

MULTI LEVEL MARKETING INTEGRATION PROCESS MANAGEMENT

(Managementul procesului de integrare a marketingului MLM)

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Abstract

The paper's intention is to deal with the issues of the comprehensive multi level marketing integration. It is a conceptual view over the different aspect of the integration process on different levels. The author presents some basic principles of internal and external integration of the marketing inside and outside the business systems. In this regard the business organization network (BON) is also an object of approaching.

It is suggested an integration methodology to be used for the conceptualization and development of the -integration process. Another aspect of the paper is the presentation of models for vertical and horizontal markets and marketing integration beyond the boundary of the business systems.

Some of the problems of marketing networking process are also discussed in the article.

Keywords:

- Business organization network (BON);
- Marketization process;
- Marketing networks;
- Pan European Union market (PEUM),
- Transborder marketing integration.

Rezumat

Scopul lucrării este acela de a trata problemele integrării marketingului cu mai multe nivele. Reprezintă o opinie conceptuală asupra diferitelor aspecte ale procesului integrării la diferite nivele. Autorul prezintă câteva principii de bază ale integrării interne și externe ale marketingului înăuntrul și în afara sistemelor de afaceri. În această privință rețeaua organizațiilor de afaceri reprezintă de asemenea un obiect de cunoaștere.

Este sugerată folosirea unei metodologii de integrare pentru conceptualizarea și dezvoltarea procesului integrării. Alt aspect al articolului este prezentarea modelelor pentru piețele verticale și orizontale și integrarea marketingului dincolo de hotarele sistemelor de afaceri.

Câteva dintre problemele procesului rețelei de marketing sunt discutate în articol.

Cuvinte cheie:

- Rețeaua Organizațiilor de Afaceri (BON);
- Proces de marketizare;
- Rețele de marketing;
- Piața Uniunii Pan Europene (PEUM);
- Integrarea marketingului transfrontalier.

1. The methodological aspects of the marketing integration

The marketization is a process, starting in the new economies in the beginning of the 90^{es}. (Yankov, 2001) [1]. It is a process with different duration and scale and could be regarded as a tool for the development of the firms' marketing institutions (departments). The marketization is aiming to create market and marketing structures on all levels of the economy. The marketization is the strategic goal of every business system (organization). It makes the firm market-oriented and in consequence – market-driven. But in the case of the developing economies market oriented business organizations suffer from the backwardness of their national market development. Those markets do not appreciate the organizational efforts for improving products' quality, for investing money in advertising and for original sales promotions. In most of the cases at the end of the day the results decrease the organization standards and deform its motivation and even culture. Or one highly developed, proactive, market-oriented firm fails to flourish in a low developed market environment because the underdeveloped markets are not driving forces for its development. On the other hand, the highly organized (well structured) market stimulates and motivates the business organization's management institution to formulate competitive and customer strategies, to invest in the firm's image, to pursue excellence in products, services etc.

The marketization process facilitates the creation of proactive business organizations – with entrepreneurial spirit, anticipating the influence of diverse external and internal forces and simultaneously reacting to internal and external changes. It is including the procedures of internal and external marketing integration.

The survival in the post modern world depends not only on the quality and the creativity of the management and marketization process, but also on the comprehensive multi lateral and multilevel integration process. It concerns the internal and external integration of different business systems. Or the successful development of the business systems could run at least in two main streams, namely:

a)Internal (intra-organizational, firm) integration, which has the following levels: intra-functional (among the components of a function) and inter-functional (among the different specialized networks). As a whole it aims the internal and the external cohesion of a functioning system. The internal integration aims to achieve rational management structures and positive market results. It could be done in several stages, namely:

- Creating the network of every separate business organizational functions – e.g. production, supply, R&D, management, marketing etc.
- Connecting those functional networks into a developed business organization's network.
- Building an integral *business organization network* (BON) as an entity.

b)External (inter-organizational) integration in with different business systems and other organisations in alliances, clusters and networks are involved. This type includes horizontal and vertical integration with other business and non business formations. It has coordinated joint activities to execute and share goals to be achieved.

Nowadays it is obvious that one of the major functions of the modern and the post modern firm is the marketing functions. It is built-in in its functional structure by the marketization process.

