

Topic 3: The Marketing Environment

Understanding the forces that shape marketing strategy and influence a firm's ability to build lasting customer relationships.

Dr. Nalin Simasathiansophon



What Is the Marketing Environment?

The **marketing environment** encompasses all the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. These external forces can create both opportunities and threats for any organization.

Understanding and adapting to these environmental forces is critical for marketing success. The marketing environment can be divided into two broad categories:

Microenvironment

Forces close to the company that directly affect its ability to serve customers

Macroenvironment

Larger societal forces that shape the entire microenvironment



The Microenvironment

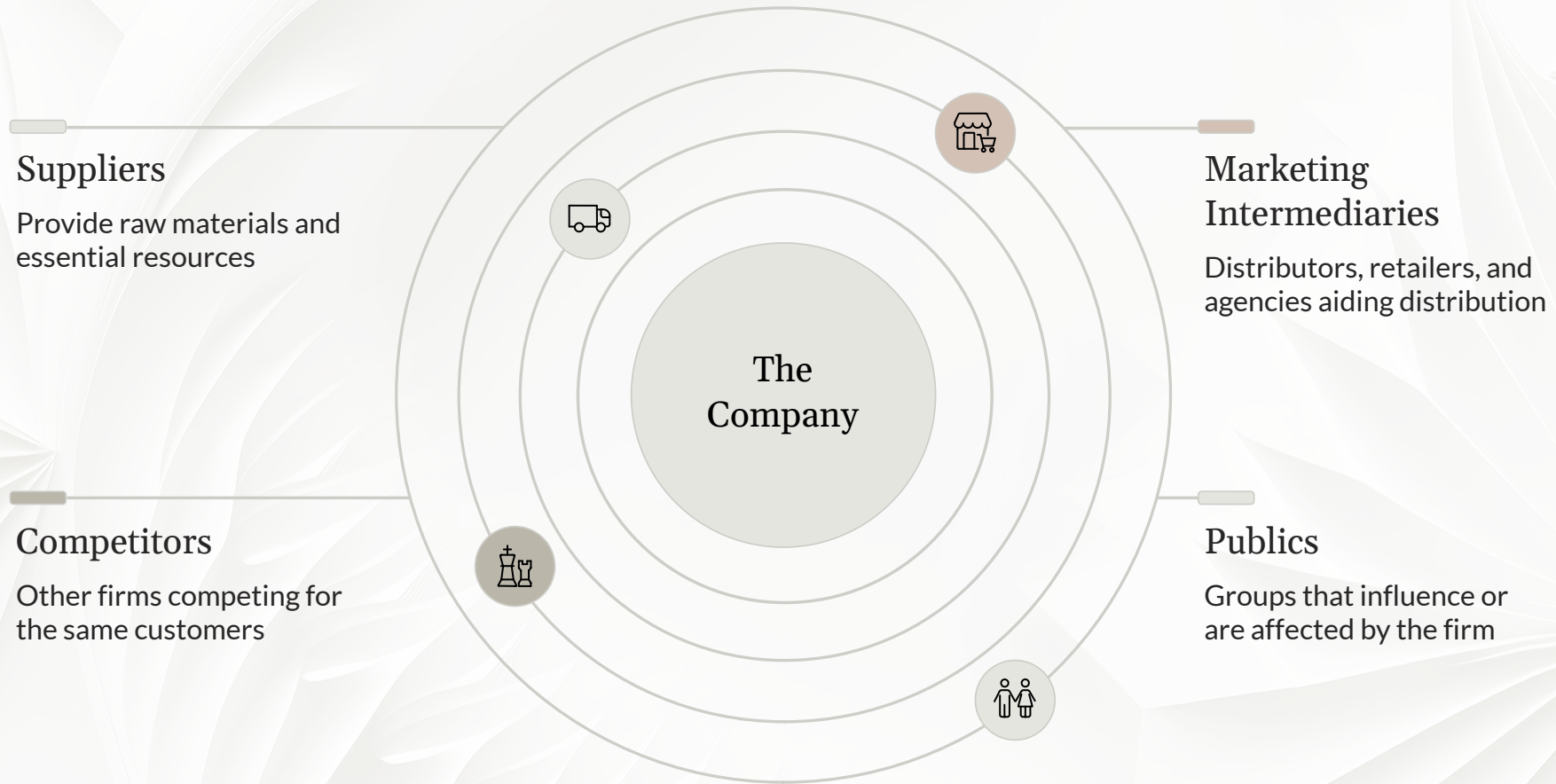
The **microenvironment** in marketing includes factors directly related to a company's ability to serve its customers and achieve its marketing objectives. These factors are often internal to the company or closely tied to the company's day-to-day operations.

