



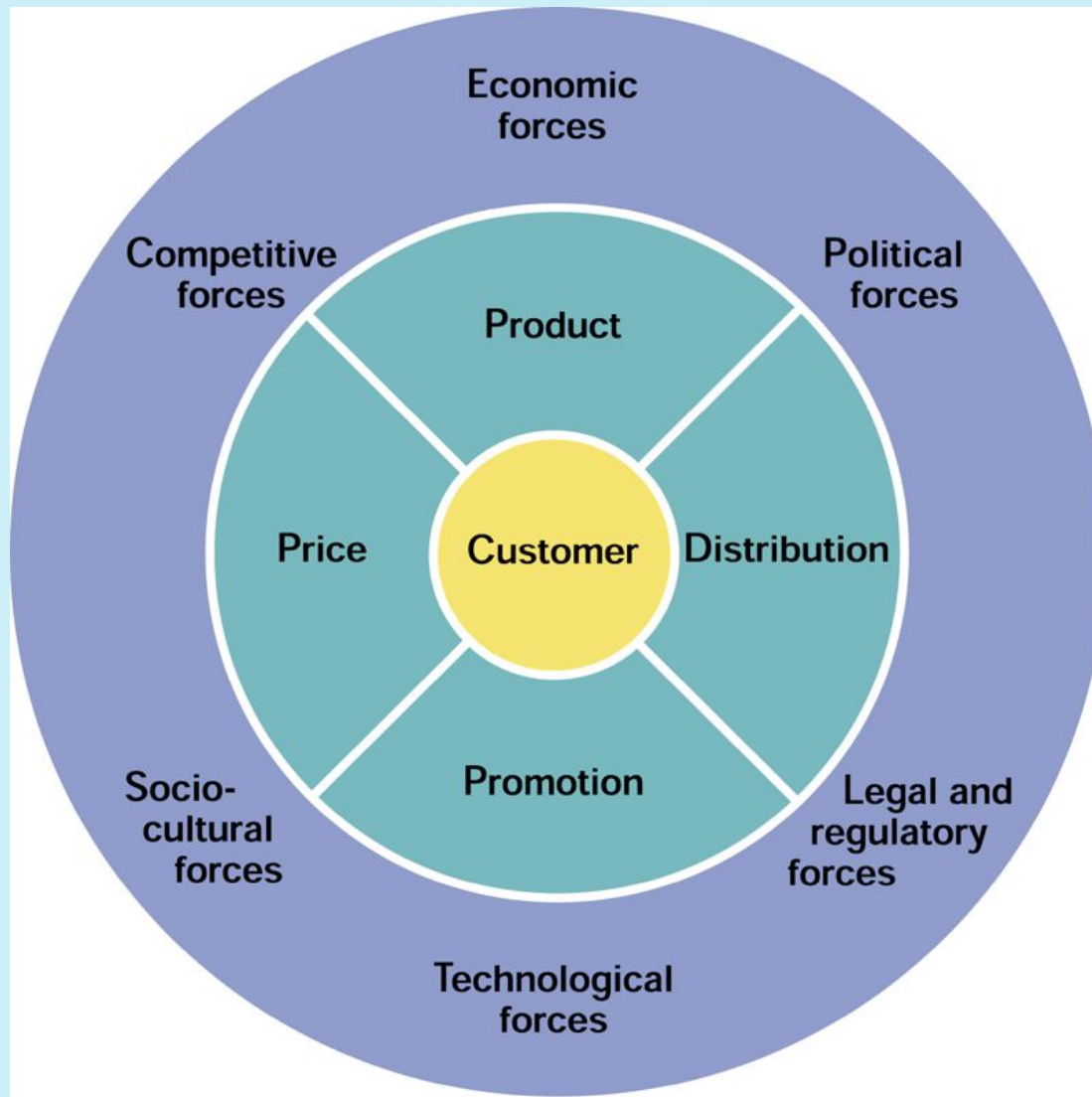
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The Marketing Environment

Agenda

- Examining and Responding to the Marketing Environment
- Competitive Forces
- Economic Forces
- Political Forces
- Legal and Regulatory Forces
- Technological Forces
- Sociocultural Forces

The Marketing Environment



Examining and Responding to the Marketing Environment

- Environmental Scanning
 - The process of collecting information about forces in the marketing environment
 - Observation
 - Secondary sources
 - Market research



