

Let the great world spin for ever
down the ringing grooves of change.

ALFRED LORD TENNYSON

The marketing setting

PART TWO

- **Chapter 3** The marketing environment
- **Chapter 4** Marketing in the Internet age
- **Chapter 5** Marketing and society: social responsibility and marketing ethics
- **Chapter 6** The global marketplace

PART TWO OF PRINCIPLES OF MARKETING examines the environment in which marketing operates. The marketing setting has undergone dramatic change in the past decade. Technological advances, including the explosion of the Internet, globalisation and changing societal values, have compelled marketers to rethink their marketing strategies and processes. In Part Two, we address how marketing is affected by changes in the environment and what firms must do in order to thrive in today's new environment. It has four chapters.

Chapter 3 looks at the marketing environment in two parts: the *microenvironment* that is specific to an organisation's operation, such as suppliers and competitors; and the *macroenvironment* of wider forces that shape society, such as the natural and political environment.

In **Chapter 4**, we address the impact of the Internet and new technologies on buyers and organisations and show how marketers conduct marketing in the digital age. As a major force, globalisation has also posed new challenges to marketers.

Chapter 5 looks at the global marketplace and examines how marketing strategy and processes may be adapted to succeed in international markets. Global markets make it even harder to understand the social environment of marketing.

This understanding is expanded in **Chapter 6**, which looks beyond buying and selling to examine marketing's role and responsibilities in society. Together these chapters examine marketing as 'the place where the selfish interests of the manufacturer coincide with the interest of society', as the advertising guru David Ogilvy put it.



COCKTAIL

Michel
Doux baiser

J. HERCHBZ

The first rule of business: Find out what the man you are dealing with wants, and give it to him.

WARREN TATE

The marketing environment

CHAPTER three

Chapter objectives

After reading this chapter, you should be able to:

- Describe the environmental forces that affect the company's ability to serve its customers.
- Explain how changes in the demographic and economic environments affect marketing decisions.
- Identify the main trends in the firm's natural and technological environments.
- Explain the key changes that occur in the political and cultural environments.
- Discuss how companies can react to the marketing environment.

Mini Contents List

- Prelude case – Big food has a lot on its plate
- Introduction
- The company's microenvironment
- The company's macroenvironment
- Marketing Insights 3.1 – We have a say!
- Marketing Insights 3.2 – Marimekko: Simplicity sells!
- Responding to the marketing environment
- Summary
- Concluding concept 3 – Toyota Prius: green or geek machine?

Prelude case Big food has a lot on its plate



I will always remember the first time I tried to buy a packet of crisps – or potato chips, if you prefer – in a New York supermarket. In vain, I searched for the single-portion packets with which Britons are familiar: all I could see on the shelves were rows and rows of what appeared to be party-sized bags. Then suddenly, I noticed the slogan on one of them. ‘Get your own bag!’, it screamed, and I realised with amazement and some awe that, in the land of plenty, these enormous bags were intended for a party of one.

That was in 1993, and the crisps with the slogan were Frito-Lay’s Ruffles. In those days, you could not go to Frito-Lay’s website to check the crisps’ calorie content. Today, however, you can, and you find that they weigh in at 160 calories to the ounce. On that basis, an 8 oz get-your-own bag would contain 1,280 calories, more than half the average male’s total energy needs for a day – and that is before you count the fizzy drinks or beer required to wash the crisps down.

I was thinking of that incident this week as news leaked of Unilever’s planned cuts in its sales targets, announced on Thursday. As food companies go, Unilever is better than most: a lot of its products are reasonably nutritious and

some, such as its cholesterol-busting spreads, can improve people’s health. But even Unilever has been caught up in the sudden panic over obesity. Four years ago, its simultaneous acquisition of SlimFast Foods, the slimming company, and Ben & Jerry’s Homemade, the fattening company, looked like a clever each-way bet. However, as people have become fatter and more desperate for a miracle remedy, Atkins has replaced SlimFast as the diet of choice, while Ben & Jerry’s high-fat, premium ice-creams have begun to look gross.

Still, things could be worse. It is a curious fact of life that in the food and drink industry, fat, salt and sugar have been the building blocks of success for most of the world’s big brand owners. Coca-Cola, PepsiCo, McDonald’s, Burger King, Cadbury Schweppes, Mars, Hershey – all are founded on products now blamed for causing obesity; and most of the rest – Kraft Foods, Nestlé, HJ Heinz, Kellogg, General Mills, Campbell Soup – make an unhealthy large contribution to the output of fatty, salty or sugary foods that are accused of contributing to the problem.

Perhaps the food industry’s enthusiasm for fattening products mattered less when people’s limited means restricted their ability to gorge on them. But evolutionary theory suggests we are programmed to overeat because, through most of human history, food was scarce and over-consumption was an insurance policy against lean times. So as disposable incomes have risen, it has been hard for us to resist the temptation to binge on the food companies’ heavily marketed output.

So what happens now? Even among anti-obesity campaigners, few would advocate measures as illiberal as banning undesirable food products or taxing them out of existence, though doubtless we could think of some prime candidates (Velveeta? Spam?).

On the other hand, the industry seems unlikely to get away with the idea that people should simply take more exercise. Even large amounts of physical activity burn off relatively few calories: you would have to do three hours’ downhill skiing or spend more than five hours on the golf course to burn off an 8 oz bag of Ruffles.

Obviously, fattening food is not tobacco: consumed in reasonable quantities, it can be a harmless treat. But given our

sudden awareness of the growing human and social costs of obesity, I suspect manufacturers of the most obviously unhealthy foods and drinks are now where the tobacco industry was roughly 40 years ago, when studies on both sides of the Atlantic finally established the link between cigarette smoking and cancer.

Those studies did not, of course, lead to a ban on cigarette sales, but they did mark the beginning of the tobacco industry’s demonisation. Public health campaigns began warning people of the dangers of smoking, increasing restrictions were placed on manufacturers’ ability to advertise, tough new labelling laws were introduced and anti-smoking organisations sprang up to lobby for tobacco controls. Smoking went into decline and eventually, of course, the litigation began.

We should not get too carried away with the parallels: I do not believe there have been any claims yet that passive eating is dangerous, and Michael Bloomberg, New York’s mayor, has not yet banned people from consuming fatty foods in the city’s bars. Even so, some of the similarities are uncanny. Just as the tobacco industry responded to the health scares by introducing ‘light’ versions of its top brands, for example, the food industry is producing low-fat, low-sugar or low-salt versions of nearly all its best-known products.

In this context, it is worth noting that light cigarettes are now discredited and Philip Morris is in the process of appealing against a \$10.1bn judgement that it deceived Illinois smokers into believing the cigarettes were safer than regular ones. Food companies seem to be leaving themselves open to similar claims, for example by offering reduced-fat or low-fat products that contain nearly as many calories as the regular version.

For food companies, the good news is that, even after 40 years of tobacco’s demonisation, people still smoke and the tobacco industry is still making profits. On that basis I confidently predict that even the food industry’s most fattening companies can look forward to a secure future, though they may have to forget about growth, and certainly about being much loved.¹

Questions

1. Is the food industry executive correct in claiming: ‘The food industry is nothing like the tobacco industry. Stop smoking and you will live longer; stop eating and you will die sooner.’
2. For decades people have known the impact of an unhealthy diet and what constitutes healthy eating, yet people continue to eat their way to ill health. Since this is not a new problem, what accounts for the sudden upsurge in public and political concern for obesity? Identify the actors and forces in the environment that may work for or against the food industry, showing how these may shape marketing opportunities, pose threats and influence companies’ ability to serve target customers well.
3. Why is the focus on the food giants rather than the startlingly unhealthy English fried breakfast, French breakfast of croissant and caffeine-ridden coffee, or continental breakfast of egg, cheese and bread? How should the major food companies, such as Nestlé, Cadbury and Burger King, respond to this surge of concern?

SOURCE: Richard Tomkins, ‘Big food has a lot on its plate’, FT.com © *Financial Times*, (12 February 2003).

Fat, salt and sugar have been the building blocks of success for most of the world’s big brand owners.

Introduction

Marketing does not operate in a vacuum but, instead, in a complex and changing environment. Indeed, marketers operate in an increasingly connected world. As the prelude case shows, companies today have to be alert and responsive to the interests and concerns of various actors in their marketing environment, not just its immediate customers. In this chapter, you will discover how other *actors* in this environment – suppliers, intermediaries, customers, competitors, publics and others – may work with or against the company. Major environmental forces – demographic, economic, natural, technological, political and cultural – shape marketing opportunities, present threats and influence companies' ability to serve target customers and secure lasting relationships with them. To understand marketing, and to develop and implement effective marketing strategies, you must first understand the environmental context in which marketing operates. Today's marketers must be adept at managing relationships with customers and external partners. However, to do this effectively, marketers must understand the major environmental factors that surround all those relationships.

A company's **marketing environment** consists of the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful relationships with its target customers. The marketing environment offers both opportunities and threats. Successful companies know the vital importance of constantly watching and adapting to the changing environment. Too many other companies, unfortunately, fail to think of change as opportunity. They ignore or resist critical changes until it is almost too late. Their strategies, structures, systems and culture grow increasingly out of date. Corporations as mighty as IBM and General Motors have faced crises because they ignored environmental changes for too long. There are lessons here too for the food giants facing rising public and political concerns for obesity, as intimated in the prelude case.

In the new millennium, both consumers and marketers wonder what the future will bring. The environment continues to change at a rapid pace. For example, think about how you buy groceries today. How will your grocery buying change during the next few decades? What challenges will these changes present for marketers? Some futurists predict that we will not be shopping in multi-aisle supermarkets in 2025. The growth of e-commerce and the rapid speed of the Internet will lead to online ordering of lower-priced, non-perishable products, from strawberry jam to coffee filters. Retailers will become 'bundlers', combining these orders into large packages of goods for each household and delivering them efficiently to their doorsteps. As a result we will see mergers between retailing and home-delivery companies. Consumers will not waste time searching for the best-priced bundle. Online information agents will do it for them, comparing prices among competitors.

Another futuristic view sees computers in 2025 as being as smart as humans. Consumers will use them to exchange information with on-screen electronic agents that ferret out the best deals online. Thanks to embedded-chip technology in the kitchen, products on a continuous household replenishment (CHR) list, like paper towels and pet food, will sense they are running low and reorder themselves automatically. If the information agent finds a comparable but cheaper substitute for a CHR product, the item will be switched instantly.²

Such pictures of the future give marketers plenty to think about. More than any other group in the company, marketers must be the trend trackers and opportunity seekers. Although every manager in an organisation needs to observe the outside environment, marketers have two special aptitudes. They have disciplined methods – marketing intelligence and marketing research – for collecting information about the marketing environment. They also normally spend more time in the customer and competitor environment. By carefully and systematically studying the environment, marketers can revise and adapt marketing strategies to meet new marketplace challenges and opportunities.

Marketing environment—
The actors and forces outside marketing that affect marketing management's ability to develop and maintain successful relationships with its target customers.

Microenvironment—The forces close to the company that affect its ability to serve its customers – the company, market channel firms, customer markets, competitors and publics, which combine to make up the firm’s value delivery system.

Macroenvironment—The larger societal forces that affect the whole microenvironment – demographic, economic, natural, technological, political and cultural forces.

The marketing environment consists of a microenvironment and a macroenvironment. The **microenvironment** consists of the forces close to the company that affect its ability to serve its customers – the company, suppliers, marketing channel firms, customer markets, competitors and publics. The **macroenvironment** consists of the larger societal forces that affect the whole microenvironment – demographic, economic, natural, technological, political and cultural forces. We look first at the company’s microenvironment.

The company’s microenvironment

Marketing management’s job is to attract and build relationships with customers by creating customer value and satisfaction. However, marketing managers cannot accomplish this task alone. Their success will depend on other actors in the company’s microenvironment – other company departments, suppliers, marketing intermediaries, customers, competitors and various publics, which combine to make up the company’s value delivery network (see Figure 3.1).

The company

In designing marketing plans, marketing management should take other company groups, such as top management, finance, research and development (R&D), purchasing, manufacturing and accounting, into consideration. All these interrelated groups form the internal environment (see Figure 3.2). Top management sets the company’s mission, objectives, broad strategies and policies. Marketing managers make decisions within the plans made by top management.

Marketing managers must also work closely with other company departments. Finance is concerned with finding and using funds to carry out the marketing plan. The R&D department focuses on the problems of designing safe and attractive products. Purchasing worries about getting supplies and materials, whereas Operations is responsible for producing the desired quality and quantity of products. Accounting has to measure revenues and costs to help marketing know how well it is achieving its objectives. Together, all of these departments

Figure 3.1 Principal actors in the company’s microenvironment

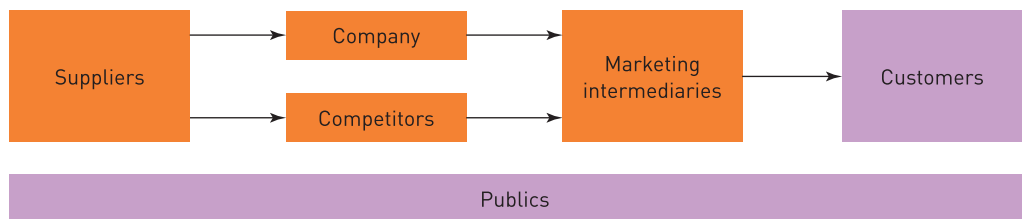
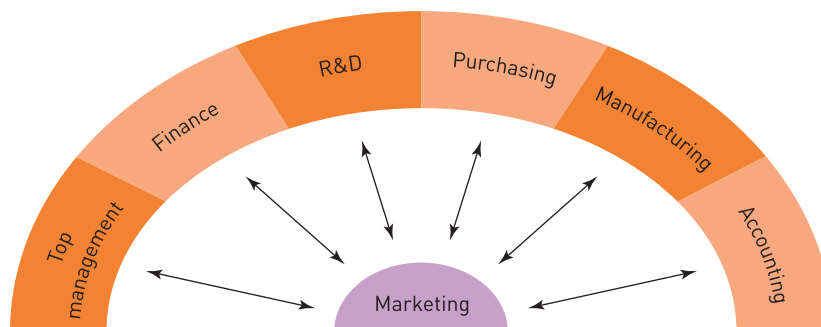


Figure 3.2 The company’s internal environment



Chapter 3 The marketing environment

have an impact on the marketing department's plans and actions. Under the marketing concept, all of these functions must 'think customer' and they should work in harmony to provide superior customer value and satisfaction.

