Chapter 3
Evaluating Opportunities in the Changing Market Environment
At the end of this presentation, you should be able to:

1. Know the variables that shape the environment of marketing strategy planning.

2. Understand why company objectives are important in guiding marketing strategy planning.

3. See how the resources of a firm affect the search for opportunities.

4. Know how the different kinds of competitive situations affect strategy planning.

5. Understand how the economic and technological environments can affect strategy planning.
At the end of this presentation, you should be able to:

6. Know why you might be sent to prison if you ignore the political and legal environment.

7. Understand the cultural and social environment and how key population trends affect strategy planning.

8. Understand how to screen and evaluate marketing strategy opportunities.

9. Understand the important new terms.
Marketing Strategy Planning: Competitors, Company, & External Market Environment (Exhibit 3-1)

Company
- Objectives
- Resources

Competitors
- Current
- Prospective

External Market Environment
- Economic
- Technological
- Political & Legal
- Cultural & Social

Evaluating Opportunities
- Screening criteria
- Planning grids
- Planning for multiple products

Best opportunities to pursue
The Marketing Environment

Marketing Strategy Planning Process

Narrowing down to the best opportunities

Developing a strategy
The Marketing Environment

Resources and Objectives of the Firm

Direct Marketing Environment

Cultural and Social Environment

Political and Legal Environment

Economic Environment

Technological Environment

Competitive Environment

Customers
Objectives Set Firm’s Course

Three Basic Objectives Provide Guidelines

- Socially and Economically Useful Function
- Develop an Organization
- Earn Profit
Company Resources May Limit Search for Opportunities

- Financial Strength
- Producing Capability and Flexibility
- Marketing Strengths
Marketing Strengths

Healthy skin starts in the shower.

Discover a body wash that gives you visibly healthier skin every time you shower.

Many soaps and body washes leave skin dry and flaky. New AVEENO Daily Moisturizing Body Wash replenishes skin’s natural moisture. The exclusive ACTIVE NATURALS formula combines colloidal oatmeal with oat and sunflower oils to leave skin feeling soft and smooth all day. For naturally healthy, beautiful skin, try the brand dermatologists have recommended for 60 years.

Aveeno

Discover nature’s secret for healthy, beautiful skin.

www.aveeno.com

Courtesy of The Procter & Gamble Company.
The Competitive Environment

Avoid Head-On Competition!

Know the Market Situation!

- Monopoly
- Monopolistic Competition
- Oligopoly
- Pure Competition
Introducing SudaCare™ Nighttime Vapor-Plug™ Mini Waterless Vaporizer.

All plugged up from a cold or allergies? Take comfort in new SudaCare Vapor-Plug from the makers of Sudafed Nasal Decongestant, the sinus experts. It's a mini waterless vaporizer you plug right into your bedroom outlet, releasing soothing menthol and eucalyptus vapors. Gently comforting you all night long.

Have a good night.
Children's vapor Plug™ site available.

Courtesy of The Procter & Gamble Company.
Avoiding Head-On Competition
Analyzing Competitors to Find a Competitive Advantage

Key Concepts

- Competitor Analysis
- Competitive Rivals
- Competitive Barriers
- Competitive Advantage
Marketers Need Information about Competitors

Seek Information About Competitors

Ethical Issues
A moderately-priced jewelry store is trying to differentiate itself from other jewelry stores. The store prices products somewhat lower than the super-premium jewelry stores, but offers better products and services than low-end jewelry stores provide. The market situation this store faces sounds most like:

A. pure competition.
B. monopoly.
C. oligopoly.
D. monopolistic competition.
E. oligopolistic competition.
Chris wants to open a family-oriented restaurant in a thriving suburban area. Chris thinks a sports-based theme and broad menu will be attractive to the large number of families in the area. However, national chain restaurants, such as Chili’s, TGI Friday’s, and Applebee’s already draw large followings in the area. The existence of these chain restaurants is a significant:

A. competitive opportunity.
B. monopoly.
C. competitive barrier.
D. opportunity.
E. competitive environment.
The Economic Environment

