

IMPORTANCE OF ENVIRONMENT ANALYSIS IN MARKETING

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Abstract—

The main objective of this article is to describe the importance of relationship of various components of marketing environment for attaining competitive advantage in market. The term 'market' originates from the Latin noun 'Marcatus' which means 'a place where the buyers and sellers personally interact and finalise deals. However, it is not merely a place of exchange but an arrangement that provides an opportunity of exchanging goods and services for money. In this context, Philip Kotler has defined the term market as "an area for potential exchanges." Most of the successful companies have now realised that marketing presents a never ending series of opportunities and threats. The responsibility for identifying significant changes in the macro-environment falls on company's marketers. The marketing manager's major task is that of trend trackers and opportunity seekers.

Keywords: Marketing Strategies, Marketing Environment, Marketing Management, Market Environment Analysis, Marketing Research.

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I. Introduction

The marketing environment has been defined in a variety of ways. According to Philip Kotler, the company's marketing environment is made up of the sectors and forces outside the firm's marketing function which infringe upon the ability of marketing management to develop and maintain successful relationship with the firm's target audience [1]. Within the environment there are two distinct components: the micro environment and the macro environment. This is explained in the Fig.1 & Fig.2 below:

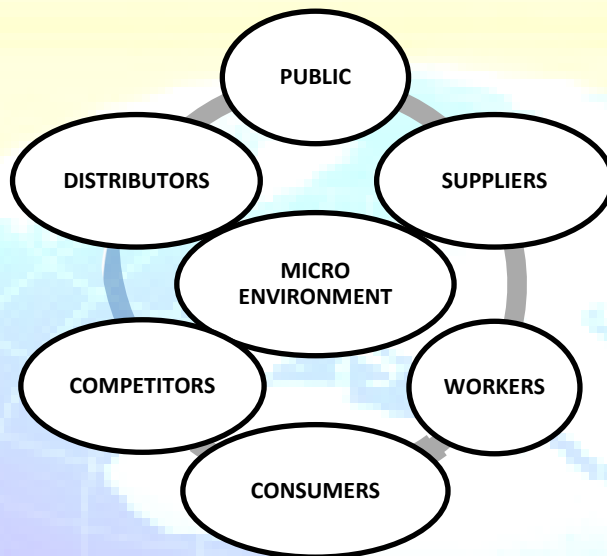


Fig. 1 Micro Environment of Business

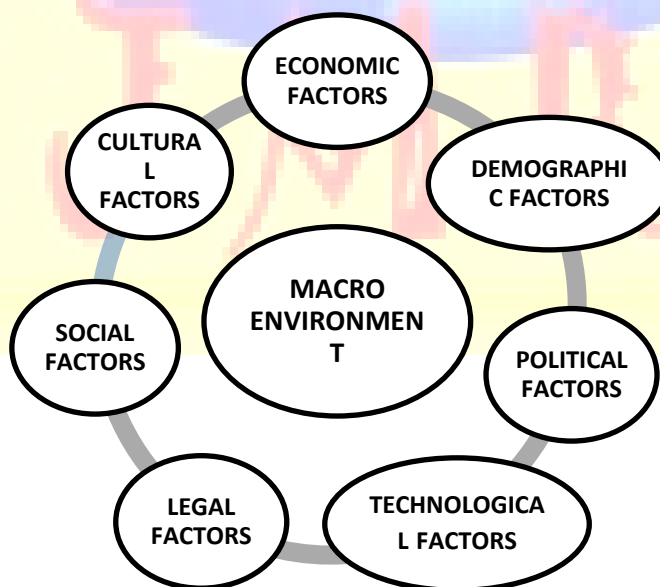


Fig. 2 Macro Environment of Business

Importance of Environmental Analysis

The marketing manager needs to be dynamic to effectively deal with challenges of environment. The environment of business is dynamic. Change is constant thing in it. The following are the benefits of environmental scanning:

- It creates an increased an increased general awareness of environmental changes on a part of management.
- It guides with greater effectiveness in matters relating to Government.
- It helps in marketing analysis.
- It suggests improvement in diversification and resource allocations.
- It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- It provides a base of 'objective qualitative information' about the business environment that can subsequently be of value designing the strategies [2].
- It provides a continuing broad-based education for executives in general, and the strategists in particular.

