

4

TOTAL MARKETING SYSTEM

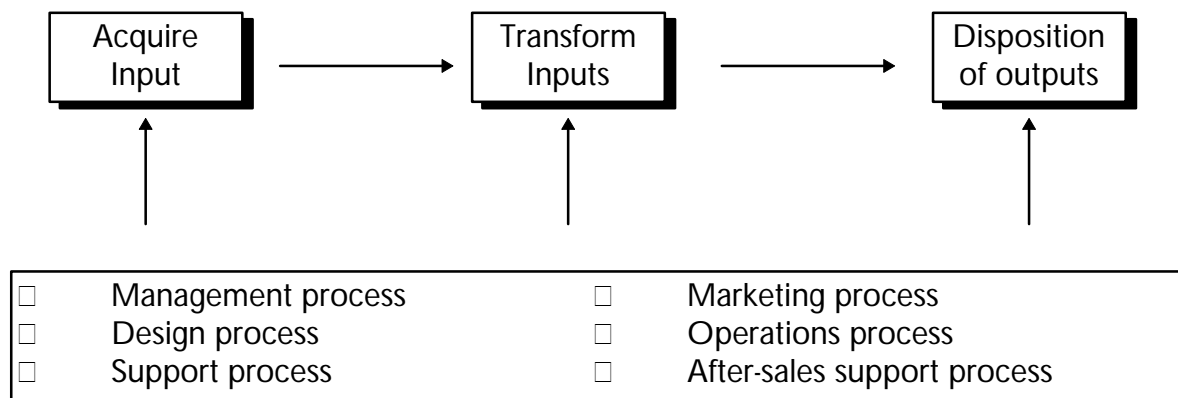
4.1 INTRODUCTION

An **organization** can be viewed as a system of **interdependent** and **interrelated processes**, its basic role is to acquire inputs which undergo transformation to produce output that is utilized by others external to the organization (**Exhibit 4-1**).

The usual way of **measuring** process flows associated with both input acquisition/transformation and output disposition is to apply some form of monetary value. The **inputs** may include people, methods, material, equipment and information. The **outcome** is some products or services. A

fundamental purpose of all organizations is to ensure that the value of outputs exceeds the combined value of inputs and the transformation process.

Exhibit 4-1 : An Organization System



For any process, **indicators of the performance** can be identified and measured. These indicators will be called **value drivers**. Value drivers for the organization as a system include quality, cost efficiency, cycle time and flexibility.

Improvement of quality, cost, time and flexibility begins with identifying the future needs of the customer through customer research. At the design and redesign phase, products or services are designed to better meet those needs. Processes are designed to produce the product or service. These design and these processes are constantly being improved. The activities for matching products and services to the customer's needs are ongoing. The cycle never ends.

The customer's needs can be translated into measurable attributes, such as:

- Performance: Primary operating characteristics
- Feature: Secondary operating characteristics
- Time: Total customer cycle time

- Reliability: Extent of failure-free operation
- Serviceability: Resolution of problems and complaints

There are four important activities to improve the quality, cost, time and flexibility so as to satisfy the customer's needs:

- Design of a new product
- Redesign of an existing product
- Design of a new process
- Redesign of an existing process

