A theoretical proposal for the emergent hybrid marketing model

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ABSTRACT

In this paper, the authors propose the framework for research attempts to explore and analyze the types and nature of industries, products and/or services whereby the traditional marketing model is giving way to new hybrid models. Specifically, it will focus on exploring and understanding the characteristics of hybrid models that are currently in existence, developing and validating a proposed generic theoretical hybrid marketing/trading model, analyzing the underlying driving forces or factors behind the emergence of the hybrid marketing/trading model, and analyzing the relationship between performance and this new hybrid marketing/trading model.

In addition, through the proposed qualitative analysis, the research will reveal insights into the issues surrounding the transitions organizations make in moving from a traditional marketing (or trading) model to the hybrid marketing/trading model. This will lead to a greater understanding of the consequent changes to the organizational structure and the new staff skills and competencies needed to make this transition.

Keywords: Marketing Model, Qualitative, Hybrid, Trading Model, Emerging

INTRODUCTION

Traditional Marketing and Trading – Separate Models

Marketing is defined as "a process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others" (Kotler & Armstrong 1997). Core concepts of marketing include "needs, wants, and demands; products; value, satisfaction, and quality; exchange, transactions, and relationships; and markets. This is the definition of traditional marketing in this proposal.

Traditional marketing, as a functional discipline, encompasses the areas of (A) strategic marketing, (B) tactical marketing, (C) administrative marketing, and (D) transformational marketing (Kotler 1999).

At the highest level, strategic marketing involves the identification of market opportunities and the development of targeted value offerings leading to the establishment of value propositions and building of brand equity. These lead to tactical marketing issues such as the development and use of market intelligence, the design of the marketing mix, the acquisition, retention and growth of customers etc. Central to traditional marketing is the establishment of brand equity through the development of value propositions. The establishment of a "brand" occupies the core of traditional marketing.

The concepts usually associated with trading have a surprising overlap with those of traditional marketing. Trading also refers to "needs, wants, and demands; products; value, satisfaction, and quality; exchange, transactions, and relationships; and markets". However, the emphasis on each of the above concepts is very different.

Three generic competitive strategies have been proposed: cost leadership, differentiation, and focus (Porter 1985). In today's context, the competitive strategy adopted by most traditional marketing-type organizations is that of product/service differentiation or differentiation focus. Consequently, traditional marketing strategies usually focus on some combination of value, satisfaction, quality and/or relationships to act as product or service "differentiators".

However, trends in the business environment, including globalization, diversity, ethics, technology, the emergence of free-trade clusters etc., are putting intense pressure on these differentiators. Many products and services which start out as differentiated slowly but surely become commoditized over time. When this happens, traditional marketing gives way to trading; concepts like satisfaction, quality and relationships begin to fade in relative importance and value (and, ultimately, simply "price") begins to dominate. In the trading of commodities, there is no "brand equity". In this sense, trading business models are fundamentally different from marketing business models.

Traditional Marketing and Trading – Combining the Models

Traditional marketing and trading are typically seen as two distinct and incompatible business models. The organization structure and staff competencies of traditional marketing-based and trading-based organizations are very different.

A typical traditional marketing organization will have a marketing department and a marketing budget. Marketers will attempt to segment the market, and establish the optimal price/volume mix. The organization will attempt to differentiate itself from competitors by establishing a brand. Understanding and meeting the specific needs of customers will be a central tenet of behavior by a traditional marketing organization.

In contrast, a typical trading organization does not have a marketing department or marketing budget. A trading organization assumes that it has no price setting ability i.e. it assumes the existence of a "market-price" (typically established by an exchange mechanism or some form of published indices). There is no focus on brand equity, and the assumption is that the customer wants or needs only the standard specification of the product/service as defined by the exchange mechanism.

The differences between traditional marketing and trading results in a bipolar world whereby organizations are typically organized around one model or the other. This extends to the organizational culture, organizational structure and to the skills and competencies of staff in these organizations.

However, there is some empirical evidence supporting the rise of hybrid marketing/trading markets whereby products and/or services take on the characteristics of both a differentiated product as well as that of a commodity. As such, the hybrid marketing/trading business model is a blend of the traditional marketing model and trading model – where value propositions and brand equity dynamically interact with pricing and the exchange mechanism of commodities. In hybrid marketing/trading markets, the value proposition and brand equity co-exist with pricing and the exchange mechanism.

In such markets, it is postulated that a hybrid marketing/trading business model is more appropriate, more effective, and ultimately, more competitive that either a traditional marketing business model or trading business model.

Several hypothesized drivers for the emergence of a hybrid marketing/trading market include the following:

- The emergence of a rudimentary (but not fully developed or fully transparent) exchange mechanism.
- A heavy emphasis on physical delivery and consumption of the product or service (as opposed to "paper" deliveries and consumption).
- A history of traditional marketing by the main suppliers of the product or service.
- Extent of Standardization.

Four fundamental issues define and distinguish marketing from other fields, and which "compel further research" (Day & Montgomery, 1999):

- How do customers and consumers really behave?
- How do markets function and evolve?
- How do firms relate to their markets?
- What are the contributions of marketing to organizational performance and societal welfare?

