**COMSATS University Islamabad, Virtual Campus**

**MGT210 Principles of Marketing**

**Lecture 05 Handouts**

**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 customers. The company must carefully analyze its environment so that it can avoid the threats and take advantage of the opportunities.

According to Philip Kotler, “A company's marketing environment consists of the factors and forces outside marketing that affect management's ability to build and maintain successful relationships with target customers”. The marketing environment offers both opportunities and threats.

**Microenvironment**

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.

**Macro Environment**

The **macro environment** consists of the larger societal forces that affect the microenvironment i.e. Demographic, Economic, Natural, Technological, Political and Cultural forces.

Demographic environment involves changes in the family structure. The traditional western household (husband, wife and children) is no longer typical. People marry later and divorce more. There is an increased number of working women and youngsters tend to stay at home longer. The workforce is also aging, because people need to work beyond the previous retirement age. There are also geographic shifts, such as migration. These movements in population lead to opportunities for marketing niche products and services. There are also migration movements within countries, namely from the rural to urban areas, also called urbanization.

The economic environment consists of economic factors that affect consumer purchasing power

and spending patterns. Countries vary in characteristics; some can be considered industrial economies, while others can be subsistence economies, consuming most of their own output. In between are developing economies that offer marketing opportunities. The BRIC (Brazil, Russia, India, China) countries are a leading group of fast expanding nations.

There are also changes in customer spending patterns, such as the recent recessions, which can lead to lifestyle changes. Marketers should also pay attention to income distribution and income levels.

The natural environment involves natural resources that are needed as inputs by marketers or that are affected by marketing activities. Changes in this environment involve an increase in shortage of raw materials, increased pollution and increased governmental intervention.

The technological environment consists of forces that create new technologies, creating new product and market opportunities. It can provide great opportunities, but also comes with certain dangers.

The political environment consists of laws, government agencies and pressure groups that influence and limit various organization and individuals in each society. Current trends in our world today are increasing legislation affecting businesses globally and thus an increase in governmental influence over businesses.

The cultural environment involves instructions and other forces that affect society’s basic values, perceptions, preference and behavior. Cultural factors influence how people think and consume. Core beliefs are fundamental and passed on by parents and reinforced by the environment. Secondary beliefs are more open to change. People can vary in their views of themselves, of others, of organization, but also in their views of society, nature and the universe.

In conclusion, firms should be pro-active rather than observing in respect to the marketing Environment.

**The Company’s Microenvironment**

**The Company**

Inside the Company (think your business), marketing managers must work closely with other company departments.  They simply cannot work within a realm of isolation.  They have to depend on, and take other groups, into account.  These groups can consist of top management, finance, research and development, purchasing, operations, and accounting.  The reality is that these other departments have a direct impact on the marketing department's plans and actions.  In order for these plans and actions to succeed, the "marketing concept" contends that all of these functions must be "thinking consumer", and they must all have bought into the the strategic marketing plan in order to work in harmony to provide customer satisfaction and value.

Internal environment includes:

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

**Suppliers**

In the Marketing Microenvironment, Suppliers form a critical link in the company's overall customer value delivery system.  Suppliers provide the resources you need to produce the products and services that you are selling.  Suppliers not only supply you with resources, they also can partner with you in the customer value delivery system.

**Marketing Intermediaries**

These help the company to promote, sell, and distribute its products to final buyers, Include: Resellers, Physical distribution firms, Marketing services agencies and Financial intermediaries.

**Resellers** such as Target or Best Buy, are distribution channel businesses that help your company find customers or make sales to them.  There are now numerous large reseller organizations (think big box such as Target and Amazon) that have enough power to dictate terms, or even shut out other manufacturers (or even you) from larger markets and groups of customers.  It is absolutely important to have great relationships with resellers.  It is a give and take situation.  Often times, especially with larger organizations such as Walmart, you must be willing to follow their pricing or selling guidelines in order to gain access to their customers.  It may cost you money to get your product on their shelves, or be featured in their advertisements.  Unless you have a long, successful relationship with these resellers, you will typically have to supply them product and services on their terms.  In these situations, successful sales of your product in their stores will be what builds leverage for you in the relationship.

