h e g

Haute école de gestion
Genève

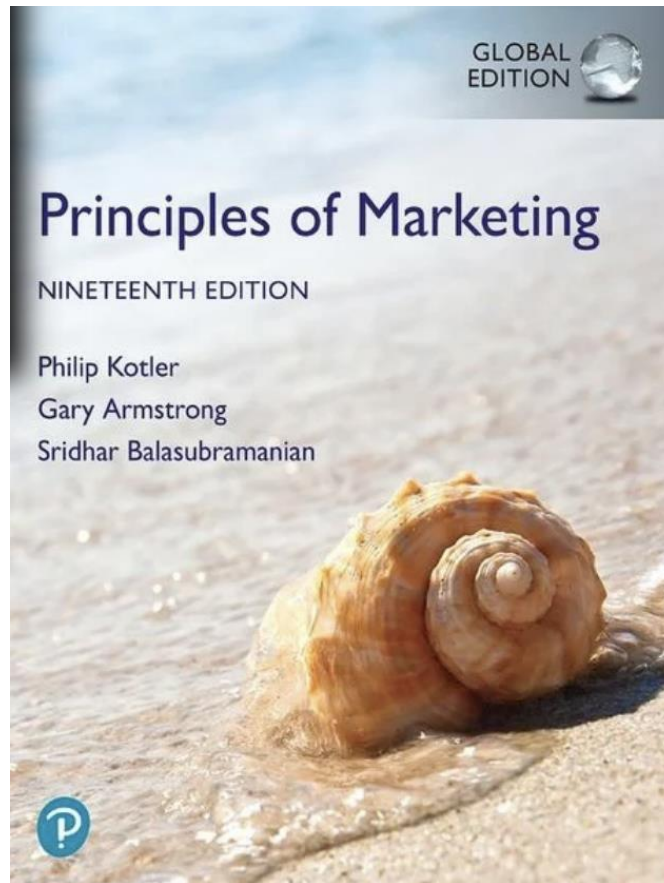# CHAPTER 3: MARKETING

ANALYSING THE MARKETING ENVIRONMENT

Marketing Principles 1

Anna Wehren

Hes·so GENÈVE
Haute Ecole Spécialisée
de Suisse occidentale

Principles of Marketing

GLOBAL EDITION

Principles of Marketing

NINETEENTH EDITION

Philip Kotler
Gary Armstrong
Sridhar Balasubramanian

Chapter 3

Analysing the Marketing Environment

Why is understanding the environment important?

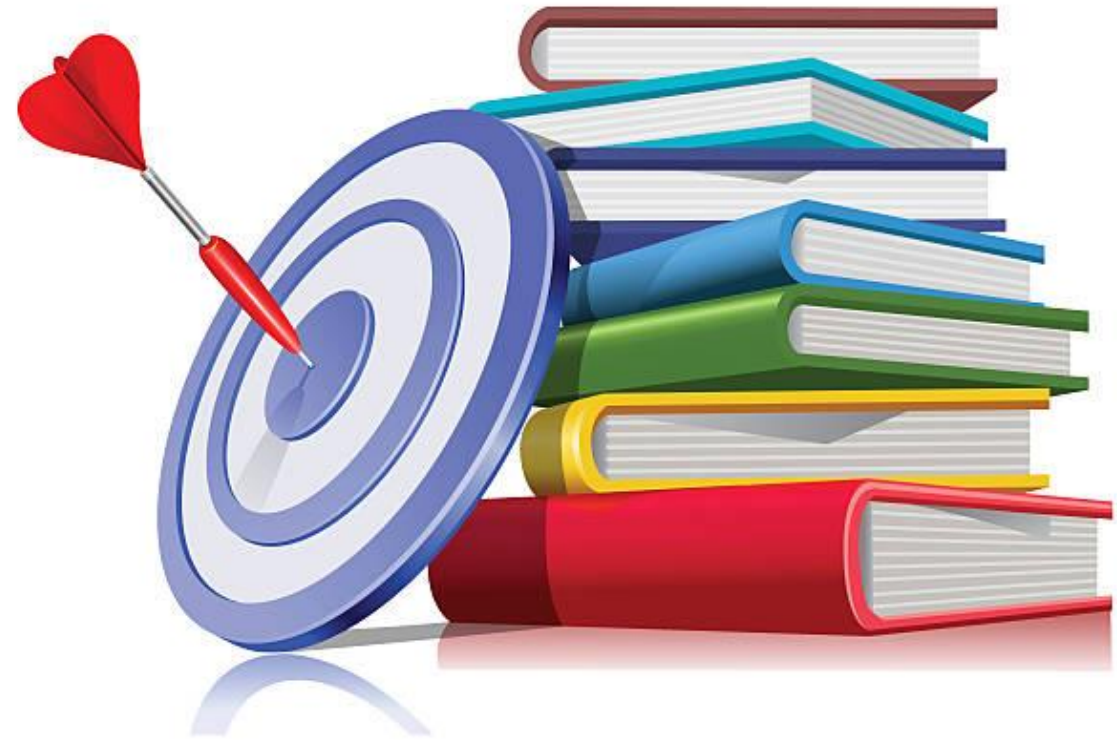Haute école de gestion de Genève – International Business Management

Learning Objectives

3-1 Describe the environmental forces that affect the company's ability to serve its customers.

3-2 Explain how changes in the demographic and economic environments affect marketing decisions.

3-3 Identify the major trends in the firm's natural and technological environments.

3-4 Explain the key changes in the political and cultural environments.

3-5 Discuss how companies can react to the marketing environment.
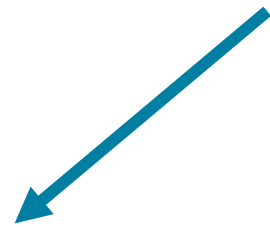
Learning Objective 1

Describe the **environmental forces** that affect the company's ability to serve its customers.
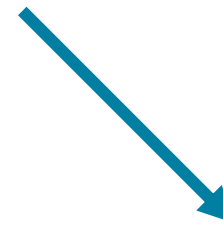
A Company's Marketing Environment

The marketing environment includes the **actors and forces outside marketing** that affect marketing management's ability to build and maintain successful relationships with target customers.

By carefully studying the environment, marketers can **adapt their strategies** to meet new marketplace challenges and opportunities.

Macroenvironment

Microenvironment

A Company's Marketing Environment

Macroenvironment consists of the **larger societal forces** that affect the microenvironment — demographic, economic, natural, technological, political, and cultural forces.