The focus of this theoretical proposal is (1) to explore and understand the characteristics of hybrid models that are currently in existence, (2) to develop and validate a proposed theoretical generic hybrid marketing/trading model, (3) to analyze the underlying driving forces or factors behind the emergence of the hybrid marketing/trading model, and (4) to analyze the relationship between performance and this new hybrid marketing/trading model, so as to address the four fundamental issues which compel research in marketing.

LITERATURE REVIEW

Theoretical Framework

The underlying theoretical framework for the hybrid marketing/trading model is built primarily upon the following three papers (with support from 10-20 other papers cited in this proposal):

- Achrol (1991), Evolution of the Marketing Organization: New Forms for Turbulent Environment. Journal of Marketing.
- Levitt. (1983), The Globalization of Markets. Harvard Business Review.
- Vargo & Lusch (2004), Evolving to the New Dominant Logic for Marketing. Journal of Marketing.

The first article (Achrol 1991) is of interest due to the seminal work done by Achrol in putting forth a vision of new, archetypical forms of marketing organizations in the context of turbulent environments – the Marketing Exchange Company, and the Marketing Coalition Company. This visionary paper was published more than 10 years ago. In practice, Achrol's archetype organizations have not fully manifested yet. At the moment, the authors are empirically observing the transition of some organizations from the traditional marketing model to new models resembling what Achrol had proposed in his paper.

Achrol characterized the "more uniformly developed world" (Achrol 1991) in terms of an increase in (1) diversity, (2) knowledge-richness, and (3) turbulence. As a consequence, Achrol proposed two archetype organizations that will supplant the traditional marketing organization: that of the (1) Marketing Exchange Company, and (2) Marketing Coalition Company. The marketing exchange company is trading focused, with many of the characteristics of the current Japanese trading houses. The marketing exchange company is essentially the trading company. In contrast, the marketing coalition company is an evolved form of the traditional marketing organization, with focus on coalitions inside and outside the organization. The marketing coalition company is a form of evolved traditional marketing model.

The second article (Levitt 1983) is overtly less research-oriented than the first. Nevertheless, it, too, is a visionary piece of work in its bold vision of what is to come. Although less theoretical, Levitt's vision seems to have come to pass to some extent.
Levitt presented the view that the globalization of markets inevitably lead to the commoditization of goods and services, thereby conceptually striking at the core of marketing. In practical reality, Achrol's and Levitt's descriptions may be the extremes in a continuum of possibilities. Both trends are at play – the marketer who attempts to create competitive advantage through differentiation or customization, and the pseudo-marketer who attempts to compete via economies of scale or price. These two opposing strategies engage in a see-saw battle for supremacy, each undermining the other, and bringing both towards the fulcrum – the central battleground. It is in this central battleground where the paradox of marketing and trading meet. The ability to differentiate is an underlying assumption of much of marketing; the commoditization of goods and services is a fundamental tenet of trading.

Conceptually, the two papers above overlap and contradict each other at a micro-level on some areas. However, at a macro-level, they seem to complement and reinforce each other. The authors intent to further the work done by Achrol and Levitt, and to investigate and propose a rigorous theory of the evolution of traditional marketing organizations into hybrid marketing/trading organizations.

The third paper (Vargo & Lusch 2004) is a very new paper whereby the authors propose a "new logic" for marketing – an enhanced and evolved form of traditional marketing for the future. It recognizes some of the pressures on the traditional marketing function cited by both Achrol and Levitt, and addresses them through the "new logic".
Vargo and Lusch's conceptual model does not directly address the alternative trading model (as Achrol did), nor does it propose a model similar to Achrol's marketing coalition company. However, it does propose another way for the traditional marketing model to adapt and change to meet the challenges of the future. Conceptually, this is very important as this offers another alternative to the marketing exchange/marketing coalition archetypes proposed by Achrol, as

well as a counter-reaction to the commoditization proposed by Levitt. The "new logic" for marketing is another form of evolved traditional marketing.

New Theoretical Contributions

The conceptual ideas of Achrol, Levitt and Vargo & Lusch result in an existing framework for the evolution of traditional marketing to potential new models of marketing. This is as indicated in Figure 1 (Appendix).

The theoretical contribution of this proposed research will be modification of this existing framework to a new framework that includes the hybrid marketing/trading model. The existing theoretical concepts around traditional marketing revolve around the ideas of value propositions, brand equity, the marketing mix (the 4 Ps) and the traditional marketing strategies revolving around quality, price, market share, customization etc. This concept is distinct from the emerging concepts that have been proposed. In trading, the theoretical concepts focus on goods, economies of scale, price only, common specifications, liquidity, transparency etc. In new logic, the theoretical concepts move to a focus on service only (e.g. where even goods are defined in terms of the service they provide), with evolved and enhanced forms of marketing involving networks and cross-functional integration with other functions. In marketing coalition, a network of strategic alliances is created, each specializing in a particular aspect of providing the goods and/or services. Conceptually, these models are distinct, each with its own internally consistent logic and its own organizational perspective of the outside work in which the organization operates.

