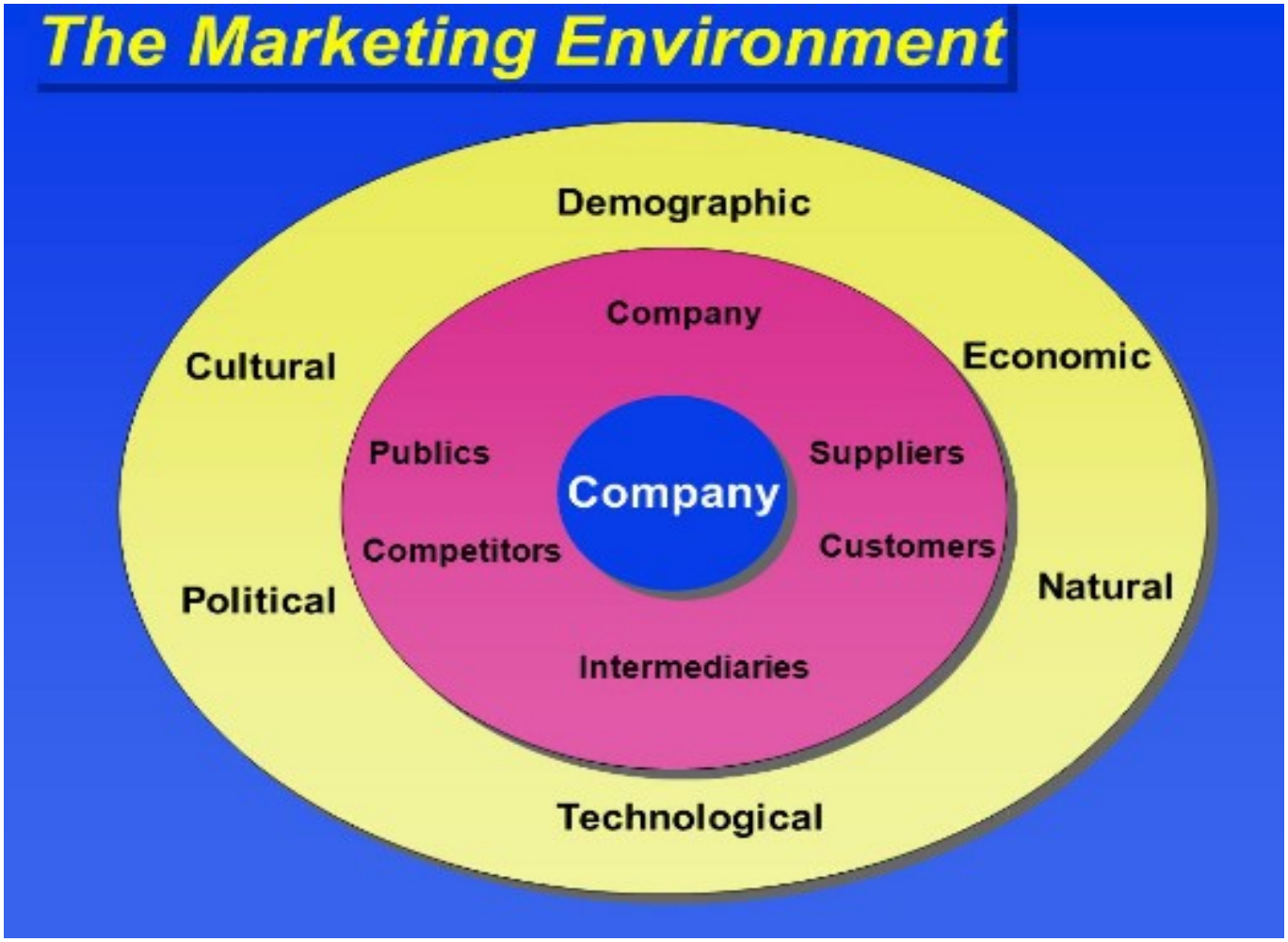
CHAPTER 2
MARKETING ENVIRONMENT



Marketing environment

- Comprised of **actors** and **forces affecting** marketing management's **ability** to develop and maintain successful relationships with its target customers.