The marketing function needs: a built and sufficiently integrated critical mass of components operating properly as a whole in a network; ability for self preservation; to prove its leading role within the business organization network; to be developed properly and redesigned whenever necessary; to be integrated with other internal and external business organization with other networks; to participate in the development process of BON. The marketing network could be regarded not only as an integrator but also as a motor of the whole business organization network. In this regard the basic model of the invariable components of an integrated marketing network looks as follows – figure 1.

The marketing integration overcame the situation of just doing some of the marketing activities and only the creation of a formal marketing institution.

of system developments. But the problem is, that it is used in a reductionism way, the networks are divided into subnetworks and are researched separately on the basis of the principle “*divide et impera*”.

The networking of the marketing function is an answer of the firms’ development pressure and a reaction to the market requirements.

In this regard we treat the marketing is a subject and an object of integration. As a subject it serves as an integrator of different business networks, of one or many entrepreneurial bodies. As an object of integration the marketing is self organising its system, forming an obligatory number of invariable and variable components.

Or the strategic goal of the existing marketing network is its contribution to the further positive development of the business organization itself.

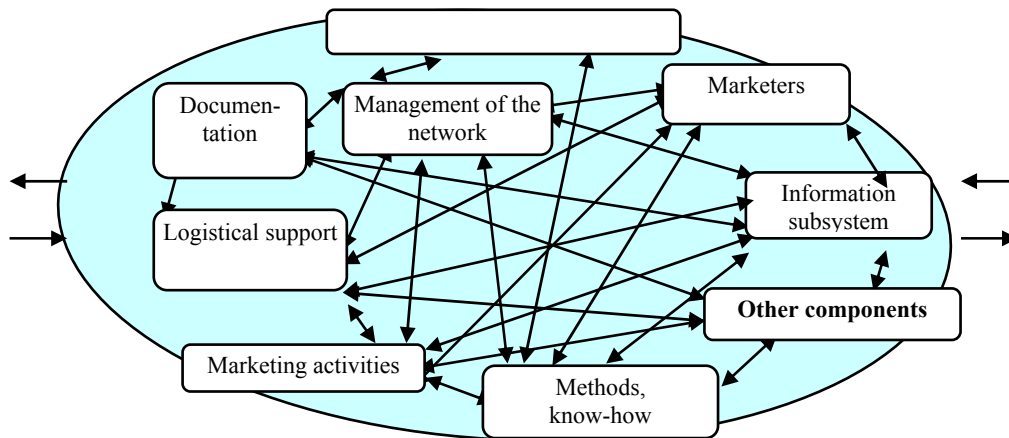


Figure 1

Due to marketization (marketing integration process) the business organizations have different achievements in their marketing developments, and their aims are to become more and more market-oriented and marketing driven.

The networking approach is not a new tool for research and conceptualizing

In broader sense a marketing network of a business system includes external components (customers in general - present and prospective; markets; supporting institutions (branch organizations or chambers, consulting organizations etc). Utterly necessary internal components are marketing

resources as marketers, information system, markware etc. The implementation of qualitative marketing process could be done with a good combination of those necessary components.

As the internal and external integration continues to mature, the importance of marketing agility and manoeuvrability will grow - as a defence against any anti-integrated efforts. A failure of one component could have negative impacts on the other marketing network components. Not properly functioning marketing components could cause a cascade of subsequent failures and could provoke cascading crises not only in marketing activity, but in the BON itself.

The process of business organizational integral marketing

- **Diad model/approach** (integration of two major entities). In this regard the marketing could be approached not only as a *function (with respective structures)*, but also as a *process* – the quality implementation of that function.

- **Triad model/approach** (integration of three major entities). Or the marketing could be treated as a triad with the following sides (knots): *concept (philosophy) ↔ network ↔ process*”. In this regard the marketing function could be supported by the following triad - figure 2 (Yankov 2003) [2].

- **Poliad model/approach** (integration of many major entities) in one network with couple of knots. A poliad might also include separated networks of business organizational functions and structures in one whole - e.g. BON.