Suppliers

Suppliers are an important link in the company's overall customer value delivery system. They provide the resources needed by the company to produce its goods and services. Supplier developments can seriously affect marketing. Marketing managers must watch supply availability – supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run. Marketing managers also monitor the price trends of their key inputs. Rising supply costs may force price increases that can harm the company's sales volume. Increasingly, today's marketers are treating their suppliers as partners in creating and delivering customer value.

Marketing intermediaries

Marketing intermediaries are firms that help the company to promote, sell and distribute its goods to final buyers. They include *resellers*, *physical distribution firms*, *marketing services agencies* and *financial intermediaries*. **Resellers** are distribution channel firms that help the company find customers or make sales to them. These include wholesalers and retailers who buy and resell merchandise. Selecting and working with resellers is not easy. No longer do manufacturers have many small, independent resellers from which to choose. They now face large and growing reseller organisations. These organisations frequently have enough power to dictate terms or even shut the manufacturer out of large markets.

Physical distribution firms help the company to stock and move goods from their points of origin to their destinations. Working with warehouse and transportation firms, a company must determine the best ways to store and ship goods, balancing such factors as cost, delivery, speed and safety.

Marketing services agencies are the marketing research firms, advertising agencies, media firms and marketing consultancies that help the company target and promote its products to the right markets. When the company decides to use one of these agencies, it must choose carefully because the firms vary in creativity, quality, service and price. The company has to review the performance of these firms regularly and consider replacing those that no longer perform well.

Financial intermediaries include banks, credit companies, insurance companies and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods. Most firms and customers depend on financial intermediaries to finance their transactions. The company's marketing performance can be seriously affected by rising credit costs and limited credit.

Like suppliers, marketing intermediaries form an important component of the company's overall value delivery system. In its quest to create satisfying customer relationships, the company must do more than just optimise its own performance. It must partner effectively with suppliers and marketing intermediaries to optimise the performance of the entire system.

Customers

The company must study its customer markets closely. Figure 3.3 shows six types of customer market. *Consumer markets* consist of individuals and households that buy goods and services for personal consumption. *Business markets* buy goods and services for further processing or for use in their production process, whereas *reseller markets* buy goods and services to resell at a profit. *Institutional markets* are made up of schools, hospitals, nursing homes, prisons and other

Suppliers—Firms and individuals that provide the resources needed by the company and its competitors to produce goods and services.

Marketing intermediaries—Firms that help the company to promote, sell and distribute its goods to final buyers; they include physical distribution firms, marketing-service agencies and financial intermediaries.

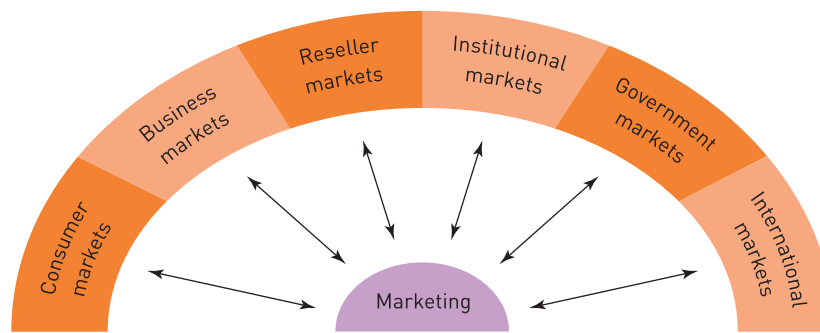
Resellers—The individuals and organisations that buy goods and services to resell at a profit.

Physical distribution firms—Warehouse, transportation and other firms that help a company to stock and move goods from their points of origin to their destinations.

Marketing services agencies—Marketing research firms, advertising agencies, media firms, marketing consulting firms and other service providers that help a company to target and promote its products to the right markets.

Financial intermediaries—Banks, credit companies, insurance companies and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods.

Figure 3.3 Types of customer market



institutions that provide goods and services to people in their care. *Government markets* are made up of government agencies that buy goods and services in order to produce public services or transfer the goods and services to others who need them. Finally, *international markets* consist of buyers in other countries, including consumers, producers, resellers and governments. Each market type has special characteristics that call for careful study by the seller. At any point in time, the firm may deal with one or more customer markets: for example, as a consumer packaged goods manufacturer, Unilever has to communicate brand benefits to consumers as well as maintaining a dialogue with retailers that stock and resell its branded products.

Competitors

The marketing concept states that, to be successful, a company must provide greater customer value and satisfaction than its competitors do. Thus, marketers must do more than simply adapt to the needs of target consumers. They must also gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers.

No single competitive marketing strategy is best for all companies. Each firm should consider its own size and industry position compared to those of its competitors. Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rates of return than large firms enjoy. We will look more closely at competitor analysis and competitive marketing strategies in Chapter 12.

Publics

The company's marketing environment also includes various publics. A **public** is any group that has an actual or potential interest in or impact on an organisation's ability to achieve its objectives. Figure 3.4 shows seven types of public:

1. *Financial publics*. Financial publics influence the company's ability to obtain funds. Banks, investment houses and stockholders are the principal financial publics.
2. *Media publics*. Media publics include newspapers, magazines and radio and television stations that carry news, features and editorial opinion.
3. *Government publics*. Management must take government developments into account. Marketers must often consult the company's lawyers on issues of product safety, truth in advertising and other matters.
4. *Citizen action publics*. A company's marketing decisions may be questioned by consumer organisations, environmental groups, minority groups and other pressure groups (see Marketing Insights 3.1). Its public relations department can help it stay in touch with consumer and citizen groups.

Public—Any group that has an actual or potential interest in or impact on an organisation's ability to achieve its objectives.

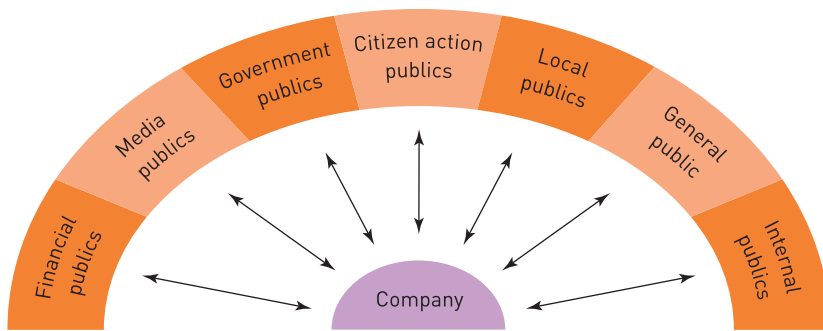


Figure 3.4 Types of public

5. *Local publics.* Every company has local publics, such as neighbourhood residents and community organisations. Large companies usually appoint a community-relations officer to deal with the community, attend meetings, answer questions and contribute to worthwhile causes.
6. *General public.* A company needs to be concerned about the general public's attitude towards its products and activities. The public's image of the company affects its buying. Thus, many large corporations invest huge sums of money to promote and build a healthy corporate image.
7. *Internal publics.* These include its workers, managers, volunteers and the board of directors. Large companies use newsletters and other means to inform and motivate their internal publics. When employees feel good about their company, this positive attitude spills over to their external publics.

A company can prepare marketing plans for these publics as well as for its customer markets. Suppose the company wants a specific response from a particular public, such as goodwill, favourable word-of-mouth, or donations of time or money. The company would have to design an offer to this public that is attractive enough to produce the desired response.

We have looked at the firm's immediate or microenvironment. Next we examine the larger macroenvironment.

The company's macroenvironment

The company and all the other actors operate in a larger macroenvironment of forces that shape opportunities and pose threats to the company. Figure 3.5 on page 95 shows the six most influential forces in the company's macroenvironment. The remaining sections of this chapter examine these forces and show how they affect marketing plans.

Demographic environment

Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation and other statistics. The demographic environment is of considerable interest to marketers because it involves people, and people make up markets. Here, we discuss the most important demographic characteristics and trends in the largest world markets.

Demography—The study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics.

3.1 We have a say!



The Irish pop band Westlife, their manager Ronan Keating, together with the lead singer of the group BoyZone, joined celebrities, including footballers Michael Owen, Robbie Fowler and Paul Ince, in a campaign to urge people to boycott Bell's Whisky, Burger King burgers and Häagen-Dazs ice-cream, until the company meets UK thalidomide victims' demands for increased compensation.

Thalidomide, the drug that led to hundreds of children being born without limbs, was withdrawn in 1961, when the side-effects of the drug taken by pregnant women were discovered. Distillers, the company that marketed the drug, has to make annual payments to 450 thalidomide victims until 2009. However, the health of many beneficiaries has been deteriorating. The predicament of these long-suffering victims led to the launch of a consumer boycott by Thalidomide UK, a support group for victims. The target? Distillers parent, Diageo, formed in 1997 after the merger of Grand Metropolitan and Guinness plc, which previously acquired Distillers. Thalidomide UK wanted extra funds to be provided by Diageo to cover the increased costs of victims' deteriorating health and proposed that payments should be extended 10 years, taking most victims up to their retirement age. Frustration with the lack of progress in Diageo's resolve to meet the group's proposals saw an intensification of the campaign, amid claims by Thalidomide UK of Diageo's attempt to dissuade celebrities from backing the offensive.

Publicity of this nature can tarnish a company's image. Even if Diageo is able to defend its policy on thalidomide, as a Diageo spokesperson acknowledges: 'We recognise that there will always be issues of serious concern arising from the tragedy of thalidomide . . . their resolution can be neither swift nor simple.' No matter how these concerns are ultimately resolved, one thing is certain. The company cannot afford to ignore public forces: like a voice from the past, Thalidomide UK will relentlessly knock on its conscience.

Consumer packaged goods manufacturers also face public outcries of one sort or another. One 'voice' that keeps them on their toes is the mounting public criticism for not doing enough to marry product development with environmental sustainability – using less resources and leaving behind less waste to deliver a product's function. Consumer goods giants such as the US group P&G and Anglo-Dutch-owned Unilever remain a constant target for protest groups of all sorts from animal rights activists to environmentalists. Although less in the sustainability spotlight than counterparts in the energy, transport and chemicals industries, companies like P&G and Unilever have to be wary of and responsive to the social and economic concerns of their consumers, shareholders and communities.

Both have a public commitment to sustainability. Both are sustainability leaders. According to the Dow Jones Sustainability index, Unilever tops the food and beverage sector and shares with P&G the pole position for non-cyclical goods and services. Both

also have impressive sustainability projects: during the last decade, P&G claims to have reduced CO₂ emissions per tonne of production by two-thirds, while Unilever's have fallen by almost 20 per cent in the last five years. Both firms report big falls in their use of packaging, waste and water use.

However, activists are not always convinced. For example, P&G's recent innovation – convenience food served in plastic packages serving as feeding bowls, complete with scoop bags or litter boxes – does not sound like a committed journey down the sustainable path. Not forgetting the long-running criticism of the environmental impact of Pampers nappies. Unilever is not perfect either. Like its arch-rival P&G, it has paid several fines for violating health, safety and environmental laws in the past. It has also suffered bad publicity following Greenpeace's condemnation of its use of musk in household products and illegal mercury dumping from a factory in India.

Although these incidents question the commitment of these companies and the effectiveness of their sustainability policies, both are trying to live up to public expectations. P&G, for example, are involved in projects that improve water and health/hygiene. Their Recovery Engineering business makes PUR water filters, while NutriDelight, a drink developed with the United Nations Children's Fund, deals with micronutrient deficiency among school-age children. Unilever, meanwhile, is focusing on sustainable agriculture, fisheries and water supplies. With environmental group WWF, it established the Marine Stewardship Council, MSC, which has since become an independent organisation that accredits sustainable fisheries, seeking to make all substantial fish purchases from sustainable sources by 2005.

Peter White, P&G's European head of sustainable development, however, adds that 'sustainability' will not make many consumers choose Ariel (P&G's laundry detergent brand) over Unilever's Persil. Consumers' main priority is still about product performance, value, safety and reliability. These often come at a cost. Hence, it is not a question of which company is ahead in the sustainability index, but of turning pressures for sustainability into an opportunity. Mr White explains that 'It is about providing products that improve people's lives'. He also warns that sustainable development, to be truly sustainable, need to transcend philanthropy, morality, even efficiency (i.e. cost savings from using less resources to deliver the same functions). Any breakthroughs in sustainable development cannot be sustainable by businesses unless these ultimately result in sustained profitability. Commercial businesses have to be driven by profitability. How else can any commercial entity be viable over the long run?

While such arguments will undoubtedly reinforce anti-corporate sentiments, the truth is that environmental challenges pose both threats and opportunities. Sustainability can be viewed as opportunities for creating profitable customer and satisfying societal relationships, rather than a costly responsibility.

SOURCE: Jimmy Burns, 'Diageo defends policy on thalidomide', © *Financial Times* (9 March 2000), p. 6; Roger Cowe, 'Improving quality of life and profits', © *Financial Times* (13 August 2002), p. 12.



Stopping AIDS can save millions of lives.

Just as the red stop sign is an internationally recognized driving symbol, the red ribbon is the worldwide symbol of solidarity against HIV/AIDS. DaimlerChrysler stands shoulder to shoulder with the global community in its efforts to control and stop the spread of HIV/AIDS and to help treat those afflicted with the disease.

Our commitment takes many shapes from our "Workplace initiative on HIV/AIDS" in South Africa, in which we were the first company to provide free anti-retroviral drugs to employees, to Chairman Jürgen Schrempp's leadership role in the Global Business Coalition on HIV/AIDS.

For more information on DaimlerChrysler's initiatives visit www.daimlerchrysler.com

DAIMLERCHRYSLER

Answers for questions to come.

This DaimlerChrysler ad is not about promoting its cars to consumers. Instead, it communicates to the wider public its commitment to the global initiative to control and stop the spread of HIV/AIDS.

SOURCE: DaimlerChrysler AG Stuttgart/Auburn Hills.