The hybrid marketing/trading model – in contrast – is a model that takes into account the added dimension of time and incremental change. It is hypothesized that the forces (or factors) driving the change from traditional marketing act differentially, at different pace, in different directions, and with different strengths. The consequence then is a hybrid model whereby organizations have to apply a mix of models, of a blend of characteristics that blur the line between the various models.

The first part of this theoretical proposition is exploratory. It seeks to explore empirically the nature and characteristics of organizations that have or are evolving to the new logic and/or marketing coalition models. At the same time, the research will explore the validity of a new framework (as indicated in Figure 2 (Appendix) that integrates the trading, new logic and marketing coalition models into the hybrid marketing/trading model.

Further Theoretical Developments In "New Logic"

In response to Vargo & Lusch's (2004), several other researchers have added to the pool of knowledge by further refining the basic concepts around "new logic". These include the following papers:

Day (2004), Achieving Advantage with a New Dominant Logic, Journal of Marketing.
Deighton & Narayandas (2004), Stories and Theory, Journal of Marketing.
Prahalad (2004), The Co-creation of Value, Journal of Marketing.

It was observed that many customers only enter into a few deep relationships (Day 2004). Here, Day peripherally touches upon the issue of mixed (i.e. hybrid) models where both product-centric and service-centric logic will have to co-exist in most markets (the service-centric concept is a key tenet of Vargo and Lusch's "new logic"). However, Day does not go further than that. A natural extension of Day's line of reasoning is that a pure new logic model cannot fully meet the requirements of the larger market, and that the new logic model – in its pure form – can only meet the requirements of a part of the market – the few deep relationships which customers are prepared to go into. If the authors visualize trading as a form of evolved goods-centric marketing, and new logic as an evolved service-centric marketing, then the authors have the basis for a broader, more generic theory for the evolution of marketing. In fact, it is precisely the point that Day made – that many customers only enter into a few deep relationships – that suggest that the corollary has to be addressed: the many customers who do not want to enter into deep relationships with the rest of the organizations which they interact with. In this way, reconciliation is needed, whereby the new logic organization (to "a few customers") is also a trading organization (to the "the rest of its customers").

This is the basis for the hybrid marketing/trading model which this proposed research will focus on. A comparative case study illustrating (and contradicting) Vargo and Lusch's new logic model was presented based on SaleSoft and Siebel Systems (Deighton & Narayandas 2004). Again, there is empirical evidence for strong support for the new logic model, but only in particular situations whereby a customer truly wants a service and not a product. By focusing on Vargo and Lusch's paper, Deighton & Narayandas come close to the issue of mixed (i.e. hybrid) models, but, like Day, fail to extend the concept to the larger picture. There is some link between a "deep relationship" (Day 2004) with a customer and the true preference for a service as opposed to a product (Deighton & Narayandas 2004). Even in this paper, the natural extension of the conclusion is that the new logic model in itself is not adequate to meet the requirements of the larger market. The new logic model is a specialized successor to the traditional marketing model, but only under certain circumstances. In itself, it is not complete and it is not adequate.

It was argued that Vargo and Lusch do not go far enough with the new logic model (Prahalad 2004). If the premise is that organizations are the ones to decide on how and what to engage with the customer, then the framework is firm centric rather than purely service-centric. Prahalad argues that customers themselves will want to set the rules of engagement. Prahalad's point reinforces the hybrid marketing/trading model – customers will have some say regarding how and what to engage with the organization. As such, a pure new logic model is unlikely to be the only way that all customers want to be engaged with organizations. Hence the role of the trading model, and the hybrid that mixes the models.

All the above papers do not address Achrol's marketing coalition model. Again, this reinforces the view that the new logic model is incomplete.

Further Theoretical Developments In "Trading"

The various papers cited above (all very recent) all refer to the new logic model that arises from Vargo and Lusch's paper. However, there have been no recent papers that address developments on Levitt's paper, nor of Achrol's archetypes.

"Time" has been proposed as a new stage of competitive development (Kotler & Stonich 1991). In traditional marketing, competitive development is typically classified into three categories: (1) cost reduction, (2) differentiation, and (3) quality. To these, Kotler and Stonich added a forth: (4) Time. They argue that time can in fact be the tie breaker in situations when cost, differentiation and quality are evenly matched. It is interesting that Kotler and Stonich applied traditional marketing frameworks to situations where the goods or services are matched in cost, differentiation and quality. From another perspective, goods or services that are evenly matched in cost, differentiation and quality are essentially commodities. By introducing the element of time, Kotler and Stonich have effectively moved from the traditional marketing model to the trading model. Again, this is an incomplete framework, and arises more from an attempt to incrementally evolve traditional marketing".

"Time" has also been described as a strategic weapon equivalent to money, productivity, quality and innovation (Stalk 2001). To illustrate his points, Stalk used the example of the evolution of the nature of Japanese competitors: from the use of (1) low labor costs to (2) economies of scale (to increase productivity and raise entry barriers) to (3) focused factories (niche production, simplification of processes and reduced product range) to (4) flexible factories. The exploitation of flexibility hinges on time - "…strategies based on the cycle of flexible manufacturing, rapid responses, expanding variety, and increasing innovation are time based" (Stalk 2001). The marketing/trading hybrid model allows for time-based manufacturing through the use of trading as a flexible manufacturing asset. Time-based sales and distribution is also an inherent part of trading, to complement traditional marketing methodologies. The free-flow of information inherent in a trading/exchange system allows for faster innovation and adaptation.

