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SYSTEMIC PERSPECTIVE TO MARKETING FOR AIDING OVERALL COMPETITIVENESS IN DYNAMIC BUSINESS ENVIRONMENT

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Abstract:

The purpose of the study is to revisit the concept of marketing from system perspective in the backdrop of increased environmental dynamism. System view, with its holistic and diversified characteristic helps to bring in more agility and completeness in overall marketing efforts of the firm by effectively coordinating and efficiently integrating the efforts of various contributing elements of marketing. With the insights based on extensive literature review of system and marketing, paper conceptualizes the framework for marketing from system perspective and concludes with the benefits associated with this holistic approach through the help of real world examples.

KEYWORDS:

System, Marketing, Customers, Elements, Competition.

INTRODUCTION

Concept of system is not new though most of the application of this philosophy resides in the domain of technology. From management perspective; especially marketing little has been talked about adoption of this philosophy to find out the solution of problems related to consumers and markets. Marketing, being the front fascia of organization, is at closest proximity with external environment which is witnessing very fast change nowadays. Globalization, breakthrough technologies, rapid innovations along with advance means of communication has changed the market place in a radical way. In fact 21st century has undergone a paradigm shift in way business is being done as the preference of customers in terms of their taste and choice are changing rapidly. Therefore in the wake of all this dynamism there is compelling need to adopt more holistic approach towards the marketing rather treating it merely from functional or process point of view.

System perspective is one such holistic approach that can help to bring in more effectiveness to marketing discipline by virtue of its synergy characteristic. Though this perspective has not found many references in literature there are still some exceptions to this fact. Fisk (1967), in his seminal work on marketing system, adopted an approach based on general system theory and identified seven level of organizations from the individual to the global or world economy. Dowling (1983) defined a marketing system as complex social mechanism for coordinating production, distribution and consumption decisions. Dixon (1984) noted marketing system as a differentiated sub-system of the society and concluded that it has an impact on other social systems, cultural system and material environment. Further Layton (2011) proposed 12 propositions that underlie the theory of marketing system.

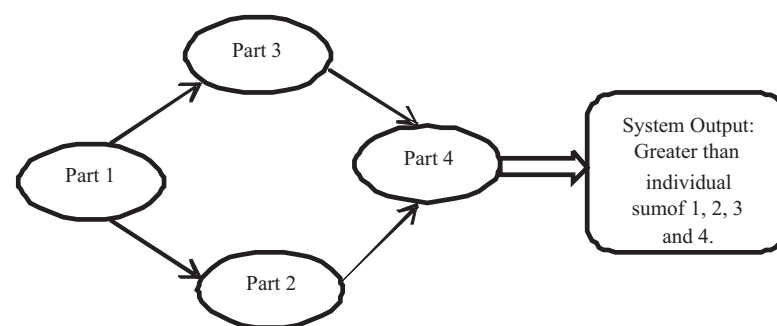
Based on literature this study also approaches the marketing from the system perspective that is more holistic and complete than the functional or process approach. Starting with the defining characteristics of a system we propose systemic model of marketing that helps to have broader view of the objective spanning across the functional constraints to find more optimal solution to marketing problems. Real world examples are taken to show the benefits that are manifested in form of increased customer

satisfaction and sustainable competitive edge to the organizations adopting the system philosophy in their marketing efforts.

2. SYSTEM CONCEPT

It is asserted that “a system is a collection of entities and their interrelationships gathered together to form a whole greater than sum of parts” (Boardman and Sauser, 2006). The assertion points towards three crucial aspects of a system; entities, interrelationships and the whole. Figure 1 as given below is the depiction of the system's entities leading to the output which is more than sum of individual inputs.

Figure 1: System entities and their output characteristic.



