

# Micro marketing environmental forces



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The LG 60PK250 Plasma HDTV was launched less than a year ago and is currently within its growth stage. To continue its growth process, a differentiated marketing strategy has been implemented in which the company should make use of annual holidays such as Christmas and Wimbledon for advertising campaigns. Moreover, a marketing strategy change has been recommended for the next 12 months that involves achieving a wider distribution network. This will be done by not only focusing on retailing outlets but also focusing on expansion into supermarkets such as Tesco with the use of competitive pricing strategies.

### Introduction

LG electronics is a consumer electronics company that was founded in 1958 as GoldStar (LG, 2010). They product Korea's first ever consumer radios, TV's refrigerators, washing machines and air conditioners and were renamed as LG Electronics in 1995 (LG, 2010). Since then LG has become one of the leading electronic brands through continuous innovative product development, evolving technologies and their easy going ethos of " making our customers' lives better and easier-happier, even through increased functionality and fun" (LG, 2010).

LG was the company that produced the world's first 60-inch plasma TV in 1998 (LG, 2010). The LG 60PK250 60" Full HD Plasma TV was launched in March 2010. Although it is a relatively new product with a well-established brand name and company, it is a plasma screen television and an appropriate marketing strategy will need to be applied in order to ensure the success of the product and prolong its life cycle.

The report will analyse the internal and external marketing environment of the television industry within the UK by focusing on what makes up the internal and external environment, LG's main competitors and consumer buyer behaviour. It will use relevant theories and concepts to assess different aspects of the market and from this an appropriate marketing mix for the next 12 months will be developed and recommended to try and ensure success of the Television within the UK television industry.

Macro marketing environmental forces

Marketing Environment

Organizations can succeed if they match their products and services to the marketing environment. " A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful transactions with its target consumers" (Kotler et al. 2001, p. 116). The Marketing environment is made up of the Micro Environment and Macro Environment.

## **Micro marketing environmental forces**

**Political**

**Buyers**

**Economic and  
competitive**

**Competitors**

**The business**

**Legal**

**Company**

**Suppliers**

**Customer**

**Marketing interme-**

**Techno-**

**logical**

**Publics**

**diaries**

**Regulatory**

**Societal/Green**

(Adapted from Dibb et al., 2006, p. 90)

## **Micro environment**

The micro environment comprises all those individuals and organizations that affect the operation of a business on a day-to-day basis (CIM, 2002).

Below are all the areas that make up the marketing environment applied to LG.

Customers – In order to generate profit, it is necessary to ‘ create a customer’ (CIM, 2002). It is important to predict what customers will require rather than wait and follow them. To create products and services that not only meet customers’ needs but also benefit them is of high importance.

LG Electronics is one of the world’s largest electronics manufacturers, producing a large variety of consumer electronics and IT products. They strive to improve their customers’ lives with intelligent products, intuitive functionality and excellent performance. LG’s customers “ take pride in owning an object of excellence and take comfort in knowing they’ve made a smart, informed purchase, every time” (LG, 2010).

LG keeps close relationships with its customers in more than 180 countries through the four basic elements: values, promise, benefits, and personality. “ Based on a principle of creating value for customers, LG Electronics is safely providing products that customers want, offering differentiated services, and protecting customer information” (LG, 2010).

Source: LG, 2010

(See appendix 4 for details)

Competitors – A successful company is one that provides greater customer value and satisfaction than its competitors.

LG has some top direct competitors like Sony, Samsung, Philips, Panasonic or Sharp. However, the Group, with its new topic 'World's only maintain nutrition television' and declaration as 'digitally yours' to express to the consumers that it majorly addresses the consumer obligation and make things simpler to them, has become a very mighty business in the television commerce in the present years. Consumer approval has been the centred topic from the development stage to the maturity stage and augmented product: 5 - year warranty time span and productive after sales service along with call centres are provided by the Group might also be the reason why competitors could not trounce LG in periods of sales for many years.

