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## THE DEVELOPMENT OF INTEGRATED MARKETING COMMUNICATIONS OF GLOBAL NETWORK MARKETING COMPANIES IN UKRAINE

### **Abstract**

**Introduction.** Functioning of network marketing companies in Ukraine needs to find new methods and approaches in modern conditions to the study of the development of the integrated marketing communications. The aim of the article is to develop a program of communicative measures for the support and development of network marketing companies.

**Methods.** The following methods are used, namely: theoretical generalization and comparison, statistical analysis, abstract and logical, methods of analysis and synthesis.

**Results.** Scientific innovation is the allocation of two levels in the development of the system of communication activities: state and local governments and directly MLM-companies.

The main tasks that must be implemented at the state level are: to promote and advance the idea of self-employment by raising awareness, improving the education system of network marketing; assistance in promoting a positive image of network marketing companies through the introduction of legislative changes relating to direct sales and marketing network, development of self-regulation; support of Ukrainian MLM-companies and facilitate their output to foreign markets through implementation of information campaigns and seminars with the participation of representatives of MLM-companies, assistance in the implementation of European standards and access to foreign markets.

Measures for improving communications at the company level should cover the following areas: improvement of work to increase the level of awareness by conducting image advertising, PR-activities and development of SMM; to involve collaboration for using a systematic approach in the learning process and make changes to stimulate distributors singled out customers as a separate group; for keeping distributors – to implement the development of loyalty programs.

**Discussion.** The proposed program will enable to fulfill more systematically and purposefully actions on the development of business both state and local authorities, and MLM-Ukrainian companies to increase the efficiency of its operations.

**Keywords:** program, distributors, image advertising, marketing communications, network marketing companies, tools of marketing communications.

**Introduction.** The end of the 20th - the beginning of the 21st century saw the active development of network marketing companies (MLM-companies). Today, according to the World Federation of Direct Selling Associations 125 countries are involved in MLM-industry, it covers 103.277 million distributors and provides sales in the amount of 183.729 billion US dollars [1].

Since the 90s of the 20th century there was a rapid spread of global MLM-companies in Ukraine, but then the interest of Ukrainians gradually decreased [2]. Among a number of factors influencing the activities of MLM-companies, the most important factors of their development are considered to be the preconceived attitudes of the population to this kind of business. One of the internal factors, which led to a slowdown in the activity of MLM-companies in Ukraine, is believed to be distributors' attitude towards motivational programs of the companies. The research conducted among distributors of seven MLM-companies showed a lack of stimulating effect of existing motivational programs. The above mentioned necessitates defining the main directions of the development of communicative measures in MLM-companies in Ukraine and developing ways of their support both at the macro and micro levels.

**Analysis of recent research and publications.** The problems of formation of marketing communications are enough widely covered in the works of such scientists as follows: Stanley Fred Battle, John Burnet, P. Doyle, Philip Kotler, S. Moriarti, H. Bahiyeva, S. Illiashenko, T. Lukianets, T. Primak, Yu. Shypulina, I. Shkurupska and others. They identified the main tools of marketing communication, models of their building and the evaluated results. However, the priorities for development of the communication MLM-companies left unattended in Ukraine. The peculiarities of these priorities are the promotion of products and services with using direct contact of man with man.

**The purpose of research** is to develop the programs of marketing communications both at macro and micro levels to ensure the development of MLM-companies in Ukraine.

**Methodology of the study.** The following methods are used to achieve these goals: theoretical generalization and comparison, statistical analysis, abstract and logical method, methods of analysis and synthesis.

**Results.** Integrated marketing communications is the tool that makes it possible to inform the target audience the main purpose of the company and help to realize its main objectives.

Priority purpose of network marketing companies is to create economically educated middle class in Ukraine by providing the opportunity to the population without substantial cost to become independent entrepreneurs. It is on its implementation and targeted marketing communications companies through the system of training and a number of stimulating measures create the conditions for development of entrepreneurship in Ukraine.

