



## Development of Proposition on Marketing Intelligence on Distributors' Process Optimisation

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P Divakar

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# **DEVELOPMENT OF PROPOSITION ON MARKETING INTELLIGENCE ON DISTRIBUTORS' PROCESS OPTIMISATION**

**Divakar.P**

**Research Scholar**

**Vellore Institute of Technology, Chennai**

## **ABSTRACT**

In the most abstract way, artificial intelligence (AI) allows human work to be shifted toward technological systems that are currently not fully capable. Following this, the domain of retail can be sketched as a natural fit for the application of AI tools, which are known for their high proportion of human work and concurrent low profit margins. This paper aims to explore the current dissemination of the application of AI within the industry. The value-added core tasks of retail companies are examined to determine the possible utilization and the market adoption within the globally largest retail companies is given. The paper sets out to explain how vertically integrated organisational marketing systems can integrate the marketing decision-making process of suppliers, manufacturers, and marketing channel members and also to make clear why it is necessary for marketers to use marketing intelligence and why they need to pay attention to security issues. The paper also aimed to show why retail marketing strategists and planners need to develop long-term relationships capable of building business partnerships based on mutual trust. To show how the relationship marketing principle underpins the implementation of retailing strategy.

**Keywords: Artificial Intelligence, Retailing, Marketing Intelligence**

## **INTRODUCTION**

Marketing managers in retail organizations typically devote time and effort to analyzing the internal and external operating environments, in order that the organization can be properly positioned in the market place (McGoldrick, 1990; Harris and Walters, 1992; Alexander, 1996, pp. 24-6; Trim, 1999). Occasionally, they need to take the initiative by lobbying government and trade bodies as community issues surface and new challenges present themselves. This means that strategy formulation and implementation can be viewed as a social practice (Whittington, 2004, p. 64), and that certain issues relating to corporate social responsibility are placed within the same strategic context as, for example, pricing and continuity of supply. In the years ahead, retail strategists are likely to focus increased attention on the selection of appropriate partner organizations (Wrigley, 1994, pp. 6-7; Lowe and Wrigley, 1996; Morganosky, 1997, p. 369;

Martin et al., 1998, p. 14) and put in place appropriate leadership models to ensure that interaction between individuals throughout the partnership manifests itself in business decisions which in turn result in a sustainable competitive advantage being achieved and maintained. As regards customer retention in particular, staff in each of the partner organizations will in future need to be more pro-active in promoting the concept of customer relationship management, which is underpinned by a clearly defined set of organizational values. A well crafted relationship marketing strategy will help to ensure that long-term, quality-based relationships are developed with staff in partner organizations throughout the marketing channel (Grant, 1991, p. 45; Juttner and Peck, 1998). The adoption of this approach will link marketing policy to human resource management policy, and attention will be focused on the co-ordination and flow of information among staff, between functions and facilitates, and on the promotion of inter-organizational interaction (Cespedes, 1995, pp. 251-2; Platts and Yeung, 2000).

Furthermore, retail marketing planners and managers need to adopt a reflective approach to marketing decision-making, and this means engaging more with marketing academics in order that a critical evaluation can be made of marketing policy and strategy related decisions. The result should be the development of marketing knowledge. New insights generated can be converted into new theoretical approaches (Burton, 2005, p. 11). The outcome should prove beneficial by advancing marketing theory, linking it to practice, and explaining developments in current areas of study such as customer relationship management (Baker, 2003). That said, it is a question worthy of close consideration whether or not all this can be achieved without a more holistic appreciation of what marketing intelligence represents. An answer will be offered during the course of the paper. This paper focuses attention on how senior managers/ strategists can extend the vertical marketing system concept by embracing organisational learning.

