

3

MARKETING AN INTRODUCTION

Armstrong/Kotler

Global Edition

Analyzing the Marketing

Environment

Marketing Environment: an Overview

- ✓ Organizations live in a continuously changing environment.
- ✓ In business, a firm has to adapt to change or leave the market.
- ✓
- ✓ Even the most dominant companies can be vulnerable to the often changing marketing environment.
- ✓ Companies that understand and adapt well to their environment can thrive

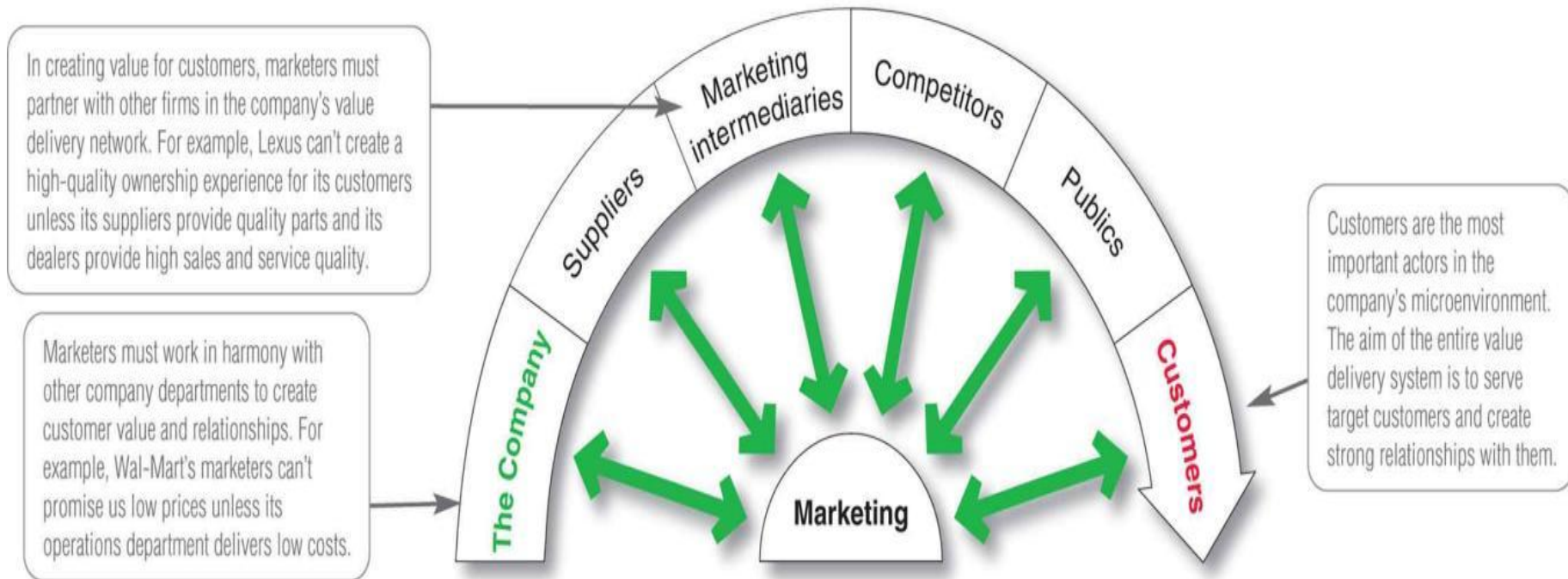
Marketing Environment

- **Marketing Environment** consists of actors and forces that affect marketing management's ability to build and maintain successful relationships with target customers.
- Studying the marketing environment allows marketers to take advantage of opportunities as well as to combat threats.
- Marketing research are used to collect information about the environment.

Marketing Environment (*cont'd*)

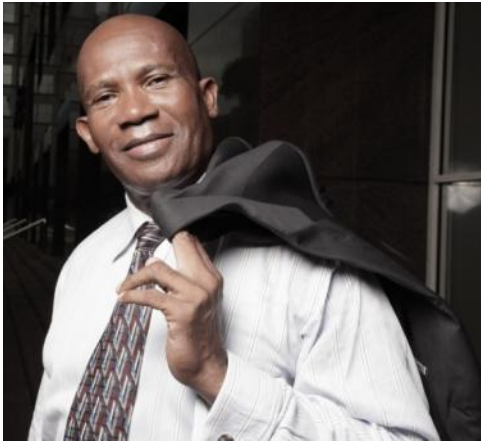
- The **Marketing Environment** consists of both the Macroenvironment and Microenvironment.
- The **Microenvironment** consists of actors close to the company that affect its ability to serve its customers. See next slide...
- The **Macroenvironment** consists of larger societal forces that affect the microenvironment.