- The environmental factors are:

1) Internal Environment of Marketing :

- This refers to factors **existing within a marketing firm**.
- They are also called as **controllable factors**, because the company has control over these factors :

Cont.…

- They are :
  - Top Management
  - Finance and Accounting
  - Research and Development
  - Manufacturing
  - Purchasing
  - Company Image and Brand Equity

Cont.....

- **Top Management** : the **amount of support the top management enjoys** from different levels of employees, shareholders and Board of Directors have important influence on the marketing decisions and their implementation.

- **Financial factors** are **financial polices**, **financial position** and **capital structure**.

Cont….

- **Research and Development** : **designing** the product **safe** and **attractive.**
- ✓ They are **technological capabilities**, determine a company **ability to innovate** and **compete**.
- **Manufacturing** : responsible for **producing** the **desired quality** and **quantity** of products.

Cont.....

- **Purchasing** : refers to **procurement of goods** and **services** from some external agencies.
- **Company Image and Brand Equity** :

✓ The **image** of the company refers in raising finance, forming joint ventures or other alliances, soliciting marketing intermediaries, entering purchase or sales contract, launching new products etc.

2) External marketing environment

- **Beyond the control of a firm**, its success depends to a large extent on its **adaptability** to the environment.
  - a) Micro environment, and
  - b) Macro environment

a) Micro environment

- **close to the company** that affect its ability to serve its customers.
  - ✓ Suppliers
  - ✓ Marketing Intermediaries
  - ✓ Customer
  - ✓ Competitors
  - ✓ Public

- **Suppliers** - provide the resources needed to produce goods and services and are an important link in the *"value delivery system"*.
- **Marketing Intermediaries** - promote, sell, and distribute its goods to final buyers.

They include:

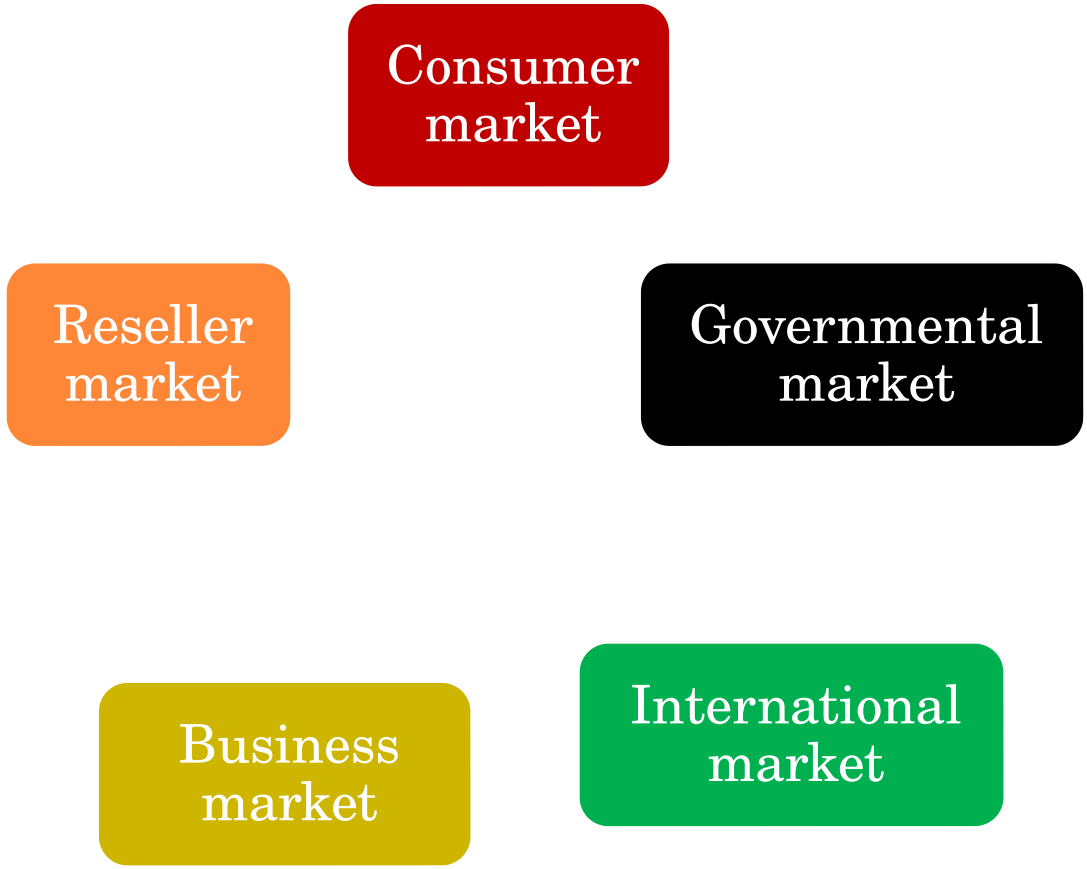
- **Resellers** - distribution channel firms that help the company to find customers or make sales to them. (wholesalers and retailers)

Cont.....

