

Strategic Marketing Management

Lecture 2 – You and the Dynamic Market Environment

Lecturer: Fidela R. Balajadia
Associate Professor 2
University of the Assumption, Philippines

Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Recall the internal forces that may affect the business and market environment
2. Recall the external forces that may affect the business and market environment
3. Identify the approaches in Scanning the external and internal environment
4. Write an analysis of the product's performance in the market in consideration of the internal and external factors in the business environment and
5. Develop appreciation on the significant support of the management in attaining an effective environmental scanning
6. Explain the imperatives in scanning the environment

The briskness of the market favors companies that have transmuted from their old mantra of marketing to consumers to mattering to people. This sentiment was echoed during a national business conference. Indeed, the industry's awareness regarding market conditions that had already penetrated the whole business system like:

- 1) the robustness of the market
- 2) complex customer's demand for superior products and excellent customer service as they and turned out to be smarter, knowledgeable and more perceptive in the judgments they themselves create and the environment that surrounds them
- 3) intensified presence of much fiercer competitors
- 4) technology advancements
- 5) social upheavals
- 6) governmental issues and concerns

These then call for a revolutionary winning tactic, strong enough to spoil the escalating challenges and the burgeoning threats confronting business organizations.

Every business organization, big or small, profit oriented or not, coexists with the ultimate goal of pleasing the customer, getting their approvals and eventually making them engaged in the company's products or services. These facts are very crucial to an organization's survival because this present era has given the consumer group extraordinary power that could dictate what the company's next strategic moves should be or should not be. **Customers' expectations** should be met, if not, they will quickly look for alternatives. Hence, you have made your competitors' condition too easy for a favor freely given. Of course, this is something that you would like to happen cyclically. If it has occurred once, you should not allow your business system to commit the same mistakes again. Fragile and poorly defined systems and processes across the functional areas of the organization that result to substandard practices should be carefully diagnosed and analyzed to determine what actions need to be initiated. Thus, marketing managers occupy a critical role in the firm's decision making. Their failures, without doubt will

redound to all units of the firm. In this situation, as marketing or business student, business professional, owner of the company or a start-up entrepreneur, what shall you do?

Scanning the Organization's External Forces

"Never entertain unfamiliar terrain", cautioned by Socorro Ramos, tycoon, business savvy and owner of one of the largest retailing businesses in the Philippines. (Socorro Ramos is the owner of the National Book Store). One has to be familiar with the surrounding one intends to enter, to sniff any possible positive or negative forces present in the area. **Scanning the environment** is also referred to as **environmental monitoring**. It is the gathering of information pertaining to the company's external environment; processing the gathered information into strategic analysis whether unfavorable impacts may hit the organization in some future time, hence, enabling organization to create defenses prior to the anticipated attacks.

A study of about 100 large companies found out that, "Firms having advanced systems to monitor events in the external environment exhibited higher growth and greater profitability than firms that did not have such systems." Effective trendspotting is imperative to support a strong marketing program gearing towards the attainment of organizational goals. The external forces that may affect organization's activities as well as their overall industry performance cover **six uncontrollable factors**:

- 1) Demographics
- 2) Technology
- 3) Social and Cultural forces
- 4) Economic condition
- 5) Political and Legal Forces
- 6) Competition

A clear scrutiny of these external forces or referred to as the uncontrollable factors include:

1.) **Demographics**. Certainly, companies may become a market leader through effective **market segmentation**. By identifying what particular group of consumers they would like to cater to, a definite group that could fit into their products and services, then the company could be confident that they will get ahead of the competition. However, this is not always the scenario because there is another plain truth that could not control their customers' demographic profile.

Demographics pertain to the characteristics of the population, which explains who they are and how much they are willing to sacrifice as payment for the products or services they would like to enjoy or avail. Hence, **demographics** describe the population's age, income, gender, civil status, education, religious and professional affiliations, race, geographic location and the like. These all have significant bearing on the purchasing preferences, decisions and habits of a consumer. Yet, vast as they are, companies could still have a turnabout of the situation. Complexities of these market dimensions may break or make a company's marketing program. For a profitable result, these characteristics should be carefully looked into.

For instance, there are entrepreneurs in the fashion and clothing industry who could concur to the idea that people in the provinces are not that fashion-forward compared to those in the metro. It may take months or even a year or two before fashion in the metro trickles down to the provinces. Another remarkable change in the community is the increasing number of two-income households, where both parents make a living that may create changes in their spending

patterns and buying preferences. Their tied-up schedules challenge the way they keep family concerns like preparations of easy and on-the-go meals.

Meanwhile, young individuals, specifically young individuals, specifically under 25 years of age, are constantly on the go; they drive or travel a lot and snack heavily from the convenience store. Whether you are running a convenience outlet or a cake shop, it is important to acquire a knowledge about what your consumers would like to experience in every purchasing activity. This piece of information will shape your operation, your plan and your strategy whether you like it or not.