Actors in the Microenvironment



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The Company



Top Management



Finance



R&D



Purchasing



Operations



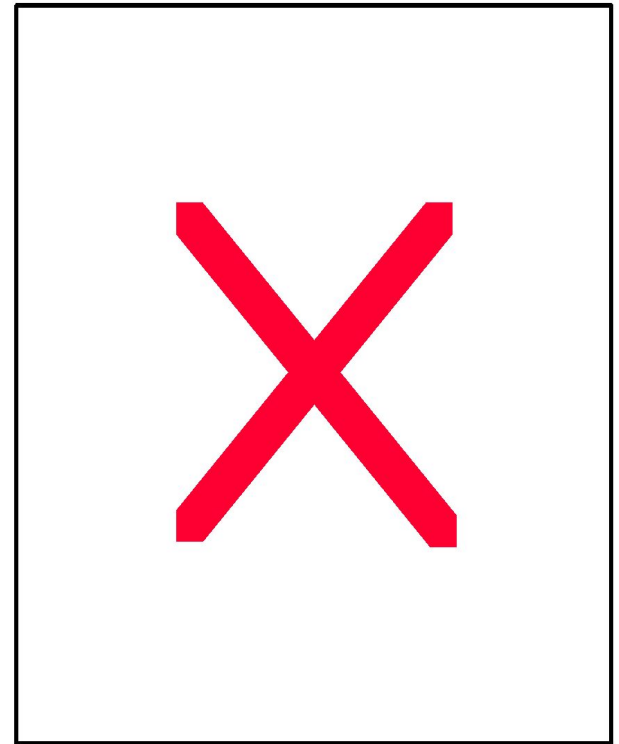
Accounting

1- Company itself

- The company consists of all departments, including machines, people, technology used, materials, ... etc.
- All company departments must “think consumer” and work together to provide superior customer value and satisfaction.

Supplier

- **Suppliers** are critical in the customer value delivery system. They provide resources needed to produce goods and services.
- Most marketers treat suppliers like partners in creating and delivering customer value.
- Supplier problems seriously affect marketing



Suppliers

Honda has developed healthy, long-term supplier relationships.



Marketing intermediaries

- Marketing intermediaries help the company to promote, sell, and distribute its goods to final buyers.

Marketing Intermediaries

Resellers

- Find and sell to customers

Physical Distribution Firms

- Stock and move goods

Marketing services agencies

- Research, advertising, media, and consulting services

Financial intermediaries



Marketing Intermediaries

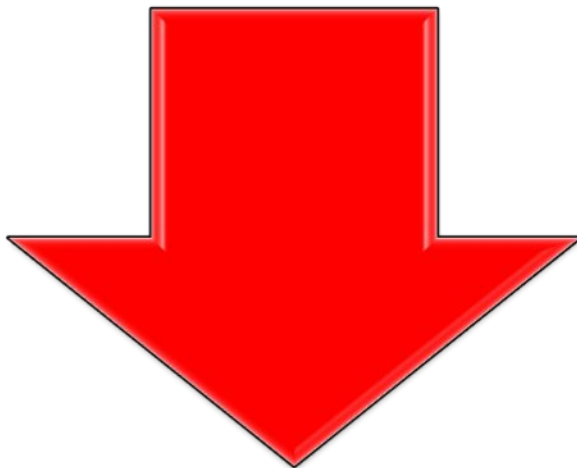
Coca-Cola provides its retail partners with much more than just soft drinks. It also pledges powerful marketing support.



