Chapter 3
ANALYZING THE MARKETING ENVIRONMENT

MARKETING STARTER: CHAPTER 3
MICROSOFT: Adapting to the Fast-Changing Marketing Environment

Synopsis

Microsoft used to rule the PC industry as the dominant software developer, putting Windows operating system and Office productivity suite in almost every computer sold. When PC sales growth flattened and people shifted to connected mobile devices, the mobile devices did not need Microsoft Windows. Microsoft lagged behind Google, Apple, Samsung, Amazon, and Facebook and profits stalled for a dozen years. Microsoft transformed to align itself with the new digital world. It created a mobile version of its Windows operating system and Office 365, a cloud-based subscription version of its suite of productivity apps. It upgraded Skype, added OneDrive, and launched Microsoft Surface tablets and laptops. It dabbled with mobile phones. It shifted its mission from a focus on computers to a new mission in 2015: "to empower every person and every organization on the planet to achieve more."

The new mission focuses on outcomes, not devices or services. Microsoft is focused on productivity apps and services. It is making Office accessible, and plans to make Office 365 the center of a new family of cloud-based online services. Microsoft's new direction also includes artificial intelligence (AI). Its Cortana voice assistant is installed on hundreds of millions of Windows devices worldwide, and integrates with Alexa.

Discussion Objective

A brief discussion of the Microsoft story will help to illustrate how leading companies sometimes must react to changes in the environment. While the personal computing industry has changed, Microsoft has adapted to the changes. Here, the discussion goal is to link Microsoft's threats, opportunities, and performance to the changes occurring in the firm's microenvironment and macroenvironment. This discussion provides a useful transition from the marketing management model provided in Chapter 2 to the concepts of analyzing the marketing environment presented in Chapter 3.

Starting the Discussion

To kick off the Microsoft discussion, pull up the Microsoft website at www.microsoft.com. Ask students why they think Microsoft's product family includes services. Be sure the students notice the cloud offerings. What do they think of this family of products? Why haven't mobile versions of its products done as well as those of Apple and Samsung? The key question is this: how has Microsoft handled changes in the marketing environment? Use the following questions to focus the discussion.

Discussion Questions

1. What appear to be Microsoft's unique strengths in analyzing the marketing environment? Which key principles from this chapter were available to company planners in anticipating, capitalizing on, and even helping shape the new marketing environment? (Here, you will want to focus the discussion on competitors and publics, along with the demographic, economic, and cultural environments.)

2. How have changes in the marketing environment created opportunities and threats for Microsoft? (Focus on changes in lifestyle, customer needs, business processes, and competition. Microsoft's approach to marketing has impacted its performance. Microsoft has experienced incredible success. Which forces might threaten that success?)

3. How does the chapter-opening Microsoft story relate to what comes later in the chapter? (This question transitions the discussion to Chapter 3 topics such as the impact of the actors and forces in the microenvironments and macroenvironments and how companies must respond. The key point: the best

companies do not merely respond to changes. They help to shape and drive those changes. And companies that don't respond tend to struggle.)

CHAPTER OVERVIEW
Use Power Point Slide 3-1 Here

This chapter shows that marketing does not operate in a vacuum but rather in a complex and changing environment. Other *actors* in this environment—suppliers, intermediaries, customers, competitors, publics, and others—may work with or against the company. Major environmental *forces*—demographic, economic, natural, technological, political, and cultural—shape marketing opportunities, pose threats, and affect the company's ability to build customer relationships. To develop effective marketing strategies, you must first understand the environment in which marketing operates.

CHAPTER OBJECTIVES
Use Power Point Slide 3-2 here

1. Describe the environmental forces that affect the company's ability to serve its customers.
2. Explain how changes in the demographic and economic environments affect marketing decisions.
3. Identify the major trends in the firm's natural and technological environments.
4. Explain the key changes in the political and cultural environments.
5. Discuss how companies can react to the marketing environment.

CHAPTER OUTLINE

p. 64 PPT 3-3	**INTRODUCTION** Microsoft has undergone a dramatic transformation to better align itself with the new digital world. More than just making the software that makes PCs run, Microsoft now wants to empower every person and every organization on the planet to achieve more, regardless of what device or operating system they use.	P. 65 Photo: Microsoft
	➢ **Opening Vignette Questions** 1. How is Microsoft addressing the changing marketing environment?	

