

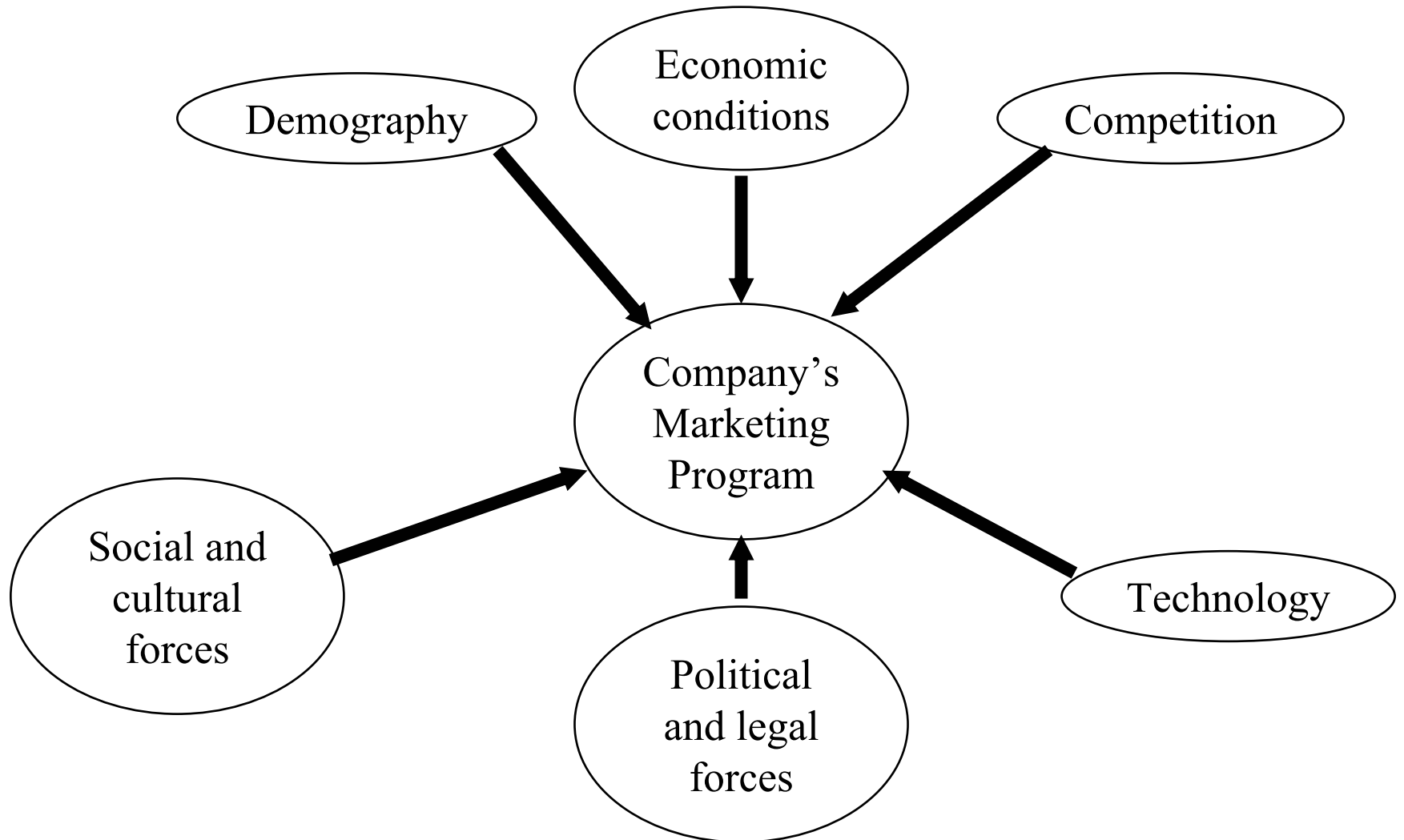
The Changing Marketing Environment

Chapter 2

The External Environment

- External environment
 - changing
 - implications* for marketing
- **Macro** forces
 - factors over which the company has no control
- **Micro** forces
 - operate at the level
- External macroenvironment
 - affects different firms in different ways

Relationship-Insensitive External Environmental Forces



Demography

- Statistical study of human population and its distribution
- Aging population
 - impact of seniors, boomers and their kids
- Smaller families and more single-person households
- Smaller, non-traditional households
- More part-time workers, dual-income households
- Changing patterns of immigration, ethnic mix

Economic Conditions

- Stages of the business life cycle
 - Prosperity, recession, and recovery.
 - Inflation.
 - Interest and unemployment rates
- How are consumers likely to respond?
- Power of expectations.
 - Consumer
 - Resource

Competition

- Competition is an interactive process :
 - directly at the brand or store level
 - at the level of substitute products/services
 - other demands upon buying power
- Competition from unexpected sources
 - including more
- Firms must monitor the competitive marketplace
 - to identify its best
- Developing a competitive strategy.
 - Should we
 - In what should we compete?
 - How should we compete?