Examining and Responding to the Marketing Environment (cont'd)

- Environmental Analysis
 - The process of assessing and interpreting the information gathered through environmental scanning
 - Accuracy
 - Consistency
 - Significance



Examining and Responding to the Marketing Environment (cont'd)

- Responding to Environmental Forces
 - Reactive approach
 - Passive view of environment as uncontrollable
 - Current strategy is cautiously adjusted to accommodate environmental changes
 - Proactive approach
 - Actively attempts to shape and influence environment
 - Strategies are constructed to overcome market challenges and take advantage of opportunities

Competitive Forces

Competitors: other organizations that market products that are similar to or can be substituted for a marketer's products in same geographic area

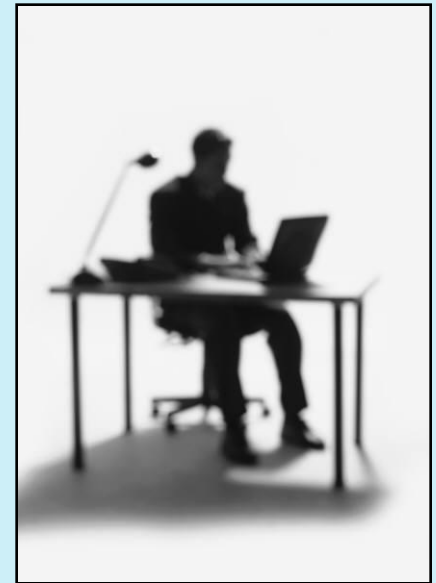
Types of Competition	
Brand competitors	Firms that market products with similar features and benefits to the same customers at similar prices
Product competitors	Firms that market products in the same product class, but whose products have different features, benefits, and prices
Generic competitors	Firms that provide very different products that solve the same problem or satisfy the same basic customer need
Total budget competitors	Firms that compete for the limited financial resources of the same customers

Table 3.1**Selected Characteristics of Competitive Structures**

Type of Structure	Number of Competitors	Ease of Entry into Market	Product	Example
Monopoly	One	Many barriers	Almost no substitutes	Fort Collins (Colorado) Water Utilities
Oligopoly	Few	Some barriers	Homogeneous or differentiated (with real or perceived differences)	General Motors (autos)
Monopolistic competition	Many	Few barriers	Product differentiation, with many substitutes	Levi Strauss (jeans)
Pure competition	Unlimited	No barriers	Homogeneous products	Vegetable farm (sweet corn)

