



Proceedings of GLOGIFT 09
November 12 – 14, 2009
National Institute of Industrial Engineering
Mumbai, India

A Conceptual Framework for Flexible Marketing System

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Abstract

Flexibility plays a central role in the survival and success of organization in today's fast changing environment, which has been recognized by many authors in management theory like Aaker and Mascarenhas (1984), Peters (1991), Pasmore (1994), Volberda (1998), Edward Stohr and Michael Muehlen (2008). Marketing is one of the most fundamental function in any organization with product, price, place, promotion, packaging, people, physical evidence and process as the marketing-mix ingredients (P's) used for developing marketing strategies. Many authors in past have tried to define flexibility from this functional perspective like Johnson (1992), Harrigan (1985) and Eppink (1978), which appears to be superficial because it does not include the complexities and intricacies of the operations. The authors in this paper have tried to give a conceptual framework for flexible marketing system by taking practical examples from real world. This paper tries to explore the areas for enhancing flexibility from marketing perspective to give a comprehensive, systematic and structured approach to managers. It includes the divisions in the organization like R&D, Design, Manufacturing, Logistics, Purchase, Service and Sales, which are directly influenced by marketing function, and tries to understand the correlation between these variables with each of the marketing P's to develop a workable flexible marketing system.

Introduction

Flexibility is a concept which may have many connotations, but the real meaning of flexibility in the business perspective will be to have a system which should be such that in case of any change in situation, it may be able to adjust and maintain its status quo in terms of the short term objectives like market share, and long term goals like sustained profitability. In this study authors have tried to present a conceptual framework for a flexible marketing system. This framework is strategic as it can be used to streamline the marketing functions in order to achieve short term objectives and long term goals. The authors have illustrated the concept by comparing the marketing system (inflexible) of an existing multinational organization with a hypothetical or proposed flexible marketing system for the same organization.

Flexibility plays a central role in the survival and success of organization in today's fast changing environment, which has been recognized by many authors in management theory like Aaker and Mascarenhas (1984), Peters (1991), Pasmore

(1994), Volberda (1998), Edward Stohr and Michael Muehlen (2008). Marketing is one of the fundamental functions in any organization with product, price, place, and promotion as the main marketing-mix ingredients (4 P's) used for developing marketing strategies. Many authors in past have tried to define flexibility from this functional perspective like Johnson (1992), Harrigan (1985) and Eppink (1978), which appears to be superficial because it does not include the complexities and intricacies of the operations. Neither has anybody tried to look into the details of the 4 P's of the marketing-mix, nor thought of conceptualizing a flexible marketing system.

A flexible marketing system, as proposed takes the concept one step forward to the marketing function of the company. Unlike flexible manufacturing which refers to building new product features, and taking unusual demand loads, flexible marketing concerns sensing the shifting customer demands, anticipating competition moves and managing the supply chain. Thus, adjusting the firms marketing efforts to maximize returns while minimizing risk.

This study gives a conceptual framework for flexible marketing system by taking the help of available literature and finding the GAPS in the existing theories. Also, a model/matrix will be developed based on the conceptual frame work to evaluate the current industry practices. Finally, the model/matrix will be applied on the real world cases (examples) from the different industries to find out the intensity (level) of the flexible marketing system as practiced. The approach is to explore the areas for enhancing flexibility from marketing perspective to give a comprehensive, systematic and structured approach to managers. It will include the various functional divisions in the organization like R&D, Design, Manufacturing, Logistics, Purchase, Service and Sales, which are directly impacted by the marketing function, thus, establishing a correlation between the various components and variables with each other to develop a workable flexible marketing system.

The main objectives or purpose of this study are as follows:

1. To do the literature survey and find out the existing GAPS.
2. To give a conceptual framework for the flexible marketing system.
3. To develop a model/matrix for measuring the level of flexible marketing system practiced in the industries.
4. To assess the feasibility of flexible marketing system and its implications in the business world.

The study thus aims to develop a model which will help the managers to develop strategies which are though focused on the marketing functions, but will help in developing a competitive advantage and remain sustainable in the long run. It will be mutually beneficial for the company as well as for the customers and therefore will be acceptable easily by all. It may also be used for indexing the companies on the basis of flexible marketing systems, which will be unique and first time approach. The companies which will be rated high on this index will mean that the companies are customer sensitive and have a proper system in place to take care of three basic things

- Customer demand,
- Competitors move, and
- Supply chain

It may also be used as one of the criteria for evaluating a company at the time of alliances like mergers and acquisitions, in future.