	2. Analyze the company's attitude toward marketplace change. How has this attitude impacted its success? 3. Do you believe that Microsoft can regain the stronghold it has historically held in its markets? Why or why not? 4. In such a rapidly changing marketing environment, what might Microsoft be doing in five years? Ten years?	
p. 66 PPT 3-4	More than any other group in a company, marketers must be the trend trackers and opportunity seekers. A company's **marketing environment** consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.	
PPT 3-5 p. 66	**Describe the environmental forces that affect the company's ability to serve its customers.** **THE MICROENVIRONMENT AND MACROENVIRONMENT**	Learning Objective 1
PPT 3-6 PPT 3-7	The **microenvironment** consists of the actors close to the company that affect its ability to service its customers. The **macroenvironment** consists of larger societal forces that affect the microenvironment.	p. 67 Key Terms: Marketing environment, Microenvironment, Macroenvironment
	➢ **Troubleshooting Tip** This is an intense chapter that presents a lot of information that might make some students' heads swim. If it hasn't happened before, this is where students really begin to get the picture that marketing managers need to be highly analytical. It helps to present the in-depth discussion of current macro trends as something that needs to be understood, not memorized.	

p. 66 PPT 3-8 PPT 3-9	**THE MICROENVIRONMENT** Marketing management's job is to build relationships with customers by creating customer value and satisfaction.	p. 67 Figure 3.1: Actors in the Microenvironment
p. 67 PPT 3-10	**The Company** All the interrelated groups form the internal environment. All groups must work in harmony to provide superior customer value and relationships.	
PPT 3-11	**Suppliers** Suppliers provide the resources needed by the company to produce its goods and services. The company must treat suppliers as partners to provide customer value.	p. 67 Photo: IKEA
p. 68 PPT 3-12	**Marketing Intermediaries** **Marketing intermediaries** help the company to promote, sell, and distribute its products to final buyers. • *Resellers* are distribution channel firms that help the company find customers or make sales to them. These include wholesalers and retailers. • *Physical distribution firms* help the company to stock and move goods from their points of origin to their destinations. • *Marketing services agencies* are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets. • *Financial intermediaries* include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods.	p. 68 Key Term: Marketing intermediaries
p. 68 PPT 3-13	Today's marketers recognize the importance of working with their intermediaries as partners rather than simply as channels through which they sell their products.	p. 68 Photo: Coca-Cola

p. 69-70 PPT 3-14	**Competitors** Marketers must gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers. No single competitive marketing strategy is best for all companies. **Publics** A **public** is any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives.	
p. 69 PPT 3-15	• *Financial publics* influence the company's ability to obtain funds. • *Media publics* carry news, features, and editorial opinion. • *Government publics*. Management must take government developments into account. • *Citizen-action publics*. Consumer organizations, environmental groups, and others may question a company's marketing decisions. • *Internal publics* include workers, managers, volunteers, and the board of directors. • *General public*. The general public's image of the company affects its buying. • *Local publics* include neighborhood residents and community organizations. **Customers** There are five types of customer markets. The company may target any or all of these. 1. *Consumer markets* are individuals and households that buy goods and services for personal consumption. 2. *Business markets* buy goods and services for further processing or for use in their production process. 3. *Reseller markets* buy goods and services to resell at a profit. 4. *Government markets* are composed of government agencies that buy goods and services to produce public services.	p. 68 Key Term: Public p. 69 Ad: Tide Loads of Hope

	5. *International markets* are buyers in other countries, including consumers, producers, resellers, and governments. **Review Learning Objective 1:** Describe the environmental forces that affect the company's ability to serve its customers.	
	➢ **Assignments, Resources** Use *Discussion Questions 3-1* and *3-2* here	
p. 70 PPT 3-16	**THE MACROENVIRONMENT**	p. 70 Figure 3.2: Major Forces in the Company's Macroenvironment
p. 70 PPT 3-17	**Explain how changes in the demographic and economic environments affect marketing decisions.**	
p. 70 PPT 3-18	**Demographic Environment** **Demography** is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. The demographic environment involves people, and people make up markets. Demographic trends include changing age and family structures, geographic population shifts, educational characteristics, and population diversity. Changes in the world demographic environment have major implications for business. Thus, marketers keep close track of demographic trends and developments in their markets, both at home and abroad.	Learning Objective 2 p. 70 Key Term: Demography
p. 70 PPT 3-19	**The Changing Age Structure of the Population** The U.S. population is currently stands at more than 328 million and may reach almost 360 million by the year 2030. The single most important demographic trend in the United States is the changing age structure of the population. **Baby Boomers.** The post–World War II baby boom	p. 71 Key Term:

