How to do: Experience-oriented".

**Table 1.** *Summary of the Mobile Internet Philosophy Features*

	"What to do: platform-oriented"	"Why to do: user-prioritized"	"How to do: Experience-oriented"
Jones (2012)	Platform, Big Data	Users, Socialization	Acme, Iterative
Shen (2012)	Platform of Trading, Demand-Supply Relation, and Basic Abilities	Social Relationship Platform, Digital Consumption Platform	Traffic Adhering Platform
Kerpen (2014)	Platform	Users, Socialization	Iterative, Concision
Pan (2014)	Minimizing Marginal Cost	Baiting	Self-service through Minimal Standardization
Yan (2014)	—	Love	Simple
Ma (2014)	Integration, Free	Recreation	Idol
Tan (2014)	Free, Impact	Understanding Customer, Customer Empowerment	O2O
Xu (2014)	Long-tail, Economy of Scale	Customer-friendly	Priority of Experience

Gao (2014)	Platform, Online, Direct, Digital	Small Minority, Customer-friendly, Honest	Transparency, Story, Entertainment
Ma (2014)	Connect Everything	“Internet Plus”	Customer Participation
Interush (2014)	Platform Crossover, Big Data	User, Socialization	Concision, Traffic
Lei (2014)	Fast	Word of Mouth	Focus, Acme
Ma (2014)	Transparency	Help Others to Succeed	Experience

*Platform-oriented*

The logic of the mobile Internet era is oriented to the platform rather than the product that has a benefit of lower marginal cost. Most mobile Internet companies create user-oriented platforms to serve the customers. Alibaba Group created Taobao, an online shopping app where any businessman or dealer can sell his products and services online freely. It is based on its vision - make business convenient and simple worldwide. In Taobao, dealers and businessmen can sell their products and services while shoppers can buy whatever they want to satisfy their demand.

*User-prioritized*

The mobile Internet philosophy, which has its backbone in users, implies developing a long-term user-prioritized strategy of baiting. The value essence of human nature is that valuable products and services must be provided to the other side. The combination of offline and online is a rational choice made by a great many traditional manufacturing enterprises in the Internet era. Alibaba’s vision is to facilitate global trading. It started off trying to solve difficulties for small and medium-sized enterprises, while somehow manages to make great fortunes in the process (through Alipay).

Why is Xiaomi Tech classified as an Internet firm? How is it different from other traditional phone-making companies? A typical business model of an Internet firm is to "reap wool from the dog". In such a model, firms aim to benefit from creating value through long-term sustainable interactions with their users, utilizing their products as ways to gather their users instead of making direct profits. In the case of Xiaomi Tech, their sale of mobile phones is more an attempt to attract and gather users than a profit making activity. In other words, it is cultivating its users. This could be the essential feature behinds the fans economy. As users of Wechat and Weibo, we are not their customers since we never pay for them. However, as the size of their users exceeds a certain amount, marketing could be done through Weibo and Wechat. Such transformation leads to the creation of a new business model,

and could be a perfect example of how quantitative change becomes a qualitative one.

#### *Experience-oriented*

Mobile Internet philosophy is a user-oriented ideology of experience rather than a one-way ideology from producers. This implies that its key feature is to provide a minimalist standardized self-service experience, which corresponds with the human nature of demanding convenience. Such human essence demands the minimization of business procedures. Therefore, only those who are capable of providing services in a convenient manner have the chance to become potential winners. Giving priority to the experience is the business model for mobile Internet enterprises. Tencent's model is to accumulate user groups through the promotion of instant messenger software that strengthens the interpersonal self-communication such as QQ and Wechat. So that such user groups could later be provided other ICEC products (Information, Communication, Entertainment, and Commerce). The critical difference that lies between Wechat and Weibo is that Wechat puts forward the information to its users, while Weibo demands its users to find it out themselves.

### **New Business Philosophy Based on the Mobile Internet Philosophy**

The philosophy of giving priority to users, experience, and platforms is essentially the new business concept for mobile Internet enterprises (refer to 2nd and 3rd column of Table 2). Principally, the business philosophy of an organization covers three general aspects (refer to Figure 1, Fan, 2010): First, The "mission statement", namely what are the products and services provided by our organization (What to do)? Second, The "vision declaration", namely how do we justify the mission stated by our organization (Why to do)? Third, the "business model", namely how could we realize our mission and vision (How to do)? Although both "vision" and "mission" are valid components of the business philosophy, they are fundamentally different. One easy way to distinguish between these two concepts is to ask the simple question if the statement indicates the function of our organization (What to do) or justifies the existence of our organization (Why to do). If the statement answers the "what question", then it is more likely to be a mission; if it answers the "why question", it is more likely to be a vision. However, answering the "why question" could be more difficult than the "what question" and the "how question" since it demands a justification. Therefore, it is unlikely that all enterprises could justify their existences. The main purpose of a business model is to provide a series of strategic planning of differentiation based on its core competitiveness to its customers and employees, so that the enterprise could have a change to achieve its mission and vision.

