

**J.S (P.G) COLLEGE SIKANDRABAD**  
**M.COM 4<sup>TH</sup> SEMESTER**  
**SUBJECT- PRINCIPLES OF MARKETING**

**TOPIC: Marketing Environment**

The **market environment** or **business environment** is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful customer relationships. The business environment has been defined as "the totality of physical and social factors that are taken directly into consideration in the decision-making behaviour of individuals in the organisation."

The three levels of the environment are as follows:

1. **Internal environment** – the internal elements of the organisation used to create, communicate and deliver market offerings.
2. **External Micro environment** – small forces external the company that affect its ability to serve its customers.
3. **External Macro environment** – larger societal forces that affect the survival of the organisation.

The analysis of the macro marketing environment is to better understand the environment, adapt to the social environment and change, so as to achieve the purpose of enterprise marketing.

- **Micro environment**

The forces close to the company that affects its ability to serve its customers include-the internal environment, suppliers customers, marketing intermediaries, competitors and publics.

- **Macro environment**

The larger societal forces that affects the whole micro environment include-the demographic environment, the political environment, the cultural environment, the natural environment, the technological environment and the economic environment.

### **Internal environment**

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The internal environment "consists of those relevant physical and social factors within the boundaries of the organization or specific decision unit that are taken directly into consideration in the decision-making behaviour of individuals in that system". This includes all departments such as management, finance, research and development, purchasing, Business operations and accounting. Each of these departments influences marketing decisions. For example, research and development have input as to the features a product can perform and accounting approves the financial side of marketing plans and budget in customer dissatisfaction. Marketing managers must watch supply availability and other trends dealing with suppliers to ensure that product will be delivered to customers in the time frame required in order to maintain a strong customer relationship. These internal factors can be controlled by the organization to a certain extent.

### **External environment**

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The external environment "consists of those relevant physical and social factors outside the boundaries of the organization or specific decision unit that are taken directly into consideration." The external environment can be further broken into micro and macro environments.

#### **Micro-environment**

The micro-environment consists of customers, partners, and competitors. The most important aspect of micro-environment is the customer market. There are different types of customer markets include consumer markets, business markets, government markets, Globalization international markets, and reseller markets. The

consumer market is made up of individuals who buy goods and services for their own personal use or use in their household. Business markets include those that buy goods and services for use in producing their own products to sell. This is different from the reseller market which includes businesses that purchase goods to resell as is for a profit. These are the same companies mentioned as market intermediaries. The government market consists of government agencies that buy goods to produce public services or transfer goods to others who need them. International markets include buyers in other countries and includes customers from the previous categories.<sup>[[citation needed](#)]</sup>

Partners include marketing intermediaries, financiers, and advertising agencies. Marketing intermediaries refers to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. These are the people that help the company promote, sell, and distribute its products to final buyers. Resellers are those that hold and sell the company's product. They match the distribution to the customers and include places such as Wal-Mart, Target, and Best Buy. Physical distribution firms are places such as warehouses that store and transport the company's product from its origin to its destination. Marketing services agencies are companies that offer services such as conducting marketing research, advertising, and consulting. Financial intermediaries are institutions such as banks, credit companies and Insurance companies.<sup>[[citation needed](#)]</sup>

Competitors are also a factor in the micro-environment and include companies with similar offerings for goods and services. To remain competitive a company must consider who their biggest competitors are while considering its own size and position in the industry. The company should develop a strategic advantage over their competitors.

The final aspect of the microenvironment is public, which is any group that has an interest in or effect on the organization's ability to

meet its goals. For example, financial public can hinder a company's ability to obtain funds affecting the level of credit a company has. Media public include newspapers and magazines that can publish articles of interest regarding the company and editorials that may influence customers' opinions. Government public can affect the company by passing legislation and laws that put restrictions on the company's actions. Citizen-action public include environmental groups and minority groups and can question the actions of a company and put them in the public spotlight. Local public are the neighbourhood and community organizations and will also question a company's effect on the local area and the level of responsibility of their actions. The general public can affect the company as any change in their attitude, whether positive or negative, can cause sales to go up or down because the general public is often the company's customer base. And finally those who are employed within the company and deal with the organization and construction of the company's product.