	produced 72 million **baby boomers**, born between 1946 and 1964.	Baby boomers
	Baby boomers account for nearly 22 percent of the U.S. population and control 42 percent of the nation's spending power.	p. 72 Photo: Lowe's
	Adults over 50 now account for 80 percent of luxury travel spending in America.	
	Boomers buy products that help them deal with issues of aging but appreciate marketers who appeal to their youthful thinking.	
p. 71	**Generation X.** The baby boom was followed by a "birth dearth," creating another generation of 55 million people born between 1965 and 1980. Author Douglas Coupland calls them **Generation X**.	p. 71 Key Term: Generation X
	The GenXers developed a more cautious economic outlook, and are a more skeptical bunch, though they are more likely to be receptive to irreverent ad pitches that make fun of convention and tradition.	p. 72 Photo: Lowe's
p. 72	**Millennials** (also called Generation Y or the echo boomers). Born between 1981 and 1996, these children of the baby boomers number 75 million or more. The 20- to 30-something millennials wield substantial buying power and make up a huge and attractive market. They are comfortable with digital technology; it is a way of life. They seek authenticity, value, and opportunities to shape their own brand experiences and share them with others.	p. 72 Key Term: Millennials (Generation Y) p. 73 Ad: Chime
p. 73	**Generation Z**, born between 1997 and 2012, totals approximately 80 million, which makes them 26% of the population. They are the most ethnically and culturally diverse generation. They spend an estimated $43 billion to $143 billion annually of their own money and influence up to $333 billion of family spending. They have digital in their DNA.	p. 73 Key Term: Generation Z
	Generation Alpha, born after 2012, will grow larger than millennials by 2025. They will be the most formally educated generation ever, the most technology-supplied generation	

PPT 3-20	ever, and globally wealthiest generation ever. Gen Alphas are important future consumers who are just beginning to establish brand preferences. **Generational marketing.** Rather than risk turning off one generation in favor of another, marketers need to form precise age-specific segments within each group. It may be more useful to segment people by lifestyle, life stage, or common values they seek in the products they buy.	p. 73 Key Term: Generation Alpha p. 74 Photo: Generational marketing
	➢ **Assignments, Resources** Use *Discussion Questions 3-3* and *3-4* here	
p. 74 PPT 3-21	**The Changing American Family** The "traditional household" consists of a husband, wife, and children (and sometimes grandparents). In the United States: • Married couples with children under 18 represent only 19 percent of U.S. households. • Married couples without children make up 30 percent. • Single parents comprise 8 percent. • Nonfamily households make up 35 percent. Among households made up of married couples with children, 62 percent are dual-income households; only the husband works in 28 percent. Women make up 57 percent of the workforce today.	p. 76 Photo: Slack
p. 75	**Geographic Shifts in Population** About 10 percent of all U.S. residents move each year. The U.S. population has shifted toward the Sunbelt states. Americans have been moving from rural to metropolitan	

p. 76 PPT 3-22	areas. Such population shifts interest marketers because people in different regions buy differently. **A Better-Educated, More White-Collar, More Professional Population** The U.S. population is becoming better educated. In 2012, 88 percent of the U.S. population over age 25 had completed high school, and 32 percent had a bachelor's degree or better, up from 66 percent and 16 percent, respectively, in 1980. **Increasing Diversity** The United States has become more of a "salad bowl" in which various groups have mixed together but have maintained their diversity by retaining important ethnic and cultural differences. The U.S. population is about 60 percent non-Hispanic white, with around 19 percent Hispanic and over 13 percent African-American. The Asian-American population now totals about 6 percent of the population. By 2060, Hispanics will grow to about 28 percent, African-Americans will be about 15 percent, and Asians will increase to 9 percent. Diversity goes beyond ethnic heritage. Many companies explicitly target gay and lesbian consumers. According to one estimate, the 4.5 percent of U.S. adults who identify themselves as lesbian, gay, bisexual, and transgender (LGBT) have buying power of more than $1 trillion. One in four adults has a disability, representing a market of anywhere from $200 to $500 billion in annual spending power. One study found that this segment spends $17.3 billion on 73 million business or leisure trips every year.	p. 76 Ad: Toyota

	➤ **Assignments, Resources** Use *Marketing By the Numbers* here	
p. 77 PPT 3-23	**Economic Environment** The **economic environment** consists of factors that affect consumer purchasing power and spending patterns. Before the Great Recession, American consumers fell into a consumption frenzy, amassing record levels of debt. However, consumers have now adopted a back-to-basics sensibility in their lifestyles and spending patterns. *Value marketing* means just the right combination of product quality and service at a fair price. **Income Distribution** *Income distribution* in the United States is highly skewed. The rich have grown richer, the middle class has shrunk, and the poor have remained poor. This uneven distribution of income has created a tiered market. **Review Learning Objective 2:** Explain how changes in the demographic and economic environments affect marketing decisions.	p. 77 Key Term: Economic environment p. 78 Photo: Target
PPT 3-24	**Identify the major trends in the firm's natural and technological environments.**	Learning Objective 3
PPT 3-25	**The Natural Environment** The **natural environment** involves the natural resources that are needed as inputs by marketers, or that are affected by marketing activities.	p. 78 Key Term: Natural environment
p. 78 PPT 3-26	Trends in the natural environment: 1. Growing shortages of raw materials 2. Increased pollution	p. 79 Ad: Walmart
PPT 3-27	3. Increased government intervention 4. Companies developing strategies and practices that	p. 79

