

What is environment?

Environment means every thing outside to the organisation. Environment is what is external to the enterprise. It comprises of all those factors within which an organisation operates. It includes both controllable and uncontrollable factors and tangible and intangible factors as well. It is made up of turbulence, tranquillity, science and technology, ethics, economic and political situations, attitudes, traditions, cultures, alliances etc.

What Is Marketing Environment?

Marketing environment is the sum total of all the internal and external forces which influence the ability of a company to form relationship with the customers and serve them properly . Internal environment is firm specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: **Micro and Macro**

Micro environment or Task environment: It is specific to the business , which includes producing, distributing, promoting and offering.

Macro or Broad environment is made of further components such as economic, social forces etc.

Marketing Organization's Internal Environment

Marketing system of a firm is also shaped by internal forces that are controllable by management. These internal forces include a firm's production, financial and personnel activities. The other marketing forces are the location of a company, its research and development strength, overall image and stand of or overall image of the company in the minds of the public. Another thing which must not be ignored is that of co-ordination of marketing and non-marketing activities. All these activities together constitute firm's marketing program.

Macro /External Environment

Any firm or organisation –be industrial or trading operates within external environment that can not controlled. Macro environmental forces have considerable influence on marketing system of a firm.

It includes:

- Demographic forces
- Economic forces
- Social and cultural forces
- Political and legal forces
- Technological forces
- Competition
- Natural forces
- Ethical forces

Demographic forces

It is related to the study of human population and its distribution. Demographic features relate to growth of population-Birth and Death rates, Age group, density of population, rural and urban population ,rate of literacy and so on. Some of the demographic features are as follows:

Birth rates: As per census of 2011 population of India is 1.20 billion in round figures. It is growing at the rate of 2.25 per cent per year.

Life expectancy: life expectancy of an average indian is 58 years.43% of population is below the age of 14 years,52% below 60 years and 5% above 60 years.

Density of population: The average density of population of india is 2.20 per square kilometer. The density has reference to rural and urban areas. 25% of total population lives in urban areas while 75% in Semi-rural and Rural areas. There are 15 cities having more than one million population.

Gender ratio: It works out 930 females for 1000 males. The share of males and females is 52 % and 48%.

Population age mix: This includes: preschool, School-age children, teens, young adults, middle-aged adults, older age etc. For marketers, most populous age groups shape the marketing environment.

Economic forces

Markets need purchasing power and people as well. Marketers need people with money to spend and willingness to spend. Economic component features and forces have significant impact on marketing activities.

The components of economic forces are:

- Consumers
- Price
- Competition
- Business cycles
- Inflation
- Interest rates

Therefore, a company is influenced by such factors which are both current and anticipated.

Consumers: The marketer is to make quality products available to consumers at reasonable prices, in sufficient quantities, at required time interval. Consumer welfare and protection should be the final aim of marketing sub-system.

Competition: Quality improvement, quantity multiplication and economy encouragement promotes healthy competition. On the other hand, unhealthy competition is harmful to consumer's interest and results in increased costs and wastes.

Price: price is a major determinant of success of the business. If the prices are exorbitantly high business will loose the consumers and if it is very low, marketers and producers will suffer loss. Prices therefore should be charged judiciously.

Business cycle: It has four stages prosperity, recession, depression and recovery. Two most important stages however are prosperity or boom and depression or doom. Prosperity is a period where organisations tend to expand their marketing programs as they add new products and enter new markets. On the other hand, depression is a period of stockpiles, lack of demand, restricted money supply. During recession, there is temporary fall in demand because people will expect further fall in the prices. In the period of recovery, demand picks up, once again firms marketing programs get reinstalled.

Inflation: inflation is a rise in the prices of goods and services. For same quantity and quality of goods, people are forced to pay higher prices. Marketer has to decide how to price the products and how to control the costs during inflation.

Interest rate also influences marketing programme by influencing long term and short term needs of people. Zero interest rate programmes are used in case of durable goods to increase or sustain business.

Social forces

Sociological factors: The greatest asset for every marketing unit is permanent group of satisfied customers. life style of consumers is deeply influenced by social set-up. Social constitution or conditions have deep influence on consumer taste, temperament, life style and living. The needs, desires, hopes and aspirations of consumers can be understood properly if marketer has through knowledge of sociology of consumers.

Psychological factors: Study of consumer behaviour is much more important than the number of consumer in the market because each consumer is unique. His behaviour, attitude and temperament, personality have their own say on what he wants and how his needs can be best satisfied.

Anthropological factors: This deals with cultures and sub cultures, national and regional characters and patterns of living. Marketers by studying these aspects will implement and design the advertising, sales promotion, direct selling strategies, packaging and pricing of products. In fact, basic components of marketing mix are involved in anthropological factors. Social scientists can contribute by studying consumer in the face to sociological, Psychological and anthropological influences which govern the society of which consumer is the focal point.

