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MARKETING TO SERVICE FLEXIBILITIES: LESSONS FROM THE CORPORATE

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ABSTRACT

Earlier researchers talked about the flexibility construct and different classification frameworks on flexibility. They included functional flexibilities like finance, operation, marketing, international, managerial/structural, research and development (Aaker and Mascarenhas, 1984); production, informational, geographical and human, cultural and organizational flexibility (Professor at Pretoria University), and so on. The idea was to have a wholesome approach to flexibility from all aspects. Marketing is an integral function in any organization, and relevance of marketing flexibility has been discussed by many researchers. Marketing flexibility refers to the ability of an organization to enter and leave markets and to position itself within existing and new markets. Johnson (1992) defines flexibility from the perspective of customer satisfaction, and Harrigan (1985) uses the term strategic flexibility to define flexibility from a somewhat broader perspective. Similarly, Eppink (1978) uses the term competitive flexibility and defines it as the ability of the enterprise to react to competitive changes caused by a major transformation of the market position, through the introduction of a new product or the entry of new competition.

This paper is based on the literature and the examples from the corporate. It was found that researchers have concentrated their focus on the how flexibility can be created, utilised and measured in the organization. Also, Service which is an inevitable part of strategy in any organization is missing in the literature. Author therefore tries to develop a service flexibility construct, which will help in doing further research on this issue and generate some ideas to adapt service flexibility as strategy to overcome the challenges in the globalized business. The paper also addresses triggers and pressures in services flexibility, and includes lot of examples from the business practices to make the concept easily understood by all including management students.

Keywords: Service flexibility, marketing flexibility, triggers of service flexibility, value in flexibility

Introduction

According to Drucker (1980) a business needs to be able both to ride out sudden hard blows and avail itself to unexpected opportunities in turbulent times. This implies that the business should be flexible enough to handle both the unexpected threats and opportunities posed by an uncertain future and unstable environment.

In the 1980s and 1990s, Indian companies like Royal Enfield's – Bullet Motorcycle and

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Hindustan Motor's – Ambassador Car could not understand the benefits of flexibility and lost market share and profits to Hero Honda Motorcycle and Maruti Car, as they believed on the importance of being flexible companies.

The role and importance of flexibility in the survival and success of organisations in the fast changing environment has been well recognised by several authors in Management theory. Peter (1991) in his 45 prescriptions of successful business mentions the relevance of flexibility. Pasmore (1994) maintains that flexible organisations can respond to change in much better way as compared to rigid or non-flexible organisations.

Majority of them have focused on giving the classification framework for the construct of flexibility. The purpose behind doing this is to identify how flexibility can be created, implemented, utilised and measured in the organisation. From the literature, it is evident that large numbers of people have talked on creation of flexibility, but implementation, utilization and measurement is still left to be touched.

Marketing flexibility has been discussed from strategic angle. The details or the implementation part has not been still explored by the researchers. This paper tries to delve into the details of marketing flexibility. Taking the examples from the organisations which are successful and much more flexible than their competitors, the concept has been developed. It is found that the term *Service Flexibility* is much more relevant and better supplement in today's business world, as compared to marketing flexibility. Thus the focus is to touch upon the implementation and utilization part of marketing flexibility in the organisation and develop the concept of Service Flexibility.

Literature Survey

The construct marketing flexibility has been used from the pioneer work of Aaker and Mascarenhas (1984) wherein they propose a frame work that is based on the approaches available to companies for the creation of flexibility. They identified six functions in which flexibility can be created, namely R&D, finance, operation, marketing, international, and managerial/structural areas. Three methods for increasing flexibility are identified, namely diversification, investment in underutilized resources and reducing commitment of resources to specialised use.

Ansari et al. (1997) suggested three strategic aspects namely quality, cost, and time. Slack (1983) identified another strategic aspect, namely range. In majority of the work on flexibility a functional approach is adopted, like Aaker et al. (1984).

