# Module No. 2: Marketing Environment & Ethics in Marketing

## Meaning of Marketing Environment:

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors include government, technological, economical, social, and competitive forces; whereas, organization's strengths, weaknesses, and competencies form the part of internal factors.

## COMPONENTS OF MARKETING ENVIRONMENT

### 1. Internal Environment

### 2. External Environment

**INTERNAL ENVIRONMENT:** The internal environment of the business includes all the forces and factors inside the organisation which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

- **Men:** The people of the organisation including both skilled and unskilled workers.
- **Minutes:** Time taken for the processes of the business to complete.
- Machinery: Equipment required by the business to facilitate or complete the processes.
- **Materials:** The factors of production or supplies required by the business to complete the processes or production.
- **Money:** Money is the financial resource used to purchase machinery, materials, , and pay the employees.

**EXTERNAL ENVIRONMENT:** The external environment of the business includes all the forces and factors outside the organisation which affect its marketing operations.

1. **Micro Environment**

**2. Macro Environment**

MICRO ENVIRONMENT

**1. Customers:** Every business revolves around fulfilling the customer's needs and wants. Thus, each marketing strategy is customer oriented that focuses on understanding the need of the customers and offering the best product that fulfills their needs.

**2. Suppliers:** One provides raw material to produce goods and services. Suppliers can influence the profit of an organization because the price of raw material determines the final price of the product. Organizations need to monitor suppliers on a regular basis to know the supply shortages and change in the price of inputs.

**3. Market Intermediaries:** These are the firms that benefit the organization to advertise, sell and distribute goods to the absolute buyers. Being in direct touch with customers they can give suggestions about customer's desires regarding a product and its services.

**4. Partners:** are all the separate entities like advertising agencies, market research organisations, banking and insurance companies, transportation companies,brokers, etc. which conduct business with the organisation.

**5. Competitors:** Competition refers to a situation where various organizations offer similar products and try to gain market share by adopting different marketing strategies. So Keeping a close watch on competitors enables a company to design its marketing strategy according to the trend prevailing in the market.

**6. General Public:** Public may hold attention in the business undertakings, and it's the duty of the organization to please the people at large in addition to competitors and customers.

Hence Public relations are surely a vast marketing operation which must be completely taken care of by the company.

## MACRO ENVIRONMENT

1. **Demographic Environment:** Demographic environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location. Before marketing a product, a marketer collects the information to find the suitable market for the product. Demographic

environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in demographic environment persuade an organization to modify marketing strategies to address the altering needs of customers.

**2. Economic Environment:** Economic Environment: Economic environment affects the organization's costs structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability. The factors economic environment is as follows:

**a. Inflation:** It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

**b. Interest Rates:** It determines the borrowing activities of the organization. For example, increase in interest rates for loan may lead organizations to cut their important activities.

**c. Unemployment:** It leads to a no income state, which affects the purchasing power of an individual.

**d. Customer Income:** It regulates the buying behavior of a customer. The change in the customer's income leads to changed spending patterns for the products, such as food and clothing.

**3. Natural Environment:** Natural environment consists of natural resources, which are needed as raw materials to manufacture products by the organization.

- **Natural Resources:** Every organization consumes natural resources for the production of its products. Organizations are realizing the problem of depletion of resources and trying best to use these resources judiciously.
- **Weather:** It leads to opportunities or threats for the organizations.
- **Pollution:** It includes air, water, and noise pollution, which lead to environmental degradation.

4. **Socio-Cultural Environment:** Socio-cultural environment comprises forces, such as society's basic values, attitudes, perception, and behavior. These **forces** help in determining that what type of products customers prefer, what influences

the purchase attitude or decision, which brand they prefer, and at what time they buy the products.

5. **Technological Environment:** Technology contributes to the economic growth of a country. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment. Technology acts as a rapidly changing force, which creates new opportunities for the marketers to acquire the market share.

6. **Political and legal environment** consists of legal bodies and government agencies that influence and limit the organizations and individuals. Every organization should take care of the fact that marketing activities should not harm the political and legal environment prevailing in a country.

