



## **MARKETING ENVIRONMENT**

**Subject : Business Economics**

**Course : B.A., 2nd Semester,  
Undergraduate**

**Paper No. : 204**

**Paper Title : Marketing Management**

**Unit No. : 1**

**& Title : UNDERSTANDING THE  
BASICS**

**Lecture No. : 2 (Second)**

**& Title : MARKETING  
ENVIRONMENT**

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## **FREQUENTLY ASKED QUESTIONS**

### **Q-1. What is the importance of environmental scanning in the field of marketing management?**

**A-1.** Business environment keeps constantly changing because of the changes in its micro and macro factors. Due to this, a company has to monitor these forces and analyze their impact of the performance of the company from time to time. This action also helps a company to review how the external forces are shaping up and get an idea of the forthcoming opportunities or threats to the business. These inputs help in making important business decisions. It also helps to know what moves are taken by the competitors and the other firms in the industry. Businesses excelling in the scanning process can take proactive steps in the long term benefit of their companies. Environmental scanning is the foundation of any long term strategic planning and execution.

**Q-2. Which macro-environmental factors influence the marketing environment?**

**A-2.** PESTEL or PESTLE is basically an acronym for six different environments that directly or indirectly affect a firm's marketing environment.

- a) Political factors
- b) Economic factors
- c) Socio-cultural factors
- d) Technological factors
- e) Environmental factors
- f) Legal factors

**Q-3. Explain in detail how political environment influences business.**

**A-3.** A company's business environment is directly affected by the political framework in which it is operating. The role and the policies implemented by the ruling parties have an important bearing on the businesses. Some factors affecting business performance are: political stability,

government policies related to business growth, investment and taxation, world politics affecting trade, etc. Different governing parties in India have shown different levels of inclination towards building the business environment in India. 'Make in India' the current campaign promoted by the ruling party is a strong factor affecting the development of industries in India.

**Q-4. Explain how economic environment influences business.**

**A-4.** India being a mixed economy has a different business environment compared to other capitalist or socialist economies. Economic environmental factors affecting the business are mainly: economic policies- fiscal and monetary, controls and regulations, economic problems related to inflation, recession and unemployment, national income and expenditure,

competitive forces, performance of the primary, secondary and tertiary sectors of the economy, availability of factors of production, exchange rate, globalisation, etc. India has witnessed a 360 degree change in its economic environment since 1991's Liberalization, Privatization and Globalization policy.

**Q-5. Explain how socio-cultural factors affect business environment.**

**A-5.** Social environment mainly includes the demographic environment which includes how the population is distributed across various age groups, gender categories, caste, educational background, income groups and social class, nationality, religions, rural and urban population density, etc. India has a promising business future with a large mass of young population knowing various different languages. This also makes it a suitable

destination for outsourcing jobs globally. Other social issues like employment opportunities, health and fitness, women empowerment etc are also shaping business dynamics.

Cultural environment includes the core values, attitudes, behaviour, lifestyle, etc. India has various cultural groups which further have a variety of sub-cultures based on caste and creed. Recent changes in the cultural values and lifestyle of Indians have given place to a lot of new international music album, imported cars and watches, foreign holidays and ready to eat products in their lives. A lot of MNCs have to consider these cultural differences while operating in India.



**Q-6. Explain how technological factors affect business environment.**

**A-6.** Technology includes the degree of internet usage, digitalization, and computerization of operations, automation, and use of different media for advertising and promotion purpose. The modern day online formats for retailing have replaced many physical retail stores in India and abroad. Social media is the latest mantra for success in modern marketing. Technology is used effectively for various functions of businesses right from new product development to distribution to advertising to eliciting real time customer feedback.

**Q-7. Explain how environmental factors affect business.**

**A-7.** Environmental and societal issues are recently being given a lot of importance like pollution, ecological balance, global warming, greener technologies, general health and fitness, waste disposal mechanism, etc. Increased use of CNG auto rickshaws, carbon emission issues, pollution tracking devices are examples of this in India.

**Q-8. Explain how legal factors affects business environment.**

**A-8.** Legal factors include the legislative framework and laws affecting working of the various entities. It affects all business operations right from its foundation to its growth. In India, there are many laws like Companies Act, 1956, Competition Act, 2002, Factories Act, 1948, Minimum Wages Act, 1948, Consumer Protection Act, 1986, etc.

**Q-9. Which factors as described by Michael Porter affect the level of competition in the industry?**

**A-9.** Michael Porter's model of Factors determining competitive forces

1. Threat of new entrants
2. Rivalry among existing firm
3. Threat of substitute products
4. Bargaining power of buyers
5. Bargaining power of suppliers

**Q-10. How do you think bargaining power of buyers and suppliers affect business?**

**A-10.** Bargaining power of the buyers shows how the customers can influence a company or a manufacturer. Buyers normally would have more influential power if they are few in number while the

suppliers are many. If the buyers buy a significant portion of the seller's produce, or can themselves start producing the raw materials through backward integration, their bargaining power is more.

Suppliers play an important part in the deciding the quality and prices of the final product produced by the firm. Suppliers may tend to have a strong bargaining power when substitutes are not readily available in the market or when they give differentiated products required by the firms. Generally, high switching costs to other substitutes further makes their position stronger in the deal. Another threat from the suppliers emerges when it is possible for them to get into forward integration thereby producing what the buying firm produces.

**Q-11. Write a detailed note on the changes that have been seen in Indian marketing environment post liberalization.**

**A-11.** Liberalisation refers to relaxation of earlier government restrictions usually in areas of social and economic policies. With the advent of liberalisation, the tariffs, subsidies and other restrictions on the flow of goods and services between countries were removed. Privatisation refers to the participation of private entities in businesses and services and transfer of ownership from the public sector (or government) to the private sector. Privatisation of crucial sectors like education, telecommunications, transport, insurance and banking led to a massive level of competition with many service providers in the market. This led to the evolution of customers as the king of the market. Liberalisation has opened the doors of the Indian economy for various foreign countries to conduct their business operations in India.

Globalisation has furthered the level of competition in India with many Multi-national companies like Nestle, Unilever, PepsiCo, Coca Cola, Ford, Honda, Nissan, Dell, Microsoft, Amway, Lenovo, and many others providing high quality products and services. Today, global products produced in different countries are available in Indian retail outlets.

Globalisation has made different countries of the world into one integrated market. In short, the modern Indian marketing environment is triggered by multiple local and global firms with multiple offerings, newer and innovative media emerging for reaching the customers, technology driven market places and an entire concept of using integrated holistic marketing plans for long term brand building.