Professor from the University of Pretoria, in his research work identified six categories – production flexibility, marketing flexibility, finance flexibility, Information flexibility, geographical flexibility, and human, cultural and organisational flexibility.

Hamel and Prahalad (1989) for example noted that creating labour flexibility by adjusting the size of the work force, may not lead to the creation of flexibility at all, but rather serve to maintain inflexibility. It is therefore important not to view the flexibility process as being restricted to only certain aspects or functions of the organisation.

Jhonson (1992) defines flexibility from the perspective of customer satisfaction, by adopting a functional perspective and identifying the concept of flexibility as producing immediately or within a period that satisfies the customers, exactly what the customer requests. He perceives that the flexibility in the long run can be achieved by changing life styles and ways of thinking.

Harrigan (1985) use the term strategic flexibility to define flexibility from market perspective. Strategic flexibility refers to firm's ability to reposition itself in market, change its game plan or

dismantle its current strategies.

Eppink (1978) use the term competitive flexibility and defines it as the ability of the enterprise to read to competitive changes caused by a major transformation of the market position, through the introduction of a new market or the entry of new competition.

According to Rich Freeman, Finance teams and sales and marketing organizations rely on the IT department to make them more efficient and keep their companies flexible.

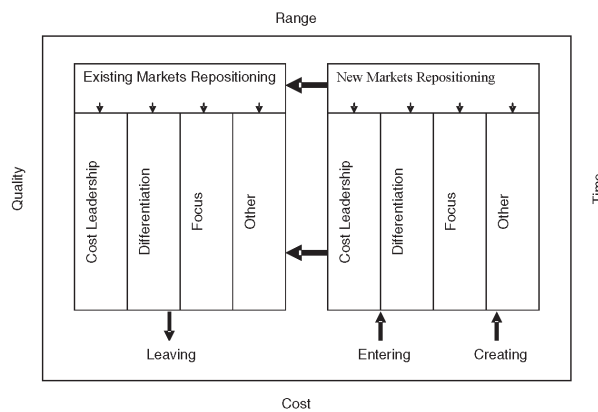
Marketing Flexibility

Literature says that marketing flexibility refers to the ability of an organisation to enter and leave markets and to position itself within existing and new markets. A marketing flexible organisation gains competitive advantage as a result of its ability to change and reposition itself rapidly within competitive global markets.

Prahalad and Hamel (1990) maintain that such organisation search new markets quickly, penetrate emerging markets and are also able to change patterns of customer choice. It is said that such capability allows them to do so (enter or leave market) as customer preferences, cost barriers, compositions, attributes and competition within the industry, change. Second capability which creates marketing flexibility, originates from the competitive strategies adopted within existing markets like overall cost leadership, differentiation, and focus (Porters - 3 Generic Ste.).

The four strategic elements of time, cost, quality and range (Ansari et al., 1997; Slack, 1983) also apply to marketing flexibility. The wider the range of options (Size, feasibility) available to respond to market changes, the more flexible it is deemed to be. The two capabilities and four strategic elements of flexibility are illustrated in the figure below:

Source: Website of Pretoria University (University of Pretoria.etc)



Another concept of mobility barrier was given by porter, which was referred as a constraint to marketing flexibility. Harrigan (1985) argues that barriers to entry and exit of markets represent mental baggage of managers, and therefore, marketing flexibility can also be achieved by overcoming physical and mental constraints.

Marketing flexibility thus has been broadly explained from strategic point of view. This paper tries to delve into the details of marketing flexibility. Organisations which are successful are much more flexible than their competitors. But when we discuss the same concept by taking a few examples to understand it better, it is found that the term *Service Flexibility* acts as a

supplement to marketing flexibility. Apart from the 4 P's of marketing, marketing domain also includes areas like consumer behaviour, competitors, sales promotion and advertising, segmentation, branding, industrial marketing etc. It is imperative to understand the pressures created by them for the purpose of flexibility.

