

MS-107 (Marketing Management)

Unit- 5: Marketing Environment

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Marketing Environment

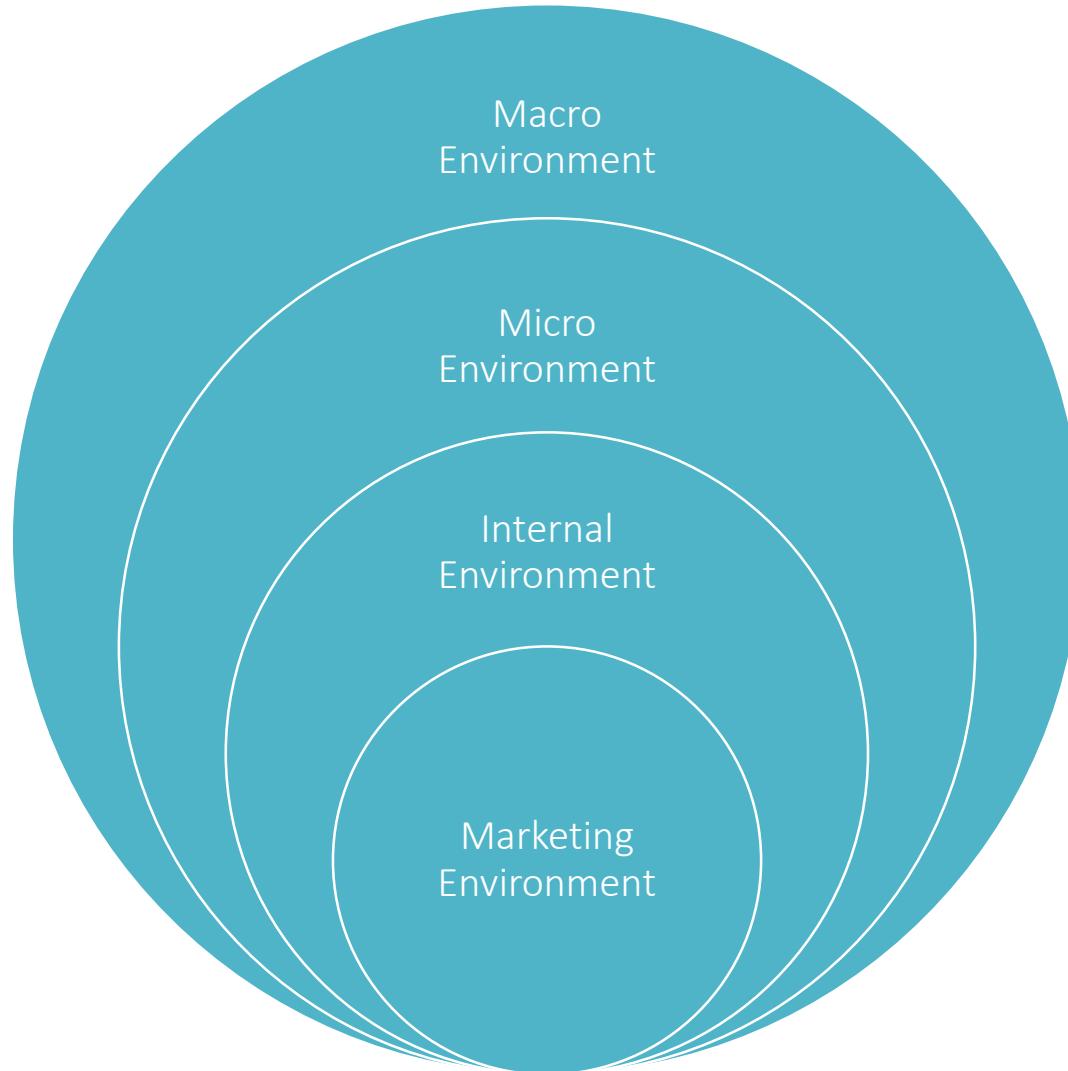
Philip Kotler defines marketing environment as follows:

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

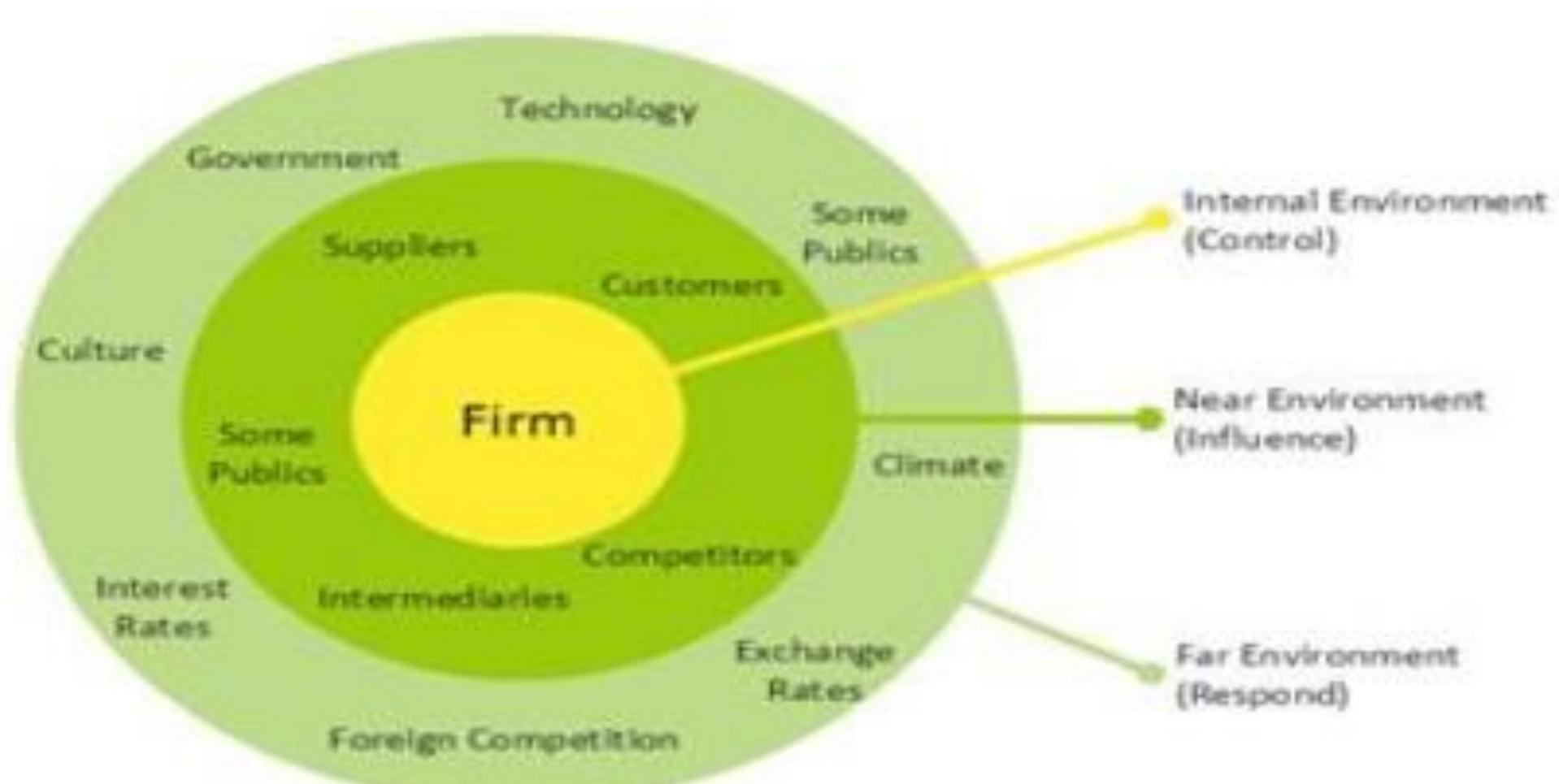
Components of Marketing Environment

1. *Internal Environment*-The internal environment is very specific to a company and includes owners, employees, company policies, machines, raw materials etc. A company's various departments and policies are a part of the internal environment too. The internal environment can largely be controlled by the company and when the external environment changes the internal environment changes in response.
2. *External Environment*-The external environment lies external to the organization. It is that part of the environment which is largely uncontrollable by the organization. The organization cannot control the external environment, it can only respond to the changes in the external environment. External environment can be divided into parts:
 - a. Microenvironment
 - b. Macro environment

A Firm's Environment



A Cross Section of a Firm's Environment



Six Factors of Macroeconomics Environment- DESTEP Model



Demographic Environment

- Demography is the study of human populations. It characterizes human population on the parameters of age, gender, size, composition, income, education, density, location, race, occupation and the like.
- Demographic environment is important for marketing because marketing involves people as target customers, prospects and final customers. People make up markets and finally any change in demographics shall definitely involve a change in marketing decisions.
- Demographic trends include any change or shift in the above defined parameters. For example, India is a young country with Millennials (18-35 years), accounting for 34% (440 million) of the country's population. They also represent a whopping 47% of the country's workforce.

Economic Environment

Economic environment includes factors that affect the purchasing power and purchasing patterns of the consumers.

The following economic factors have an enormous impact on marketing.

- ❖ Change in Disposable Income
- ❖ The cost of Borrowing
- ❖ Promotions and Advertising Expenses
- ❖ Government Reforms
- ❖ Petroleum/ Diesel Prices

Socio-Cultural Environment

A set of beliefs, values, customs, traditions, practices, social institutions, social attitudes and behavioral patterns exists within every population. These forces are in a constant and this makes marketing adaptation important and inevitable. All companies, especially the international companies, require a robust evaluation of the socio-cultural environment prior to entering their target markets.

