# PRINCIPLES OF Marketing

### **Chapter Three**

Analyzing the Marketing Environment



Marketing Enriched with pome

### Analyzing the Marketing Environment

#### **Topic Outline**

- The Company's Microenvironment
- The Company's Macroenvironemnt
- Responding to the Marketing Environment



## **The 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



## **The 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



#### **The Company**

- Top management
- Finance
- R&D
- Purchasing
- Operations
- Accounting



### **Suppliers**

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



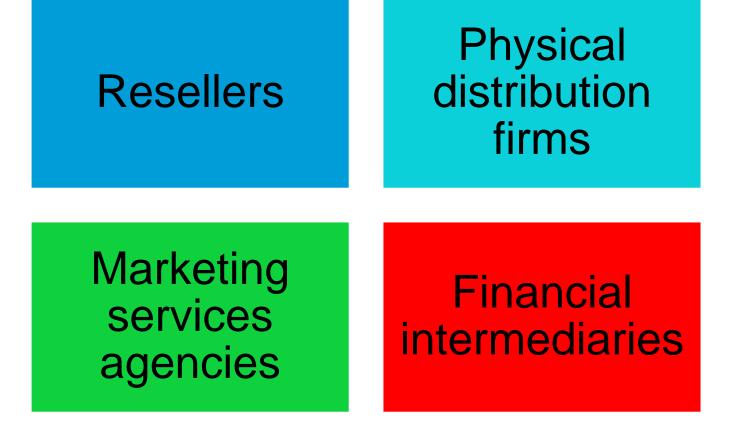
**Marketing Intermediaries** 

 Help the company to promote, sell and distribute its products to final buyers



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#### **Types of Marketing Intermediaries**



#### Competitors

 Firms must gain strategic advantage by positioning their offerings against competitors' offerings



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#### **Publics**

- Any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives
  - Financial publics
  - Media publics
  - Government publics
  - Citizen-action publics
  - Local publics
  - General public
  - Internal publics

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#### **Demographic Environment**

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

- Demographic environment is important because it involves people, and people make up markets
- Demographic trends include age, family structure, geographic population shifts, educational characteristics, and population diversity

**Demographic Environment** 

- Changing age structure of the population
  - Baby boomers include people born between 1946 and 1964
  - Most affluent Americans



**Demographic Environment** 

- Generation X includes people born between 1965 and 1976
  - High parental divorce rates
  - Cautious economic outlook
  - Less materialistic
  - Family comes first
  - Lag behind on retirement savings

#### **Demographic Environment**

- Millennials (gen Y or echo boomers) include those born between 1977 and 2000
  - Comfortable with technology
  - Includes:
    - Tweens (ages 8–12)
    - Teens (13–19)
    - Young adults (20's)



**Demographic Environment** 

**Generational marketing** is important in segmenting people by lifestyle of life state instead of age



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#### **Demographic Environment**

More people are:

- Divorcing or separating
- Choosing not to marry
- Choosing to marrying later
- Marrying without intending to have children
- Increased number of working women
- Stay-at-home dads

#### **Demographic Environment**

- Growth in United States West and South and decline in Midwest and Northeast
- Moving from rural to metropolitan areas
- Changes in where people work
  - Telecommuting
  - Home office
  - Divorcing or separating



#### **Demographic Environment**

- Changes in the workforce
  - More educated
  - More white collar



#### Demographic Environment Increased Diversity

Markets are becoming more diverse

- International
- National
- Includes:
  - Ethnicity
  - Gay and lesbian
  - Disabled

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#### **Economic Environment**

Economic environment consists of factors that affect consumer purchasing power and spending patterns

- Industrial economies are richer markets
- Subsistence economies consume most of their own agriculture and industrial output



#### **Economic Environment**

- Changes in income
- Value marketing involves ways to offer financially cautious buyers greater value—the right combination of quality and service at a fair price



The Company's Macroenvironment Economic Environment Changes in Consumer Spending Patterns

