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Marketing Flexibility For Sustaining Growth In Turbulent Business Environment

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Abstract:

The purpose of the study is to visit the application of flexibility in context of marketing system of an organization. Paper also aims to present the attributes of flexibility in the four P's of marketing that helps the organization to cope with any uncertain environmental changes with fewer penalties in terms of time and money. Research carried out with the help of extensive literature review and corporate case studies have been included to demonstrate the benefits of marketing flexibility. It is found from study that flexibility in marketing system significantly reduces the vulnerability of the business. It not only helps in sustaining the competitive edge of a firm during normal business conditions but also enables the organization to at least maintain its status quo in case of any devastating environmental change.

KEYWORDS:

Flexibility, Marketing, Change, Competition.

INTRODUCTION:-

With increasingly intense competition, shrinking product cycles, accelerated technological breakthroughs and progressively greater globalization, the business arena may best be described as being in a chronic state of flux, with continual variation in its external environment (Nadkarni and Herrmann, 2010). One theme that has now become omnipresent in market is the phenomenon of change. Though the intensity of this change may differ across the industries; there is little to doubt about its universal existence. Effects of liberalization, globalization and privatization have only added the momentum to its already accelerated pace and its implications resulted in contrasting effects as far as customers and organizations are concerned. On the one hand customer has become real king of market; on the other hand organizations have come under intense pressure to keep up with their changing tastes and preferences. This has made even market leaders to stand on their toes all the time because of the fear that somebody from behind will come and topple them from their leadership position. Launch of new Swift by Maruti-Suzuki can be seen in this regard only. Despite of the fact that old model remained market leader throughout its life cycle, company went ahead and launched all new Swift. This shows the intensity of pressure and competition organizations are facing nowadays.

In the wake of this newly evolved business paradigm, this paper investigates the role of flexibility in marketing system that helps the organization to sustain its competitive edge. With a special focus on the flexibility attributes relating to dimensions of marketing system this study explores its effects on the organization's ability to sustain its competitive edge over the rivals. Flexibility attributes are taken from the literature review and then associated with the real world case studies to find their positive impact on the organization's performance.

LITERATURE REVIEW

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1. Flexibility

Flexibility, in general terms, is associated with the ability to change according to new conditions. It has found a number of references in literature and that point towards its multi-dimensional nature. Ansoff (1965) described the flexibility in terms of its external and internal aspects. According to him external flexibility can be achieved defensively or offensively while internal flexibility is more directed towards cushioning the business against catastrophe. Similarly Eppnik (1978) saw flexibility as characteristic of organization that makes it less vulnerable to unforeseeable changes.

One of the most comprehensive definitions of flexibility was given by Bahrami (1992) who described flexibility as a multi-dimensional concept-demanding agility and versatility; associated with change, innovation and novelty; coupled with robustness and resilience, implying stability, sustainable advantage and capabilities that may evolve over time. Strategic value of flexibility was emphasized by Volberda (1997) especially in the context of turbulent changes and suggested the construct for the flexibilities at all three levels pertaining to strategy, structure and operation.

Sushil (2000) described the flexibility in systemic terms as an exercise of free will or freedom of choice on the continuum to synthesize the dynamic interplay of thesis and antithesis in an interactive and innovative manner, capturing the ambiguity in systems and expanding the continuum with minimum time and efforts.

Literature pertaining to flexibility reveals that flexibility is about implementing the changes quickly according to changes in environment. This not only helps the organization to swiftly tackle the changes but also provide them cushion in case of totally unforeseeable situations.

2. Marketing

Another area that has been in the limelight for quite some time, especially in the backdrop of ever changing conditions, is the marketing system of an organization. According to American Marketing Association marketing is an organizational function and a set of processes for creating, communicating and delivering value to the customers and for managing customer relations in the ways that benefit the organization and its stakeholders. With the enhanced importance of customer; there resides a big responsibility of maintaining their loyalty on the shoulders of marketing system of organization. In fact the difficulty level of such maintenance is further exaggerated by increased competition, unstable preferences and rapid innovations. No surprise the overall attention on marketing has been escalated and in fact more and more businessmen recognize that corporate success, in most cases, is synonymous with marketing success of organization (Adler, 1967).

Being the front fascia of organization, marketing plays a crucial role in instilling the positive image of the company in customers' mind that ultimately helps to improve the overall value proposition of company's product or service. Similarly various studies emphasize that main role of marketing is to develop and deliver better value propositions for customers (Keefe 2004; Payne and Holt 2001; Woodruff 1997). For this it is imperative for the organization to have a market focused orientation. Being market oriented implies delivering products and services valued by customers, usually accomplished through ongoing monitoring of marketing conditions and adaptation of organizational responses (Nerver and Slater 1990; Shapiro 1988). This approach influences the organizational performance commitment and motivation as observed by Jaworski and Kohli (1996) and in turn is sure to affect the company's profitability in long run.

