

BUS 213: PRINCIPLES OF MARKETING I

Study Session 3

TOPIC: MARKETING ENVIRONMENT

1. Introduction

In this study session 1, you will learn the two components of the marketing environment and the complexities associated with the environment. The session will deal with how marketing managers respond to environmental changes in the marketing environment. Marketers take the major responsibility of identifying significant changes in the environment. More than any other group in the company marketers must be trend trackers and opportunity seekers. The marketing environment consists of a micro environment and a macro environment.

1.1 Learning Outcomes for Study Session 1

After studying this session, you should be able to:

- (i) Understand the components of the marketing environment including its complexities.
- (ii) Learn how the marketing environment offers both opportunities and threats.
- (iii) Learn how to adapt to external changes such as economic, social, competitive, or changes in consumer preferences.
- (iv) The major responsibility of identifying significant changes in the environment

2. The Micro- Environment

The Micro – environment of an organization can best be understood as comprising all those other organizations and individuals who directly or indirectly affect the activities of the organization. The following key groups can be identified:

- (i) *The Company/Employment/Internal Environment:* Internally, the structure and politics of organizations affect the manner in which it responds to environmental changes. Simply having a strong marketing department is not necessarily the best way of ensuring adaptation to change. In designing marketing plans, marketing management should take

other company groups, such as top management, finance, Research and development (R & D), purchasing, manufacturing and accounting into consideration. All these interrelated groups constitute the internal environment. Therefore, all of these departments have an impact on the marketing department's plans and action. Under the marketing concept, all of these functions must 'think customer' and they should work together to provide superior customer value and satisfaction.

(ii) *Suppliers*: Suppliers are an important link in the company's overall customer's value delivery system. They provide the resources needed by the company to produce its goods and services. Supplier's developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, Labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing managers must also monitor the price trends of their key impacts. Rising supply costs may force price increase that can harm the company's sales volume. Very often, suppliers are critical to an organization, marketing success, especially where factors of the production are in short supply. Closer supplier relationship is one way of ensuring competitive and quality products for an organization.

(iii) *Marketing Intermediaries*: Marketing intermediaries are firms that help the company to promote, sell and distribute its goods to final buyers. They include resellers, physical distribution firms, marketing services agencies and financial intermediaries. Marketing intermediaries form an important component of the company's overall value delivery system which builds a strong customer relationship. The company must do more than just optimize its own performance, it must partner effectively with supplier and marketing intermediaries to optimize the performance of the entire system.

(iv) *Customers*: A company should be concerned about the changing requirement of its customers and should keep in touch with these changing needs by using an appropriate information gathering system. There are six types of customer markets which consist of individuals and household, business market, institutional market, government market and international market. Each market type has special characteristic that call for careful

study by the seller. At any point in time, the firm may deal with one or more customer markets

(v) *Competitors*: The name of the game in marketing is differentiation. What benefit can the organization offer which is better than their competitors. Can they sustain this differentiation over a period of time from their competitors? Competitor analysis and monitoring is crucial if an organization is to maintain its position within the market. The marketing concept states that to be successful, a company must provide greater customer value and satisfactions than its competitors do. Thus, marketers must do more than simply adapting to the needs of the targets consumers but they must also gain strategic advantage by positioning their offering strongly against competitor's offerings.

(vi) *Public*: The Company's marketing environment also includes various 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. There are seven types of public which are financial public, media public, government publics citizen action public, local public, general public, internal publics. A company can prepare marketing plans for these publics as well as for its customer markets. Suppose the company wants a specific response from a particular public, such as goodwill, favourable word of mouth, or donation of time or money. The company would have to design an offer to this public that is attractive enough to produce the desired response. Organization or company today is under the watchful eyes of their various publics. Those that overlook the power of serious interest groups often learn painful lessons. We have looked at the firm's immediate environment. Next we examine the larger macro environment.