Competitors



The value WE
offer customers



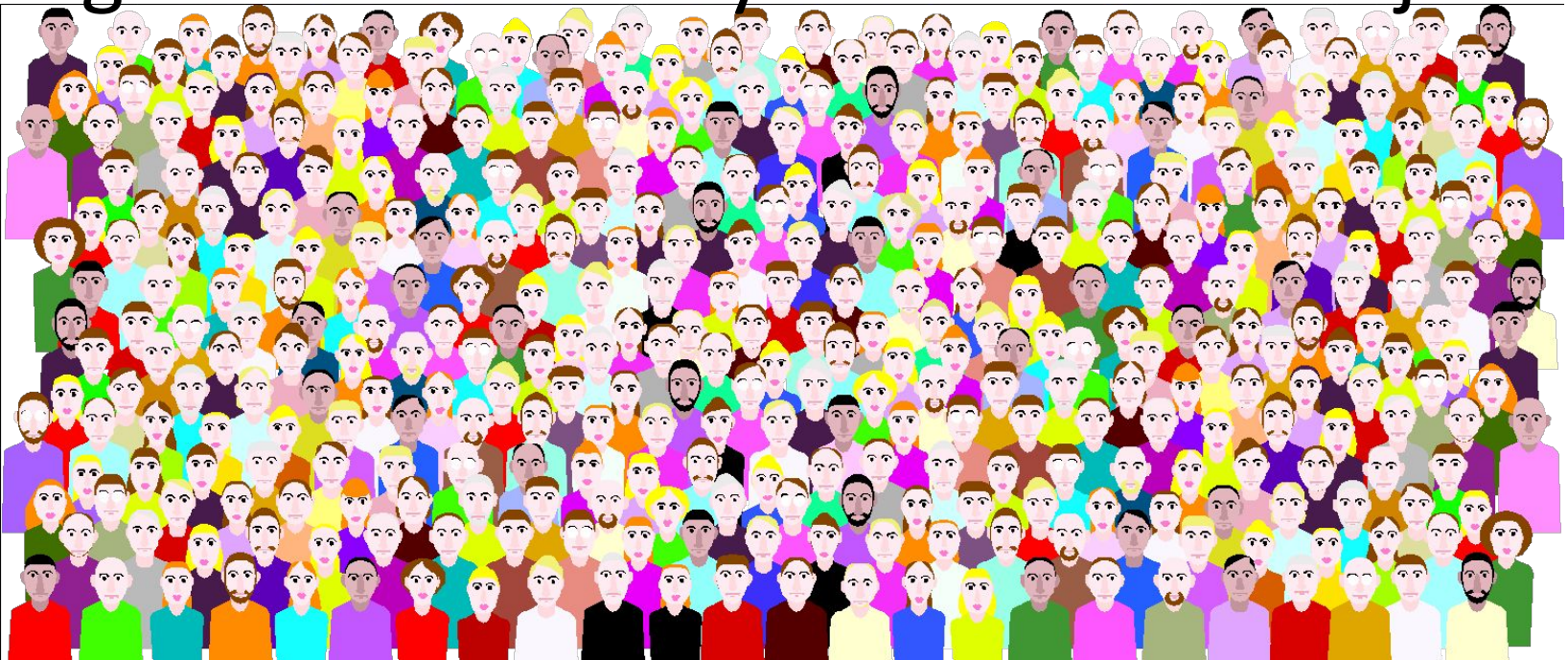
The value our
COMPETITOR
offers customers

4- Competitors

- Marketers must always seek to gain strategic advantage against their competitors.
- No single competitive marketing strategy is best for all companies.
- Size of firm and industry position will influence choice of competitive strategy.

Publics

Publics are any group that has an actual or potential interest in or impact on an organization's ability to achieve its objective



Publics

- The Publics may include:
 - ✓ **Financial publics.** (e.g. they influence a company's ability to obtain funds).
 - ✓ **Government publics.** (e.g. management must take government developments into account).
 - ✓ **Citizen-action publics.** (e.g. a company's marketing decisions may be questioned by consumer organizations, environmental groups, etc).
 - ✓ **Local publics.**
 - ✓ **Media publics.**
 - ✓ **Neighborhood residents.** (e.g. neighboring community members and organizations).
 - ✓ **General public.** (e.g. the general public's image of the company affects its buying).
 - ✓ **Internal publics** (e.g. workers, managers, volunteers, and board of directors).

