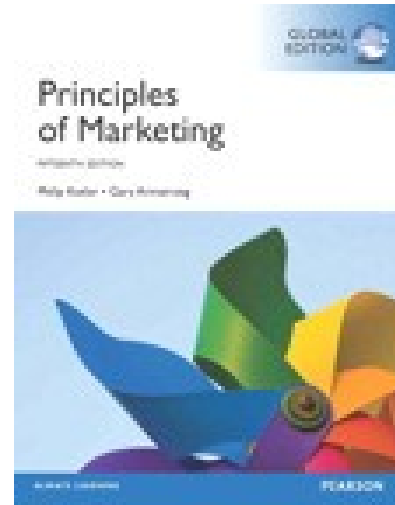




Principles of Marketing by Philip Kotler and Gary Armstrong

Chapter 3



Analyzing the Marketing Environment

Objective Outline

The Microenvironment The Macroenvironment

1

Describe the environmental forces that affect the company's ability to serve its customers.

The Demographic Environment The Economic Environment

2

Explain how changes in the demographic and economic environments affect marketing decisions.

Objective Outline

3



The Natural Environment The Technological Environment

Identify the major trends in the firm's natural and technological environments.

4



The Political and Social Environment The Cultural Environment

Explain the key changes in the political and cultural environments

Objective Outline

Responding to the Marketing Environment

5

Discuss how companies can react to the marketing environment.

Preview

Marketing Environment

- It is the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.

Microenvironment

- It consists of the actors close to the company that affect its ability to serve its customers, the company, suppliers, marketing intermediaries, customer markets, competitors, and public.

Macroenvironment

- The macroenvironment consists of the larger societal forces that affect the microenvironment—demographic, economic, natural, technological, political, and cultural forces.

The Microenvironment

- Marketing success requires building relationships with other company departments, suppliers, marketing intermediaries, competitors, various publics, and customers, which combine to make up the company's value delivery network



The Company

- With marketing taking the lead, all departments—from manufacturing and finance to legal and human resources—share the responsibility for understanding customer needs and creating customer value.



Suppliers



Apple's supplies in the world

Marketing Intermediaries

- **Marketing intermediaries** help the company promote, sell, and distribute its products to final buyers.
- *Physical distribution firms* help the company stock and move goods from their points of origin to their destinations.
- *Marketing services agencies* are the marketing research firms, advertising agencies, media firms, and marketing consulting firms.
- *Financial intermediaries* include banks, credit companies, insurance companies and other businesses that help finance transactions or insure against the risks

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Competitors



- Marketers also must gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers.
- Each firm should consider its own size and industry position compared to