MARKETING FLEXIBILITY

Today the basic underlying assumption of stability has totally disappeared from the market; making it more difficult for organizations to live up to the customers' expectation. High rate of innovations with customers' exposure to advanced means of communication has further taken a toll on the organizations as they are struggling to keep up the pace with ever changing market situations. It comes as no surprise that every now and then companies are collapsing and their inability to cope with market change is one of the critical reasons behind their failure.

Flexibility in context of marketing refers to the ability of a company to meet the challenge of satisfying customers with wide variety within the overall framework of its business strategy (Sharma, M.K. et al., 2010). This requires the company to be flexible enough to have wide range of products in order to cater the needs of diversified group of customers which makes it less dependable on one category; thereby reduces its vulnerability.

In 2001, Grewal and Transtutaj related the marketing flexibility in context of transnational corporations. According to them flexibility in this regard is the ability of translational corporations to

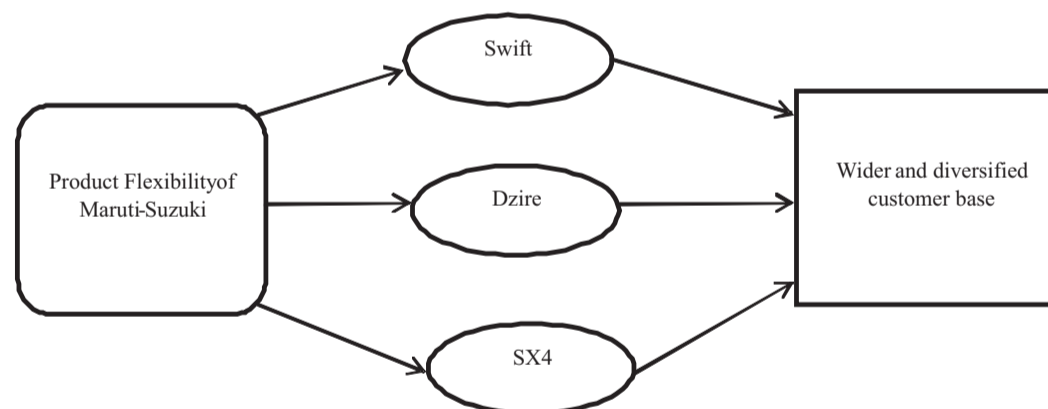
recalibrate their marketing efforts in a short period in response to changing environment. Abbot and Banerji (2003), on other hand, described marketing flexibility as ability to have a high market share/ strong market presence.

Integration of flexibility in the marketing has even become more necessary in wake of decreasing customers' loyalty and life cycle of products. Having more options in hand do not only allow the organizations to compete in market effectively but also helps the firm to quickly alter its various marketing efforts with little penalty of time and money. Following section discusses the process of integration the attributes of flexibility in four major P's of marketing that will help the organizations to quickly adjust its efforts as well as guard the firm against any devastating effect of external environment. Case studies are also included in order to demonstrate the benefits arising out from this integration.

a) Product Flexibility: Product or mix flexibility refers to the ability of organization to make a variety of products on same production line. Product or mix flexibility equips the manufacturer with the ability to manufacture multiple products on same capacity, and the ability to relocate the capacity between different products in response to realized demand (Goyal and Netessine, 1998). The advantages can be realized in terms of firm's ability to cater the need of wider group of customers and hence reduced dependence on one product category. This competence is especially helpful in case of automobile industry and in fact many companies are benefitting from their product flexibility aspect.

Case Study of Maruti-Suzuki: Maruti-Suzuki; India's largest car selling company has been benefitted substantially from its product mix flexibility. Company has two state-of-art manufacturing plants located at Gurgaon and Manesar. While Gurgaon plant has capacity to produce 9 lakh cars annually; Manesar is able to churn out 5.5 lakhs units of cars per annum. Manesar facility of company is equipped with two highly automated production lines which roll out the Swift, Dzire and SX4 cars from its assembly lines (Maruti-Suzuki). This not only makes the production easier but also has endowed the company with ability to adjust the numbers of each car produced according to the current market demand. In fact this flexibility in fact has gone a long way in providing the competitive edge to Maruti-Suzuki. There are many flexibility attributes that are responsible for inculcating the mix flexibility though common design and platform are the most important in case of automobiles. Fig 1 is pictorial representation of the benefits related to product flexibility in terms of ability to cater need of wider group of customers.