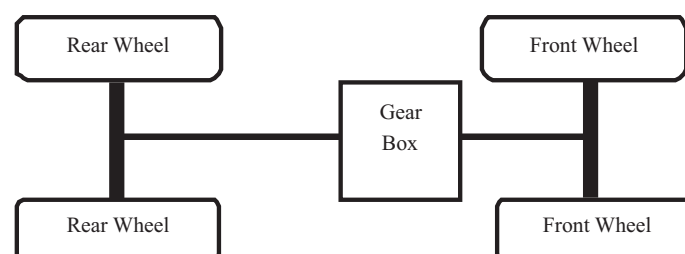
Source: Pictorial representation of the system concept by the authors.

Also in 1981, Ackoff defined system as the set of two or more interrelated elements with the following properties:

- Each element has an effect on the functioning of the whole.
- Each element is affected by at least one another element in the system.
- All possible subgroups of element also have the first two properties.

Illustration 1: An automobile can be treated as system because it fulfills all the prerequisites necessary to achieve the status of system. Various parts of an automobile like power plant, steering, transmission, braking etc. can be treated as its different working elements. Each part has the role to play in order to provide the resultant mobility to passengers and in the process has effect on the overall functioning of the automobile. Engine provides the necessary power required for mobility, transmission makes this power available to wheels and brakes equip the automobile with stopping ability. As the elements are interrelated, they are affected by the other elements. Transmission draws the power from engine through clutch assembly and thus affected by its functioning. Similarly the wheels are affected by the functioning of steering wheel and brake assembly. Therefore in an automobile all elements have effect on the whole and are affected by other elements; thereby making it eligible to be called a system. Figure 2 below represents an automobile as an example of system.

Figure 2: Automobile as an example of a System.



Source: Pictorial representation of concept by authors.

Another important quality of system as revealed by report submitted to U.S. secretary of the defense in 2006, system is a whole that cannot be divided into parts without losing its essential characteristics as a whole. Observation related to elements and their interactions was also provided by Ackoff (1981) who emphasized that system's essential properties are product of the interactions of its parts, not the actions of the parts considered separately. If performance of each part taken separately is improved, the performance of the whole system may not be, and is not improved.

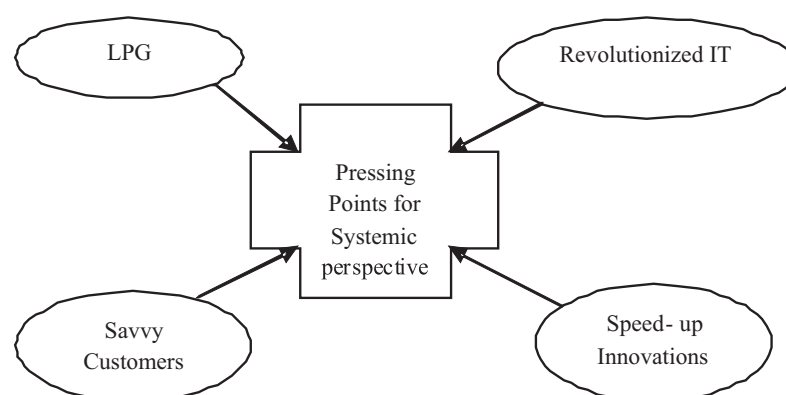
Illustration 2: This observation of Ackoff can also be explained with the help of above quoted illustration of automobile. If we disassemble all the parts of an automobile and then screw them up again randomly, we won't get the desired result in terms of mobility. Only when the parts are assembled together in a specific form (engine on frame connected to transmission through the clutch assembly etc.) that makes a unique relationship ensuring predetermined pattern of assembly, mobility will happen. Also if we increase the efficiency of one of the parts; let's say automobile's brake, efficiency of whole automobile won't increase. Increasing the effectiveness of the brakes will equip the automobile with enhanced stopping power though resulting outcome will far from raising the total efficiency of the automobile. This implies that merely increasing the efficiency of one of the parts of system won't increase the total system's output.

3. MARKETING AND ITS SIGNIFICANCE

Marketing has been defined from a wide range of perspectives. Some definitions treat marketing as process while others emphasize it as one of functions 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. There is no denying from the fact that customers today has become center of all marketing activities and successful companies keep on adding the value propositions for their target group of consumers. Even 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).

