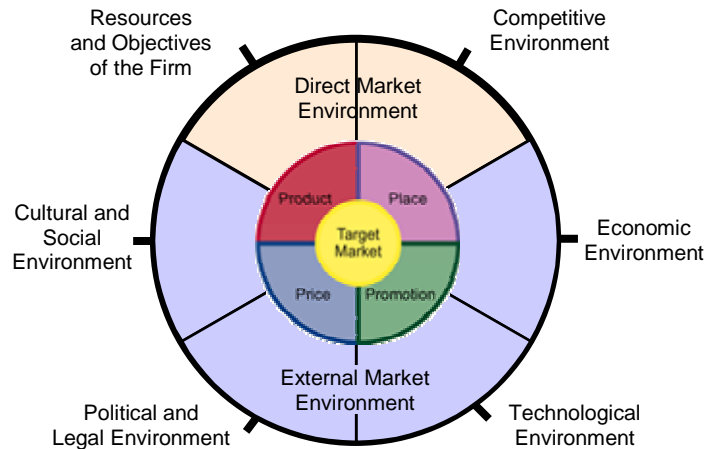


MGMT 120
Principles of Marketing
Lecture 4:

- You need to have your group ready by **due date**. Group submission form available for download on website.

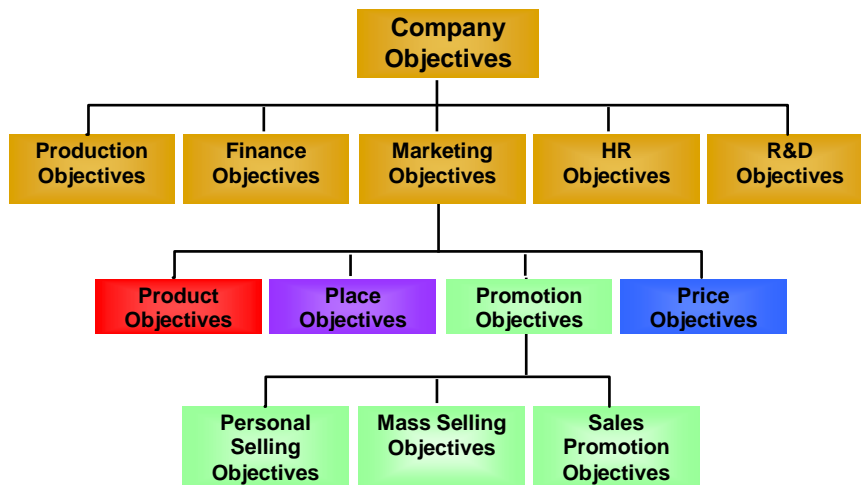
Marketing Environments



The Marketing Environment: Internal

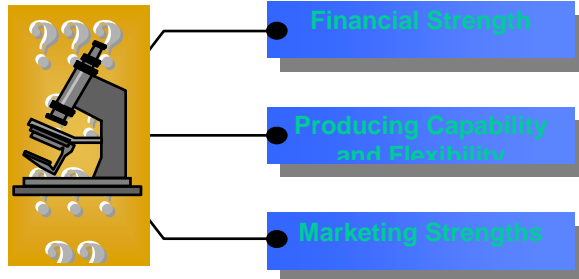
- It is about the company
Company mission, structure and culture, financial situation, technology, production, quality control programs, R&D (research and development), relationship with suppliers/agents/customers.
- Objectives should set the course
 - Should be socially and economically useful
 - Should organize to innovate, implement strategies
 - Should sustain profitability
 - Helps to have a mission statement
- It is about strength and weaknesses
- It is usually *controllable*.

