

## On the Reform of FMCG Customer-Oriented Marketing Organization

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### Abstract

With the rapid development of economic globalization and information technology, the marketing concept and the internal and external environment of enterprises are changing dramatically. Reform of marketing organization can help enterprises gain advantages in the dynamic market environment. By analyzing the marketing organization structure of current fast-moving consumer goods industry, this paper put forward the borderless marketing organization model which is oriented to customers and based on process and outcome, and proves it effective by conducting marketing organization reform on a domestic manufacturing enterprise. After reform and freeze, this marketing organization takes on features of high performance, high sensitivity to the changes in the market environment, and self-dynamic equilibrium. Individual performance, organizational performance and consumer satisfaction are promoted, and the marketing organization's capability of constant reform takes shape.

**Key words:** FMCG; Dynamic market; Customer-oriented marketing organization; Reform

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### INTRODUCTION

Since the late 1980s, economic globalization and information technology has developed rapidly. The border between industry and enterprise has become increasingly vague, and the market environment and marketing concept have changed dramatically. Market competition is no longer confined to the competition between products but rather a systemic competition based on the external and internal environment. As a carrier of marketing strategy and activities, essence of marketing organization's changes is an outcome of the interaction between the marketing concept and the internal and external environment of enterprises (Buckley & Carson, 2005).

However, some enterprises still consider the marketing organization equivalent to or slightly higher than other functional departments, or make the marketing organization as the center cooperated by other functional departments, failing to adopt the concept of "customer value management". Although some enterprises began to make some "diverse organizational paradigm to diverse environment" trials on the marketing organization, a lack of mechanical changes still existed.

Therefore, by conducting reform on the marketing organization according to its industrial characteristics, type and development stage, change of marketing environment and marketing concept, with a direction of integration, openness and flexibility, domestic enterprises' customer value and adaptive capacity can be ameliorated and thereby shaping constant competitive advantages. Meanwhile, it is an intentional trial of combining Western marketing organization theories with domestic dynamic market environment.

### 1. OVERSEAS AND DOMESTIC RESEARCH STATUS

Marketing organization theory originated from the West (mainly the United States), as marketing emerged as an

independent research field in the universities in the United States around 1910 (Zhang, 2006). Over the last century, with changes in marketing concept and thorough practice, scholars at home and abroad have reached different research results from different perspectives.

### **1.1 Researches on Overseas Marketing Organization**

More than five decades before 1985, AMA (American Marketing Association) considered marketing as a process, and later the customer-oriented marketing concept emerged (Drucker, 1954; Levitt, 1960; Mckitterick, 1957). Researches on marketing organizations were mainly from the functional perspective and were deemed as social and economic process.

After AMA defined marketing as a system of planning and execution in 1985, researches on marketing organizations focused on solving problems, executing plans and control of the competitive market position (Cravens & David, 1995). From then on, marketing organizations involved the management of other internal departments and alliances between other enterprises (Webster, 1992).

After the 1980s, researches on marketing organization mainly focused on factors that affect relations between marketing department and other functional departments (Gupta, Raj, & Wilemon, 1986; Wind, 1981) and factors that influence marketing in certain situations, such as strategic plans (Anderson, 1982; Hutt & Speh, 1984). (Workman et al., 1998) At this time, marketing organization and other departments often use cross-functional teams to complete marketing tasks (Achrol, 1991; Day, 1997; George et al., 1994; Webster, 1997). Marketing organization needed to share information with all departments (Jaworski & Kohli, 1993; Narver & Slater, 1990), and reacts more timely to the changes of market (Achrol, 1997; Griffin, 1997). All these required new knowledge within the enterprise (Sinkula, 1994; Slater & Narver, 1995; Zuo, 2012).

Since the 1990s, researches on marketing organization began to transfer the emphasis from the cross-functional team with other functional department within the enterprise onto alliances with external partners (Achrol, 1997; Day, 1997, Walker, 1997). One type of these alliances is a vertical relation of the value chain, such as supplier-manufacturer and manufacturer-retailer. Another type is the alliance between joint marketing and brand (Barclay & Smith, 1997; Bucklin & Sengupta, 1993). This change is due to the fact that marketing organization is no longer the basic functional department that contacts the market, which may lead to the weakening of marketing forces but also make the enterprise pay more attention to core competence and the enterprise's strategic position in the value chain (Day, 1994; Webster, 1992; Zuo, 2012)

Meanwhile, scholars also started to research on the cross-border organization, including researches on

market orientation, organizational Learning and market perception, which are the foundation of enterprises' constant competitive advantage (Zuo, 2012).

