



Lecture 2 Marketing environments





Week	Lecture topic
1	Introduction to Marketing
2	Marketing environments
3	Marketing research
4	Consumer behaviour
5	Segmentation, targeting and positioning
6	Product & Services Strategy
7	Pricing Strategy
8	Place Strategy
9	Promotion - IMC
10	Marketing mix review
11	International Market Entry
12	Marketing Plan
13	Start Your Business
14	Course review and exam preparation









Learning OBJECTIVES

- Explain the importance of analyzing and understanding the firm's external environment.
- Define and describe the general environment and the industry environment.
- Discuss the four activities of the external environmental analysis process.
- Identify the five competitive forces and explain how they determine an industry's profit potential.



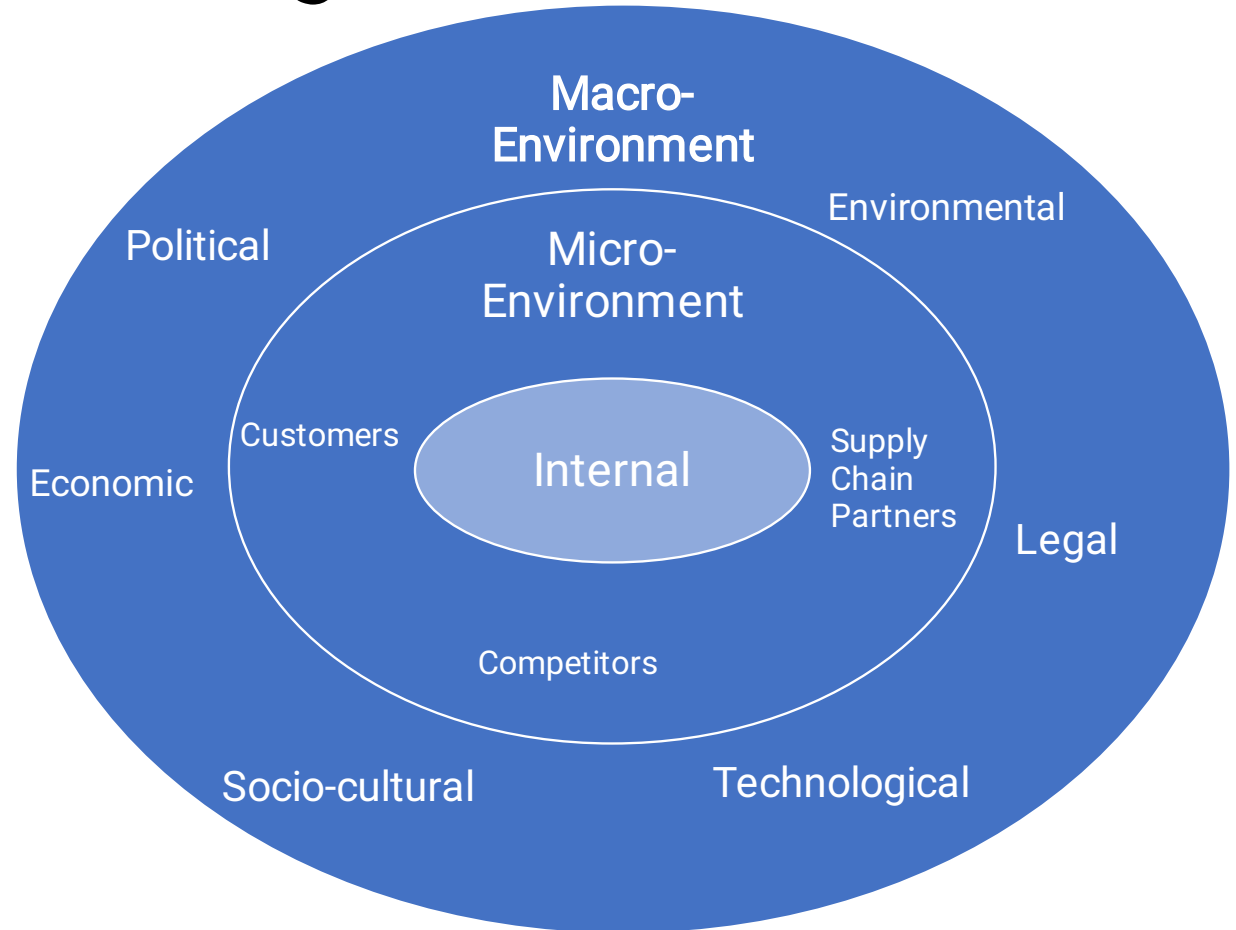
Activity Icon

Icon	Meaning	Activity
