

CHAPTER 2

ANALYSIS OF CURRENT BUSINESS ENVIRONMENT

The marketing environment surrounds and impacts upon the organization.

MICRO ENVIRONMENT

This environment influences the organization directly.

- **Company's Internal Environment** - functional areas such as top management, finance, and manufacturing, etc.
- **Suppliers** - provide the resources needed to produce goods and services and are an important link in the "value delivery system".
- **Marketing Intermediaries** - help the company to promote, sell, and distribute its goods to final buyers.
- **Customers** - that purchase a company's goods and services.
- **Competitors** - those who serve a target market with similar products and services against whom a company must gain strategic advantage.
- **Publics** - any group that perceives itself having an interest in a company's ability to achieve its objectives.



MACRO ENVIRONMENT

This includes all factors that can influence an organization, but that are out of their direct control. These are Technological, Cultural, Economic, Political, that Shape Opportunities and Pose Threats to a Company.

I) ECONOMIC

The economic environment consists of factors that affect consumer purchasing power and spending patterns. Economic factors include business cycles, inflation, unemployment, interest rates, and income. Changes in major economic variables have a significant impact on the marketplace. For example, income affects consumer spending which affects sales for organizations.

II) TECHNOLOGICAL

The technological environment refers to new technologies, which create new product and market opportunities. Technological developments are the most manageable uncontrollable force faced by marketers. Organizations need to be aware of new technologies in order to turn these advances into opportunities and a competitive edge. Technology has a tremendous effect on life-styles, consumption patterns, and the economy. Advances in technology can start new industries, radically alter or destroy existing industries, and stimulate entirely separate markets. The rapid rate at which technology changes has forced organizations to quickly adapt in terms of how they develop, price, distribute, and promote their products.

III)SOCIO-CULTURAL

Social/cultural forces are the most difficult uncontrollable variables to predict. It is important for marketers to understand and appreciate the cultural values of the environment in which they operate. The cultural environment is made up of forces that affect society's basic values, perceptions, preferences, and behaviors. Changes in social/cultural environment affect customer behavior, which affects sales of products. Trends in the cultural environment include individuals changing their views of themselves, others, and the world around them and movement toward self-fulfillment, immediate gratification, and secularism.

IV) POLITICAL

Organizations must operate within a framework of governmental regulation and legislation. Government relationships with organizations encompass subsidies, tariffs, import quotas, and deregulation of industries. The political environment includes governmental and special interest groups that influence and limit various organizations and individuals in a given society. The public expects organizations to be ethical and responsible. An example of response by marketers to

special interests is green marketing, the use of recyclable or biodegradable packing materials as part of marketing strategy.

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 **M**en, **M**oney, **M**achinery, **M**aterials and **M**arkets. The internal environment is as important for managing change as the external. As marketers we call the process of managing internal change 'internal marketing.' Essentially we use marketing approaches to aid communication and change management.

COMPETITIVE ENVIRONMENT

Adopting the marketing concept means that an organization must provide greater customer value than its competitors. Being good is not good enough if a competitor is better. It is impossible for an organization to develop strong competitive positioning strategies without a good understanding of its competitors and the strengths and weaknesses of the competitors.

Three levels of competition exist.

1. Direct competitors are firms competing for the same customers with the similar products (ex. grocery stores).
2. Competition exists between products that can be substituted for one another (ex. margarine for butter).
3. Competition exists among all organizations that compete for the consumer's purchasing power (ex. entertainment).

Pure competition has many firms, all selling identical products, and no one firm is powerful (ex. wheat farmers). Monopolistic competition has a large number of firms selling slightly differentiated products (ex. fast food - product differentiation). Oligopoly is a small number of firms selling that can act collusively (ex. long distance telephone). Monopoly is a single firm selling in the market for which there is no close substitute (ex. AT&T pre-1980).