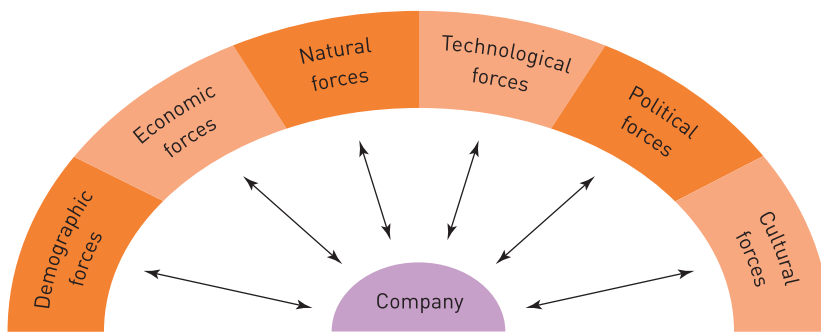


Figure 3.5 Influential forces in the company's macroenvironment

Population size and growth trends

In any geographic market, population size and growth trends can be used to gauge its broad potential for a wide range of goods and services. The European Union (EU), together with members of the European Free Trade Area (EFTA), has a population of around 379 million. With another 120 million from eastern Europe and 280 million from the former USSR, the overall European market is significantly larger than the North America Free Trade Area – the United States, Canada and Mexico – with a population of 370 million, and Japan with 130 million. Marketers also view China and India, each with over 1.2 billion people, as potentially lucrative growth markets.³

Today, the world has a population of around 6.3 billion people. Recent forecasts from the United Nations Population Division suggest that world population will grow annually at a rate of 1.2 per cent, increasing to about 8.9 billion by 2050. Six countries contribute to half that increase: India for 21 per cent; China for 12 per cent; Pakistan for 5 per cent; Bangladesh, Nigeria and the US for 4 per cent each. India's population increases by more in a week than the EU's in a year! Although these numbers suggest that world population is increasing, the reality is that the population growth rate is falling due largely to higher death rates, mostly attributed to higher projected prevalence of HIV/AIDS, and the forecast reduction in fertility.⁴

Although population over such an extended period is inherently unpredictable, the signs are that the 'humanity of the future will be different from today's', as the following report implies:

There would be 5.2 billion Asians, up from 3.8 billion in 2004. There would be 1.8 billion Africans, up from 851 million today. There would be 768 million Latin Americans, up from 543 million today. There would be 448 million North Americans, up from 326 million today. But, there would be only 632 million Europeans, down from 726 million today. Within Asia, however, there will be a noteworthy transformation: Japan's population will decline to as little as 110 million. The world's giant will be India, with a population of 1.5 billion, 17.2 per cent of the world's total, ahead even of China's 1.4 billion.⁵

A growing population means growing human needs to satisfy, offering marketers an indication of demand for certain goods and services. Depending on purchasing power, it may also mean growing market opportunities. For example, to curb its skyrocketing population, the Chinese government passed regulations limiting families to one child each. As a result, Chinese children tend to be spoiled and fussed over as never before. They are being showered

with everything from sweets to computers as a result of what is known as the ‘six-pocket syndrome’. As many as six adults – including parents and two sets of doting grandparents – may be indulging the whims of each child. Parents in the average Beijing household now spend about 40 per cent of their income on their cherished only child. This trend has encouraged toy companies such as Denmark’s Lego Group, Japan’s Bandai Company (known for its Mighty Morphin Power Rangers) and America’s Mattel to enter the Chinese market.⁶

Changing age structure of a population

The single most noticeable demographic trend in Europe and other developed countries, including the US and affluent Asian countries, is the changing age structure of the population. The post-World War II baby boom produced the *baby boomers*, born between 1946 and 1964. The boomers have presented a moving target, creating new markets as they grew from infancy to their pre-adolescent, teenage, young-adult and now middle-age to mature years. Baby boomers cut across all walks of life. But marketers typically have paid the most attention to the smaller upper crust of the boomer generation – its more educated, mobile and wealthy segments. These segments have gone by many names. In the 1980s, they were called ‘yuppies’ (young urban professionals), ‘yummies’ (young upwardly mobile mommies), and ‘dinkies’ (from DINKY, dual-income, no kids yet). In the 1990s, however, yuppies and dinkies gave way to a new breed, with names such as DEWKs (dual-earners with kids) and SLOPPIES (slightly older urban professionals).

The oldest boomers are now in their fifties; the youngest are in their mid-to-late thirties. They are also reaching their peak earning and spending years. Thus, they constitute a lucrative market for housing, furniture and appliances, healthy foods and beverages, physical fitness products, high-priced cars, convenience products and travel and financial services.

The maturing boomers are experiencing the pangs of midlife and rethinking the purpose and value of their work, responsibilities and relationships. They are approaching life with a new stability and reasonableness in the way they live, think, eat and spend. As they continue to age, they will create a large and important seniors market.

The baby boom was followed by a ‘birth dearth’ creating another generation of people born between 1965 and 1976. The *Generation Xers* tend to be the children of parents who both held jobs. Increasing divorce rates and higher employment for their mothers made them the first generation of latchkey kids. They want to build more traditional families and to be more available to their children. Whereas the boomers created a sexual revolution, the GenXers have lived in the age of AIDS. Having grown up during times of recession and corporate downsizing, they have developed a more cautious economic outlook. As a result, the GenXers are a more sceptical bunch, cynical of frivolous marketing pitches that promise easy success. Their cynicism makes them more savvy shoppers, and their financial pressures make them more value conscious. They like lower prices and a more functional look. The GenXers respond to honesty in advertising. They like irreverence and sass and ads that mock the traditional advertising approach.

GenXers share new cultural concerns. They care about the environment and respond favourably to socially responsible companies. Although they seek success, they are less materialistic; they prize experience, not acquisition. They are cautious romantics who want a better quality of life and are more interested in job satisfaction than in sacrificing personal happiness and growth for promotion.

The GenXers are now growing up and beginning to take over. They are the first generation to have grown up with computers and surf the Net more than other groups, but with serious intent. By 2010, they will have overtaken the baby boomers as a primary market for almost every product category.

Both the baby boomers and GenXers will one day be passing the reins to the latest demographic group, the *echo boomers* (the baby boomlet generation). Born between 1977 and

Chapter 3 The marketing environment

1994, and ranging from pre-teens to twenties, the echo boomer generation is still forming its buying preferences and behaviours.

The echo boom has created large and growing kid and teens markets. Teens and pre-teens under 20 years of age are high spenders, or at least greatly influence their parents' spending.⁷ After years of bust, markets for children's toys and games, clothes, furniture and food are enjoying a boom. For instance, Sony and other electronics firms are now offering products designed especially for children. In recent years, designers and retailers have created new lines, new products and even new stores devoted to children and teens – DKNY, Gap, Naf Naf and Guess, to name just a few. Banks too are offering banking and investment services for kids.

Like the trailing edge of the Generation Xers ahead of them, one distinguishing characteristic of the echo boomers is their utter fluency and comfort with computer, digital and Internet technology. For this reason, one analyst has christened them the Net-Gens (or N-gens). He observes:

What makes this generation different . . . is not just its demographic muscle, but it is the first to grow up surrounded by digital media. Computers and other digital technologies, such as digital cameras, are commonplace to N-Gen members. They work with them at home, in school, and they use them for entertainment. Increasingly these technologies are connected to the Internet. . . . Constantly surrounded by technology, today's kids are accustomed to its strong presence in their lives. [They] are so bathed in bits that they are no more intimidated by digital technology than a VCR or a toaster. And it is through their use of the digital media that N-Gen will develop and superimpose its culture on the rest of society. Boomers stand back. Already these kids are learning, playing, communicating, working and creating communities very differently than did their parents. They are a force for social transformation.⁸

Do marketers have to create separate products and marketing programmes for each generation? Some experts caution that each generation spans decades of time and many socioeconomic levels. So, they do not constitute meaningful target markets. As such, marketers should form more precise age-specific segments within each group. Others warn that marketers have to be careful about turning off one generation each time they craft a product or message that appeals effectively to another. Marketers should carefully develop their product brands such as to be broadly inclusive, offering each generation something specifically designed for it.

In most rich countries, though, national populations are getting older. The trend is forecast to continue over the next 50 years. Furthermore, this demographic change is not confined to advanced countries. In Latin America and most of Asia, the share of over-60s is set to double between now and 2030, to 14 per cent. In China, it will increase from less than 10 per cent in 2000 to around 22 per cent by 2030.⁹

The ageing population structure reflects two influences. First is a declining birth rate. As mentioned earlier, official forecasts suggest that the world's population is growing more slowly. About half of this slowdown comes from the reduction in the number of babies born per woman (that is, replacement fertility rate, Figure 3.6). However, except for the US, with a fertility rate of 2.11, which is close to replacement, fertility levels are dropping most notably in all the developed, high-income countries. For example, Germany's is 1.35, Japan's is 1.32, Spain's is 1.15 and Hong Kong's is 1.00. All the EU countries rank below the 2.1 fertility level

Figure 3.6 Total fertility: number of children born per woman in developed and less developed nations

SOURCE: United Nations. Based on article written by Martin Wolf, published in 'Demography. People, plagues and prosperity: five trends that promise to transform the world's population within 50 years', *Financial Times* (27 February 2003), p. 17.

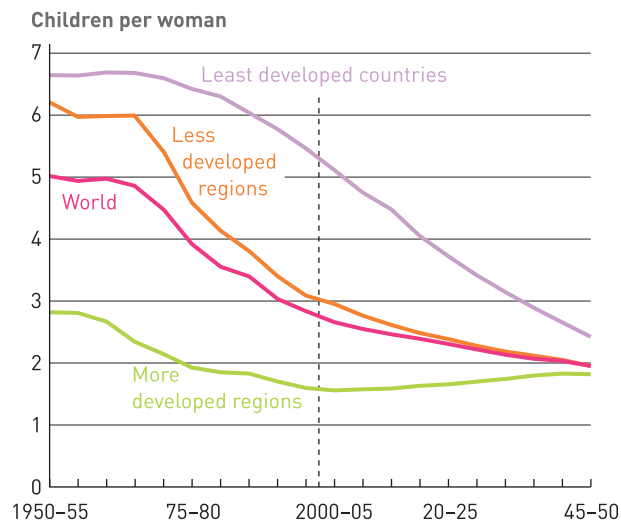
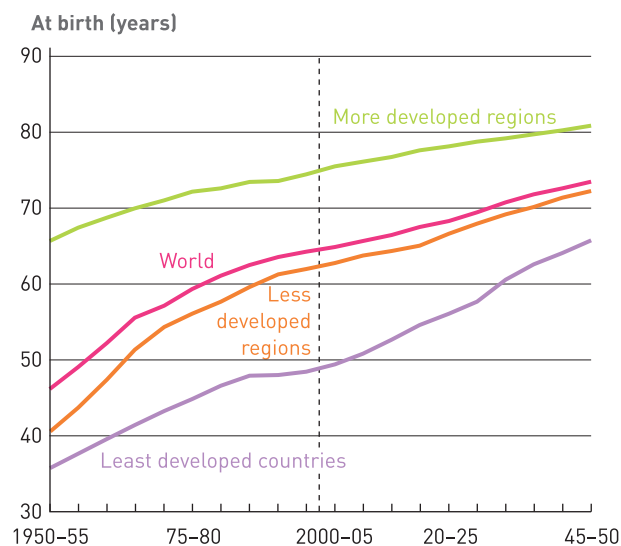


Figure 3.7 The world's ageing population: life expectancy to 2050

SOURCE: United Nations. Based on article written by Martin Wolf, published in 'Demography. People, plagues and prosperity: five trends that promise to transform the world's population within 50 years', *Financial Times* (27 February 2003), p. 17.



found in the US. Fertility rates in other developed Asian nations such as Singapore and South Korea also have declined steadily over the past two decades, and all lie below America's 2.1 average. In developing countries, fertility is currently above replacement rate, at nearly 2.92 children per woman. India's fertility rate is currently 3.01, but this represents a rapidly declining trend from 4.5 children per woman back in the 1980s. However, in countries like China, the fertility rate, at 1.83, is already well below replacement. This 'birth-dearth' linked to smaller family sizes is due to people's desire to improve personal living standards, women's desire to work outside the home, and widely available and effective birth control practices.¹⁰ In the case of the least developed nations, fertility rate is over 5 in 2003, and is projected to remain above replacement rates over the next four decades.

Secondly, ageing trends are influenced by life expectancy increases (see Figure 3.7). Life expectancy has risen for the world as a whole, from below 50 half a century ago to 64.6 years in 1995–2000. Life expectancy in the high-income countries is predicted to reach 81.6 years by 2050, up from 74.8 years in 1995–2000. In the developing countries, it is expected to reach 73.1 years, an increase from 62.5 in 1995–2000. Although life expectancy is also projected to rise in the least developed countries in Africa, levels have currently remained at around

Chapter 3 The marketing environment

50 years, a setback inflicted by HIV/AIDS, whose prevalence has been more serious and prolonged than anticipated according to UN sources.¹¹

However, while the world's population is forecast to age faster over the next half century than ever before, countries with lower fertility rates now will be vastly more aged by 2050. Official forecasts for the EU countries suggest that, by 2050, 35 per cent of the population will be over 60 years old, compared to 20 per cent in 2003. Put more colourfully by the historian and demographer Peter Laslett, 'Europe (is) growing older and will never be young again.'

Demographic shifts have important implications for marketing managers. The rising number of elderly customers and a corresponding dearth of younger buyers may not necessarily spell trouble for companies and marketers. Instead, marketers must track demographic trends and moves carefully in order to identify new product and market opportunities for their company.

The rising ageing population, for example, will imply a growing demand for healthcare products, pensions and services tailored to the needs of this group of consumers. According to the charity Help the Aged, 'Today's over-60s are more affluent and active, with lifestyles that are more akin to those of people in their 40s and 50s. Government and industry can no longer ignore this influential group, and must take a closer look at the services and policies that affect the lives of older people.'¹² Indeed, some companies are already grappling with this demographic shift and adapting product marketing and design to cater to older consumers' demands.