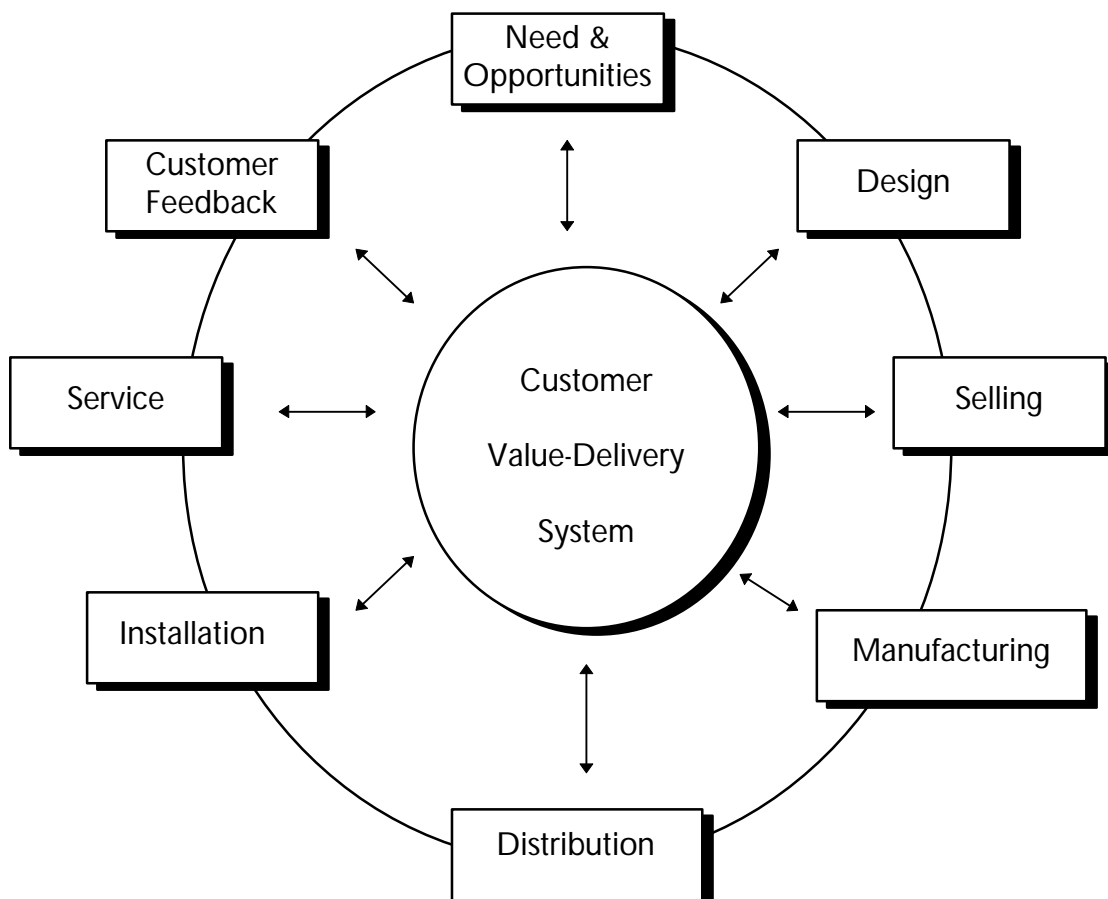
These **four activities** may be carried out within various functions of the organization. Efforts must be coordinated and focused on a common purpose. Barriers between departments should be broken down so that people in research, design, sales and production can work as a team in performing any of the four basic activities to better match products or services to a need.

Traditionally, the term "marketing" usually encompasses the following functions:

- Sales and sales management
- Advertising
- Sales promotion
- Publicity and public relations
- Market research
- Direct marketing
- Warehousing
- Transportation

However, from the **system approach**, the marketing functions (processes) are not standalone, they must interact with other business processes to deliver customer value. The marketing department can only be effective in companies whose departments and employees have successfully teamed to design and improve the processes and products or services, and implement a competitively superior customer value-delivery system. Marketing processes involve the whole company, as processes are the means by which the company continuously maintains a match between its products and its customer's needs to deliver customer value (**Exhibit 4-2**).

Exhibit 4-2 : Customer-Value Delivery System



In the system approach, we can view marketing process as the following interrelated systems:

- Navigation System
- Product System
- Persuasion System
- Support System
- Value System

The **Navigation System** tracks all the key information for competitive analysis, which is the result of market research and competitive benchmarking.

The **Product System** identifies the total task of determining what is offered for sale, with participation by all the relevant functions in the business; including product design, redesign, elimination.

A **Persuasion System** includes sales and distribution, advertising and promotion, market development, merchandising, customer relationship and related activities. The purpose of this system is to get orders through market development, and customer cultivation to ensure customer total satisfaction.

A **Support System** is a set of customer-driven support activities relating to marketing activities. The support system must be effectively linked to the product system and persuasion system and focuses on customer satisfaction.

A **Value System** is more intangible because it is a set of new beliefs and new paradigms for the marketers. To set up a new value system, we must change the culture of an organization. The intent is to develop a customer-driven organization.

The system approach to marketing is to view marketing as an **integrated process** with other business processes to meet the customer's needs. The term

"marketing system" is used to emphasize the need for an orderly, logical, and planned methodology in taking products or services to market and convincing customers to buy them.

Traditionally, the marketing concept focused on **product lines**. Later the emphasis shifted to markets and product/market classifications. Then there was a focus on functional analysis and functional organization. Following that was a concentration on **market segments**, including demography, environment and life styles.