2) **Technology** – A number of Filipinos have already changed the way they view shopping as any traditional activity of going to tiangges (peddler) to buy personal stuff; many of them have already trusted online stores for their specific needs and wants. This is because the internet has now become a way of life. People now spend more time online than watching TV or reading magazines. A recent consumer survey shows that everyone is jumping on mobile applications already. Consumers from all generations are starting to make more purchases on smartphones and tablets through browsers and apps. Particularly, **millennials** (18 to 25) and **generation Xers** (36 to 51) are quite pressed for time balancing career goals and personal matters, hence they opt convenience, fast yet accurate, easy but reliable products and services.

3) **Social and Cultural Forces** – Purchasing decisions can also be affected by a social class or a particular group where an individual is affiliated with. This is deemed possible since the group's cultural orientation and beliefs may influence the person's thoughts and feelings about a product or a service. The cultural comfort zone that the group adheres to could shape consumer's buying decisions. **Social classes** are divided into upper, middle and lower classes. Considering the individual or family income of each of the class, it could already show distinctiveness in their spending pattern and spending habits. Indeed, an individual's orientation about time, family, leisure, personal goals, career and even religion may directly or indirectly dictate his or her actions and decisions.

4) **Economic Conditions** – An economy that is slowing down when there is an increasing inflation rate, the ballooning price levels of commodities affect the buying power of consumers. Lesser consumer consumption results in decreasing production volume, and consequently unemployment of workers. Such conditions may hamper the efficient execution of the various business activities of a firm. **For instance**, the slowing down of economy may directly or indirectly affect the confidence of advertisers in the expenditure of their promotional budgets because of their apprehensions that consumers spend less than before as they display doubt on their spending capacity.

Economic Condition does not only affect marketing programs but also the business operation and its cycle in general. Basically, the business cycle goes through **four stages**: prosperity, recession, depression and recovery.

1. **Prosperity period** in business cycle manifests growth and success in almost different aspects of business endeavors. In this period, the confidence of the management and other stakeholders, especially the investor, is high. Expansions of business programs and activities, introduction of new products and services, aggressive market development, and other forms of investment are very much evident during this stage.

2. **Recession** – is a period where both consumers and businesses are tightening their economic belts. Everyone is engulfed in an air of pessimism hence postponing of investment decisions even purchasing decisions happen. **For example**, some consumers cut back their expenses for food, therefore avoid eating out and lessens outdoor entertainments. As a result, firms offering these products and services are left with no choice but to modify their efforts in order to adjust to the current economic situation without sacrificing their expected profit.

3. **Depression** – is a period of sustained recession. Companies continue to experience scarcity in many of their resources, both financial and non-financial resources with the continuous increase in their production and marketing costs. This condition may result in shutting down of operation, mass layoffs and the like.

4. **Recovery** – is an upswing period where companies are slowly recuperating from the ill-fated period of recession or depression. This becomes the most challenging part of managing marketing activities as companies are expected to recover sales and profit in the shortest possible time.

5.) **Political and Legal Forces** – When the state enacts and promulgates laws, these limit legitimate actions of a firm. Such laws include the government regulation which prohibits the use of plastic by the concerned manufacturers or producers, the **Graphic Health Warning Law** mandating the placement of graphic health warnings on cigarette packs; legislations related to marketing and advertising; regulations on the imposition of tariff and non-tariff quotas and a lot more. These forces affect the effort of the firm as to the production, promotion and distribution of their products to the target market.

6.) **Competition** – Every company is a rival for the customer's limited buying power. While customers are exposed to a lot of similar products, substitute products and the continuous introduction of new products, they also become wary and alert in picking products that will meet their requirements. In the advent of technology, automation and quality movement, it is not only the companies that prepare for advancement but also the customers as well advancing in their manner of viewing, observing and searching for product information.

Brand Competition – The struggles of companies in outfighting the competitive current in the industry will remain uninterrupted as a multitude of product brands are being introduced in the market frequently. Companies have to deal consistently with brand competition from marketers of directly similar products just like the intense competition happening among giant mobile phone companies, the massive proliferation of coffee shops even in provincial areas, offering gourmet coffees in cozy ambiance depicting lifestyle change of the consumer market; the battle among leading restaurants and bistros offering unlimited rice given along with their variety of value meals; and many more marketing efforts to mention just to snap an attention from a confused consumer.

Substitute Products – These are items that can replenish the same needs or wants especially in the absence of the intended product brand. **For example**, thirst has to be quenched at once, if there is no mineral or purified water to grab around, any flavored water in the grocery outlet is perhaps enough to appease the urgent for water. The mounting cost of commercial rice may stimulate the needs for substitute meals such as any available root crops in the market for families who are guarding their budgets as well as their health.

Competition for Target Customers – Marketers have to work double since companies rival for the customers' limited budget and limited attention. Thus, promotional noises among companies are already deafening. As a result, customers are getting smarter. They based their next purchasing action on their previous experiences and based on their gathered facts and opinions.

The external forces are regarded as uncontrollable factors that may abruptly occur in the environment which may affect an organization's performance. No organization, big or small, can ever shun the probable consequences of these factors to efficient business operation. However, the more prepared they become and the more equipped they are with the right information, it becomes easier for them to swim against the current.