Time (and speed) is an intrinsic part of trading, and will feature as a part of the hybrid marketing/trading model. There have been proposals for a move towards standardization, with less segmentation and adaptation of products (Levitt 1983), and arguments that there are in fact circumstances whereby a "multinational can gain through increased standardization… and circumstances where this strategy would hurt the company" (Kotler 1986). Kotler recognized that a trading model is a possible consequence of an evolved traditional marketing model. Kotler proposed a decision process as follows:

"Under what circumstances can a company in Country X sell its product in Country Y without changing product, promotion, price, or place and earn a good return?"

Kotler postulated the following decision process for addressing this issue:

- Does this product have an international market? (If no, option 1 ➔ US only)
- Can we succeed with one product for the whole world?
- If yes, option 2 ➔ find a universally good name, packaging, colors advertising theme etc.
- If no, option 3 ➔ develop national or regional product designs and marketing programs.

Significantly, standardization (i.e. trading model) is the default option, with segmentation and adaptation applied only when certain criteria are met.

Kotler provided several reasons for the drive towards standardization:

- The extent to which customers in different countries want or require special product features ➔ Product Dissimilarity.
- The extent to which customers in different countries vary in their resources and buying behavior ➔ Buyer Behavior Dissimilarity.
- The extent to which environmental factors vary, such as government regulation, climate, competition etc ➔ Environment Dissimilarity.

The hybrid marketing/trading model directly addresses the above constructs. The multi-dimensional aspects of the above suggest that there is no clear line dividing traditional marketing model from the trading model. Different industries (and hence, organizations) occupy different positions in the three orthogonal dimensional "space" defined by the above constructs. In addition, products, buyer behavior and the environment evolve over time. Time then acts as a 4th orthogonal dimension, a 4th construct that influences the appropriate model.

Impact On Organizational Structure

Another missing aspect of the recent research in this area is the impact of the new models on organizational structure (and vice versa). Achrol's paper had strong organizational development content in that Achrol started with his proposed archetype organizations which then led to different business models. Achrol did not start the other way around i.e. he did not start first with new business models, and then try to reconcile these with organizational structure. Levitt's paper is almost completely silent on organizational structure. The more recent papers on "new logic" focus more on the business model, with less emphasis on organizational structure.

In order to bridge this divide, this proposed research will also address some issues around organizational structure. Several forms of hybrid organizational structures, their strengths and weaknesses, and relevance and applicability vis-à-vis the nature of their respective businesses have been proposed (Powell 1987). In this paper, Powell talks about the separation between markets and formal organizations, and how a less rigid distinction between markets and formal organizations can lead to the discovery of new forms of co-operative arrangements. This paper offers some preliminary ideas on how hybrid models can be put in practice, and how a reconciliation of the overtly distinct "Trading" model and "New Logic/Marketing Coalition" model can be achieved in hybrid organizational structures.

Another area for consideration is the extent of customization, and the depth to which it applies. In the paper "Making mass customizations work" (Davis & Stanley 1994), Davis draws a distinction between:

- The mass customization of products and services, vs.
- The mass customization of markets, vs.
- The mass customization of organizations.

Davis' and Stanley's contention is that we are in the "maturity" stage of the mass customization of products and services, in the "growth" stage of the mass customization of markets, but still in the "gestation" stage of the mass customization of organizations. The hybrid marketing/trading model includes this theoretical concept of this distinction.

As the role of "traditional marketing" evolves to "trading", "new logic", "marketing coalition" or the hybrid marketing/trading model, new skill sets and competencies are required within organizations. There is therefore a mutual interplay between (1) the development of these new skill sets and competencies towards the transition from old models to the new models, and (2) how the new models influence the need for new skills. It is proposed that as much as new skills and competencies accelerate the successful transition from old models to new models, the persistence of old skills and competences have the opposite effect i.e. that of inhibiting the transition from old models to the new models. In (Shugan 2004), Shugan questions whether the marketing function is important in the service-centric organization, and whether other functions can claim greater relevancy. The implicit suggestion – which will also be addressed as part of this proposed research – is that in "new logic" and "marketing coalition", the relevancy of marketing (as a functional discipline) is diminished, with the marketing function having a greater need to co-exist with other functions such as finance and operations. By the same token, there can be a case to argue that even in the "trading" model, the relevancy of the marketing function is diminished. After all, with commodities, what is there to market? These issues need to be addressed in order to have a more complete picture of the performance of hybrid market/trading models. They are also an integral part of the hybrid marketing/trading model.

THE PROPOSED HYBRID MARKETING/TRADING MODEL

The proposed hybrid marketing/trading model is built upon the premise that new business models should take the approach of "mass-customize as much as necessary but as little as possible" (Davis & Stanley 1994). The hybrid marketing/trading model treats the trading model as the "default" model (implicit in (Kotler 1986)), but with the requirement to actively test and push the extent to which (1) traditional marketing, (2) "new logic" (Vargo & Lusch 2004), or (3) marketing coalition (Achrol 1991) models can apply.

