



TEXTBOOK QUESTIONS SOLVED

Question 1. Answer each of these questions in about 15 words:

- (i) What is micro environment?
- (ii) Give one point of difference between the primary forces and secondary forces.
- (iii) Who is a producer?
- (iv) What is meant by the term 'demographic forces'?

Answer:

(i) Micro environment or internal environment refers to the forces operating in the market that are close or within the enterprise or firm and affect its ability to serve its customers directly. It comprises of the following forces:

- (1) Producer/Seller
- (2) Customers
- (3) Competitors
- (4) Suppliers
- (5) Marketing Intermediaries.

(ii) Primary forces refer to the forces which are close to firm or are within the control of firm. Secondary forces are those which are part of the larger society and are the "uncontrollable" to which companies mould itself.

(iii) Producer refers to an individual or a group of individuals who bring all the factors of production together and bring into existence something which has utility and commercial value.

(iv) Demographic forces refer to size, density, location, age, gender, race, and occupation of the population in the locality or in the area of the market.

Question 2. Answer each of these questions in about 50 words:

- (i) Define Market environment.
- (ii) Define Macro environment.
- (iii) Define customers.

Answer:

(i) The market environment refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers.

(ii) Macro environment refers to all forces that are part of the larger society and are the "uncontrollable" to which companies mould itself through setting the "controllable" factors.

(iii) Customers refer to a person(s) or firms who buy/s goods or services from a shop, enterprise or business. They are the ultimate consumers of the product.

Question 3. Answer each of these questions in about 75 words:

- (i) Performing sellers sustain and succeed in the market. How?

Answer: (i) Performing sellers sustain and succeed in the market because—

- They keep themselves aware of market needs and trends.
- They give market a solution for their 'unmet' needs.
- They identify opportunities and threats in the environment.

Question 4. Answer each of these questions in about 150 words:

- (i) Differentiate between competitors and suppliers as primary forces of market.

(ii) "Consumer is the King". Why?

Answer:

(i) (a) Competitors provide similar offerings for goods and services whereas suppliers normally offer only one brand of goods or service.

(b) Competitors try for developing strategic advantage over their competitors whereas suppliers take advantage of the strategies made by the parent firm.

(ii) Consumer is the King because of the following reasons:

(a) Consumer's willingness is involved in the purchase of products.

(b) Consumer is smart and want full return for its money.

(c) Useful creativity is always appreciated and accepted by the consumer.

(d) Consumer satisfaction is the foundation stone of a successful business.

Question 5. Answer each of these questions in about 250 words:

(i) Discuss the primary forces that comprise the internal environment of the market.

(ii) Explain the term Secondary Forces. What all external environment comprise of? Explain with suitable examples.

(iii) Differentiate between the Micro and Macro environment.

Answer:

(i) Following are the Primary forces that comprise the internal environment of the market:

(a) Producer/Seller: The goals, objectives, policies, strategies, etc. of the organization are the foremost forces which govern the market. Successful companies are those that can recognize and respond profitably to unmet needs and trends in the society. Unmet needs always exist."PERFORMING SELLERS" sustain and succeed in the market. Catering to social responsibility, if more is the number of producers, harder and healthier would be the competition. Ethics, values, principles, creativity, innovativeness of the seller helps in setting trends for market.

(b) Customers: Consumer is the King instead of trying to market what is essential for us to make, we must find out much more about what the consumer is willing to buy. We must apply our creativity more intelligently to people, and their wants and needs, rather than products. The most influential force which rules the market is the 'Consumer'. Consumer satisfaction is the foundation stone of a successful business. Business has to produce goods according to the needs of the customers. But knowing customers is never simple.

(c) Competitors: Competitors are such factors in the micro environment that provide similar offerings for goods and services. To remain competitive, an enterprise must consider who their biggest competitors are. With LPG, the level of competition is no more local or national, but international. The company should develop a strategic advantage over their competitors else if it's otherwise the fate of the enterprise is doomed. Edmund Burke believes "An opponent is our helper".

(d) Suppliers: Suppliers are another key component in the core system of market. The company is essentially a resource - conversion machine that converts material, machines, labour and funds into useful products. The necessary resources are obtained from suppliers. How well the company buys depends on how well it grasps the working of the various supply markets and how well it applies business principles in conducting its relations with suppliers. Lack or non-availability of suppliers can ruin the market for a product.

(e) Marketing Intermediaries: Marketing intermediaries are institutions that facilitate the flow of goods and services between the company and its final markets. They include resellers (i.e. wholesalers, retailers, agents and brokers), transporters, warehouses, banks and promoting agencies. These all institutions come into being to facilitate the work of consummating exchanges

in the market. They perform a great deal of work in bringing about transactions between the buyers and sellers, market cannot survive without these intermediaries.

(ii) Secondary forces or Macro environment: Secondary forces or Macro environment refers to all forces that are part of the larger society and are the “uncontrollable” to which companies mould itself through setting the “controllable” factors.

Following are the factors that comprises of Macro environment:

(a) Demographic Forces: Demographic forces refer to features of populations with reference to size, density, location, age, gender, race, and occupation. These features help to divide the population into market segments and target markets. Each classification has its unique and different characteristics and causes.

(b) Economic Factors: These refer to the purchasing power of potential customers and also the patterns in which people spend their money. Expenditure pattern of customers is different in different economic situations of the economy.

(c) Technological Forces: The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. Advances in technology have provided opportunities to new products, new ways of selling, new markets and new trends.

(d) Political Forces: The political environment covers all laws, government agencies, and groups that influence or limit other organizations and individuals within a territory. Market is run and regulated by these laws or restrictions. These are different for various places and varies from time to time. The fate of enterprises and markets depend upon the political conditions of the areas in which they are situated.

(e) Natural Factors: These include the natural resources that a company uses as inputs and affects their marketing activities. The ability to create a company’s product is becoming a tough task for the enterpriser. Also, pollution, government intervention, etc. have effect on a company’s reputation if they are known for damaging the environment.

(f) Cultural Forces: The cultural environment, which consists of institutions and basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which passed on from generation to generation and very difficult to change, and secondary beliefs, which tend to be easier to influence.

(iii) Differences between Micro environment and Macro environment:

Micro environment	Macro environment
1. Micro Environment or Internal Environment refers to the forces operating in the market that are close or within the enterprise or firm and affect its ability to serve its customers directly.	1. Macro environment refers to all forces that are part of the larger society and are the “uncontrollable” to which companies mould itself through setting the “controllable” factors.
2. It comprises of producer/seller customer, competitors, suppliers marketing intermediaries.	2. Macro environment comprises demographic forces, economic forces, technological forces, political forces, natural forces, cultural forces.
3. These are uncontrollable for a firm.	3. These are controllable for a firm.
4. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.	4. This includes all departments, such as management, finance, research and development, purchasing, operations and accounting.

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