Monitor changes in the marketing environment

**Environmental scanning** – the process of collecting information about forces in the marketing environment

- Observation
- Secondary sources such as business, trade, government, and Internet sources
- Marketing research

**Environmental analysis** – the process of assessing and interpreting information gathered through environmental scanning
Competition – other firms that market products that are similar to or can be substituted for a firm’s products in the same geographic area.

Few firms are free of competition.

Broadly, all firms compete with one another for customers’ dollars.
Table 3.1 – Selected Characteristics of Competitive Structures

<table>
<thead>
<tr>
<th>Type of Structure</th>
<th>Number of Competitors</th>
<th>Ease of Entry into Market</th>
<th>Product Product differentiation, with many substitutes</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monopoly</td>
<td>One</td>
<td>Many barriers</td>
<td>Almost no substitutes</td>
<td>Water utilities</td>
</tr>
<tr>
<td>Oligopoly</td>
<td>Few</td>
<td>Some barriers</td>
<td>Homogeneous or differentiated (with real or perceived differences)</td>
<td>UPS, FedEx, United States Postal Service (package delivery)</td>
</tr>
<tr>
<td>Monopolistic competition</td>
<td>Many</td>
<td>Few barriers</td>
<td></td>
<td>Wrangler, Levi Strauss, Diesel, Lee Jeans (jeans)</td>
</tr>
<tr>
<td>Pure competition</td>
<td>Unlimited</td>
<td>No barriers</td>
<td>Homogeneous products</td>
<td>Vegetable farm (sweet corn)</td>
</tr>
</tbody>
</table>
Price is one marketing strategy variable that most competitors monitor.

Firms must develop a system for gathering ongoing information about competitors.

Allows firms to:
- Maintain a market orientation
- Assess their own marketing efforts
- Recognize the strengths and weaknesses of their own strategies
Political Forces

- Political, legal, and regulatory forces are closely interrelated.
- Reactive marketers adjust to the conditions.
- Proactive firms influence the political process.
# Regulatory Agencies

<table>
<thead>
<tr>
<th>Federal Regulatory Agency</th>
<th>Major Areas of Responsibility</th>
</tr>
</thead>
</table>
| Federal Trade Commission (FTC)                   | • Regulates a variety of business practices  
• Allocates considerable resources to curbing false advertising, misleading pricing, and deceptive packaging and labeling |
| Food and Drug Administration (FDA)               | • Enforces regulations prohibiting the sale and distribution of adulterated, misbranded, or hazardous food and drug products                                  |
| Consumer Product Safety Commission (CPSC)        | • Ensures compliance with the Consumer Product Safety Act  
• Protects the public from unreasonable risk of injury from any consumer product not covered by other regulatory agencies |
Self-Regulation

- **Better Business Bureau (BBB)** – a local, nongovernmental regulatory agency, supported by local businesses, that helps settle problems between customers and specific business firms.

- **National Advertising Review Board (NARB)** – a self-regulatory unit that considers challenges to issues raised by the NAD about an advertisement.
Technological Forces (1 of 2)

- **Technology** – the application of knowledge and tools to solve problems and perform tasks more efficiently
- Effects of technology:
  - Dynamics
  - Reach
  - Self-sustaining nature
Sociocultural Forces

- **Sociocultural forces** – the influences in a society and its culture(s) that change people’s attitudes, beliefs, norms, customs, and lifestyles
  - Help to determine what, where, how, and when people buy products
- Changes in a population’s demographic characteristics:
  - Affect relationships and individual behavior
  - Lead to changes in how people live and ultimately in their consumption
- Monitoring value changes helps marketers to predict changes in consumers’ needs for products.
Social Responsibility and Ethics in Marketing (1 of 2)

- **Social responsibility** – an organization’s obligation to maximize its positive impact and minimize its negative impact on society.

- Socially responsible organizations strive for marketing citizenship by adopting a strategic focus for fulfilling the stakeholders’ expectations.

- **Marketing citizenship** – the adoption of a strategic focus for fulfilling the economic, legal, ethical, and philanthropic social responsibilities expected by stakeholders.
Stakeholder orientation – going beyond customers, competitors, and regulators to include understanding and addressing the needs of all stakeholders.

Organizations must demonstrate a balanced perspective on stakeholder interests.

Economic, legal, ethical, and philanthropic dimensions of social responsibility can be viewed as a pyramid.
Figure 3.2 – The Pyramid of Corporate Social Responsibility

- **Economic**
  - Be profitable
  - The foundation upon which all others rest

- **Legal**
  - Obey the law
  - Law is society's codification of right and wrong
  - Play by the rules of the game

- **Ethical**
  - Be ethical
  - Obligation to do what is right, just, and fair
  - Avoid harm

- **Philanthropic**
  - Be a good corporate citizen
  - Contribute resources to the community; improve quality of life

Source: Adapted from Archie B. Carroll, “The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders,” adaptation of Figure 3, p. 42.
Economic Dimension

Marketers have an economic responsibility to:

- Be profitable so they can:
  - Provide a return on investment to their owners and investors
  - Create jobs for the community
  - Contribute goods and services to the economy
- Compete fairly
  - Size often gives a competitive advantage.
  - Social responsibility for organizations, communities, and consumers
Legal Dimension

- Marketers are expected to obey laws and regulations.
- Reasons for legal cases:
  - Violation of law
  - Attempt to interpret the law
  - Fraud
- Irresponsible by marketing organizations results in new legislation or litigation.
Ethical Dimension (1 of 2)

- Marketing ethics – principles and standards that define acceptable marketing conduct
  - As determined by various stakeholders
  - Goes beyond legal issues
  - Foster trust, which helps to build long-term marketing relationships

- Breakdown in exchange process can result in:
  - Customer dissatisfaction and lack of trust
  - Lawsuit
Ethical Dimension (2 of 2)

- **Ethical issue** – an identifiable problem, situation, or opportunity requiring a choice among several actions that must be evaluated as:
  - Right or wrong
  - Ethical or unethical

- Marketing ethical issue exists if marketing managers or customers feel manipulated or cheated

- Greater the consequences associated with an issue:
  - More likely it will be recognized as an ethics issue
  - More important it will be to making an ethical decision
<table>
<thead>
<tr>
<th>Issue Category</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>• Failing to disclose risks associated with a product</td>
</tr>
<tr>
<td></td>
<td>• Failing to disclose information about a product’s function, value, or use</td>
</tr>
<tr>
<td></td>
<td>• Failing to disclose information about changes in the nature, quality, or size of a product</td>
</tr>
<tr>
<td>Pricing</td>
<td>• Price fixing</td>
</tr>
<tr>
<td></td>
<td>• Predatory pricing</td>
</tr>
<tr>
<td></td>
<td>• Failing to disclose the full price of a purchase</td>
</tr>
<tr>
<td>Distribution</td>
<td>• Failing to live up to the rights and responsibilities associated with supply-chain member roles (e.g., manufacturers, wholesalers, distributors, retailers)</td>
</tr>
<tr>
<td></td>
<td>• Manipulating product availability</td>
</tr>
<tr>
<td></td>
<td>• Using coercion to force other intermediaries to behave in a certain way</td>
</tr>
<tr>
<td>Promotion</td>
<td>• False or misleading advertising</td>
</tr>
<tr>
<td></td>
<td>• Using manipulative or deceptive sales promotions, tactics, and publicity</td>
</tr>
<tr>
<td></td>
<td>• Offering or accepting bribes in personal selling situations</td>
</tr>
</tbody>
</table>
Philanthropic Dimension

- **Cause-related marketing** – the practice of linking products to a particular social cause on an ongoing or short-term basis

- **Strategic philanthropy approach** – the synergistic use of organizational core competencies and resources:
  - To address key stakeholders’ interests
  - To achieve both organizational and social benefits
Sustainability

- Most common programs are designed to protect and preserve the natural environment by reducing, reusing, and recycling.
- Green marketing – strategic process involving stakeholder assessment to create meaningful, long-term relationships with customers while maintaining, supporting, and enhancing the natural environment.
- Greenwashing
  - Occurs when firms claim to protect the environment but fail to demonstrate their commitment.
  - Makes consumers skeptical.
Incorporating Social Responsibility and Ethics into Strategic Planning

Difference between ethics and social responsibility

- Ethics – judgments about what is right or wrong in a particular decision-making situation
- Social responsibility – deals with the total effect of marketing decisions on society

Both concepts are interrelated and can be profitable as well, leading to their adoption by companies in strategic planning.
**Incorporating Social Responsibility and Ethics into Strategic Planning** (2 of 4)

- **Codes of conduct** – formalized rules and standards that describe what a company expects of its employees.
- Promote ethical behavior by reducing opportunities for unethical behavior.
- Employees know:
  - What is expected of them.
  - What kind of punishment they face if they violate the rules.
Incorporating Social Responsibility and Ethics into Strategic Planning (3 of 4)

Fewer instances of observed unethical behavior can be a result of:
- Effective content
- Frequency of communication regarding the code
- Quality of communication
- Incorporation of the code into the organization

Include general ethical values and more marketing-specific issues
Table 3.4 – Observed Misconduct in the U.S. Workforce

<table>
<thead>
<tr>
<th>Observed misconduct</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abusive behavior</td>
<td>22%</td>
</tr>
<tr>
<td>Lying to stakeholders</td>
<td>22%</td>
</tr>
<tr>
<td>Conflict of interest</td>
<td>19%</td>
</tr>
<tr>
<td>Pressure to compromise standards</td>
<td>22%</td>
</tr>
<tr>
<td>Report observed misconduct</td>
<td>76%</td>
</tr>
<tr>
<td>Experience retaliation for reporting</td>
<td>53%</td>
</tr>
</tbody>
</table>

Incorporating Social Responsibility and Ethics into Strategic Planning

- Social responsibility has a synergistic effect on market orientation.
- More firms are adopting a stakeholder orientation.
- Direct association exists between:
  - Corporate social responsibility and customer satisfaction
  - Profits
  - Market value
- Long-term value of conducting business in a socially responsible manner outweighs short-term costs.