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# Topic 6

## ▶ Market Environment Analysis

### LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Discuss differences between micro and macro environments; and
2. Evaluate the roles and influences of micro and macro marketing environments to the company.

### ▶ INTRODUCTION

When a company started its operation, it is not in a situation where the condition is static and will not change. The company is in a greater environment. In this environment, there are forces that will create opportunities as well as threats to the company's ability to continue its operation.

The environment refers to the factors that will have positive or negative effects on the company's ability to continue operating and growing while at the same time, maintain its transaction with buyers and market consumers. Changes will always occur in the environment, either gradually or abruptly. This can have a great impact on the company especially the employees.

In marketing, the environment is divided into micro and macro environments. Macro environment is the environment outside the control of the company but still needed to be monitored as this environment may present an opportunity or a threat to the company. Meanwhile, micro environment refers to the environment closer to the company. Generally, all the elements in the micro environment can be controlled by marketers to ensure that their marketing objectives are achieved.

## 6.1 MACRO ENVIRONMENT

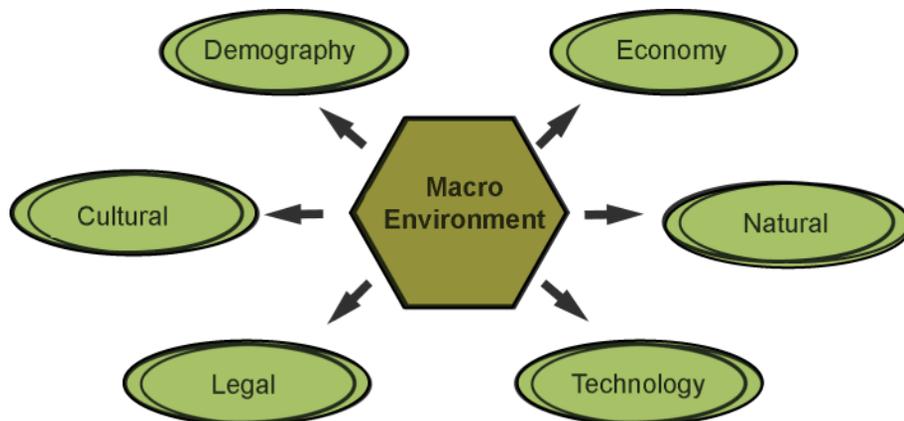


### SELF-CHECK 6.1

What are the influences of the environment in our daily life? For instance, does a change to the economy also affect your purchasing power as a consumer? Does the change in technology also affect your daily life?

The macro environment comprises all the elements outside the company's micro environment. All these elements create opportunities and threats to the company.

Although the elements are outside the control of the company, it still has to monitor the development and changes that occur in the macro environment so that it may help the company to plan appropriate responses. Figure 6.1 illustrates the six elements of the macro environment.



**Figure 6.1:** Elements of macro environment

### 6.1.1 Demography

Demography is closely related to population data such as size, density, location, age, gender, race, occupation, population migration and other statistics that relate to population. Demographic study and research of the environment is important as the population makes the market. Demographical-factored statistics are quite easy to obtain as they are the data collection of government and may be used directly.

## 6.1.2 Economy

Economic environment is the factor that influences consumers' purchasing power and expenses pattern. Consumers' purchasing power depends on current income, price, savings and credit. Marketers should monitor the main income pattern and changes in consumer expenses pattern. Any positive or negative changes in the economy's main variables such as the income pattern, living cost, interest rate, saving and loan will affect the market.



### ACTIVITY 6.1

Please visit the website of the Statistics Department of Malaysia at <http://www.statistics.gov.my/Bahasa/pageDP.htm> to get information on environment demography and expenses pattern of consumers in Malaysia.

## 6.1.3 Natural

Natural environment involves natural resources needed by marketers. Generally, natural resources nowadays are diminishing while the costs to acquire them are increasing. This is because resources such as fossil fuel take time to be reproduced, while the demand for the resources keeps increasing as the population grows.

## 6.1.4 Technology

The changes in the technology nowadays are happening rapidly. There are many new technologies invented to replace the old technology. With these changes and innovations, there are more opportunities and more new markets to be built. However, new technologies could also contribute to the increase of financial cost for research and development (R&D) activities. This caused more effort on making minor modifications on the existing products rather than inventing new products as the cost related to technology is extremely high for new products.

Marketers should monitor changes in the technology sector and study the use of technology to help fulfil human needs so that more innovative products can be developed and accepted by the market.

### 6.1.5 Legal

This environment refers to the implementation and regulation of the laws by the government, the influence of government agencies, as well as pressure groups that are able to influence and limit the roles of individuals or organisations in the market. Marketers need to monitor the environment related to the laws and regulations so that the actions taken will not bring any legal complications.

Legal implementation has increased, year by year, as a result of the authorities' awareness, particularly the public and this creates a healthy competition in the industry. It is important for marketers to monitor this environment in the aspect of product planning as well as the company's marketing programme.

### 6.1.6 Cultural

This environment consists of institutions and other influences that affect basic, perception, priority as well as the behaviour of a community. Individuals raised in a community develop their values and beliefs based on community norms. The community has its own opinion on the issues of relationship between their community and other community. Marketers have to be aware of the cultural environment as it not only influences one individual but the community also.