Unlike the broader macroenvironment, microenvironmental forces can often be influenced or managed by the company through strategic decisions. Key actors in the microenvironment include:

- **The company itself** – all internal departments and functions
- **Suppliers** – providers of raw materials and resources
- **Marketing intermediaries** – distributors, retailers, and agencies
- **Competitors** – firms vying for the same customers
- **Publics** – groups with an interest in or impact on the firm
- **Customers** – the ultimate target of all marketing efforts



6 Key Actors in the Microenvironment



The company sits at the center of its microenvironment, working with key actors to create and deliver value to customers.

The Company Aspect

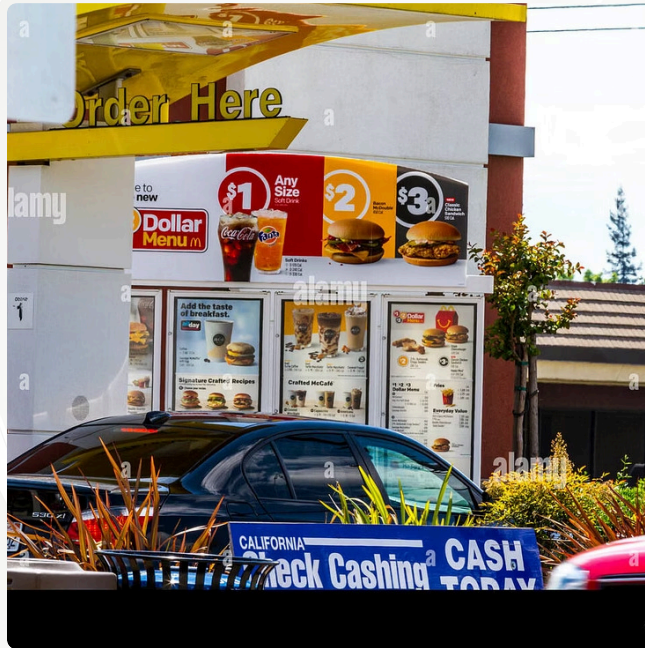
To provide a great customer experience, **Xerox** recognizes that every department must be customer-focused. As they state: *"We need to find out what customers are facing – what their problems and opportunities are."* This responsibility extends beyond the sales team to include finance, legal, and human resources – departments not traditionally considered customer-facing.

FUJI XEROX 



Suppliers Aspect

Toyota achieves supplier satisfaction by treating suppliers as true partners. The company actively trains supplier employees and conducts joint improvement activities, creating a win-win relationship that strengthens the entire supply chain.



Partnering with Marketing Intermediaries

Coca-Cola provides its retail partners with much more than just soft drinks. The company pledges powerful marketing support — for example, suggesting drive-through menu board designs that can induce consumers to order more food and drink. This symbiotic relationship benefits both Coca-Cola and its intermediaries.



The Public Aspect

A public is any group that has an actual or potential interest in, or impact on, an organization's ability to achieve its objectives. For example, **Starbucks Thailand** actively engages with local communities by helping students in the surrounding area improve their lives — demonstrating how managing public relations builds goodwill and brand equity.

