Chapter Objectives

To examine the environment within which marketing decisions are made and marketing activities are undertaken.

To differentiate between those elements controlled by a firm’s top management and those controlled by marketing, and to enumerate the controllable elements of a marketing plan.

To enumerate the uncontrollable environmental elements that can affect a marketing plan and study their potential ramifications.

To explain why feedback about company performance and the uncontrollable aspects of its environment and the subsequent adaptation of the marketing plan are essential for a firm to attain its objectives.

Types of Environments

- **Macroenvironment** refers to the broad demographic, societal, economic, political, technological forces that an organization faces.

- **Microenvironment** refers to the forces close to an organization that have a direct impact on its ability to serve its customers.

Top Management Controls

1. **Line of Business**
   - General category
   - Function
   - Geographic coverage
   - Type of ownership
   - Specific business

2. **Overall Objectives**
   - Sales
   - Profit
   - Long-term existence
   - Shareholder return

3. **Corporate Culture**
   - Customer-service orientation
   - Flexibility
   - Risk-aversion
   - De centralized/centralized

4. **Role of Other Business Functions**
   - Production
   - Finance
   - Accounting
   - Engineering
   - Purchasing

5. **Role of Marketing**
   - Importance in company
   - Functions
   - Integration
**Marketing Directs**

1. Selection of Target Market
   - Size
   - Characteristics
   - Desires
2. Marketing Objectives
   - Image
   - Sales
   - Profit
3. Marketing Organizations
   - Functions
   - Types
4. Marketing Mix
   - Product
   - Distribution
   - Promotion
   - Price
5. Performance Assessment
   - Day-to-day
   - Periodic

**Factors Controlled by Marketers: The Target Market**

- The target market is the customer group to which an organization appeals.
- Market segmentation involves subdividing a market into clear subsets of customers with similar needs. It is often used in choosing a target market.

**Functional Organizations**

- Vice-President of Marketing
  - Product Planning Manager
  - Physical Distribution Manager
  - Marketing Research Manager
  - Promotion Manager
  - Sales Manager
  - Other Functional Managers

**Product-Oriented Organizations**

- Vice-President of Marketing
  - Product Planning Manager
  - Other Functional Managers
  - Manager Product A
    - Brand Manager 1
    - Brand Manager 2
  - Manager Product B
    - Brand Manager 1
    - Brand Manager 2

**Market-Oriented Organizations**

- Vice-President of Marketing
  - Other Functional Managers
  - Regional Sales Manager
    - Sales Manager Organizational Consumers
      - Sales Manager Final Consumers
    - Sales Manager Organizational Consumers
      - Sales Manager Final Consumers
    - Sales Manager Organizational Consumers
      - Sales Manager Final Consumers
    - Sales Manager Organizational Consumers
      - Sales Manager Final Consumers
    - Sales Manager Organizational Consumers
      - Sales Manager Final Consumers

**Differential Advantages**

Differential advantages consist of the firm’s unique features that attract consumers and include:
- A distinctive image
- Product quality
- New products or features
- Customer service
- Low prices
- Availability
Marketing Mix

The marketing mix consists of four elements: product, distribution, promotion, and price.

Types of Competition

- **Monopoly**—When one firm sells a good or service and has a lot of control over its marketing plan.
- **Oligopoly**—When a few firms, usually large ones, account for most industry sales and would like to engage in non-price competition.
- **Monopolistic Competition**—If there are several firms in an industry, each trying to offer a unique marketing mix based on price.
- **Pure Competition**—When many firms sell virtually identical goods or services and they are unable to create differential advantages. It occurs rarely.

Gross Domestic Product (GDP)

A country’s economic growth is reflected by changes in its GDP. GDP is the total annual value of goods and services produced in a country less net foreign investment.

Real Income

- **Real Income** is the amount earned in a year adjusted by the rate of inflation.
- Both inflation and unemployment affect purchases.

Uncontrollable Factors

Consumers
- Changing characteristics
- Interpersonal influences
- Decision process
- Organizations

Independent Media
- Print
- Television
- Radio
- News organizations

Technology
- Advances
- Compatibility
- Acceptance

Competition
- Structure
- Marketing strategies
- Economic forces
- Company size
- Generic

Factors Not Controlled by Top Management or Marketers
- Government
- Federal
- State & local
- Politics

Economy
- Rate of growth
- Costs
- Inflation rate
- Unemployment rate

Factors Not Controlled by Top Management or Marketers

Government
- Sherman Act
- Clayton Act
- Robinson-Patman Act
- Wheeler-Lea Act

Real Income

- Real Income is the amount earned in a year adjusted by the rate of inflation.
- Both inflation and unemployment affect purchases.
Technology

- Computers
- Telecommunications
- Biotech
- Nanotech
- Materials science
- The next big thing here

Marketing Myopia

- It is an ineffective marketing approach
- It is a shortsighted, narrow-minded view of marketing and its environment
- Avoid Myopia by thoroughly studying and adapting to the environment

Chapter Summary

- This chapter examines the environment within which marketing decisions are made and marketing activities are undertaken.
- It differentiates between those elements controlled by a firm’s top management and those controlled by marketing, and it enumerates the controllable elements of a marketing plan.
- The chapter also enumerates the uncontrollable environmental elements that can affect a marketing plan and studies their potential ramifications.
- It explains why feedback about company performance and the uncontrollable aspects of its environment and the subsequent adaptation of the marketing plan are essential for a firm to attain objectives.