## **CHAPTER 4**

# The Marketing Environment



## **Learning Outcomes**

- LO 1 Discuss the external environment of marketing, and explain how it affects a firm
- LO 2 Describe the social factors that affect marketing
- LO 3 Explain the importance to marketing managers of current demographic trends
- LO 4 Explain the importance to marketing managers of multiculturalism and growing ethnic markets

## **Learning Outcomes**

- LO 5 Identify consumer and marketer reactions to the state of the economy
- LO 6 Identify the impact of technology on a firm
- LO 7 Discuss the political and legal environment of marketing
- LO 8 Explain the basics of competition

## The External Marketing Environment

Discuss the external environment of marketing, and explain how it affects a firm

## Creating of the Marketing Mix

Managers can control

## What does the customer want from the product? What features does it have to meet these needs?

- How and where will the customer use it?
- What does it look like?
- What size(s), color(s), should it be?
- . What is it to be called?
- . How is it branded?

PLACE

kind?

force?

 How is it differentiated versus your competitors?

· Where do buyers look for your

. If they look in a store, what

. How can you access the right

. Do you need to use a sales

. What do you competitors do,

that and/or differentiate?

and how can you learn from

product or service?

distribution channels?

#### PRICE

- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive?
- What discounts should be offered to trade customers?
- How will your price compare with your competitors?



#### PROMOTION

- Where and when can you get across your marketing messages to your target market?
- Will you reach your audience by advertising in the press, or on TV, or radio, or on billboards?
- When is the best time to promote?
   How do your competitors do their
- How do your competitors do their promotions? And how does that influence your choice of promotional activity?

Target Market



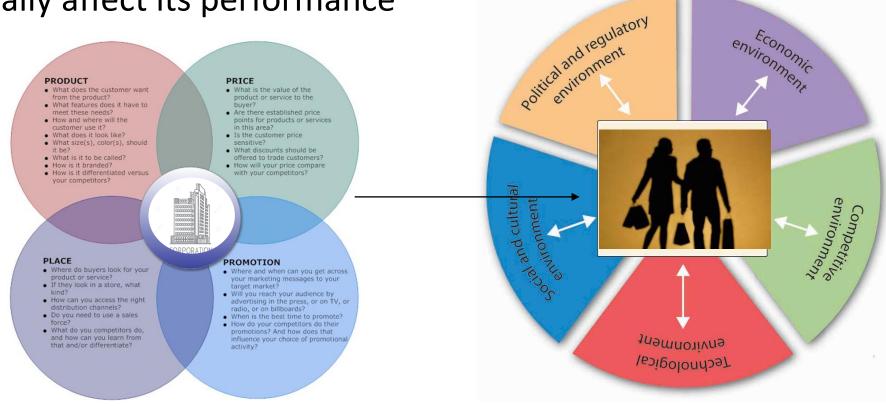
## Target Market

- A defined group most likely to buy a product
  - A group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the need of that group, resulting in mutually satisfying exchanges.



## The External Environment

 Refers to forces and institutions outside the organization that potentially affect its performance



## Understanding the External Environment

Unless marketing managers understand the external environment, the firm cannot intelligently plan for the future.

# **Environmental Management** is...

when a company implements strategies that attempt to shape the external environment within which it operates.

Classified as social, demographic, economic, technological, political and legal, and competitive.









