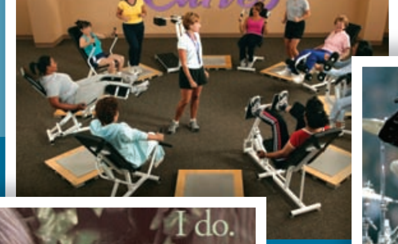
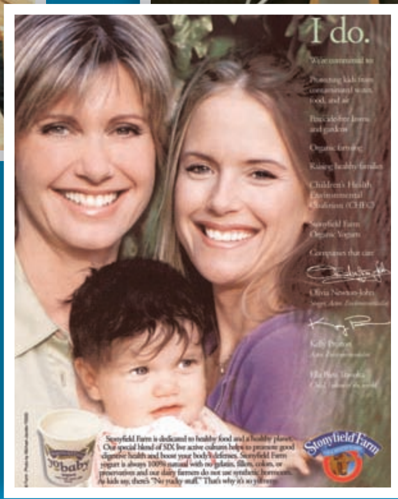




4

QUESTIONS

- How do customers, the company, competitors, and corporate partners affect marketing strategy?
- Why do marketers have to think about their macroenvionment when they make decisions?
- How do marketers use scenario planning to determine which courses of action to take?

Analyzing the Marketing Environment

From cabbage soup to hypnosis to metabolic pills, the diet industry has reshaped not only physiques but also entire markets.[1] With more than 190 million overweight Americans awash in a culture that values youthful thinness, it is not surprising that the diet industry represents a $40 billion operation.

The push to find a miracle weight-loss cure has invaded bookstores, gymnasiums, grocery stores, and restaurants. Walk through any bookstore and find among the best-sellers books such as *Dr. Phil's Ultimate Weight Solution* and *The South Beach Diet*. Then take a trip through your local drug, grocery, or discount store and note the shakes, bars, and packaged foods bearing the exact same names.

The nation's fastest growing health club franchise, Curves, also is benefiting from the dietary boom. The female-only, 30-minute workout fitness center has grown from one location in 1995 to more than 9,500 in the United States, Canada, and abroad.

Perhaps the greatest indication of the power of the weight-loss movement appears in the restaurant industry. In February 2003, Darden Restaurants, Inc., the nation's largest casual dining restaurateur, opened Seasons 52, which features seasonally fresh entrees that contain fewer than 475 calories and appetizers and desserts with fewer than 250 calories.

National chains are following suit. Chili's menu now includes a section entitled "Guiltless Grill" with options including a black bean burger and grilled salmon. Likewise, Ruby Tuesdays' "Smart Eating" insignia can be found in all sections of its menu, including appetizers and desserts.

Curves is for women only. It's not a fast-food franchise. It's a fast-exercise franchise.

A Marketing Environment Analysis Framework

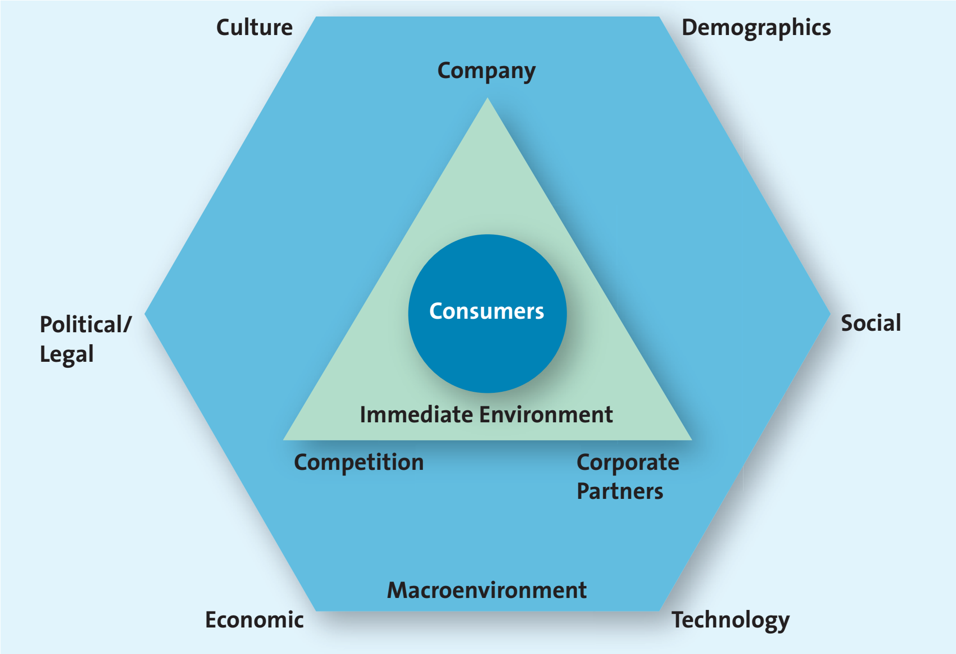
As the opening vignette of this chapter suggests, marketers have become more aware of recent changes in what their customers want with regard to weight-loss programs and products and have adapted their product and service offerings accordingly to meet those needs. By paying close attention to customer needs and continuously monitoring the environment in which it operates, a good marketer can identify potential opportunities.

Exhibit 4.1 illustrates the factors that affect the marketing environment, whose centerpiece, as always, is consumers. Consumers may be influenced directly by the immediate actions of the focal company, the company's competitors, and the corporate partners that work with the firm to make and supply products and services to consumers. The firm, and therefore consumers indirectly, is influenced by the macroenvironment, which includes various influences from culture and demographics, as well as social, technological, economic, and political/legal factors. We'll discuss each of these components in detail in this chapter and suggest how they might interrelate.

As illustrated in Exhibit 4.1, the consumer is the center of all marketing efforts. One of the goals of value-based marketing is to provide greater value to consumers than competitors offer. This provision requires that the marketing firm look at the entire business process from a consumer's point of view.[2] Consumers' needs and wants, as well as their ability to purchase, are affected by a host of factors that change and evolve over time. Firms use a variety of tools to keep track of their competitors' activities and communicate with their corporate partners. Furthermore, they monitor their macroenvironment to determine how such factors influence consumers and how they should respond to them. Sometimes, a firm can even anticipate trends.

For example, pharmaceutical companies have done an excellent job of monitoring consumers and responding to their needs and market trends. On the basis

EXHIBIT 4.1 Understanding the Marketing Environment



of observing and monitoring the aging Baby Boomer generation of consumers, they have made and marketed drugs to lower cholesterol, improve sexual performance, and retard hair loss. What's next on the list? Imagine the needs and wants of these consumers, and the answer—a new array of "lifestyle drugs, including those that improve intelligence, with the first step being memory enhancers"[3]—may appear obvious.

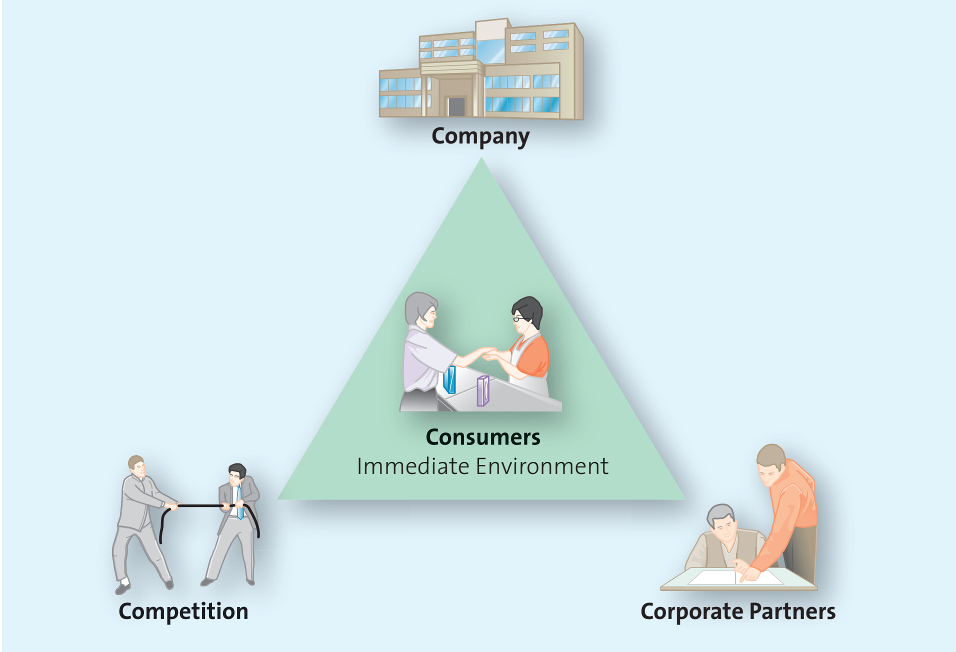
The Immediate Environment

Exhibit 4.2 illustrates the factors affecting the immediate environment: the company's capabilities, competitors and competitive intelligence, and the company's corporate partners.

Successfully Leveraging Company Capabilities

In the immediate environment, the first factor that affects the consumer is the firm itself. Successful marketing firms focus their efforts on satisfying customer needs that match their core competencies. The primary strength of Pepsi, for instance, rests in the manufacture, distribution, and promotion of carbonated beverages, but it has successfully leveraged its core competency in the bottled water arena with its Aquafina brand after recognizing the marketplace trend toward and consumer desire for bottled water. Marketers can use an analysis of the external environment, like the SWOT analysis described in Chapter 2, to categorize an opportunity as either attractive or unattractive and, if it appears attractive, to assess it relative to the firm's existing competencies.

EXHIBIT 4.2 Understanding the Immediate Environment



Competitors and Competitive Intelligence

Competition also significantly affects consumers in the immediate environment. It is critical that marketers understand their firm's competitors, including their strengths, weaknesses, and likely reactions to marketing activities their own firm undertakes. Firms use **competitive intelligence (CI)** to collect and synthesize information about their position with respect to their rivals. In this way, CI enables companies to anticipate market developments rather than merely react to them.[4] In the United States, the Society of Competitive Intelligence Professionals reports that "the market for business intelligence amounts to about $2 billion annually" and that "a 1997 survey found that 82% of companies with revenues over $10 billion had some kind of intelligence."[5]

The strategies to gather CI can range from simply sending a retail employee to a competitive store to check merchandise, prices, and foot traffic to more involved methods, such as

- Reviewing public materials including Web sites, press releases, industry journals, annual reports, subscription databases, permit applications, patent applications, and tradeshows.
- Interviewing customers, suppliers, partners, or former employees.
- Analyzing a rival's marketing tactics, distribution practices, pricing, and hiring needs.

These more sophisticated CI strategies are implicitly obvious in the modern razor market. Although men and women have been shaving for thousands of years, it wasn't until 1901 that anyone tried to sell a disposable, thin piece of metal sharp enough to shave hair. In its first year of production, the Gillette Safety Razor Company, as it was known then, sold 50 razor sets. The following year it sold

Who copied whom? Gillette and Schick introduced similar razors almost simultaneously.

