

Micro environment on marketing assignment

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The wider macro-environment Changes in the wider macro-environment may not be as close to the marketing firm's day-to-day operations, but they are just as important. The main factors making up these wider macro-environmental forces fall into four groups. Political and legal factors Economic factors Social and cultural factors Technological factors (Often referred to as the 'PEST' factors in the marketing analytical context, a useful aide-memoire, although in some texts it is sometimes referred to as 'STEP').

To this is sometimes added 'Competitive factors' and although 'PEST' analysis relates to a specific organisation 'Competitive factors' tend to be subsumed under 'Economic factors'. Such a PEST analysis means listing all possible points that may affect the organisation under review under each of the P. E. S. T. headings. Recently, some texts have added 'L' (standing for legal) and 'E' (standing for environmental) to this classification, making the acronym 'PESTLE'. Even more recently, some writers have incorporated yet another 'E' (standing for ecological) with the new acronym 'STEEPLE'. . 1

The political and legal environment To many companies, domestic political considerations are likely to be of prime concern. However, firms involved in international operations are faced with the additional dimension of international political developments. Many firms export and may have joint ventures or subsidiary companies abroad. In many countries, particularly those in the so-called 'Third World' or more latterly termed 'Developing Nations', the domestic political and economic situation is usually less stable than in the UK.

Marketing firms operating in such volatile conditions clearly have to monitor the local political situation very carefully. Many of the legal, economic and

social developments, in our own society and in others, are the direct result of political decisions put into practice, for example the privatization of state industries or the control of inflation. In summary, whatever industry the marketing firm is involved in, changes in the political and legal environments at both the domestic and international levels can affect the company and therefore needs to be fully understood. 3. The economic environment

Economic factors are of concern to marketing firms because they are likely to influence, among other things, demand, costs, prices and profits. These economic factors are largely outside the control of the individual firm, but their effects on individual enterprises can be profound. Political and economic forces are often strongly related. A much quoted example in this context is the 'oil crisis' caused by the Middle East War in 1973 which produced economic shock waves throughout the Western world, resulting in dramatically increased crude oil prices.

This, in turn increased energy costs as well as the cost of many oil-based raw materials such as plastics and synthetic fibres. This contributed significantly to a world economic recession, and it all serves to demonstrate how dramatic economic change can upset the traditional structures and balances in the world business environment. As can be seen, changes in world economic forces are potentially highly significant to marketing firms, particularly those engaged in international marketing.

However, an understanding of economic changes and forces in the domestic economy is also of vital importance as such forces have the most immediate impact. One such factor is a high level of unemployment, which decreases the effective demand for many luxury consumer goods, adversely affecting

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the demand for the industrial machinery required to produce such goods. Other domestic economic variables are the rate of inflation and the level of domestic interest rates, which affect the potential return from new investments and can inhibit the adoption and diffusion of new technologies.

In addition to these more indirect factors, competitive firms can also pose a threat to the marketing company so their activities should be closely monitored. It is therefore vital that marketing firms continually monitor the economic environment at both domestic and world levels. Economic changes pose a set of opportunities and threats, and by understanding and carefully monitoring the economic environment, firms should be in a position to guard against potential threats and to capitalize on opportunities.

3.3 The socio-cultural environment

This is perhaps the most difficult element of the macro-environment to evaluate, manifesting itself in changing tastes, purchasing behaviour and changing priorities. The type of goods and services demanded by consumers is a function of their social conditioning and their consequent attitudes and beliefs. Core cultural values are those firmly established within a society and are therefore difficult to change. They are perpetuated through family, the church, education and the institutions of society and act as relatively fixed parameters within which marketing firms are forced to operate.

Secondary cultural values, however, tend to be less strong and therefore more likely to undergo change. Generally, social change is preceded by changes over time in a society's secondary cultural values, for example the change in social attitude towards credit. As recently as the 1960s, personal

credit, or hire purchase as is sometimes known, was generally frowned upon and people having such arrangements tended not to discuss it in public. Today, offering instant credit has become an integral part of marketing, with many of us regularly using credit cards and store accounts.

Indeed, for many people it is often the availability and terms of credit offered that are major factors in deciding to purchase a particular product. Marketing firms have also had to respond to changes in attitude towards health, for example, in the food industry people are now questioning the desirability of including artificial preservatives, colourings and other chemicals in the food they eat. The decline in the popularity of smoking is a classic example of how changes in social attitudes have posed a significant threat to an industry, forcing tobacco manufacturers to diversify out of tobacco products and into new areas of growth.

Changes in attitudes towards working women have led to an increase in demand for convenience foods, 'one-stop' shopping and the widespread adoption of such time-saving devices as microwave cookers. Marketing firms have had to react to these changes. In addition, changes in moral attitudes from the individualism of the 'permissive society' of the 1960s and early 1970s to the present emphasis on health, economic security and more stable relationships, are all contributory factors to a dynamically changing socio-cultural environment that must be considered by companies when planning for the future.

3. 4 The technological environment

Technology is a major macro-environmental variable which has influenced the development of many of the products we take for granted today, for

example, television, calculators, video recorders and desk-top computers. Marketing firms themselves play a part in technological progress, many having their own research department or sponsoring research through universities and other institutions, thus playing a part in innovating new developments and new applications. One example of how technological change has affected marketing activities is in the development of electronic point of sale (EPOS) data capture at the retail level.

The 'laser checkout' reads a bar code on the product being purchased and stores information that is used to analyse sales and re-order stock, as well as giving customers a printed readout of what they have purchased and the price charged. Manufacturers of fast-moving consumer goods, particularly packaged grocery products, have been forced to respond to these technological innovations by incorporating bar codes on their product labels or packaging. In this way, a change in the technological environment has affected the products and services that firms produce and the way in which firms carry out their business operations.