

Marketing environment

A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful relationships with its target customers. The marketing environment offers both opportunities and threats. Successful companies know the vital importance of constantly watching and adapting to the changing environment. Too many other companies, unfortunately, fail to think of change as opportunity. They ignore or resist critical changes until it is almost too late. Their strategies, structures, systems and culture grow increasingly out of date. The environment continues to change rapidly, and both consumers and marketers wonder what the future will bring.

A company's marketers take the major responsibility of identifying significant changes in the environment. More than any other group in the company, marketers must be the trend trackers and opportunity seekers. Although every manager in an organization needs to observe the outside environment, marketers have two special aptitudes. They have disciplined methods-marketing intelligence and marketing research-for collecting information about the marketing environment. They also normally spend more time in the customer and competitor environments. By carefully studying the environment, marketers can revise and adapt their strategies to meet new challenges and opportunities in marketplace.

The marketing environment consists of a microenvironment and a macro-environment. The 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 macroenvironment consists of the larger societal forces that affect the microenvironment-demographic, economic, natural, technological, political and cultural forces. First, we look at the company's microenvironment.

Microenvironment

Marketing management's job is to build relationships with customers by creating customer value and satisfaction. However, marketing managers cannot do this alone.

Their success will also be affected by actors and forces in the company's microenvironment. These actors/forces include other company departments, suppliers, marketing intermediaries, customers, competitors, and various publics, which combine to make up the company's value delivery network.

1.The Company

In designing marketing plans, marketing management should take other company groups, such as top management, finance, research and development, purchasing, manufacturing and accounting, into consideration. All these interrelated groups form the internal environment. **Top management** sets the company's mission, objectives, broad strategies and policies. Marketing managers must make decisions consistent with the plans made by top management, and marketing plans must be approved by top management before they can be implemented. Marketing managers must work closely with other company departments. **Finance** is concerned with finding and using funds to carry out the marketing plan. **The R& D department** focuses on the problems of designing safe and attractive products. **Purchasing** worries about getting supplies and materials, whereas **manufacturing** is responsible for producing the desired quality and quantity of products. **Accounting** has to measure revenues to help marketing know how well it is achieving its objectives. Therefore, all of these departments have an impact on the marketing department's plans and actions. Under the marketing concept, all of these functions must think customers and they should work together to provide superior customer value and satisfaction.

2.Suppliers

Suppliers are an important link in the company's overall customer value delivery system. They provide the resources needed by the company to produce its goods and services. Supplier problems 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 inputs. Rising supply costs may force price increases that can harm the company's sales volume.

3. 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. **Resellers** are distribution channel firms that help the company find customers or make sales to them. These include wholesalers and retailers, who buy and resell merchandise. Selecting and working with resellers is not easy. Manufacturers have no longer many small, independent resellers. They now face large and growing reseller organizations. These organizations frequently have enough power to dictate terms or even shut the manufacturer out of large markets. **Physical distribution firms** help the company to stock and move goods from their points of origin to their destinations. Working with warehouse and transportation firms, a company must determine the best ways to store and ship goods, balancing factors such as cost, delivery, speed and safety. **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. When the company decides to use one of these agencies, it must choose carefully because the firms vary in creativity, quality, service and price. The company has to review the performance of these firms regularly and consider replacing those that no longer perform well. **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. Most firms and customers depend on financial intermediaries to finance their transactions. The company's marketing performance can be seriously affected by rising credit costs and limited credit. Whether or not businesses enjoy the support of a favourable financial system, individual businesses must be aware of financial organizations' impact on marketing effectiveness. For this reason, the company has to develop strong relationships with the most important financial institutions. Like suppliers, marketing intermediaries form an important component of the company's overall value delivery system. In its quest to create satisfying customer relationships, the company must do more than just optimize its own performance. It must partner effectively with marketing intermediaries to optimize the performance of the entire system.

4. Customers

The company must study the following five types of customer markets closely while planning and implementing marketing strategies:

Consumer markets consist of individuals and households that buy goods and services for personal consumption.

Business markets buy goods and services for further processing or for use in their production process,

Reseller markets buy goods and services to resell at a profit.

Government markets are made up of government agencies that buy goods and services in order to produce public services or transfer the goods and services to others who need them.

Finally, international markets consist of buyers in other countries, including consumers, producers, resellers and governments.

Each market type has special characteristics that call for careful study by the seller.

5. Competitors

The marketing concept states that ,to be successful, a company must provide greater customer value and satisfaction than its competitors do. Thus, marketers must do more than simply adapt to the needs of target consumers. They must also gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers. No single competitive marketing strategy is best for all companies. Each firm should consider its own size and industry position compared to those of its competitors. Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms but there are also losing ones. And small firms can develop strategies that give them better rates of return than large firms enjoy.

