Monitoring the technological economic and social environments marketing essay

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Introduction

In this day and age, the technological, economic and social environments are developing at a rapid pace, also it plays a crucial role in deciding consumption. The technological, economic and social environments belong to the marketing environment. According to Kotler (2004, p. 87) marketing environment can be defined as consisting of the actors and forces outside marketing that affect markers' ability to develop and maintain successful relationships with its target customers. The marketing environment offers both opportunities and threats. Some assert that the monitoring of the technological, economic and social environments greatly contributes to anticipating customer requirements. However, others consider that it is not the significant element for anticipating although it sometimes proves successful. This essay will attempt to demonstrate that the monitoring of the technological, economic and social environments greatly contributes to anticipating customer requirements, although it also brings some problems, and companies should constantly watch and adapt to the marketing environment in order to seek opportunities and ward off threats. To

demonstrate this, this essay will show in three aspects, the monitoring of the technological, economic and social environments and how far they can anticipate customer requirements respectively. At the same time, the problems of the monitoring will be discussed.

The monitoring of the technological environment

The technological environment is perhaps one of the fastest changing factors in the marketing environment. Kotler (2004, p. 107) told about " technology", as follow:

Technology has released such wonders as penicillin, organ transplants, notebook computer and the Internet. It has also released such horrors as nuclear missiles, chemical weapons and assault rifles, and such mixed blessings as cars, televisions and credit cards.

Some concede the significance of the technological environment but also propose that keeping pace with technological changes is becoming more challenging for companies today. For one thing, the technological life cycle is getting shorter. Take mobile phones as an example: 10 years ago, mobile phones were basically used to communicate, nowadays the functions of mobiles include Multimedia playback device, high-speed web browser, camera, Bluetooth and so on. The update pace of the technological environment is too fast to always track. For another thing, technology and innovations require heavy investment in research and development. For instance, the development of a drug is an enormously expensive process. According to the published average cost of drug development is approximately $800million (John and Ezekiel, 2005). The increasing cost of

research and development makes it more difficult to master a wide range of technologies, even for big companies.

However, it is a trend that technology develops faster and faster which means the development of society. Obviously, new technology would replace old technology which means that when old industries overlooked new technologies, their business declined. Hence, the companies must track technological trends and aware whether or not these changes will affect their products' continued ability to satisfy customer needs. Also, there are some solutions for the high research and development budgets including collaborating with other companies to develop new products and technologies, acquiring smaller, innovative companies which cannot afford to develop and commercialise new products and technologies (Kotler, 2004, p. 108). Furthermore, the corporations may recover their expenses through charging a high price for the new products and innovation after monopolizing the market (John and Ezekiel, 2005).

Consequently, it is essential for a company to stay ahead of others and update their own technology before it becomes outdated. Marketers need to understand the changing technological environment and how new technologies can satisfy customer needs. Example can be found in the case of Toyota Prius which are introduced in 2000 as their first hybrid car. As for the technologies used in Prius, Kotler wrote:

The electric motor starts the car and operates at low speeds, using a nickel metal-hydride battery. At higher speeds, the Prius automatically switches to

the internal combustion engine. Under normal motorway driving conditions, it should get 28 km per litre. (2004, p. 121)

The Prius would get twice as many kilometres per litre of petrol, it costs about £4, 000 more than the Toyota Echo, although they are almost the same car. In spite of its high price, it has achieved great success after it was introduced. Kotler clearly highlighted the success:

Between July and October 2000, Toyota sold 2, 610 Priuses and had difficulty keeping up with demand. By the end of October 2000, the cars were waitlisted until January. (2004, p. 121)

Toyota spend £200 million on the whole marketing budget of the Prius in 2002, the reason why Toyota spend so much on it is competition and the new opportunities of new technology. Kotler (2004, p. 122) also pointed out that all car manufacturers have plans to move to hybrids to raise petrol mileage and lower emissions, including Ford, DaimlerChrysler and General Motors. It is clear that there are many reasons why people may want a revolutionary car. Some enthusiasts are crazy about scientific and technological advances and want the newest products. Others rebel against fuel price increase and prefer less-fuel consuming cars with hi-tech. Toyota acquired what their customers want and how new technologies can serve customer needs, as a result, it obtained significant success in the campaign of hybrid cars.

To summarize, the technological environment is perhaps the most dramatic element to decide our consumption which creates both threats and new opportunities, therefore, to anticipate the customer requirements, marketers

should watch the following trends in technology and try to adapt to these changes. They must stay ahead of trends so that they can make new marketing strategies, rather than becoming outdated and suffering the business decline.