The environmental conditions faced by an organization are capable of varying greatly in their complexity and need to be reflected both in the ways in which environment analysis is conducted and in the ways in which strategy is subsequently developed [3]. It is widely recognized that the pace environmental changes is increasing and this requires the organization to develop a structured approach to environmental analysis with the results than being fed into the marketing planning process in a greater degree than ever before.

Marketing management is concerned with matching of the organization with the demands of the business environment [4]. There is a need for the marketer to monitor the business environment on an on-going basis so that opportunities and threats facing the organization are identified and subsequently reflected in the firm's strategy.

Resources received by the organisation from the environment are controllable variable. They are called inputs. These company resources are, Plant & equipment, Material resources, Financial resources, Personnel resources, technical & managerial know-how, information and corporate

image [5]. Environment comprises external factors over which the organization and management has hardly any control. These relatively uncontrollable factors are demography, economic environment, social & cultural environment, political and legal environment, technological environment, ecology, competition, demand.

Environment provides resources and opportunities but it also limits and constraints on the organization, and influences its survival and growth. The activities and results of the organisation as a processor must be acceptable to its environment. The environment reacts to the output of an organization. On this reaction, i.e. feedback, the environment determines its future inputs into the organisation. A business organisation is a socio-economic system of a larger environmental system. It must continuously adapt and adjust to the opportunities and threats or risks and uncertainties presented by changes in the environmental factors. We are living in a dynamic and complex world. If our organization acts as a closed system (as thought by classic economists), always looks inside, and concentrates or focuses its attention exclusively in the inner environment, and it fails to keep up with changes in its outer environment e.g. changes in customer demand, changes in market conditions and degree of competition [6].

There are several factors like changes in public relations, technologies, political and legal conditions, economic conditions, labour relations, etc. It is bound to lose opportunities. Unless our enterprise responds positively in time to the dynamic environmental demands, it cannot assure its survival and profitable growth. A business enterprise and its environment are mutually interdependent, interacting with one another continuously. It exists in the world of resources, opportunities and limits. It can survive only when it is adaptable and flexible. Business units have to adopt socially responsible marketing policies to ensure not only marketing system is an interacting set of institutions, activities and flows in order to help exchange operations between the firm and its market.

Marketing system is called upon to function within the framework of certain forces which constitute the environment of marketing [7]. The environment today demands not merely the quantity of life but also the quality of life and community welfare and satisfaction. The dynamic marketing environment has three types of forces (a) External uncontrollable forces, (b) External

partially controllable forces, (c) Internal controllable forces. External uncontrollable forces are: (a) demography, (b) economic climate, (c) socio-cultural environment, (d) technology, (e) ecology, (f) political and legal climate, (g) competitive forces, (h) total demand. These are termed as environmental constraints. Profitable solutions to marketing problems can only be realised if the significance of environmental change on the firm and its customers is recognized [6]. These external forces which affect marketing opportunities, consumer satisfaction and business action must be reflected in marketing policies, plans, strategies, programmes and decisions.

The essential point is that the business organisation must constantly monitor its environment. External partially controllable forces: (a) customers or the market, (b) suppliers (c) market intermediaries. Internal controllable forces are: (a) Corporate resources- human and non –human resources called 5'M's: men, money, machinery, materials and management, (b) marketing mix components such as product, price, distribution and promotion.

II. Marketing Management Framework

Marketing management acts as an important item of the marketing system of a business enterprise are:(1) Marketing Management, (2) Articles of Exchange, i.e., products/services entering the market of circle of exchange, (3) Marketing agencies linking producers and consumers, (4) The target market representing the customers, able and willing to buy products and services, and (5) Environmental forces acting as parameters and constraints within which the marketing system is expected to operate. We are interested in these changing and controllable variables influencing our marketing plans, policies and programmes.