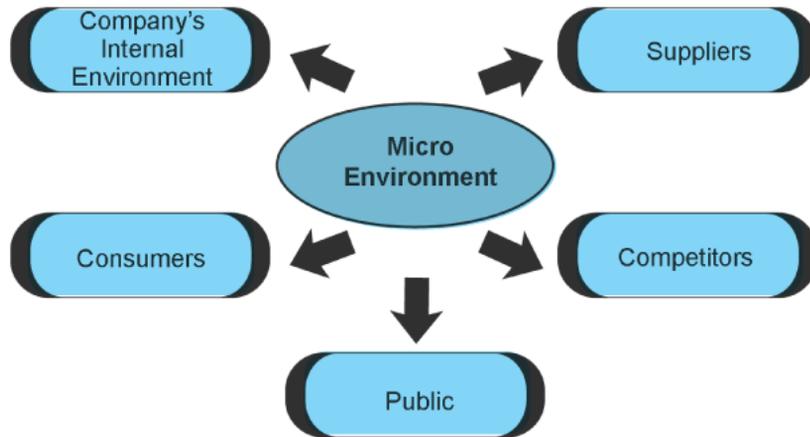
**EXERCISE 6.1**

1. The number of career women nowadays is growing. This is \_\_\_\_\_ information.
  - A. technology
  - B. natural
  - C. demography
  - D. economy
  
2. The size of a family is presently growing smaller. This is an example of \_\_\_\_\_ environment change.
  - A. technology
  - B. natural
  - C. demography
  - D. economic
  
3. Furniture nowadays is mostly made of steel. Wood-based furniture is categorised as luxury furniture. This is an example of the \_\_\_\_\_ environment changes.
  - A. technology
  - B. natural
  - C. demography
  - D. economy
  
4. Action groups are an example of the element from the \_\_\_\_\_ environment.
  - A. cultural
  - B. legal
  - C. consumer
  - D. competitor

**6.2 MICRO ENVIRONMENT**

Micro environment is the internal or closer environment of a company. In the effort to develop an attractive offer to the target market, the company will face and respond to its micro environment. This environment can influence the effectiveness of the company's effort and success as a whole.

Figure 6.2 shows the five factors of a company's micro environment. The micro environment factors can be controlled by the company, directly or indirectly, to achieve business and market objectives.



**Figure 6.2:** Elements of micro environment

### 6.2.1 Company's Internal Environment

Generally, a company consists of several departments. Each department will not be able to stand independently. To achieve the company's objectives, each department is inter-related to each other. Without internal cooperation, the objectives and missions of the company may not be achieved. The internal environment must be managed efficiently so that the company will be internally strong to face any challenges from the outside environment.

### 6.2.2 Suppliers

Suppliers consist of firms and individuals who provide resources to allow the company to continue its operation of product or service production to the targeted market. The supplies from the suppliers are mostly raw materials, semi-ready industrial goods or ready-made products. Marketers have to be informed about any progress in the industry and the credibility of their suppliers. This is because supplies that do not meet the established time will affect the marketer's operation and affect the company's offers and its image in the market.

Marketers' awareness of what is going on in the industry may help them take the appropriate measures to determine that the supplies arrive on the established time.

### 6.2.3 Distribution Channel

Distribution activities are done by distribution firms, whose main task is to sell and distribute company's products to mediator firms or final consumers. The mediator firms are known as middle person. Mediator firms include wholesalers, retailers, physical distributor firms, service agencies and financial channels.

Nowadays, there are various types of distribution firms that offer a range of other services besides distributing marketers' products. For example, physical distributor firms help a producing company to store stocks and later distribute them to the final consumers.

### 6.2.4 Customers

Customers refer to end customers and organisational customers. Both groups have different needs. The end customers buy products and services for themselves or their families in a small quantity.

Organisational customers purchase in a big quantity and usually negotiate for the price when making the purchases. Customers include trading companies, resale companies, government, institution and international market.

Every type of customers has its own traits that need to be studied by marketers.

### 6.2.5 Competitors

Competitors refer to the competitors of a manufacturer when offering product in the target market. There are close competitors and distant competitors. The existence of competitors is good as it may challenge the company to give only the best to the market. However, there are competitors who always try to outmanoeuvre their rivals through unethical means. Marketers therefore have to be aware of competitors' action so that any modification to the marketing strategy can be done if the need arises. This is crucial in order to provide the best offer in the target market.

### 6.2.6 Public

The public is a group that has certain concern or real interest that may be able to affect the organisation's ability to achieve its objectives. The public consists of the financial sector, media, government, public prosecutor, local public, general public as well as the internal staff of a company.

**ACTIVITY 6.2**

State two approaches that a marketer may use to observe the actions of his company's competitors.

**EXERCISE 6.2**

1. Explain the meaning of environment.
2. What is meant by a marketing macro environment of a company? Describe the elements of the marketing macro environment.
3. List all the elements of the marketing micro environment of a company.

**SUMMARY** .....

- After completing the topic, you will learn about the roles and influences of the environment to the company.
- There are direct and indirect effects that can create opportunities and threats, to make or break a company, and these depend on the actions and approaches taken by marketers.
- Macro environment refers to elements such as demography, economy, natural environment, technology, legal and cultural.
- The company needs to monitor any changes that occur in the elements. This is because the factors are out of the company's control.
- The company can do barely little to change or maintain the existing condition.
- However, it is important to always be aware of what is happening and what is expected to happen as these will affect the company directly or indirectly whether for the short or long term.

- Micro environment refers to elements closer to the company such as the internal situation of the company, suppliers, distribution channels, customers, competitors and the public.
- All these factors have a direct effect on a company and most of the elements are controllable by the company.
- The company can do something to improve the current condition or to rectify the situation if any problem crops up and presents a threat to the company.

## KEY TERMS

Competitors

Demography

Distribution channel

Macro environment

Market environment analysis

Micro environment

Public

Suppliers