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## **MULTI-LEVEL MARKETING STRATEGY FOR COMPETITIVENESS ENSURING OF AUTOMOBILE ENTERPRISES**

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The algorithm of development of multilevel marketing strategy for automobile companies to ensure the competitiveness of their products is proposed. The existing strategies are analyzed and the most effective methods for assessing the actual strategy are offered. An analysis of the previous studies labor market is done to determine the marketing strategy efficiency indicators. The current market trends are determined and potential obstacles to implementation of the developed multi-level strategy are identified. The specific features of the process of setting strategic goals by the company are characterized. The forms of applying the marketing mix tools at every level of the marketing strategy that are most effective in its implementation are analyzed in detail and proposed.

**Key words:** automobile company, product competitiveness, marketing strategy, car market, marketing mix.

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## **БАГАТОРІВНЕВА МАРКЕТИНГОВА СТРАТЕГІЯ ДЛЯ ЗАБЕЗПЕЧЕННЯ КОНКУРЕНТОСПРОМОЖНОСТІ ПРОДУКЦІЇ АВТОМОБІЛЕБУДІВНИХ ПІДПРИЄМСТВ**

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Запропоновано алгоритм розроблення багаторівневої маркетингової стратегії для автомобілебудівних підприємств з метою забезпечення конкурентоспроможності їхньої продукції. Проаналізовано існуючі та запропоновано найефективніші методи оцінки актуальної стратегії. Проаналізовано попередні дослідження щодо визначення показників ефективності маркетингової стратегії. Виділено актуальні ринкові тенденції та визначено можливі перешкоди на шляху реалізації розробленої багаторівневої стратегії. Охарактеризовано специфіку процесу встановлення стратегічних цілей підприємства. Детально проаналізовано та запропоновано форми використання інструментів комплексу маркетингу на кожному рівні маркетингової стратегії, які будуть найефективнішими у процесі її реалізації.

**Ключові слова:** автомобілебудівні підприємства, конкурентоспроможність продукції, маркетингова стратегія, автомобільний ринок, комплекс маркетингу.

### **Statement of the problem**

The planning process of marketing strategies to ensure the competitiveness of domestic automobile enterprises products is perceived as a process of resource allocation to perform certain tasks for the implementation of the marketing plan that usually includes an estimated budget for events of marketing

communication policy. Tendencies of last years and the nature of competition in the market are constantly exacerbating, stimulates automobile company to the distribution of marketing efforts for their intended purposes: events focused on an image and events focused on a sale of products by the representatives in the regions. This approach is more appropriate, but also does not takes into account the specific structure of the automobile company and the structure of the supply chain of products to the final consumer, where each of the tiers performs a specific marketing function and equally important other than other units. Automobile companies become accustomed to outdated models of strategic marketing management, where marketing function itself is seen as supporting and not necessary, responsibility for the execution of which has a structural unit of production enterprise regardless of the corporate structure of the company as a huge business system.

Automobile industry mostly divided into two main areas: small-and large-components assembling of foreign cars in accordance with the international agreements and production of cars under its own Ukrainian brands. There are two of Ukrainian brands: TM “Bogdan” and TM “ZAZ”. Pricing policy for model range of the following trademarks are loyal, but the competitiveness on the technical characteristics is low in the market. Considering current trends of energy-saving technologies, elegant design and comfortable conditions of driving, domestic enterprises need to resort to more progressive methods of strategic marketing management in own trade policies, methods of positioning and promotion.

A need to develop an effective marketing strategy for competitiveness of automobile enterprises is becoming more urgent and actual, strategy which take into account market trends, multilevel structure of the system of dealers in the process of selling the vehicles and new approaches to positioning of products of domestic brands.

#### **Analysis of recent research and publications**

The subject of strategic marketing management in their research were engaged by such scientists as Balabanov L. V., Butenko N. V., Dligach A. A., Zozuliov O., Tretyakov L. I., Kudenko N. V., Lambe J. J., Moroz L. A., Fatkhutdinov R. A., Firisova S., Chernobay L. I., Yazvinska N. and others. The subject of competitiveness and development of marketing approaches for its increase were engaged scienties such as Burkinsky B. V., Vasiliev S., Voronkov A. E., Dolinsky M. G., Kuzmin O., Latyshev K. A., Miller A. G., Osipov V. N., Prodyus Y. I., Romanchuk T., Solovyev I. and others. Complex research of the wprks of the above stated scientists allowed me to conduct a detailed analysis of the components of competitiveness, methods of its determination and ways of increasing, to summarize strategic marketing approach in the process of its ensuring.