Pressure for Flexibility by Marketing Domains	
Domains	Causes
Product	want to satisfy the customers by more models while keeping the cost low
Place	want to place the product closest to the customer
Consumers	want lower prices and more immediate delivery
Competitors	want to strive to satisfy same customers
Sales Promotion	want to increase the sale without lossing margins
Advertising	want to reach out to maximum leaving deeper impression in customers mind
Industrial Buying	want to supply non-stop, long term association
Marketing Research	want to achieve precision but depend on sampling
Segmentation	want to target the customers but increase revenue
Branding	want to position the product and increase the volumes
Pricing	want to minimise the price and maximise the margins
Sales Force	wants high salary, services and flexi work
Personal Selling	want to maintain the relationship by putting minimum time and maximum reach
Retailing	want more commission and to satisfy customer demand
Direct Marketing	want to maximise coverage by alternate channels
CRM	want loyalty and commitment from customers
Marketing Strategy	want long term and sustainable strategy
Global Marketing	want global reach in diversified tastes and preferences
Rural Marketing	want deeper penetration at substantial margins
Service	want to provide customer satisfaction by being consistent
Physical Evidence	want to tangiblize the intangibles to provide quality to customers
Process	want to differentiate through service delivery process
People	want to control emotions while encountering customers

Triggers for Service Flexibility

Seamless Global Society: the gap due to physical distances, information and knowledge has been removed by the Internet. Today, we are witnessing universal values like the concept of time. Company who can respond within a given time frame are the winners. Similarly, Net revolution is another value. Customers want global products at local prices. Mobile telephony also has altered the concept of space, time and location. Thus, Flexibility is the mantra of the day.

Basis for Competitive Advantage: Today's market leaders are those who are making good use of technology like computer and internet. The basis for sustainable competitive advantage will be knowledge management, which will be achieved by adhering to flexible systems.

Business at the speed of thought: the growing importance of call centres in India and worldwide has proved that conventional forms of service is redundant. Interactive technologies

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are already eliminating several roles in the marketing of products and services. The differentiator, therefore, will be the ability of the marketer to creatively *customize* them for the buyer.

Customer as Co-producer of Products and Services: No longer will it be the responsibility of the manufacturer to produce the product in its finality as the customer may demand. The producer will take it to a certain level in the value chain and leave it for the customer to customize according to his choice. A classic case is that of the Asian Paints facility that lets the buyer have his choice of shade customized through the company's outlets, deploying interactive technology.

Customer as a Warehouse of Information: In this Internet era, customers have access to huge information from various sources both national and global. Therefore, the challenge for the marketers is to how they can use this to develop its marketing-mix. Example, an engineering company will have to tailor its design and operation to suit the changing requirements of the client organisation. Hence, the era of standardization is today replaced by mass customization.

The Death of Business and Consumer Marketing: Because of the standardization in manufacturing technologies there is no difference between business and consumer marketing, rural and urban marketing, and even product and services marketing. Hence creativity and innovation will be the winning mantra.

The Role of Distribution Channels: Intermediaries role will no more be that of physical delivery, sharing risk and stock movement. Rather, it will be service and customization.

Bottom of the Line as Segment: this segment is a major chunk for the companies today. No marketer can afford to ignore it. So, whether it is customization of the product, price reduction, or enhancing accessibility, winners need to cater to this segment.

Environment Protection: the growing concern for the natural resources and environment protection is of immense importance. Therefore, the challenge is to do business with eco-friendly technology and processes.

Diversity and Convergence Coexist: there is diversity not only in demographics and geographies, but also in response to change, especially technology. While diverse markets are a reality, convergence of needs is also true. Today, consumers worldwide demand same products.

What are Services?

In simple terms, *services are deeds, processes, and performances* (Zeithaml et al. 1996). For example, services offered by IBM are not tangible things that can be touched, seen, felt, but rather are intangible deeds and performances. To be concrete, IBM offers repair service and maintenance service for its equipment, consulting service for IT applications, training services and other services. These services may include a final tangible report, a website or instructional material etc. But for the most part, the entire service is represented to the client through problem analysis activities, meetings with the client, follow-up calls, and reporting – a series of deeds, processes, and performances. Similarly, the core offerings of hospital, hotels, banks, and utilities comprise primarily deeds and actions performed for customers.

