

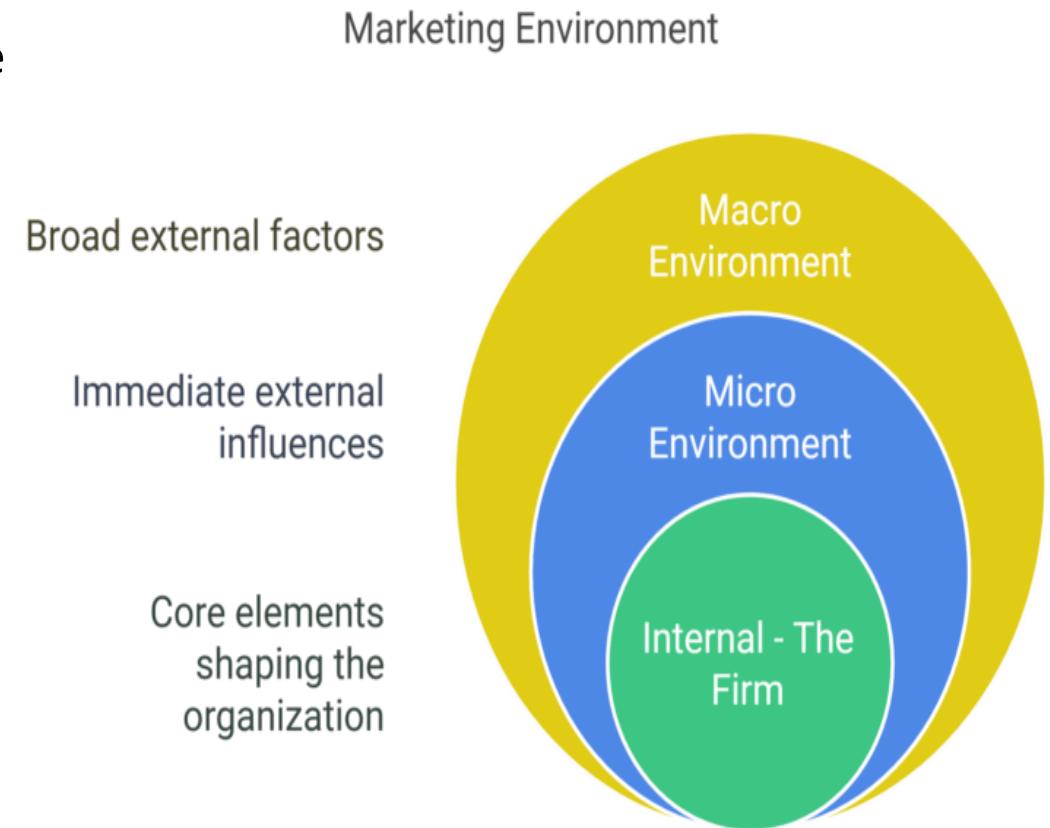
Unit-2

Understanding Marketing Environment

- Meaning of marketing environment
- Micro environment
- Macro environment
- Responding to the marketing environment
- Marketing environment in Nepal