	Take notes	These are important points and you should take notes. You will be required to know this information.
	Individual Activity	Students complete an individual task.
	Group Activity	Students discuss/ complete activities in groups and report back to the class.
	Research required	You will need to research this and do some reading before the next class.
	Important Concept	You MUST understand this concept to successfully complete the subject. Seek help if you don't understand.
	Practice Questions	Students will complete these questions as practice.



The Marketing Environment

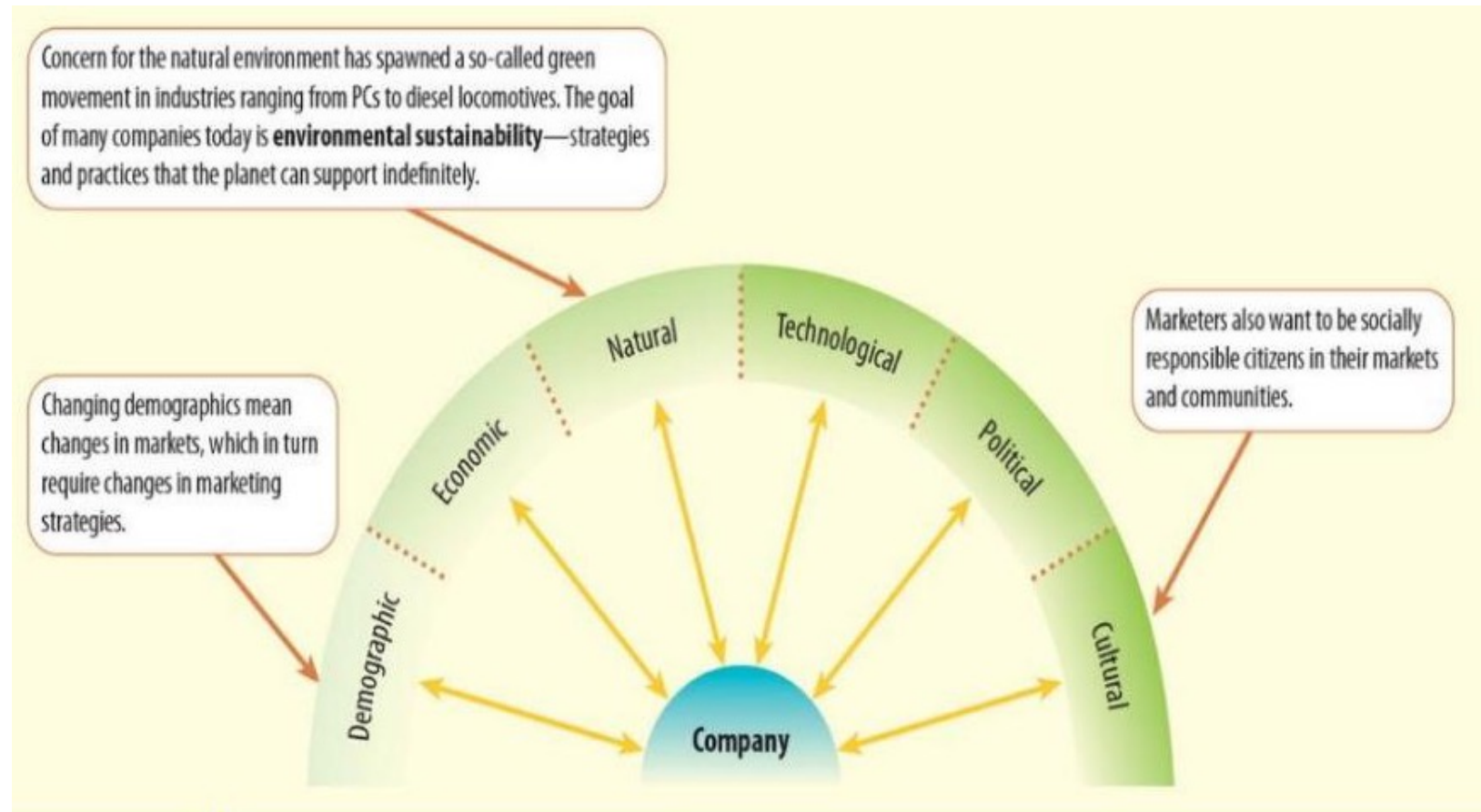
- A company's marketing environment consists of the actors and forces outside of marketing that affect marketing management's ability to build and maintain successful relationships with target customers. Companies constantly watch and adapt to the changing environment.



