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Gathering Information and Scanning the Environment

Marketing Management:

An Asian Perspective
(5th edition)

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Gathering Information and Scanning the Environment

Developing and implementing marketing plans involves a number of decisions. Making those decisions is both an art and science. To provide insights into and inspiration for marketing decision making, companies must possess comprehensive and current information on both macro trends as well as micro effects particular to their business. Holistic marketers recognize that the marketing environment is constantly presenting new opportunities and threats, and they understand the importance of continuously monitoring and adapting to that environment.



Key Learning Issues:

- What are the components of a modern marketing information system?
- What are useful internal records?
- What is involved in a marketing intelligence system?
- What are the key methods for tracking and identifying opportunities in the macro environment?
- What are some important macro environment developments?

Importance of information in marketing

- The major responsibility for identifying significant marketplace changes falls to the company's marketers.
- More than any other group in the company, they must be the trend trackers and opportunity seekers.
- Although every manager in an organization needs to observe the outside environment, marketers have the following advantages:
 - They have disciplined methods for collecting information and
 - They spend more time interacting with customers and observing competition.

What is a Marketing Information System (MIS)?

A marketing information system consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.

Components of the MKIS

- 1. Internal company records.**
- 2. Marketing intelligence activities.**
- 3. Marketing research.**

- The company's marketing information system should be a cross between what managers think they need, what managers really need, and what is economically feasible.

Motorola understands needs of its Chinese customers

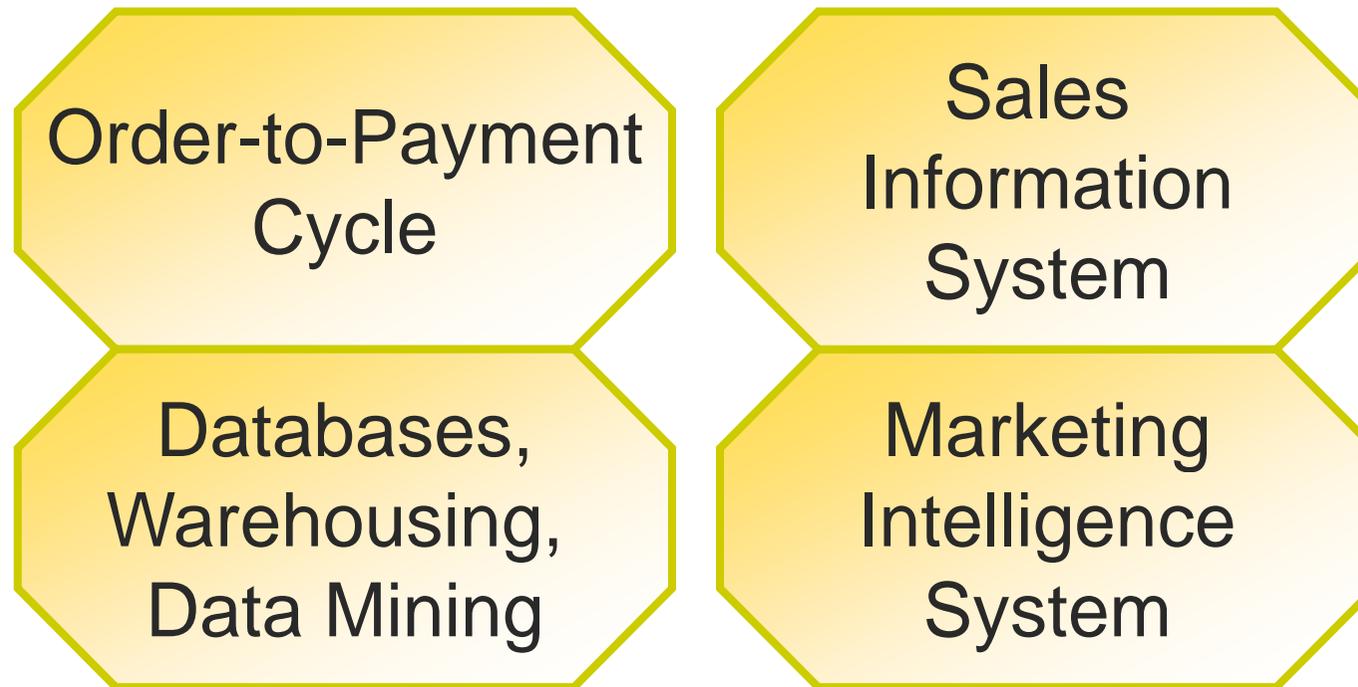
Motorola—Motorola dispatches teams of market researchers to far-flung locations in China. From this, they discover that even consumers in rural China are becoming more discerning. “In the lower-tier cities, the young people look at value, but they’re also very individualistic,” says Motorola China boss Michael Tatelman. Thus its designers are devoting more resources to the lower end of the market. For example, Motorola’s least expensive phones allow users to download MP3 songs and customize their ringtones. While Motorola does not design phones specifically for China, it is now better at getting the right handsets to each location—bigger supply of cheaper phones in rural areas, and snazzier ones in cities. “The demographic differences have always been there, but we’ve become more sophisticated in our ability to identify them,” Tatelman says.²