12 million—obviously, the company anticipated a need well. Today, American men spend almost $2 billion annually on razors and blades. In 1998, Gillette, the U.S. market leader with 70 percent market share, changed the landscape again by launching the enormously successful Mach3, a three-blade razor.[6] Not to be outdone, Energizer Holding, the owner of Schick, introduced the Quattro razor, the world's first four-blade razor in 2003. The resulting battle for the title of "best razor" and for market share has resulted in a costly promotional and pricing battle. Razors that normally retail for up to $10 are being given away for free, and coupons for the corresponding razor blades appear everywhere.[7] In situations such as this, it becomes critical for firms like Gillette and Schick to keep close tabs on each other's activities using CI techniques. If Schick hadn't paid attention to the release of the Mach3, it may never have introduced the Quattro.

Although CI is widely regarded as a necessary function in today's world, certain methods of obtaining information have come under ethical and legal scrutiny. Take for example Gillette's case against Schick. Within hours of the press release introducing the Quattro in August 2003, Gillette had filed a patent infringement lawsuit claiming that the Quattro violates its Mach3 system's technology patent.[8] To file the suit so quickly, Gillette must have known about the impending launch well before Schick announced it, but how the company found out forms the core of the ethical question. According to the court papers that Gillette filed two weeks later, "a company engineer shared the results of scientific tests conducted on 10 Quattro cartridges obtained by the company." Schick quickly questioned how Gillette obtained the cartridges prior to their commercial release in an ethically appropriate manner. But Schick's ethical argument apparently held little sway, as the U.S. Appeals Court ruled on April 29, 2005, that Gillette's patent could extend to four or even five blades and was not limited to the number of blades currently installed in the Mach3.[9] Armed with this ruling, Gillette and Schick continue to compete head-to-head. Gillette released the manual and battery operated Fusion, one-upping the Quattro with five blades. Schick, in anticipation of the Fusion, created three stylized versions of the Quattro, the Schick Quattro Chrome, Midnight, and Power to appeal to shavers on a more aesthetic level.[10]

Adding Value 4.1

Toyota and a Little Help from Its Friends

Early one morning, a factory that supplied brake fluid proportioning valves to Toyota's 20 automobile plants in Japan was engulfed in flames.[11] Scheduled to produce 14,000 cars per day with JIT inventories that used a window of about four hours, Toyota faced a crippling dilemma that could have shut down its production for weeks. Acting quickly, Toyota acquired the blueprints for the valve, improvised tooling systems, and set up make-shift production lines within hours of the fire. The key to success was intense, rapid coordination across a diverse group of suppliers and other supply chain partners.

As a testament to Toyota's strong relationships with its suppliers and partners, four days later, 36 of Toyota's suppliers, aided by more than 150 other subcontractors, had created nearly 50 separate lines producing small batches of the brake valves. Thanks to their corporate partners, Toyota's production lines started up again and a disaster was averted.

At this Toyota plant in Georgetown, Kentucky, parts and materials arrive just in time for production.

Corporate Partners

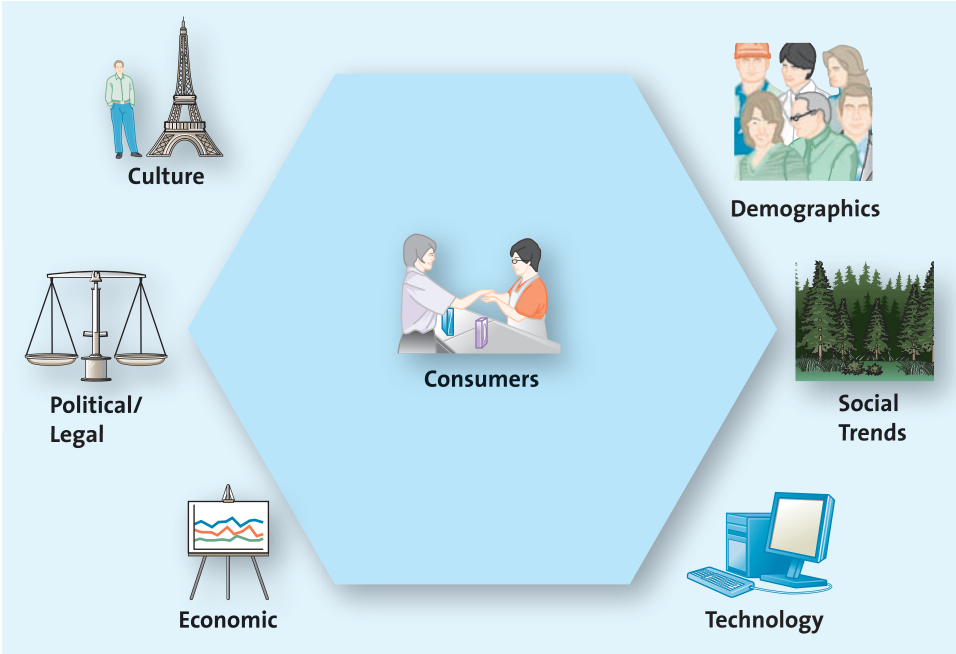
The third factor that affects the consumer in the immediate environment is the firm's corporate partners. Few firms operate in isolation. For example, automobile manufacturers collaborate with suppliers of sheet metal, tire manufacturers, component part makers, unions, transport companies, and dealerships to produce and market their automobiles successfully. Even firms like Dell, which makes its own computers and sells them directly to customers, must purchase components, consulting services, advertising, and transportation from others. Those parties that work along with the focal firm can be viewed as its corporate partners.

Let's consider the role these partners play and how they work together with the firm to create one efficient manufacturing system. Companies such as Toyota, Dell, General Motors, and Ford have long realized the importance of their various corporate partners. Toyota, like many automobile companies, engages in a **just-in-time (JIT) inventory system** that keeps inventories of automobile components to a minimum because the company only orders them from suppliers to arrive just in time to be used. But even the best JIT systems face unforeseen situations, as Adding Value 4.1 illustrates.

Macroenvironmental Factors

In addition to understanding their customers, the company itself, their competition, and their corporate partners in their immediate environment, marketers must also understand the **macroenvironmental factors** that operate in the external environment, namely, the **c**ulture, **d**emographics, **s**ocial issues, **t**echnological advances, **e**conomic situation, and **p**olitical/regulatory environment, or CDSTEP, as shown in Exhibit 4.3.

EXHIBIT 4.3 The Macroenvironment



Culture

We broadly define **culture** as the shared meanings, beliefs, morals, values, and customs of a group of people.[12] Transmitted by words, literature, and institutions, culture gets passed down from generation to generation and learned over time. You participate in many cultures: Your family has a cultural heritage; your school or workplace also shares its own common culture. In a broader sense, you also participate in the cultural aspects of the town and country in which you live. The challenge for marketers is to determine whether their culture can serve as a relevant identifier for a particular group of people who would be interested in purchasing the firms' products and services. Our various cultures influence what, why, how, where, and when we buy. Two dimensions of culture that marketers must take into account as they develop their marketing strategies are the culture of the country and that of a region within a country.

Country Culture The visible nuances of a country's culture, such as artifacts, behavior, dress, symbols, physical settings, ceremonies, language differences, colors and tastes, and food preferences, are easy to spot. But the subtle aspects of culture generally are trickier to identify and navigate. Volkswagen has successfully marketed its Jetta in the United States to a young, slightly offbeat subsegment of the population by providing subtle cultural cues in its promotions with its "Drivers Wanted" and "It's all grown up. Sort of" campaigns.

Regional Culture The region in which people live in a particular country affects the way they refer to a particular product category. For instance, 38 percent of Americans refer to carbonated beverages as "soda," whereas another 38 percent call it "pop," and an additional 19 percent call any such beverage a "Coke," even when it is Pepsi. Eat lunch in Indiana, and you'll have the best luck ordering a pop from the Midwesterner who owns the restaurant, but if you then head to Atlanta for dinner, you'd better order your Coke, regardless of the brand you prefer. Head to Massachusetts, and the term is soda, but if you move to Texas, you might be asked if you'd like a Dr Pepper—a generic term for carbonated beverages in the Lone Star state and Dr Pepper's home base. Imagine the difficulty these firms have in developing promotional materials that transcend these regional boundaries.[13]

Demographics

Demographics indicate the characteristics of human populations and segments, especially those used to identify consumer markets. Typical demographics such as age—which includes generational cohorts—gender, race, and income are readily available from market research firms like ACNeilsen or the U.S. Census Bureau. For instance, Neilsen collects information about television viewership and sells it to networks and potential advertisers. The networks then use this information to set their advertising fees, whereas advertisers use it to choose the best shows on which to advertise. For a show popular among the desirable 18- to 35-year-old viewing segment, a network can charge the highest fees. But advertisers also might want to know whether a show is more popular with women than men or with urban or rural viewers. Demographics thus provide an easily understood "snapshot" of the typical consumer in a specific target market.

In the next few sections, we examine how firms use some such demographics to assess their customers' needs and therefore position themselves to deliver better value for those customers' desired merchandise and services.

Marketers position their products and services differently depending on which generational cohort they are targeting.

Generational Cohorts Consumers in a **generational cohort**—a group of people of the same generation—have similar purchase behaviors because they have shared experiences and are in the same stage of life. For instance, Baby Boomers (people born after World War II, 1946–1964) and Generation Xers (people born between 1965 and 1976) both gravitate toward products and services that foster a casual lifestyle; however, they tend to do so for different reasons.[14] The aging Baby Boomers, who grew up with jeans and khakis and brought casual dressing into the business arena, are often trying to maintain their youth. Xers, in contrast, typically wear jeans and khakis because they are less impressed with the symbols of conspicuous consumption that their parents seem to have embraced. Although there are many ways to cut the generational pie, we discuss five major groups, as listed in Exhibit 4.4.

Seniors Seniors make up America's fastest-growing group.[15] Between 1996 and 2010, the number of people aged 55 to 64 years will grow 65.2 percent. But just because they are a large segment, are they necessarily an important market segment for marketers to pursue? They're more likely to complain, need special attention, and take time browsing before making a purchase compared with younger groups. However, they generally have time to shop and money to spend.

In the past, seniors were very conservative with their savings because they wanted something to pass on to their children. But that attitude appears to be changing. Perhaps you have seen the bumper sticker: "I am spending my chil-

EXHIBIT 4.4 Generational Cohorts

Generational Cohort	Tweens 	Gen Y 	Gen X 	Baby Boomers 	Seniors 
Range of Birth Years	1996-2000	1977-1995	1965-1976	1946-1964	Before 1946
Age in 2008	8-12	13-31	32-43	44-62	63 and older

dren's inheritance"?[16] Older people seem to be buying goods and services at the same pace as younger generations. What do they spend their money on? Travel, second homes, luxury cars, electronic equipment, investments, home furnishings, and clothing are frequent purchases.

Specifically, seniors tend to like "made in the USA" items, natural fibers, recognizable brand names (but generally not designer labels), value, quality, and classic styles. They're typically loyal and willing to spend but are extremely quality conscious and demand hassle-free shopping, particularly in terms of convenient locations. Because most mature customers don't need the basics, they would prefer to buy a few high-quality items rather than a larger number of low-quality items.[17]

However many seniors who live alone and on fixed incomes often fall prey to unscrupulous marketing practices. Marketers who offer promises of high yield returns, "safe" investments, and even wonder cures find a vulnerable market in seniors. Other marketers prey on seniors' isolation and loneliness by "befriending" them and using that relationship to encourage the purchase of unnecessary products and services. Many states now have offices within the State's Attorney General's office designed to protect seniors from these abusive marketing practices. (See Ethical Dilemma 4.1.)

