

Chapter 3

Marketing Environment



LEARNING OBJECTIVES

1.

Meaning of Marketing Environment

2.

Importance of Environmental Analysis

3.

Marketing Management & Its Environment

4.

Macro & Micro Environment

5.

Corporate Strategies

BACKGROUND – MARKETING ENVIRONMENT

- ▶ The political and economic changes in 1991, resulted in sea changes in the marketing environment through liberalisation. In the field of cellular phone industry, many companies entered India. Rapid technological changes have taken place in the computer hardware/software industry.
- ▶ The marketing team has the responsibility to increase sales and profit of the company through effective use of marketing mix. The demand for the products and profitability of the operations depend upon the marketing environment. Therefore, marketing environment influences and shapes the marketing strategy. A marketer has to design his marketing strategies based on the marketing environment.

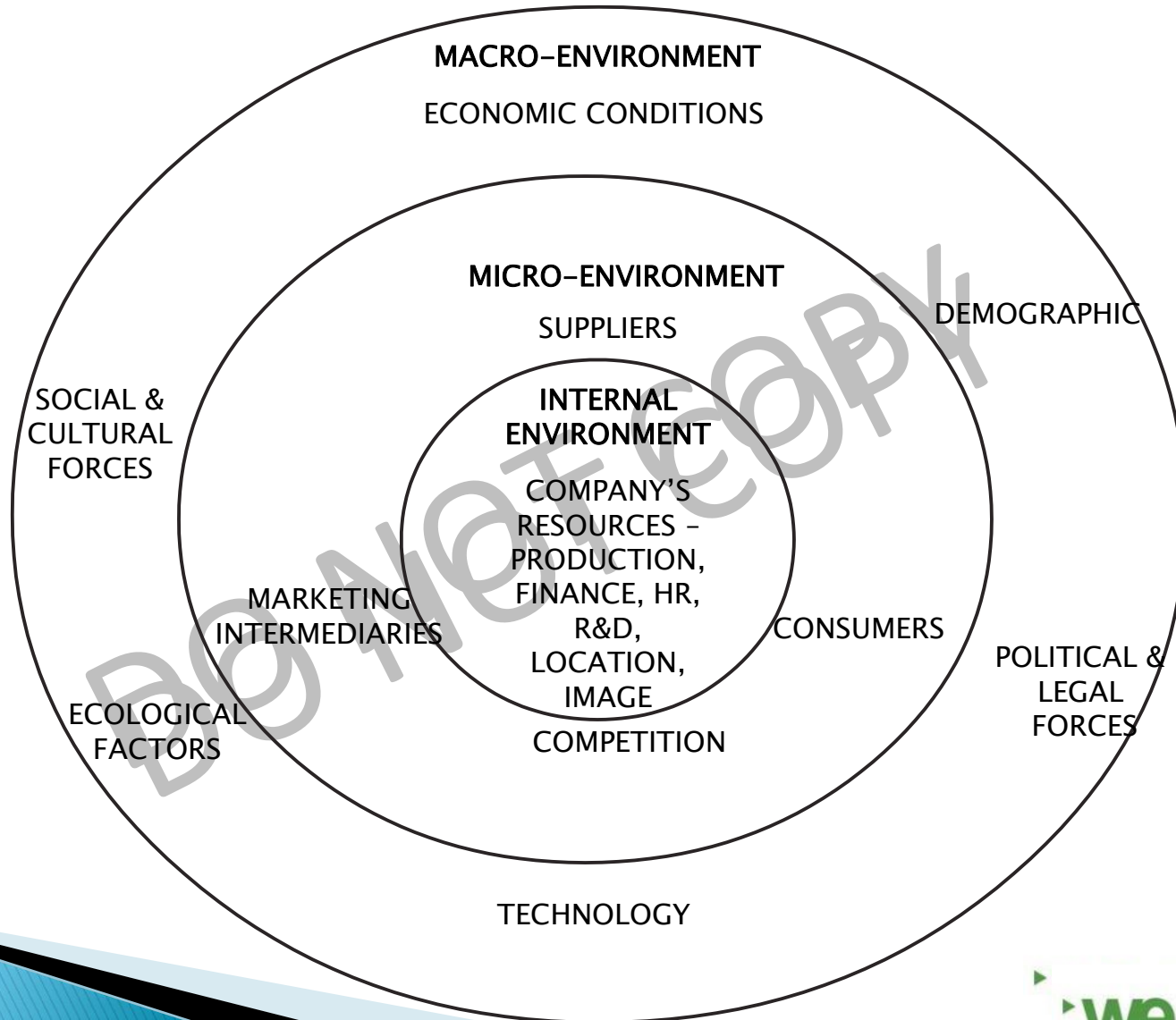
WHAT IS MARKETING ENVIRONMENT

- ▶ Marketing environment means the market situation/atmosphere within which a business enterprise has to operate.
- ▶ According to Philip Kotler, *“the company’s marketing environment is made up of the sectors and forces outside the firm’s marketing function which infringe upon the ability of marketing management to develop and maintain a successful relationship with the firm’s target audience.”*
- ▶ Marketing environment is the sum total of political, economic, social, technological and other forces which move around the business enterprise.

TYPES OF MARKETING ENVIRONMENT

- ▶ A firm is exposed to both external and internal environments. The internal environment consists of company's resources such as production, finance, HR, research and development, location and image. External environment has two distinct components: the Micro-environment and the Macro-environment
- ▶ **Micro-environment:** It affects a particular firm and consists of Consumers, Marketing intermediaries like Distributors, Wholesalers, Dealers, Suppliers and Competitors.
- ▶ **Macro-environment:** It affects all the firms and include Demographic factors, Economic conditions, Social and cultural forces, Political and Legal forces, Technology and Ecological factors.

MARKETING ENVIRONMENT



IMPORTANCE OF ENVIRONMENTAL ANALYSIS

1. It creates an increased general awareness of environmental changes on the part of management

2. It guides with greater effectiveness in matters relating to Government.

3. It helps in Marketing Analysis

4. It suggests improvements in diversification and resource allocations

5. It helps firms to identify and capitalise upon opportunities rather than losing out to competitors.

6. It provides a base of 'objective qualitative information' about the business environment that can subsequently be of value in designing the strategies.