Strengths

Weaknesses

**SWOT** 

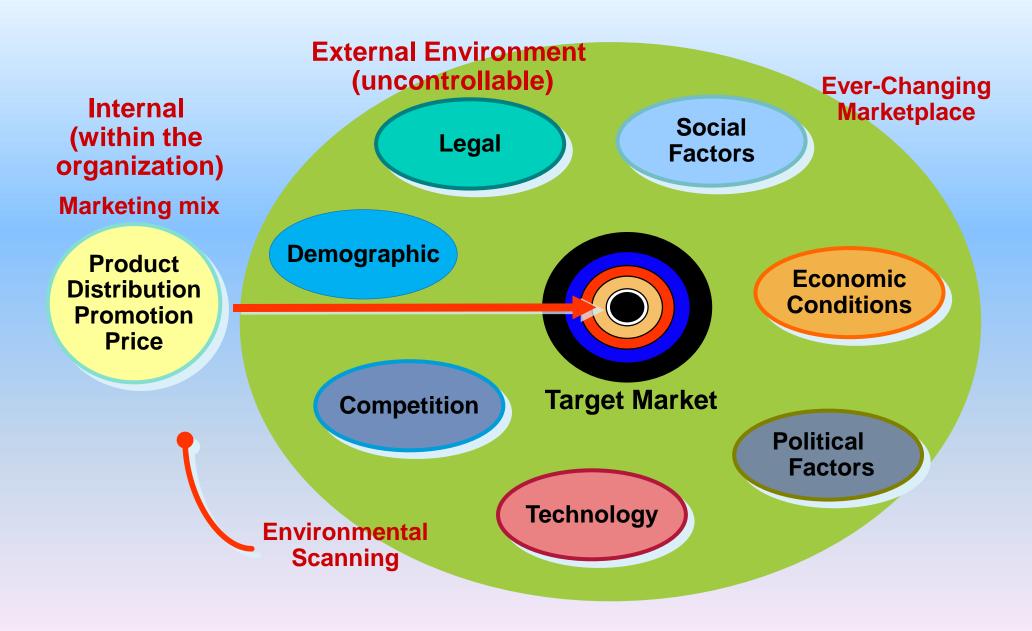
Opportunities

**Threats** 

Goal of environmental management is to identify future marketing opportunities

- 1. Understand how customers **buy**, where they buy, what they buy, and when they buy.
- 2. Understand what **drives** consumer decisions.
- 3. Identify the most **valuable** customers and understand their needs.
- 4. Understand the **competition**.

## **External Marketing Environment**



### Cheerios



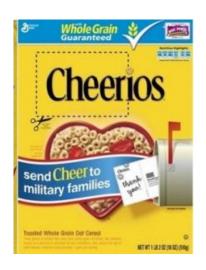






















### External Marketing Environment

#### **Social Factors**

- Obesity rates in U.S. show people not physically active
- Customers focus on quality more than price
- Increase in physically active women
- Increase in health-conscious customers = more exercise/physical activity
- Sport participation is a key aspect of U.S. culture
- Aging population and increase in physically active seniors
- Increase in sports participation in emerging markets

#### Competition

- Lack of direct competition
- Except Nike and Adidas
- Substitute products
- Core athletes have a large number of substitute options to choose from
- Global entrants
- Existing brand loyalty to competing products

#### **Political and Legal Factors**

- The use of third-party suppliers
- International manufacturing requirements
- New tax laws

#### **Technology Factors**

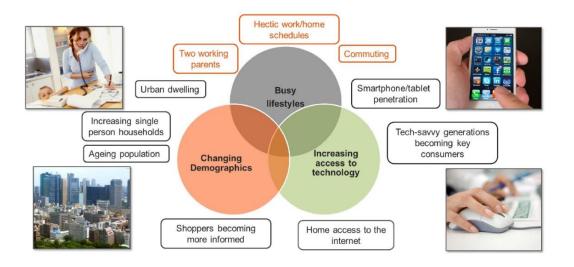
- Increase in E-commerce
- Increase in m-commerce (trend is to always have digital connection)
- · Apps tracking physical activity
- Online purchasing
- Social media following
- YouTube streaming

#### **Economic Factors**

- Economic Recovery
- Increase in cost of raw materials and resources: shipping costs
- Cotton, all man-made fibers, oil, gas
- Growth of performance apparel industry
- Domestic and International
- Buying power
- Athletes and teams
- Suppliers
- Intensity and rivalry

#### **Demographics**

- Aging population and increase in physically active seniors
- Emphasis on population health
- Tweens/teens emulating athletes with disposable income
- Millennials dress code to work