# Market Segmentation

**Meaning:** Market segmentation is defined as the segmentation or division of markets into various homogenous coups of customers, each of them reacting differently to promotion, communication, pricing and other variables of the marketing mix.

### Definition of Marketing Segmentation

"Market segmentation is the subdividing of customers into a homogeneous subset of customers where any subset may conceivably select as a market target to be reached with a distinct marketing mix." – **Philip Kotler**

"Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several submarkets of segment each of which tends to be homogeneous is full of significant aspects." – **William Stanton**

### Different Levels of Market Segmentation

- Marketers subdivide markets into segments, so they can do **focus on marketing plans.**
- Each Level of market segmentation determines the **strategy a company** will follow to promote, distribute and position its product in the market and respectively target audience or its customers.

Before **developing a marketing plan**, one must know the what are the levels of market segmentation.

1. **Mass Marketing**
   - In Segemetation, Mass marketing refers to the strategy of targeting the entire potential customer market by means of a single marketing message.
   - The marketing strategy used in this segmentation does not target the specific requirements or needs of customers.
   - Mass marketing strategy, instead of focusing on a subset of customers, focuses on the entire market segment that can be a probable customer of a product.

   **An example** of mass marketing strategy is of Baygon cockroach spray or Mortein mosquito repellent coils that target all its potential customers through a single marketing message.

2. **Segment Marketing**
   - Segment marketing refers to a strategy where the company divides its target audience into different segments based on their unique needs and requirements.
   - This way the company targets different messages to different segments, appealing them towards the unique features the product offers.
   - This strategy creates product differentiation for customers with similar needs and preferences, based on their gender, age, income and location.

   **The example** Executive class and economy class of ticketing in the airlines' industry, Room segmentation in hotel business are the example of segment marketing. These products are carefully designed to meet the needs of each segment served.

3. **Niche Marketing**
   - This strategy of marketing focuses on a **narrower customer segmentation.**
   - Customers may want or desire a product that is **not met completely by the products** offered in a market.

- When companies **move forward and develop highly specialized products** to offer these customers their specific needs, they offer distinct products in a market that caters to specific customer segments only.

**Ex:** Mountain bikes are an example of a niche marketing segment. where the **market segmentation** will be individuals interested in mountain biking only. Since not every bike manufacturing company caters to mountain bikers, it is a niche segment. Companies that produce mountain bikes target the niche segment of mountain bikers and cater to their specific needs, preferences and requirements.

### 4. Micro Marketing

Micro marketing follows an **even narrower segmentation** marketing strategy, catering to the attribute of a much-defined subset of potential customers such as catering to individuals of a specific geographical location or a very specific lifestyle.

**An example of niche marketing** is luxury cars that are **very high priced and offer exceptional features such as high speed, customized look, etc.** Since these cars are very expensive and limited in number, the niche market for these vehicles target rich, car lovers that are interested in the unique features and has the financial capability to buy them.

### Micro Marketing is further classified into THREE categories

I. **Local Marketing:** Products and promotions to meet the needs and wants of the local customer group.

II. **Individual Marketing:** Products and marketing programs to meet the needs of the individual customer.

III. **Mass Customization:** Preparing individually designed product and communication on large scale.

## Basis of Market Segmentation

### 1. Demographic Characteristics:

Factors like age, gender, income, occupation, family size, education; marital status is used singly or in combination to segment the market.

**i. Age:** Age is one of the most important factors for segmenting the market. The market the producer should know for what age group his product could be most suited so that he can plan his pricing policy, advertisement policy, marketing policy and strategy accordingly.

For example, Cloth market or Garment market may be segmented on this basis of age as –

Children b/w the age group of 3-12yrs

Children b/w the age group of 13-15yrs

Teenagers' b/w the age group of 16-20yrs

Adults' b/w the age group of 21-30yrs and so on

**ii. Income:** The manufacturer should also bear in mind while preparing his marketing policy, the income of the prospective buyers of his product. Consumer's needs, behaviour, persuasion etc. differ in different income groups. For example, people in high-income group prefer quality of goods, design, fashion-oriented products, etc. hence they can be motivated on these factors. People in low-income group attract towards low price.

