

THE MARKETING ENVIRONMENT

**“It is useless to tell a river to stop running; the best thing is to learn swimming
in the direction it is flowing”**
ANONYMOUS

MARKETING ENVIRONMENT

The marketing firm operates within a complex and dynamic external environment. It is the task of the marketing-oriented organisation to link the resources of the organisation to the requirements of customers. This is done within the framework of opportunities and threats in the external environment.

The marketing environment refers to the internal and external influences that affect the marketing function. The marketing environment is defined as follows:

A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.

(Philip Kotler -12th Edition)

According to the above definition, the actors and forces which are outside to the marketing management function may be within the organisation as well as outside the organisation.

Factors within the organisation could be forces that are outside the marketing management function. Factors outside the organisation could be from the micro and the macro environments.

Previously we have discussed the importance of understanding and focusing on the customer as the essence of business philosophy we call “marketing”. Although a clear understanding of customer requirements is of paramount importance in implementing such a business philosophy into practice, that alone is not sufficient.

Organisation's must monitor not only the changing needs and wants of target markets, but must also monitor the changes in the marketing environment in order to be successful. By understanding the marketing environment, marketers can adapt their strategies to meet new market place challenges and opportunities. Successful organisations know the vital importance of constantly monitoring and adapting to the changing environment.

THE MICRO ENVIRONMENT

Microenvironment consists of the actors close to the company that affect its ability to serve the company, suppliers, marketing intermediaries, customer markets, competitors, and publics and its customers,. These actors are shown in diagram below:

- Company
- Suppliers
- Intermediaries
- Competition
- Publics
- Customers

Actors in the Micro Environment



The Company

In designing marketing strategies, marketing division must take other company's divisions into account. (R&D, Purchasing, operations, finance, production etc.). All of these interrelated groups form the internal environment. All groups should work in harmony to provide superior customer value and relationships.

Suppliers

Suppliers are other business organisations and individuals who provide the organisation with raw materials, parts, components, supplies or services required to produce and supply products to customers. Suppliers form an important link in the organisations overall customer value delivery system. Supplier problems can seriously affect marketing.

Marketing managers must watch supply availability—supply shortages or delays, labor strikes, and other events can cost sales in the short run and damage customer satisfaction in the long run.

Intermediaries

Many organisations rely on marketing intermediaries to ensure that their products reach the final consumer. Marketing intermediaries help the company to promote, sell, and distribute its products to final buyers. Some organisations supply directly to the retailer whilst others use a complex “chain” including intermediaries such as wholesalers, agents and distributors.

Marketers recognize the importance of working with their intermediaries as partners rather than simply as channels through which they sell their products. It must partner effectively with marketing intermediaries to optimize the performance of the total system. Like suppliers, marketing intermediaries form an important component of the organisation overall value delivery system.

Competition

The marketing concept states that to be successful, an organisation must provide greater customer value and satisfaction than its competitors. Marketers must gain strategic advantage by positioning their offerings strongly against competitors’ offerings in the minds of consumers.

Publics

The organisation’s micro environment also includes various publics. A public is any group that has an actual or potential impact on an organisation’s ability to achieve its objectives. The range of public is as follows:

- Financial publics - influence the company’s ability to obtain funds.
- Media publics - carry news, features, and editorial opinion.
- Government publics - Management must take government developments into account.
- Citizen-action publics - A company’s marketing decisions may be questioned by consumer organizations, environmental groups, etc.
- Local publics - include neighborhood residents and community organizations.
- General public - The general public’s image of the company affects its buying.
- Internal publics - include workers, managers, volunteers, and the board of directors.

Customers

As discussed previously, Customers are crucial and most important actors in the organisation’s micro environment. In a commercial environment, no customers means no business. An organisation should be concerned about the constantly changing requirements of its customers and should keep in touch with these changing needs by designing and implementing an appropriate information gathering system.

The organisation can only influence their decisions by offering products and services that would delight them. Thus, identifying, anticipating and satisfying/delighting their requirements are a crucial issue for marketers.