The Macroenvironment

The **macroenvironment** consists of the broader forces that affect all the actors in the microenvironment. While companies cannot control these forces, they must monitor and adapt to them in order to survive and thrive. There are six major forces that shape the macroenvironment:



Demographic

Population characteristics and trends



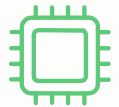
Economic

Income, spending, and purchasing power



Natural

Resources and environmental concerns



Technological

Innovation and new product development



Political

Laws, regulations, and government agencies

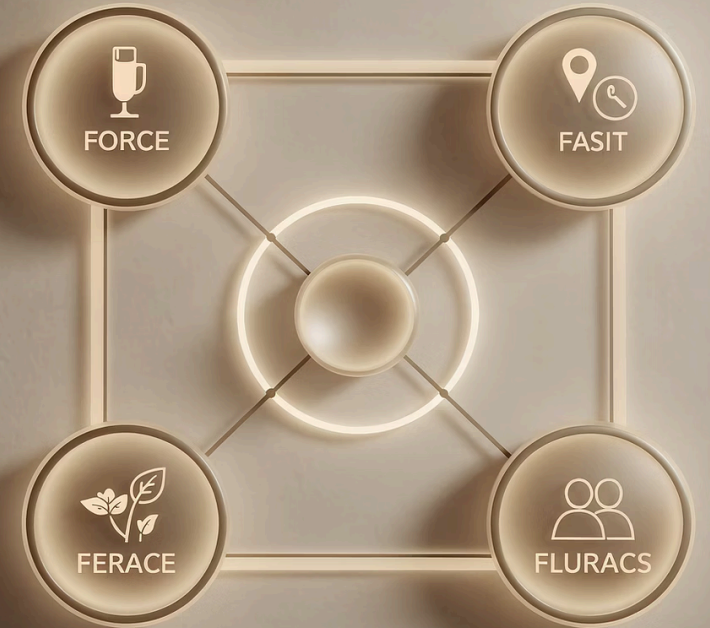


Cultural

Values, perceptions, and behaviors

Forces in the Company's Macroenvironment

Each of the six macroenvironmental forces operates independently yet interacts with the others to create a complex and ever-changing landscape. Marketers must continuously scan and analyze these forces, anticipating shifts that could transform their industry. In the following slides, we will examine each force in detail with real-world examples that illustrate their impact on marketing strategy.





MACROENVIRONMENT FORCE 1 OF 6

1. Demographic Environment

The **demographic environment** involves the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. Demographics are of major interest to marketers because they directly shape the composition and behavior of markets.

Key demographic trends that marketers monitor include:

- Changes in age structure and generational cohorts
- Shifts in family composition and household patterns
- Geographic population movements and urbanization
- Rising levels of education and workforce diversity
- Government population policies and their market effects

Demographic Environment in Japan: An Aging Society

Japan faces a significant demographic shift characterized by a rapidly aging population and persistently low birth rates. This unique demographic structure has profound implications for businesses operating within the country, creating both challenges and new market opportunities.



Labor Shortages

With fewer young people entering the workforce, businesses face increasing challenges in recruitment and retention across various industries. This drives demand for automation, robotics, and skilled foreign labor to maintain productivity and operational capacity.



Changing Consumer Demand

Companies must adapt product and service offerings to cater to an older demographic. This includes a growing market for specialized healthcare services, financial planning for retirement, domestic tourism, and age-friendly products and housing solutions.



Innovation & Age-Tech

The demographic shift spurs innovation in 'age-tech' sectors. This includes development in assisted living technologies, smart home devices for seniors, robotics for elder care, and advanced medical solutions, creating significant new market opportunities.

2. Economic Environment

The **economic environment** consists of economic factors that affect consumer purchasing power and spending patterns. It includes major trends in income levels, cost of living, interest rates, savings and borrowing patterns, and overall economic conditions.

Marketers must pay close attention to these trends both **across and within** their world markets. Key considerations include:

- **Changes in consumer spending** — shifts in how consumers allocate income
- **Income distribution** — the gap between wealthy and lower-income consumers
- **Value-seeking behavior** — consumers demanding more for less during downturns
- **Emerging middle classes** — new consumer segments in developing economies



Income Changes in India: The Tata Nano Story



India, a country with a population exceeding **1.1 billion**, has undergone a profound economic transformation. The nation has shifted from being a predominantly low-income economy to an emerging **middle-income country**, creating vast new consumer markets.

In the past, only India's elite could afford to purchase a car. Recognizing this dramatic shift in purchasing power, the Indian car company **Tata Motors** captured this emerging customer segment by introducing the small, affordable **Tata Nano** — marketed with the aspirational slogan *"Now you can."*



- This case illustrates how economic shifts create entirely new market opportunities for innovative companies willing to adapt their product and pricing strategies.