Background

Flexibility plays a central role in the survival and success of organization in today's fast changing environment which has been recognized by many authors in management theory. Research has shown that for achieving growth, the businesses are using flexibility as strategy in all the different functions. Marketing is one of the fundamental functions in any organization which includes 4 Ps or marketing-mix, which are - product, price, place, and promotion. It is also observed that those firms which are not adopting a certain level of flexibility in their marketing systems do not do well as compared to its competitors. Companies in the consumer durable sector like Videocon, BPL and Weston could not save their market share because of not having a flexible marketing system in place. Similarly there are companies in FMCG sector like Balsara, and Godrej; Pharma sector like torrent and Lupin; Automobile sector like Hindustan motors and Fiat /Premier Padmini in four-wheeler segment and TVS and Kinetic in two-wheeler segment are some of the examples of the companies from different sectors who could not perform well as compared to their competitors especially because of not having a certain level of flexible marketing system in place.

It is in this situation that it becomes imperative to study the current practices in the market to understand the relevance of flexible marketing system in giving a sustainable competitive edge to the companies. Thus, this study focuses on the issue of flexible marketing system, which will include the following steps:

Step 1: To develop an understanding of flexibility. In this the concept of flexibility will be revisited for a fresh approach from the marketing perspective. The existing literature will be scanned for developing the concept.

Step 2: To develop a flexible marketing construct. This step will be the extension of previous step in which flexibility construct and its variables and parameters will be used to develop the concept of flexible marketing system. It will be seen under the light of existing marketing practices and flexible approach adopted in this function by the practicing managers'. All this understanding will lead to the development of Flexible Marketing Construct.

Step 3: The third step will support the previous steps, here a model or metrics will be developed to measure the current businesses on their level of practicing flexible marketing as a system. Thus, companies from different industries will be selected as cases on which the analysis will be conducted to understand the intensity of marketing flexibility practiced in the organizations. This will give a clear idea of how this concept may provide a competitive edge, growth and profitability to the companies with higher flexibility and vice-versa.

Step 4: By clubbing both step 1 and step 2 and the industry cases from step 3 the focus will shift from flexible marketing as a systemic approach to a strategic approach.

The model thus developed will help the managers to formulate strategies which are though focused on the marketing functions, but will help in developing a competitive advantage and in remaining sustainable in the long run. It will be mutually beneficial for the company as well as for the customers and therefore will be easily acceptable by all. It may also be used for indexing the companies on the basis of flexible

marketing systems, which will be unique and first time approach. The companies which will be rated high on the flexible marketing index will mean that the companies are customer sensitive and have a proper system in place to take care of three basic things – customer demand, competitors move and supply chain. It may also be used as one of the criteria for evaluating a company at the time of alliances like mergers and acquisitions, in the long run.

Definition of Flexible Marketing System

The market like cricket is known for its glorious uncertainty. These uncertainties can be best captured through the famous four P model suggested by Prof. McCarthy. Every month hundreds of new products are introduced in the market place at different price points. Fluctuations also take place at the distribution level and there is no dearth of promotion inputs on part of companies. A company with flexible marketing system is enabled to recognize (anticipate) these changes and react to them with a minimum time interval. The concept is elaborated further:

Product as flexibility variable:

Problem Identified – New product eating into existing market share.

Required Response – immediate plugging of the hole to stop bleeding market share with a similar product/competing model/communication.

This situation would require maximum flexibility under the marketing perspective. Like – sales person giving immediate feedback to not only the sales head, but also to the product manager along with the top management team (TMT) for quick action. TMT reacts as required without time lag.

Price as flexibility variable:

Problem Identified – Price war nibbling at existing market share. Eg. Chinese competition.

Required Response – anticipation by the salesmen. The salesmen should be trained to get such data from the market (distribution channel). Defensive planning. This situation would require TMT to react quickly.

Place as flexibility variable:

Problem Identified – New channel coming up. Eg. Locks through grocery shops.

