So far, you’ve learned about the basic concepts of marketing and the steps in the marketing process for engaging and building profitable relationships with targeted consumers. Next, we’ll begin digging deeper into the first step of the marketing process—understanding the marketplace and customer needs and wants. In this chapter, you’ll see that marketing operates in a complex and changing environment. Other actors in this environment—suppliers, intermediaries, customers, competitors, publics, and others—may work with or against the company. Major environmental forces—demographic, economic, natural, technological, political, and cultural—shape marketing opportunities, pose threats, and affect the company’s ability to engage customers and build customer relationships. To develop effective marketing strategies, a company must first understand the environment in which marketing operates.

To start, let’s look at Philips, one of the world’s biggest electronics companies and one of the most recognized and respected brands. Their lighting products have been found in homes all around the world. However, the markets Philips Lighting is operating in are subject to constant change. The storied company discovered that a continuous and sophisticated assessment of the factors that influence and shape the marketing environment is paramount.

**PHILIPS: Analyzing the Marketing Environment in the Middle East**

Koninklijke Philips N.V. was founded by Anton and Gerard Philips in 1891 in Eindhoven to manufacture carbon filament lamps. Among their first major clients were early electricity companies, who included the provision of lamps in their power supply contracts. The company, now better known as Philips, is one of the world’s biggest electronics companies and one of the world’s most respected brands. It has evolved into a global player and today employs a workforce of 113,687 around the world. A market leader in medical diagnostic imaging, patient monitoring systems, energy-efficient lighting, and lifestyle solutions for personal well-being, Philips manufactures more than 50,000 products across 100 countries, in which it also operates sales and service outlets. In 2014, the firm reported sales of $23,982 billion. But Philips has also stayed true to its roots—today, it is the world leader in lighting products manufacturing.

On September 23, 2014, Philips announced that it would separate its healthcare and lighting businesses into two new companies in order to better tailor its offerings to the specific customer segments and leverage the Philips brand. Giving independence to the lighting solutions business, Philips claims, will better enable it to expand its global leadership position and venture into adjacent market opportunities. Both companies are supposed to be able to make the appropriate investments to boost growth and drive profitability, ultimately generating significantly more value for their customers, employees, and shareholders.

Since the 1980s, Philips has participated intensively in the concentration of the lighting sector by purchasing smaller national companies such as Companie des Lampes (France), AEG (Germany), and Polam Pila (Poland). It has also developed different joint ventures; for example, with Westinghouse Lamps, Kono Sylvania, and EBT China. Today, Philips Lighting is no. 1 in the world market for lighting, ahead of competitors like Osram, Halonix, and Crompton. Their lighting products (light bulbs and lamps) are found all around the world, not only everywhere at home,
but also in many professional applications, including 30 percent of offices, 65 percent of the world’s top airports, 30 percent of hospitals, 35 percent of cars, and 55 percent of major football stadiums.

For 124 years, Philips has been a leader in building and shaping markets with meaningful innovations including the radio, audio cassette, video cassette recorder (VCR), compact disc (CD), and digital versatile disc (DVD). In order to succeed in its markets, Philips must carefully and continuously analyze the marketing environment. At the beginning of the 21st century, Philips needed a new and coherent marketing strategy for the entire Middle East region, which had been identified as one of the key markets by the company. In order to better address macroeconomic factors and regional preferences, Philips wanted to develop a more integrated and less fragmented marketing strategy for the region.

The first objective was to select the most attractive markets in the region. Over the years, Philips has developed a statistical model that displays a correlation between a country’s demand for lighting and its GDP per capita. The company has identified this correlation after careful analysis of GDP growth rate data and their corresponding sales figures. During discussions with agents and distributors in many countries, Philips was completely dependent on its information about the market size. If Philips miscalculated market size, it missed market opportunities. The key reason why this model was developed was so that the company could cross-check market estimations of its agents and distributors. The developed model showed that the demand for lamps and bulbs is a basic need for a country, and as soon as a country starts developing (which is indicated by the increase in GDP), this basic need increases. However, as the country’s wealth increases, the growth in the demand slows down, because basic lighting needs are covered at later stages of economic development.

In order to find the most attractive markets, Philips Lighting used the model and combined it with market data of the Middle East that contained population, GNP growth, and GNP per capita. They multiplied the demand for lighting per capita by the number of inhabitants in a country. Looking at the regions, Israel and Kuwait had the highest GDP per capita, but their population size was rather small. On the other hand, Iraq and Iran were (and still are) large markets for lighting, but they are very tough to enter because of their politically difficult situations.

However, the Philips Lighting Middle East managers did not use market size as the only selection criterion for priority; instead, the model was used as a starting point for discussions with agents and distributors in the respective countries. If the Philips sales in large lighting markets were very low, this would indicate a low Philips market share. This would lead to a discussion with local agents and distributors about how to increase the regional Philips market shares in cooperation with the local distributor.

Today, the lighting market is impacted by multiple factors, three of which are particularly important. The first is the macroeconomic situation, which is influenced and shaped by factors such as inflation rate and GDP, and which is influencing new construction and, consequently, the number of lighting installations. This key driver was used as a main indicator by Philips in its model to screen markets in the Middle East. Another important element used was, and still is, country-specific energy efficiency regulations and an increase in energy awareness, which are redefining future lighting product portfolios. For example, in 2014 the UAE government announced an energy efficiency regulation on lighting products, which bans the sale of inefficient standard bulbs while also seeking to reduce carbon dioxide emissions. Government action limiting certain energy sources—key being nuclear power due to events over the last years—results in additional demands for energy-efficient products such as LEDs. For example, Dubai’s government has started an initiative in 2014 to switch all lighting in government buildings to LED, which is more energy-efficient and can be digitally controlled. It is these such projects that have helped Philips to grow in the region.

Philips has managed to assess these factors which heavily influence and shape the marketing environment for change. The company’s ability to understanding current and probable future shifts in the lighting market has driven its continuous growth in this region, making it the market leader in Middle Eastern countries such as the Emirates, where it has a 38.5 percent market share; trailed by Osram, with 22.6 percent; and General Electric with 16.3 percent.¹
OBJECTIVES OUTLINE

**OBJECTIVE 3-1** Describe the environmental forces that affect the company’s ability to serve its customers.

The Microenvironment and Macroenvironment (pp 92–96)

**OBJECTIVE 3-2** Explain how changes in the demographic and economic environments affect marketing decisions.

The Demographic and Economic Environments (pp 96–104)

**OBJECTIVE 3-3** Identify the major trends in the firm’s natural and technological environments.

The Natural and Technological Environments (pp 104–108)

**OBJECTIVE 3-4** Explain the key changes in the political and cultural environments.

The Political–Social and Cultural Environments (pp 108–114)

**OBJECTIVE 3-5** Discuss how companies can react to the marketing environment.

Responding to the Marketing Environment (pp 114–116)

**Marketing environment**
The actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with target customers.

**Microenvironment**
The actors close to the company that affect its ability to serve its customers—the company, suppliers, marketing intermediaries, customer markets, competitors, and publics.

**Macroenvironment**
The larger societal forces that affect the microenvironment—demographic, economic, natural, technological, political, and cultural forces.

A company’s marketing environment consists of the actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with target customers. Like Kellogg, companies must constantly watch and adapt to the changing environment—or, in many cases, lead those changes.

More than any other group in the company, marketers must be environmental trend trackers and opportunity seekers. Although every manager in an organization should watch the outside environment, marketers have two special aptitudes. They have disciplined methods—marketing research and marketing intelligence—for collecting information and developing insights about the marketing environment. They also spend more time in customer and competitor environments. By carefully studying the environment, marketers can adapt their strategies to meet new marketplace challenges and opportunities.

**The Microenvironment and Macroenvironment**
The marketing environment consists of a microenvironment and a macroenvironment. The microenvironment consists of the actors close to the company that affect its ability to engage and serve its customers—the company, suppliers, marketing intermediaries, customer markets, competitors, and publics. The macroenvironment consists of the larger societal forces that affect the microenvironment—demographic, economic, natural, technological, political, and cultural forces. We look first at the company’s microenvironment.

**The Microenvironment**
Marketing management’s job is to build relationships with customers by creating customer value and satisfaction. However, marketing managers cannot do this alone. Figure 3.1 shows the major actors in the marketer’s microenvironment. Marketing success requires building relationships with other company departments, suppliers, marketing intermediaries, competitors, various publics, and customers, which combine to make up the company’s value delivery network.

**Marketing environment**
The actors and forces outside marketing that affect marketing management’s ability to build and maintain successful relationships with target customers.

**Microenvironment**
The actors close to the company that affect its ability to serve its customers—the company, suppliers, marketing intermediaries, customer markets, competitors, and publics.

**Macroenvironment**
The larger societal forces that affect the microenvironment—demographic, economic, natural, technological, political, and cultural forces.
The Company

In designing marketing plans, marketing management takes other company groups into account—groups such as top management, finance, research and development (R&D), purchasing, operations, human resources, and accounting. All of these interrelated groups form the internal environment. Top management sets the company’s mission, objectives, broad strategies, and policies. Marketing managers make decisions within these broader strategies and plans. Then, as we discussed in Chapter 2, marketing managers must work closely with other company departments. With marketing taking the lead, all departments—from manufacturing and finance to legal and human resources—share the responsibility for understanding customer needs and creating customer value.

Suppliers

Suppliers form an important link in the company’s overall customer value delivery network. They provide the resources needed by the company to produce its goods and services. Supplier problems can seriously affect marketing. Marketing managers must watch supply availability and costs. Supply shortages or delays, natural disasters, and other events can cost sales in the short run and damage customer satisfaction in the long run. Rising supply costs may force price increases that can harm the company’s sales volume.

Most marketers today treat their suppliers as partners in creating and delivering customer value. Morrison’s, one of the United Kingdom’s leading supermarkets, sells a large number of items, including seafood, dairy products, meat, bakery goods, and non-food grocery products. It has realized that the significance of its relationship with suppliers cannot be understated if it is to succeed in the competitive retail sector. It acknowledges that the various awards it has achieved over the years—including “Supermarket of the Year,” “Nations’ Best Café,” and “Most Sustainable Retailer of the Year”—could not have been achieved without good relations with its suppliers. Its endeavor to maintain good relationships with suppliers shows in many ways. For instance, Morrison’s premium brand of milk costs 10 pence per liter more than the Morrison’s standard price, and according to Martyn Jones, the corporate services director of the organization, the supermarket uses this to support the dairy farmers who supply the milk. Morrison’s also encourages farmers to complete the Grocery Code Adjudicator’s annual supplier survey, through which the relationship could be developed further. In fact, the close relationship between Morrison’s and its suppliers has also culminated in a different way; the organization hired its former supplier, Neil Davison of Express Dairies, to work for it.
Marketing Intermediaries

Firms that help the company promote, sell, and distribute its goods to final buyers.

Marketing Intermediaries help the company promote, sell, and distribute its products to final buyers. They include resellers, physical distribution firms, marketing services agencies, and financial intermediaries.

Resellers are distribution channel firms that help the company find customers or make sales to them. These include wholesalers and retailers that buy and resell merchandise. Physical distribution firms help the company stock and move goods from their points of origin to their destinations. Marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets. Financial intermediaries include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods.

Like suppliers, marketing intermediaries form an important component of the company’s overall value delivery network. Thus, today’s marketers recognize the importance of working with their intermediaries as partners rather than simply as channels through which they sell their products. Although Apple has hundreds of its own retail locations throughout the world, it also uses the services of authorized resellers who help the firm sell its products all over the world. In this arrangement, Apple’s products are sold at identical prices both in its stores and in those of authorized resellers. Apple considers these authorized resellers as partners and has recently overhauled its premium resellers’ partners program. The organization is co-funding the renovation of resellers’ stores to follow Apple’s own retail formula and make demo units display consistent with Apple’s specifications. Apart from those who sell its products, Apple also has another set of intermediaries called authorized service providers. These are companies or individuals who represent organizations in providing repair and maintenance services to its customers. These intermediaries could belong to either of two categories, depending on the scale of the services that could be handled: authorized service providers or limited service providers. Apple gives its partners reimbursements for labor, travel, and parts, where applicable. It also gives them comprehensive access to products, upgrade information, service, troubleshooting, on-the-spot technical support for certified technicians, etc. In addition, the partners benefit from inclusion in the Apple resource locator system, whereby they are displayed on Apple’s website for customers looking for nearby service providers.

Competitors

The marketing concept states that, to be successful, a company must provide greater customer value and satisfaction than its competitors do. Thus, marketers must do more than simply adapt to the needs of target consumers. They also must gain strategic advantage by positioning their offerings strongly against competitors’ offerings in the minds of consumers.