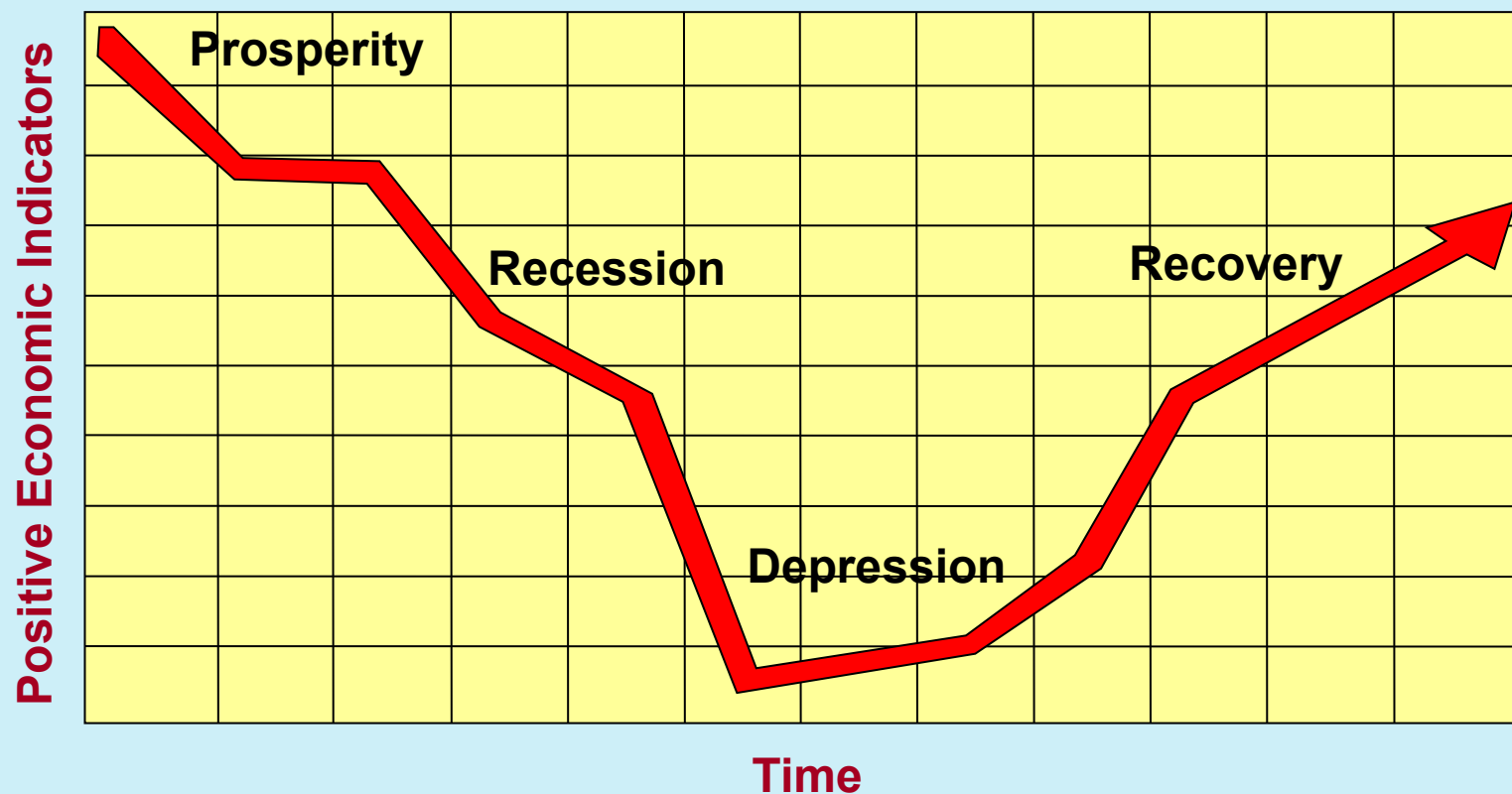
Competitive Forces (cont'd)

- Monitoring Competition
 - Helps determine competitors' strategies and their effects on firm's strategies
 - Guides development of competitive advantage and adjusting firm's strategy
 - Provides ongoing information about competitors
 - Assists in maintaining a marketing orientation