The **marketing system** is different from a **market system**. A market system is composed of all the potential markets that a company is going to target. The word **total** means all the possible markets; in contrast with the traditional end-customer market only.

Therefore, the **total marketing system** is a total approach of marketing processes aimed to satisfying the needs of all the stakeholders in the total market system.

In order to develop the customer-driven quality culture, it requires a company to develop and implement means of influencing the behavior and attitudes of employees and to manage the cultural changes involved.

TQM initiatives should be based on **research** and **analysis** of present behaviors, attitudes, beliefs and competencies which lead to the design and organization of education, training, communication, involvement and performance management programs. All these are within the context of HRM.

TQM represents a significant **strategic change** in the way an organization is managed. Transformational change should be driven in business strategy. TQM in itself also gives strategic importance to the people development and involvement in a long-range outlook, which are integrated to the core performance of the business.

4.2 A TOTAL MARKET SYSTEM

The **main focus** of marketing effort should be directed towards analyzing marketing trends and identifying indicators of impending change, with the objective of seeking ways to exploit newly emerging opportunities in order to satisfy customer's needs more effectively ahead of competition. Therefore, the **marketer** must also work on creating more working relationships with external markets as well as the internal market.

One possible approach to identify future opportunities is to examine the market system of which the organization is a part and to isolate indicators of change by carefully analyzing the key factors of influence.

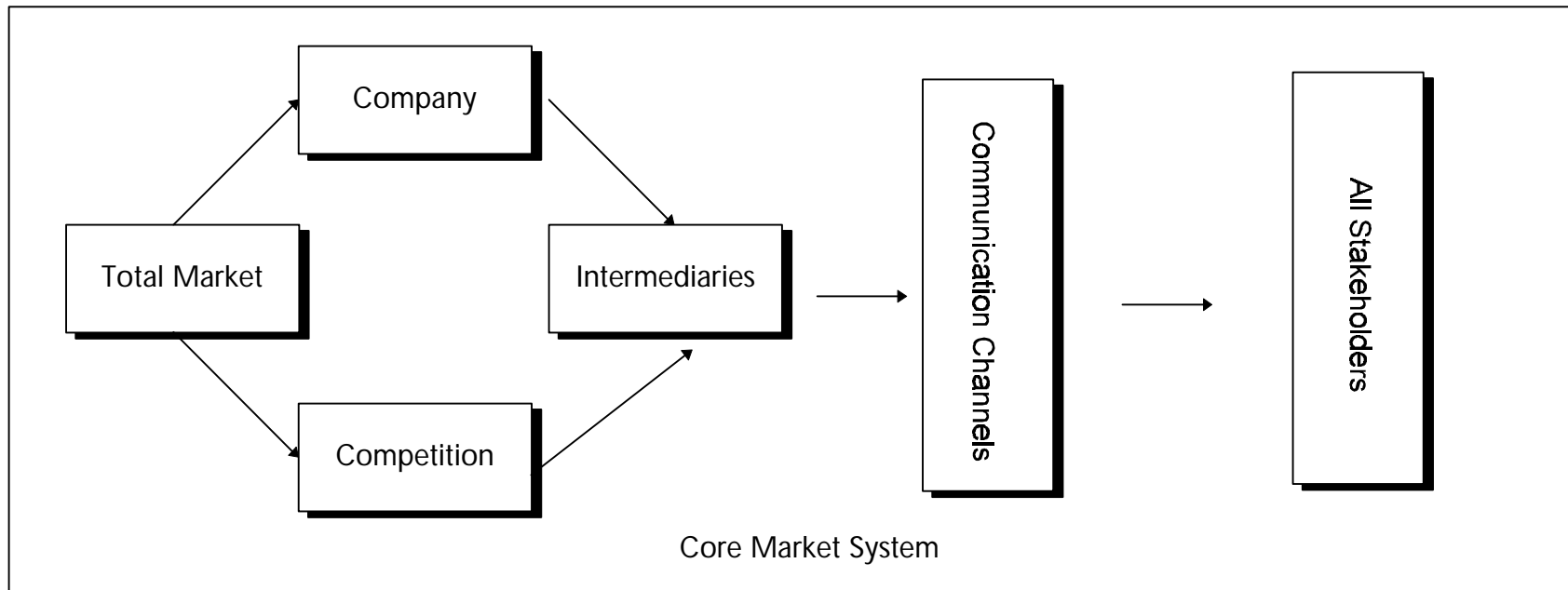
(**Exhibit 4-3**) shows a total market system. Fundamental influencers of core system performance are macro-environmental variables, such economic conditions, the composition of customer profiles, socio-political values and technology. All these have the potential to affect customer buying behavior directly or indirectly.