3. The Macro- Environment

The macro environment comprises general trends and forces which may not immediately affect the relationships that a company has with its customers, suppliers and intermediaries, but sooner or later, macro environmental changes will alter the nature of these relationships. It can also be seen as forces that shape opportunities and pose threat to the company. For example, change in the population structure of a company does not affect the way in which a company does business

with its customers, but overtime, it may affect the number of young or elderly people who it is able to do business with. There are six most influential forces in the company's macro environment.

(i) *Demographic Environment*: Demography is the study of human population in terms of size, density, location age, gender, race, occupation and other statistic. The demographic environment is of considerable interest to marketers because it involves people and people make up market: changes in the size and it age structure of the population are critical to many marketing firms.

(ii) *Economic Environment*: Market requires buying power as well as people. The economic environment consist of factors that affect consumer purchasing power and spending pattern, marketers should be aware of the following predominate economic trends. Changes in major economic variables such as income, cost of living, interest rates, and savings and borrowing patterns have feud to serious impact on marketing activity. Business do not have to be wiped out by an economic downturn, with adequate planning, marketers can take advantage of changes in the economic environment.

(iii) *Natural Environment*: The natural environment involves natural resources that are needed as inputs by marketers or that are affected by marketing activities. Environmental concern have grown steadily during the past two decades: protection of the natural environment will remain a crucial worldwide issue facing marketing and public. In many cities around the world, air and water pollution have reached dangerous levels. Marketers should be aware of four trends in the natural environment.

- a. Shortages of raw materials
- b. Increased cost of energy
- c. Increased pollution
- d. Government intervention in Natural Resources management

(iv) For business and industries, environmental issues and government intervention are unlikely to vanish. Clever marketers should remain alert and productive in the search for new opportunities.

(v) *Technological Environment*: Changes in technology are changing the way Markets operates. The internet is having a profound impact on the marketing mix and with the advent of the internet, consumers can now shop 24 hours a day comfortably from their homes. The challenge these organization faces is to ensure that they can deliver on their promise. That business, which is slow to react, will fall at the first few hurdles. The technological revolution means a faster exchange of information beneficial for business as they can react quickly to changes within their environment. Marketers need to understand how technological development might affect them in four related business areas. New technologies can allow new goods and services to be offered to consumers. New technology can allow existing products to be made more cheaply, thereby widening their market. Technological developments have allowed new methods of distributing goods and services. New opportunities for companies to communicate with their target customers have emerged. In the name of progression, technology will continue to evolve while organization that continues to ignore this will face extinction.

(vi) *Political Environment*: The political environment can be one of the less predictable elements in an organization's marketing environment. Marketers need to monitor the changing political environment because political change can profoundly affect a firm's marketing system.

(vii) *Social and Cultural Environment*: The cultural environment is made up of institutions and other forces that affect society's basic values, perceptions, preferences and behaviors. People grow up in a particular society that shapes their relationships with others they absorb a worldwide that defined their relationship with others. The following cultural characteristic can affect marketing decision making. Marketers must be aware of these cultural influences and how they vary across societies within markets served by the

firm. The principal values of a society are expressed in people's views of themselves and others, as well as in their view of organization, society, nature and the universe.

4. Summary of Study Session 3, 'Marketing Environment'

Now that you have completed this study Session 3, 'Marketing Environment', you have learnt the following key points:

In this session, we have learnt that the marketing environment is as dynamic as marketing itself. Thus, for any company to succeed in the environments, it must take into cognizance the two components of the environment (the micro and macro-environments) in its strategic marketing decisions.

5. Self-Assessment Questions (SAQs) for Study Session 3

Now that you have completed this study session, you can assess yourself with the following questions:

- (i) The Marketing Environment is said to be diverse and dynamic and associated with uncontrollable forces that can impinge on organizational success. Discuss
- (ii) Explain how the technological environment can affect a marketing system.
- (iii) What is Demography?

6. Notes on SAQs for Study Session 1

7. References

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