Table 3.1 Information Needs Probes

- What decisions do you regularly make?
- What information do you need to make these decisions?
- What information do you regularly get?
- What special studies do you periodically request?
- What information would you want that you are not getting now?
- What are the four most helpful improvements that could be made in the present marketing information system?

Internal Records and Marketing Intelligence



Internal Records and Marketing Intelligence

- Marketing managers rely on internal reports on orders, prices, costs, inventory levels, receivables, payables, and so on. By analyzing this information, they can spot important opportunities and problems.
- **Order-to-Payment Cycle**
 - The heart of the internal records systems is the order-to-payment cycle.
- **Sales Information Systems**
 - Marketing managers need timely and accurate reports on current sales.
- Companies must carefully interpret the sales data so as not to get the wrong signals.
- Technology – software and hardware helps managers to collect, process and disseminate market information rapidly.

7-Eleven—At the heart of a Japanese 7-Eleven store is an NEC personal computer that not only feeds data about the customer and his purchase, but also helps the store manager track how fast each product is selling. He knows what type of food products to restock between 7 p.m. and 9 p.m. to attract young salaried men. He also knows which areas of his store are contributing the most to sales and profits. Sometimes, a message from 7-Eleven's headquarters is flashed on the screen, telling him of a new drink that is a hit in other stores and may possibly be a hot seller at his store as well.

The 7-Eleven chain in Japan customizes its merchandise using a sophisticated sales information system.



Databases, Data Warehouses and Data Mining

- Today companies organize information in databases—customer databases, product databases, salesperson databases—and then combine data from the different databases.
- Companies warehouse these data for easy accessibility to decision makers.
- By hiring analysts skilled in sophisticated statistical methods, companies can “mine” the data and garner fresh insights into:
 - Neglected customer segments.
 - Recent customer trends.
 - Other useful information.
- The customer information can be cross-tabbed with product and salesperson information to yield still deeper insights.

Marketing intelligence system

- A marketing intelligence system is a set of procedures and sources managers use to obtain everyday information about developments in the marketing environment.
- Marketing managers collect marketing intelligence by:
 - Reading books, newspapers, and trade publications.
 - Talking to customers, suppliers, and distributors.
 - Meeting with other company managers.

Steps to Improve Marketing Intelligence

Train sales force to scan for new developments

Motivate channel members to share intelligence

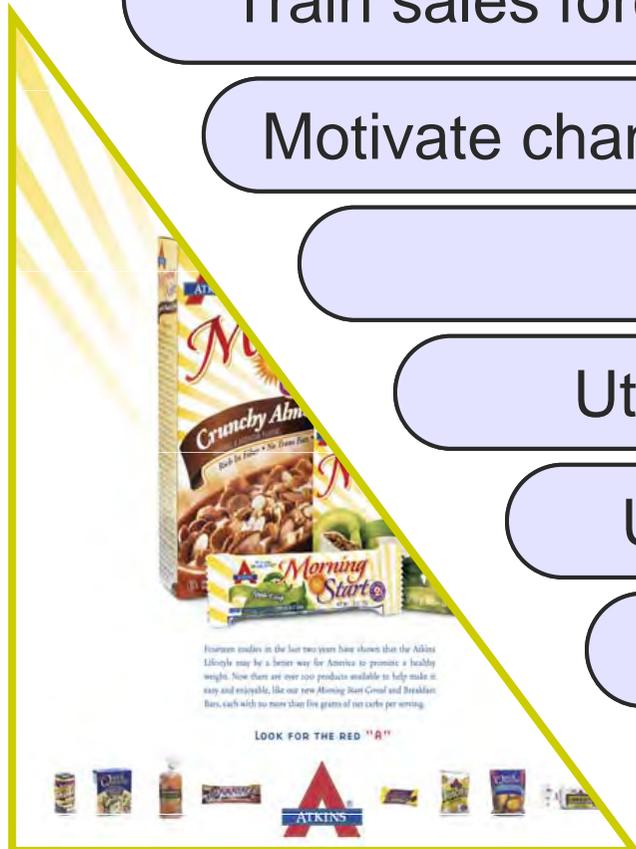
Network externally

Utilize a customer advisory panel

Utilize government data resources

Purchase information

Collect customer feedback online



There are four main ways marketers can find relevant online information on competitors' product strengths and weaknesses, and summary comments and overall performance rating of a product, service or supplier.