The \$600,000 (€495,868) Enzo Ferrari accelerates to 60 mph in under 4 seconds before reaching a top speed of 217 mph. Not a ride to recommend if you're wearing a cardiac pacemaker. But, the Italian car maker is one of the many companies that are now tackling demographic shifts – the ageing population. Climb into the Enzo and, apparently, you will not even notice the modifications designed with 'overweight, arthritic pensioners' in mind. While Ferrari engineers cherish a sporty product whose virile brand depends on images of young drivers haring around Formula One racetracks, the profile of their customers means that they have to pay attention to practicality and functionality without compromising the sportiness. In contrast to F1 drivers Michael Schumacher and Rubens Barrichello, both in their thirties, the average buyer of a Ferrari is close to 50 and will get older. Ferrari designers are responding by enlarging the space to accommodate the driver's expanding backside and sparing the knees with changes to the door height. Part of the roof and the door undermoulding also come away when you open the door to make it easier to enter the car. However, these design changes are done such that no one is able to tell. Ferrari's customers do not want to be patronized and few want to own a car that reminds them of their age. Some companies like Saga, the British holiday operator, magazine publisher and financial services provider, serving the over-50s, so-called 'grey segment', can be rather creative. A recent issue of its magazine shows ads for Bose hi-fi equipment and a red Mazda MX-5 alongside pictures of stairlifts and corn-plasters. Saga Holidays also offers white-water rafting breaks in Canada and jungle trekking in Borneo. It seems Saga knows better – that the new oldies are not ready to be pensioned off.¹³ ”

The changing family

The notion of the ideal family – mum, dad and two kids – has lately been losing some of its lustre. People are marrying later and having fewer children. The specific figures may vary among countries, but the general trend is towards fewer married couples with children. In fact, couples with children under 18 now make up a small proportion of all families. These are worrying trends too for wealthy Asian countries like Singapore, Japan and Hong Kong.

Also, the number of working women, including working mothers, is increasing. This trend has spawned the child day-care business, cleaning and catering services, increased consumption of convenience foods, career-oriented women's clothing and many other business opportunities. Marketers of goods ranging from cars, insurance and travel to financial services are increasingly directing their advertising to working women. For some products such as jewellery, typically bought by men and worn by women, retailers have also seen a move towards more professional women buying jewellery for themselves simply for their own pleasure and interest. Moreover, as a result of the shift in the traditional roles and values of husbands and wives, with male partners assuming more domestic functions such as shopping and child care, more food and household appliance marketers are targeting this group of individuals.

Finally, the number of one-person and non-family households will represent a sizeable proportion of all households. These reflect 'non-traditional' or 'diverse' households consisting of single live-alones, adult live-togethers of one or both sexes, single-parent families, childless married couples or empty-nesters. More married people are divorcing or separating, choosing not to marry, marrying later or marrying without intending to have children. In countries such as Sweden, Germany, Denmark and Switzerland, for example, one-person households now account for over 30 per cent of all homes.¹⁴ Marketers must increasingly consider the special needs of non-traditional households since they are now growing more rapidly than traditional households. Each group has a distinctive set of needs and buying habits. For example, people in the SSWD (single, separated, widowed, divorced) group need smaller apartments, inexpensive and smaller appliances, furniture and furnishings, and food that is packaged in smaller sizes.

Pressures for migration

The next few decades will see the emergence of a world where citizens in the affluent, developed countries have few children while their counterparts in the less wealthy countries have many. These conditions increase the pressures on international migration. As these countries' populations age, there will be many more openings for foreigners in jobs where domestic talent is scarce or to increase the population of economically active young people. Because of the increase in demand for healthcare, pension and welfare provisions, to balance the books, many European countries, including the Nordic countries and Britain, are likely to have to accept high levels of international immigration. According to the Government Actuary Department, nearly two-thirds of the UK's population increase in the next 25 years would be caused by inward migration, with the remainder being due to natural increase – more births than deaths.¹⁵ As one analyst reports:

A world in which people in rich countries have few children and the poor have many is one in which pressures for migration can only grow. . . . The high-income countries are expected to receive an average of only 2 million migrants a year over the next half century or 100 million in total. . . . The UN forecasts that the principal recipients will be the US (1.1 million annual net

immigration), Germany (211,000), Canada (173,000), the UK (136,000) and Australia (83,000). Meanwhile, the most important sources are forecast to be China (303,000), Mexico (257,000), India (222,000), the Philippines (184,000) and Indonesia (180,000).

The big question is whether the migration pressure can be contained at what appears relatively low levels. Under the UN's median projections, Europe's population falls by 94 million between 2003 and 2050. But, Africa's population is projected to rise by 952 million, and Asia's population by 1.39 billion. Both will have a large number of young adults desperate for a better life. Given Europe's land borders with Asia and the narrow sea that separates it from Africa, controlling migration is certain to be difficult. It is certain to become an even bigger political issue.

The US is in a very different position. Not only has it been historically more open to immigration, but its neighbours have a less dynamic demographic profile than Europe's. Latin America and the Caribbean are forecast to have only a 225 million increase in population between 2003 and 2050. But the pressure from its closest developing country neighbour will not go away since Mexico's population is forecast to rise to 140 million in 2050, up from 99 million in 2000.¹⁶



Rising number of educated people

The percentage of a country's population that has been educated – that is, have upper secondary and university-level education – varies across countries, but some trends can be discerned in the EU and other industrialised nations as a whole. According to OECD statistics, there has been a narrowing trend in the gap between the number of men and women who have a university education in member countries. In most countries, equal education has been attained among men and women belonging to the 25–34 age group. Gaps remain in some countries – Britain, Germany and Switzerland, for example – where more men still go to university than women. As economies in eastern Europe and Asia develop, we expect to see rising investment in education and an increasingly educated population. The rising number of educated people will increase the demand for quality products, books, magazines, travel, personal computers and Internet services.¹⁷

Increasing diversity

The new millennium sees an escalation of efforts towards the enlargement of the European Union, with 10 countries joining the EU in May 2004. The enlarged EU now comprises a family of 25 member states: the 15 members prior to 2004 – France, Luxembourg, Italy, Germany, with East Germany on unification, Netherlands, Belgium, Denmark, Ireland, United Kingdom, Greece, Spain, Portugal, Sweden, Austria and Finland – and the recent, new entrants – Poland, the Czech Republic, Hungary, Slovakia, Lithuania, Latvia, Slovenia, Estonia, Cyprus and Malta. Others including Bulgaria, Romania and Turkey are waiting in the wings, hoping to agree accession treaties before the end of this decade.¹⁸

The EU, in its present state, and in a potentially enlarged form, presents huge challenges and opportunities for domestic and international marketers. We will discuss international marketing issues in more detail in Chapter 6.

In general, marketers operating in the vastly expanded EU must recognise the great diversity across member states. Unification goes beyond mere economic integration such as the implementation of the single currency, the euro, in January 1999. To date, 11 EU nations have joined the single-currency or ‘euro zone’. In the decades ahead, European unification will strive to achieve harmonisation of rules and regulations, which will affect business practices across the Union. Many marketers believe the single European market encourages convergence in consumer tastes, propagating the idea of the ‘Euroconsumer’.

Converging lifestyles, values, beliefs, habits and tastes may often not mean converging needs. These may differ across individual country markets, just as spending power and consumption patterns are likely to vary. Europe, like the US, remains a pot-pourri of cultures and systems, which present immense marketing opportunities for sellers. Although social and demographic factors and the marketing strategies of multinational consumer goods companies may combine to make lifestyles of different European (and rising wealthy Asian) nations more alike, diversity will feature just as much as convergence in the new world economy.

Businesses will do well to identify regional, national and local differences, and to develop appropriate marketing strategies that take on board this diversity. Where European consumers display similar cultural values and homogeneous tastes for particular goods and services, then pan-European strategies may be more cost-effective. For example, the internationalism of snob items, such as Rolex watches or Cartier jewellery, which appeal to a small number of like-minded consumers, or high-fashion purchases like Swatch watches and DKNY clothes, which pander to the younger generation of dedicated fashion followers, lend themselves to pan-European marketing or advertising.

In most markets, however, firms have found that the ‘one sight, one sound, one sell’ dictum loses out to the more effective strategy of customisation. Even Coca-Cola, arch exponent of globalism, tailors the marketing of its drinks to suit different markets. Kronenbourg, France’s most popular beer, is sold to a mass market with the eternal images of France, like cafés, boules and Citroën 2CVs. In the UK, Kronenbourg is presented as a drink for ‘yuppies’. Unilever customises its advertisements for Impulse, a body spray. In the UK, the handsome young fellow who gets a whiff of Impulse from the woman nearby presents her with a bunch of flowers. In the Italian version, Romeo offers the woman a rose.

Ultimately, marketers must address a marketing basic: identify consumer needs and respond to them. Companies that overlook diversity in favour of pan-European or global strategies must carefully develop and execute their standardised approaches.¹⁹ We discuss pan-European versus standardised marketing practices in greater depth in Chapter 6.


Economic environment

Economic environment—
Factors that affect consumer
buying power and spending
patterns.

Markets require buying power as well as people. The **economic environment** consists of factors that affect consumer purchasing power and spending patterns. Nations vary greatly in their levels and distribution of income. Some countries have *subsistence economies* – they consume most of their own agricultural and industrial output, hence offer few market opportunities. At the other extreme are *industrial economies*, which constitute rich markets for different kinds of goods. Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets.

Income distribution and changes in purchasing power

Global upheavals in technology and communications in the last decade brought about a shift in the balance of economic power from the West (mainly North American, Canadian and western European nations) towards the rapidly expanding economies of Asia and the Pacific Rim. Up until the Asian economic and financial crisis in 1997, many of the Asian ‘tiger’



We build cars for people who love to drive. Some of them happen to use wheelchairs. For these drivers, and for families who transport someone in a wheelchair, we present the Volkswagen Mobility Access Program. This is our way of lending a hand to anyone who needs to make a new Volkswagen* more accessible. If you need to add hand controls, we'll refund up to \$500! If you need to add a lift, we'll refund up to \$1000! After all, when we say "Drivers wanted", we mean every one of them.

Volkswagen targets people with disabilities who want to travel. It offers a Mobility Access Programme and has even modified its catchy 'Drivers Wanted' tag line to appeal to motorists with disabilities: 'All Drivers Wanted'.

SOURCE: Volkswagen.

economies, notably South Korea, Taiwan, Thailand, Malaysia, Indonesia and Singapore, were enjoying annual growth rates in excess of 7 per cent, compared to the 2–3 per cent found in western Europe and the USA.²⁰

Official statistics have adjusted downwards the annual growth rates of these economies, in the first decade of the 2000s. However, rapid economic recovery in Singapore, Taiwan and South Korea means purchasing power income per head will exceed that of the US and western Europe.²¹

In view of the rising importance of overseas markets as a source of growth for many western businesses, the uncertain economic climate in the Asian economies has important implications for international marketers. They must determine how changing incomes affect purchasing power and how they translate into marketing threats and opportunities for the firm.

Where consumer purchasing power is reduced, as in countries experiencing economic collapse or in an economic recession, financially squeezed consumers tend to spend more carefully and seek greater value in the products and services they buy. For example, 'thrift shops' have been booming in Japan, whose economy has been in recession. *Value marketing* becomes the watchword for many marketers. Rather than offering high quality at a high price, or lesser quality at very low prices, marketers have to look for ways to offer the more financially cautious buyers greater value – just the right combination of product quality and good service at a fair price.

Marketers should also pay attention to *income distribution* as well as average income. Consumers with the greatest purchasing power are likely to belong to the higher socioeconomic groups, whose rising incomes mean that their spending patterns are less susceptible to economic downturns than those of lower-income groups. The *upper* economic strata of a society become primary targets for expensive luxury goods. The comfortable, *middle* income groups are more careful about their spending, but can usually afford the good life some of the time. The *lower* strata will stick close to the basics of food, clothing and shelter needs. In some countries, an *underclass* exists – people permanently living on state welfare and/or below the poverty line – which has little purchasing power, often struggling to make even the most basic purchases.

Changing consumer spending patterns

Generally, the total expenditures made by households tend to vary for essential categories of goods and services, with food, housing and transportation often using up most household income. However, consumers at different income levels have different spending patterns. Some of these differences were noted over a century ago by Ernst Engel, who studied how people shifted their spending as their income rose. He found that as family income rises, the percentage spent on food declines, the percentage spent on housing remains constant (except for such utilities as gas, electricity and public services, which decrease), and both the percentage spent on other categories and that devoted to savings increase. Engel's laws have generally been supported by later studies.

Changes in major economic variables such as income, cost of living, interest rates, and saving and borrowing patterns have a large impact on the marketplace. Companies watch these variables by using economic forecasting. Businesses do not have to be wiped out by an economic downturn or caught short in a boom. With adequate warning, they can take advantage of changes in the economic environment.

Engel's laws—Differences noted over a century ago by Ernst Engel in how people shift their spending across food, housing, transportation, health care, and other goods and services categories as family income rises.

Natural environment

The **natural environment** involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities. Environmental concerns have grown steadily during the past three decades. Protection of the natural environment will remain a crucial worldwide issue facing business and the public. In many cities around the world, air and water pollution have reached dangerous levels. World concern continues to mount about the depletion of the earth's ozone layer and the resulting 'greenhouse effect', a dangerous warming of the earth. And many of us fear that we will soon be buried in our own rubbish. Marketers should be aware of four trends in the natural environment.

Natural environment—Natural resources that are needed as inputs by marketers or that are affected by marketing activities.

Shortages of raw materials

Air and water may seem to be infinite resources, but some groups see long-run dangers. Air pollution chokes many of the world's large cities and water shortages are already a big problem in some parts of the world. Renewable resources, such as forests and food, also have to be used wisely. Non-renewable resources such as oil, coal and various minerals pose a serious problem. Firms making products that require these scarce resources face large cost increases, even if the materials do remain available. They may not find it easy to pass these costs on to the consumer. However, firms engaged in research and development and in exploration can help by developing new sources and materials.

Increased cost of energy

One non-renewable resource – oil – has created the most serious problem for future economic growth. The large industrial economies of the world depend heavily on oil, and until economical energy substitutes can be developed, oil will continue to dominate the world political and economic picture. Many companies are searching for practical ways to harness solar, nuclear, wind and other forms of energy. Others are directing their research and development efforts to produce high energy-efficient technologies to meet customers' needs. For example, the tyre company Michelin introduced *Energy* low-resistance tyres that offer a 5 per cent reduction in fuel consumption. Car makers such as Ford, Volkswagen, Opel and Peugeot-Citroën have introduced new, sophisticated compact cars with small dimensions and low weight that meet the environmentalists' 'year-2000 holy grail' – fuel consumption of just 3 litres per 100 km. And, the chemical group BASF has developed new thermal insulation technologies that help to reduce energy consumption in old buildings to 3 litres per square metre per year.²²

Increased pollution

Industry has been largely blamed for damaging the quality of the natural environment. The 'green' movement draws attention to industry's 'dirty work': the disposal of chemical and nuclear wastes, the dangerous mercury levels in the ocean, the quantity of chemical pollutants in the soil and food supply, and the littering of the environment with non-biodegradable bottles, plastics and other packaging materials.