Undoubtedly, the development of entrepreneurship in the country directly depends on the creation and development of business, its support from the state and appropriate public policy.

Therefore, the program of marketing communication of network marketing companies has to include two blocks of tasks and appropriate decisions:

- the tasks to support and popularize entrepreneurship at the level of the state and local governments;
- The task at the level of network marketing companies to attract cooperation and create a positive image.

Block diagram of directions, tasks and activities at the level of state government to support the popularization and development of entrepreneurship and network marketing companies is shown in Fig. 1.

The first block of questions that are necessary to resolve at the state level for the successful functioning of MLM-companies in Ukraine is facilitating and promoting the idea of self-employment and entrepreneurship, including conducting information campaigns involving the media, where the emphasis will be put on the possibility of self-realization and implementation of their ideas, independence from the employer, etc.

One of the measures that will also help to popularize entrepreneurship can be competitions of business plans, start-ups and their further support that are initiated by the authorities.

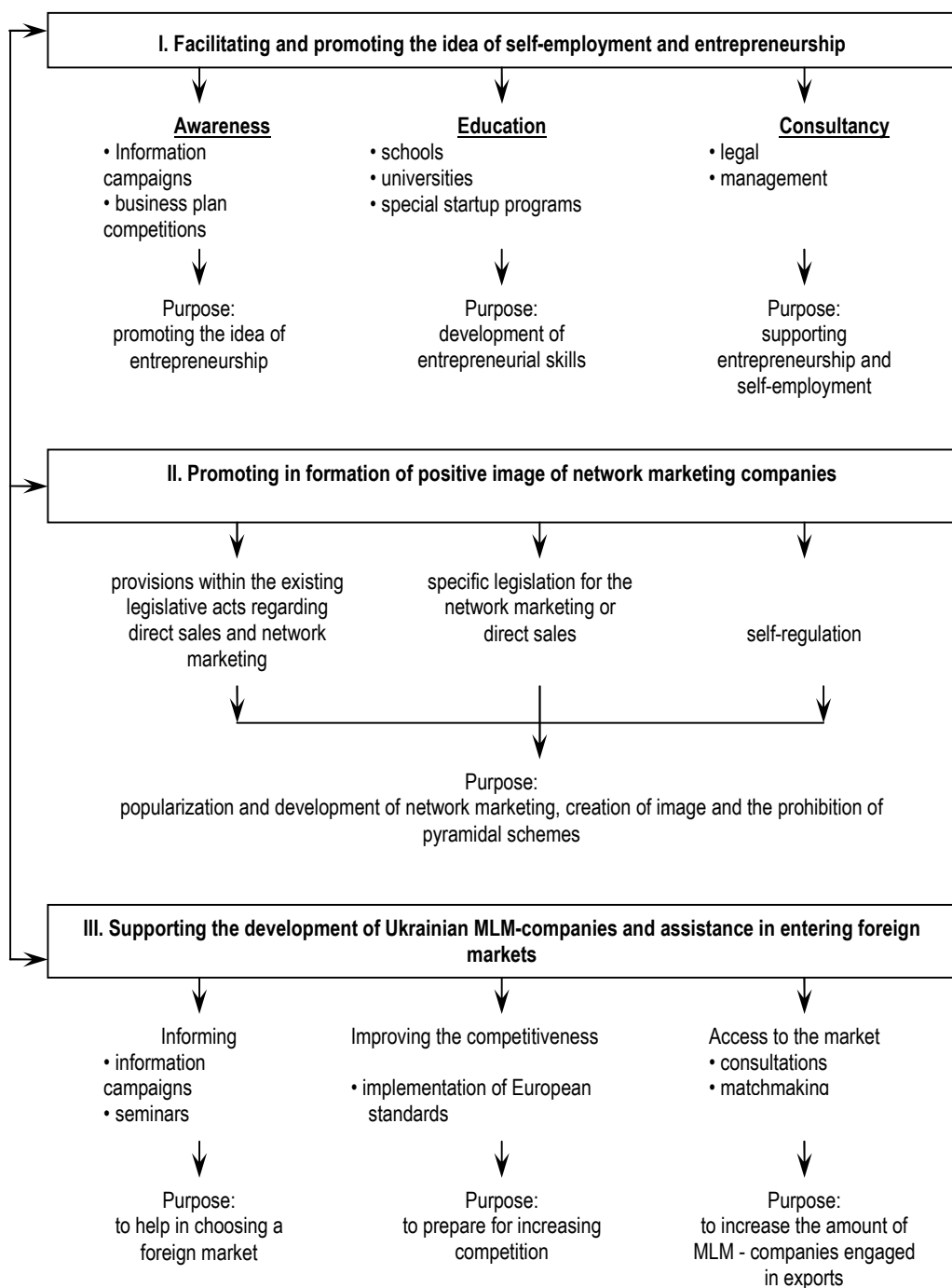


Fig. 1. Block diagram of the main directions and activities of the state in the industry of communications to promote the development of MLM-companies in Ukraine \*

\* elaboration of the author

Research Amway Global Entrepreneurship, which was conducted by the company in 2014, showed that 43% of surveyed people are satisfied in 38 countries of the world with education in business on average, while in Ukraine only 23% [2].

