

**Chapter 4**  
The Marketing Environment

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## LEARNING OUTCOMES

- 4-1 Discuss the external environment of marketing and explain how it affects a firm
- 4-2 Describe the social factors that affect marketing
- 4-3 Explain the importance to marketing managers of current demographic trends
- 4-4 Explain the importance to marketing managers of growing ethnic markets

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## LEARNING OUTCOMES

- 4-5 Identify consumer and marketer reactions to the state of the economy
- 4-6 Identify the impact of technology on a firm
- 4-7 Discuss the political and legal environment of marketing
- 4-8 Explain the basics of foreign and domestic competition

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### 4-1 The External Marketing Environment

Discuss the external environment of marketing, and explain how it affects a firm

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### Target Market

A group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the need of that group, resulting in mutually satisfying exchanges.

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### Understanding the External Environment

Unless marketing managers understand the external environment, the firm cannot intelligently plan for the future.

#### ***Environmental Management is...***

when a company implements strategies that attempt to shape the external environment within which it operates.

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4-2

### Social Factors

**Describe the social factors that affect marketing**

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### Social Factors

Attitudes

Values

Lifestyles

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### American Values

**Self-Sufficiency**

**Upward Mobility**

**Work Ethic**

**Conformity**

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### The Influence of Values on Buying Habits

#### Ranked Characteristics of Product Quality

**Reliability**

**Durability**

**Easy maintenance**

**Ease of use**

**Trusted brand name**

**Low price**

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### Component Lifestyles

The practice of choosing goods and services that meet one's diverse needs and interests rather than conforming to a single, traditional lifestyle.

Today's consumers want multifunctional products

No longer defined only by occupation

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### The Role of Social Media in Communication

Social networking has changed the game when it comes to opinion sharing. Now, consumers can reach many people at once with their views—and can respond to brands and events in real time.

Teenagers and young adults are more likely to view social networks as a valuable source of information.

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## How Firms Use Social Media

A starting point for a firm using social media is to monitor what is being said about the brand.

In addition to monitoring, the firm must respond to both positive and negative buzz about the company or brand.

Social media can also be used to amplify a promotional campaign by inviting consumers to join the conversation about a brand.

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4-3

## Demographic Factors

Explain the importance to marketing managers of current demographic trends

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## Demographic Factors

People are the basis for any market

- Demographic characteristics relate to buyer behavior
- Demographic cohorts have their own needs, values, and consumption patterns.

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## Tweens

- Pre- and early adolescents, age **eight to twelve**
- Population of **20** million
- Directly spend about **\$43** billion annually
- In total, **\$180** billion is spent on tweens annually
- Respond very favorably to having control over their own experiences

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### Teens

- Population of about **25** million
- **95** percent of U.S. Teens are on the Internet
- Many teens pass technology down to their parents
- **90** percent of teens are into social networking
- Teens seek peer affirmation

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### Millennials

- Born between 1979 and 1994
- Surpassed population of **baby boomers**
- Two stages:
  - Those born in 1994 are just entering young adulthood.
  - Those born in 1979 have established careers and have started families.
- Purchasing power of **\$200** billion annually

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### Generation X

- Born between 1965 and 1978
- Population of **50** million
- Independent, resilient, adaptable, cautious, and skeptical
- Have an estimated **31** percent of total income dollars
- Saving money is a major priority for Gen Xers

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### Baby Boomers

- Born between 1946 and 1964
- Boomers control **67** percent (\$28 trillion) of the country's wealth
- They outspend younger adults by **2:1** on a per-capita basis when making online purchases
- Boomers are willing to change brands and try new things

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4-4

## Growing Ethnic Markets

Explain the importance to marketing managers of growing ethnic markets

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## Growing Ethnic Markets

- The minority population today is about **118** million
- The United States will flip completely to a majority-minority makeup in **2041**
- As the demographic environment of America evolves, so too must the marketing mix change to reach growing target markets

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## Marketing to Hispanic Americans

- The term *Hispanic* encompasses people of many different backgrounds
- Nearly **60** percent of Hispanics are of Mexican descent
- The diversity of the Hispanic population and the language differences create many challenges for those trying to target this market
- Hispanics, especially recent immigrants, often prefer products from their native countries

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## Marketing to African Americans

- **53** percent of African Americans are under the age of 35
- More firms are creating products for the African American market
- **44** percent of all African American households earn \$50,000 or more and **23** percent earn more than \$75,000

