

13

MANAGING THE MARKETING SYSTEM

13.1 MARKETING SYSTEM

A **marketing system** is different from the **market system**. The market system is composed of all the potential markets that a company is going to target. A marketing system is the processes to meet the customer needs. There are **five** major **subsystems** (sub-processes) of a marketing system.

1. A Value System
2. A Navigation System
3. A Product System

4. A Persuasion System
5. A Support System

13.2 A NEW VALUE SYSTEM

The **behavior** of an organization is guided and influenced by the values and attitudes of the employees. For example, if marketing managers have been selected and promoted because of their short-term sales results and profit maximization at all costs, an organization can never deliver customer value in the long run.

Establishing a **new value system** must be the first step to be considered in the strategic processes associated with the creation of an organization that seeks to focus on meeting the needs of the customers (**Exhibit 13-1**). Values and culture are reflected in the commitment of employees to a common purpose and determine the skills or competence required of the entire work force to fulfill their respective job roles effectively.

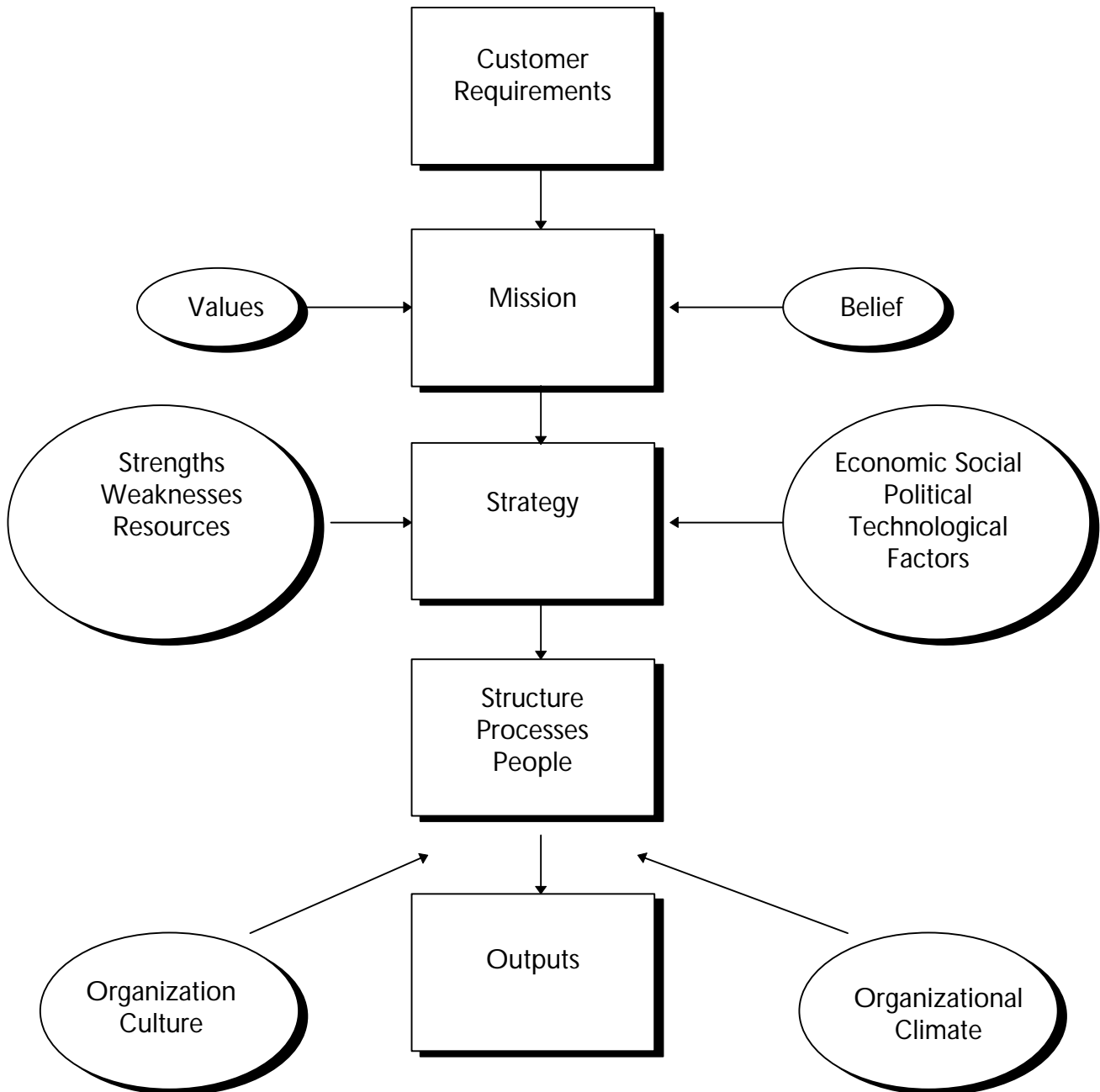
Culture is the organization's value system and will influence the way in which work is carried out and how employees behave. Organizational climate is the result of the value system which is a set of attributes that the people have about the organization at large, including power, influence, interpersonal and intergroup relations, group norms, perceptions of trust and openness, value orientations and employee satisfaction.