- **Independent customer goods and service review forums** — In the U.S., these forums include Web sites such as [Epinions](#), [RateItAll](#), [ConsumerREVIEW.com](#), and [BizRate](#). Consumer feedback can come from members who provide ratings and feedback to assist other shoppers, and survey results on service quality collected from customers. These sites have the advantage of being independent from the goods and service providers, which may reduce bias.
- **Distributor or sales agent feedback sites** — These sites offer both positive and negative product or service reviews, but the stores or distributors have built the sites themselves. [Amazon.com](#), for instance, offers an interactive feedback opportunity through which buyers, readers, editors, and others may review all products listed in the site, especially books.
- **Combo-sites offering customer reviews and expert opinions** — This type of site is concentrated in financial services and high-tech products that require professional knowledge. [ZDNet](#), an online advisor on technology products, offers customer comments and evaluations based on ease of

use, features and stability, along with expert reviews. ZDNet summarizes the number of positive and negative evaluations and total download numbers within a certain period (commonly a week or a month) for each software program. The advantage of this type of review site is that a product supplier can compare opinions from the experts with those from consumers.

- **Customer complaint sites** — These forums are designed mainly for dissatisfied customers. Reviewers at most opinion sites tend to offer positive comments due to financial incentives and potential lawsuits for slanderous or libelous negative comments. In contrast, some Web sites offer a complaining forum with a moderator. For instance, [PlanetFeedback](#) and [Complaints.com](#) allow customers to voice unfavorable experiences with specific companies.
- **Public blogs** — Tens of millions of blogs exist online and their numbers continue to grow. Consultancy firms analyze blogs and social networks to provide firms with insights into consumer sentiment: drug firms want to know what questions are on patients' minds when they hear about problems with a medication; car companies are looking for better ways to spot defects and work out what to do about them.

Sources: "The Blogs in the Corporate Machine," *Economist*, February 11, 2006, pp. 55-56; and adapted from Peterson, Robin T., and Zhilin Yang, "Web Product Reviews Help Strategy," *Marketing News*, April 7, 2004, p. 18.

Needs and Trends

Enterprising individuals and companies manage to create new solutions to unmet needs.

- A fad is “unpredictable, short-lived, and without social, economic, and political significance.”
- A trend is a direction or sequence of events that has some momentum and durability.
- Trends are more predictable and durable than fads.
- A trend reveals the shape of the future and provides many opportunities.

Needs and Trends (cont'd)

- **Megatrends** have been described as “large social, economic, political, and technological changes [that] are slow to form, and once in place, they influence us for some time—between seven and ten years, or longer.
- Trends and megatrends merit close attention.
- To help marketers’ spot cultural shifts that might bring new opportunities or threats, several firms offer social-cultural forecasts.

Trends Shaping the Business Landscape

- Profound shifts in centers of economic activity
- Increases in public-sector activity
- Change in consumer landscape
- Technological connectivity
- Scarcity of well-trained talent
- Increase in demand for natural resources
- Emergence of new global industry structures
- Ubiquitous access to information
- Management shifts from art to science
- Increase in scrutiny of big business practices

Megatrends in Asia

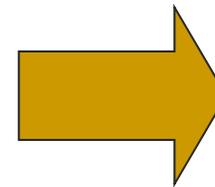
MARKETING INSIGHT MEGATRENDS SHAPING THE ASIAN CONSUMER LANDSCAPE

1. From nation-states to networks as seen in Japan, giving way to overseas Chinese networks.
2. From export-led to consumer-driven economies, with the expanding Asian middle class reaching half a billion consumers.
3. From Western influence to the Asian way. Asia will modernize free of Western welfare statism.
4. From government-driven to market-driven economies, as government controls give way to reliance on the market.
5. From villages to supercities, as agricultural societies move into the Information Age.
6. From labor-intensive to high-technology industries.
7. From male dominance to the emergence of female economic power, as Asian women join the workforce.
8. From West to East, as Asia becomes the center of the world.