The monitoring of the economic environment

The economic environment consists of factors that affect consumer purchasing power and spending patterns. It is manifest that consumer purchasing power is a vital factor in economic environment. Nowadays, the financial crisis still has detrimental impacts upon varies domains. Some studies have indicated that around 50% of businesses failed in the first three years of economic crisis, and a number of business closures have been the byproduct of an uncertain economy. However, several companies have withstood the test of time, such as Banco Popular, Ford Motor Co., Coca-Cola, Johnson & Johnson and Sears (Caribbean Business, 2008). In this situation, how far the monitoring of economic environment can help to anticipate the customer requirements has become a heated topic. Examples would be mentioned as follow:

One example is that according to Howard and Begun (2001), the economy crisis has made bargain-hunting rage, even high-end brands are trying to lower their prices, such as The May Conde Nast Traveler featured an unprecedented list of " Cheap Chic" hotels. Zagat also published its first " America's Best Meal Deals". And after dying out in the rich early 90s, the Blue Light Special is booming again at Kmart with a different image. It is as thrifty as before, but now it is also prevalent among the youth. Another example is that the National Association of Resale and Thrift Shops, which

represent more than 1, 000 thrift, resale and consignment shop members nationwide, conducted a survey which showed that fourth-quarter 2008 sales were up an average of 30 percent in more than 71 percent of the stores (Consumers Making the Shift to Thrift, 2009). All these successful cases demonstrate that the marketers should always monitor the major trends and shift their marketing strategies to satisfy their customer needs. As we can see, when countries experience an economic collapse or an economic recession, consumer purchasing power would reduce which lead to consumers spending more carefully and seeking greater value in the products and services they buy. The successful companies notice this information and take swift steps to satisfy the customer needs which make they survive the economic recession, even create new opportunities for them.

Moreover, customer spending pattern is also significant in the economic environment. Hence, marketers should also watch the changes of customer spending pattern. For example, to curb its greatly increasing population, the Chinese governments make laws to limit families to one child only. As a result, Chinese children tend to be over-spoiled and fussed as never before. Several studies show that parents in the average Beijing household spend about 40 percent of their income on their cherished only child. This trend has encouraged toy companies including Denmark's Lego Group, Japan's Bandai Company (known for its Mighty Morphin Power Rangers) and America's Mattel to enter the Chinese market (Marketing: China's (only) children get the royal treatment, 1995). The example shows the significance of monitoring of the customer spending pattern and reveals that marketers

should determine how economic trends affect spending pattern and how they translate into marketing threats and opportunities for the companies.

Nevertheless, some argue that the monitoring of economic environment cannot be always valid to anticipate the customer requirements. For instance, the luxury market is insulated from the economic decline, PwC partner Guy Gillon asserted that within the wider luxury sector, only 16% of consumers said that the economic crisis had resulted in a significant decline in their expense. PwC was commissioned by Abta to carry out exclusive researches to coincide with the inaugural Luxury Travel Forum, which attracts almost 100 delegates (Buyers ' rich and willing but getting more savvy', 2009).

Consumers who have greatest purchasing power are likely to belong to the higher-income groups, whose higher-incomes mean that their spending patterns are less susceptible to economic changes than those of lower-income groups. Therefore, it seems that the monitoring of economic environment does not have great help in this situation. It is conceded that the monitoring of economic environment is not always effective, but it is still extremely important to anticipate customer requirements. Changes in major economic variables such as income, cost of living, spending pattern have a large impact on the market. Companies watch these variables by using economic forecasting. Companies do not have to be closed down in an economic downturn or in a boom. With proper warnings, they can take advantages of changes in the economic environment.

The monitoring of the social environment

Social environment in this essay refers to a host of domains including demographic, political and cultural environment. Kotler (2004, p. 91) clearly defined the demographic environment:

Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation and other statistics. The demographic environment is of considerable interest to marketers because it involves people, and people make up markets.

Demographic changing greatly influences the market requirements, such as a growing population means growing customer needs to satisfy, and then marketers are able to anticipate customer needs for some products and services. Also, marketing decisions are strongly affected by developments in the political environment. The political environment includes laws, government agencies and pressure groups that influence and limit various organizations and individuals, such as legislation regulating business, growth of public interest groups and increased emphasis on ethics and socially responsible actions (Kotler, 2004, p. 109). In addition, the cultural environment which is made up of institutions and other forces affects society's basic values, perceptions, preferences and behaviors. Individuals shape their basic beliefs and values when growing up in a certain society. The cultural environment plays a vital role in marketing decisions making, marketers must be aware of these cultural influences and how these influences might vary across societies (Kotler, 2004, p. 111).