7. It provides a continuing broad-based education for executives in general, and the strategists in particular.

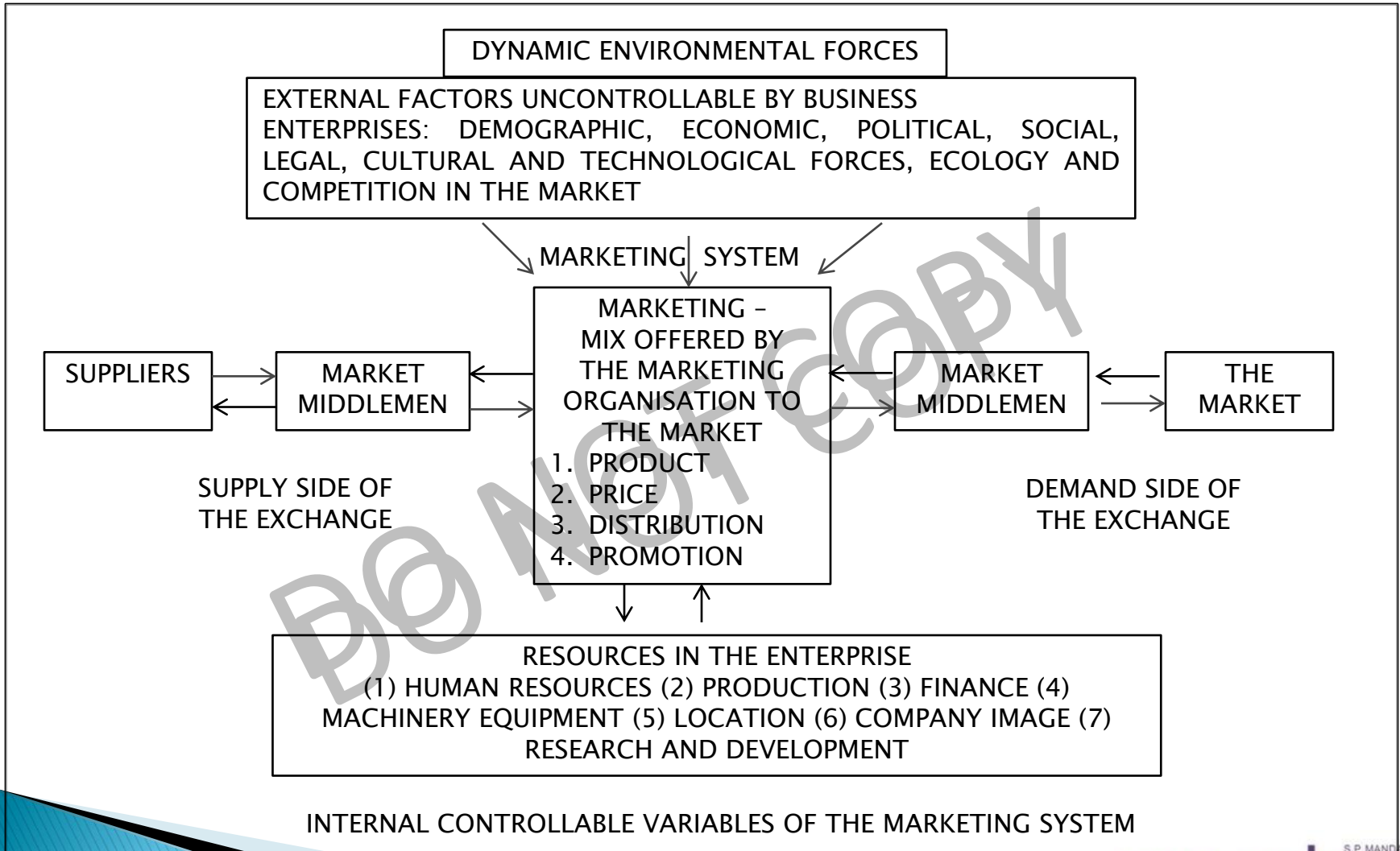
MARKETING MANAGEMENT & ITS ENVIRONMENT

- ▶ It is the sum of all the factors outside the control of a company's management, which can change and, when changing, carry with them sizable monetary impacts on the markets for particular products and services.
- ▶ Management should first establish a programme for consistently monitoring the market environment like an early-warning radar system. Second strategies have to be developed for fulfilling a growing need or ways to seize the opportunities and avoid the threats.

MARKETING MANAGEMENT & ITS ENVIRONMENT

- ▶ According to William J. Stanton “Successful marketing depends largely on a company’s ability to manage its marketing programme within its environmental framework.”
- ▶ The essential point is that the business organisation must constantly monitor its environment.
- ▶ The heart of the marketing system of a company is its *marketing-mix*. Marketing Management evolves the marketing mix in relation to its external environment. Hence, it must respond *in time* to changes in the marketing environment and it must adopt intelligent forecasting devices to anticipate the trend and intensity of environmental changes.

MARKETING SYSTEM OPERATING WITHIN DYNAMIC ENVIRONMENT



MACRO ENVIRONMENT

- ▶ External forces have considerable influence on company's marketing activities. They are dynamic, ever-changing and are largely uncontrollable by management.



MACRO ENVIRONMENT

1. Demography

- ▶ Marketing Management is directly interested in demography, *i.e.*, scientific study of human population and its distribution structure. Demographic analysis deals with quantitative elements such as age, gender, education, occupation, income, geographic concentration and dispersion, urban and rural population, *etc.*
- ▶ Thus, demography offers consumer profile, which is very necessary in market segmentation and determination of target markets.
- ▶ Quantitative aspect of consumer demand is provided by demography, *e.g.*, census of population, whereas qualitative aspect of consumer demand such as personality, attitudes, motivation, perception, *etc.*, is provided by behavioural analysis.

