Chapter 3: Analyzing the marketing environment

A company’s market environment consists of the actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with target customers.

The marketing environment is made up of microenvironment and a macro environment. The microenvironment consists of the actors close to the company that affects its ability to serve its customers. The company, supplier, marketing intermediaries, consumer markets, competitors and publics.

The macroenvironment consists of larger societal forces that affect the microenvironment, demographics, economic, natural, technological political and cultural forces.
The microenvironment

Marketing management job is to build relationships with customers by creating customer value and satisfaction. However, marketing managers cannot do this alone. Marketing success will require building relationships with other company departments, suppliers, marketing intermediaries, competitors, customers and various publics which combine to make up the company’s value delivery network.

**Marketing intermediaries:** help the company to promote, sell and distribute its products to final buyers. They include resellers, physical distribution firms, marketing services agencies, and financial intermediaries. Resellers are distribution channel firms that help the company find customers or make sales to them.
**Competitors:** The marketing concept states that to be successful, a company must provide greater customer value and satisfaction than its competitors do. This, marketers must do more than simply adapt to the needs of target consumers. They also must gain strategic advantage by positioning their offers strongly against competitors’ offerings in the mind s of customers. No single competitive marketing strategy is best for all companies.

**Publics:** The company’s marketing environment also includes various publics. A public is any groups that has an actual or potential interest in or impact on the organization’s ability to achieve its objectives. Seven publics could be identified:

Financial publics, government publics, local publics, citizen's action groups.

**Customers:** The aim of the entire value delivery system is to serve target customers and create strong relationships with them. Each market has special characteristics that call for careful study by the seller.
The company’s Macro environment

Consists of broader forces that affect the actors in the microenvironment. These forces are demographic, economic, natural, technological, political and cultural.

Demographic environment: demography is the study of human populations in terms of size, gender, occupation, location, age. The demographic environment is of major interest to marketers because it involves people and people make up markets.

For example, changing age structure could create new markets by creating demand on a product or service.
**Economic Environment**: consists of factors that affect consumer purchasing power and spending patterns. Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets.

Changing economic conditions can have a big impact on even the most successful companies. Marketers should pay attention to income distribution as well as income levels.

Changing in major economic variables such as income, cost of living, interest rates, and savings and borrowing patterns have a large impact on the marketplace.

**Natural environment**: involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities. Marketers should be aware of the several trends in the natural environment such as shortage in raw material, increased pollution, increased government intervention.
Technological environment: technological innovations has created new markets and opportunities and changed consumer tastes. However, every new technology replaces an older technology. Thus, marketers should watch the technological environment closely. Companies that do not cope with this revolution, will find their products outdated. And will miss new products and market opportunities.

Political and social environment: The political environment consists of laws, government agencies which might affect the business directly or indirectly. Directly through their effect of the costs or profits of firms, indirectly through their effect on the customers propensity to spend through the adopted fiscal and monetary policy. And social environment through rising voices calling for enactment of laws towards firms’ social responsible actions.
Cultural environment: is made up of institutions and other forces that affect a society basic values, perceptions, preferences and behaviors. People grow in a particular society that shapes their believes and values. Their core beliefs and values have a degree of persistence while secondary beliefs and values are more open to change. The major cultural values of a society are expressed in people’s views of themselves and others as well as in their views of organizations, society, nature and the universe.
Marketers should analyze the environment forces and design strategies that will help the company avoid the threats and take the advantage of the opportunities the environment provides.

Other companies take a proactive stance toward the marketing environment. Although difficult, but whenever possible smart marketing managers should take a proactive rather than a reactive approach to the marketing environment.