6. Publics

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 the following seven types of publics:

- 1.**Financial public:** Financial publics influence the company's ability to obtain funds. Banks, investment houses and stockholders are the principal financial publics.
- 2.**Media publics:** Media publics are those that carry news, features and editorial opinion. They include newspapers, magazines, and radio and television stations.
- 3.**Government public:** Management must take government developments into account. Marketers must often consult the company's lawyers on issues of product safety, truth in advertising and other matters.
- 4.**Citizen-action publics:** A company's marketing decisions may be questioned by consumer organizations, environmental groups, minority groups and other pressure groups. Its public relations department can help it stay in touch with consumer and citizen groups.
- 5.**Local publics:** Every company has local publics, such as neighbourhood residents and community organizations. Large companies usually appoint a community-relations officer to deal with the community, attend meetings, answer questions and contribute to worthwhile causes.
- 6.**General public:** A company needs to be concerned about the general public's attitude towards its products and activities. The public's image of the company affects its buying. Thus, many large corporations invest huge sums of money to promote and build a healthy corporate image .
- 7.**Internal publics:** A company's internal publics include its workers, managers, volunteers and the board of directors. Large companies use newsletters and other means to inform and motivate their internal publics. When employees feel good about their company, this positive attitude spills over to their external 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 donations of time or money. The company would have to design an offer to this public that is attractive enough to produce the desired response.

Macroenvironment

The company and all the other actors operate in a larger macroenvironment of Forces that shape opportunities and pose threats to the company. There are six most influential forces in the company's macroenvironment, they include:

1. Demographic environment

This is one of the most influencing factors because it deals with the people who form the market. A company should study the population, its distribution, age composition, etc before planning the marketing strategies. Each group of population behaves differently depending upon various factors such as age, gender, status, etc. Knowing the gross population a marketer can efficiently plan and implement good marketing programs. The marketer who carefully considers and understands the components of the demographic environment is likely to perform a better marketing job than the one that jumps into the market with the assumption that the markets are the same.

2. Economic Environment

A company can successfully sell its products only when people have enough money to spend. The economic environment affects a consumer's purchasing behavior either by increasing his disposable income or by reducing it. The purchasing power in an economy depends on current income, prices of goods and services, savings, debt and credit availability. Thus, a marketer must pay close attention to major trends in income and consumers' spending patterns in addition to economic situation of the world markets. For example, during the time of inflation, the value of money comes down. Hence, it is difficult for consumers to purchase more products. Income of the consumer must also be taken into account, for example in a market where both husband & wife work, their purchasing power will be more. Hence, companies may sell their products quite easily.

3. Natural environment

The natural environment involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities. Environmental concerns have grown steadily during the past two decades. Protection of the natural environment will

remain a crucial worldwide issue facing business and the public. In many cities around the world, air and water pollution have reached dangerous levels. Concern continues to mount about the depletion of the earth's ozone layer and the resulting 'greenhouse effect', a dangerous warming of the earth. And many of us fear that we will soon be buried in our own rubbish. Marketers should be aware of four trends in the natural environment: (1) shortage of raw materials; (2) increased cost of energy; (3) increased pollution; and (4) government intervention in natural resource management.

In most countries, industry has been pressured rather than persuaded to 'go green'. Environmental legislation has toughened up in recent years and businesses can expect this to continue in the foreseeable future. Recession in leading world economies over the early 1990s, however, forced governments to look at the potential of voluntary agreements with industry. The idea is to help industry meet environmental standards cost-effectively.

4. Technological environment

One of the most dramatic forces shaping people's lives is technology. The pace of technological development among nations are not the same, thus, an international marketer must study each nation's technological development independently. New technologies create new marketing opportunities. The marketer should consider the following trends in technology while planning and implementing marketing strategies:

- a. Mode of production of goods and services
- b. Mode of delivery of services
- c. Packaging systems
- d. Mode of payments
- e. Time consideration
- f. Availability of expected technology
- g. Cost of technology, and
- h. Accessibility of technology.

5. Political environment

Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, policies, government agencies, regulations, and pressure groups that influence and limit various organizations and individuals in a given society. Sometimes, these laws create new opportunities for business. Potential sources of political complication include social unrest, the attitude of nations, and the policies of the host government. The market manager needs to keep in mind the political environment while designing and implementing various marketing tactics.

6. Cultural environment

The cultural environment is made up of institutions and other forces that affect society's basic values, perceptions, preferences and behaviours. People grow up in a particular society that shapes their basic beliefs and values. Each society has its own culture. Culture is the way of life and thinking patterns that are passed from generation to generation. Our behaviour is guided by our culture, family, educational institutions, languages, etc. The society is a combination of various groups with different cultures & subcultures. Each society has its own behavior. Consumption patterns, living styles and the priority of needs are all dictated by culture. Marketers must be aware of cultural influences and how they vary across societies within the markets served by the firm while planning and implementing marketing strategies (Kotler et al., 1999; Armstrong et al. 2017).

References

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