This is evidence that the development of entrepreneurial skills is necessary to start more schools, universities, and also to develop actively the trainings and seminars. However, the important aspect of education should be the practical skills of entrepreneurship, basic business skills, learning creative and innovative approaches to solving business problems.

The development of entrepreneurial skills will be the result of increasing the level and quality of education, which in turn will contribute to the promotion of independent employment business. Very important for Ukraine is to expand services for counseling people on both legal and administrative business practices in order to support entrepreneurship.

Despite the improvement of the network marketing image, as noted by distributors of global network companies, yet there still is a stereotype in the society that network companies are pyramid (fraudulent) structures, due to unfair work of individual distributors and unregulated issues of network marketing companies. Many countries have already accumulated substantial experience in solving the issues of MLM-companies activity as an organizational form of commercial activity that occurs in two basic forms: the adoption of a special law regulating the activity of such companies and their relationships with customers, the establishment of contractual relations with distributors, market protection from fraudulent initiatives or the development of specific provisions and regulations under both criminal and civil law. The second form of legal regulation is the most widespread in the world. For example, in the US the separation of MLM companies and financial pyramids is reflected through a series of decisions by the Federal Trade Commission [3]; Canada passed a law against pyramid schemes – the Act on competition [4]; in Spain there is a law on the distribution in trade which defines the essence of multi-level sale.