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Publics

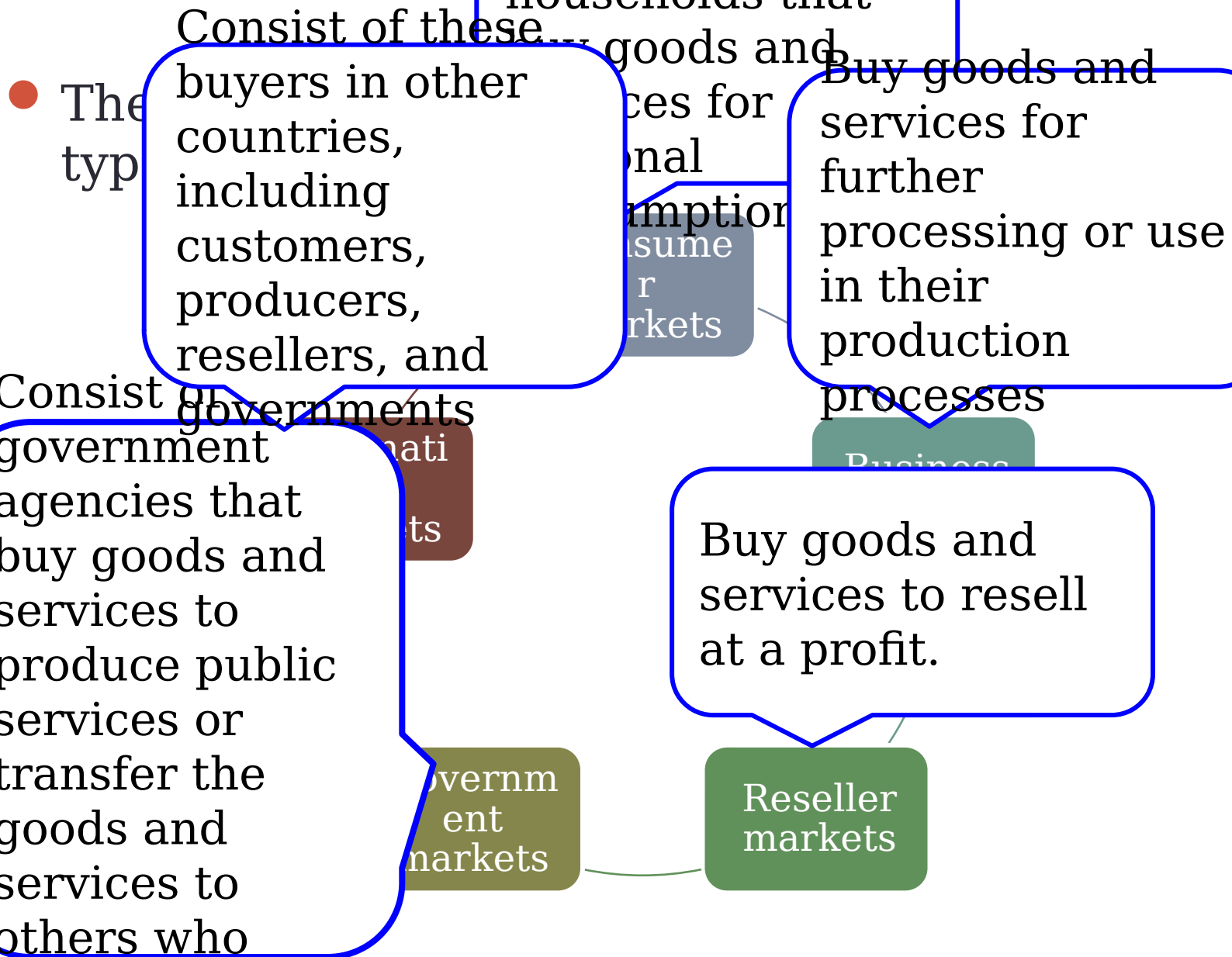
Citizen -action publics

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ment Genera l public

- And because the marketing decisions may be questioned by consumer organizations, environmental groups, minority groups, and others.
- Its public relations department can help it stay in touch with consumer and citizen
- This group includes workers, managers, volunteers, and the board of directors.
- community support
- A company needs to be concerned about the general public's attitude toward its products and activities.
- The public's image of the company affects its buying.

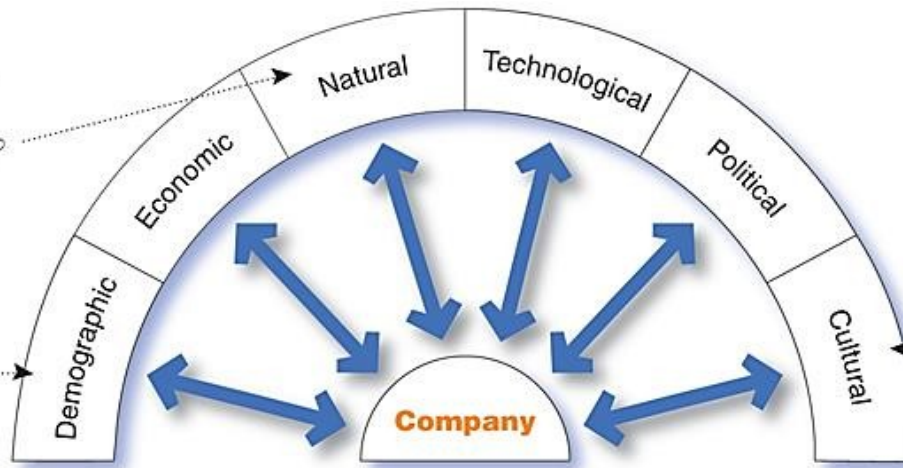
Customers



The Macroenvironment

Concern for the natural environment has spawned a so-called green movement. For example, last year HP recovered and recycled 800 jumbo jets worth of electronics globally.

Changing demographics mean changes in markets and marketing strategies. For example, Merrill Lynch targets aging baby boomers to help them overcome the hurdles to retirement planning.



Marketers also want to be socially responsible citizens in their markets and communities. For example, shoe brand TOMS was founded on a cause: "No complicated formulas. It's simple," says the company's founder. "You buy a pair of TOMS and I give a pair to a child on your behalf."