MACRO ENVIRONMENT

1. Demography

- ▶ Good demographic analysis combines several factors such as population rate of growth or decrease, income or economic power, life-cycle analysis of consumer, occupation, education, and geographic segmentation.
- ▶ Both demographic and behavioural analyses enable marketing executives to understand the bases of market segmentation and to determine marketing reaction to a new product or consumer reaction to an advertising campaign.

MACRO ENVIRONMENT

2. Economic Environment

- ▶ People constitute only one element of a market. The second essential element of a market is purchasing power and willingness to spend. Then only we have effective demand. Hence, economic conditions play a significant role in the marketing system. High economic growth assures higher level of employment and income, and this leads to marketing boom in many industries.
- ▶ Marketing plans and programmes are also influenced by many other economic factors such as interest rates, money supply, price level, consumer credit, *etc.* Higher interest rates adversely influence real-estate market and markets for consumer durables sold on instalment basis.

MACRO ENVIRONMENT

2. Economic Environment

- ▶ Exchange fluctuations, currency devaluation, changes in political and legal set-up influence international marketing. The level of take-home pay determines disposable personal income and it influences marketing programmes directly.
- ▶ Economic conditions leading to recession can influence product planning, price fixing, and promotion policies of a business enterprise. Energy crisis and inflation are the two factors hindering accelerated economic growth in spite of liberalisation.

MACRO ENVIRONMENT

3. Social & Cultural Environment

- ▶ Social class is determined by income, occupation, location of residence of members. Broadly, we have three social classes *i.e.*, upper, middle and lower and each class has its own standards with respect to lifestyle, behaviour, *etc.*
- ▶ Culture provides people with a sense of identify and understanding of acceptable behaviour in a society.
- ▶ *Example: In our country, the younger generation is moving ahead with the times, but the traditional population is not comfortable with the westernisation of our culture*

MACRO ENVIRONMENT

3. Social & Cultural Environment

There are three aspects of social and cultural environment *i.e.*,

- ▶ 1. Changes in our life–styles and social values, *e.g.*, changing role of women, emphasis on quality of goods instead of quantity of goods, greater preference to recreational activities and demand for readymade food, beauty parlor, *etc.*,
- ▶ 2. Major social problems, *e.g.*, concern for pollution of our environment, socially responsible marketing policies, need for safety in occupations and products, *etc.*,

MACRO ENVIRONMENT

3. Social & Cultural Environment

- ▶ 3. Consumerism is becoming increasingly important to marketing decision process. Social environment in many countries is responsible for emphasizing social responsibility of business and customer-oriented marketing approach. Societal marketing concept, demanding not only consumer welfare but also citizen welfare, is due to the prevalent social environment and social or cultural values in many countries. Marketers are now called upon not only to deliver higher material standard of living, but also assure *quality of life, i.e.,* environment free from pollution.

MACRO ENVIRONMENT

4. Political & Legal Forces

- ▶ Political and legal forces are gaining considerable importance in marketing activities and operations of business enterprises. Marketing systems are affected by government's monetary and fiscal policies, import-export policies, customs duties. Legislation controlling physical environment, *e.g.*, anti-pollution laws also influence marketing plans and policies.
- ▶ We have also legislation to control and regulate monopoly and unfair trade practices in many countries. Marketing Management cannot ignore the legislation regulating competition and protecting consumers.

MACRO ENVIRONMENT

4. Political & Legal Forces

- ▶ Business enterprises may not be allowed to resort to price discrimination, false and misleading advertising, exclusive distributorships and tying agreements, deceptive sales promotion devices, division of markets, exclusion of new competitors, and such other unfair trade practices.
- ▶ During the last few years, several programmes like Employment Guarantee Scheme, Gram Sadak Yojana, Rastriya Krishi Vikas Yojana have been taken up for development of rural areas. While one may attribute some of the measures to win votes, these initiatives have certainly led to increase in income and opportunity for the marketers.