Many companies, especially those at the 'grubbier' ends of manufacturing, often complain about the cost of fulfilling their obligations to 'clean up' regulations or to produce new greener technologies.²³ On the other hand, more alert managers are responding to public environmental concerns with more ecologically sensitive goods, recyclable or biodegradable packaging, improved pollution controls and more energy-efficient operations.

Environmental pressures may be one firm's expensive obligation, but another's chance for profit. The increase in demand for waste management – collecting, transporting and disposal of solid rubbish – and recycling has also led to a growing industry worth billions of euros. Europe's environmental industry has been growing at 7 per cent a year over the last decade, the industry attracting big players, including America's Waste Management, Asea Brown Boveri's Flakt, and Lurgi, a part of Germany's Metallgesellschaft. Some big operators in sewage treatment, like France's Générales des Eaux, Lyonnaise des Eaux Dumez and Saur, Bouygues's subsidiary, have expanded abroad and give public authorities in European countries a one-stop shop: that is, they finance, build and operate water-treatment plants.

The complexity of EU green directives and national laws has created a booming business in environmental consultancy, particularly in the areas of environmental auditing and risk management. As the green business grows, with it will flourish clever companies that have learnt to turn trash into cash!²⁴

In consumer markets, niche green segments, where environmentally sensitive consumers are prepared to pay a premium price for green benefits, have emerged in categories ranging from cosmetics, toiletries and detergents to passenger cars. However, most consumers worldwide are more likely to make trade-offs between green advantages and product quality and performance benefits in their purchasing decision.

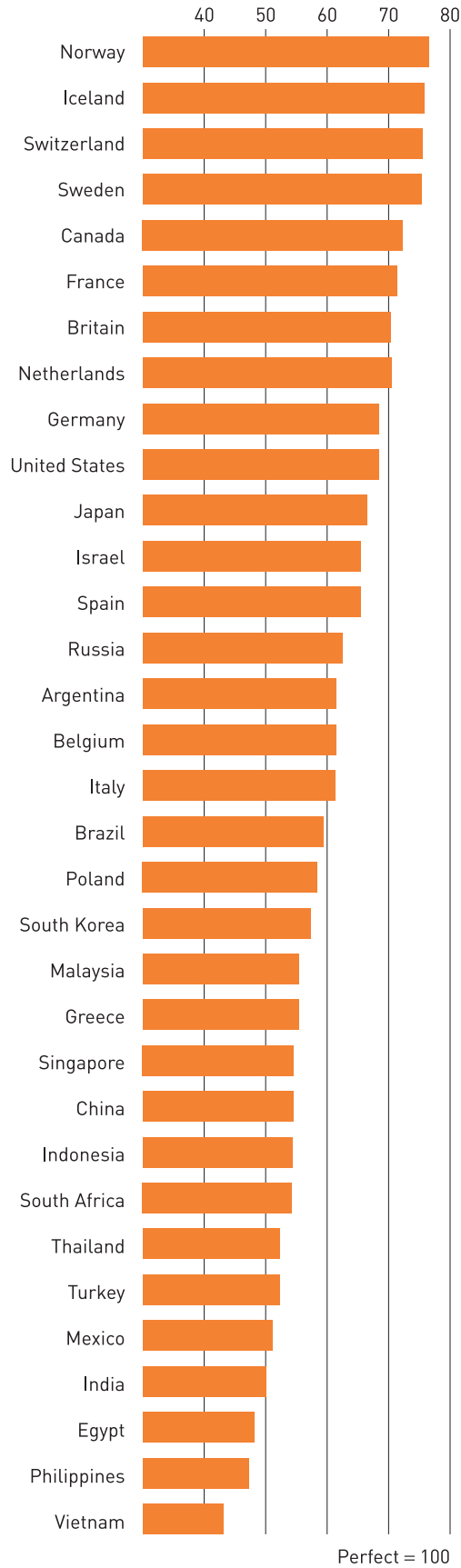
For example, in a recent international poll, two-thirds of respondents in Venezuela and half those in China, India and Egypt agreed strongly that they were willing to pay a 10 per cent premium for a greener product. Though consumers may tell pollsters they will pay a premium to support the environment, getting them to do so at the shop may be trickier. The Body Shop, the British firm known for its ecologically sensitive beauty products, has used green strategies in overseas markets with mixed success.²⁵ Customers still consider non-green attributes more important in making purchase decisions. So, although environmental pressures upon businesses in the decade ahead are expected to escalate, firms must seek to balance both the ecological and performance benefit expectations of the mass of consumers.²⁶

Government intervention in natural resource management

The governments of different countries vary in their concern and efforts to promote a clean environment. Some countries have adopted policies that have a stronger, positive impact on environmental sustainability than others. One report which ranks countries by five criteria of environmental sustainability, such as whether their main environmental systems are flourishing and how well they cooperate with other countries in managing common environmental problems, places the Nordic countries at the top of the league. Belgium, Italy and Greece, by contrast, do remarkably badly (Figure 3.8).²⁷ Whereas some governments vigorously pursue environmental quality, others, especially many poorer nations, do little about it, largely because they lack the needed funds or political will. Even the richer nations lack the vast funds and political accord needed to mount a worldwide environmental effort.

Figure 3.8 Environmental sustainability index

SOURCE: 'Emerging-market indicators', *The Economist* (29 January 2000), p. 150. Copyright © The Economist Newspaper Ltd, London, 2000.



Chapter 3 The marketing environment

The general hope is that companies around the world will accept more social responsibility, and that less expensive devices can be found to control and reduce pollution.

In most countries, industry has been pressured rather than persuaded to 'go green'. Environment protection agencies of one sort or another have been established to enforce pollution standards and to conduct pollution research. Environmental legislation has toughened up in recent years and businesses can expect this to continue in the foreseeable future. Governments have also looked at the potential of voluntary agreements with industry. The idea is to help industry meet environmental standards cost-effectively.

Consider Holland's National Environmental Policy Plan (NEPP), which set tight targets for pollution reduction. Some industries agreed to tougher pollution controls in return for greater government flexibility over their implementation. Although firms knew that failure to cooperate meant harsher laws would follow, the NEPP provided a channel for government–industry dialogue and cooperation. Detailed plans were agreed with sectors accounting for 60–70 per cent of Holland's environmental pollution. Deals with oil refineries in Rotterdam helped to cut smog and sulphur dioxide emissions. Agreements with packaging firms have led to a decline in the volume of municipal waste. Ammonia output also declined sharply.²⁸

In most developed western nations, well-organised sectors, such as oils, chemicals, pharmaceuticals and food, are more likely to reach common agreements with government agencies and their plans for environmental control. Enlightened companies, however, go beyond what government regulations dictate. They are developing *environmentally sustainable* strategies and practices in an effort to create a world economy that the planet can support indefinitely. They are responding to consumer demands with ecologically safer products, recyclable or biodegradable packaging, better pollution controls and more energy-efficient operations. Many of these companies, from IKEA, Lego and McDonald's to 3M, IBM and BMW, are recognising the link between a healthy economy and a healthy ecology.²⁹

Technological environment

The **technological environment** is perhaps the most dramatic force now shaping our destiny. Technology has released such wonders as penicillin, organ transplants, notebook computers and the Internet. It has also released such horrors as nuclear missiles, chemical weapons and assault rifles, and such mixed blessings as cars, televisions and credit cards. Our attitude towards technology depends on whether we are more impressed with its wonders or its blunders.

The technological environment is changing rapidly. Marketers should watch the following trends in technology.

Fast pace of technological change

Many of today's common products were not available 100 years ago: televisions, home freezers, automatic dishwashers, contraceptives, earth satellites, personal computers, compact disc players, digital video discs, facsimile machines, mobile phones. The list is unending! New technologies create new markets and opportunities. However, every new technology replaces an older technology. Transistors hurt the vacuum-tube industry, xerography killed the carbon-paper business, cars and roads hurt the railways, and compact discs hurt vinyl records. When old industries fought or ignored new technologies, their business declined. Companies that fail to anticipate and keep up with technological change soon find their products outdated.

Technological environment—Forces that create new technologies, creating new product and market opportunities.

Technological environment: technology is perhaps the most dramatic force shaping the environment. Here, a herder makes a call on his mobile phone.

SOURCE: Joseph Van OS, Getty Images, Inc./Image bank.



But keeping pace with technological change is becoming more challenging for firms today. *Technology life cycles* are getting shorter. Take the typewriter. The first-generation modern mechanical typewriter dominated the market for 25 years. Subsequent generations had shorter lives – 15 years for electromechanical models, seven years for electronic versions and five years for first-generation microprocessor-based ones. And today, the average life span of some computer software products, for example, is now well under one year.

Moreover, technology trends can be very fickle. Consider the ever-changing world of children's games consoles. At first, kids of all ages were clamouring for a Sega Dreamcast. Then, Sony's PlayStation 2 became the next hit. By Christmas 2000, the craze turned to Nintendo's Dolphin and Microsoft's X-Box systems. One thing's for sure – many of these will end up as obsolete appliances before the next Christmas season!

Firms must track technological trends and determine whether or not these changes will affect their products' continued ability to satisfy customers' needs. Technologies arising in unrelated industries can also affect the firm's fortunes. The mechanical watch industry was overtaken by manufacturers of electronic components seeking new applications and growth opportunities for their quartz technology. Businesses must assiduously monitor their technological environment to avoid missing new product and market opportunities.

High R&D budgets

Technology and innovations require heavy investments in research and development. It is not uncommon for pharmaceuticals companies, for example, to spend as much as €500 million to develop a new drug. High R&D spending is also a feature of many industries, including cars, communications, computers, aerospace, engineering, entertainment and consumer electronics. The soaring cost of R&D increases the difficulty, even for big companies, to master a wide range of technologies. To overcome the barrier, firms have sought to collaborate with other firms to develop new products and technologies; they may license inventions developed by other firms or even acquire smaller, innovative firms that may not have sufficient financial resources to develop and commercialise new technologies.

Concentration on minor improvements

As a result of the high cost of developing and introducing new technologies, many companies are tinkering – making minor product improvements – instead of gambling on substantial innovations. The high costs and risks of commercialisation failure make firms take this cautious approach to their R&D investment. Most companies are content to put their money into copying competitors' products, making minor feature and style improvements, or offering simple extensions of current brands. Thus much research is in danger of being defensive rather than offensive.

Increased regulation

As products and technology become more complex, the public needs to know that these are safe. Thus, government agencies investigate and ban potentially unsafe products. In the EU and America, complex regulations exist for testing new drugs. The US Federal Food and Drug Administration, for example, is known for its strict enforcement of drug testing and safety rules. Statutory and industry regulatory bodies exist to set safety standards for consumer products and penalise companies that fail to meet them. Such regulations have resulted in much higher research costs and in longer times between new-product ideas and their introduction. Marketers should be aware of these regulations when seeking and developing new products.

Marketers need to understand the changing technological environment and how new technologies can serve customer and human needs. They need to work closely with R&D people to encourage more market-oriented research. They must also be alert to the possible negative aspects of any breakthroughs (like the sequencing of the human genome³⁰) or innovations (like Viagra, the anti-impotence drug) that might harm users or arouse opposition from pressure groups.

Political environment

Marketing decisions are strongly affected by developments in the political environment. The **political environment** consists of laws, government agencies and pressure groups that influence and limit various organisations and individuals in a given society.

Legislation regulating business

Even the most liberal advocates of free-market economies agree that the system works best with at least some regulation. Well-conceived regulation can encourage competition and ensure fair markets for goods and services. Thus governments develop *public policy* to guide commerce – sets of laws and regulations that limit business for the good of society as a whole. Almost every marketing activity is subject to a wide range of laws and regulations.

Legislation affecting business around the world has increased steadily over the years. The European Commission has a framework of laws covering competitive behaviour, product standards, product liability and commercial transactions for the nations of the EU. Similarly, the US has many laws covering issues such as competition, fair trade practices, environmental protection, product safety, truth in advertising, packaging and labelling, pricing and other important areas. Several countries have passed strong consumer legislation. For example, Norway bans several forms of sales promotion – trading stamps, contests, premiums – as being inappropriate or unfair ways of promoting products. Thailand requires food processors selling national brands to market low-price brands also, so that low-income consumers can

Political environment—
Laws, government agencies and pressure groups that influence and limit various organisations and individuals in a given society.

find economy brands on the shelves. In India, food companies must obtain special approval to launch brands that duplicate those already existing on the market, such as additional cola drinks or new brands of rice.

Understanding the public policy implications of a particular marketing activity is not a simple matter. First, there are many laws created at different levels: for example, in the EU, business operators are subject to European Commission, individual member state and specific local regulations; in the USA, laws are created at the federal, state and local levels, and these regulations often overlap. Second, the regulations are constantly changing – what was allowed last year may now be prohibited, and what was prohibited may now be allowed. In the single European market, deregulation and ongoing moves towards harmonisation are expected to take time, creating a state of flux, which challenges and confuses both domestic and international marketers. They must therefore work hard to keep up with changes in regulations and their interpretations.

In many countries, business legislation has been enacted for a number of reasons. The first is to *protect companies* from each other. Although business executives may praise competition, they sometimes try to neutralise it when it threatens them. Antitrust agencies, competition authorities and monopolies and mergers commissions have surfaced to enforce laws, typically passed to define and prevent unfair competition. For example, the European Commission recently introduced new competition laws to promote a level playing field for firms in the telecommunications sector. These laws have several goals, from seeking to establish a better pricing balance, to forcing incumbent telecoms operators to open up local markets to new market entrants. The EU's competition authorities have also been known to block many merger deals, one example being the decision to veto Volvo's proposal to merge with Scania, its Swedish truck rival.³¹

The second purpose of government regulation is to *protect consumers* from unfair and unscrupulous business practices. Some firms, if left alone, would make shoddy products, tell lies in their advertising and deceive consumers through their packaging and pricing. Unfair and unscrupulous business practices have been defined and are enforced by various agencies. For example, the EU Directive on Privacy and Electronic Communications, enforced in October 2003, intends to crack down on 'spam' by giving government agencies the power to prosecute firms that send unsolicited e-mails.³²

The third purpose of government regulation is to *protect the interests of society* against unrestrained business behaviour. Profitable business activity does not always create a better quality of life. Regulation arises to ensure that firms take responsibility for the social costs of their production or products.