## **REVIEW OF LITERATURE**

### **(i) Challenges confronting by retail managers**

Prior to a retailing organisation implementing a market entry strategy, senior managers need to pay attention to a number of factors such as the type of store; its location; the type of product assortments in the store as well as how they are displayed; and multi-faceted channels of distribution. These factors will have a major influence on the level of success achieved, hence senior managers in the retailing organisation need to select partner organisations according to set criteria (Walters, 1979, p. 215; Lewison and DeLozier, 1986, pp. 45- 63; Lewison, 1997, p. 8; Siguaw et al., 1998, p. 99). A study by Sparks (1995) that focused on what made retailers effective, highlighted the fact that Japanese retailers have a good relationship with manufacturers and exchange relevant information with them. Sparks (1995) also made reference to the need for appropriate technology support systems. It can, therefore, be suggested that the retailing organisations adopt an integrative

partnership relationship strategy approach when dealing with manufacturers/distributors. Another key point to note is that when an overseas company develops a partnership arrangement with a company, senior managers in the overseas retailing organisation need to be aware of the structure of the retailing industry and the impact that legislation has on retailing operations (Davies and Itoh, 2001). This is because the overseas company needs to conform to the norms of the retailing industry of a country, if that is, it is to have a harmonious relationship with its partner. In order to fully understand the retailing industry, it is necessary to link retailing policy with marketing strategy (Sparks, 1995).

**(ii) Role of Marketing Intelligence on Customer Driven International Strategies**

The focus on international strategy is not intended to exclude consideration of domestic strategy, but rather reflects the reality of twenty-first century retailing and the focus of many of the other authors whose work is reviewed. That increasingly dynamic business environment forces managers to implement change, possibly through incremental adaptation and, when necessary, experimentation. Marketing managers therefore need to be aware of how intelligence gathered from the external and internal environments can be used in a strategic context. Data relating to the external environment would refer to, inter alia, customer needs, economic indices, political indicators, developments in technology, and national cultural traits and socio-cultural factors; for the internal environment, they might, for example, throw light on the capability and commitment of the people in the organization. If the external and internal dimensions are in balance, then the decision-making process should provide adequate support to existing partnership arrangements, and mutuality should be evident. It can be argued that marketing managers will better understand, through the application of increased marketing intelligence, how the external factors both influence and shape industry dynamics. By taking the view that business relationships are long-term, it is possible to identify synergistic business activities (Aaker, 1992; Day, 1994, pp. 41-3; Doyle, 1994; Baker, 1996) which result in “fitness” (Porter, 1996) and the development of long-term, mutually-oriented partnership arrangements. As a consequence, short-term marketing strategies will be devised and embedded in the organization’s corporate strategy.

**(iii) Role of Marketing Intelligence on Developing Long term relationship with customer and retailers**

In order that customer loyalty is established, marketing managers need to focus on ways in which internal marketing activities can result in a balanced relationship between the organization and its target market. Achrol (1997) and Achrol and Kotler (1999) emphasise that the concept of relationship marketing needs to be placed within

an institutional framework. By encouraging employees to think in terms of creating customer uniqueness and added value, it should be possible to deliver customer satisfaction that results in customer loyalty. However, the market will have to be accurately segmented in such a way that effort can be concentrated on establishing loyalty among both existing customers and potential customers (Copolinsky and Wolf, 1990, pp. 16-19; Groenroos, 1994, pp. 10-13; Christopher et al., 1994, pp. 6, 30-1; O'Malley et al., 1997, p. 541; Gilmore and Pine, 1997, pp. 96, 100). In doing so, planners should develop new theoretical insights (Burton, 2005) and understand the consequences associated with changes in manufacturer-retailer relationships (Baker, 2003, p. 40). Issues that surface include policy to prioritize customer offerings and the linkage between new forms of distribution, price incentives and additional promotional campaigns. The aim will be fine tuning of the marketing mix and a more robust approach to the auditing of marketing activities. Such an approach builds on work of Groenroos (1994) in that it focuses on interaction (between buyer and seller, and supplier and retailer), and allows marketers to manage customer demand in a pro-active manner. It should furthermore enable marketers to enhance the channel relationship process in order for each organization's common objectives to be met: a necessity if each organization in the partnership arrangement is to survive in the competitive international marketplace by developing mutually-oriented business relationships. Furthermore, Berry (1995) and Garbarino and Johnson (1999, p. 82) point out that the traditional transactional marketing mix approach and the relationship marketing approach need to be managed in tandem in order for marketers to achieve customer loyalty based on long-term mutual relationships. Implementation will be subject to historical precedent, the way a particular sector of the industry is structured, the way deals are generally negotiated, and the operating systems and procedures in place within the organization.