### **1.2 Researches on Domestic Marketing Organization**

In the late 1990s, some Chinese scholars did some preliminary research on marketing organization. Hong Yulong and Chen Keming (2003), Han Dechang (2004) and Chen Xiuqi (2009) summarize the main functions of marketing organization. Yang Lin (2005), Zhao Xiaofei (2007), Chen Shuifen and Kong Weicheng (2002) raised their opinions on the evolvement of marketing organization structure. Wang Fanghua (1998), Zhu Xiaochi (2001) and Liu Yulai (2006) did some research on marketing organization model (Zuo, 2012).

We could see that overseas and domestic research on marketing organization mainly focus on concept, function, structure and model of marketing while lacking research on the systematic design and implement the scheme on marketing organization reform. As an industry with high marketization degree since joining the WTO, FMCG industry is facing highly dynamic and uncertain internal and external environment, and reflects high intensity and frequency of the interactive competence. Therefore, this paper, choosing typical FMCG industry and the marketing organization of enterprise A which has a nationwide influence, has high application value and theoretical value.

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## **2. ANALYSIS ON MARKETING ORGANIZATION OF FMCG**

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### **2.1 FMCG**

FMCG (Fast Moving Consumer Goods) refers to those daily consumer goods with short life, low unit price, fast consumption rate and frequent purchase. It mainly consists of daily chemical products, food and beverages, tobacco and nonprescription drugs (OTC), etc.. FMCG is featured by variety, high turnover, short access, frequent advertising and multi-agent, as well as large sales, convenience, randomness, strong vision and low loyalty.

### **2.2 Research on Marketing Organization**

This paper analyses the marketing organization of domestic FMCG enterprises (Witt, 1983; Kotler, 1991) on the basis of marketing concept of functional departments (Pfeffer, 1981; Wind, 1981; Weitz & Anderson, 1981; Walker & Ruekert, 1987). Currently, marketing organization of domestic FMCG enterprises normally belongs to micro department marketing organization, mostly functional marketing organization, product marketing organization, market-oriented marketing organization and matrix marketing organization. However, whichever type the marketing organization is, it has some deficiency in relative to the characters of FMCG industry:

### 2.2.1 Functional Marketing Organization

Functional marketing organization's major advantage is its superiority in specialization, but it is not inconsistent with FMCG's characters, such as products variety, short and wide product line, dispersed market and scale operation, etc. there exist some flaws:

- Marketing department ignores overall interests and exhausts resources to pursue department benefit maximization.
- Strict inner hierarchy leads to one-way top-down orders and single superior-subordinate relations, making it harder for departments to cooperate.
- Even marketing department is unable to take full responsibility for products or market. Integrated marketing is ineffective.
- Departments emphasizes their own importance and difficulties in marketing and waste most energy on the dispute on market resources.

### 2.2.2 Product Marketing Organization

Product marketing organization fits enterprises with multi-brands and multi-type products, but it also has some disadvantages:

- The product manager has limited power, so it takes great energy to coordinate sales department with other functional departments to finish tasks.
- Duplicated positions result in the increase in administration expenses and decrease on cost effectiveness.
- Pursuit of maximum benefits usually damages the integrality of the product line and overall benefits.
- Marketing behavior is eager for quick success and instant benefits, which go against the market cultivation and training of marketing generalists. Different product lines within the same enterprise even defame each other, seriously damaging the enterprise's image.

Market-oriented marketing organization and matrix marketing organization are not fit for FMCG's characters mentioned above, because of their incapability of coordinating other functional departments for timely support and other problems such as high administrative expenses, frequent conflicts and trouble in properly attributing rights and responsibilities.

Types above often neglect differences between enterprises because of attention on the whole organizational structure. And they do not consider whether it is necessary to cooperate with external agencies to complete the task, nor do they attach enough importance to environment's influence on marketing organization structure. They even fail to think about the organizational structure in certain functional department or in performing certain marketing task (Zuo, 2012).

