

Analysing the macro-environment

Business



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Macro-environment analysis of The Coffee Company for the Chai Latte powder product The Coffee Company is 100% privately owned and operated company. It has been in operation since 1998 and has over 10 years experience in the coffee manufacturing market. The Coffee Company provides fresh roasted coffee to over 1000 food service customers across Australia and its retail products are available in leading Australian retailers.

The Coffee Company plant is based in Moorabbin and uses market leading production methods to deliver consistent quality and flavour.

The Coffee Company has sales offices in all the Australian capital cities. The current product range consist of coffee beans, ground coffee and liquid chocolates in a variety of styles and sizes. The purpose of this report is to provide a macro-environment market analysis in relation to the development and manufacturing of a Chai Latte powder product. The macro-environment consists of six types of forces: demographic, economic, natural, technological, political and cultural.

The Coffee Company must take into account the trends and changes in each of these environments, which can both pose challenges and opportunities.

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, 2007). One of the most significant trends in Australian demographics is the ageing population. Australia’s population is projected to age rapidly over the next twenty to forty years.

Population ageing is the upward shift in the age structure, in which the proportion of younger people declines as the proportion of older people increases. It is forecasted “ Australia’s population is set to change substantially over the next 50 years, with around one in four Australians being 65 years or older by 2056” (ABS 2008).

This ageing population in the short term is made up of the generation known as the Baby Boomers. Baby Boomers are generally acknowledged as those born between 1946 and 1964.

In a recent marketing report, released by Adshel, the study found, Baby Boomers are a significant part of the Australian demographic landscape as they make up 25 percent of the population and own 50 percent of the country’s wealth. Baby Boomers are generally accepted as well educated and have an assumption of lifelong prosperity and entitlement. Therefore, large group of people who have disposable income and have available time due to retirement are ‘ out and about’ being more socially active than ever.

This results in higher volumes of customers dining in cafes and restaurants with Baby Boomer customers spending more per visit due to having higher disposal income.

The challenge for The Coffee Company is to specifically target the marketing campaign at the Baby Boomer demographic in a way that generates more sales without negatively impacting the revenue stream being generated from non-Boomer demographic groups. Economic Environment The economic environment is best described as having the “ factors that affect consumer buying power and spending patterns” (Kotler et al 2007).

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The major factor impacting the current economic environment is the global financial crisis. Two major indicators of economic health in the Australian economy, Gross Domestic Product and the Unemployment Rate, have both deteriorated markedly over recent months. The global financial crisis, which is now affecting the real economy, has dampened growth prospects by diminishing available credit, reducing household wealth, decreasing Australia's terms of trade and eroding business and household confidence. Access Economics are reporting economic growth is projected to slow even further and consequently unemployment is forecast to rise.

Consumer buying power and spending patterns are directly linked to disposable income. As the level of disposable income increases, consumers are more likely to purchase a high quality product than a greater amount of the same product. This works inversely as well; as income drops the consumer is more likely to purchase lower quality products. The opportunity for The Coffee Company is to contain the unit costs of the Chai Latte powder to ensure that the product's price and position mix still represents value for the target customer in the current market.

This approach must be complementary to a marketing campaign that emphasizes a 'little luxury at a small price'. Natural Environment The natural environment involves all the natural resources, such as raw materials or energy sources, needed by or affected by marketers.

With major climate changes occurring due to global warming and with greater environmental awareness this factor is a significant issue for The Coffee Company to consider. The growing desire to protect the environment

is having an impact on many industries along with a consumer preference for more environmentally friendly products and processes.

These changes are having an affect on demand patterns and creating business opportunities. Due to growing pollution awareness, consumers are concerned with the impact on the natural environment through the sustained use of synthetic fertilizers, pesticides and herbicides. The over-use of high nitrogen and phosphate fertilizers has been proven to pollute ground water and waterways in addition; excessive pesticide use has damaged many species of insects and birds. The alternative is organic growing which is a form of growing plants, using only naturally occurring materials to feed the soil.

In order to the 'green' he potential options for to The Coffee Company including, purchasing organically grown raw material such as Tea and Spices as well as, amending manufacturing processes and machinery to create a low carbon emitting plant. The Coffee Company's Chai Latte powder product is dependent on the natural environment for the raw product of tea and spices. As a result the potential to use organically grown products is central to the marketing strategy. The Coffee Company could focus the marketing campaign on its use of organic products. Positioning the product or advertising campaign in this way makes onsumers made aware of the availability of a product that is consistent with their environmental and health concerns.

Technological Environment The technological environment consists of those forces that affect the technology, which creates new products, new markets,

and new marketing opportunities. Technology is acknowledged to be changing at a rapid pace. The pace of change creates opportunity as well as challenge to ensure appropriate investment in being made in up-to-date technology, which allows an organization to out-pace or, at least, keep up with their competition.

Technology has the capacity to impact methods of manufacturing as well as logistics, delivery or distribution of goods. Driving innovation via the use of new technology, competitive advantage can be gained by lowering the cost of manufacturing products while also providing speed to market, ahead of the competition. In addition, the Internet is also beginning to play a significant role in the market with 64% of all Australian households having an Internet connection (ABS 2008).

This has allowed customers to undertake research, digest information and then purchase products online, from both local and foreign wholesalers or retailers (e. g. Amazon. com).

This poses another yet another challenge for The Coffee Company due to the potential of current and prospective customers purchasing a substitute product from alternative sources. Political Environment The political environment consists of ' laws, government agencies, and lobbying groups that influence and limit various organizations and individuals in a given society' (Kotler et al 2007).

One current political trend relates to Australia's increased trade with China. In 2005 an Australia-China Free Trade Agreement was reached. China is now ranked as Australia's second highest trading partner for exporting and

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importing and is Australia's number one, two-way trading partner. Political relationships and trade agreements are a critical factor for Australian manufacturing organizations.

The Coffee Company relies significantly on the favourable Australian-China trade relationships for the raw materials to manufacture its products including the Chai Latte powder product.

Cultural Environment The cultural environment consists of the "institutions and forces that affect society's basic values, perceptions and behaviors" (Kotler et al 2007). As with the previous changes in demographics, above, changes in Australian culture and the emergence of various sub-cultures such as the ageing population are affecting how beverages such as Chai Latte need to be portrayed in the market place. A consumer survey conducted by the Organic Guide in 2008 revealed Australians are becoming increasingly concerned with their health.

Since being named the world's fattest country (Australian, 2008), Australians are becoming more aware of the impact their diets have on their health.

It is quite likely that products marketed as "organic", "low caffeine" or "low sugar" would entice consumers to choose a particular product over substitute product. By aiming the product at those who are health conscious, such as Baby Boomers entering into their later years of life, The Coffee Company will be able to carve out a niche for themselves in the health market.

There has also been an abundance of subcultures emerging in the Australian marketplace. As defined by Kotler et al (2007), a subculture is a “ group of people with shared value systems based on common life experiences or situations”. Australia is a multi-cultural society with various subcultures, particularly those based on nationalities, which is leading to demand for a wider variety of beverages. The Coffee Company may wish to diversify their new product by incorporating different flavors, such as Vanilla, Mixed Berry, 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. The warm beverage 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, create opportunities and challenges 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 The Coffee Company, they may wish to adopt a strategy which incorporates the following into the plan for the Chai Latte powder product: the targeting of the Baby Boomer market, work to contain unit cost to ensure pricing is appropriate to the current economic climate during launch. Use organic raw materials from a low carbon emitting manufacturing plant.

Monitor government relationships between China