

MARKET INTEGRATION



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Market integration

- Integration shows the relationship of firms in a market. The extent of integration influences the market conduct of the firms and consequently their marketing efficiency.
- Markets differ in the extent of integration and, therefore, there is a variation in their degree of efficiency.
- Market integration is a process which refers to the expansion of firms by consolidating additional marketing functions and activities under a single management.



Types of market integration

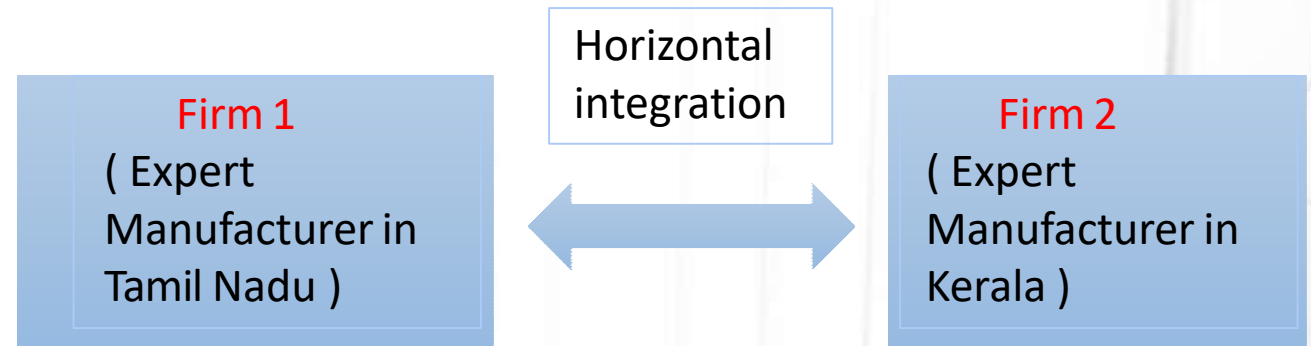
There are three basic kind of market Integration:

- Horizontal Integration
- Vertical Integration
- Conglomeration



Horizontal Integration

- In this type of integration, some marketing agencies combine to form a union to reduce their effective number and the extent of actual competition in the market.
- e.g. Primary milk producers ,
Facebook with instagram ,



Example for horizontal integration

- One of the clearest examples of horizontal integration is [Facebook's acquisition of Instagram](#) in 2012 for a reported \$1 billion.
- Both Facebook and Instagram operated in the same industry and were in similar production stages in regard to their [photo-sharing services](#).
- Facebook looking to strengthen its position in the social media and social sharing space, saw the acquisition of Instagram as an opportunity to grow its market share, increase its product line, reduce competition and access potential new markets.
- All of these things came to pass , resulting in a high level of synergy



Vertical Integration

- Vertical integration occurs when a firm performs more than one activity in the sequence of the marketing process.
- It is linking together of two or more functions in the marketing process with in a single firm or under a single ownership.
- For e.g. if a firm assumes wholesale as well as retailing, it is a vertical integration or rice processor under taking retailing.

1. *Forward Integration* : takes activities close to the consumption function

Eg. wholesaler assuming the function of retailing

2. *Backward Integration* : combination of sources of supply. **Eg.** processing firm assumes the function of assembling/purchasing