**(iv) Role of Marketing Intelligence in Long-term Retailing Partnerships**

If long-term partnership arrangements are to be established with key channel partners, the retailing strategy needs to incorporate a clearly defined customer service policy. This should ensure that the relationship building approach is perceived to be harmonious and continuous (Beckett-Camarata et al., 1998, p. 78), and that each partner builds on the knowledge base and resources available. This is crucial for the achievement of a sustainable competitive advantage, for example, by being able to deliver reliable and appropriate products, helpful and persuasive product information, good after sales services and a positive corporate image. The need to build and sustain strong partnerships has been widely recognised by academics and practitioners alike (Buzzell and Ortmeier, 1995; Cespedes, 1995, pp. 244-5; Kumar et al., 1995; Weitz et al., 1995, pp. 43-9, 382-511; Arthur and Co., cited in Siguaw et al., 1998, p. 99; Frazier and Antin, cited in Siguaw et al., 1998, p. 9; Christopher and

Juttner, 2000, p. 117). Support is also provided by Hines (1996, pp. 4635-6), Lewsion (1997, pp. 627-8), Baker et al. (1999, p. 50) and McIvor and McHugh (2000, p. 13). If a retailer develops a strong and positive long-term relationship with its key suppliers, sharing sensitive information and communicating effectively, management can reduce the organization's total supply-chain costs, improve the quality of products, and innovate. Strong partnerships facilitate the elimination of defective goods, because the retailer and suppliers are involved in joint projects such as the improvement of technological systems or the development of the skill base via training programmes (Krause and Ellram, 1997, p. 21; Juttner and Peck, 1998; Christopher and Juttner, 2000, p. 117; Dobler and Burt, cited in McIvor and McHugh, 2000). It can be deduced that partnership development needs to be supported by good management and leadership skills, a strong organizational culture, shared value systems, and strongly held beliefs, backed by staff commitment and loyalty

## **FACTORS INFLUENCING RETAILING RELATIONSHIP AND PARTNERSHIP**

The factors responsible for a healthy relationships and partnerships among the retailers and customers are,

- Trust
- Resilience

### **Trust**

The role of trust is a crucial factor in the development of strong and positive working relationships based on mutuality between an organization and its channel partners. Managers involved in the process must understand it, and learn how the context of trust differs from one cultural setting to another (Doney et al., 1998; Wicks et al., 1999, p. 100), in order to be able to build a trustworthy relationship (Jones and George, 1998, pp. 532-5, 543). They must furthermore be committed to creating an environment in which mutual trust can be developed over time.