Required Response – Recognize when the change has become unavoidable. Invest on the new channel asap. This situation would require TMT to react quickly.

Promotion as flexibility variable:

Problem Identified – A scheme launched for customers by the competitor brand.

Required Response – anticipation by the salesmen in advance. The salesmen should have prior idea before it is organized, by being trained to get such data from the market (distribution channel). This situation would require TMT to react quickly.

Framework for Flexible Marketing System

Flexible manufacturing system today is a familiar concept. It is a manufacturing system in which there is some amount of flexibility that allows the system to react in case of changes whether predicted or unpredicted. Such a system allows the firm to be

more responsive to customers' needs is economical in fluctuating fiscal conditions and hence helps to protect top and bottom lines of the firm.

A flexible marketing system, as proposed takes the concept one step forward to the marketing function of the company. If flexible manufacturing refers to building new product features, taking unusual demand loads flexible marketing concerns sensing shifting customer demands, anticipating competition moves and adjusting the firms marketing efforts to maximize returns while minimizing risk.

An Illustration:

XYZ Ltd. is a Delhi based Indian subsidiary of a well known far eastern MNC into consumer electronics and IT hardware. The company has a long history of being the no.1 market share brand of computer monitor (both CRT and LCD). In December 2006 the company faced competition from a US based manufacturer which introduced the 17" wide monitor models. The model was a run-away success; thanks partly to its attractive price and form factor. XYZ reacted to this in June 2007. By that time the competitor had raced to the No. 3 spot in market share and had created a foothold for itself in the market.

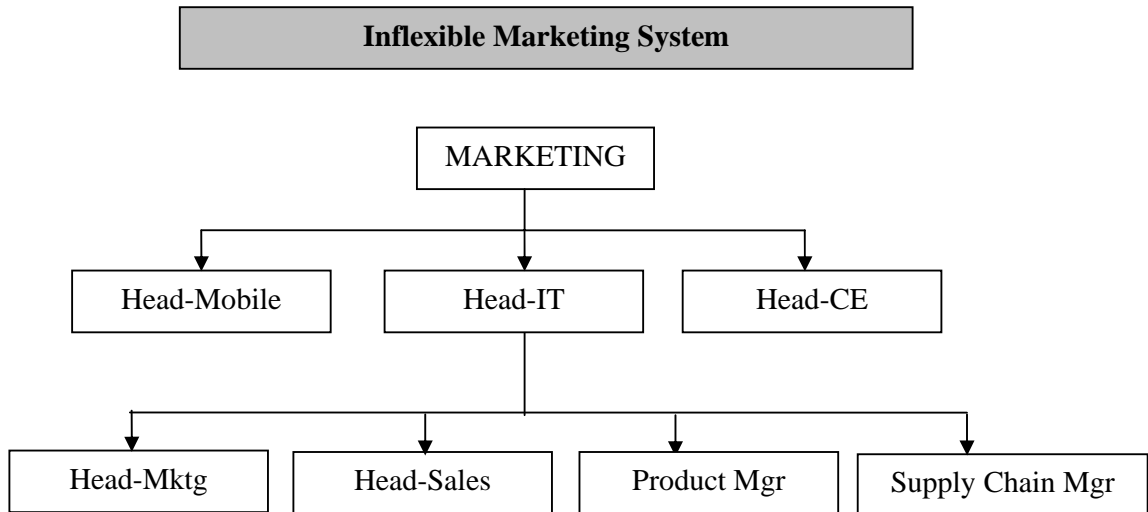
What XYZ lacked were the following:

1. It failed to anticipate the shifting customer demand. (there was already a latent demand for Wide Display Monitors – due to still advertisements by laptop manufacturers)
2. It could not properly read its repercussions.
3. It did not have a supply chain in place to react quickly enough.