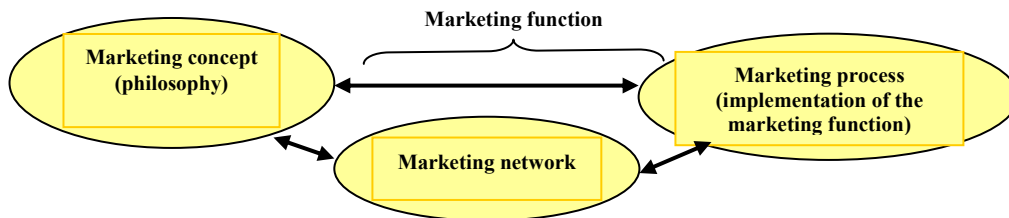


Figure 2

development needs a change of the approach. We propose its change by using the principle “integrate and then manage (strategize) properly”. For the conceptualization and development of the internal and external of business organization point of view integration process, we propose the integral approach to be used. It combines different degrees of integration steps or levels.

So we suggest a comprehensive multilevel integration procedure which we call DITRIPOL method of integration. It combines Diad + TRiad + POLiad models of integration. The integral approach unites different levels which are as follows:

- **Hyperpoliad model/approach.** It is integration of many business and non business organizations and agents forming networks of networks.

From one point of view a hyperpoliad could be an integrated network of the marketing function with the networks of the other business organization’s functions. This would create a holistic network, which as a whole could achieve synergetic power from the synchronized activity of different networks. From other point of view a hyperpoliad could include many business organizations, non government organizations etc. That idea has the following presentation - figure 3.

From the business organization's point of view, the networking process could include operations and activities as the follows: building-in poliad networks and integrating in different networks; parallel networks building; creating protective and security networks; infiltrating in other networks (overt or non overt) with the purposes as knowing, manipulating, subjection on own goals; attacking other network as a whole and their knots.

The goal of external integration (the integration beyond the boundaries of the business system itself) is to get interconnected with different corporate networks, with outsourcing organizations, distribution systems and other networks. In this regard the external networking is extremely important for the existence for normal functioning and for the proper development of a business system. In this regard the well-known phrase of T. Peters: *GET NETWORKED OR DIE!* could be quote again and again.

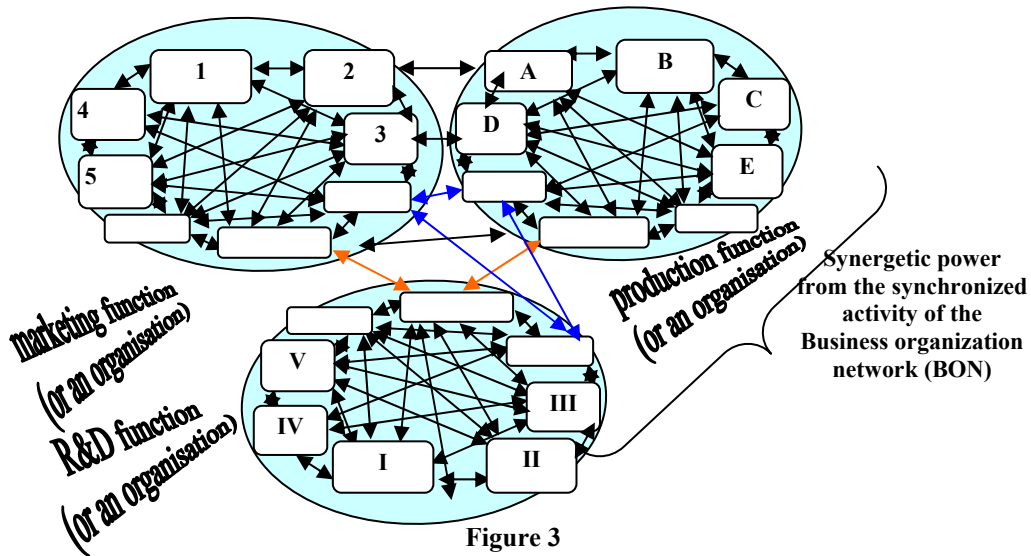


Figure 3

2. The marketing integration beyond the firms' boundaries

Rational economy needs vital strategies for formation of joint multi-organizational marketing, business organizational networks and alliances. The conventional business organizations focus their efforts on the competition, and those integrated in different networks aim the customers and their needs. But in many cases one organization fails to reach the customers. It could be done by real multi-organizational integration in networks - such as clusters, business alliances and holons.

