

The Role of Organizational Marketing in the New Millennium

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DOI: 10.6007/IJARBSS/v3-i7/4 URL: <http://dx.doi.org/10.6007/IJARBSS/3-i7/4>

Abstract

History is expected to repeat itself. The current marketing organizations are likely to fragment. The new age marketing organisation is again expected to be sales focused with other marketing tasks being handled by partner companies... the partnership arising out of the core competencies of each partner. What impact would this have on the manpower? What qualities would be necessary for future marketing wizards? Organizational overhauling is foreseeable in the near future.

Introduction

The rapid increase in production as a result of the industrial revolution, led the business firms to orient their thinking to what is commonly referred to as the 'production concept'. As the customer became conscious of the quality, performance and possible innovations, some companies started to orient their thinking leading to the emergence of the 'Product concept'. However, as companies started to achieve economics of scale through increased output, and the competition went up, it was a natural reaction of most organisations to shout louder about their product or services. In order to achieve higher sales turnover, the focus shifted from the production manager to the sales manager.

Around the mid - twentieth century, when the sales managers in the developed world encountered increased competition, they realised that merely making a louder noise did not guarantee incremental sales. Customers were willing to buy only those products that satisfied their needs. This new orientation made the customer the focus of all business activities. Thus, around the early 1950's. the 'marketing concept' become a much-followed practice by organisations that felt the pinch of competition and changing consumer behaviour.

Such change in the management philosophy naturally brought about changes in the structure that was created to achieve the organisational objectives. Marketing organisations underwent a metamorphosis as the scope of the marketing function enlarged.

Changes in the environment compels companies to restructure their businesses. Technological advancements, deregulation, globalisation, information technology, market fragmentations, market drifts etc. have been some of the factors responsible for such changes.

Kotler has cited organisations to respond to environmental changes in the following ways :

- Reengineering
- Outsourcing
- Benchmarking
- Supplier partnering
- Customer partnering
- Merging
- Globalising
- Flattening
- Focusing
- Empowering

A Recap on Marketing Organisations

Over the years, marketing has witnessed growth from a simple sales department into a complex group of inter-related activities. According to Kotler, marketing departments have evolved through six stages. Depending upon the orientation and the objectives of the company, they can be found. to be in one of the stages.

Sales Department

Companies with a sale concept orientation, typically have a Sales Manager with a sales force and the Sales Manager would normally utilize outside agencies for research, advertising or sales promotion. A local distributor of most products has this type of a structure. The outside help was sought because of absence of in house strength (Fig. 1)

Fig. I II

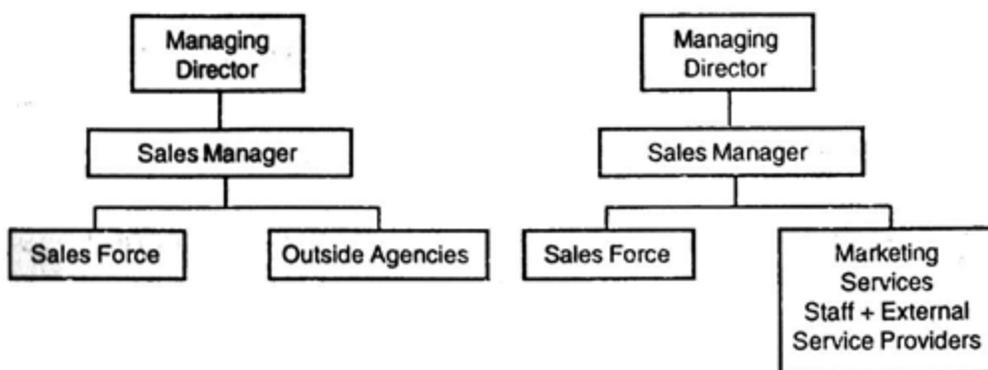


Fig. I

Fig. II

Sales Department with Marketing Services Staff

A simple organisation like the one mentioned above, would normally appoint an advertising and sales promotion executive when its business increases. The in house marketing service's staff still depends on outside agencies for execution. The scope of such personnel is normally restricted to planning and coordinating. Inalsa had such an organisation soon after it launched its appliances in India. Fig. II represents such, an organisation.

A Marketing Department

As business improved with the in-house planning and coordination, and to maintain a competitive advantage, organisations felt the need to continuously conduct market research, develop new products, or new uses for existing products, advertising and sales promotion and enhanced consumer service to have a beneficial CRM. The CEO of such companies decided to start a full fledged marketing department, bifurcating sales from marketing. Both sales and marketing deal with consumers... but such an organisation leads to intra-company, inter-function conflicts. The operation 'laxman-rekha' is apparent in figure III.



Fig. III



Fig. IV

Modern Marketing Departments

Because of the laxman rekha effect, mentioned above, there existed distrust and lack of coordination between the General Manager - Sales and the General Manager - Marketing. Under this type of an Organisation, it was the Sales Manager who was responsible for implementing the marketing programmes. To ensure effective coordination between the heads of sales and marketing, the overall responsibility was given to a Vice President - Sales and Marketing (Fig. IV).

