Chapter 3: ‘Analyzing the Marketing Environment’
Learning Objectives

After completing this chapter, students will be able to:

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

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

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

• Explain the key changes in the political and cultural environments.

• Discuss how companies can react to the marketing environment.
Learning Objective 1

Describe the environmental forces that affect the company’s ability to serve its customers.
A Company’s Marketing Environment

The **marketing environment** includes the **actors and forces outside marketing** that affect marketing management’s ability to build and maintain successful relationships with target customers.
A Company’s Marketing Environment

**Microenvironment** 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 publics.
A Company’s Marketing Environment

**Macroenvironment** consists of the larger societal forces that affect the microenvironment – demographic, economic, natural, technological, political, and cultural forces.
The Microenvironment

**FIGURE 3.1**
Actors in the Microenvironment

In creating value for customers, marketers must partner with other firms in the company’s value delivery network.

Marketers must work in harmony with other company departments to create customer value and relationships.

Customers are the most important actors in the company’s microenvironment. The aim of the entire value delivery system is to serve target customers and create strong relationships with them.
The Microenvironment

The Company

In designing marketing plans, marketing management takes other company groups into account.

• Top management
• Finance
• R&D
• Purchasing
• Operations
• Accounting …
The Microenvironment

Suppliers

- Provide the resources to produce goods and services
- Treat as partners to provide customer value

Supplier problems can seriously affect marketing:

→ Marketing managers must watch supply availability and costs!
→ Supply shortages or delays, labor strikes, and natural disasters can cost sales in the short run and damage customer satisfaction in the long run!
→ Rising supply costs may force price increases that can harm the company’s sales volume!
The Microenvironment

Marketing Intermediaries

- Are firms that help the company to promote, sell, and distribute its goods to final buyers (e.g. resellers, physical distribution firms, marketing services agencies, and financial intermediaries)

Apple provides its retail partners with much more than just phones! It also pledges technical support!
The Microenvironment

Marketing Intermediaries

*Resellers* are distribution channel firms that help the company find customers or make sales to them.
The Microenvironment

Marketing Intermediaries

*Physical distribution firms* help the company stock and move goods from their points of origin to their destinations.
The Microenvironment

Marketing Intermediaries

Marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets!
The Microenvironment

Marketing Intermediaries

*Financial intermediaries* include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods!
The Microenvironment

Competitors

- Firms must gain **strategic advantage** by positioning their offerings strongly against competitors’ offerings in the minds of consumers.
The Microenvironment

Publics

Any group that has an actual or potential interest in or impact on an organization’s ability to achieve its objectives.

- Financial publics (influences our company’s ability to obtain funds)
- Media publics (they report on our company and influence public opinion)
- Government publics (e.g. tax authorities)
- Citizen-action publics (e.g. environmental groups)
- Local publics (e.g. neighborhood residents)
- General public (e.g. public’s attitude toward our products and activities)
- Internal publics (e.g. workers, managers, board of directors)
Each market type has special characteristics that call for careful study by the seller.

The Microenvironment

Customers

- **Consumer markets** consist of individuals.
- **Business markets** buy goods and services for further processing or use in their production processes.
- **Reseller markets** buy goods and services to resell at a profit.
- **Government markets** consist of government agencies that buy goods and services to produce public services or transfer the goods and services to others who need them.
- **International markets** consist of various buyers in other countries, including consumers, producers, resellers, and governments.
Learning Objective 2

Explain how changes in the demographic and economic environments affect marketing decisions.
Even the most dominant companies can be **vulnerable to the changing forces in the marketing environment**. Some of these forces are **unforeseeable** and **uncontrollable**. Others can be predicted and handled through skillful management!
The Macroenvironment

Demographic Environment

Changes in the *family* have included:
- More couples and Divorcing or separating
- More people choosing not to marry or marrying later
- More people marrying without intending to have children
- Increasing number of working women

Changes in the *workforce* have included:
- More educated workers
- More white collar workers (Rising middle class in China → increased demand)
- Ageing population (→ decrease purchasing power)
The Macroenvironment

Demographic Environment

*Geographic Shifts in Population*

- Changing migration patterns / increased urbanisation (e.g. efficient water supply)
- Change in where people work
- Home office …

→ Such population shifts interest marketers because people in different regions buy differently.
→ The shift in where people live has also caused a shift in where they work!
The Macroenvironment

Demographic Environment

Markets are becoming more diverse.