Customers



Consumer



Business

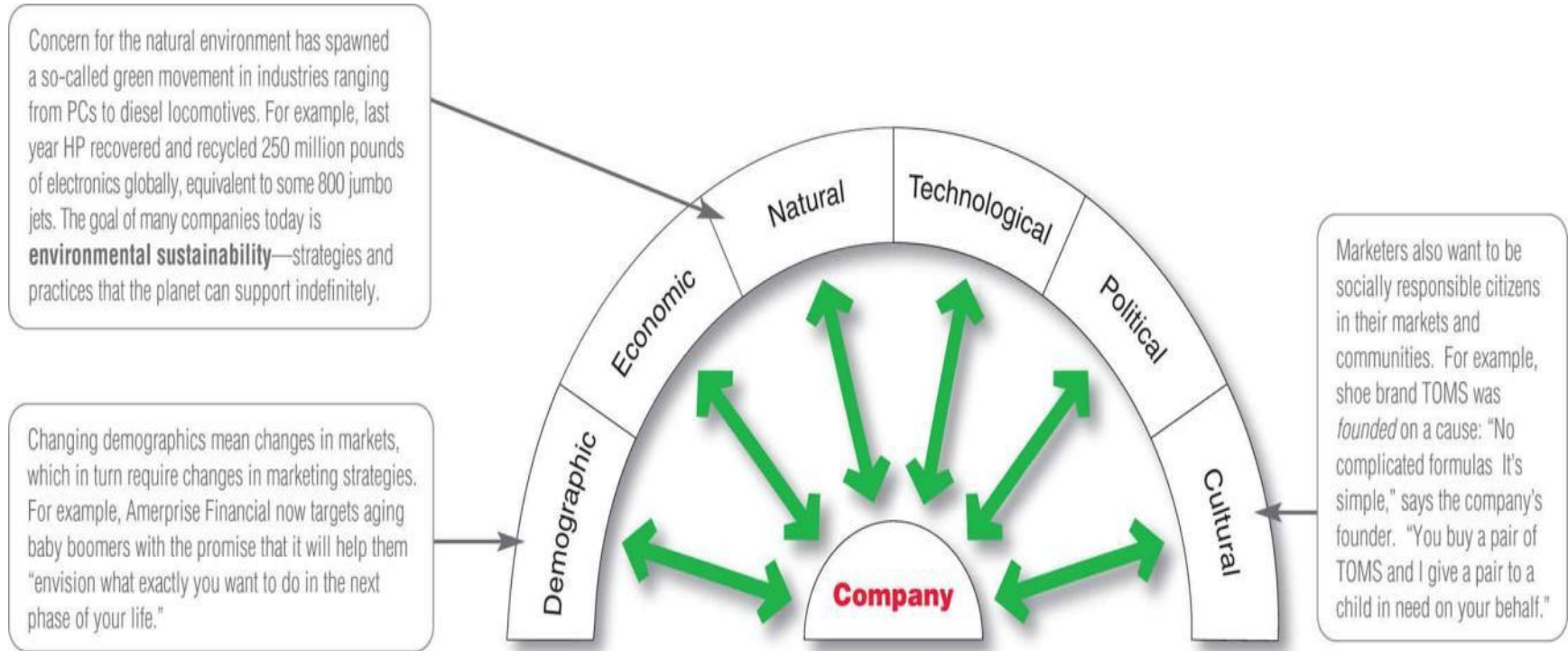


Government

Customers

- Companies may target any or all types of markets that may buy a company's goods and services.
- Five types of markets:
 - ✓ **Consumer markets:** individuals and households that buy goods and services for personal consumption.
 - ✓ **Business markets:** buy goods and services for further processing or for use in their production process.
 - ✓ **Reseller markets:** buy goods and services to resell at a profit.
 - ✓ **Government markets:** made up of government agencies that buy goods and services to produce public services.
 - ✓ **International markets:** buyers in other countries, including consumers, producers, resellers, and governments.