The Demographic Environment

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



The Changing Age Structure of the Population



Generational Marketing

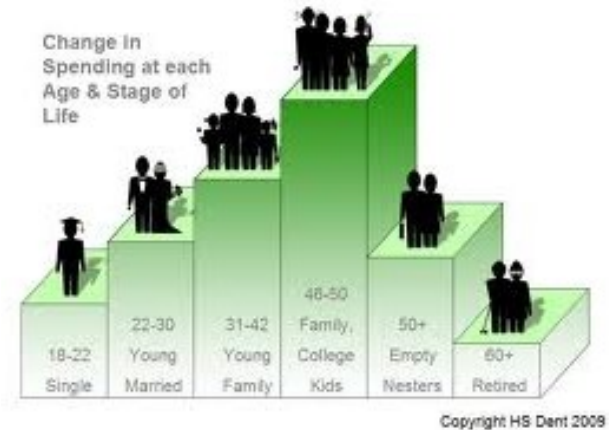
Marketers often split the baby boomers into three smaller leading-edge boomers, core boomers, and trailing-edge boomers, each with its own beliefs and behaviors. Similarly, they split Millennials into teens and young adults.

Thus, marketers need to form more precise age-specific segments within each group. More important, defining them by their birth date may be less effective than segmenting them by their lifestyle, life stage, or the common values they seek in the products they buy.

They are increasingly displacing the lifestyles, values, and attitudes of the baby boomers.

The Changing American Family

- More people are:
 - Divorcing or separating
 - Choosing not to marry
 - Choosing to marry later
 - Marrying without intending to have children
 - Increasing number of working women
 - Increasing number of stay-at-home dads



Geographic Shifts Population

- The shift in where people live has also caused a shift in where they work.
- For example, the migration toward micropolitan and suburban areas has resulted in a rapid increase in the number of people who “telecommute”—work at home or in a remote office and conduct their business by phone or the Internet.



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Collar, More Professional Population