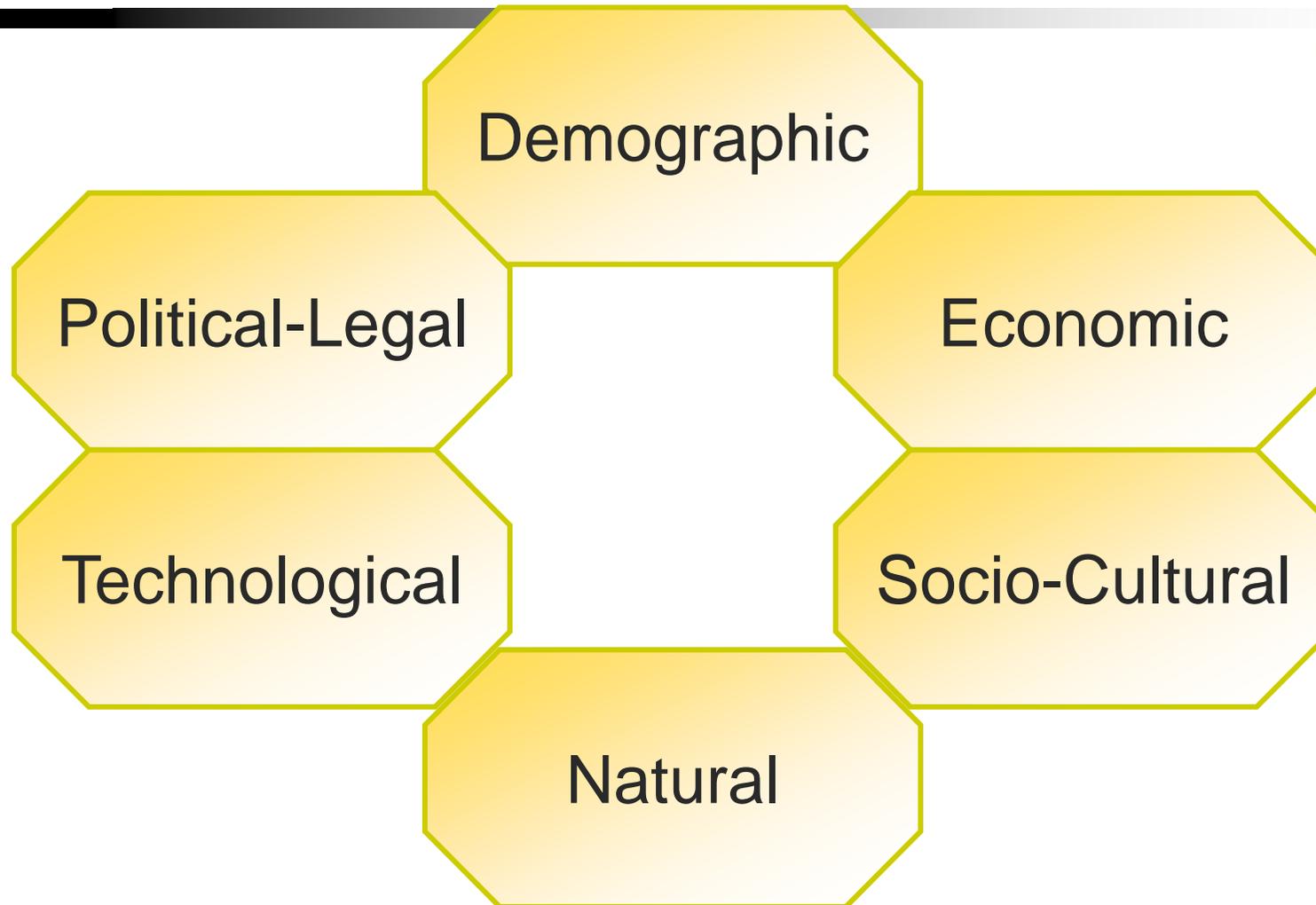
Source: John Naisbitt, *Megatrends Asia*, (London, UK: Nicholas Brealey Publishing, 1995).

Identifying the major environmental forces

- Companies and their suppliers, marketing intermediaries, customers, competitors, and publics, all operate in an **macroenvironment** of forces and trends that shape opportunities and pose threats.
- These forces represent “**non-controllables**” to which the company must monitor and respond.
- Within the rapidly changing global picture, the firm must monitor six major forces:



Environmental Forces



Population and Demographics

- Population growth
- Population age mix
- Ethnic markets
- Educational groups
- Household patterns
- Geographical shifts



Worldwide population growth

- The population explosion has been a source of major concern.
- Explosive population growth has major implications for businesses.
- A growing population does not mean growing markets unless these markets have **sufficient purchasing power.**



Table 3.2 Asian Population Statistics

Country	Population (Million)	Population Growth (Percent)
China	1,254	0.9
India	998	1.8
Indonesia	207	1.6
Japan	127	0.1
Vietnam	77	1.3
The Philippines	74	1.7
Thailand	60	0.8
South Korea	47	0.9
Malaysia	23	2.4
Taiwan	22	0.5
Hong Kong	7	1.1
Singapore	4	1.9
Total Asia-12	2,900	1.3
The U.S.	278	1.2
European Union	293	0.2
World	5,978	1.4

Source: World Bank, *Little Data Book* (2001).

