
UNIT 6 MARKETING ORGANISATION

Objectives

After reading this unit, you should be able to:

- appreciate the growing importance of marketing within the organisational structure of a firm,
- understand the various stages of development of the marketing organisation,
- outline the factors affecting the design of the marketing organisation,
- describe different types of marketing organisations,
- discuss the advantages and disadvantage of each, and
- design your own marketing organisation to suit your particular requirements.

Structure

- 6.1 Introduction
- 6.2 Principles of Designing an Organisation
- 6.3 What is a Marketing Organisation?
- 6.4 The Changing Role of Marketing Organisation
- 6.5 Considerations Involved in Designing the Marketing Organisation
- 6.6 Methods of Designing the Marketing Organisation
- 6.7 Organisation of Corporate Marketing
- 6.8 Summary
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- 6.10 Further Readings

6.1 INTRODUCTION

Production, finance and marketing are the most basic functions in every business firm. Marketing is an important function in every Firm, irrespective of whether it is marketing a product or a service. In this unit we shall discuss in detail the various ways in which the marketing function can be organised. Also, we shall examine the considerations involved in designing the marketing organisation and how the role and emphasis of marketing function has shifted from that of a simple, ancillary kind of a role to a situation where it is the most dominant one.

6.2 PRINCIPLES OF DESIGNING AN ORGANISATION

Organisation refers to any system, body or group of people, comprising various sub-systems or parts which are inter-related and or inter-dependent on each other. An organisation may be informal or formal. An informal organisation has no specific objective to achieve. A formal organisation has a specific objectives to achieve and that is the very reason for the organisation's existence. Objectives may relate to making profit or there may be no consideration of profit whatsoever. Thus, when we refer to an organisation it can mean a firm or company involved in business, a non-business organisation such as university, hospital, a social organisation s"ch as club, charitable trust, or a government agency. respective of the nature of an organisation, the principles involved in its design are the same. These are:

Specialisation: The division of labour on the basis of which a particular type (or set) of activity is differentiated from another. Jobs are assigned to individuals on the basis of their specialisation.



Departmentalisation: The integration of differentiated (or specialised) activities and grouping of individuals into departments, divisions etc.

Standardisation: The existence of procedures and systems, which help integrate the entire organisation.

Formalisation: The extent to which all procedures, systems and policies are written, so that the organisation becomes independent of the person(s) who founded it and acquires a life-span substantially longer than any one individual.

Centralisation: The level at which authority for decision-making is concentrated. It involves designing formal reporting relationships and information systems, leading to hierarchical levels and spans of control.

Evaluation: Providing systems for appraisal and compensation.

Structure: The total configuration or arrangement of individuals, departments, reporting relationships, information flows, span of control, all of which give the organisation its specific 'shape'.

Given these basic principles, you have many kinds of organisation structures to choose from. In making the choice, you must evaluate the alternative structures on the basis of:

- facilitating achievement of objectives and accomplishment of tasks,
- managerial control, and
- cost

6.3 WHAT IS A MARKETING ORGANISATION?

The principles of organisation apply whether you are designing the entire organisation or a department within it. The three most basic functions necessary for any business organisation are finance, production and marketing. Each of these functions is organised separately. Thus, within the organisation structure of the firm you would have distinct organisations for: each function. In this unit we shall discuss the specifics of organising the marketing function.

Broadly speaking, marketing is concerned with all aspects of the product, pricing promotion and distribution. All sub-functions or activities relating to these four basic dimensions are included in the marketing function. You have to account for these various activities when designing the marketing organisation.

The structure of a marketing organisation can be studied at different levels, such as overall firm level or divisional level or market level. Our discussions here shall be covering organisational issues at each of these levels.

6.4 THE CHANGING ROLE OF MARKETING-ORGANISATION

Role of the marketing function and its place in the overall organisation has been changing over time. From a situation where marketing was treated as a selling arm of the factory, it has come a full circle where marketing 'dictates' what is to be produced. With the passage of time, not only has the organisation of the marketing activity undergone many changes but its growing importance has influenced the entire concept of viewing a business. More and more firms are now adopting the 'marketing orientation', i.e. the customer and his needs form the nucleus of all the activities of the firm. All the activities and tasks are organised around the customer.

The firm with marketing orientation has come into being after passing through many distinct phases. These are described below:

Simple Sales Department: The three most basic functions needed for every business are those of production, finance and marketing. Towards the end of the nineteenth century and during the early twentieth, production was considered to be of prime importance and was



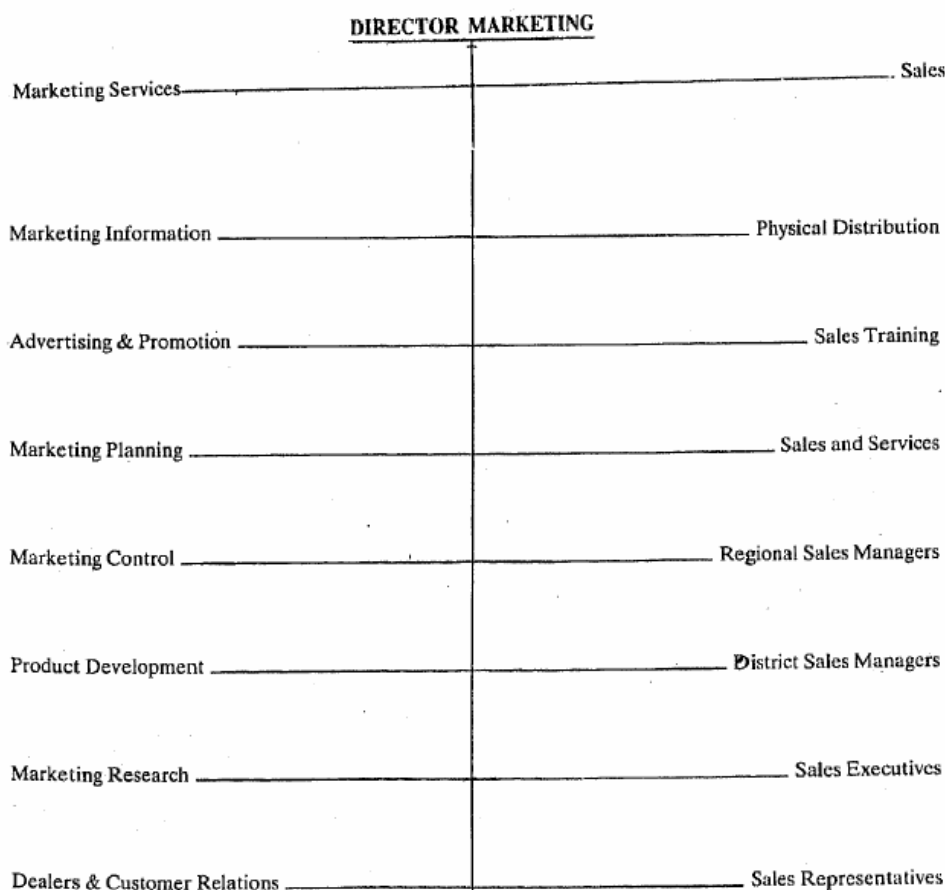
given all attention. Most firms had only a sales staff headed by a sales manager and no marketing activity. The sales function was treated as an adjunct to the production whose responsibility was only to sell whatever the factory produced.

Sales Department with some marketing function: As the firm expanded its operations it found that merely selling what the factory produced was not enough to sustain the growth momentum. A firm aspiring for growth and leadership must match its production to customer needs. Hence the need for some marketing research and new product development. At this stage, the selling department began to take on some semblance of a marketing department, and apart from marketing research and new product development, it also undertook some promotional and advertising activity.

Separate marketing department: This is the stage when the need for the complete range of marketing functions is felt and a full-fledged marketing department is established. The sales activity still continues to dominate but as compared to other activities, its importance is reduced. Sales and marketing may continue to be organised as two separate departments and there may be frequent clashes between the two. The Sales department may feel that its existence is being threatened by the marketing department which has grand designs for its takeover. The marketing department, in its place may feel that the sales people are unnecessarily putting obstacles in the way of integrating all the marketing activities, including sales. The root cause of all such conflicts is the lack of understanding that sales is a part and parcel of marketing and needs the support of other departments to be truly effective.