PPT 3-28 PPT 3-29	support **environmental sustainability**. This means meeting present needs without compromising the ability of future generations to meet their needs.	Key Term: Environmental sustainability
	➢ **Assignments, Resources** Use *Real Marketing 3.1* here	
p. 80 PPT 3-30	**Technological Environment** The **technological environment** is perhaps the most dramatic force now shaping our destiny. Technology has released such wonders as antibiotics, robotic surgery, miniaturized electronics, smartphones, and the internet. Our attitude toward technology depends on whether we are more impressed with its wonders or its blunders. New technologies can offer exciting opportunities for marketers. In the United States, government agencies investigate and regulate products. These regulations can impact new technologies and new product development. **Review Learning Objective 3:** Identify the major trends in the firm's natural and technological environments.	p. 80 Key Term: Technological environment p. 81 Photo: Disney
	➢ **Assignments, Resources** Use *Online, Mobile, and Social Media Marketing* here	
p. 81 PPT 3-29 PPT 3-30	**Explain the key changes in the political and cultural environments.** **The Political and Social Environment** Marketing decisions are strongly affected by developments in the **political environment**. This consists of laws, government agencies, and various pressure groups that influence or limit various organizations and individuals in a given society.	Learning Objective 4 p. 81 Key Term: Political environment

p. 82	**Legislation Regulating Business** Governments develop *public policy* to guide commerce. Legislation affecting business around the world has increased steadily over the years. Business legislation has been enacted for a number of reasons: 1. To *protect companies* from each other 2. To *protect consumers* from unfair business practices 3. To *protect the interests of society* against unrestrained business behavior Because government agencies have discretion in enforcing laws, they can have an impact on a company's marketing performance.	p. 83 Table 3.1: Major U.S. Legislation Affecting Marketing
PPT 3-31	**Increased Emphasis on Ethics and Socially Responsible Actions**	
p. 82	***Socially Responsible Behavior.*** Enlightened companies encourage their managers to "do the right thing." The boom in internet marketing has created a new set of social and ethical issues. Critics worry most about online privacy issues.	p. 84 Ad: Ben & Jerry's
p. 84	***Cause-Related Marketing.*** To exercise their social responsibility and build more positive images, many companies are now linking themselves to worthwhile causes.	
	➢ **Assignments, Resources** Use *Critical Thinking Exercise 3-6* here Use *Marketing Ethics* here ➢ **Troubleshooting Tip** Examples of companies who successfully adapt to changing forces and factors will help students internalize the messages in this chapter.	

p. 85 PPT 3-32	**The Cultural Environment** The **cultural environment** consists of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors.	p. 85 Key Term: Cultural environment
	The Persistence of Cultural Values	
p. 87 PPT 3-33 PPT 3-34	*Core* beliefs and values are passed on from parents to children and are reinforced by schools, churches, businesses, and government. *Secondary* beliefs and values are more open to change.	p. 86 Photo: Aerie
PPT 3-35	**Shifts in Secondary Cultural Values** Marketers want to predict cultural shifts in order to spot new opportunities or threats. *People's Views of Themselves.* People vary in their emphasis on serving themselves versus serving others. *People's Views of Others.* In past decades, observers have noted several shifts in people's attitudes toward others. Trend trackers see a new wave of "cocooning." *People's Views of Organizations.* By and large, there has been a decline of loyalty toward companies. *People's Views of Society.* People vary in their attitudes toward society, which influences their consumption patterns and marketplace attitudes.	p. 87 Photo: Alone together
PPT 3-35 p. 88	*People's Views of Nature.* Recently, people have recognized that nature is finite and fragile, and that it can be destroyed by human activities. This renewed love of things natural has created a sizable market of consumers who seek out everything from natural, organic, and nutritional products to fuel-efficient cars and alternative medicines. The U.S. organic-food market now generates $44 billion in annual retail sales and is expected to reach $70 billion by the year 2025.	p. 89 Ad: Love Beauty and Planet

	People's Views of the Universe. In general, religious conviction and practice have been dropping off gradually through the years. **Review Learning Objective 4:** Explain the key changes in the political and cultural environments.	

	➤ **Assignments, Resources**
	   Use *Discussion Question 3-5* here
	   Use *Real Marketing 3.1* here
	   Use *Critical Thinking Exercise 3-7* here	

p. 89 PPT 3-36 PPT 3-37	**Discuss how companies can react to the marketing environment.** **RESPONDING TO THE MARKETING ENVIRONMENT** Many companies think the marketing environment is an uncontrollable element to which they must react and adapt. Other companies take a *proactive* stance toward the marketing environment. Rather than assuming that strategic options are bounded by the current environment, these firms develop strategies to change the environment. By taking action, companies can often overcome seemingly uncontrollable environmental events. **Review Learning Objective 5:** Discuss how companies can react to the marketing environment.	Learning Objective 5

PPT 3-38	➤ **Assignments, Resources**
	   Use *Real Marketing 3.2* here
	   Use *Critical Thinking Exercise 3-8 here*
	   Use *Company Case* here	

END OF CHAPTER MATERIAL

Discussion and Critical Thinking

Discussion Questions

3-1 What are marketing intermediaries and are they important for marketers? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
Marketing intermediaries help the company promote, sell, and distribute its products to final buyers. They include resellers, physical distribution firms, marketing services agencies, and financial intermediaries. Like suppliers, marketing intermediaries form an important component of the company's overall value delivery network. Thus, today's marketers recognize the importance of working with their intermediaries as partners rather than simply as channels through which they sell their products.