The complexity and branching of the structure of the most of automotive companies, specifics of product delivery to the end user and current market trends stipulated the necessity of changes in the approaches of ensuring of strategic marketing management for automotive enterprises competitiveness of domestic products that need to be addressed by designing an efficient algorithm for multi-level marketing strategy.

#### **The formulation of objectives**

The purpose of this study is to develop an efficient algorithm for multilevel marketing strategy of automobile building company on the basis of previously conducted analysis of modern methods of evaluating the effectiveness of marketing strategies, indicators that were used to measure their performance, determination of their strengths and weaknesses and identification of current market trends.

#### **Presentation of main materials**

Managing the competitiveness of automobile enterprises provides a set of activities for its definition, planning and realization. Competitiveness is concept that is difficult to measure, because of the specificity of industry of a particular research object differs that is being reflected in the structure of the measure itself. Regardless of the scientific research and proposals, automotive business specialists measuring success of management actions that were done relying in its operations into two main indicators: market share and profitability (usually profit margin).

Some scientists, such as Kudenko N. V., in their researches agree that the central indicator of the effectiveness of the strategy is market share. The strategic objective of any company should be market share, which allows you to monitor the pace of market growth prospects of the company, the strength of competitors, etc. [1, p. 101].

Instead A. Slywotzky prefer to return as a performance indicator of the company 's strategic activities, stressing at the same time that the market share does not lose its importance, only inferior its priority [2].

It should be noted that the automotive industry is also specific because both of the above mentioned indicators is tantamount importance: market share, is a measure of the success of market fight, but it can be completely uninformative when it comes to profit margin of the business, as cars of different classes bring different earnings to the shareholders and dealers proportionally to the margin on the car. Therefore, management of the company should be focusing primarily on the process of strategic marketing planning measures.

Focusing on your target values will allow to effectively carry out the first phase of developing an effective multi-level marketing strategy that based on the results of the previous studies is consist of the evaluation of existing marketing strategies for local businesses. There are 4 such steps during the development process, which are shown in Fig. 1.

Abbreviations C1-3, P1-3, V1-3, D1-3 indicate the tools of marketing communication, product, pricing and marketing policy of distribution in accordance with the first (level of producer), second (level of national dealer) or third (regional level mediator) levels that described in more detail in the table.