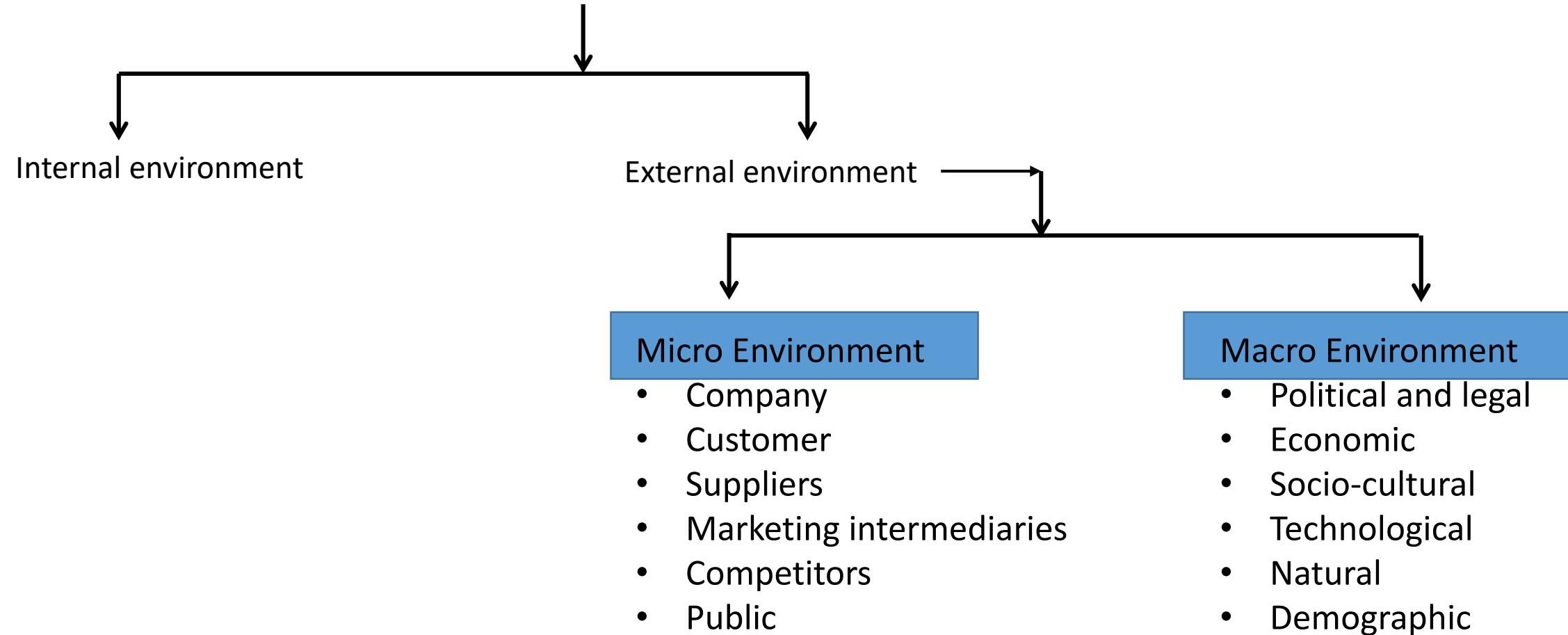
Meaning of marketing environment

- Market environment is a word used in marketing to describe the forces and factors that influence a company's capacity to establish and sustain fruitful client connection.
- According to Philip Kotler "A company's marketing environment consists of the factors and forces that affect the company's ability to develop and maintain successful transactions and relationship with its target customers."
- So marketing environment include all those factors or forces which are constantly changing and carry with them both opportunities and threats or uncertainties and risks.
- (factor and forces = external –(task) suppliers, wholesaler, retailer, dealer, distributors, customers, competitors, public, (general) PEST



Classification of marketing environment

Marketing Environment



Internal Environment

- The internal environment includes factors within the company that can be controlled and managed. These factors are directly related to the organization's operations and can influence its marketing strategies and decisions.
- Key components include:
- **Company Culture:** The beliefs, values, and behaviors that shape how employees interact and work together.
- **Resources:** The financial, human, and technological resources available to the company.
- **Capabilities:** The skills and expertise of the company's workforce and management.
- **Processes:** The internal procedures and workflows that determine how tasks are completed.

Micro (task) Environment

It consists of those elements of the environment which remain close to the company and affect the ability to serve its customers. It can not be controlled by the organization but organization has greater influence on it. It consists of :

- **Company**: the company is the major factor that influences the marketing activities. The organizational objectives, policies, strategies, organizational structure, availability of resources with the organization etc. strongly influence the marketing activities.
- **Customers**: it is the target group of the organization. Their characteristics such as buying habit, spending pattern, standard of living, educational background, cultural and religious values, personalities, perception etc. affect the organization. Organization's target market may be consumer market, industrial market, reseller market, government and other non-profit market.
- **Suppliers**: it include all the parties which regularly provide resources needed by the marketing organization for reproduction or resale purpose. The success of marketing organization depends upon the regular supply of goods and services by the suppliers. The availability and bargaining power of suppliers affect the marketing activities.