In the marketing organizations above, the strategic level always pursues the development of economies of scale, and the management level shoulders responsibility for the tasks of economies of scale, thereby exerting

pressure on the operation level of the marketing organization. As a result, because of the results oriented performance assessment, these marketing organizations always neglect the examination on the quality of marketing process, and ignore the crucial value of internal customers (other functional departments within the enterprise) and external customers (suppliers, dealers and consumers) to promote marketing process, satisfy market demand and improve marketing function. Therefore, under the double pressure of performance assessment and target completion, the management and operation level seek market support in many ways without pay attention to the sustainable development of market and the improvement of market organization's capability, and instead they make every effort to finish marketing tasks of their own department, result in gradual loss of competitive market position.

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## 3. PRINCIPLE AND MODEL OF CUSTOMER-ORIENTED MARKETING ORGANIZATION REFORM

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### 3.1 Basic Idea

Marketing organization should reform according to the characters of industry, type and development stage of the enterprise, changes of market environment and marketing concept.

Marketing originated from the concept of selling in the 1960s, and transited to the marketing concept in the 1980s. Before the consensus that centered customer value was reached in the early 21st century, enterprises mainly made marketing strategies and designed marketing with the idea of "pushing". In the 21st century, the market competition intensifies further, and the customer demand changes quickly and diversely. Especially since the subprime crisis, international economy has been depressed. Market demand and consumption shrunk. Trade protectionism began to rise. And the competition between enterprises became increasingly fierce. Marketing concept considers marketing more than a system but also shoulder the function of organizing, and customer value plays the most significant role in shaping enterprises' competitive advantage. Therefore, enterprises should hold the idea of "pulling", carry out marketing activities centered on promoting customer value and reversely reform the marketing organization structure for customers' sake.

While domestic FMCG marketing organizations focus on external clients, the significance of the cooperation of internal customers cannot be neglected. Meanwhile, with the spread of marketing activities, marketing function is no longer confined to functional departments within the enterprise. It also includes alliances between enterprises and industries or organizations that spread to other countries and regions. The border of marketing organization is increasingly vague. Borderless

organizations without presetting or defining its horizontal, vertical or external boundary are required in order to take marketing responsibility flexibly and unstructuredly (Ashkenas, 2005). Plus, only marketing management that based on process and outcome can ensure the marketing organization performance. Therefore, borderless marketing organization reform that is customer-oriented and process-and-outcome-based is crucial for domestic FMCG enterprises to adapt to the dynamic market environment and to shape constant competitive capability.

### 3.2 Design Principles

According to system theory and contingency theory, with full consideration of advancement, reality and sustainability, design of the reform program should be adherence to these principles (Sun, 2001).

#### 3.2.1 Division of Labor

By distinguishing departments and levels, complete rules and regulations, stipulate positions, power and titles, and make clear cooperation, supervisory system and departments' tasks.

#### 3.2.2 Efficiency

Set up unites and individual jobs according to the division of labor. Set up reasonable management span and staffing in every department. Set up staffing standards of every level and department.

#### 3.2.3 Humanism

Title-setting should consider staff's self-respect. Allocate jobs according to staff's interests and specialty. Replace could command and monitoring with communication.

#### 3.2.4 Elasticity

Department building should maintain elasticity with the external environment. Formation of departments, positions and staffing should keep flexibility.

#### 3.2.5 Information

Convenience to the collecting, processing and sharing of information, to the communication between unites and overall coordination, and the needs and management of decision-making.