Any company must first identify their **internal** and **external markets**, such as customer markets, supplier markets, internal markets, influencer markets, referral markets etc. The profile of all the markets will have significant influence on the output of the products and services.

Intermediaries can also be major sources of ideas which can be exploited by manufacturers. The intermediary often has more contact with the end-customer and can more rapidly identify newly emerging needs. Intermediaries include distributors, dealers, wholesalers, and retail outlets.

Since any change in **macro-environmental variables** offers numerous ways to satisfy customer's needs more effectively, the marketer must be alert of the impact of the external environment. For example, in view of the major opportunity for growth offered by technological change, the marketer must continuously monitor the scientific environment to obtain adequate warning of a revolutionary technology, which could be either an opportunity for the

Exhibit 4-3: A Total Market System



Macro-environmental Variables

- Economics Culture
 - Technology Legislations
 - Demographics Ecology
-

firm or a major threat. The characteristics of the total market system are as follows:

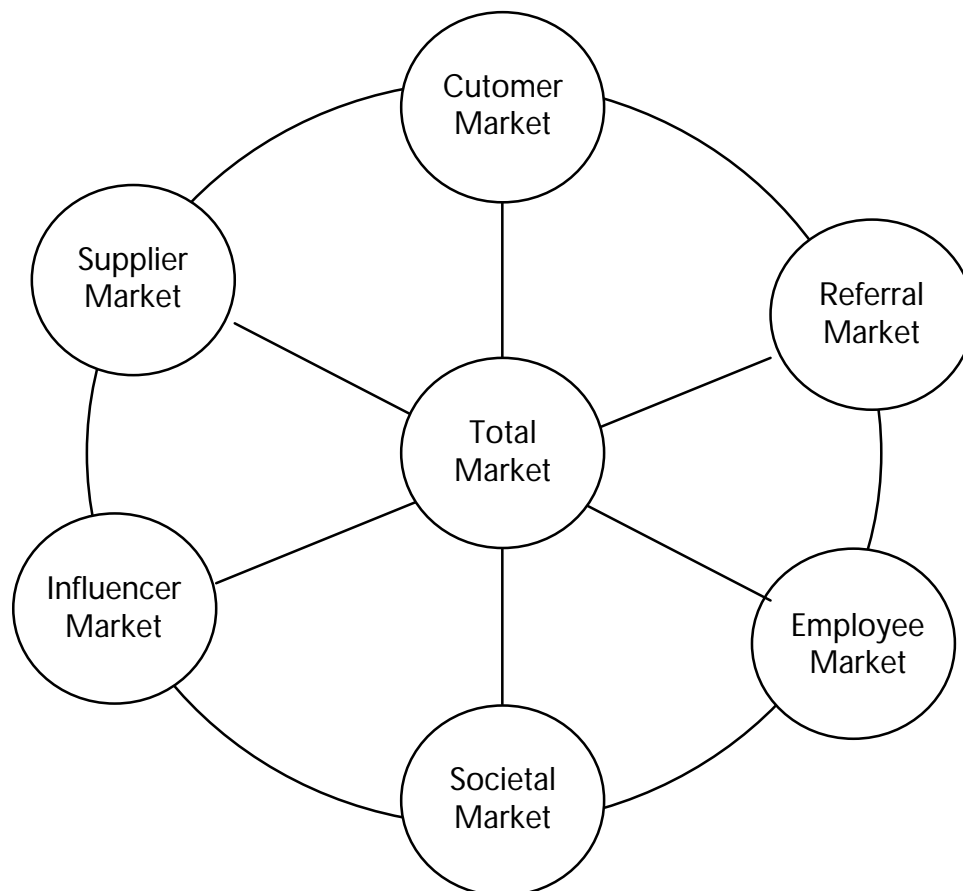
1. **Input/Output model:** The total market system is viewed as a transformation of inputs into outputs in a dynamic interaction with its environment.
2. **Subsystems:** The total market system is composed of interrelated parts called subsystems. Any subsystem is dependent on the other elements, and a change in any one means that some adjustments will occur in the others.
3. **Synergy:** Synergy means that the whole is greater than the sum of its parts, so that its performance should be viewed as an integrated system.
4. **Interaction:** The total market system is an open system which exchanges information, energy or material with their environment to attain its final goal, the total customer satisfaction.
5. **Steady State:** It seeks a state of dynamic equilibrium.
6. **Feedback:** The feedback of information regarding performance is used to adjust and control performance. Feedback is informational input which indicates that the system is deviating from goals and needs that may need re-adjustment.
7. **Ingredient:** The basic ingredients of a process (flow of information, energy and resources) are more vital than the basic elements of the total market system.
8. **Objective:** Organizational objectives are more important than the objectives of its elements, and thus there is a de-emphasis on the parochial objectives of the elements of the total market system.

