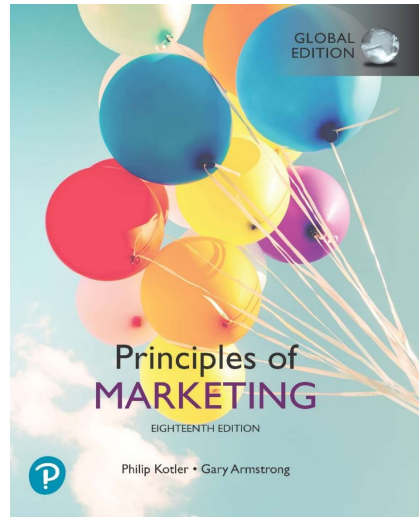# Principles of Marketing

Eighteenth Edition, Global Edition

Chapter 3

Analyzing the Marketing
Environment

Principles of
MARKETING
EIGHTEENTH EDITION
Philip Kotler • Gary Armstrong

1

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.

2

MICROSOFT: Adapting to the Fast-Changing Marketing Environment

imageBROKER/Alamy Stock Photo

"Microsoft has undergone a dramatic transformation to better align itself with the new digital world. More than just making the software that makes PCs run, Microsoft now wants to empower every person and every organization on the planet to achieve more, regardless of what device or operating system they use."

3

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.

4

Learning Objective 1

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

5

The Microenvironment and Macroenvironment (1 of 2)

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

6

The Microenvironment and Macroenvironment (2 of 2)

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

The Microenvironment (1 of 8)

Figure 3.1 Actors in the Microenvironment

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The Microenvironment (2 of 8)

The Company

In designing marketing plans, marketing management takes other company groups into account.

- Top management
- Finance
- Research and development (R&D)
- Information technology
- Purchasing
- Operations
- Human resources
- Accounting

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9

The Microenvironment (3 of 8)

Suppliers

- Provide the resources to produce goods and services
- Treat as partners to provide customer value

Suppliers: Giant furniture retailer IKEA doesn't just buy from its suppliers. It involves them deeply in the process of delivering the trendy but simple and affordable home furnishings to create a better everyday life for its customers.

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10

The Microenvironment (4 of 8)

Marketing Intermediaries

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

Partnering with intermediaries: Apple provides its retail partners with much more than phones and smartwatches. It also pledges technical support.

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11

The Microenvironment (5 of 8)

Marketing Intermediaries

- Resellers
- Physical distribution firms
- Marketing services agencies
- Financial intermediaries

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12

The Microenvironment (6 of 8)

Competitors

Firms must gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers.

13

The Microenvironment (7 of 8)

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

Publics: NatWest shows its commitment to its local community by giving generously to local charities, community groups, and social enterprises.

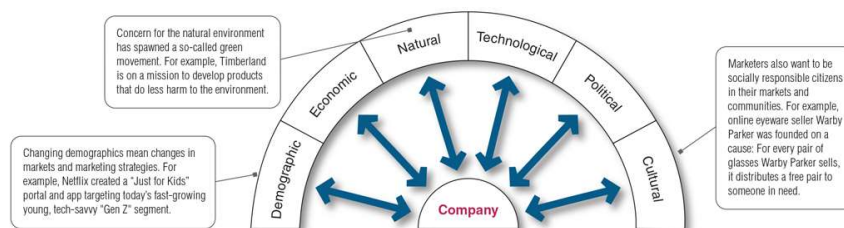Jeff Gilbert/Alamy Stock Photo

14

The Microenvironment (8 of 8)

Customers

- Consumer markets
- Business markets
- Reseller markets
- Government markets
- International markets

15

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.

Natural · Technological · Political · Cultural · Demographic · Economic · Company

16

Learning Objective 2

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

17

The Demographic and Economic Environments (1 of 6)

The 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.

18

The Demographic and Economic Environments (2 of 6)

The Demographic Environment

- Baby Boomers – born 1946 to 1964
- Generation X – born between 1965 and 1980
- Millennials – born between 1981 and 1996
- Generation Z – born between 1997 and 2012
- Generation Alpha – born after 2012

19

The Demographic and Economic Environments (3 of 6)

The Demographic Environment

Generational marketing is important in segmenting people by lifestyle or life stage instead of age.

Generational marketing: Baby boomers and millennials are now moving over to make room for younger Generation Alpha.

