

# Chapter 2

## The Marketing Environment

**MKTG10**

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# LEARNING OUTCOMES

- 4-1 Discuss the external environment of marketing and explain how it affects a firm
- 4-2 Describe the social factors that affect marketing
- 4-3 Explain the importance to marketing managers of current demographic trends
- 4-4 Explain the importance to marketing managers of growing ethnic markets

# LEARNING OUTCOMES

- 4-5 Identify consumer and marketer reactions to the state of the economy
- 4-6 Identify the impact of technology on a firm
- 4-7 Discuss the political and legal environment of marketing
- 4-8 Explain the basics of foreign and domestic competition

4-1

# The External Marketing Environment

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**Discuss the external  
environment of marketing,  
and explain how it affects a  
firm**

# Target Market

A group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the need of that group, resulting in mutually satisfying exchanges.

# Understanding the External Environment

Unless marketing managers understand the external environment, the firm cannot intelligently plan for the future.

***Environmental Management is...***

when a company implements strategies that attempt to shape the external environment within which it operates.

4-2

# Social Factors

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**Describe the social factors  
that affect marketing**

# Social Factors

- Social factors include:

**Attitudes**

**Values**

**Lifestyles**

- Social factors influence the products people buy, the price paid, the effectiveness of specific promotions, and how, where, and when people expect to purchase products.

# Values

- A value is a strongly held and enduring belief.

<http://www.stevepavlina.com/blog/2004/11/list-of-values/>

- Human values give us a sense of what is or isn't important in one's life.
- Values are believed to strongly influence *attitudes* and *lifestyles*

# An example of American Values

The American society is greatly influenced by a set of four values:

- ✓ **Self-sufficiency:** Every person should stand on his or her own two feet.
  - ✓ **Upward mobility:** Success comes with getting an education, working hard, and playing by the rules.
  - ✓ **Work ethic:** Hard work, dedication to family, and frugality are moral and right.
  - ✓ **Conformity:** No one should expect to be treated differently from everybody else
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- People typically form values through interactions with family, friends, and other influencers.

# The Role of Social Media in Communication and shaping our behavior

Social media are making profound changes in the way we obtain and consume information.

Social networking has changed the game when it comes to opinion sharing. Now, consumers can reach many people at once with their views—and can respond to brands and events in real time.

Teenagers and young adults are more likely to view social networks as a valuable source of information.

# How Firms Use Social Media

A starting point for a firm using social media is to monitor what is being said about the brand.

In addition to monitoring, the firm must respond to both positive and negative buzz about the company or brand.

Social media can also be used to amplify a promotional campaign by inviting consumers to join the conversation about a brand.

4-3

# Demographic Factors

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**Explain the importance  
to marketing managers of  
current demographic trends**

# Demographic Factors

Demography is the study of people's vital statistics, such as age, race, ethnicity and location.

Demographic variable is extremely important to marketing managers

Demographics are significant because the basis for any market is people.

- Demographic characteristics relate to buyer behavior
- Demographic cohorts have their own needs, values, and consumption patterns.

4-5

# Economic Factors

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**Identify consumer and  
marketer reactions to the  
state of the economy**

# Economic Factors

The four economic areas of greatest concern to marketers are consumers' incomes, purchasing power, inflation, and recession.

**Consumers'  
Income**

**Purchasing Power**

**Inflation**

**Recession**

# Consumers' Incomes

- As disposable income rise, more families and individuals can afford the 'good life'.
- Education is the primary determinant of earning potential
- Earnings/ income define our shopping behavior

# ***Purchasing Power is...***

measured by comparing income to the relative cost of a standard set of goods and services in different geographic areas, usually referred to as the cost of living.

## ***Inflation is...***

a measure of the decrease in the value of money, expressed as the percentage reduction in value since the previous year.

## ***A recession is...***

a period of economic activity characterized by negative growth, which reduces demand for goods and services.

4-6

# Technological Factors

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**Identify the impact of  
technology on a firm**

# Technological Factors

- Technology is the most dramatic variable of all external environment
- Its dynamic, always changing, and hence needs to be carefully watched and updated.
- Technology and innovation provides a firm with competitive advantage.

4-7

# Political and Legal Factors

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**Discuss the political and  
legal environment  
of marketing**

# Political and Legal Factors

Business needs government regulations to protect innovators of new technology, the interests of society in general, one business from another, and consumers.

Government needs business for generation of taxes.

Every aspect of the marketing mix is subject to laws and restrictions. It is the responsibility of marketing managers to understand and conform to these laws, while creating new programs to accomplish marketing objectives.

4-8

# Competitive Factors

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**Explain the basics  
of foreign and domestic  
competition**

# Competitive Factors

**How many competitors?**

**How big are competitors?**

**How interdependent is  
the industry?**



# Competitive Factors

## Market Share and Profits

- Firms must work harder to maintain profits and market share.

## Global Competition

- More foreign firms are entering U.S. market.
- Foreign firms in U.S. now compete on product quality.