**Figure 1.** *Triangle of Business Idea*

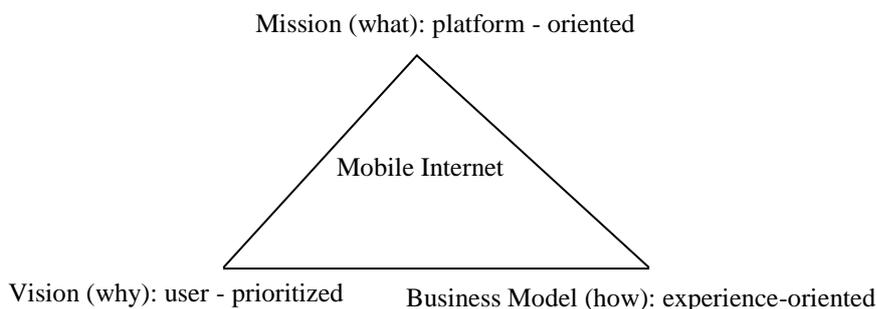


Figure 1 summarizes the three general nature concepts of the Mobile Internet philosophy. Based on the three business features in the Mobile Internet Era in the previous paragraph, business makes profit through trading. The business model was one of the reflections of this process. The following paragraph demonstrates the logic behind the three key concepts of the mobile Internet philosophy.

**Table 2.** *Business New Vision and Management Principle in Mobile Internet Era*

New Business vision		New Management Principle	
Business logic	From sale-oriented to user-oriented	Why - Vision	User oriented
Customer behavior	From Passive to Active	How - Model	Experience focused
Economic Feature	From Scale Economy to Scope Economy	What - Mission	Platform based

Mobile Internet is not only a technology-based industry model, but also a key reflection of the modern industry value and management ideas. In general, it was based on vision, mission and business model. The triangle structure of this business idea in the mobile Internet industry includes three principles that are user oriented, experience focused and platform based. The mission the mobile Internet industry is to understand what to do should be based on the platform. The vision of the mobile Internet industry is realizing why what to do should be user oriented. The business model of the mobile Internet industry is to know how to do should be based on users' experience. But when it comes to practical applications of the business idea in the mobile Internet industry, different companies achieve success through different methods. The management principles of Mi, Apple, Alibaba Group and Amazon could be summarized in Table 3. All the four companies interpret their own understanding of orientating on users, focusing on experience and building on platform.

**Table 3.** *Management ideas of Xiaomi Tech, Apple Inc. and Alibaba Group*

Company	Xiaomi Tech	Apple Inc.	Alibaba Group
<b>Vision: Why to do</b>	Let everyone enjoy the fun created by technology	Let everyone own a computer	Make business convenient and simple worldwide
<b>Mission: What to do</b>	Innovation for everyone, create Chinese mobile phone	To make a contribution to the world by making tools for the mind that advance humankind	Develop e-commerce, updated to a new business era
<b>Model: How to do</b>	Xiaomi mobile phone, and other smart device like TV box and Mi band.	iPhone iPad iMac, and Macbook ,etc. Apple store with thousands of games and apps	Quick taxi booking; convenient payment platform Alipay, etc

### Conclusion

The development of information technology has brought us into the big data era, all industries and enterprises are talking about how to deal with competitive management and how think in mobile Internet philosophy. In the mobile Internet era, traditional commerce is returning to human beings, which means user-prioritized is the core of mobile Internet business.

With the continuous development of mobile Internet technology, people have transferred from the stationary Internet era into the mobile Internet era. People prefer to use smart phones to surf online rather than use computers. This article summarizes the new features of the mobile Internet business and the new logic of the mobile Internet era. The philosophy of new mobile Internet is summarized as "3 prior factors" methodology: platform-oriented, user-prioritized and experience-oriented which is vital to business and management. These can help companies and enterprises succeed in the third wave of information technology revolution.

We cannot directly apply these results to other companies or enterprises because of the lack of solid data analysis. However, we believe that since China is one of the most active mobile Internet markets, this article will show the basic philosophy of mobile Internet business and help businessmen and dealers to better understand customers and achieve success in the mobile Internet era.

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