Baby Care: how marketers exploit marketing opportunities

BabyCare—This Beijing child-care facility is aimed at helping infants develop their spatial perception and motor skills through play. There are also homework assignments in which mothers are to practice what they have learned with their kids. Consistent with the Chinese proverb that says the first three years are critical to a child's future, BabyCare was formed to exploit China's large market potential for nutritional supplements for expectant mothers and infants. Its facilities educate women on pregnancy and child-rearing, and sell them supplements at the same time. The bulk of its profits come not from classes but from sales of vitamins, baby formula, and educational toys. However, the centers, which offer everything from classes on Lamaze birthing techniques and breast-feeding to how to be a good grandparent, are key to attracting new customers. BabyCare employs 4,500 sales representatives, most of whom are ex-customers.¹⁵

Urban and rural populations- impact on marketing (Singer sewing machines)



Singer's sewing machines are less popular in urban areas where there are more working women and smaller families. In suburban towns, Singer still see good sales. This Singer store is located in the old part of a Malaysian town.

Ethnic and Other Markets

- Countries vary in ethnic and racial makeup.
- Ethnic groups have certain specific wants and buying habits.
- Marketers must be careful not to over-generalize about ethnic groups.
- Within each ethnic group are consumers who are quite different from each other.
- Diversity goes beyond ethnic and racial markets.

Religions in Asia

Table 3.4 Major Asian Religions

Country	Major Religions
China	Taoist, Buddhist, Muslim 2-3%
Hong Kong	Buddhist and Taoist 90%, Christian 8%
India	Hindu 81.3%, Muslim 12%, Christian 2.3%
Indonesia	Muslim 88%, Protestant 5%, Roman Catholic 3%, Hindu 2%, Buddhist 1%, Others 1%
Japan	Mainly Shintoist and Buddhist
South Korea	Christian 27%, Buddhist 23%, Confucianist 0.5%
Malaysia	Muslim 60.4%, Buddhist 19.1%, Christian 9.2%, Hindu 6.3%, Taoist 2.6%, Others 2.4%
The Philippines	Roman Catholic 82.9%, Protestant 5.4%, Muslim 4.6%
Singapore	Buddhist 42.5%, Muslim 14.9%, Christian 14.6%, Taoist 9.5%, Hindu 4%
Taiwan	Buddhist, Confucianist, and Taoist 93%
Thailand	Buddhist 95%, Muslim 3.8%, Christian 0.5%
Vietnam	Buddhist 50%, Catholic and Protestant 30%, Muslim, Cao daist, and Harmonist 20%

Source: PriceWaterCoopers, *From New Delhi to New Zealand*, (October 2002).

Question: How would religion in different countries in Asia impact on the marketing strategies of a firm wishing to enter that country? Give examples using the marketing mix variables.

Types of educational groups

- The population in any society falls into five educational groups:
 - Illiterates.
 - College degrees.
 - High school dropouts.
 - High school degrees.
 - Professional Degrees.



Many Asian countries place a high value on education for their children in order to move out of the poverty trap

Household patterns

- The “traditional household” consists of a husband, wife, and children (and sometimes grandparents).
- In Asia, **extended families** are common.
- In some countries, there may be “non-traditional” households which include single live-alones, adult live-togethers of one or both sexes, single-parent families, childless married couples, and empty-nesters.
- More people are divorcing or separating, choosing not to marry, marrying later, or marrying without the intention to have children.
- Each group has a distinctive set of needs and buying habits.

Economic Environment

- Rising levels of incomes in many Asian countries such as China and India
- Increasing gaps between rich and poor
- Marketers often distinguish countries with five different income-distribution patterns:
 - Very low incomes.
 - Mostly low incomes.
 - Very low, very high incomes.
 - Low, medium, high incomes.
 - Mostly medium incomes.



Savings, Debt, and Credit Availability

- Consumer expenditures are affected by:
 - **Savings.**
 - **Debt.**
 - **Credit availability**
- The Japanese have a high savings rate, about 13 percent of their income, or nearly three times more than U.S. consumers.