Factors affecting Socio-Cultural Environment

- ❖ Emergence of global consumer cultures
- ❖ Societal trends are the result of a technologically interconnected world
- ❖ Religion
- ❖ Colours and aesthetics
- ❖ Dietary Preferences
- ❖ Language and communication

Technological Environment

Technology abounds us everywhere and has become a way of life. A world without technology is unimaginable. Technology initially started as a facilitator to marketing-helping marketing to reach and connect with the customers and but today more than 80 percent of marketing is technology. Technology has almost taken over the marketing function and has created disruption in the hitherto stable industry.

Impact of Technological Environment

- ❖ Technology and Consumer Behaviour
- ❖ Companies are forced to go online
- ❖ Increase in Application based market
- ❖ Origin of new products and market

Politico-Legal Environment

The politico-legal system in a country affects business in a big way. This is because it dictates the formulation and execution of policies. Any change in the system, sets in motion a change economic policies and reforms and any change in economic policies and reforms is sure affects business and marketing. Every party has an election manifesto in

Impact of Politico-Legal Environment

- ❖ Demonetization and marketing
- ❖ GST and marketing
- ❖ Liberal policies
- ❖ Business related legislations

Natural Environment

Natural environment includes the natural resources that are needed as inputs by marketers or that are affected by marketing activities.

Relationship with Natural Environment

- ❖ Shortage of Raw-Material
- ❖ Increased pollution
- ❖ Increased Government interventions
- ❖ Green marketing and environmentally sustainable strategies

Responding to Changes in Environment

- ❖ Reactive: It requires responding and adapting to forces in the environment. Polythene getting banned required a reactive search for alternative packing material. This is called as a reactive response.
- ❖ Proactive : It requires observing the environmental trends, foreseeing and responding before the environment changes. It's about being vigilant and thus being proactive. Observing the environmental trends towards more women joining the workforce, Van Heusen, *Allen Solly* introduced the wok wardrobe in India. This is called as a proactive response and it can happen only if a company keeps a tab over the environmental trends.

Reference

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Thank You!