Managing the **marketing process** involves the coordination of product, market, customer and information flows between the market and relevant functions within the organization. The starting point in creating a new value system is to undertake a survey of current attitudes and perceptions of:

- Staff relationships within the marketing department.
- What other departments feel about the marketing department.

- How the customers and market intermediaries view the company's products and services relative to competition.

Exhibit 13-1 : Major Influences on Organizational Output



Understanding the current situation can help the company to undertake a **program of change** to revise the culture in a value system. To develop a total

marketing system, it requires everybody, from top management to lowest level staff, to shift from the old paradigms to the new paradigms.

For example, in order to sustain long-term competitive advantage, a business firm needs to satisfy the needs of all the stakeholders. Therefore, we need to define the market in a broader sense - the total market.

The **total market** is emerging in the markets with which the company interacts. In addition to customer markets, an organization must consider marketing activities with other external markets, including suppliers, recruitment, referral, influence, and society at large as well as internal markets.

The importance of a **total marketing orientation** in achieving success requires a firm to transform traditional product/market perspective of marketing into a customer-driven perspective for all members in the organization. It is clear that a customer-driven organization will focus on quality, service, reliability, responsiveness and deliver higher customer value for specific market niches.

Finally, **total quality marketing** requires a new marketing relationship with all stakeholders of an organization. Total marketing relationship must be developed internally and externally.

The **emerging paradigm** of marketing requires a **total system** approach to marketing. This premise sees marketing as not merely a basket full of specialties, such as market research, advertising, selling, etc., but as an integrated approach to sustain the competitive advantage of an organization. Therefore, under the new paradigm, the purpose of marketing is to direct all aspects and functions of an organization to meet the needs of all the stakeholders so as to achieve a long-term competitive advantage.

(**Exhibit 13-2**) shows the value of traditional over the total marketing system.

Exhibit 13-2 : The Value of Traditional over Total Marketing System

	Traditional Marketing System	Total Marketing System
Market Definition	End-customers	All stakeholders, including customers, employees, suppliers and other markets.
Product Definition	Physical attributes	Total product concept, including add-on value
Price Sensitivity	Customers very price sensitive	Customers much less price sensitive
Quality Concept	Outcome-related technical quality dominating	Process-related strategic quality dominating
Marketing Strategy	Transaction marketing	Relationship marketing
Dominating Marketing Function	Transaction marketing	Interactive marketing and supported by the traditional marketing mix elements
Relationship with other Functions	Limited or nonexistent	Cross-functional relationship
Marketing Culture	Sales-driven and profit maximization	Customer-driven and long-term customer value
Customer Complaints	Neglected or Avoided	Opportunities for improvement
Marketing Promotion	Product-oriented	Customer-oriented, such as customer bills of right

13.3 THE NAVIGATION SYSTEM

The **navigation system** tracks the intelligence information in the market place and internal performance relating to marketing activities, which is designed to permit business to make the best marketing decisions. The navigation system should focus on customers, on best-in-class performance versus competitors, and on best performance of key processes in other industries. This kind of system cuts across functional departments in an organization and is crucial to business success.

