



Fundamentals of Marketing

Unit-2

Marketing Environment

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Meaning of Marketing Environment

Marketing environment consists of all forces that directly or indirectly influence the organization's marketing activities.



Marketing environment forces influence this process of exchange of inputs and outputs.

Meaning of Marketing Environment

Kotler & Armstrong

“The marketing environment comprises all actors and forces influencing the company’s ability to transact business effectively with the target market.”

Cravens, Hills and Woodruff

“The forces which are external to the marketing management function, largely uncontrollable, potentially relevant to marketing decision making and changing and/or constraining in nature.”

Marketing is environment specific. It operates in a dynamic environment. Marketing environment refers to all actors and forces which influence exchange relationship of marketing with target customers. It affects the performance and outcomes of marketing. It affects the ability of marketing to serve its customers.

Marketing Environment

Micro

Company
Suppliers
Marketing channels
Customers
Competitors
Publics

Macro

Demography
Economy
Technology
Politics
Law
Natural Forces

Internal

Resources
Structure
Culture
Goals
Trade Union
Organization size
Leadership style
Control system

External

- a. Task- Customer, Suppliers, Distributors, BFI's, Interest and pressure groups, government, competitors.
- b. General-PEST

Task

Company
Suppliers
Distributors
Dealers
Target Customer

Broad

Demography
Economic
Social-Cultural
Natural
Technological
Political
Legal

Scope of Marketing Environment

Marketing environment is a broad concept embracing various entities, activities, ideas, forces, resources, exchange processes, values norms, and laws. everything that matters to marketing is under marketing environment. The scope of **marketing environment** includes the following aspects:

Entities

Activities

Resources

Dynamism

Exchange process

Scope of Marketing Environment

Entities

International agencies such as UN organizations, World Bank, International Monetary Fund and WTO play detrimental role in the development process of a country and supervise and regulate business and trade on a global basis.

National governments are involved in regulating the marketing process through legislation and directives.

Trade associations such as FNCCI and Chamber of Commerce etc. set norms of business behavior and work for promotion of trade and industry in the country.

Business organizations convert the resources and inputs in to products and services.

Labor unions determine industrial productions and productivity.

Social organizations such as consumer association protects the consumers right.

Scope of Marketing Environment

Activities

The economic, social, political and individual activities are part of the marketing environment.

Economic- The market size expands when economy grows and marketing suffers when the economy shows down.

Social- Festivals, social events, cross-cultural interaction etc. expand the market.

Political- Strike, demonstration, bands etc. decreases marketing activities.

Individual- They determine the level of consumption.

Scope of Marketing Environment

Resources

Key resources of the country such as natural resources (mineral, water and solar) technological (research and development) and human (education, knowledge, skill and entrepreneurship) are also under the scope of marketing environment.

India and China

Developing rapidly on the basis of mineral resources.

Gulf countries

Petroleum resources

Nepal

Water resources

Japan, West European countries, USA and Canada

Good human and technological resources.

Scope of Marketing Environment

Dynamism

All environmental forces- demography, economy, politics, laws, technology and socio-culture of all countries are changing. The changes are bringing in new business opportunities and new challenges.

Japan and many West European countries

Facing the problem of negative population growth and aging population.

Iraq, Afghanistan, Congo, Sudan and Somalia

War situation for more than a decade.

Peace in Nepal and Srilanka

Brought new hopes in these countries.

Iran and North Korea

Facing threats of war.

Technological innovations

Scope of Marketing Environment

Exchange Process

The process of exchange of information, inputs, technology, ideas, products and services between the environment and the business firm is also under the scope of marketing environment.

The firm receives money, raw materials, human resources, technology and management ideas and converts the inputs into useful products and services.



Variables of Marketing Environment

Micro Environment of Marketing

Micro Environment consists of conditions and forces within the organization which affects the performance and outcomes of marketing. It affects the organization directly. It refers to the environment that most closely linked to the firm.

Organizational Activities

Production
Finance
Human Resource Mgmt.
Research & Development

Organizational Scope

Objectives
Structure
Resources
Culture

Stakeholders

Customers
Suppliers
Competitors
Market intermediators
Government
Labor Union
Pressure Groups
Media

This environment is also not under the full control of business but the business can influence it.

Variables of Marketing Environment

Micro Environment of Marketing

Organizational Activities

Production
Finance
Human Resource Mgmt.
Research & Development



Variables of Marketing Environment

Micro Environment of Marketing



Organizational

Scope

Objectives

Structure

Resources

Culture

Objectives-

Profit, market share, leadership, social responsibility etc.

