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The Role of the Marketing Aspects of Market Integration in Achieving Competitiveness

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Abstract
A crucial characteristic of the modern-day world economy is global economic disbalance. Whereas the developed segment of the global economy, with its overall and particular interests, diverges on the one side, the remainder of the global economy remains of the other. The shifts noted over the past three decades have resulted in differences in the global economic leadership, and the pivotal points of such leadership. In such circumstances, transition countries should promote mutual conditioning of national economies with the trends of global market integration, as this is the basis of sustainable economic prosperity and enhancing their own competitiveness, as testified by the positive experiences of the economically most prosperous countries such as Switzerland, Japan, South Korea, Singapore etc.
The relatively small countries (including Serbia), lacking particularly noteworthy available resources, with the orientation to workforce training and qualification, as well as active incorporation into international market integrations, have the opportunity to attain the key factor of economic success, which is increasingly shifting towards the market. The shortage of traditional resources, especially natural resources, can be successfully substituted with market expansion, as those who have larger markets in the 21st century will also have larger production.
The globalisation process has been acting as a catalyst in the international market integration. The increasingly apparent market integration has resulted in the growth in the off-shore financial market, mergers and acquisitions, and the global restructuring of entire industries, which has further reflected on enhanced international competitiveness. In addition, the global homogenisation of the consumers' needs, that is, equating the expectations and standards for products in international exchange bring into the foreground the role of marketing aspects of market integration in global competitiveness.

Keywords
Marketing, market integration, competitiveness.

Introduction

As well as several significant economic phenomena keeping pace with the development of the globalisation process and overall market integration, the world economy has undergone significant radical over the past three decades. This particularly refers to relocating the mainstream industrial production from Western Europe and North America to East and Southeast Asia. In addition, regional economic integration has been strengthened by the regulation and institutionalisation of trade and financial flows, where the value of international commerce transactions, where the value of international trade transactions remarkably exceeds the value of the total global production, which clearly indicates that the sources of economic growth in modern-day global economy are increasingly shifting in favour of active involvement in the global market. International companies have become the principal entities in international exchange, headed by superior cooperation, which have lead to a high degree of individualisation in international trade and highlighting the significance of international competitiveness, because international exchange is no longer predominantly a macroeconomic phenomenon.

The global extension of market integration has resulted in the establishment of the key factors of sustainable competitive advantage in terms of technological and marketing aspects, both through individual innovation of the production process and through encouraging the organisational and technological enhancement with appropriate decision making on the business and macroeconomic level. The predominant opinion in the reference marketing literature is that the key change in the marketing aspects of market integration is shift in the emphasis from the macroeconomic to microeconomic level of decision making, that is, functional connection of market-related integration and competitiveness.

1. Contemporary market integration

The modern-day market integration was preceded by a significant growth in the level of international exchange of goods and services, and the values reached by this exchange. This growth emerged as a consequence of the following trends and tendencies (Jović, 2006, p. 70):

- general liberalisation of international trade with an increasing homogenisation of international competition:
- intensified international mobility of knowledge and capital, especially direct investment of the international private sector.
- the growing effects of regional economic integration;
- the shift of the pivotal point of the global economic cycles from internal to external demand;
- strengthening the role of internationally oriented companies as the main holders and subjects of contemporary exchange of goods and services.

Developing various forms of market integration, that is, strengthening economic and business relations reflects significantly on the operative activities of internationally oriented enterprises on the selected segments of the global market. Such market relations appear in various modalities, and signify strengthening and commercial relationships accompanied by gaining mutual benefits.

The traditional logic of market integration was based on using potentials and benefits of a large market, while contemporary circumstances are increasingly characterised by specialisation and development of the marketing aspects of global competitive advantage. In parallel with the liberalisation of the exchange of commodities, services, knowledge and investment, advances in the market integration expand the fundaments and forms of business cooperation of internationally integrated companies, bearing in mind the modern-day possibilities for fragmenting both production and other business functions. Viewed macroeconomically, the global economic interdependence also leads countries to deepen their economic relationships, for only in this way can the total economic activities be directed and developed appropriately.