No single competitive marketing strategy is best for all companies. Each firm should consider its own size and industry position compared with those of its competitors. Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rates of return than large firms enjoy.
Publics

The company’s marketing environment also includes various publics. A **public** is any group that has an actual or potential interest in or impact on an organization’s ability to achieve its objectives. We can identify seven types of publics:

- **Financial publics.** This group influences the company’s ability to obtain funds. Banks, investment analysts, and stockholders are the major financial publics.
- **Media publics.** This group carries news, features, editorial opinions, and other content. It includes television stations, newspapers, magazines, and blogs and other social media.
- **Government publics.** Management must take government developments into account. Marketers must often consult the company’s lawyers on issues of product safety, truth in advertising, and other matters.
- **Citizen-action publics.** A company’s marketing decisions may be questioned by consumer organizations, environmental groups, minority groups, and others. Its public relations department can help it stay in touch with consumer and citizen groups.
- **Internal publics.** This group includes workers, managers, volunteers, and the board of directors. Large companies use newsletters and other means to inform and motivate their internal publics. When employees feel good about the companies they work for, this positive attitude spills over to the external publics.
- **General public.** A company needs to be concerned about the general public’s attitude toward its products and activities. The public’s image of the company affects its buying behavior.
- **Local publics.** This group includes local community residents and organizations. Large companies usually work to become responsible members of the local communities in which they operate.

NatWest, one of the leading UK banks, maintains a strong link with its local community through various cause-related activities. In 2016, across the group, the organization gave a whooping £2.5 million to local charities, community groups, and social enterprises both in the United Kingdom and in Ireland. A further £2.5 million has been earmarked to be spent on similar endeavors in the year 2017. Meanwhile, the commitment of the bank to supporting local communities is not only displayed in the organizations’ corporate efforts but also flows down to the staff members, who are very enthusiastic in supporting various local charities through their concerted efforts. In 2015, the staff of the bank donated a total of £2.7 million to charity through the Pay-as-You-Earn Scheme and contributed 45,437 hours of volunteering for various communities and charity projects. The same year, it became an official sponsor of Sports Relief. Over the years, it has been celebrated for supporting many other local charities to improve life, including Porchlight for the homeless, Discovery Park for tenants, and UKSA, a Youth charity. Its link to the Prince’s Trust spans over 16 years, through which it has helped thousands of disadvantaged young people to create sustainable businesses. In 2014 alone, it ran an employability and mentoring program for 2,521 disadvantaged people through hours devoted to the Trust.

A company can prepare marketing plans for these major publics as well as for its customer markets.
Suppose the company wants a specific response from a particular public, such as goodwill, favorable word of mouth and social sharing, or donations of time or money. The company would have to design an offer to this public that is attractive enough to produce the desired response.

Customers
Customers are the most important actors in the company’s microenvironment. The aim of the entire value delivery network is to engage target customers and create strong relationships with them. The company might target any or all of five types of customer markets. **Consumer markets** consist of individuals and households that buy goods and services for personal consumption. **Business markets** buy goods and services for further processing or use in their production processes, whereas **reseller markets** buy goods and services to resell at a profit. **Government markets** consist of government agencies that buy goods and services to produce public services or transfer the goods and services to others who need them. Finally, **international markets** consist of these buyers in other countries, including consumers, producers, resellers, and governments. Each market type has special characteristics that call for careful study by the seller.

The Macroenvironment
The company and all of the other actors operate in a larger macroenvironment of forces that shape opportunities and pose threats to the company. Figure 3.2 shows the six major forces in the company’s macroenvironment. Even the most dominant companies can be vulnerable to the often turbulent and changing forces in the marketing environment. Some of these forces are unforeseeable and uncontrollable. Others can be predicted and handled through skillful management. Companies that understand and adapt well to their environments can thrive. Those that don’t can face difficult times. One-time dominant market leaders such as Xerox, Sears, and Sony have learned this lesson the hard way. In the remaining sections of this chapter, we examine these forces and show how they affect marketing plans.

The Demographic and Economic Environments
The Demographic Environment
Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. The demographic environment is of major interest to marketers because it involves people, and people make up markets. The world population is growing at an explosive rate. It now exceeds 7.3 billion people and is expected to grow to more than 8 billion by the year 2030. The world’s large and highly diverse population poses both opportunities and challenges. Changes in the world demographic environment have major implications for business. Thus, marketers keep a close eye on demographic trends and developments in their...
Demography
The study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics.

Baby boomers
The 78 million people born during the years following World War II and lasting until 1964.

Generation X
The 49 million people born between 1965 and 1976 in the “birth dearth” following the baby boom.

The Changing Age Structure of the Population

The U.S. population currently stands at nearly 323 million and may reach almost 364 million by 2030. The single most important demographic trend in the United States is the changing age structure of the population. Primarily because of falling birthrates and longer life expectancies, the U.S. population is rapidly getting older. In 1970, the median age was 28; by 2016, it was 38. This aging of the population will have a significant impact on markets and those who service them.

The U.S. population contains several generational groups. Here, we discuss the four largest groups—the baby boomers, Generation X, the millennials, and Generation Z—and their impact on today’s marketing strategies.

The Baby Boomers. The post–World War II baby boom produced 78 million baby boomers, who were born between 1946 and 1964. Over the years, the baby boomers have been one of the most powerful forces shaping the marketing environment. The youngest boomers are now in their 50s; the oldest are in their early 70s and well into retirement.

The baby boomers are the wealthiest generation in U.S. history, what one analyst calls “a marketer’s dream.” Today’s baby boomers account for about 26 percent of the U.S. population but control an estimated 70 percent of the nation’s disposable income and half of all consumer spending. The boomers constitute a lucrative market for financial services, new housing and home remodeling, new cars, travel and entertainment, eating out, health and fitness products, and just about everything else. And contrary to the popular belief that they are staid in their ways, one recent survey found that 82 percent of boomers are open to new brands. Says a researcher, “Changing and trying new brands helps boomers feel like they are staying current.”

It would be a mistake to think of older boomers as phasing out or slowing down. Rather than viewing themselves that way, many of today’s boomers see themselves as entering new life phases. More active boomers have no intention of abandoning their youthful lifestyles as they age. For example, adults over 50 now account for 80 percent of luxury travel spending in America. Boomers are also digitally active and increasingly social media savvy. They are the fastest-growing shopper demographic online, outspending younger generations two to one. They are also the fastest-growing social media users, with an 80 percent surge in Facebook usage over the past four years.

Thus, although boomers buy lots of products that help them deal with issues of aging—from vitamins to blood pressure monitors to Good Grips kitchen tools—they tend to appreciate marketers who appeal to their youthful thinking rather than their advancing age. For example, Walgreens recently launched a campaign called “Carpe Med Diem,” telling older boomers how to “seize the day” to get more out of life and their Medicare Part D prescription coverage at Walgreens, not just with savings on prescriptions but also with products that make them look and feel good. One “Carpe Med Diem” ad features an active and stylish boomer-age woman with purple highlights in her hair and the headline “Who says blonds have more fun.” In another ad, two boomer women pick up their prescriptions at Walgreens but also load up on sunscreen before heading out to a nude beach, where they drop their clothes and enjoy some fun in the sun. “Walgreen’s has you covered,” says the ad. “Who says that being on Medicare has to stop you from being edgy?”

Generation X. The baby boom was followed by a “birth dearth,” creating another generation of 49 million people born between 1965 and 1976. Author Douglas Coupland calls them Generation X because they lie in the shadow of the boomers.
Considerably smaller than the boomer generation that precedes them and the millennials who follow, the Generation Xers are a sometimes-overlooked consumer group. Although they seek success, they are less materialistic than the other groups; they prize experience, not acquisition. For many of the Gen Xers who are parents, family comes first—both children and their aging parents—and career second.

From a marketing standpoint, the Gen Xers are a more skeptical bunch. They are sensible shoppers who research products heavily before they consider a purchase, prefer quality to quantity, and tend to be less receptive to overt marketing pitches. They are more receptive to irreverent ad pitches that make fun of convention and tradition. The first to grow up in the internet era, Generation X is a connected generation that embraces the benefits of new technology.

The Gen Xers, now in their 40s, have grown up and are taking over. They have increasingly displaced the lifestyles, culture, and values of the baby boomers. They are firmly into their careers, and many are proud homeowners with growing families. They are the most educated generation to date, and they possess hefty annual purchasing power. Although Gen Xers make up less than a quarter of all U.S. adults, they pull in 29 percent of the nation’s total income.

With so much potential, many brands and organizations focus on Gen Xers as a prime target segment. For example, a full 82 percent of Gen Xers own their own homes, making them an important segment for home-and-hearth marketers. Lowe’s, a home-improvement retailer, markets heavily to Gen X homeowners, urging them to “Never Stop Improving.” Through ads, online videos, and a substantial social media presence, Lowe’s provides ideas and advice on a wide range of indoor and outdoor home-improvement projects and problems, providing solutions that make life simpler for busy Gen X homeowners and their families. Its myLowe’s app is like a 24/7 home-improvement concierge that lets customers build room-by-room profiles of their homes, archive their Lowe’s purchases, build product lists with photos, receive reminders for things like changing furnace filters, and even consult with store employees online as they plan out home-improvement projects.

Millennials, also called Generation Y or the echo boomers. Born between 1977 and 2000, these children of the baby boomers number 83 million or more, dwarfing the Gen Xers and becoming larger even than the baby boomer segment. In the post-recession era, the millennials are the most financially strapped generation. Facing higher unemployment and saddled with more debt, many of these young consumers have near-empty piggy banks. Still, because of their numbers, the millennials make up a huge and attractive market, both now and in the future.

One thing that all millennials have in common is their comfort with digital technology. They don’t just embrace technology; it’s a way of life. The millennials were the first generation to grow up in a world filled with computers, mobile phones, satellite TV, iPods and iPads, and online social media. As a result, they engage with brands in an entirely new way, such as with mobile or social media.

Compared with other generational groups, millennials tend to be frugal, practical, connected, mobile, and impatient. More than sales pitches from marketers, millennials seek authenticity and opportunities to shape their own brand experiences and share them with others. One AT&T marketer identifies what she calls “universal Millennial truths: being transparent, authentic, immediate, and versatile.”

Many brands are now fielding specific products and marketing campaigns aimed at millennial needs and lifestyles. For example, many financial services firms are shedding their once-stodgy images to make their brands more appealing to millennial consumers. Consider Fifth Third Bank:

Fifth Third Bank knows that waiting is hard for time-crunched millennials. So it launched a new campaign called “No Waiting” that shows how its mobile app takes the wait out of banking. The
The anything-but-stodgy digital videos provide humorous side-by-side comparisons showing that a check can be deposited using the Fifth Third Bank app faster than a hamster can eat five cheese balls or faster than an accordion player can play “Mary Had a Little Lamb.” The campaign also features an animated mobile game, “TXTvsTXT,” that tests a user’s texting speed. Something you wouldn’t expect from a bank, the mobile game offers a quirky way for text-savvy millennials to test their finger-clicking skills, challenge friends on Facebook, and earn badges ranging from “molasses hands” to “turbo twiddler.” Millennials “want it fast, whether in a text conversation or checking your balance on the Fifth Third Bank mobile app,” says Fifth Third’s chief marketer. “Our mobile banking takes the wait out of banking and we believe [this campaign] tells that story in a fun engaging way.”

**Generation Z.** Hard on the heels of the millennials is Generation Z, young people born after 2000 (although many analysts include people born after 1995 in this group). The approximately 82 million Gen Zers make up the important kids, tweens, and teens markets. They spend an estimated $44 billion annually of their own money and influence up to $600 billion of family spending. These young consumers also represent tomorrow’s markets—they are now forming brand relationships that will affect their buying well into the future.

Even more than the millennials, the defining characteristic of Gen Zers is their utter fluency and comfort with digital technologies. Generation Z takes smartphones, tablets, internet-connected game consoles, wireless internet, and digital and social media for granted—they’ve always had them—making this group highly mobile, connected, and social. On average, connected Gen Zers receive more than 3,000 texts per month. “If they’re awake, they’re online,” quips one analyst. They have “digital in their DNA,” says another.

Gen Zers blend the online and offline worlds seamlessly as they socialize and shop. According to recent studies, despite their youth, more than half of all Generation Z tweens and teens do product research before buying a product or having their parents buy it for them. Of those who shop online, more than half prefer shopping online in categories ranging from electronics, books, music, sports equipment, and beauty products to clothes, shoes, and fashion accessories.

