

MKC1200 – Principles of Marketing

Week 2

The Marketing Environment

Chapter 2 of the prescribed text



COMMONWEALTH OF AUSTRALIA

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Learning objectives:

- Explain the broad concept of the marketing environment
- Discuss the elements of the marketing environment
- Understand the global marketing environment
- Explain the importance of these elements and how they can affect marketing decisions

What is The Marketing Environment ?

- External forces that directly or indirectly influence a firm's acquisition of inputs and creation of outputs

Why is the marketing environment important?

- The marketing environment can change rapidly
 - Global financial crisis; changes of government policy; natural disasters; terrorist acts
- The marketing environment can be unpredictable (causing major surprises and shocks)
 - Contaminated powdered milk in China, death of CEO
- The marketing environment can offer considerable opportunity
 - Investment opportunities locally and overseas, new technology innovation
- Therefore, monitoring the marketing environment is critical for firm's survival and long-term achievement of its goals

How can we monitor the marketing environment?

➤ **Environmental scanning**

- The process of collecting information about forces in the marketing environment through observation of secondary resources

➤ **Environmental analysis**

- The process of assessing and interpreting the information gathered through environmental scanning
- Understanding the current state of the marketing environment and recognising threats and opportunities arising from changes help to assess the performance of their current marketing efforts and develop future marketing strategies

How should firm responds to environmental changes?

- **Passive and reactive** towards the changes
 - Adjust current marketing strategies to environmental changes
- **Proactive** towards the changes
 - Attempt to influence forces in the marketing environment
- Firms should carefully think whether to take reactive or proactive approach to the marketing environment. But, whenever possible, taking proactive steps is mostly preferred

External Forces in the Marketing Environment

COMPETITIVE

**SOCIO-
CULTURAL**

POLITICAL

**LEGAL
&
REGULATORY**

TECHNOLOGICAL

ECONOMIC

Competitive Forces

- Indirect vs. Direct Competitors
- Direct competitors: other firms that market products that are similar to or can be substituted for a firm's product in the same target market segment
 - Brand competitors
 - Product competitors
 - Generic competitors
 - Total budget competitors

See pp. 43-44 of
the prescribed
textbook for details

Competitive Forces - continued

TABLE 2.1 SELECTED CHARACTERISTICS OF COMPETITIVE STRUCTURES

Type of structure	Number of competitors	Ease of entry into market	Product	Example
Monopoly	One	Many barriers	Almost no substitutes	Water utilities
Oligopoly	Few	Some barriers	Homogeneous or differentiated (with real or perceived differences)	Toyota Motors (cars)
Monopolistic competition	Many	Few barriers	Product differentiation, with many substitutes	Wrangler, Levi Strauss (jeans)
Pure competition	Unlimited	No barriers	Homogeneous products	Vegetable/fruit farm (cauliflower/bananas)

(Table 2.1, Pride 2e, p. 44)

Economic Forces

- Buying power
 - Resources that can be traded in an exchange
 - Disposable income vs. discretionary income
- Willingness to spend
 - An inclination to buy because of expected satisfaction from a product, influenced by the ability to buy and numerous psychological and social forces
- General economic conditions
 - Business cycle: four stages of economic fluctuations – prosperity, recession, depression, and recovery

Political, Legal, and Regulatory Forces

- Political, legal, and regulatory forces are closely interrelated
- Political forces potentially influence marketing decisions
- Laws, government agencies, and pressure groups that influence and limit various organisations and individuals in a given society
 - Legislation regulating business
 - To protect both organisations and consumers
 - Ethics and socially responsible actions
 - Social codes and rules of professional ethics that are placed to protect consumers and the environment

Technological Forces

- Forces that affect new technologies, creating new product and market opportunities
- The most dramatic forces affecting today's marketing strategies
- Technology advancement could have either positive or negative impacts on society
 - Consider positive and negative implications of mobile phones

Sociocultural Forces

- The influences in society and its cultures that change people's attitudes, beliefs, norms, customs and lifestyles
 - Changes in demographic characteristics such as age, gender, race, ethnicity, education
- Critical because these factors strongly affect how people think and how they consume

Globalisation

- Business globalisation is now increasing at an exponential rate
 - Globalisation is the process by which firms operate on a global basis, that is, organising their structure, capabilities, resources and people in such a way to address the world as one market
- Global competition is intensifying in most industries
 - Foreign firms are expanding aggressively into new international markets
 - Home markets are no longer as rich in opportunity
- So, marketers nowadays are also affected in some way by global environments that create both opportunities and threats for them

Major decisions in globalisation

- Looking at the global marketing environment
- Deciding whether to go international
- Deciding which market(s) to enter
- Deciding how to enter the market(s)
- Deciding on the global marketing program
- Deciding on the global marketing organisation

The global marketing environment

Need to understand trends in the global environment

- Competitive
- Political/legal/regulatory
- Economic
- Social/cultural
- Technological

Deciding whether to go international

- Not all companies need to globalise to survive
 - Small local businesses may choose to serve their local market
- However, companies operating in global industries may not have a choice
- Think about the risks and ability to operate globally
- Understand the underlying motivations to go global

Deciding which markets to enter

- Ensure that the international marketing objectives are aligned with organisation's overall objectives
 - What volume of foreign sales?
 - How many countries?
 - Types of countries?
- High-level strategic decisions:
 - Incremental or simultaneous entry?
 - Concentrated or diversified?