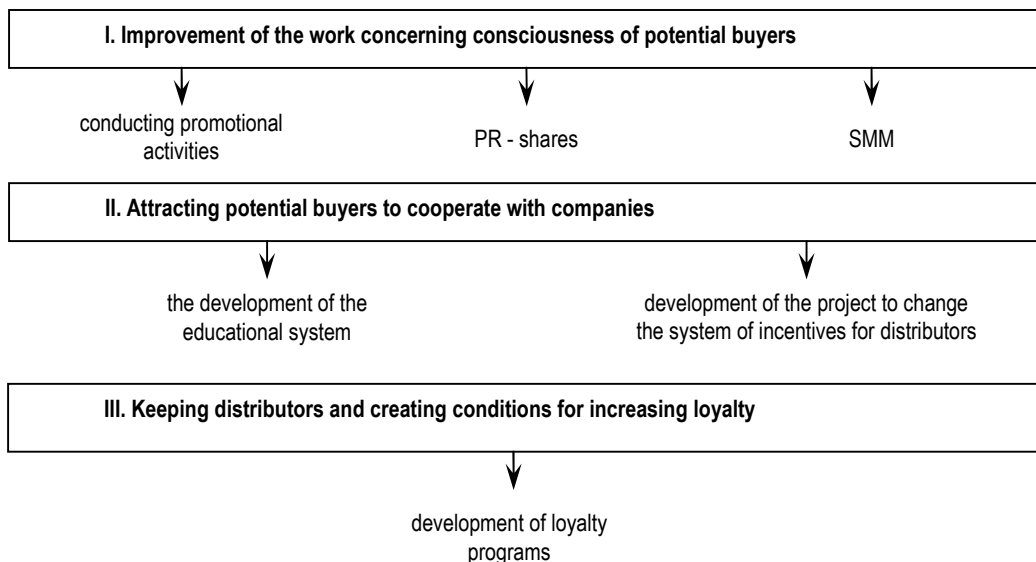
Today in Ukraine the issues of network marketing companies' activity are not legally regulated, there is so-called legal vacuum, which creates an ambiguous attitude in the society to this form of business organization. There is no definition of the concepts "network marketing", "network marketing company", which complicates accounting of these companies and controlling their activities by the state. However, some issues of regulation of relations and prevention of fraudulent schemes in the form of "financial pyramids" in Ukraine are provided by the norms of the Criminal Code. Unscrupulous statements during the recruitment of new members (distributors), not only by the representatives of the company, but also by other distributors (leaders, sponsors) may also be qualified as a deceptive advertising.

Using the world practice, we believe that the establishment of legal norms regarding network marketing companies in Ukraine should be done by introducing appropriate amendments on the definition of network marketing, income taxation of certain entities involved in the process of network marketing, the rules of returning products, to the existing Legislative Acts regulating business activity. Legalization of network marketing companies would improve their image and enable them to develop.

An important direction of development communications programs at the national level is to help Ukrainian MLM-companies to enter foreign markets. The main purpose of this activity is to assist in choosing the market and the appropriate marketing strategy for its coverage, in the development of the commodity, pricing and communication strategies and ultimately in increasing the number of Ukrainian MLM-companies that export their products. To realize this goal at the state and local governments levels it is necessary to create consulting centers, which would inform potential representatives of MLM-companies, and other entrepreneurs about free trade areas, legal conditions for doing business in a particular country, market structure, cultural peculiarities of doing business in different countries by conducting off-line seminars, and by providing on-line advice and webinars. Recently, matchmaking has become widespread in business circles i.e. conducting business meetings to find possible partners, holding negotiations with all stakeholders such as business partners and representatives of the authorities and the media. Invitation to representatives of Ukrainian MLM-companies to participate in these business meetings will help them enter foreign markets.

Analysis of MLM companies in Ukraine and their marketing communication tools showed that although they are very carefully approach to developing their communication programs, conducting appropriate audience research, choosing your strategy, but there are a number of points, consideration of which will increase the performance of companies.

Communications program should, in our view, pursue three main objectives that can solve marketing communications (Fig. 2).



**Fig. 2. Block diagram of the measures to improve the IMC by Network Marketing Companies**

*\* elaboration of the author*

One of the aims of marketing communications is to provide consciousness among potential buyers regarding the company and its products. The practice of MLM companies in Ukraine indicates that potential buyers sufficiently acquainted with companies that have long been operating in the market, stimulated by access to Internet sites and advertising presence.

MLM-companies accentuate attention to lack of advertising products, but image advertising creates certain conditions for improving consumer confidence, helps retailers to ensure the active promotion of products, especially in the conditions of increasing competition. That is why companies that are newly on the market should be greater use of image advertising

Significant role in creating the company's image plays such tool of marketing communications as public relations (PR, public relations). It includes a number of different methods by which the atmosphere of trust in the network companies is created. After all, along with a positive attitude to MLM companies, there are quite a large number of negative reviews on MLM-companies.