3-2 Identify the five major generational groups and briefly describe their impact on today's marketing strategies. (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
The five major generational groups are: baby boomers, Generation X, millennials, Generation Z, and Generation Alpha. Baby boomers were born in the post-World War II baby boom from 1946 to 1964, and the 72 million consumers in the United States represent the wealthiest generation in U.S. history. They account for 22% of the U.S. population but control 42% of the spending power, which influences marketing strategies for marketers who promote financial services, travel and entertainment, automobiles, restaurants, health and fitness, and homes and home remodeling services, among other things. They are also the fastest-growing shopper demographic online, outspending younger generations two to one. Generation X is smaller, with 55 million people born between 1965 and 1980. Generation X consumers are less materialistic, prize experiences, and are skeptical of marketing messages. They tend to do more research before choosing a product or brand but, once they choose, they also tend to be more brand loyal. They account for less than one-quarter of U.S. adults but earn 29% of the nation's total income. They attract home improvement marketers, among others.

Millennials, also known as Generation Y or echo boomers, were born between 1981 and 1996. They represent 75 million or more people in the U.S. and wield considerable spending power. They are comfortable with digital technology and shop and do their banking online. They respond to marketing strategies that are authentic and speak to value, and they prefer opportunities that let them shape their own brand experiences and share them with others. Generation Z was born between 1997 and 2012. They are the largest generation alive in the United States with 80 million people, so they comprise 26 percent of the population. They are ethnically and culturally diverse. They spend and influence considerable spending, and they are forming brand relationships now that will affect their future spending. They are fluent and comfortable with digital technologies, and they use social media for self-expression, but they still feel traditional media and brick and mortar stores are important.

Generation Alpha was born after 2012. This group will grow larger than millennials by 2025. This group influences household buying decisions of its millennial parents. The buying decisions this group influences extend beyond technology to include entertainment and

travel. Marketing strategies to reach this group need to consider their influence and the fact that they are less likely to watch television than previous generations.

3-3 Why should marketers pay attention to geographic shifts in the U.S. population? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
Consumers who live in different regions of the country buy differently. As consumers continue to move from cities to suburbs or smaller cities, it affects where people work. As a result, more people telecommute, or work remotely with the help of technology products. Marketers have responded with products and services that help people telecommute or connect when they work remotely. Digital workspaces and shared office spaces have also been developed to help telecommuters.

3-4 Discuss the natural environment and the three trends that will impact future marketing plans. (AACSB: Written and Oral Communication)

Answer:
The **natural environment** involves the physical environment and the natural resources that are needed as inputs by marketers or that are affected by marketing activities. At the most basic level, unexpected happenings in the physical environment—anything from weather to natural disasters—can affect companies and their marketing strategies.

Marketers should be aware of several trends in the natural environment. The first involves growing *shortages of raw materials*. Air pollution chokes many of the world's large cities, and water shortages are already a big problem in some parts of the United States and the world. A second environmental trend is *increased pollution*. Industry will almost always damage the quality of the natural environment. A third trend is *increased government intervention* in natural resource management. The governments of different countries vary in their concern and efforts to promote a clean environment.

3-5 Why should marketers pay close attention to the cultural environment? (AACSB: Written and Oral Communication)

Answer:
The cultural environment consists of institutions and other forces that affect a society's values, perceptions, preferences, and behaviors. Beliefs and values have a high degree of persistence; these shape specific attitudes and behaviors found in everyday life. Cultural factors strongly affect how people think and how they consume. Although core values are fairly persistent, cultural swings do take place. Marketers want to predict cultural shifts to spot new opportunities or threats. Student answers will vary based on their personal responses.

3-6 Provide an example of how people's views of nature might affect their food choices. (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
The examples in the text relate people's attitudes toward the natural world to their consumption of consumer packaged goods, fuel-efficient cars, and alternative medicines. The chapter also notes that consumers are increasingly purchasing organic food. The market for organic food is expected to reach $70 billion in annual retail sales by 2025. Student responses may also identify the trend toward clean food labels, which include recognizable ingredients, communicate clearly about the nutritional benefits in food, and speak to the sustainability of the product.