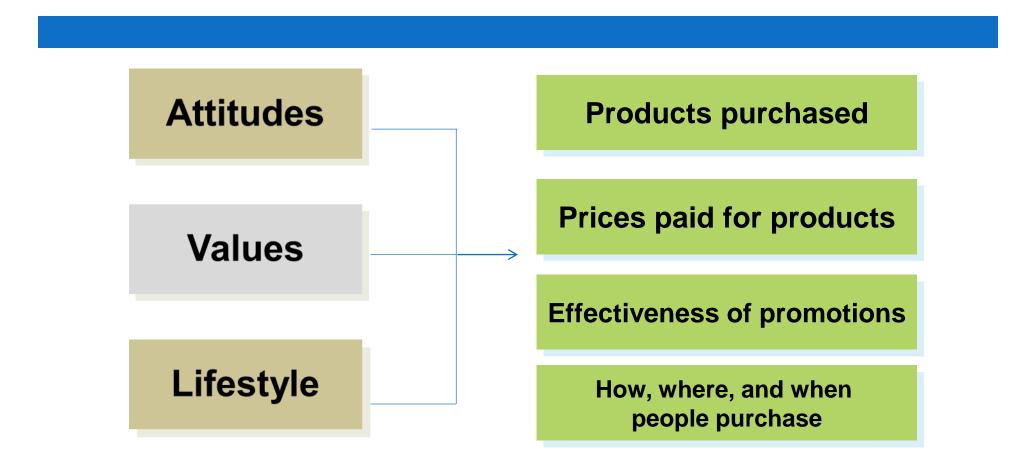
- 1. Values
- 2. Component lifestyle
- 3. Social media communication
- 4. Financial power of women

## Social Factors

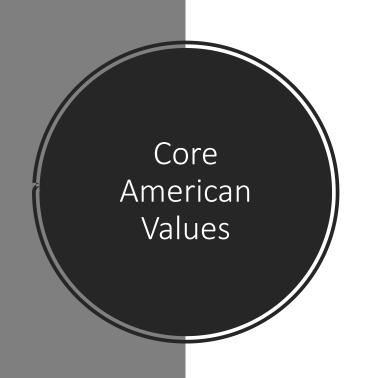
- Society is continually changing.
  - Tastes
  - Fashion
  - Social media
  - Mobile phones
  - Younger generation shop online
  - Older people still watching TV
- These changing factors have a toll on businesses and companies must focus on these changes.



### Social Factors Influence:



Social factors influence... the products we buy, the prices we pay, the effectiveness of specific promotions, how where and when we expect to purchase products.



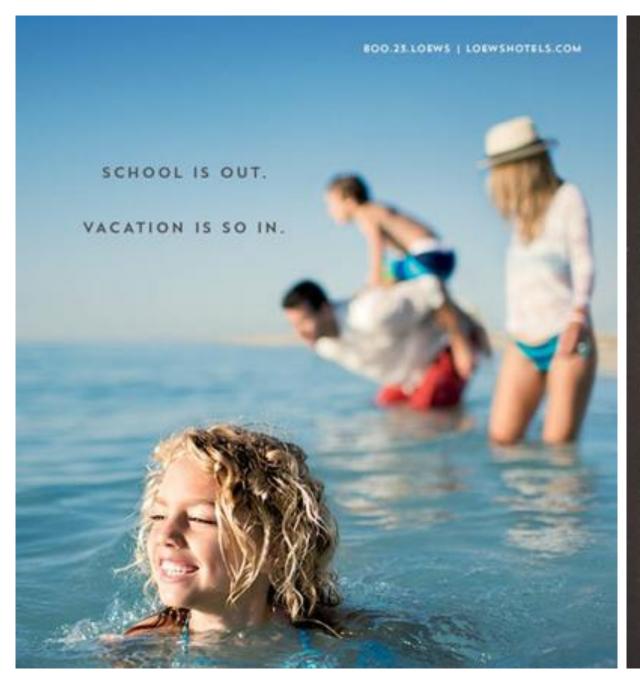
Selfsufficiency Upward mobility

Work ethic

**Equality** 

Individualism

Achievement orientation





### It gives new meaning to the term upward mobility.

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RANGE ROVER

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# Top Three Trends Becoming New American Values

### 1. Downsizing

- Consumers looking for ways to become more selfsufficient
  - Household energy
  - Water conservation and purification
  - Private gardens
  - Sustainability
  - In the first quarter of 2017, new single-family homes continued the trend of decreasing in size