Structure-

Design of jobs and relationships.

Organization Resources-

Physical, Financial, Human and Information.

Organizational Culture-

Shared values and beliefs, Norms, Symbols and Artifacts.

Variables of Marketing Environment

Micro Environment of Marketing

Stakeholders

Customers
Suppliers
Competitors
Market intermediators
Government
Labor Union
Pressure Groups
Media

Customers-

Consumers, Resellers, Business Buyers, Institutional Buyers, International Buyers

Suppliers-

Suppliers of raw materials, energy, labor, technology and money.

Competitors

Generic Competition, Product Competition, Brand Competition, Price Competition, Non-price Competition.

Market Intermediators

Middlemen, Facilitators, Market Service Agencies, Financial Institutions.

Government

Government policies, laws, rules and regulations.

Labor Union

Pressure Groups

Consumers associations, environmental groups, human rights groups etc.

Media

Newspapers, magazines, radio, television, films etc.

Variables of Marketing Environment

Micro Environment of Marketing

Organizational Activities

Production
Finance
Human Resource Mgmt.
Research & Development

Organizational Scope

Objectives
Structure
Resources
Culture

Stakeholders

Customers
Suppliers
Competitors
Market intermediators
Government
Labor Union
Pressure Groups
Media

Variables of Marketing Environment

Macro Environment of Marketing

Political/Legal Environment

- Laws
- Constitution of country
- Political system
- Separation of power
- Government-Business relationship
- International political events
- Others

Economic Environment

- Economic System
- Economic Policy
- Economic Condition
- Globalization Economic Situation

Socio-Cultural

- Social institutions
- Demographic factors
- Attitudes and beliefs
- Religion and language
- Social class
- Others

Technology

- Nature/Level of technology
- Pace of technology change
- Technology transfer policy
- Research and development budget

Variables of Marketing Environment

Macro Environment of Marketing



Political/Legal Environment

Laws

Constitution of country

Political system

Separation of power

Government-Business relationship

International political events

Others

Constitution of country

Political System

Ideological forces, political parties and their roles, election system, roles of political institutions.

Separation of power

Legislature, Executive and Judiciary.

Government-Business Relationship

Infrastructure development, promoting or discouraging and specific business.

International political events

Others

Role of political parties, political stability, condition of political and human rights etc.

Variables of Marketing Environment

Macro Environment of Marketing



Economic Environment

Economic System
Economic Policy
Economic Condition
Globalization Economic Situation

Economic System

Capitalistic, Socialistic, Mixed

Economic Policy

Fiscal Policy, Monetary Policy, Commercial Policy, Industrial Policy, Trade and Transit Policy, Employment Policy

Economic Condition

Economic growth rate, purchasing power, per capita income, size and nature of economy, business cycle, availability and development of capital etc.

Globalization economic situation

Variables of Marketing Environment

Macro Environment of Marketing



Socio-Cultural
Social institutions
Demographic factors
Attitudes and beliefs
Religion and language
Social class
Others

Social Institutions

Family, clubs, musical groups etc.

Demographic Factors

Size of population, age mix, migration rate, urbanization rate, population growth rate etc.

Attitudes and beliefs

Way of thinking/behaving

Religion and language

Social Class

Upper class, middle class and lower class.