Critical Thinking Exercises

3-7. Vice Media's Broadly site, which tells stories that focus on the experiences of women, gender non-conforming people, and LGBTQ individuals, recently offered to the public The Gender Spectrum Collection, a stock photo library of more than 180 images of 15 transgender and non-binary models (whose gender identities are not exclusively masculine or feminine). The goal was to avoid stereotypes that result from misleading images of gender fluid and transgender people. Also, recent search results suggested that there is an unmet need for transgender and nonbinary models. How does the availability of the new stock photo library relate to diversity trends? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
Marketers need to be aware of increasing diversity. Many major companies target LGBTQ consumers. Although this segment represents a relatively small percentage of U.S. adults, it has buying power of nearly $1 trillion. Therefore, the images may be useful for target marketing and to demonstrate that a firm values diversity. The wider availability of images may help marketers guard against stereotypes, particularly when using life-cycle segmentation, since it includes photos of people in relationships that may not have been previously represented in stock images.

3-8 Form a small group and discuss cultural trends in the United States. Research one of them in depth and create a presentation on the trend's impact on marketing. (AACSB: Written and oral communication; Reflective Thinking)

Answer:
The major cultural values of a society are expressed in people's views of themselves and others as well as in their views of organizations, society, nature, and the universe. Trends within each of these should be the group focus in their research and presentation. One significant cultural change in the United States has been the growing acceptance and legalization of gay marriage in several states. This has caused controversy among some businesses that claim it is against their religious beliefs to provide their products or services to gay couples. For example, Masterpiece Cakeshop refused to bake a wedding cake for a gay marriage and a court ruled that the owner illegally discriminated against the gay couple (see aclu-co.org/court-rules-bakery-illegally-discriminated-against-gay-couple/).

3-9 Visit engageforgood.com/halo-awards/ to learn about companies that have won Halo Awards for outstanding cause-related marketing programs. Present an award-winning case study to your class. (AACSB: Written and Oral Communication)

Answer:
Students' responses will vary. Students can scroll down to learn about past winners of this award. Past recipients are highlighted with short explanations of their campaigns.

Applications and Cases

Online, Mobile, and Social Media Marketing: #MeToo
Recent times have seen the rise of the #MeToo movement, focused on creating awareness and change relating to sexual harassment, assault, and violence in the workplace. At first, the movement centered on female Hollywood celebrities, such as Rose McGowan and Alyssa Milano, who alleged misconduct by producer Harvey Weinstein. However, once the silence was broken in Hollywood, many women around the world began using the #MeToo hashtag on Twitter and Facebook, pointing to their own experiences with workplace harassment or misconduct. The #MeToo wave rocked the world, ending the careers of several high-profile men, ranging from former news anchor Matt Lauer and celebrity chef Mario Batali to hip-hop mogul Russell Simmons and U.S. Senator Al Franken.

The #MeToo movement emboldened many women to step forward and speak out about toxic workplace environments and company cultures in high-profile companies. For example, after supermodel Kate Upton came forward alleging sexual harassment by Guess designer and co-founder Paul Marciano, Guess shares dropped 18 percent—more than $250 million in market value in one day. Many companies are reacting or taking proactive steps in response to the #MeToo movement. For example, after allegations surfaced regarding a toxic "bro culture" at ride-sharing service Uber, founder Travis Kalanick stepped down as CEO and the company fired many top-level executives. Newly hired CEO Dara Khosrowshahi took to LinkedIn to post Uber's new cultural norms.

3.10 Many businesses have now crafted responses to the #MeToo movement. Research the issue and discuss how companies are communicating their positions to customers. What online or social media platforms are they using? Are they communicating the message clearly and effectively? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
Students' answers will vary based upon their experience and research. Listed below are some articles on this subject.
Cooney, Samantha, "Companies Are Losing Millions After #MeToo Allegations Like Kate Upton's Claim Against Guess' Paul Marciano," Time, February 2, 2018, www.time.com/5130340/kate-upton-guess-stock-price/.
Rogers, Kate, "#MeToo on Main Street: Small businesses can't overlook workplace harassment," CNBC, February 21, 2018, www.cnbc.com/2018/02/21/metoo-on-main-street-small-businesses-fire-suspend-employees.html.

"Inside Uber's Aggressive, Unrestrained Workplace Culture," *New York Times,* February 22, 2017, www.nytimes.com/2017/02/22/technology/uber-workplace-culture.html.

3.11 Is the #MeToo movement a marketing issue? How are customers likely to react to allegations of workplace harassment? How should companies deal with the issue, whether reactively or proactively? (AACSB: Written and Oral Communication; Reflective Thinking)

> *Answer:*
> The #MeToo movement is a broad environmental issue with much potential impact for companies and brands. A company's reputation strongly affects the reputations and images of its brands. Uber has learned this the hard way. Students will probably hold differing views concerning the impact of #MeToo on brands and on marketing's role in addressing #MeToo issues. Social media can be important vehicles for relating company actions and points of view. The differing student views should lead to an interesting discussion.