The hybrid marketing/trading model is summarized as follows:

- Start with the assumption that the produce/service is a commodity:
- Meet the minimum product/service standard requirements of the industry (e.g. an industry "standard specification").
- Focus on "price, price, price".
- Establish economies of scale and efficiencies by complementing manufacturing with trading.
- Establish flexibility and speed of response.

The business model will have to be robust in the baseline case where the product/service is a commodity. The organization will have to be established and focused on providing a product/service that is a commodity.

- Test the extent and size (in terms of customer segmentation) to which the product/service can be marketed as "not a commodity" i.e. establish the "location" of the produce/service in the following 4-dimensional "space":
- The extent to which customers want or require special product/service features ➔ Product Dissimilarity.
- The extent to which customers vary in their resources and buying behavior ➔ Buyer Behavior Dissimilarity.
- The extent to which environmental factors vary, such as government regulation, climate, competition etc. ➔ Environment Dissimilarity.
- The extent to which time is valuable to the supplier and customer ➔ Time
- Establish the appropriate alternative to the trading model for this segment
- New logic focus on services?
- Marketing coalition?
- Traditional marketing?
- Establish a segment where the appropriate alternative to trading is applied.
- Reconcile and integrate the "core" trading segment with the "upper layer" alternative marketing segment in terms of organization vision, structure, and staff competencies.

The hybrid marketing/trading model is therefore a "trading plus" model. That is, the baseline model is the trading model, but with an "upper layer" of traditional marketing/new logic/marketing coalition added in. The depth (thickness) of this "upper layer" relative to the trading "core layer" in terms of percentage of sales, revenue, margin, or number of customers will vary from industry to industry. The hybrid marketing/trading model requires the active identification, pursuit and establishment of this "upper layer", and the reconciliation of this "upper layer" to the "core layer" in terms of organization vision, structure and staff competencies. Validating the above proposed model represents Part 1 of this theoretical proposal.

The reconciliation and integration of the "upper layer" and "core layer" is not necessarily a trivial task. The assumption here is that existing organizations are not starting from a blank slate i.e. existing organizations are already adopting a model, be it traditional marketing or trading (or even new logic or marketing coalition). There can be significant differences and contradictions in organizational vision, structure and staff competencies for organizations optimized for the pure trading model and pure marketing (be it traditional, new logic or marketing coalition) model.

Moving a trading oriented organization to a hybrid marketing/trading model will require changes in paradigms. This is possibly easier and more likely to succeed than the reverse (i.e.

moving a traditional marketing oriented organization to a hybrid marketing/trading model). One reason is that the hybrid marketing/trading model adopts the trading model as the default, with marketing elements build on top of the trading model as an "upper layer". With this change, the "core" is largely unchanged – new competencies are added the existing "core". Another reason is the empirical evidence of "vertical (marketing) activity devolution" (Harris & Ohbonna 2003) – with marketing activity dispersed to the entire organization rather than concentrated in a specialized marketing department. There is empirical evidence that it is possible to inculcate marketing thinking to the extended organization.

Moving a traditional marketing oriented organization to a hybrid marketing/trading organization appears more problematic because the "core" of the hybrid marketing/trading model is the trading model, with new competencies largely replacing the existing "core". Of course, the move will also likely run into opposition by the existing power structures Exploring the extent and characteristics of existing hybrid models, and understanding the extent of reconciliation and integration represents Part 1 of this research.

METHODOLOGY AND METHODS

The authors proposed statement of research question is as follows: "What are the (business model) characteristics of existing hybrid models and how do these existing hybrid models compare with the proposed generic theoretical hybrid marketing/trading model; what are the underlying forces driving the traditional marketing towards the hybrid marketing/trading model, and what is the relationship between performance and existing/new models." A common thread running across the research questions is the issue of how organizations transition from one model to another.

The current gap in knowledge centers around (1) the current lack of in-depth understanding of the extent of hybrid models already in existence and the business model characteristics of these existing hybrid model, and (2) the lack of understanding of the forces driving the transition from existing traditional marketing model to the new model.
The authors envisage the proposed research to be made up of three main parts:

- Part 1: Qualitative research exploring and understanding the extent and characteristics of existing hybrid models, and how these models compare to the proposed generic theoretical hybrid marketing/trading model.
- Part 2: Quantitative research into the underlying forces driving traditional marketing model towards the hybrid marketing/trading model.
- Part 3: Quantitative research into the relationship between performance and existing (traditional marketing and trading) and hybrid models.

The first two parts are fairly well-defined and pre-structured at this point in time. The third part is less specific at this point in time, and will be developed as the research into Parts 1 and 2 progress and unfold.

Proposed Research Part 1

Exploring and understanding the extent and characteristics of existing hybrid models, and how these models compare to the proposed generic theoretical hybrid marketing/trading model. A qualitative research methodology will be adopted for part 1 of the proposed research. There are two sub-parts of part 1: (A) exploring and understanding the extent of organizations adopting hybrid models, and (B) exploring and understanding the characteristics of these hybrid models and comparing the existing hybrid models to the proposed theoretical hybrid marketing/trading model. Clearly, the sample populations for these two sub-parts are different.

