

**CLASS XI**  
**UNIT -II MARKETING: MARKETING**  
**ENVIRONMENT**

**Multiple Choice Questions**

1. Advancement in technology lead to greater productivity, higher quality and ..... cost of production for business.
  - (a) Lower
  - (b) Higher
  - (c) Increases and then starts decreasing
  - (d) No change
2. The\_\_\_\_\_consists of factors and forces outside marketing that affect its management's ability to build and maintain successful relationships with target customers.
  - (a) Marketing organization
  - (b) Marketing system
  - (c) Marketing network
  - (d) Marketing environment
3. Which of the following terms best describes the environment that includes the forces closeto the company that affect its ability to serve its customers- the company, suppliers, marketing channel firms, customer markets, competitors and publics?
  - (a) Microenvironment
  - (b) Macro environment
  - (c) Global environment
  - (d) Networked environment
4. All of the following would be considered to be in a company's micro environment except:
  - (a) Marketing channel firms
  - (b) Publics
  - (c) Political forces
  - (d) Customer markets
5. Chimney Sweeps employs people to clean fireplaces and chimneys in homes and apartments. The firm is primarily the marketer of which one of the following?
  - (a) an image
  - (b) a service
  - (c) a good
  - (d) an idea

**Very Short Answer Questions - one mark each:**

6. What is meant by environmental threats and opportunities?
7. Enumerate any two uncontrollable factors in the marketing environment.
8. Why do firms need to understand the marketing environment?
9. Define Business Environment by any author.

### **Very Short Answer Questions - two marks each:**

10. Differentiate between the demographic forces and politico-legal forces which affect organization's marketing decisions.
11. How does technological factors influence the organization's marketing decisions and activities?
12. Define the following terms:
  - a. Environmental scanning
  - b. Environmental Threat and Opportunity Profile
13. What is the main difference between 'macro environment' and 'micro environment' for a business?
14. How does demographic environment information help firms?

### **Short Answer Questions - three marks each**

15. Discuss how the economic forces affect organization's marketing decisions.
16. Explain the following terms:
  - a. Business environment
  - b. Environmental scanning
  - c. Micro environment factors
17. What is demographic environment? How these environmental factors help the business to develop its marketing strategies?
18. Briefly explain any three types of competition in the micro environment of a firm.
19. "Technology adoption helps to gain competitive advantage to the business firm". Explain?

### **Long Answer Questions - five marks each**

20. "An environmental scanning becomes very crucial as it enables a management to identify present and future opportunities which it can exploit, or threats and constraints which have to be tackled". Discuss the significance of environmental scanning in the light of above statement.
21. Discuss the macro environmental factors which affect organization's marketing decisions and activities.
22. Discuss the various Intermediaries and types of customers.
23. Explain the various external micro environment factors that affect the marketing decisions of a business.
24. Define a 'customer'? Explain the various customer markets.
25. Discuss the external micro environmental factors that affect the business organisations.

## Answers

1. a
2. d
3. a
4. c
5. b

6. Through environmental analysis, the management can develop an Environmental Threat and Opportunity Profile (ETOP) which gauges the impact of various environmental forces on the firm. Threat may be like emergence of strong competition in the market by new firms and substitute products, and opportunity may occur in the form of path breaking new technology that may help to reduce cost and improve product quality of the firm.

7. Demographic and politico-legal factors.

8. An environmental scanning becomes very crucial as it enables a management to identify present and future opportunities which it can exploit, or threats and constraints which have to be tackled. The observations made of the relevant aspects of the external environment provide the backdrop for internal strategies as well as forecasting of sales and profit trends.

9. Philip Kotler defines "A company's marketing environment consists of the actors and forces outside marketing that affect its management's ability to build and maintain successful relationships with target customers."

10. Demography refers to studying human population in terms of size, density, location, age, gender, race, literacy and occupation. The demographic environment is of great interest to the marketers because these factors constitute potential market for company's products.

The political environment includes all laws, government agencies and constitutional provisions affecting or limiting business organizations within a society. It is essential for marketers to be aware of such provisions, incentives.