Baby Boomers After World War II, the birth rate in the United States rose sharply, resulting in a group known as the **Baby Boomers**, the 78 million Americans born between 1946 and 1964. Although the Baby Boomer generation spans 18 years, experts agree that its members share several traits that set them apart from those born before World War II. First, they are individualistic. Second, leisure time represents a high priority for them. Third, they believe that they will always be able to take care of themselves, partly evinced by their feeling of economic security, even though they are a little careless about the way they spend their money. Fourth, they have an obsession with maintaining their youth. Fifth and finally, they will always love rock 'n roll.

The Baby Boomers' quest for youth, in both attitude and appearance, provides a constantly growing market. For instance, Boomers spend $30 billion per year on antiaging products and therefore have reenergized businesses ranging from food and cosmetics to pharmaceuticals and biotechnology.[18] Salon services used to be a purely feminine domain, but with Boomers turning 50 at the rate of seven per minute, providers are recognizing the potential of positioning themselves as

Ethical Dilemma 4.1 Predatory Lenders Target Seniors

Seniors often fall prey to unscrupulous marketers.

Consumers with poor credit ratings usually have access to financing only through what are termed subprime lenders.[19] These lenders serve these riskier consumers with higher than market rate loans. For many consumers who have declared bankruptcy or have fallen on financial hard times, these lenders provide a needed service. The dilemma for those providers who are ethical and honest in providing loans to risky consumers is that there are many in the subprime market who use deceptive or aggressive marketing practices to secure loans. Often these loans contain high fees and hidden costs, in addition to higher than market rates of interest, and are considered to be predatory loans. Many of these unscrupulous lenders target senior citizens, recent immigrants, or other vulnerable populations.

A recent California study found that subprime lenders were targeting seniors through very aggressive marketing and sales tactics. Many of those who took loans from these lenders did not seek the lender out, but were instead contacted by the lender, often repeatedly through the mail, by phone and even in person through door-to-door solicitation. Elderly females seem especially prone to these tactics.

Two-thirds of the loans reviewed in the study were found to be predatory: They contained onerous fees and penalties. Often the result of these loans is that the seniors lose the only large asset they have—their home. States like California, Michigan, and Rhode Island are now aggressively pursuing predatory lenders as well as educating seniors and other at-risk populations about these practices.

being in the rejuvenation business. In ways that previous generations would have considered unthinkable, men have begun pampering themselves with salon services such as manicures, facials, and pedicures. Taking advantage of this trend, male spas have begun popping up in areas such as Washington, DC, and Tucson, Arizona.[20]

Generation X The next group, **Generation X** (Xers), includes those born between 1965 and 1976 and represents some 41 million Americans.[21] Vastly unlike their Baby Boomer parents, Xers are the first generation of latchkey children (those who grew up in homes in which both parents worked), and 50 percent of them have divorced parents.

Although fewer in number than **Generation Y** or Baby Boomers, Gen Xers possess considerable spending power because they tend to wait to get married and buy houses later in life. They're much less interested in shopping than their parents but far more cynical, which tends to make them astute consumers. They demand convenience and tend to be less likely to believe advertising claims or what salespeople tell them. Because of their experience as children of working parents, who had little time to shop, Xers developed shopping savvy at an early age and knew how to make shopping decisions by the time they were teenagers.

No matter how old they get, Baby Boomers will always love rock n' roll.

As a result, they grew more knowledgeable about products and more risk averse than other generational cohorts. Finally, Xers are much less interested in status products than older generations, not because they can't afford luxury brands but because they just don't see the point. They ask, "Why shop at Neiman Marcus when Kohl's and Target are just as good, cheaper, and more convenient?"

Generation Y With 60 million in the United States alone, **Generation Y** is more than three times the size of Generation X and the biggest cohort since the original postwar baby boom. This group also varies the most in age, ranging from teenagers to young adults who have their own families.[22] Like Xers, Gen Y also is skeptical about what they hear in the media, which makes marketing to this group even more challenging. If a Gen Y member believes the sell is "too hard," he won't buy. Regardless of where they live, they watch an hour less of television than an average household, accept the use of personal Internet time at work, and expect a healthy option at fast-food restaurants.[23] Most experts believe the reason for the similarities among this broad group is, quite simply, the Web. To appeal to the first generation tied together by a worldwide media web, market-savvy firms can spot trends in one country and market them in others.

Exhibit 4.5 provides some interesting comparisons between Baby Boomers and their children—Generation X and Generation Y.

Multitasking is no big deal for Gen Y.

Tweens Tweens—not quite teenagers, but not young children either—sit in beTWEEN. The importance of Tweens to marketers stems from their immense buying power, estimated at $260 billion annually in the United States alone.[24] In

EXHIBIT 4.5 Generational Cohort Comparisons

Baby Boomers	Generation X	Generation Y
Diversity as a cause	Accept diversity	Celebrate diversity
Idealistic	Pragmatic/cynical	Optimistic/realistic
Mass movement	Self-reliant/individualistic	Self-inventive/individualistic
Conform to the rules	Reject rules	Rewrite the rules
Killer job	Killer life	Killer lifestyle
Became institutions	Mistrust institutions	Irrelevance of institutions
TV	PC	Internet
Have technology	Use technology	Assume tech
Task-technology	Multitask	Multitask fast
Ozzie and Harriet	Latch-key kids	Nurtured
Other boomers	Friend-not family	Friends-family

Source: "Gen Y and the future of mall retailing," *American Demographics*, December 2002 24. (11) p. J1.

Watch out for Tweens. They are fast, multitasking, technology-savvy, and easily bored.

China, this trend appears even more significant; as a result of China's 1979 one-child policy for families, parents and grandparents are intensely focused on the needs of their only child and spend nearly 40 percent of their household income on their "little emperor or empress."[25] These kids may look and act like children, but they sometimes surprise their parents and marketers by consuming like teenagers. Like their big brothers and sisters in Generation Y, much of their market power comes from Tweens' strong influence on family purchases.

Tweens are also known as Speeders, because they do everything at lightning speed.[26] The first generation born after the emergence of the Internet, technology has no novelty for them. They communicate with friends via instant messaging, talk on a cell telephone, and watch television simultaneously. Marketers reach this group primarily through television and the Internet, but because many parents limit television viewing times, the Internet provides a huge media opportunity. Marketers must be careful with this cohort though; once they get bored, Tweens are gone, off doing something else. So firms need to engage them quickly and with sincerity.

And what do Tweens like? In the food industry, they lean toward products like Heinz's green ketchup and Yoplait's GoGURT. For toys and clothing, they have made Build-A-Bear Workshop, Claire's, and Limited Too immensely popular. However, because they have little of their own money, Tweens tend to be value conscious, which makes them key targets for retailers such as Wal-Mart, Target, and Kohl's.

Income Income distribution in the United States has grown more polarized—the highest-income groups are growing, whereas many middle- and lower-income groups' real purchasing power keeps declining. According to the 2000 Census, the richest 20 percent of the households in the United States received 49.7 percent of all household income, whereas the bottom 20 percent accounted for merely 3.6 percent.[27] The increase in wealthy families may be due to the maturing of the general population, the increase in dual-income households, and the higher overall level of education. This broad range in incomes creates marketing opportunities at both the high and low ends of the market.

This water cannon electric boat from Hammacher Schlemmer is a rechargeable electric watercraft powerful enough for riders to navigate lakes and ponds for up to six hours per charge, and it has a built-in motorized water canon that can continuously spray a stream of water up to 35′. It can be yours for only $1995.95.

Although some marketers choose to target only affluent population segments, others have had great success delivering value to middle- and low-income earners. Consider, for example, the toys presented by the specialty retailer Hammacher Schlemmer versus the mass appeal of Wal-Mart's everyday low prices (EDLP), which has made it the world's largest toy retailer. Toy buyers at Wal-Mart are looking for inexpensive products; those at Hammacher Schlemmer go to great lengths to find exclusive, one-of-a-kind products, like a radio-controlled paraglider for $329.[28]

Another aspect of the income demographic relates to the concept of value. Why are customers searching for this value more today than in recent decades? During the first three decades after World War II, most American families experienced real income growth, but in the late 1970s through early 2000s, that growth began to stagnate. Family incomes have stayed slightly ahead of inflation (the general rate of price increases), but their health care costs, property taxes, and tuition bills have risen much faster than inflation.

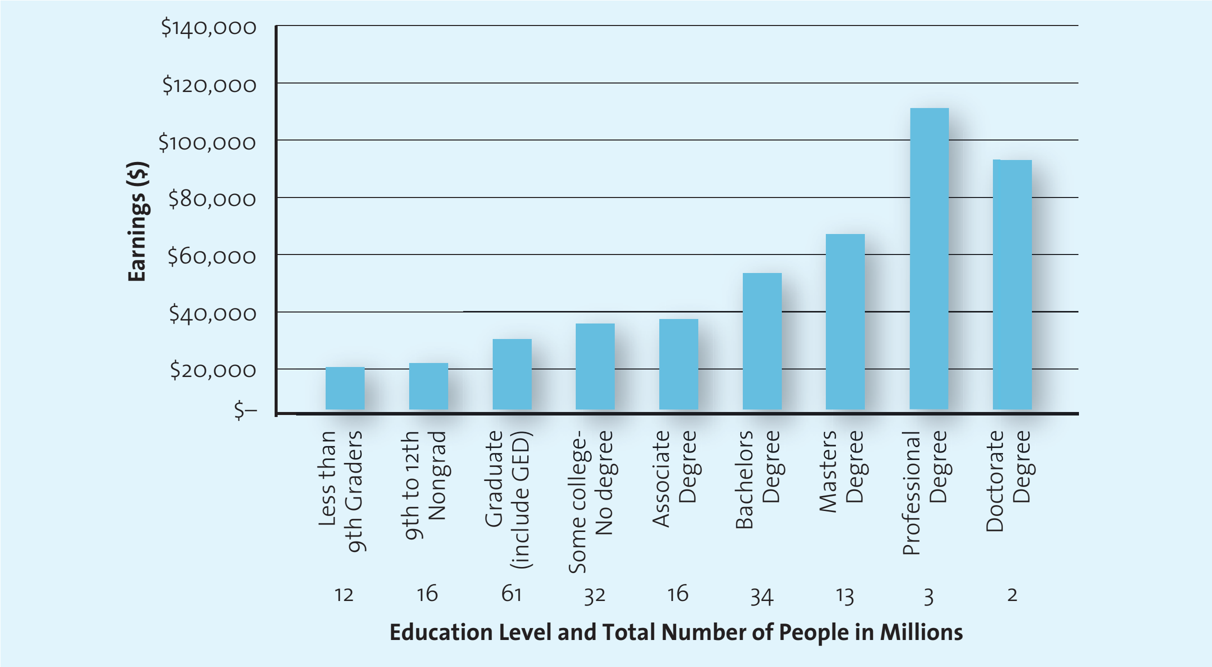
Education Studies show that higher levels of education lead to better jobs and higher incomes.[29] (See Exhibit 4.6.) According the U.S. Bureau of Labor, employment that requires a college or secondary degree will account for 42 percent of projected job growth between 2000 and 2010. Moreover, average annual earnings are higher for those with degrees than for those without. Those who did not graduate from high school have an average annual salary of $18,083; high school grads earn $26,104; those with a bachelor's degree earn $42,087.[30]

For some products, marketers can combine education level with other data like occupation and income and obtain pretty accurate predictions of purchase behavior. For instance, a full-time college student with a part-time job may have relatively little personal income but will spend his or her disposable dollars differently than would a high school graduate who works in a factory and earns a similar income. College students tend to be engaged in playing sports and going to clubs, whereas the high school graduate more likely watches sports and goes to bars. Marketers are therefore quite cognizant of the interaction among education, income, and occupation.