New laws and their enforcement are likely to continue or increase. Business executives must watch these developments when planning their products and marketing programmes. International marketers will additionally encounter dozens, even hundreds, of agencies set up to enforce trade policies and regulations. Importantly, they need to understand these laws at the local, country, regional and international levels.

Growth of public interest groups

The number and power of public interest groups have increased during the past two decades. Consumerism, a powerful force that has its roots in the US, has spilled over to countries in western Europe and other developed market economies such as Australia. Hundreds of other consumer interest groups, private and governmental, operate at all levels – regional, national and local. Other groups that marketers need to consider are those seeking to protect the environment, to campaign against animal cruelty and to advance the rights of various groups such as women, children, gays and lesbians, ethnic minorities, senior citizens and the handicapped. As we saw in Marketing Insights 3.1 and the prelude case, global companies cannot ignore the views of public interest groups.

Increased emphasis on ethics and socially responsible actions

Written regulations cannot possibly cover all potential marketing abuses, and existing laws are often difficult to enforce. However, beyond written laws and regulations, business is also governed by social codes and rules of professional ethics. Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply to ‘do the right thing’. These socially responsible firms actively seek out ways to protect the long-run interests of their consumers and the environment.

The recent rash of business scandals and increased concerns about the environment have created fresh interest in the issues of ethics and social responsibility. Almost every aspect of marketing involves such issues. Unfortunately, because these issues usually involve conflicting interests, well-meaning people can disagree honestly about the right course of action in a particular situation. Thus many industrial and professional trade associations have suggested codes of ethics, and many companies are now developing policies and guidelines to deal with complex social responsibility issues.

The boom in e-commerce and Internet marketing has created a new set of social and ethical issues. Privacy issues are the primary concern. For example, website visitors often provide extensive personal information that might leave them open to abuse by unscrupulous marketers. Moreover, both Intel and Microsoft have been accused of covert, high-tech computer chip and software invasions of customers’ personal computers to obtain information for marketing purposes.

Another cyberspace concern is that of access by vulnerable or unauthorised groups. For example, marketers of adult-oriented materials have found it difficult to restrict access by minors. In a more specific example, sellers using eBay.com, the online auction website, recently found themselves the victims of a 13-year-old boy who had bid on and purchased more than €3 million worth of high-priced antiques and rare art works on the site. eBay has a strict policy against bidding by anyone under 18 but works largely on the honour system. Unfortunately, this honour system did little to prevent the teenager from taking a cyberspace joy ride.³³

In Chapter 5, we will discuss in greater depth the public and social responsibility issues surrounding major marketing decisions, the legal issues that marketers should understand, and the common ethical and societal concerns that marketers face.

Cultural environment

The **cultural environment** is made up of institutions and other forces that affect society’s basic values, perceptions, preferences and behaviours. People grow up in a particular society that shapes their basic beliefs and values. They absorb a world-view that defines their relationships with others. The following cultural characteristics can affect marketing decision making. Marketers must be aware of these cultural influences and how they might vary across societies within the markets served by the firm.

Cultural environment—
Institutions and other forces that affect society’s basic values, perceptions, preferences and behaviours.

Persistence of cultural values

People in a given society hold many beliefs and values. Their core beliefs and values have a high degree of persistence. For example, most of us believe in working, getting married, giving to charity and being honest. These beliefs shape more specific attitudes and behaviours found in everyday life. *Core* beliefs and values are passed on from parents to children and are reinforced by schools, religious groups, business and government.

Secondary beliefs and values are more open to change. Believing in marriage is a core belief; believing that people should get married early in life is a secondary belief. Marketers have some chance of changing secondary values, but little chance of changing core values. For example, family-planning marketers could argue more effectively that people should get married later than that they should not get married at all.

Shifts in secondary cultural values

Although core values are fairly persistent, cultural swings do take place. Consider the impact of popular music groups, movie personalities and other celebrities on young people's hair styling, clothing and sexual norms. Marketers want to predict cultural shifts in order to spot new opportunities or threats. Such information helps marketers cater to trends with appropriate products and communication appeals.

The principal cultural values of a society are expressed in people's views of themselves and others, as well as in their views of organisations, society, nature and the universe.

People's views of themselves

People vary in their emphasis on serving themselves versus serving others. Some people seek personal pleasure, wanting fun, change and escape. Others seek self-realisation through religion, recreation or the avid pursuit of careers or other life goals. People use products, brands and services as a means of self-expression and buy products and services that match their views of themselves.

In the last decade or so, personal ambition and materialism increased dramatically, with significant marketing implications. In a 'me-society', people buy their 'dream cars' and take their 'dream vacations'. They tend to spend to the limit on self-indulgent goods and services. Today, people are adopting more conservative behaviours and ambitions. They are more cautious in their spending patterns and more value-driven in their purchases. Moving into the new millennium, materialism, flashy spending and self-indulgence have been replaced by more sensible spending, saving, family concerns and helping others. This suggests a bright future for products and services that serve basic needs and provide real value rather than those relying on glitz and hype.

People's views of others

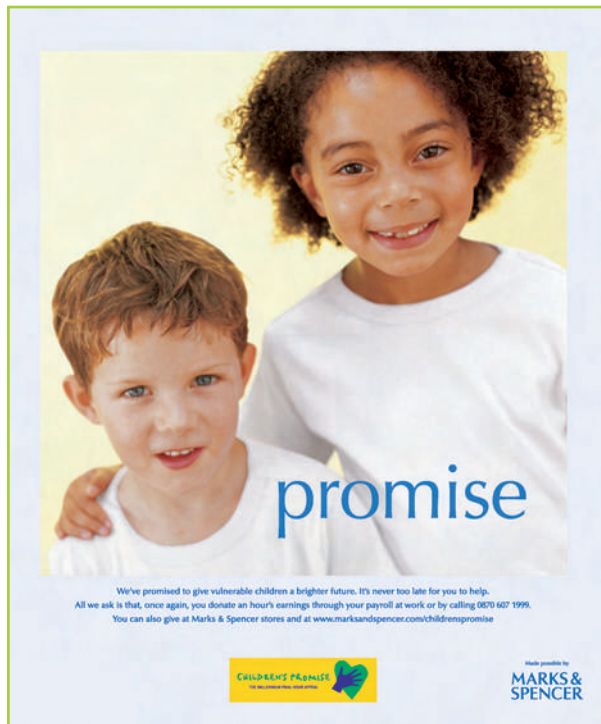
More recently, observers have noted a shift from a 'me-society' to a 'we-society', in which more people want to be with and serve others. Notes one trend tracker, 'People want to get out, especially those . . . working out of their home and feeling a little cooped-up [and] all those shut-ins who feel unfulfilled by the cyberstuff that was supposed to make them feel like never leaving home.'³⁴ Other surveys showed that more people are becoming involved in charity, volunteer work and social service activities.³⁵ These trends suggest greater demand for 'social support' products and services that improve direct communication between people, such as health clubs, family vacations and games.

People's views of organisations

People vary in their attitudes towards corporations, government agencies, trade unions, universities and other organisations. By and large, people are willing to work for big organisations and expect them, in turn, to carry out society's work. In recent years, there has been a decrease in confidence in, and loyalty towards, business and political organisations and institutions. Recent high-profile corporate scandals surrounding once-admired companies such as Enron and WorldCom in the US, and Lernout & Hauspie and Ahold in Europe,³⁶ have only but fuelled this public distrust in mighty corporations. In the workplace, there has been an overall decline in organisational loyalty. Recent waves of company downsizing, for example, have bred cynicism and distrust. Many people today see work not as a source of satisfaction, but as a necessary chore to earn money to enjoy non-work hours.

This trend suggests that organisations need to find new ways to win consumer confidence and employee confidence. They need to review their advertising communications to make sure their messages are honest. Also, they need to review their various activities to make sure that they are coming across as 'good corporate citizens'. More companies are linking themselves to worthwhile causes, measuring their images with important publics and using public relations to build more positive images.³⁷

Chapter 3 The marketing environment



Companies are increasingly seeking to improve their positive impact on society. Here, Marks & Spencer's award-winning Children's Promise campaign reinforces the company's commitment to supporting the local community.

SOURCE: Marks & Spencer.

People's views of society

People vary in their attitudes towards their society – from patriots who defend it, to reformers who want to change it, and malcontents who want to leave it. People's orientation to their society influences their consumption patterns, levels of savings and attitudes towards the marketplace.

In the more affluent, industrialising Asian nations, consumers aspire to achieve the high living standards and lifestyles of people in the more advanced western countries. The display of conspicuous consumption and fondness for expensive western brands – the common label for achievement and westernisation – are highly acceptable behaviour. Consumer patriotism, for example, is not an issue, since locally made goods are often viewed as inferior or less desirable than foreign imported brands. Consumers' predisposition towards western brands suggest a greater demand for goods marketed by companies of western origin, hence creating new marketing opportunities for these firms. By contrast, in the western developed countries, the last two decades saw an increase in consumer patriotism. European consumers reckoned that sticking to locally produced goods would save and protect jobs. Similarly, many US companies also responded to American patriotism, which has been increasing gradually for the past two decades but has experienced a surge following the 11 September 2001 terrorist attacks.³⁸

People's views of nature

People vary in their attitudes towards the natural world. Some feel ruled by it, others feel in harmony with it and still others seek to master it. A long-term trend has been people's growing mastery over nature through technology and the belief that nature is bountiful. More recently, however, people have recognised that nature is finite and fragile – that it can be destroyed or spoiled by human activities.

Love of nature is leading to more camping, hiking, boating, fishing and other outdoor activities. Business has responded by offering more products and services catering to these interests. Tour operators are offering more tours to wilderness areas and retailers are offering more fitness gear and apparel. Food producers have found growing markets for 'natural'

products like natural cereal, natural ice-cream, organically farmed produce and a variety of health foods. Marketing communicators are using appealing natural backgrounds in advertising their products. Yet others have succeeded in building their fortunes by emphasising simplicity and inspiration drawn from nature (see Marketing Insights 3.2).

People's views of the universe

Finally, people vary in their beliefs about the origin of the universe and their place in it. While the practice of religion remains strong in many parts of the world, religious conviction and practice have been dropping off through the years in certain countries, notably in the United States and Europe where, for example, church attendance is on the decline. However, some

3.2 Marimekko: Simplicity sells!

FT

Back in the 1960s Marimekko, a small Finnish company that sells clothing, bags, interior textiles and accessories, made sensational news in the US. The reason? Jacqueline Kennedy, then First Lady, had chosen to buy some maternity dresses from the little-known clothing designer over an American one. The company, however, suffered six years of losses after being taken over by Amer, the Finnish conglomerate, in 1985.

In 1991, Marimekko was bought back by Kirsti Paakkanen. Over the last decade, Ms Paakkanen steadily rebuilt Marimekko's financial strength, capitalising on its trademark of bold colours, bright patterns and distinctive stripes. Marimekko sees itself as a lifestyle company, synonymous with the best of Finnish design, with an emphasis on simplicity and inspiration drawn from Finnish nature. The simple, horizontally striped T-shirts epitomise Marimekko's quality, functionality and practicality. According to Ms Paakkanen, the secrets of the company's success today are a clear set of values: community spirit, respect and caring – values that are set out clearly in the company's annual report. There is also a steadfast support of employees, particularly a refusal to stifle the creativity of its designers. Maybe this is one reason why the company enjoys exceptionally strong employee loyalty – some 40 per cent of employees who joined in the 1950s and 1960s were still with the company in 2000. Marimekko celebrates its 50th anniversary in 2001, against a forecast of steady growth, both at home and in markets across the EU, US and Japan. What is remarkable is that the company is achieving higher sales abroad, despite the problems that have afflicted so many international retailers when expanding outside their own countries. Bright and breezy, big and bold, Marimekko is set to remain one of Finland's best known international brands, after Nokia. There is no better reminder of that than a recent headline on a *New York Times* article about Scandinavian design: 'Marimekko, I think I love you'.

SOURCE: Christopher Brown-Humes, 'Big designs on practicality' in supplement on Finland, © *Financial Times* (10 July 2000), p. vi. More information on the company can be accessed at www.marimekko.com.

Chapter 3 The marketing environment

futurists have noted an emerging renewal of interest in religion, perhaps as part of a broader search for a new inner purpose. People have been moving away from materialism and dog-eat-dog ambition to seek more permanent values and a more certain grasp of right and wrong. The ‘new realists’ reflect a move away from overt consumerism. Some experts observe that this trend reflects a ‘new spiritualism’ which is affecting consumers in everything, from the television shows they watch and the books they read, to the products and services they buy. ‘Since consumers don’t park their beliefs and values on the bench outside the marketplace’, adds one expert, ‘they are bringing this awareness to the brands they buy. Tapping into this heightened sensitivity presents a unique marketing opportunity for brands.’³⁹

However, in many overseas markets where western companies seek to expand, such as India, China and south-east Asia, society’s value systems place great importance on economic achievement and material possession. The values of these ‘enthusiastic materialists’ are also shared by the developing markets of Europe, such as Turkey, and some Latin American countries.⁴⁰

Responding to the marketing environment

Many companies view the marketing environment as an ‘uncontrollable’ element to which they must adapt. They passively accept the marketing environment and do not try to change it. They analyse the environmental forces and design strategies that will help the company avoid the threats and take advantage of the opportunities the environment provides.

