

The Marketing Environment

Chapter 4

Objectives

- Know the environmental forces that affect the company's ability to serve its customers.
- Realize how changes in the demographic and economic environments affect marketing decisions.

Objectives

- Identify the major trends in the firm's natural and technological environments.
- Know the key changes in the political and cultural environments.
- Understand how companies can react to the marketing environment.

Case Study

Volkswagen

- “Millennial fever” set the stage to bring back the Beetle
- VW’s investment: \$ 560 million
- Demand quickly outstripped supply
- The new VW beetle enjoyed cross-generational appeal
- Earned many awards
- Beetle now accounts for over 25% of company sales

Discussion: Will the flower-power Microbus succeed next?

Key Environments

- **Marketing Environment**
 - The actors and forces that affect a firm's ability to build and maintain successful relationships with customers.
 - Aspects of the marketing environment:
 - ❖ *Microenvironment*
 - ❖ *Macroenvironment*

The Microenvironment

Actors Affecting a Firm's Ability to Serve Customers

- Company
- Suppliers
- Customer Markets
- Competitors
- Publics
- Marketing Intermediaries

The Microenvironment

- Departments within the company impact marketing planning.
- Suppliers help create and deliver customer value.
 - Treat suppliers as partners.
- Marketing intermediaries help sell, promote, and distribute goods.
 - Intermediaries take many forms.

The Macroenvironment

- **Customer markets must be studied.**
 - Consumer, business, government, reseller and international markets exist.
- **Successful companies provide better customer value than the competition.**
 - Size and industry position help to determine the appropriate competitive strategy.
- **Various publics must also be considered.**

The Microenvironment

Types of Publics

- Financial
- Media
- Government
- Local
- General
- Internal
- Citizen Action

The Macroenvironment

Macroenvironmental Forces

- Demographic
- Economic
- Natural
- Technological
- Political
- Cultural

The Macroenvironment

- **Key Demographic Trends**
 - World population growth
 - Changing age structure
 - ❖ *The U.S. population consists of seven generational groups.*
 - Baby boomers, Generation X, and Generation Y are key groups.
 - ❖ *Distinct segments typically exist within these generational groups.*

The Macroenvironment

Key Generations

- *Baby Boomers*
- *Generation X*
- *Generation Y*

- Born between 1946 and 1964
- Represent 28% of the population; earn 50% of personal income
- Many mini-segments exist within the boomer group
- Entering peak earning years as they mature
- Lucrative market for travel, entertainment, housing, and more

The Macroenvironment

Key Generations

- *Baby Boomers*
- *Generation X*
- *Generation Y*

- Born between 1965 and 1976
- First latchkey children
- Maintain a cautious economic outlook
- Share new cultural concerns
- Represent \$125 billion in annual purchasing power
- Will be primary buyers of most goods by 2010

The Macroenvironment

Key Generations

- *Baby Boomers*
- *Generation X*
- *Generation Y*

- Born between 1977 and 1994
- 72 million strong; almost as large a group as their baby boomer parents
- New products, services, and media cater to GenY
- Computer, Internet and digitally saavy
- Challenging target for marketers

The Macroenvironment

- **Key Demographic Trends**
 - Changing American household
 - Geographic population shifts
 - Better-educated, more white-collar workforce
 - Increasing Diversity

The Macroenvironment

- **The Economic Environment**
 - Affects consumer purchasing power and spending patterns.
 - Two types of national economies: subsistence vs. industrial.
 - U.S. consumers now spend carefully and desire greater value.

The Macroenvironment

- **Key Economic Trends**
 - U.S. income distribution is skewed.
 - ❖ *Upper class, middle class, working class and the underclass.*
 - ❖ *Rich are getting richer, the middle class is shrinking, and the underclass remains poor.*
 - Consumer spending patterns are changing.

The Macroenvironment

- **The Natural Environment**
 - Concern for the natural environment has grown steadily, increasing the importance of these trends:
 - ❖ *Shortage of raw materials*
 - ❖ *Increased pollution*
 - ❖ *Increased governmental intervention*

The Macroenvironment

- **Key Technological Trends**
 - The technological environment is characterized by rapid change.
 - New technologies create new opportunities and markets but make old technologies obsolete.
 - The U.S. leads the world in research and development spending.

The Macroenvironment

- **The Political Environment**
 - Includes laws, governmental agencies, and pressure groups that impact organizations and individuals. Key trends include:
 - ❖ *Increased legislation to protect businesses as well as consumers.*
 - ❖ *Changes in governmental agency enforcement.*
 - ❖ *Increased emphasis on ethical behavior and social responsibility.*

The Macroenvironment

- **The Cultural Environment**
 - Is composed of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors.
 - Culture can influence decision making.
 - Core beliefs are persistent; secondary cultural values change and shift more easily.
 - The cultural values of a society are expressed through people's views.

The Macroenvironment

Cultural values are expressed via how people view:

- Themselves
- Others
- Organizations
- Society
- Nature
- The Universe

Responding to the Marketing Environment

- **Reactive: Passive Acceptance and Adaptation**
 - Companies design strategies that avoid threats and capitalize upon opportunities.
- **Proactive: Environmental Management**
 - Use of lobbyists, PR, advertorials, lawsuits, complaints, and contractual agreements to influence environmental forces.