Since women are such an important segment of their customers, Lowe's, the giant home improvement chain, has designed their stores with women in mind.

Gender Years ago, gender roles appeared clear, but those male/female roles have been blurred. This shift in attitude and behavior affects the way many firms design and promote their products and services. For example, more firms are careful about gender neutrality in positioning their products and, furthermore, attempt to transcend gender boundaries whenever they can.

EXHIBIT 4.6 Mean Income by Education Level for Individuals Over 25 Years



Source: www.census.gov

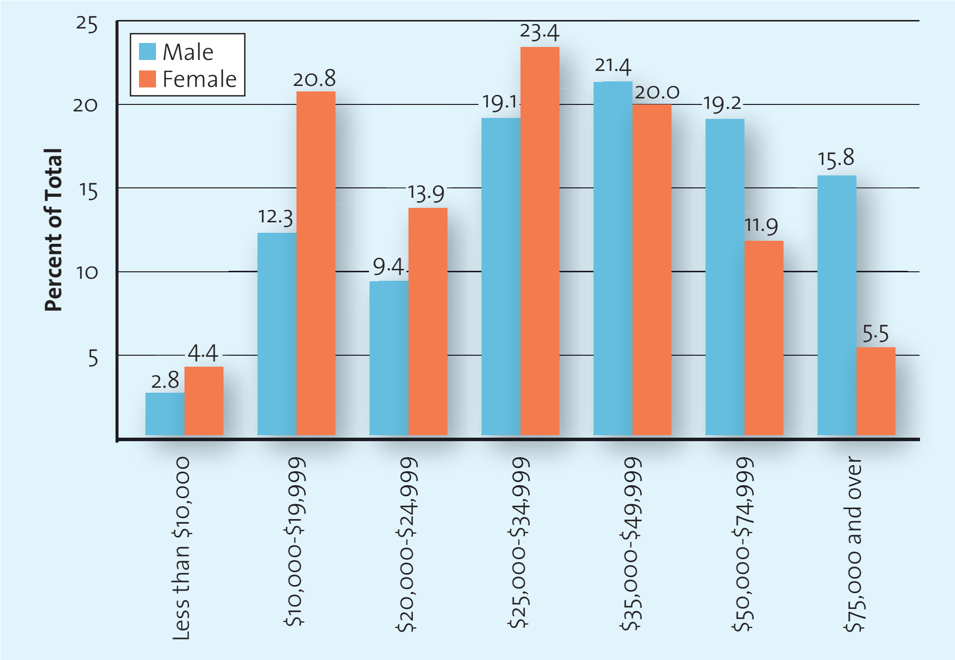
Women are no longer the only family member doing the grocery shopping.

From cars to copiers, sweaters to sweeteners, women make the majority of purchasing decisions and then influence most of the remainder. For instance, despite the traditional view that hardware stores appeal mostly to men, women shoppers are so important to Lowe's, the giant home improvement chain, that the stores have been designed with women in mind.[31] Furthermore, women now head almost 30 percent of American households.[32] Clearly, the working women's segment is a large, complex, lucrative market.

But that doesn't mean marketers have forgotten about men. The days of commercials that show Mom alone with the kids are over. To reflect changing family roles, commercials for most children's gear now include Dad interacting with the kids and being involved in purchase decisions. Men still earn more money than women, as indicated in Exhibit 4.7. As the income distribution shows, there are more women earning lower incomes, and more men earning higher incomes.

Ethnicity Due to immigration and increasing birth rates among various ethnic and racial groups, the United States continues to grow more diverse.[33] Approximately 80 percent of all population growth in the next 20 years is expected to come from Black, Hispanic, and Asian communities. Minorities now represent approximately one-quarter of the population; by 2050, they will represent about 50 percent. Most of the foreign-born American population and recent immigrants tend to concentrate in a handful of metropolitan areas, such as New York, Los Angeles, San Francisco, and Chicago.[34] (See Exhibit 4.8.)

EXHIBIT 4.7 Total Earnings of Full-Time, Year-Round Workers in 2001 (By Gender)



Source: www.census.gov

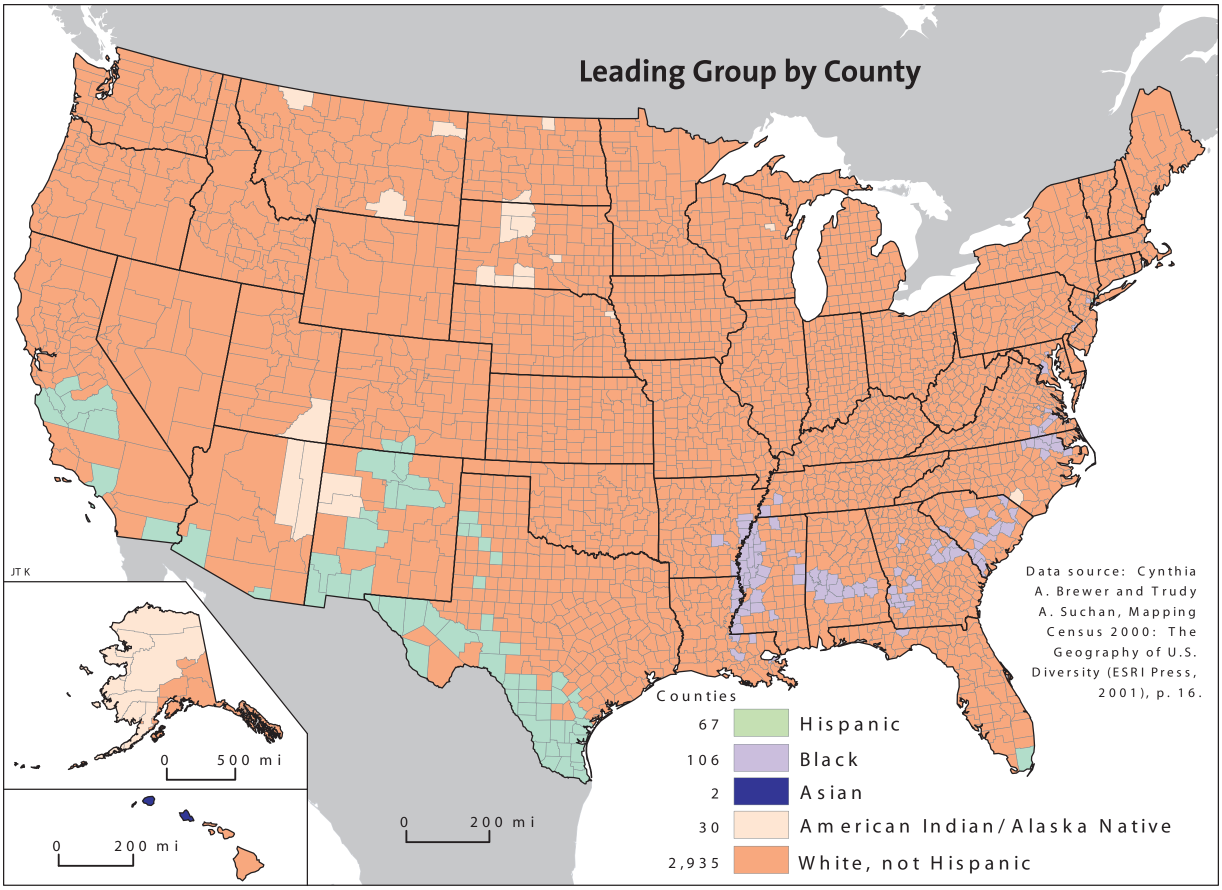
In 2002, the discretionary income of Blacks, Hispanics, and Asians was $646 billion, $581 billion, and $296 billion, respectively.[35] In response to this growing purchasing power, some firms—both retailers and manufacturers—are focusing on the large and growing middle and affluent classes among these minorities. In addition, minorities make up a bigger share of the retail workforce than in the past, particularly in arenas such as food stores, restaurants, and service retailers like dry cleaners and gas stations. Through these roles many immigrant entrepreneurs have revitalized neighborhoods and small towns.

Although African American households at large remain less affluent than other groups, they also represent some retailers' best customers. For instance, African Americans spend proportionally more on women's dress shoes, clothing for teenagers, jewelry, women's athletic wear, and children's shoes than do other ethnic groups. Retailers that provide products and services that enhance personal appearance should take special note of this market. In general, African Americans spend more than their white counterparts on big-ticket items such as cars, clothing, and home furnishings. Many also have an affinity for brand-name products because they equate them with quality.

The United States is like a salad bowl, made up of people from every corner of the world.

Many retailers also pay particular attention to the Hispanic market.[36] About 350,000 Hispanic immigrants come to the United States every year, and they and their U.S.-born children should increase the number of Hispanic Americans from just under 17 million in 1995 to more than 52.7 million in 2020.[37] Hispanic households tend to be larger than those of other groups and represent a $171 billion annual market.

EXHIBIT 4.8 Ethnicity of the Leading Group in Each U.S. County



Source: http://www.valpo.edu/geomet/pics/geo200/lead_group.pdf

The Hispanic market is so large in some areas that marketers develop entire marketing programs just to meet its needs.

Forty-one percent have annual incomes of at least $25,000, though Cubans have a much higher income than either Mexican or Puerto Rican consumers. There's little difference in education, employment, or income between whites and Hispanics who were born in the United States or have lived here at least five years. The Hispanic market is particularly large in certain states and cities, such as California, Arizona, New Mexico, Texas, Miami, New York City, and Chicago. To attract and communicate with Hispanic consumers, marketers have invaded channels such as Telemundo, CNNenEspanol.com, and Vanidades with commercials for their products.

Although Asian Americans comprise only about 3 percent of the U.S. population, they also represent the fastest growing minority population. They tend to earn more, have more schooling, and be more likely to be professionally employed or own a business than whites. As is also true for Hispanic consumers, marketers should not assume that they can target all Asians with one strategy. The Chinese, Japanese, Indian, Korean, and southeast Asian subgroups, such as the Vietnamese and Cambodian, all speak different languages and come from different regional and country cultures.

