

Topic 3

EXTERNAL ENVIRONMENT ANALYSIS AND COMPETITOR ANALYSIS

THE MARKETING ENVIRONMENT

Marketing environment (also known as the macro environment) is always dynamic and consists of external forces that directly or indirectly affect how companies serve their customers



Economic forces and conditions

Buying power resources, such as money, goods and services, that can be traded in an exchange

The major financial sources of buying power are income, wealth and credit.

Income is an amount of money received through wages, rents, investments, pensions and subsidy payments for a given period of time, such as a month or a year.

Normally this money is allocated among taxes, spending on good and services and savings. Marketers are most interested in the amount of money left after payments of taxes because this is **disposable income** after tax income. As this is used for saving or spending, there is also **Discretionary Income** Disposable income available for spending and saving after an individual has purchased the basic necessities of food, clothing, and shelter. And **willingness to spend** an inclination to buy because of expected satisfaction from a product, influenced by the ability buy and numerous psychological and social forces.

Fluctuations in the economic conditions normally follows a general pattern, referred to the business cycle.

Business cycle A pattern of economic fluctuations that usually has four stages: prosperity, recession, depression and recovery.

PROSPERITY	RECESSION	DEPRESSION	RECOVERY
<ul style="list-style-type: none"> ✧ Unemployment is low and total income is relatively high ✧ Assuming low inflation rate, this combination ensures high buying power 	<ul style="list-style-type: none"> ✧ Unemployment rises ✧ While total buying power declines ✧ Pessimism accompanying a recession often stifles both consumers and business spending 	<ul style="list-style-type: none"> ✧ Unemployment is extremely high ✧ Wages are very low ✧ Total disposable income is at a minimum and consumers lack confidence in the economy 	<ul style="list-style-type: none"> ✧ Moves to prosperity ✧ High unemployment starts to decline ✧ Total disposable income increases ✧ Economic gloom that reduces consumers' willingness to buy subsides.

Legal and regulatory factors

There are number of laws the influence marketing decisions and activities including 2011 *Australia Consumer Law*.

Regulatory agencies and self-regulatory factors also affect marketing efforts. Federal regulatory agencies influence many marketing activities including;

- ✧ Product development
- ✧ Pricing
- ✧ Packaging
- ✧ Advertising
- ✧ Personal selling
- ✧ Distribution

Usually these bodies have the power to enforce specific laws, or assisting making these laws.

The Australian competition and consumer commission (ACCC)is an independent Australian government statutory authority.

- ✧ Formed in 1955 to administer the *trade practice act 1974 and prices surveillance act 1983*

- ✧ Promotes fair trade in market for business, consumers and community
- ✧ Regulates national infrastructure services
- ✧ Primary responsibility = people and business comply with the law (LOOK ABOVE FOR NAMES)

Some business tries to regulate themselves (make restrictions on themselves) such as Kraft Foods stopped advertising sugar loaded snakes to children under the age of 12 because of their worry on the long-term effects it would have. Kraft recognised that if food product marketers didn't police themselves then the government would have to step in and could make it a lot worse for business.

Technological forces

Technological brings the mind scientific advances such as information technology and biotechnology, which has resulted in internet, mobile phones, cloning, stem-cell research, electric cars, iPads and more. This allows marketers to operate for efficiently and produce new products to their customers.

Technology the application of knowledge and tools to solve problems and perform tasks more efficiently.

Even resources such as eating, sleeping, drinking, sexual, health care and work performance are effected by the performance and influence by existing technology and advances in technology. Because of this advancement communication can reach vast numbers of people.

Dynamic involves the constant change that often occurs challenges the structure of social institutions including social relationships, the legal system, religion, education, business and leisure.

Reach refers to a board nature of technology as it moves though society

Self-sustaining nature of technology relates to the fact that technology acts as a catalyst to spur even faster development.

Technology assessment managers try to foresee the effects of new products and processes on their own organisations operations, on other business organisations and in society in general.

Sociocultural forces

Sociocultural forces the influences in a society and its culture(s) that change people attention, beliefs, norms, customs and lifestyles.

This helps business to know what, when, where and how people buy products this presents a business with challenges and opportunities.