3. Natural Environment

The **natural environment** involves the physical environment and the natural resources that are needed as inputs by marketers or that are affected by marketing activities. Growing environmental concerns have become a central issue for both businesses and consumers.

1

Shortages of Raw Materials

Resources are becoming increasingly scarce across all categories: **air and water** quality is declining; **renewable resources** such as forests and food face depletion; and **nonrenewable resources** like oil, coal, and minerals grow more expensive. Firms relying on these scarce resources face significant cost increases.

2

Pollution Concerns

The disposal of **chemical and nuclear waste** poses serious environmental and health challenges. Industry has been criticized for damaging the natural environment, and growing consumer awareness has put pressure on companies to adopt cleaner practices and reduce their ecological footprint.

The Impact of Natural Environment Challenges

The images below illustrate the real-world consequences of environmental degradation — from pollution and resource depletion to the visible effects of unsustainable industrial practices. These challenges directly affect marketing decisions, as consumers increasingly demand environmentally responsible products and practices from the companies they support.



Environmental Sustainability: The Path to Reducing Pollution

Environmental sustainability involves developing strategies and practices that create a world economy the planet can support indefinitely. Companies are increasingly adopting sustainable practices not just for ethical reasons but also because consumers demand it and it often reduces long-term costs.

For example, **Frito-Lay's** manufacturing plant in Modesto, California has installed a solar power system that now provides **three-quarters of the heat** used in its manufacturing processes — a dramatic reduction in fossil fuel dependency.



4. Technological Environment

Technology is the application of science to convert an economy's resources into output. It is perhaps the most dramatic force shaping our world today. The technological environment changes rapidly, creating both exciting new market opportunities and rendering existing products obsolete.

Technology impacts marketing in two fundamental ways:



New Products

Technology creates entirely new product categories and solutions — such as software, apps, and digital services born from the Internet revolution



New Processes

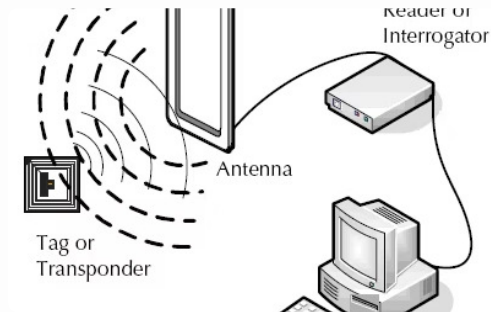
Technology transforms how marketing functions are performed — from e-commerce and digital advertising to data analytics and automated customer service

Technology Transforming Industries



Electric Vehicles

The electric car with a plug-in charging system represents a major technological shift in the automotive industry, driven by environmental concerns and advances in battery technology.



RFID Technology

RFID (Radio-Frequency Identification) transmits data from the sales floor when an item is sold directly to the inventory system, automatically prompting employees to bring replacement stock onto the floor.



5. Political and Social Environment

The **political environment** consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society. These regulations are designed to protect consumers, businesses, and societal interests.

The **social environment** relates to socially responsible behavior. Increasingly, companies are expected to go beyond legal compliance and demonstrate genuine concern for the well-being of their communities. Key considerations include:

- Legislation regulating business and protecting consumers
- Government enforcement of trade and competition laws
- Ethical standards and corporate social responsibility expectations
- Growing influence of public interest groups and advocacy organizations



Regulatory Framework: The Case of Thailand

Thailand provides an excellent example of how political and regulatory forces shape the business environment. Companies operating in Thailand must comply with a complex web of regulations that influence marketing and operational decisions.

Regulation	Examples of Concern
Industrial Estate Authority of Thailand Act	Wastewater discharge criteria; stack emission standards; waste disposal requirements
Hazardous Substances Act and Regulations	Criteria for import or possession of hazardous substances
Environmental Impact Assessment (EIA)	Criteria, procedures, regulations, and guidelines to prepare EIA reports for projects
Energy Industry License	Energy industry operation licensing and application procedures

These regulations illustrate how the political environment directly affects business planning, marketing strategies, and operational decisions for companies in any market.