Micro (Task)Environment

- **Marketing intermediaries**: it include parties involved in distributing the product or service of the organization. They may be either resellers (agents, distributors, wholesaler, retailer, or middleman) or various facilitating organizations providing transportation, warehousing etc.
- **Competitors**: they are players in the same market who targets similar customers as that of the organization. For a firm to be successful, it must be able to deliver greater customer value than the competitors.
- **Public**: it is made of any other group that has an actual or potential interest or affects the company's ability to serve its customers. Like media, local people, general public, governments, financial entity, civic body etc. They have ability to impact organization's ability to achieve its objectives.

Macro Environment

It refers to all the external and uncontrollable forces that influence an organization. They are the forces that shape opportunities and pose threat to the organization for a company to sustain and succeed in ever changing marketing environment, it is important to understand the dynamics of macro environment.

1. **Political and legal environment:** the political and legal system is a broad term covering the firms and institutions by which the nation is governed. it consists of legal bodies and government agencies that influence and limit the organizations and individuals. Every organization should take care of the fact that marketing activities should not harm the political and legal environment prevailing in a country. Components are:
 - **Types and permanency of government:** it refers to a particular government having a particular ideology and principle of governing the nation. Frequent change in government creates business uncertainties because of changes in business policy and law regulating such policy.
 - **Government laws, rules and regulations:** they are concerned with the legal environment of the country in which firms operate. All marketing organizations must follow government laws, rules and regulations. There are several forms of laws such as: consumer laws, competition laws, employment laws, health and safety law etc.

Political and legal environment:

- **Government agencies:** it include various government organization, ministries and departments that enforce the laws, rules and regulations concerned. Such agencies provide license, fix quotas, provide loans, pledge as guarantor. And they have power to penalize the companies if they neglect the rules and regulations.
- **Increasing pressure group:** also known as social group have power and influence on restraining (warning/restrictive) marketers. Like FNCCI, women's organization, human right organization, consumer association etc. All these groups have their own role, power and influence on company's conduct.
- **Political climate:** for better business performance, there must be better political climate in the country. It is concerned with the political attitude. (government attitude towards opposition party and business, opposition towards govt. and business, politicians towards business community). All the parties concerned must have positive attitude towards each other.

Macro Environment

2. **Economic environment:** The whole economic surrounding affecting in marketing is called economic environment. It directly affect the demand for goods or services. It also affect the customer's purchasing power. The purchasing power of a customer depends on the current income, prices of the product, saving and credit availability. Components are:

- **Level of income:** higher the income higher will be the purchasing capacity. People will be able and willing to purchase more goods and services or they will consume more commodities.
- **Monetary and fiscal policy:** it affect all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy. So higher the level of money supply the higher will be the level of income.
 - whereas fiscal policy regulate the government spending in various areas by collecting the revenue from the citizens by taxing their income. So higher level of tax burden to the people lower will be their saving capacity and thus lower will be their purchasing capacity.

Economic environment

- **Level of employment:** employment is the major source of income in any country of the world. If the level of employment in the country is high, then the level of income of the people become higher and purchasing power will be increased.
- **Rate of Inflation:** inflation is the killer of the people's purchasing power. Higher the inflation, lower will be the saving capacity of the people. As such, they tend to buy and consume less. It also influence the customer's demand for different products. Eg: higher petrol prices lead to a fall in demand for petrol cars and increase the demand of e-vehicle.
- **Trade cycle:** the stages of trade cycles influence the marketing activities and trade cycles can have the following stages:
 - Prosperity: during this period, all the people are employed, income level is high and people are willing to spend more money. It is an opportunity for marketing.
 - Recession: during this period, the economy goes on declining, unemployment is high and buying power is low. So, it creates threats for marketing.
 - Recovery: during this period, unemployment declines and the purchasing power of customer increases. So, it is also an opportunity for marketing.

Macro Environment

3. **Socio-cultural environment:** a society is a group of people having distinct beliefs, knowledge, costumes, habits, taste, values and lifestyle. These socio-cultural features differ from people to people and society to society. So their choice of goods and services also differ from one another. Eg. McDonald's beef burger is not serve in India.
- **Consumption pattern:** the consumption pattern of urban, males, children, educated, and married people may differ substantially from those of rural people, females, youths or old aged people, illiterate people, unmarried and mountainous people. It is important to understand this diversity in demography of society.
 - **Cultural value of society:** it reflects the religious structure of society, role of men and women, existence of sub-cultures. The belief, taste and habit of a Hindu differ from that of Muslim and Buddhist. Some may be vegetarian, while others may be non-vegetarian. In some society men dominated women, women dominated men. Due to this diverse nature of cultural value of the society, a marketer had to treat them differently.