Macro Environment

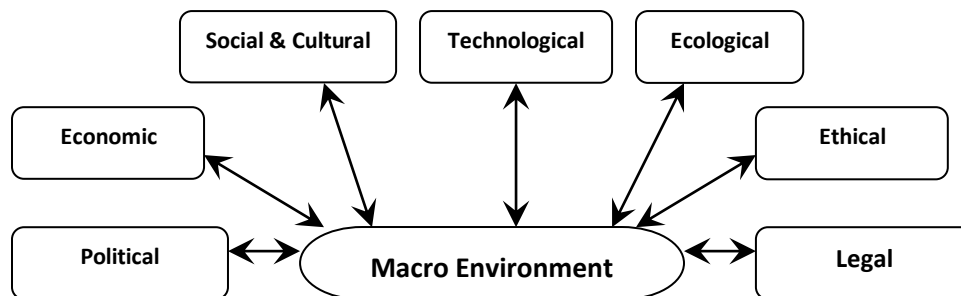
The macro environment includes the major societal forces that affect not only the organisation, but also on its competitors and on elements in the micro-environment.

The macro environment tends to be harder to influence than the micro environment, but this does not mean that organisations must simply remain passive; the inability to control does not imply the inability to influence.

Figure below shows the main forces in the organisations macro-environment. It is commonly denoted by the mnemonic PESTEEEL forces.

- Political Environment
- Economic Environment
- Social and Cultural Environment
- Technological Environment
- Ecological Environment
- Ethical Environment
- Legal Environment

Macro Environment Forces



Political Environment

The political environment can be one of the less predictable elements in an organisation's marketing environment. Marketers need to monitor the changing political environment because political changes can profoundly affect a firm's marketing.

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

Economic Environment

The economic environment consists of factors that affect consumer purchasing power and spending patterns and is basically about the level of demand in the economy and is the most visible aspect in the macro environment.

Economic factors are of concern to marketers because they are likely to influence, among other things, demand, costs, prices and profits. Some of the key aspects of the economic environment are as Income distribution, Inflation level, Economic Boom and Recession, Investment Policy, Interest Rates, saving habits etc.

Social and Cultural Environment

Of all the elements making up the macro environment, perhaps socio-cultural factors are the most difficult to evaluate, and hence pose the greatest challenge to the marketing organisation. Social and cultural change manifests itself in changing tastes, purchasing behaviour and priorities of consumers and marketers need to understand and identify these changing trends.

Some of the socio-cultural forces are as follows:

- **Demographic forces:** This refers to the structure of population in term of factors such as age, family size, ethnicity, income distribution and wealth concentration. These variables will determine the marketing mix strategies.
- **Socio Cultural factors:** are those areas that involve the shared beliefs, attitudes and behaviour prevalent within the society in which the organisation operates. Changes in taste and fashion are also components of the social-cultural environment.
- **Social Responsibility and Ethics:** Derived in part from culture, ethical, beliefs about how marketers should operate affect the ways in which people respond to marketing initiatives.
- **Changes in attitude towards health:** Today, people are more concerned of health than they were a few decades ago. An individual interest in health and physical fitness in recent years seems to have cut across most segments of our society. Participation in fitness activities from aerobics to yoga is on the increase and thus marketers have responded with a wide range of products and services for the health conscious population.

Technological Environment

The technological environment is perhaps the most dramatic forces that create new technologies, creating new product and market opportunities.

The pace of technological change is becoming increasingly rapid and marketers need to understand how technological development might affect them.

Ecological Environment

Ecological Environment is concerned of issues as to how the organisation interacts with and affects the natural environment or the ecology. Ecological Environment issues relevant to marketing as follows:

- Resources Depletion: the impact of the use of certain materials to develop products which would lead to the depletion of natural resources.
- Pollution Concerns
 - Noise Pollution
 - Environmental Pollution
 - Eye pollution

Ethical Environment

Marketing Ethics are moral philosophies/principles that define right or wrong behaviour in marketing. The most basic ethical issues have been formalized through laws and regulations to conform to the standards of society. At the very least, marketers are expected to obey these laws and regulations. However, it is important to realise that marketing ethics go beyond legal issues; ethical marketing decisions foster mutual trust among individuals and in marketing relationships.

Ethical decisions related to marketing would be on the Product, price, promotion and distribution issues.

Legal Environment

Changes in the political environment often lead to changes in legal environment and in the existing laws enforced. The legal environment sets the basic rules for how a business should operate in society.

Some of the laws an organisation should be aware of are as follows:

- Protection of intellectual rights
- Consumer Protection act
- Companies Act
- Regulatory commission
- Environmental protection laws
- Code of takeovers and mergers.
- Laws with regard to media freedom and advertising
- Exchange control

List of References

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