Integrated marketing department: This is the stage where the sales and marketing are integrated and organised into a single department. The department is headed by a marketing director with the sales manager reporting to him. The other activities such as marketing research, promotion and advertising, marketing information, customer service and new product development are also organised in this department under the marketing director. Figure I depicts an integrated marketing organisation.

Figure I: Integrated Marketing Department





Marketing Oriented Organisation: A marketing oriented organisation is one which is guided by customer needs. Such an organisation obviously needs to be flexible to accommodate customers' changing tastes and habits and accordingly modify its products or develop new products.

The distinctive characteristic of a marketing oriented organisation is that marketing is the front ranking department showing the direction for future growth. The organisation starts by identifying customer needs and produces goods that satisfy these needs. Marketing research is conducted on a continuous basis to monitor technological innovation regarding the product, customers' changing preferences and giving feedback to the research and development cell and production department to work on new ideas. Marketing shows the way and production department follows.

This general pattern of evolution of a marketing-oriented organisation usually accompanies the process of economic development. In industrially developed economies, as compared to less developed and developing economies, customers are relatively more knowledgeable and sophisticated, the pace of technological change is very fast and the market is characterised by a high mortality rate of products and product ideas. All these factors work to exert great pressure on the firms to be marketing-oriented, since what sells like hot cakes today may be a total flop tomorrow.

As compared to the less developed economies, you would find more marketing-oriented firms in the developed economies. But there are always exceptions to this general pattern and even in developed economies you can find firms in which the marketing organisation is at an early stage of evolution. Or you may find that some divisions have fully integrated marketing organisation, but the firm as a whole is not marketing-oriented.

The objective of tracing the evolution of the marketing organisation is to highlight the importance of marketing to every firm. As we have seen, with increased economic development the importance of marketing has also been growing. No firm can afford to be without a marketing orientation. No matter what the nature of the product, the ultimate success of every business firm is determined not in the laboratory, but in the market place. And to succeed in the market place, it is most critical that you have a marketing organisation which facilitates the process of marketing, and supports the achievement of objectives.

Activity A

In light of the above discussion, evaluate for your own firm the role and importance of the marketing organisation vis-a-vis the production and finance organisations. At what stage of evolution is the marketing organisation in the firm?

In case your firm/organisation is not involved in marketing activities, you may get in touch with some of your friends and interview them to complete this activity.

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6.5 CONSIDERATIONS INVOLVED IN DESIGNING THE MARKETING ORGANISATION

1) Statement of objective and Goals of the Firm

The first consideration in designing the marketing organisation is the firm's marketing objectives and goals. These objectives may pertain to desired market share, desired sales and/or profit levels, desired position in the industry and/or market, desired customer image and competitive posture. Depending upon the stated objectives, a suitable organisation would have to be designed which would facilitate achievement of the objectives. For instance, a firm which strives to have the largest market share would need a different type of organisation than one whose objective is to have the highest quality products.



2) Nature of the product / Line of Activity

The nature of product with which the firm is dealing would be the second consideration in organising the marketing set-up. To sell soap, toothpaste, textile, tea etc. no special skill or training pertaining to the nature of the products is required. These are products which are well understood and comprehended by everyone. The firm dealing in such products need not look for sales people with specialised knowledge when organising its marketing set-up. On the other hand, products such as air-conditioners, refrigerators, industrial machines, cooling towers, anti-pollution plants and computers require that the marketing people have at least a functional knowledge about the equipment before attempting to market them. You require not only trained people but also need to organise a supporting set-up wherein you can train your customers about the proper usage of the equipment and also an after sales service department to take care of product complaints. In case of products such as computer, you may need to provide technical guidance to the customer about which software packages to purchase and how to constantly upgrade the computer by compatible accessories.

Finally, there is the category of speciality products such as ethical drugs and medicines, medical and scientific equipment. In case of such products you need thorough knowledge about the product and sometimes even a formal educational degree before you can market them. Drug stores and chemists cannot be licensed to sell before they have at least one qualified chemist in their employment. Ethical drugs (those which can be bought only on a doctor's prescription) are directly promoted to doctors through salesmen who are known as medical representatives. Reputed pharmaceutical firms usually employ only science graduates for this job, since it requires a basic understanding of the composition of the medicine, its possible reactions and side-effects and an ability to tackle queries on the product from knowledgeable doctors.

Thus, depending on the kind of product which you are marketing, you need to induct suitably educated and trained salesman: If finding the right people is difficult, you can provide in-house training to help people acquire the knowledge and skill necessary for marketing your product. This kind of in-house training is provided by most airlines and hotels to their people before they actually go on to the job. Besides training facilities, the marketing organisation may need a separate cell for customer servicing, customer education and handling customer complaints.

The type of marketing organisation that you choose would also be influenced by the number of products that you are marketing. A firm marketing ready-made children's garments may choose to segregate its range of exclusive premium price wear from the medium-priced range and organise two separate marketing teams as the two ranges are marketed to different sets of retail outlets. But since the basic products in both the price-ranges is the same, the firm can as well have a common marketing organisation catering to both categories of retail outlets.

Generally speaking, firms with highly diversified range of products need separate marketing organisations to effectively market each of them. In deciding whether you need separate marketing organisations or a common one, you would consider not only the similarities in the nature of product, but also similarities in the type of customer need and customer served, and similarity in the marketing channel.

3) Areas of Operation

The number of markets that a firm caters to, and the location of these markets is another factor which influences the decision regarding the type of marketing organisation that a firm should adopt. If there are many markets which are located at great distance from one another, a firm may have no choice but to have separate marketing organisations for different geographical markets. The greater the difference in individual markets in terms of customer tastes and habits, the greater is the need for a separate, flexible, autonomous marketing organisation at the local market level. This kind of autonomy in marketing organisation can be observed in the local operation of multi-national companies which have subsidiaries in many countries of the world. The corporate headquarter may provide only the basic operating guidelines and specify the expected results, allowing the remaining operations to be organised according to the requirements of each market. These requirements may include modifying the products to suit local climate and taste, designing relevant promotional strategy, employing local people and adopting local personal selling techniques.



4) Nature of the Industry

The design and structure of a marketing organisation would vary depending on the nature of industry to which a firm belongs. A firm characterised by fast changing customer preferences (hi-fashion garments) or rapid technological improvements (electronics) needs a marketing organisation which is flexible to adapt to the changing situation. Moreover, the marketing organisation must be so designed that it facilitates active interaction within the related sub-functions which are critical to the marketing success such as sales and marketing research in case of hi-fashion garments, and sales and Research and Development in electronics. The more the interface required with other functions in the firm and sub-functions within the marketing itself, the more the need for a structure which is flexible, loosely organised and permits easy flow of information.

5) Computerisation and Up-gradation of Information system

The marketing organisation is also affected by the type of information processing and communication technology used. The advent of computers has led to (a) replacement of humans by machines for information processing, (b) replacement of supervisory managerial cadres which were performing the roles of supervising and controlling, but which can now be done more efficiently by computers and (c) greater decentralisation of decision-making. The result is the progressive removal of many intermediate levels of managements and the evolution towards a flatter structure as shown in Figure-II.

6) External environment and Government Intervention

The composition and character of the marketing organisation is influenced by the environment in which it operates. At the level of the firm, the environment is consisting of social, economic, political, legal and cultural factors. These factors impinge on all operations of the firm, including marketing. In addition specific rules and regulations governing the product category and its marketing affect the marketing organisation. Explicit media advertising, (describing the product and its contents) for alcohol and alcohol based drinks is not permitted in our country, given this restriction, liquor companies necessarily need strong sales organisation which can develop and retain dealers and command prominent shelf display at these dealer outlets. Drugs, cement, fertilisers and certain categories of steel are subject to price control. In such a situation, some firms are able to afford a marketing organisation, while other which are not so efficient and can barely cover their production costs cannot afford it.