### 2. Meaningful Green

- Green initiatives that are distinctive, memorable and impact environmental, social and economic dimensions.
  - Care society
  - Earth, ecology, sustainable living & the environment
  - Natural living & alternative therapies



### 3. Self- Help -- Monitoring Own Healthcare

- Consumers taking health care into their own hands
  - Apple is now the biggest wearable vendor by market share.
  - Fitbit device shipments fell 35 percent year-on-year.
    - Steps
  - Sleep
  - Heart
  - Stress
  - Blood pressure
  - Weight
  - Body temperature
  - Meditation

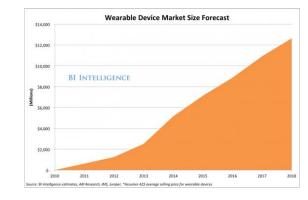












# Component Lifestyle

- 1. Values
- 2. Component Lifestyle
- 3. Social media communication
- 4. Financial power of women

The practice of choosing goods and services that meet one's diverse needs and interests rather than conforming to a single, traditional lifestyle.

Today's consumers want multifunctional products

No longer defined only by occupation





There are more than 100 meal delivery services







## Medical and Wellness Tourism

- As people shop the world for medical procedures, it's likely these procedures will be offered as an all-inclusive package.
- Also on the horizon are resorts that combine wellness with recreation and other diversions, allowing people to recuperate and recalibrate.
- Tying these resorts to wellness programs back home could make hospitality brands a player or strategic partner in the healthcare market.



## Family of the 50's

#### Two parent household

- Mom and a dad
- Divorce was not a common thing (societal pressure, carried a stigma)
- Only 9% of all US homes had only a signal occupant

#### Moms were younger

- People married at about 22 years old for men and 20 for women
- About 60% of all married couples owned their home
- Complete plumbing (bath, shower, flush toilet) only available in 64% of homes
- Every TV family was portrayed as "perfect". Any problem could be resolved in a 30 minute episode.

#### Dinner was eaten together, as a family, 7 nights a week

- After dinner the family would sit and watch TV the whole family watched the same show
- Only one phone in the whole house (party lines)
- Kids owned a small record player, a transistor radio



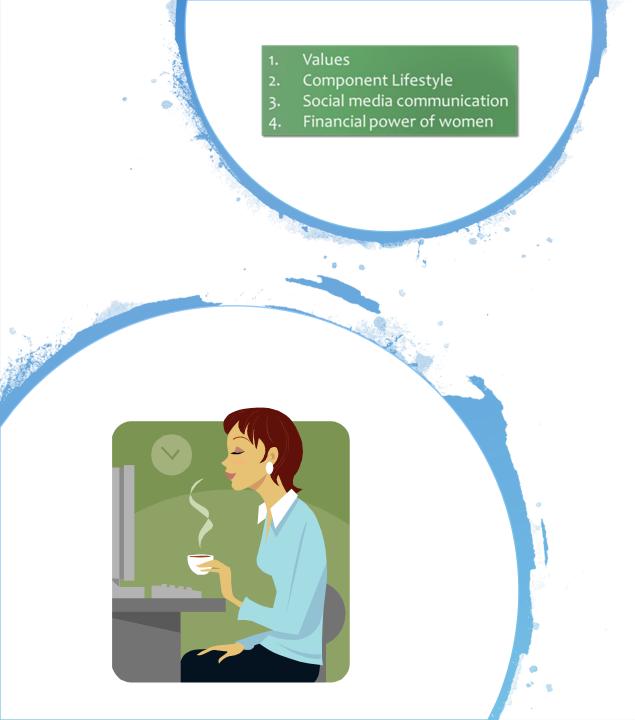
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# The Role of Social Media in Communication

Social networking had changed the game when it comes to opinion sharing.

Now, consumers car reach many people a once with their views—and can respond to brands and events in real time.

Teenagers and young adults are more likely to view social networks as a valuable source of information. Successful use of social media requires more than receiving "likes" on Facebook, but creating a relationship based on shared interests with the consumer.



# The Financial Power of Women



Women bring in half of the household income.



Women control 51.3 percent of the private wealth in the U.S.



Women control 80 percent of household spending.