- International
- National
- Ethnicity
- Gay and lesbian
- Disabled
The Macroenvironment

Economic Environment

• Changes in **Consumer Spending**
  → **Value marketing** involves offering financially cautious buyers greater value – the right combination of quality and service at a fair price.

• **Income Distribution** (rich / middle class / poor)
  → Changes in major economic variables, such as **income**, **cost of living**, **interest rates**, and **savings** and **borrowing patterns**, have a large impact on the marketplace!
Learning Objective 3

Identify the **major trends** in the firm’s **natural and technological environments**.
The Macroenvironment

The Natural Environment

• The natural environment is the physical environment and the natural resources that are needed as inputs by marketers or that are affected by marketing activities.
The Macroenvironment

The Natural Environment - Trends

• Growing shortages of raw materials (Renewable resources: forests and food; Nonrenewable resources: oil, coal, minerals)
  → Firms making products that require these scarce resources face large cost increases, even if the materials remain available!

• Increased pollution (e.g. chemical pollutants in the soil and food supply)

• Increased government intervention

• Developing strategies that support environmental sustainability that are affected by marketing activities.
The Macroenvironment

Technological Environment

- Most dramatic force in changing the marketplace!
- New products, opportunities
- Concern for the safety of new products

Important recent examples:
- Self-Driving Vehicles (自动驾驶汽车)
- Blockchain (区块链)
- 3-D Printers (3D打印)
- Artificial Intelligence (人工智能) …

Companies that do not keep up will soon find their products outdated!
Learning Objective 4

Explain the **key changes** in the **political and cultural environments**.
The Macroenvironment

Political and Social Environment

Legislation regulating business is intended to protect
• companies from each other
• consumers from unfair business practices
• the interests of society against unrestrained business behavior

Laws covering issues such as competition, fair trade practices, environmental protection, product safety, truth in advertising, consumer privacy, packaging and labeling, pricing…
The Macroenvironment

Political and Social Environment

• *Increased emphasis on ethics* (e.g. equal opportunity employer, fairness, equality)

• *Socially responsible behavior* → Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply “do the right thing”!

• *Cause-related marketing* --- linking purchases of the company’s products or services with benefiting worthwhile causes or charitable organizations!
Cause related marketing

Pampers and UNICEF Partnership

• Since 2003 over 300 million tetanus vaccines have been funded through the Pampers and UNICEF partnership.

Since the beginning of the Pampers-UNICEF partnership, 500,000 newborn babies’ lives have been saved*
Cause related marketing

Pampers and UNICEF Partnership

- UNICEF’s brand name added substantially to the campaign’s power to build new business for Pampers, and
- was beneficial to the recruitment and retention of staff at parent company Proctor & Gamble.
- At the same time, its reach has helped deliver sources of new donations for UNICEF on a sizeable scale!
The Macroenvironment

Cultural Environment

• The *cultural environment* consists of institutions and other forces that affect a society’s basic values, perceptions, and behaviors.

Cultural factors strongly affect how people think and how they consume!
The Macroenvironment

Cultural Environment

• **Core beliefs and values** are persistent and are passed on from parents to children and are reinforced by schools, churches, businesses, and government (e.g. hard work, getting married, …)

→ People grow up in a particular society that shapes their basic beliefs and values. They absorb a worldview that defines their relationships with others. Cultural characteristics can **affect marketing decision making**.

• **Secondary beliefs and values** are more open to change and include people’s views of themselves, others, organizations, society, nature, and the universe.

Marketers have some chance of changing secondary values but little chance of changing core values.

Believing in marriage is a core belief; believing that people should get married early in life is a secondary belief!
Learning Objective 5

Discuss **how companies can react to the marketing environment.**
Responding to the Marketing Environment

Views on Responding

Uncontrollable
- React and adapt to forces in the environment

Proactive
- Take aggressive actions to affect forces in the environment

Reactive
- Watch and react to forces in the environment
Homework --- Chapter 3

Review questions:

1. Why might a move to Fairtrade supply damage the profits of a chocolate manufacturer?

2. Outline two possible reasons why a manufacturer of chemicals might invest more heavily in anti-pollution measures.

• Please read Chapter 7 (pp. 210-241) Market segmentation; Market targeting; Differentiation and Positioning