

MKTG
Principles Of Marketing
Twelfth Edition

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MKTG¹²
PRINCIPLES OF MARKETING



Chapter 4
The Marketing
Environment

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Learning Outcomes (1 of 2)

- 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 (2 of 2)

- 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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Learning Objective 1: The External Marketing Environment



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Target Market

- Group of people or organizations for which an organization designs, implements, and maintains a marketing mix
 - To meet the need of that group, resulting in mutually satisfying exchanges



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Understanding the External Environment

- Important for marketing managers in order to plan for the future
- Involves:
 - Understanding current customers
 - Understanding how customers make decisions
 - Identifying the most valuable customers and understanding their needs
 - Understanding the competition



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Learning Objective 2: Social Factors



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Social Factors

- Social change is the most difficult external variable for marketing managers to forecast, influence, or integrate into marketing plans.
- Influence:
 - Products people buy
 - Price paid
 - Effectiveness of specific promotions
 - How, where, and when people expect to purchase products



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Core American Values

- Self-sufficiency
- Upward mobility
- Work ethic
- Equality
- Individualism
- Achievement orientation



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The Growth of Component Lifestyles

- Practice of choosing goods and services that meet one's diverse needs and interests
- Increase the complexity of consumers' buying habits



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How Social Media Have Changed Our Behavior

- Changed the way information is obtained and consumed
- Made consumers:
 - Interact
 - Share beliefs, values, ideas, and interests
 - Purchase at a dizzying rate
- Social media: Web-based technology for creating and exchanging content



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How Firms Use Social Media

- Used by firms to:
 - Engage customers in their products and services
 - Converse with customers and establish connections
 - Humanize brands
 - Build goodwill products



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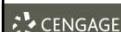
Learning Objective 3: Demographic Factors



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Demographic Factors

- People are the basis for any market.
 - Demographic characteristics are related to consumer buying behavior.
 - Population is the basic statistic in marketing
 - It is useful when broken into smaller and more specific increments.



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Tweens

- Live in a period of transition
- Seven developmental needs:
 - Physical activity
 - A sense of accomplishment and achievement
 - Self-definition
 - Creative expression
 - Positive social interaction
 - Structure and clear limits
 - Meaningful participation



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Teens

- Many teens pass technology down to their parents.
- They command an immense amount of buying power



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Millennials (Generation Y)

- People born between 1979 and 1994
- Are currently in two stages:
 - People born in 1994 have entered young adulthood
 - People born in 1979 have established careers and have started families
- Gen Yers are more idealistic and eager to please
- Exposed to digital world from childhood
 - Influences what they buy, how they buy, and how they use the purchased products



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Generation X

- People born between 1965 and 1978
- Independent, resilient, and adaptable
- Saving money is a major priority for Gen Xers
- Most plan to keep working during their retirement years
- Many support their aging parents
- Place a high value on education and knowledge



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Baby Boomers

- Persons born between 1946 and 1964
- Outspend younger adults on consumer goods and services
- Make purchase decisions based on price and quality
- Influenced by traditional advertising, sales reps, and word-of-mouth recommendations



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Learning Objective 4: Growing Ethnic Markets



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Marketing to Hispanic Americans

- Largest group to use mobile devices for any type of transaction
- Hispanic Millennials:
 - Embrace their original culture
 - More open-minded about relationships than their parents
 - Prone to taking a bilingual, bicultural approach to their media consumption



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Marketing to African Americans

- Young population with a strong influence on the latest trends
- Expect brands to support social causes



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Marketing to Asian Americans

- Called a marketer's dream as they are younger, better educated, and have higher incomes than average
- Hold on to their cultural values
- Cultural values are apparent in different groups



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Learning Objective 5: Economic Factors



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Economic Factors

- Consumers' incomes
- Purchasing power
- Inflation
- Recession



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Consumers' Incomes

- Education is the primary determinant of earning potential.
- Thirteen percent of college-educated workers earn six figures or more.
- Bachelor's degree will earn more than twice as much total income as a non degree holder.