11. Advancements in technology leads to greater productivity, higher quality and lower cost of production for the business. However, introduction of advanced technology requires higher capital investment. There is now an increasing trend towards e-commerce because of easier availability of information technology throughout the world. The marketers must constantly watch changes in technology for keeping track of competition and customer wants. In any country, the state of technology plays an important role in determining the type and quality of goods and services to be produced and the type of plants and equipment to be used.

12. (a) Environmental scanning: An environmental scanning by the firm is for recognizing potential opportunities and threats outside are very essential. Environmental scanning is a process of scrutinizing and weighing up changes and trends in marketing environment by the firm.

(b) Environmental Threat and Opportunity Profile: Through environmental analysis, the management can develop an Environmental Threat and Opportunity Profile (ETOP) which gauges the impact of various environmental forces on the firm. Threat may be like emergence of strong competition in the market by new firms and substitute products, and opportunity may occur in the form of path breaking new technology that may help to reduce cost and improve product quality of the firm.

13. **Macro environment:** The macro-environment refers to external forces that are part of the larger society and so are beyond the control of firm's management. These forces do not concern the immediate environment of the firm but make an effect on firm's ability to market its products effectively.

**Micro environment:** Micro environment indicates the factors and forces in the immediate area of operation of the firm which affect the marketing manager's ability to serve the customers. It includes both internal as well as external forces. Internal forces include the company's top management and its various departments like purchasing department, research and development department, production department,

finance department and personnel department. All departments within an organization have the potential to positively or negatively impact firm's objectives.

14. Demography refers to studying human population in terms of size, density, location, age, gender, race, literacy and occupation. The demographic environment is of great interest to the marketers because these factors constitute potential market for company's products. If the total population consists more of children, there will be more demand for toys, baby foods, children accessories and diapers. With more of elderly people in a locality/city, there will be more demand for medicines, wellness products, and walking sticks etc. On the contrary if there is more of young population, the producers will produce variety of cosmetics, personality improvement products, designer fashionable clothes and lifestyle goods to meet their demand.

15. Marketing products is easier, when consumers are willing to buy, but is very difficult when people have less money to spend. Inflation is a sustained rise in the prices of goods and services. As a result, the purchasing power of rupee or real value of money gets reduced. For the same quantity and quality of goods, people are forced to pay higher prices. Inflation of mild dose is good for the economy but wild rise is bad for the society particularly middle and poor classes. The consumers would spend less and less on luxuries and would concentrate on basic necessities of life. Thus inflation poses a great problem in managing marketing programmes. To check price rise interest rates are pushed upwards which affects expansion plan of the organizations. The tax rate, exchange rate, foreign trade policy or industrial policy etc., all have tremendous impact on business decision making.

16. (a) Business environment: According to M. Weimer, "Business environment is the climate or set of conditions -i.e., economic, social, legal, technological and political situations in which business activities are conducted".

(b) Environmental scanning: An environmental scanning by the firm is for recognizing potential opportunities and threats outside are very essential. Environmental scanning is a process of scrutinizing and weighing up changes and trends in marketing environment by the firm. Before production and launching the product in the market the management has to make a good market research to explore various aspects.

(c) Micro environmental factors: : Micro environment indicates the factors and forces in the immediate area of operation of the firm which affect the marketing manager's ability to serve the customers. It includes both internal as well as external forces. Internal forces include the company's top management and its various departments like purchasing department, research and development department, production department, finance department and personnel department. All departments within an organization have the potential to positively or negatively impact firm's objectives.

17. Demography refers to studying human population in terms of size, density, location, age, gender, race, literacy and occupation. The demographic environment is of great interest to the marketers because these factors constitute potential market for company's products. If the total population consists more of children, there will be more demand for toys, baby foods, children accessories and diapers. With more of elderly people in a locality/city, there will be more demand for medicines, wellness products, and walking sticks etc. On the contrary if there is more of young population, the producers will produce variety of cosmetics, personality improvement products, designer fashionable clothes and lifestyle goods to meet their demand. The changing habits, tastes and life styles of the population also give directions to the marketers, e.g., in metropolitan cities there is more demand for fast foods, electronic home appliances and crèches etc.