Example: EIA in a Condominium Project

The image above illustrates a real-world application of Thailand's **Environmental Impact Assessment (EIA)** requirements in condominium development. Before construction can begin, developers must submit a comprehensive EIA report demonstrating that the project meets environmental standards. This regulatory requirement directly impacts marketing timelines, project budgets, and the overall feasibility of real estate development projects.



6. Cultural Environment



The **cultural environment** consists of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors. Cultural factors strongly influence how people think and how they consume, making this one of the most nuanced forces marketers must navigate.

Core cultural values — such as beliefs about work, marriage, charity, and honesty — tend to be persistent and are passed from parents to children, reinforced by schools, religious institutions, and government. However, **cultural swings do take place**. Shifts in popular culture, driven by music groups, movie personalities, social media influencers, and other celebrities, can reshape young people's hairstyling, clothing norms, and consumption preferences surprisingly quickly.

- ❏ **Key Takeaway:** Marketers must distinguish between core cultural values (which are resistant to change) and secondary cultural values (which are more susceptible to shifts and trends).

Environmental Analysis: The PESTEL Framework

To effectively analyze the macroenvironment and inform marketing strategy, businesses often utilize the PESTEL framework. This comprehensive tool helps systematically examine external factors that can impact an organization.



Political

Government policies, laws, stability, and regulations directly influencing business operations and consumer spending.



Economic

Factors like inflation, exchange rates, interest rates, economic growth, and consumer income levels affecting purchasing power.



Social

Cultural trends, demographics, lifestyle changes, and societal values shaping consumer preferences and behavior.



Technological

Innovation, R&D, automation, and technological advancements that create new opportunities or render existing products obsolete.



Environmental

Ecological and environmental aspects like climate change, resource scarcity, pollution, and sustainability initiatives.



Legal

Laws and legal frameworks related to consumer protection, competition, employment, and health and safety.

APPLICATION

Benefits of PESTEL Analysis

Applying the PESTEL framework provides businesses with a structured approach to understanding their external operating environment. This proactive analysis offers several critical advantages for strategic decision-making and long-term success.

1

Informed Decision-Making

Gain a deeper understanding of external forces to make more robust strategic choices and anticipate market shifts.

2

Risk Mitigation

Proactively identify potential threats and challenges stemming from political, economic, or environmental changes, allowing for contingency planning.

3

Opportunity Identification

Uncover new market opportunities, technological advancements, or changing consumer needs that can be leveraged for growth.

4

Enhanced Adaptability

Develop greater flexibility and responsiveness to external changes, helping the organization adapt and thrive in dynamic markets.



The Global Marketplace



Global Marketing Today

Global firm: A firm that, by operating in more than one country, gains R&D, production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors.

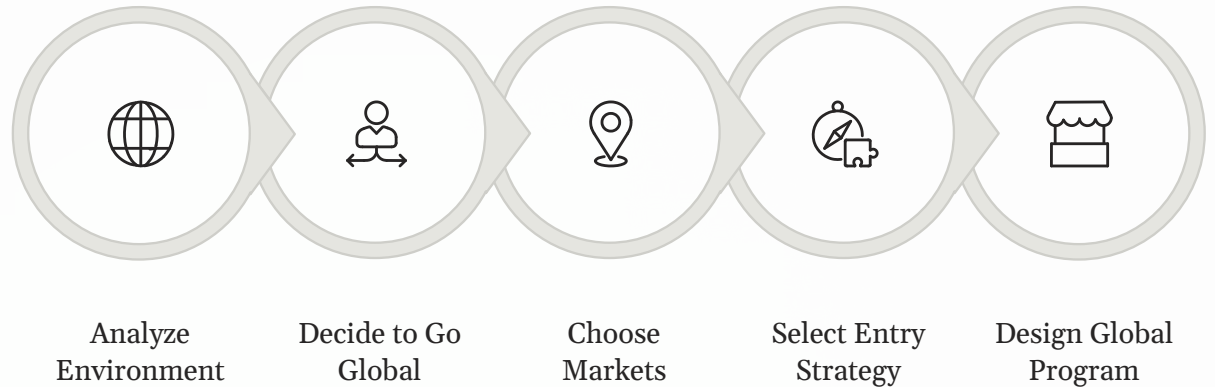
- Many leading American companies have now made the entire world their market — competing, sourcing, and selling across borders every day.