MARKETING



The company's MACRO environment



MARKETING



Kodak

- Who has heard of the brand – Kodak?





Demographic environment



- Demography is the study of human populations in terms of...

Population size, density & diversity

Location & geographic population shifts

Age & gender

Family size & structure

Educational characteristics

Occupation

Race/Ethnicity

Other relevant demographic statistics

Marketers keep close track of demographic trends & developments



Economic environment



- The economic environment consists of factors that affect consumer purchasing power & spending patterns, including changes in...

Income & income distribution

Spending patterns

Economic environment:
Fashion brand Tommy
Hilfiger is popular with
India's growing middle
class.
Bloomberg via Getty Images





Natural environment



The **natural environment** involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.

Key natural environment issues:

Shortages of raw materials

Increasing pollution

Rise in government intervention



Technological environment

- Perhaps the most dramatic force shaping our future, the **technological environment**, involves forces that create new technologies, new products and market opportunities.

Technology: Visa payWave offers a fast-track 'wave and go' solution at the checkout for busy shoppers and customer-focused retailers.
manusmedia/Fotoa





The digital age

- Increased access
 - Dilution of geographic borders
 - Anytime availability
- Access to funds
- Digital and social media marketing
- The bot





The **political** environment
pressure group
individual

Key p

- What major social influences is impacting the world?
 - What businesses might this influence?
 - Disadvantage?
 - Advantage?

Emp.

- Social
- Cause-related marketing

behaviour:

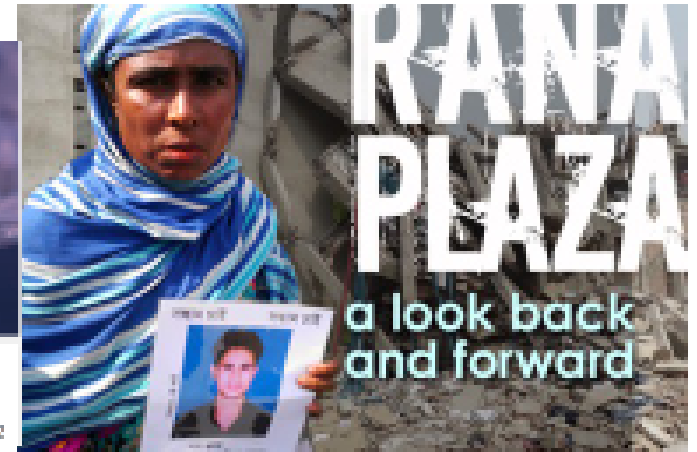


Sustainability

- Planet
- Profits
- People



Source: https://www.youtube.com/watch?v=qhbliUq0_r4



Source: <http://www.globallabourrights.org/>



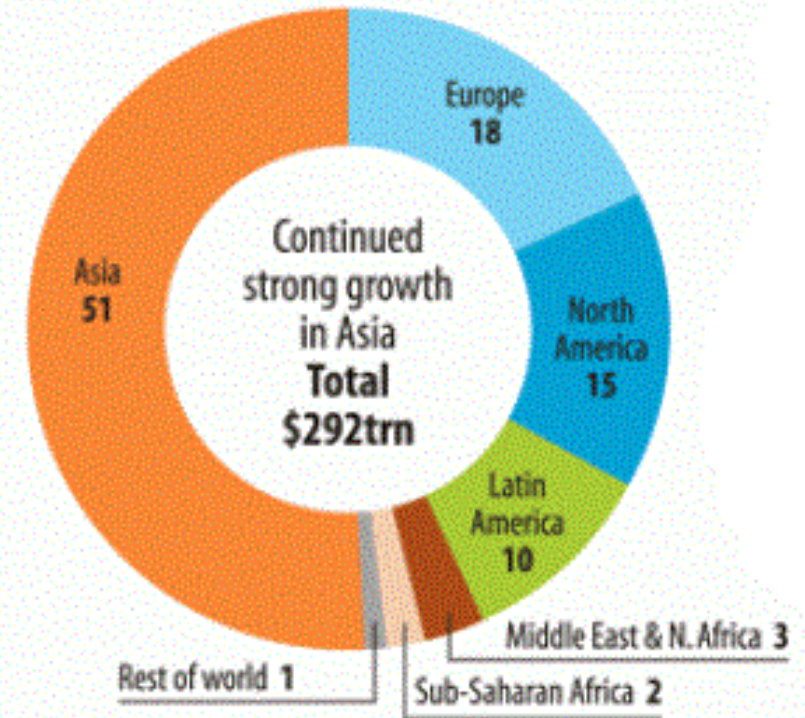
Source: <http://www.couriermail.com.au/news/queensland/clive-palmers-titanic-dream-seems-sunk/news-story/5a866206961c2730b151f1950b7b814e>



Rise of Asia

- Flows (impact on and impact of)
- Cultural differences
 - Hofstede's dimensions
- Historical influences and perceptions
- Emerging economies

Share of world GDP in 2050, %



Source: <https://www.economist.com/news/2011/11/17/tiger-traps>



Cultural environment



- The cultural environment is made up of institutions and other forces that affect a society's basic values, perceptions, preferences and behaviours.