Social and Cultural Forces

- Relationship between marketing and society and its culture.
 - Influences acceptance of
 - Trust in business influencing control on
 - Changing values, lifestyles, and beliefs
 - Greater emphasis on quality of life
 - Immigration and changing values
 - Rapidly changing gender roles
 - Different attitudes toward physical activity, exercise, and diet
 - Increased emphasis on service quality and value
 - Environmentalism and marketing
 - Increased demands for convenience
- Cultural differences across international markets.

Technology

- Application to marketing of knowledge based on science, inventions, and innovations.
 - New products/industries for consumers
 - Price reductions
 - Make existing products obsolete
 - Impact on consumer lifestyle
 - Improve customer service
 - Stimulates other markets and industries

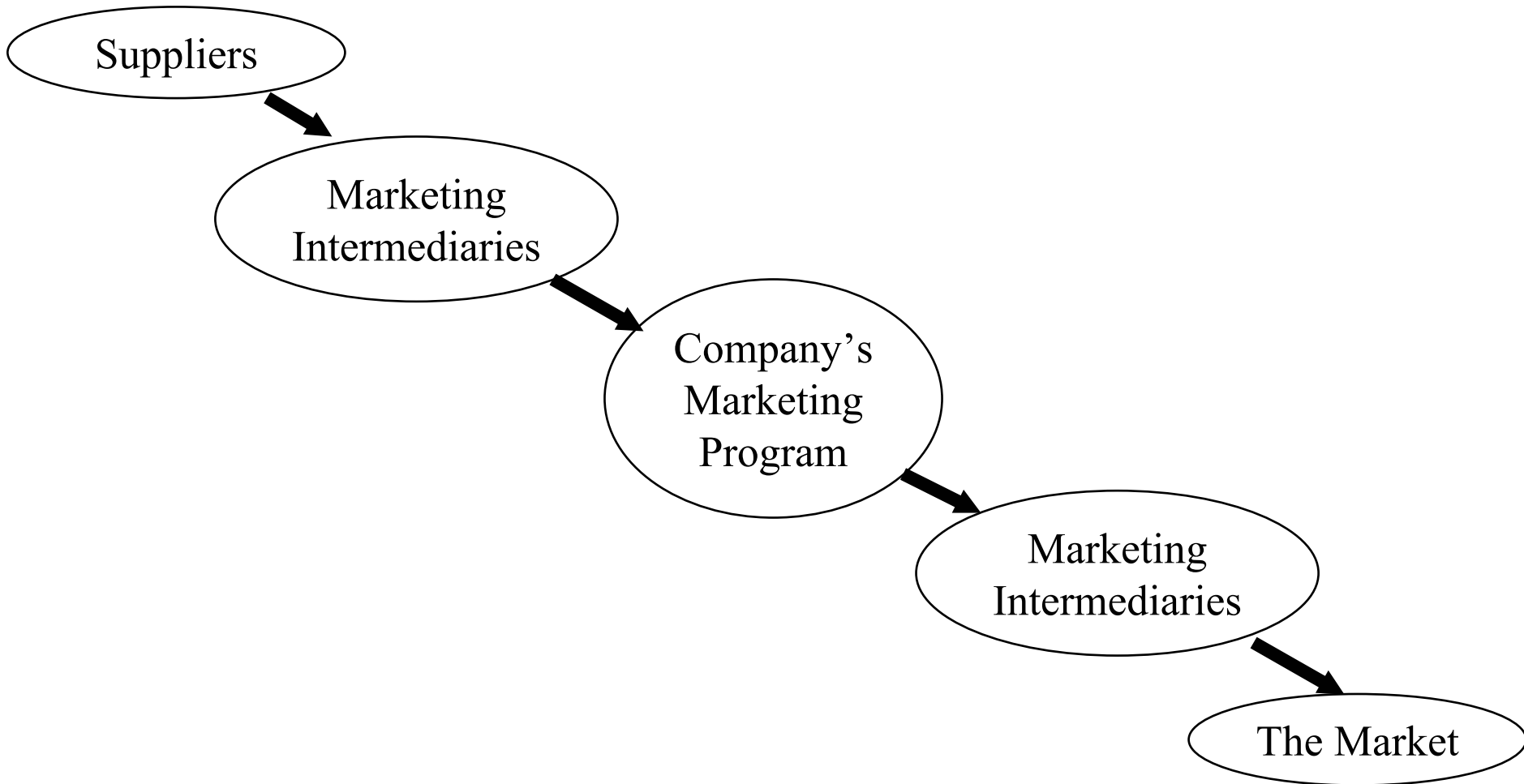
Political and Legal Forces

- Government and laws affect marketing
- Legislation has implications for marketing
- Considerable amount of legislation in Canada affects marketing directly
- Many industries are directly affected by legislation
 - packaging, labeling, advertising