Nevertheless there has to be a balance of the efforts for internal and external business organizational integration.

The marketing integration beyond the firm's boundaries is forming different types of multi-organizational networks. Presently the multi-organizational networking is more and more goal-oriented process. In this regard a special initiative body for multi-organizational integration process is needed. Acting based on the consensus principle, the body will be a driver of visions and alternative strategies. They will give a real start for mutual business activities

and for neighbouring territories market exchanges and transactions.

Regarding multi-organisational networks, which are going to rationalization of the economy, it is necessary more coordinated strategies to be elaborated. There is an opinion which states that the existing network researches are fragmented, they lack complexity, and in the most of the cases include only relations between suppliers and producers

Some of the multi-organisational formations are well-known – business organisations in branches unions and chambers + commerce chambers. In other aspect there could be no so comprehensive or comprehensive (vertical and horizontal) integration among firms participating in one or more marketing chains. A visual presentation of this model gives figure 4.

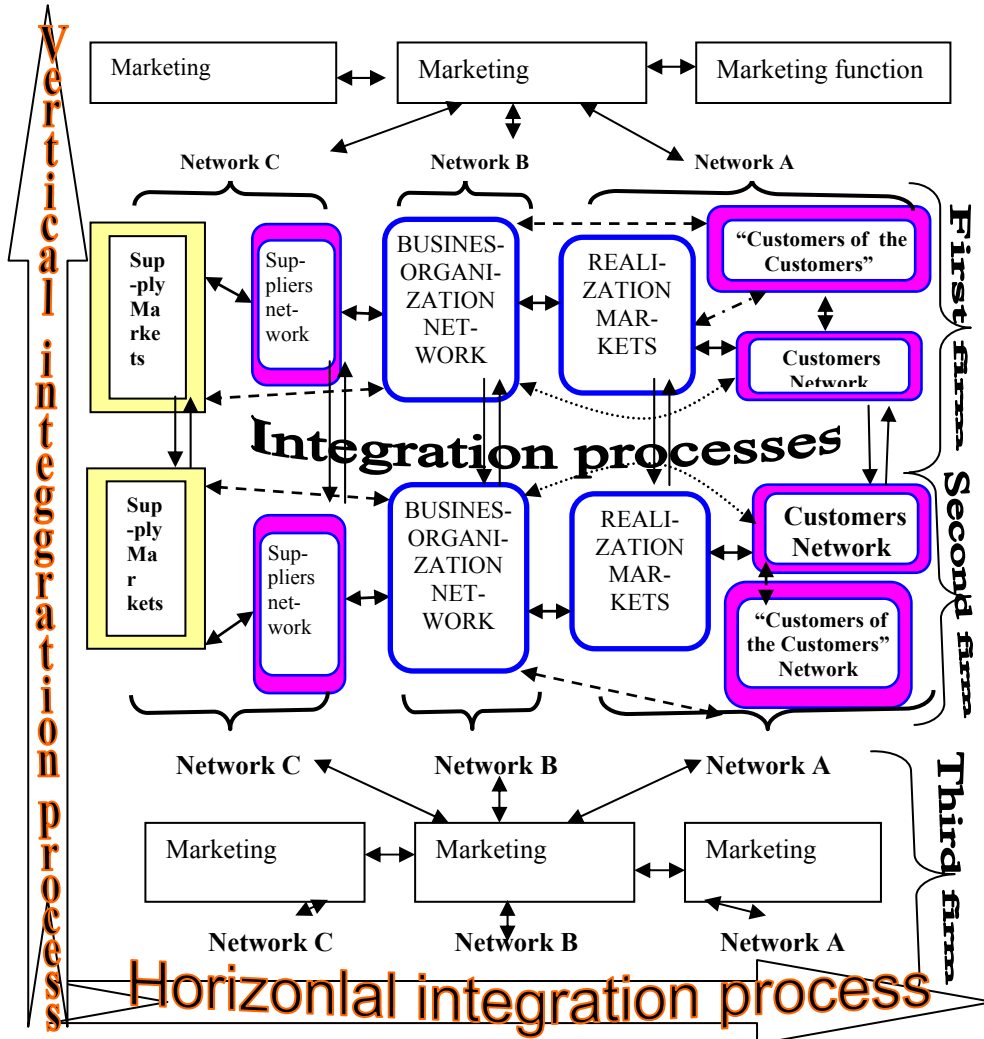


Figure 4

(Baker et al. 2002) [3].