Women are now the primary buyers in maledominated categories:

66% of computers

60% of home improvements

53% of investments



Biggest Social Trends Impacting Marketing



### The Aging Population

- The populations **ageing** rapidly
  - increased life expectancies
  - declining birth rates
- Value experiences more than material goods, and they
- Customers want to "be" and "do"
- Maintain same lifestyle, with products/services to help.



# The Rise of Remote and Non-Personal Interaction

- Dependence and even addiction to a remote world of relationships (such as Facebook)
  - Lead to dissociative mental disorders where young people are cut-off from the normal network of support relationships
  - No more living in a realworld community

# The Rise of "We Want it now"

- Anytime
- Anywhere
- On-demand
  - If not, I'll find it elsewhere
- Credit card spending up
  - So is debt
- Apps
- Downloads









# Rise of Big Brother Watching: Data Capture How clean is your social media profile?











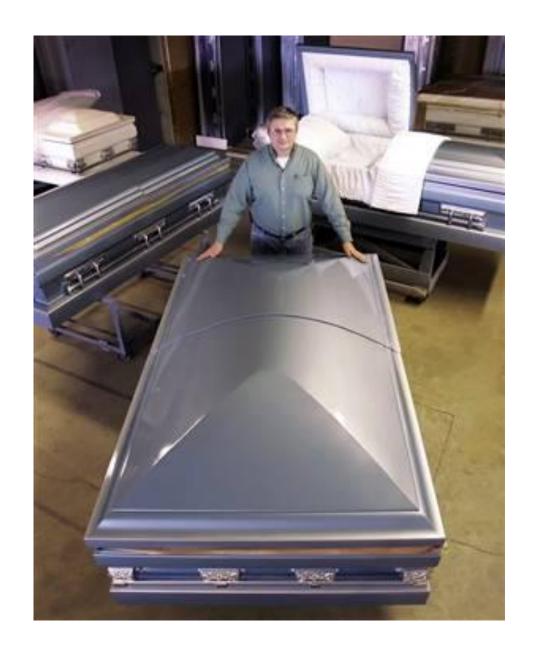
# Obesity Epidemic in Children

 Concern given the long term health implications of diabetes, heart disease and other complications.















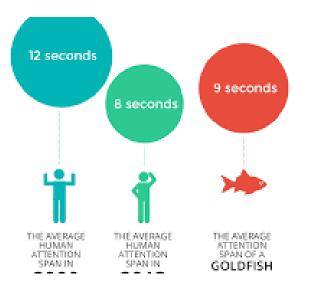
2012

Drug makers in 2016 spent \$5.5 billion marketing prescription drugs, up from \$3.5 billion in 2012.



2019

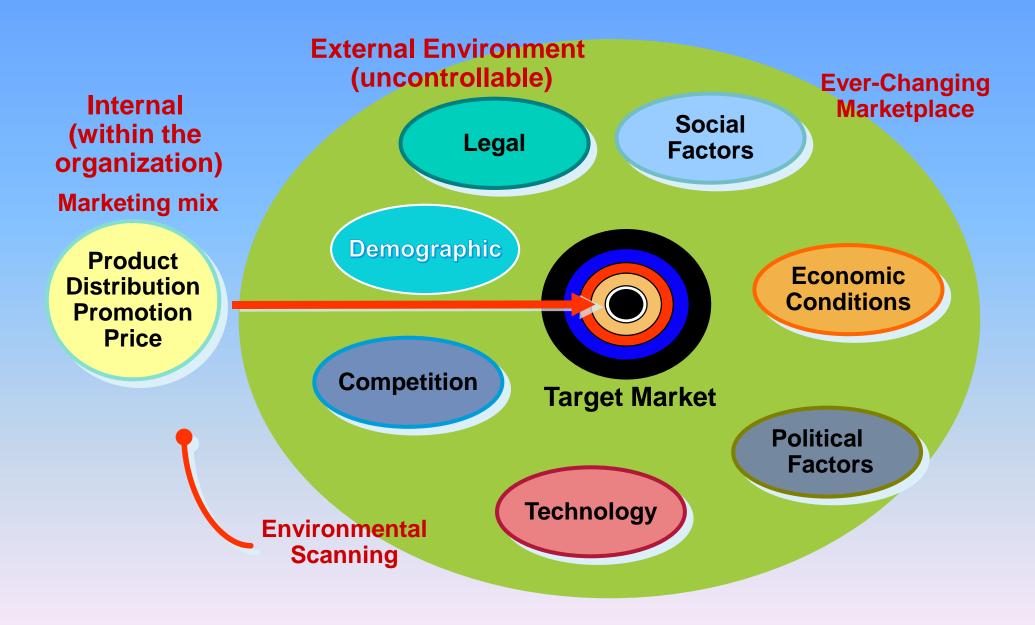
Drug makers in 2018 spent approximately \$8.9 billion marketing prescription drugs



