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### The Marketing Environment

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#### What Is The Marketing Environment?

The marketing environment surrounds and impacts upon the organization. There are three key perspectives on the marketing environment, namely the 'macro-environment,' the 'micro-environment' and the 'internal environment'.

- The micro-environment
- The internal environment.
- Managing the implementation of internal marketing
- Analyzing the environment - Five Forces Analysis
- What is PEST Analysis?

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#### The micro-environment

This environment influences the organization directly. It includes suppliers that deal directly or indirectly, consumers and customers, and other local stakeholders. Micro tends to suggest small, but this can be misleading.

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In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence.

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### **The macro-environment**

This includes all factors that can influence and organization, but that are out of their direct control. A company does not generally influence any laws (although it is accepted that they could lobby or be part of a trade organization). It is continuously changing, and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The wider environment is also ever changing, and the marketer needs to compensate for changes in culture, politics, economics and technology.

### **The internal environment**

All factors that are internal to the organization are known as the 'internal environment'. They are generally audited by applying the 'Five Ms' which are **Men, Money, Machinery, Materials and Markets**. The internal environment is as important for managing change as the external. As marketers we call the process of managing internal change 'internal

Managing the implementation of internal marketing (Jobber 1995)

In previous lessons, you will have seen that the process of marketing follows a familiar pattern for which we use the acronym AOSTC - Analysis, Objectives, Strategies, Tactics, and Control. In the diagram above, Jobber (1995) uses a similar approach as a structure for the implementation of internal marketing. The process is straightforward.

Set objectives for internal marketing e.g. to persuade 100 staff to join a new Performance Related Pay (PRP) scheme.

Your strategy is 'internal marketing.'

Tactics would include an internal application of the marketing mix, and could include staff forums, presentations, an intranet, away days, videos, personal visits by company directors or newsletters.

Evaluation would consider the take up of PRP against your objectives, attendees at away days, visits to an intranet page, and so on.

### **Let's have a look a closer look at the practicalities of internal marketing.**

At this stage internal marketing meets traditional 'change management.' Firstly you should identify your internal customers. As with your external customers, they will have their own buyer behavior, or way of 'buying into' the changes which you are charged to implement. The similarities in differing groups of internal customers allows you to segment them.

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As Jobber (1995) explains, you can target three different segments namely 'supporters,' neutral,' and finally 'opposers.' Each group requires a slightly different internal marketing mix in order that your internal marketing objectives can be achieved.

For example, if the change was that a company was to relocate closer to its market, you could target 'supporters' with a tailor-made relocation video explaining about the lower property prices in the new location; 'neutral' internal customers could be targeted with incentives such as pay increases; and 'opposers' could be coerced, or forced to accept the change regardless.

### **How do we plan for a change program?**

- Always make sure that you have thought through your approach before starting the implementation.
- Make sure that you have created a cultural climate that is willing to accept change.
- Appoint a change agent, or champion for change that will help to ease your changes through.
- Audit the skills and capabilities of your team. Train and develop as necessary.
- Your team must be built around you with the objective as the focus for you all.
- The change must be correctly marketed to your target audience using an approach such as Jobbers.'
- Decide what the change will be. Give it boundaries.
- Decide upon the plan.
- Work out a realistic budget and stick to it.
- Try to anticipate the arguments against change, and decide how to counteract them positively.

Essentially we use marketing approaches to aid communication and change management.

The external environment can be audited in more detail using other approaches such as SWOT Analysis, Michael Porter's Five Forces Analysis or PEST Analysis.

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### **Analyzing the environment - Five Forces Analysis**

**Five Forces Analysis** helps the marketer to contrast a competitive environment. It has similarities with other tools for environmental audit, such as PEST analysis, but tends to focus on the single, stand alone, business or SBU (Strategic Business Unit) rather than a single product or range of products. For example, Dell would analyse the market for Business Computers i.e. one of its SBUs.

Five forces analysis looks at five key areas namely the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry.

#### **The threat of entry**

Economies of scale e.g. the benefits associated with bulk purchasing.

The high or low cost of entry e.g. how much will it cost for the latest technology?

Ease of access to distribution channels e.g. Do our competitors have the distribution channels sewn up?

Cost advantages not related to the size of the company e.g. personal contacts or knowledge that larger companies do not own or learning curve effects.

#### **Will competitors retaliate?**

Government action e.g. will new laws be introduced that will weaken our competitive position?

How important is differentiation? e.g. The Champagne brand cannot be copied. This desensitises the influence of the environment.

This is high where there a few, large players in a market e.g. the large grocery chains.

If there are a large number of undifferentiated, small suppliers e.g. small farming businesses supplying the large grocery chains.

The cost of switching between suppliers is low e.g. from one fleet supplier of trucks to another.

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### **The power of suppliers**

The power of suppliers tends to be a reversal of the power of buyers.

Where the switching costs are high e.g. Switching from one software supplier to another.

Power is high where the brand is powerful e.g. Cadillac, Pizza Hut, Microsoft.

There is a possibility of the supplier integrating forward e.g. Brewers buying bars.

Customers are fragmented (not in clusters) so that they have little bargaining power e.g. Gas/Petrol stations in remote places.

### **The threat of substitutes**

- Where there is product-for-product substitution e.g. email for fax Where there is substitution of need e.g. better toothpaste reduces the need for dentists.
- Where there is generic substitution (competing for the currency in your pocket) e.g. Video suppliers compete with travel companies.
- We could always do without e.g. cigarettes.

### **What is PEST Analysis?**

It is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning.

- Planning for international marketing. You need to look at:
- Interest rates.
- The level of inflation Employment level per capita.
- Long-term prospects for the economy Gross Domestic Product (GDP) per capita, and so on.

### **Political Factors**

The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. You must consider issues such as:

- How stable is the political environment?

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- Will government policy influence laws that regulate or tax your business?
- What is the government's position on marketing ethics?
- What is the government's policy on the economy?
- Does the government have a view on culture and religion?
- Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others?

### **Economic Factors**

Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true when planning for international marketing. You need to look at:

- Interest rates.
- The level of inflation Employment level per capita.
- Long-term prospects for the economy Gross Domestic Product (GDP) per capita, and so on.

### **Sociocultural Factors**

The social and cultural influences on business vary from country to country. It is very important that such factors are considered. Factors include:

- What is the dominant religion?
- What are attitudes to foreign products and services?
- Does language impact upon the diffusion of products onto markets?
- How much time do consumers have for leisure?
- What are the roles of men and women within society?
- How long are the population living? Are the older generations wealthy?
- Do the population have a strong/weak opinion on green issues?

### **Technological Factors**

Technology is vital for competitive advantage, and is a major driver of globalization. Consider the following points:

Does technology allow for products and services to be made more cheaply and to a better standard of quality?

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- Do the technologies offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones, etc?
- How is distribution changed by new technologies e.g. books via the Internet, flight tickets, auctions, etc?
- Does technology offer companies a new way to communicate with consumers e.g. banners, Customer Relationship Management (CRM), etc?