MACRO ENVIRONMENT

5. Technology

- ▶ The evolution of global market by 2001 has been due to the wonders of science and technology. It is the driving force behind many new product innovations and the development of many markets. The time between idea generation and commercialisation is now considerably shortened and a technological breakthrough can take place within a few years now.
- ▶ Electronic industry is the best example of exploiting new marketing opportunities. Digital watches killed the marketing prospects of traditional watches. Artificial fibre cloth has almost taken over the pure cotton textile industries in many countries. Television has adversely affected radio and cinema industries.

MACRO ENVIRONMENT

6. Ecology (Nature)

- ▶ Ecology, economic development, and market economy can go hand-in-hand. *Sustainable development*, environmental protection can be integrated to assure a healthy, peaceful, and productive life in harmony with Nature, our Earth-Goddess.
- ▶ Environmental experts are vigorously advocating the preservation and survival of our entire ecological systems. It is said that pollution is an inevitable by-product of high-consumption economic systems prevalent in the advanced countries. The marketing system of an enterprise has now to satisfy not only the buyers of its products (consumers/users) but also societal wants.

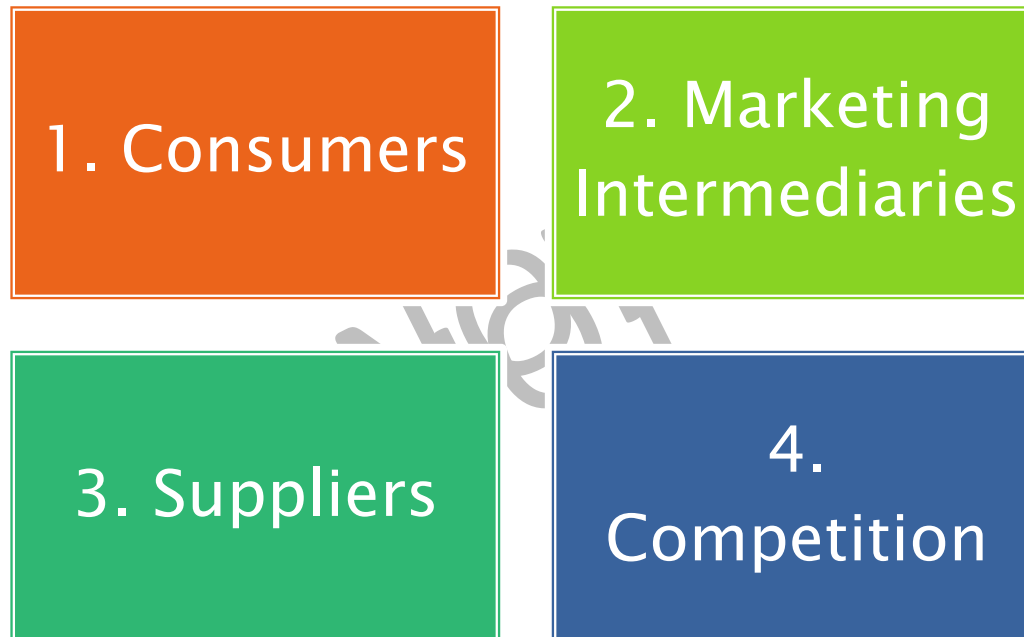
MACRO ENVIRONMENT

6. Ecology (Nature)

- ▶ Marketing Executives are expected to take measures to conserve and allocate our scarce resources properly. Above all, they must show active interest in the welfare of community life.
- ▶ Ecological crisis is a burning problem in the global economy. Fortunately marketers and business leaders of the world have come together under the UNO and WTO to bring about sustainable industrial and commercial development free from dangers of pollution and prevent further self-destructive and ruthless exploitation of nature.

MICRO ENVIRONMENT

- ▶ These are factors which are specific to the business concerned and include Consumers, Marketing intermediaries and Suppliers.