The navigation system should include the following information:

A. Customers

- Market-perceived quality, price and customer value relative to competitors.
- Customer service, customer satisfaction, customer complaints and customer loyalty.
- How customers think - including company policies, promotion and merchandising, service and warranties, products, sales service, pricing, credit and collection etc.
- Customer orders won/lost analysis, showing recent sales efforts won or lost versus the competition.
- A what/who matrix that links key quality attributes to the business processes that drive performance on those attributes and shows who is the "process owner".

B. Markets

- Market share
- Location
- Composition
- Geography
- Demography
- Distribution
- Profitability
- Growth

C. Competition

- Innovation, responsiveness, cycle time, lead time, and on-time performance versus competitors.
- Policies, products, pricing, market strategies, sales and distribution, promotion and merchandising, service versus competitors.

D. Environment

- Economic conditions
- Social conditions
- Political conditions
- Technological change
- Ecological change

13.4 THE PRODUCT SYSTEM

From the system's point of view, the entire business processes and each of its segments can be considered as a product system. The purpose of the product system is to ensure that a company has the right product, at the right time, in the right place and at the right price to meet the customer's requirements. To accomplish those objectives, a company needs to develop a cross-functional team in new product and existing product planning.

Nowadays, many companies have adopted the philosophy or methodology of **concurrent engineering** for product design. Concurrent engineering is the integration of many sources of relevant information into a product or service design effort as early as possible, using teams of subject experts, with the intent of shortening product development times, lowering total life-cycle

costs, and improving quality and customer satisfaction. The basic design principles for lowest life-cycle costs are:

1. Design for reduced part count.
2. Design for fewer processes.
3. Design for low-complexity processes.
4. Design for minimum parts and assembly handling.
5. Design for easy access and visibility by operators.
6. Eliminate and/or communize fasters.
7. Design out opportunities for incorrect assembly.
8. Design for interlocking parts.
9. Design for easy part handling.
10. Design the process for minimum transport.

A **product system** consists of the following processes:

- Product planning based on evaluation of customer needs.
- Recommendations for new products based on market requirements and customer specifications.
- Business objectives implemented through product line offerings.
- Market testing to determine acceptance, preference, and demand pricing, packaging, and branding for competitive advantage.
- Production scheduled to meet customer, sales and competitive requirements.

In the **product planning** stage, a company should also consider the planning for existing products, and planning for product elimination in addition to new product planning.

It is **essential** that during the product planning stage, a cross-functional team must be set up, including marketing, design-engineering, industrial-engineering, manufacturing and purchasing people. The technique used to help the cross-functional team focus on the customer needs, when setting design and manufacturing specifications, is called **Quality Function Deployment** (QFD). QFD draws together marketing, engineering and manufacturing skills from the moment the project is first conceived and ensures products are designed to reflect the needs and expectations of customers.

The **principal tool** used in QFD is the **House of Quality**. This is a matrix showing the relationship between customer requirements and engineering characteristics. The basic components of the House of Quality are illustrated in **(Exhibit 13-3)**.

QFD is a conceptual map that provides the means for cross-functional planning and communications. It communicates product-specific requirements, standards, and specifications in a coordinated and consistent way across all the functions that have responsibilities affecting the quality of the product or service. **(Exhibit 13-4)** shows an example of the flow of information by QFD.

During the product planning stage, the product design team should raise and answer the following questions:

- What are the market and business segments to be selected?
- Which customer classes, type of distribution, and competitive arena should the business choose?
- What product lines, including models, styles, sizes, grades, shapes, and colors, should be offered?

- What are the customer requirements and market specifications for each item?
- Which customer or distributor requests for modifications to be met?
- What are the target cost for the product?
- What kind of production capability and other resources are needed?