Legislation

Worldwide social movements

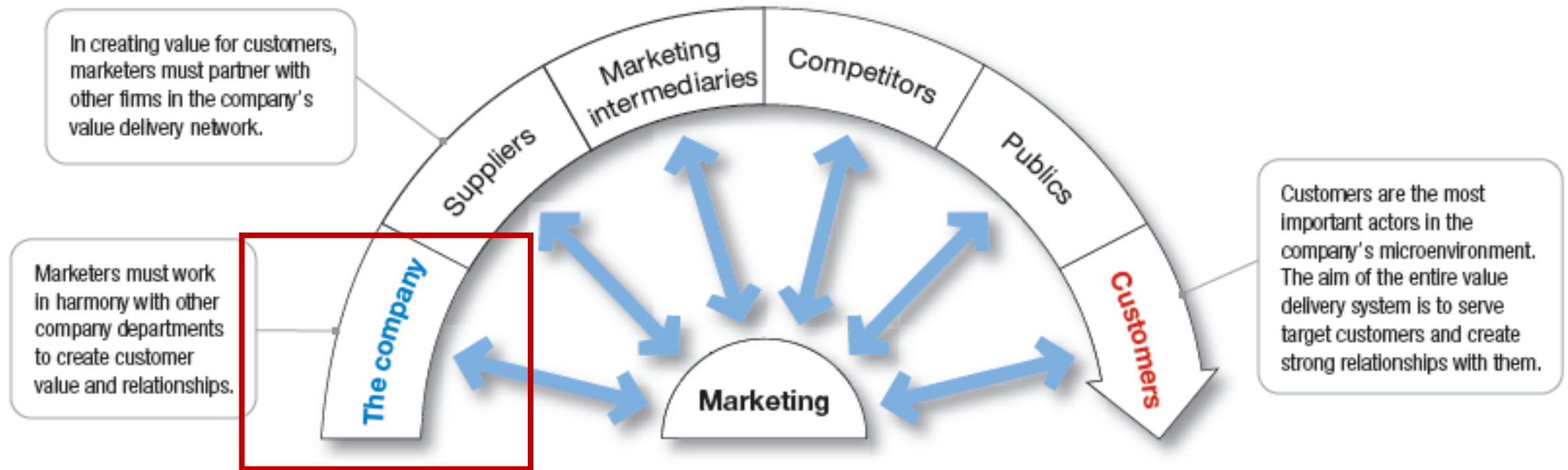Climate disasters

AI New technologies

A Company's Marketing Environment

Microenvironment consists of the **actors close to the company** that affect marketing's ability to serve its customers — the company, suppliers, marketing intermediaries, customer markets, competitors, and publics.

The Microenvironment

FIGURE | 3.1

Actors in the Microenvironment

In creating value for customers, marketers must partner with other firms in the company's value delivery network.

Marketers must work in harmony with other company departments to create customer value and relationships.

Customers are the most important actors in the company's microenvironment. The aim of the entire value delivery system is to serve target customers and create strong relationships with them.

Suppliers — Marketing intermediaries — Competitors — Publics — Customers — The company — Marketing

Marketing success requires building relationships with other **company** departments, **suppliers, marketing intermediaries, competitors, various publics, and customers**, which combine to make up the company's value delivery network.

The Microenvironment

The Company

In designing marketing plans, marketing takes other company functions into account:

- Top management

- Finance

- R&D

- Purchasing
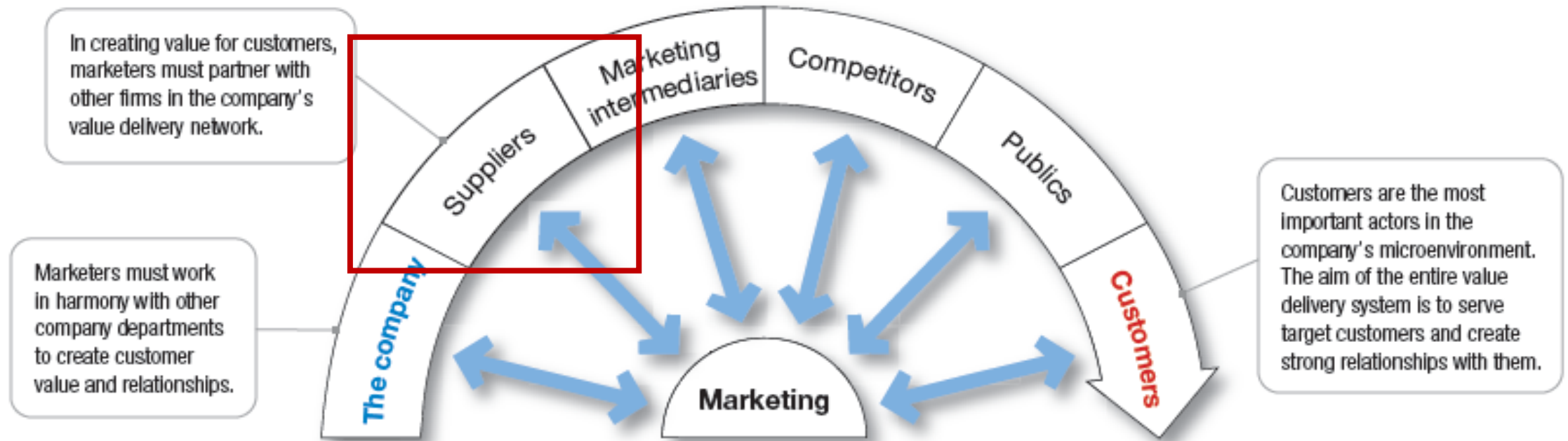
- Operations

- Accounting

How might projects be integrated between marketing and finance?

Or marketing and supply?

Pearson

The Microenvironment

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Pearson

The Microenvironment

Suppliers

- Provide the resources to produce goods and services (raw materials…)

- Treat as partners to provide customer value

- Supplier problems can seriously affect marketing & business results (supply shortages, costs, delays, quality, environmental impact, …)

The Microenvironment

Suppliers

Does not only buy from its suppliers but involves them in the process of design to create the trendy but simple and affordable home furnishings.
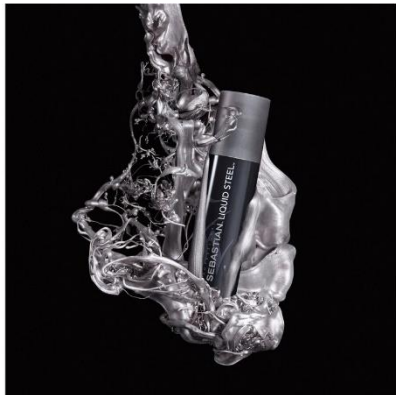
An issue with the quality of raw materials can seriously affect product performance and therefore brand reputation.

Example: KFC UK 2018

SORRY WE'RE
CLOSED

We've brought a new delivery partner on board but they've had a couple of teething problems - getting fresh chicken out to 900 restaurants is pretty complex.