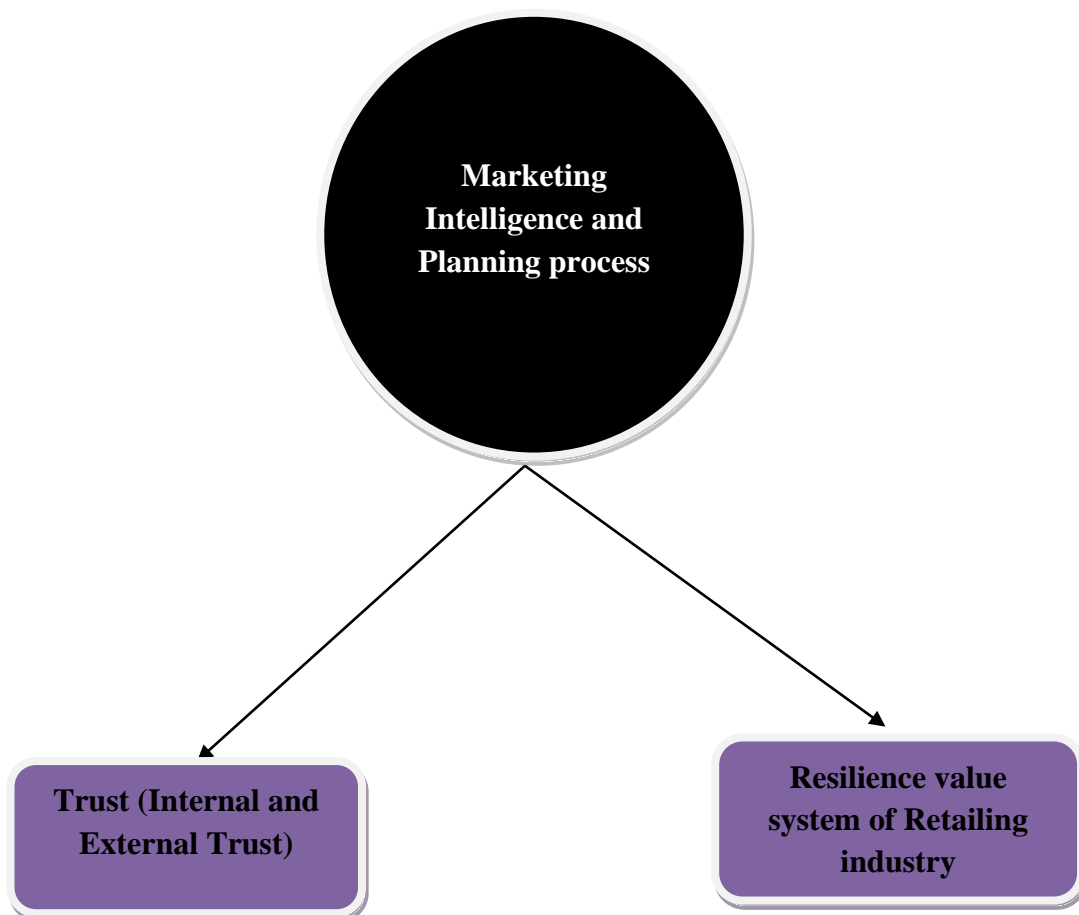
### **Resilience**

Doney and Cannon (1997, p. 45) observe that trust is not the main issue if a retailer selects suppliers on the basis of their delivery performance and relative price or cost advantage. However, if their companies are to survive in the international market place, retailing planners need to establish exactly what the term "value" means, and relate it to the "fitness" concept. This is another aspect of the need to locate relationship-building strategy within a specific cultural and industrial context. It can also be argued that the concept of resilience is applicable, defined by Sutcliffe and Vogus (2003, p. 95) as "the maintenance of positive adjustment under changing

conditions”. Marketing managers can, therefore, locate the partnership development process in the context of an organization’s resilience value system.

## CONCEPTUAL FRAMEWORK

The conceptual framework for retailing influenced by marketing intelligence is shown below,



The above conceptual framework ensures that the vital quality of trust permeates the organization and facilitates the establishment of a mutually-oriented business relationship or the maintenance and strengthening of pre-existing relationships. Trust (inner) refers to working relationships among the organization’s own staff, Trust (outer) to staff-customer interaction and

what happens at the interface between the organization, its partners and its customers. Key staffs are responsible for such inputs to the system as marketing intelligence and market research and such outputs as customer service or public relations, while others deploy strategic marketing tools and concepts to identify unmet customer needs and devise marketing strategies accordingly. The net outcome is a customer relationship management policy that embraces a holistic appreciation of what marketing intelligence represents.

## **CONCLUSION**

Working relationships between members of the marketing channel are the key feature of retailing. Trust is a crucial element in the development and maintenance of productive relationships. In devising a retail marketing strategy, planners should give adequate attention to such issues as understanding the motivations of the members of the marketing channel and working with them towards achievement of their objectives, especially when cultural differences intervene in the international environment. They need to take equal care over devising and implementing customer service policies that ensure that the expectations of customers are met. The relationship marketing approach should be viewed as an integrating force, easing the task of implementing a marketing strategy and gaining a sustainable competitive advantage for the organization. The organizational resilience value system framework can be used by marketing managers to link the organizational learning concept to relationship marketing, and is a step towards an effective customer relationship management policy. By reducing the level of organizational vulnerability, planners can devise marketing policies capable of maintaining the organization's standing in the market.

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