Socio-cultural environment

- **Socio-economic characteristic of society:** it reflect the level of income of the society (high income group or low income group), distribution of income in society, level of employment and unemployment, saving capacity of society or family. So, their consumption pattern also differ from one another.
- **Ageing of population:** increased rate of aging population may costs for firms who are committed to pension payments for their employees. The ageing population also has impact on demand. Health service and medicine have increased than toys.
- **Lifestyle:** lifestyle is a person's pattern of living reflected in his/her activities and interest. It affects in the product need and choice. Lifestyle of consumers influence in marketing activities.

Macro Environment

4. **Technological environment:** Technology is the knowledge and procedure used in the conversion of resources to a finished product. It focuses on machines and equipment, transmission of information, new techniques, research and development.

- **The level of technology:** it refer to the degree of sophistication associated with technology (modern technology). Level of technology are: manual, mechanized, automated, computerized and Robotized technology. In developed country customer want high quality product by using sophisticated technology but in developing country struggle in getting the product rather than quality.
- **Technological change:** technology is a dynamic power. It is developing with speedy pace. As it affects marketing mix, a marketing manager should adopt the changing speed of technology to take the opportunity of innovation. But pace of technology is very slow in Nepal.
- **Technology transfer:** the import of different kind of technologies in the country from foreign countries is termed as technology transfer. In Nepal, the drivers of technology transfer are multinational companies, technical assistance by foreign countries, donor assisted projects etc.
- **Research and development budget:** it refers to the budget allocated for technological adaptation, up gradation and development in the field of technology. In Nepal, the marketing firm allocates very low budget for the R & D of technology.

Macro Environment

5. **Natural environment**: it consists of natural resources, which are needed as raw materials to manufacture product by the organization. The marketing activities affects these natural resources such as depletion of ozone layer due to the use of chemicals. The corrosion of the natural environment is increasing day-by-day and is becoming a global problem.

- **Availability of Natural Resources**: production of goods and services requires several resources. Particular types of resources are found in different areas in the world. Marketers who have abundant resource in their own country may not face any problem but non availability of resources may disturb the production of goods and services.
- **Pollution**: it include air, water and noise pollution, which lead to environmental degradation. Now-a-days, organizations tend to promote environment friendly product through its marketing activities. Eg: they promote the usage of jute and paper bags instead of plastic bags.
- **Weather**: it leads to opportunities or threats for the organizations. Eg: in summer, demand for water coolers, air conditioners, cotton clothes and water increases. While in winter, the demand for woolen clothes and room heaters rises. The marketing environment is greatly influenced by the weather condition of a country.

Macro Environment

6. **Demographic environment:** it represented the statistical study of human population and its distribution. Population is the primary target market of the marketing org. Plans and programs should be made only after carefully studying and analyzing these elements.

- **Total population and its growth:** the greater the number of population, greater will be the chance of marketing goods and services of the company. If the rate of population growth goes on increasing, then the demand of the products also goes on cumulating.
- **Structure of population distribution:** population of the country is distributed in different ways, like:
 - Geographical distribution
 - Gender wise distribution (male, female)
 - Age wise (children, youth and old)
 - Marital status (married, unmarried, widow, married with no child, with child, old couple with child or not)
 - Population density (thick population, thin population)
 - By education (educated, uneducated)
 - Religious (Hinduism, Buddhism, Muslims etc.)

Demographic environment

- Urbanization: it is the process of formation and growth of cities and change in a country, when its population migrates from rural to urban areas. With the urbanization of the country, people definitely adopt the urban lifestyle which requires changes in the marketing activities.
- Age mix: it refers to the age group of population. Age group of people also influence the marketing activities. The preference of clothes, vehicle, entertainment, shoes etc. is determined by the age groups.