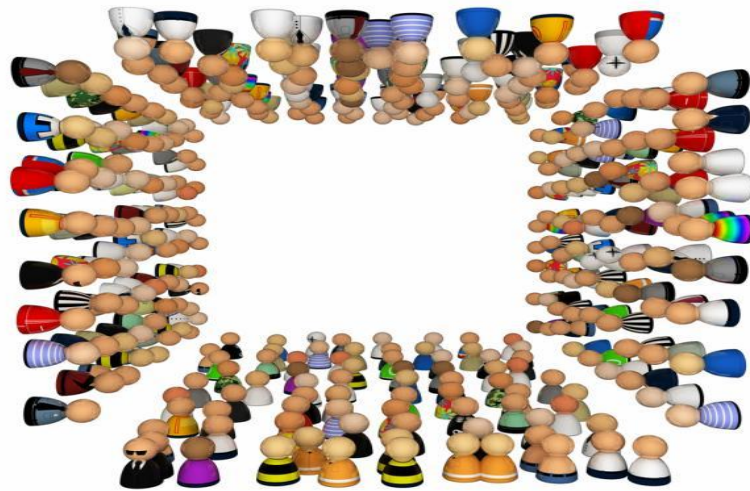
The Company's Macroenvironment



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Demographic Environment

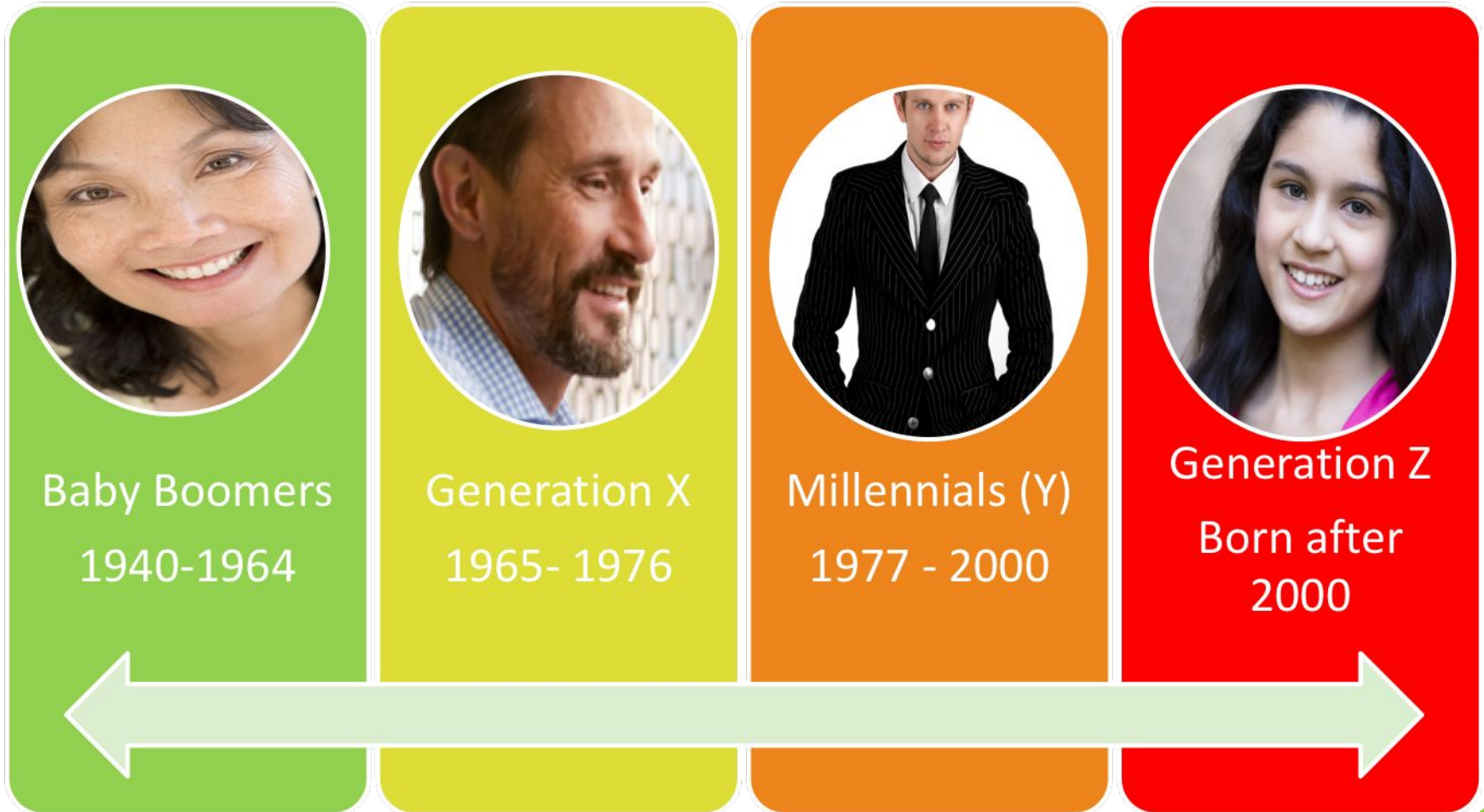
Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics

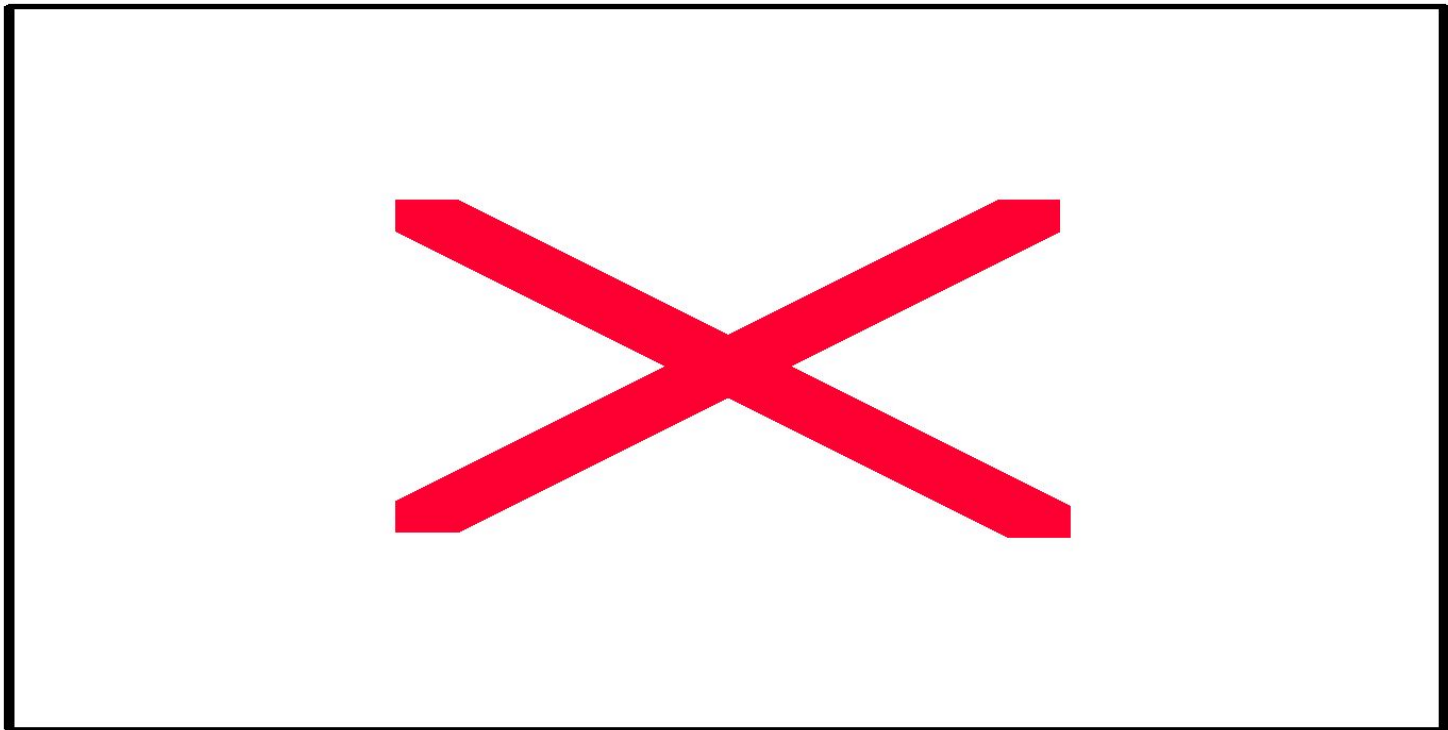


- Demand for products is affected by

Demographic Environment

Changing Age Structure





Demographic Environment Changes



The changing family

Demographic Environment Changes

Geographic Shifts



Demographic Environment Changes

Better
educated

Increased
white-collar



Demographic Environment Changes



Increasing Diversity

Economic Environment



The **economic environment** consists of factors that affect consumer purchasing power and spending patterns

Economic Environment

- World economies can be categorized as:
 - ✓ **Industrial economies**
 - ✓ **Developing economies**
 - ✓ **Subsistence economies**
- Income distribution is a critical factor to marketers.
- Changes in income affects demand and leads to changes in spending.
- For Example, in tough economic conditions, people pay more attention to **bargains** and look for good value for their money. **Value marketing**, then, becomes a key to success.