Exhibit 13-3 : Basic Components for the House of Quality

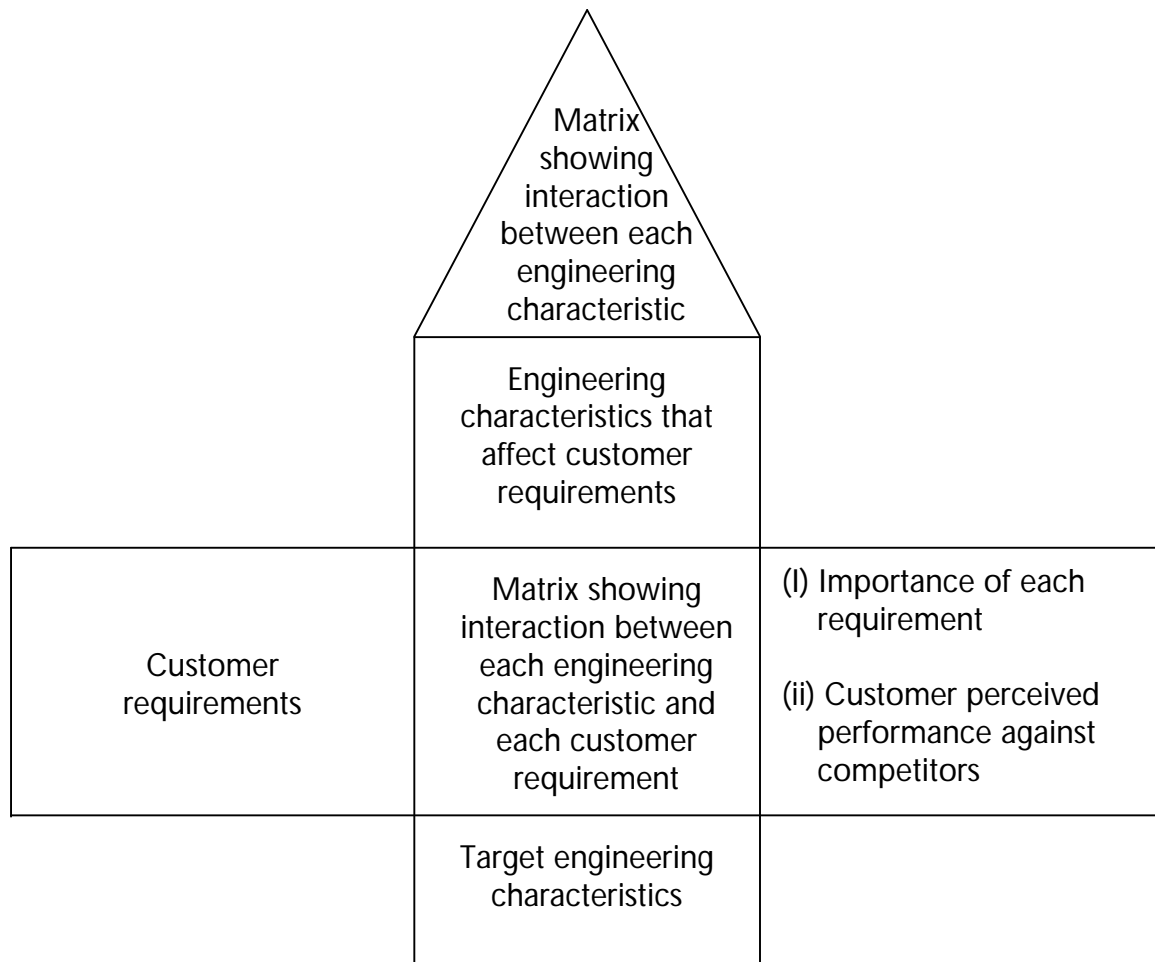
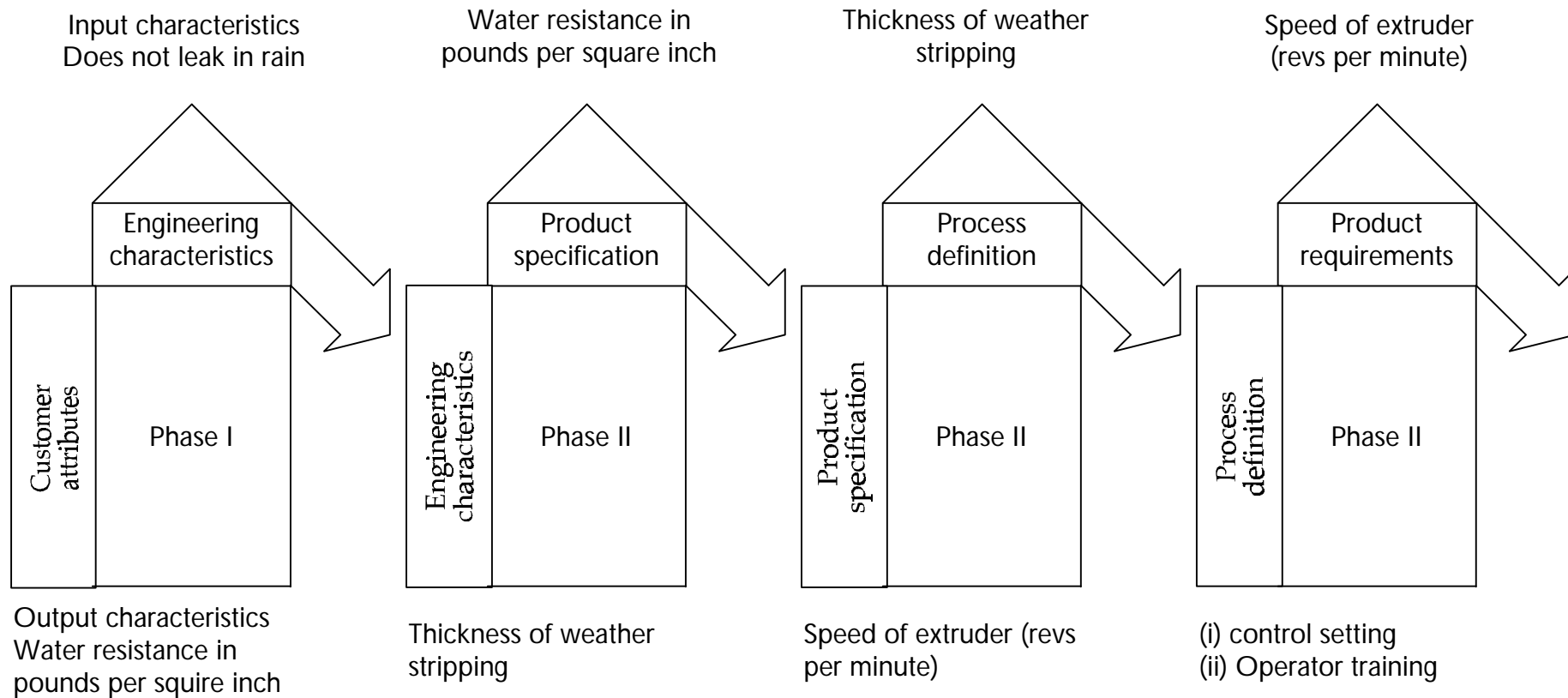