- **Physical distribution** firms:-help to stock and move goods from their point of origin to their destination. (warehouse and transportation firms)
- **Marketing Service Agencies :** the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promoter its products to the customer.
- **Financial intermediaries:-** banks, credit associations and companies, insurance companies, and other business that help finance transactions or insure against the risk associated with the buying and selling process.

Cont....

- **Customers:** five types of markets that purchase a company's goods and services.
  - The company needs to study five types of customer markets closely



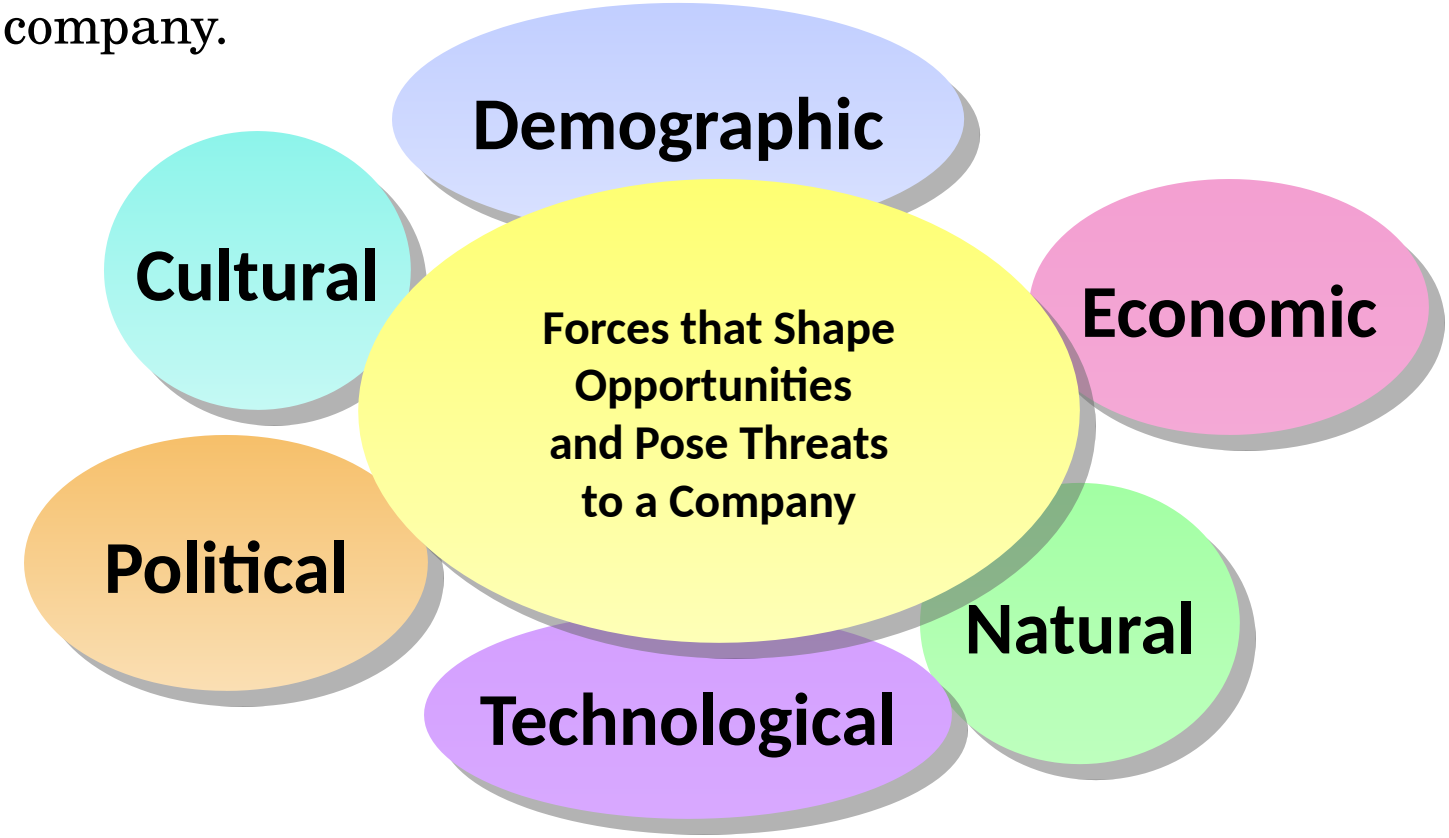
Cont…..