18. a) **Competition from similar products**-The most direct form of competition occurs amongst marketers of similar products. For example, competitors in electronic home appliances are LG, Samsung or Philips etc.

b) **Competition from substitute products**-The second type of competition involves products that can be substituted for one-another. For example, in air transport industry, Indigo competes with Jet airlines. The increase in fares of one airline increases demand for other airline services.

c) **Competition amongst all firms**-The final type of competition occurs among all organizations that compete for the consumer's purchases. In other words, modern marketers accept the argument that all

firms compete for a limited amount of market share.

19. Technological environment refers to the state of technology in the areas of manufacturing, mining, construction, materials handling, transportation and information technology. Advancements in technology leads to greater productivity, higher quality and lower cost of production for the business. However, introduction of advanced technology requires higher capital investment. Now a day technological changes are taking place at a fast pace and are affecting investment decisions undertaken by business firms. Introduction of automatic and semi-automatic machinery in industry requires higher capital investment on the one hand but leads to savings in labour costs as there will be fall in the number of workers required. So will be the impact of new information technology which has sped up communication between business houses and customers. There is now an increasing trend towards e-commerce because of easier availability of information technology throughout the world.

20. An environmental scanning becomes very crucial as it enables a management to identify present and future opportunities which it can exploit, or threats and constraints which have to be tackled. Its importance are:

**1 Determining Opportunities-** The interaction between the business and its environment identifies opportunities and helps in getting 'First Mover Advantage' out of it successfully. Opportunities mean the positive or favourable external forces that are likely to help a firm increase its business. The changes in the external environment indicate business opportunities and help the firm in designing strategies to capitalize on them.

**2 Identification of Threats:** Threats refer to the negative or unfavourable external factors that create hurdles for a firm. Environmental scanning helps to identify possible threats in future and give warning signals to the firms.

**3 Sensitization of Management to Cope with Rapid Changes:** The knowledge of environmental changes sensitizes the management to make strategy to cope with the emerging problems. A keen watch on the trends in the environment would help to sensitise the firm's management to the changing technology, competition, government policies and changing needs of the customers.

**4 Formulation of Strategies and Policies:** Environmental analysis helps in identifying threats and opportunities in the market. They can serve as the basis of formulation of strategies to counter threats and capitalise on opportunities in the market.

21. The environment of a business enterprise then is termed as stable or static environment. But modern organizations now a day are observing frequent changes, both internally as well as externally. The nature and degree of change is unpredictable. There are new products and designs being introduced to the market every day, invention of new techniques of production, new competitors, changes in ministries in the Government, changes in policies related to industry, taxation or banking that bring irregularity in the environment for the marketers. Such factors creating instability make the business environment volatile and it is called a dynamic environment. The firm has to deal with the changes taking place 'within' and 'around' it.

22. A '*public*' means any group that has an actual or potential interest in or impact on the company's ability to achieve its objectives. A public can contribute to a marketing program through positive word of mouth or may hinder marketing activities through negative word-of-mouth.

## Types of Publics

**1 Financial publics-** They groups influence the company's ability to obtain funds. The examples of major financial publics are- banks, investment houses and shareholders.

**2 Media publics-** They consist of those mechanisms or devices that carry news, features and editorial opinion. They include- newspapers, magazines, radio and television stations.

**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.

23. The macro-environment refers to external forces that are part of the larger society and so are beyond the control of firm's management. These forces do not concern the immediate environment of the firm but make an effect on firm's ability to market its products effectively.

The various macro-environmental factors are:

(1) Demographic forces: A firm must gather demographic environmental information first of all, even before setting up the business. Demography refers to studying human population in terms of size, density, location, age, gender, race, literacy and occupation. The demographic environment is of great interest to the marketers because these factors constitute potential market for company's products. If the total population consists more of children, there will be more demand for toys, baby foods, children accessories and diapers. With more of elderly people in a locality/city, there will be more demand for medicines, wellness products, and walking sticks etc.