Changes in populations demographic characterises (age, gender, race, parental status, marital, income and children) have a major bearing on relationships and individual behaviour, these shifts can lead to how people in result spend their money and how much business strive from it, so companies must look at the changes in society and match the customer's needs. FOR EXAMPLE, the life expectancy has expanded and people are now living longer which means more health care, products suited to the older generation.

ENVIRONMENTAL SCANNING

Environmental scanning the process of collecting information about forces in the marketing environment.

Conducted through observation of secondary resources such as:

- Business, trade, government data
- Internet resources
- Marketing research



ENVIRONMENTAL ANALYSIS

Environmental analysis The process of assessing and interpreting the information gathered through environmental scanning about forces in the marketing environment.

It involves

- Evaluation for accuracy
- Resolving inconsistencies
- Assigning significance to the findings

People are also more conscious of what they are putting in their body so company's need to advertise the benefits of their products.

Competitive forces

- ✧ There are few if any organisations that operate free of competition
- ✧ When marketing managers select target markets their company will serve, they also have selected competitors
- ✧ Every company competes for the customer's dollar

Competition other firms that market products that are similar to or can be substituted for a firm's product in the same target market segment.

These competitors are called direct competitors because they are available in the target market segment and are an alternative by consumers.

Direct competitors can be classified into 1 of 4 types;

- ✧ **Brand Competitors** Firms that market branded products with similar brand features and brand benefits to the same customers at similar prices.
 - ↳ **EXAMPLE** a thirsty calorie-conscious customer may choose a diet cola such as diet coke or diet pepsi from the vending machine, however the colas face competition from other drinks
- ✧ **Product Competitors** Firms that compete in the same target market segment but market products with different features, benefits and prices.
 - ↳ **EXAMPLE** a thirsty dieter might buy an iced tea, juice, mineral water or bottled water instead of cola

Type of structure	Number of competitors	Ease of entry into market	Product	Example
Monopoly	One	Many Barriers	Almost no substitutes	Water utilities
Oligopoly	Few	Some Barriers	Homogeneous or differentiated (with real or perceived difference)	Toyota Motors (cars)
Monopolistic competition	Many	Few Barriers	Product differentiation with many products	Wrangler jeans, Levi jeans
Pure competition	Unlimited	No Barriers	Homogeneous product	Vegetables/fruit farms

- ✧ **Generic competitors** Firms that provide very different products that solve the same problem or satisfy the same basic customer need.
 - ↳ **EXAMPLE** these customers might have a glass of water from the kitchen tap
- ✧ **Total budget competitors** Firms that compete for the financial resources of the same customers.
 - ↳ **EXAMPLE** these might include gum, newspaper, banana

When just one or a few firm controls supply, competitive factors exert different form of influence on marketing activities than when many competitors exist. 4 types of competitive structures are;

- ✧ **Monopoly** A competitive structure in which an organisation offers a product that has no close substitutes, making that organisation the sole source of supply.
- ✧ **Oligopoly** A competitive structure in which a few sellers control the supply of a large proportion of a product.
- ✧ **Monopolistic competition** A competitive structure in which a firm has many potential competitors and tries to develop a marketing strategy to differentiate its product.
- ✧ **Pure competition** A market structure characterised by an extremely large number of sellers, none strong enough to significantly influence price or supply

Marketers need to monitor the actions of major competitors to determine what specific strategies competitors are using and how those strategies affect their own.

- ✧ Price is one that most competitors look at

Summary

Environmental scanning is the process of collecting information about the forces in the market environment; environmental analysis is the process of assessing and interpreting the information gathered through environmental scanning. This information helps marketing managers to minimise uncertainty and threats and to capitalise on opportunities presented by environmental factors.

Marketers need to monitor the actions of competitors to determine what strategies competitors are using and how those strategies affect their own, economic conditions influence consumers buying powers and willingness to spend. Political decisions are enacted and interpreted by courts. Regulatory agencies are created and operated by elected or appointed officials. Technology determines how members of society satisfy needs and wants and help improve the quality of life. Sociocultural forces are the influences in a society that brings about change in attitudes, beliefs, norms, customs and lifestyles. Changes in any of these forces can create opportunities and threats for markets.