Economic Environment: *Business Cycles*

- **Prosperity**- low unemployment, high total income, which together increase buying power.
- **Recession**- unemployment rises, total buying power declines, both consumer and business spending decrease.
- **Depression**- high unemployment, wages are low, total disposable income is at a minimum, consumers lack confidence in the economy.
- **Recovery**- economy moves from recession or depression to prosperity.

Economic Environment: *Buying Power*

Buying Power includes “resources, such as money, goods, and services that can be traded in an exchange”.

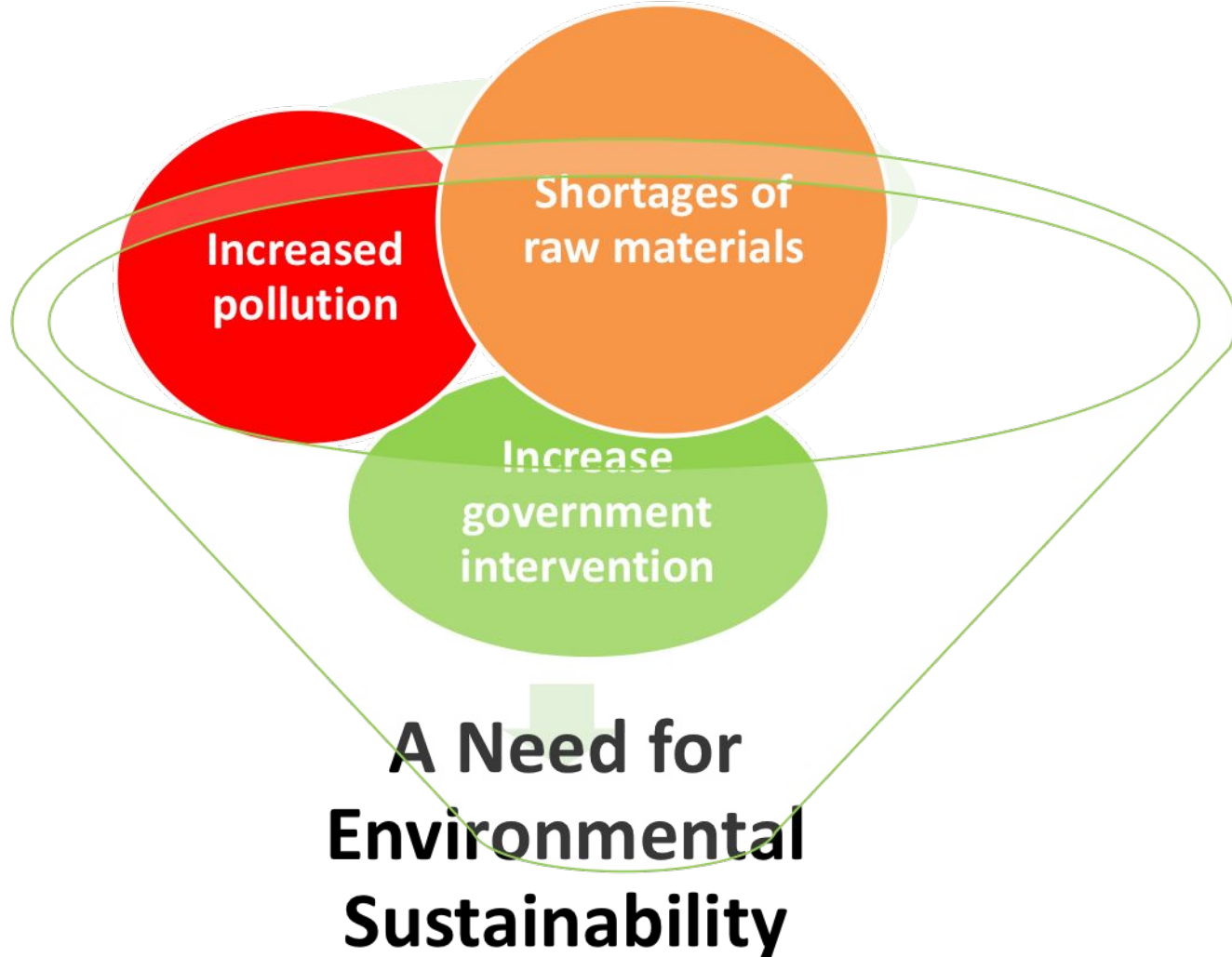
Obviously, the strength of a person’s *buying power* depends on economic conditions and the size of the resources that enable the individual to make purchases.