Changes in today's business environment have augmented the importance of marketing with customer emerging as the real king of market. Liberalization, privatization and Globalization (LPG) have eroded the geographical boundaries of competition and revolution in IT services has equipped customers with abundant source of knowledge. Accelerated innovations and decreasing product life has added more woes to already struggling industries. All this has made competition fierce and as a result even market leaders are not resting on their laurels. There is constant pressure to notch up the bar as they feel a continuous fear of being toppled over by the nearest rival. Figure 3 below represents some of the major pressing points that have made it mandatory to opt for a more holistic perspective towards marketing.

Figure 3: Pressing points demanding a holistic perspective towards marketing.



Source: Pictorial representation of concept by authors.

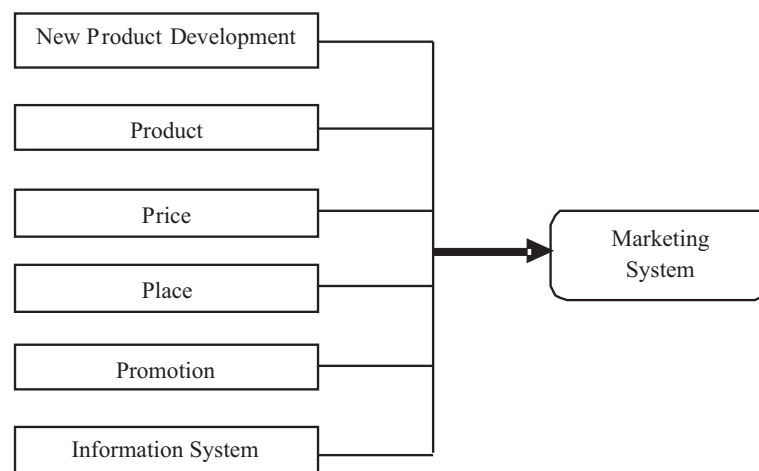
As the success of firm has now become almost synonymous with the performance of marketing, leaving anything to chance could prove devastating for the organization. Moreover adopting a lowly functional approach can't justify with the enhanced importance of marketing discipline especially in the backdrop of decreasing customer loyalty and increasing number of choices. All these situations point

towards the compelling need to adopt a more complete and holistic perspective towards the marketing. Systemic perspective is one such complete and holistic approach that aids the competitiveness of firm as discussed in following section.

4. SYSTEMIC PERSPECTIVE TO MARKETING

There are five basic systems principles, namely openness, purposefulness, multi dimensionality, emergence and counter intuitiveness that define its essential characteristics and assumptions (Gharajedaghi, 2006). System approach with its intrinsic characteristic of whole efficiently integrates the output of different elements of marketing in addition to effectively coordinating the efforts within these entities. One of the key benefits of adopting the system perspective is its ability to provide complete view of problem by allowing the user to study the complex web of interrelationships that exist between different elements rather than merely presenting the opportunity to get an overview of the objective needs to be achieved. More specifically, in marketing, it allows the interaction of various elements with each other and helps to bring out the most optimum result by effectively coordinating their efforts. For example let us take the new product development (NPD) department that usually works in isolation with little interaction with marketing department. System perspective with its efficient integration not only facilitates the exchange of ideas between sales people and NPD but also provide NPD with valuable information regarding competitors' development as per input given by marketing intelligence personnel. This ultimately helps the organization to successfully launch new products that will satisfy the customers in much better way than the competitors; thus sustaining organization's edge over rivals. In fact Lee Adler had talked explicitly about the benefits related to systems approach to marketing in 1967 in one of his papers published in Harvard Business Review. Figure 4 below proposes the systemic perspective to marketing; an adapted version of the marketing system given by Lee Adler (1967).

Figure 4: System perspective to Marketing



Source: Adapted from Lee Adler (1967).