## **Macro-environment**

The macro-environment refers to all forces that are part of the larger society and affect the micro-environment. It includes concepts such as demography, economy, natural forces, technology, politics, and culture. The purpose of analyzing the macro marketing environment is to understand the environment better and to adapt to the social environment and change through the marketing effort of the enterprise to achieve the goal of the enterprise marketing.

Factors affecting organization in Macro environment are known as PESTEL, that is: Political, Economical, Social, Technological, Environmental and Legal.

Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This is a very important factor to study for marketers and helps to divide the population into market segments and target markets. An example of

demography is classifying groups of people according to the year they were born. These classifications can be referred to as [baby boomers](#), who are born between 1946 and 1964, [generation X](#), who are born between 1965 and 1976, and [generation Y](#), who are born between 1977 and 1994. Each classification has different characteristics and causes they find important. This can be beneficial to a marketer as they can decide who their product would benefit most and tailor their [marketing plan](#) to attract that segment. Demography covers many aspects that are important to marketers including family dynamics, geographic shifts, workforce changes, and levels of diversity in any given area.

Another aspect of the macro-environment is the economic environment. This refers to the [purchasing power](#) of potential customers and the ways in which people spend their money. Within this area are two different economies, subsistence and industrialized. Subsistence economies are based more in agriculture and consume their own industrial output. Industrial economies have markets that are diverse and carry many different types of goods. Each is important to the marketer because each has a highly different spending pattern as well as different [distribution of wealth](#). The natural environment is another important factor of the macro-environment. This includes the natural resources that a company uses as inputs that affects their marketing activities. The concern in this area is the increased pollution, shortages of raw materials and increased governmental intervention. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder. Also, pollution can go as far as negatively affecting a company's reputation if they are known for damaging the environment. The last concern, [government intervention](#) can make it increasingly harder for a company to fulfil their goals as requirements get more stringent.

The technological environment is perhaps one of the fastest changing factors in the macro-environment. This includes all developments from antibiotics and surgery to [nuclear](#)

[missiles](#) and [chemical weapons](#) to automobiles and [credit cards](#). As these markets develop it can create new markets and new uses for products. It also requires a company to stay ahead of others and update their own technology as it becomes outdated. They must stay informed of trends so they can be part of the next big thing, rather than becoming outdated and suffering the consequences financially. In order to understand the different spending patterns, marketers need to also take into consideration about the development of digital technology and its effect on [market growth](#) and employment. It is key for a marketer, especially in a digitally-dominated market, to anticipate demand in order to capitalize on potential market growth. Technology has developed to the extent where purchase patterns can be analysed in order to forecast future demand. The political environment includes all [laws](#), [government agencies](#), and groups that influence or limit other organizations and individuals within a [society](#). It is important for marketers to be aware of these restrictions as they can be complex. Some products are regulated by both state and federal laws. There are even restrictions for some products as to who the target market may be, for example, cigarettes should not be marketed to younger children. There are also many restrictions on [subliminal messages](#) and monopolies. As laws and regulations change often, this is a very important aspect for a marketer to monitor. As laws and regulations change often, they create barriers that can hugely influence the way in which companies can market their business across the digital community in particular. When conducting business in the [United Kingdom](#), the government is committed to ensuring the best possible platform to start and grow a UK digital business, therefore [Internet Governance](#) becomes a vital force in the management and control of the growth of the internet and its usage. The final aspect of the macro-environment is the social environment, which consists of institutions and basic values and beliefs of a group of people. These values can also be further categorized into core beliefs, which passed on from generation to

generation and very difficult to change, and secondary beliefs, which tend to be easier to influence. As a marketer, it is important to know the difference between the two and to focus your marketing campaign to reflect the values of a [target audience](#). With entering into an age where technology has a key role in the forming of social beliefs and values, cultural diversity has developed within the world of digital communities. (i.e. [Facebook](#), [Twitter](#), [LinkedIn](#)). These digital communities consist of many groups of demographics that involve different levels of Internet usage and versatile behaviour with online purchasing.

When dealing with the marketing environment it is important for a company to become proactive. By doing so, they can create the kind of environment that they will prosper in and can become more efficient by marketing in areas with the greatest customer potential. It is important to place equal emphasis on both the macro and micro environment and to react accordingly to changes within them.