Market integration has undergone a long evolution. Historically, four forms of market, i.e. economic integration can be distinguished: free trade zones, customs unions, common market, and economic union. A free trade zone is the initial form of international market integration, and the best known example from recent past was EFTA, which has lost its significance due to full membership of Austria, Sweden and Finland in the European union.

A customs union is a form of higher-intensity market integration, which, as a transitional form between a free trade zone and common market, does not exist in its literal sense in the contemporary world economy. In addition, customs duties are increasingly losing significance as a form of protection of foreign trade, whereas classical foreign trade transactions are being combined or replaced by other modes of entry into the world market. A well know example is the customs union of Belgium, Holland and Luxemburg in the period from 1921 until full EU membership.

Common market refers to integration, which creates prerequisites for free mobility of capital and labour between member countries, and hence, free trade in commodities and services. The best known and probably most successful example of common market was the European Economic Community until 1992. In addition to the European common market, there are attempts at such integration of Latin American, Arab and African countries (CACM, LAIA, CARICOM, ANDEAN, ECOWAS, ACM, etc.). In essence, these integrations are closer to a form of creating regional connections, being burdened by the problems of overlapping export orientation, insufficient political consensus, or better to say, trust.

Economic union is the highest form of integration of member countries, which also includes harmonising mutual economic policies, together with the policies of industrial and regional development. Such integration results in the formation of supranational, establishment of monetary union and common policies in many areas, starting from agriculture and social policies to enhancing competitiveness. The EEC has grown into such a union, as an entity of homogenous economy, with the idea of a single currency, unified fiscal and monetary policies.

The contemporary economic relations also include non-conventional forms of market integration, resulting in various examples of market-based association of modern countries, even associations of different market integrations. For instance, 1989 saw the inception of the APEC (Asia Pacific Economic Cooperation) as a regional integration for improving economic cooperation, and the effects of the association were adjusted towards forming an Asian-Pacific economic community. Thus conceived, the APEC features as a market integration of the Eastern hemisphere with the aim of eliminating trade and investment barriers by 2020. It is interesting to note that the APEC gathers countries previously integrated in ASEAN and NAFTA, as well as other globally significant economies.

The contemporary market integration significantly extends the impact of marketing aspects in researching, planning and achieving competitiveness of internationally oriented companies, bearing in mind the potential and dimensions of a large market in implementing business strategies on a spacious geographic basis. In addition, the marketing implications of market integrations are also concerned with harmonising business-related and legal requirements as regards individual marketing mix, a common currency facilitating price comparison between countries, and encouraging economic development that should result in an increased number of solvent customers (Keegan, 2002, p. 50).

2. International competitiveness

Market integration is functionally linked with achieving international competitiveness. Understanding a company's international competitiveness requires an analysis of macro, meso and micro level of competitiveness in a broader perspective. A three-phase model (Hollensen, 2011, p. 104) was developed for the purpose of understanding this relationship:

- analysis of national competitiveness, i.e. Porter's diamond – the macro level
- analysis of competition within an industry, i.e. Porter's five forces – the meso level, and
- value chain analysis – the micro level.

This model refers to individual competitiveness and competition and time-based competition. The factors influencing companies' individual ability to achieve international competitiveness include internal abilities, skills, motivation and invested effort (Veliyath & Zahra, 2000). In the traditional approach to decision making, uncertainty leads managers to search more additional information based on which they will raise the level of certainty in decision-making. Managers, however, can increase competitiveness by using tactics that accelerate the analysis of gathered information and alternatives during the business decision making process (Kedia, Nordtvedt, & Perez, 2002). In this manner, competitiveness is achieved by simultaneous evaluation of various alternatives, and comparison with the traditional approach to decision making indicates accelerated analysis of strengths and weaknesses of individual options.