Global Economy

Rapid Change

Key Economic Forces

Interest Rates
The Technological Environment
The Political Environment

Examples of Characteristics of the Political Environment

Nationalism

Regional Economic Groupings
The Legal Environment – Key Antimonopoly Laws

- Sherman Act (1890)
- Clayton Act (1914)
- Federal Trade Commission Act (1914)
- Robinson-Patman Act (1936)
- Antimerger Act (1950)
- Wheeler-Lea Amendment (1938)
- Magnuson-Moss Act (1975)
The Legal Environment – Consumer Protection Agencies

- Food and Drug Administration (FDA)
- Consumer Product Safety Commission (CPSC)
Rising interest rates can slow the housing market in the United States, slowing business for real estate developers, mortgage lenders, and construction firms. This is a trend in the:

A. competitive environment.
B. technological environment.
C. cultural environment.
D. economic environment.
E. legal environment.
Ford announced that it would begin offering Bluetooth wireless to help consumers more easily make hands free cell phone calls in their cars. The development of Bluetooth is a significant development in the:

A. technological environment.
B. legal environment.
C. corporate environment.
D. social environment.
E. personal environment.
Many states have appointed or elected commissions that oversee the business practices of utilities and other industries that serve the public interest. For a company operating in one of these industries, dealing with this important state-level regulatory commission is an important element of the:

A. legal environment.
B. social environment.
C. monopoly environment.
D. technological environment.
E. corporate environment.
The Cultural and Social Environment

Changes in Cultural and Social Environment

- Cultural changes
- Demographic data
Keeping Competitive in the Social-Cultural Environment
U.S. Population Mobility

Population Mobility

Rural to Urban

Urban to Suburban
No Money, No Market!

Gross National Income (GNI) + Income earned by foreigners who own resources in the nation = Gross Domestic Product (GDP)

\[
\text{GNI} / \text{Country’s Population Size} = \text{Per Capita Income}
\]
Technology Adoption Races Across Continents

- Cell phone
- Internet

Technology Indicators
Population trends in the U.S. Consumer Market

Key Trends

- Graying of America
- Generation X – fewer in number
- Generation Y – techno savvy
The Federal Trade Commission informed Tropicana that it would have to stop advertising that one of the benefits of “heart-healthy” Tropicana orange juice was to lower blood pressure. For Tropicana, this situation was a significant development in the:

A. economic environment.
B. social environment.
C. competitive environment.
D. internal company environment.
E. legal environment.
Interactive Exercise: Wheel of Opportunity

Wheel of Opportunity

Spin the Wheel

Technological

Social & Cultural

Economic

Legal & Political
Screening Criteria Help Narrow Down to Specific Strategies

Product-Market Screening Criteria

- Qualitative Criteria
- Quantitative Criteria
The Total Profit Approach is One Type of Quantitative Screening Criteria (Exhibit 3-8)
Planning Grids Help Evaluate a Portfolio of Opportunities (Exhibit 3-9)

![Planning Grid Diagram]

- **Business Strengths**: High, Medium, Low
- **Industry Attractiveness**: High, Medium, Low

Legend:
- No Growth
- Borderline
- Growth
Multiproduct Firms Have a Difficult Strategy-Planning Job
Evaluating Opportunities in International Markets (Exhibit 3-10)

- **Insensitive**
  - Industrial products
- **Sensitive**
  - Consumer products linked to cultural variables
  - Basic commodity-type consumer products
You should now be able to:

1. Know the variables that shape the environment of marketing strategy planning.
2. Understand why company objectives are important in guiding marketing strategy planning.
3. See how the resources of a firm affect the search for opportunities.
4. Know how the different kinds of competitive situations affect strategy planning.
5. Understand how the economic and technological environments can affect strategy planning.
6. Know why you might be sent to prison if you ignore the political and legal environment.

7. Understand the cultural and social environment and how key population trends affect strategy planning.

8. Understand how to screen and evaluate marketing strategy opportunities.

9. Understand the important new terms.
Key Terms

- Mission statement
- Competitive environment
- Competitor analysis
- Competitive rivals
- Competitive barriers
- Economic environment
- Technology
- Internet
- Nationalism
- North American Free Trade Agreement (NAFTA)

- Cultural and social environment
- Gross domestic product (GDP)
- Senior citizens
- Baby boomers
- Generation X
- Generation Y
- Sustainability
- Strategic business unit (SBU)