Marketing management of a business enterprise must operate within the framework of the uncontrollable elements of the market place which constitute the environment of marketing. An enterprise must operate within the framework of the uncontrollable elements of the market place which constitute the environment of marketing. An enterprise does not live in a vacuum. Marketing strategy in the form of marketing mix is formulated within a framework involving many uncontrollable variables called marketing parameters. These environmental

factors must be duly considered planning any marketing programme. There are eight interrelated environmental forces considerably influencing the marketing management system of a business organization. They are dynamic as well as uncontrollable forces included in the environment of marketing system of a business enterprise. They are: (1) Demography, (2) Customer needs and desires, (3) Competition, (4) Economic conditions, (5) Social and cultural climate, (6) Science and technology, (7) Legal and Political conditions and (8) Ecology.

The main important of the marketing system of a company is its marketing mix. Marketing management evolves the marketing mix in relation to its external environment. Hence, it must respond in time to changes in the marketing environment and it must adopt intelligent forecasting devices to anticipate the trend and intensity of environmental changes. It has to use internal controllable resources in the best manner while adjusting quickly to changing demands of the marketing environment.

Marketing system constitutes the set of institutions and flows (of goods/information) which influence the process of exchange. It comprises (1) the organization, (2) the market, (3) marketing intermediaries, (4) suppliers, and (5) competitors. These five ingredients form the core of the marketing system. Then around this core we have the interested institutions and groups of people, e.g., mass-media, general public, financial institutions, insurance companies, government and legislators. The non-controllable environmental forces include demographic, economic, competitive, cultural, political, legal and technological forces.

Marketing management is responsible for opportunity assessment, marketing planning and programming, marketing organisation and leadership and evaluating and adjusting marketing effort under dynamic marketing environment. A passive firm will simply respond to the environmental forces in its own distinctive ways. On the other hand, an aggressive and innovative firm consciously attempts to influence, shape and even modify the so-called uncontrollable elements of the business climate. However, such aggressive proactive business enterprises are very few and they are in small minority. It should be noted that all business organisations must monitor their environment to understand it and evaluate it accurately.

Marketing management before formulating marketing mix must consider the different factors of environment, in which the enterprise will be operating in future. The more a business understands its environment, the better chance it has for profitability. The business environment represents a complex of shifts in the structure of society and the economy, in the state of technology, in the customer demand in the market place, in the policies and requirements of the governments and in the state and character of international tensions. Environmental changes act as stimulus that increases the opportunities for growth, without the help of which a company is fighting difficult odds.

Management should first establish programme for consistently monitoring the market environment like an early-warning radar system. Second, a means must be developed for sending of innovative ways of fulfilling a growing need or ways to seize the opportunities and avoid threats. Marketing management has to assess the marketing opportunity. It has to analyse anticipated changes in the market environment. These changes have to be related to the profitable use of corporate resources [9]. Decisions arrived at on the assessment of marketing opportunity are then translated into marketing plans and policies.

III. Marketing Environment

The marketing management must keep close contact with many uncontrollable forces. To be successful in marketing, we must learn to accommodate them, and if possible, to take advantage of them, in our marketing plans and policies. These uncontrollable forces are the parameters of the market. They act as constraints on the organization at all levels.

Few important external uncontrollable factors are following:

1. Demography; Demography deals with the scientific study of human population and its distribution structure. Thus it offers consumer profile which is very necessary in market segmentation and determination of target markets. Quantitative aspect of consumer demand is provided by demography, e.g., census of population, whereas qualitative aspect of consumer demand such as personality, attitudes, motivation, perception, etc., is provided by behavioural analysis. Good demographic analysis combines several factors such as population rate of growth or decrease, income or economic power, life cycle analysis of consumer, occupation, education

and geographic segmentation. Demographic and behavioural analyses enable marketing executives to understand the bases of market segmentation and to determine marketing reaction to new product of consumer reaction to an advertising campaign.

2. Technology: Phenomenal development in science and technology since 1950 has created a tremendous impact on our lives and life styles, in our consumption as well as our economic welfare. In most cases the market was the mother of invention. The evolution of global market by 2001 has been due to the wonders of science and technology. Technology is the way things are done, materials and techniques used to achieve business objectives. It is driving force behind many new product innovations and the development of many markets. Advances in electronic telecommunications, computers, biology and plastics have very wide impact on all business and marketing activities all over the world. Without computers much of the progress in biology, electronic, and the development of new man-made materials would not be possible.