LG also has some indirect competitors that can damage, to a degree, its television market such as internet, PS series, or high - tech products like the I-phone, I-pad, etc.

Intermediaries - are organizations that help a company promote, sell and distribution its products to target customers. They can be wholesalers, retailers, distribution firms, marketing agencies, or financial intermediaries. Effective intermediaries, is crucial for a firm's marketing success.

Televisions, from LG's agency located at Noida, are dispatched to the local agency dealer, and then to the consumers. However, the Group values a selective circulation convention where products drop into the hands of only couple of intermediaries, not one or all. This assists the business in having a good market treatment with more command and less cost than those of intensive distribution.

Suppliers – are the key component in transformation of materials to final products and services. It is important to review how suppliers, manufacturers and intermediaries co-operate with each other.

LG establishes the win – win management with its business partners in which “ LG has always been trying to grow alongside its suppliers by strengthening their competitiveness. Still, it re-established its strategic direction for purchasing and refurbished its support division for suppliers to effectively deal with the recent economic crisis as any responsible business partner would do in a similar situation” (LG, 2010).

Importantly, LG is committed to the Eco Supply Chain to develop eco-products under the Green program. It is operated in coordination with partner firms who supply parts, raw materials, and other materials to establish themselves as environmentally friendly companies. The television LG 60PK250 60” Full HD Plasma is an eco-design that shows harmonized cooperation between LG and its suppliers, in which resource consumption is reduced, components are recyclable, and safe materials are facilitated (See appendix 3 for details).

Shareholders – are the ones who “ have supported, are currently supporting, or may support the organization in the future” (Palmer, 2009, p. 45). They provide funds to the firm to finance its financial and non – financial performance.

LG has experienced a consecutive increase in investment by domestic investors between 2005 – 2008, while investment by foreigners has decreased and investment by the Group remains sustainable.

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## **LG's Shareholder Composition**

Source: LG, 2010

(See appendix 1 for details)

Employees – are involved in a company's marketing plans, in which groups of people must be taken into consideration: top managers, finance staffs, R&D staffs, purchasing staffs, or manufacturing and accounting staffs.

On the way to ' Great Company, Great People', LG believes that only great people can create a great company. LG's workplace is the space of solidarity, creativity, and freedom. LG strives for greatness in what it has recognized as People Leadership which concerns with “ market dominance achieved by selecting and nurturing talented team players able to internalize and execute innovation across the board” (LG, 2010). (See appendix 2 for details)

Macro EnvironmentThe macro environment, also known as the external environment, “ comprises general trends and forces which may not immediately affect the relationships that a company has with its customers, suppliers, and intermediaries, but sooner or later, as this environment changes, these trends and forces will alter the nature of such micro – level relationships” (Palmer, 2009, p. 51). The macro environment is beyond the control of the marketers, but it is evaluated to help a company make decisions and plans. Macro environment could be divided into a set of subject areas frequently used in the UK – SLEPT:



## **Socio – cultural environment**

## **Legal environment**

## **Economic environment**

## **Political environment**

## **Technological environment**

SLEPT Analysis(CIM, 2002)

Socio - cultural environment: is fundamental to a business's operation in a specific community. It is crucial for a company to keep up with the changing needs of customers.

Demographic environment – “ Demography is the study of populations in terms of their size and characteristics.” (Palmer, 2002, p. 59) We can subdivide the demographic environment into following categories:

Population size and growth trends

Age & sex structure

Changing family

Number of educated people

Increasing diversity

The TV LG 60PK250 60” Full HD Plasma is a high tech innovation with eco design, which can be listed as one of LG's prides. It might be an ideal product for young age groups who are focused on style and dominant features, or for older age groups who are interested in energy saving

functionality. The TV can also attract both males and females who are looking for bigger screen size, better picture quality, and digital – ready TV. LG might expect the highest sale of this TV to be to households who have children aged 5-9, or households with family size 5+ (Mintel, 2009). However, the Group should never look for a higher sale of this model compared with that of LCD TV because LCD TV is always likely to be the first choice for all ages, sex, or occupations.