(2) Political and Legal forces: Federal, State and Local bodies generally set rules or restrictions on the conduct of businesses. The political environment includes all laws, government agencies and constitutional provisions affecting or limiting business organizations within a society. It is essential for marketers to be aware of such provisions, incentives, Government's intervention and restrictions in business as these factors make great influence on business decisions.

(3) Economic forces: Another aspect of the macro-environment is the economic environment. The marketing managers every day face a bout of economic factors, assess its impact and change their action plan accordingly. Sometimes economic news spreads optimism; like Improvement in growth rate, higher demand, low interest rates and declining unemployment. On other times it may cause nervousness indicating industrial recession, price rise, increase in taxation, declining employment and demand etc. Naturally, business thrives when the economy is growing, prices are stable, and people have employment as well as high purchasing power creating demand.

(4) Natural or physical forces: This includes the natural resources that a company uses as inputs that affect their marketing activities. The concern in this area is the shortages of raw materials, increased air pollution, noise pollution, land pollution, water pollution, and so on. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder.

(5) Technological forces: Technological environment refers to the state of technology in the areas of manufacturing, mining, construction, materials handling, transportation and information technology. Advancements in technology leads to greater productivity, higher quality and lower cost of production for the business. Introduction of automatic and semi-automatic machinery in industry requires higher capital investment on the one hand but leads to savings in labour costs as there will be fall in the number of workers required. So will be the impact of new information technology which has sped up communication between business houses and customers.

24. A customer may be an individual or household, an organization that purchases a product for use in the production of other products, or an organization that purchases a product for resale at a profit. This customer factor of a marketing microenvironment has great influence on marketing decisions.

The various customer markets are:

- i. **Consumer market**- individuals and households buying the product for consumption.
- ii. **Industrial market**-organizations buying for producing other goods and services for the purpose of either earning profits or fulfilling other objectives or both.
- iii. **Reseller market**-organizations buying goods and services with a view to sell them to others for a profit. These may be selling intermediaries and retailers.
- iv. **Government and other non-profit market**- the institutions buying goods and services in order to produce public services. They transfer these goods and services to those who need them for consumption in most of the cases.
- v. **International market**- individuals and organizations of other countries buying for their consumption or industrial use or both. They may be foreign consumers, producers, resellers and governments.

25. 1 Suppliers: The suppliers comprise all the business firms or individuals who provide raw materials, components and semi-finished goods to be used in production or even sell finished products of the organization. A Firm depends on numerous suppliers either in capacity of a buyer of inputs or a producer to whole-sellers and retailers. The buyer-supplier relationship is one of mutual economic interdependence, as both parties rely on one another for their commercial well-being. Although both parties are seeking stability and security from their relationship, factors in the supplier environment are subject to change. For instance, shortage of raw material or sudden increase in raw material prices forces suppliers to raise the prices, or an industrial dispute may affect delivery of materials to the buying company.

2 Marketing intermediaries: Marketing intermediaries are the independent individuals or organizations that directly help in the free flow of goods and services between marketing organisations and the customers. Generally these are of two types, namely 'merchant' and 'agent'. Merchant middlemen can be wholesalers and retailers. Agent middlemen are an important part of the distribution network and render important services in different capacities.

3 Customers: A customer may be an individual or household, an organization that purchases a product for use in the production of other products, or an organization that purchases a product for resale at a profit. This customer factor of a marketing microenvironment has great influence on marketing decisions. Marketing specialists, or marketers, develop and market messages to appeal to a company's individual customers' needs.

4 Competitors: Competitors are the rival business firms in the effort to satisfy the markets and consumers' demand. Since these are competing with each-other, the marketing decisions of one firm not only influence consumer responses in the marketplace but also affect the marketing strategies of other competitors. So marketers have to continuously monitor the rival firm's marketing activities, their products, distribution channels, prices and promotional efforts to design its marketing strategy.

5 Publics: The company's micro environment also includes various publics, i.e. groups of people. A '*public*' means any group that has an actual or potential interest in or impact on the company's ability to achieve its objectives. A public can contribute to a marketing program through positive word of mouth or may hinder marketing activities through negative word-of-mouth.