Social Trends

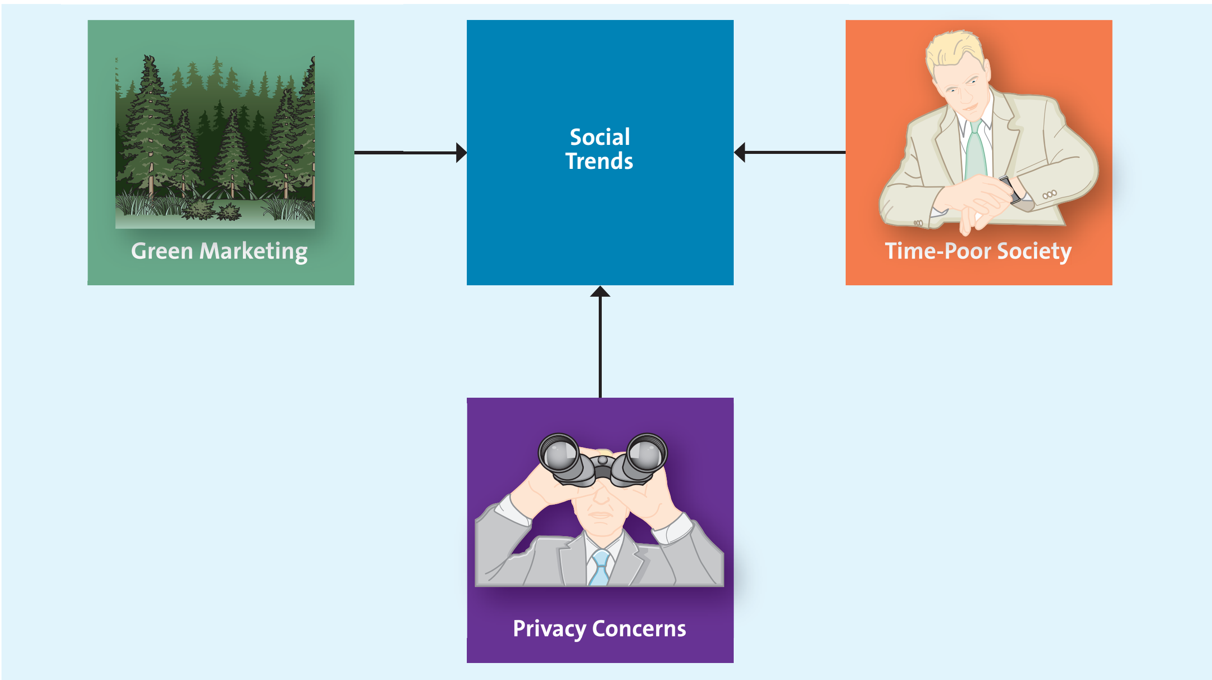
Various social trends appear to be shaping consumer values in the United States and around the world, including greener consumers, privacy concerns, and time-poor society. (See Exhibit 4.9.)

Greener Consumers[38] **Green marketing** involves a strategic effort by firms to supply customers with environmentally friendly merchandise. Although this "green" trend is not new, it is growing. Many consumers, concerned about everything from the purity of air and water to the safety of beef and salmon, believe that each person can make a difference in the environment. For example, nearly half of U.S. adults now recycle their soda bottles and newspapers, and European consumers are even more green. Germans are required by law to recycle bottles, and the European Union does not allow beef raised on artificial growth hormones to be imported.

The demand for green-oriented products has been a boon to the firms that supply them. For instance, marketers encourage consumers to replace their older versions of washing machines and dishwashers with water- and energy-saving models and to invest in phosphate-free laundry powder

Spawned by environmental concerns and rising gas prices, consumers are demanding more fuel-efficient hybrid cars.

EXHIBIT 4.9 Social Trends



Entrepreneurial Marketing 4.1

Anita Roddick: An Environmental Entrepreneur and Founder of The Body Shop[39]

Begun by Anita Roddick in 1976 as a small shop in Brighton, England, The Body Shop has grown into a force capable of creating a niche market for natural hair and body products. Whereas once it sold approximately 25 products in its single store, it now sells over 600 products in more than 1,900 outlets that span 12 time zones. Due to its dedicated franchisees who share Roddick's values, The Body Shop has expanded its reach worldwide. The company and its founder have a strong commitment to protect the environment, animals, and human rights. Some of their core values include the following:

- Protesting the testing of products on animals.
- Supporting small producers around the world.
- Treating the customer as an individual.
- Supporting human rights.
- Embracing business's responsibility of protecting the environment.
- Promoting community volunteering.

Perhaps because of these core values, The Body Shop has enjoyed strong growth in operating profits and earnings over the last three years, to the point that, in 2005, earnings per share were up 22 percent.

and mercury-free and rechargeable batteries. America's love affair with recycling also has created markets for recycled building products, packaging, paper goods, and even sweaters and sneakers. This raised energy consciousness similarly has spurred the growth of more efficient appliances, lighting, and heating and cooling systems in homes and offices. Health-conscious consumers continue to fuel the markets for organic foods, natural cleaning and personal care products, air- and water-filtration devices, bottled water, and organic fertilizers, as well as integrated pest management systems that do not rely on any manufactured chemicals. By offering environmental responsibility, these green products add an extra ounce of value that other products don't have. Entrepreneurial Marketing 4.1 describes how entrepreneur Anita Roddick employed a green strategy with The Body Shop.

Privacy Concerns More and more consumers worldwide sense a loss of privacy. At the same time that the Internet has created an exploding volcano of accessibility to consumer information, improvements in computer storage facilities and the manipulation of information have led to more and better credit check services. In addition, consumers are constantly reminded that their identity may not be their own, as in the humorous series of Citibank commercials that depict unsuspecting credit card users who have had their identities stolen. In one, a sweet-looking older woman describes her new pickup truck in a deep, masculine voiceover. Although these commercials promote a new credit card with identity theft protection, most consumers have no such protection. In April 2005, LexisNexis, a compilation service of consumer personal and financial data, announced that its system had been compromised and that more than 300,000 people's names, addresses, and social security numbers had been stolen.[40]

Have you ever felt that your privacy has been invaded by unsolicited telephone calls and e-mails? Adding Value 4.2 explains how the U.S. government has come to your rescue.

Adding Value 4.2

Do Not Call and Do Not E-Mail[41]

The U.S. government, responding to consumer outcries regarding unwanted telephone and e-mail solicitations, has undertaken one of the largest government initiatives of the decade, in response to which more than 55 million people have registered their telephone numbers with the Federal Trade Commission's (FTC) National Do Not Call Registry. In fact, 730,000 of those consumers registered the first day. Similarly, the House of Representatives has passed a bill that allows the FTC to create a "Do Not Email" list to stop SPAM, or unsolicited junk e-mail.

On February 18, 2004, the Tenth Circuit Court of Appeals in Denver ruled that the National Do Not Call Registry does not violate the First Amendment rights of telemarketers but rather allows consumers to prevent unwanted intrusions in their home. According to the ruling, "The national do-not-call registry offers consumers a tool with which they can protect their homes against intrusions that Congress has determined to be particularly invasive. Just as a consumer can avoid door-to-door peddlers by placing a 'No solicitations' sign in his or her front yard, the do-not-call registry lets consumers avoid unwanted sales pitches that invade the home via telephone, if they choose to do so. We are convinced the First Amendment does not prevent the government from giving consumers this option."[42]

These policy changes have had considerable impact on some firms' marketing strategy. For instance, AT&T ended all marketing operations to home consumers in August of 2003 just months after paying a fine of $490,000 to the Federal Communications Commission (FCC). Also impacted was *USA Today,* which historically generated 40 percent of its subscriptions through cold calling. Unfortunately, the Do Not Call Registry may have eliminated many honest telemarketers, leaving the wires open for the more crooked groups who often use nontraceable recordings to reach potential customers at home. In the end, most companies are moving resources away from telephone campaigns and refocusing them elsewhere.

The Time-Poor Society Reaching a target market has always been a major challenge, but it is made even more complicated by several trends that increase the difficulty of grabbing those markets' attention. First, in the majority of families, both parents work, and the kids are busier than ever. Since 1973, the median number of hours that people say they work has jumped from 41 to 49 a week. During that same period, reported leisure time has dropped from 26 to 19 hours a week.[43]

When Leave It To Beaver *was on TV in the 1950s, viewers had only three or four channels from which to choose.*

Second, consumers have many more choices about the ways they might spend their dwindling leisure hours. When *Leave It to Beaver* ruled television, most viewers could choose from only three or four channels, plus a handful of AM radio stations. Today, they have hundreds of each. Competing with television and radio are DVDs, MP3 players, cell telephones, pagers, personal computers, and the Internet. Third, many consumers attempt to cope with their lack of leisure time by multitasking—watching television or listening to music while talking on the telephone or doing homework. Their divided attention simply cannot focus as well on advertisements that appear in those media.

Marketers must respond to the challenge of getting consumers' attention by adjusting, such as by moving their advertising expenditures from traditional venues like print media to movie screens, fortune cookies, baggage claim conveyor belts, billboards, and ads in airports

Self-checkout lanes speed the shopping process, but do they improve customer service?

and on taxis, buses, and mass transport vehicles.[44] Retailers are doing their part by making their products available to customers whenever and wherever they want. For instance, retailers like Target and Talbots are becoming full-fledged multichannel retailers that offer stores, catalogs, and Internet shopping options. Others, like Office Depot and Walgreens, have extended their hours of operation so that their customers can shop during hours that they aren't working. In addition, automated processes like self-checkout lanes and electronic kiosks speed the shopping process and provide customers with product and ordering information.

To find and develop such methods to make life easier for consumers in the time-poor society, marketers often rely on technology, another macroenvironmental factor and the topic of the next section.

Technological Advances

Technological advances have accelerated greatly during the past few decades, improving the value of both products and services. Since the birth of the first Generation Y baby in 1977, the world has realized the commercial successes of cellular telephones, MP3 players, Internet access, personal digital assistants (PDSs), WiFi, and digital cameras. Flat-screen and high-definition televisions, as well as video on demand, have begun to change the way we view television, and their impact is only expected to increase in the next few years. On the retail side, firms are able to track an item from the moment it was manufactured, through the distribution system, to the retail store, and into the hands of the final consumer using little radio frequency identification device (RFID) chips that are affixed to the merchandise. Because they are able to determine exactly how much of each product is at a point in the supply chain, retailers also can communicate with their suppliers—probably over the Internet—and collaboratively plan to meet their inventory needs. Exhibit 4.10 shows when some of these technological advances were introduced and their annual sales.

EXHIBIT 4.10 Advances in Technology

	Cell Phone	LCD Televisions	MP3 Player	Internet Access
Year Introduced	1984	1988	1991	1993
2005 Sales	$13.5 Billion	$4 Billion	$3 Billion	$1.018 Billion

Source: Dan Nystedt, "U.S. Marks new cell phone record in 2005," *InfoWorld* April 07, 2006, www.infoworld.com (accessed August 25, 2006); "World Fact Book," www.cia.gov, (accessed August 25, 2006); Ilse Jurrien, "Consumer electronic sales record in 2006," www.letsgodigital.org January 5, 2006 (accessed August 25, 2006).