Process and Outcome Based Company

Kotler states that many companies are now refocusing their structure on key processes, rather than on departments. To ensure a better customer focus, cross-disciplinary teams work on project under a process leader. This is visible in many IT companies.

Irrespective of the evolutionary stage Organisation structure, they have historically been organised either on the basis of functions, geographic areas, products or consumer markets. Most organisations have been following the functional type of an Organisation.

The New Millennium

The 1990's started off with companies trying to gain a competitive advantage and therefore focussing more on their customers and competitions. With this in view, in order to offer better customer value than its competitions, they became proactive in reducing costs, product development and customer service. It was felt that this objective could be achieved through outsourcing.

As long as the competition is restricted, this practice does promise to deliver some value. However, the world today faces a new set of competition. There are enormous environmental threats, bringing with them a great reservoir of opportunities.

What's happening In the New Age?

What are the challenges being faced by the current marketer? How does he respond to such challenges? Possible future marketing organisation structure is at Fig. V.

The Challenges

The pace of changes being faced by the marketers today is many times of what they have been used to. Many have failed to respond to these changes, and faced a decline in gaining customer lifetime value. Hindustan Motors is one such example.

Technological environment is rapidly changing. This is forcing companies to invest heavily in R & D efforts. Globalisation has caught many companies napping. Global players are expanding their areas of operation in viable markets. Deregulation has opened most of the sectors. Withdrawal of quantitative restrictions has flooded the markets with foreign brands. The trade calls it dumping.

The use of the Internet by the common man has reduced the world market size, made offers transparent, redefining trade channels, restating advertising objectives and practices, making access of products and services easier, and above all, has made the consumer in the driving seat. From the 'prosumer' as stated by Alvin Toffler, today he is the 'consducer'.

Closely linked to the increasing use of the Internet is the gaining popularity of E-business. The click of the mouse makes a customer a driver of business. In actual terms, in this electronic age, the customer actually guides our business. Marketers face the challenge of maintaining customer relations under difficult situations of having no control over the time they can spend with the customer. A minute cord of discontent and the customer would log off.

Challenges come by way of organisational expertise, evolution of boundary-less organisations, varying degree of use of IT, and the need of having a global marketing effort. Would just being loyal be enough? What will be the importance of each sub-function of marketing?

The intensity of competition amongst all global players will constantly be on the rise. Would having competitive advantage be enough? What sort of an organisation is likely to emerge which will help achieve marketing objectives and yet make a positive contribution to the company profits?

Marketing Response :

If companies have to survive and sustain the growth, they have to be proactive in all sub-functions of marketing. A typical marketing functional organisation of a dynamic and progressive company has functional specialists in areas like marketing administration, advertising and sales promotion, sales, marketing research, new product development, customer service, marketing planning, market logistics, trade development, and CRM.

The past two decades has witnessed a concentration of in company specialisation of the sub-functions. These heads coordinate their activities. Global competition will spread across a wider section of the marketing function. It is no longer merely a question of market competition, or just marketing warfare based on differentiated strategies. Each sub-function will face stiff challenges and the organisational profits could get corroded if they continue to depend on in-company expertise.

The response is likely to be in the following areas :

Flatter Organisations :

The new age organisations will be flatter and without boundaries, both, vertical and horizontal. It would be an organisation, the success of which would lie in the effective network of relationships. The aim of such organisations would be customer lifetime value management.

Fragmentation :

We have seen the concept of core competencies being applied to business portfolios. The new age marketing organisation will be fragmented. The functional organisations would break up with the core organisation largely being engaged in marketing planning and revenue related areas. It would, therefore, be heavily sales oriented. The other sub-functions of marketing would be passed on to other organisations, which would have them as their core competencies.

What Advantage ? The 1990's have been an area of companies trying to gain competitive advantage. The new age organisations shall be seeking 'competency advantage'. Each organisation shall be looking at working partnerships with companies with competency in the sub-function. The in-company marketing chief would therefore be largely a coordinator of the services.

Commitment : There would no longer be a need to have employee loyalty as a very important parameter. Since competition would be at each sub-function level, those working for them shall be people with a commitment to business. Along with this there would be a need to have

individual creativity in the organisations. It would be these two areas that would give each service provider the competency advantage.

Virtual Marketing:

With a steady growth in online marketing, even the marketing organizations will have to be heavily dependent on e-marketing wing. Each organization will be heavily dependent on call centers. This would be a part of the core competency partners.

Sales Management:

In a way, history would repeat itself. Organizations would be again concentrating of the sales function and there would be a total empowerment of the front line sales force to deliver quality of service required by the customers.

One - to - one marketing, by way of 'personalization' would be the mantra for the new age. Mass marketing would be replaced by individualized marketing.

Conclusion

The new age would witness a sea change in the organization structures. Organizational profitability would be largely dependent on the effectiveness of the core competencies partnership. The leaner and flatter organizations would result in the organizational profitability being distributed over the service providers. Each service provider has to deliver value. The resultant organization would be 'partners for value maximization'.

Acknowledgement

Many thanks to all marketing organist ion in Al Baha city private as well state for their contribution while collecting the data.

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