Economic Forces

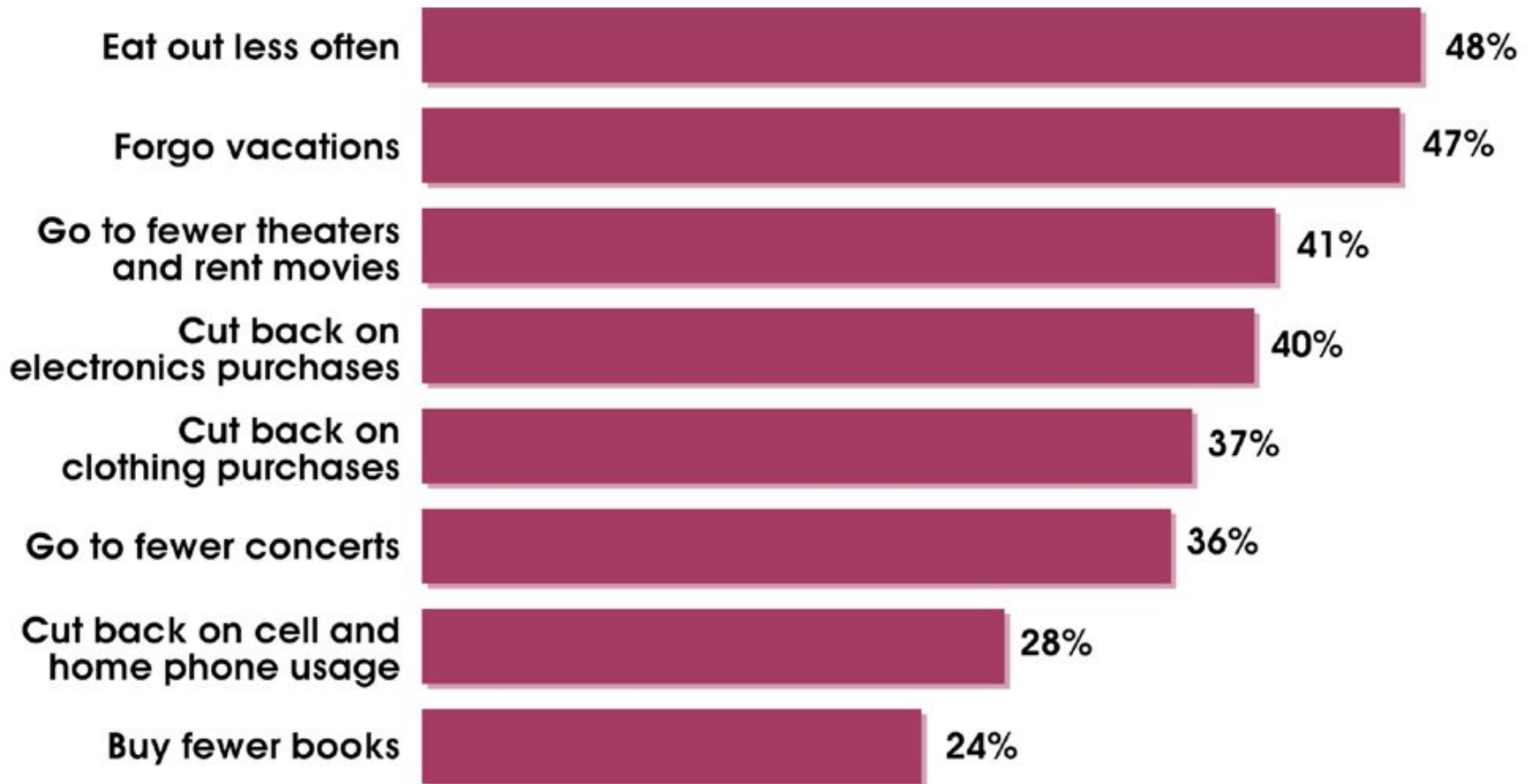
- Business Cycle
 - A pattern of economic fluctuations



Economic Forces (cont'd)

Stages in the Business Cycle	
Prosperity	Low unemployment and high total income create high buying power
Recession	Rising unemployment reduces total buying power; consumer and business spending decline
Depression	Unemployment extremely high, wages and total disposable income are very low, and there is a lack of consumer confidence
Recovery	Economy is moving out of recession or depression towards prosperity

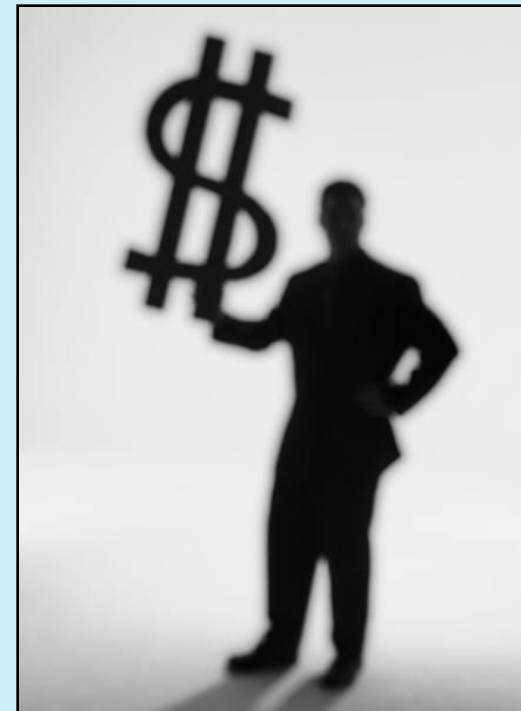
Ranking Products Consumers Would Cut Back on if Spending Decreased



Source: Consumer Electronics Association, phone survey of 1,000 households
Sept. 20-22, margin of error ± 3 percentage points

Economic Forces (cont'd)