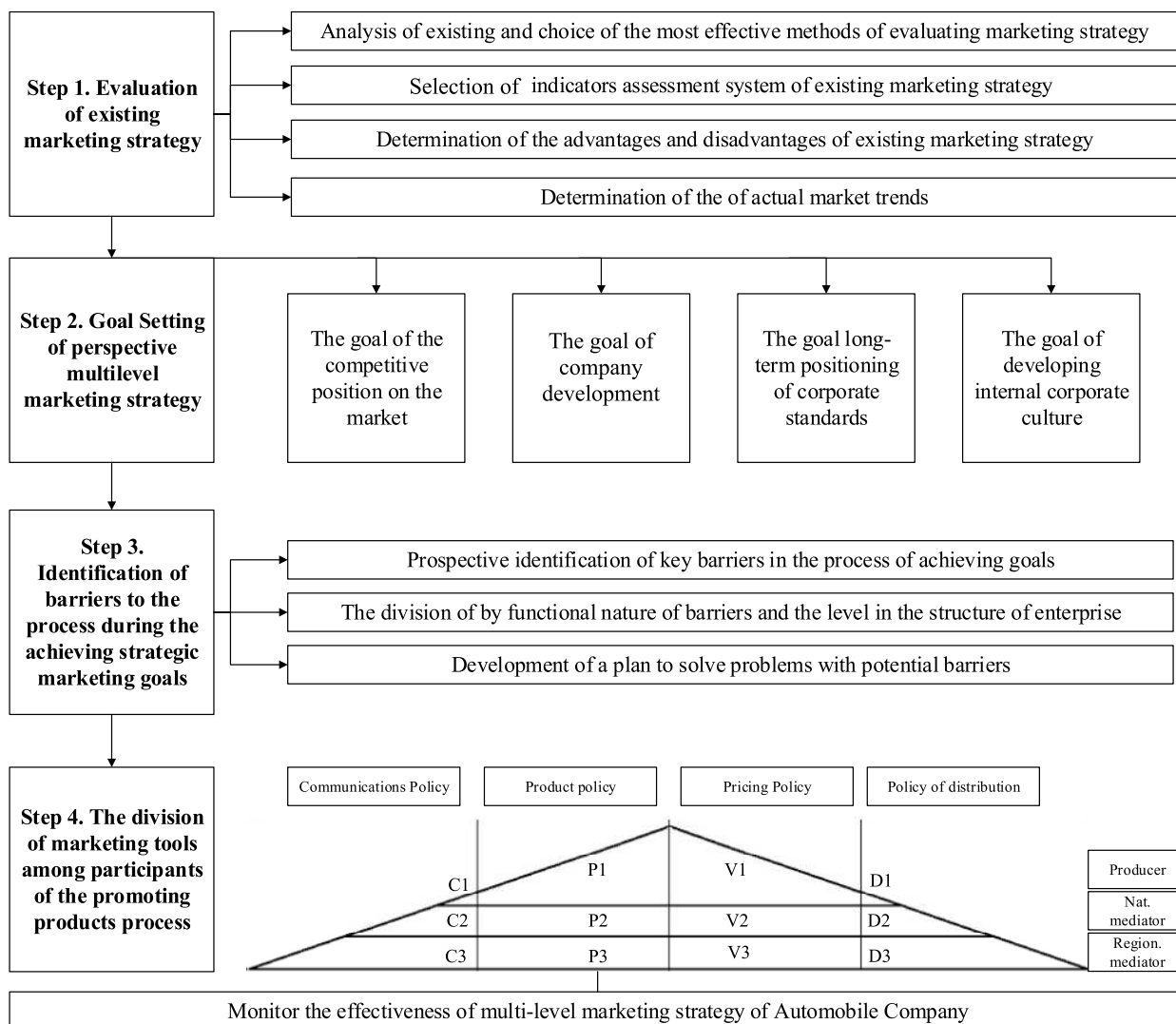


Fig. 1. Algorithm of development of multilevel marketing business strategy aimed at ensuring the proper value of competitiveness of automobile enterprises. Source: Own elaboration based on [1; 2; 3; 4; 5]

The first step, as already mentioned, is the evaluation of existing marketing strategy that involves identifying assessment methods of its measurement of the system performance, identification of weaknesses and advantages according to the latest market trends.

Current methods for evaluating the effectiveness marketing strategy depends on the purpose of analysis, determining subject of research. This step is actually inseparable from the second step of the first stage that is applies selection of the system of performance assessment of existing marketing strategy. It is impossible to measure any value without a scorecard measurement.

In his writings, N. Yazvinska offers classification of performance marketing measures based on targeted research category. For example, to assess effectiveness of marketing in reaching the market suggested to measure with a following indicators such as customer acquisition cost, the cost of keeping loyal customers, loyalty programs cost per 1 loyal customers, etc. [4]. However, these figures has an operational efficiency nature and not strategic, they are effective during detailed analysis of the impact of strategic marketing tools.

Efficiency as a general concept is the ratio of the achievement of the objectives to the effort that was spend, resources and tools for the realization of the task. In the current economic scientific literature there are many methods for determining the effectiveness of a marketing strategy, but in the automotive industry will be the most effective ones that determine effectiveness in achieving two targets, as discussed earlier: profitability and market share.

The importance of these indicators becomes clear at the stage of planning of sales, as targets of strategic planning process are those on which the management of the company is in power to influence, in other words those that can be achieved. The central and the end result is the market share, it can be explained from several perspectives:

- Market share allows the company to track the ratio of own activity dynamics to the market dynamics;
- Market share is an indicator of changes in the competitive environment: the emergence of new competitors, changing of the stages of their life cycle, etc.;
- Market share is a kind of indicator of the work of the dealers as structural units or partner organizations, to support the sale of products to the final consumer;
- Market share is one of the indicators that confirm the competitiveness of the dynamics of automobile products in the market;
- Market share is one of the indicators that demonstrates the level of success on the market every year.

The disadvantage of this indicator in the process of determining the effectiveness of marketing strategy is that the company can win market share due to unjustified financial expenditures that adversely affects the financial performance of the company. Market share provides ratio of measures of companies sales to total market size, but does not include profitability for which, in fact, operating a business.

The profitability index should be being leading measure, but not lagging that cannot be control. The yield from sales automobile companies consisting usually of three main components of the profit margin from the sale of the car: margin products, the national margin agent (importer), regional dealer markup. The company, which is a manufacturer of automobiles and can receive additional income from the sale of the original factory parts.

Profitability and market share indicators are mutually combined so to get the final result of the strategy, the management of the company may increase the profitability using the market share and vice versa, although the most effective marketing strategy involves the growth of both parameters.