During the Janata party rule in our country, there were strict restrictions on the remuneration for the top management. To overcome this restriction many companies opted for the 'presidential' system of management in order to protect the remuneration of the affected executives. The affected executives were redesignated as president and vice-president instead of the previous status of managing director and joint managing director. Tata Tea (known as Tata Finlay till March 1983) was one such company which re-organised its organisational structure in order to overcome this environmental constraint. In 1979, the managing director was designated as president and two vice-presidents were also appointed. But with the recent liberalisation of provisions governing managerial remuneration and government indications of further relaxation in this area, Tata Tea has reverted back to the system of managing directors. At the board meeting held in may 1987, the president and two vice-presidents were redesignated managing director and joint managing directors respectively. The Tata Tea Board comprises of a chairman, managing director, two joint managing directors, deputy chairman and six directors.

Thus depending upon the unique combination of 'what' you are marketing, 'where you are marketing, and to 'whom' you are marketing, you would design the marketing organisation to suit your needs.

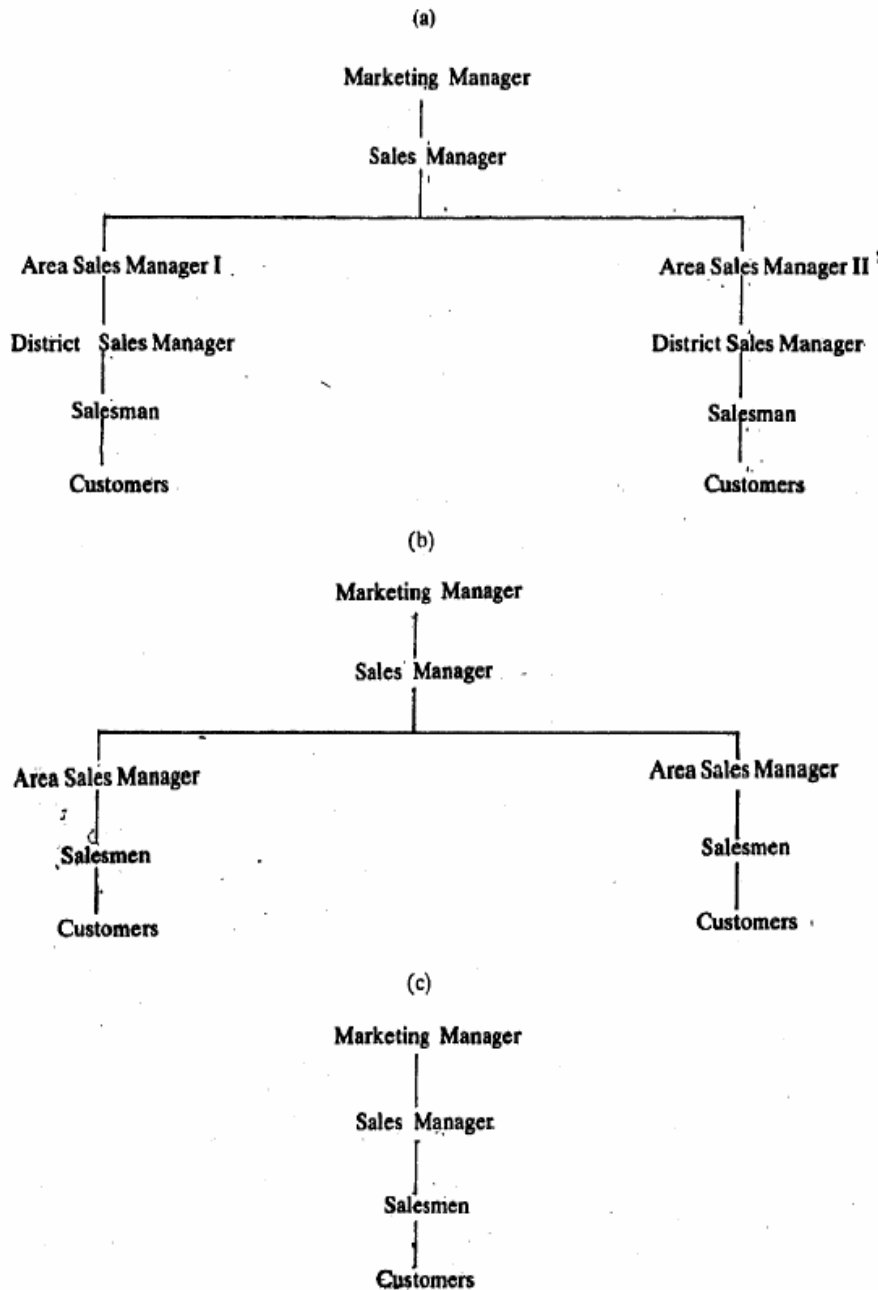
Activity B

List specific attributes pertaining to your firm s/a firm's product(s) (technical attributes, customer characteristics, after sales service characteristics) and markets) which have influenced the decision regarding the design of marketing organisation in firm. Evaluate



whether the marketing organisation facilitates the marketing process and to what extent. Can you suggest some changes which would improve its effectiveness?

Figure II : Impact of New Information Technology on Marketing Organisation



Source: Adapted from "Marketing Organisation: An analysis of information processing, power and politics" Nigel Piercy, George Allen & Unwin, London, 1985.

6.6 METHODS OF DESIGNING THE MARKETING ORGANISATION

There are many ways of organising the marketing department. We shall discuss in detail the four basic methods: functional organisation, product management organisation; market centred organisation and matrix organisation. Methods other than these four are either their derivatives or combinations.



Functional Organisation

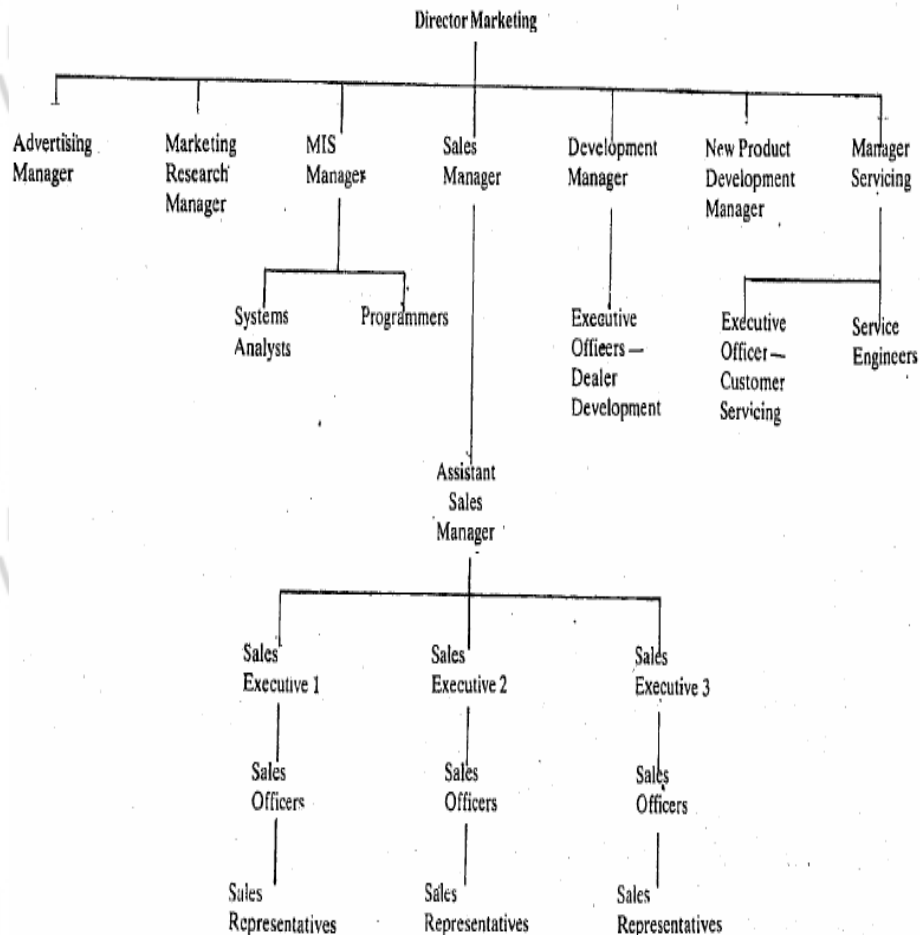
In the functional organisation, various functions performed as part of the overall marketing function are the basis for organising the marketing set-up. Each function is assigned to a specialist who reports to the marketing manager. The most common functions in marketing are:

- Sales
- Distribution
- Advertising and Sales Promotion
- Marketing Research Marketing Information System
- Dealer Development Customer Service
- New Product Development
- Marketing Planning.

