

# Macro-environmental analysis for marketing



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The “ Vital Foods” Yoghurt Company was established in 1995 by two farmers who wanted to create wholesome, natural, organic and nutritiously delicious yoghurt for the active and time poor. Founded on the dairy plains of Victoria, “ Vital Foods” is fast becoming one the premier yoghurt manufacturers and have asked that their new product be marketed correctly. As each type of product has its own target market, we must ensure that this market is properly researched, analysed and have an appropriate strategy to implement. A market by definition and be surmised at being “ the set of all actual and potential buyers of a product” (Kotler, 1998). The yoghurt market consists of all the actual and potential buyers of yoghurt products.

The macro-environment consists of six types of forces economic, demographic, cultural, natural, technological and political. “ Vital Foods” must ensure that they take into account the trends, changes and alterations in these environments which can both pose threats and reveal opportunities.

**Economic Environment** The economic environment is best described as having the “ factors that affect consumer buying power and spending patterns” (Kotler et al 1998). These factors include income, levels of employment, inflation, value of the Australian dollar, monetary policy and many others. This environment is a major aspect of the macro-environment as any consumer who wishes to act on their desires must be able to have the purchasing power to initiate the transaction. The level of disposable income of Australians is another key point.

As the level of disposable income increases, consumers are more likely to purchase a high quality product than more of the same. This does work inversely as well; as income drops the consumer is more likely to purchase

lower quality products. In today economic environment, the median wage for Australians has risen by 2.9% per year over 2006-2007 (ABS 2007).

However, this rise in median income has been negated by decrease in the actual wealth of the people of Australia. Economic factors such as high interest rates and increases in the consumer price index have lead many consumers to the discount and lower quality versions of their regular products.

For “Vital Foods” to capitalise on these trends, it could be suggested that they aim their product towards the price conservative consumers who may shop at the discount supermarket chains. As well as this, “Vital Foods” may decide to create a sense of bulk buying options into their product with savings attached to buying bigger portions. Demographic Environment As defined by Kotler et al, demographics are the “study of human populations in terms of size, density, location, age, sex, race, occupations and other statistics” (Kotler, 1998). The demographic environment consists of the above variables and their ability to affect the Australian yoghurt market. The importance this environment is situated in the fact that all demand for products or services ultimately derives from people (Cannon 1998).

Recent demographic trends are showing that Australia is becoming a better-educated population and is increasing the number of those in white-collar professions. In Kotler et al, it is noted that recent times have “transformed the Australian marketplace from a mass market into more fragmented micro-markets differentiated by age, sex, geography, lifestyle, ethnic background, education and other factors.” The implications of this to “Vital Foods” is that they must alter their product and marketing strategies to suit the

audience that they wish to target. As each of the variables has the potential to affect the yoghurt product on the Australian market, there is a particular point of focus that “ Vital Foods” and centre on.

Using the recent spotlight of Australia’s obesity problem, with 26% off all Australians being obese (Australian, 2008), “ Vital Foods” can concentrate on aiming their product towards the diet market, which is currently made up of many various companies. Cultural Environment The cultural environment consists of the “ institutions and forces that affect society’s basic values, perceptions and behaviours” (Kotler et al 1998). As with the previous changes in demographics above, changes in Australian culture and emergence of various sub-cultures are affecting how yoghurt is portrayed in the market place. Recent trends in Australia show that the idea that Australians are being increasingly concerned about their health. Since being named the world’s fattest country (Australian, 2008), Australians are becoming more aware of the impact their diets place on their health.

It is quite likely that products marketed as “ fat-free”, “ low calorie” or even “ low sugar” would entice consumers to choose a particular product over another. As well as this, by aiming the product at those who are health conscious, as a recent study showed that “ obese adults who ate three servings of fat-free yogurt a day as part of a reduced-calorie diet lost 22% more weight and 61% more body fat than those who simply cut calories and didn’t bone up on calcium” (WebMD 2005). By using this information in their marketing, “ Vital Foods” will be able to carve out niche for themselves in the dieter’s market. . There has also been an abundance of subcultures emerging in the Australian marketplace.