Cultural changes – Cultural environment is made up of institutions and factors that affect each society's values, attitudes, perception, behaviours, and so on. Marketers must be aware of cultural influences and changes across societies in order to renew the firm and adapt to the changing needs of customers. Some culture groups should be considered within a society: ethnic and racial cultures, religious cultures and classes (CIM, 2002). Cultural values are always important and highly appreciated in a society. Shifts in cultural values during years will lead to a change in customers' philosophy of life, and then result in consumption habits.

Nowadays, changes in audio-visual culture have resulted in differences in buyer behaviour. The TV LG 60PK250 Full HD Plasma is an evidence for a shift from basic need to self – esteem need of consumers. LG TVs with reputation, high technology and high quality are always every customer's desire. However, they are most preferred by high socio – economic groups.

It is the development of society that situates LG in the competition against other celebrated brands in which its products need to have competitive advantages to survive in the changing and challenging market.

Social trends – “ Social changes involve changes in the nature, attitudes and habits of society. Social changes are continually happening, and trends can be identified” (CIM, 2002).

Rising living standards: higher incomes, proper and developed services in recent time can result in higher expenditure, wider ownership of luxury products like LG 60PK250 60” Full HD

Society’s attitude to business: LG always strives to be consistent and systematic in full – scale implementation of social activities on raising environmental awareness, alleviating global famine and combating infectious diseases. Fundraising and volunteer work are the key points of the Group’s goals and operation system.

The workforce: high skilled labours are needed for not only LG but also other manufacturers in the macro economy. Besides, there have been changes from manual jobs to an increasing intellectual employment. LG has a vision of expected core capabilities of its employees:

“ Product leadership refers to the ability to develop creative, top-quality products, using specialized new technologies”.

“ Market leadership refers to the ability to achieve top ranking, worldwide, thanks to a formidable market presence in countries across the globe”.

“ People leadership refers to the market dominance achieved by selecting and nurturing talented team players able to internalize and execute innovation across the board”.

(LG, 2010)

Political and legal environment: is treated as an unpredictable element in a company's marketing environment. It comprises government, politicians, and pressure groups. Changes in government policies or changes of government can exert great impacts on businesses' performance.

Legislation is a part of political process. It covers all aspects of an organization's operation. Laws and regulations are adopted by the government, in which some basic issues of economic policies are recognized: criminal law, Health and safety law, company law, tort, legal framework, employment law, contract, consumer protection, data protection. (CIM, 2002)

LG is headquartered in Seoul, Korea functioning 60 subsidiaries in 34 nations and making its products to consumers in more than 180 countries.

Therefore, it will be affected to some extent if there is any change in these countries' politics, especially in Asian countries and Middle East.

However, LG is always committed to basic laws and regulations on corporate business such as customers' health guarantee, customers' information protection, environmental protection, employee right protection, and so on.

Economic environment: A state of economy in which a company operates, where trade should always be at the very heart of performance. Economic environment includes factors that can influence consumer buying power and spending patterns.

A company should keep an eye of both regional or national economic changes as well as movement in the global economy. The main aspects of economic environment are:

Income distribution and purchasing power

Consumer spending patterns

Market competitiveness

Business cycle: recession, inflation, unemployment, fluctuation of exchange rate, etc

Before a luxury product like LG 60PK250 Full HD Plasma appeared in the market, economic factors would have been taken into cautious consideration. According to Mintel (2009), there has been a trend of higher personal disposable income and consumer expenditure since 2004. This could be a good sign for LG if customers can afford that type of TV. However, the global economy has not escaped from the recession. Therefore, the product sale could be damaged by customers' attitude if they delay their purchase. Moreover, the TV market is becoming competitive when a wide range of available products are introduced by numerous manufacturers. The TV market has to face a rising number of different technological products like online video. This could make customers confused when making their purchase. The lower average price may also have benefited customers but it is not a good sign for the producer because deeper price cuts can cause market values to drop off much more steeply, especially with large screen TV's like the LG 60PK250 Full HD Plasma.