Analysis of existing marketing strategy should include both quantitative research, but also qualitative, because the use of marketing strategies aims at achieving not only quantitative indicators. It is important to consider the effectiveness of the strategy in terms of quality of positioning, brand management, customer loyalty, the level of formation of the brand, etc. The views of practitioners and scientists are identical on this subject in relation to the feasibility of using research focus groups, interviews, observations, questionnaires, expert evaluations, experiments, test drives and more.

The third step in the process of assessment of current marketing strategy is to define its strengths and weaknesses. Most effective at this stage is to apply the method of “brainstorming” by the group of experts who conduct this evaluation. The analysis should be structured according to business-level of strategic

marketing management: identify the advantages and disadvantages of the corporate level, the gaps and achievement of strategic management at business level, to explore the strengths and weaknesses of the functional level of strategic marketing management. Scientists often suggest to use SWOT- analysis and construction of McKinsey and BCG Matrix, but these techniques practically increasingly focus on the potential nominee predominance of positive over negative aspects of the strategy, without a thorough analysis of internal and sometimes even technical nuances. Automobile industry, despite its resource use, has been manufacturing products of prior choice that the consumer may take from several days to a dozen months, and impacts can be invisible for a superficial analysis of the effectiveness of marketing strategy of automobile building company. The final step of the first stage is to identify market trends, which do not meet the strategy but has to follow a new multilevel marketing strategy. Modern automotive market tends to energy-saving technologies, because of limited fuel resources, breakthrough technology and eco-environmental trend has captivated consumer preferences from more developed countries.

This trend has not yet reached the Ukrainian consumer trends fully, but only during the second half of 2013 in Ukraine were sold a record number of cars with hybrid engine (Toyota Prius) as part of the tender contract of the Corporation “UkrAVTO” with the Ministry of Internal Affairs of Ukraine for the purchase of cars for official usage. The rapid pace of growth of sales in “Tesla Motors” all over the world testify to the growing demand for electric vehicles [7, 8].

The second stage of multilevel marketing strategy is to set objectives. In the study was proposed to use four categories of objectives. All of them by their importance to the enterprise are equivalent, but they are all dependent on one central corporate objective by classical approaches of strategic marketing.

The first category of goals is the goal of the competitive position in the market. Automobile companies, as well as representatives of any innovation dependent industries have to define your target market position: positioning, target audience, key competitors, potential increase of market share in regions national market share figures, the structure of the model series that best meet the needs of customers, pricing, product and communication policy, marketing policy of distribution and so on. Management of the company must clearly see the model of the positioning that should be clear to a potential customer.

The second category of goals is the goal of the company. These include the structure of the target business portfolio companies, changes in the organizational structure that would provide maximum flexibility to the company to external changes in the environment of operation, positive financial performance and compliance with the pace of technological development of the industry. Marketing strategy must take into account the above aspects, because of the success of the process and the advance of positioning products in the market areas and areas dependent on internal reform and Investment Company.

The third category involves identifying the goals of long-term corporate positioning company standards. This problem is one of the most difficult in the setting of strategic goals of the company, after a long process provides for the establishment of corporate standards themselves, develop their detailed schemes use by all departments and divisions in the performance of its products and after-sale service. This should be strictly controlled system of corporate compliance requirements, providing a sense of a holistic view of the consumer of the company for whom he buys a car, who produced it, where service stations consumer will get quality services in the course of operation of the vehicle and whom to trust formed.

The last category is the purpose of the development objectives of the internal corporate culture and brand loyalty of the automaker. The company, whose staff assess the level of competitiveness of production as low a low chance of market success in any field. Marketing strategy must permeate all levels of the structure and process of internal company providing reliable positioning of high quality that each employee is willing to purchase this automobile company.

Four categories of objectives are subordinated not contradict one central strategic goal of the marketing policy of the company. Given the length of the selection process of the car end user and duration of its production and delivery to the consumer market, it should be noted that the lack of focus on the long term significantly reduces the life cycle of the enterprise.

The third phase of the multi-level marketing strategy Automobile Company provides for the identification and analysis of potential barriers in the process of implementation. The best case in the automotive industry is the use of “Pre mortem” analysis [9], that allows a group of experts, which includes

engineers, developers, marketers, logistic managers, sales forces, and those, who is involved in the process of creating and selling products, identify possible obstacles in the implementation of the strategy by simulating the situation if the strategy is already being implemented. Thus experts can extrapolate imaginary obstacles in real life and to develop possible solutions.

