macroenvironmental factors Aspects of the external environment that affect a company's business, such as the culture, demographics, social trends, technological advances, economic situation, and political/regulatory environment.

culture The set of values, guiding beliefs, understandings, and ways of doing things shared by members of a society; exists on two levels: visible artifacts (e.g., behavior, dress, symbols, physical settings, ceremonies) and underlying values (thought processes, beliefs, and assumptions).

would hydrate skin. Schick's parent company countered with the complaint that Gillette's Fusion ProGlide Razor ads attempt to deceive when they assert that the blades are "Gillette's thinnest blades ever." All these efforts represent the companies' recognition of what their closest competitor is doing, as well as their attempts to halt tactics they consider damaging. But at the same time, each razor company touts its benefits over its competitors because the ultimate goal, of course, is to appeal to consumers.

Corporate Partners

Few firms operate in isolation. For example, automobile manufacturers collaborate with suppliers of sheet metal, tire manufacturers, component part makers, unions, transport companies, and dealerships to produce and market their automobiles successfully. Parties that work with the focal firm are its corporate partners.

Consider an example that demonstrates the role these partners play and how they work with the firm to create a single, efficient manufacturing system. Unlike most outdoor clothing manufacturers that use synthetic nonrenewable materials, Nau makes modern urban+outdoor apparel from renewable sources such as sustainably harvested eucalyptus and recycled plastic bottles. It was founded by a team of entrepreneurs who left companies such as Nike and Patagonia. To develop rugged and beautiful clothing from sustainable materials, these founders turned to manufacturing partners around the world to develop new fabrics that are performance-driven and technical. One example of an innovative fabric used in Nau's jackets is a blend of recycled polyester and organic cotton that is coated and bonded to recycled polyester knit. The result is a water-resistant, breathable technical soft shell material that is ideal for outdoor activities. To complement the new fabrics, the company uses only organic cotton and wool from "happy sheep," provided by partners in the ranching industry that embrace animal-friendly practices. Not only does Nau represent the cutting edge of sustainability and green business, it also clearly demonstrates how "going green" can prompt companies to work more closely with their partners to innovate.[5]

Not only does Nau represent the cutting edge of sustainability and green business, it also clearly demonstrates how "going green" can prompt companies to work more closely with their partners to innovate.

Nau works with its corporate partners to develop socially responsible outdoor (left) and urban (right) apparel.
Courtesy of Nau International, Inc. Photography by Matthew D'Annunzio.

check yourself

1. What are the components of the immediate environment?

LO 5-1 Explain why marketers must consider their macroenvironment when they make decisions.

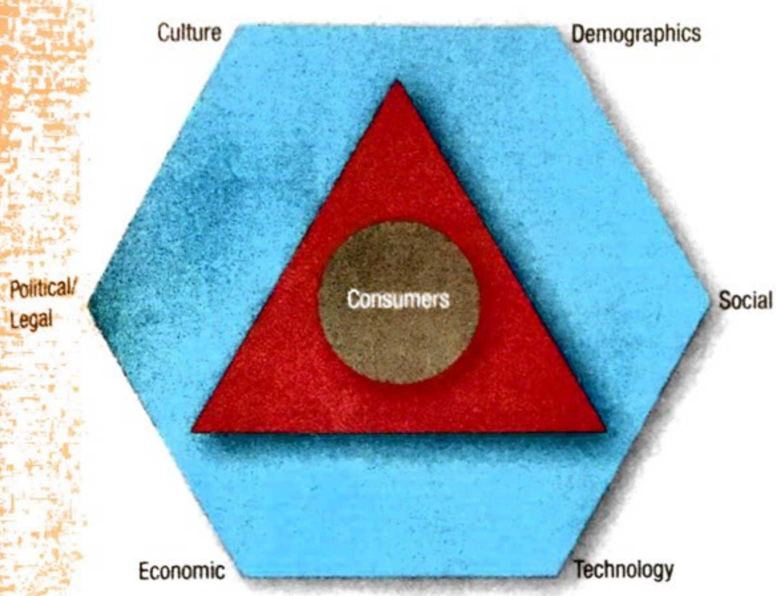
MACROENVIRONMENTAL FACTORS

In addition to understanding their customers, the company itself, their competition, and their corporate partners, marketers must understand the **macroenvironmental factors** that operate in the external environment. These factors are **c**ulture, **d**emographics, **s**ocial trends, **t**echnological advances, **e**conomic situation, and **p**olitical/regulatory environment, or CDSTEP, as shown in Exhibit 5.3.