We won't compromise on quality, so several of our restaurants across the UK are closed.

We'll be back open as soon as we can.

APOLOGIES FOR
ANY INCONVENIENCE

KFC

Example: KFC UK 2018

KFC "FCK" Ad

WE'RE SORRY
A chicken restaurant without any chicken, it's not ideal.

WE'RE SORRY

A chicken restaurant without any chicken. It's not ideal. Huge apologies to our customers, especially those who travelled out of their way to find we were closed. And endless thanks to our KFC team members and our franchise partners for working tirelessly to improve the situation. It's been a hell of a week, but we're making progress, and every day more and more fresh chicken is being delivered to our restaurants. Thank you for bearing with us.

Visit kfc.co.uk/crossed-the-road for details about your local restaurant.

The Microenvironment

● FIGURE | 3.1

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The Microenvironment

Marketing Intermediaries

Marketing intermediaries are firms that help the company to promote, sell, and distribute its goods to final buyers.

The Microenvironment

Marketing Intermediaries

Resellers	Physical distribution firms
Marketing services agencies	Financial intermediaries

Pearson
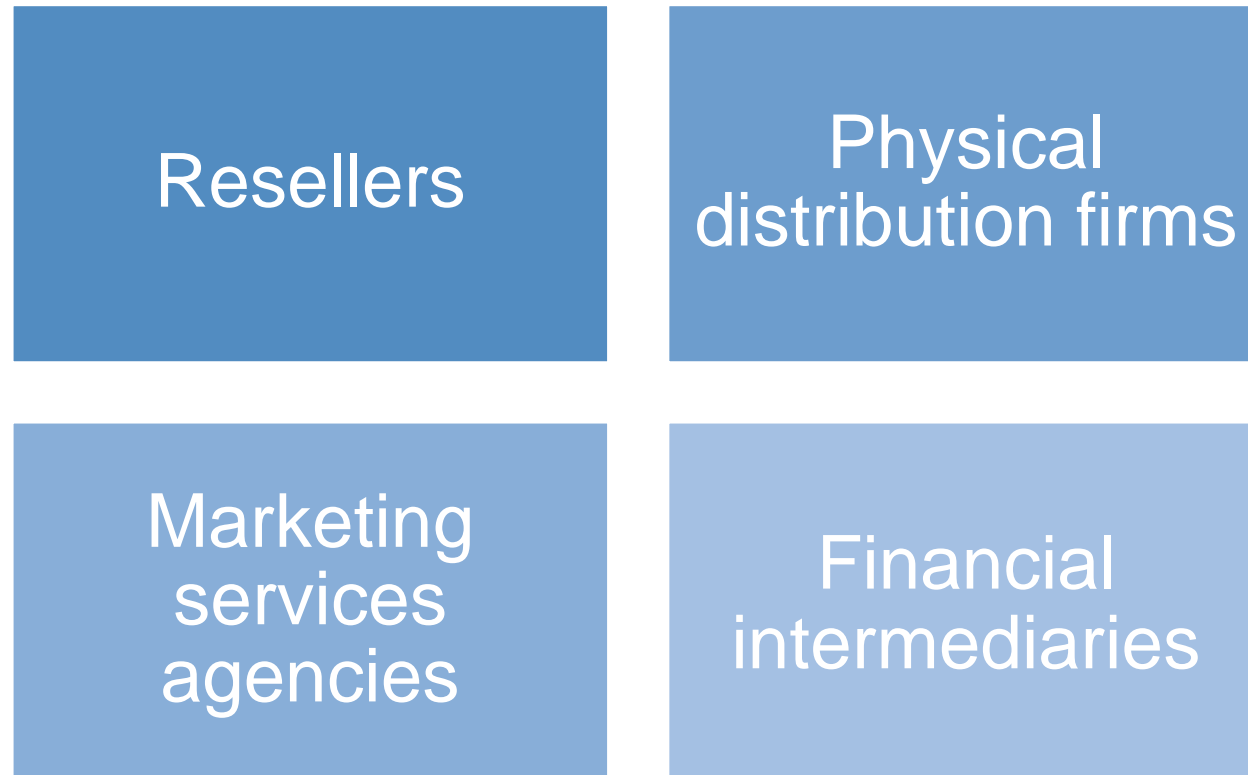
10 minutes to work on examples for each type of marketing intermediary.