Exhibit 13-4: The translation of customer requirements into production planning using ‘The House of Quality.’



13.5 THE PERSUASION SYSTEM

The scope of the persuasion system includes sales, and distribution, advertising, and promotion, market development, merchandising, customer assistant and relationship.

In a marketing system approach to customers, the **persuasion planning** includes the input, activities and outputs. (**Exhibit 13-5**)

Inputs include information about:

- Customers
- Markets
- Competition
- The business environment

Activities may include:

- Identifying and evaluating market opportunities and customer value.
- Formulating persuasion objectives and strategies.
- Communicating course of action, by the persuasion group.
- Reconciling persuasion plans with product/support plans.
- Defining persuasion approaches to be used.

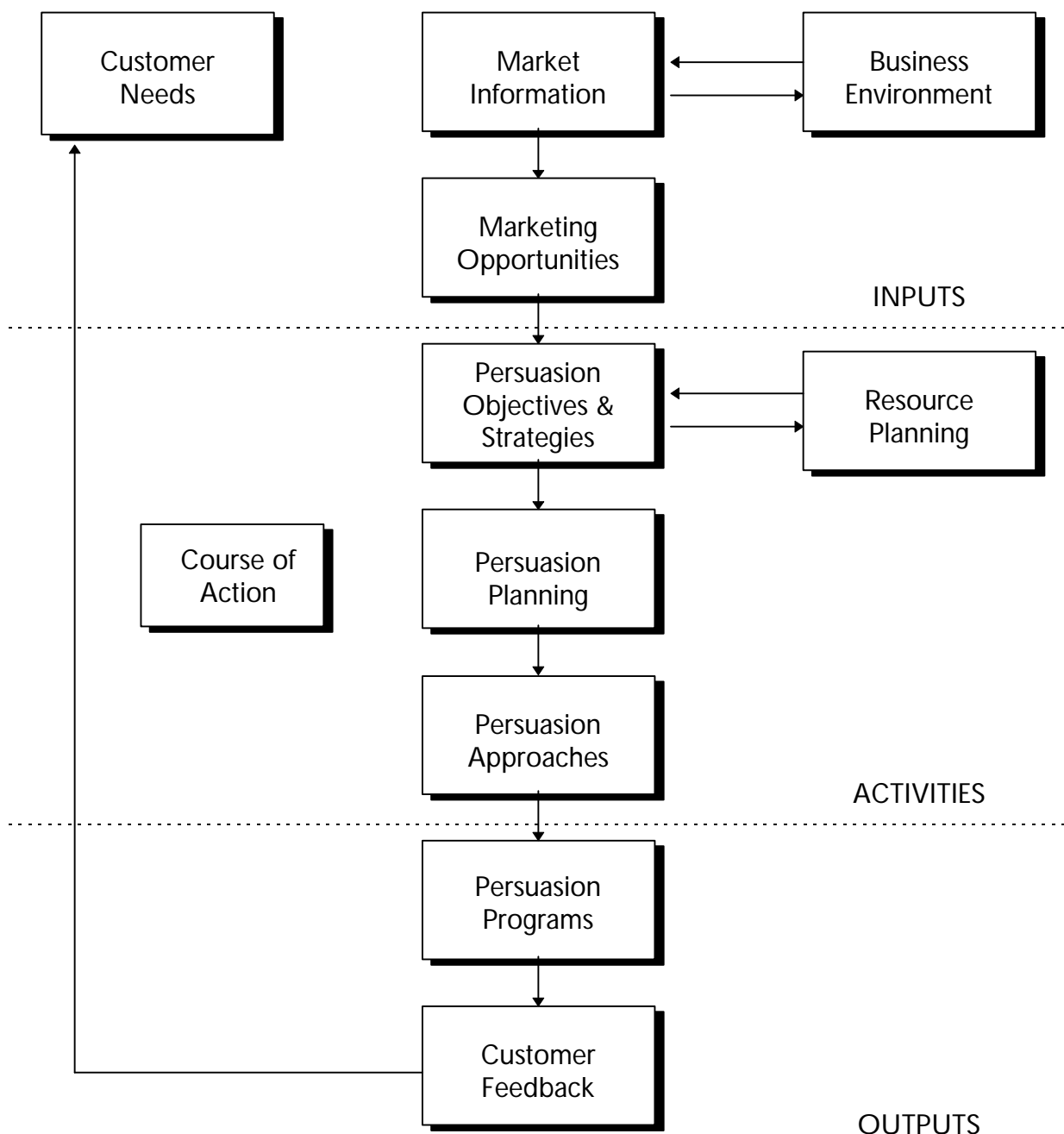
Output of persuasion planning includes:

- Courses of actions to be followed, including objectives, strategies, schedules and assignments.
- Definition of persuasion approaches for each market segment

and for business as a whole.