Figure 1: Product Flexibility of Maruti-Suzuki.



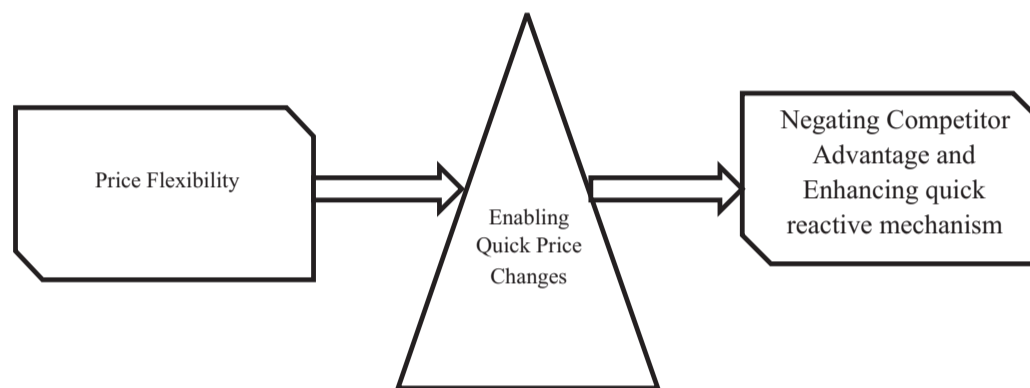
Source: Pictorial representation of concept by authors.

b) Price Flexibility: Price flexibility is the mechanism of free market to moderate output fluctuations in the face of demand shock (Kandil, 1999). Also Flaschel and Franke (2000) noted that price flexibility represents a spectrum ranging from one extreme of complete flexibility to complete rigidity at other end rather than having a characteristic of yes-or-no circumstances.

Case study of Toyota Kirloskar heading towards Price Flexibility: Toyota Kirloskar is one on the major automobile manufacturers operating in India. Company is well renowned for its reliability aspect though the low localization rate of its vehicles has taken a toll on the overall sales potential of the firm.

Compared to Indian manufacturers, Toyota is quite inflexible in its pricing strategy and is trying hard to achieve this competence in order to increase its business responsiveness. In fact the company is planning to increase the current localization rate from 70% to 90% of its flag bearer models like Etios and Liva by March 2013 (Indiancarsbikes). In fact Toyota's compatriot; Honda has recently slashed the prices of City with increased localization and got immediate benefits as it got back the crown of largest selling mid-size saloon. Also this price flexibility will allow the Toyota to quickly match up the price reduction done by its direct competitors and hence provide it with ability to negate any edge to competitors due to price changes as shown in figure 2 below

Figure 2: Benefits of Price Flexibility

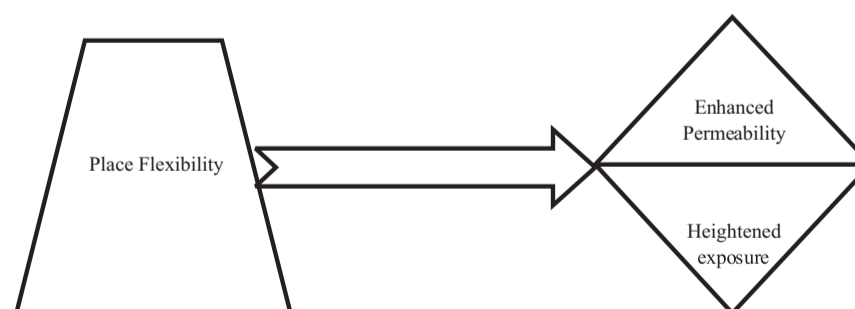


Source: Pictorial representation of concept by authors.

c) Place Flexibility: Study by Ashkena (2000) has significant importance from the place flexibility point of view. In his article titled: How to loosen organizational boundaries; he emphasized the importance of flexibility, along with speed, innovation and integration, in organizational success. Place flexibility allows the company to quickly add the new places in its portfolio according to emerging market conditions. This not only helps by providing the early access to the evolving market but also up the ante by bringing in huge chunk of profit margin made possible by adopting premium pricing strategy.

Tata Motors Promotional Flexibility: After selling Nano through Big-Bazaar, Tata Indigo has made its way to the stores of Indian heavyweight retailer; Big Bazaar to widen its appeal. In an another attempt to boost the sales of Indigo, Tata Motors has joined hands with Big Bazaar and its Indigo car will be sold through the 40 stores of this hypermarket chain (Indiandrives). Association with this big-wig of Indian retail industry will help the company in enhancing its reach to the potential customers' base. This also makes the brand more visible along with allowing the consumers to see and experience the car more closely and thoroughly. Overall this place flexibility will help Tata Motors to drive up the growth potential of the Indigo which is already regarded as one of the most fuel efficient cars in Indian automobileindustry. Figure 3 below depicts the benefits of the place flexibility in terms of enhanced permeability and heightened exposure.