The Microenvironment
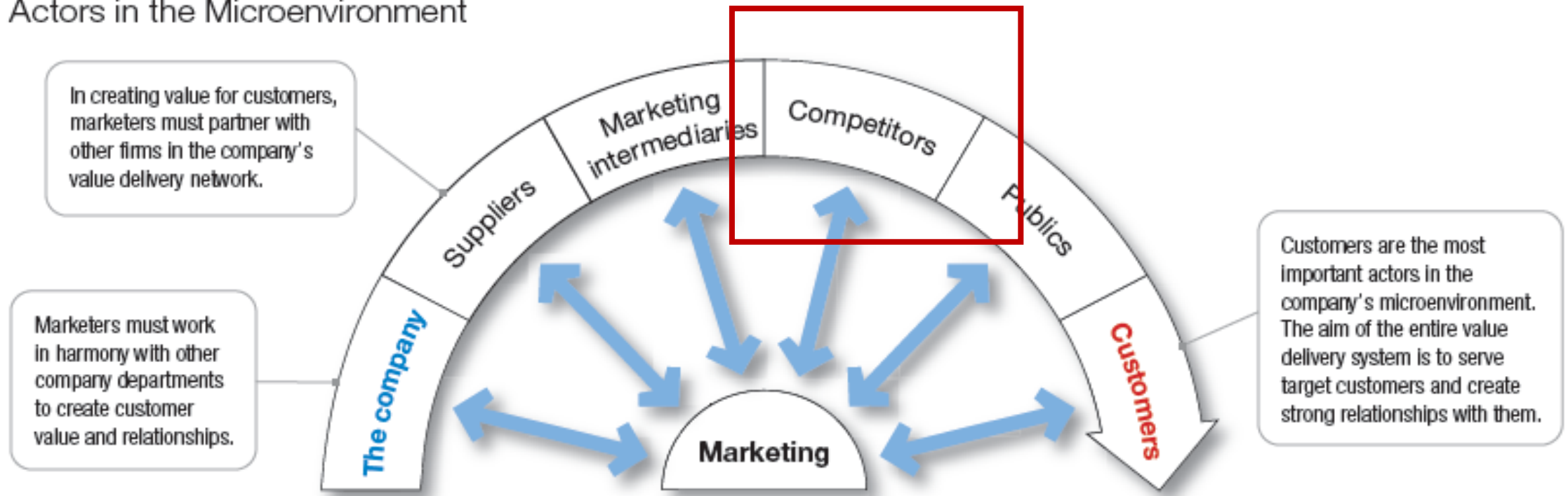
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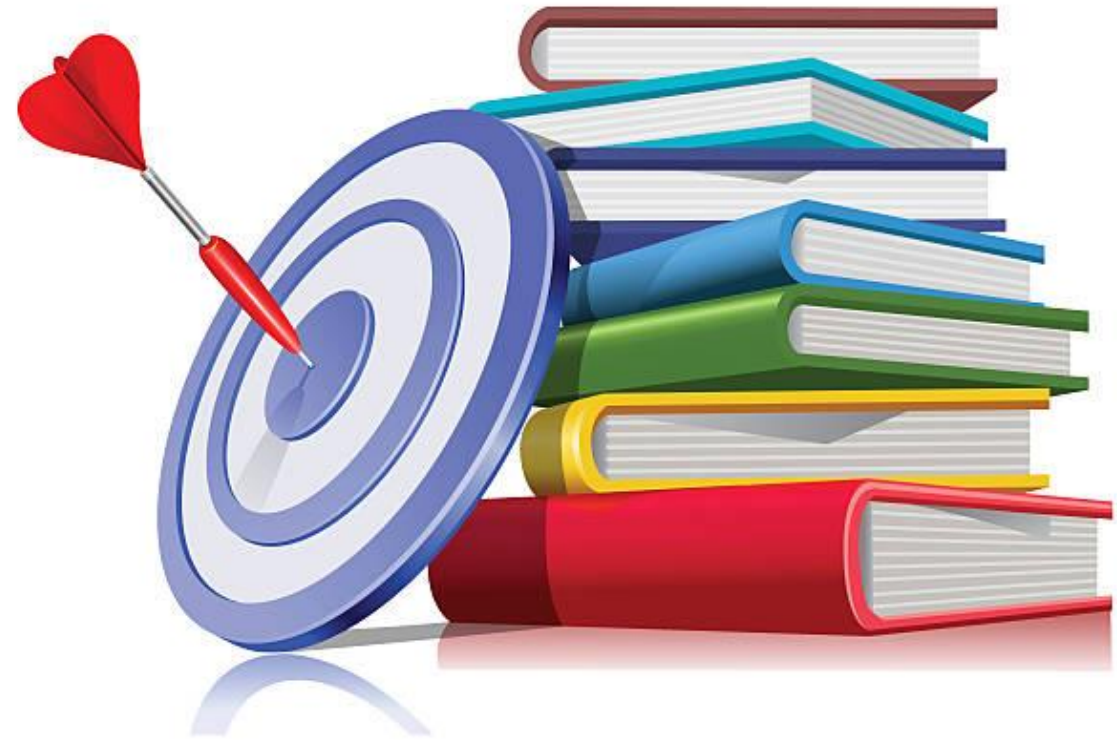
The Microenvironment

Competitors

In the **capitalist** marketplace, firms must gain **strategic advantage** by positioning their offerings strongly against competitors' offerings in the minds of consumers.

And today, competition is just a click away with online purchasing available 24/7!

=> importance of positioning & competitive advantage that we saw last week

Pearson

What is a competitive advantage?

A tangible benefit over your competitor (product performance, brand equity, price, availability…)

The Microenvironment
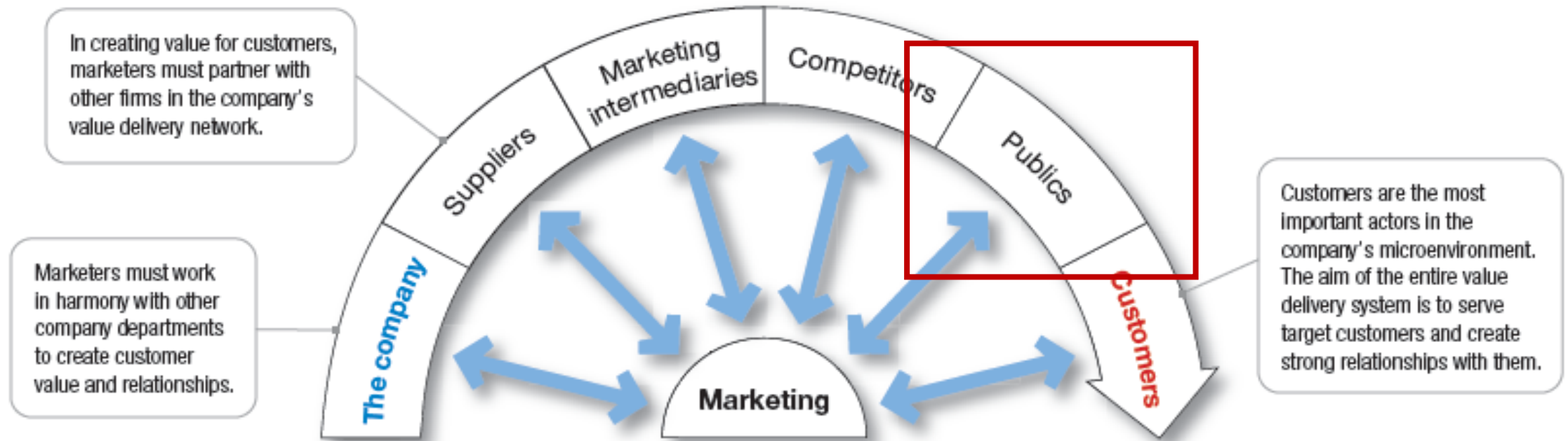
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Pearson

The Microenvironment

Publics

Any group that has an actual or **potential interest** in or **impact on** an organization's ability to achieve its objectives:

- Financial publics
- Media publics
- Government publics
- Citizen-action publics
- Local publics
- General public
- Internal publics

The Microenvironment

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The Microenvironment

Customers

- Consumer markets => individuals (B2C)

- Reseller markets => intermediaries (B2B2C)

- Business markets => buy for further processing (B2B)

- Government markets => for public services

- International markets => any of the above for international purposes

Learning Objective 2

Explain how changes in the **demographic** and **economic** environments affect marketing decisions.

The Macroenvironment

FIGURE | 3.2
Major Forces in the Company's Macroenvironment

Concern for the natural environment has spawned a so-called green movement. For example, Timberland is on a mission to develop products that do less harm to the environment.

Changing demographics mean changes in markets and marketing strategies. For example, Netflix created a "Just for Kids" portal and app targeting today's fast-growing young, tech-savvy "Gen Z" segment.

Marketers also want to be socially responsible citizens in their markets and communities. For example, online eyeware seller Warby Parker was founded on a cause: For every pair of glasses Warby Parker sells, it distributes a free pair to someone in need.