Multi-organizational marketing networks are certain forms of strategic alliances of different firms and other stakeholders. They could be integrated in diversified network formations - with one centre (such as clusters), or with couple of centers. There are well known advantages of working together: closing the waste utilization chain (it is basic for **sustainable clusters**' formation). They are increasing the attractiveness and the sustainability of different regions. The cluster participants and agents can organize joint marketing activities. In a cluster the costs could be reduced. There exist possibilities for better risk management; for stronger brands production and marketing; the experimenting and launching new products/ processes/ technologies, etc.

The active clustering process is forced by the globalization. It is based on the principle "*collaborating to compete, to be competitive and competitive resistant*".

In the last years we witness the fast development of such formations, increasing their number, different configurations and complexity. In general, the typology of the networks includes different in scale formations with different degree of integration. Some of them are: • clusters with different goals and participants (or knots); • well built business networks with a multitude of links among their knots; • holon networks which have specialized and complementing each other knots, multi directed internal and external links. In this regard the holon network could be integrated in so called *opportunistic networks*, organized around a central information system, which acts as marketing transactions brokers (R. Achrol, P. Kotler, 1999) [4]. They as a whole aim to satisfy the customers needs. The multi-organizational marketing networks also could be: alliances of

business systems and regions; marketing alliances; branch networks; other types of networks.

In the developed countries are launched state initiatives and given grants for high-performing clusters building. Those clusters are in an advantage stage of a networking forming process. They aim stronger positioning in markets, serious customer awareness, potential investors attraction, etc.

The cluster could be not only a sector formation but also a regional entity (geographical concentration of firms and other organizations). From other point of view the cluster integrator could be a marketing chain, waste usage, a joint exploitation of a natural resource etc. And also institutions, or/and person(s), cluster formation brokers, natural objects, natural preserve zones, tourist attractions, joint initiatives, efforts for joint usage of waste etc. Or the normal functioning of the cluster needs an integrator or couple of integrators. The question is what/who would carry the integrating idea and function, would start an integration initiative, and will organize the integration process as a whole? In some of the cases one "broader" cluster could include not only networks of business systems, but also educational and government institutions and entrepreneur with their own businesses.

3. Markets and marketing integration beyond national boundaries

The horizontal marketing integration in transborder regions starts with formulation of strategies for mutual (symmetric, or not symmetric, but assisted and made easier) market penetration. A possible synergetic effect could be the removal of the existing border barriers, imposed by the states. The borders will not any more hamper the

great process of Pan European integration and its basic philosophy – free movement of ideas, people, information and commodities.

Today there are smaller obstacles for transborder clustering and for forming of different networks, including marketing ones. This problem could be vital for neighbour countries as Bulgaria and Romania. In transborder markets development both standard and particular models have to be complemented. In this regard a special local initiative committee (forum) for holistic transborder region development is needed. Acting based on the consensus principle, it will be the initiator of initiatives, visions, and alternative strategies for the transborder region market development as a whole. The forum could help the institution, which will guide the region as a whole entity. It will give a real start for reciprocal business activities and for adjacent territories market exchanges and transactions. The proposed model of transborder regions integration could have the following outlines – figure 5.

marketing networks as clusters. Concerning Bulgaria and Romania, there are so many possibilities for the initiation of such types of networks.

The problems formulated up till now are a part of the agenda concerning the market development of every South Eastern European country (SEEC) hyper region. It is a process, which has to balance both “top-down” and ”bottom-up” approaches. The process requires not only action on the level of the hyperegion as a whole but also different local initiatives.

Within the outlined frame there are possible scenarios for business organizations building and transforming that have to be conceptualized, which could act and support the transborder regions’ markets.