The persistence of culture

Core beliefs & values: relatively resistant to change

Secondary beliefs & values: more open to change

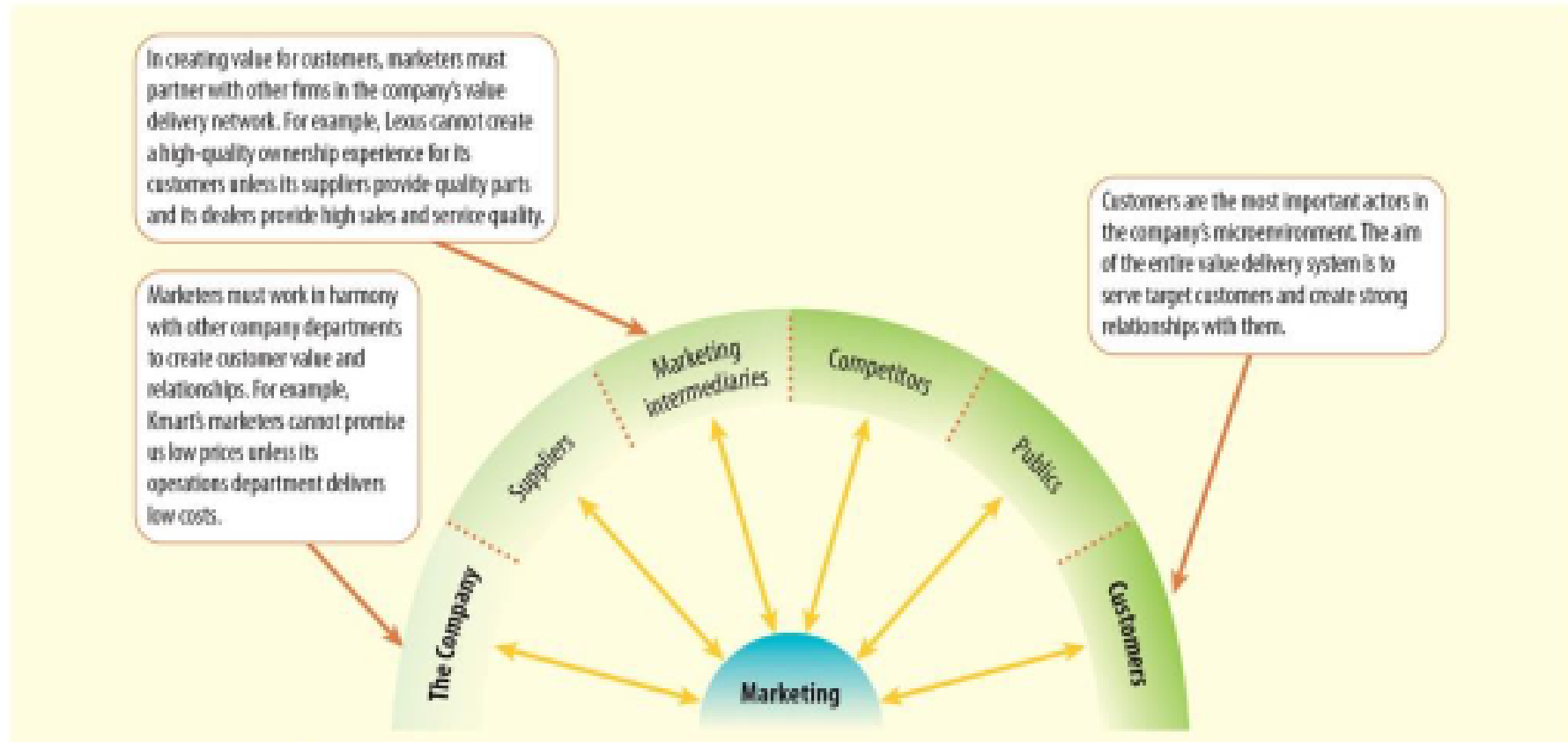


Bringing it all together

- PESTLE
 - Common industry framework
 - Political
 - Economic
 - Social
 - Technological
 - Legal
 - Environmental



Actors in the MICRO marketing environment





The company

Top
management

Finance

R&D

Purchasing

Operations

Accounting

MARKETING

Suppliers

Suppliers form an important link in the company's overall **customer value delivery system**.

Most marketers today treat their suppliers as partners in creating and delivering **customer value**.