(Labels: Natural, Technological, Political, Economic, Demographic, Cultural, Company)

External actors & forces that shape **opportunities** but also bring **threats.**

The Macroenvironment

WHO

Demographic Environment

- **Demography** is the study of human populations - size, density, location, age, gender, race, occupation, and other statistics.

- **Demographic environment** involves people, and people make up markets.

- **Demographic trends** include changing age and family structures, geographic population shifts, educational characteristics, and population diversity.

Pearson

The Macroenvironment

Demographic Environment

Generational marketing is a strategy for understanding how a certain age group behaves as consumers by considering their upbringing shaped by trends, developments and events.

The Macroenvironment

Demographic Environment

- **Baby Boomers** – born 1946 to 1964 (22% of the US population but account for 42% of the spending)

- **Gen X** – born between 1965 and 1976. Smaller demographic. Tend to research and favor quality over quantity.

- **Millennials** (Gen Y) – born between 1977 and 2000. 1st generation to fully embrace digital, hence engaging with brands in a new way.

- **Gen Z** – born after 2000. Largest generation alive in the US, 26% of the population. Spend an estimated $43 billion annually of their own money and influence a total of almost $200 billion of their own and parents' spending.

- **Gen Alpha** – current generation of children, born between 2010 and 2024. Will be the most formally educated generation ever, the most technology supplied generation ever, and the wealthiest.

BOOMERS

Born 1946-1964

Vietnam, Moon Landing
Civil/Women's Rights
Experimental
Innovators
Hard Working
Personal Computer

GEN X

Born 1965-1976

Fall of Berlin Wall
Gulf War
Independent
Free Agents
Internet, MTV, AIDS
Mobile Phone

MILLENNIAL

Born 1977-1997

9/11 Attacks
Community Service
Immediacy
Confident, Diversity
Social Everything
Google, Facebook

GEN Z

After 1997

Age 15 and Younger
Optimistic
High Expectations
Apps
Social Games
Tablet Devices

BABY BOOMERS

5-10% of marketing is targeted towards baby boomers despite them having the highest purchasing power

75% are more likely to make a purchase if they have a loyalty discount or coupon

82% are active on at least one social media site

86% research products online before purchasing

71% participate in customer loyalty programs to get discounts and deals

3 tier logic

GENERATION X

70% of brands report that brand loyalty was highest in Gen X consumers

81% have made purchases online

80% prefer email marketing over all other marketing channels

72% use the internet to research companies and brands

54% feel overlooked or even forgotten by brands and marketers

3 tier logic

MILLENNIALS

84% say that user-generated content influences their purchasing decisions

94% actively use digital coupons

96% want brands to find personalized ways to reward loyal customers

60% have been loyal to a specific brand for ten years or more

62% respond to product offers sent to their mobile devices

3 tier logic

GENERATION Z

88% prefer and are most influenced by omni-channel branded experiences

81% like to shop in stores instead of online for the social aspect

38% use rewards every time they shop in stores

77% take personal recommendations into account when buying products

90% check with their parents about a product's affordability before deciding whether to buy it

3 tier logic

The Macroenvironment

Demographic Environment

Defining people by their birth date may be less effective than segmenting them by their **lifestyle, life stage, or the common values** they seek in the brands they buy.

Dove: Beauty Never Gets Old

The Macroenvironment

Demographic Environment

- Changing American and European family *(less than 50% of the households in the US containing married couples).*

- Changes in the workforce:
  - Home office
  - Flexi working
  - Telecommuting
  - Urban / de-urbanisation
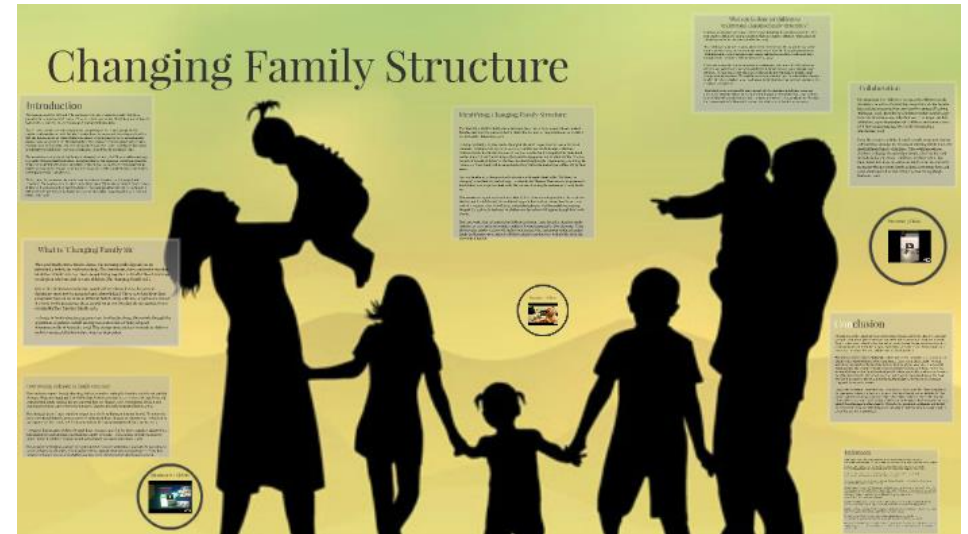
The growing place of fathers in brand communication

The Macroenvironment

Demographic Environment

Markets are becoming more diverse, more voices are

being heard, communities are getting stronger.

- International

- National

- Ethnicity

- LGBT

- Disabled

But watchout for brands to remain
authentic in their actions!!

The Macroenvironment

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Demographic — Economic — Natural — Technological — Political — Cultural — Company

External actors & forces that shape **opportunities** but also bring **threats.**

The Macroenvironment

Economic Environment

The economic environment consists of **economic factors that affects purchasing power and spending patterns.**

Ex: recession, petrol & energy prices, the war in Ukraine affecting wheat prices…

The Macroenvironment

Economic Environment

Value marketing involves offering financially cautious buyers greater value - the right combination of quality and service at a fair price.

● Economic environment: Consumers adopted a new back-to-basics sensibility in their lifestyles and spending patterns. To serve the tastes of these more financially frugal buyers, companies like Target are emphasizing the "pay less" side of their value propositions.

Associated Press

The Macroenvironment

Economic Environment

Income Distribution

Over the past several decades, the rich have grown richer, the middle class has shrunk, and the poor have remained poor.

Climate change is further increasing the divide – with the poorer being the most heavily impacted by the lifestyles of the rich.

The Macroenvironment

Economic Environment

A tiered market:

Some companies tailor their market offerings across a range of markets, from the affluent to the less affluent. **The Good/Better/Best pricing strategy**

Best
$$$

Better
$$

Good
$

Other examples of brands leveraging value marketing as their positioning?