Deciding how to enter the market



FIGURE 18.3 Methods of entering foreign markets

Source: Peter Moore, 'Deciding how to enter the market' (unpublished materials, 2009).

(Kotler et.al., 2013, p. 572)

Deciding on the global marketing program

- Global strategy
 - The world as a single market
- Multinational strategy
 - The world as a portfolio of national opportunities
- “Glocal” strategy
 - Standardises some core elements, and localises other elements

Marketing mix decisions

➤ Product and promotion

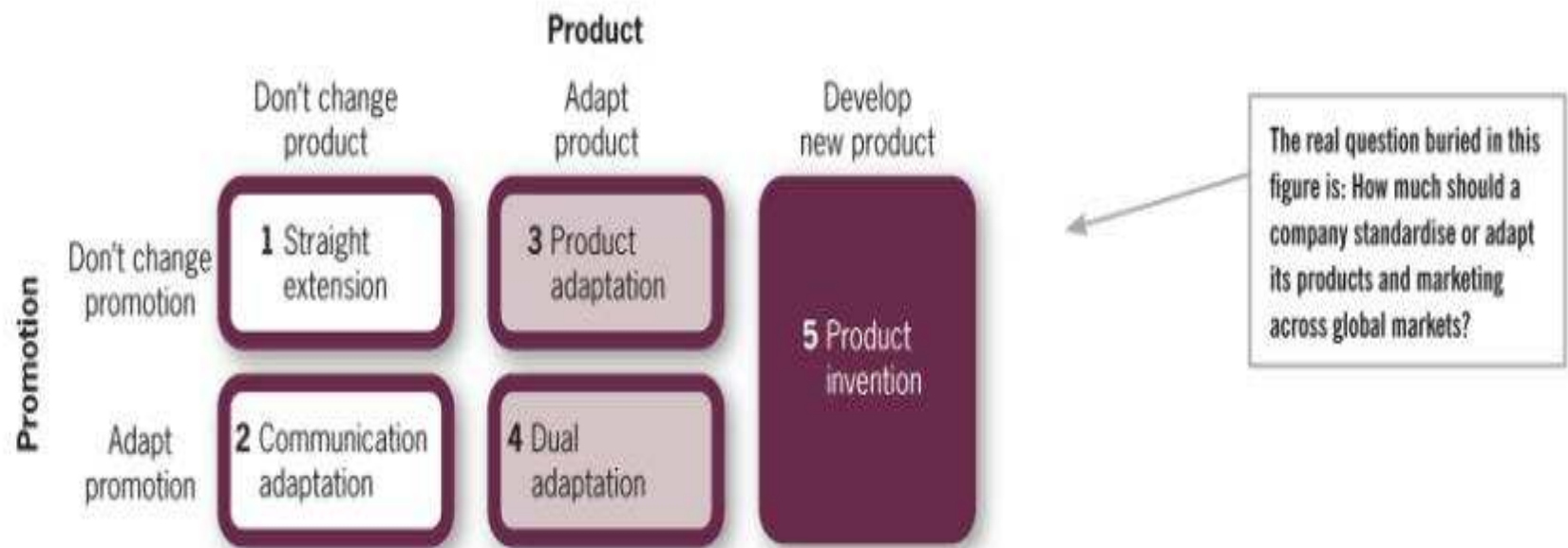


FIGURE 18.4 Five international product and promotion strategies

(Kotler et.al., 2013, p. 579)

Marketing mix decisions - continued

➤ Price

- Uniform price vs different pricing strategies?
- Prices can be higher or lower in their home markets

➤ Place

- Must take a whole-channel view – taking into account all the necessary links in distributing the seller's products to final buyers
 - Seller's headquarters, channels between nations, channel within nations

Deciding on the global marketing organisation

- Export organisation
 - Simply shipping out goods
- International division
 - One or more functions responsible for offshore activities: marketing, finance, personnel, etc.
- Global organisation
 - Thinking as global marketers – planning for worldwide manufacturing facilities, marketing policies, financial flows, logistics systems



Summary

- Six forces that affect how a firm offers values to its customers
 - Competitive
 - Socio-cultural
 - Political
 - Legal and regulatory
 - Economic
 - Technological
- Firms should also consider global developments that may influence these external forces
- Firms need to understand the impact these forces have on them
- Firms have to properly respond to such dynamic changes to survive