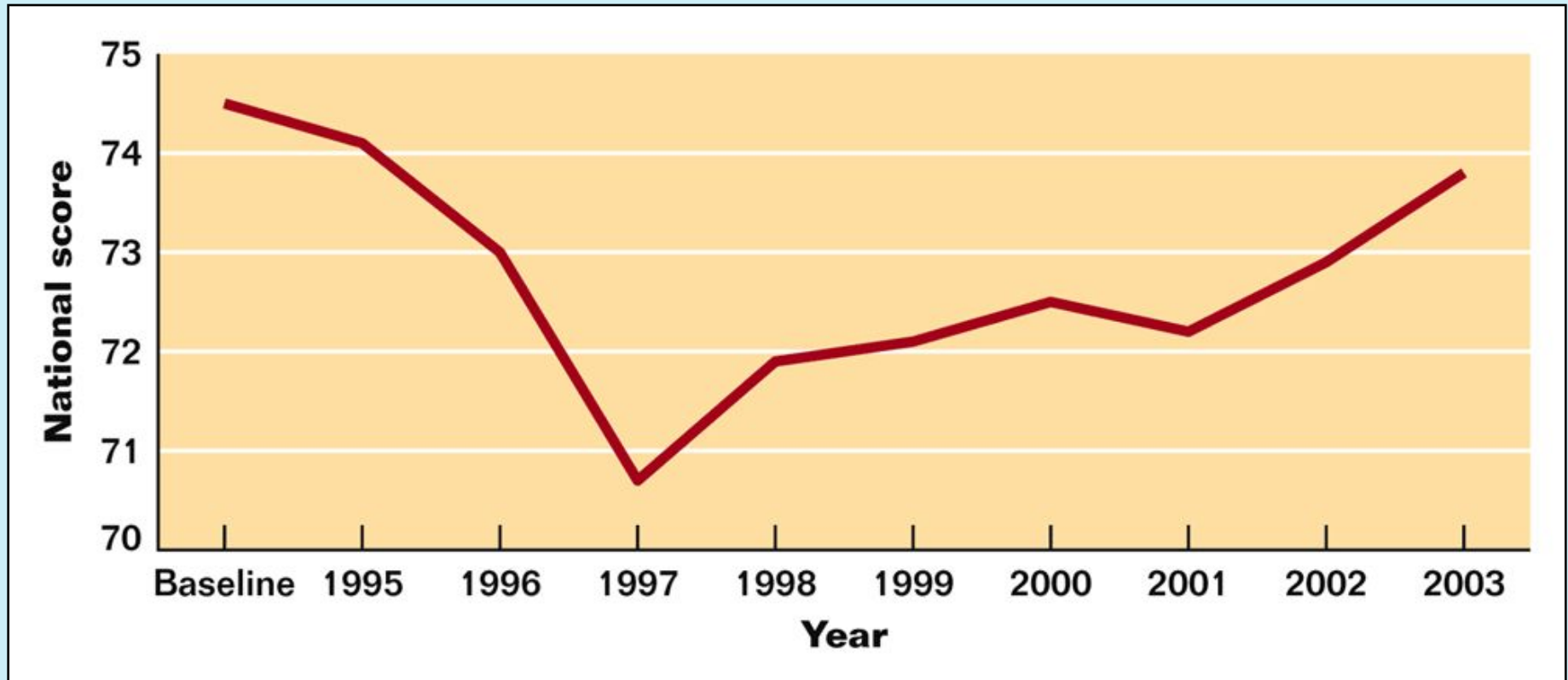
- Buying Power
 - Resources, such as money, goods, and services, that can be traded in an exchange
 - Income
 - Disposable income
 - Discretionary income
 - Wealth



Economic Forces (cont'd)

- Willingness to Spend
 - An inclination to buy because of expected satisfaction from a product, influenced by the ability to buy and numerous psychological and social forces
 - Expectations influencing the willingness to spend:
 - Future employment
 - Income levels
 - Prices
 - Family size
 - General economic conditions (e.g., rising prices)

American Customer Satisfaction Index



Source: "American Customer Satisfaction Index," University of Michigan Business School, Nov. 2003, <http://www.theacsi.com/April 2004>.