It is possible that in your firm you may be using terms different from these to describe various functions. You will be able to identify the functions according to the terms used here once you have gone through the description of each function. Moreover depending on the nature of product, service or industry to which you belong you may have some functions not described here. For instance, in a bank, public relations would be an important marketing function.

In a small firm, all these functions may not be individually identified and differentiated, even though they are actually performed. All the functions may be handled by just one or two individuals, who are 'jack-of all trades' rather than specialists in any particular function. But as the firm grows in size, it becomes imperative to differentiate and delegate the functions to separate individuals. One man can no longer perform all the functions, and even if he can, he would not have the necessary skill or knowledge for it.

Figure III: Functional Marketing Organisation





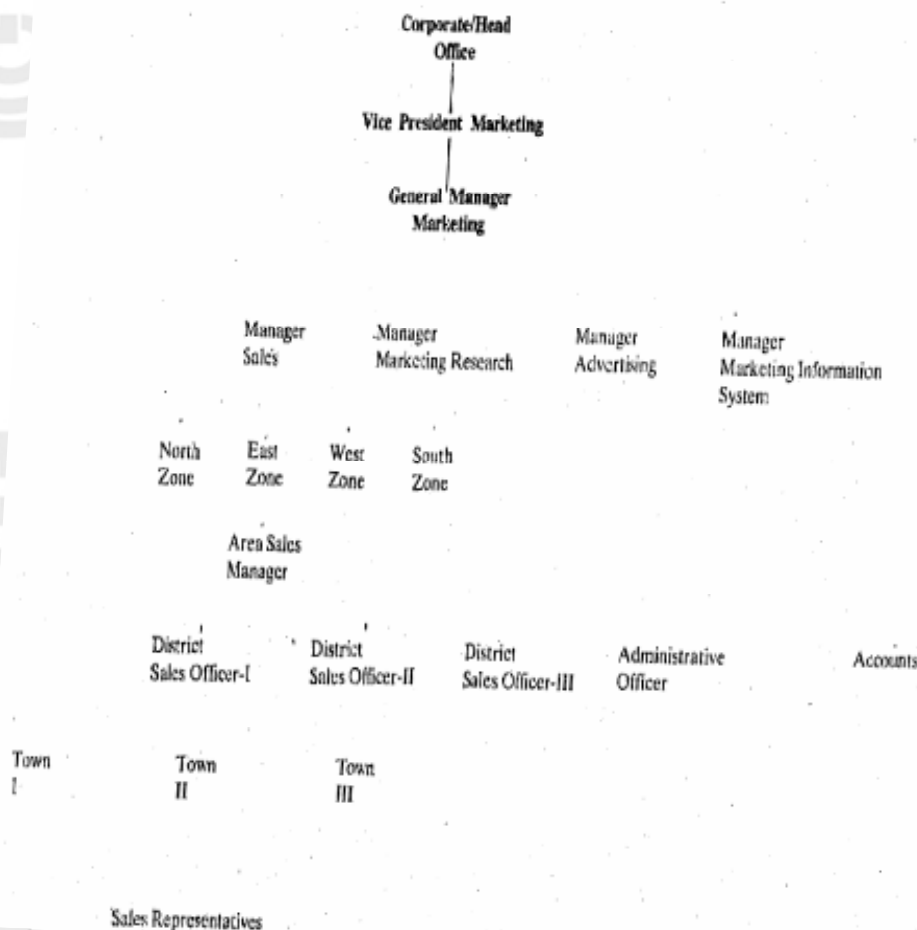
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All the functional specialists report to the marketing manager who has overall responsibility for marketing. Depending on the relative importance of each marketing function to the overall effectiveness of the marketing organisation, a function may either be organised separately or clubbed with another function. Further, the organisation of each marketing function within the overall marketing organisations may vary from firm to firm. Figure III depicts a typical functional marketing organisation. We shall now discuss the various options available for organising each of the marketing functions within the functional marketing organisation.

sales: The Sales function is performed by a team of sales people who are responsible for actually selling the product or service. The product may be sold directly to the actual customers and this is known as direct sales. Or else the product may be sold to distributors, wholesalers, retailers or other middlemen, who in turn sell to the actual customers. This is known as indirect selling. A firm may sell either directly or indirectly or use a combination. We shall discuss indirect selling in the following section while here we shall confine ourselves to direct selling through company sales force. There are three basic methods in which the sales force may be organised: geographic division, product division and customer or marketing channel division.

It is wise to have the sales force organised on a geographical basis when the area of sales coverage is very large and there are marked differences in the market and buyer characteristics in each area. The entire market is divided into regions or zones and each region has its own sales force. Figure IV depicts a functional marketing organisation in which the sales force is organised on a geographic basis. Such an organisation implies geographic division of authority and decision-making. This type of sales force organisation is very widely used and is effective when there is a single product or a range of similar products to be marketed to many geographically scattered markets.

Figure IV: Organisation of Sales Force on Geographical Basis



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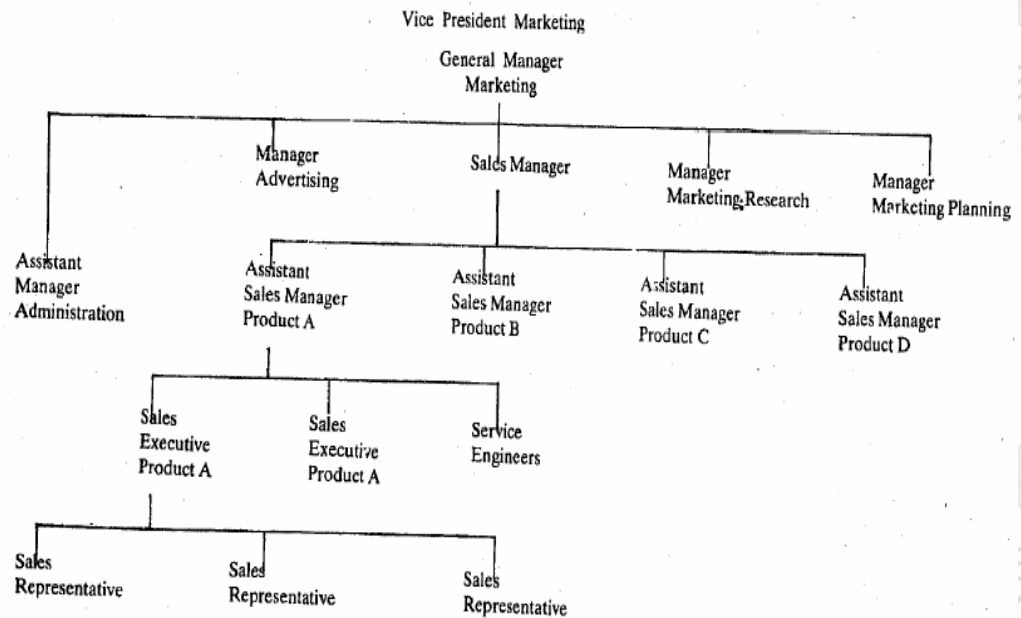
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When a firm has a wide range of products, each significantly different from the other in terms of its physical and/or technical characteristics, the sales force is usually organised around each distinct product or product group. The basis for differentiating the products may be the technical process involved or the customer characteristics so that the salesman's specialised knowledge of technology or the customers can be efficiently used. Thus there is a separate sales force for each product. (See Figure V). Johnson and Johnson Ltd. in India markets a range of baby care products (soap, cream, oil, lotion) and a range of surgical sutures and meshes, the latter marketed by the Ethic division. The two product ranges are marketed by two separate divisions each having its own sales force.