Companies in almost all industries market products and services aimed at Generation Z. For example, many retailers have created special lines or even entire stores appealing to Gen Z buyers and their parents—consider Abercrombie Kids, Gap Kids, Old Navy Kids, and Pottery Barn Kids. The Justice chain targets only tween girls, with apparel and accessories laser-focused on their special preferences and lifestyles. Although these young buyers often have their mothers in tow, “the last thing a 10- or 12-year-old girl wants is to look like her mom,” says Justice’s CEO. Justice’s stores, website, and social media pages are designed with tweens in mind. “You have to appeal to their senses,” says the CEO. “They love sensory overload—bright colors, music videos, a variety of merchandise, the tumult of all of that.”

Marketing to Gen Zers and their parents presents special challenges. Traditional media are still important to this group. Magazines such as *J-14* and *Twist* are popular with some Gen Z segments, as are TV channels such as Nickelodeon and the Disney Channel. But marketers know they must meet Gen Zers where they hang out and shop. Increasingly, that’s in the online and mobile worlds. Although the under-13 set remains barred from social media such as Periscope, Snapchat, and Instagram, at least officially, social media will play a crucial marketing role as the kids and tweens grow into their teens and early twenties.

Today’s kids are notoriously fickle and hard to pin down. The key is to engage these young consumers and let them help to define their brand experiences. For example, to engage young consumers more deeply, The North Face even invites them to help design its outdoor apparel and gear. The North Face Youth Design Team holds focus groups at summer camps with tweens 9 to 12 years old and their parents to get their input on the brand’s outdoor clothing for kids. “We find that
these kids are just beginning to have their own personal style and are also beginning to influence their parents in their purchases,” says a North Face marketer. To engage kids even further, The North Face recently launched a design contest in which it invited young would-be artists ages 6 to 12 to submit new apparel and gear designs that represent what the brand’s “Never Stop Exploring” mantra means to them. The 10 winners will see their artwork featured in the brand’s youth collection. “Kids are our main source of inspiration,” says a Youth Design Team marketer. “It’s important that we make things that are ‘fun,’ and how fun would it be to have kids help design our product?” Such engagement efforts have helped to make The North Face one of today’s hottest brands among teens and tweens.

An important Generation Z marketing concern involves children’s privacy and their vulnerability to marketing pitches. Companies marketing to this group must do so responsibly or risk the wrath of parents and public policy makers.

Generational Marketing. Do brands need to create separate products and marketing programs for each generation? Some experts warn that marketers need to be careful about turning off one generation each time they craft a product or message that appeals effectively to another. Others caution that each generation spans decades of time and many socioeconomic levels. For example, marketers often split the baby boomers into three smaller groups—leading-edge boomers, core boomers, and trailing-edge boomers—each with its own beliefs and behaviors. Similarly, they split Generation Z into kids, tweens, and teens.

Thus, marketers need to form more precise age-specific segments within each group. More important, defining people by their birth date may be less effective than segmenting them by lifestyle, life stage, or the common values they seek in the products they buy. We will discuss many other ways to segment markets in Chapters 5 and 7.

The Changing American Family

The traditional household consists of a husband, wife, and children (and sometimes grandparents). Yet the historic American ideal of the two-child, two-car suburban family has lately been losing some of its luster.

In the United States, fewer than half of today’s households contain married couples, down from 76 percent in 1940. Married couples with children under 18 represent only 19 percent of the nation’s 125 million households. Married couples without children represent 23 percent, and single parents are another 14 percent. A full 34 percent are non-family households—singles living alone or unrelated adults of one or both sexes living together.

More people are divorcing or separating, choosing not to marry, marrying later, remarrying, or marrying without intending to have children. Currently, 15 percent of all new marriages are interracial or interethnic, and 7.3 percent of same-sex couple households are raising children.

The changing composition of today’s modern American families is increasingly reflected in popular movies and television shows, such as Modern Family, the award-winning TV sitcom about an extended nontraditional family. Marketers must consider the special needs of nontraditional households because they are now growing more rapidly than traditional households. Each group has distinctive needs and buying habits.
The number of working women has also increased greatly, growing from 38 percent of the U.S. workforce in 1970 to 47 percent of the workforce today. American women now make up 40 percent of primary family breadwinners in households with children under 18. Among households made up of married couples with children, 60 percent are dual-income households; only the husband works in 27 percent. Meanwhile, more men also stay home with their children and manage the household while their wives go to work.\(^{21}\)

Companies are now adapting their marketing to reflect the changing dynamics of American families. For example, whereas fathers were once ignored or portrayed as dolts in family-oriented ads, today’s advertisers are showing more caring and capable dads. One recent Samsung Galaxy phone ad, for instance, features a dad swaddling and calming his newborn son while Mom runs errands. When the anxious mom calls home to check in, the newly minted swaddle master replies, “We’re having a dudes’ day here. We’re fiiiiine. You take the weekend if you want to.”

Other ads reflect the evolving diversity in modern American households. For example, Campbell Soup’s recent “Your Father” commercial—part of the brand’s “Made for Real. Real Life” campaign—features a real-life same-sex couple feeding their son Campbell’s Star Wars soup as they mimic Darth Vader’s famous Star Wars line “I am your father.” The commercial, like others in the campaign, aligns the brand with the company’s purpose: “Real food that matters for real life moments.” Similarly, General Mills ran a series of commercials for Cheerios featuring an interracial couple and their daughter portraying typical young family scenarios—from the daughter pouring Cheerios on her sleeping dad’s chest after learning that Cheerios are good for your heart to her negotiating for a new puppy after learning that she is going to have a baby brother. Said a General Mills marketer, “At Cheerios, we know there are many kinds of families and we celebrate them all.”\(^{22}\)

**Geographic Shifts in Population**

This is a period of great migratory movements between and within countries. Americans, for example, are a mobile people, with about 12 percent of all U.S. residents moving each year. Over the past two decades, the U.S. population has shifted toward the Sunbelt states. The West and South have grown, whereas the Midwest and Northeast states have lost population.\(^{23}\) Such population shifts interest marketers because people in different regions buy differently. For example, people in the Midwest buy more winter clothing than people in the Southeast.

Also, for more than a century, Americans have been moving from rural to metropolitan areas. In the 1950s, they made a mass exit from the cities to the suburbs. Today, the migration to the suburbs continues. And more and more Americans are moving to “micropolitan areas,” small cities located beyond congested metropolitan areas, such as Minot, North Dakota; Boone, North Carolina; Traverse City, Michigan; and Concord, New Hampshire. These smaller micros offer many of the advantages of metro areas—jobs, restaurants, diversions, community organizations—but without the population crush, traffic jams, high crime rates, and high property taxes often associated with heavily urbanized areas. Ten percent of the U.S. population now resides in micropolitan areas.\(^{24}\)

The shift in where people live has also caused a shift in where they work. For example, the migration toward micropolitan and suburban areas has resulted in a rapid increase in the number of people who “telecommute”—work at home or in a remote office and conduct business by phone or the internet. This trend, in turn, has created a booming SOHO (small office/home office) market. Increasing numbers of people are working from home with the help of electronic conveniences such as PCs, tablets, smartphones, and broadband internet access. One recent study estimates that 37 percent of employed individuals do some or all of their work at home.\(^{25}\)

Many marketers are actively courting the lucrative telecommuting market. For example, online applications such as Citrix’s GoToMeeting, Sqwiggle, and Cisco’s WebEx help connect people who telecommute or work remotely. With such applications, people
can meet and collaborate online via computer, tablet, or smartphone, no matter what their work location. And companies ranging from Salesforce.com to Google and IBM offer cloud computing applications that let people collaborate anywhere and everywhere through the internet and mobile devices.

Additionally, for telecommuters who can’t work fully at home, companies such as ShareDesk, DaVinci, and Regus rent out fully equipped shared office space. For a daily, monthly, or yearly fee, telecommuters who work away from a main office can rent shared space that includes the same amenities of a regular office, from networked computers, printers, and copiers to conference rooms and lounge spaces.

A Better-Educated, More White-Collar, More Professional Population

The U.S. population is becoming better educated. For example, in 2012, 88 percent of the U.S. population over age 25 had completed high school and 32 percent had a bachelor’s degree or better, compared with 66 percent and 16 percent, respectively, in 1980. The workforce also is becoming more white collar. Job growth is now strongest for professional workers and weakest for manufacturing workers. Between 2014 and 2024, of 30 detailed occupations projected to have the fastest employment growth, most require some type of postsecondary education.

The rising number of educated professionals will affect not just what people buy but also how they buy.

Increasing Diversity

Countries vary in their ethnic and racial makeup. At one extreme is Japan, where almost everyone is Japanese. At the other extreme is the United States, with people from virtually all national origins. The United States has often been called a melting pot, where diverse groups from many nations and cultures have melted into a single, more homogenous whole. Instead, the United States seems to have become more of a “salad bowl” in which various groups have mixed together but have maintained their diversity by retaining and valuing important ethnic and cultural differences.

Marketers now face increasingly diverse markets, both at home and abroad, as their operations become more international in scope. The U.S. population is about 62.2 percent non-Hispanic white, with Hispanics at 17.4 percent and African Americans at 13.2 percent. The U.S. Asian American population now totals more than 5.4 percent of the total U.S. population, with the remaining groups being Native Hawaiian, Pacific Islander, American Indian, Eskimo, or Aleut. Moreover, one in eight people living in the United States—more than 13 percent of the population—was born in another country. The nation’s ethnic populations are expected to explode in coming decades. By 2060, Hispanics will be about 28 percent of the population, African Americans will be about 14 percent, and Asian Americans will increase to 9 percent.

Most large companies, from P&G, Walmart, Allstate, and Wells Fargo to McDonald’s and Southwest Airlines, now target specially designed products, ads, and promotions to one or more of these groups. For example, Southwest Airlines’s outreach to Asian Americans includes being the title sponsor for the Chinese New Year Festival and Parade in San Francisco, the biggest nighttime parade in the United States and the second-biggest in North America after the Macy’s Thanksgiving Day parade.

San Francisco’s Chinese New Year Festival and Parade typically draws hundreds of thousands of spectators and is broadcast on English- and Asian-language TV stations to viewers around the world. Consumers in the affluent, fast-growing Asian American segment travel often. And they are concentrated in a few key areas such as California and New York, making them easy to pinpoint. That makes them an ideal target for Southwest. The Chinese New Year Festival and Parade event also aligns well with Southwest’s preference for grassroots marketing programs that position it as a hometown carrier targeting local “passion points,” in this case a cultural and family-related celebration.

To support its title sponsorship, Southwest ties its brand to the Lunar New Year through promotional efforts ranging from floats and ticket-giveaway contests to “cleverly constructed well wishes and cheerful nods to the community” on street pole banners, bus shelters, billboards, and traditional broadcast and print ads. Something must be working right—Southwest has been the event’s title sponsor for more than 15 years.

Serving diverse customer communities:
Southwest Airlines reaches out to Asian American consumers through its title sponsorship of San Francisco’s Chinese New Year Festival and Parade and through ads like this one, which pass along “cleverly constructed well wishes and cheerful nods to the community.”

Southwest Airlines Co.
Diversity goes beyond ethnic heritage. For example, many major companies explicitly target gay and lesbian consumers. According to one estimate, the 6 to 7 percent of U.S. adults who identify themselves as lesbian, gay, bisexual, or transgender (LGBT) have buying power of more than $884 billion. As a result of TV shows such as *Modern Family*, *Transparent*, and *Gotham*; movies like *Brokeback Mountain* and *Carol*; and openly gay celebrities and public figures such as Neil Patrick Harris, Ellen DeGeneres, David Sedaris, and Apple CEO Tim Cook, the LGBT community has increasingly emerged in the public eye.

Brands in a wide range of industries are now targeting the LGBT community with gay-specific ads and marketing efforts—from Amazon, adidas, Allstate, and Apple to Kaiser Permanente, Wells Fargo, Macy’s, and Best Buy. For example, Allstate recently ran an “Everyone deserves to be in good hands” campaign with ads featuring same-sex couples and the hashtag #OutHoldingHands. Last Valentine’s Day, adidas posted an image on Instagram featuring a same-sex couple and quoting the Beatles’ “The Love You Take Is Equal to the Love You Make.” Macy’s and Best Buy run regular ads for their wedding registries featuring same-sex couples. And Frito-Lay launched a limited-edition Doritos Rainbows, multi-colored chips demonstrating the brand’s “expression of inclusion and support for individuality.”

