

Marketing and the business environment

Effective marketing demands the identification and understanding of target markets. These are highly dynamic: expanding and contracting, shifting in new directions and emerging suddenly from where no market previously existed. It follows that firms need to research carefully the drivers of demand in the business environment.

This may involve secondary research (analysis of published data) or primary research where purpose-designed surveys explore consumer behaviour and motivation.

- * Social and demographic changes will affect the sales of many products – for example through shifts in the age structure of the population and changes in lifestyles and fashion.
- * New technologies may open up some markets while closing down others (eg the changeover from video cassettes to DVDs).
- * Economic trends can sharply affect spending on luxuries of any kind – positively in a boom, negatively in a recession.
- * Political change affects levels of public spending, the taxation structure and consumer protection law.

Scanning and interpreting all these areas of change requires both knowledge and experience and can be a key source of competitive advantage. Much also depends on anticipating the reactions of competitors. Interpreting and responding to change ahead of the competition can yield high gains in terms of both profit margins and sales.