The growing effects of market integration and operating under the conditions of globalisation have resulted in developing the concept of critical competitiveness (Rakita, 2009, p. 443). The globalisation process has led to changes in the nature of competition. Essentially, global competitors have grown in terms of size and market dominance, because, apart from having resources at their disposal on a global level, they also achieve competitiveness on the global market. A relatively small group of multinational companies, or their networks, achieve domination in many activities.

The aggressive behaviour of global competitors is also increasingly manifest, as indicated by the growing number of aggressive measures taken by direct competitors. The earlier rules of loyal competitions are increasingly becoming a part of the past. In addition, competition on integrated markets exceeds the limits of the same industry, for the new competitors can be basically connected to some other industries. The traditional competitive analyses have therefore become imprecise and inappropriate.

It is also interesting that the new competition increasingly occurs between strategic alliances and business networks. Shortened lifecycles of products leads to temporary or project-based company networking, so that independent competition is surrendering its place to competition between networks. Finally, the global competitors have also become a significant political factor, for their strategic developmental importance results in domicile states supporting them either directly or indirectly.

The essential issue of international competitiveness is how contemporary market oriented companies should construct their attitude to global competitiveness. It must be borne in mind that there is no generally accepted answer to such a question. International competitiveness in the 21st century will be achieved by combining new abilities that will result in superior business qualifications of particular companies in comparison to their competitors. This, above all, refers to expressed innovativeness in technological, production-related and marketing-related sense.

The contemporary international competition highlights the recurrent practice of extreme situations, because global market domination has resulted in hyper-competition, with the simultaneously occurring increasing fragmentation and growing competitive specialisation. Global competitors tend to find new ways of adding value to their offer.

Global competitiveness results from a strategic approach stemming from the fact that it is essential to create future competitive advantage more efficiently than the competitors can reach the existing competitive advantage. By its strategic approach, the company opts for the best way of achieving long-term competitive advantage, developing its own knowledge and skills. In accordance with global integration, a company also opts for different modalities of market participation.

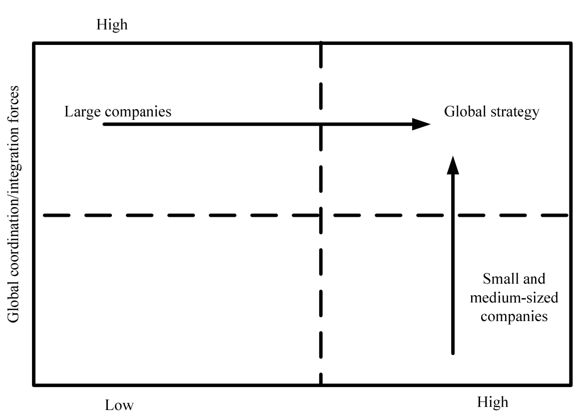

Figure 1 Global integration and market participation
Source: Hollensen, 2011, p. 22

The concept of critical competitiveness, i.e. critical success zone, is based on the minimum size and efficiency levels required for achieving and maintaining the adequate market position. Regarded as the fundamental criterion of business success on the national market, with regards to the selection principle, such a concept was earlier known in national marketing as the critical success zone concept. It must be borne in mind that the critical success zone is always defined in relation to competition and the standards of the target market, rather than being an absolute category.

The critical zone of international competitiveness links two distinctive and interdependent criteria of market success: the differential advantage and the economies of scale. Achieving international competitive advantage, therefore, means that a company creates an optimum international marketing programme, and achieves the effects of the economy of scale.

Critical competitiveness, in essence, features as the zone of successful market participation, which is why it is necessary to know the criteria for the peak and threshold of critical competitiveness. The critical competitiveness threshold refers to investment required for achieving advantage in relation to international competitor and achieving the appropriate market position. The critical competitiveness peak refers to achieving the leading market position, both in terms of market participation and the achieved business performance.