Economic Situation

Marketers monitor the general **economic situation**, both in their home country and abroad, because it affects the way consumers buy merchandise and spend money. Some major factors that influence the state of an economy include the rate of inflation, foreign currency exchange rates, and interest rates.

Inflation refers to the persistent increase in the prices of goods and services.[45] Increasing prices cause the purchasing power of the dollar to decline; in other words, the dollar buys less than it used to.

Tourists from other countries flock to the U.S. to shop because the value of the dollar is low compared to their own currency.

In a similar fashion, **foreign currency fluctuations** can influence consumer spending. For instance, in the summer of 2002, the Euro was valued at slightly less than U.S. $1. By the beginning of 2007, it cost approximately $1.27 in American currency. As the Euro becomes more expensive compared with the dollar, merchandise made in Europe and other countries tied to the Euro become more costly to Americans, whereas products made in the United States cost less for European consumers.

Finally, **interest rates** represent the cost of borrowing money. For example, when customers borrow money from a bank, they agree to pay back the loan, plus the interest that accrues. The interest, in effect, is the cost to the customers or the fee the bank charges those customers for borrowing the money. Likewise, if a customer opens a savings account at a bank, he or she will earn interest on the amount saved, which means the interest becomes the fee the consumer gets for "loaning" the money to the bank. If the interest rate goes up, consumers have an incentive to save more, because they earn more for loaning the bank their money; when interest rates go down, however, consumers generally borrow more.

How do these three important economic factors—inflation, foreign currency fluctuations, and interest rates—affect firms' ability to market goods and services? Shifts in the three economic factors make marketing easier for some and harder for others. For instance, when inflation increases, consumers probably don't buy less food, but they may shift their expenditures from expensive steaks to less expensive hamburgers. Grocery stores and inexpensive restaurants win, but expensive restaurants lose. Consumers also buy less discretionary merchandise. For instance, the sale of expensive jewelry, fancy cars, and extravagant vacations will decrease, but curiously, the sale of low-cost luxuries, such as personal care products and home entertainment, tends to increase. It appears that, instead of rewarding themselves with a new Lexus or a health spa vacation, consumers buy a few cosmetics and rent a movie.

Another, perhaps unexpected, result of the devaluation of the U.S. dollar compared with the Euro might allow U.S. manufacturers to win and European makers to lose. During such inflationary times, "made in America" claims become more important, which means that European manufacturers and U.S. retailers that specialize in European merchandise must decide whether they should attempt to maintain their profit margins or accept a lower price to protect their U.S. customer base. Finally, when interest rates go up, consumers tend to save more, which makes it easier for financial institutions to sell products like mutual funds. But at the same time, people have less incentive to buy discretionary products and services because they are enticed by the higher interest rates to save. Therefore, though a financial institution's mutual fund division might benefit, its mortgage department might suffer because people don't buy houses when they feel they are not getting a good value for the money they must spend and borrow.

Political/Regulatory Environment

The **political/regulatory environment** comprises political parties, government organizations, and legislation and laws. Organizations must fully understand and comply with any legislation regarding fair competition, consumer protection, or industry-specific regulation. Since the turn of the century, the government has enacted laws that promote both fair trade and competition by prohibiting the formation of monopolies or alliances that would damage a competitive marketplace, fostering fair pricing practices for all suppliers and consumers, and promoting free trade agreements among foreign nations.

Legislation also has been enacted to protect consumers in a variety of ways. First, regulations require manufactures to abstain from false or misleading advertising practices that might mislead consumers, such as claims that a medication can cure a disease when in fact it causes other health risks. Second, manufacturers are required to identify and remove any harmful or hazardous materials (e.g., asbestos) that might place a consumer at risk. Third, organizations must adhere to fair and reasonable business practices when they communicate with consumers. For example, they must employ reasonable debt collection methods and disclose any finance charges; as we noted in Adding Value 4.2, they also are limited with regard to their telemarketing and e-mail solicitation activities.

Last but not least, the government enacts laws focused on specific industries. These laws may be geared toward increasing competition, such as the deregulation of the telephone and energy industries, in which massive conglomerates like Ma Bell were broken into smaller, competing companies. Or they may be in response to current events, such as the laws passed following the terrorist attacks of September 11, 2001, when the government ushered through the Air Transportation Safety and System Stabilization Act to ensure that airlines could remain in business. A summary of the most significant legislation affecting marketing interests appears in Exhibits 4.11 and 4.12.

EXHIBIT 4.11 Competitive Practice and Trade Legislation

Year	Law	Description
1890	Sherman Antitrust Act	Prohibits monopolies and other activities that would restrain trade or competition. Makes fair trade within a free market a national goal.
1914	Clayton Act	Supports the Sherman Act by prohibiting the combination of two or more competing corporations through pooling ownership of stock and restricting pricing policies such as price discrimination, exclusive dealing, and tying clauses to different buyers.
1914	Federal Trade Commission	Established the Federal Trade Commission (FTC) to regulate antitrust claims and outlaw unfair competitive practices.
1936	Robinson-Patman Act	Outlaws price discrimination toward wholesalers, retailers, or other producers. Requires sellers to make ancillary services or allowances available to all buyers on proportionately equal terms.
1938	Wheeler-Lea Act	Makes unfair and deceptive advertising practices illegal and gives FTC jurisdiction over food and drug promotion.
1993	North American Free Trade Agreement (NAFTA)	International trade agreement among Canada, Mexico, and the United States removing tariffs and trade barriers to facilitate trade among the three nations.

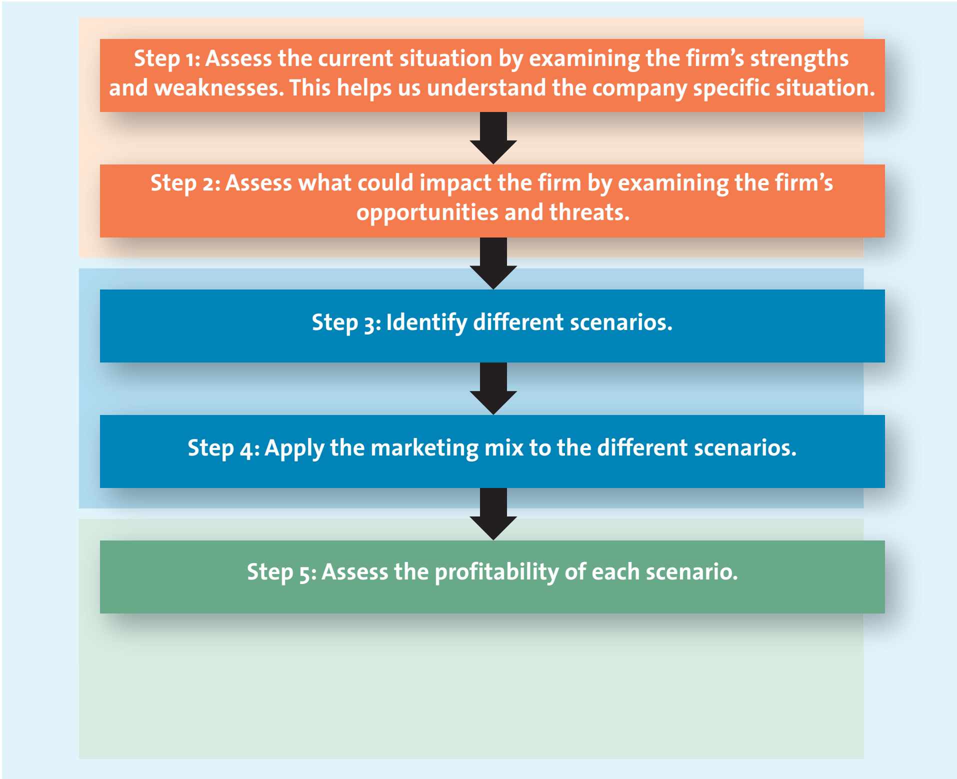
EXHIBIT 4.12 Consumer Protection Legislation

Year	Law	Description
1906	Federal Food and Drug Act	Created the Food and Drug Administration. Prohibited the manufacture or sale of adulterated or fraudulently labeled food and drug products.
1938	Food, Drug and Cosmetics Act	Strengthens the 1906 Federal Food and Drug Act by requiring that food be safe to eat and be produced under sanitary conditions; drugs and devices are safe and effective for their intended use; and cosmetics are safe and made from appropriate ingredients.
1966	Fair Packaging and Labeling Act	Regulates packaging and labeling of consumer goods; requires manufacturers to state the contents of the package, who made it, and the amount contained within.
1966	Child Protection Act	Prohibits the sale of harmful toys and components to children. Sets the standard for child-resistant packaging.
1967	Federal Cigarette Labeling and Advertising Act	Requires cigarette packages to display this warning: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous To Your Health."
1972	Consumer Product Safety Act	Created the Consumer Product Safety Commission, which has the authority to regulate safety standards for consumer products.
1990	Children's Television Act	Limits the number of commercials shown during children's programming.
1990	Nutrition Labeling and Education Act	Requires food manufacturers to display nutritional contents on product labels.
1995	Telemarketing Sales Rule	Regulates fraudulent activities conducted over the telephone. Violators are subject to fines and actions enforced by the FTC.
2003	Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act)	Allows the FTC to regulate unsolicited e-mail and enforce penalties associated with "junk" e-mail.
2003	Amendment to the Telemarketing Sales Rule	Establishes a National Do Not Call Registry, requiring telemarketers to abstain from calling consumers who opt to be placed on the list.

Scenario Planning

Now that we have examined how the macroenvironment impacts a company, its competition, its corporate partners, and, most important, the way these entities market to customers, let's look at a process called **scenario planning** that integrates this information as a means to understand the potential outcomes of different applications of a firm's marketing mix.[46] By using the strategy elements that we discussed in Chapter 2, scenario planning enables a firm to predict, monitor, and adapt to the ever-changing future. All firms face strategic challenges in dealing with the opportunities and uncertainties of the marketplace due to the changes in cultural, demographic, social, technological, economic, and political forces. Thus, anticipating and interpreting change, and leveraging resources to address those changes, are key to developing winning value-based strategies.[47]

EXHIBIT 4.13 Scenario Planning Process



As an outcome, a scenario planning exercise like the one outlined in Exhibit 4.13, develops a set of possible conclusions based on the plausible alternatives that a firm might pursue. By looking at alternative courses of action and imagining what might happen if they were taken, managers can better prepare for the future. To demonstrate how scenario planning works, we investigate a scenario plan for Wal-Mart to determine which strategic directions the giant retailer might pursue in coming years.