- Ernst Engel—Engel's Law
- As income rises:
  - The percentage spent on food declines
  - The percentage spent on housing remains constant
  - The percentage spent on savings increases



### The Company's Macroenvironment Natural Environment

### Natural environment involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities

- Trends
  - Shortages of raw materials
  - Increased pollution
  - Increase government intervention

— Environmentally sustainable strategies Copyright © 2010 Pearson Education, Inc. Publishing as Prentice Hall



**Technological Environment** 

- Most dramatic force in changing the marketplace
- Creates new products and opportunities
- Safety of new product always a concern



#### **Political Environment**

Political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society



#### **Political Environment**

- Legislation regulating business
  - Increased legislation
  - Changing government agency enforcement
- Increased emphasis on ethics
  - Socially responsible behavior
  - Cause-related marketing



**Cultural Environment** 

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



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### The Company's Macroenvironment Cultural Environment Persistence of Cultural Values

**Core beliefs and values** are persistent and are passed on from parents to children and are reinforced by schools, churches, businesses, and government

Secondary beliefs and values are more open to change and include people's views of themselves, others, organizations, society, nature, and the

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#### Cultural Environment Shifts in Secondary Cultural Values

- People's view of themselves
  - Yankelovich Monitor's consumer segments:
    - Do-It-Yourselfers—recent movers
    - Adventurers
- People's view of others
  - More "cocooning"

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### The Company's Macroenvironment Cultural Environment

**Shifts in Secondary Cultural Values** 

- People's view of organizations
- People's view of society
  - Patriots defend it
  - Reformers want to change it
  - Malcontents want to leave it

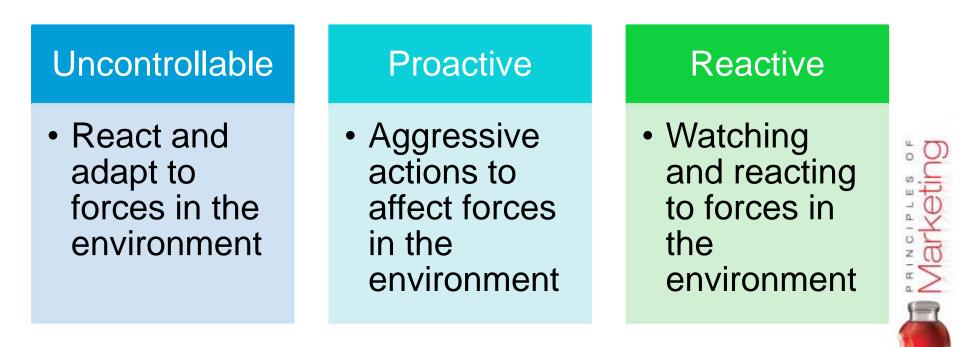


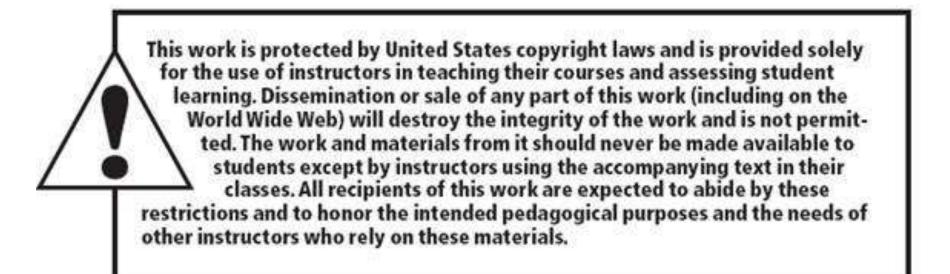
#### Cultural Environment Shifts in Secondary Cultural Values

- People's view of nature
  - Some feel ruled by it
  - Some feel in harmony with it
  - Some seek to master it
- People's view of the universe
  - Renewed interest in spirituality

### Responding to the Marketing Environment

#### **Views on Responding**





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