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## Marketing to Asian Americans

- The Asian American population reached **19** million in 2015
- Asian American population growth has been fueled primarily by immigration
- Although Asian Americans embrace the values of the larger U.S. population, they also hold on to the cultural values of their particular subgroup
- Asian Americans like to shop at stores owned and managed by other Asian Americans

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4-5

## Economic Factors

Identify consumer and marketer reactions to the state of the economy

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## Economic Factors

Consumers' Income

Purchasing Power

Inflation

Recession

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## Consumers' Incomes

- Median U.S. household income in 2015 was approximately \$52,000
- Average family incomes, when adjusted for inflation, fell around eight percent between 2007 and 2012
- Education is the primary determinant of earning potential

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### ***Purchasing Power is...***

measured by comparing income to the relative cost of a standard set of goods and services in different geographic areas, usually referred to as the cost of living.

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### ***Inflation is...***

a measure of the decrease in the value of money, expressed as the percentage reduction in value since the previous year.

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### ***A recession is...***

a period of economic activity characterized by negative growth, which reduces demand for goods and services.

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### **Technological Factors**

Identify the impact of technology on a firm

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### Research

<b>Basic Research</b>	Pure research that aims to confirm an existing theory or to learn more about a concept phenomenon.
<b>Applied Research</b>	An attempt to develop new or improved products

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### Stimulating Innovation

- Build scenarios**
- Enlist the Web**
- Talk to early adopters**
- Use marketing research**
- Create an innovative environment**
- Cater to entrepreneurs**

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4-7

### Political and Legal Factors

Discuss the political and legal environment of marketing

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### Political and Legal Factors

#### Laws and Regulations Protect:

- New technology
- Society
- Businesses
- Consumers

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## Federal Legislation

<i>Regulate competitive environment</i>	<ul style="list-style-type: none"> <li>• Sherman Act</li> <li>• Clayton Act</li> <li>• Federal Trade Commission Act</li> <li>• Celler-Kefauver Antimerger Act</li> <li>• Hart-Scott-Rodino Act</li> <li>• Foreign Corrupt Practices Act</li> </ul>
<i>Regulate pricing practices</i>	Robinson-Patman Act
<i>Control false advertising</i>	Wheeler-Lea Act

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## State Laws

- Legislation that affects marketing varies state by state. For example:
  - Oregon limits utility advertising to 0.5 percent of net income
  - California has enacted legislation to lower the energy consumption of refrigerators, freezers, and air conditioners
  - California and North Carolina, are considering a tax on all in-state commercial advertising

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## Regulatory Agencies

Consumer Product Safety Commission	Protects consumer safety in and around their homes
Food and Drug Administration	Enforces safety regulations for food and drug products
Federal Trade Commission	Prevents unfair methods of competition in commerce

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## Bureaus of the FTC

Bureau of Competition	<ul style="list-style-type: none"> <li>• Reviews mergers and acquisitions</li> <li>• Challenges anti-competitive conduct</li> <li>• Promotes competition</li> <li>• Provides information</li> </ul>
Bureau of Consumer Protection	<ul style="list-style-type: none"> <li>• Enforces federal laws that protect consumers</li> <li>• Empowers consumers with information</li> <li>• Communicates with consumers about fraud and identity theft</li> </ul>

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## Consumer Privacy

### Government Actions

- CAN-SPAM Act
- Children's Online Privacy Protection Act Rule

Despite federal efforts, online tracking is on a tear. A vast amount of personal data is collected through apps.

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## Competitive Factors

Explain the basics of foreign and domestic competition

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## Competitive Factors

How many competitors?  
How big are competitors?  
How interdependent is the industry?



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## Competitive Factors

Market Share and Profits	Global Competition
<ul style="list-style-type: none"> <li>• Firms must work harder to maintain profits and market share.</li> </ul>	<ul style="list-style-type: none"> <li>• More foreign firms are entering U.S. market.</li> <li>• Foreign firms in U.S. now compete on product quality.</li> </ul>

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### *Chapter 4 Video*

#### **GaGa's Inc.**

GaGa's Inc. produces a frozen dessert called Sherbetter in a variety of flavors.

GaGa's is very small product line and Jim King, the founder and CEO, discusses the challenges his company faces in their product category. He also reveals other environmental challenges to his product.

[\*\*CLICK TO PLAY\*\*](#)