Market orientation in operations on the integrated market is prominent in the critical competitiveness concept, by means of considering the existence and developing the company's differential advantage, which means that the differential advantage is both the determinant and the objective of the international marketing strategy, However, the differential advantage is not an advantage by itself, as it primarily refers to advantage in combining marketing mix instruments in relation to competitors. The achieved differential advantage is a realistic guarantee of positive business results on the integrated market.

3. Creating marketing strategies on the integrated market

Creating marketing strategies on the integrated market begins by choosing the competitive strategy, determined by the current and future target markets. Generally, in doing business on the contemporary integrated market, marketing managers have three possible options for choosing a strategy (Porter, 1998):

- cost leadership,
- differentiation, and
- focussing.

The focussing strategy is characteristic of business operations on a single market segment, where orientation may turn to cost cutting or differentiation. Each of the three strategies can be applied both on the global and the regional market, and marketing managers can also combine strategies depending on the characteristics of the market and the product.

As regards leadership strategy on the integrated market, the essence is offering identical products at a lower price than the competitors. Cost leadership is often preceded by investment in economies of scale, and implies a strict control of total costs, including research and development costs, and marketing logistics costs.

Differentiation may be focussed on a single market segment, but it can also be applied on the market of the entire industry. In marketing practice, marketing differentiation may be real or apparent. In any case, differentiation should be noticeable to consumers, regardless of whether it is related to low prices, design elements, or after-sale service. When creating marketing strategies on the integrated market, the most frequent combination is differentiation with cost cutting, for this facilitates market penetration and increases market share

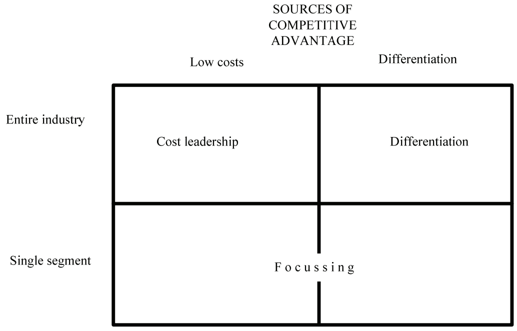

Figure 2 Marketing strategies
Source: Porter, 1998

Developing market strategies on the integrated market does not mean that companies must serve the entire integrated market. Given the resources at their disposal, and the set marketing goals, every company decides on the extent of market participation on the integrated market. Various approaches are used on the integrated market, and companies often begin grouping the market by several criteria. In addition, various portfolio models are used, due to observed positive analytical characteristics.

Finally, when creating marketing strategies on the integrated market, companies make decisions based on market appeal and expected market position. It must be borne in mind that marketing expansion on the integrated market determines resource allocation by individual target segments. The basic alternatives in this sense are (Czinkota, Ronkainen, & Zvobgo, 2011, p. 174):

- concentration on a small number of markets and
- diversification through growth on a comparatively large number of markets.

When deciding on the expansion strategy, it is necessary to consider the market's specific features (such as growth rate, price stability, demand price elasticity of demand, etc.), marketing programme (competitiveness, need to adapt the product, market communication adjustment, economies of scale in distribution, etc.,) and the relevant factors controlled by the company management.

Conclusion

Achieving competitiveness on the integrated market entails facing intensive competition of domestic and global brands, resulting in rising marketing costs and drop in corporate profits. In addition, competition on the integrated market includes all the existing and potential offers of competitors, and the offer of substitution products and services, which meet the same consumer needs, but in a different way.

Competitors on the integrated market meet the needs of large market segments, parry each other directly, confronting each other while gaining adequate market share, which all results in reduced profit of all market participants. As the market growth slows down in such circumstances, it is further divided into smaller segments, which corresponds the market fragmentation process, as a process parallel to its integration.

Just like fragmentation is accompanied by market integration, market consolidation is accompanied by its fragmentation. Market consolidation is the result of appearance of a new attribute, characterised by a high degree of appeal. Such a situation favours the expansion of certain areas of the integrated market. It must be borne in mind that the state of market consolidation is not a permanent feature of the contemporary integrated market either, given that it is mostly fluctuating between fragmentation and consolidation. SM

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