For (A), a large and broad population will be selected, cutting across industry and size. Interviews and basic research into their marketing models will be conducted, but not in depth. The intent of (A) is simply to identify which organizations adopt some form of hybrid models. To do this, a clear and specific definition of what constitutes a hybrid model (as well as what constitutes a traditional marketing and trading model) will be needed. This will be the initial work of the research for Part 1. The interviews will focus on describing the organizations' existing marketing models with the objective of classifying them into one of four broad categories – traditional marketing, trading, evolved marketing (e.g. new logic or marketing coalition) or hybrid. The outcome of this phase of Part 1 will be the qualitative exploration and understanding of the extent to which organizations have adopted hybrid models.

For (B), a sub-set of the samples interviewed in (A) will be drawn out. The intention is to select only the organizations that are already adopting a hybrid model. For this group, in-depth interviews and case studies will be conducted. The interviews will focus on establishing an in-depth understanding of the specifics of the hybrid models adopted by these organizations. Due to the depth of knowledge and understanding required, the number of interviews and case studies will inevitably be limited i.e. the "sample" size will be small (as is true for most qualitative research).

A consequence of this approach is the potential questions or challenges over the applicability of the research findings beyond the cases which will be studied. Precisely because the qualitative research will be conducted in the context of the broader enterprise and overall managerial strategies, there is a question over the extent of the applicability of the research findings to companies other than the cases to be studied. There can – rightfully – be challenges to the extent to which these research findings can be generalized. This is a valid challenge. To mitigate this, our proposed target population will be companies (and industries) that are broadly dissimilar on several dimensions:

- Goods vs. Services.
- Size
- Maturity

For practical and access considerations, the ideal selected population above has to be limited by what is reasonably achievable. As such, the selected population will be limited to (1) organizations based in Singapore and (2) organizations that have marketing departments based in Singapore, and (3) organizations which the authors reasonably expect to be already applying some form of hybrid models. These are practical considerations that tend to undermine the quality of research, but are essential to make the proposal more achievable.

The specific samples which I intend to draw from include the following:

- Marine Bunkers industry in Singapore.
- Chemicals industry in Singapore.
- Temporary workers sourcing industry in Singapore.
- Engineering consultancies industry in Singapore.

Of course, these will also form part of the larger sample which the authors will be using for (A) of Part 1 of this proposed research. In addition, it is entirely possible that the conduct of (A) of Part 1 will reveal many more possibilities for (B). But, for the purpose of this research proposal, the authors list down four specific examples of organizations for (B) of Part 1 to give assurance that (1) hybrid models do exist, and (2) the authors can gain access to some of these existing hybrid models.

The Marine bunkers industry in Singapore is a mix of manufacturing and services. At one extreme are integrated players who participate in the entire value chain from manufacturing to sales. At the other extreme are "merchant" players who chose to participate in only one part of the value chain (e.g. only manufacturing, or only sales and marketing etc.). The industry is mature in Singapore, and the players range in size from very small to very big. Singapore is also one of the major global bunkering ports, and hence all the major players have bases in Singapore.

The Chemicals industry is similar to the bunkers industry in terms of its vast presence in Singapore (Singapore being the chemicals hub in Asia outside of the Middle East). It is less mature than the bunkers industry, with a shorter history. It is also more strongly manufacturing focused, with a highly percentage of integrated players and less of service-only models. Players tend to be bigger in this industry.

The temporary workers sourcing industry in Singapore is fairly new. This is a purely service industry, and the players are typically very small. The engineering consultancies industry in Singapore is fairly well established. However, it has diversity in terms of maturity – there are both established companies, and newly created companies. There is also a constant flow of new entrants into the market.

The above choices are selected based on the criteria cited above. In addition, they are industries which the authors would be able to obtain data from.

Proposed Research Part 2

Understanding the underlying forces driving the existing model of traditional marketing model towards the hybrid marketing/trading model.

The hypothesized underlying forces driving the existing model of traditional marketing model towards the hybrid marketing/trading model is represented as indicated in Figure 3 (Appendix). These include, in broad categories – (1) product/service dissimilarity within the industry, (2) buyer behavior dissimilarity within the industry, (3) environmental dissimilarity, and (4) time. It is also hypothesized that organizational characteristics act as a counter-driving force against this change due to the inertia that existing organizations will have as a result of history, culture and existing staff skill sets.

This represents an initial view on the various hypothesized driving factors. Through further research, this may be changed or amended. This initial view has been derived from the existing literature, plus personal direct work experience in the bunkers and petrochemicals industries.

The proposed research will attempt to quantitatively measure and verify the hypothesized driving factors through the use of questionnaires. By empirically establishing the driving factors for the change from the existing model to the new model, it will be possible to make broad predictions on the nature of organizations that will face pressures to make this transition, and the extent of this pressure.

Examples of specific questions to be posed to the sample in the questionnaires will include the following:

- How will you describe your existing marketing model – choice of (1) traditional marketing, (2) trading, (3) hybrid? (The broad definitions/descriptions of each choice will be given).
- To what extent is your industry product-oriented (as opposed to service-oriented)?
- To what extent does the technology associated with your industry allow for scale advantages?
- To what extent does the technology associated with your industry allow for customization of product or service?
- To what extent is your product or service “standardized”?
- How transparent is the market for your organization’s product or service?