Technological environment: As human society develops, technological change happens. Technological development can create favourable conditions for productivity and business efficiency. New technologies provide new markets and opportunities but sometimes they can affect a firm's determination towards whether or not to invest in radical new or high technologies to achieve their targets. Shifts in technologies are sometimes problematic to several organizations. However, companies operate in an environment where technology changes must be adapted quickly to the business for improvement and innovation. They should pay attention to pace of technological change, R&D budgets, concentration on minor improvements, and increased regulations (Kotler et al. 2001).

LG Electronics is a company that thrives on innovation. It is reinforcing core competencies to father its status as the ' Digital Leader'. LG is now developing its ' Smart Technology' which creates convenience and adds joy to customers' lives. " Smart Technology is a development philosophy that embraces sensitive communication with customers in order to provide products that everybody wants to use, and easily can". (LG UK, 2010)

Competitor analysis  
The television market consists of highly competitive players, who are continuously innovating (Intel, 2009). Competitor analysis is essential to be able to plan effective marketing strategies. According to Kotler and Armstrong (2004) there are 3 steps to analysing competitors:

Selecting which competitors to attack or avoid

Assessing competitors' objectives, strategies, strengths and weaknesses, and reaction patterns

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## Identifying the company's competitors

Porter's five forces is a strategic tool used to assess an industry's competitive environment based on the strengths of five generalised forces (Henry, 2008). These five forces are: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products, and amount of rivalry among firms in the industry (Henry, 2008). In this case, Porter's five forces can be used as an effective tool to analyse the competitor threats LG would face in the television market.

### **New Entrants**

Economies of scale

Government policy

Capital requirements

Proprietary products/technologies

Threat of new entrants

### **Buyers**

Price/total purchases

Buyer concentration verses firm concentration

Ability to backward integrate

Price sensitivity

## **Competitors**

Market volumes/shares

Market sectors/product/ service type

Market responses

Bargaining power of suppliers

## **Suppliers**

Differentiation of inputs

Supplier concentration

Threat of forward integration

Switching costs

Bargaining power of buyers

## **Substitutes**

Switching costs and propensity to substitute

Relative price performance of substitutes

Threat of substitutes

(Adapted from Baines, Fill and Page, 2008, p. 74)

The television manufacturing industry faces intense segment rivalry due to the fact that few players dominate the market. The main competitors in the



television industry are LG, Panasonic, Samsung, Sony and Toshiba, with LG being one of the best (Intel, 2009).

## **Company**

### **Brands**

#### **LG**

LG

#### **Panasonic**

Panasonic, Viera

#### **Samsung**

Samsung

#### **Sony**

Sony, Bravia

#### **Toshiba**

Toshiba, Regza

(Intel, 2009)

In the case of being threatened by new entrants, as mentioned before, the TV market is a well-established industry that is highly competitive and requires constant innovation and technological investment. This makes it an industry with high entry barriers (Kotler and Keller, 2006) therefore it is not an easy market to enter, especially when competing with a company as established as LG.

Suppliers bargaining power increases when there are a few substitutes and when there are fewer suppliers in the industry (Kotler and Keller, 2006). High costs and the importance of the product has an impact on their bargaining power as well. Televisions are considered a necessity in most homes and are an important product therefore suppliers will have some form of bargaining power however the television industry is large and will have a large number of suppliers therefore switching suppliers would be easy to do, which means that LG will have more power over its suppliers because they are a well-established and large consumer electronics company and suppliers would not want to lose business to such a mass producing company.