## Overly Connected

- Facebook
- YouTube
- Twitter
- Snap chat
- Instagram
- Pintrest
- Media that changes the way we communicate
- Used to monitor what is being said about your brand

## **External Marketing Environment**





## Demographics

Dividing the market into groups based on demographics traits:

- Age
- Income
- Ethnicity
- Gender
- Geography

Most popular because needs and wants are closely tied to the above bases

### AGE Groups



TWEENS (8 – 12 YEARS OLD)



TEENS (13 – 21 YEARS OLD)



MILLENNIALS (22 – 37 YEAR OLDS)



GENERATION X (38 – 49 YEAR OLDS)



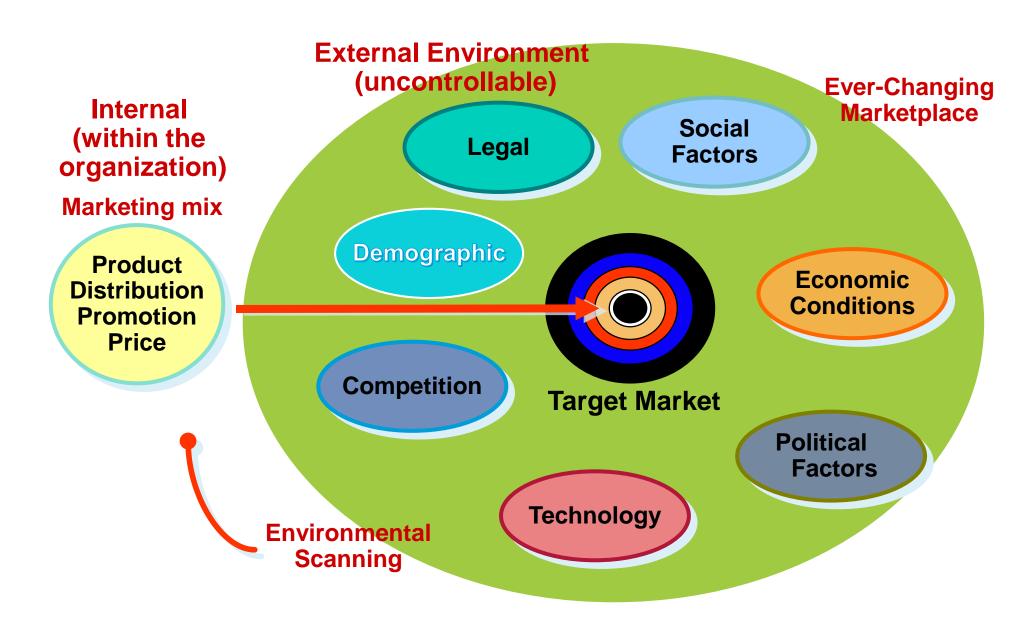
BABY BOOMERS (50 – 68 YEAR OLDS)