Figure 3: Place Flexibility and its benefits.

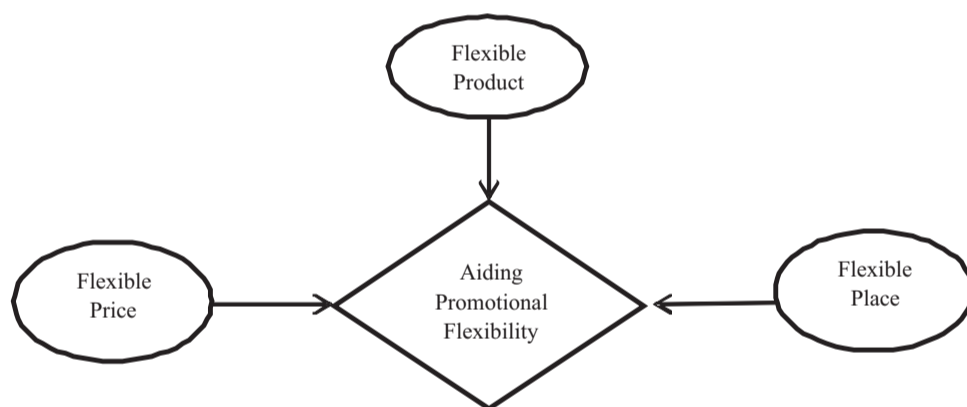


Source: Pictorial representation of concept by authors.

d) Promotional Flexibility: Gilbert (1999) described sales promotion as the offer of an incentive to induce a desired result. Promotional flexibility equips the organization to react quickly to the campaign launched by its competitors. It also pertains to the advantage that company gets by taking the lead in terms of launching the promotional campaign before its rivals. Adebajo (2009) also provided some valuable insights regarding the promotional aspect and found that consumers may be getting used to buy a product only when they are on promotion. Case of MTS India is worth mentioning in the promotional flexibility as company has shown excellent promotional flexibility while carving out its customer base in data card market.

MTS riding high with Promotional Flexibility: Today data card segment of telecom industry seems to have caught the frenzy of most of the mobile operators. Tata Teleservices and MTS India are among the major players in data card segment. Recently Tata Teleservices launched the promotional campaign for its Photon plus prepaid customers offering the new connection at reduced price of Rs. 1199 (Tataphoton). In sharp contrast to this promotional campaign, MTS reacted swiftly and went ahead with the overall offer price of Rs. 1149 for its Mblazeprepaid data card (MTSIndia). Such swift action helps the company not only by neutralizing any competitive edge that would have gone to Photon Plus in case of delay but also enhanced the overall agility of the its overall business processes. Also as promotion depends heavily on other three P's of marketing, this flexibility stems from the flexibilities of other three P's. More flexible a company on the product price and place; greater will be promotion flexibility at its disposal to aid competitiveness as shown in fig 4 below.

Figure 4: Promotional Flexibility aided by other types of flexibilities.



Source: Pictorial representation of concept by authors.

CONCLUSION AND DISCUSSION

Volatile market conditions along with advanced means of communication have made it absolutely mandatory for the organizations to have flexibility in their marketing system. This has become even more mandatory in the wake of unforeseeable changes that are constantly challenging the conventions of old business philosophy. These factors have made it almost impossible to accurately forecast the customers' needs and preferences patterns; thereby further enhancing the value of marketing flexibility.

Figure 5: Marketing Flexibility aiding sustainable competitive edge.



Source: Pictorial representation of concept by authors.

Flexibility in marketing helps the organizations by making them more competitive in terms of their wide product offerings, swift correction in prices, adding or subtracting the places in portfolios according to emerging conditions and by negating any promotional advantage that would have been conceded otherwise. Therefore in normal situations it helps the companies to maintain their competitiveness by swiftly changing the efforts of its marketing efforts while in case of any devastating change flexibility aspect cushions against its aftermath by helping the firm to at least maintain its status-quo by concentrating on the other choices available to it as shown in fig 5.

Future scope of this research will be aimed to include the more dimensions of marketing system under the flexibility domain. As interrelationships of management disciplines is much more evident now than before; some more dimensions having close relationship with marketing and customer satisfaction will be included in our future study. These dimensions will be researched from the flexibility point of view and then efforts will be directed to make the model more comprehensive and holistic.

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