Step 1: Assess Strengths and Weaknesses

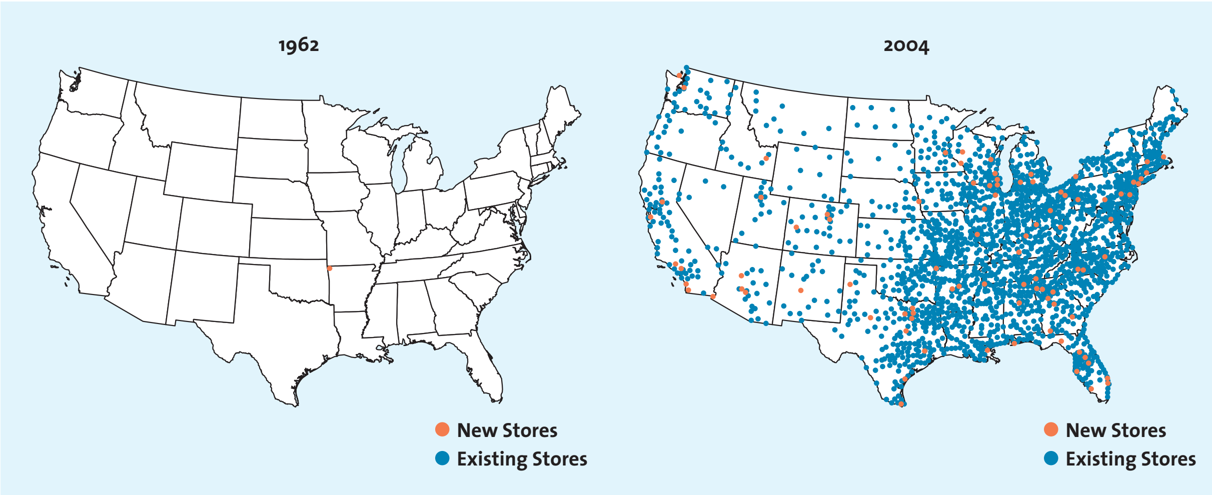
Step 1 includes the first half of a SWOT analysis: Assess the firm's strengths and weaknesses.

Strengths Wal-Mart has many strengths, not the least of which is its sheer size—it is the largest company in the world. Just how big is it?[48]

- Wal-Mart is the world's largest retailer.
- Its sales equal 2.5 percent of the U.S. gross domestic product.
- Its workforce of 1.6 million people can employ the population of 31 countries.
- Over 138 million customers per week visit Wal-Mart worldwide.

However, being big isn't always strength; a huge company sometimes suffers from its sluggish reactions to change and cumbersome hierarchical decision making. But size has generally been one of Wal-Mart's key strengths, perhaps because it has been able to develop inventory and information systems rapidly, expand into

EXHIBIT 4.14 Wal-Mart Growth

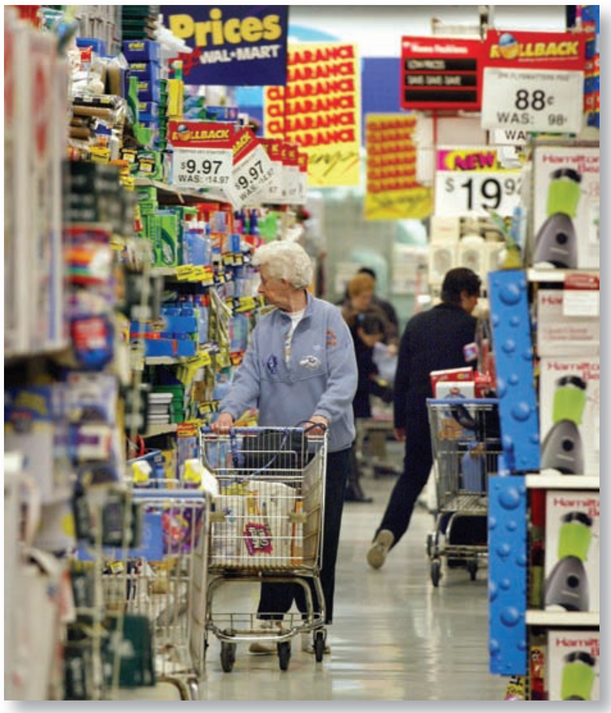


Source: Thomas J. Holmes, "Movie of Wal-Mart Store Openings," http://www.econ.umn.edu/~holmes/research.html; Jonathan J. Miller, *Organic Big Box Growth and Downtown Development*, http://matrix.millersamuel.com/?p=622.

new retail businesses, and negotiate with vendors better than most of its rivals. Wal-Mart's growth has been staggering. See Exhibit 4.14.

Another strength is Wal-Mart's unrelenting drive to provide the lowest price in every market in which it competes. How does Wal-Mart do it? Its suppliers know they can only offer the retailer the lowest price, and forget about price increases. If they don't, they simply won't retain Wal-Mart as a customer, and for most suppliers, losing a customer of this size isn't an option. It also operates a bare-bones, no-frills operation.

Some experts believe that Wal-Mart's biggest strength rests in its supply chain. The originator of the hub-and-spoke distribution center system, Wal-Mart locates all its stores at the end of a "spoke" with a distribution center at the "hub." Using this system, each store easily can access distribution center deliveries. Furthermore, the distribution centers are among the most advanced in the world, with miles and miles of conveyor belts moving merchandise in and out at lightning speed.



Wal-Mart's low prices are due, in part, to its advanced supply chain.

Weaknesses Although Wal-Mart's weaknesses are few, they are potentially serious. No matter how hard it tries to be a good corporate citizen, it still manages to become the villain in many communities. Cities and towns of all sizes fear the demise of the small businesses that cannot compete with Wal-Mart's low prices. As a result of these demises, people lose their jobs and end up either unemployed or working for Wal-Mart at the substantially reduced wages that critics often deride Wal-Mart for imposing. Being the world's largest corporation also attracts substantial litigation, which leads to poor public relations.

Step 2: Assess Opportunities and Threats

In the second half of the SWOT analysis, we assess the firm's opportunities and threats. Consider some potential opportunities, many of which Wal-Mart already is investigating:

- Expand aggressively into fashion apparel to compete more effectively with other lower-priced fashion retailers, like Target and H&M.
- Enter India.
- Expand their neighborhood grocery store concept.
- Expand its computer, office equipment, and consumer electronics presence to compete aggressively with Staples, Office Depot, and Best Buy.
- Expand in-store financial services to make Wal-Mart even more of a one-stop shopping experience.

Like any firm, Wal-Mart also faces several threats, but unlike many firms, these threats appear relatively mild in comparison with its opportunities. First, on a global scale, several retail powerhouses like Carrefour (France) and Metro (Germany) have impeded its global expansion. Second, small but nimble local retailers eat into its market in certain categories. Some such retailers can beat Wal-Mart on assortment and service but usually not on price. Third, given Wal-Mart's size, it exists under constant governmental surveillance for possible legal infringements as it expands into new categories, expands within a category, or enters new markets.

Step 3: Identify Different Scenarios

On the basis of the analysis performed in Steps 1 and 2, executives can identify some alternative scenarios that might happen in the next five years. Two of the scenarios could be as follows:

- Wal-Mart expands its apparel category.
- Wal-Mart enters India.

Each of these alternative scenarios requires careful consideration and reflection to assess the risks, benefits, and costs of that move. To determine which are the best opportunities, it is useful to try to match the firm's competencies with the opportunity's attractiveness. Clearly, if the firm has a high competency to engage in an opportunity and the opportunity is attractive, it represents a likely opportunity to pursue.

Wal-Mart could examine the attractiveness of changing its apparel assortment. This would allow head-on competition in the apparel area with Target. An expansion into India would allow it to go after a certain percentage of the over 1 billion consumers. Wal-Mart already buys over $1.5 billion worth of merchandise from India.[49] However, to attract the Indian consumer would require Wal-Mart to carefully examine the Indian market.

Step 4: Apply the Marketing Mix to the Different Scenarios

In this step, the firm develops a potential strategy for each of the different scenarios created in Step 3. For simplicity, let's just consider the option of Wal-Mart entering India. It provides an intriguing yet straightforward option for several reasons. Because Wal-Mart is already buying over $1.5 billion worth of merchandise from India, the Indian government is not likely to throw roadblocks into its expansion efforts. The biggest potential problem is that Wal-Mart does not have a well-established supply chain as it has in other markets. Wal-Mart is used to doing things in a big way. It will probably need different types of trucks, equipment, and warehouses to operate in the Indian environment. Another difficult challenge the company would face in India would be to find great urban locations that have the square footage that Wal-Mart typically requires. Wal-Mart would also need to change the product assortment to conform to the Indian consumers' tastes and preferences. Wal-Mart may also adjust its communication mix to take advantage of outdoor advertising opportunities (e.g., billboards, banners, buses) that are so popular in India. Finally, the prices of the merchandise would have to be in line with price expectation of the Indian middle-class.

Firms like Wal-Mart may have to adjust their communications mix to add more billboards as they expand in India.

Step 5: Assess the Profitability of Each Scenario

After developing strategies for several options, as in Step 3, and applying the marketing mix as in Step 4, managers must finally assess the profitability of each option. In so doing, they weigh the expected revenues against the expected costs. The projects with the highest expected profit are the best to pursue. Therefore, if Wal-Mart finds that the expected revenues from an expansion into India exceed its expected costs, then the scenario is a viable option.

Summing Up

1. **How do customers, the company, competitors, and corporate partners affect marketing strategy?**

   Everything a firm does should revolve around the customer; without the customer, nothing gets sold. Firms must discover their customers' wants and needs and then be able to provide a valuable product or service that will satisfy those needs. If there were only one firm and many customers, a marketer's life would be a piece of cake. But because this setup rarely occurs, firms must monitor their competitors to discover how they might be appealing to their customers. Without active competitive vigilance, a firm's customers might soon belong to its competitors. However, though marketing life certainly would be easier without competitors, it would be difficult, if not impossible, without corporate partners. Good marketing firms work closely with their suppliers, marketing research firms, consultants, and transportation firms to coordinate the extensive process of discovering what customers want and getting it to them when and where they want it. Each of these activities—discovering customer needs, studying competitive actions, and working with corporate sponsors—helps add value to firms' products and services.

2. **Why do marketers have to think about their macroenvironment when they make decisions?**

   To be successful, marketers must understand fully what is going on outside their firm. For instance, what are the chances that a fast-food hamburger restaurant would be successful in a predominantly Hindu neighborhood? Right—not very good. Marketers must be sensitive to such cultural issues to be successful, and then they must also consider customer demographics—age, income, market size, education, gender, and ethnicity—to identify specific customer groups. In any society, major social trends influence the way people live. Understanding these trends—such as green marketing, privacy issues, and the time-poor society—can help marketers serve their customers better. Furthermore, in no other time in history has technology moved so rapidly and had such a pervasive influence on the way we live. Not only do marketers help develop technologies for practical, everyday uses, but technological advances also help marketers provide consumers with more products and services more quickly and efficiently. In addition, the general state of the economy influences how people spend their disposable income. When the economy is healthy, marketing grows relatively easy. But when the economy gets bumpy, only well-honed marketing skill can yield long-term successes. Naturally, all firms must abide by the law, but many legal issues also affect marketing directly. These laws can be broken into those that pertain to competitive practices, such as antitrust legislation, and those designed to protect consumers from unfair or dangerous practices, such as warning labels on cigarette packages.