Social-Cultural Environment

Views of themselves

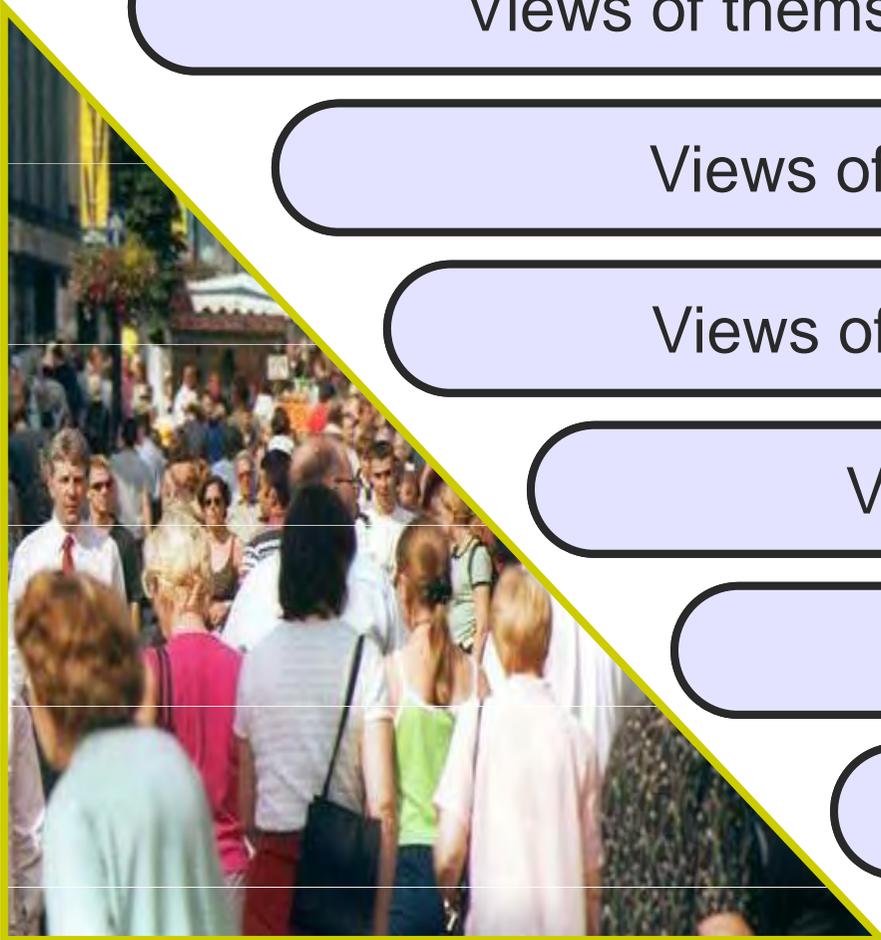
Views of others

Views of organizations

Views of society

Views of nature

Views of the universe



Levi's and Japanese Teenagers



More and more Japanese teenagers view themselves as individualists these days.

Levi's—Levi's found that Japanese teenagers were cynical of advertising and perceived Levi's jeans as any other pair of jeans. Levi's thus launched its Engineered Jeans with Japanese pop star, Takuya Kimura. This was followed by a physically interactive campaign involving Japanese teenagers expressing their creativity, individuality, and originality—values consistent with Levi's. The world's largest photocopier, big enough to accommodate a human being, was used to this end. Pop stars and Levi's customers were invited to hop onto the copier to create their own completely original poster ad. The campaign became self-generating as each poster was unique. People came in, bought a pair of Levi's, climbed up onto the copier, and expressed their originality. Each printout became an instant point-of-sale poster expressing the customer's and Levi's view of themselves as being original and unique. The campaign was a success as Levi's brand image as an "Individual" rose from 29 to 44 percent over the campaign period.

Core beliefs and values

- The people living in a particular society hold many core beliefs and values that tend to persist.
 - Core beliefs and values are passed on from parents to children and are reinforced by major social institutions.
 - Secondary beliefs and values are more open to change.
 - Marketers have some chance of **changing** secondary values but little chance of changing core values.