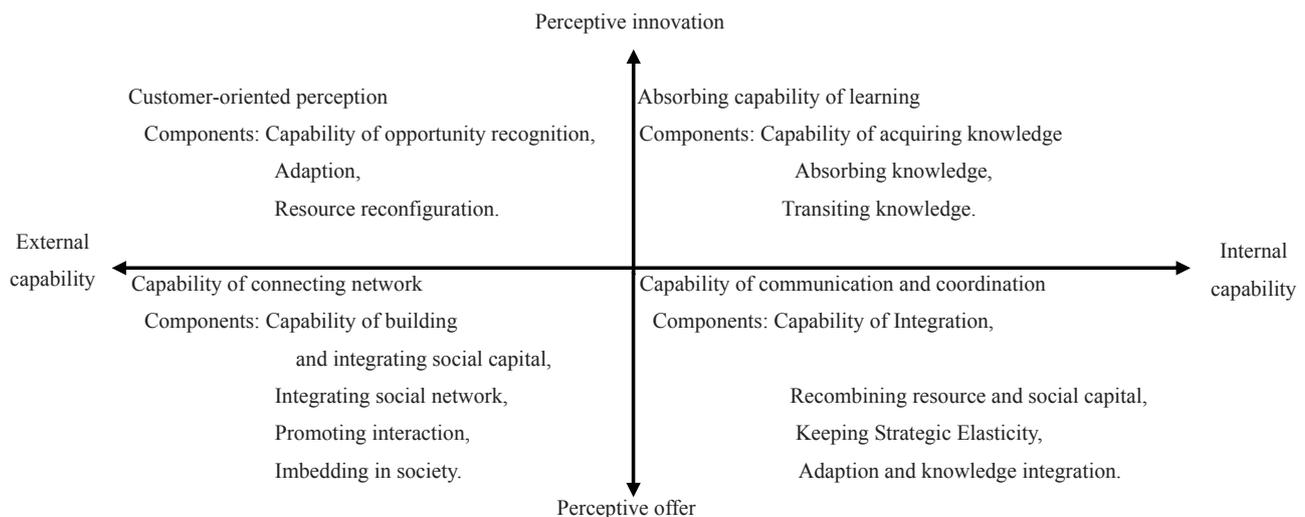
#### 3.2.6 Balance

Strike a balance between different departments' division and cooperation, between individual and group interaction, between right and responsibility and contribution and reward.

### 3.3 Organizational Objective

Through the reform, the new marketing organization will have clear goals, related skills, mutual trust, coincident promises, smooth communication, strain capacity, proper leadership and favorable conditions. It can form well group behavior (Sun, 2001) and realize the organizational target of "flat, flexible, collaborative, integrated, agile and open".

Through the reform, the new marketing organization can sensitively recognize opportunities and threats in the marketing process according to changes of market, adopt new technology and invite new products to meet customers' personalized needs, and improve the marketing ability that fits the dynamic and complex market environment (Figure 1). (Luo & Liu, 2009)



**Figure 1**  
**Capabilities of Customer-Oriented Marketing Organization**

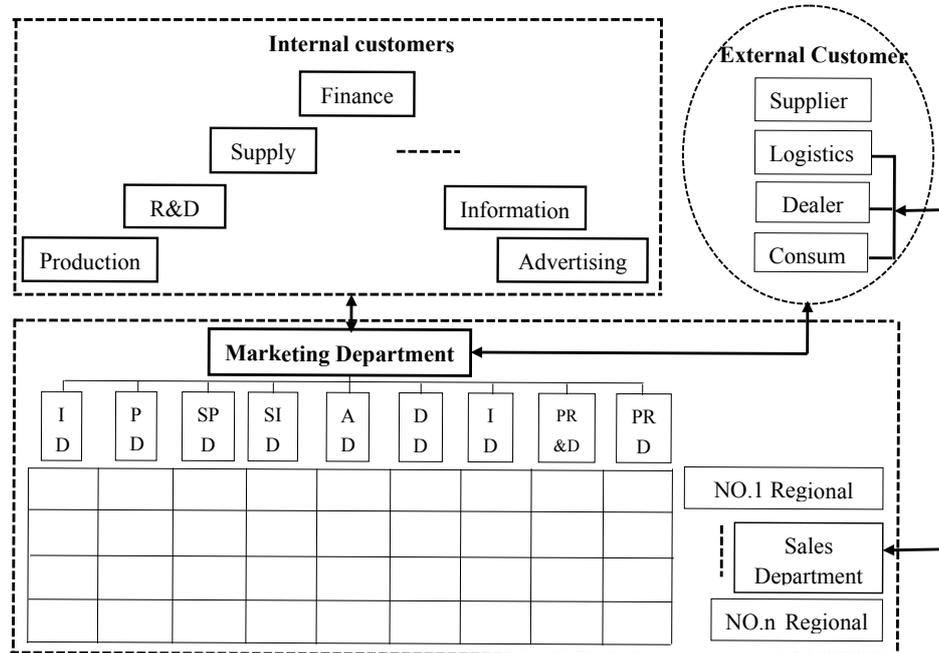
### 3.4 Conceptual Model

According to Phillip Kotler's analysis on the evolvement of market organization (Kotler, 2001), we could build market organizations that are oriented to customers

and based on process and outcome (Figure 2), whose characters also changed significantly (Table 1). This kind of organization is centered by professional sales department and comprehensive marketing department,

considering both management of the marketing organization (management by objectives and process monitoring) and promotion of customer value (internal and external customers) when making performance evaluation. It can conduct its marketing function in the borderless organization according to customers' needs.