Controllable Environmental Forces

- External to the firm
 - but part of marketing system because of close relationship
- Can be influenced by the firm
 - not entirely
- relationship-sensitive
 - important to establish solid relationships

Relationship-Sensitive External Environmental Forces



Internal Environmental Forces

- Influence the firm's marketing strategies, programs and activities have the potential to affect customer satisfaction R&D, production, systems, financial, human resources
- Marketing activities consistent with corporate goals, positioning and image

What Is Strategic Planning?

- Matching an organization's
 - Resources and capabilities to
 - Its market
 - For long-term growth and survival.
- Planning is an _____ process.
- Characteristics of strategic plan.
- Planning takes place at different levels.
- Planning draws from other areas.

Characteristics of Strategic Plan

- in scope.
- Typically
- Focus on overall
- Most often conducted by management.
- Serves as the basis for

Planning At Different Levels

■ Strategic planning

Top – Board of Directors, President, Operating Division
Vice-Presidents

Objectives of organization, fundamental strategies, total budget

■ Tactical planning

Middle – GSM, MR Director, Head of Ad Dept.

Quarterly and semi-annual plans, subdivision of budgets, policies
and procedures for each dept.

■ Tactical planning

Supervisory – District Sales Manager, Supervisors

Daily and weekly plans, unit budgets

Steps in Organizational Planning

- Strategic company planning

 - Defining mission.

 - Situational analysis

 - Determining goals and objectives.

 - Selecting strategies.

- Strategic marketing planning

 - Assessing resources and evaluating risks and opportunities.

 - Develop marketing objectives

 - Determine positioning and differential advantage.

 - Select target market and measure demand.

 - Formulating marketing strategy.

- Implementing marketing plans.

- Feedback

Defining Mission

- Changes over
- Long-range in nature.
- Developing mission - 3 key elements.

- Effective statement - 4 characteristics
 - Focused on
 - that firm will supply.
 - Stage in the
 - firm will develop.

Situational Analysis and Organizational Strategies

- Situational analysis

Gathering and studying information

- Organizational strategies

Broad plans of action for company.

Determining Goals and Objectives

- Identify desired outcomes.
 - Clear and specific
 - Stated in writing
 - Ambitious, but realistic
 - Consistent with one another
 - Measurable
 - Evaluative
 - Tied to a particular time period.

Strategic Marketing Planning

- Conduct situation analysis
- Develop marketing objectives
- Determine positioning and differential advantage
- Select target markets and measure market demand
- Design a strategic marketing mix

Assessing Resources and Evaluating Risks and Opportunities

- Assessing resources

What are resources?

External Vs internal analysis

- Evaluating risks and opportunities

SWOT analysis

SWOT Analysis

Strength's

Cost advantages
Financial resources
Customer loyalty
Production facilities
Patents

Opportunities

Add product line
Enter new markets
Acquire firms with
new technology

Weaknesses

Narrow product line
Lack of mgmt depth
High cost operation
Inadequate financing
Weak image

Threats

Changing buyer tastes
Likely entry of new
competitors
Adverse government
policies

Formulating Marketing Strategy

- Result of SWOT analysis - formulation of marketing objectives.
- Marketing strategies should be
 - Positioning and differential advantage
 - Target market and marketing mix

Tools in Marketing Planning

- Strategic business units.
- Market share/market growth (BCG) matrix.
- Market attractiveness/business strength matrix.
- Product-market growth matrix.
- Porter's generic strategy model.

Strategic Business Units

- Divisions within multi-product companies with
 - Distinct mission
 - Own managers
 - Identifiable customer segments
 - Specific competitors
 - Ability to plan independently

BCG Matrix

Relative Market Share

High

Low

Stars

Generate considerable
income
Strategy –

Question Marks

Have potential to become
a star or cash cow
Strategy –

High

Industry Growth Rate

Cash Cows

Generate strong cash flow
Strategy –

Dogs

Generate little profit
Strategy –

Low

Product-Market Growth Matrix

Present
Products

New
Products

Present
Markets

New
Markets

Porter's-Generic Strategy Model

Broad
Tgt Mkt

Narrow
Tgt Mkt

Product
Cost

Product
Differentiation