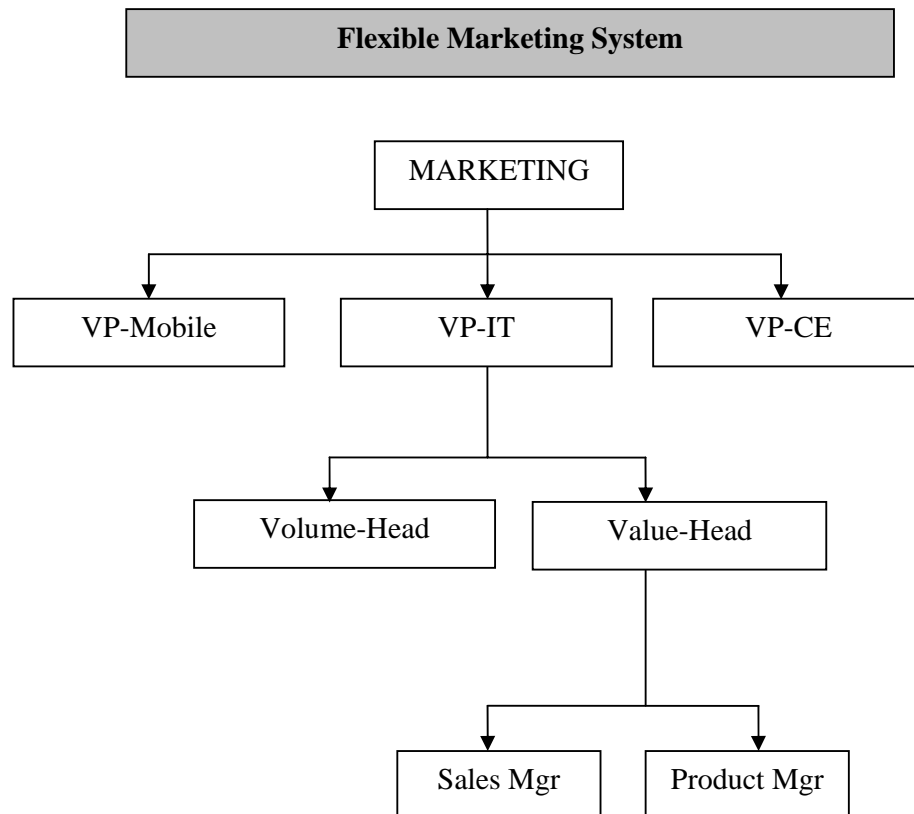
XYZ suffered from a rigid marketing system in this paper we are trying to build a marketing model which would help companies like XYZ to avoid such pitfalls. The model will address the systems processes and organizational infrastructure of a firm to make it more flexible to meet ever changing market challenges.

Inflexible Marketing System Vs Flexible Marketing System

Inflexible Marketing System: This is a real example from a leading multi national corporation dealing in consumer durable and electronics in India. The organization has division-wise Managing Directors like MD–Mobile & IT. Reporting to MD is the country level incharge or Heads, who are accountable for profit and loss of total IT products division like - Monitor (Volume) and Printer (Value). Reporting to the Head are the Head Marketing (HM), Supply Chain Manager (SCM), Product Manager (PM) and National Sales Head (NSH). Product Manager and National Sales Head is product wise like – 'PM – Monitor' was a separate head from 'PM – Printer'. The roles and responsibilities of each manager under marketing system were defined as given in the table below:



Flexible Marketing System: The organization will have one Managing Director or Chief Executive Officer. Reporting to MD will be one head for related products like SBUs, eg. – Vice President-IT. Reporting to the VP-IT may include Heads for the two product types Volume (e.g. Monitor) and Value (e.g. Printer), which should act as



profit center i.e. should be accountable for profit and loss for the entire product line. These heads may look into the marketing aspects like promotion etc. directly. Under

each head can be a Product Manager (PM) and a Sales Manager (SM), but unlike the inflexible marketing system both the managers will have to work as team. They have to share each others responsibilities and knowledge of work. The roles and responsibilities of each head may be defined in the table:

