Chapter 4

To consolidate your learning, the key points from this chapter are summarized here:

■ Identify and define the three core areas of the marketing environment.

The marketing environment incorporates the external environment, the performance environment, and the internal environment. The external environment incorporates macroenvironmental factors, which are largely uncontrollable and which organizations generally cannot influence. The performance environment incorporates key factors within an industry that impact on strategic decision-making. The internal environment is controllable and is the principal means by which an organization influences its strategy, through its resource base.

■ Describe the key characteristics associated with the marketing environment.

The external environment consists of the political, social, and technological influences, and organizations have limited influence over these. The performance environment consists of the competitors, suppliers, and indirect service providers, shaping the way in which organizations achieve their objectives. Organizations have more influence over these. The internal environment concerns the resources, processes, and policies with which organizations manage to achieve their goals.

■ Explain PESTLE analysis and show how it is used to understand the external environment.

We considered the various components of the external marketing environment that may impact on any particular organization using the PESTLE acronym, which assesses the political, economic, socio-cultural, technological, legal, and ecological factors. Some of these factors are more important than others in any particular industry.

■ Explain the environmental scanning process.

The environmental scanning process consists of the data-gathering phase, the environmental interpretation/ analysis phase, and the strategy formulation phase. The three processes are interlinked, but over time more attention is focused on each one more than the others, so that, at the end of the process, greater effort is expended on using knowledge gleaned from the external and competitive environments to formulate strategy based on changes occurring and identified in the company’s environment.

■ Analyse the performance environment using the Porter’s Five Forces industry analysis model.

The most common technique used to analyse the performance environment is Porter’s Five Forces model of competitive analysis. Porter (1980) concludes that the more intense the rivalry between the industry players, the lower will be their overall performance. Conversely, the lower the rivalry, the greater will be the performance of the industry players. Porter’s Five Forces comprise: supplier bargaining power; buyer bargaining power; the threat of new entrants; rivalry among competitors; and the threat of substitutes.

■ Analyse an organization’s product/service portfolio to aid resource planning.

An organization’s principal resources relate to the portfolio of offerings that it carries and the financial resources at its disposal. We use portfolio analysis—specifically, the Boston Box—to determine whether different SBUs or product/service formulations are stars, dogs, question marks, or cash cows. Each of these categories suggest differing levels of cash flow and require different resources if they are to develop. It is important to undertake a marketing audit as a preliminary measure on the basis of which we can properly develop our marketing strategy.