MICRO ENVIRONMENT

1. Consumers

- ▶ The wants, desires, preferences, expectations and aspirations of consumers keep fluctuating. Marketing system must respond to the customer needs and desires in all aspects. Marketing policies, programmes and strategies are planned, organised and executed with the main objective of customer satisfaction and service.
- ▶ Today, marketing in the firm begins and also ends with the customers. First, we have to identify customers, *i.e.*, our markets. Then, we develop our marketing programme in the form of the appropriate marketing mix to reach our customers, *i.e.*, our target market. We offer our output of goods and services primarily to secure continuous customer satisfaction. Repeat sales are possible only on customer satisfaction.

MICRO ENVIRONMENT

2. Marketing Intermediaries

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MICRO ENVIRONMENT

3. Suppliers

- ▶ The Company purchases raw materials from vendors/suppliers and it has to ensure regular supplies to maintain continuity of production. Shortage of raw materials can affect production volumes leading to low sales and low profits.
- ▶ Similarly increase in the prices of raw materials can affect sales volumes and profits. Therefore, suppliers play a major role in the profitable running of an organisation

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MICRO ENVIRONMENT

4. Competition

- ▶ Although price competition is still present, particularly in the retail market, non-price competition is of paramount importance for the manufacturer. The Marketing Manager has little or no control over the actions of competitors. Competitors considerably influence the company's choice of marketing strategies, particularly in relation to selection of target markets, suppliers, marketing channels as well as in relation to its product-mix, price-mix and promotion-mix.
- ▶ Marketing strategy is itself a plan to fight against competition and to win over the competition. *Examples: The paging industry has been almost wiped out by cellular companies offering short messaging service. Typewriters have become obsolete with the introduction of computers.*

INTERNAL ENVIRONMENT

- ▶ The marketing efforts are also influenced by internal forces that are controllable by the management. These forces include Production, Finance, HR, Research and Development, Company location, Company image and marketing-mix components of product, price, promotion and distribution.
- ▶ *Example: A Company wants to increase sales volumes by extending the marketing activities to new geographical areas. It has to consider human resources requirements like number and type of sales people required to cover the new markets.*

CORPORATE MARKETING STRATEGIES

- ▶ We are witnessing a complete transformation of the consumer markets in our country. The availability of goods and services has increased. The disposable and discretionary income, in general, has gone up.
- ▶ The consumption of non-food items is growing. The consumer has a wide choice and is asking for more and more benefits at lesser and lesser cost. There is cut-throat competition in the marketplace. Companies are wooing the customers with attractive promotional schemes. Many companies have studied the changing marketing environment and have come out with consumer-oriented marketing strategies.

CORPORATE MARKETING STRATEGIES

ASIAN PAINTS

- ▶ The success of Asian Paints is primarily due to its excellent marketing strategies. The company introduced small packs of paints and expanded the dealer network, particularly in rural and semi-urban markets. These initiatives were aimed at meeting the unmet needs of the customers. The mascot '*Gattu*' has become very popular among the customers.
- ▶ The company studied the urban/rural markets and found out that huge volumes of '*Chuna*' (Lime) was used for painting the houses and walls. Packed distempers, dry distempers and lime wash priced between ₹ 5- ₹ 20 were sold in these markets.

CORPORATE MARKETING STRATEGIES

ASIAN PAINTS

- ▶ The consumers, in general, were not much satisfied with *chuna*, since it has to be done every year. Further, *chuna* affected the hands, eyes, and even lungs. There are no choice of colours. *Chuna* tends to flake off, leaving ugly patches on the walls. However, some people used distemper for painting the houses and walls in the place of *chuna*.
- ▶ The company developed a special brand of distemper “*Utsav*” priced at ` 25.00 per kg. *Utsav* was made available in one kg. packing to meet the requirement of small sized houses. The launch of the product in each state/region coincided with festivals.