Farmer



Processor



Retailer

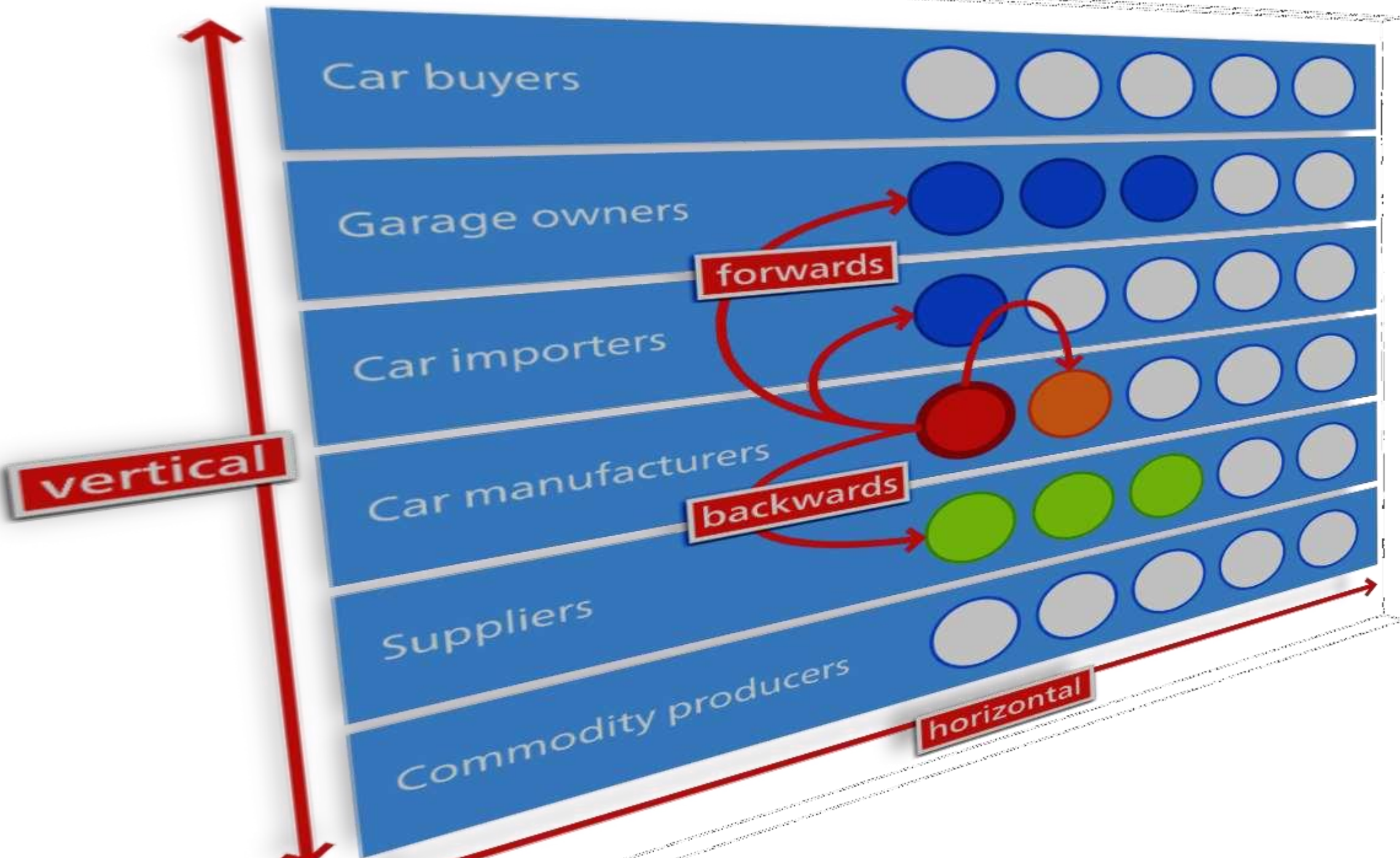


Customer



Wholesaler

**In a Market Chain
commodities
flow from
producers to**



Car buyers

Garage owners

Car importers

Car manufacturers

Suppliers

Commodity producers

forwards

backwards

horizontal

vertical

Example for forward vertical integration company



- Canadian communications giant Rogers is an example of forward integration.
- The company established Rogers TV, a subsidiary company that operates local television channels.
- The Rogers TV channels show programs such as cooking and talk shows, which are produced by Rogers-managed television studios.
- These provide Rogers with an opportunity to advertise and sell its digital products using an electronic version of a retail store.



Example for backward vertical integration company



- Amazon.com backward vertically integrated when it became not only a bookseller but a book publisher.
- As a bookseller, Amazon.com buys books from various suppliers, such as publishing companies.
- By becoming a publisher itself, it has integrated into its business the role of supplier and can sell books that its own publishing company publishes.



Conglomeration

- A combination of agencies or activities not directly related to each other may operate under a unified management.
- Eg : conglomeration are Hindustan Unilever Ltd. (processed vegetables and soaps), Delhi Cloth and General Mills (Cloth and Vanaspati).
- What : involved in a number of different and frequently unrelated activities
- How : Most of the business firms have some degree of vertical integration, horizontal integration and conglomerate character
- Whom : firm which buys and sells the grains is also engaged in selling of fertilizers, insecticides and pesticides, feed
- Why : meeting the multiple needs of their customers, most of whom are farmers spreading the risk and helps in expanding the activities to additional markets



Hindustan Unilever Limited

- **Hindustan Unilever Limited (HUL)** is the Indian wing of the Multinational consumer goods company Lever International.
- HUL was established in 1933 as Lever Brothers and, in 1956, became known as Hindustan Lever Limited, as a result of a merger among Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd.
- It is headquartered in Mumbai, India and employs over 16,000 workers, whilst also indirectly helping to facilitate the employment of over 65,000 people.
- The company was renamed in June 2007 as "Hindustan Unilever Limited".



Thank
you