Wells Fargo recently became one of the first banks to feature an LGBT couple in a national TV ad campaign. The heartwarming commercial, featuring a lesbian couple adopting a deaf child, is part of a nine-commercial series that also spotlights other diverse customer groups ranging from Asian Americans to small business owners. Says a Wells Fargo representative, “We…embrace diversity in every aspect, internally and externally. Diversity and inclusion is something we live internally very strongly. This [campaign] is a very important and natural progression of [that value] in how we serve our customers.”

Another attractive diversity segment is the 53 million U.S. adults with disabilities—a market larger than African Americans or Hispanics—representing anywhere from $200 to $500 billion in annual spending power. Most individuals with disabilities are active consumers. For example, one study found that the segment spends $17.3 billion on 73 million business or leisure trips every year. And because people with disabilities typically travel with one or more other adults, the economic impact is estimated to be at least double that amount.

How are companies trying to reach consumers with disabilities? Many marketers now recognize that the worlds of people with disabilities and those without disabilities are one in the same. Marketers such as McDonald’s, Verizon Wireless, Nike, Samsung, Nordstrom, Toyota, and Apple have featured people with disabilities in their mainstream marketing. For instance, a recent Apple iPad Air commercial features real-life travel writer Chérie King traveling the world with her iPad Air in hand, helping her along as she travels through diverse global settings. She communicates back home, posts photos, writes articles, and lets her iPad translate what she wants to say to shop keepers and others who don’t speak English. Only at the very end of the commercial is her disability revealed—she is deaf.

As the population in the United States grows more diverse, successful marketers will continue to diversify their marketing programs to take advantage of opportunities in fast-growing segments.

The economic environment can offer both opportunities and threats. For example, in the post-Great Recession era of more sensible consumer spending, “value” has become the marketing watchword.

**Economic environment** Economic factors that affect consumer purchasing power and spending patterns.

**The Economic Environment**

Markets require buying power as well as people. The *economic environment* consists of economic factors that affect consumer purchasing power and spending patterns. Economic factors can have a dramatic effect on consumer spending and buying behavior. For example, until fairly recently, American consumers spent freely, fueled by income growth, a boom in the stock market, rapid increases in housing values, and other economic good fortunes. They bought and bought, seemingly without caution, amassing record levels of debt. However, the free spending and high expectations of those days were dashed by the Great Recession of 2008–2009.

As a result, as discussed in Chapter 1, consumers have now adopted a back-to-basics sensibility in their lifestyles and spending patterns that will likely persist for years to come. They are buying less and looking for greater value in the things they do buy. In turn, *value marketing* has become the watchword for many marketers. Marketers in all industries are looking for ways to offer today’s more financially frugal buyers greater value—just the right combination of product quality and good service at a fair price.
You’d expect value pitches from the sellers of everyday products. For example, as Target has shifted emphasis toward the “Pay Less” side of its “Expect More. Pay Less.” slogan, the once-chic headlines at the Target.com website have been replaced by more practical appeals such as “Our lowest prices of the season,” “Slam dunk deals,” and “Free shipping, every day.” However, these days, even luxury-brand marketers are emphasizing good value. For example, Tiffany has long been known for selling high-end “fine jewelry” and “statement jewelry” at prices of $5,000 to $50,000 or more. However, when the Great Recession eroded Tiffany’s high-end sales, the company began offering affordable luxury items—what it calls “fashion jewelry”—priced at as little as $100 to $500. Such relatively affordable items now account for about one-quarter of Tiffany’s sales.

Marketers should pay attention to income distribution as well as income levels. Over the past several decades, the rich have grown richer, the middle class has shrunk, and the poor have remained poor. The top 5 percent of American earners capture 22 percent of the country’s adjusted gross income, and the top 20 percent of earners capture 51 percent of all income. In contrast, the bottom 40 percent of American earners get just 11 percent of the total income.

This distribution of income has created a tiered market. Many companies—such as Nordstrom and Neiman Marcus—aggressively target the affluent. Others—such as Dollar General, Five Below, and Family Dollar—target those with more modest means. Still other companies tailor their marketing offers across a range of markets, from the less affluent to the very affluent. For example, Ford offers cars ranging from the low-priced Ford Fiesta, starting at $14,090, to the luxury Lincoln Navigator SUV, starting at $63,195.

Changes in major economic variables, such as income, cost of living, interest rates, and savings and borrowing patterns, have a large impact on the marketplace. Companies watch these variables by using economic forecasting. Businesses do not have to be wiped out by an economic downturn or caught short in a boom. With adequate warning, they can take advantage of changes in the economic environment.

The Natural and Technological Environments

The Natural Environment

The natural environment involves the physical environment and the natural resources that are needed as inputs by marketers or that are affected by marketing activities. At the most basic level, unexpected happenings in the physical environment—anything from weather to natural disasters—can affect companies and their marketing strategies. For example, during a recent cold winter—in which the term polar vortex gusted into the American vocabulary—sales suffered across a wide range of businesses, from florists and auto dealers to restaurants, airlines, and tourist destinations. In contrast, the severe weather boosted demand for products such as salt, snowblowers, winter clothing, and auto repair centers.

Although companies can’t prevent such natural occurrences, they should prepare for dealing with them. For example, shipping companies such as FedEx and UPS maintain corps of meteorologists on their staffs to anticipate weather conditions that might inhibit on-time deliveries around the world. “Someone awaiting a package in Bangkok doesn’t care if it snowed in Louisville, Kentucky,” says a UPS meteorologist. “They want their stuff.”

At a broader level, environmental sustainability concerns have grown steadily over the past several decades. In many cities around the world, air and water pollution have reached dangerous levels. World concern continues to mount about the possibilities of global warming, and many environmentalists fear that we soon will be buried in our own trash.

Marketers should be aware of several trends in the natural environment. The first involves growing shortages of raw materials. Air and water may seem to be infinite resources, but some groups see long-run dangers. Air pollution chokes many of the world’s large cities, and water shortages are already a big problem in some parts of the United States and the world. By 2030, more than one in three people in the world will not have enough water...
Renewable resources, such as forests and food, also have to be used wisely. Nonrenewable resources, such as oil, coal, and various minerals, pose a serious problem. Firms making products that require these scarce resources face large cost increases even if the materials remain available.

A second environmental trend is increased pollution. Industry will almost always damage the quality of the natural environment. Consider the disposal of chemical and nuclear wastes; the dangerous mercury levels in the ocean; the quantity of chemical pollutants in the soil and food supply; and the littering of the environment with nonbiodegradable bottles, plastics, and other packaging materials.

A third trend is increased government intervention in natural resource management. The governments of different countries vary in their concern and efforts to promote a clean environment. Some, such as the German government, vigorously pursue environmental quality. Others, especially many poorer nations, do little about pollution, largely because they lack the needed funds or political will.

In the United States, the Environmental Protection Agency (EPA) was created in 1970 to create and enforce pollution standards and conduct pollution research. In the future, companies doing business in the United States can expect continued strong controls from government and pressure groups. Instead of opposing regulation, marketers should help develop solutions to the materials and energy problems facing the world.

Concern for the natural environment has spawned an environmental sustainability movement. Today, enlightened companies go beyond what government regulations dictate. They are developing strategies and practices that create a world economy that the planet can support indefinitely. Environmental sustainability means meeting present needs without compromising the ability of future generations to meet their needs.

Many companies are responding to consumer demands with more environmentally responsible products. Others are developing recyclable or biodegradable packaging, recycled materials and components, better pollution controls, and more energy-efficient operations. Nike is not only committed to its economic objectives but positions itself as an advocate of sustainability. To that end, it tries to reduce its environmental impact through its value chain. Its key focus is to create a new generation of goods for maximum athletic performance but minimal environmental impact, an ethos that is held across all of its products. Nike thus transformed $54 million worth of factory scrap into premium materials that were used to make its performance footwear and apparel in fiscal year 2015. Without energy recovery, it diverted 92 percent of the total waste from landfill and incineration in its footwear production. The company launched its energy and carbon program in 2008, and since then, its footwear contract manufacturers have succeeded in cutting energy use per unit in half. Nike is also proud to state that 95 percent of the materials used in its production passed its restricted substance list testing. It hopes that by 2020 it will minimize its environmental footprint through its value chain. Ultimately, it is focused on achieving 100 percent renewable energy in its owned and operated facilities through FY25.
Many companies today are looking to do more than just good deeds. More and more, companies are making environmental sustainability a part of their core missions. For example, in accordance with the company’s purpose to make sustainable living commonplace, Knorr has committed itself to sustainable agriculture. Under the motto “Good Taste Is Our Nature,” the brand has positioned itself as a supplier of high-quality products that taste good and are made of natural ingredients (see Real Marketing 3.1).

The Technological Environment

The technological environment is perhaps the most dramatic force now shaping our destiny. Technology has released such wonders as antibiotics, robotic surgery, smartphones, and the internet. It also has released such horrors as nuclear missiles and assault rifles. It has released such mixed blessings as the automobile, television, and credit cards. Our attitude toward technology depends on whether we are more impressed with its wonders or its blunders.

New technologies can offer exciting opportunities for marketers. For example, what would you think about having tiny little transmitters implanted in all the products you buy that would allow tracking of the products from their point of production through use and disposal? How about a bracelet with a chip inserted that would let you make and pay for purchases, receive personalized specials at retail locations, or even track your whereabouts or those of friends? Or how about “beacon” technology that would do all those things using your smartphone? On the one hand, such technologies would provide many advantages to both buyers and sellers. On the other hand, they could be a bit scary. Either way, with the advent of such technologies as radio-frequency identification (RFID), GPS, and Bluetooth, it’s already happening. Many firms are already using RFID technology to track products and customers at various points in the distribution channel. For example, Walmart has strongly encouraged suppliers shipping products to its distribution centers to apply RFID tags to their pallets. And retailers such as American Apparel, Macy’s, and Bloomingdales are now installing item-level RFID systems in their stores. Fashion and accessories maker Burberry even uses chips imbedded in items and linked to smartphones to provide personalized, interactive experiences for customers in its stores and at runway shows.39

Disney is taking RFID technology to new levels with its cool MagicBand RFID wristband:40

Wearing a MagicBand at The Walt Disney World Resort opens up a whole new level of Disney’s famed magic. After registering for cloud-based MyMagic+ services, with the flick of your wrist you can enter a park or attraction, buy dinner or souvenirs, or even unlock your hotel room. But Disney has only begun to tap the MagicBand’s potential for personalizing guest experiences. Future applications could be truly magical. Imagine, for example, the wonder of a child who receives a warm hug from Mickey Mouse or a bow from Prince Charming, who then greets the child by name and wishes her a happy birthday. Imagine animatronics that interact with nearby guests based on personal information supplied in advance. You get separated from family or friends? No problem. A quick scan of your MagicBand at a nearby directory could pinpoint the locations of your entire party. Linked to your Disney phone app, the MagicBand could trigger in-depth information about park features, ride wait times, FastPass check-in alerts, and your reservations schedule. Of course, the MagicBand also offers Disney a potential mother lode of digital data on guest activities and movements in minute detail, helping to improve guest logistics, services, and sales. If all this seems too Big Brother-ish, there will be privacy options—for example, letting parents opt out of things like characters knowing children’s names. In all, such digital technologies promise to enrich the Disney experience for both guests and the company.
3.1 Unilever’s Knorr: Ways toward a Sustainable Future

Populations are growing fast, creating challenges like poverty and lack of food, basic hygiene, and sanitation. These developments and changes affect people all over the world in one way or the other and pose new challenges for enterprises too as commodity costs fluctuate, markets become unstable, and raw materials become harder to source. In order to make its business part of the solution, British-Dutch consumer goods company Unilever launched the Unilever Sustainable Living Plan in 2010, which is its blueprint for sustainable business. The strategic vision is to double the size of the business while reducing the environmental footprint and increasing the company’s positive social impact. The corporation’s purpose is to make sustainable living commonplace. Consequently, Unilever is developing new business practices that promote the company as well as communities, meeting people’s increasing desire for more sustainable products and creating a brighter future for everyone.

Against this background, Unilever is accelerating the integration of sustainability into more of their brands, one of which is Knorr, the largest globally within the Unilever corporation. Knorr is a German food and beverage brand owned by Unilever since 2000, when Unilever acquired Best Foods, except in Japan, where it is made under license by Ajinomoto. It produces dehydrated soup mixes and condiments, and in 2012, its global sales contributed more than 6 percent to the corporation’s total sales. In Europe alone, Unilever sells 10 million Knorr products a day, manufactured from 128,000 tonnes of fresh vegetables a year, grown on 120,000 hectares of land that are being cultivated by 5,000 farmers.