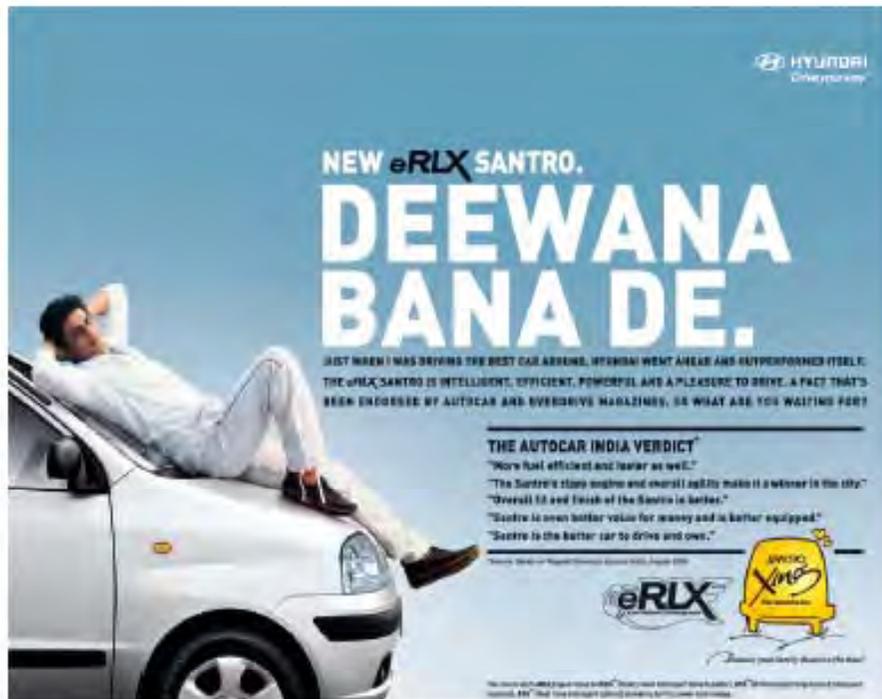
Values in Asia



- Respect for elders-filial piety
- Confucian ethics
- Importance of the family
- Extended (not nuclear families)

Existence of Subcultures

- Each society contains subcultures, groups with shared values emerging from their special life experiences or circumstances.
- Members of subcultures share common beliefs, preferences, and behaviors.
- To the extent that **sub-cultural groups** exhibit **different** wants and consumption behavior, marketers can choose particular subcultures as target markets.
- Marketers sometimes reap unexpected rewards in targeting subcultures.



Shah Rukh Khan popularized the metrosexual trend in India. His image has led to several endorsements including this one by Hyundai.

Metrosexuals in India—Personal care companies are targeting Indian men as rising incomes allow them to buy more deodorants and shaving gels. Metrosexuals—urban, heterosexual men who pay close attention to grooming and fashion—were popularized in India by Bollywood actors such as Shah Rukh Khan. The growing attention to male grooming in India mirrors a trend in North America and Europe. While there is still a social stigma against male grooming products, there is a growing trend. A Gillette survey found that urban Indian men spend 20 minutes in front of the mirror each morning compared to women's 18. The fastest growing segment of the male personal care market is toiletries—grooming products other than shaving gels. Products such as Brylcreem Talc and Helen Curtis India's Park Avenue International Soap are garnering sales. Emami, which makes beauty and health-care products, developed its whitening cream for men because surveys showed they were consuming 30 percent of the women's version.²⁷

The Natural Environment

- The deterioration of the environment is a major global concern.
- In many world cities, air and water pollution have reached dangerous levels.
- There is great concern about “greenhouse gases.”
- New regulations have hit certain industries very hard.
- Consumers often appear conflicted about the natural environment.
- Corporate environmentalism is the recognition of the importance of environmental issues facing the firm and the integration of those issues into the firm’s strategic plans.



Beijing Traffic Jam and Smog



The Toyota Prius, once scoffed at by auto experts, is enjoying brisk sales as consumers become increasingly concerned with the environment.

Toyota Prius—Some auto experts scoffed when Toyota launched its Prius sedans with hybrid gas-and-electric engines in 2001 and predicted sales of 300,000 cars within 5 years. But by 2004, the Prius was such a huge hit in the U.S. that it had a 6-month waiting list. Toyota's winning formula consists of a powerful electric motor and the ability to quickly switch power sources—resulting in 55 miles per gallon for city and highway driving—with the roominess and power of a family sedan and an eco-friendly design and look, for a little over \$20,000. The lesson? Products that consumers see as good for the environment and that are functionally successful can offer enticing options. Toyota is now rolling out hybrids throughout its auto line-up, and U.S. automakers have followed suit. It recently announced that it will introduce plugged-in cars by 2010.

The Solution???