Therefore, it would be appropriate to implement a project to create and maintain a positive image of the company through involvement PR methods at the level of representatives of companies in Ukraine.

The study of the views of all stakeholders should be conducted in the mentioned project that are directly or indirectly related to the company, evaluate situation and identify the main problem. Knowledge of bottlenecks will make it possible to plan target of the program (what we want to achieve), identify the target audience (on whom we shall direct our actions), formulate requirements (what exactly we want to achieve with every type of audience). Peter Green notes that "non-structured activities in the field of PR will never be as effective as planned program" [5].

It is appropriate to use the following methods within the program of PR:

1. Presenting the information about the company – new products, regional activities, the results of research and development – through dissemination through the media, participating in talk shows, conducting press conferences and the Internet. These measures will help to create the image of a more “open” company and improving public and company relations.

2. Creation of events and participate in special events such as: sponsored participation in sports competitions, concerts and exhibitions. The main goal of the sponsorship is to increase consciousness about the company and improve its image by association with positive values.

J.J. Lambin noted that “no matter how the company sponsored an expedition to the Himalayas or transatlantic regatta, it thereby underlines devotion to moral values such as team spirit and courage. On the one hand, the company confirms its openness and harmonious integration into society, on the other hand, and this applies to internal communications, develops staff support and provides friendly climate in the team” [6, p. 585]. The above is especially important for companies MLM, where distributors operate as independent business units and represent the companies in the market.

Sponsored and charitable activities of global network marketing companies became the standard of work in the market. Ukrainian MLM-companies have to pay more attention to the instrument that will allow both improving their image and improving consciousness about the company.

One of the forms of sponsorship is a marketing of events, which is gaining popularity in recent years, gradually replacing charity, recalculation of the proceeds from the sale of products for a specific event or nonprofit organization. Support for conducting festivals and other cultural events, sports clubs and sports teams will promote recognition of the company among the population.

Network companies can also implement marketing communications in virtual space [7]. With the development of Internet-technologies of communications is increasingly shifting to social networks, forums and blogs, due to the possibilities of individualization of offers, control over the effectiveness and lower costs.

The global network marketing companies, operating in Ukraine and their distributors are active in social networks, presenting interesting and quality content about the products and company, various training programs. In the world practice the specialists work in such companies, creating editorial portfolio, conducting the control over the spread of information. Ukrainian companies passively use opportunities of social networks to promote their brands, though virtual social networks from the standpoint of communication effects have several advantages [8, p. 143], but building of phased communication policy is necessary for the successful presentation company [9, p. 22].

Therefore, we propose active implementation of SMM (Social media marketing) in the activities of Ukrainian MLM-companies through the following measures:

- research of target audience, namely determining that fact which information is needed for consumer, who plans to purchase or join as a distributor to companies, which social networks are the most popular among the target audience, when the target audience actively use social networks;
- content development and its distribution with using various methods. Today, viral marketing is such method according to experts of SMM-marketing;
- monitoring reactions to content, evaluation of the theme for discussion and activity tracking of page subscribers or communities. Interaction of administrator of account social to its users is important at this stage, providing answers to questions, comments, etc.

Thus, this type of communication will contribute to creating better awareness among consumers and will encourage them to make purchases.

The task of marketing communications is to attract potential customers to interact by providing knowledge about the company and its products. Scientists emphasize the need to achieve synergistic effect from the introduction of integrated marketing communications for the company [10]. Therefore, companies pay much attention to communications in order to develop systems of incentives and rewards for distributors, because they are their strategic resource. Sales growth rates of the company, the pace of market development, as well as the place that the company will hold in the market are all dependent on

the efficiency of distributors' work. To achieve high sales results it is important to introduce a system of education and training. Despite the significant amount of training materials offered by companies about the first steps of the distributor and his work, a large number of seminars and trainings are offered as on-line, and off-line. Almost none of the MLM companies teach distributors according to the full cycle of issues including a concept of "personal sales" as well as on marketing, which technologies can greatly increase the effectiveness of activities in the field of sales. In this regard, to improve the education system in MLM-companies we offer to develop corporate training systems being an integral part of the overall personnel management system aimed at ensuring distributors' abilities to carry out personal sales at a competitive level.