The Macroenvironment

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Economic

Natural

Technological

Political

Demographic

Cultural

Company

External actors & forces that shape **opportunities** but also bring **threats.**

Learning Objective 3

Identify the major trends in the firm's **natural** and **technological** environments.
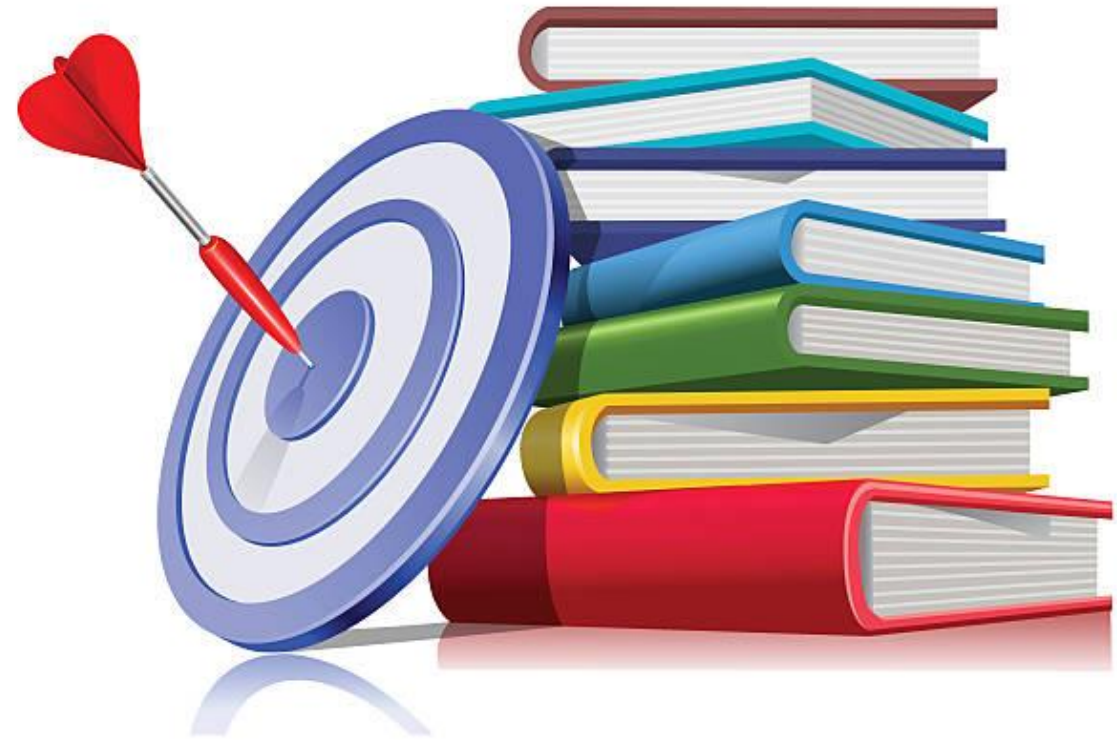
The Macroenvironment

The Natural Environment

The **natural environment** is the physical environment and the natural resources that are needed as inputs by marketers or that are affected by marketing activities.

Examples: Fedex or UPS have a group of meteorologists to anticipate weather conditions which can have an impact on their delivery times.

The Macroenvironment

The Natural Environment

Trends in the Natural Environment:

- Growing shortages of raw materials

- Increased pollution

- Natural disasters

- Increased legislation around environmental sustainability (ESG)

The Macroenvironment

The Natural Environment

Environmental sustainability involves developing strategies and practices that create a world economy that the planet can support indefinitely.

It will quickly become **the most dramatic force** in the marketplace, **influencing the entire economic system.**

Consumption economy

=>

Well-being economy

Pearson

Brand appoints Nature to its Board of Directors
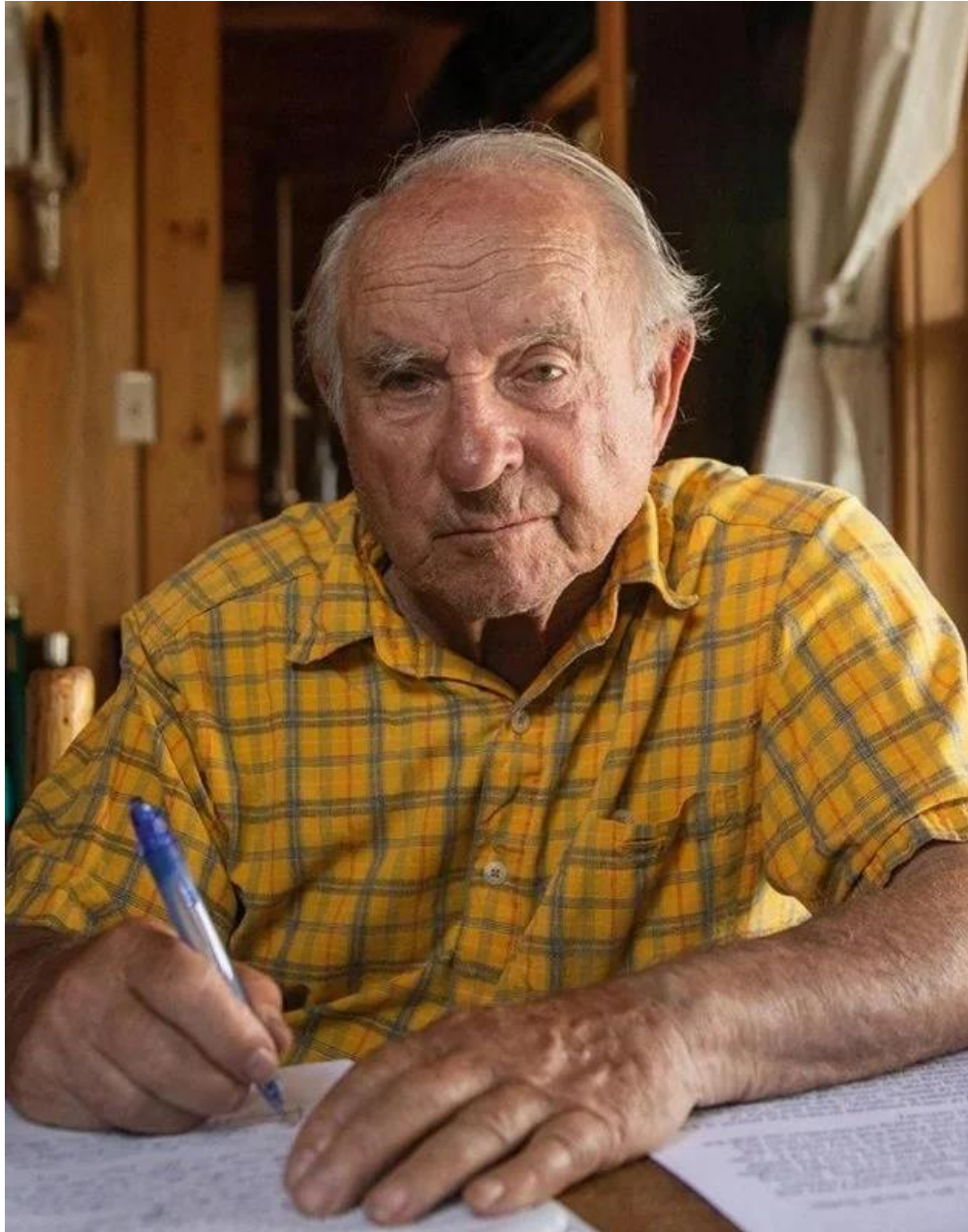
Earth is now our only shareholder.