Sources of Buying Power

Major sources of buying power:

- **Income** is money received through wages, rents, investments, pensions, and other sources for a given period
 - Disposable income (or after-tax income).
 - Discretionary income.
- **Credit** enables people to spend future income now or in the near future, but it increases current buying power at the expense of future buying power.
- **Wealth** is the accumulation of past income, natural resources, and financial resources.

Natural Environment



3- Natural Environment

- The **Natural environment** involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.
- Key trends in the natural environment include:
 - ✓ Shortages of raw materials.
 - ✓ Increased pollution.
 - ✓ Increased government intervention.
- Today, Many firms focus on developing *environmentally sustainable-strategies*.

Technological Environment

The **technological environment** includes forces that create new technologies creating new product and market opportunities



4- Technological Environment

- Technology changes rapidly, creating new markets and opportunities and/or dangers of products becoming obsolete.
- Today, the challenge in technology is to make practical and, yet, affordable new products.
- Government bans unsafe products and sets safety standards, resulting in higher research costs, and longer time to market new products.
- USA is the highest in the world in terms R&D spending.

Technological Environment

Disney is taking RFID technology to new levels with its cool new MagicBand RFID wristband.



Political Environment



Increased legislation



Social responsibility
and cause-related
marketing

5- Political Environment

- The **Political environment** consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.
- Today, marketing faces increasing **legislation** affecting business around the world.
- Governments develop **public policy** to guide commerce
- Business legislation has been enacted for a number of reasons.
 - ✓ To protect companies from each other.
 - ✓ To protect consumers from unfair business practices.
 - ✓ To protect the interests of society against unrestrained business behavior.
- Also, today, there is an increased emphasis on ethics and socially responsible behavior.

Socially Responsible Behavior

- Socially responsible companies actively seek out ways to protect the long-run interests of consumers and the environment.
- Companies develop policies, guidelines, and other responses to complex social responsibility issues.

Cause-Related Marketing

- Companies use cause-related marketing to
 - Exercise their social responsibility
 - Build more positive images
- Primary form of corporate giving
- Controversy—strategy for selling more rather than a strategy for giving

Cultural Environment

The **Cultural Environment** is made up of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors.



6- Cultural Environment

- ***Cultural Values*** are viewed as ***Core*** or ***Secondary***:
- ***Core*** beliefs and values are passed on from parents to children and are reinforced by schools, Mosques and Churches, business, and government practice.
 - ✓ **Core values are hard to change**
- ***Secondary*** beliefs and values are more open to change.
- Marketers may be able to change secondary beliefs, but **NOT** core beliefs.

Cultural environment

People's views of:



Themselves



Others



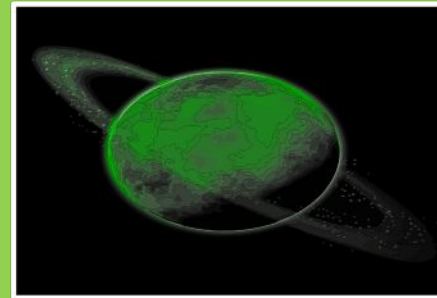
Organizations



Society



Nature



Universe

6- Cultural Environment (cont'd)

- Society's major cultural views are expressed in people's views of:
 - ✓ Themselves: how they view themselves
 - ✓ Others: how they view other people
 - ✓ Organizations: e.g. attitudes toward organizations (i.e. respecting certain firms)
 - ✓ Society: attitudes toward society
 - ✓ Nature: attitudes toward the environment
 - ✓ The universe: attitudes toward the whole world

Cultural Environment

Yogi appeals to tea drinkers with a more spiritual view of themselves, their lives, and their teas.



Responding to the Marketing Environment: *two approaches*

- **Reactive responses:**

- Many firms are passive & simply react to changes in the marketing environment as they occur.

- **Proactive responses:**

- Some firms attempt to manage the marketing environment via aggressive actions designed to affect the publics and forces in the marketing environment.
- These firms simply predict, plan, and make provisions in advance.