Scanning the Organization's Internal Forces

These are sets of elements inside the organization that define the extent and limitation of their marketing effort. These elements are directed by the top management and its marketers hence can be altered, modified or redesigned as the need arises. These **internal forces** include the (1) target market, (2) marketing objectives, (3) marketing organizations and the (4) marketing mix. If a fashion boutique is considering adding new clothing lines for extra big sizes ladies, then the boutique should start banking in their segmentation strategy. They need to be oriented about what interests their new **target segment** the most, designs that would fit into their taste and preferences and most of all, the characteristics of their prospective customers.

Therefore, the existing **marketing objectives**, after having a clear definition of the prospective customers' characteristics, should be framed to the desired results such as increasing sales growth for the new target segment. **Objectives** are the end results toward which each activity is aimed. **Objective** serves as the organization's control mechanism since it directs plans, it tells where the primary emphasis or the magnitude of resources is to be placed; and at the end of every period **objective** serves as the yardstick that will speak of the organization's performance. As the management sees the urgency of intensifying their market performance, then they can liberally modify their objectives .

The **marketing organization** is another internal force that could amplify or weaken the performance of an organization. This refers to the filling of positions in the organization structure through the identification and inventorying of the right people to do the right job. This becomes a challenge to every manager to lessen the event of committing errors during the selection and staffing job. The last internal force that is directed to the management is the formulation of the correct **marketing mix** that includes four commonly known **marketing levers** such as product strategy, pricing strategy, promotion and placement or distribution strategy. The magnitude of activities for these marketing levers depends on the priority, objectives and resources of the organization. Managers and marketers must remember that designing the marketing mix should only come after the segmentation and market positioning strategy are clearly done. To help you understand segmenting the market, the targeting and market positioning strategies will be discussed in the subsequent lecture.

Approaches in Scanning the External and Internal Environment

The firm's initiative to collect comprehensive and accurate information as regards to the external and internal forces that beset the organization may be done in **four different approaches** such as:

1. **Undirected viewing** – A manager or a marketer who easily gets bored when buried inside the four corners of his office and prefers to walk around, get things done right through his sleeves like meeting clients, talking to reliable customers and many more, is most likely the efficient manager or marketer who gets the first luck of fortune! Why? He becomes exposed to any information or event that may lead the firm to a strategic position. When the kind of information is wide-ranging and may not be classified immediately as viable for the organization, yet the individual considers them as good business inputs then this approach is **undirected viewing**.
2. **Conditioned viewing** – When an individual has already created a definite picture or goal prior to making himself exposed to a specific event or information seeking activity; then he could clearly identify what among the information placed before his feet needs to be picked or selected vis-à-vis his goals.
3. **Informal search** – When that efficient manager or marketer becomes engrossed about this objective of improving the strategic position of the firm, he/she then resorts to scanning the firm's environment in an unstructured and unprecedented effort just for the purpose of expounding ideas and learning about a particular business concern, He/she then starts to read some literature of the company and others in the industry; review departmental reports; informal chat with the employees and any other action in order to magnify the number of facts he/she holds in his/her hands.
4. **Formal search** – This is the deliberate, planned and intentional approach of the firm in getting accurate information. This is supported by research design and methodology, plans and budget of the management with the intention of using its result in their decisions in consonance to the firm's target and objectives.

Imperatives in Scanning the Environment

No business endeavors will thrive without management support. Analysis of the present situation is a demanding task because of some factors like complexities of the source and fast changing mode of events in the industry which may influence the validity and usability of the information in a certain period of time. Hence, the following should be in place before the conduct of environmental scanning in order not to defeat the purpose of improving the ideas, knowledge and skills at hand prior to any major business decision:

1. **Clear-cut goal or objective** – This is the driving force in every business undertaking. It sets the direction given the required length of time. Managers and marketers alike must be able to lay down their cards as clearly as possible, making it easier for the team to identify what results are expected at the end of the activity.
2. **Sources of accurate information** – The sources of data must be reliable. Research experts classify the sources of data as primary and secondary sources. **Primary data** – may come from first-hand information from the **target respondents** such as clients, partner agencies, employees, government agencies, etc. through simple observation, face to face interview or the use of a

survey instrument. **Secondary data** – are basically taken from previously written articles, journals, reports, and other relevant literature

3. **Training and education** – Gathering of information using a research methodology is a taxing job apart from the bulk of paperwork on top of the manager's table while the research works range from simple to complex depending on the expected results. Thus, the art of delegation may be applied here, though it would mean making employees away from their usual course of business for some time. It is important that everyone is oriented about the status of the firm and informed about the firm's milestone, challenges at hand, plans and actions. The management should allow employees to participate in the activities concerning the efficient performance of the firm and employees must be given a sense of ownership should they become engaged in the tasks. Given these premises, continuous training and education pertaining to this activity should be part of the priority plan of the management.

4. **Budget** – There must be enough budget for this specific undertaking to ensure good results. Availability of budget concludes whether the objectives or goals will be realized or not.

Textbooks:

- Strategic Marketing Management, Naval, Girly H. Mind shapers Co, Inc. 2021
- Strategic Marketing Management, Butler, Dane ED-TECH Press 2019