	INFLEXIBLE MARKETING SYSTEM	FLEXIBLE MARKETING SYSTEM
HEAD – IT / VP-IT	<p>Heads, who IS accountable for profit and loss of total IT products division like - Monitor (Volume) and Printer (Value).</p>	<p>VP-IT may be a person with experience from sales, marketing and productions.</p> <p>He should be accountable for the profit and loss of the entire IT division, as a whole. He should have market surveillance and forecasting expertise. He should have pro-active and positive approach.</p>
HEAD – MKTG / HEAD VOLUME OR VALUE	<p>HM was essentially a person from the promotion or Advertising field.</p> <p>Responsible for promotion strategies, whether it is sales promotion for customers or channel partners, or whether it is advertising in mass media channel. It was responsible for all the model and types of products under IT division.</p>	<p>HV may be a person preferably from sales.</p> <p>He will act as profit center and would be accountable for the profit and loss of each model of the product line. He should have daily reporting systems and should be equipped with IT infrastructure for quick analysis of the reports. His team may include people experts in the area of forecasting and market sensing. He may also look into the promotional aspects both for consumers as well as channel partners, for the over all product division, which is under him.</p>
HEAD PRODUCT	<p>PM was essentially from a premier B-school with no experience of sales.</p> <p>Responsibility of new product development, Pricing strategy, and profits from the product line is on him.</p>	<p>PM may be a person from a good B-school with essentially sales and marketing experience</p> <p>He is responsible for new product development, pricing, and profits. He will also look for supply chain and logistics function. He should mentor each area, region-wise, and carry a matrix sale. He will interact frequently with the sales manager and also with their teams especially front liners to understand the customer needs on regular basis. He should also have a well connected information system, preferably automated.</p>
HEAD SALES	<p>NSH was essentially from a good B-school but with sales experience.</p> <p>Responsibility of sales team comprised of generic MBAs and graduates. Placement of the products in the market is the key job responsibility, along with the no. of units sold and collection of money from the market (intermediaries). Sales team was good on relationship management but inadequately trained on market sensing, forecasting and strategic understanding.</p>	<p>SM may be a person from a good B-school with sales experience.</p> <p>He is responsible for sales team and product placement in the market. He may also be responsible for market development and distribution channel. He may be accountable for the number of units sold but may be jointly responsible for collection with logistics and finance people. His team may work in close coordination with product manager.</p>
HEAD SUPPLY CHAIN	<p>SCM was essentially a person with sales or marketing experience with production and Inventory knowledge.</p> <p>Responsible for managing the logistics and distribution of supplies, both from the vendors as well as to dealers. He is also responsible for Inventory control and</p>	<p>NOT REQUIRED AS SEPARATE HEAD</p>

	demand forecasting both for raw material and for finished goods. It was irrespective of model or product type. He was a shared resource between monitor (volume) and printer (value).	
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Some of the key things for the flexible structure are that the Product and Sales manager's role should be interchanged every two years. Joint meetings need to be conducted at every 3 to 6 months. Suggestion schemes and other work improvement methods may be sought from the sales and product teams especially front liners.

Thus, flexible marketing system would require greater empowerment in terms of delegation, accountability and co-operation. It is suggested that monitor (volume) and printer (value) business should be headed by independent profit center heads. Supply chain manager and product manager should be amalgamated under one leader with prior sales experience (for better market understanding). For organization it will refer to decrease in an executive. Benefit to the new organization:

- 1) Smooth flow of information.
- 2) Accountability leads to fast decision making and job satisfaction.
- 3) Concerned executive must be given due training in market sensing.

Conclusion

The idea of a flexible marketing system can thus be concluded as a system which should be better than the normal or inflexible system of operation in terms of anticipation of future changes in the market by marketing team, and proper training of marketing workforce in order to atleast maintain the status quo, if not growth, on confronting the sudden changes in the playing field. Such marketing systems (flexible) should be able to deliver –

- Faithfully capturing market fluctuations of the four fundamental variables (4 Ps) without any time lag.
- Communicating / informing the changes to decision making points with minimum time.
- quick decision making
- speedy implementation
- efficient feedback loop

The essential requirement or the ingredients for such a flexible marketing system would include –

- Manpower trained in capturing information on market fluctuations.
- efficient IT infrastructure
- Supportive, fearless organizational culture supported by a reward punishment system.
- proper organization structure / design
- efficient supply chain management

Future Research

One of the prominent research areas is related to IT. Most ERP packages today do not capture evolving market dynamics like information related to 4 Ps. They are more 'operation' oriented. There is a need to upgrade them and design in such a manner so as to cater to information like a new product launched in the market by competitor, price cut in a particular model, consumer scheme launched, and change in place of distribution of competitive products. All these are relevant and essential information which requires immediate action by TMT. Therefore it becomes important to link these to information systems like ERP etc. which do not cater to these needs as of today.

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