Others

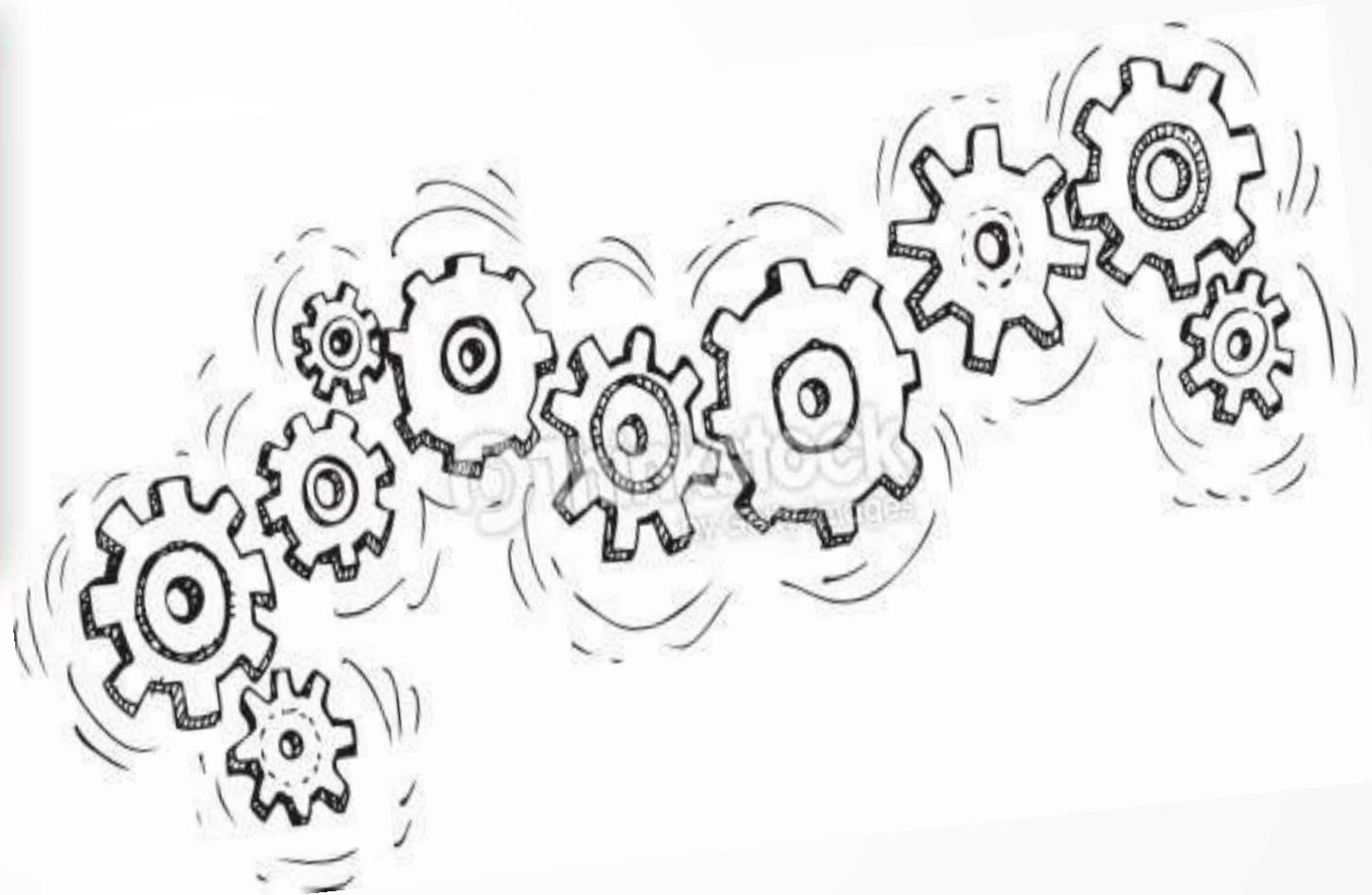
Style of society, literacy rate, cast system etc.

Variables of Marketing Environment

Macro Environment of Marketing

Technology

Nature/Level of technology
Pace of technology change
Technology transfer policy
Research and development budget



Scanning the Marketing Environment

The marketing environmental forces are normally uncontrollable and hence the marketing managers have to design their marketing activities according to the influences of the environmental forces.

For successful marketing, the organization should be able to anticipate and predict the changes in the environment and the marketing managers should be able to anticipate the following key factors:

Which technology will dominate in the near future?

How consumers taste and preferences are changing?

Which political party will come to power?

What is the trends in the macro-economic indicators are?



Environmental Scanning

Scanning is acquiring information and environmental scanning is essential for formulating marketing strategic plans.

It involves detecting emerging trends and creating scenarios.

It monitors changes and developments in the environment that have potential impact on marketing.

Richard Steers

“Environment scanning involves monitoring changes and developments in the environment that have potential impact on the organization.”

Azher Kazmi

“Environmental scanning is the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business.”

Scanning the Marketing Environment

Monitoring –

Keeping track of the major trends in the environmental forces.

It helps the organization to prepare and capitalize on every opportunity arising out of the changes taking place in any of the environmental forces.

Scanning -

Collection of vital data and information about the various environmental forces.

It involves observation, use of secondary sources of information and marketing research to understand the changes in the environment.

Reactive & Proactive Marketing



Marketing
Plan???

YES !!!

Marketing
Plan???

NO !!!

Proactive Marketing

Although many of the environmental forces such as demography, economy, culture and natural factors are not controllable, the environmental forces such as politics, law and technology can be influenced by correct and calculated moves.

It uses political, psychological, economic and public relations skills to influence the environmental forces to the organization's benefit.

The technique of political lobbying, financing political parties and elections, using publicity to shape public opinion and many others strategies are used by organizations to bring the environmental forces to their favor.