Another basis for organising the sales force is the different customer groups served or the marketing channel used to reach the customers. A company marketing television sets has two distinct sales teams. One team serves the distributors and wholesalers (who in turn sell to the individual customers) while the other team is engaged in selling to institutions such as hotels, schools, and universities which buy in large numbers. The company finds it useful to have this distinction because the methods and channels used for selling to these two customer groups are totally different. Many companies also find it useful to have separate sales teams to sell to the private sector and to the public sector and government bodies.

A company manufacturing computer peripherals, printers, floppy disks, and consumable items such as magnetic tape has one sales team selling to original equipment manufacturers (OEM) who use these items in assembling their own branded computer, and another sales team selling to computer retail outlets such as Computer Point, Computer City, which retail these individual items on per piece basis.

Figure V: Organisation of Sales Force on Product Basis



Many companies use a combination of above basis for organising the sales force. At the head office level, the sales team may be divided on a product basis, but if the market is very large, the team may be further sub-divided on a geographic basis. Thus, there is sales specialisation at the product level as well as the market level. Figure VI depicts one such organisational structure.

Distribution: Distribution refers to the physical movement of goods from the factory to the customers. In organising the distribution function, the objective must be to find the least-cost physical distribution method which allows you to service your customers in the most efficient manner.



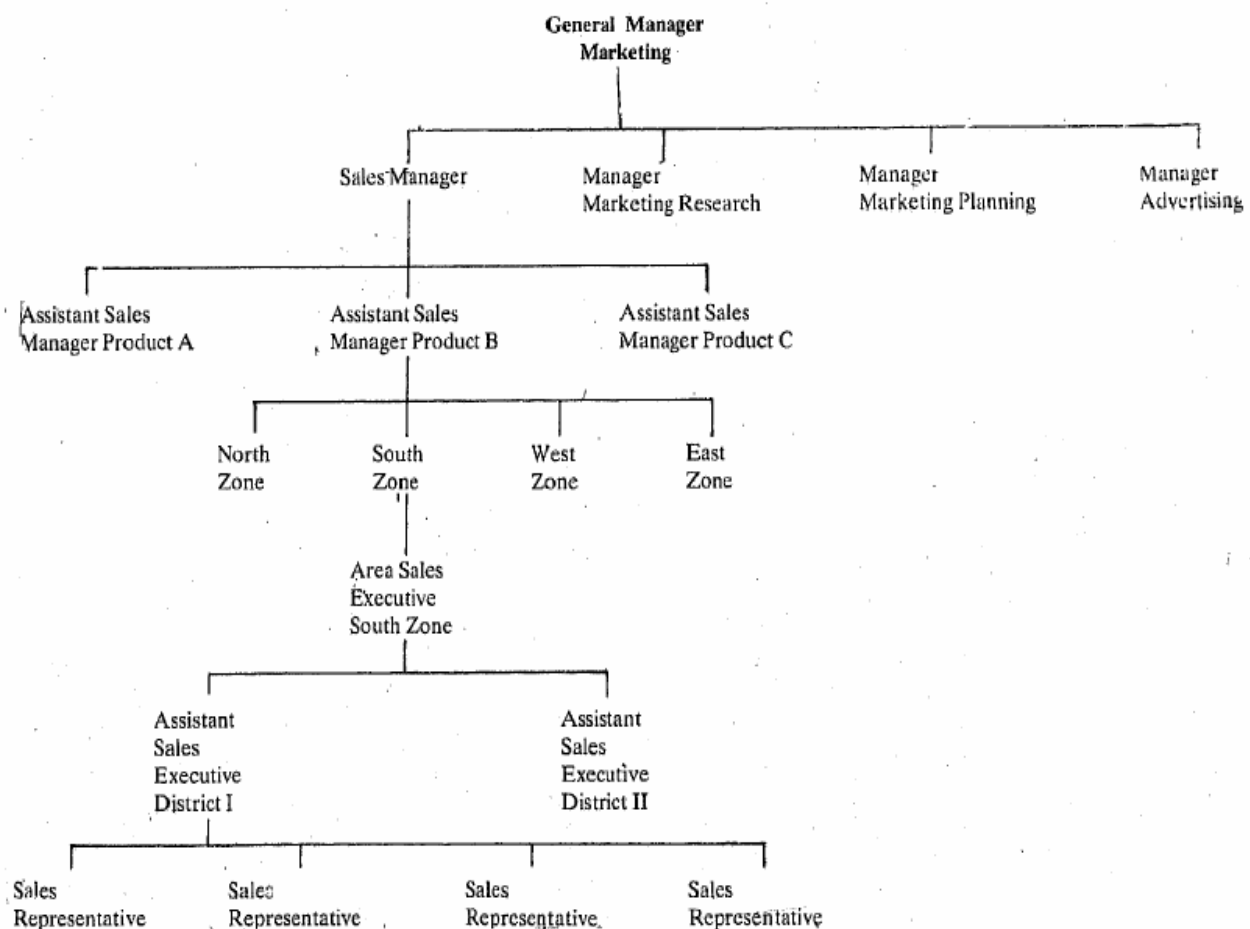
There are three most common types of physical distribution organisations. The first is where the company has one plant and delivers to a single market. In this case the plant is usually located close to the market, the godown/warehouse is next to the plant and the cost of distribution is relatively low. Examples of this kind can be found in case of perishable foods and confectionaries, such as bread.. The company may use its own sales force or distributors who in turn use wholesalers and retailers to reach the actual customers or a combination of both distributors and own sales forces.

In the second type, there are many geographically farflung markets which are served from one plant. The manufacturer can choose to ship directly to customers in each market, appoint regional or town level distributors, set up own godowns and branches in each important centre or use a combination of any of these.

The third case is where there are multiple plants catering to multiple markets. The two problems in this situation are (i) those of minimising the transportation and the stock carrying costs at the current level of facilities and (ii) the long-term problem of deciding whether the combination of existing godowns and distribution centres is the most cost-effective one.

At your end, you have to take decisions regarding the number and location of godowns, type of transportation to be used, strength and role of sales force. The decision regarding sales force has to be taken in relation to the type of intermediaries available. There are wholesalers, stockists, distributors, commission and freight (C & F) agents, who can act as middlemen for moving your product from your godown to the final customer. The combination of intermediaries varies from company to company, and may also vary within the same company, for each product and each market.

Figure VI: Organisation of Sales Force on Product and Geographical Basis





Advertising and Promotion: There are many objectives for which advertising may be used. Some objectives are long-term and their scope is wide enough to include the entire operations of the firm. Other objectives are short-term and have a limited scope and coverage. Most firms divide their advertising budget into two parts, one part (and often the larger part) is reserved to be used by the head office for achieving long-term or corporate objectives. This part of the budget is used for advertising in national media such as television and magazines such as **India Today**. Some of the corporate objectives may be building corporate image, creating brand image at the national level, capturing a specified share of the national market. Thus, a large part of the advertising is planned, controlled and executed by the corporate office. The branch offices may be given a certain budget and authority which they can use for advertising in local newspapers, local radio, local hoardings etc. The branch offices may also have freedom to undertake some local level sales promotion such as providing signboards to selected retail outlets, and holding display contests. This is the most commonly observed pattern of organising the advertising function, but there can be many variations.

Marketing Research: In many companies, marketing research is organised along the same lines as advertising. The major chunk of research activity is centralised at the corporate office and the branch offices have the freedom to undertake only some local level research. In a country like ours, where most market research organisations are located in the major metropolitan cities, allowing the branch offices located in small towns to initiate local research is rather irrelevant simply because there exist no reputed research organisations in these towns. Thus for all practical purposes, the entire marketing research function is usually organised at the corporate office.

