MARKETING MANAGEMENT

UNIT-1

PART-XIV

COMPONENTS OF MICRO-ENVIRONMENT

- **Suppliers**

Suppliers provide resources that are needed by the company. The company necessarily should go for developing specifications, searching the potential suppliers, identifying and analysing the suppliers, and thereafter choose those suppliers who offer best mix of quality, delivery reliability, credit, warranties and obviously low cost. The developments in the supplier's environment have a substantial impact on the marketing operations of the company-since supply planning has become more important and scientific in recent years. To the extent the companies can lower their supply costs and increase their product quality, they, in natural course, can gain a competitive advantage in the market. Price trends need constant check and careful scrutiny. Supply shortages have to be fully monitored and plans should have to be made to avoid the grip of supply shortages on marketing efforts.

- **Market Intermediaries**

Market intermediaries are either business houses or individuals who come to the ai the company in promoting, selling, and distributing the goods to the ultimate consumers. They are middlemen (wholesalers, retailers, agents), distributing agencies, met service agencies, etc. Be they any type of intermediary, the company must take into active consideration the following major points:

1. Middlemen come into being to help overcome the discrepancies in quantities, place, time, assortment, and possession that would otherwise exist in a given condition.
2. It is advantageous and efficient to work through the established marketing channels instead of creating one and thus going for experiments.
3. Of course, it is not easy to select and work with middlemen but the marketing managers must ensure an effective management and satisfaction of marketing channels to enlist their long-lasting support on better terms.
4. The marketing managers have to decide the most cost-effective modes of transportation and balancing the considerations of cost, delivery, speed and safety.
5. The marketing management has also to constantly review the performance of both middlemen and others helping its efforts periodically. If necessary, it may take recourse to replacement of those who no longer perform at the expected level.

- **Customers**

The target market of a company is usually of the following five types:

- Consumer market, i.e., individuals and householders.

- Industrial market, i.e., organisations buying for producing (manufacturing) other products and services for the purpose of either earning profits or fulfilling other objectives or both.
- Reseller market, i.e., organisations buying goods and services with a view to sell them to others for a profit. These may be selling intermediaries and retailers.
- Government and other non-profit market, those buying for goods and services in order to produce pubic services. They transfer these goods and services to those who need them for consumption in most of the cases.
- International market, i.e., individuals and organisations of nations other than homeland who buy for either consumption or for industrial use or for both. They may be foreign consumers, producers, resellers and governments.

It must, however, not be forgotten that consumer satisfaction is the prime motto of a company.

Competitors

Competition is a term that encompasses the notion of individuals and firms striving for a greater share of a market to sell or buy goods and services. Merriam-Webster defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by the most favourable terms." It was described by Adam Smith in The Wealth of Nations (1776) and later economists as allocating productive resources to their most highly-valued uses and encouraging efficiency. Later microeconomic theory distinguished between perfect competition and imperfect competition, concluding that with the no system of resource allocation is more efficient than perfect competition. Competition, according to the theory, causes commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly).

Competition is seen as a state which produces gains for the whole economy, through promoting consumer sovereignty. It may also lead to wasted (duplicated) effort and to increased costs (and prices) in some circumstances. In a small number of goods and services the cost structure means that competition. may be inefficient. These situations are known as natural monopoly and are usually publicly provided or tightly regulated. The most common example is water supplies. Three levels of economic competition have been classified: The narrowest form is direct competition (also called category competition or brand competition), where products that perform the same function compete against each other. For example, a brand of pick-up trucks competes with several different brands of pick-up trucks. Sometimes two companies are rivals and one adds new products to their line so that each company distributes the same thing and they compete.

The next form is substitute competition, where products that are close substitutes for one another compete. For example, butter competes with margarine, mayonnaise, and other various sauces and spreads. The broadest form of competition is typically called budget competition. Included in this category is anything that the consumer might want to spend their available money (the so-called discretionary income) on. For example, a family that has $20,000 available may choose to spend it on many different items, which can all be seen as competing with each other for the family's available money.

Competition does not necessarily have to be between companies. For example, business writers sometimes refer to "internal competition". This is competition within companies. The idea was first introduced by Alfred Sloan at General Motors in the 1920s. Sloan deliberately created areas of overlap between divisions of the company so that each division would be competing with the other divisions. For example, the Chevy division would compete with the Pontiac division for some market segments. Also, in 1931, Procter & Gamble initiated a deliberate system of internal brand versus brand rivalry. The company was organized around different brands, with each brand allocated resources, including a dedicated group of employees willing to champion the brand. Each brand manager was given responsibility for the success or failure of the brand and was compensated accordingly. This form of competition thus pitted a brand against another brand. Finally, most businesses also encourage competition between individual employees. An example of this is a contest between sales representatives. The sales representative with the highest sales (or the best improvement in sales) over a period of time would gain benefits from the employer. It should also be noted that business and economic competition in most countries is often limited or restricted. Competition often is subject to legal restrictions. For example, competition may be legally prohibited as in the case with a government monopoly or a government-granted monopoly. Tariffs, subsidies or other protectionist measures may also be instituted by government in order to prevent or reduce competition. Depending on the respective economic policy, the pure competition is to a greater or lesser extent regulated by competition policy and competition law. Competition between countries is quite subtle to detect, but is quite evident in the World economy, where countries like the US, Japan, the European Union, China and the East Asian Tigers each try to outdo the other in the quest for economic supremacy in the global market, harkening to the concept of Kiasuism. Such competition is evident by the policies undertaken by countries to educate future workforce. For example, East Asian economies like Singapore, Japan and South Korea tend to emphasize education by allocating a large portion of the budget to this sector, and by implementing programmes such as gifted education, which some detractors criticise as indicative of academic elitism.

No company stands alone in serving and satisfying the needs of a customer market. It faces competition. It is, therefore, necessary to build an efficient system of marketing. This helps the company in facing a host of competitors with confidence and, of course, with better results. Identification of competitors is of utmost importance. Then after these competitors need monitoring. This is not all. The company, in order to come out successfully, has to adopt means which may help it to out the competitors and then capturing the customer's loyalty. The loyalty, so earned, has to be maintained. For this purpose, the company has to maintain such a marketing system which may be able to maintain the loyalty for a long run.

The competitive environment consists of certain basic things which every marketing manager has to take note of. Philip Kotler is of the opinion that "the best way for a company to grasp the full range of its competition is to take the viewpoint of a buyer. What does a buyer think about that which eventually leads to purchasing something?" Kotler has illustrated by taking a person who has been working hard and needs a break. He may ask to himself as to what should be ought to do for attaining this break after a sustained hard work. Among the possibilities that may pop into his mind may be socialising, exercising, reading, going to cinema, watching television, hoteling, etc. Kotler has also explained the types of competition (Desire, Generic, Form and Brand competitions) and has summarised by pointing out that "a company must keep four basic dimensions in mind, which can be called the four C's of market positioning. It must consider the nature of the Customers, Channels. Competitors, and its own characteristics as a

Company. Successful marketing is a matter achieving an effective alignment of the company with customers, channels, and competitors."

Public

The actions of the company do affect the interests of other groups also. These other groups are those who form general public for the company, who must be satisfied along with the consumers of the company. Public is defined as "any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives." Public relations is certainly a broad marketing operation which must be fully taken care of. To build such a goodwill and to seek favourable response, it is very much necessary to satisfy the public as well. Kotler, in this regard, has viewed that "companies must put their primary energy into effectively managing their relationships with their customers, distributors, and suppliers, their overall success will be affected by how other public in the society view their activity. Companies would be wise to spend time monitoring all their public understanding their needs and opinions, and dealing with them constructively."