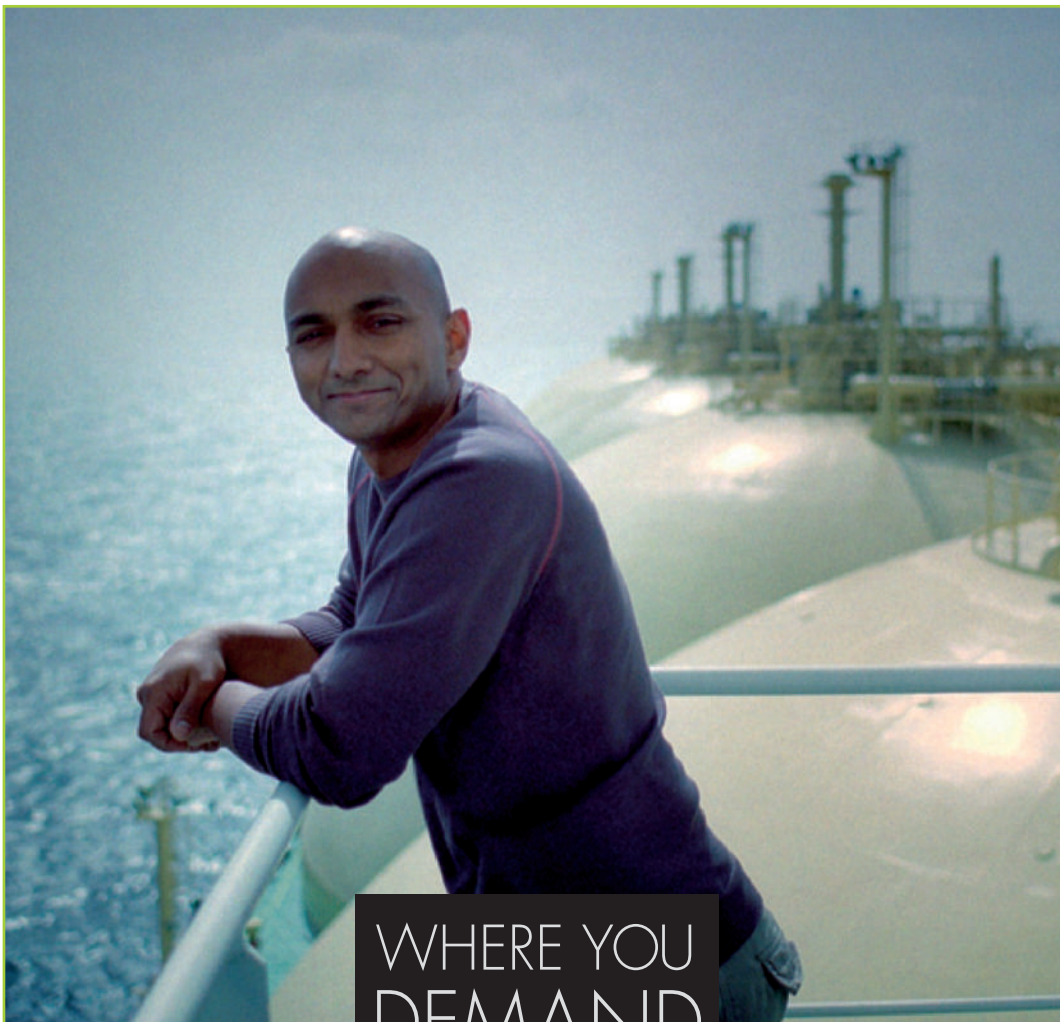
Other companies take an **environmental management perspective**.⁴¹ Rather than simply watching and reacting, these firms take aggressive actions to affect the publics and forces in their marketing environment. Such companies hire lobbyists to influence legislation affecting their industries and stage media events to gain favourable press coverage. They run ‘advertorials’ (ads expressing editorial points of view) to shape public opinion. They take legal action and file complaints with regulators to keep competitors in line. They also form contractual agreements to better control their distribution channels.

Often, companies can find positive ways to overcome seemingly uncontrollable business environmental constraints. For example:

Cathay Pacific Airlines . . . determined that many travelers were avoiding Hong Kong because of lengthy delays at immigration. Rather than assuming that this was a problem they could not solve, Cathay’s senior staff asked the Hong Kong government how to avoid these immigration delays. After lengthy discussions, the airline agreed to make an annual grant-in-aid to the government to hire more immigration inspectors – but these reinforcements would service primarily the Cathay Pacific gates. The reduced waiting period increased customer value and thus strengthened [Cathay’s competitive advantage].⁴² ”

Marketing management cannot always affect environmental forces. In many cases, it must settle for simply watching and reacting to the environment. For example, a company would have little success in trying to influence geographic population shifts, the economic environment or important cultural values. But whenever possible, smart marketing managers will take a *proactive* rather than *reactive* approach to the marketing environment.

Environmental management perspective—A management perspective in which the firm takes aggressive actions to affect the publics and forces in its marketing environment rather than simply watching it and reacting to it.



WHERE YOU DEMAND WE SUPPLY.

Behind Sam Singh, captain of a Shell G Class carrier, sit 135,000 cubic metres of liquefied natural gas (LNG).

On deck, it's a balmy 25 degrees. In the insulated LNG containers, it's minus 160°C.

Sam's carrier is just one of our specialised fleet that carries over nine million tonnes of LNG around the world every year.

They bridge the gap between places like Brunei, Oman and Nigeria, with an abundance of natural gas, and markets with a rapidly rising demand like Asia, the Americas and Europe.

We have been investing in our LNG operations for over forty years. Now these efforts are paying off handsomely.

Within ten years, the number of our LNG plants will have doubled. So too will the number of countries we supply.

Why? Because by 2025 gas, the cleanest fossil fuel, could well have overtaken oil as the world's predominant source of energy.

Developing and connecting the gas markets of the world is an increasingly crucial business in which no one matches our expertise and commitment.

And if people like Sam have anything to do with it, no one ever will.

To find out more about our Gas & Power business visit www.shell.com



Businesses face great pressure to balance economic progress with social responsibility. Here, the multinational company Shell articulates the need for striking a balance between the need to protect people's way of life and the environment and to provide sustainable, affordable energy.

SOURCE: Shell International. Agency: J. Walter Thompson.

Summary

Companies must constantly watch and adapt to the *marketing environment* in order to seek opportunities and ward off threats. The marketing environment comprises all the actors and forces that affect the company's ability to transact effectively with its target market.

The company's marketing environment can be divided into the microenvironment and the macroenvironment. The *microenvironment* consists of other actors close to the company that combine to form the company's value delivery network. It includes the company's *internal environment* – its departments and management levels, which influence marketing decision making. *Marketing channel firms* – the firm's suppliers and marketing intermediaries, including resellers, physical distribution firms, financial intermediaries and marketing services agencies – cooperate to create customer value. Another set of forces include five types of customer *markets* in which the company can sell: the consumer, producer, reseller, government and international markets. *Competitors* vie with the company in an effort to serve customers better. Finally, various *publics* – financial, media, government, citizen action, local, general and internal publics – have an actual or potential interest in or impact on the organisation's ability to achieve its objectives.

The company's *macroenvironment* consists of six forces that shape opportunities and pose threats to the company. These include demographic, economic, natural, technological, political and cultural forces that affect the entire microenvironment.

We addressed how changes in the demographic and economic environments affect marketing decisions. In the more developed western economies, today's *demographic environment* shows a changing age structure, shifting family profiles, trends towards a better educated, international migration and increasing diversity. The *economic environment* includes factors that influence consumers' buying power and spending patterns. The trends are towards greater value, with consumers seeking just the right combination of good quality and service at the right price.

We looked at the major trends in the firm's natural and technological environments. The *natural environment* shows these major trends: shortages of certain raw materials, increased energy costs, higher pollution levels, more government intervention in natural resource management and higher levels of citizen concern and activism about these issues. The *technological environment* reveals rapid technological change, high R&D budgets, the concentration by companies on minor product improvements and increased government regulation.

Key changes are also observed in the political and cultural environments. The *political environment* consists of laws, agencies and groups that influence or limit marketing actions. The political environment has undergone three changes that affect marketing actions: increasing legislation regulating business, the rising importance of public interest groups, and increased emphasis on ethics and socially responsible actions. The *cultural environment* suggests trends towards a 'we-society', a cautious trust of institutions, increasing conservatism, greater appreciation for nature, a new realism and the search for more meaningful and enduring values.

Companies can passively accept the marketing environment as an uncontrollable element to which they must adapt, avoiding threats and taking advantage of opportunities as they arise. Or they can take an *environmental management perspective*, proactively working to change the environment rather than simply reacting to it.

Discussing the issues

1. Select a company that produces and markets sports and leisure clothing. What are the factors that affect the firm's marketing environment? Identify the major environmental trends that are likely to create opportunities and ones that will present threats to this company in the decade ahead.
2. Demographers note the growing importance of the 'Generation Xers' and 'Baby boomlets'. Yet, the fastest growing segment in many of the more developed countries is the 'senior citizen'. If you were in charge of marketing in a consumer healthcare company, how would you deal with the potential opportunities presented by these consumer groups?
3. Pressure groups, lobbyists and public interest groups play an important role in defending society's interests. Select one such group you are familiar with and describe its cause. How might goods or services providers targeted by the group respond to the demands or pressures imposed by the group?
4. Customers are becoming more concerned about the natural environment. How would this trend affect a company that markets plastic food bags? Discuss some effective responses to this trend.
5. Some marketing goals, such as improved quality, require strong support from an internal public – a company's own employees. But surveys show that employees increasingly distrust management and that company loyalty is eroding. How can a company market internally to help meet its goals?

Applying the concepts

1. Changes in the marketing environment mean that marketers must meet new consumer needs that may be quite different – even directly opposite – from those in the past. You can track changes in the marketing environment by looking at how companies modify their products. Where appropriate, you could visit selected companies' websites to gain details about their products.
 - Make a list of the products you encounter in one day that claim to be 'low' or 'high' in some ingredient, such as fruit juices without added preservatives, low-fat yogurts or high-fibre cereal.
 - Write down similar products that seem to offer the opposite characteristics.
 - In each case, which product do you think came first? Do you think that this is an effective response to a changing marketing environment? Why? Why not?
2. The political environment can have a direct impact on marketers and their plans. Thinking about a recent major political environmental change in a country of your choice, consider the following:
 - Name three industries that will probably have their marketing plans and strategies affected by the political changes.
 - For each of the industries that you named, list three potential strategies to help adapt to the coming changes in the political environment.
 - Although environmental changes appear likely, are they certain? How should companies plan for unsettled conditions?

References

1. Richard Tomkins, 'Big food has a lot on its plate', *Financial Times* (12 February 2004); accessed at www.ft.com, 12 February 2003.
2. Jennifer Lach, 'Dateline America: May 1, 2025', *American Demographics* (May 1999), pp. 19–20.
3. Martin Wolf, 'Why Europe was the past, the US is the present and a China-dominated Asia the future of the global economy', *Financial Times* (22 September 2003), p. 21; the *UN World Population Prospects* gives population details for individual countries; also, for continuously updated projections of the world population, consult the UN world population and US Census Bureau's websites: www.un.org/esa/population/unpop, and www.census.gov.
4. See www.un.org/esa/population/unpop; Martin Wolf, 'Demography: people, plagues and prosperity: five trends that promise to transform the world's population within 50 years', *Financial Times* (27 February 2003), p. 17.
5. Wolf, op. cit.
6. Lorien Holland, 'Baby boom', *Far Eastern Economic Review* (24 June 1999), p. 61; Sally D. Goll, 'Marketing: China's (only) children get the royal treatment', *Wall Street Journal* (8 February 1995), pp. B1, B3.
7. See Philip Kotler, *Marketing Management: Analysis, planning, implementation, and control*, 11th edn (Upper Saddle River, NJ: Pearson Education, 2003), p. 163.
8. Accessed online from www.growingupdigital.com/flecho.html, October 1999. Also see Diane Summers, 'Generation X comes of age', *Financial Times* (16 February 1998), p. 16; and Douglas Tapscott, *Growing Up Digital: The rise of the Net generation* (New York: McGraw-Hill, 1999).
9. Stephen Fidler, 'Problem of ageing "underestimated"', *Financial Times* (17/18 June 2000), p. 7; 'Fewer and wrinklier Europeans', *The Economist* (15 January 2000), p. 42; European Commission, *Demographic Statistics* in addition to UN Population Division and OECD are further sources of information on population statistics and projections.
10. 'A survey of the 20th century. On the yellow brick road', *The Economist* (11 September 1999), p. 6; 'Too many or too few', *The Economist* (25 September 1999), p. 19; 'Like herrings in a barrel', *The Economist* (31 December 1999), pp. 13–14.
11. 'Out of Africa', *The Economist* (14 June 2003), p. 32; Wolf, op. cit.
12. Simon Briscoe, 'Women with degrees "more likely to reject motherhood"', *Financial Times* (25 April 2003), p. 4; Paul Bettis, 'Ageing Europe faces up to need for pension reform', *Financial Times* (28 August 2003), p. 18; 'Krybbe to grave', in 'Dancing to a new tune: a survey of the Nordic region', *The Economist* (14 June 2003), pp. 10–13.
13. Dan Roberts, 'The ageing business: companies and marketers wrestle with adapting their products to older consumers' demands', *Financial Times* (20 January 2004), p. 19.
14. David Short, 'A different taste of things to come', *The European* (14–20 October 1994), p. 21; data on household composition available online at <http://europa.eu.int/comm/eurostat/Public/datashop/>; also, information on changing US household composition accessed online at www.census.gov/population/projections/nation/hh-fam/, August 2003.
15. 'Mix and match', in 'Dancing to a new tune: a survey of the Nordic region', *The Economist* (14 June 2003), pp. 7–10; Kevin Brown, 'Ageing process likely to prove costly for next generation', *Financial Times* (24–25 August 2002), p. 4; details accessed at www.ft.com/changingbritain.
16. Wolf, op. cit.
17. 'Education. The uses of literacy', *The Economist* (17 June 2000), pp. 34–5; 'Dorothy's dream', The Economist 20th Century Survey, *The Economist* (11 September 1999), pp. 34–8.
18. For a more detailed discussion and analysis of EU enlargement, see 'When east meets west' in 'A survey of the EU enlargement', *The Economist* (22 November 2003); also see Stefan Wagstyl, 'Opening the door: as Europe prepares to end the divisions of the past, the disputes of the present cast a shadow', *Financial Times* (2 January 2004); 'Enlarging the European Union', *The Economist* (12 October 2002), p. 42.
19. Alan Mitchell, 'Brands play for global domination', *Marketing Week* (2 February 1996), pp. 26–7; 'The myth of the Euro-consumer', *The Economist* (4 November 1989), pp. 107–8.

