

THE BASIC ASPECTS OF THE INTERACTION MARKETING CONCEPT AND THE NETWORK THEORY

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The basic concept of interaction marketing is that the relations with buyers and other participants of the process of purchase and sale become the object of marketing theory. Unlike classical marketing interaction marketing considers communications with buyers and business partners as any long-term mutual relations of a firm with its partners promoting profits extractions and satisfaction of regular customers' requirements.

Keywords: interaction marketing, purchase, sale, network theory

Interaction marketing concept was widely adopted by industrial (business-to-business) markets having a number of differences from traditional (business-to-customer) markets of consumer goods. In business-to-business marketing a purchase and sale process is viewed as a long and continuous process of interaction between the organization-seller and the organizations-buyers. Clients in industrial markets can hardly be segmented equivocally with the accurately allocated borders, the majority of them require the individual approach. Therefore the concept of traditional marketing focused on a buyer becomes a non-effective tool.

The network theory is a logic continuation of the interaction marketing concept and for the last thirty years has become more and more popular. Earlier network organization researches were focused on studying the relations between a supplier and a consumer (distributor). For example, see P.R. Dickson's work. Later, the number of subjects was expanded and researches were directed to the analysis of communications and forms of interactions between all the subjects of a network. The advantages of network organizations are fully investigated in the work [6].

The advantages are:

- better adaptation to the information environment;
- quick reaction to market changes;
- decrease in investments into fixed capital and technologies;
- bigger orientation to clients and markets demands;
- information exchange improvement, susceptibility increase to the external environment.

In this case a network organization is viewed to be a coalition of interdependent specialized economic countries with their own goals. Such economic entities operate without any hierarchical control, however all of them are involved into the system with general aims through numerous horizontal links, interdependence and an open exchange.

Further the authors make a conclusion that the basic difference between the network theo-

ry and the economic theory of the organization is «involvement». Besides, the network theory contains to a larger degree – sociological aspects and a policy of coalitions and to a lesser degree – the neoclassical economic theory.

Apart from the mentioned advantages the concentration in developing of the key competences by all business-subjects should be noted. The network participants invest more to gain a higher level of competences instead of creation new ones, since non-profile functions are transferred to other participants of value creation. As a consequence of wide development of network outsourcing has become so popular and widely used.

The network concept actually contains the following:

- Market subjects develop relations and keep in touch with each other in order to get additional resources.
- A set of market subjects cooperating for a long period of time forms a network of the organizations with general goals (creation of value for a consumer).
- Development of horizontal links and formation of profit centers promote relation strengthening and improve steady position of each partner in a network.
- Network relations allow firms to reduce expenses for creation and realization of innovations.
- The information openness and interaction with the environment allow firms to response to demands and new possibilities of the market.
- The key competence of the network subjects develops.
- An essentially new business model directed to the effective service of consumers is formed.

The progressiveness of the concept has defined the main objective of business activity of a company – to coordinate all the aspects of mutual relations management.

When the clients base is quite big and a various one it is necessary and important to reveal and to consider a variety of mutual relations in order to maintain and support them with all the

types of consumers. A constant monitoring of the consumers or direct interactions with them allowing to consider their requirements and a necessity to transmit new data to them can help find out what new decision making is necessary.

Not less important factor is that close interactions with the clients allow the company to get information on their satisfaction with the products and changing values. The company goes away from the stereotype consumer perception, which has been developed for years, and this permits it to identify the structure of consumer value better. As a result there is a growth of satisfied clients.

In the network theory the main attention is paid to the formation of partners relations between all the business subjects in the process of creating consumer value and delivering it to a consumer. The system of values realized in goods is the key element and makes up the specificity of interdependence between the participants of a network. In the course of developing new goods and services and delivering them to consumers the contribution of each partner to the general strategy of the network is defined and considered.

While forming a network the partners define integrated long-term objectives. Each partner may have its own goal but general objectives are: trusted cooperation within the frame of development and maintenance of mutual relations to realize the primary activity of each of the partners. The compliance of all the objectives is based on the generality of interests and specificity of each partner's contribution.

Network partners are not only production manufacturers including accessories, half-finished products etc. but all the organizations providing business services: financial institutions, consulting firms, logistical providers etc. Because of wider understanding of the term «business partner» networks go far beyond the traditional understanding of the term «branch», and the character of the relations is defined by the general target orientation – creation of an effective business model.