Service Flexibility Construct

It is derived from the marketing flexibility concept. It refers to the ability of an organisation to compete successfully in global markets with the help of service processes. A service flexible organisation achieves success with the help of four forms – New Product Flexibility, Product Mix Flexibility, Delivery Flexibility, and Volume Flexibility. Jhonson (1992) defines flexibility from the perspective of customer satisfaction, which is very close to this concept. The four forms

are explained with the help of example below:

New Product Flexibility

Financial firms like insurance or mortgage are continually introducing new products with varying interest rates and repayment terms, where new product introduction is high but requirement of new capability is low. Flexibility is achieved by new product introduction.

Product mix flexibility

A hotel may provide a number of services simultaneously dealing with business people, holiday travellers, conferences, and wedding celebrations. Flexibility is achieved by serving different segment of customers simultaneously.

Delivery flexibility

Courier organisations are increasing this form of flexibility, offering different speeds of delivery and a range of pick-up and delivery times. Flexibility is achieved by delivery process.

Volume flexibility

Call centre may deal with 5,000 telephone transactions on a normal day, but may have to cope with double that amount following an advertising campaign or a new product launch. Flexibility is achieved by extended working hours on specific requirement.

Lessons from the Corporate

Pizza hut made its entry in India in 1996. Since pizza is a food foreign to the Indian palate, Pizza hut tried to develop a bond with the Indian consumer and went for Indianization campaign. They created Indian toppings and vegetarian pizzas like Chicken Tikka, Spicy Korma and Tanduri range which have been extremely successful. The world's only 100% vegetarian Pizza Hut restaurants are located in Ahmedabad, Surat and Mumbai and menu reflects the adaption of local preferences. Dressings on the salads are completely eggless. Pizza Hut's advertising strategy also lays emphasis on it being an international brand within an Indian heart.

Marketing flexibility in the above example is achieved by Indian taste, ingredients, cooking style, and being vegetarian, which reflects *lifestyle, taste and preferences* of Indian consumers. It is similar to what Johnson (1992) mentioned in his definition while defining marketing flexibility from the customer satisfaction perspective.

The nature of promotion services are varied depending upon the demand pattern i.e. requirement of a service depending on season of the year, day of the week or time of the day. Tour operator's offers additional product benefits in form of free coupons of some value for casino, free trip to adjoining sites where attraction is not busy (slow period of business). In this example of promotion marketing, flexibility is achieved by *offering extra benefit*, over and above for what customer pays i.e. additional value in terms of extra benefits to the customer.

Financial service companies modify the time and place of delivery to meet the market needs and achieve optimization. The sensitivity is more as the demand varies at different time periods and the service is perishable. Punjab National Bank started operating for long hours, i.e. evening counters were started at branches with high turnover, to cater to the needs of the customers who are busy during office hours between 10 AM to 5 PM. Not only this but they involved technology, and with the help of Internet they started providing online and inter-branch banking facilities. Unlike, traditionally when the bank timings and location was important, by achieving flexibility both the reasons became redundant. Flexibility in this example is achieved by two ways, first *by providing the service/product to the customer for long hours*, and second

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by using technology i.e. Internet.

To attract customers away from peak hours or rush hours, companies offer its services at lower prices to attract more customers during low peak hours or lean hours. Movie theatres use this strategy, where they offer discounted price for the same movie in the morning shows because less people go to watch movies in the morning. Flexibility is achieved in this example by offering *discounted price* to the customers, i.e. by giving *value to the customers in terms of lower cost*.

Most shop owners open their shops for late hours during festive seasons to meet the customers demand. Retailers like Pantaloons India Ltd. (Big Bazaar), Shopper's Stop, and Spencer etc. Along with the local retailers association request the state administration during the festival season for allowing them to operate (remain open) till late evenings. Thus, flexibility is achieved by *extended hours of working*.