Hierarchy of Objectives



Resources vs Opportunities

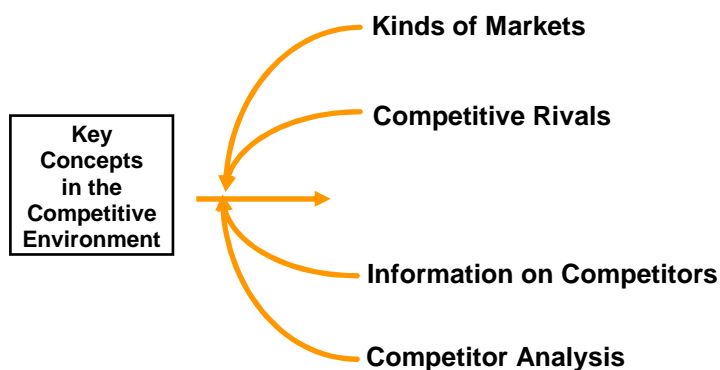
Limitation of resources



The Marketing Environment: External

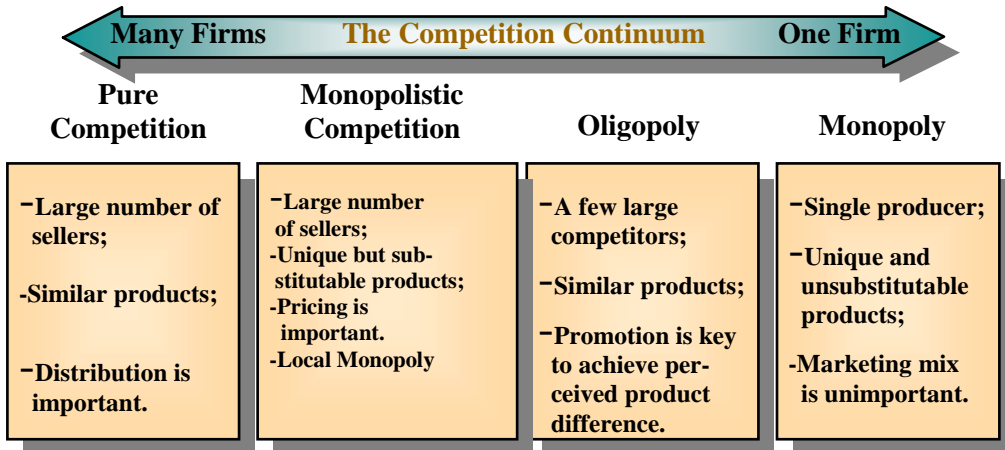
- It is about the macro-environment
 - Competition;
 - Macro-economy;
 - Technology;
 - Political and legal;
 - Social and cultural.
- It is about opportunities and threats
- It affects the company, as well as its suppliers and customers;
- It is usually *uncontrollable*.

Competitive Environment



Trends of Competition

- The emergence of fast, responsive “network corporations”;
- Mergers reduce costs through economies of scale;
- International competition from emerging countries.



The Economic Environment

- Economic environment constantly changes
- Interest rate, inflation rate, exchange rate
- Global economy and trade
- Tariffs and Quotas
- Purchasing power and spending
 - Family income: no real increase since 1980;
 - Spending patterns (in % of total expenditure)
 - Food, clothing, and personal care declines;
 - Recreation expenditure increases.

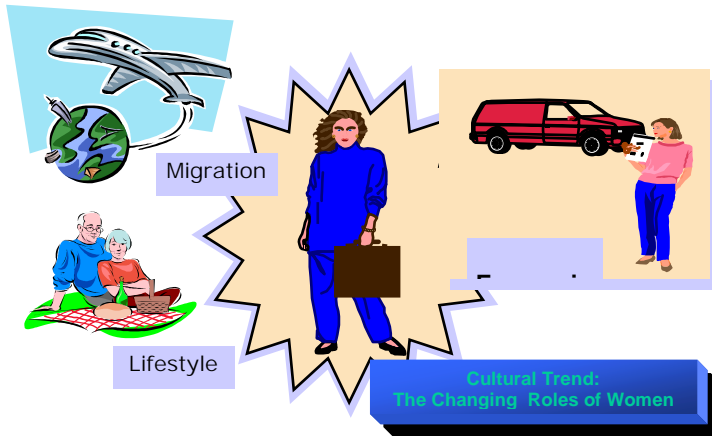
The Technological Environment

- Provides new product and market opportunities
- Provides new processes to be more efficient
- The Internet
- Convergence: integrating technology with commercial activities
- Challenges
 - Too "tech-oriented" to maintain the marketing concept;
 - Privacy issues.

The Political and Legal Environment

- Political
 - Nationalism (e.g., "Buy American", *buyBC*);
 - Consumerism- rights and powers of consumers;
 - Regionalism and free trade- NAFTA, EU
 - Environmentalism.
- Legal
 - Increasing emphasis on deregulation;
 - Protect competition: the Competition Act;
 - Consumer rights and protection.