Marketing Information System (MIS): MIS refers to the system of collecting, processing and using information which helps improve the quality of decision-making in the area of marketing. The basic processes are collecting, processing, maintaining and using information. There are three ways in which MIS can be organised.

In the first method, the role of the branch office is restricted to collecting and passing on the required information, which is then processed and maintained at the corporate office. The relevant information, reports and analyses are passed on to the individual branch offices and the rest are maintained in a master file for future use.

In the second method, the branch office not only collects but also processes the information which it has collected. After processing, all the relevant and critical reports are passed on to the corporate office. However, all information files and records, collectively known as the data base are maintained at the head office.

In the third method, all the three tasks of collecting, processing and Maintaining information, are decentralised at the branch level. The head office receives regular reports and can requisition any additional information that it requires.

The use of computers and introduction of real time information systems and networking has greatly increased the efficiency of MIS, irrespective of the manner in which it (MIS) is organised.

Customer and Dealer Relations: This is rather a broad-term and may include activities such as after sales service, and development of new customers, markets, and dealers. The specific activities included under this head would vary according to the nature of product and type of distribution channel which the firm has. In terms of organising this function, it is usually decentralised since efficient servicing of the relationship requires proximity to the customer and dealer. But the manner of servicing the customer/dealer may be strictly defined by company policies, guidelines and procedures.

New Product Development: This is probably the most critical function for a company which wants to be in business five, ten and fifteen years from today, and yet it is often the most neglected function. The reason for this is that most companies are organised for today and not for the future. New product development requires vision and foresight and the ability to take risks. It requires an organisation in which new product development is recognised and organised as a separate activity and allocated resources but the expectation of results is not specified.

It is not enough to merely create a research and development cell. At the most it may



produce some technical improvements or modifications in the product. But unless there is a marketing person involved with the R & D, you cannot expect a new product which would satisfy customer wants. Ideally the organisation for new product development must include marketing people who have thorough knowledge of market and buyer characteristics.

One way of organising for new product development is to totally segregate the organisation for existing and new products as shown in Figure VII. Richardson Hindustan Limited (engaged in manufacturing and marketing the Vicks range of products and Clearasil cream and soap) is organised on the basis of product teams. Of the total of 20 product teams, only 8 work on the existing products, while the remaining 12 work on new products.

Marketing Planning: This includes activities such as forecasting, target setting, budgeting, establishing control and review procedures, and strategy formulation.

Sales targets are usually set on the basis of market knowledge of the sales staff combined with the top management's vision for the future. Each area salesman provides feedback on the potential in his area and the competitor's strength. All this data are compiled into a area-wise target plan which is discussed across the table between the marketing people and the top management.

Budgeting and establishing control and review systems have traditionally been the exclusive preserves of top management. The budget for the coming year is based upon last year's budget with a certain percentage increase to account for inflation and genuine increase in expenditures. The middle and lower levels of management have not much to contribute in this kind of budgeting exercise, But the introduction of zero-based budgeting has changed this. In zero-based budget there is no historical precedent to base the budget upon. Each expenditure head has to be justified afresh for inclusion in the budget, since the last year's expenditure on this head is assumed to be zero. The entire onus is on the operating managers for preparing and justifying expenditure heads.

In strategy formulation, top management requires the active participation of the marketing people in term of their feedback on success of present strategy, competitors activities, and consumer tastes.

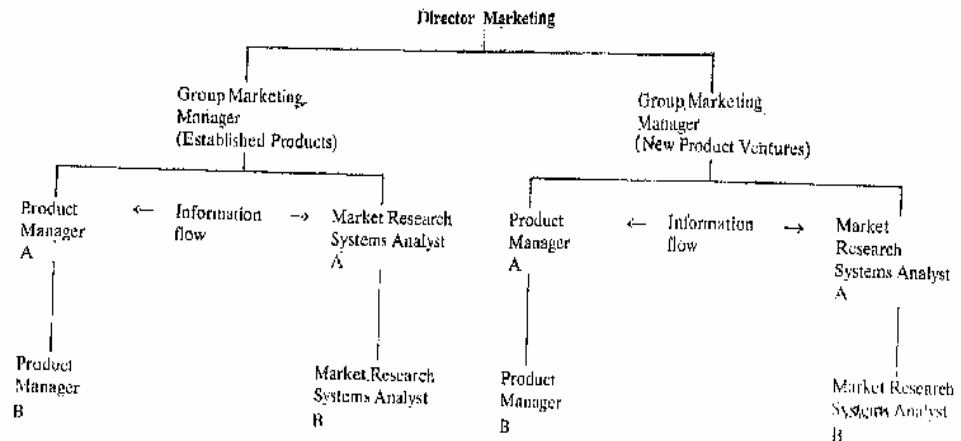
Thus, the functional marketing organisation is based on the different sub-functions performed as part of the overall marketing function. The manner in which each sub-function is organised varies from one company to another, depending on the unique combination of internal company attributes and external environmental factors.

Activity C

If the marketing organisation in your company is differentiated on the basis of functions, make out a detailed organisation chart as done in Figure III. Against each position, note the specific tasks/decisions which are performed. Mark your own position in the organisation. You may attempt this activity in the context of another organisation, just in case your own organisation does not undertake marketing operations.

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Figure VII: Organising for New Product Development



Product Management Organisation

The functional organisation works well when there is a single product. But when there are multiple products and/or the products are very different from one another, the functional marketing organisation is no longer effective. The functional specialists cannot possibly coordinate all aspects of the marketing mix of each of the diverse products, with the result that some products are neglected and eventually become money losers.

Such a situation given rise to the concept of product manager. In a product management organisation, the marketing organisation is differentiated on the basis of different products. Each product or product group is assigned to a manager who is known as the product manager. The product manager is responsible for managing all aspects of the marketing mix, pertaining to a specific product. Thus in a multi-product firm you would have as many product managers as the number of products. If there are many brands within the same product, as in the case of soaps, each brand may be assigned to an individual manager who is known as a brand manager. Table 1 describes the typical responsibilities of a product manager.

Table 1: Responsibilities of a Product Manager

Responsibility	Area Task/Role
Advertising	Major responsibility for advertising strategy, getting advertising campaigns prepared, media selection.
Sales Promotion	Major responsibility for budget determination, setting strategy measuring/evaluating results.
Sales	Product Manager acts as information centre and co-ordinator.
Market Research	Major responsibility.
New Product R & D	Major responsibility for product modifications, launches and test marketing.
Distribution	Little responsibility.
Production	Role of co-ordinating and communicating.
Accounting & Finance	Limited involvement.

Source: 'Marketing Organisation' Nigel Piercy, George Allen & Unwin, London, 1985.



The role of a product manager in relation to his specific product is to:

- design strategies
- make plans
- monitor progress
- provide information relating to the product and
- interface with other departments within the organisation and outside with customers, distributors, and advertising agencies.

The first three roles are self-explanatory but the last two need some elaboration. In today's competitive world, a manager's power is based on information or the access to the information he has. This is especially true in case of product manager who is a man placed in a conceptual and informational hub of the organisation. To maintain competitive position and profit of his products, with his performance starkly exposed to higher management, he must strive to be the best informed man about any aspect substantially affecting their future. He must arrange and nurture a number of information interfaces.

'As described in Table 1, the product manager has a number of diverse responsibilities. To discharge the responsibilities he has to interact with other departments in the firm. Though on paper the product manager is assigned all the responsibilities, but in practical terms he is rarely given the requisite authority to effectively discharge them. At best, he may be given direct authority over one or two areas say advertising and may be marketing research. For getting co-operation from the other departments he has to use all his persuasive charms and skills, which may not work all the time, resulting in conflicts and tensions.

It is this interfacing aspect of the product manager's role which has potential for all types of conflicts and leads to erosion of his power. Responsibility without authority over resources could reduce the role of product manager from that of a product 'mini president' to a bureaucratic clerk. Instead of being a decision maker responsible for profits the product manager is reduced to a low level coordinator.