The design of the questionnaire will require refinement and will be a key focus of the research itself. The selection of respondents will focus on organizations which are already adopting some form of hybrid model (as ascertained in Part 1 of this proposed research) as this will allow for the determination of the forces that drove these organizations to move to their existing hybrid models.

Proposed Research Part 3

The proposed research will also attempt to quantitatively measure the relationship between performance and model used. It is premised that within each industry, there could be players who are adopting different models – traditional marketing model, trading model, evolved marketing models (e.g. new logic or marketing coalition) and hybrid models. By carefully classifying the business model used into these four broad categories and objectively measuring performance (through commercial and financial indices), it will be possible to draw some empirical correlation between business model and performance.

Examples of specific questions to be posed to the sample in the questionnaires will include the following:
What performance indicators do you use to measure your business performance – choice of (to be further refined) (1) Sales volume, (2) Sales growth, (3) Margins, (4) Cash, (5) NIAT, (6) Return on Investment, (7) Return on Equity, (8) Market share, (9) Others?
On a scale of (say) 1-5, how will you rate your current performance?
On a scale of (say) 1-5, how will you rate you current performance relative to industry peers?
The design of the questionnaire will require refinement and will be a key focus of the research itself.

MODEL TRANSITION

Here the authors investigate how organizations should be structured to successfully make the transition from existing models to the new hybrid model?

A common thread running across all 3 parts of the proposed research will be the issue of the transition that organizations make in moving from one model to another. This is a qualitative follow-up to the first 3 parts of the research.

The staff competencies link to the existing/future models is crucial because of their potential mutual interactions i.e. the existing or future models is potentially as much driven by the competencies of existing staff as the reverse (where existing or future models drive staff competences).

Examples of specific questions to be posed to the sample in interviews will include the following:

- Describe your organization before the transition.
- Describe your organization after the transition.
- Do you consider the transition a success? Why?
- What were the main challenges faced during the transition?
- Given hindsight, what will you do differently in the future?

The design of the interview questions will require refinement and will be a focus of the research itself.

LIMITATIONS

The authors have broken down this proposition into three broad parts in an attempt to improve the robustness of the research outcome. By modularizing it and balancing a more researchable questions (parts 1 and 2) with a less researchable but potentially very valuable questions (part 3), the authors hope to reduce the risks associated with partial inability to meet or complete any single part.

Part 1

Exploring and understanding the extent and characteristics of existing hybrid models, and how these models compare to the proposed generic theoretical hybrid marketing/trading model.

The first part of our research objective should be quite practicable. Basic exploratory research plus short interviews should be able to reveal the existence of hybrid models in existing organizations. The key is to be able to target a broad range of organizations in as random a way as possible. This is a qualitative approach, so there is no real need to quantitatively randomize the target population. The objective is to qualitatively explore and understand the extent of hybrid models at this point in time. Understanding the details of existing hybrid models will be more difficult, but it should be doable in view of our knowledge of existing hybrid models and data in these existing organizations with hybrid models.

Part 2

The underlying forces driving the existing model of traditional marketing model towards the hybrid marketing/trading model.

The second part of this research question and the methodology involved is quite practicable and realizable within the 2-3 year time frame. The establishment of driving forces pressuring the change from existing models to new models should be reasonably researchable via the use of questionnaires. There is little sensitive or proprietary information involved, and a fairly range of organizations can be targeted – locally and internationally, in various industries of different sizes, and in goods and services. The constraint on sample size is the pool of organizations that are already adopting hybrid models. While the size of this pool is not known with certainly at this stage, it does not seem unreasonable to make the assumption that substantial numbers of traditional marketing organizations have adopted some trading activities to some extent in the face of commoditization, competition and globalization. As such, there should be a large enough sample size to be obtained for meaningful quantitative statistical analysis. However, the theoretical contribution will be more limited – primarily to the building and developing of the hybrid marketing/trading model, plus empirically establishing the forces driving this change. By building a model and establishing the driving forces, a theory with some ability to make predictions can be established.

Part 3

The ability to establish an empirical relationship between performance and the various models is potentially far more valuable from an application and practical point of view. The methodology – again quantitatively via questionnaires is doable. However, it may be difficult to obtain sufficient sample size where sensitive information such as performance is required. A quantitative approach is preferred, but this only possible if a sufficiently large sample size can be obtained. The theoretical contribution will be more significant (particularly from an application perspective, since performance and a theory around performance and predicting performance, is overtly more valuable to organizations and businesses). However, there could be limitations on sample size. It may be possible to convert the methodology into a qualitative method and focus on a few selected companies via case studies if an adequate sample size cannot be achieved.

CONCLUSION AND FUTURE RESEARCH

The question of why organizations will agree to assist in this research is important to address early in the research. The authors contend that these companies will find it very valuable (1) to understand the forces driving their transition from one model to another, (2) to be able to develop their own evolved model of marketing to meet the challenges facing their respective businesses and (3) to appreciate and quantify the relationship between performance and model. In addition, having recognized the limitations of their existing models, and having developed a view of the desired model, these organizations will also find it very valuable to understand the key success factors needed - in terms of organizational structure – to make the transition from one model to another.