Marketing Ethics: Echo Dot Kids Edition

Amazon recently introduced its Echo Dot Kids Edition, which the company markets as a sturdy, safe, kid-friendly, transaction-free smart speaker with voice-activated virtual assistant Alexa. Designed for kids, the device has parental controls that can limit activities and content that parents do not want children to access. However, the Boston-based Campaign for Commercial-Free Childhood (CCFC), which advocates against child-targeted marketing, is concerned that parents may rely on the Echo Dot Kids Edition for convenience or assistance and not realize that it is a marketing device.

For example, if a child tells Alexa s/he is bored, the Echo Dot will offer a game or activity, which could be from one of Amazon's brand partners. This raises concerns to the extent that children cannot differentiate advertising messages from non-advertising messages. The Echo Dot Kids also gathers information from children that it uses to make personalized recommendations, which could influence purchase behavior. The CCFC likened the data collection process to surveillance. Further, a recent study from MIT's Media Lab reported that 74 percent of children studied thought of Alexa as a person who always tells the truth. Although parents might benefit from this effect when they use the Echo to tell children to sleep or to do a chore, the CCFC suggests there is reason for parental concern.

3-12 Debate the pros and cons of purchasing the Echo Dot Kids Edition for a child. (AACSB: Written and Oral Communication; Reflective Thinking; Ethical Understanding and Reasoning)

> *Answer:*
> One argument in favor of allowing children to have the Echo Dot Kids Edition is that parents can monitor their children's activities and turn off voice commands that enable purchases. It

is better for parents than other Echo devices. However, privacy, lack of persuasion knowledge by the users, and the potential for surveillance are major concerns. The fact that Amazon's brand partners will be actively marketing to children raises issues.

3-13 Some of the prospective users of the Echo Dot Kids Edition are part of the emerging Generation Alpha group, who have been identified as a gateway to their parents. How might this influence parents' responses to the Echo Dot Kids Edition? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:
Generation Alpha is known for demanding technology and has a history of heavily influencing technology purchases by its mostly millennial parents. The concern is that if Amazon can win over children, who are unaware that the messages they are receiving are promoted, it might establish loyalty that will carry on later into the children's lives and affect the family's decisions in the short term.

Marketing by the Numbers: An Aging America

As marketers focus on millennials embarking on major first-time consumption decisions related to careers, homes, and families, another generation should not be forgotten: the aging baby boomers. The U.S. 65-and-older population will increase to almost 100 million people by 2060. One reason for this trend is the sheer size of the cohort to begin with—72 million people born between 1946 and 1964. Another major factor is that Americans are living longer. In 1950, the average life span was 68 years but is now 78.7 years. And the life-span gap between men and women is decreasing because of reduced smoking rates among men. In addition to longer life spans, families are spreading out—as children embark on careers and start their own families they are no longer staying close to their hometowns. These factors contribute to a greater need for caregiver support for the elderly. There is already a proliferation of services such as "Visiting Angels" and "A Place for Mom." The number of boomers needing nursing home care could increase 75 percent by 2030 and the number of people with Alzheimer's disease could triple by 2050. The chart below shows the population estimates for the 65-and-over population for 2011 and 2016, the latest years for which data are available:

	2011	**2016**
Both sexes	41,364,093	49,244,195
Males	17,932,803	21,792,826
Females	23,431,290	27,451,369

3-14 Calculate the percentage change in the 65-and-over population between 2011 and 2016 for both sexes, males, and females. (AACSB: Analytic Reasoning)

Answer:

Students often have difficulty with percentage change calculations, with the common mistake of dividing by the final figure instead of the initial figure.

$$\% \text{ change} = \frac{\text{final} - \text{initial}}{\text{initial}} \times 100$$

So,

$$\% \text{ change} = \frac{\text{Population}_{2016} - \text{Population}_{2011}}{\text{Population}_{2011}} \times 100$$

$$\% \text{ change}_{\text{Both}} = \frac{49,244,195 - 41,364,093}{41,364,093} \times 100 = 19\%$$

$$\% \text{ change}_{\text{Males}} = \frac{21,792,826 - 17,932,803}{17,932,803} \times 100 = 21.5\%$$

$$\% \text{ change}_{\text{Females}} = \frac{27,451,369 - 23,431,290}{23,431,290} \times 100 = 17.2\%$$

3-15 How many more females than males age 65 and over were there in 2011 and 2016? What percentage of the population did females make up in each year? Draw some conclusions regarding this data. (AACSB: Written and Oral Communication; Analytic Reasoning)

Answer:

The difference in the number of females and males and the percentage of females for each year are calculated with the following equations:

$$\text{Difference} = \text{Population}_{\text{females}} - \text{Population}_{\text{males}}$$

$$\% \text{ Females} = \frac{\text{Population}_{\text{Females}}}{\text{Population}_{\text{Both}}} \times 100$$