3. **How do marketers use scenario planning to determine which courses of action to take?**

   Scenario planning integrates information on how the macroenvironment impacts a company, its competition, its corporate partners, and its customers as a means to understand the potential outcomes of different applications of a firm's marketing mix. Scenario planning is performed in five steps. In the first two steps, it assesses its strengths, weaknesses, opportunities and threats (SWOT) in light of its macroenvironment in relation to its competition, corporate partners, and customers. Third, it identifies different scenarios. Fourth, it applies the marketing mix to the different scenarios. Finally, it assesses the profitability of each scenario. The scenario(s) with the highest potential are considered for implementation.

Key Terms

- Baby Boomers 92
- competitive intelligence (CI) 88
- country culture 91
- culture 91
- demographics 92
- economic situation 105
- foreign currency fluctuations 105
- Generation X 94
- Generation Y 95
- generational cohort 92
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Marketing Applications

1. Assume you are going to open a new store. Describe it. Who are your competitors? What would you do to monitor your competitors' actions?
2. In which generational cohort do you belong? What about your parents? How do you approach buying a car differently than your parents would? What about buying an outfit to wear to a party? How can firms use their knowledge of generational cohorts to market their products and services better?
3. How can firms use customer demographics like income, market size, education, and ethnicity to market to their customers better?
4. Identify some of the changes in the gender landscape. Describe how they might affect the marketing practices of (a) men's apparel retailers, (b) do-it-yourself home improvement retailers, and (c) upscale salon services.
5. Identify some recent technological innovations in the marketplace and describe how they have affected consumers' everyday activities.
6. Do you feel as if firms are invading or could invade your privacy? Why or why not?
7. Why should a shoe retailer in the United States care about the value of the Hong Kong dollar?
8. Time-poor consumers have adopted various approaches to "buy" themselves more time, such as (a) voluntarily simplifying their complex lives, (b) using new technologies for greater empowerment and control, (c) using their time productively when traveling or commuting, and (d) multitasking. Identify and describe some products and services that consumers use to implement each of these strategies.

9. Identify a company that you believe does a particularly good job of marketing to different cultural groups. Justify your answer.

10. You have recently been hired by a major department store in its marketing department. Your boss informs you that you are going to supervise a field research study. You arrive at the selected store in the chain and find out that the study consists of shadowing customers as they move around the store. The store has set up a "private" shopping event for store credit card holders. All who attend must swipe their card to receive the special discount coupon book. The shadow shoppers (who were hired by the store manager) are given handheld devices loaded with a specific customer's information and past purchase behavior. Thus each shadow shopper knows the name, address, income, family size, and spending patterns for the customer she or he is observing. You begin to feel uncomfortable about this study since the consumers have no idea that they are being tracked or the level of confidential information about them that a stranger has access to. You are also concerned that the shadow customers are not regular employees or employees of an established marketing research provider. What if anything would or should you do about your concerns?

Net Savvy

1. Seventh Generation is the leading brand of nontoxic, environmentally safe household products in the United States. Visit its Web site (www.seventhgeneration.com) and review the philosophy behind the business. Next, review the site to identify the products the company offers. Briefly summarize some of the consumer trends you note, and describe the ways in which its products address the wants and needs of its customers.

2. The Internet has been a double-edged sword for consumers. On the one hand, it provides easy access to many businesses and sources for information. On the other hand, consumers must give up some of their privacy to access this information. The Privacy Rights Clearinghouse provides information to consumers about privacy and opt-out strategies. Visit its Web site (www.privacyrights.org) and review the privacy survival guide. From that document, select and describe three actions you might take to protect your own privacy.

Chapter Case Study

STONYFIELD FARM:[50] CHANGING THE ENVIRONMENT OF BUSINESS

Overview

In 2001, Gary Hirshberg entered into a partnership with the multinational French corporation Groupe Danone after he had already built his organic Stonyfield Farm yogurt business from a small farm intended to fund his nonprofit ventures to a vast company with annual sales of $83 million. Three years later, with sales approaching $100 million, Groupe Danone increased its holding from 40 percent to 85 percent while maintaining Hirshberg as President and CEO.

A major reason for the company's rapid growth and popularity was its responsiveness to consumer demands for organic, natural food products. Stonyfield's popular yogurt and other products represented healthy alternatives to other brands, giving it a differential advantage in a marketplace in which more and more consumers had become choosier about the food products they bought. The company also supports various socially and environmentally beneficial causes. Because it provides superior value to consumers, Stonyfield Farm enjoys the number one market position for organic yogurt and is the number three branded yogurt in the industry.

Company History

In 1983, founders Gary Hirshberg and Samuel Kaymen started Stonyfield as an organic farming school to help revitalize New England agriculture and educate people about the environmental practices of local dairy farmers and the issues they face. Hirshberg and Kaymen began making high-quality yogurt as a way to raise money for their nonprofit school. Building on this tradition of environmental education, the company made pioneering social and environmental business practices central to their business, values, and growth. Essential to this goal is helping consumers realize the impact of their various purchases on the environment.

The Product

The company produces all natural and certified organic yogurts, smoothies, soy yogurt, frozen yogurt, ice cream and milk. Their products contain no gelatins, artificial colors, artificial flavors, or other chemical additives used in many other brands. Stonyfield Farm yogurts contain inulin, a natural dietary fiber that helps boost calcium absorption, and six live active cultures that together enhance digestion, fortify the body's natural defenses, improve the absorption of nutrients and decrease the presence of harmful bacteria. The result: A healthier, better tasting product appreciated by health-conscious consumers.

Walking the Talk

Stonyfield's environmental initiatives center on two major themes: consumer education and modeling successful approaches of socially and environmentally responsible business practices. Ongoing consumer efforts include an educational campaign that presents the company's support for organic products, endorsement of humane animal treatment, and support of health and environmental initiatives. It models its principles of environmental sustainability through its efforts to use environmental packaging and extensive recycling practices, and its award winning efforts around climate change. Furthermore, it addresses both themes by donating 10 percent of its profits to organizations that protect and restore the planet.

EXHIBIT C4.1 Stonyfield Farm Ad Combining Advertising and Activism

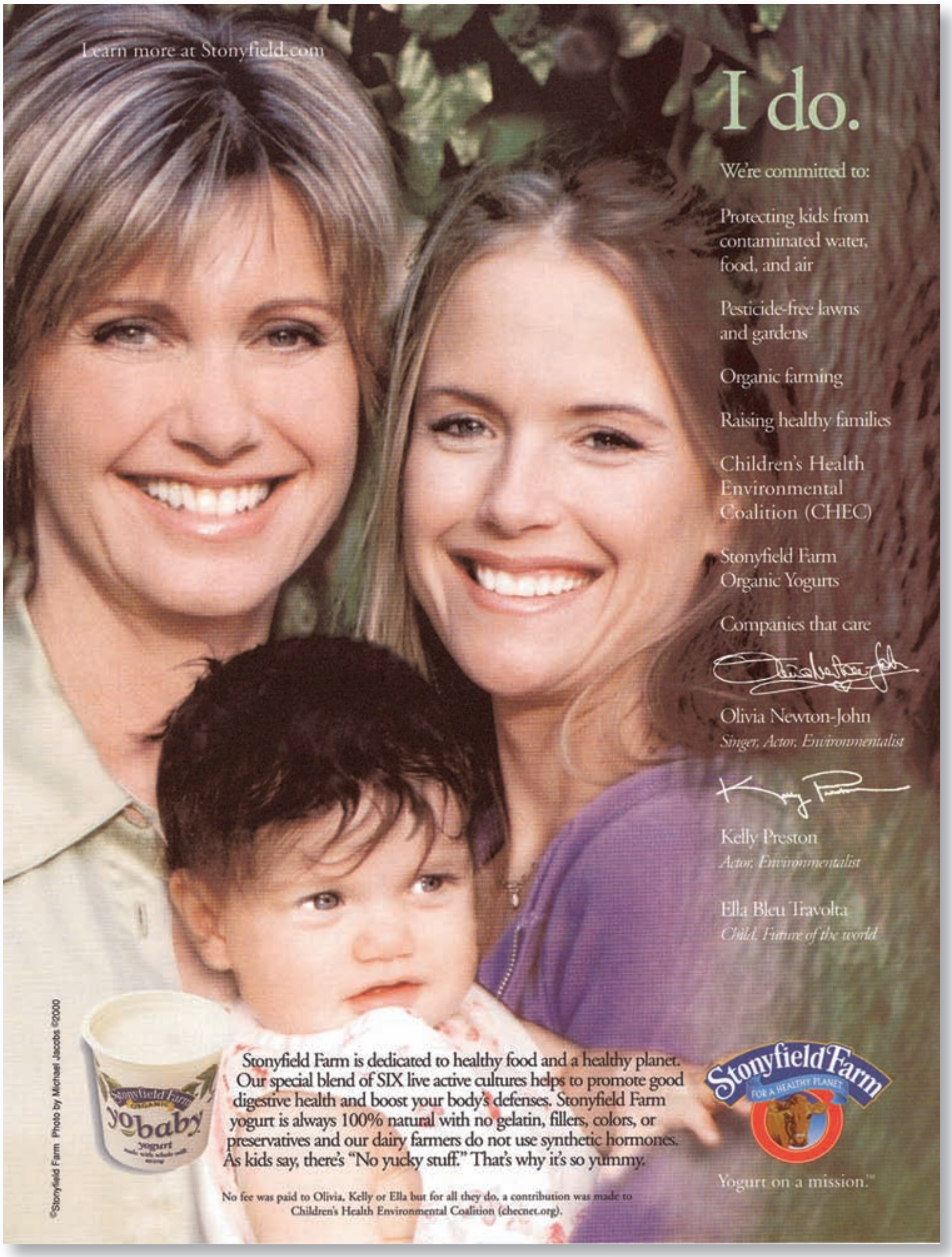
In September 2000, the company launched its first national print advertising campaign (Exhibit C4.1), featuring celebrities perceived as positive role models. In the ads, these high-profile individuals spotlighted both environmental and social causes, in addition to endorsing Stonyfield Farm's products. Beginning in 2002, the company rolled out more traditional ads that featured its major selling point: organic products. The company launched its first national campaign in 2003, using a combination of television, radio, and print ads that communicate that the products are organic and good for the consumer and that the company has a sense of humor and a mission[51] (Exhibit C4.2).

Engaging Consumers

Stonyfield considers getting consumers involved a major key to its success. Although consumers appreciate the company's healthful approach to its products, they also like becoming empowered via the company's programs. One such program was "Vote for the Future," in which customers were asked to sign the back of a yogurt lid in support of sustainable energy policies. The lids were delivered to Washington, DC, and customers who signed lids were entered into a "Flip your Lid" contest that featured energy-efficient products and kits as prizes.

Stonyfield's social and environmental focus draws both positive recognition and the according financial benefits. Sales of Stonyfield products experienced double-digit, compound annual growth from \$3 million in 1990 to \$211 million in 2005. These positive results, in

EXHIBIT C4.2 Stonyfield Farm Ad Stressing Their Vision



combination with the fulfillment of its company objectives, enable Stonyfield to present itself as both an environmentally responsible and profitable company.

Questions

1. Many of Stonyfield Farm's green initiatives are costly and time consuming. Do you think they are worth it?
2. Is Stonyfield Farms reacting to what its customers want, or is it helping customers define what they want?