Moreover, it has the ability to sensitively perceive market dynamics, timely adjust marketing strategies, scientifically integrate resources, meet the market demand mostly, shape competitive advantages and enable the marketing organization to reform constantly.



**Figure 2**  
**Structure of Customer-Oriented Marketing Organization**

**Table 1**  
**Marketing Organization and After the Reform**

Organization structure	Before the reform	After the reform
Structure types	Functional, product, market, matrix	Customer-oriented
Structure characters	Standard, professional, stable, mechanical	flat, flexible, collaborative, integrated, agile and open
Marketing definition	Conception of selling, marketing concept	marketing concept
Marketing focus	Process, system	Customer value
External environment	Simple and stable	Dynamic, complex, uncertain
Designing perspective	enterprise marketing	Customer value
performance indicators	Marketing outcome	Customer value, process quality and marketing outcome
organizational boundary	Internal organizations	Borderless organizations
business process	Through the organization, stipulation, strict process	Based on customers, informal, problem-orientated
decision-making	Centralization, order	Decentralization, advice
Power characters	Hierarchy. power decided by position	Democracy. power decided by ability
Business characters	Rigid, regular, professional, independent	Elastic, random, compound, sharing

#### 4. REFORM PROCESS OF CUSTOMER-ORIENTED MARKETING ORGANIZATIONS

Combining turbulent market and rapid changing (Eisenhardt & bourgeoin, 1988), super-competitive environment (D'Aveni, 1994) and specific characters of FMCG competition, according to the Lewin reform model

(1951), the market organization of enterprise A in FMCG industry has conducted reform for almost four years. The reform has two stages: the first is reform on the marketing organization, including its structure, border and process; the second is improvement on its capability, consisting of the capability of constant reform and frequent reform with competitive advantages (Biedenbach et al., 2010).

During the reform, the resistance within the enterprise consists of six factors: mission, strategy, culture, institution, policy, organizational structure and human (Gao, 2010). On the basis of enhancing risk prevention, by the promotion of leaders, cooperation of staff and interaction between promoters and receivers, relevant reform mechanism is built. With the help of reform technology such as informatization management tools, resistance from individual and group level is reduced, which ensures the implement of the reform program of market organization.

#### 4.1 Reform of Marketing Organization

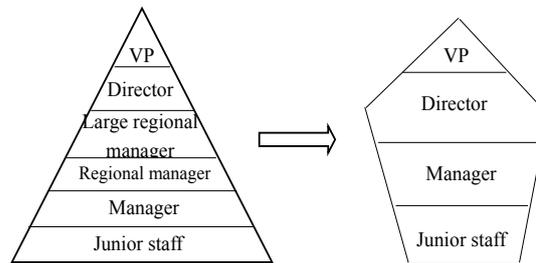
##### 4.1.1 Reform of Marketing Organization Structure

First, adjust the responsibility of marketing department and sales department. According to market function, marketing department is responsible for market research, market planning, advertising, marketing supervision, expense audit, data analysis, information process, marketing public relation, and assisting supervisors to plan, organize, coordinate, motivate and control. Sales department is mainly in charge of the execution of marketing program, focusing on improving the level of specialization and compound and increase efficiency by disassembling sales process. Within the marketing organization, marketing departments' function as a whole is relatively weakened. Under the leadership of marketing managers, organized by the marketing department, staff of relevant departments like the sales department found reform team, responsible for develop and carry out transdepartment programs, make performance assessment, weaken boundaries between internal departments, integrate resources on the basis of customer-orientation and develop an flexible organizational system. Meanwhile, marketing regular meeting, joint committee of directors and meeting of project teams should be held to improve the coordination and integration of marketing management activities.

Second, adjust the basic unite of the sales department. Redistrict the sales department with products and market according to the dynamic changes in the market environment. On the basis of the specialized operation of sales personnel, establish the operation principle that "making strategies according to the market, developing tactics according to the strategies and distributing resources according to the tactics."