The purpose of this theoretical proposition is to set the framework for empirical validation in the next phase and is intended to be a contribution to theoretical knowledge, and secondly, a framework for which practical applications and predictions can be made for individual organizations.

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APPENDIX

Figure 1: The Existing Framework of Evolution of Marketing Models

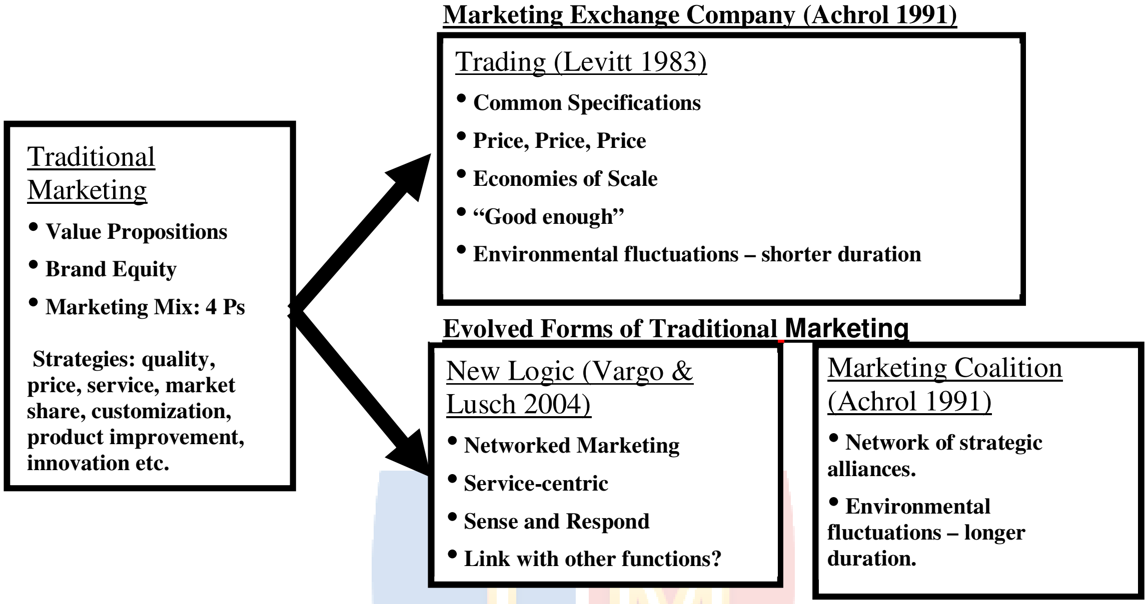

Figure 2: The Proposed New Framework of Evolution of Marketing Models

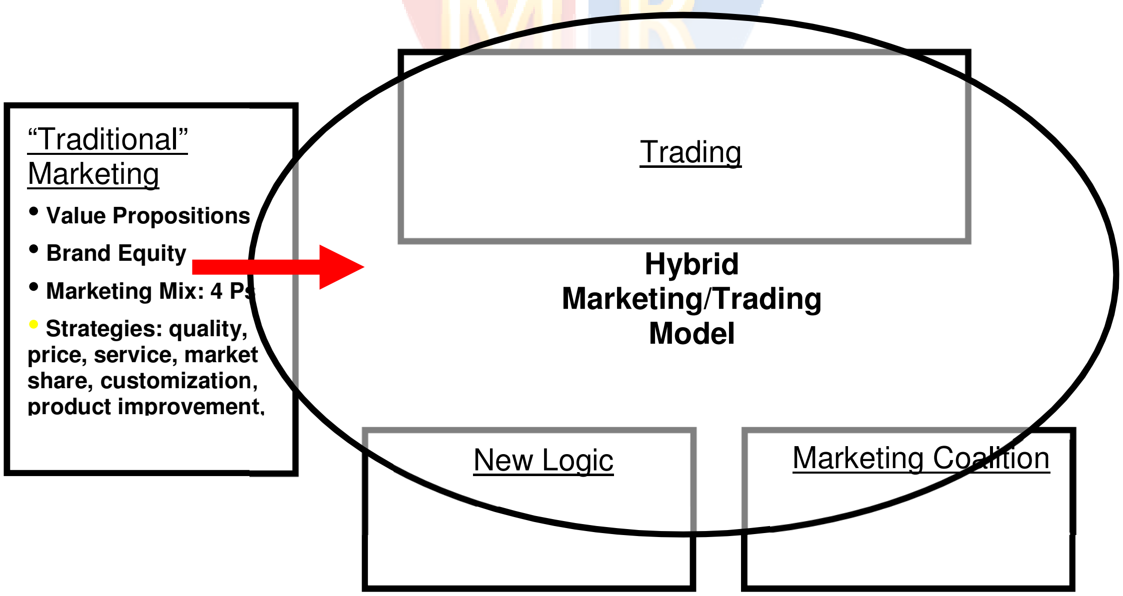

Figure 3: Determinants of the Hybrid Marketing/Trading Model