In 2011,

$$\text{Difference}_{2011} = 23,431,290 - 17,932,803 = 5,498,487 \text{ more females than males}$$

$$\% \text{ Females}_{2011} = \frac{23{,}431{,}290}{41{,}364{,}093} \times 100 = 56.6\%$$

In 2016,

$$\text{Difference}_{2016} = 27{,}451{,}369 - 21{,}792{,}826 = 5{,}658{,}543 \text{ more females than males}$$

$$\% \text{ Females}_{2016} = \frac{27{,}451{,}369}{49{,}244{,}195} \times 100 = 55.7\%$$

Even though males are living longer than in previous generations, there are still more females than males age 65 and over, comprising more than 50 percent of that population. However, with the gap between males and females decreasing, perhaps more elderly will still have a spouse to care for them. Additionally, elder care facilities may need to accommodate couples in addition to single elderly individuals. Regardless, the increase in the 65-and-over population will require greater caregiver support.

Company Case

Square: In Relentless Pursuit of a More Elegant Payments Experience

Synopsis
In 2010, Square launched its credit-card-reading dongle for smartphones. Ever since, Square has sought to find ways to make payments even less painful. Last year, the company introduced Square Terminal: a single-screen card-reading device that offers wireless connectivity, a touch screen, and receipt-printing capability. The device is of a chic design, not like the dated designs of other terminals before it. The $400 Terminal may help the company maintain its robust double-digit growth in recent years. Square's current portfolio of services include payroll, loans, appointment scheduling, and more. That means the Terminal isn't just a sexy piece of hardware–it's also a gateway to an entire ecosystem of small-business essentials.

Teaching Objectives
The teaching objectives for this case are to:

1. Identify how microenvironmental factors can affect a strong, established business.
2. Identify how macronenvironmental factors can affect a strong, established business.
3. Identify strategic issues in responding to environmental factors.
4. Formulate recommendations for a company in crisis.

Discussion Questions

1. Describe how Square has evolved based on actors in the microenvironment.
   - *The Company – New startup company. Hardly a marketing company to begin with, the marketing function most likely was a responsibility of everyone in the early days. As the company has expanded, it has had to navigate the intricacies of an evolving corporate culture.*
   - *Competitors – Payment processing companies that existed prior to Square offered devices of a dated design that were expensive to purchase and even more expensive on a per-transaction basis. These companies locked merchants in by contract, contracts that often took advantage of such companies with hidden terms and fees.*
   - *Suppliers – The case says little of organizations that supply Square. Visa and Mastercard supply the credit that Square needs.*
   - *Marketing intermediaries – This is more challenging than issues with suppliers. As a new company with an innovative product and an unknown brand, convincing retailers to purchase and use Square faced many challenges. However, once awareness and knowledge increased, Square was an easy sell given that SMBs had few other options.*
   - *Customers – Square clearly has paid attention to customer needs, listening to their feedback, integrating such into successive products.*

2. Describe how Square has evolved based on the forces of the macroenvironment.
   - *Economic – While not discussed, Square launched as the economy was recovering from the Great Recession. Consumers were becoming more confident and spending more. This fueled business for SMBs and the demand for such companies to accept credit payments.*
   - *Technological – This is huge. Clearly, Square was a tech company. But as the case points out, being a pioneer of a new high-tech hardware is a challenging task. Getting the hardware right is only half the battle. A new gadget like this had to be compatible with various computer and mobile operating systems. There is virtually no end to the impact of trends and condition of the tech sector on a developing product or potentially of the developing product on the tech sector.*
   - *Political – The case mentions laws that made it illegal for non-registered merchants to accept credit card payments. Square had to establish a system that would bypass these laws.*
   - *Cultural – The U.S. and world cultures were fast abandoning cash as a means of payments. The demand for credit card payments to business of all sizes, both online and in the real world, was exploding.*

3. Are there factors in the marketing environment not mentioned in this case that are affecting Square?
   To a great extent, as it has been in the past—companies can succeed by paying attention to customers, markets, and trends. While it launched without competition, the competition it now faces is extreme. But by constantly attempting to open new doors and innovate with new products, Square has the right philosophy—that a product or product line is never settled. In fact, Square may end up looking like a very different company ten years down the road.

4. Speculate on Square's future by discussing current and future trends that may further shape the company.
   Student responses will vary. This should be an opportunity to pull collective knowledge and ideas from the group.

Teaching Suggestions

Give students a few minutes to respond privately or in small groups to the following questions:
- What percentage of your purchases do you pay for with cash?
- How often do you make purchases from SMBs?
- How common is it for you to make payments through a Square terminal?

Lead a discussion on these questions. Then, transition into a discussion on the Square case.

This case also works well with the consumer behavior chapter (Chapter 5), the new products chapter (Chapter 9), and the competitive advantage chapter (Chapter 18).