FIGURE 3.1

Political Forces

- Reasons for Maintaining Relations with Elected Officials and Politicians
 - To influence the creation of laws and regulations affecting industries and specific businesses
 - Governments are potentially large customers
 - Political officials can assist in securing foreign markets
 - Campaign contributions of corporate-related individuals and political action committees may provide influence
 - Lobbyists work to communicate businesses' concerns about issues affecting their industries and markets

Legal and Regulatory Forces (cont'd)

- Procompetitive Legislation
 - Preserve competition
 - Prevent restraint of trade and monopolizing of markets
 - Prevent illegal competitive trade practices



Legal and Regulatory Forces (cont'd)

- Consumer Protection Legislation
 - Adulterated and mislabeled food and drugs
 - Deceptive trade practices and the sale of hazardous products
 - The invasion of personal privacy and the misuse of personal information by firms



Legal and Regulatory Forces (cont'd)

- Encouraging Compliance with Laws and Regulations
 - Movement is toward greater organizational accountability for misconduct of employees
- Regulatory Agencies
 - **Federal Trade Commission (FTC)**
influences marketing activities most; can seek civil penalties and require corrective advertising

Table 3.3**Major Federal Regulatory Agencies**

Agency	Major Areas of Responsibility
Federal Trade Commission (FTC)	Enforces laws and guidelines regarding business practices; takes action to stop false and deceptive advertising, pricing, packaging, and labeling
Food and Drug Administration (FDA)	Enforces laws and regulations to prevent distribution of adulterated or misbranded foods, drugs, medical devices, cosmetics, veterinary products, and potentially hazardous consumer products
Consumer Product Safety Commission (CPSC)	Ensures compliance with the Consumer Product Safety Act; protects the public from unreasonable risk of injury from any consumer product not covered by other regulatory agencies
Federal Communications Commission (FCC)	Regulates communication by wire, radio, and television in interstate and foreign commerce
Environmental Protection Agency (EPA)	Develops and enforces environmental protection standards and conducts research into the adverse effects of pollution
Federal Power Commission (FPC)	Regulates rates and sales of natural gas producers, thereby affecting the supply and price of gas available to consumers; also regulates wholesale rates for electricity and gas, pipeline construction, and U.S. imports and exports of natural gas and electricity

Legal and Regulatory Forces (cont'd)

- Self-Regulatory Forces
 - Better Business Bureau
 - National Advertising Review Board (NARB)

Question: Is self-regulation an effective way to control and maintain good marketing practices?



Technological Forces

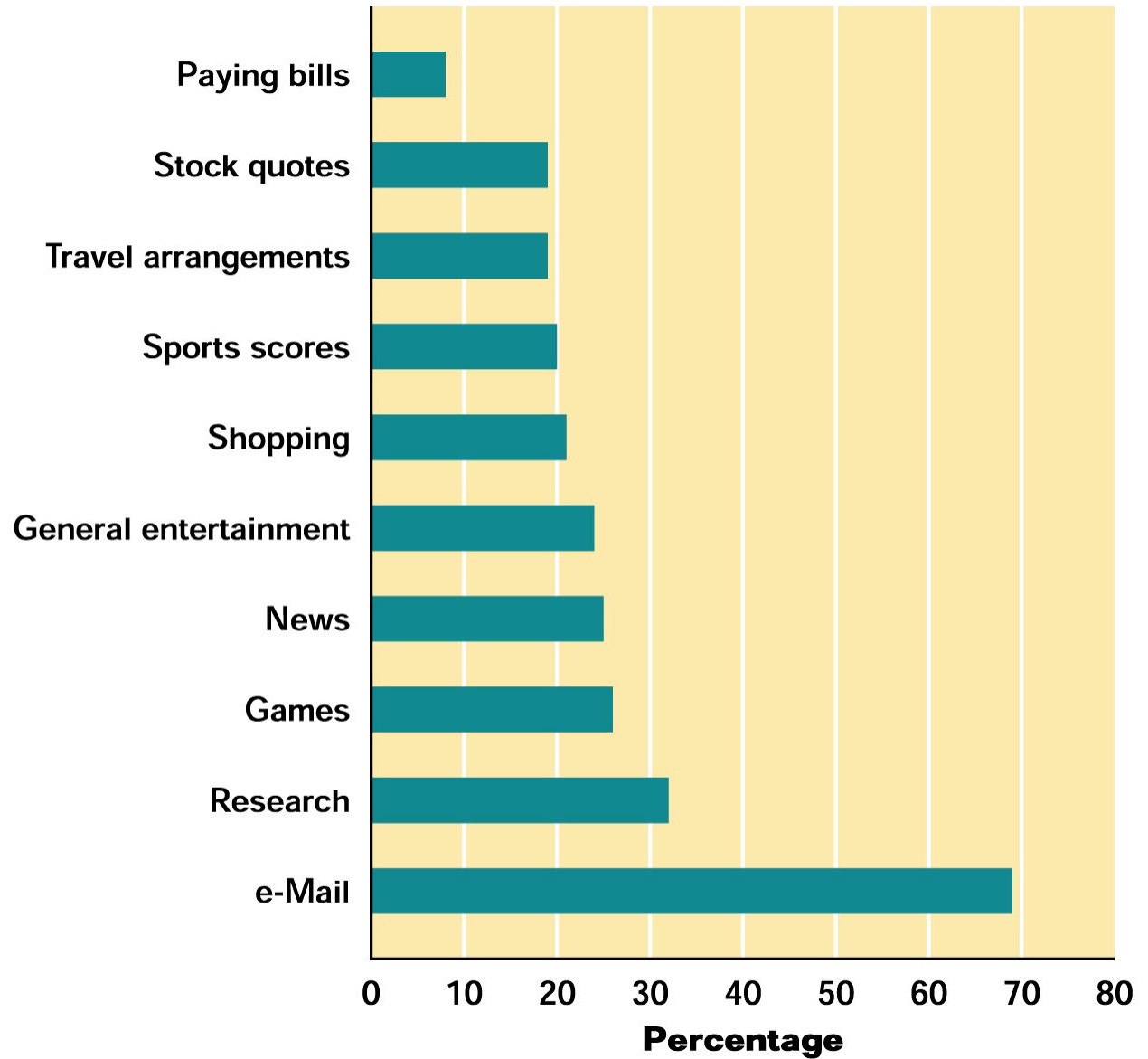
- Technology
 - The application of knowledge and tools to solve problems and perform tasks more efficiently
- Impact of Technology
 - Dynamic means constant change
 - Reach refers to how technology quickly moves through society
 - The self-sustaining nature of technology as the catalyst for even faster development