These problems can be solved by clearly defining the limits of the product manager's role, giving him authority over the resources which affect his products' profitability, taking into account areas of potential conflict between product managers and functional specialists, and establishing a system for their amicable settlement.

Despite this role ambiguity and potential for conflict the product manager concept is gaining acceptance. In Richardson Hindustan Limited (manufacturing and marketing the Vicks and Clearasil range of products) the marketing organisation comprises 20 product teams. Each product team includes junior and middle level managers representing marketing, manufacturing, R & D, and purchase. In the words of the company president, Mr. Gurcharan Das, "we tell them it is they who are responsible, and that the senior people should be looked upon as resources only. With delegation of power they are more creative, more innovative and ideas come from the lowest level". The organisation on product team basis has led to greater decentralisation of responsibility and decision-making within the company and the result is vastly improved performance.

The product manager concept introduces a number of advantages into the marketing organisation. Firstly, given the increased complexity of the marketing mix and diversity of products and brand, the product manager offers a way of coping with these complex marketing inputs in a balanced way. It ensures that all products and brands get proper attention and no product is allowed to languish. Secondly, it introduces flexibility into the system as the product manager can react quickly to a changed market condition since he has the overall responsibility for managing the product's profitability and does not have to waste time over long consultations. Quick reaction and timely action sometimes prove to be the winning factors in a fast changing market situation.

Third, the product manager concept provides a focal point for integrating and co-ordinating all efforts and resources for planning and implementing the marketing strategy.

Fourth, the product manager role provides excellent training for future managers, as they are exposed to all the operational aspects of management viz., marketing, finance and production.



However, there are some disadvantages of the product management organisation as follows:

The anomaly of responsibility without control over resources, and lack of a direct line of authority lead to a situation in which conflict is always simmering under the surface, ready to explode at the slightest provocation.

A product manager is in a situation which can be aptly described as 'jack of all trades but master of none'. A product manager has a general and cursory knowledge of all functions but no specialised skill in any one function. This lack of expertise often puts him at a disadvantage when dealing with functional specialists, who are able to brow-beat him on technical points (often to the detriment of the product success).

The product manager has usually too many interfaces to manage, which consume a great deal of his time, with the result that important strategic decisions may be delayed or even ignored. The product manager concept may turn out to be costly, as even minor products with a small sales turnover are assigned to full time managers.

In recent times the product manager organisation has been undergoing a number of changes. In many firms the product manager has given way to product team. The product team may be arranged vertically or in a triangular form (Figure VIII). Some other companies have introduced the concept of horizontal product teams. Each team is headed by a leader who is supported by functional specialists. This horizontal product team organisation considerably reduces the potential for conflict with other departments, since now the product manager has his own independent resource pool of functional specialists. Finally, some companies are combining two or three brands/products under one product manager. This is done when the products are individually not important enough to require full time attention or they serve similar customer needs, so that clubbing them together is meaningful and can help serve the customers better.

If you wish to adopt the product management concept, you must define the role in precise terms, clearly specifying the limits of his authority. Moreover, you must bear in mind that the contribution of the product to the company's total turnover justifies the expenses of a full time product manager.

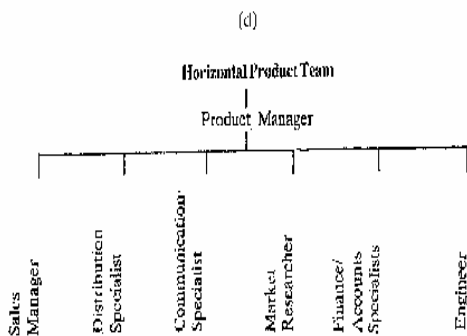
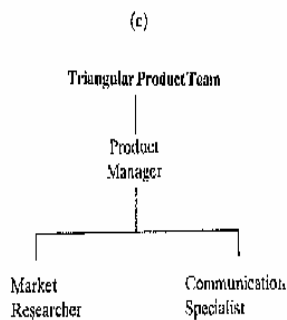
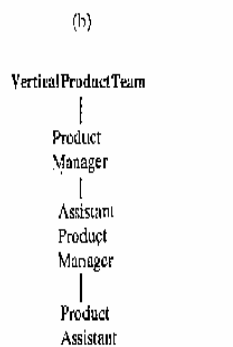
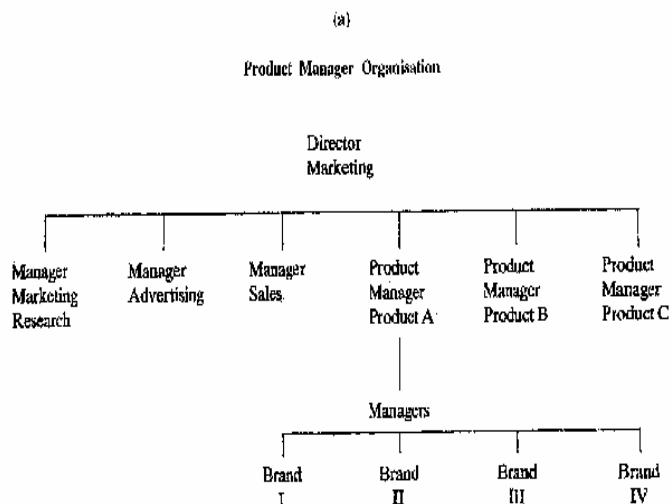
Market-centred Organisation

We have seen that some companies with a product manager organisation have started to group together products which serve similar needs. Thus the basis for differentiation is shifting from products to customers. A group of customers with similar needs and a common link between them constitute a market. When different markets, rather than functions or products form the basis for differentiating marketing roles, the organisation is known as market-centred.

A company marketing building hardware such as door and window handles, window frames and locks has two distinct customers. One, hardware retailers who sell to individual household customers and second, construction companies. These two distinct customer segments represent separate markets each requiring a different marketing mix of advertising, distribution channel, and pricing. Airlines, railways, and road transportation companies have two major distinct markets to serve. They provide transportation for people (passengers) and goods (cargo). Each market (passenger vs. cargo) has its distinct characteristics and needs a suitable marketing strategy and a matching marketing organisation with relevant skill to formulate and implement the strategy.

A market-centred firm seeks its growth by serving new needs in markets where it is already well established. Since knowledge and access to the market is the basis for organising the marketing set-up, the question to be asked is "what other needs of the markets that we know well can we serve profitably?" For instance, an airlines company, within the passenger markets can further identify markets such as group travel, and charter flights. This constitutes an instance of growth through intensively serving a well established need (transportation) in a well established market (people). However, a market-centred organisation also has the flexibility to grow extensively by searching out closely related

Figure VIII: Types of Product Management Organisations





needs and entering new businesses around these. The airlines may enter a new business by providing a courier service. The need is still that of transportation, but the market is not people, or cargo but important documents and parcels. Through the extensive and intensive approach, a market-centred firm seeks to grow by the meeting the greatest number of inter-related needs of every market it serves.

In terms of organisation structure, a market-centred organisation can be organised in the same way as a product management organisation. Instead of product managers, with detailed knowledge of the product you would have market managers each having thorough knowledge about his market. However, we have seen that there are problems of control and authority associated with the product manager organisation. To overcome these, a market-centre should be treated as a profit centre and its manager be assigned the role of a business manager with full accountability for generating profits. The business manager is the chief 'line' officer, with full authority overall the other functions supporting and reporting to him.

At this stage, you may like to ask the question "why should I reorganise my marketing organisation to being a market-centred organisation?" There are two specific situations in which a market-centred organisation can be more effective than any other kind of organisation and if you happen to be facing any one of them, a change to a market-centred marketing organisation is advisable.

- 1 When competitors have developed the same level of product sophistication and quality as the market leader and the leader's supremacy based on price advantage is seriously threatened. In such a situation, market centring can help the leader revive its competitive advantages, detailed knowledge of customer and retailers helps frame creative marketing strategies.
- 2 When a firm wants to diversify either to expand the profit base, or gain a total hold on existing customers.

