

Chapter 4
The Marketing Environment

MKTG9
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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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2

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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3

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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6

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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13

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 **\$30** billion annually
- Parents spend **\$180** billion 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
- View shopping as a social sport
- **75** percent of teens are into social networking
- A teen's average annual income is \$3,095, while 21 percent are unemployed

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Millennials

- Born between 1979 and 1994
- Surpassed population of **baby boomers**
- Two Stages: 1) Those born in 1994 are just entering young adulthood. 2) Those born in 1979 have established careers and 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
- Gen Xers face a 59 percent decline in net worth from 2005 to 2010
- Xers spend 62 percent more on housing, 50 percent more on apparel, and 27 percent more on entertainment

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Baby Boomers

- Born between 1946 and 1964
- Boomers are carrying substantial financial burdens, including their children's educations, mortgages, and health care
- Boomers spend \$1.8 trillion annually on food, cars, personal care, and other personal products
- Boomers are willing to change brands and try new things

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20

4-4

Growing Ethnic Markets

Explain the importance to marketing managers of growing ethnic markets

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Growing Ethnic Markets

- The United States Hispanic consumer market is now larger than all but **13** world economies
- African American buying power increased **73** percent between 2000 and 2012
- Asian American buying power increased **165 percent** between 2000 and 2012
- About one in three U.S. residents is a member of a minority group
- The United States will flip to majority-minority completely in **2041**

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22

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 country

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Marketing to African Americans

- **47** percent of African Americans are between **18** and **49** years old
- More firms are creating products for the African American market
- In 2012, there were 2.8 million African Americans earning more than \$75,000 annually

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Marketing to Asian Americans

- The Asian American population is the fastest growing among minority groups
- It quadrupled to about 18 million between 1980 and 2012
- 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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25

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 2014 was approximately \$51,000
- Average family incomes, when adjusted for inflation, fell around eight percent between 2007 and 2011
- 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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4-6

Technological Factors

Identify the impact of technology on a firm

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Research

Basic Research	Pure research that aims to confirm an existing theory or to learn more about a concept phenomenon.
Applied Research	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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34

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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36

Federal Legislation

<i>Regulate competitive environment</i>	<ul style="list-style-type: none"> • Sherman Act • Clayton Act • Federal Trade Commission Act • Celler-Kefauver Antimerger Act • Hart-Scott-Rodino Act • Foreign Corrupt Practices Act
<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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38

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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39

Bureaus of the FTC

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

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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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4-8

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

- Firms must work harder to maintain profits and market share.

Global Competition

- More foreign firms are entering U.S. market.
- Foreign firms in U.S. now compete on product quality.

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44

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**](#)