Vegetables and herbs are the main ingredients of many Knorr products. By means of sustainable cultivation, Unilever wants to reduce its ecological footprint. In order to achieve this target, the corporation created the “Knorr Partnership for Sustainability” initiative in 2010, relying on close cooperation with suppliers and farmers. By 2012, all of Knorr’s vegetable and herb suppliers had signed up to the “Knorr Partnership for Sustainability.” Having chosen sustainable sourcing as its key focus, Knorr already purchases over 90 percent of its top 13 vegetables and herbs globally from sustainable sources. By 2020, all of the further agricultural raw materials should follow. This is in line with the company’s mission, for it believes that the widespread adoption of sustainable agriculture is crucial if over 9 billion people are to be fed without further depleting the planet’s natural resources. Sustainable farming methods have the potential to increase yields considerably, mitigate the effects of climate change, and provide economic and social benefits to smallholder farmers and rural communities. In addition, sourcing sustainably helps secure Unilever’s supplies and reduces risk and volatility in their raw material supply chains.

Sourcing sustainably also opens up opportunities for innovation: by focusing on people’s sustainable living needs and consumer preference, Unilever enhances the brand equity of Knorr. In this respect, the company also helps farmers to farm sustainably via various initiatives such as the “Knorr Sustainability Partnership Fund.” The aim of the fund is to support farmers on complex sustainable agriculture projects. Knorr will invest 50 percent of any agreed project budget, matched by an equivalent investment from their partner. This allows farmers to try out new ideas and accelerate implementation of sustainable agricultural practices. Within the scope of this initiative, Knorr invests $1 million every year in knowledge and equipment for their farmers to accelerate the implementation of sustainable practices.

In order to differentiate itself from the competition and at the same time meet the increasing information demands of consumers regarding the sources and manufacture of foods, Knorr began in 2010 to better communicate its commitment to sustainable agriculture. Under the motto “Good Taste Is Our Nature,” a campaign was launched with the aim of positioning Knorr as a supplier of high-quality products that taste good and are made of natural ingredients. At Knorr in Germany, over 40 chefs are responsible for optimizing the recipes of existing products and creating new products. They are convinced that flavorsome, high-quality ingredients come from responsible cultivation. Credibility for the Knorr chefs is a further target for this campaign.

The campaign aims are to be met by means of the following strategy: The Knorr Chefs as well as its farmers and suppliers give the brand a face and translate complex issues. Instruments of dialogue such as social media are used in addition to regular events to create proximity, increase transparency, enable a positive brand experience, and thus turn consumers and employees into ambassadors.

Knorr communicates its commitment to high product quality and sustainable agriculture through comprehensive above-the-line and below-the-line measures. The mix of communications includes TV commercials, print advertisements, promotions at points of sale, and extensive online activity on the brand website, in addition to setting up a separate website for specific initiatives. The brand...
introduced its first on-pack sustainability logo in 2012 in order to help consumers choose products with sustainably sourced ingredients.

The PR campaign also included a communications manual defining the key messages for various communicators (marketing, chefs, etc.) and to differentiate between the ways of addressing target groups (consumers, journalists, NGOs, etc.). A “Town Vegetables/Allotment” event at the beginning of the campaign drew attention and consumer engagement. Consumers could apply as “city farmers” and grow their own vegetables in 100 gardens supplied by Knorr.

The central point in the campaign is the Knorr Chefs as brand ambassadors, integrated into all communications measures. Among Knorr’s other events, they play a central role in the “Knorr Market Day,” staged in the foyer of the Unilever House in Germany. Journalists, opinion-makers, staff, and consumers get to know the Knorr Chefs during a round table and at show-cooking. At market stands, guests can obtain information about Knorr products and the cultivation and processing of ingredients during talks with employees as well as with farmers and suppliers.

A word-of-mouth action whereby product testers were sought for the Knorr Gourmet Vine Tomato Soup, winner of a taste test from 13 packaged tomato soups, provided online entertainment and generated buzz. The launch is provided by a comprehensive press pack at the start of the initiative. Further press releases are on the subject of the work of the Chefs as product developers and brand ambassadors and inform about the progress made in sustainability commitment. The emphasis in the media work is on the press conference in the context of the Market Day with representatives of the company, Chefs, suppliers and farmers.

The Town Vegetables/Allotment event succeeded in addressing a relevant topic that consumers could relate to emotionally and which generated media interest. More than 7,000 applications were received. More than 100 reports, especially from media with broad coverage, successfully mediate the message. Knorr also chose well in launching a Facebook fan page: positive messages outnumbered the negative from the start, and interaction by the Knorr fans surpasses that of the fans of its direct competitor. The participation in actions and discussions with critical customers is lively and creates a positive resonance in the press. Knorr Market Day made a decisive contribution to the transparency and credibility of the communications and enabled high-value direct contact. The many media representatives and the several thousand consumers in attendance testified to the attraction and success of the event.

Unilever has been committed to sustainable agriculture since 1998 and has so far invested more than €25 million in research and development. This is also why the corporation is heading the Dow Jones Sustainability Index (DJSI) for the 15th time as the most sustainable company in the food sector. In Germany, Unilever was awarded the German Sustainability Prize 2012 in the “Most Sustainable Future Strategy” category. In addition, CEO Paul Polman has been awarded the United Nation’s highest environmental accolade, the Champion of the Earth Award, for leading the business world toward a new model of sustainable growth, which demonstrates that the transition to a sustainable and socially responsible economy is an opportunity to be seized, not a risk to be managed.

Sources: Information from http://www.unilever.de/sustainable-living and http://www.knorr.de, accessed October 2015; the authors would like to thank Katja Wagner, Marketing Lead Knorr at Unilever, for her contribution to this case.

The technological environment changes rapidly, creating new markets and opportunities. However, every new technology replaces an older technology. Transistors hurt the vacuum-tube industry, digital photography hurt the film business, and digital downloads and streaming are hurting the DVD and book businesses. When old industries fight or ignore new technologies, their businesses decline. Thus, marketers should watch the technological environment closely. Companies that do not keep up will soon find their products outdated. If that happens, they will miss new product and market opportunities.

As products and technologies become more complex, the public needs to know that these items are safe. Thus, government agencies investigate and ban potentially unsafe products. In the United States, the Food and Drug Administration (FDA) has created complex regulations for testing new drugs. The Consumer Product Safety Commission (CPSC) establishes safety standards for consumer products and penalizes companies that fail to meet them. Such regulations have resulted in much higher research costs and longer times between new product ideas and their introduction. Marketers should be aware of these regulations when applying new technologies and developing new products.

The Political–Social and Cultural Environments

The Political and Social Environment

Marketing decisions are strongly affected by developments in the political environment. The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.

Legislation Regulating Business

Even the strongest advocates of free-market economies agree that the system works best with at least some regulation. Well-conceived regulation can encourage competition and ensure fair markets for goods and services. Thus, governments develop public policy to guide commerce—sets of laws and regulations that limit business for the good of society as a whole. Almost every marketing activity is subject to a wide range of laws and regulations.

Political environment

Laws, government agencies, and pressure groups that influence and limit various organizations and individuals in a given society.
Legislation affecting business around the world has increased steadily over the years. The United States and many other countries have many laws covering issues such as competition, fair-trade practices, environmental protection, product safety, truth in advertising, consumer privacy, packaging and labeling, pricing, and other important areas (see Table 3.1).

Understanding the public policy implications of a particular marketing activity is not a simple matter. In the United States, there are many laws created at the national, state, and local levels, and these regulations often overlap. For example, aspirin products sold in Dallas are governed by both federal labeling laws and Texas state advertising laws. Moreover, regulations are constantly changing; what was allowed last year may now be prohibited, and what was prohibited may now be allowed. Marketers must work hard to keep up with changes in regulations and their interpretations.

Business legislation has been enacted for a number of reasons. The first is to protect companies from each other. Although business executives may praise competition, they sometimes try to neutralize it when it threatens them. Therefore, laws are passed to define and prevent unfair competition. In the United States, such laws are enforced by the Federal Trade Commission (FTC) and the Antitrust Division of the Attorney General’s office.

The second purpose of government regulation is to protect consumers from unfair business practices. Some firms, if left alone, would make shoddy products, invade consumer privacy, mislead consumers in their advertising, and deceive consumers through their packaging and pricing. Rules defining and regulating unfair business practices are enforced by various agencies.

The third purpose of government regulation is to protect the interests of society against unrestrained business behavior. Profitable business activity does not always create a better quality of life. Regulation arises to ensure that firms take responsibility for the social costs of their production or products.

International marketers will encounter dozens, or even hundreds, of agencies set up to enforce trade policies and regulations. In the United States, Congress has established federal regulatory agencies, such as the FTC, the FDA, the Federal Communications Commission, the Federal Energy Regulatory Commission, the Federal Aviation Administration, the Consumer Product Safety Commission, the Environmental Protection Agency, and hundreds of others. Because such government agencies have some discretion in enforcing the laws, they can have a major impact on a company’s marketing performance.

New laws and their enforcement will continue to increase. Business executives must watch these developments when planning their products and marketing programs. Marketers need to know about the major laws protecting competition, consumers, and society. They need to understand these laws at the local, state, national, and international levels.

Increased Emphasis on Ethics and Socially Responsible Actions

Written regulations cannot possibly cover all potential marketing abuses, and existing laws are often difficult to enforce. However, beyond written laws and regulations, business is also governed by social codes and rules of professional ethics.

Socially Responsible Behavior. Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply “do the right thing.” These socially responsible firms actively seek out ways to protect the long-run interests of their consumers and the environment.

Almost every aspect of marketing involves ethics and social responsibility issues. Unfortunately, because these issues usually involve conflicting interests, well-meaning people can honestly disagree about the right course of action in a given situation. Thus, many industrial and professional trade associations have suggested codes of ethics. And more companies are now developing policies, guidelines, and other responses to complex social responsibility issues.

The boom in online, mobile, and social media marketing has created a new set of social and ethical issues. Critics worry most about online privacy issues. There has been an explosion in the amount of personal digital data available. Users themselves supply some of it. They voluntarily place highly private information on social media sites, such as Facebook or LinkedIn, or on genealogy sites that are easily searched by anyone with a computer or a smartphone.

However, much of the information is systematically developed by businesses seeking to learn more about their customers, often without consumers realizing that they are under the microscope. Legitimate businesses track consumers’ online browsing and buying behavior and collect, analyze, and share digital data from every move consumers make at
### Table 3.1 | Major U.S. Legislation Affecting Marketing

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sherman Antitrust Act (1890)</td>
<td>Prohibits monopolies and activities (price-fixing, predatory pricing) that restrain trade or competition in interstate commerce.</td>
</tr>
<tr>
<td>Federal Food and Drug Act (1906)</td>
<td>Created the Food and Drug Administration (FDA). It forbids the manufacture or sale of adulterated or fraudulently labeled foods and drugs.</td>
</tr>
<tr>
<td>Clayton Act (1914)</td>
<td>Supplements the Sherman Act by prohibiting certain types of price discrimination, exclusive dealing, and tying clauses (which require a dealer to take additional products in a seller’s line).</td>
</tr>
<tr>
<td>Robinson-Patman Act (1936)</td>
<td>Amends the Clayton Act to define price discrimination as unlawful. Empowers the FTC to establish limits on quantity discounts, forbid some brokerage allowances, and prohibit promotional allowances except when made available on proportionately equal terms.</td>
</tr>
<tr>
<td>Lanham Trademark Act (1946)</td>
<td>Protects and regulates distinctive brand names and trademarks.</td>
</tr>
<tr>
<td>National Traffic and Safety Act (1958)</td>
<td>Provides for the creation of compulsory safety standards for automobiles and tires.</td>
</tr>
<tr>
<td>Fair Packaging and Labeling Act (1966)</td>
<td>Provides for the regulation of the packaging and labeling of consumer goods. Requires that manufacturers state what the package contains, who made it, and how much it contains.</td>
</tr>
<tr>
<td>Federal Cigarette Labeling and Advertising Act (1967)</td>
<td>Requires that cigarette packages contain the following statement: &quot;Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.&quot;</td>
</tr>
<tr>
<td>Consumer Product Safety Act (1972)</td>
<td>Establishes the Consumer Product Safety Commission (CPSC) and authorizes it to set safety standards for consumer products as well as exact penalties for failing to uphold those standards.</td>
</tr>
<tr>
<td>Magnuson-Moss Warranty Act (1975)</td>
<td>Authorizes the FTC to determine rules and regulations for consumer warranties and provides consumer access to redress, such as the class action suit.</td>
</tr>
<tr>
<td>Children’s Television Act (1990)</td>
<td>Limits the number of commercials aired during children’s programs.</td>
</tr>
<tr>
<td>Nutrition Labeling and Education Act (1990)</td>
<td>Requires that food product labels provide detailed nutritional information.</td>
</tr>
<tr>
<td>Telephone Consumer Protection Act (1991)</td>
<td>Establishes procedures to avoid unwanted telephone solicitations. Limits marketers’ use of automatic telephone dialing systems and artificial or prerecorded voices.</td>
</tr>
<tr>
<td>Children’s Online Privacy Protection Act (2000)</td>
<td>Prohibits websites or online services operators from collecting personal information from children without obtaining consent from a parent and allowing parents to review information collected from their children.</td>
</tr>
<tr>
<td>Do-Not-Call Implementation Act (2003)</td>
<td>Authorizes the FTC to collect fees from sellers and telemarketers for the implementation and enforcement of a national Do-Not-Call Registry.</td>
</tr>
<tr>
<td>Financial Reform Law (2010)</td>
<td>Created the Bureau of Consumer Financial Protection, which writes and enforces rules for the marketing of financial products to consumers. It is also responsible for enforcement of the Truth-in-Lending Act, the Home Mortgage Disclosure Act, and other laws designed to protect consumers.</td>
</tr>
</tbody>
</table>
their online sites. Critics worry that these companies may now know too much and might use digital data to take unfair advantage of consumers. Although most companies fully disclose their internet privacy policies and most try to use data to benefit their customers, abuses do occur. As a result, consumer advocates and policy makers are taking action to protect consumer privacy. In Chapters 4 and 20, we discuss these and other societal marketing issues in greater depth.