As defined by Kotler et al (1998), a subculture is a “ group of people with shared value systems based on common life experiences or situations”. Today, there is wide range of subcultures, particularly those based on nationalities, which is leading to demand for a wider variety of products. “ Vital Foods” may wish to diversify their new product by incorporating differing flavours, such as mixed fruits, traditional and others in order to appeal to these wider subcultures. As well as this, utilizing the “ Australian owned” brand, will further influence those who have a strong sense of patriotism. Natural environment Kotler et al defines the natural environment as “ natural resources that are needed as inputs by marketers or that are affected by marketing activities”. In today’s society, the presence of planet preservation is continuing to grow and become a forefront in the public’s mind.

Consumers are becoming increasingly aware of the activities of the industrialised manufacturing. As “ Vital Foods” is completely dependent on the natural environment for their product, the potential to use this aspect is quite significant to their marketing strategy. Today’s consumer is more informed, more aware and more intuitive to the ways in which their goods are manufactured. This state of mind places great control in the hands of the consumer who can boycott particular products, such as the CSR sugar boycott in Werribee, Victoria (Banner 1998). Such issues that would affect the manufacture of yoghurt would be the nature of the treatment of dairy cows, use of chemicals or hormones to stimulate production, the effect of operating the dairy farm and its impact on soil nutrient depletion and even usage of water around the farm. Vital Foods” may wish to structure their

campaign around being a completely hormone and genetically modified free product, which allows their cows to roam free on land, and the manufacturing plant powered by renewable resources.

By providing such branding on the product or advertising campaign, those consumers who are concerned with animal welfare, the unknown long term effects of genetically modified foods and the carbon foot print the production of the yoghurt can be convince that on these terms alone, " Vital Foods" new product stands head and shoulders above the rest. Technological Environment Technology can be seen as the driving force that " affect[s] new technologies, creating new product and market opportunities" (Kotler et al 1998). Yoghurt, although not a new product by any means, has constantly evolved though the years as the methods used to produce, process and manufacture yoghurt has been aided but the industrialisation of the industry. The use of such things as refined cultures in he production of yoghurt has not only aided digestive qualities of the yoghurt, but also the quality of the final product has been significantly improved. The latest developments have come from simple microwaveable do-it-yourself kits, which offer the consumer the option of making their own yoghurt in the comfort of their own home (National Centre, 2002).

Not only does the influence the consumer to create their own yoghurt cultures, it also adds another competitor for " Vital Foods". As well as the do-it-yourself kits, the internet is also beginning to play a significant role in the market with 64% of all Australian households having an internet connection (ASB 2008), as it has allowed consumers to research, digest information and then purchase products online and possibly from foreign retailers. This poses

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another yet another to “ Vital Foods” as it does have the ability to decrease its market share. Political Environment The political environment consists of the “ laws, government agencies and pressure groups that influence and limit various organisations and individuals in the society” (Kotler et al 1998). In all markets, the organisations which operate within legal boundaries of a country must abide by their regulations, rules and laws. These regulations are virtually in all aspects of the business, including areas of food health and safety, advertising and labelling requirements, pollutions emissions and livestock conditions.

The political environment does not have a large impact on “ Vital Foods” and their production. However, even though at this stage the political environment may not be a critical factor, we must take into account that there may be a surge of pressure groups who may be concerned with such things as genetic engineering, the environment and the desire to further regulate or deregulate the industry. Conclusion The yoghurt market in Australia is subject to the demographic, economic, political, cultural, natural and technological forces of the wider macro-environment that it operates within. Each of these forces has the potential to change the marketing environment, and create opportunities and pose threats to the market and those who operate within it.

What companies must do is monitor these environments to adapt its marketing mix accordingly. In the case of “ Vital Foods”, they may wish to adopt a strategy which incorporates the following in their plans: bulk purchase product, which is aimed at those who wish to combat the obesity epidemic but controlling their own diets, with a yoghurt that is hormone and

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genetically engineering free, made from the milk of free range cows, processed in a low carbon emitting manufacturing plant, that is proudly Australian owned and comes in a variety of flavours of the world. References Cannon, T. (1998), Marketing: principles and practice (5th Ed), Cassell Publishers Ltd, London. Kotler, Armstrong, Brown and Adam (1998), Marketing (4th Ed), Prentice Hall of Australia, Sydney.

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