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Purchasing Power

- Measured by comparing income to the relative cost of a standard set of goods and services in different geographic areas
- Also known as the *cost of living*
- Difference between the income and the cost of living (expenses)
- Consumers with high purchasing power have the ability to purchase higher-priced necessities



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Inflation

- Measure of the decrease in the value of money
 - Expressed as the percentage reduction in value since the previous year
- Businesses can increase their profit margins only by increasing their efficiency during low inflation.



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Recession

- Period of economic activity characterized by negative growth
 - Reduces demand for goods and services
- Also defined as occurring when the gross domestic product falls for two consecutive quarters
 - Gross domestic product: Total market value of all final goods and services produced during a period of time



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Learning Objective 6: Technology and Innovation



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Technology and Innovation

- Technological success is based upon innovation.
- Corporate structure and management actions are required to bring new technology.
- Workers should be encouraged to innovate.



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Research

- Types:
 - **Basic research:** Pure research that aims to confirm an existing theory or to learn more about a concept or phenomenon
 - **Applied research:** Research that attempts to develop new or improved products



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Stimulating Innovation

- Companies limit innovation to areas they are already familiar with.
- Different approaches to innovation include:
 - Building scenarios
 - Enlisting the Web
 - Talking to early adopters
 - Using marketing research
 - Creating an innovative environment
 - Catering to entrepreneurs



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Learning Objective 7: Political and Legal Factors



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Political and Legal Factors

- Business needs government regulation to protect innovators of new technology, the interests of society, and consumers.
- Government needs business in order to generate taxes.



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Federal Legislation (1 of 2)

- Federal laws :
 - Apply to competitive environment, pricing, advertising and promotion, and consumer privacy
- A few key provisions of the Act are that:
 - Large employers must offer coverage to full-time workers
 - Workers cannot be denied coverage*
 - A person cannot be dropped when he or she is sick



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Exhibit 4.1 Primary U.S. Laws that Affect marketing (1 of 2)

Legislation	Impact on Marketing
Sherman Act of 1890	Makes trusts and conspiracies in restraint of trade illegal; makes monopolies and attempts to monopolize misdemeanors.
Clayton Act of 1914	Outlaws discrimination in prices to different buyers; prohibits tying contracts (which require the buyer of one product to also buy another item in the line); makes illegal the combining of two or more competing corporations by pooling ownership of stock.
Federal Trade Commission Act of 1914	Created the Federal Trade Commission to deal with antitrust matters; outlaws unfair methods of competition.
Robinson-Patman Act of 1936	Prohibits charging different prices to different buyers of merchandise of like grade and quantity; requires sellers to make any supplementary services or allowances available to all purchasers on a proportionately equal basis.



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Exhibit 4.1 Primary U.S. Laws that Affect marketing (2 of 2)

Wheeler-Lea Amendments to FTC Act of 1938	Broadens the Federal Trade Commission's power to prohibit practices that might injure the public without affecting competition; outlaws false and deceptive advertising.
Lanham Act of 1946	Establishes protection for trademarks.
Celler-Kefauver Antimerger Act of 1950	Strengthens the Clayton Act to prevent corporate acquisitions that reduce competition.
Hart-Scott-Rodino Act of 1976	Requires large companies to notify the government of their intent to merge.
Foreign Corrupt Practices Act of 1977	Prohibits bribery of foreign officials to obtain business.



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Exhibit 4.2 Primary U.S. Laws Protecting Consumers (1 of 2)

Legislation	Impact on Marketing
Federal Food and Drug Act of 1906	Prohibits adulteration and misbranding of foods and drugs involved in interstate commerce; strengthened by the Food, Drug, and Cosmetic Act (1938) and the Kefauver-Harris Drug Amendment (1962).
Federal Hazardous Substances Act of 1960	Requires warning labels on hazardous household chemicals.
Kefauver-Harris Drug Amendment of 1962	Requires that manufacturers conduct tests to prove drug effectiveness and safety.
Consumer Credit Protection Act of 1968	Requires that lenders fully disclose true interest rates and all other charges to credit customers for loans and installment purchases.
Child Protection and Toy Safety Act of 1969	Prevents marketing of products so dangerous that adequate safety warnings cannot be given.
Public Health Smoking Act of 1970	Prohibits cigarette advertising on television and radio and revises the health hazard warning on cigarette packages.
Poison Prevention Labeling Act of 1970	Requires safety packaging for products that may be harmful to children.
National Environmental Policy Act of 1970	Established the Environmental Protection Agency to deal with various types of pollution and organizations that create pollution.
Public Health Cigarette Smoking Act of 1971	Prohibits tobacco advertising on radio and television.