- Competitors - **those who serve a target market with similar products and services** against whom a company must gain strategic advantage.
- That to be successful, a **company must provide greater customer value** and satisfaction than its competitors too.
- Publics - any group that perceives itself **having an interest in or impact on an organization's ability to achieve its objectives**.

Eg. Financial public:-it influence the co`s ability to obtain fund. Development banks, investment houses, and private banks which facilitate the firm's ability to obtain funds

Macro environment

- Macro environment factors **act external** to the company and are **quite uncontrollable**.
- These factors do **not affect** the marketing **ability** of the concern **directly** but **indirectly** they **influence marketing decisions** of the company.



A. Demographic Environment

- Demography is the study of human population in terms of **size, density, location, age, gender, race, occupation and other statistics.**
- Demographic tell marketers:
  - ✓ who current and potential customers are;
  - ✓ where they are;
  - ✓ and how many are likely to buy what the marketer is selling.

Cont.…

- The demographic environment is of major interest to marketers because it involves, people, and people make up markets.
- The world's large and highly diverse population poses both **opportunities** and **challenges**.
- As a result marketers basically focus on the following demographic issues.
  - ✓ Changing age and family structures
  - ✓ Geographic population shifts
  - ✓ Educational Characteristics, and
  - ✓ Population diversity

B. Economic Environment

- The Economic Environment consists of factors that affect consumer purchasing power and spending patterns.

Countries may have :

- Subsistence economies : consume most of their own agricultural and industrial output.
- Industrial economies: constitute rich markets for many different kinds of goods.

I. **Changes in Income**: GDP, Per Capita Income, Disposable Income and so on

- **These economic variables are taken as misleading figures for there might be a large amount of money shifting towards one group, rich people.??**

- It is advisable to refer to market segment's income rather than nation wide margin of earning.

Cont....

II. Growth and Recession

- Economic growth attracts many companies even from highly developed countries.
- Recession is a significant decline in activity spread across the economy, lasting longer than a few months.
- Income, production and employment fall
- Reduced demand for goods and services

Con…

III. **Changing consumer spending patterns**: Consumers at different income levels have different spending patterns.

- Changes in major economic variables such as income, cost of living, interest rates, savings and borrowing patterns have a large impact on the market place.

C. Natural Environment

- The natural environment involves the natural resources that are need as **inputs** by marketers or that are **affected by marketing activities.**
- Marketers should be aware of four trends in the natural environments
  - Shortage of Raw materials
  - Increased cost of energy
  - Increased pollution/Anti-pollution pressures
  - Government intervention in natural resources management
- The major hope is that companies will adopt practices that will protect the natural environment.

D. Technological Environment

- is perhaps the **most dramatic forces now shaping our destiny**.
- New technologies create **new markets** and **opportunities.**
- When old industries **fought or ignored new technologies**, their **business declined**.
- **They will miss new product and market opportunities**.
- **The marketer should watch the following trends in technology:**
  - ✓ **Pace of the Technological Change**
  - ✓ **Unlimited Opportunities for Innovation**
  - ✓ **Increased Regulation of Technological Change (proposing, developing, and launching new products)**

D. Political and Legal Environment

- This environment is composed of **laws**, **government agencies**, and pressure groups that influence and limit various organizations and individuals.
- **Business legislation has three main purposes;**
  - ✓ to protect **companies** from **unfair competition**,
  - ✓ to protect **consumers** from **unfair business practices** ,and
  - ✓ to protect the interest of **society** from **unbridled/uncontrolled business behavior**.

F. Cultural Environment

- is made up of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors

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.**

  Eg. Believing in marriage is a core belief; believing that people should get married early in life is secondary belief.


Thank you !!!