In the case of buyers one of the main reasons their bargaining power increases is when they have many options (Kotler and Keller, 2006). When purchasing a television, a customer considers every aspect of the product because it a long term and expensive purchase (Intel, 2009). Consumers have a wide range of products and features to choose from when trying to buy a HD Plasma TV. Plasma screens are becoming increasingly unpopular and are the least published type of screen nowadays (Intel, 2009), therefore in the case of this particular product consumers will have high bargaining power because of high choice and plenty of manufacturers with different prices, for example Currys and PC World. However, since the recession the amount of people willing to pay high prices for the latest technology has reduced and price has become the most important factor (Intel, 2009).

The threat of substitute products within the television industry can be argued. It would be considered low because a television is considered an

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essential and few efficient substitutes are available. However, PC screens have become an increasingly popular substitute for video (Intel, 2009). People within the UK are using more and more internet technology and online streaming websites to watch TV. Companies like Sony and Toshiba are releasing televisions that are internet compatible (Intel, 2009) and the LG 60" HD Plasma TV will not be able to keep up. Larger TV screens have also become less popular since the recession (Intel, 2009) which will make it harder for LG to ensure the television's success.

Due to the fact that the television industry is dominated by a small number of well established large firms that produce a range of products but have slightly different quality standards, features and style. Therefore the market can be described as a Differentiated Oligopoly (Kotler). In this case companies are better focusing on one attribute and attracting the people concerned with it (Kotler) LG has been an innovator in the television industry for a long time. Amongst many other innovations, they were the first to produce a 60" plasma TV (LG, 2010). Therefore although there is high pressure within the industry LG is constantly keeping up with it by focusing on their customer needs. In 2008 they introduced their new global brand identity as " Stylish design and smart technology, in products that fit our consumers' lives" (LG, 2010).

The PLC theory is based on the idea that every product goes through a life cycle from its introduction onto a market, to its decline and withdrawal from the market (Hoffman et al., 2009). The traditional PLC curve consists of 4 stages: Introduction, Growth, Maturity and Decline (book?).

## **Product Life Cycle (PLC)**

Traditional Product life cycle

### **Introduction Growth Maturity Decline**

£

### **Sales**

The product life cycle can be a useful tool in analysing how a product is doing and for a firm to manage its portfolio of products (Palmer, 2008). It is also useful in helping make strategic decisions about the marketing strategy of a product and the best way to market it while it goes through the stages because the marketing mix varies at each stage. It is more descriptive rather than predictive (website). The life-cycle of different products vary, and it can be difficult to identify the stage at which the product lies in a PLC. The shape of a PLC varies as well and depends on the marketing strategies being applied to the product, as well as whether it is a product form, product class or brand that is being considered (Palmer, 2004).

A television is a product class and usually has a lifecycle of about 70 years however it is easier to identify the life-cycle of a product form for example plasma TV's. HDTV is relatively new technology that is likely to be in its growth stage and has a lot of potential for the future however plasma is an older technology that is now most likely to be in its decline stage (website). LED's and LCD's are much more popular and 3D TV's and OLED technology are being introduced as well. HDTV's lifecycle is predicted to grow and evolve over the next two decades due to the prediction and development of

HDTV LCD's, OLED's, 3D TV's, Laser TV's and Holographic TV (Squidoo, 2010).

The LG 60PK250 60" HDTV is likely to fit into the growth stage of the traditional PLC as it was launched in March 2010 and combines HDTV technology with Plasma screen technology. The right kind of marketing strategy can be applied to help extend its life-cycle. (Refer to appendix 5)

**BCG Matrix**The Boston Consulting Group (BCG) Matrix is a tool that was developed in order to analyse the portfolio of an organisation to assess the product's position according to its growth rate and its relative market share (Henry, 2008). It can be used to help make strategic decisions about their products and how to maximise returns on them (Henry, 2008). The growth rate is determined by looking at the growth rate of the economy and its market share is refers to its competitive position within the industry (Henry, 2008)

The position of the LG 60PK250 HDTV can only be estimated based on the knowledge available. It is a relatively new product and is priced quite high. A lot of people would rather pay that money towards purchasing an LCD screen, however all the major retailers such as Argos, Curry's, PC World etc. sell the television. LG also has a well-established brand and a loyal network of customers. For these reasons the television is likely to be a cash cow. Its market share would be relatively high due to being an LG TV as well as the fact that it is a HDTV. However its market growth is likely to be low due to the overall economic recession and PC screen technology replacing televisions.