Technological Forces (cont'd)

- Adoption and Use of Technology
 - Failing to adopt new technology can cause a loss of market leadership
 - Protecting the firm's inventions is critical
 - Using a technology assessment allows the firm to foresee the effects of new products and processes on the firm



Top Ten Activities for Wireless Web Device Users



Source: "New Survey Indicates Wireless Web Penetration Highest Among Young Affluent Males," TNS Intersearch, press release, Feb. 7, 2001, <http://www.intersearch.tnsfres.com/>.

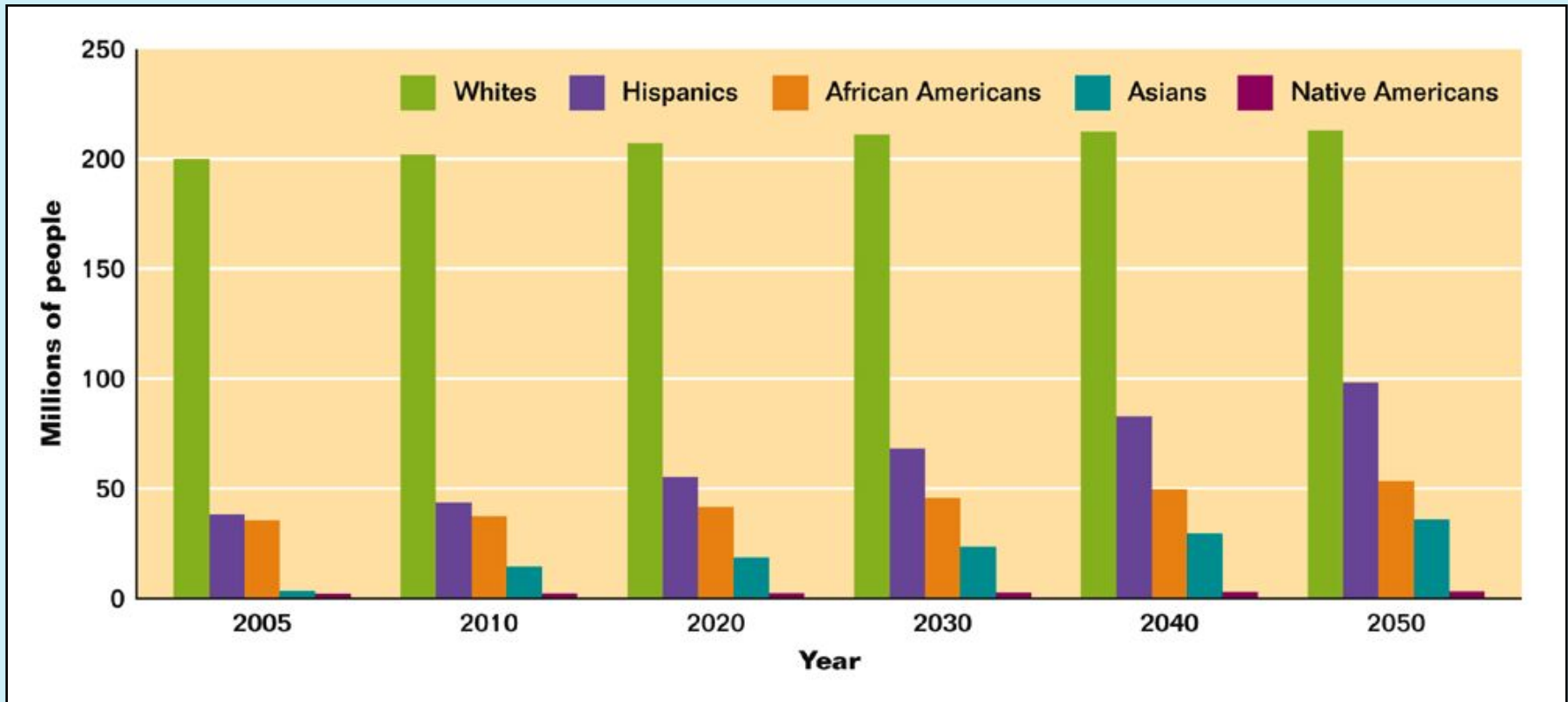
FIGURE 3.2

Sociocultural Forces

- Sociocultural Forces
 - The influences in a society and its culture(s) that change people's attitudes, beliefs, norms, customs, and lifestyles
- Demographic Diversity and Characteristics
 - Increasing proportion of older consumers
 - Rising number of single adults
 - Entering another baby boom
 - Increasingly multicultural U.S. society



U.S. Population Projections by Race



Source: Bureau of the Census, *Statistical Abstract of the United States, 2000* (Washington, DC: Government Printing Office, 2002), p. 16.

FIGURE 3.3

The Proportion of Households in America with Married Couples Has Declines Over the Last Four Decades

Year	Number of Married Couples	% of All Households
2003	57.3 million	51.5%
1993	53.1	55.1
1983	49.9	59.5
1973	46.3	67.8
1963	40.9	74.0

Source: U.S. Census Bureau as reported in *American Demographics*, April 2004, p. 41.

Purchasing Behavior of Engaged vs. Single Women