Change in the total population, population growth and population distribution structure largely affects the company's plan, policy and strategic decision. So, for the formulation and implementation plan, policy and strategic decision, the company must be able to make a detailed study and analysis about demographic factors.

Responding to the marketing environment

Proactive marketing: (have marketing plan and strategies)

- It involves the implementation of prepared strategies.
- Proactive marketing is one that takes action prior to the events happening
- It is the use of analytics to determine the best direction for a marketing strategy before a plan is actually launched.
- A proactive company is the one who foresees any changes and has the action plans ready to face them.

❖ Features of proactive marketing:

- Creating a written marketing plan, based on homework, analysis and research
- It is viewed and treated as a manageable business process
- It is not done based on desperation, but only with **time-honored methods**.
- Profits are increasing. Moreover, the owners are happy and in control of their lives.

Reactive marketing: (no marketing plan and strategies)

- It is one that takes action after happening of events.
- It is marketing undertaken in response to the action of a competitors.
- It reacts to the past rather than anticipating the future.
- A reactive company responds after the event has taken place and has little preparation of any changes
- Eg. when prices are lowered by a competitor the reactive marketing plan would be to lower prices further.

❖ Features of reactive marketing:

- No written marketing strategy.
- Referrals occur whenever the customer decides to call
- Marketing is inconsistent (unpredictable) and weak.
- When marketing is done, it is usually a, “Let’s try this latest fad”.

Marketing environment in Nepal

- **Economic environment:**

- Nepal is an agriculture country. Contribution of agriculture sector to the country's real GDP and employment is high. Farming is still labor-intensive.
- In term of income, Nepal has per capita income of about US\$ 700 which is quite low. Income distribution is unbalance in Nepal.
- Country has adopted free market economy by introducing Privatization Act 1994. Foreign goods and traders have dominant role in the country's economy. More specifically, Nepal's foreign trade and internal trade are heavily dominated by a neighboring country India and China.

- **Demographic environment:**

- Nepal has approximately 27 million population almost equal status of male and female.
- The process of urbanization is increasing rapidly. Since all the marketing opportunities have been concentrated at urban area, migration rate from hills to Terai and city areas has been increasing.
- Nepal has multi-religion groups, including Hinduism, Buddhism, Muslim and Christianity.
- Cultural forces are very powerful, people spend more money during festivals like Dashain, Tihar, Chhath, Id. etc.

- **Political-legal environment:**

- Frequent changes in government and national policies and laws have posed a great challenge not only to production and business sectors but also to the foreign investment and tourism sector.
- Effective rules and regulations regarding marketing activities are lacking in Nepal. Though Consumer Protection Act was introduced in 1997, its implications are still far reaching the country.

- **Technological environment:**

- Nepal is a labor- abundant country and it is comparatively cheap.
- Industrial development has not taken proper direction in Nepal.
- Modern and appropriate technology has been gradually emerging.
- Transfer of advanced technology into the country is taking place from multinational and international companies.
- New innovations are probably non-existent in Nepal.

- **Natural environment:**
 - Nepal is poor in other natural resources except water so there are tremendous opportunities for marketing of hydropower.
 - Natural beauties are world famous and are the attraction for tourism industry.
 - The national parks developed in different parts of Nepal conserve not only the natural resources but also attract foreign tourists for various purpose.
- **Competitive environment:**
 - The size of Nepalese market is small so the domestic industries lack cost and volume effectiveness. As a result, their competitive power is weak compared to foreign competitors.
 - Most of the industries have to depend upon imported raw materials resulting cost inefficiency.
 - Nepalese market is basically seller oriented and the bargaining power of the people is weak.
 - Market competition exist in certain products like instant noodles, alcohols and tobacco, as well as service industries like banking, insurance, telecommunication etc.

Questions:

- What is proactive marketing? (2024)
- Give the meaning of marketing environment. (2024)
- List out the components of marketing environment.
- Mention the components of micro environment.
- Point out the elements of economic environment.
- Mention the components of macro environment.
- What is reactive marketing?
- Discuss the marketing environment in the context of Nepal. 5
- Differentiate between reactive and proactive marketing. 5
- Explain the elements of socio-cultural environment. 5
- Discuss the macro environment of marketing environment. 10