

UNIT 4: MARKETING PRINCIPLES

1

WEEK THREE

Learning Outcome One (1)

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- LO2 Be able to use the concepts of segmentation, targeting and positioning

Objective

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- By the end of this lesson you should be able to:
- 2.1 show macro and micro environmental factors which influence marketing decisions



Overview

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- There are a number of factors that affect the marketing decisions of a company.
- These factor can be classified as:
- Macro environment: environmental scanning; political, legal, economic, sociocultural, ecological and technological factors.
- Micro environment: stakeholders (organisation's own employees, suppliers, customers, intermediaries, owners, financiers, local residents, pressure groups and competitors); direct and indirect competitors; Porter's competitive forces

Macro environment: Definition

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- “The major external and uncontrollable factors that influence an organization's decision making, and affect its performance and strategies. These factors include the economic factors; demographics; legal, political, and social conditions; technological changes; and natural forces (BusinessDictionary.com, n.d.)”

Macro environment: Political and legal

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- “The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society (Kotler et al., 2008).”
- The laws of a country and actions of government agencies affect the marketing decisions of a country.

Macro environment: Economic and sociocultural

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- “The economic environment consists of factors that include salary levels, credit trends and pricing patterns that affect consumer spending habits and purchasing power (Reference, n.d.)”
- “The sociocultural environment includes institutions and other forces that affect the basic values, behaviors and preferences of the society, all of which have an effect on consumer marketing decisions (Reference, n.d.)”

Macro environment: ecological and technological factors

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- “The technological environment is comprised of those forces that affect the technology that creates new products, new markets and new marketing opportunities (Reference, n.d.)”
- Ecological factors: This includes:
 - “Geographical location
 - The climate and weather
 - Waste disposal laws
 - Energy consumption regulation
 - People’s attitude towards the environment (PESTLE Analysis, 2015)”

Microenvironment: Definition

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- “The microenvironment includes all the actors close to the company that affect, positively or negatively, its ability to create value for and relationships with its customers (Kotler et al., 2008).”

Microenvironment: Suppliers

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- “Suppliers form an important link in the company’s overall customer value delivery network. They provide the resources needed by the company to produce its goods and services. Supplier problems can seriously affect marketing (Kotler et al., 2008).”
- “Marketing managers must watch supply availability and costs. Supply shortages or delays, labor strikes, and other events can cost sales in the short run and damage customer satisfaction in the long run. Rising supply costs may force price increases that can harm the company’s sales volume (Kotler et al., 2008).”

Microenvironment: Employees

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- “Employing staff with relevant skills and experience is essential. This process begins at recruitment stage and continues throughout an employee's employment via ongoing training and promotion opportunities. Training and development play a critical role in achieving a competitive edge; especially in Service Sector Marketing. If a business employs staff without motivation, skills or experience it will affect customer service and ultimately sales (Learnmarketing.net, n.d.)”

Microenvironment: Customers

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- “As all businesses need customers, they should be Centred (Orientated) around customers. The firm's marketing plan should aim to attract and retain customers through products that meets their "wants and needs" and excellent customer service (Learnmarketing.net, n.d.)”
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Microenvironment: Market intermediaries

- “Market intermediaries are either individuals or business houses who come to the aid of the company in promoting, selling and distributing the goods to the ultimate consumers. They are Middlemen (wholesalers, retailers and agents), distributing agencies, market service agencies and financial institutions. (YourArticleLibrary.com: The Next Generation Library, 2014)”
- “Most of the companies find, it is too difficult to reach the consumers. In such a cases the agents and distribution firms help to reach the product to the consumer (YourArticleLibrary.com: The Next Generation Library, 2014)”

Microenvironment: Porter's competitive forces:

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- “Developed by Michael Porter: forces that shape and influence the industry or market the organisation operates in (Riley, n.d.)”
- "Strength of Barriers to Entry - how easy is it for new rivals to enter the industry? Extent of rivalry between firms – how competitive is the existing market (Riley, n.d.)”
- "Extent of rivalry between firms – how competitive is the existing market? (Riley, n.d.)”

Microenvironment: Porter's competitive forces

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- “Supplier power – the greater the power, the less control the organization has on the supply of its inputs (Berry, 2010)”
- “Buyer power – how much power do customers in the industry have? (Berry, 2010)”
- “Threat from substitutes – what alternative products and services are there and what is the extent of the threat they pose? (Berry, 2010)”

Microenvironment: Other factors

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- Other important Micro environment factors are:
 - owners
 - financiers
 - local residents
 - pressure groups
 - competitors-direct and indirect competitors

Videos

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- Vadlamudi, P. (2013). *Market Environment*. [video]
Available at:
<https://www.youtube.com/watch?v=LFDjnIFI-AY>
[Accessed 14 Sep. 2016].
- Netta, M. (2014). *The Marketing Environment*.
[video] Available at:
<https://www.youtube.com/watch?v=tklGuRoWJPw>
[Accessed 14 Sep. 2016].

Review Questions

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1. What is the difference between macro environment factors and micro environment factors?
2. List three types of macro environment factors and three types of micro environment factors
3. Digicel is a very popular telephone company/service provider in Jamaica. Explain how any ONE type of macro environment factor and any ONE type of micro environment factor could affect the marketing decision of Digicel.

References/Additional Reading List

1. Berry, T. (2010). *Porter's Five Forces*. [online] Articles.bplans.co.uk. Available at: <http://articles.bplans.co.uk/marketing-a-business/porter%E2%80%99s-five-forces/328> [Accessed 8 Sep. 2016].
2. Learnmarketing.net. (n.d.). *Micro Environment*. [online] Available at: <http://www.learnmarketing.net/microenvironment.htm> [Accessed 14 Sep. 2016].
3. YourArticleLibrary.com: The Next Generation Library. (2014). *Micro Environment of Business: 6 Factors of Micro Environment of Business*. [online] Available at: <http://www.yourarticlelibrary.com/business/micro-environment-of-business-6-factors-of-micro-environment-of-business/23370/> [Accessed 14 Sep. 2016].
4. Riley, J. (n.d.). *Porter's Model of Industry Rivalry (Five Forces) | Business | tutor2u*. [online] Tutor2u.net. Available at: <http://www.tutor2u.net/business/reference/porters-model-of-industry-rivalry-five-forces> [Accessed 8 Sep. 2016].

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- BusinessDictionary.com. (n.d.). *What is macro environment? definition and meaning.* [online] Available at: <http://www.businessdictionary.com/definition/macro-environment.html> [Accessed 14 Sep. 2016].
- Reference. (n.d.). *What is a macro environment in marketing?.* [online] Available at: <https://www.reference.com/business-finance/macro-environment-marketing-1332a935ea5513c0#> [Accessed 14 Sep. 2016].
- PESTLE Analysis. (2015). *What is Environmental Analysis?.* [online] Available at: <http://pestleanalysis.com/what-is-environmental-analysis/> [Accessed 14 Sep. 2016].
- Kotler, P., Armstrong, G., Wong, V. and Saunders, J. (2008). Marketing in a Changing World: Creating Customer Value and Satisfaction. In: P. Kotler, G. Armstrong, V. Wong and J. Saunders, ed., *Principles of Marketing*, 5th ed. [online] Prentice Hall. Available at: http://www.prenhall.com/marketing/armstrong/38187_01_p1-33.pdf [Accessed 30 Aug. 2016].