FRAMEWORK OVERVIEW

Major International Marketing Decisions



Every successful international expansion follows a structured decision-making process — from environmental analysis through program design.

SECTION 1

Global Marketing Environment

The International Trade System

When selling to another country, a firm may face a range of restrictions on trade between nations. Governments may impose **tariffs** – taxes levied on certain imported products – designed to raise revenue or protect domestic industries. Tariffs are frequently used as leverage to force favorable trade behaviors from other nations.

Revenue Tariffs

Generate government income from imports

Protective Tariffs

Shield domestic firms from foreign competition

Retaliatory Tariffs

Pressure other nations into favorable trade terms

Example of Imposed Tariffs: Coffee

The Scenario: Protecting Local Roasters

Imagine a country, let's call it **Cafeland**, that has a growing domestic coffee industry but heavily relies on imported roasted beans. To stimulate local roasting, Cafeland's government decides to impose a **20% tariff** on all imported roasted coffee.

This tariff is a protective measure, aiming to make locally roasted coffee more competitive by increasing the price of foreign competition.

The Impact: Price & Market Shifts

- Consumers in Cafeland pay more for imported roasted coffee, or shift to cheaper domestic options.
- Local coffee roasters see an increase in demand, fostering job creation and investment in their industry.
- Coffee-exporting nations may see a decrease in sales to Cafeland, potentially leading them to seek new markets or negotiate for tariff reduction.





Other Trade Barriers

Quotas

Limits on the volume of foreign imports accepted in certain product categories — designed to conserve foreign exchange and protect local industry and employment.

Exchange Controls

Government limits on the amount of foreign exchange available and the exchange rate against other currencies.

Nontariff Trade Barriers

Biases against foreign bids, restrictive product standards, or excessive host-country regulations that hinder market entry.

Example of Nontariff Barriers

Chile: Initiative to reduce working hours (2023)

The application of the Labor Code reform will be gradual and its full implementation will take up to five years, in 2029.

Reduction of the ordinary working day

First year	→	from 45 to 44 hours
Third year	→	42 hours
Fifth year	→	40 hours

Source: elpais.com/chile/

In June last year, the Ministry of Labor created the 40-hour seal, a certification that recognizes companies that already apply the reduced working day.

BIZLATIN HUB
www.bizlatinhub.com
info@bizlatinhub.com

Restrictions on Labor Law

One prominent example of nontariff barriers is legislation **against the use of child labor**. Countries may refuse imports from nations that do not meet certain labor standards, effectively blocking products regardless of quality or price.

These ethical and regulatory barriers can significantly impact a firm's ability to source or sell internationally.

Who Can Help Trade Between Nations?



1. WTO (World Trade Organization)

- Originated from the **Uruguay Round of GATT** negotiations
- Built specifically to enforce GATT rules on a global scale
- Resolves global trade disputes, builds developing-country trade capacity, and can impose trade sanctions on violators

2. Regional Free Trade Zones

Free trade zones (or economic communities) are groups of nations organized to work toward common goals in regulating international trade. A prominent example is **the European Union (EU)**.



The EU creates a single European market by reducing barriers to the free flow of products, services, finances, and labor among member countries — while developing unified policies on trade with nonmember nations.

NAFTA: North American Free Trade



NAFTA (North American Free Trade Agreement) established a free trade zone among the United States, Mexico, and Canada.

Over the past 15 years, NAFTA has progressively eliminated trade barriers and investment restrictions among the three countries – creating one of the world's largest and most integrated trading blocs.

Economic Environment

A country's **industrial structure** shapes its product and service needs, income levels, and employment levels. Marketers must assess where a target country falls on the economic development spectrum.

Subsistence Economies

Most people engage in simple agriculture and consume most of their output.

Raw Material Exporting

Rich in natural resources but poor otherwise — e.g., Chile (tin & copper), Saudi Arabia (oil).

Emerging Economies

Fast growth in manufacturing drives demand for raw materials, steel, and heavy machinery. A new rich class and growing middle class emerge — e.g., the BRIC countries (Brazil, Russia, India, China).

Industrial Economies

Major exporters of manufactured goods, services, and investment funds. They trade among themselves and export to other economy types — e.g., the U.S., Japan, and Norway.