The building of transborder regions’ markets has to be regarded as a part of PEUM. Many hyper regional, national, subnationals, transborder markets as a whole form its present and future structure and functioning. The important thing is that their development

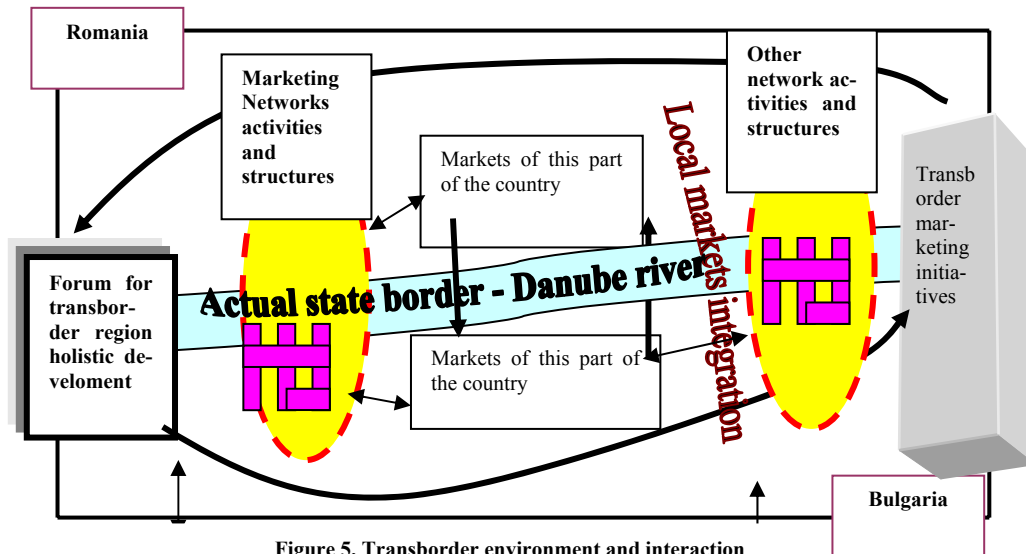


Figure 5. Transborder environment and interaction

The horizontal marketing integration could form transborder to be co-ordinate as a whole, following

the same standards, norms, directives, market models.

The process of external market and marketing integration starts with the marketization efforts in every country from South Eastern Europe. Integrating 10 more members plus 2 in 2007 is not only a quantitative measure but also a search for quality, which could be achieved by jointly elaborated strategies.

The countries of SEEC hyper region are engaged in a process of transformation of their social, economic, political and other types of structures. In this regard there exist at least three paradigms of internal and external market development – namely:

a) Development “inwards”. It means changing the economic and markets structures, engaging in resolving internal (and contradictory) problems; building the structures and institutions of the market economy.

b) Development with leading external factor (factors), opening the economy outwards, but not necessary toward neighboring countries and their markets.

c) Joint development of the SEEC hyper region. In this regard different form of collaboration and co-operation are in process of finding and approaching are active, one country is penetrating the neighboring markets and vice versa. In this regard we have to bear in mind that at the moment the SEEC hyper region has a much diversified content, namely: a full fledged member of the present European Union; ● associated members; ● countries which have just started to prepare to be associate members. In this regard it could be stated, that it is possible transfer of good practices to be initiated not only for the preparatory phase of integration, but also for the processes of the real integration and after the integration process.

Regarding the Bulgarian and Romanian existence in the boundaries of European market, it means more actively search of possibilities for vertical and horizontal transstate markets integration to be done. For example there is a very interesting question regarding the transborder clustering and forming joint networks using one and the same biomass, waste, infrastructure, etc.

As it was stated above, the problem is the next step toward Pan European Union Market (PEUM) integration to be carefully strategized and planned.

The concept the Pan European market integration process is the next and advanced step of the transborder integration. The realization of the great idea for European unification is a project, which if persistently developed would take more than 70 years span – since the 50es of the XX century till around 2025. As a result of the project implementation the biggest market of the earth would be built and would function. The realization of the project needs comprehensive strategic management of the integration processes. Thinking globally – acting locally in European perspective means to approach the Pan European union as an interconnected (marketing) networks. In this general frame we will make a step further and will use the abbreviation *PEUM – Pan European Union Market*. It will be a 21st century reality if it is properly strategized and formed. We think that in this regard the real markets’ integration starts from interconnected development of transborder regions’ markets. Or the transborder co-operation will be the first step in the global process of Pan European Union Market (PEUM) building.