It is important to distinguish clearly between target audiences in the process of developing measures of financial incentives in order to attract customers and distributors to interact with a company. Today, any potential buyer can conclude an agreement with the company and buy products at a discount, regardless of the purpose – for their own consumption or for sale. It is proposed to implement project in which the products will be sold at a uniform price in order to overcome disparities when setting prices increased motivation to distribution activity.

However, the purpose of buying should be noted in the agreement – selling of products then it should be sold with established discounted distributor at the level of corporations.

The task for distributors is to develop its own systems of stimulating for potential buyers and real customers (it may be discounts, bonus programs, selling three products for the price of two, etc.

This approach to the system of incentives, firstly, will meet the main goal of companies, namely the involvement of distributors, secondly, allow implementing accounting of active distributors and controlling over their activities.

**Conclusions and discussion.** Identification of the main factors influencing the activity of international MLM-companies allowed formulating the basic directions and communication activities to enhance their activities.

An important component of the program for development of marketing communication is to improve marketing communication activities of network marketing companies.

The proposed program of communication measures for the support and development of network marketing companies will contribute, above all, the formation of the image of the company and its products in the consumer, improving the business climate in Ukraine, the creation of the middle class by attracting people to the business, which are the foundation of economic development in the developed world.

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## РОЗВИТОК ІНТЕГРОВАНИХ МАРКЕТИНГОВИХ КОМУНІКАЦІЙ ГЛОБАЛЬНИХ КОМПАНІЙ МЕРЕЖЕВОГО МАРКЕТИНГУ В УКРАЇНІ

### Анотація

**Вступ.** У сучасних умовах функціонування компаній мережевого маркетингу в Україні потребує пошуку нових методів та підходів до обґрунтування розвитку інтегрованих маркетингових комунікацій.

**Методи** – теоретичного узагальнення й порівняння, статистичного аналізу, абстрактно-логічний, методи аналізу та синтезу.

**Результати.** Наукова новизна полягає в виділенні двох рівнів при розробці системи комунікативних заходів: державні та місцеві органи влади та безпосередньо MLM-компаній. Основними завданнями, що повинні бути реалізовані на рівні держави є: сприяння та просування ідеї самозайнятості за рахунок підвищення обізнаності, покращення системи навчання з мережевого маркетингу; сприяння у формуванні позитивного іміджу компаній мережевого маркетингу за рахунок впровадження законодавчих змін стосовно прямого продажу та мережевого маркетингу, розвитку саморегулювання; підтримка українських MLM-компаній та сприяння їхньому виходу на зарубіжні ринки через проведення інформаційних кампаній та семінарів з залученням представників MLM-компаній, допомоги по впровадженню європейських стандартів та доступу до зарубіжних ринків.

Заходи щодо покращення комунікацій на рівні компаній повинні охоплювати наступні напрями: покращення роботи щодо підвищення рівня усвідомленості через проведення іміджевої реклами, PR-заходів та розвитку SMM; з метою залучення до співпраці – використовувати системний підхід в процесі навчання та внести зміни щодо стимулювання дистриб'юторів, виокремивши в окрему групу покупців; для утримання дистриб'юторів – здійснювати розвиток програм лояльності.

**Перспективи.** Запропонована програма дасть можливість як державним, так і місцевим органам влади більш системно та цілеспрямовано проводити роботу щодо розвитку підприємництва, а українським MLM-компаніям підвищити результативність своєї діяльності.

**Ключові слова:** програма, дистриб'ютори, іміджева реклама, маркетингові комунікації, компанії мережевого маркетингу, інструменти маркетингових комунікацій.

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