**Cause-Related Marketing.** To exercise their social responsibility and build more positive images, many companies are now linking themselves to worthwhile causes. These days, every product seems to be tied to some cause. For example, the P&G “Tide Loads of Hope” program provides mobile laundromats and loads of clean laundry to families in disaster-stricken areas—P&G washes, dries, and folds clothes for these families for free. Shake Shack runs an annual Great American Shake Sale: If you donate at least $2 at the register to Share Our Strength’s No Kid Hungry program dedicated to ending child hunger in America, you get a $5 shake free on your next visit. And AT&T joined forces with competitors Verizon, Sprint, and T-Mobile to spearhead the “It Can Wait” campaign, which addresses the texting-while-driving epidemic by urging people of all ages to take the pledge to never text and drive. The campaign’s cause-related message: “No text is worth the risk. It can wait.”

Some companies are founded on cause-related missions. Under the concept of “values-led business” or “caring capitalism,” their mission is to use business to make the world a better place. For example, Warby Parker—the online marketer of low-priced prescription eyewear—was founded with the hope of bringing affordable eyewear to the masses. The company sells “eyewear with a purpose.” For every pair of glasses Warby Parker sells, it distributes a free pair to someone in need. The company also works with not-for-profit organizations that train low-income entrepreneurs to sell affordable glasses. “We believe that everyone has the right to see,” says the company.

Cause-related marketing has become a primary form of corporate giving. It lets companies “do well by doing good” by linking purchases of the company’s products or services with benefiting worthwhile causes or charitable organizations. Beyond being socially admirable, Warby Parker’s Buy a Pair, Give a Pair program also makes good economic sense, for both the company and its customers. “Companies can do good in the world while still being profitable,” says Warby Parker co-founder Neil Blumenthal. “A single pair of reading glasses causes, on average, a 20 percent increase in income. Glasses are one of the most effective poverty alleviation tools in the world.”

Cause-related marketing has also stirred some controversy. Critics worry that cause-related marketing is more a strategy for selling than a strategy for giving—that “cause-related” marketing is really “cause-exploitative” marketing. Thus, companies using cause-related marketing might find themselves walking a fine line between increased sales and an improved image and facing charges of exploitation. However, if handled well, cause-related marketing can greatly benefit both the company and the cause. The company gains an effective marketing tool while building a more positive public image. The charitable organization or cause gains greater visibility and important new sources of funding and support. Spending on cause-related marketing in the United States skyrocketed from only $120 million in 1990 to $2 billion in 2016.

**The Cultural Environment**

The cultural environment consists of institutions and other forces that affect society’s basic values, perceptions, preferences, and behaviors. People grow up in a particular society that shapes their basic beliefs and values. They absorb a worldview that defines their

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**Cultural environment**

Institutions and other forces that affect society’s basic values, perceptions, preferences, and behaviors.

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**Author Comment**

Cultural factors strongly affect how people think and how they consume, so marketers are keenly interested in the cultural environment.
relationships with others. The following cultural characteristics can affect marketing decision making.

The Persistence of Cultural Values

People in a given society hold many beliefs and values. Their core beliefs and values have a high degree of persistence. For example, most Americans believe in individual freedom, hard work, getting married, and achievement and success. These beliefs shape more specific attitudes and behaviors found in everyday life. Core beliefs and values are passed on from parents to children and are reinforced by schools, businesses, religious institutions, and government.

Secondary beliefs and values are more open to change. Believing in marriage is a core belief; believing that people should get married early in life is a secondary belief. Marketers have some chance of changing secondary values but little chance of changing core values. For example, family-planning marketers could argue more effectively that people should get married later than not get married at all.

Shifts in Secondary Cultural Values

Although core values are fairly persistent, cultural swings do take place. Consider the impact of popular music groups, movie personalities, and other celebrities on young people’s hairstyle and clothing norms. Marketers want to predict cultural shifts to spot new opportunities or threats. The major cultural values of a society are expressed in people’s views of themselves and others as well as in their views of organizations, society, nature, and the universe.

People’s Views of Themselves. People vary in their emphasis on serving themselves versus serving others. Some people seek personal pleasure, wanting fun, change, and escape. Others seek self-realization through religion, recreation, or the avid pursuit of careers or other life goals. Some people see themselves as sharers and joiners; others see themselves as individualists. People use products, brands, and services as a means of self-expression, and they buy products and services that match their views of themselves.

Marketers can position their brands to appeal to specific self-view segments. For example, consider Sperry, maker of storied Sperry Top-Sider boat shoes:

Sperry first introduced its iconic Top-Sider shoes in 1935 as the perfect non-slip boat shoe for rough seas and slippery decks. That nautical legacy remains an important part of Sperry’s positioning. The brand’s recent “Odysseys Await” marketing campaign confirms that the sure-footed shoes are built for adventurous soles who can’t stay put. The campaign targets “intrepid consumers”—active millennials who view themselves as adventurous, authentic, bold, and creative. “There’s a certain section of Millennials that really look at life as an opportunity,” says a Sperry marketer. They “want to have meaningful experiences and align with brands that provide opportunities for such.” The “Odysseys Await” campaign reconnects the brand with the sea, featuring intrepid consumers having nautical adventures, jumping off boats, sailing, and diving off cliffs. Headlines such as “The best stories are written with your feet,” “Keep your laces tight and your plans loose,” “Try living for a living,” and “If Earth has an edge, find it” suggest that Sperry Top-Siders are more than just shoes. They are the embodiment of customers’ self-views and lifestyles.

People’s Views of Others. People’s attitudes toward and interactions with others shift over time. In recent years, some analysts have voiced concerns that the digital age would result in diminished human interaction, as people buried themselves in social media pages or emailed and texted rather than interacting personally. Instead, today’s digital technologies seem to have launched an era of what one trend watcher calls “mass mingling.” Rather than interacting less, people are using social media and mobile communications to connect more than ever. Basically, the more people meet, network, text, and socialize online, the more likely they are to eventually meet up with friends and followers in the real world.

However, these days, even when people are together, they are often “alone together.” Groups of people may sit or walk in their own little bubbles, intensely connected to tiny screens and keyboards. One expert describes the latest communication skill as “maintaining eye contact with someone while you text someone else; it’s hard but it can be done,” she says. “Technology-enabled, we are able to be with one another, and also ‘elsewhere,’ connected to wherever we want to be.” Thus, whether the new technology-driven
communication is a blessing or a curse is a matter of much debate.

This new way of interacting strongly affects how companies market their brands and communicate with customers. Consumers increasingly tap digitally into networks of friends and online brand communities to learn about and buy products and to shape and share brand experiences. As a result, it is important for brands to participate in these networks too.

**People’s Views of Organizations.** People vary in their attitudes toward corporations, government agencies, trade unions, universities, and other organizations. By and large, people are willing to work for major organizations and expect them, in turn, to carry out society’s work.

The past two decades have seen a sharp decrease in confidence in and loyalty toward America’s business and political organizations and institutions. In the workplace, there has been an overall decline in organizational loyalty. Waves of company downsizings bred cynicism and distrust. In just the past decade, major corporate scandals, rounds of layoffs resulting from the Great Recession, the financial meltdown triggered by Wall Street bankers’ greed and incompetence, and other unsettling activities have resulted in a further loss of confidence in big business. Many people today see work not as a source of satisfaction but as a required chore to earn money to enjoy their nonwork hours. This trend suggests that organizations need to find new ways to win consumer and employee confidence.

**People’s Views of Society.** People vary in their attitudes toward their society—patriots defend it, reformers want to change it, and malcontents want to leave it. People’s orientation to their society influences their consumption patterns and attitudes toward the marketplace.

American patriotism has been increasing gradually for the past two decades. One annual consumer survey shows that some brands are highly associated with patriotism, such as Jeep, Coca-Cola, Disney, Levi Strauss, Harley-Davidson, Gillette, and Apple. Marketers respond with renewed “Made in America” pitches and ads with patriotic themes. For example, last summer Coca-Cola launched a limited-edition red, white, and blue flag can surrounding the July 4 holiday with the patriotic song lyric “I’m proud to be an American” on the label. Apple recently kicked off a $100 million “Made in America” push with the introduction of a new high-end Mac Pro personal computer. The Mac Pro, “the most powerful Mac ever,” is built in Austin, Texas, with components made domestically. And Jeep’s recent patriotic “Portraits” Super Bowl ad—which featured famous and ordinary faces of Americans who’ve driven Jeeps through 75 years of wars, peace, boom times, and bust—resonated strongly with Americans. “We don’t make Jeep,” concludes the ad, “you do.”

Although most such marketing efforts are tasteful and well received, waving the red, white, and blue can sometimes prove tricky. Flag-waving promotions can be viewed as corny or as token attempts to cash in on the nation’s emotions. For example, some critics note that, so far, Apple’s “Made in America” push hasn’t had much real impact. The Mac Pro contributes less than 1 percent of Apple’s total revenues. More than 70 percent of the company’s revenues come from its iPhone and iPad products, both built in China. Marketers must take care when appealing to patriotism and other strong national emotions.

**People’s Views of Nature.** People vary in their attitudes toward the natural world—some feel ruled by it, others feel in harmony with it, and still others seek to master it. A long-term trend has been people’s growing mastery over nature through technology and the belief that nature is bountiful. More recently, however, people have recognized that nature is finite and fragile; it can be destroyed or spoiled by human activities.

This renewed love of things natural has created a sizable market of consumers who seek out everything from natural, organic, and nutritional products to fuel-efficient cars.
Understanding the Marketplace and Consumer Value

and alternative medicines. These consumers make up a sizable and growing market. For example, food producers have also found fast-growing markets for natural and organic products. In total, the U.S. organic/natural food market now generates $45 billion in annual retail sales and will grow to an estimated $200 billion by 2019.48

Annie’s Homegrown, a General Mills company, caters to this market with sustainable, all-natural food products—from mac and cheese to pizzas, pastas, snacks, and salad dressings—made and sold in a sustainable way: 49

Annie’s is out to create a happier and healthier world with nourishing foods and responsible conduct that is “forever kind to the planet.” Annie’s products are made from simple, natural ingredients grown by its farm partners. The products contain “no artificial anything,” says the company. “If it’s not real, it’s not Annie’s.” The company works closely with its food supply-system partners to jointly raise the bar for sustainability and organics. Annie’s also makes sustainable practices a top priority with its packaging—more than 90 percent of Annie’s packaging by weight is recyclable. Finally, Annie’s gives back to the community through programs such as sustainable agriculture scholarships, school garden programs, and support for like-minded organizations dedicated to making the planet a better place to live and eat.

Riding the trend toward all things natural: Annie’s is out to create a happier and healthier world with nourishing foods and responsible conduct that is “forever kind to the planet.”

General Mills Marketing, Inc.