Moreover, achieve the "5H" goal of flat marketing organization. High quality: skillful staff. Generalists consist of specialists. High starting point: advanced technical equipment. The best working condition. High efficiency: cooperation and teamwork. Spirit of loyalty and dedication. High load: multipositions and multiresponsibilities. High reward: raising service revenue. High welfare and salary. In addition, restructure the pagoda structure with more management levels and larger span of control to the diamond structure with fewer

management levels, larger span of control of middle level managers and smaller span of control of basic level managers (Figure 3).



**Figure 3**  
**Flat Structure of Customer-Oriented Marketing Organization**

##### 4.1.2 Build the Borderless Organization

Outside the marketing organization, distinguish external and internal customers according to the composition of value chain and different customer value. Build the borderless organization on the basis of market demand and informatization and on the emphasis on speed, elasticity, integration and innovation.

On the basis of the borderless organization, project team and network organization are widely adopted. The varying degree of changes in the market environment and product differences can be divided into low uncertainty, moderate uncertainty, moderate and high uncertainty, and high uncertainty (Zhang, 2006). At the same time, combined with the degree of independence of the project, the project team and network organization aim to expand new region, new field and new business, being authorized and given necessary resource support, can eventually optimize the efficiency of resource utilization, thereby improving the strain capability of marketing organization and raising the competitiveness of the enterprise.

To ensure the accomplishment of the process and outcome, it is necessary to appoint different people as directors of process control according to different results, and to initiate the sales department, marketing department, internal customers such as finance and information department and relevant external customers as members of the process team. The market department is responsible for making plans to train marketing personnel and coordinate with supervisors to improve the talent cultivation and echelon building. The sales department is obliged to actively arrange staff to join the process team, and assess and gather the total results of members of the team. Moreover, each team should regularly make assessment on marketing staff who joins the team. At this time, the emphasis of the marketing organization is no longer divisional management but the smooth conduct of the process as planned (Zhang, 2006).

##### 4.1.3 Reform of Business Process

Business process reforms are accordingly to enable the marketing organization to be sensitive to the changes of external market environment and to accomplish high

performance in the segment market, meanwhile making the brand and service deeply rooted in consumers' mind and achieving monopoly that difficult to penetrate.

To enhance the process management of marketing activities, the basic demand is to carry out overall management on "everything that every staff does every day". According to comparison between actual outcomes and targets of every stage, implement rolling management on tasks undone that accumulate to subsequent period and adjust the targets timely, thereby getting accustomed to the changes of dynamic market environment.

In the reform of business process, we should:

- Analyze the unique advantage of marketing organization and enhance the strong points.
- Optimize the core business process and weaken business process with less value.
- Design new organizational structures and make the business process more economical and scientific.

#### 4.2 Reform of Marketing Organization Capability

After the success of reform of marketing organization structure, self-organizing condition is achieved through information sharing, unit self-discipline, short communication, micro decision, parallel operation, overall coordination and iterative optimization (Shi, 2000). A virtuous circle of looking for meaningful difference, push the reform, mutual communication between relevant themes, forming the self-organizing model, realization of constant capability of reform and frequent reform as competitive advantages takes shape (Yao & Liu, 2006).

Meanwhile, to ensure the constant improvement of marketing organization capability, five competence systems (informatization management, business process optimization, marketing model innovation, self-update and sustainable development) are built.

#### CONCLUSION

Through the reform of FMCG marketing organization structure, internal departments' function as an independent organization is relatively weakened. The marketing department takes responsibility for internal management and external integration, leading the marketing organization to a self-organizing condition. The sales department improves its organizational will and capability while forging the power of execution. Basic business units realize the interaction between enterprises, marketing organization, channel, terminal and consumers, thereby improving the performance and capability of individual and group.

Outside the marketing organization, customer-oriented borderless organization or project team is built. The borderless organization is based on informatization and lays great emphasis on speed, elasticity, integration and innovation. It can better adapt to the rapid changes of dynamic market environment.

After almost four year's reform, a marketing organization that is oriented to customers and based on process and outcome is built. It focuses on the process and outcomes, improves the value of internal and external customers in the borderless marketing organization, forms high-performance organizations with clear business core, extraordinary executive power and excellent leadership, and enables the enterprise to reform constantly and frequently to raise competitive advantages.

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