Cultural forces

A culture is different way of living of a group of people or their complete design for living. It is man made part of man's environment-the sum total of knowledge, beliefs ,art, morals,laws,customs and other capabilities he acquires as a member of the society.

Family System: India has a unique system of 'joint family' as against divided family system in the west.

Costumes: costume patterns also differ from state to state based on social and religious customs, fashions and climatic conditions.

Food habits: Different food habits are also of significant importance to marketer to develop appropriate marketing mix.

Language: Language is the vehicle and medium of communication. To the marketer relevant language is the one which is spoken and understood by the consumers. Multiplicity of the languages makes it necessary for marketer to develop a relevant communication mix. Success of marketer depends on communication mix he develops and uses in his marketing efforts.

Literacy: level of literacy influences communication mix, for example, literacy rate is more in south india than the rest of country. Rate of literacy is also higher in urban areas than rural areas. Therefore, higher the rate of literacy, greater chances of success of written ads, packages, message and promotion are there.

Religion: There are many religions in india, for example, Hinduism, Islam, Christianity, Sikhism, Buddhism, Jainism and Zoroastrianism. Religion has deep influence on consumption pattern and buying habits. Therefore, understanding religious sentiments, persuasions, beliefs and attitudes is must for alert marketer.

Castes: It is also one of the important factor in indian marketing environment system. The whole society is divided on the basis of castes. Caste is group of people with a well developed life-style of their own, the membership of which is based on the birth. As caste are based on occupations, their income also differs therefore, active marketer should have a through knowledge about it to tap the market.

Political and legal forces

There are various political and legal forces that prevails in a country and that influences the marketing. These can be grouped into at least five categories namely:

Monetary and Fiscal policies: This basically includes government spending, money supply and taxation policies.

Social legislation and regulation: This includes laws affecting environment-air pollution laws, safety of public life and like.

Source of Information and buyer of the product: Governments at all the levels publishes information to help the executives as government is the bulk buyer in case of some commodities and services.

Government relationship with the industries: This basically includes subsidies and penalties given by government in case of industrial units and also includes encouragement and discouragement through incentives and fines-controlling and decontrolling.

Legislation related specifically to marketing: It includes various laws in the area of marketing such as MRTP Act, Consumer Protection Act 1986, Indian Sale of Goods Act 1930, Essential commodities Act and so on. Marketers should have a thorough knowledge of these laws and various provisions of the laws.

Technological forces

Technology is always changing and has an impact on marketing environment. Change in production and production possibilities, manufacturing processes, costs and qualities defines change in technology. Technology mean new ideas, new products, new marketing efforts. Marketing enterprise being an open adaptive system has interdependence on technological forces. Technological breakthrough can influence market in three ways:

- Starting entirely new industries as computers and lasers etc.
- Radically change or fully destroy existing industries
- Can stimulate market and industries not related to technology.

Ethical forces

Businesses have to be ethically responsible while delivering goods to the society. Of late, excessive profiteering, making quick money have forced some business people to disintegrate the ethical values from business. Non standardization as to the quality, adulteration, Imitation, giving false impression and such things lead to the consumer exploitation beyond limits that causes socio-economic pollution of minds and relations. Ethical degeneration should be avoided as it brings untold and unmeasurable miseries to the consumers resulting into their physical and mental health problem.

Competition

One of the major components affecting the marketing efforts, is competition. Marketing executive constantly monitors competitor's marketing activities namely:

- Products
- Pricing
- Distribution system
- Promotion programmes

As markets are going global, there is threat of external competition in addition to internal competition.

Competition can be :

- Brand competition
- Substitute product competition
- Limited consumer competition

Natural environment

The deterioration of natural environment is a global concern. Marketers need to be aware of the threats and opportunities associated with four trends in natural environment:

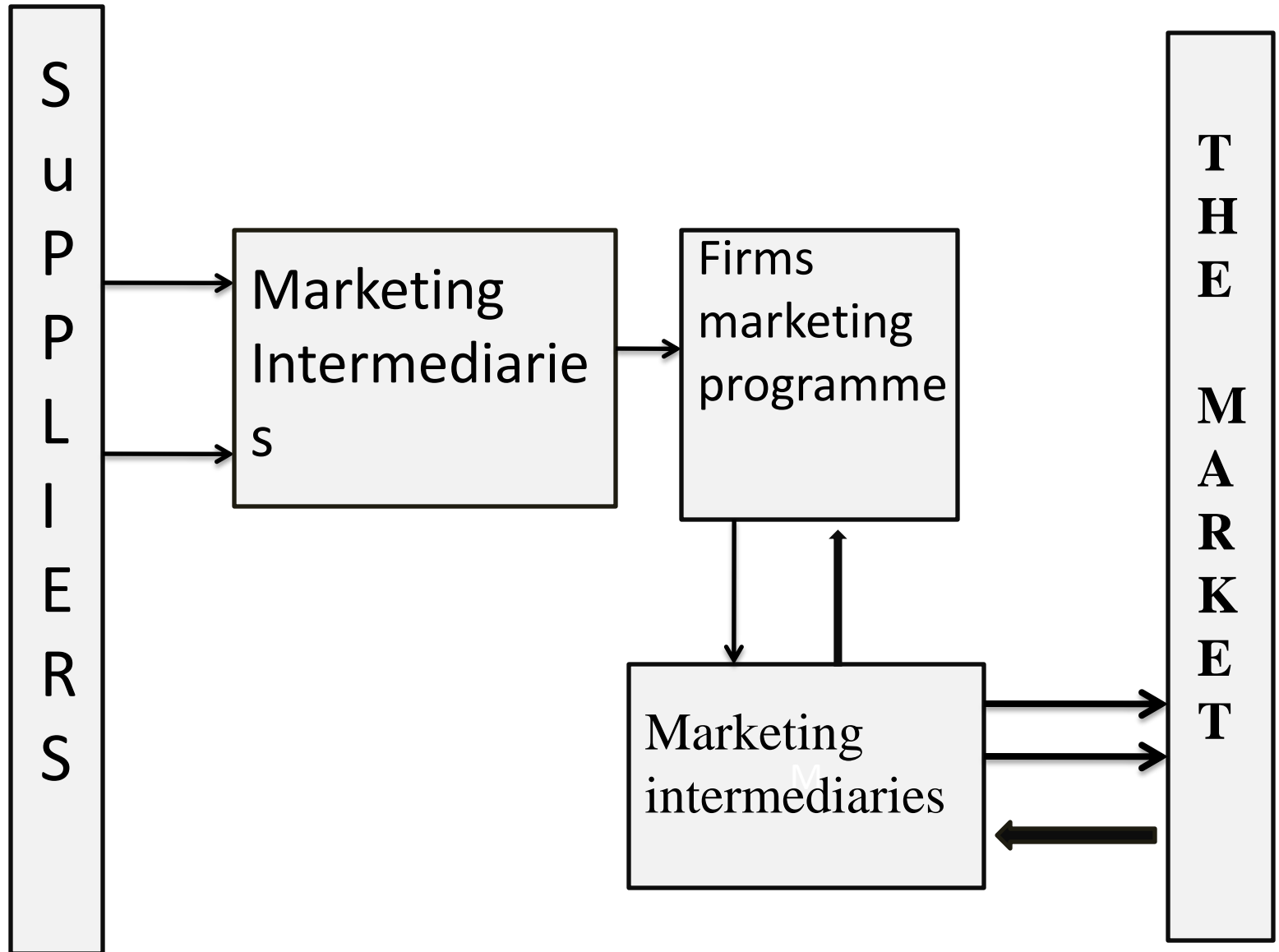
Shortage of Raw Materials: finite renewable resources, such as oil ,coal, platinum,zinc,silver will pose a serious threat at point of depletion, so these must be used wisely.

Increased Energy Costs: finite resources such as oil has created serious problems for world economy. Companies are searching for practical means to harness solar, nuclear, wind and hydro energy.

Anti-pollution Pressures: Some industrial activities damage the natural environment. Thus, there are some anti-pollution laws that companies need to follow rigorously such as Water pollution Act 1974, Air Pollution Act 1981, Solid Waste management.

Changing Role Of Governments: Government vary in their concern and efforts to promote a clean environment. Great opportunities await companies and marketers who can create new solutions that promise to reconcile prosperity with environmental protection. Many poor nations are doing little about pollution because they lack funds or political will so richer nations should come forward to help these nations.

External Micro Environment



The Market

Market is a place where buyers and sellers meet, goods and services are offered for sale and transfer of title of goods taken place. In other words, market demand is made by certain group of potential buyers for a good or service. Market demand for a given good or service takes into account three points:

- Purchasing power
- Buying Behaviour
- People organizations with wants

Therefore, market is the focus of all marketing decisions in an organisation.

Suppliers

Suppliers are important to firm's success because they supply those products which consumers want from marketing house. They also take responsibility of understanding consumer needs as viewed by selling firms. Marketing firms have to maintain cordial relations with suppliers to serve the customers properly.

Market intermediaries

These are independent individuals that helps in free flow of goods and services between organisation and its markets. There are basically two types of it:

- Merchant- wholesalers and retailers
- Agent- commission agents, brokers, factors etc.

Market intermediaries are really important and can not be removed from the system

Conclusion

Marketing is essentially an externally focused function of an organisation. It is firm's environment that explains its threats and opportunities because organisation is a sub-system of a broader supra-system so its important for a marketer is to have a through knowledge of its environment because environment is complex and undergoing continuous and sometimes cataclysmic changes that can leave the firm in a maladjusted state. Therefore, organisation must adapt quickly to the changing environment.