However the BCG matrix assesses performance based on only these two factors. “ It overemphasizes the importance of market share and market dominance” (Henry, 2008, p. 241). It also relies on managers judgements (Henry, 2008) and does not take into consideration other internal or external factors that could determine the success of the product. However it is a useful tool to use in conjunction with other strategic theories such as the PLC curve before.

**SWOT Analysis**A SWOT analysis is a framework used to assess the strengths, weaknesses, opportunities and threats of an organisation and its marketing environment (Palmer, 2004). The strengths and weaknesses consider the internal environment and the opportunities and threats are linked to the external environment (Henry, 2008).

SWOT Analysis of the LG 60PK250 60” HD TV

### **Strengths**

Well established and popular TV Brand

Big screen size

Built in freeview

Currently in intro/growth

### **Weaknesses**

Plasma screen technology declining

Expensive due to screen size

No innovative technology

## **Opportunities**

Popularity of HD TV's

Potential for growth

Increasing sales due to end of recession

## **Threats**

Similar products available at different prices

High competition

PC/online video streaming technology taking over

Innovative technology taking over for example 3D and OLED TV's

A SWOT analysis can be useful for the general and competitive external and internal environment however it does not take into account unpredictable changes or events in the external environment (Henry, 2008). It helps identify weaknesses and opportunities for which strategies can then be developed to make improvements. However, some of the limitations of a SWOT analysis are, it is hard to identify what is a threat and what is an opportunity, sometimes the same thing can be a strength or a weakness and the analysis can be “ too focused within the industry boundary” (Henry, 2008, p. 120). In this case the SWOT analysis is stronger as it has been used in conjunction with a PEST analysis which was conducted to analyse the external environment in detail.

## **Buyer Behaviour**

If organizations want to survive in a challenging market, customers should be always at the very heart of their operation. Marketers are expected to be aware of what consumers are thinking, what they need and what they want to buy. Basic insights into buyer behaviour can be seen as a versatile key to unlock all those thorny questions.

### **The model of buying behaviour**

#### **Evaluation of alternatives**

#### **Information research**

#### **Purchase decision**

#### **Post-purchase behaviour**

#### **Need recognition**

Source: Kotler and Armstrong, 2004, p. 198

The model is designed to synthesize and coordinate relevant concepts that reflect the problem

solving progress inside the emotional consumer. The three main components of the model are:

input, process (buyer's black box) and output (Kotler et al. 2001, p. 191).

The input – The input component rests on external influences which can be observed as sources of

information affecting consumers' product – related values, attitudes, and behaviour. Firm's



marketing efforts and other stimuli like socio – cultural environment, economic environment,

technological environment and political environment are chief among those.

## **Marketing Efforts**

The firms' marketing activities are direct components that play a pivotal role in persuading consumers to buy and use products of a manufacturer.

Marketing strategies consists of products, promotion, price, and channels of distribution. We will have an in-depth insight into the marketing efforts of the product LG 60PK250 60" Full HD Plasma TV in the session marketing mix later, but some key points can be identified as:

**Product:** The TV can be classified as a consumer product generally acquired by the last consumers for individual consumption. It is an amazing innovation of LG which allows customers to enjoy creativity, high technology, convenience and other great values. The TV could be a big opponent against a number of other high – tech TV series in the market in 2010 because of its outstanding features providing superb crystal clear picture quality perfect for bringing the cinema experience home, or converting the living room to a sports stadium.

**Promotion:** LG foremost advocating of the product is through publicity crusades on TV, publish newspapers, hoardings and the internet.

**Price:** According to Mintel 2009, 86% of customers consider the prices of products as their first priority. The price of LG 60PK250 60" Full HD Plasma is quite high (more than 1000GBP), and this could be a disadvantage f