4.3 TOTAL MARKET CONCEPT

As we have defined **marketing function** is to **satisfy** the **needs** of all the **stakeholders**. The job of marketers in developing a marketing program is to satisfy the needs of both direct and indirect customers in the different markets.

Traditionally, marketing has been seen from the perspective of managing transactions with end-customer groups. However, companies have a number of markets to whom they need to direct marketing activities and formulate marketing plans in order to provide the **best value** proposition in terms of both the product and customer service. (**Exhibit 4-4**) shows the concept of a **total market** of an organization.

Exhibit 4-4 : The Total Market Of An Organization



4.3.1 Customer Market

There is no doubt that the primary focus of marketing was and will remain on the customer. We need to focus on gaining new customers as well as to ensure that ongoing marketing activity is directed at existing customers to retain them for life.

4.3.2 Supplier Market

Suppliers are inversely related to the customer-value delivery system. To ensure that we can satisfy the needs of customers by better quality and faster response time, we must develop a long-term relationship with suppliers in the marketplace. This relationship can enhance the quality and delivery of the incoming materials (inputs) so as to produce quality products and services (outputs) to satisfy the customer's needs.

4.3.3 Referral Market

The best form of marketing is to get your customers to do the marketing for you. This suggests the importance of identifying and developing the referral sources. Referral sources can be existing customers, insurance companies, accountants, solicitors, surveyors etc.

4.3.4 Influencer Market

Depending on the type of products or services the company is trying to promote, marketing activities may need to be directed to finance markets, regulatory markets and the government.

By addressing the finance markets, a company may improve its market perception and stock prices. Companies selling equipment of an infrastructural character may need to direct their marketing activities to government and regulatory bodies.

4.3.5 Employee Market

Many companies have difficulties to attract a sufficient number of skilled and trained employees into their rank. They must direct their marketing activities to the universities or professional institutions through sponsorship of awards and prizes.

4.3.6 Societal Market

The societal marketing concept holds that the organization's task is to satisfy the needs of customers and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being. The needs of the societal market is related to environmental quality, such as less environmental deterioration. More and more end-customers require a business firm to meet their needs at the best interest of the society at large.

4.3.7 Internal Market

In order to satisfy the needs of end-customers, we must first satisfy the needs of internal customers (employees) by attracting, developing, motivating and retaining qualified employees. In order to develop a new value system, a firm needs to market a new set of values, philosophy and beliefs, such as customer-driven quality through internal marketing.

