**COMSATS University Islamabad, Virtual Campus**

**MGT210 Principles of Marketing**

**Lecture 06 Handouts**

**Analyzing 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. In analyzing the marketing environment, the discussion will be based on the company’s microenvironment and microenvironment.

In previous lecture, we have discussed that 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.

**1. The Company**

The internal environment includes top management, finance, R&D, purchasing, operations and accounting.

**2. Suppliers**

Suppliers provide the resources to produce goods and services. It is also treated as partners to provide customer value.

**3. Marketing Intermediaries**

Marketing intermediaries help the company to promote, sell, and distribute its products to final buyers. It includes

* + Resellers
	+ Physical distribution firms
	+ Marketing services agencies
	+ Financial intermediaries

**4. 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.

**5. 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.

**6. Publics**

Any group that has an actual or potential interest in or impact on an organization’s ability to achieve its objectives:

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

Now we will discuss the factors which formulate the macro environment of a company.

**The Company’s Macro environment**

It includes

1. Demographic environment
2. Economic environment
3. Natural environment
4. Technological environment
5. Political environment
6. Cultural environment

The detailed discussion of the company’s macro environment is as follow;

**1. Demographic Environment**

*Demography*is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. Demographic environmentis important because it involves people, and people make up markets.

**Demographic trends** include age, family structure, geographic population shifts, educational characteristics, and population diversity.

**2. Economic Environment**

Economic environmentconsists of factors that affect consumer purchasing power and spending patterns*. Subsistence economies*consume most of their own agriculture and industrial output while on the other hand *Industrial economies*are richer markets.

**3. Natural Environment**

Natural environment involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.

*Trends*

* Shortages of raw materials
* Increased pollution
* Increased government intervention
* Environmentally sustainability

**4. Technological Environment**

Most dramatic force in changing the marketplace with many positive and negative effects.

**5. Political Environment**

Political environmentconsists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.

*Legislation for regulating business*

Political environment provides public policy to guide commerce. They set laws and regulations that limit business for the good of society at large. Legislation is important to protect companies, consumers and interests of society.

**6.** **Cultural Environment**

The cultural environmentconsists of institutions and other forces that affect a society’s basic values, perceptions, and behaviors.

***Persistence of Cultural Values***

**Core beliefs and values** have a high degree of persistence, are passed on from parents to children, and are reinforced by schools, churches, businesses, and government while **Secondary beliefs and values** are more open to change. For example, believing in marriage is a core belief; believing that people should get married early in life is a secondary belief. Marketers have some chance of changing secondary values but little chance of changing core values.

**Views on Responding to Environment**

The response to the environment can be defined in following categories.

**Uncontrollable**

Reacting and adapting to forces in the environment

**Proactive**

Taking aggressive actions to affect forces in the environment

**Reactive**

Watching and reacting to forces in the environment

Many companies view the marketing environment as an uncontrollable element to which they must react and adapt. They passively accept the marketing environment and do not try to change it. They analyze the environmental forces and design strategies that will help the company avoid the threats and take advantage of the opportunities the environment provides. Other companies take a proactive stance toward the marketing environment. Rather than simply watching and reacting, these firms take aggressive actions to affect the publics and forces in their marketing environment. Such companies hire lobbyists to influence legislation affecting their industries and stage media events to gain favorable press coverage.