MARKETING

Marketing intermediaries

Resellers

Find & sell to customers

Physical distribution firms

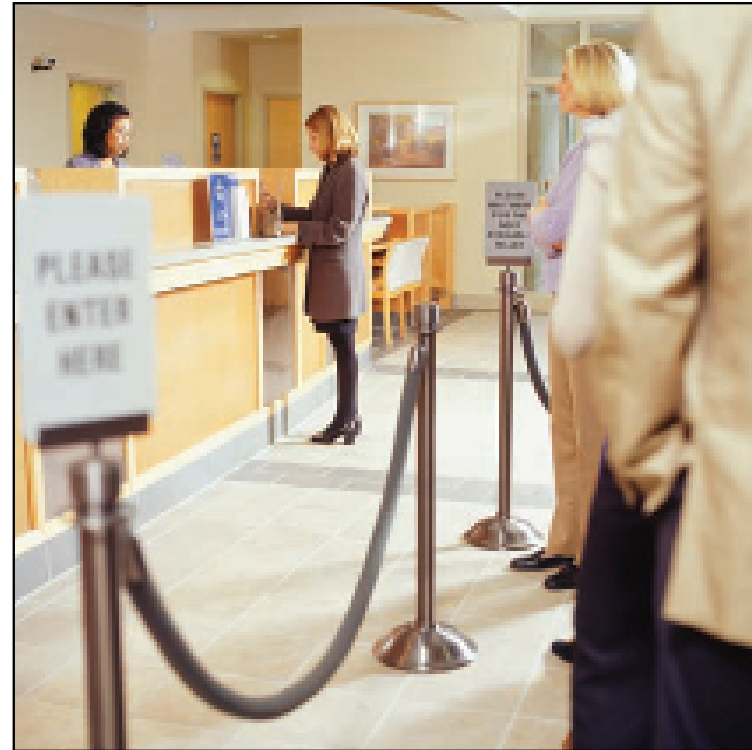
Inventory & move goods

Marketing service agencies

Research, advertising, media & consulting

Financial intermediaries

Finance transactions or insure against risk



© Getty Images Australia Pty Ltd

Financial intermediaries: Banks and insurance companies are among the many financial intermediaries that comprise the broader value network in which a business operates. Managing these relationships is also

important.

MARKETING

Competitors

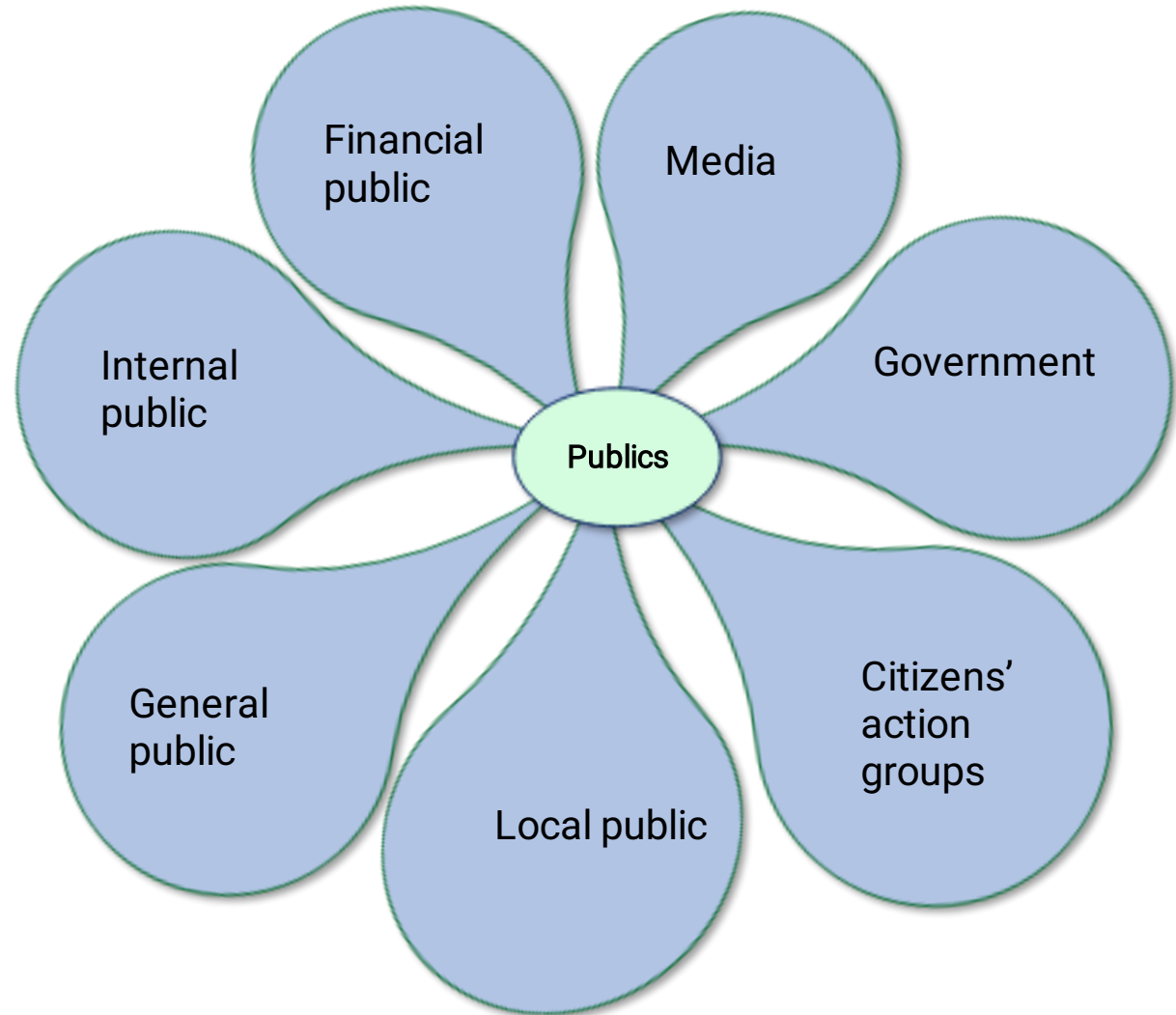
- To be successful, a company must provide greater value than its competitors.