The building of PEUM means to follow two streams of thinking/actions:

a) Elaboration the hyper vision of the PEUM (top-down approach).

b) The real integration activities (bottom-up approach).

The up-down approach means to follow the cascade shown in figure 6.

From the problems discussed up till now fundamental question arise as follows:

a) Is it necessary a general policy of intergration the markets and the economies on the countries from SEEC hyperregion to be formulated and then realized? This problem is interconnected with an other one – are the people of the region ready to live together, to do business together and to involve themselves in joint projects? Let’s not forget that the people of Balkan countries for decades lived isolated each to other, were even hostile due to wrong national and European politics.

process of integration could run parallel in two main streams, namely:

- Internal integration within the boundaries of SEEC hyperregion’s markets and external integration between these hyperregion’s markets and PEUM.
- Horizontal integration and vertical integration of those markets in the PEUM network.

Some of the general problems of the SEEC hyper region internal and external, horizontal and vertical, integration are: • every separate country’s involvement in macromarketing and marketization processes; • development of SEEC hyper region’s markets as interconnected networks; • overcoming the existing Balkan countries non-cooperativeness; • building strategic corridors not only in the West-East

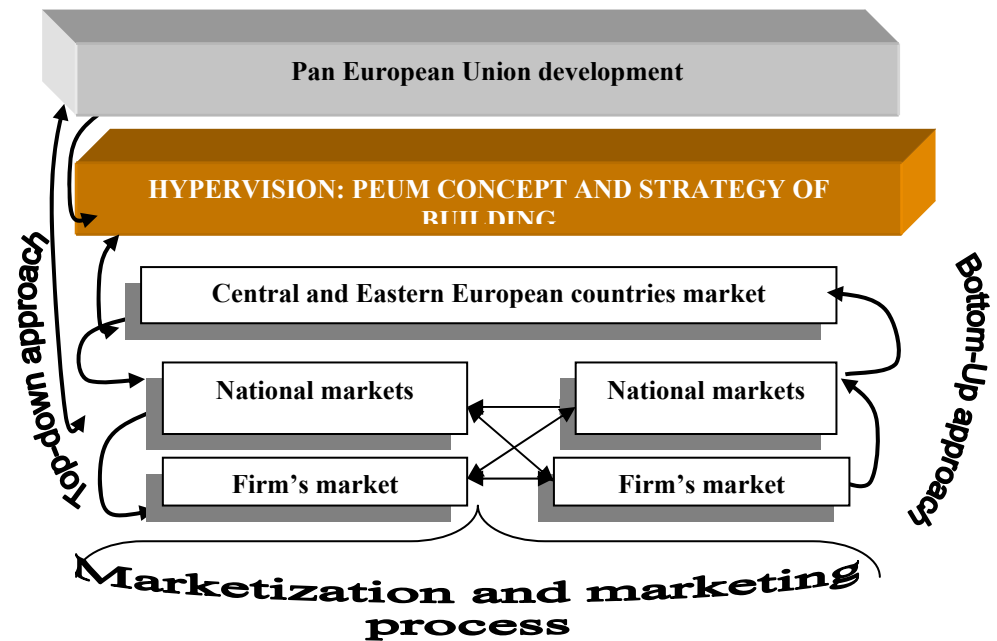


Figure 6

b) What must be the outlines of a global concept for integration the SEEC hyper regional markets as a sub network of the PEUM network? Or at least the

directions, but also North-South; • development of transborder local and regional common markets, etc.

Conclusions

The integration and especially the marketing integration process are universal, valid for all levels of artificial systems. It needs conceptualization and management (strategizing, planning, and realization).

It is necessary efforts and capitals to be invested in vertical and horizontal integration of the hyper region markets, treated as an interconnected complex. Its development will take advantages from the market systems proximity, from their reciprocal complementation in the production of specific raw materials,

products and energy. The building of the PEUM as the biggest market of the world, means first at all internal market collaboration/co-operation and integration.

For the integration process conceptualization and management are needed different methods and approaches. The combination of different approaches forms a holistic approach which we mark as DITRIPOL method of integration - DIad + TRIad + POLiad. It could be used for conceptualization of different integration processes.

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