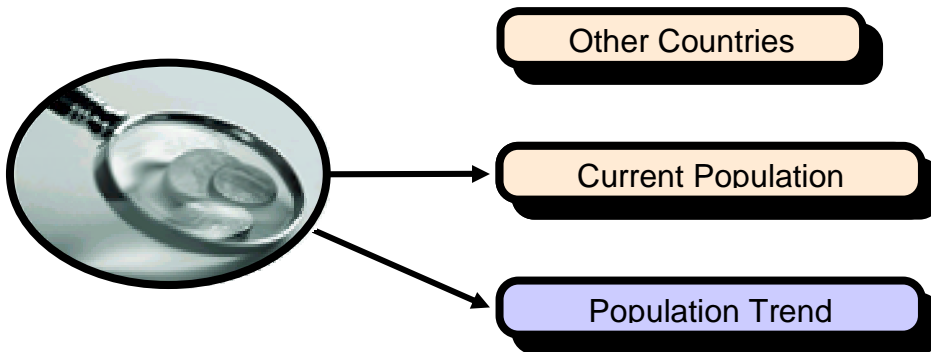
Cultural and Social Environment



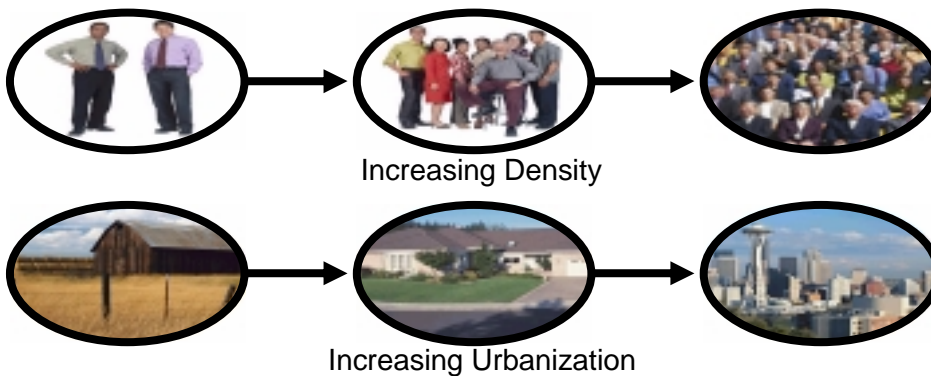
What's happening in USA

- Move toward "natural" and healthful products and lifestyles;
- Growing number and importance of older Americans;
- Population concentration in census metropolitan areas;
- Teens Market;
- Population Mobility.

People with Money Make Markets



Other Population Trends



Early Bird gets the worm

Provided.....

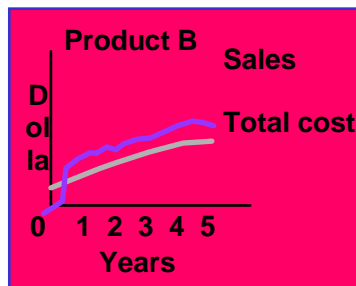
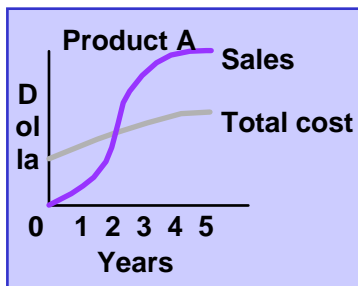
- Bird knows how to pick up a worm
- Bird knows what a worm is
- No other early birds

In other words

- Have the know how ready
- Be able to identify opportunities
- First mover and competition

EVALUATING OPPORTUNITIES

- Developing and applying screening criteria
- *Return-on-investment (ROI) approach*
- Whole plans should be evaluated
- Total profit approach

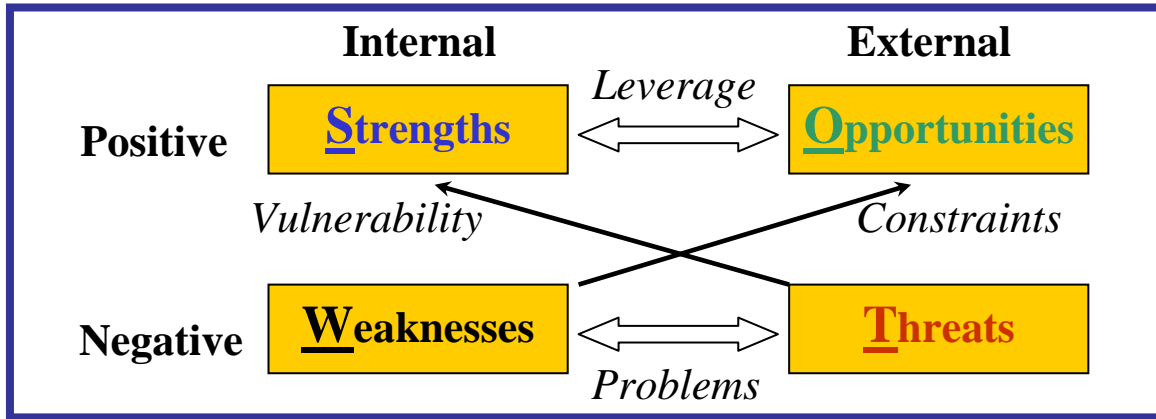


The GE Grid (Matrix)

	Industry Attractiveness		
	High	Medium	Low
High	YES!		
Medium	Hmm ...		
Low			NO!

SWOT Analysis

- An analytical framework that identifies and lists a firm's strengths and weakness as well as its opportunities and threats.
- Purpose: Distinctive Competencies + Strategic Opportunities



The Changing Environment

..... Note how J.D. adapt to the changing environment

- What's their core business?
- Agricultural Equipment
- What're their other businesses?
- Construction, Lawn and garden, Golf & Turf
- What happened in 1979? 1983?
- Built on strength (Product Innovation and distribution thru JD dealer network.
- R&D Investment in product improvements
- Capital Investment in manufacturing equipment and processes
- Expand financial services
- Superior Products, credit services, dealer service
- What happened in the 1990s?
- Diversification into insurance and healthcare, improve core business, export, carried brand to other businesses
- Cultural and social changes?
- Aging pop, dual income, lawn care outsource, quality & service conscious consumers, golf
- Consumer equipment, Golf and Turf Equipment, Nascar

Next Time

- Find a group if you have not got into any one Max 5.
- DOWNLOAD Case write-up handout
- Read the video case "Volkswagen New Beetle"
 - What is the "customer value" behind the New Beetle?
 - Why didn't Volkswagen managers more accurately forecast the sales potential for the New Beetle?