People’s Views of the Universe. Finally, people vary in their beliefs about the origins of the universe and their place in it. Although most Americans practice religion, religious conviction and practice have been dropping off gradually through the years. According to a recent poll, 22 percent of Americans now say they are not affiliated with any particular faith, up from about 17 percent just seven years prior. Among Americans ages 18 to 29, more than one-third say they are not currently affiliated with any particular religion.50

However, the fact that people are dropping out of organized religion doesn’t mean that they are abandoning their faith. Some futurists have noted a renewed interest in spirituality, perhaps as a part of a broader search for a new inner purpose. People have been moving away from materialism and dog-eat-dog ambition to seek more permanent values—family, community, earth, faith—and a more certain grasp of right and wrong. Rather than calling it “religion,” they call it “spirituality.” One recent survey found that whereas Americans have become less religious in recent years, the share of people who feel a deep sense of “spiritual peace and well-being” as well as a deep sense of “wonder about the universe” has risen.51 This changing spiritualism affects consumers in everything from the television shows they watch and the books they read to the products and services they buy.

Responding to the Marketing Environment

Someone once observed, “There are three kinds of companies: those who make things happen, those who watch things happen, and those who wonder what’s happened.” Many companies view the marketing environment as an uncontrollable element to which they must react and adapt. They passively accept the marketing environment and do not try to change it. They analyze environmental forces and design strategies that will help the company avoid the threats and take advantage of the opportunities the environment provides.

Other companies take a proactive stance toward the marketing environment. Rather than assuming that strategic options are bounded by the current environment, these firms develop strategies to change the environment. Companies and their products often create and shape new industries and their structures, products such as Ford’s Model T car, Apple’s iPod and iPhone, Google’s search engine, and Amazon’s online marketplace.

Even more, rather than simply watching and reacting to environmental events, proactive firms take aggressive actions to affect the publics and forces in their marketing environment. Such companies hire lobbyists to influence legislation affecting their industries.
and stage media events to gain favorable press coverage. They take to the social media and run blogs to shape public opinion. They press lawsuits and file complaints with regulators to keep competitors in line, and they form contractual agreements to better control their distribution channels.

By taking action, companies can often overcome seemingly uncontrollable environmental events. For example, whereas some companies try to hush up negative talk about their products, others proactively counter false information. McDonald’s did this when a photo went viral showing unappetizing “mechanically separated chicken” (also known as “pink goop”) and associating it with the company’s Chicken McNuggets. McDonald’s quickly issued statements disclaiming the pink goop photo as a hoax and noting that McNuggets are made using only boneless white breast meat chicken in a process that never produces anything remotely resembling the weird pink substance. But McDonald’s took its response an important step further. It created its own nearly three-minute social media video giving a tour of a company processing plant in Canada, showing the step-by-step process by which McNuggets are made. In the process, fresh chicken breasts are ground and seasoned, stamped into four nugget shapes (balls, bells, boots, and bow ties), battered, flash-fried, frozen, packaged, and shipped out to local McDonald’s restaurants where they are fully cooked. There’s not a trace of the gross pink goop anywhere in the process. The proactive video itself went viral, garnering more than 3.5 million YouTube views in less than six weeks. As a follow-up, McDonald’s launched an “Our Food. Your Questions.” campaign inviting consumers to submit questions about its food-making processes via Facebook, Twitter, YouTube, and other social media. It then addressed the top concerns in a series of “behind-the-scenes” webisodes.

Marketing management cannot always control environmental forces. In many cases, it must settle for simply watching and reacting to the environment. For example, a company would have little success trying to influence geographic population shifts, the economic environment, or major cultural values. But whenever possible, smart marketing managers take a proactive rather than reactive approach to the marketing environment (see Real Marketing 3.2).

### 3.2 In the Social Media Age: When the Dialogue Gets Nasty

Marketers have hailed the internet and social media as the great new way to engage customers and nurture customer relationships. In turn, today’s more-empowered consumers use the new digital media to share their brand experiences with companies and with each other. All of this back and forth helps both the company and its customers. But sometimes, the dialogue can get nasty. Consider the following examples:

- Upon receiving a severely damaged computer monitor via FedEx, YouTube user goobie55 posts footage from his security camera. The video clearly shows a FedEx delivery man hoisting the monitor package over his head and tossing it over goobie55’s front gate without ever attempting to ring the bell, open the gate, or walk the package to the door. The video—with FedEx’s familiar purple and orange logo prominently displayed on everything from the driver’s shirt to the package and the truck—goes viral, with 5 million hits in just five days. TV news and talk shows go crazy discussing the clip.
- A young creative team at Ford’s ad agency in India produces a Ford Figo print ad and releases it to the internet without approval. The ad features three women—bound, gagged, and scantily clad—in the hatch of a Figo, with a caricature of a grinning Silvio Berlusconi (Italy’s sex-scandal-plagued ex-prime minister) at the wheel. The ad’s tagline: “Leave your worries behind with Figo’s extra-large boot (trunk).” Ford quickly pulls the ad, but not before it goes viral. Within days, millions of people around the world have viewed the ad, causing an online uproar and giving Ford a global black eye.
- When eight-year-old Harry Winsor sends a crayon drawing of an airplane he’s designed to Boeing with a suggestion that the company might want to manufacture it, the company responds with a stern, legal-form letter. “We do not accept unolicited ideas,” the letter states. “We regret to inform you that we have disposed of your message and retain no copies.” The embarrassing blunder would probably go unnoticed were it not for the fact that Harry’s father—John Winsor, a prominent ad exec—blogs and tweets about the incident, making it instant national news.

Extreme events? Not anymore. The internet and social media have turned the traditional power relationship between businesses and consumers upside down. In the good old days, disgruntled consumers could do little more than bellow at a company service rep or shout out their complaints from a street corner. Now, armed with only a laptop or smartphone, they can take it public, airing their gripes to millions on blogs, social media sites, or even hate sites devoted exclusively to their least favorite corporations. “A consumer’s megaphone is now [sometimes] more powerful than a brand’s,” says one ad agency executive. “Individuals can bring it...
Today’s empowered consumers: Boeing’s embarrassing blunder over young Harry Winsor’s airplane design made instant national news. However, Boeing quickly took responsibility and turned the potential PR disaster into a positive.

John Winsor

OBJECTIVES REVIEW AND KEY TERMS

Objectives Review

In this and the next two chapters, you’ll examine the environments of marketing and how companies analyze these environments to better understand the marketplace and consumers. Companies must constantly watch and manage the marketing environment to seek opportunities and ward off threats. The marketing environment consists of all the actors and forces influencing the company’s ability to transact business effectively with its target market.

**OBJECTIVE 3-1** Describe the environmental forces that affect the company’s ability to serve its customers. *(pp 92–96)*

The company’s microenvironment consists of actors close to the company that combine to form its value delivery network or that affect its ability to serve customers. It includes the company’s internal environment—its several departments and management levels—as it influences marketing decision making. Marketing channel firms—suppliers, marketing intermediaries, physical distribution firms, marketing services agencies, and financial intermediaries—cooperate to create customer value. Competitors vie with the company in an effort to serve customers better. Various publics have an actual or potential interest in or impact on the company’s ability to meet its objectives. Finally, five types of customer markets exist: consumer, business, reseller, government, and international markets.

The macroenvironment consists of larger societal forces that affect the entire microenvironment. The six forces making up the company’s macroenvironment are demographic, economic, natural, technological, political/social, and cultural forces. These forces shape opportunities and pose threats to the company.

**OBJECTIVE 3-2** Explain how changes in the demographic and economic environments affect marketing decisions. *(pp 96–104)*

Demography is the study of the characteristics of human populations. Today’s demographic environment shows a changing age structure, shifting family profiles, geographic population shifts, a better-educated and more white-collar population, and increasing diversity. The economic environment consists of factors that affect buying power and patterns. The economic environment is characterized by more frugal consumers who are seeking greater value—the right combination of good quality and service at a fair price. The distribution of income also is shifting. The rich have grown richer, the middle class has shrunk, and the poor have remained poor, leading to a two-tiered market.

**OBJECTIVE 3-3** Identify the major trends in the firm’s natural and technological environments. *(pp 104–108)*

The natural environment shows three major trends: shortages of certain raw materials, higher pollution levels, and more government intervention in natural resource management. Environmental concerns create marketing opportunities for alert companies. The technological environment creates both opportunities and challenges. Companies that fail to keep up with technological change will miss out on new product and marketing opportunities.

**OBJECTIVE 3-4** Explain the key changes in the political and cultural environments. *(pp 108–114)*

The political environment consists of laws, agencies, and groups that influence or limit marketing actions. The political environment has undergone changes that affect marketing worldwide: increasing legislation regulating business, strong government agency enforcement, and greater emphasis on ethics and socially responsible actions. The cultural environment consists of institutions and forces that affect a society’s values, perceptions, preferences, and behaviors. The environment shows trends toward new technology-enabled communication, a lessening trust of institutions, increasing patriotism, greater appreciation for nature, a changing spiritualism, and the search for more meaningful and enduring values.

**OBJECTIVE 3-5** Discuss how companies can react to the marketing environment. *(pp 114–116)*

Companies can passively accept the marketing environment as an uncontrollable element to which they must adapt, avoiding threats and taking advantage of opportunities as they arise. Or they can take a proactive stance, working to change the environment rather than simply reacting to it. Whenever possible, companies should try to be proactive rather than reactive.

Key Terms

**OBJECTIVE 3-1**
- Marketing environment (p 92)
- Microenvironment (p 92)
- Macroenvironment (p 92)
- Marketing intermediaries (p 94)
- Public (p 95)

**OBJECTIVE 3-2**
- Demography (p 96)
- Baby boomers (p 97)
- Generation X (p 97)
- Millennials (Generation Y) (p 98)
- Generation Z (p 99)
- Economic environment (p 103)

**OBJECTIVE 3-3**
- Natural environment (p 104)
- Environmental sustainability (p 105)
- Technological environment (p 106)

**OBJECTIVE 3-4**
- Political environment (p 108)
- Cultural environment (p 111)
DISCUSSION AND CRITICAL THINKING

MyLab Marketing
Go to mymktlab.com to complete the problems marked with this icon.

Discussion Questions

3-1 Name and describe the types of publics in a company’s marketing environment. (AACSB: Communication)

3-2 What are publics in the marketing context? Why are they important to marketers? Suggest the publics for a specific business. (AACSB: Communication; Reflective Thinking)

3-3 Describe Generation Z. What differentiates GenZers from other demographic groups, such as baby boomers, Generation X, and millennials? (AACSB: Communication; Reflective Thinking)

3-4 How would you characterize the current state of the economic environment in developed countries? How does it impact the activities and approach of marketers? (AACSB: Communication; Reflective Thinking)

3-5 Why should marketers play close attention to the political environment? (AACSB: Communication)

Critical Thinking Exercises

3-6 In 1965, more than 40 percent of American adults were smokers. That percentage has now fallen to less than 18 percent. Tobacco companies have dealt with this threat by developing new markets overseas and also developing alternative nicotine products such as electronic cigarettes (e-cigarettes). Research this product and the regulatory environment regarding this product, then write a report advising tobacco companies on the opportunities and threats posed by this technology. (AACSB: Communication; Reflective Thinking)

3-7 Form a small group and discuss cultural trends in the United States. Research one of them in depth and create a presentation on the trend’s impact on marketing. (AACSB: Communication; Reflective Thinking)

3-8 Visit www.causemarketingforum.com to learn about companies that have won Halo Awards for outstanding cause-related marketing programs. Present an award-winning case study to your class. (AACSB: Communication; Use of IT)

APPLICATIONS AND CASES

Online, Mobile, and Social Media Marketing  Sharing Economy

Changes in the technological environment have created amazing opportunities for new business models while at the same time threatening traditional ones. For example, Airbnb has shaken up the hospitality industry by allowing people to rent out spare rooms or their entire homes to strangers. The Uber and Lyft ride-sharing businesses allow consumers to find a ride from people looking to earn extra money with their vehicles. And with Uber you don’t have to worry about having enough cash or giving your credit card to the driver—payments and tips are all done through the Uber app. Traditional hotel and cab companies are crying foul, claiming that these businesses are not playing by the same regulatory rules to which they are subject. Others are concerned about safety amid reports of riders allegedly being attacked, kidnappings, and driver accidents, questioning the thoroughness of background checks of the 160,000-plus Uber drivers around the world. Some countries, states, and cities in the United States have banned Uber because of these issues.