20. 'The day the miracle came to an end', *Financial Times* (12 January 1998), p. 8; John Ridding and James Kynge, 'Complacency gives way to contagion', *Financial Times* (13 January 1998), p. 8.
21. See 'Can Europe compete? Balance of economic power begins to shift', *Financial Times* (9 March 1994), p. 14; 'Emerging-market indicators', *The Economist* (18 May 1999), p. 142; data on Gross Domestic Product (GDP) of countries, including GDP at purchasing power parity, are obtained from the following sources: Eurostat (National Statistics Office) (data accessible at: <http://europa.eu.int/>), World Bank, International Monetary Fund. Data are also available to subscribers to *The Economist* at www.economist.com.
22. Tony Lewin, 'Car makers line up for next baby boom', *The European* (30 May 1996), p. 30.
23. Michael Smith and Leyla Boulton, 'Oil v. autos in fight over cost of pollution', *Financial Times* (17 February 1998), p. 2; Casper Henderson, 'Might PVC be PC after all?', *Financial Times* (7 June 2000), p. 17.
24. John-Paul Flintoff, 'Stinking rich in Holland Park', *The Business Weekend FT Magazine* (29 April 2000), pp. 28–31; 'Pollution: the money in Europe's muck', *The Economist* (20 November 1993), pp. 109–10.
25. 'How green is your market?', *The Economist* (8 January 2000), p. 77.
26. For more discussion, see Veronica Wong, William Turner and Paul Stoneman, 'Marketing strategies and market prospects for environmentally-friendly consumer products', *British Journal of Management* (1996), pp. 263–81.
27. 'Emerging-market indicators. Green growth', *The Economist* (29 January 2000), p. 150.
28. 'Going Dutch', *The Economist* (20 November 1993), p. 110.
29. For more discussion, see Michael E. Porter and Claas van der Linde, 'Green and competitive: ending the stalemate', *Harvard Business Review* (September–October 1995), pp. 120–34; Stuart L. Hart, 'Beyond greening: strategies for a sustainable world', *Harvard Business Review* (January–February 1997), pp. 67–76; and Forest L. Reinhardt, 'Bringing the environment down to earth', *Harvard Business Review* (July–August 1999), pp. 149–57.
30. David Pilling, Clive Cookson and Victoria Griffith, 'Human blueprint is revealed', *Financial Times* (27 June 2000), p. 1; Clive Cookson, 'Book of life that rewrites existence', *Financial Times* (27 June 2000), p. 15; Victoria Griffith, 'Advance is a mixed blessing', *Financial Times* (27 June 2000), p. 15.
31. Michael Smith, 'Brussels acts over telecoms pricing and unveils competition blueprint', *Financial Times* (13 April 2000), p. 1; Christopher Brown-Humes, 'Volvo attacks Brussels over Scania ruling', *Financial Times* (9 March 2000), p. 33.
32. 'EU rules aim to outlaw spam', *Marketing Business* (May 2003), p. 6; for more information on the new EU directive on consumer privacy and electronic communications, visit www.informationcommissioner.gov.uk.
33. '13-year-old bids over \$3M for items in eBay auctions', *USA Today* (30 April 1999), p. 10B.
34. See Cyndee Miller, 'Trendspotters: "Dark Ages" ending; so is cocooning', *Marketing News* (3 February 1997), pp. 1, 16.
35. Adrienne Ward Fawcett, 'Lifestyle study', *Advertising Age* (18 April 1994), pp. 12–13.
36. Robert Howell, 'How accounting executives looked the wrong way', *Financial Times, FT Summer School Day 7: Finance Part I* (13 August 2002), p. 11.
37. For more information on ethics and sustainability, visit the Chartered Institute of Marketing's (CIM) Knowledge Centre at www.cim.co.uk.
38. See 'A run on patriotism', *Warehousing Management* (November 2001), p. 5; Bill McDowell, 'New DDB Needham report: consumers want it all', *Advertising Age* (November 1996), pp. 32–3.
39. Myra Stark, 'Celestial season', *Brandweek* (16 November 1998), pp. 25–6; also see David B. Wolfe, 'The psychological center of gravity', *American Demographics* (April 1998), pp. 16–19; and Richard Cimino and Don Lattin, 'Choosing my religion', *American Demographics* (April 1999), pp. 60–5.
40. Dyan Machan, 'A more tolerant generation', *Forbes* (8 September 1997), pp. 46–7; William Davis, 'Opinion', *Marketing Business* (March 1996), p. 6.
41. See Carl P. Zeithaml and Valerie A. Zeithaml, 'Environmental management: revising the marketing perspective', *Journal of Marketing* (Spring 1984), pp. 46–53.
42. Howard E. Butz Jr. and Leonard D. Goodstein, 'Measuring customer value: gaining the strategic advantage', *Organizational Dynamics* (Winter 1996), pp. 66–7.

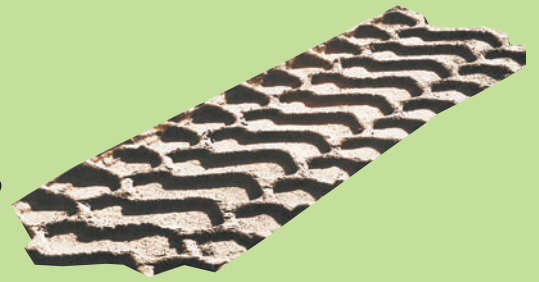


WEB RESOURCES

For additional classic case studies and Internet exercises, visit www.pearsoned.co.uk/kotler

Concluding concept 3

Toyota Prius: green or geek machine?



There are many reasons why people may want a revolutionary car. Some enthusiasts enthuse about scientific and technological advances and want the latest gizmos. Others rebel against fuel price increases, even though fuel is cheaper than it has been for decades. Finally, people are 'concerned about the environment'.

Hoping that all of the above was true, and looking to grab a technological advantage over other car manufacturers, in 2000 Toyota introduced Prius, their first hybrid car. Prius means 'to go before', so is a name that may be very prophetic. The Prius and the Honda Insight are the first in a wave of hybrid family cars coming out ahead of similar vehicles from GM, Ford and DaimlerChrysler.

At first glance, the Prius seems to have a lot going for it. It combines a 1.5 litre, four-cylinder petrol engine and a 33-kilowatt electric motor. It comfortably seats five, if the three in the back aren't too tall or too big, and has 0.34 m³ of luggage space. The electric motor starts the car and operates at low speeds, using a nickel metal-hydride battery. At higher speeds, the Prius automatically switches to the internal combustion engine. Under normal motorway driving conditions, it should get 28 km per litre.

The downside is that the Prius is no muscle car. It also costs about €4,000 more than the Toyota Echo, although they are nearly the same car. Of course, getting twice as many kilometres per litre of petrol will help to offset the price differential. Assuming the range and a typical 2002 price of €1.00/litre, the Prius owner would have to buy 4,000 litres of petrol, enough fuel for 112,000 km, which could take years. Of course, if prices were to rise drastically, that could change. But even if prices doubled – which is not likely – you'd have to drive more than 50,000 km to make up the initial price difference.

The picture gets even gloomier when you realise that no one is going to get the estimated fuel consumption anyway. The Environmental Protection Agency (EPA) has admitted that its testing procedure overstates petrol mileage by as much as 15 per cent. It tests cars on a chassis dynamometer, where the driven wheels turn freely on a set of rotating drums – far from normal driving conditions. In addition, hybrids use regenerative braking to recharge their batteries, with the result that braking

during the EPA driving cycle is feeding more energy back into the system, boosting estimated petrol mileage.

Although this offers a fuel saving, the overall cost of ownership looks less attractive. Compared with the family 'Car of the Year 2004', the conventionally powered Toyota Avensis 1.8 T3-S, the Prius looks poor value. Although the Prius saves on fuel, its overall running cost comes out higher than that of the equivalent Avensis. The reason is its 25 per cent higher service or contract hire cost.

On the brighter side, Toyota and its competitors believe that costs will decrease once production of hybrids begins to yield economies of scale. The benefits of scale would not stop with the producer. For example, a major part of the cost of the car is the nickel metal-hydride batteries. A company such as Panasonic could reduce the cost of producing batteries through research and development, if the market merited such an investment, and could further reduce the price of batteries through its own economies of scale.

However, realising that cost reductions are a way off and that fuel savings aren't going to be the key to convincing people to purchase the Prius, car manufacturers have asked for tax incentives to stimulate purchase of clean-fuel and high-mileage cars.

Several governments are providing incentives to people to buy hybrid cars. The US government offers \$2,000 federal income-reduction and the UK government offers reduced car tax on initial purchase. Electric car drivers can also avoid London's £5 per day Congestion Charge.

Are consumers ready for hybrids? Do improved gas mileage and emissions standards affect their buying decision? A glance at car sales in the last 10 years would suggest not. The biggest sales growth was in gas-guzzling 4 × 4s. After all, we rarely saw Range Rovers 10 years ago; now they're a fairly common sight. People, it seems, think it's a good idea for their neighbours to drive 'green machines', not themselves.

Actually, when the Prius was introduced, it flew out of dealers' showrooms. Between July and October 2000, Toyota sold 2,610 Priuses and had difficulty keeping up with demand. By the end of October 2000, the cars were

Are consumers ready for hybrids?

waitlisted until January. Of course, much of that sales success is attributable to Toyota's clever marketing. Two years before introduction, Toyota began educating consumers about the Prius. The company established a website to distribute information and also sent e-brochures to 40,000 likely buyers just before the introduction. Within two weeks, Toyota sold 1,800 cars based on the email message.

In all, Toyota spent €15 million in 2002 promoting the Prius. There were print ads in magazines, but the bulk of the campaign was in television advertising. Ads running before the actual introduction used the tag line 'A car that sometimes runs on gas power and sometimes runs on electric power, from a company that always runs on brain power'. These ads helped to position Toyota as an 'environmentally concerned' company and more subtly stressed the technology aspect of the car. After introduction, the ads appealed more to emotion, with tag lines such as 'When it sees red, it charges' – a reference to the car's recharging at traffic lights. The headline captured the consumer's attention through ambiguity. Only through focusing on the ad could the consumer learn why the headline was accurate. Again, the appeal is based on the technology of the car. Finally, Toyota took advantage of Earth Day to send out green seed cards shaped like Toyota's logo to prospective buyers, wrapped some Priuses in green, and gave away cars at Earth Day events.

Of course, €15 million is just a drop in the ocean compared to Toyota's overall marketing budget of €200 million in 2002, but Toyota was satisfied with the effectiveness of the campaign, given the 'newness' of the car and the need to explain its technology.

Much of this success can also be attributed to the narrow targeting of the ads. The company expected the first hybrid car buyers to be 'techies' and early adopters (people who are highly likely to buy something new). They were right. Many Prius owners are immersed in the technology. They flood chatrooms with discussion of the car. The Priusenvy.com website urges owners to 'Kick some gas'.

Owners immediately began tinkering with the car's computer system. One owner was able to add cruise control (an option not offered by Toyota) by wiring in a few switches in the car's computer system. The founder of priusenvy.com worked out how to use the car's dashboard display screen to show files from his laptop, play video games, and look at rear-view images from a video camera pointed out of the back of the car. One Austrian consumer installed a sniffer – a device on the car's computer network that monitors electronic messages. With the sniffer, he

will be able to hook up add-ons such as a MiniDisc Player, an MP3 player, a laptop computer and a TV tuner. In the past, owners using mechanical skills customised cars with paint, lowered bodies, and souped-up engines. In the future, customisation may rely on being computer savvy.

Even though the Internet was a major part of the Prius launch, Toyota does not sell the car from its website. Buyers go to prius.toyota.com online to pick a colour and decide whether they want a CD player and floor mats – the only options available from Toyota. After that, the dealers get involved, but it takes specially trained salespeople to explain and promote the Prius. Consequently, only 75 per cent of Toyota dealers handle the car. Many of them are not happy about the need to train salespeople. And why should they be? Margins are higher on gas-guzzlers, which are also easier to sell.

Given dealer reluctance and consumer resistance, why have Toyota and Honda spent so much on their hybrids? While part of the answer is government regulations, a bigger part of the answer is competition. All car manufacturers concede that they will eventually have to move to hybrids to raise petrol mileage and lower emissions, and all of them have plans to do so. Ford, for example, plans to introduce an Escape SUV that will get 17 km/litre. DaimlerChrysler says that 15 per cent of its sport-utility vehicles will be hybrids that will get 20 per cent better fuel efficiency than conventional vehicles. General Motors is betting on hybrid buses and trucks. Toyota hopes, however, that its early entry will be the basis for a system of hybrids from ultracompact 'minicars' to luxury saloons, sport-utility vehicles, and even commercial trucks.

The mass market, however, values space, comfort, and power. Although hybrids may have space and comfort, power would appear to be more elusive. Without greater power, it will be interesting to see whether consumers, who like speed on those open autobahns and acceleration on alpine roads, will settle for a hybrid.

Questions

1. What microenvironmental factors affect the introduction and sales of the Toyota Prius? How well has Toyota dealt with these factors?
2. Outline the major macroenvironmental factors – demographic, economic, natural, technological, political, and cultural – that have affected the introduction and sales of the Toyota Prius. How has Toyota dealt with each of these factors?
3. Evaluate Toyota's marketing strategy so far. What has Toyota done well? How might it improve its strategy?

Chapter 3 The marketing environment

4. In your opinion, what are the advantages of Toyota's early entry into the hybrid market? What are the disadvantages? Should Toyota have waited – like Ford, GM and DaimlerChrysler?

SOURCES: 'Hit the road, tech', *Fortune* (Winter 2001), pp. 37–8; Jeffrey Ball, 'Hybrid gas–electric car owners can get income-tax deductions', *Wall Street Journal* (22 May 2002), p. D8; Jeff Green, 'Attention techies and assorted geniuses: Toyota Prius wants you', *Brandweek* (15 May 2000), p. 113; Karl Greenberg, 'A wildflower grows in Torrance as Toyota gets environmentally aware', *Brandweek* (20 May 2002), p. 42; Margaret Littman, 'Hybrid engine cars do better with hybrid marketing

tactics', *Marketing News* (25 September 2000), p. 42; John McElroy, 'A long time coming', *Ward's Auto World* (July 2001), p. 21; Margot Roosevelt, 'Hybrid power', *Time* (11 December 2000), pp. 94–5; Norihiko Shirouzu, 'Ford aims to sell a gas–electric SUV that will offer sizable fuel efficiency', *Wall Street Journal* (7 March 2000), p. A2; Sherri Singer, 'Toyota Prius', *Machine Design* (28 January 1999), pp. S52–3; Emily Thornton, 'Enviro-Car: the race is on', *Business Week* (8 February 1999), p. 74; Thomas Weber, 'Hacking your car: how auto buffs use the Net to reprogram vehicles', *Wall Street Journal* (2 July 2001), p. B1; David Welch, '46 miles per gallon 47 48', *Business Week* (14 August 2000), p. 68, 'Toyota prices', *What Car? Road Test Directory* (February/March 2004), p. 113; *What Car Buyer Guide* (March 2004), p. 253.