Syda Productions/Shutterstock

20

The Demographic and Economic Environments (4 of 6)

The Demographic Environment

- The changing American family
- Geographic shifts in population
- A better-educated, more white-collar, more professional population
- Increasing diversity

Working remotely: Apps like Slack let people working remotely collaborate anywhere and everywhere through the internet and mobile devices.

Slack Technologies, Inc.

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21

The Demographic and Economic Environments (5 of 6)

The Demographic Environment

Targeting consumers with disabilities: Toyota's "Start Your Impossible" campaign included ads highlighting inspirational real-life stories of athletes who overcame mobility challenges, such Paralympic gold medalist alpine skier Lauren Woolstencroft.

Bonny Makarewicz/EPA/Shutterstock; Editorial/Alamy Stock Photo

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22

The Demographic and Economic Environments (6 of 6)

The Economic Environment

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.

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Learning Objective 3

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

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The Natural and Technological Environments (1 of 4)

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.

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25

The Natural and Technological Environments (2 of 4)

The Natural Environment

Trends in the Natural Environment
- Growing shortages of raw materials
- Increased pollution
- Increased government intervention
- Developing strategies that support environmental sustainability

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26

The Natural and Technological Environments (3 of 4)

The Natural Environment

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

The natural environment: Walmart has emerged in recent years as the world's super "eco-nanny" through its own sustainability practices and its impact on the actions of its huge network of suppliers.
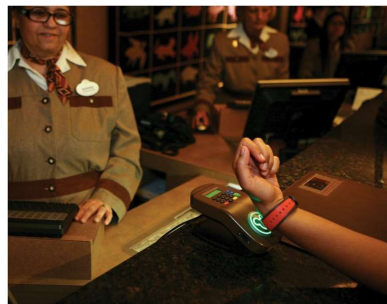
The Natural and Technological Environments (4 of 4)

The Technological Environment

- Most dramatic force in changing the marketplace
- New products, opportunities
- Concern for the safety of new products

Marketing technology: Disney takes full advantage of digital technology in creating magical customer experiences at its Walt Disney World Resort.

Learning Objective 4

Explain the key changes in the political and cultural environments.

29

The Political-Social and Cultural Environments (1 of 5)

The 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

30

The Political-Social and Cultural Environments (2 of 5)

The Political and Social Environment

- Increased emphasis on ethics and socially responsible actions
- Cause-related marketing

Ben & Jerry's Homemade Inc.

Cause-related marketing: Ben & Jerry's three-part "linked prosperity" mission drives it to make fantastic ice cream (product mission), manage the company for sustainable financial growth (economic mission), and use the company "in innovative ways to make the world a better place" (social mission). Both Ben & Jerry's and its products are "Made of Something Better."

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31

The Political-Social and Cultural Environments (3 of 5)

The Cultural Environment

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

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32

Cause-Related Marketing: Linking Brands, Consumers, and Causes

Aerie's #AerieREAL campaign pledges that it will use only unretouched images and videos of real women in its ads and other marketing content. The cause of body positivity and inclusivity is an integral part of the brand's identity.

MediaPunch Inc/Alamy Stock Photo

33

The Political-Social and Cultural Environments (4 of 5)

The Cultural Environment

Core beliefs and values are persistent and are passed on from parents to children and are reinforced by schools, churches, businesses, 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.

34

The Political-Social and Cultural Environments (5 of 5)

The Cultural Environment

Shifts in Secondary Cultural Values

- People's views of themselves
- People's views of others
- People's views of organizations
- People's views of society
- People's views of nature
- People's views of the universe

Catering to the natural, organic, and ethical products trend: Unilever's Love Beauty and Planet brand has one goal: "To make you more beautiful and give a little love to our planet."

The Advertising Archives/Alamy Stock Photo

Learning Objective 5

Discuss how companies can react to the marketing environment.

Responding to the Marketing Environment

Views on Responding

- Uncontrollable
  – React and adapt to forces in the environment
- Proactive
  – Take aggressive actions to affect forces in the environment
- Reactive
  – Watch and react to forces in the environment

37

Real Marketing 3.2: In the Social Media Age: When the Dialogue Gets Nasty

Today's empowered consumers: Whole Foods Market's decision to put single pre-peeled oranges in individual plastic containers caused a viral storm of #OrangeGate tweets. However, the retailer averted the potential PR disaster by responding within hours with its own humorous, self-critical social media posts admitting its mistake.

Kateryna Bibro/123RF

38