Marketers must do more than simply adapt to the needs of target consumers; they must gain strategic advantage by **positioning** their offerings strongly against competitors.

MARKETING

Publics

- Publics are any group that has an actual or potential interest in or impact on an organisation's ability to achieve its objective.



MARKETING

Customers

Companies might target any or all of five types of customer markets:

Consumer markets

Business markets

Reseller markets

Government markets

International markets



Each market type has special characteristics that calls for careful study by the seller.



Porters 5 forces

- Industry framework



INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

- High entry barriers tend to increase the returns for existing firms in a industry and may allow some firms to dominate the industry.
- Industry incumbents want to maintain high entry barriers in order to discourage potential competitors from entering the industry.

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Function of two factors

- Barriers to entry
 - Economies of scale
 - Product differentiation
 - Capital requirements
 - Switching costs
 - Access to distribution channels
 - Cost disadvantages independent of scale
 - Government policy
- Expected retaliation

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Economies of scale

- Marginal improvements in efficiency that a firm experiences as it incrementally increases its size
- Can be developed in most business functions, such as marketing, manufacturing, research and development and purchasing

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Product differentiation

- Unique products
- Customer loyalty
- Lower prices
 - Frequently offered by new entrants

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Capital requirements

- Differ according to industry
- Availability of capital
- Physical facilities, inventories and marketing activities
- Knowledge requirements

MARKETING

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Switching costs

One-time costs customers incur when they buy from a different supplier:

- New equipment
- Retraining employees
- Psychological costs of ending a supplier relationship

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Access to distribution channels

- Stocking or shelf space
- Price breaks; cooperative advertising allowances
- Less of a barrier for products that can be sold on the Internet

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

Cost disadvantages independent of scale

- Proprietary product technology
- Favourable access to raw materials
- Desirable locations

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

1 THREAT OF NEW ENTRANTS: BARRIERS TO ENTRY

Government policy

- Licensing and permit requirements
- Regulation and deregulation of industries
- Antitrust violations resulting from industry dominance

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

Expected retaliation

- Vigorous retaliation can be expected when an existing firm has a major stake in the industry.
 - It has fixed assets with few, if any, alternative uses.
 - It has substantial resources.
 - This is especially true if industry growth is slow or constrained.
- Locating market niches not being served by incumbents allows a new entrant to avoid entry barriers.
- Small entrepreneurial firms are generally best suited for identifying and serving neglected market segments.