Income Distribution

1

Industrialized Nations

Mix of low-, medium-, and high-income households

2

Subsistence Economies

Households with very low family incomes

3

Emerging Economies

Predominantly low- and middle-income consumers



In India, Ford's **\$7,700 Figo** targets low- to middle-income consumers who want to upgrade from motorbikes — a prime example of tailoring products to income distribution.

Political-Legal Environment

Nations differ greatly in their political-legal environments. Before doing business in a given country, a company should carefully consider several critical factors:



Attitudes Toward International Buying

How receptive is the host nation to foreign goods and investment?



Government Bureaucracy

How efficiently does the government system handle foreign business operations?



Political Stability

How stable is the governing regime and what risks does instability pose?



Monetary Regulations

What financial controls and currency restrictions exist?

SECTION 4

Cultural Environment

1. Culture's Impact on Marketing Strategy

Culture profoundly shapes how consumers perceive brands, products, and advertising. Missteps can be damaging — **bad ads** that reflect skin discrimination or cultural insensitivity can alienate audiences and damage brand perception permanently.

Understanding local values, norms, and sensitivities is essential for any global marketer seeking to build trust.



A Good Ad: Adapting to Local Culture



In India, **LG** rolled out refrigerators with larger vegetable- and water-storage compartments, surge-resistant power supplies, and brightly colored finishes reflecting local preferences — **red in the south, green in Kashmir.**

Some of LG's Indian microwaves even feature dark-colored interiors to hide masala stains — a brilliant example of cultural adaptation driving product design.

2. Marketing Strategy's Impact on Culture

Social critics argue that large American multinationals — **McDonald's, Coca-Cola, Starbucks, Nike, Microsoft, Disney, and MTV** — aren't merely globalizing their brands. They are **"Americanizing"** the world's cultures.

At this Tehran restaurant, American colas are the drink of choice. Coca-Cola and PepsiCo have captured about half the national soft drink sales in Iran.



Deciding Whether to Go Global



The primary driver behind going global is **expanding into new markets**. When a firm's local market reaches saturation, international expansion becomes the logical next step for growth.

- For example, **Coca-Cola** has emphasized international growth specifically to offset declining U.S. soft drink sales — turning global markets into its primary growth engine.

Deciding Which Markets to Enter

Indicators of Market Potential

Demographic Characteristics

- Population size and growth
- Population age composition
- Education levels

Socio-Cultural Factors

- Consumer lifestyles, beliefs, and values
- Business norms and approaches
- Cultural and social norms
- Languages

Geographic

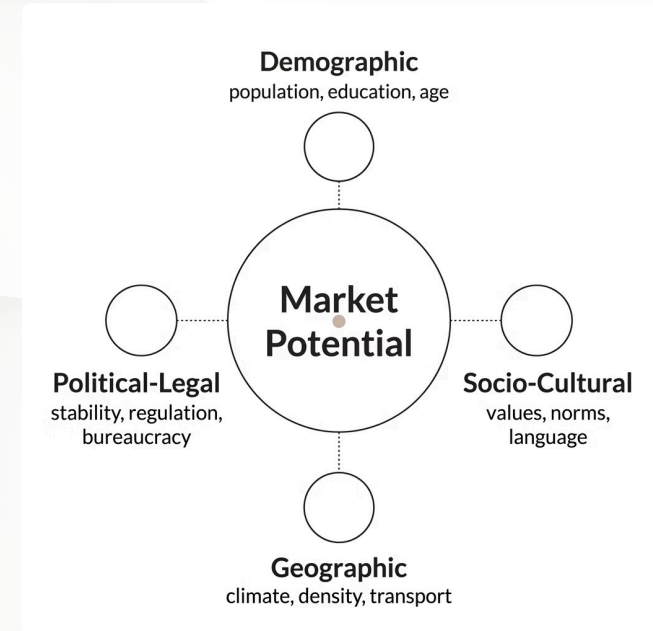
- Climate and country size
- Population density (urban vs. rural)
- Transportation and market accessibility

Political & Legal

- National priorities and political stability
- Government attitudes toward global trade
- Monetary and trade regulations

Economic

- GDP size and growth
- Income distribution
- Industrial infrastructure and natural resources