- Sales, promotion, merchandising advertising, and other persuasion programs.
- Integrating with product and support system planning.

Exhibit 13-5 : The Persuasion System



The **navigation system** provides all the necessary information, such as customer value, competitive analysis and market information for formulating persuasion objectives and strategies. One of the most important considerations is that the marketing system should be linked to business strategy. Nowadays, the market conditions can be as follows:

- Conformance and performance quality are essential.
- The number of new and improved products continues to grow at an explosive rate.
- Customers are demanding high quality products and services.
- Markets are becoming broader in scope and yet more functionally specialized in the products and services offered.
- Product life-cycle becomes shorter.

Therefore, the **objective of persuasion** and **strategies** will be formulated as follows, according to the market conditions:

1. Improve customer relationship.
2. Locate close to customers.
3. Maintain market share with quality products.
4. Identify the customer requirements in detail.
5. Selective distribution.
6. Increase market share by entering new markets with new products.
7. Frequent communication with customers.

In setting up the persuasion planning, and **courses of action**, a useful starting point is to define the critical problems to be resolved.

1. How can we improve the customer value?
2. What work should be done within the company, and what should be done outside by distributors, advertising agents and other suppliers?
3. What work should be done at headquarters, and what should be done in the field?
4. How can we effectively integrate advertising, sales promotion, and sales training to better serve the customers?
5. What kind of customer relationship programs should be developed?
6. What are the resources available including technology, sales force and support staff?

There are **different approaches** in managing the persuasion system. The basic principle is to work according to the benefits of the customers.

1. **Customer Classification**
 - Consumer end user
 - Commercial end user
 - Industrial end user
 - Institutional end user
 - Original equipment manufacturer (OEM)
 - Government
2. **Type of Purchase**
 - Frequent repeat purchase

- Frequent impulse purchase
- On-time purchase
- Periodic or continuous supply
- Contracts
- Sealed bids
- Packaged orders with other items

3. Product or Service

- Packaged product for home consumption
- House-ware device for home use
- Major appliance for home use
- Equipment for commercial use
- Commercial supplies
- Commercial products for resale
- Industrial plant equipment
- Components
- Replacement parts and supplies