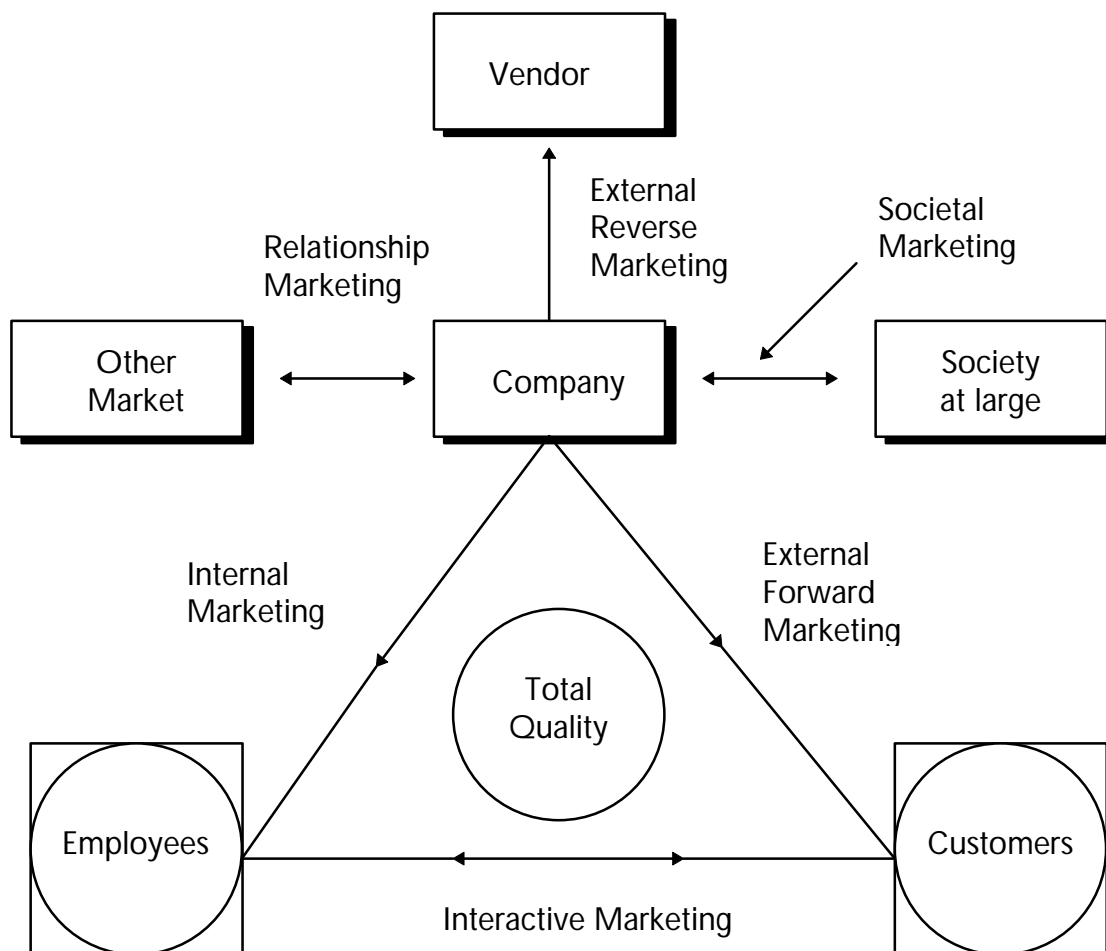
(**Exhibit 4-5**) shows a total quality marketing approach of an organization.

Total Quality Marketing is built on the principles of Total Quality Management (TQM), such as:

- Customer-driven quality
- Top management leadership
- Process focus
- Design quality and prevention

- Theme of continuous improvement
- Organization-wide involvement
- Fundamental paradigm shift
- Management by fact
- Long-range outlook
- Partnership development

Exhibit 4-5 : The Total Quality Marketing Approach



The techniques of Total Quality Marketing based on the different needs of the markets could include:

- External forward marketing
- Internal marketing
- Interactive marketing
- External reverse marketing
- Relationship marketing
- Societal marketing

External forward marketing directs the marketing activities towards the customer market. The attraction of new customers is merely the first step of external forward marketing. It follows that marketing activities should also focus on retaining existing customers by setting up customer relationship programs. Based on the customer requirements, an organization can develop quality improvement programs to satisfy the needs of external customers.

Internal marketing is the technique to satisfy the needs of internal customers and develop long-term relationship with them. TQM requires the involvement of all employees within an organization. One of the main functions of internal marketing is to market the TQM philosophy and practices to all the employees.

External reverse marketing looks at the marketing activities with all the suppliers of a company. One of the TQM principles is to develop partnership with the suppliers so as to acquire quality incoming materials to satisfy the needs of external customers.

Interactive Marketing is to take the advantage of existing customer-contact employees to execute the company's marketing plans by developing the employee's skills in functional quality. It is particularly important for service

organizations where the delivery of a service involves direct interactions between the customer and the service people.

Relationship marketing is particularly suitable to other markets, such as referral markets and influencer market. Building up long-term relationships with these markets requires a long-range focus of an organization. Its ultimate objective is to identify opportunities to enhance the value of the organization.

Societal marketing is to satisfy the needs of society at large by producing environmental quality of products and services. The growing importance of green marketing is a kind of societal marketing which focuses on the "green" products to suit the needs of end-customers as well as the society at large.

