

Internet Microenvironment

Meaning

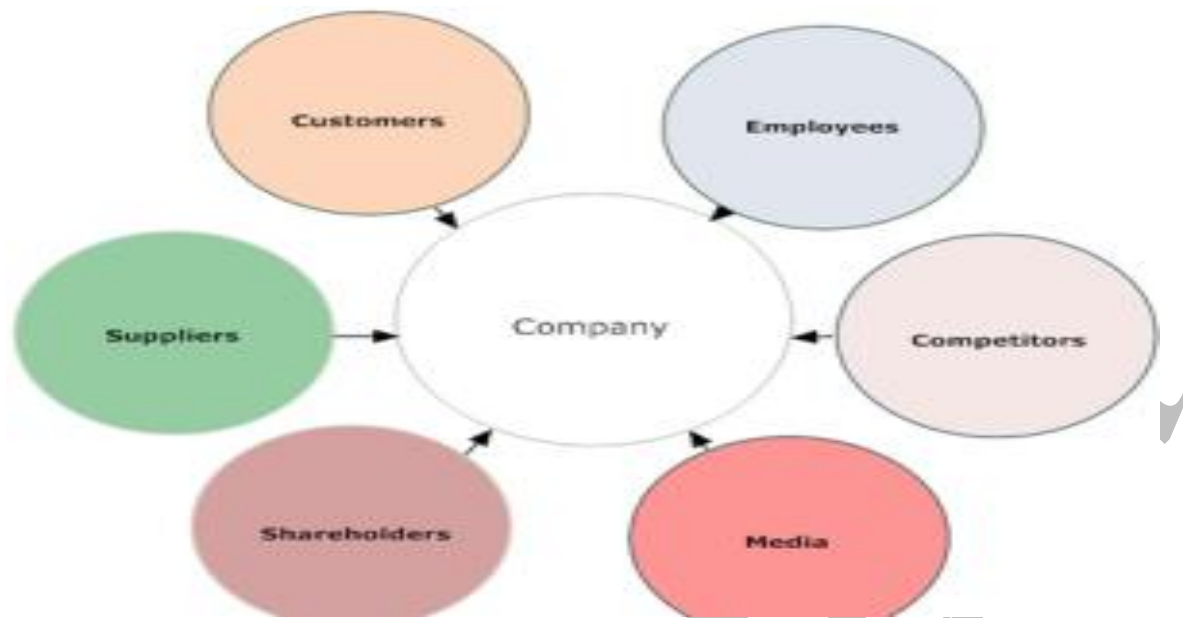
The environment under which organization functions determines how it will conduct its business. Organizations have to constantly monitor and appraise the external business environment. Organizations have to make changes in its operations in accordance to the environment as to be profitable and effective. Therefore, understanding the business environment is important before developing any marketing strategy.

Specific forces such as a market place, customers, organization, etc. which directly affects organization are referred to as micro-environment.

The internet has made a direct impact on the micro-environment of the organization.

Macro Environment: factors outside of direct control of the business including social, technological, economic, political and legal aspects. Society is the factor that impacts on the consumers' habit the most and influence on customer's belief and psychology that lead to decision of buying online or not. The speed of developing internet and technology in each society, each country will decide the method of doing business at the modern time

Micro Environment: The micro-environment, sometimes known as the „operating environment. For development of Internet marketing strategy, the most significant influences are arguably those of the micro-environment. This is shaped by the needs of customers and how services are provided to them through competitors, intermediaries and upstream suppliers within the marketplace. They all have direct interest in the activities of the firm and are clearly effected by its actions



Market Place-

The market place for an organization includes interaction between all the elements of the micro-environment. There are five forces which impact organization in the marketplace. The impact of internet on the five forces is as follows:

Bargaining Power of Customers: with the advent of the internet, customers have wider choices of products than before. The increase in competition has reduced the price level as customer demand more transparency in operations. Thus the bargaining power of customers has increased.

Bargaining Power of Suppliers: again with wider choice due to the internet. The bargaining power of the supplier has gone down

Threats of substitute: the internet has enabled quicker introduction of products and services. The organization must carefully observe the introduction of substitute in the market as to avoid losing market share.

Barriers to entry: the internet has substantially reduced establishment costs, especially in the services industry. Therefore, organization has to carefully observe the movement of the new entrants in the market.

Competition: the internet has started the trend of faster commoditization of products. Thus companies need to find new ways through which it can differentiate itself from competition.

Customers-

An organization's success is dependent on strong customer base. Therefore, customer needs and requirements require a better understanding from the organization. A qualitative and quantitative analysis needs to be developed by the company to track consumer behavior and create more consumer insights. These consumer insights can be used by marketing groups to develop specific strategies.

Companies are using demand analysis to understand and determine the potential of the new business proposition among customers. Companies also deploy qualitative analysis to understand perception of a consumer towards new products and services.

Online Buying Behavior-

It is very important for an organization to understand how the internet works in a multiple channel scenario. Thus, companies develop different models to understand online buying behavior.

Companies have started creating personas which summarize the customer needs, requirements and environment based on their internet usage. Based on this persona, companies develop a customer scenario. This customer scenario is series of task or path taken to come at a desired buying decision.

This customer scenario is part of the overall buying experience and it involves multiple channel partners. Therefore multi-channel strategies have to be built in assessing overall customer online buying behavior.

Competitors-

Online business is dynamic in nature. Therefore, it is important for organizations to monitor usage of the internet by the competition. The internet is the new medium through which companies undertake the task for customer retention and acquisition.

The strategies of traditional competitor are well known. However, with the internet and globalization, new entrants are always posing a constant competition to the organization.

Companies for benchmarking should analyze competitor's web site, identify the current trends and keep an eye on future trends.

Suppliers-

Total customer satisfaction is the key in developing long and fruitful relationship with consumers. Therefore, it becomes important for the organization to monitor supplier, as they do affect quality or experience for customers.

Intermediaries-

Marketing intermediaries are companies which help the organization sell, promote and distribute products and services in the market. For internet marketing, there are online intermediary websites. These intermediary websites work as a platform between consumers and business suppliers. The online social networks also act as an intermediary. They provide a platform which facilitates collaboration and exchange between various individuals.

The companies need to maintain constant watch on the internet environment. This will help organization respond to ever changing and evolving internet micro environment.