CORPORATE MARKETING STRATEGIES

ASIAN PAINTS

- ▶ Supplies were made to grocery shops in villages through company dealers. Demonstrations, use of local newspaper, helped in creating demand for the product. The product '*Utsav*' has been accepted as a replacement for *chuna* and has been recognised as a successful marketing strategy in the paint industry.
- ▶ The company has entered into technical collaboration with US and Japanese companies for the manufacture of automotive paints to increase its share in industrial paint segment on the IT front, all the 50 depots are connected to the manufacturing plants and Head Office for faster flow of information, monitoring supplies and inventories. Asian Paints is the leader in decorative paint segment with a market share of about 38%.

CORPORATE MARKETING STRATEGIES

CAVINKARE

- ▶ In 1983, with a single product, CavinKare started out as a small partnership firm. Chik Shampoo was introduced by the company in 1983. The target audience was lower middle class, semi urban, monthly household income '1500-3000', females in the age-group of 16 plus. Radio was used as mass medium with popular cinema dialogues.
- ▶ New method used was through a consumer scheme where anyone could take any 4 empty shampoo sachets to a retailer and take home a chik sachet free. Chik was the first shampoo to be launched in sachet packing priced 50 paise and the strategy revolutionised the shampoo market in our country. Today, Chik is a ` 200 crore brand and about 60% of the Chik sales come from rural markets

CORPORATE MARKETING STRATEGIES

CAVINKARE

- ▶ The company now markets ten major brands. Over the years, CavinKare has achieved a competitive edge with sound understanding of mass marketing dynamics.
- ▶ **Product Range**
 1. **Hair Care:** Chik Shampoo, Nyle Herbal Shampoo, Meera Badam Shampoo, Indica Hair Colorant.
 2. **Ethnic Care:** Meera Hair Wash Powder, Karthika Hair Wash Powder, Meera Herbal Hair Oil.
 3. **Skin Care:** Fairever, Spinz Talc/deodorant, Nyle Cold Cream and Lotion

CORPORATE MARKETING STRATEGIES

GODREJ CONSUMER PRODUCTS LTD

- ▶ Godrej Consumer Products (GCPL) is a leader among India's Fast Moving Consumer Goods (FMCG) companies, with leading Household and Personal Care Products.

GPCL Product Portfolio

- ▶ **Soap:** Cinthol, Evita, Godrej No. 1, Fair Glow
- ▶ **Toiletries:** Cinthol Talc, Godrej No. 1 Talc, Fair Glow cream, Godrej shaving cream, Cinthol perfumes
- ▶ **Hair care:** Godrej hair colour dye, Renew woman hair dye, Nupur hair dye, Colour soft hair colour
- ▶ **Household care:** Godrej Dish wash liquid, Godrej Glossy
- ▶ **Fabric care:** Godrej Ezee

CORPORATE MARKETING STRATEGIES

GODREJ CONSUMER PRODUCTS LTD

1. Product Strategy

- ▶ **Godrej No. 1 Soap:** Godrej introduced many variants like Sandal, Jasmine, Ayurvedic, Lavender, *etc.* to extend the product line of soap. Each variant is a little different from the others. The variants are introduced to satisfy the varying needs of the consumers. It also introduced different product category like talc, shampoo under the name of Godrej No. 1.
- ▶ **Godrej No. 1 Talc:** It is available in two variants. (1) Jasmine, and (2) Sandal.
- ▶ **Godrej No. 1 Shampoo:** Godrej No. 1 launched, for the first time in India. Aloe–Almond combination in a Shampoo.

CORPORATE MARKETING STRATEGIES

GODREJ CONSUMER PRODUCTS LTD

2. Pricing Differentiation Strategy

- ▶ In order to reach out to the masses, it was necessary to develop smaller SKUs and hence price them accordingly. Godrej No. 1 soap did just that. Their products came in different sizes and pricing varied accordingly. Following are the various pricing schemes for the different product sizes:
 - ▶ 115 gms (Pack of 4) at ` 50/-
 - ▶ 90 gms (Pack of 4) at ` 40/-
 - ▶ 90 gms (Pack of 3) at ` 30/-
 - ▶ 70 gms (Pack of 4) at ` 30/-
 - ▶ and 40 gms singles at ` 5/-
- ▶ They use bundle pricing strategy to attract the masses.