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Exhibit 4.2 Primary U.S. Laws Protecting Consumers (2 of 2)

Consumer Product Safety Act of 1972	Created the Consumer Product Safety Commission, which has authority to specify safety standards for most products.
Child Protection Act of 1990	Regulates the number of minutes of advertising on children's television.
Children's Online Privacy Protection Act of 1998	Empowers the FTC to set rules regarding how and when marketers must obtain parental permission before asking children marketing research questions.
Aviation Security Act of 2001	Requires airlines to take extra security measures to protect passengers, including the installation of stronger cockpit doors, improved baggage screening, and increased security training for airport personnel.
Homeland Security Act of 2002	Protects consumers against terrorist acts; created the Department of Homeland Security.
Do Not Call Law of 2003	Protects consumers against unwanted telemarketing calls.
CAN-SPAM Act of 2003	Protects consumers against unwanted email or spam.
Credit Card Act of 2009	Provides many credit card protections.
Restoring American Financial Stability Act of 2010	Created the Consumer Financial Protection Bureau to protect consumers against unfair, abusive, and deceptive financial practices.
Patient Protection and Affordable Care Act	Overhauled the U.S. healthcare system; mandated and subsidized health insurance for individuals.



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Federal Legislation (2 of 2)

- A worker cannot be denied coverage for a preexisting condition
- Young adults can stay on their parents' plans until age 26
- The legislation created the Consumer Financial Protection Bureau (CFPB) to oversee checking accounts, private student loans, mortgages, and other financial products.



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State and Local Laws

- State laws:
 - Legislation that affects marketing varies state by state.
 - Many states and cities are attempting to fight obesity by regulating fast-food chains and other restaurants



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Regulatory Agencies

- **Consumer Product Safety Commission (CPSC)**
 - Protects the health and safety of consumers in and around their homes
- **Food and Drug Administration (FDA)**
 - Enforces regulations against selling and distributing adulterated, misbranded, or hazardous food and drug products
- **Federal Trade Commission (FTC)**
 - Prevents persons or corporations from using unfair methods of competition in commerce



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Bureaus of the FTC (1 of 2)

- Bureau of Competition:
 - Reviews mergers and acquisitions
 - Challenges anti-competitive conduct and promotes competition
 - Provides information and holds conferences and workshops on competition issues
- Bureau of Economics:
 - Provides economic analysis and support to antitrust and consumer protection investigations



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Bureaus of the FTC (2 of 2)

- Bureau of Consumer Protection:
 - Enforces federal laws that protect consumers
 - Empowers consumers with information
 - Communicates with consumers



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Consumer Privacy

- CAN-SPAM Act:
 - Regulates unsolicited e-mail advertising
 - Prohibits commercial e-mailers from using false addresses and presenting false or misleading information
- Children's Online Privacy Protection Act:
 - Requires website operators to post a privacy policy on their home page and a link to the policy on every page where personal information is collected



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Learning Objective 8: Competitive Factors



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Competition for Market Share and Profits

- Market share and profits:
 - Firms must work harder to maintain their profits.
- Global competition:
 - More foreign firms are entering U.S. markets.
 - Foreign firms in the United States now compete on product quality.



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Key Terms (1 of 2)

- Target market
- Component lifestyles
- Demography
- Millennials
- Generation X
- Baby Boomers
- Purchasing power
- Inflation
- Recession



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Key Terms (2 of 2)

- Basic research
- Applied research
- Consumer Product Safety Commission (CPSC)
- Food and Drug Administration (FDA)
- Federal Trade Commission (FTC)



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