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

2 BARGAINING POWER OF SUPPLIERS

Supplier power increases when:

- suppliers are large and few in number
- suitable substitute products are not available
- industry firms are not a significant customer for the suppliers
- suppliers' goods are critical to buyers' marketplace success.

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

2 BARGAINING POWER OF SUPPLIERS

Supplier power increases when:

- suppliers' products create high switching costs
- suppliers have substantial resources and provide a highly differentiated product
- suppliers pose a credible threat to integrate forward into the buyers' industry.

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

3 BARGAINING POWER OF BUYERS

Buyer power increases when:

- buyers purchase a large portion of an industry's total output
- buyers' purchases are a significant portion of a seller's annual revenues
- switching costs (to other industry products) are low.

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

3 BARGAINING POWER OF BUYERS

Buyer power increases when:

- the industry's products are undifferentiated or standardised
- buyers pose a credible threat to integrate backward into the sellers' industry.

MARKETING INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

4 THREAT OF SUBSTITUTE PRODUCTS

- The threat of substitute products increases when:
 - buyers face few switching costs
 - the substitute product's price is lower
 - substitute product's quality and performance are equal to or greater than the existing product.
- Differentiated industry products that are valued by customers reduce this threat.

MARKETING INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

4 THREAT OF SUBSTITUTE PRODUCTS

Function of a substitute

- It places a ceiling on prices firms can charge.
- Goods or services outside a given industry perform the same or similar functions at a competitive price (e.g. plastic has replaced steel in many applications).

MARKETING INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

5 RIVALRY AMONG COMPETING FIRMS

Industry rivalry

- Competitors are rarely homogeneous; they differ in resources and capabilities and seek to differentiate themselves from competitors.
- Firms seek to differentiate their products in ways that customers value and in ways the firms have a competitive advantage.
- Common rivalry dimensions include:
 - price
 - service after the sale
 - innovation.

INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

5 RIVALRY AMONG COMPETING FIRMS

Industry rivalry intensifies with:

- numerous or equally balanced competitors
- slow industry growth
- high fixed costs or high storage costs
- lack of differentiation opportunities or low switching costs
- high strategic stakes
- high exit barriers.

MARKETING INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

5 RIVALRY AMONG COMPETING FIRMS

Exit barriers

- High exit barriers prevent competitors from leaving the industry.
- Examples of high exit barriers include:
 - **specialised assets** – assets with values linked to a particular business
 - **fixed costs of exit** (e.g. labour agreements)

MARKETING INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

5 RIVALRY AMONG COMPETING FIRMS

Exit barriers

- Examples of high exit barriers include:
 - **strategic interrelationships** – relationships of mutual dependence (e.g. those between one business and other parts of a company's operations, including shared facilities and access to financial markets).
 - **emotional barriers** – an aversion to economically justified business decisions because of fear for one's own career, loyalty to employees, etc.

MARKETING INDUSTRY ENVIRONMENT ANALYSIS: THE FIVE FORCES OF COMPETITION MODEL

5 RIVALRY AMONG COMPETING FIRMS

Exit barriers

- Examples of high exit barriers include:
 - **government and social restrictions** – often based on government concerns for job losses and regional economic effects; more common outside the USA.

MARKETING

Responding to the marketing environment

Reactive approach

Assumptions: The environment is largely uncontrollable.

Strategies: Research, understand, react and adapt.

Proactive approach

Assumptions: The environment is partially controllable.

Strategies:

- Hire lobbyists to influence legislation affecting their industries.
- Stage media events to gain favourable press coverage/run advertorials to shape public opinion.
- Instigate legal actions and regulatory complaints to keep competitors in line.
- Form contractual agreements to better control distribution channels.



Tutorial next week

- Lecture activities
- Workshop activities

Lecture next week

- Marketing Research



• See You in the
Tutorials & Workshops



Thank You.