Thus having defined the intrinsic aspects of the interaction marketing concept and the network theory it is possible to point out the following essential issues:

1. The mutual relations management concept assumes a durable character of mutual relations with a consumer unlike single transactions and, as a consequence, it makes an emphasis on holding of the old clients much more than on attracting new ones.

2. Mutual relations management proves economically the necessity of holding buyers, especially the most profitable clients. Thus if 20% of the firm's clients bring 80% of the

profit volume (a rule of Pareto) the largest part of expenses for interactions with clients should be directed to the development of relations with this group of buyers.

3. The concept of mutual relations management makes a greater emphasis on a communicative component in relations with consumers than it is usually made in the traditional concept of marketing.

The mutual relations management concept is based on the principles of active involving all the participants of a marketing system into the process of manufacturing distribution, realization and consumption of goods.

Such an approach to business communications changes the purpose and orientation of the business organization focusing management and all the participants in manufacturing and distributing on buyers' wants and final consumers' demands. It means that it is necessary to produce such goods and in such volumes which the market needs.

Consumer purchases and goods sale are predetermined with a high probability thanks to the preliminary marketing research, thorough studying and forecasting market dynamics and its environment intensive competitive struggle in many branches of market activity stimulates manufacturers to develop new methods for ensuring and maintaining a competitive advantage in the market environment. Competitive advantages are based on the ability of a company to create value to cater effectively to consumer demands. The key idea of the concept of business structures interactions is defined as maximum and at the same time effective satisfaction of business buyers' and business partners' requirements by creating necessary and sufficient conditions for functioning of all the business-system subjects.

The basic strategy of the interaction concept is developing long-term mutual advantageous interaction with the key-consumers and other participants of business processes based on social, technical, information and legal adaptation of the partners to each other. Thus a manufacturer gets an opportunity to create goods/services satisfying all those who consumes them or uses in their businesses (final consumers and business-subjects).

A long term interaction ensures transaction costs reduction and this raises the importance of such interaction. Thereupon a long term interaction acts as a competitive advantage.

A network and integration analysis acts as a necessary toolkit for formation of mutually advantageous cooperation. In the frameworks of the analysis it is supposed to investigate investments into relations; to analyze consumers and all the other participants of the market interaction; to work out a complex of market-

ing activities for each consumer separately; to explore the corporate culture of an enterprise structure and peculiarities of business service consumption. As the main purpose of the activity is the achievement of the maximum satisfaction of requirements of all the business process participants it is necessary to create such interaction network all the participants of which would be satisfied. It is achieved by the correct choice of participants, an establishment of mutually advantageous relations and the subsequent interaction management.

The concept of active interaction between the subjects of a business infrastructure grows out of the development of the theory of the organization and business infrastructure functioning based on modern lines in the field of business buyers' behaviour, business information technologies development, and the peculiarities of the evolution of market structures and enterprise activity as a whole.

The key directions in business-structures activity are innovations, social and technical adaptations, development and maintenance of relations between all the subjects of enterprise activity. Within the framework of the given approach it is necessary to point out the following basic principles:

1. A principle of competitive interaction in joint creation of value and its distribution between the participants of communications.

2. A principle of the coordination of interests of all the business participants in realization of the objectives.

3. A principle of priority of long-term interaction throughout the whole life span of buyers.

4. A principle of construction of an interaction chain not only with the business process participants but between the elements of the internal environment of the enterprise as well.

5. A principle of real time in the interaction chain organization.

Development and further improving of toolkit for formation of strategy of effective interaction of the business infrastructure subjects allows to reduce costs considerably in search of new trade channels, information on the market environment, business partners thereby allowing the companies to concentrate their efforts

on improving the quality of goods and services in order to ensure the competitive advantage in the market. Concentration of efforts on efforts on the primary activity of the company requires attracting experts for performing additional production functions. The mentioned tendency has received the greatest activity in connection with the complication of production cycles, increase in consumers' requirements to the quality of goods and services, and also with information streams increase which has demanded working out of specialized approaches for the analysis and processing of information resources. The specialized companies are engaged to perform these specific functions in order to maintain the efficiency of business-structures.

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