- Changes in the Workforce

- More educated
- More white collar



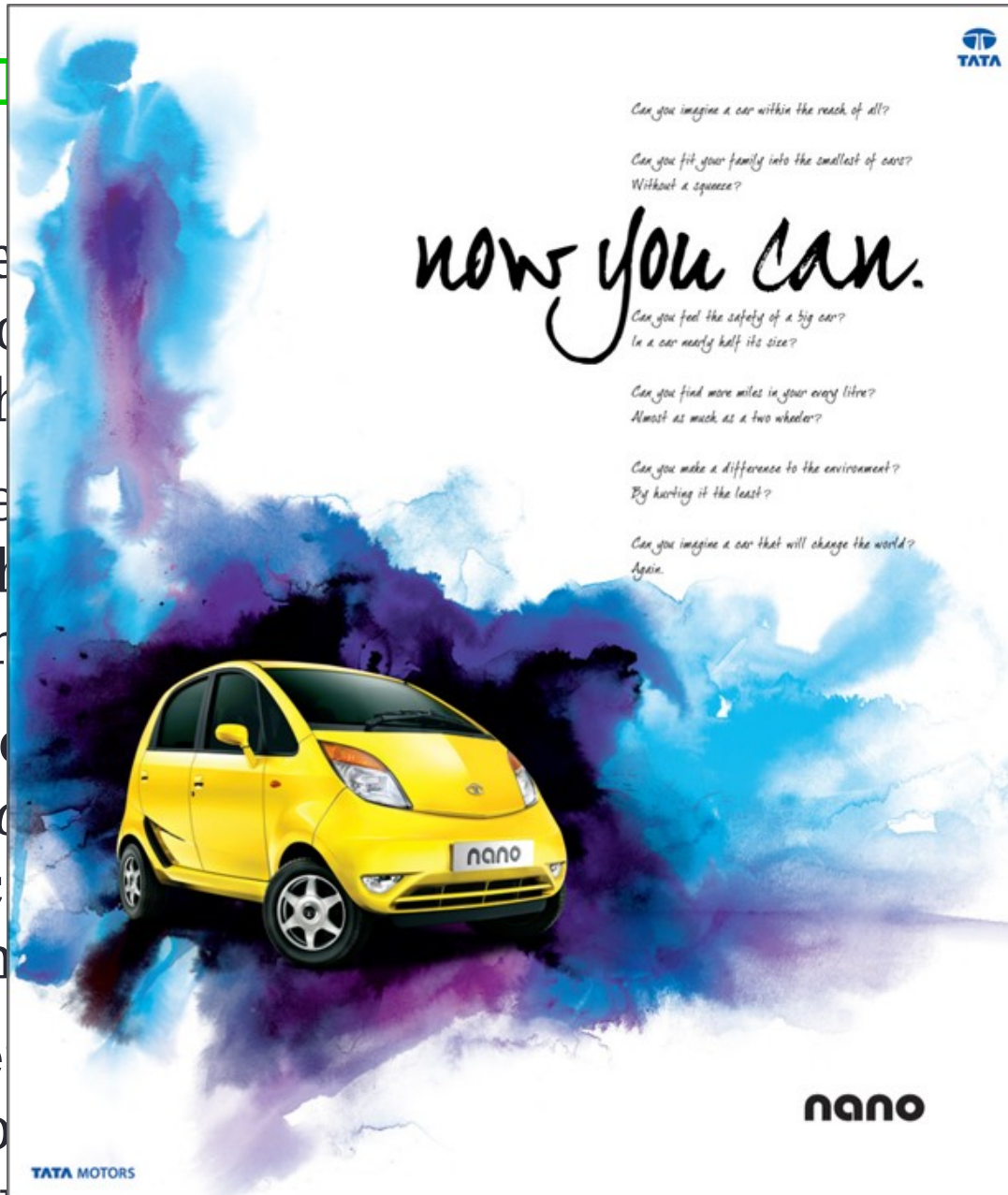
Increasing Diversity

- Markets are becoming more diverse
 - International
 - National
- Includes:
 - Ethnicity
 - Disabled



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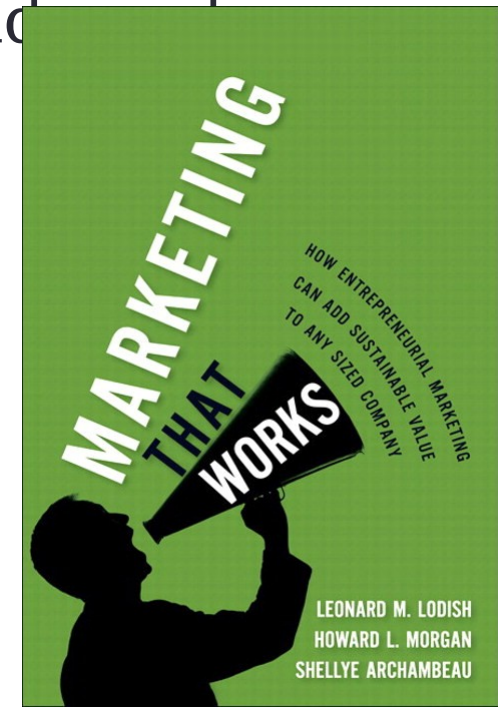
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Changes in Consumer Spending

- In turn, *value marketing* has become the watchword for many marketers.
- Marketers in all industries are looking for ways to offer today's more financially frugal buyers greater value—just the right combination of product quality and



PHOTO: JUSTIN SULLIVAN/GETTY IMAGES



Income Distribution

- Marketers should pay attention to *income distribution* as well as income levels.
- Over the past several decades, the rich have grown richer, the middle class has stagnated, and the poor have grown poorer.





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The Technological Environment



The Political and Social Environment

- The **political environment** consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.



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Table 3.1 Major U.S. Legislation Affecting Marketing