Thus the systemic perspective, in contrast to functional or process view, will help the organizations not only to help understand the customer requirements in a better way (inclusion of NPD and information system) but also to satisfy them with better value proposition along with speedy distribution and service delivery. This holistic approach will help the organizations to multiply their growth prospects as a result of the increased loyalty aspect that will arise from enhanced satisfaction customers derive from the company's value proposition. Following section shows some of the benefits organizations are realizing by adopting this holistic perspective in the subsystems of total marketing system.

5. REALIZED BENEFITS OF SYSTEMIC MARKETING

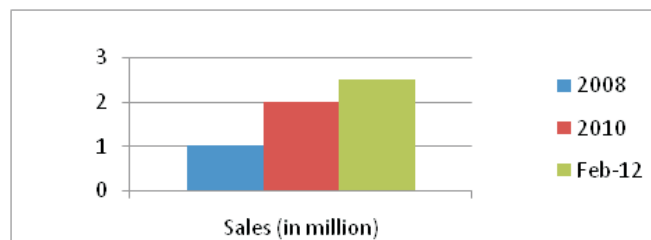
With the help of real world corporate examples, we discuss below the benefits companies have deriving realized in terms of increased market share, better growth prospects or better customer satisfaction

by adopting perspective of system in their elements of marketing.

a) Systemic approach towards new Product Development: Case study of Toyota Prius: Adopting the systemic approach in new product development, Toyota was able to create the magic with one of the world's first mass-produced hybrid vehicle. With the culmination of efforts that went beyond the functional boundaries, company has been able not only to launch this innovative product successfully but also achieved 2-million sales mark in 2010 (Toyota Prius).

With the tradition of working in teams that constitute the members from different departments Toyota has maintained its leadership for years. Product development teams, works in coordination with sales people to get the valuable insights about the customer concerns; thereby helping the team to successfully develop and launch the new products. By effectively integrating the input of sales and marketing intelligence people, company has been able to successfully launch one of the world's first hybrid vehicle; Prius that has also managed mass production; a rare criterion achieved by any hybrid vehicle. Beneath this effective integration lies the philosophy of system that has led to make Prius a grand success in automobile market. Chart 1 below summarizes the success of Prius in terms of its historic sales number.

Chart 1: Sales numbers of Toyota Prius



Source: Sales figures from Wikipedia.

b) Systemic perspective in Product and Service offering: Case study of Blue Star India Limited: With total income of 2700 Cr and 7 manufacturing facilities, Blue Star is India's largest central air condition company (Blue Star). Unlike other manufacturers Blue Star has implemented the holistic concept of system in its product range. As most of the companies see their product rather than customer need, Blue Star has adopted the complete view to develop its product range (one of the elements of marketing). From very initial period they recognized that customers' need efficient cooling rather than merely a good air conditioning system. And with this broad vision in mind Blue Star, along with variety of air conditioners, provides the complete cooling solutions with a complete value constellation offer. This includes service solutions, expert advice along with domain expertise that spans across a number of different segments and requirements.

In addition to wide range of products, company has achieved the expertise in providing total cooling solution to its customers. They have expert personnel who are very efficient not only in supplying in equipment but also providing the customized solutions to its wide range of customers. Thus having a broad vision of system thinking company has maintained its leadership throughout the years of its operation. Also the financial results as shown by table 1 strengthen the benefit claim of system approach.

Table1: Operating income and profit figures of Blue Star for 2012.

	Q1FY12	Q2FY12
Operating Income (Cr)	704.03	731.42
Operating Profit (Cr)	27.53	33.53

Source: Blue Star India.