3-9 Describe how Uber’s business model works and the role technology has played in its success. What are the arguments for banning these types of businesses? What are the arguments for defending them? (AACSB: Communication; Use of IT; Reflective Thinking)

3-10 Describe examples of two other businesses based on the sharing economy model and create a new business idea based on this concept. (AACSB: Communication; Reflective Thinking)

Marketing Ethics  Your Insurance Renewal Notice Could Be a Trap

Consumers in the United Kingdom seem to be at the mercy of their own insurers. Hidden within the fine print of the renewal notices is the true cost of renewing the insurance, often as much as a 100 percent increase. This is despite the fact that there have been no claims on the insurance and perhaps the value of the insured asset has fallen since last year. Unwittingly, consumers have signed up for continuous payment to authorities. In effect, this means that consumers have agreed to continue to buy the
insurance year over year, regardless of an increase in price, unless they contact the insurer and cancel it. If only cancelling insurance was that simple. If consumers fail to read the small print in their contracts carefully, they are hit by a cancellation fee. With higher percentages of consumers checking insurance quotes on price comparison websites, insurers still take the chance of inertia when the consumers receive their renewal notices. Insurers seem to rely on the fact that a certain percentage of consumers do not bother to read the documents, and if they do, they do not readily notice that the price is far higher than the previous year. The Financial Conduct Authority, which has responsibility for dealing with disputes arising out of financial services, receives around 500 complaints a year regarding insurance renewal. From April 2017, UK insurers are required to include text on their renewal communication to encourage consumers to shop around for the best deal. In cases when consumers have renewed with the same insurer four times, an additional message is required in the renewal communication to encourage shopping around. Insurers are also required to disclose last year’s premium alongside this year’s for clear comparison.

3-11 Discuss the aspects of the competitive environment of the insurance industry that might encourage this type of practice. (AACSB: Communication; Use of IT; Reflective Thinking)

3-12 Discuss whether or not technology and access to price comparison websites can banish this type of fraudulent practice in the insurance industry. (AACSB: Communication; Use of IT; Reflective Thinking)

3-13 What percentage change in the total and Hispanic populations occurred in each state between 2000 and 2010? What conclusions can be drawn from this analysis? (AACSB: Communication; Analytical Reasoning; Reflective Thinking)

3-14 Research another demographic trend and create a presentation to marketers regarding the significance of the trend you analyzed. (AACSB: Communication; Reflective Thinking)

**Marketing by the Numbers**

**Demographic Trends**

Marketers are interested in demographic trends related to variables such as age, ethnicity, and population. The U.S. Census Bureau provides considerable demographic information that is useful for marketers. For example, the following table provides a sample of such population data (see www.censusscope.org/2010Census/PDFs/RaceEth-States.pdf):

<table>
<thead>
<tr>
<th>State</th>
<th>Total 2000</th>
<th>Hispanic 2000</th>
<th>Total 2010</th>
<th>Hispanic 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>8,186,453</td>
<td>435,227</td>
<td>9,687,653</td>
<td>853,689</td>
</tr>
<tr>
<td>Michigan</td>
<td>9,938,444</td>
<td>323,877</td>
<td>9,883,640</td>
<td>436,358</td>
</tr>
<tr>
<td>California</td>
<td>33,871,648</td>
<td>10,966,556</td>
<td>37,253,956</td>
<td>14,013,719</td>
</tr>
</tbody>
</table>

**Video Case**

**Burger King**

In the fast-food burgers business, french fries are perhaps more important than the burgers themselves. System-wide, Burger King sells 56 million orders of french fries every month—one order of fries for every two customers. But nothing is exempt from the impact of marketing environment forces. As health trends drove some companies to cut back on fatty foods, Burger King saw its french fry sales dip.

So Burger King decided to let people have their fries and eat them too. To bring health-conscious customers back to the counter, Burger King introduced Satisfries—french fries with 30 percent less fat and 20 percent fewer calories than its regular fries. In a product category that has seen little if any innovation, Satisfries could be a big game changer. Still, reduced fat and calories may not be enough to make a difference to health-food lovers. And at 30 to 40 cents more per item, Satisfries may end up as little more than a fry fiasco.

After viewing the video featuring Burger King, answer the following questions:

3-15 Considering marketing environment forces, describe how Burger King went about developing its new Satisfries.

3-16 With Satisfries, has Burger King truly created customer value, or is it just chasing trends? Explain.

**Company Case**

**Fitbit: Riding the Fitness Wave to Glory**

It was 2009. James Park and Eric Friedman were at a breaking point. They’d been flitting around Asia for months, setting up the supply chain for their company’s first product, the Fitbit Tracker. Having raised capital to launch the product with nothing more than a circuit board in a balsa wood box, they were now on the verge of pushing the button to start the assembly line. But with thousands of orders to fill, they discovered that the antenna on the device wasn’t working properly. They stuck a piece of foam on the circuit board and called it “good enough.” Five thousand customers received shiny new Fitbit Trackers just in time for the holidays.
Getting a start-up company off the ground is challenging. Getting a hardware start-up to succeed is near impossible, especially when you’re the pioneer. But with so many changes in the marketing environment, Park and Friedman knew they had something special. Pedometers had been selling for years, following personal fitness and wellness trends. But those devices were low-tech and limited in the information they provided consumers. And with the seemingly endless demand for high-tech gadgetry, Park and Friedman saw big potential for using sensors in small, wearable devices.

The two entrepreneurs were correct. In just seven years, Fitbit has marketed more than a dozen different products and sold millions of units. Last year alone, the company shipped 21 million devices—almost double the previous year’s number—ringing up $4.1 billion in revenues and $116 million in profits. Fitbit created what is now a fast-growing segment—wearable tech. Amid its best year to date, Fitbit went public with an initial public offering of $1.86 billion in revenues and $116 million in profits. How did the company go from a balsa wood box to sitting atop an exploding industry? To hear Park tell it, “It was the right product at the right time at the right price point.”

A Magical Device

Although Park’s response may seem simplistic, it’s right on. Coming up with a product that delivers the right benefits to consumers at precisely the time they need them is the key to any new product launch. In Fitbit’s case, consumers were hungry for this small device that could not only track steps taken but calculate distance walked, calories burned, floors climbed, and activity duration and intensity, all from an unobtrusive spot—clipped on a pants pocket. What’s more, the Fitbit Tracker could track sleep quality based on periods of restlessness, the amount of time before falling asleep, and the amount of time actually sleeping.

Even more enticing to consumers, the device could upload data to a computer and make them available on the Fitbit website. At the site, users could overview their physical activity, set and track goals, and keep logs on food eaten and additional activities not tracked by the device. To top things off, the explosion of social media and sharing personal information went hand in hand with what users were uploading. By design, Park and Friedman put more into Fitbit’s software than its own hardware, recognizing that other hardware device companies like Garmin had shortchanged the software aspect.

But Fitbit’s success can also be attributed to new models. Recognizing that gadgets have a limited life span and that competition would attempt to improve on its offerings, Fitbit has made development a constant process. From the original Tracker to its current Blaze smartwatch with GPS, heart-rate monitor, and the ability to display smartphone notifications for calls, texts, calendar alerts, Fitbit has stayed ahead in giving consumers what they want.

An Unexpected Opportunity

Still, Fitbit’s path to success has been challenging. One big challenge the company has faced from the start is customer retention. Like many diets and pieces of exercise equipment, users are drawn to the “wow” factor of something that can improve their health and wellness but quickly fizzle out. And if users stop using a device, they are far less likely to purchase the “new-and-improved” version, much less recommend it to anyone else. But an interesting thing happened as Fitbit got things rolling. The company received a flood of calls and messages from corporate human resource departments. Perplexed as to why businesses would want to buy Fitbit devices in bulk, the company assigned a point person to find out.

It turned out that corporate America was going through a push to enroll employees in wellness programs. The reasons for this push extended far beyond concerns about employee health and well-being. Healthy employees provide major benefits for a company. They call in sick less often and are generally more productive. They also cost less in terms of health-care benefits. And although diet and exercise can’t erase every poor health condition, they can have a big effect on health factors such as blood pressure, cholesterol levels, and blood sugar levels—conditions related to common diseases such as heart disease, stroke, and diabetes. So it’s no wonder that companies have an incentive to do whatever they can to motivate employees to take better care of themselves.

As Fitbit talked to companies, it discovered that most were struggling to enroll even a small proportion of employees in their workforce wellness programs—many had less than 20 percent compliance. One problem was that—even as the latest fitness wearables from Fitbit and its competitors were showing up around offices everywhere—participation in corporate wellness programs often required the use of a bulky corporate-issued tracker, better known as an analog pedometer. “Can you imagine asking engineers to wear a janky old pedometer and write down their steps?” mused Amy McDonough, Fitbit’s corporate point person. Fitbit, of course, offered a much more high-tech option, letting individuals easily track more complex data and letting HR departments easily compile and analyze the data as well. Fitbit’s bulk sales to corporations started rolling in.

Much to Fitbit’s pleasant surprise, Fitbit products sold through corporations versus those sold to individuals had noticeably higher retention rates. Fitness trackers in corporate wellness programs were often used in wellness challenges—maintain a minimum of 10,000 steps a day and get free vacation days or a discount on health insurance premiums. It might seem logical that people would stop using their devices once a challenge ended. But when IBM gave out 40,000 Fitbits to employees over a two-year period, it found not only that 96 percent of employees routinely logged their health data and eating habits but that 63 percent of employees continued to wear their Fitbits months after the challenge concluded.

Other companies noted even greater tangible benefits. Cloud-services start-up Appirio bought Fitbit devices for 400 employees. Armed with data from the wearables, Appirio was able to convince its health insurance provider, Anthem, that the increased health benefits were translating into lower health-care costs. This gave Appirio the leverage to negotiate lower premiums, shaving $280,000 off its annual bill.

Today, Fitbit’s well division offers tools specifically designed for employers, such as dashboards, dedicated service support, and webinars. Corporate clients include BP America, Kimberly-Clark, Time Warner, and Barclays. Target offered Fitbit Zip trackers to 335,000 of its employees. Corporate sales currently account for 10 percent of Fitbit revenues. But the corporate share of the sales will increase, as adoption in that sector is growing at a faster rate than in consumer markets. Founder Park claims that the use of Fitbits in employee wellness programs is having an impact not only on health and well-being but on job safety as well. Companies have also experienced improvements in office cultures as a result of the unified effort among coworkers.
to achieve fitness goals together—a factor that is also likely boosting retention numbers in the corporate setting.

**Encountering Hurdles**

With high growth rates and plenty of market potential, it would seem that the sky is the limit for Fitbit. But Fitbit still faces numerous obstacles. For starters, privacy issues have increased as technology creates new ways to gather and share information. In Fitbit’s early days, information logged by users was public by default. That meant that as users integrated their information into social networks, their fitness, eating, sleeping, and in some cases sexual activities were being posted for all to see. That was easily remedied by making “private” the default setting. But general concerns about what happens with uploaded personal data remain, even amid assurances from Fitbit that it does not analyze individual data or sell or share consumer data.

But other privacy matters haven’t been so easily managed. Fitness trackers and the data they generate are not regulated. That means that any organization bound by compliance with the U.S. Health Insurance Portability and Accountability Act (HIPAA) has had to tread lightly when adopting a digital tracking device. Fitbit has always been proactive on privacy and information security issues, leading the industry by working with Congress on legislation in this area. Fitbit recently achieved HIPAA compliance, which goes a long way toward putting employers’ fears about privacy and security to rest.

But other concerns remain on the part of both employers and employees. Even as Fitbit and its corporate customers do all they can to allay privacy concerns, many employees have expressed concerns that companies will misuse the data. Concern about what data are being collected and how they are being used has led some employees to wonder whether their Fitbits could be telling employers if they are recovering from a wild night of partying, calling in sick when they really aren’t, or feeling nervous in a meeting or even if they become pregnant.

Although the overall benefits of integrating a Fitbit device into wellness programs and the associated challenges seem clear, there are negative outcomes as well. Health experts point to the potential for a cultural divide between the “dos” and the “do nots.” Employees with disabilities, chronic ailments, or even unhealthy habits may opt out of such programs. Particularly in programs that use leaderboards and the “do nots.” Employees with disabilities, chronic ail

Questions for Discussion

3-17 What microenvironmental factors have affected Fitbit since it opened for business?
3-18 What macroenvironmental factors have affected Fitbit?
3-19 How should Fitbit overcome the threats and obstacles it faces?
3-20 What factors in the marketing environment not mentioned in this case could affect Fitbit?


MyLab Marketing

Go to mymktlab.com for the following Assisted-graded writing questions:

3-21 What is environmental sustainability and why has it grown in importance for marketers?
3-22 Discuss a recent change in the technological environment that impacts marketing. How has it affected buyer behavior and how has it changed marketing?