4. Sales and Distribution Channels

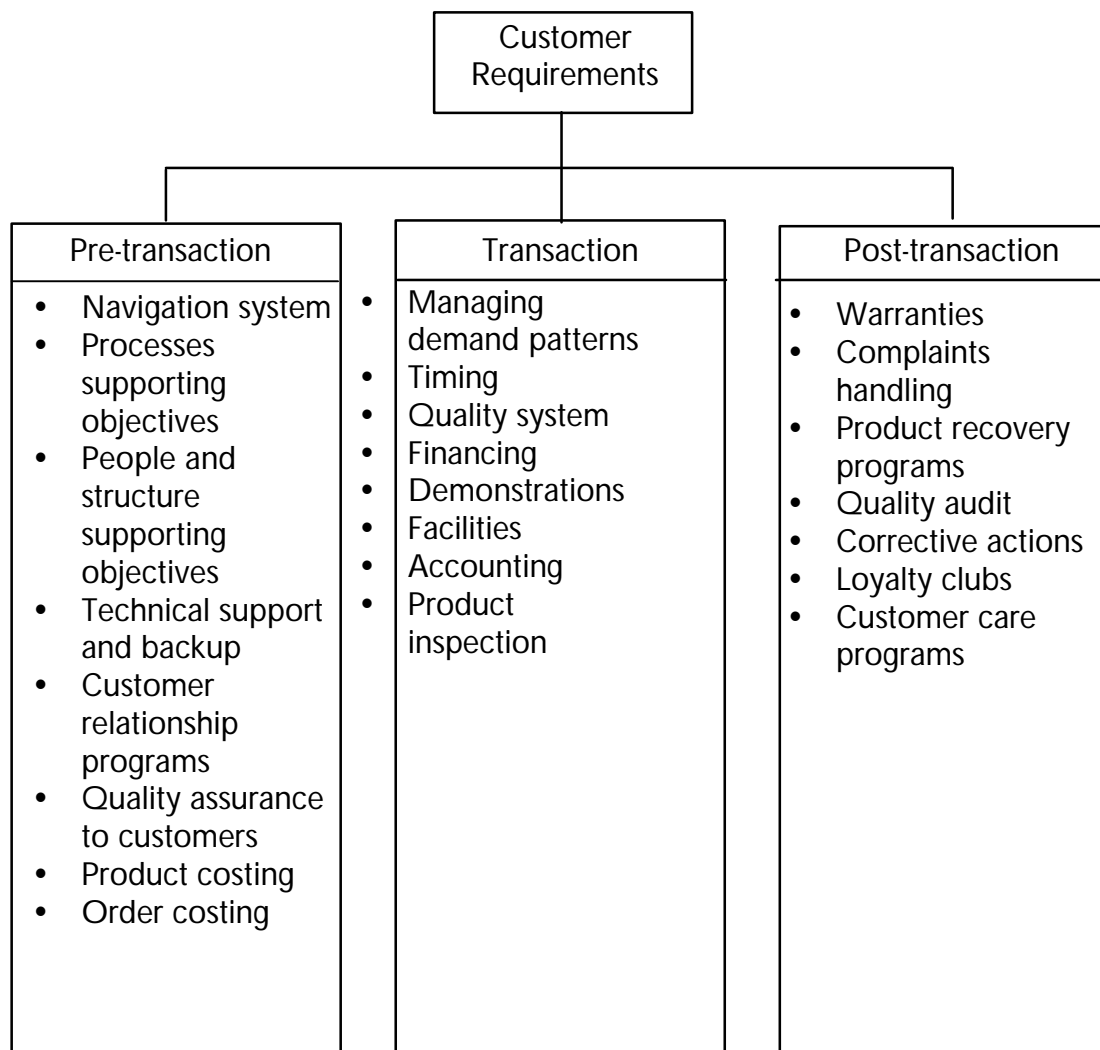
- Direct sale
- Company-owned distribution
- Wholesalers
- Contractors

- Dealers
- Agents

13.6 THE SUPPORT SYSTEM

The support system includes all the necessary resources, information and capacity to support the marketing activities. The support system consists of three major elements: Pre-transaction Element, Transaction Element, and Post-transaction Element (**Exhibit 13-6**).

Exhibit 13-6 : Illustration of Support System



The **support system** is very important to the marketing system. Traditionally, marketing process is viewed as a functional job. Management proceeded to manufacture a product and held marketing responsible for ringing up sufficient sales to keep production running. In a customer-driven organization, it requires a total commitment of everybody to produce, sell, distribute and service its products so that it fully delivers promised value to the customers in the target segment.

Dell Computers, in Austin Texas, USA, takes the total approach of marketing by enhancing its support system:

1. It involves holding regular dialogues with customers that go far beyond the simple sales transaction of buying a personal computer in the pre-transaction stage.
2. Instead of selling through distributors or dealers, Dell employs a large team of experienced people to deal directly with customers. Design, development, manufacturing, sales, marketing, servicing and support all remain under Dell's control to offer total business solutions to customers.
3. Its direct working relationship with customers not only cuts out the costly dealer channel, but also makes Dell's operation more efficient than those who sell via dealers and distributors.
4. If a Dell customer is having a problem, the company may even loan a computer system to the customer free of charge. Customer care programs, extensive maintenance and support package have made Dell to be one of the leading micro-computer companies.

To ensure the support system to **add value** to the customers, it requires a transformation of the organization based on TQM principles. It is unlikely that a company can provide quality supporting services to the marketing system unless it is a customer-driven organization. In a customer-driven organization, its training is geared to having all staff appreciate what happens

from a customer point of view. Employees are working in a partnership relationship and strive to improve the process continuously.