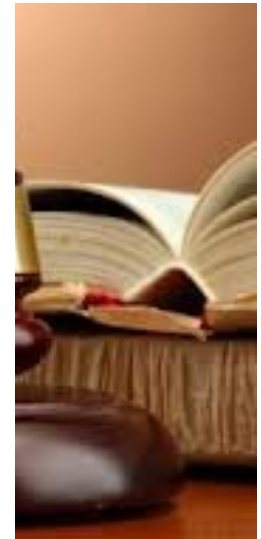
Legislation	Purpose
Sherman Antitrust Act (1890)	Prohibits monopolies and activities (price-fixing, predatory pricing) that restrain trade or competition in interstate commerce.
Federal Food and Drug Act (1906)	Created the Food and Drug Administration (FDA). It forbids the manufacture or sale of adulterated or fraudulently labeled foods and drugs.
Clayton Act (1914)	Supplements the Sherman Act by prohibiting certain types of price discrimination, exclusive dealing, and tying clauses (which require a dealer to take additional products in a seller's line).
Federal Trade Commission Act (1914)	Established the Federal Trade Commission (FTC), which monitors and remedies unfair trade methods.
Robinson-Patman Act (1936)	Amends the Clayton Act to define price discrimination as unlawful. Empowers the FTC to establish limits on quantity discounts, forbid some brokerage allowances, and prohibit promotional allowances except when made available on proportionately equal terms.
Wheeler-Lea Act (1938)	Makes deceptive, misleading, and unfair practices illegal regardless of injury to competition. Places advertising of food and drugs under FTC jurisdiction.
Lanham Trademark Act (1946)	Protects and regulates distinctive brand names and trademarks.
National Traffic and Safety Act (1958)	Provides for the creation of compulsory safety standards for automobiles and tires.
Fair Packaging and Labeling Act (1966)	Provides for the regulation of the packaging and labeling of consumer goods. Requires that manufacturers state what the package contains, who made it, and how much it contains.
Child Protection Act (1966)	Bans the sale of hazardous toys and articles. Sets standards for child-resistant packaging.
Federal Cigarette Labeling and Advertising Act (1967)	Requires that cigarette packages contain the following statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health."
National Environmental Policy Act (1969)	Establishes a national policy on the environment. The 1970 Reorganization Plan established the Environmental Protection Agency (EPA).
Consumer Product Safety Act (1972)	Establishes the Consumer Product Safety Commission and authorizes it to set safety standards for consumer products as well as exact penalties for failing to uphold those standards.
Magnuson-Moss Warranty Act (1975)	Authorizes the FTC to determine rules and regulations for consumer warranties and provides consumer access to redress, such as the class action suit.
Children's Television Act (1990)	Limits the number of commercials aired during children's programs.
Nutrition Labeling and Education Act (1990)	Requires that food product labels provide detailed nutritional information.
Telephone Consumer Protection Act (1991)	Establishes procedures to avoid unwanted telephone solicitations. Limits marketers' use of automatic telephone dialing systems and artificial or prerecorded voices.
Americans with Disabilities Act (1991)	Makes discrimination against people with disabilities illegal in public accommodations, transportation, and telecommunications.
Children's Online Privacy Protection Act (2000)	Prohibits Web sites or online services operators from collecting personal information from children without obtaining consent from a parent and allowing parents to review information collected from their children.
Do-Not-Call Implementation Act (2003)	Authorizes the FTC to collect fees from sellers and telemarketers for the implementation and enforcement of a National Do-Not-Call Registry.
CAN-SPAM Act (2003)	Regulates the distribution and content of unsolicited commercial e-mail.
Financial Reform Law (2010)	Created the Bureau of Consumer Financial Protection, which writes and enforces rules for the marketing of financial products to consumers. It is also responsible for enforcement of the Truth-in-Lending Act, the Home Mortgage Disclosure Act, and other laws designed to protect consumers.

Business for a nu

- Protect
- Protect practice
- Protect



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Ethics and Socially Responsible Actions

- *Socially Responsible Behavior:*
 - Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply “do the right thing.”
 - These socially responsible firms actively seek out ways to protect the long-run interests of their consumers and the environment.



Increased Emphasis on Ethics and Social Actions

- Caused-
- Cause-related marketing is a form of marketing that does well by doing good. It is a company's marketing effort that is worthy of the company's values.
- It has several cause-related marketing strategies related to the company's marketing efforts.

POWERRELIEF

HELPING PEOPLE
**RECHARGE
RECONNECT
RECOVER**

Duracell, one of the most trusted sources of power, is there to help communities in times of need. When disaster strikes, it's important for families to have the right power for their critical devices. That's why we created the Power Relief program. It provides dependable power for families during these times of crisis, helping people recharge, reconnect, and recover.



COMMUNITIES WE'VE HELPED

Click on a location below to learn more about how Duracell's Power Relief Trailer has helped those in need.

- Flooding in Nashville, TN
- Tornadoes in Tuscaloosa, AL
- Tornadoes in Joplin, MO
- Hurricane in the Catskills, NY
- Snowstorm in Avon, CT

THE POWER RELIEF TRAILER

The Duracell Power Relief Trailer is equipped for immediate response to areas affected by natural disasters. The trailer opens up to become a comfortable safe haven, offering information about local resources and distributing Relief Kits to those in need. Recharging stations, satellite phones and WiFi-enabled computers give people the opportunity to connect with friends and family during this emotional time.