All of these elements have some impact on consumption, when marketers attempt to anticipate the customer needs, they should aware of all of these elements and how they influence the customer requirements, thereby making their marketing strategies appropriately. To demonstrate the importance of monitoring the social environment to anticipate customer needs, we take the monitoring of demographic environment as an example:

According to Kotler (2004, p. 91), demographic environment refers to population size and growth trends, changing age structure of a population, the changing family, rising number of educated people and so on. Demographic shifts have important implications for marketing managers. For example, the rising ageing population will make a growing demand for healthcare products, pensions and services to cater to older consumer needs. According to Bentley and Ross (2006), the over-50s are becoming more comfortable with technology. An independent report conducted by Saga Holidays found that rather than keeping away from new media, over a quarter (27%) of the 1, 000 people aged 50 and over questioned purchase goods online. The same analysis discovered that a third (37%) regularly send text messages. Meanwhile, a recent survey by Continental Research of the growth of the so-called ' silver surfer' market revealed that in the last year, home Internet use among the over-55s has increased by more than 50%, growing from 2. 9 million in 2004, to 4. 4 million in 2005. The findings will remind travel companies to capture this fast-growing and affluent section of the holidaying public. Saga's website provides a good example of how travel retailers can target older travelers. At web design consultancy Foviance, director Catriona Campbell considered companies that want to capture older

web users need to make their websites accessible and simple to use. To build on its brand as an over-50s specialist, Saga launched an online travel shop, SAGAtravelshop. com last month. The website makes consumers able to buy dynamically package trips as well as buy package holidays. The charity Help the Aged (Ageing Europe faces up to need for pension reform, 2003, p. 18) pointed out that now over-60s are more affluent and active, with lifestyles that are more similar to those of people in their 40s and 50s. Indeed, some companies, like Saga Holiday, are already aware of this demographic shift and adapting product marketing and design to cater to older consumer demands.

The changing family also plays a vital role in the demographic environment. The changing family which means the notion of the ideal family -mum, dad and two kids- has lately been changed. People are marrying later and having fewer children. Also, the number of working women is increasing including working mothers. This trend has boomed the child day-care business, cleaning and catering services, increased consumption of convenience foods, career-oriented women's clothing and many other business opportunities. For instance, Britain and America are around the top of both the convenience-food league and the working-woman league. The increasing of working women is pushing the time-saving trend and the consumption of time-saving products like convenience foods. Mark Price, who is the marketing director of Waitrose, Britain's top-of-the-range supermarket, pointed out that the company's biggest item in meals at its Canary Wharf (London) branch is the ready-mixed Caesar salad in a box. It costs £1 ($1. 70) less if you buy all the ingredients and mix them yourself, however,

people prefer the convenient but expensive one. Ready meals from supermarkets become increasingly popular in Britain. Ten years ago, the sector barely existed while now it is worth £1. 5 billion and is growing at 6% a year. These days, Tesco launches 1, 200 new convenience products a year and the variety boosts consumption at the same time (Make it convenient, 2003).

Also, it is difficult to monitoring the demographic, political and cultural environments at the same time, and it is complicated to analyze all elements to anticipate the customer requirements. Furthermore, similar to the economic environment, some cases prove that the monitoring of the social environment to anticipating customer requirements cannot be always valid, especially when some unpredictable affairs happens, Yang and Li (2008) showed that in the April of 2008, Carrefour which is a French retail firm encounter a sudden crisis in China. The crisis stems from the widely spreading posts on the BBS, with some political reasons the posts call on all Chinese people not to go shopping in Carrefour on 1st May. And this appeal achieved a huge number of netizens' supports. The survey of " whether or not boycott Carrefour" conducted by Sina Finance showed that over 560, 000 users asserted that they would not go to Carrefour in the whole month. It is not difficult to image that what a large loss for Carrefour, however, it is cannot be monitored because Carrefour is extremely popular in China which have 73 hypermarkets, 8 supermarkets and 8 champions around the China.

To conclude, although it is difficult to monitor the social environment and the monitoring is not always valid to anticipate customer requirements, there is no doubt that the monitoring of social environment greatly contributes to

anticipating customer requirements. Therefore, the smart marketers know how to track the demographic trends and indicate what their target customers want, and then take swift actions to cater this situation.

Conclusion

In summary, this essay has attempted to demonstrate that the monitoring of the technological, economic and social environments greatly contributes to anticipating customer requirements, although it also brings some problems, and companies should constantly watch and adapt to the marketing environment in order to seek opportunities and ward off threats. However, it is difficult to imagine a time when all the problems can be resolved, the situation is certainly hopeful and suggests real developments may be made in the future.