During the peak demand periods requirement of the human resource increases. Companies in general use two strategies to meet out this requirement. They either ask their employees to work for longer durations, as over time, or companies' higher part-time employees for short durations. Flexibility in this case is being achieved by *employing extra human resources* to serve the customers better, or by *providing extra cost to their employees*.

Credit card companies like American Express or Barclay offers more than one type of cards, like Platinum, Gold, and Silver cards to serve different segments of the market. Flexibility in this case is achieved by *launching variable products or customized products*.

Direct marketing firms like Eureka Forbes, the general pattern which is followed to serve the customers is - the employee first take the appointment from the client, then meet him either in the office or at his residence, explain the product handles the queries and demonstrate the same, if asked. Finally closes the deal by collecting the money. Also, some companies use e-mail, phone or interactive Television or internet for the same. The flexibility in this case is achieved by *overcoming the hurdles of time and location* in selling the product. It is also achieved by *reducing the risk perception from the minds of the customers* by personal meeting and live demonstration of the product.

IBM offers different hardware and software packages to its customers. Similarly, General Motors produces car for various purposes and personalities. The flexibility in these cases is being achieved by *customization*.

There is flexibility in GE's Asian operations. Given Asia's size, complexity and diversity, a localized approach has appeal. GE has devised not one strategy for Asia; there is strategy for each business in Asia. Asian revenue at GE is already growing twice as fast as revenue elsewhere and margins in Asian businesses are also higher. Asian operations are designed according to business need and geography. E-business has opened up an additional channel of sales. Flexibility through the *medium of internet* is driving the customers. Customers can now put in their specifications at the design stage and get several recommendations on materials, they want by getting orders online. GE plants can adjust their manufacturing operations quickly as the customer make a change in their choice of design.

Conclusion

Successful competitive strategy and corporate results are likely to focus on intangible attributes including value, lifestyle, tastes and preferences, offering extra benefits in terms of better customer service, customization etc. Service flexibility can bring such things for the organisations. Broadly it can be concluded that winners in today's business world will have to understand the

importance of service flexibility to have an edge over the competitors. Functional approach to flexibility is very important to have complete knowledge of the organisation as a whole. But going into the details of functional flexibility individually to get the practical insight and application part of the same is also equally important for the managers.

From the service flexibility concept and the examples from the corporate it can be concluded that flexibility can be achieved by the following ways:

Lifestyle, taste and preferences, offering extra benefit over and above the worth of the price paid by customer, extended hours of working, discounted price, by giving value to the customers in terms of lower cost, by providing the service/product to the customer for long hours, by using technology i.e. Internet, launching variable products or customized products, by employing extra human resources, by providing extra cost to their employees, overcoming the hurdles of time and location, by reducing the risk perception from the minds of the customers, customization. The insight from the organizations supports the fact that both marketing and service flexibility is the mantra of today's business model.

Implications

The managerial implication of the marketing flexibility and also if the service flexibility is to enhance understanding and importance in day to day business practices. With the fast changing business models and standardization of the products, it is inevitable for any business to skip service as an integral part of their strategy. Diversifications of strengths like participate in multiple product markets, develop capability of using multiple distribution channels, and maintain a presence in several countries, and Investment in underutilized resources like develop "excess" customers' loyalty to buffer competitive actions, and design operating procedures to handle environmental change can be used to increase service flexibility in the organisations.

Limitations

The paper is based on the literature available in this field, which itself is not sufficient to do any analysis. Therefore, for further study, empirical data especially taking live cases may be considered.

Limitation of adopting functional approach only in a classification framework (previous studies) is that the functions may be viewed as discrete parts, rather than a whole – the organisation. It is also observed from the literature survey and the corporate examples that there is a need to understand the flexibilities in functional areas, especially to highlight the implementation and utilization of these flexibilities in the organisation. At the same time, specific study on particular industries and sectors may be considered for better understanding of the concept, also generic model may not be applicable to all organisations in different sectors.

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