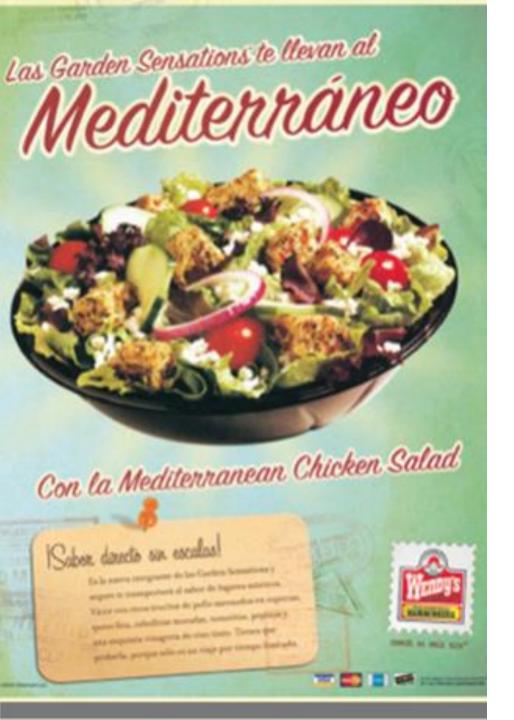


# Top Changing Demographic Trends

- 1. Millennials are projected to outnumber Baby Boomers next year.
- 2. A record number of Americans live in multigenerational households, part of a broader trend toward more shared living.
- 3. The institution of marriage continues to change.
  - 1. Half of U.S. adults today are married Cohabitation among unmarried partners is rising, including among a growing share of unmarried parents.
- 4. After decades of decline, motherhood and family size are ticking up in the U.S.
- 5. Women's role in the labor force and leadership positions has grown dramatically.
- 6. The share of Americans who live in middle class households is shrinking.
- 7. The world is aging.

### **External Marketing Environment**





### Growing Ethnic Markets

Top three fastest growing Ethnic markets

1 in three U.S. residents is a minority.

- Hispanic
- African American
- Asian American

# Marketing to Hispanic Americans

The term *Hispanic* encompasses people of many different backgrounds

Nearly 60 percent of Hispanics are of Mexican descent



The diversity of the Hispanic population and the language differences create many challenges for those trying to target this market

Hispanics, especially recent immigrants, often prefer products from their native country



### Marketing to African Americans

47 percent are between 18 and 49 years old

More firms are creating products for the African American market.

Promotional dollars and media choices directed toward African Americans continue to increase.



### Marketing to Asian Americans

**Asian Americans** are a powerful consumer base Cultural with \$718 Asian American diversity within billion in buying Younger, better Household the Asian educated, and Early adopters power that is Income is 28% American of latest digital have highest expected to higher than the market average income reach \$1 trillion gadgets. U.S. total complicates of all groups in just five promotional median income. years, equal to efforts. the 18th largest economy in the world.





#### **Economic Factors**

#### The four economic areas of greatest concern to marketers

# Consumers' Income

Amount of income remaining after taxes and living expenses have been deducted from wages. Money available to save or spend

# Purchasing Power

measured by comparing income to the relative cost of a standard set of goods and services in different geographic areas, usually referred to as the cost of living.

#### Inflation

a measure of the decrease in the value of money, expressed as the percentage reduction in value since the previous year.

#### Recession

a period of economic activity characterized by negative growth, which reduces demand for goods and services.



### Technology and Time Use

- Leisure time accounts for less than 6 hours a day
- About 40 percent of American adults check work email on vacation
- Constant digital immersion can decrease a person's attention span.
  - "weisure time" Mingling of work and leisure





### **Electronics Blurring Lines**

Cell phones, email,
Facebook are eroding
traditional boundaries
between the office, school,
and home.

Most Americans feel they don't have enough time for their families but that this technology helps.

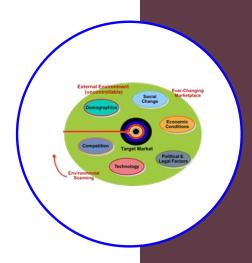






### Types of Competitors

- Brand Competitors
  - Firms that market products with similar features and benefits to the same customers at similar prices
  - Coca Cola Zero, Diet Coke, Pepsi Cola, Diet Pepsi
- Product Competitors
  - Firms that compete in the same product class but market products with different features, benefits, and prices
  - Tea, bottled water, orange juice, energy drink
- Generic Competitors:
  - Firms that provide very different products that solve the same problem or satisfy the same basic customer need
  - Tap Water
- Total Budget Competitors:
  - Firms that compete for the limited financial resources of the same customers
  - Candy, gum, potato chips



### Political and Legal Environment

All marketing activities are subject to state and federal laws

Marketers are responsible for remaining aware of such regulations

Government needs business because the marketplace generates taxes that support public efforts to educate our youth, pave our roads, protect our oceans, etc.