Active Approach



Proactive Marketing

Features:

Creating a written marketing plan, based on homework, analysis and research.

It is viewed and treated as a manageable business process.

Is not done based on fads or desperation, but only with time-honored methods.

Referrals are regularly generated through incentive programs, social media and other means.

Profits are increasing. Moreover, the owners are happy and in control of their lives.



Reactive Marketing

It views as marketing environmental forces are uncontrollable and difficult to predict.

Passive approach.

Organization tries to adjust its marketing mix according to the changes in the environment.

They wait for the environment to change and react only after the change.

The organization analyses the environmental changes and finds suitable way to avoid the threat and utilize the new opportunities.



Reactive Marketing

Features:

No written marketing strategy and/or plan.

Referrals occur whenever the customer decides to call.

Marketing is inconsistent and weak.

When marketing is done, it is usually a, “Let’s try this latest fad.”



Marketing Environment in Nepal

Knowing all these prospect about the marketing environment, what is the condition of market in Nepal?

Demography?

Economy?

Socio-culture?

Politics and Laws?

Technology?

Natural Forces?

Positive Impact?

Negative Impact?

?
HOME WORK
?

Board Questions

1. Point out the differences between micro environment and macro environment. 1
2. What do you know about technological environment? Describe the components of technological environment with suitable examples. 5
3. What are the components of internal environment? 1
4. Discuss the marketing environment in Nepal. 5
5. State the micro environment of marketing. 1
6. What is marketing environment? How does an external environment affect the marketing system of an organization? Explain in brief. 6

Case Study

Comprehensive answer questions:

[4 × 5 = 20]

17. Read the following case carefully and answer the questions given below:

Bhat Bhateni Super Market

The most popular name when it comes to shopping malls in Nepal has been that super market. Min Bahadur Gurung gets all the credit for bringing us an international standard one-stop shopping Centre. And behind this mega successful store lies a history that tells us how one can start from a scratch and reach heights of success if the right ambition and determination is there.

History behind a mega mall

It all happened in 1984 when Gurung, who originally hailed from Khotang, decided to open a small cold store in order to earn living. He was an employee of Nepal Bank. He thought of opening a store that his wife could look after. Bhat-Bhateni cold store started in a small rented room. The shop was opened in this particular locality after much research as it was posh area with lots of embassies and residence.

Gurung at one point visited Hong Kong and decided to bring grocery stores like the ones there to Nepal at affordable prices for all people. From then till now, Bhat-Bhateni Superstore has become the largest taxpayer in the retail sector Nepal.

The brand name

Bhat-Bhateni Supermarket and Departmental Store has now become a brand of its own with an excellent reputation. It now occupies four floors with a wide range of products and services. In the main building, the ground floor has grocery items, cosmetics and toiletries while the first floor has kitchenware and electronics. The second floor has exclusive readymade garments for men, women and kids whereas the third floor has an assortment of sarees, shoes, luggage and blankets.

On the premises of Supermarket there are other stores like a jewelry store, a perfume and watch store, bakery, an ice-cream parlor, cyber café, laundry store, fresh vegetable store and other store for flowers and gift items. It makes sure that every single product in the store is of optimum quality and has the best price.

Its mantra is “Customer is God” and its basic marketing strategy is customer satisfaction. This policy is the major factor behind its success.

Bhat-Bhateni Supermarket introduces discounts and schemes time and again to keep customer happy and satisfied. Through marketing policy the message put across is that the products have excellent quality and 100 percent guarantee on prices.

Bhat-Bhateni Supermarket caters to customers from all segments of society, be it expatriates, locals and tourists and believes in giving the best customer service possible. This store, in fact, was the first to have an elevator and plans to introduce many new ideas in the upcoming projects. The store has a team of people who select the best products from all over the world and make sure that only the best is found in the store.

Gurung has opened eight branches in Kathmandu with bigger parking space with more than 100,000 square feet area and one branch in Pokhara. It has plan to open branches in others parts of Nepal.

Bhat-Bhateni Supermarket has certainly proved to be a dream worth lived and a small worth the money spent. With the best in quality and the best in pricing, Bhat-Bhateni Supermarket is certainly the pioneer shopping mall of the country.

Questions:

- Examine the current product mix of Bhat-Bhateni.
- What factors are attributed for the success of Bhat-Bhateni?
- Evaluate the strengths and weaknesses of Bhat-Bhateni retailing in light of prevailing marketing environment.
- What future courses of actions you suggest Mr. Gurung for Bhat-Bhateni business? Justify.