**iii. Gender:**

Marketers may also be divided on the basis of sex i.e., male and female. Some products are exclusively produced for women while some others are for men. For example, Lip Stick is meant for a woman and on the other hand Shaving cream is only meant for men.

**iv. Occupation:**

Occupation is also another variable in segmenting the market. An individual's employment does definitely affect the consumption; different categories of segments can be identified like doctors, consultants, entrepreneurs, lecturers etc.

**v. Education:**

Education of the consumer also affects the preference and taste. The choice of literate person would obviously differ from that of an illiterate, as a literate he would be having a lot of exposure to the outside worlds where as an illiterate although exist the same environment would lack the ability to understand

**vi. Marital Status:**

Marital status is another demographics variable used. The behavioral of single and married people differs. Married people are more conservative than unmarried people.

**vii. Family Size and Structure:**

Markets may also be segmented on the basis of size of family Refrigerators and cookers are produced in different sizes to suit the needs of families of different sizes.

**2. In behavioral segmentation,** marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

i. **Occasion:** Marketers can distinguish buyers according to the occasion when they develop a need, purchase a product, or use a product. For example: Travel agencies
ii. **Benefits sought:** It divides the market into groups according to the different benefits that consumers seek from the product. Examples: A shampoo for example, may offer various benefits, such as basic cleaning, conditioning, shine and bounce, dandruff control, or suitability for different hair types.
iii. **User status:** Every product has its nonusers, ex-users, potential users, first time users and regular users. A company cannot always rely on the regular users, it has to attract the other types as well. Example: Blood bank cannot rely only on regular donors to supply blood; they must also recruit new first time donors and contact ex donors, each with a different marketing strategy.
iv. **Usage rate:** Marketers can segment markets into light, medium, and heavy product users. Example: Cellular phone service providers calculate the average revenue per user (ARPU) and the heavy user account for a significantly higher proportion of revenue than casual or occasional users. Marketers would rather attract one heavy user than several light users.

**5. Loyalty Status:** Marketers usually envision four based on brand loyalty status:

- **Hard Core Loyal:** Consumer who buys only one brand all the time.
- **Split Loyal:** Consumers who are loyal to two or three brands.
- **Shifting Loyal:** Consumers who shift loyalty from one brand to another.

- **Switchers:** Consumers who show no loyalty to any brand.

**6.Readiness to Buy:** Some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy. The proportions of consumers at different stages make a big difference in designing the marketing program.

In case of product of services that consumers are not familiar with, marketers need to educate, inform, and persuade consumers so that they start accepting the new offer.

**7.Attitude Toward Product:** Five customer attitudes about products are1. Enthusiastic 2. Positive Attitude 3. Negative Attitude 4. Indifferent 5. Hostile.

**3. Geographic segmentation** involves segmenting your audience based on the region they live or work in. This can be done in any number of ways: grouping customers by the country they live in, or smaller geographical divisions, from region to city, and right down to postal code.

In total, there are six factors that pertain to geographic segmentation and can be used to create customer segments:

**a. Country-** Certain companies make products or services which are specific to only a country. This type of geographic segmentation helps target people from a specific country. **Ex:** Sarees are sold in countries like India, flags are sold only in their respective country etc

**b. City-** Cities offer a huge potential market to companies. Hence companies often select specific cities for their products or services.

**Ex:** Replicas of Eiffel Tower will be sold in Paris, products depicting Taj Mahal will do well in Agra etc

**c. Villages-** Some villages can be identified by companies which give the best set of customers to companies to their business with.

**Ex:** Companies doing sugar business can target villages growing sugarcane, tea manufacturing companies can target tea farms etc

**d. Urban/ Rural-** Certain products or services can be offered only to the urban population and certain products are rural area specific.

**Ex:** Hand pumps are required in rural areas, stores of premium watch or car brands can be opened in urban areas etc

**e. Climate and weather-** Companies use this type of geographic segmentation and identify customers of a region with similar climatic conditions. Areas based on climate can be hot, cold, humid etc and based on weather can be snowfall, rainfall, desert etc regions.

**Ex:** Beachwear can be sold in areas close to the sea, sweaters in cold regions, raincoats in areas receiving high rainfall, ice-creams in hot regions etc

**f. Population density-** Depending upon the number of people in an area or region, companies can use density of population as a parameter to effectively segment the market.

