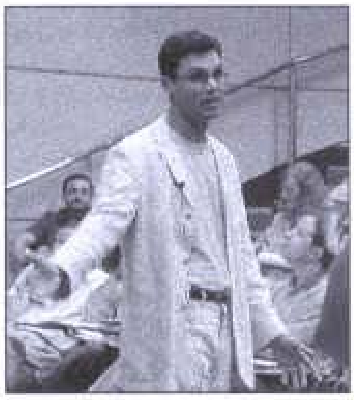
Why chief executives need to understand routes to market



This issue we continue our series of interviews with channel academics. Max Hotopf meets Nirmalya Kumar, professor of marketing and e-commerce at IMD.

Nirmalya Kurmar is an arresting figure. Tall, slim and elegant in a tailored Nehru suit, he sports a small, green cloth shamrock in celebration of St Patrick's Day. "My Irish students gave it to me," he says, seemingly unimpressed by Irish traditions.

Kumar is nothing if not international. Born and educated in India, he spent a dozen years in US academia before coming to Europe. Currently he is on sabbatical from IMD and working at the London Business School. Traveling to over 20 countries in an average year, he is just back from Tunisia, where he has been advising the decorative paints division of Akzo-Nobel on worldwide distribution and marketing strategies vis-à-vis global retailers.

"So what do you want to talk about?" he says, dropping half a dozen papers on the table in front of me. After a lifetime of teasing truths out of businessmen, academics are somewhat disconcerting. Press a button and they deliver their thoughts. When they go into lecture mode, it is a little like sitting with a human jukebox.

I flick through the articles. They range from how to build new channels to how to live with big retail. Kumar has also done a lot of work on trust and conflict in channels, based on a study of several hundred rather pugnacious motor dealers. Together with his mentor professor Louis Stern, he has produced seminal work on trust in routes to market. The publications of his work in The Financial Times, The Harvard Business Review and Journal of Marketing Research reflect his status.

Perhaps we could explore the ideas in his forthcoming book, I suggest. Entitled *Marketing - a CEO's perspective*, this looks at why marketing should be important to chief executives.

The first shock is that Kumar doesn't think that it is.

He says "Marketing has got sidelined. Chief executives are under time pressure. They delegate anything which doesn't call for their personal attention. Marketing has declined in importance because it is seen as tactical - simply a question of the four Ps - price, product, place and promotion. As a result, in the average company, the face time that the chief marketing officer gets with the CEO is relatively small, compared to the CFO or COO."

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But companies face several important transformational marketing challenges which, he argues, chief executives can't duck. "These are initiatives which anyone in marketing inside companies should be raising and leading, if they want to increase their profile," he points out.

To be worthy of the CEO's attention, transformational marketing initiatives must have three attributes. "They have to be cross-functional - so they can't just be delegated to a particular individual or department, they have to be strategic and they have to impact the bottom line."

Three of Kumar's high profile marketing transformations are related to routes to market. "Firstly, CEOs of branded products are beginning to understand that retailing has changed dramatically and that their companies need to re-engineer to meet this new reality," he says.

"Secondly, companies need to migrate from the channels of today to the channels of tomorrow, especially by mobilizing the Internet. A failure to move rapidly can have devastating impacts - look at how Dell has gained at the expense of Compaq."

The third area revolves around how product driven companies can transform themselves into solution providers. This, says Kumar, is not an easy step. "Yes, companies like IBM, Baxter Healthcare and WW Grainger have made this leap, but there is a whole raft of steps you need to take in order to make this move successfully."

Kumar reckons that many CEOs haven't yet appreciated what the growing power of large retailers means for their companies. "Put simply, you have to be the first or second brands in any given product category, otherwise you will end up competing with everyone else to manufacture the retailers own in-house brand. Unless you have a distinct value proposition, you can only differentiate on price." Brand deletion, SKU rationalization, and global customer teams, dedicated to individual retailers, are all part of this transformation.

Doesn't Kumar think the idea that retail is becoming global has been rather overdone? Look at how Walmart has stumbled in Germany. And many large retailers who have gone international are still buying locally. Maybe, says Kumar, but the trend is clear. "Today the top six retailers in the world account for 25% of the sales of Procter & Gamble. In a decade they will be half of P&G sales.