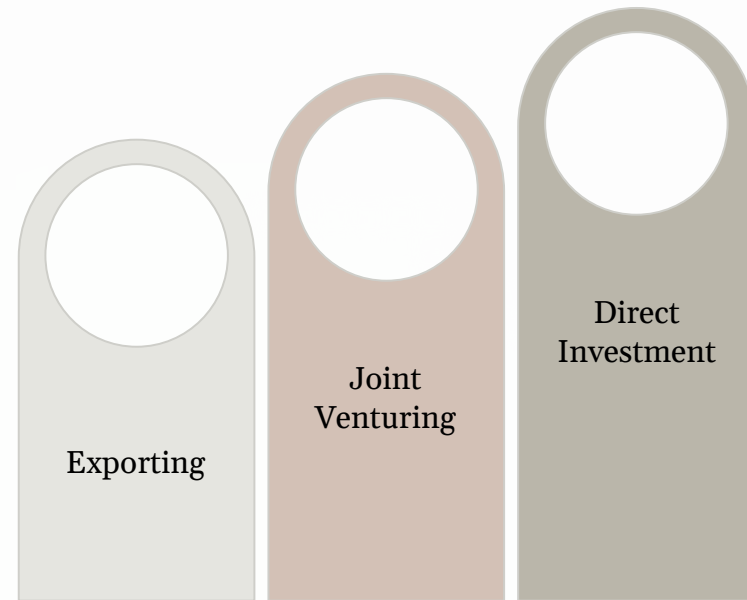




SECTION 7

Deciding How to Enter the Market

Market Entry Strategies



Each strategy represents a different level of **commitment, risk, control, and profit potential**. Companies must choose the approach that best fits their resources and goals.

1. Exporting

Entering a foreign market by selling goods produced in the company's home country, often with little modification. Two main approaches exist:

Indirect Exporting

Working through independent international marketing intermediaries. Requires **less investment** – no overseas marketing organization needed – and carries **less risk**.

Direct Exporting

The firm handles its own exports directly. Demands **higher investment and risk**, but offers **higher potential returns** and greater control over the marketing process.

2. Joint Venturing

Entering foreign markets by joining with foreign companies to produce or market a product or service. There are **four types** of joint ventures:

A. Licensing

A method in which the **licensee pays a fee or royalty** to the licensor for the right to use a manufacturing process, trademark, patent, or other proprietary asset.

- ❑ **Coca-Cola** markets internationally by licensing bottlers around the world and supplying the proprietary syrup needed to produce the product.



B. Contract Manufacturing

The company contracts with manufacturers in the foreign market to produce its product or provide its service. Key advantages include:

- **Faster market entry** — production begins immediately
- **Lower risk** — no factory investment required
- **Future flexibility** — opportunity to later partner with or acquire the local manufacturer



Ness Corporation in Seven Hills, Australia — a contract manufacturer producing intrusion alarm systems, detectors, and CCTV products.

C. Management Contracting

The domestic firm supplies **management know-how** to a foreign company that provides the capital. In essence, the domestic firm exports management services rather than physical products.

This is a low-risk method of entering a foreign market that generates income from the very beginning.

LUXURY				
UPSCALE				
MIDSCALE				
ECONOMY				
BUDGET				

Example: Hotel chain **Accor Group** manages properties worldwide using local capital while providing its global hospitality expertise.



MARKET ENTRE STRATEGIES

D. Joint Ownership

One company joins forces with foreign investors to create a local business in which they **share ownership and control**. This can take several forms:

- Buying an interest in a local firm
- Two parties forming an entirely new business venture
- Created for economic or political reasons — such as lacking resources, or when a foreign government **requires joint ownership** as a condition for entry

Best Buy formed a joint venture with UK retailer **Carphone Warehouse** to introduce Best Buy stores in Europe. Having "experience and connections in Europe is a huge, huge benefit." The stores replicate the American experience — even the carpets and fittings were imported from the U.S.

3. Direct Investment

Entering a foreign market by developing **foreign-based assembly or manufacturing facilities**. This represents the highest level of commitment, risk, and potential return.



HP has opened two factories producing PCs for the Indian market, along with HP-owned retail outlets in **150 Indian cities** – demonstrating full commitment to the market through direct investment in both production and distribution.