**g. cultural preferences -** Different regions will have different values that determine whether or not customers decide to make a purchase. In some cases, these values will be determined by the dominant local religion or long-standing traditions and customs.

**4. Psychographic segmentation** is defined as a market segmentation technique where groups are formed according to psychological traits that influence consumption habits drawn from people's lifestyle and preferences. It is mainly conducted on the basis of "how" people think and "what" do they aspire their life to be.

**a. Personality:** Customer personality and purchasing habits are strongly related. For businesses to develop products that add value to customers based on their habitual needs – is key towards creating a successful product/service.

A few defined personalities are: creative, emotional, friendly, opinionated, introvert, extrovert, etc. help organizations to filter their customers in a systematic manner.

**b. Lifestyle:** The habits, attitudes, tastes, moral standards, economic level, etc., that together constitute the mode of living of an individual or group.

The lifestyle of a particular person or group of people is the living conditions, behaviour, and habits that are typical of them or are chosen by them.

**c. Social Status:** Social status refers to the honor or prestige attached to one's position in society.

In most cases, the social status of people primarily decides the products they use and their preferences (in general). Each social class has its choice of clothes, shoes, food, cars, electronics, etc. For example, elitists would generally prefer solitaires, luxury cars, holiday homes, etc.

**d. Activities, interests, and opinions:** This psychographic segmentation is based on what activities are the customers inclined towards, which topics are they enthusiastically interested in or what are their opinions about specific matters. These parameters are called AIO (Activities, Interests, and Opinions).

**e. Attitudes:** An individual's attitude is molded by the way he/she was raised and their cultural background. Each prospective customer will have a different attitude which can be a variable for psychographic segmentation.

**Ex:** Person belonging to a high-income group will prefer dining at premium restaurants and drive a Mercedes Benz and a middle-class individual will be bothered more about saving a few extra bucks and not on luxury.

## Ethics in Marketing

Marketing ethics is a set of moral norms that regulate the actions of persons and organizations involved in promotional activities and the sale of goods and services.

In other words, Marketing ethics comprises making moral decisions throughout the marketing process, from product development to advertising and sales.

Principles of Ethical Marketing

1. **Honesty and Transparency:** Marketing efforts should provide clear, truthful information to consumers. Misleading claims or deceptive advertising can harm customer trust and lead to long-term reputational damage. Ethical marketing ensures that all facts, product benefits, and limitations are communicated openly, allowing consumers to make informed choices.

2. **Fairness and Respect:** Consumers must be treated with fairness and equality, ensuring no one is manipulated or exploited. Marketing strategies should respect

consumers' dignity and not take advantage of vulnerable groups such as children, the elderly, or those with limited access to information.

3. **Maintaining User Privacy:** Ethical marketing requires protecting customer information, adhering to data privacy regulations (like GDPR), and using data responsibly. Consent should be obtained before collecting and using personal information for marketing purposes.

4. **Accountability for mistakes:** Mistakes happen, but ethically responsible companies own up to them and take swift corrective action. This principle promotes trust by showing that the company is committed to fixing any wrongdoings, whether it's a misleading claim or a product fault.

5. **Sustainability:** Ethical marketing embraces environmental and social sustainability. It promotes products that align with environmentally friendly practices and considers the impact of marketing decisions on the planet.

6. **Distinguishing Marketing from News and Entertainment:** It's important for companies to clearly distinguish between advertisements and editorial content or entertainment. This transparency ensures consumers can recognize when they are being marketed to, preventing confusion and maintaining trust in both the company and media outlets.

## Why Marketing Ethics is Important?

- ✓ **Consumer Trust and Loyalty:** Ethical marketing fosters trust, encouraging long-term relationships as customers value honesty and transparency.
- ✓ **Customer Well-Being:** It promotes consumer safety by informing them about product risks, protecting their physical and mental health.
- ✓ **Brand Reputation:** Ethical behavior enhances a brand's reputation, attracting customers, partners, and talent while differentiating it from competitors.
- ✓ **Employee Support:** Ethical practices extend to employee welfare, ensuring fair compensation and a healthy work-life balance.
- ✓ **Inspiration for Others:** Companies practicing ethical marketing can serve as role models, promoting a positive culture and inspiring industry-wide ethical standards.