If we have any hope of a thriving planet—much less a business—it is going to take all of us doing what we can with the resources we have.

This is what we can do.

By Yvon Chouinard

bring us tangible elements that confirm the
importance of sustainability

The Macroenvironment

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Natural

Technological

Economic

Political

Demographic

Cultural

Company

External actors & forces that shape **opportunities** but also bring **threats.**

What technology-driven changes have you witnessed over the past few years (medical, media, communication, …)?

The Macroenvironment

Technological Environment

- To date, technology has been the fastest and most dramatic force in changing the marketplace.

- New products, new channels, new communities, new opportunities.

- Concern for the safety of new products & psychological safety online.

- Increasing regulations regarding data protection.
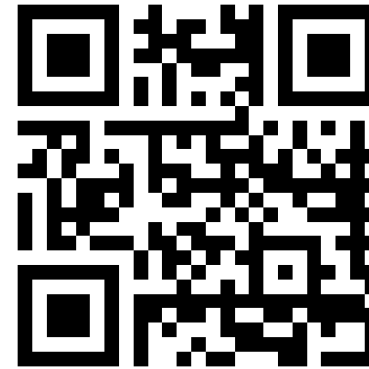
Marketing technology: Disney is taking RFID technology to new levels with its cool new MagicBand RFID wristband.

Bob Croslin

The Macroenvironment

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Learning Objective 4

Explain the key changes in the **political** and **cultural** environments.
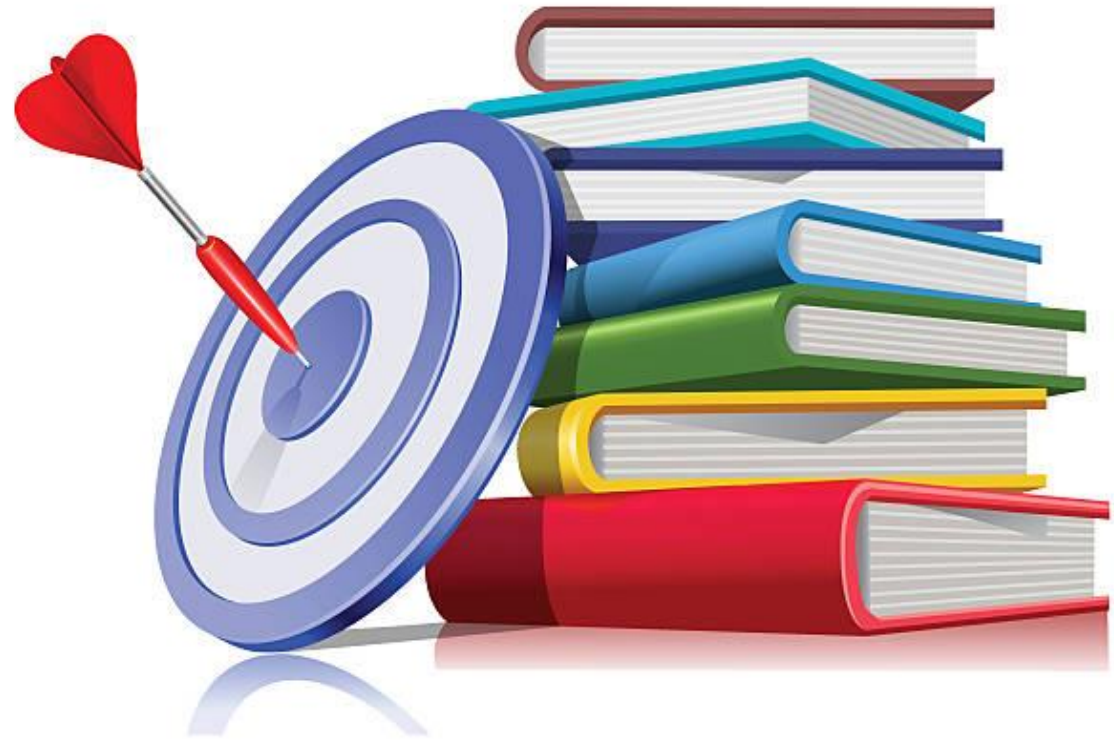
The Macroenvironment

Political and Social Environment

Legislation regulating business is intended to protect:

- Companies from each other

- Consumers from unfair business practices

- The interests of society against unrestrained business behavior

The Macroenvironment

Political and Social Environment

CSR: brands partner with causes

- Increased emphasis on ethics

- Socially responsible behavior (doing the right thing)

- Cause-related marketing (CSR)

- Environmental & Social Governance (ESG)

Environmental & Social Governance

Zelensky calls out Nestlé over its ties to Russia

Inside the factory: how LVMH met France's call for hand sanitiser in 72 hours

Bernard Arnault greenlighted the effort in a text message on Saturday night

Christian Dior's factory in Saint-Jean de Braye © LVMH

The LVMH Group initiated large-scale actions to assist public health authorities, mobilizing production units at its Perfumes & Cosmetics Maisons to make large quantities of hand sanitizer gel.

Parfums Christian Dior, Guerlain and Parfums Givenchy all retooled their facilities to make tons of hydroalcoholic gel and distribute it free to healthcare establishments, local municipalities, non-profits and other important stakeholders (Préfecture de Police de Paris, Air France, supermarket chains, etc.).

The Macroenvironment

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Demographic · Economic · Natural · Technological · Political · Cultural

Company

External actors & forces that shape **opportunities** but also bring **threats.**

The Macroenvironment

Cultural Environment

The **cultural environment** consists of institutions and other forces that affect a society's basic values, perceptions, and behaviors.

Core beliefs and values are persistent and are passed on from parents to children and are reinforced by schools, religious institutions and government.

Secondary beliefs and values are more open to change and include people's views of themselves, others, organizations, society, nature, and the universe.

BabyNes:
Launched in CH, France, USA and China/HK

Spot the difference

A BRILLIANT FUTURE STARTS WITH SMART NUTRITION

Inspired by breast milk, we created Gerber® BabyNes®, an advanced nutrition system bringing six stages of single serve formulas together with a Wi-Fi-connected Machine. It's a smart way to nourish the greatness in your baby at each stage of development.

