

Marketing environment

[Business](#), [Marketing](#)



Describe and explain the key elements of the macro- (external) marketing environment. Show how these can impact on a company's marketing activities by illustrating your conclusions with reference to a UK company of your choice. Macro Marketing is defined as a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society. The emphasis is on how the whole marketing system operates not on activities of individual organisations (McCarthy et al, 1994)

There are six Macro environmental influences on the Marketing Mix: 1.

Demographic Factors 2. Economic and Competitive factors The economic environment is affected by the interaction of all parts of a macro- economic system. This then affects such things as national income economic growth and inflation. The economic environment may vary from one country to another, but the world's economy is becoming increasingly linked with globalisation (McCarthy et al, 1994).

It is now common for customers to obtain gas and electricity from the same supplier. Research carried out by BMRB for Key Note shows that in July 2000 42. 3% of customers obtained gas and electricity from the same supplier, whilst 57. 4% used different suppliers. Between July 2000 and March 2001, 9. 6% of respondents changed gas to the same supplier as electricity and 130% changed electricity to the same supplier as gas. During the same period 10. 5% changed both gas and electricity to a new supplier.

The major electricity generators in the UK are: British Energy PLC British Energy (BE) PLC is the UK's largest electricity generator producing 19% of

total output. The company was formed in 1996 to include the nuclear power activities of Nuclear Electric Ltd and Scottish Nuclear Ltd. In 1998, these activities were merged to form British Energy Generation, which operates eight nuclear power stations. The combined output of these nuclear power stations is 9,600 MW.

The company also owns a 2,000 MW flexible coal-fired plant at Eggborough acquired in 2000. In the year 2001/2002, British Energy produced 74.7 TWh from its nuclear and coal power stations. In the year ending 31st March 2002, British Energy sales were 0.05bn. British Energy has operations in North America through its subsidiary Bruce Power in Canada and Amer Gen a joint venture with PECO Energy of Philadelphia, US. Both of these operations specialise in nuclear power. British Energy has an involvement in wind energy through its Huron Wind wind power activities in Canada.

Current and Future Developments British Energy has been increasing its direct sales and trading business and now has four main routes to market; direct sales to large businesses, indirect sales through suppliers, traders and other generators; sales to Scottish Power and Scottish and Southern Energy (SSE), and sales of balancing and ancillary services to National Grid. Early in 2001, British Energy began discussions about the possibility of British Energy operating some of the Magnox nuclear reactors owned by British Nuclear Fuels. This could be part of a deal by which British Energy continues to have nuclear fuel reprocessed by BNFL in return for a contract to operate the ageing Magnox reactors (which come to the end of their life in 2010).

British Energy and BNFL are assessing the feasibility of using the Westinghouse AP100 advanced pressurised water reactor design to replace BE's existing nuclear power stations when they reach the end of their life. The newest BE nuclear reactor, Sizewell B in Suffolk, is due to close by 2035. British Energy is currently finding it difficult to make a profit from its UK nuclear operations, but in North America the situation is more rewarding for the company's nuclear operations.

British Energy continues to develop its activities overseas. In May 2001, Bruce Power, the Canadian subsidiary completed its lease transaction of nuclear power plant for 17 years. British Energy and International Power are reported to be considering a deal with E. ON of Germany to bid for a majority stake in the Czech electricity group CEZ. E. ON is expanding its activities in Europe and could be interested in British Energy's expertise to operate CEZ's nuclear plant.

The latest developments at British Energy show that British Energy is now in a serious position. Discussions with British Nuclear Fuel (BNFL) regarding the processing of nuclear waste have not yet resulted in an attractive deal for British Energy. In addition, the latest financial figures indicate a loss for British Energy, with little prospect of a recovery. One of the weaknesses of the company is that it does not have a retail supply business to help balance the fall of wholesale electricity prices under the New Electricity Trading Arrangements (NETA). British Energy is now making a loss and is existing on an emergency government loan, which totals £650m, to prevent the company from going into receivership.

PowerGen PLC Company Structure Powergen is a leading UK integrated electricity and gas company, which also has major activities outside the UK. In the UK, Powergen's main activities are: selling electricity, gas and other essential services, with over 3e million residential, business and industrial customer accounts trading electricity, gas, oil and coal producing electricity from a portfolio of world-class power stations distributing electricity to 2. 4 million homes and businesses in the East Midlands providing highly efficient combined heat and power (CHP) plant to meet the electricity and steam needs of energy-intensive businesses.

In the US, Powergen owns regulated businesses comprising Louisville Gas and Electric Company, a gas and electricity company which serves customers in 17 Kentucky counties and five in Virginia. Other unregulated US businesses include interests in operational plants in Texas and Georgia and Western Kentucky Energy, which operates and leases four coal-fired plants owned by Big Rivers Electric Corporation.

Outside the UK, Powergen has built an international power generation business, with power projects in Europe, India and Asia Pacific. As part of a strategic refocusing of the group onto the UK and US markets, agreement has been reached for the sale of the majority of these assets. Powergen is retaining a 20% interest in the joint venture companies acquiring its Australian, Indian and other Asian assets.