The first objective can be served by adding on higher margin products and services to the existing product line. The second objective is served by marketing a package or system of correlated products and services, enabling the firm to act as a one-stop supplier for each market.

Matrix Organisation: So far we have discussed companies which market different products to the same market or the same product to different markets. In the first case, organising around the product management concept provides an effective solution. In the second case, the marketing organisation can effectively be organised around each market. But what if a company has a number of products and a number of markets to which these products are sold? A company such as Godrej has a product range which includes steel office furniture, refrigerators, almirahs, soaps and detergents, and each of these products caters to a different market. Similarly, Food Specialities Limited has a wide range of products including infant milk powder, instant coffee, ketchup, noodles each of which fulfills a different market need. How should the marketing department be organised to effectively take care of the different characteristics of the product as well as the market? The manager has to formulate and implement strategies suitable for each individual market and also keep in mind the different characteristics of each product. For managing so many products and so many markets, the manager has to cope with an immense amount of information. The sheer quantity of information and the range of its diversity usually makes it impossible for a single person to manage. Further, each product may be so different from the others that each product needs a separate manager. Similarly, the unique buyer and the characteristics of a market merit the full attention of an individual. Thus, a multi-product and multi-market firm needs both product and market managers. But how should the product managers and market managers be integrated to form a workable organisation structure.

The solution lies in a matrix organisation where tasks may be differentiated on the basis of functions and products; functions and markets; or functions, products and markets; and integrated by means of co-ordinating functions (such as finance, R & D, information system etc.). In the functional, product and market-centred organisation discussed earlier, each manager has only one point of focus; function, or product or market. However, in the matrix organisation the points of focus are more than one. These focal points may be either functions and products; or functions and markets; or functions, markets and products. As is



Obvious from these figures, the matrix may have two or more bases for differentiating the functions.

The origin of the formal matrix organisation can be traced to the aerospace industry in USA, The different manufacturers in the aerospace industry were organised functionally; but the US Government wanted each project to have specialised attention and imposed a project management type of organisation on the industry.. The horizontal project groups were superimposed over the vertical functional organisations and the result was a matrix organisation. But informally, the matrix organisation has been in existence much before its introduction in USA. In an advertising agency, each client is assigned to a specific accounts executive who is responsible for understanding the client's objectives and needs and getting them translated into advertising campaigns. For translating client objectives into specific advertisements or campaigns, the accounts executive draws on the agency's functional specialists: artists, copywriter, photographers, visualisers, etc. Thus on the one side you have the functional specialists while on the other you have the accounts executive who can be thought of as a market manager (each client represents a separate market) and only a few clients are assigned to each accounts executive.

The distinguishing characteristics of a matrix organisation are:

- i) members are allotted to two, or three groups with each group having its own boss,
- ii) the groups are work-related, though each on a different base (e.g., functional, product or market related),
- iii) the groups are formally arranged rather than evolving informally or on an ad-hoc basis,
- iv) information management is central to the concept and management of matrix organisation.

Thus the matrix organisation is a blend of grouping by functions and/or markets and/or products, with the objective of retaining the advantages of specialisation and gaining the advantage of a sharper focus on a task or project. The specific advantages and disadvantages associated with the matrix organisation are described in Tables 2 and 3.

Table 2: Advantages of a Matrix Organisation

1. Permits task/project focus without losing benefits of specialisation.
2. Provides for increased information-processing capability, catering to information needs of each group.
3. Permits greater decentralisation of decision-making since there are specialists in each area equipped with the necessary knowledge.
4. Provides a flexible structure, capable of adapting to new situations while retaining the basic framework of the structure.
5. Provides a means of coping with increased information processing needs and co-ordinating when the tasks are highly uncertain, complex and inter dependent.

Table 3: Disadvantages of a Matrix Organisation

1. Tendency to conflict exists because the different groups are organised on different bases and each group may try to superimpose its own group objectives rather than the organisational objectives.
2. There is ambiguity in roles because each person reports to two bosses and this undermine the effectiveness of organisation.
3. Proves costly because of larger volume of information processing and the additional need of coordinating and supporting roles.
4. May be prone to power struggles and politics as each group tries to dominate.
5. Problems of designing a suitable information. system, which now needs to cater to different requirements.



Activity D

Make a detailed analysis of the existing marketing organisation in your firm or any other firm on the basis of the following questions:

- 1 What are the areas of strengths of the marketing organisation?
- 2 What are the specific weaknesses in the organisation?
- 3 Can the weaknesses be overcome, wholly or partially? If yes, describe in detail the steps necessary for making up the deficiencies.

If the marketing organisation is functionally organised, evaluate each function individually as an area of strength or weakness. In case of a product management organisation, evaluate each product or product group separately. Similarly, in case of market centred organisation, each individual market has to be evaluated. For a matrix organisation, besides evaluating each function, product, or market (as the case may be) individually, you would also need to evaluate it from the viewpoint of co-ordination and overlaying of one basis on another such as functions and markets.

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6.7 ORGANISATION OF CORPORATE MARKETING

As a company expands, it becomes necessary to decentralise at least some of the activities and establish separate divisions and branch offices. Necessarily, some of the marketing operations are also handed over to the divisions and branch offices. What type of support should the corporate marketing office provide to the marketing organisation at the branch/ division level? There are four different organisation structures for the corporate marketing office to choose from:

i) No corporate marketing support: All marketing activities are handled at the branch or divisional level. The State Trading Corporation has organised itself on these lines. Its offices in various countries operate with lot of independence.

ii) Minimal corporate marketing support: The major bulk of the marketing function is handled in the individual divisions. Only a few marketing activities are organised at the corporate marketing level. These are:

- a) scanning for new market/new product opportunities and evaluating them;
- b) providing marketing support on specific request from a division;
- c) helping divisions that have no marketing set-up of their own or which have a weak marketing organisation.

iii) Moderate corporate marketing: Apart from the functions spelt out in the minimal corporate marketing organisation, here the corporate marketing provides centralised service for advertising, marketing research, sales promotion, and recruitment and training of personnel.

iv) Strong corporate marketing: All major marketing activities are performed or controlled by the corporate marketing organisation, and the divisions simply carry out the instructions given to them. This approach is followed by India Tourism Development Corporation (ITDC) for promoting its hotels in various towns. .



6.8 SUMMARY

An organisation's design is a function of the objectives which it has to accomplish, the diversity and complexity of the tasks to be performed and the environment in which the organisation operates. Similarly, a marketing organisation's design is a function of the diversity of products, markets and product/market combinations that it is involved with and its environment comprising competition, technology, socio-economic and legal factors, and the marketing objectives. Depending on the combination of these factors and the relative importance of each, of them in achieving the marketing objectives, you can design an organisation which is suited to your specific requirements.

The four commonly used organisation designs in marketing are based on functions, products, markets and a combination of these three factors. Each type of organisation is useful under specific conditions and has its own advantages and disadvantages. While choosing amongst different types organisations, you must evaluate each on the basis of its effectiveness in accomplishing the specified objectives, its amenability to managerial control and the cost involved.

6.9 KEY WORDS

Functional organisation: An organisation which is designed on the basis of different functions, such as marketing, production, finance, research and development, personnel, etc. People are assigned jobs on the basis of their specialisation and skill in performing certain function.

Product manager: A concept of organisation in which the management of each separate product/product group/brand is assigned to a full time manager, who is known as the product manager.

Matrix organisation: A combination of the functional and product management organisation, or the functional and market centred organisation, in which the distinguishing characteristic is that there are two or more bases for differentiating tasks.

Market centred organisation: When tasks and jobs are differentiated on the basis of the different markets served, the organisation is known as market centred:

6.10 FURTHER READINGS

Kotler, Philip, 2002, 11th Edition, *Marketing Management*, Prentice-Hall of India Pvt. Ltd., New Delhi

Cundiff, E. W. Still, R.R. Goviani, N.A.P., *Fundamentals of Modern Marketing* Prentice-Hall Inc.: Englewood Cliffs.