▶ SEE BABYNES IN ACTION

90 DAY TRIAL
ORDER ONLINE ▶

BabyNes:
Launched in CH, France, USA and China/HK

Language

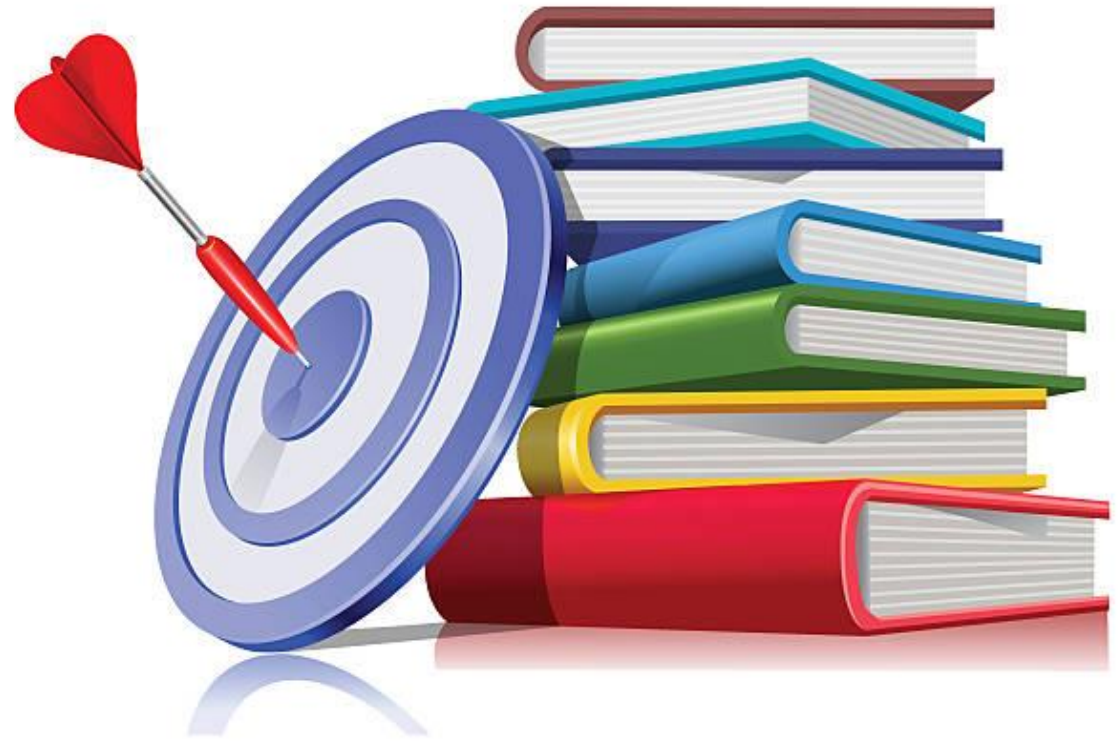Different Moms

Babies of different ages (local legislation)

Color of the machine

Bottle vs beaker cup

Branding

Learning Objective 5

Discuss how companies can **react** to the marketing environment.

Responding To The Marketing Environment

"There are three kinds of companies: those who make things happen, those who watch things happen, and those who wonder what's happened."

Responding to the Marketing Environment

Views on Responding

Reactive	Proactive	Passive
Observe, react and adapt to forces in the environment	Develop strategies to change the environment and evolve the industry	Become irrelevant as they watch things happen

"Business history reveals plenty of cases in which firms' strategies shape industry structure"

Reactive   **Proactive**   **Passive**

Responding to the Marketing Environment

Companies that understand and adapt well to their environments can thrive.

Those that challenge their environments can even change the status quo.

Those that don't will face difficult times.

Key Points To Remember

1. Be curious about your environment. Understand the implications and be agile in your strategy.

2. Know the trends and use if appropriate for your brand. If not, leave them alone!

3. When targeting, think lifestage, lifestyle, values & beliefs more than pure demographics.

4. Political, cultural environments.... Be able to discuss what's happening in the world and can affect in the marketing environment.

HACKATHON

What Is A Hackathon?

A new approach to the way you can get to data in today's digital world - it's all about using what is available at your fingertips to "hack away" at a business question.

Hackathons bring together a group of colleagues (or students ☺) to "hack away" at a singular business question, making significant progress in a few short hours, using data that is available online.

Were Can You Find Your Data?

- **INFOTHEQUE! Should be the preferred resource for richness and robustness of available information.**

- **Google search, Google trends (trends.google.com):** use Google trends to identify trending search terms, related searches, markets where this search is most relevant, etc.

- **Think with Google (thinkwithgoogle.com):** many interesting consumer insights and industry analyses.

- **Instagram, X, Tik Tok (or other social channels and brand forums):** use # search to look for specific tags on brands or explore brands' channels to see what they post and how consumers are commenting.

- **YouTube Search:** look at trending topics / searches and related videos. Learn from consumers about why and how they use certain products and brands.

- **Amazon Ratings & Reviews:** use customer ratings and reviews to better understand how they experience certain products, what they

What Do You Have To Do?

Select 1 of these 3 topics and work in groups of 4 -5 people:

1. You are a **beverage company** (non-alcoholic), who wants to launch a new **drink**. What are some of the latest trends in the beverage industry? Are there any new and innovative brands that stick out? What do they do differently? What would you launch and to which target?

2. You are a **beauty company** and want to understand what the next big idea is. What are the major trends in this industry? What are the smaller starts-ups doing to challenge the large multinational companies? What would you launch and to which target?

3. You are a **world foods importer (ethnic foods not native to Switzerland)** and wish to capitalize on the next big trend in ethnic eating. What is currently available in CH? What areas of the world would you explore to find an interesting market opportunity and who would you target in CH? Who are the players / competitors or possible suppliers? What would you launch and to which target?

Deliverables

Please summarize your findings in 5-10 ppt slides to be presented **without notes** in class in a MAX 10-minute presentation.

All team members should speak as part of the presentation.

The slides should contain the following:

- Slide 1: topic chosen, research process, sources used, any challenges encountered
- Slides 2 - 4: your research results
- Last slides: your recommendation for the product / brand future decisions and strategy

There is no report to be handed in.

You will be graded on your group presentation and content only (10% of final grade, group grade).

Further Information

- Form teams of 4- 5 people and share with me next week.

- Team is for the Hackathon (you can change for the group project work).

- Hackathon presentations will take place in week 7.

- Week 5: presentation tips & time to work on it.

- Detailed brief on Cyberlearn.

SEE YOU NEXT WEEK