CORPORATE MARKETING STRATEGIES

GODREJ CONSUMER PRODUCTS LTD

2. Distribution Strategy

- ▶ The company has ambitious plans to extend distribution to smaller towns and rural markets.
- A. **Project Sampark**–Project “Sampark,” is a distributor management system used for stock management, billing to retailers, accounting and report generation. The objective of implementing Sampark was to reduce the working capital of distributors.
- B. **Increased penetration**– Intensified rural approach: presence in all locations with over 10,000 population with 130 Super Stockists, and 2,450 sub-stockists.

CORPORATE MARKETING STRATEGIES

GODREJ CONSUMER PRODUCTS LTD

2. Distribution Strategy

- c. **Retail thrust**– Focus on availability of all products at all 600,000 outlets; Focus on modern retailing.
 - ▶ **Events:** Godrej No. 1 hosts a variety of events which helps it to connect with the masses.
 - ▶ **Godrej No. 1 Sahyadri Navratna Awards**
 - ▶ **Godrej No.1 Gold Awards**
 - ▶ **Advertising**

CORPORATE MARKETING STRATEGIES

▶ MICROMAX

- ▶ They introduced products with comparatively lower prices focusing mainly on adding particular innovative features. This gave them a competitive edge over the others and made micromax a primary choice for the rural consumers.
- ▶ **30-day Battery Phones:** April 2008: ₹ 2,249; Now: ₹ 1,999 The X1i, Micromax's first phone, had a battery that could give 17 hours of talk time and go 30 days on a single charge.
- ▶ **Dual-Sim Phones:** July 2008: ₹ 1,999–2,999 For those who want two numbers but one handset.
- ▶ **Phone-cum-Remote:** May 2010: ₹ 2,999 A mobile that can switch TV channels and even change the temperature settings on AC.

CORPORATE MARKETING STRATEGIES

▶ NIRMA CHEMICALS

- ▶ Nirma went in for a “no-frills” approach in production, sales distribution and organisational arrangements.
- ▶ The title ‘Nirma girl’ going round and round on her feet makes a strong mnemonic for the brand.
- ▶ Nirma shattered the myth ‘economy at the cost of quality.’
- ▶ Nirma over a period of ten years has become the largest selling brand and the success of Nirma is due to affordable price, medium quality, distribution reach and effective use of media.

CORPORATE MARKETING STRATEGIES

▶ TATA MOTORS

- ▶ The company's 24,000 employees are guided by the vision to be “best in the manner in which we operate, best in the products we deliver, and best in our value system and ethics.”
- ▶ Tata Motors commercial vehicles are known for their reliability and durability.
- ▶ Seven out of every 10 trucks on Indian roads proudly carry the Tata logo.

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CORPORATE MARKETING STRATEGIES

▶ TATA MOTORS

- ▶ **WHO IS THE CUSTOMER** – With the help of McKinsey, the company classified its customers into a four-level pyramid.
- ▶ At the bottom was the acquisition-price-sensitive customer, who is looking only at price, not performance.
- ▶ Above that is the return-on-investment customer, who is willing to pay price for better value.
- ▶ The third layer is the looking-for-a-balance customer, who weighs both price and performance. At the top is the only-performance customer, who is willing to pay a higher price for it.

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CORPORATE MARKETING STRATEGIES

- ▶ **TATA MOTORS**
- ▶ **The products of Tata motors are:**
 - A. Ace — The Baby Elephant
 - B. Vehicle Finance
 - C. Cityride
 - D. Indica/Nano

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CONCLUSION

- ▶ The business enterprise is an open adaptive system with its own environment.
- ▶ It has interaction and interdependence with economic, social, political, legal, technological and cultural forces.
- ▶ The market place, the place where buying and selling takes place with the help of money and intermediaries, also exists in the external environment.
- ▶ The main forces operating to create the need for new responses from the firm are: changing customer demand, changing competition, changing technology, changing economic & legal policies of Governments, and changing social & cultural trends.

THANK YOU