**Physical distribution firms** help your business stock and move goods to their points of origin and to their destinations, ie: from the factory to a warehouse and then to the stores.  It is often much more economical to rely on these companies, because logistics is their specialty.  To build a logistics team and infrastructure is often very expensive to do from scratch and is only really necessary when you are moving massive amounts of goods in highly specialized and time critical ways.  If you are manufacturing internationally, make sure you develop a good relationship with a firm that knows the in's and out's and politics of getting product in and out of ports and dealing with customs.

**Marketing service agencies** usually consist of marketing research firms, ad agencies, consultants, and media firms.  These companies exist to help you find and target your customers.  These businesses typically help to fill in the holes in your marketing staff.  Research firms provide you with qualitative and quantitative data on markets and customers.  Ad agencies help provide fresh, outside creative ideas for your campaigns and strategic marketing efforts.  Agencies can bring multiple types of marketing experts to your business without you having to staff people for each discipline.  Consultants can service the role of internal marketing staff on a temporary, campaign or project basis.

**Financial intermediaries** Financial Intermediaries help you use money.  They typically include banks, credit companies, insurance companies, other businesses that help you conduct financial transactions or insure against the risks associated with the buying and selling of goods and services.

**Customers**

**Customer 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** buy goods and services to produce public services or transfer goods and services to others who need them.

**International markets** consist of buyers in other countries including consumers, producers, resellers, and governments

**Competitors**

Firms must gain strategic advantage by positioning their offerings against competitors’ offerings.

Each firm should consider its own size and industry position compared to those of its competitors.

**Publics**

In simple terms, a Public is any group of people that may have a real or potential interest in or an impact on your business's ability to achieve its objectives - whatever they may be.  Why should you care about Publics?  It's simple.  Publics can help or hinder your ability to get your message out to your customers and collect value from them.

* Financial publics
* Media publics
* Government publics
* Citizen-action publics
* Local publics
* General public
* Internal publics

**Financial publics** Your relationships with Financial Publics are extremely important.  These relationships directly influence your ability to obtain funding for your business.  Financial Publics typically include banks, investment houses and stockholders.  How these groups perceive you will directly affect your ability to get loans, favorable payment terms, and whether or not other Publics choose to do business with you.  For example, if a brokerage perceives that you are having issues internally, or your products have deficiencies, then it may give your stock a low rating.  If that happens, people may sell your stock, your market valuation will decrease, and your customers may start to buy less of your products and services.

**Media publics** Media Publics can be extremely valuable, or they can be a thorn in your side.  Media Publics typically carry news, features and editorial opinions, delivering them to your customers and other Publics.  They include newspapers, blogs, magazines (print and digital), radio (broadcast and internet) and television outlets (broadcast and digital).  You can carry out your "relationship" with Media Publics via VNR's, PR media releases, op ed's, interviews, or open invitations to review your products and services.  Do not be afraid to make friends and connect with people in the media.  You can gently influence what they say about you.

**Government publics** Take note: Management MUST take governmental developments into account.  You should always keep an eye on the current state of any laws and regulations that effect the production of your products, the day-to-day operation of your business, or the methods you can use to sell your products and services.  Marketers must often consult with government officials, their lawyers, and sometimes lobbyists.

**Citizen-action publics** The decisions you make will sometimes be questioned by citizens, consumer organizations, environmental groups, minority groups and others.  Your PR department can help you stay in touch with these groups.  It can keep you abreast of any concerns or problems that arise.  Make it your mission to get to know the citizen groups that may affect your business and your marketing practices.  Make it a point to have a friendly relationship with any of their representatives.

**Local publics** Local Publics typically include neighborhood residents and community organizations.  Businesses will usually appoint a community relations officer to meet with the community, answer questions and contribute to worthwhile causes.

**General publics** A business needs to be concerned with the general public's attitude and perception towards its products and activities in the marketplace.  The perception of the business, it's brands, products and services in the public directly affect consumers buying habits.  Keep an eye on Twitter feeds and Facebook posts.  You will be able to get a very real sense of the general public's perception of you in the marketplace.

**Internal publics** Internal Publics are groups of people inside your own business.  These groups can consist of employees, managers, volunteers, and the board of directors.  Businesses typically use newsletters, memos, company meetings, intranets and other means to motivate and educate their internal publics.  When your employees feel good working for you, when your board of directors are happy with your success, when your internal communications send the right messages to motivate, encourage, train, and edify your staff, this positive attitude spills over to external publics, and helps to communicate your brand message in the marketplace.