- ✓ **Legal Compliance:** Adhering to ethical practices ensures compliance with regulations, reducing legal risks and penalties.
- ✓ **Long-Term Success:** Ethical businesses are better positioned for sustainable success, adapting more effectively to market changes.
- ✓ **Customer Attraction and Retention:** High-quality, ethically marketed products boost customer satisfaction and loyalty, ultimately driving profitability.
- ✓ **Social Responsibility:** Ethical marketing emphasizes a company's role in contributing positively to society and the environment, aligning with consumer expectations.

## Ethical Issues in marketing

- ✓ **Misleading Advertising**: Presenting false or exaggerated claims about a product can deceive consumers, leading to mistrust and potential harm.
- ✓ **Targeting Vulnerable Populations:** Marketing products, especially harmful ones, to vulnerable groups (e.g., children, low-income consumers) raises ethical concerns about exploitation.
- ✓ **Privacy Violations:** Collecting and using consumer data without consent can infringe on privacy rights and damage trust.
- ✓ **Green washing:** Making unsubstantiated claims about a product's environmental benefits can mislead consumers seeking eco-friendly options.
- ✓ **Subliminal Messaging:** Using hidden messages to influence consumer behavior without their awareness raises ethical questions about manipulation.
- ✓ **Cultural Appropriation:** Misusing or misrepresenting cultural symbols in marketing can be disrespectful and offensive to certain communities.
- ✓ **Pricing Ethics:** Price gouging during emergencies or exploiting consumers' lack of knowledge about fair pricing can harm reputations and consumer trust.
- ✓ **Puffery vs. Deceptive Claims:** Distinguishing between acceptable promotional exaggeration (puffery) and misleading claims is often ethically ambiguous.

- ✓ **Endorsements and Influencer Transparency:** Failing to disclose paid partnerships can mislead consumers about the authenticity of endorsements.
- ✓ **Product Safety:** Marketing products that are known to be unsafe or unhealthy without appropriate warnings compromises consumer well-being.
- ✓ **False Scarcity:** Creating a false sense of urgency by claiming a product is in limited supply can pressure consumers into making hasty decisions.
- ✓ **Negative Advertising:** Focusing on attacking competitors rather than promoting one's own product can create a toxic marketing environment and damage industry standards.

## Principles of ethical marketing in the digital age

- ✓ **Transparency is a foundational element,** emphasizing open and honest communication. Brands must disclose information about data usage, sponsored content, and product claims to ensure clarity in all interactions.
- ✓ **Respect for consumer privacy and data protection is paramount.** It involves responsibly handling user data, obtaining explicit consent, and safeguarding information from unauthorized access or misuse.
- ✓ **Authenticity and truthfulness in content creation are vital.** Brands should learn how to find keywords but need to focus on genuine storytelling and avoid deceptive tactics or false representations. Authenticity fosters genuine connections with audiences, nurturing trust and long-term relationships.
- ✓ **Balancing profit motives with ethical responsibilities is crucial.** Companies must prioritize ethical practices while pursuing profitability, ensuring that marketing efforts uphold moral standards and societal values.
- ✓ **Continuous Education and Awareness:** Brands should stay informed about ethical marketing trends and consumer expectations. Regular training and awareness programs for employees can help instill a culture of ethics within the organization.
- ✓ **Integrity in Data Usage:** Beyond consent, brands should ensure that data analytics practices are ethical, using data responsibly and for the intended purposes without manipulation or deceptive practices.

- ✓ **Clear communication:** Brands should prioritize transparent communication about data usage, privacy policies, and the ethical principles guiding their marketing strategies. This involves ensuring consumers understand how their data is collected, used, and protected.
- ✓ **Authentic storytelling:** Focusing on genuine and authentic storytelling helps create consumer connections. Brands should communicate their values, mission, and practices honestly, avoiding false narratives.
- ✓ **Partnering with ethical influencers and platforms:** Collaborating with influencers and advertising platforms that uphold ethical standards aligned with the brand's values is crucial.