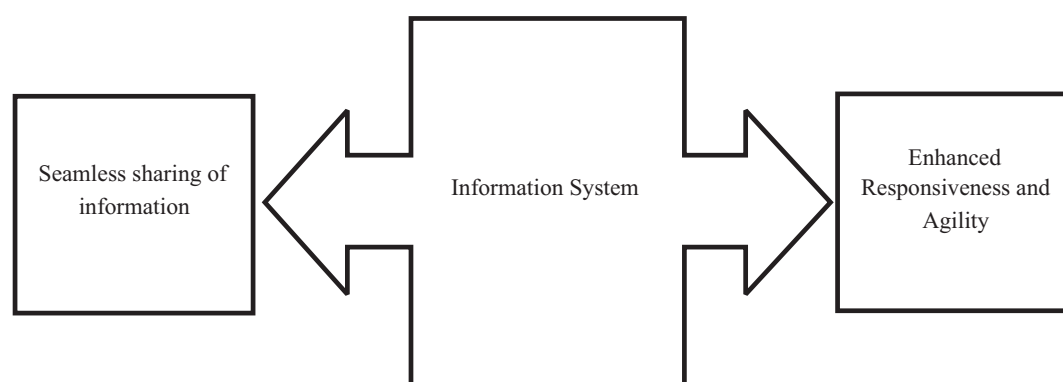
c) Systemic perspective in Information system: Case study of Harley Davidson: Information system is one of the most crucial dimensions of marketing system that help to achieve the desired level of

efficiency in the overall efforts of the discipline. Its importance lies in the fact that it enhances the responsiveness of the whole marketing system by quickly disseminating the information required in the context of ever changing business conditions and customers preferences. Systemic approach in this case is inclined to make the information seamlessly available across the functional boundaries in order to facilitate quick and precise decision making.

Service Oriented Architecture (SOA) is one such technique that aids the holistic view by making the sharing of information across departments of organization. Service Oriented Architecture (SOA) promises the design and implementation of flexible systems that facilitate the change of business processes quickly (Erol et al., 2009). Following case study of well-known motorcycle manufacturer Harley-Davidson shows how the SOA underlying holistic approach benefitted the organization in their sales attempts.

Harley-Davidson: In order to effectively integrate the marketing programs with financial packages company has implemented the SOA technique that is aimed to make the information available seamlessly across the departments. Before its implementation firm was feeling problems related to its tightly coupled financial applications which are hard to change as changes in one program requires the modifications in all other systems; thus making it difficult for company to adapt and respond according to the environment. For the solution of this problem company turned towards the idea of SOA which is aimed to effectively integrate its marketing programs with financial schemes. SOA; with loose coupling as one of its underlying principle did the trick for company as it resulted in loose coupling of various financial schemes which makes it possible to change any operation without disrupting the other modules. By implementing SOA company redefined all the systems of finance and now is able to effectively integrate and accommodate any change emanating from the business environment quickly and effectively. This has given the company requisite agility and responsiveness to sell the motorcycles (ZDNET). Figure 5 below shows the benefits company has reaped in terms of enhanced agility and seamless information sharing.

Figure 5: Holistic perspective in IS



Source: Pictorial representation of concept by authors.

CONCLUSION

In the backdrop of the evolutionary changes in business environment, the need for treating marketing more than as process or function has been felt very badly. Today marketing demands a more holistic and complete perspective that help to maximize the customer satisfaction by taking note of all the important concerns related with satisfaction proposition. Limiting the boundaries of marketing efforts behind the argument of functional constraint will ultimately take its heavy toll on organization health. In such a scenario urgent need of holistic perspective to marketing can't be ignored. System perspective to marketing helps in achieving the solution of the complexities by taking the advantage of its intrinsic properties that relate to whole; greater than sum of individual inputs. It intends to realize the effectiveness of the overall marketing efforts by delivering better customer satisfaction through effective coordination and efficient integration of various elements of marketing. This implies that by utilizing the diverse nature of the various components of marketing, problems can be addressed with multi-pronged approach. Treating

marketing as system will make its diverse elements to come together which means the solution to the complex problems like satisfaction and loyalty can be found with much ease. With its broad vision that emphasize to consider the whole forest rather than counting number of trees system perspective can help in sustaining the competitive edge of firm by delivering better value proposition to its target market. No surprise today the number of companies adopting a holistic approach to address their management problems is on the rise.

Future scope of the study is to address and integrate more elements in the proposed model that ultimately have their effect on the customer satisfaction. Training of marketing employees, supply chain division, advertisement and communication etc. will be studied from the systemic perspective so as to make the model more comprehensive and exhaustive.

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