### Political and Legal Factors

### **Laws and Regulations Protect:**

- New technology
- Society
- Businesses
- Consumers

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### **Powers of the FTC**

**Cease-and-Desist Order** 

**Consent Decree** 

**Affirmative Disclosure** 

**Corrective Advertising** 

Restitution

Counteradvertising



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### Pestle Analysis

#### POLITIC

#### Examples include:

Government policy, political stability or instability, bureaucracy, corruption, foreign trade policy, tax policy, trade restrictions, labor/environmental/copyright/consumer protection laws, competition regulation, funding grants & initiatives, etc.

#### **ECONOMIC**

#### Examples include:

Economic trends, growth rates, industry growth, seasonal factors, taxation, inflation, interest rates, international exchange rates, International trade, labor costs, consumer disposable income, unemployment rates, availability of credit, monetary policies, raw material costs, etc.

#### SOCIAL

#### Examples include:

Attitudes and shared beliefs about a range of factors including health, work, leisure, money, customer service, imports, religion, cultural taboos, the environment; population growth and demographics, family size/structure, immigration/emigration, lifestyle trends, etc.

#### **TECHNOLOGY**

#### Examples include:

Technology and communications infrastructure, consumer access to technology, emerging technologies, automation, legislation around technology, research and innovation, intellectual property regulation, competitor technology and development, technology incentives, etc.

#### LEGAL

#### Examples include:

Laws regarding consumer protection, labor, health & safety, antitrust, intellectual property, data protection, tax and discrimination; international and domestic trade regulations/restrictions, advertising standards, product labeling and safety standards, etc.

#### **ENVIRONMENTAL**

#### Examples include:

Weather, climate change, your carbon footprint, environmental regulations, pollution laws and targets, recycling and waste management policies, endangered species, support for renewable energy, etc.

- Demographics
- Competition



### PESTLE ANALYSIS OF UBER

Leading Shared Taxi Service Provider

#### Political Factor

- Need to make its stand clear about drivers' insurance.
- · Have to follow minimum wage rules.
- Have to have deal with bans in many

#### Economic Factor

- Easily accessible.
- Affordable fare charges
- Offers jobs opportunities, but pay may not be convincing.

#### Social Factor

- User friendly
  - Quick pick up
  - Gives better ride experience than taxis

#### Tech. Factor

- Excellent mobile app for users
- Using social media and other electronic media well for promotion

#### Legal Factor

- · Need to prevent ban in many countries
- Need to follow labor and employee safety laws well
- Copyright laws need to be looked at as

  well

#### Environ. Factor

Fuel usage may increase

Traffic congestion is a concern as well

# PESTLE ANALYSIS OF APPLE

Renowned electronic device producer

#### Political Factor

- Apple operates in China
- Political rift between US and china may affect its operations.
- Operating in any other country may be expensive.

#### Economic Factor

- Manufacturing cost will increase if China increases labor costs
- Decline in the middle-class income may decrease Apple's market

#### Social Factor

- Need to taste success in the areas like Africa
- In the US, black people are also against it as it expensive

#### Tech. Factor

- Increasing use of smartphones and tablets may decrease the demand of Apple products
- Apple device-may seem less secure

#### Legal Factor

 Apple may start automobile manufacturing. It may increase insurance, regulatory costs and legalproceedings for Apple.

#### Environ. Factor

- Disposal of nonworking electronic devices is the biggest environmental issue Apple has
- Disposing of the lithium batteries costs high

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#### PESTLE ANALYSIS OF NIKE

Famous sports shoes and apparel manufacturer

#### Political Factor

- Must consider the taxation
- and manufacturing rules of each country
- Must follow import and export laws well

#### Economic Factor

- Must Target customers with good
- purchasing power

Developing countries may be good opportunity for NIke

#### Social Factor

- · Need to target health-conscious people
- Shoes and Apparel must be for healthconscious people along with sporty
  people

#### Tech. Factors

· Nike uses finest technology

 Constant changes in the technology as well as opportunity as well as threat

#### Legal Factor

- Must consider the copyrights and designs of shoes and apparel it produces
- Must obey Health and safety rules

#### Environ. Factor

 Need to come up with environmentfriendly products

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