Some multinational companies use universal approach controlling the process of implementation strategies. The Swiss company Nestle uses an effective mechanism for incremental identify weaknesses in the implementation of the strategy by breaking it into smaller units according to the functional structure of the corporation. Each link is assigned a certain number identifying parameters that have allowable limits of deviations, indicating the level of success of the tasks on small areas of responsibility overall marketing strategy [10].

The final stage of development of multilevel marketing strategy explains the origin of expediency it is “layered” marketing strategy. In this context, “multilevel” explains the development of different from each other strategic elements for each of the chain levels “producer-end consumer” according to the elements of the marketing mix for maximum efficiency in the process to ensure the competitiveness of automobile enterprises.

Fig. 1 shows the four stages of the multi-level marketing strategy Automobile Company, where the basis of the final stage of the company lies triangle of functional marketing tools. This scheme is based on a three-tier structure of the automotive market of Ukraine. At the top of the triangle is the same manufacturer, the second level (intermediate) are national brokers, and importers who are the link between the producer and regional dealers, and the foundation and the widest network consists regional intermediaries that carry out direct realization of automotive products to end users.

The impact of representatives from each of the positioning of products are equivalent, but has a different character as expressed through various forms using tools of the marketing mix, which currently divide triangle vertical sectors according to the elements of the marketing mix. With this scheme shows that all three levels are responsible for the use of all four elements of the marketing mix: marketing communications, product, pricing and marketing policy distribution.

This stage is the formation of a strategy depends on: the consumer profile of the target audience, their preferences, needs and tastes, from the potential of the structural elements of the chain “producer – consumer” to the qualitative performance of their functions and tasks, the task of definition for all links of a multilevel system; dimension set purposes.

Detailed description of the functional division of responsibilities of each level of links according to the elements of the marketing mix are shown in Table 1.

*Table 1*

**Functional separation of instruments between the parties chain “producer-consumer” according to the components of the marketing mix**

|                                  | Marketing communication policy | Marketing product policy   | Marketing price policy                          | Marketing distribution policy  |
|----------------------------------|--------------------------------|--|---|--|
| <b>Producer’s level</b>          | C1 – Conceptual idea           | P1 – The concept of automotive TM  | V1 – Margin of the producer                     | D1 – Manufacture and distribution of motor vehicles in accordance with orders and goals of the company |
| <b>National mediator’s level</b> | C2 – Image advertising         | P2 – Forming of assortment for domestic market                                     | V2 – Margin of the National mediator (importer) | D2 – Order products for the national market  |
| <b>Regional mediator’s level</b> | C3 – Regional advertising      | P3 – Availability of preferred modification and the possibility of complementation | V3 – Margin regional mediator (dealer)          | D3 – A proposal the model line which is forecasted by demand   |

From table it is clear that one tool of the marketing mix must use different forms at different levels of car sales to the final consumer. Therefore, an effective marketing strategy must be multi-, but centrally controlled management of the corporation to which the motor industry enterprises.

The tool of marketing communication policy hardest split by functional responsibilities of each level, because the boundaries are fuzzy, the main functions are distributed as shown in table 1, but sometimes regional dealers engaged in branding and domestic help in the implementation of activities of the regional scale.

Marketing product policy and marketing distribution policies largely linked to the level of national and regional levels, as regional mediators is dependent on national facilitator who distributes automobiles across regions, and the task of both agents as accurately predict the structure of demand for cars. Tools marketing pricing policy can be controlled by three links of chain implementation, each of the links in order to regulate the volume of sales will resize your margins as discount or promotional offer.

The whole process of forming a multi-marketing strategy should be subject to permanent control and compliance with the goals and mission of the organization is not contrary to market trends and to consider the significance of the impact of technological innovation on competitiveness of automobile enterprises.

### Conclusions

Ukraine car market is structured in many ways, and the strategic marketing management there is a contradiction between the divisions of functional responsibilities chain link margin, resulting in a significant loss of efficiency of marketing strategy. Global trends threaten Ukrainian automobile industry automobile companies in terms of unavailability recent move to a new level of technology in the production of energy efficient vehicles. Therefore, the priority is the accumulation of investment potential by improving the existing business model, which involves improving the competitiveness of the market. Effective tool in this process will be the development and implementation of multi-level marketing strategy for automobile companies dedicated to what this study.

### Prospects for further research

Further studies involving the development of a classification matrix marketing strategies that would allow management Automobile Company promptly and in accordance with market conditions to determine which of the proposed matrix will be most effective in achieving the goals for Automobile Company for a specific market segment and for the specific conditions of the micro and macro environment.

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