	Engaged Women*	Single Women*
Purchased or changed any type of insurance	43%	31%
Moved	42%	30%
Purchased/leased a new car	41%	13%
Got a new job	37%	40%
Opened a new bank account	36%	20%
Redecorated home or apartment	28%	18%
Changed long-distance carrier	25%	22%
Changed cell phone	24%	14%
Purchased a primary home or apartment	20%	7%
Purchased stocks or bonds	20%	12%
Traveled outside the continental U.S.	16%	14%
Remodeled home or apartment	11%	4%

*Aged 20 to 29

Source: *American Demographics*, May 2001, p.13.

Sociocultural Forces (cont'd)

- Cultural Values
 - Primary source of values is the family
 - Values influence
 - Eating habits
 - Alternative health and medical treatment choices
 - Attitudes toward marriage
 - Concern for the natural environment
- Consumerism
 - Organized efforts by individuals, groups, and organizations to protect consumers' rights

Changes in Cultural Values About Health Affect Meat Consumption Patterns

Per Capita Meat Consumption

Type of Meat	1970	2001	Percentage Change
Chicken	27.4 lbs	52.4 lbs	91%
Fish and shellfish	11.7	14.7	26%
Pork	48.1	46.9	-2%
Beef	79.6	63.1	-21%

Source: USDA/Economic Research Service as reported in *American Demographics*, February 2004, p.

11.

Although Wal-Mart Supercenters have generated great customer satisfaction, they have also prompted questions about their impact on communities. What impact are these Supercenters likely to have and vice versa:

- Competitive forces
- Economic forces
- Political forces
- Legal and regulatory forces
- Technological forces