Marketing in the Process

Reengineered Organization

By Benjamin F. Ball, Jr.

Much has been said of the reengineering concept in business lately. Typically catalogued under the heading of "market-driven" or "more responsive," the reality of efforts to date in the consumer packaged goods industry range from thinly disguised cost-cutting to some truly visionary approaches.

Regardless of how ambitious, any approach to organizational engineering should be focused on achieving a specific business result. In the '50s, '60s and '70s, that desired result was functional *effectiveness*. The focus on doing things better led to larger departments with more functionally specialized employees. Sales people became "key account managers" or "broker managers." Marketing departments evolved into "sales promotion," "merchandising materials" and "media services" groups. The '80s ushered in the era of *functional efficiency*, otherwise known as "how to do it cheaper." This movement was characterized by downsizing (or "right-sizing"), often accompanied by outsourcing of those functional specialties. All these efforts shared a common thread: a focus on *function*.

Reengineering has now brought a dramatic shift away from function toward *process.* This shift in focus has dramatic implications for all functions of an organization. But, at DHC, we believe the most significant change will take place in the sales and marketing arena – and particularly in the marketing function. To understand why, let's take a quick look at the differences between a process-engineered organization and functional organization.

During the “functional efficiency” era, I worked in the Frito-Lay division of PepsiCo. As a store-door delivery organization where our $3 billion in sales directly resulted from more than 3 billion individual transactions annually, Frito-Lay was highly process-oriented. Of course, the company was functionally organized, making manufacturing and sales the key "processes" of the organization. Being a spirited and competitive organization, it was quite common to hear the barb "If you aren't making it or selling it, then why are you here?" fly around the corridors, much to the chagrin of those in marketing and planning. Little did we realize that we were actually working in a microcosm of the conflict between process and function. That competitive banter was just a precursor to the market-driven forces that would later force the swing we see today toward the process-driven organizations of today.

Simply stated, the output of a process is a result with a tangible value: A product. An order. A shipment. Conversely, the output of many corporate functions is of much less tangible worth: A plan. An analysis. An audit or income statement. That's not to say that these thing aren't worthwhile to the business – it's just that they don't add any real value to our **customers**.

Business success in today’s creative cauldron will clearly be defined by the ability to create value for our customers and for consumers. With that in mind, we must organize ourselves around the processes that will contribute to building value.

For sales and marketing functions, these changes are already being dramatically compounded by the rapid evolution of technology and the growing marketing sophistication of retailers. Many traditional elements of the sales process are being handled electronically. Placing and collecting orders, communicating routine allowance programs, and handling credits and returns are all becoming highly automated with the industry-wide implementation of EDI and UCS. Many aspects of marketers' jobs today will be usurped by retailers or eliminated by such practices as EDLC (contract pricing) and retailer-managed target marketing programs, including card marketing and point-of-sale couponing.

At DHC, we submit that the process reengineered sales and marketing organization of tomorrow will be a vastly different animal than today. We will be organized around two key processes: *Franchise Management* and *Marketplace Management*. This can be simplistically described as follows:

The task of Franchise Management will be "to create a value for the brand which is greater than the value of the generic equivalent of equal quality." (Before you say "piece of cake," remember that the "value" equation includes price. How much do you think consumers are *really* willing to pay at the shelf for that last ad run?)

The task of Marketplace Management will be "to move finished product from the manufacturer's plant to the *consumer's basket* at the best possible profit." (Note that we said "consumer's basket" rather than the "retailer's shelf." Those readers who have sampled the "vendor-managed inventory" concept will know what we mean.)

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