Technological Environment

- One of the most dramatic forces shaping peoples' lives is technology.
- Every new technology is a force for “creative destruction.”
- The economy's growth rate is affected by how many major new technologies are discovered.
- New technologies also creates major long-run consequences that are not always foreseeable.
- The marketer should monitor the following trends in technology:
 - Accelerating pace of change
 - Unlimited opportunities for innovation
 - Varying R&D budgets
 - Increased regulation of technological change

Consumer adoption of major recent innovations



Blu-Ray DVD



Apple i-Phone

Political- Legal Environment

- Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, government agencies, and pressure groups.
- Increase in business legislation
- Growth of Special-Interest Groups
 - Consumerist movement
 - Privacy issues will continue as a public policy issue in the near future

Problems of protecting trademarks and intellectual property in Asia

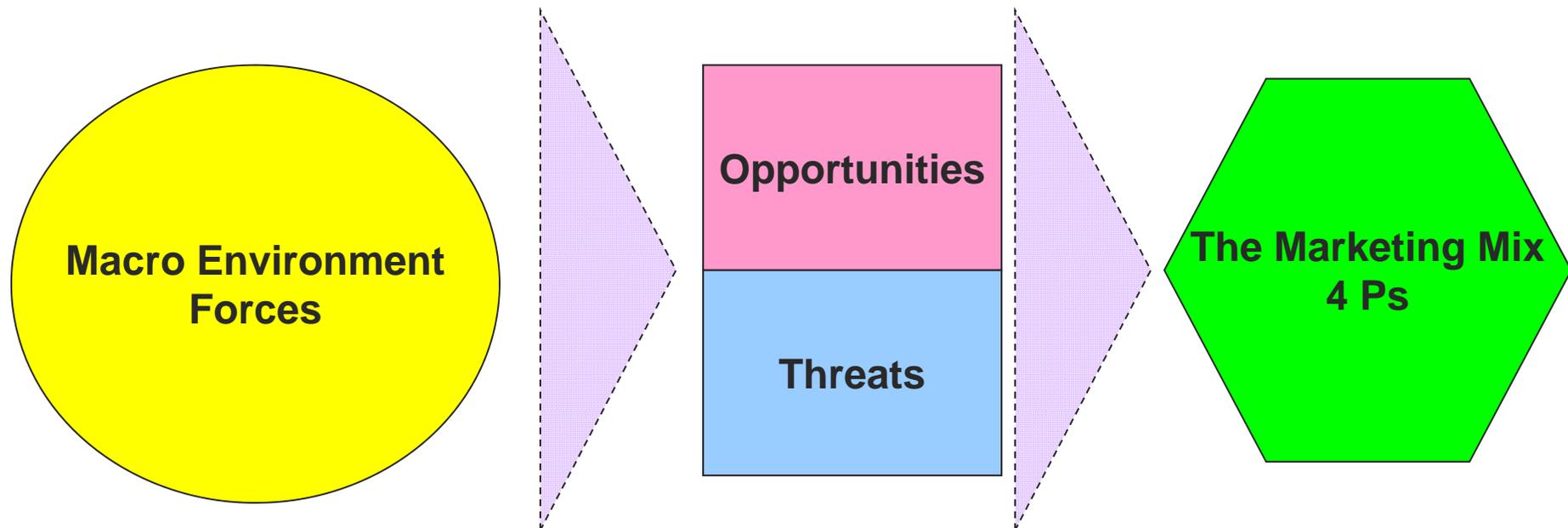


In Shanghai, a clone of KFC operates, right down to the colors and Colonel Sanders icon.



In Beijing, the clone has even opened an establishment next to KFC.

In summary, why should marketers pay attention to Macro-Environmental Forces?



An example of how External Forces Analysis (PEST) can be translated to actionable marketing strategies (Asian Airline Industry)

Macroenvironmental Factors	Examples	Impact on the Marketing Mix Variables
Political/Legal	Government rules regarding landing rights	Airlines' route structure will depend on which destinations they are allowed to land at (<i>place element</i>)
	Terrorism and safety	Air marshals on board aircraft (added security service)
Economic	Growing affluence of Asian customers Increased travel between Asian destinations	<i>Price</i> : Affordability of air travel
	Unpredictability of fuel prices	Additional surcharges on ticket price due to fuel price hikes
	Price sensitivity of customers due to unfavorable economic climate	Creation of new form of carrier—the budget airline such as AirAsia or Tiger Airways (<i>service product</i>)
Social/Cultural	Asian hospitality and warmth in service	<i>Promotions</i> : Advertising by Singapore Airlines and Thai International feature the superiority of the "Asian service" provided by the cabin crew
Technological	New developments in IT and DVD technologies	In-seat video entertainment (movies and games) as well as Internet connectivity in the air (<i>product</i>)
	Internet and e-commerce	Direct bookings by passengers (<i>distribution</i>)

(from Marketing: An Introduction (An Asian Perspective) by Armstrong, Kotler and da Silva: Table 3.1)

Summary of learning issues

- What are the components of a modern marketing information system?
- What are useful internal records?
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