3. Economic Environment: People constitute only one element of a market. The second essential element of a market is purchasing power and willingness to spend. Then only we have effective demand. Hence, economic conditions play a significant role in the marketing system. Marketing plans and programmes are also influenced by many other economic items such as interest rates, money supply, price level, consumer credit, etc. Higher interest rates money supply, price level, consumer credit, etc.

4. Social & Cultural Environment: Social and cultural forces usually influence the welfare of a business concern in the long run. Consumerism is becoming increasingly important to marketing decision process. Social marketing concept is demanding not only consumer welfare but also citizen welfare, due to the prevalent social environment in many countries is responsible for emphasising social responsibility of business and customer-oriented marketing approach. There are main three aspects of social and cultural environment: (a) changes in our life-styles and social values, e.g., changing role of women, emphasis on quality of goods instead of quantity of goods, greater reliance on governments, greater preference to recreational activities, etc., (2) major social problems, e.g., concern for pollution for our environment, socially responsible marketing policies, need for safety in occupations and products, etc., (3) growing consumerism indicating consumer dissatisfaction.

5. Competition: No marketing decision of major importance should be made without assessing competition in a free market economy. Competitors considerable influence the company's choice of marketing strategies particularly in relation to selection of targetmarkets, suppliers, marketing channels as well as in relation to selection of target markets, suppliers, marketing channels as well as in relation to its product mix, price mix and promotion mix. Formulation of marketing mix is on the basis of anticipations of competitors' moves. Marketing strategies recognize the force of competition in a free market economy and these strategic plans are always based on the anticipated moves of the opponent.

6. Political & Legal factors: Political and legal factors are gaining considerable importance in marketing activities and operations of business enterprises. Marketing systems are affected by government monetary and fiscal policies, import-export policies, customs duties. Legislation controlling physical environment, e.g., anti-pollution laws also influence marketing plans and policies. Marketing management cannot ignore the legislation regulating competition and protecting consumers. Public policy affects marketing management. Business enterprises may not be allowed to resort to price discrimination false and misleading advertising, exclusive distributorships and tying agreements, deceptive sales promotion devices, division of markets, exclusion of new competitors and such other unfair trade practices.

7. Consumer Demand: Consumer demand is ever-changing, unpredictable and also immeasurable with accuracy. It is also complex and very intricate. Under the market oriented marketing philosophy, customer needs and desires act as the centre of the marketing universe. According P. Drucker there is only one valid definition of business purpose: to create a customer. Repeat sales are possible only on customer satisfaction. The firm's profits indeed its very survival are linked to the satisfaction of customer needs and wants.

8. Ecology: Ecology is the science dealing with living things and this environment. In wider concept of marketing, ecological environment has assumed a unique importance in production and marketing in modern economies. Environmental experts are vigorously advocating the preservation and survival of our entire ecological systems. The marketing system not only satisfies the buyers need but societal needs as well. Organisations must show interest in the

welfare of community. Also they should prevent all types of pollution and efficiently use the natural resources. Economical use of energy and natural resources must be essential ingredients of marketing strategies.

IV. Conclusion

The business enterprise is an open adaptive system with its own environment. It does not exist independent of the environment; it has interaction and interdependence with economic, social, political, legal, technological and cultural forces. These environmental variables define the resources, opportunities and threats available to and facing the enterprise. Obviously all of the input factors for processing must come from the external environment.

The market place, the place where buying and selling takes place with the help of money and the intermediaries, also exists in the external environment. In the market place we have various factors beyond the control of the enterprise. These uncontrollable factors are shaping and influencing the nature and character of customer demand. As these forces continue to develop and change, they determine the new requirements for efficient and effective marketing plans and policies. The main forces operating to create the need for new responses from the firm are: (1) changing customer demand, (2) changing competition, (3) changing technology, (4) changing economic and legal policies of Governments, (5) changing social and cultural trend. These are the universal constraints on any marketing organization.

The marketing manager has definite control over product, place, price and promotion mixes. But he must work within the limitations imposed by marketing environmental forces, i.e., uncontrollable variables mentioned above. Adaptive firms are affected more by changing environmental forces. But it should be clearly understood that no firm irrespective of its size, influence or style of operation can venture to ignore or forget the influence of its external environment. Even a multinational corporation cannot have absolute control over the changing environmental factors.

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