CLASS NOTE

SEMESTER----2 (B.COM)

Subject: Marketing Management

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LECTURE NO. 05

**MARKETING ENVIRONMENT**

**What is Marketing Environment?**

Marketing Environment is the combination of external and internal factors and forces which affect the company’s ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment. The internal environment is company-specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

*“A company’s marketing environment consists of the actors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers”. – Philip Kotler*

**Components of Marketing Environment**

The marketing environment is made up of the internal and external environment of the business. While the internal environment can be controlled, the business has very less or no control over the external environment.

**Internal Environment**

The internal environment of the business includes all the forces and factors inside the organisation which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

* Men
* Money
* Machinery
* Materials
* Markets

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing environment. This environment includes the sales department, marketing department, the manufacturing unit, the human resource department, etc.

**[WhatIs Marketing Strategy? - Examples, Components, & Planning](https://www.feedough.com/what-is-marketing-strategy-examples-components-planning/" \t "_blank)**

**External Environment**

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

**Micro Environment**

The micro-component of the external environment is also known as the task environment. It comprises of external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

* **Suppliers** include all the parties which provide resources needed by the organisation.
* **Market intermediaries** include parties involved in distributing the product or service of the organisation.
* **Partners** are all the separate entities like advertising agencies, market research organisations, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organisation.
* **Customers**comprise of the target group of the organisation.
* **Competitors**are the players in the same market who targets similar customers as that of the organisation.
* **Public**is made up of any other group that has an actual or potential interest or affects the company’s ability to serve its customers.

**Macro Environment**

The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don’t have a direct effect on the business. The macro-environment can be divided into 6 parts.

1. **Demographic Environment**

The demographic environment is made up of the people who constitute the market. It is characterised as the factual investigation and segregation of the population according to their size, density, location, age, gender, race, and occupation.

1. **Economic Environment**

The economic environment constitutes factors which influence customers’ purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.

1. **Physical Environment**

The physical environment includes the natural environment in which the business operates. This includes the climatic conditions, environmental change, accessibility to water and raw materials, natural disasters, pollution etc.

1. **Technological Environment**

The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organisation and it is very dynamic.

1. **Political-Legal Environment**

The political & Legal environment includes laws and government’s policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of the industry and/or the business in the society.

1. **Social-Cultural Environment**

The social-cultural aspect of the macro-environment is made up of the lifestyle, values, culture, prejudice and beliefs of the people. This differs in different regions.

Importance of Marketing Environment

Every business, no matter how big or small, operates within the marketing environment. Its present and future existence, profits, [image](https://www.feedough.com/brand-image-explanation-examples/), and [positioning](https://www.feedough.com/positioning/) depend on its internal and external environment. The business environment is one of the most dynamic aspects of the business. In order to operate and stay in the market for long, one has to understand and analyze the marketing environment and its components properly.

1. **Essential for planning**

An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.

1. **Understanding Customers**

Thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand consumer behaviour better.

1. **Tapping Trends**

Breaking into new markets and capitalizing on new trends requires a lot of insight about the marketing environment. The marketer needs to research about every aspect of the environment to create a foolproof plan.

1. **Threats and Opportunities**

Sound knowledge of the market environment often gives a [first-mover advantage](https://www.feedough.com/is-first-movers-advantage-real/) to the marketer as he makes sure that his business is safe from future threats and taps the future opportunities.

1. **Understanding the Competitors**

Every niche has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.