SPREAD THE WORD ON



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The Benefits of
Cause-Related
Marketing

The Cultural Environmen

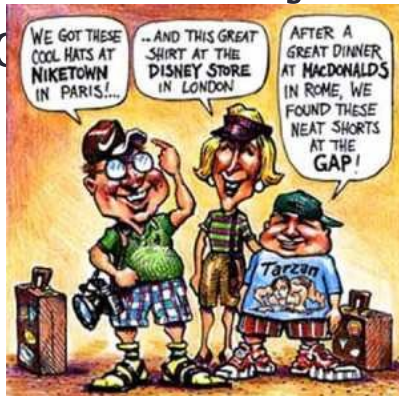


- **Cultural environment** consists of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors



The Persistence of Cultural Values

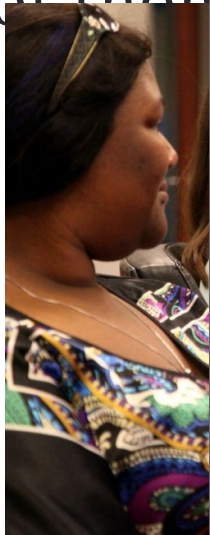
- People in a given society hold many beliefs and values. Their core beliefs and values have a high degree of persistence.
- *Secondary* beliefs and values are more open to change. Believing in marriage is a core belief; believing that people should get married early in life is a secondary belief.
- Marketers have some chance of changing secondary values but little chance of



Shifts in Secondary Culture

- *People*

- People themselves
- People a mean product of their



IT'S SOMEWHERE BETWEEN the COLOR
OF *Your Lips* WHEN YOU
GO OUTSIDE IN DECEMBER
WITH YOUR HAIR STILL WET
AND the *Color* of a PUDDLE
left BY A MELTED GRAPE POPSICLE
MIXED WITH THE COLOR OF THAT
COUGH SYRUP THAT USED TO
MAKE ME GAG
A LITTLE.

Hot Lips 2077-30

Perfect.



Hot Lips. Or any color you can imagine.



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Shifts in Secondary Cultural Values

● People's Views of Organizations.



Shifts in Secondary Cultural Values

- *People's Views of Organizations.*

- People vary in their attitudes toward corporations, government agencies, trade unions, universities, and other organizations.
- The past two decades have seen a sharp decrease in confidence in and loyalty toward America's business and political organizations and institutions.
- Many people today see work not as a source of satisfaction but as a required chore to earn money to enjoy their non-work hours.
- This trend suggests that organizations need to find new ways to win consumer and employee confidence.



Shifts in Secondary Cultural Values

● *People's Views of Society.*

- People vary in their attitudes toward their society—patriots defend it, reformers want to change it, and malcontents want to leave it.
- People's orientation to their society influences their consumption patterns and attitudes toward the marketplace.
- Marketers respond with patriotic products and promotions, offering every



Shifts in Secondary Culture

● People

- People of the world—harmony in it.
- A long-term mastery belief that
- More recent that natural destroy



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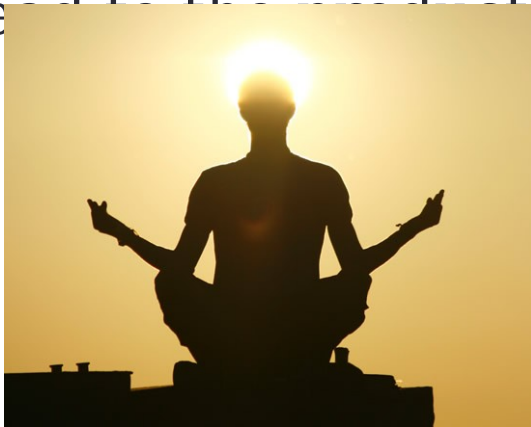
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Shifts in Secondary Cultural Values

- ***People's Views of Universe.***

- People vary in their beliefs about the origin of the universe and their place in it.
- In recent years, some futurists have noted a renewed interest in spirituality, perhaps as a part of a broader search for a new inner purpose.
- This affects consumers in everything from television shows they watch and the books they read to the products and services they buy.



Responding to the Marketing Environment

Uncontrollable

- React and adapt to forces in the environment

Proactive

- Aggressive actions to affect forces in the environment

Reactive

- Watching and reacting to forces in the environment

The End