Culture

We broadly define **culture** as the shared meanings, beliefs, morals, values, and customs of a group of people.[6] Transmitted by

EXHIBIT 5.3 The Macroenvironment



words, literature, and institutions, culture is passed down from generation to generation and learned over time. You participate in many cultures: Your family has a cultural heritage, so perhaps your mealtime traditions include eating rugelach, a traditional Jewish pastry, or sharing corned beef and cabbage to celebrate your Irish ancestry on St. Patrick's Day. In addition, your school or workplace shares its own common culture. In a broader sense, you also participate in the cultural aspects of the town and country in which you live. The challenge for marketers is to have products or services identifiable by and relevant to a particular group of people. Our various cultures influence what, why, how, where, and when we buy. Two dimensions of culture that marketers must take into account as they develop their marketing strategies are the culture of the country and that of a region within a country.

country culture Entails easy-to-spot visible nuances that are particular to a country, such as dress, symbols, ceremonies, language, colors, and food preferences, and subtler aspects, which are trickier to identify.

regional culture The influence of the area within a country in which people live.

Country Culture

The visible nuances of a country's culture, such as artifacts, behavior, dress, symbols, physical settings, ceremonies, language differences, colors and tastes, and food preferences, are easy to spot. But the subtler aspects of **country culture** generally are trickier to identify and navigate. Sometimes the best answer is to establish a universal appeal within the specific identities of country culture. Disney and other global firms have successfully bridged the cultural gap by producing advertising that appeals to the same target market across countries. The pictures and copy are the same. The only thing that changes is the language.

Regional Culture

The region in which people live in a particular country has its own **regional culture** that affects many aspects of people's lives, including the way they might refer to a particular product category like soft drinks. In the soft drink market, 41 percent of Americans refer to carbonated beverages as "soda," whereas another 38 percent call them "pop," and an additional 15 percent call any such beverage a "Coke."

Some firms, like Disney, bridge the cultural gap by using the same advertising in different countries. Only the language is different, as illustrated by these two ads for The Avengers. *The left photo is for the Russian market, whereas the right photo is for the Portuguese market.*

Both photos: © Walt Disney Studios Motion Pictures/Courtesy Everett Collection

demographics
Information about the characteristics of human populations and segments, especially those used to identify consumer markets such as by age, gender, income, and education.

generational cohort
A group of people of the same generation—typically have similar purchase behaviors because they have shared experiences and are in the same stage of life.

even when it is Pepsi.[7] Eat lunch in Indiana and you'll have the best luck ordering a "pop" from the midwesterner who owns the restaurant, but if you then head to Atlanta for dinner, you'd better order your "Coke," regardless of the brand you prefer. Head to Massachusetts and the term is "soda," but if you move to Texas, you might be asked if you'd like a Dr Pepper—a generic term for carbonated beverages in the Lone Star state because it was first formulated there in 1885.[8] Imagine the difficulty these firms have in developing promotional materials that transcend these regional differences.

Demographics

Demographics indicate the characteristics of human populations and segments, especially those used to identify consumer markets. Typical demographics such as age (which includes generational cohorts), gender, race, and income are readily available from market research firms such as IRI (formerly SymphonyIRI Group). Many firms undertake their own market research as well. For example, with its ExtraCard loyalty program, CVS collects massive amounts of data about shoppers who visit all its stores. It uses this information to target offers for, say, cosmetics to young female shoppers. But it also uses these data to benefit its communities. When the data gathered show that consumers—especially elderly customers of the pharmacy chain—are not refilling their prescriptions at the expected rate, CVS proactively interacts with these at-risk populations to encourage adherence to their medical plans.[9] Not all firms are quite as effective in their efforts though, as Social and Mobile Marketing 5.1 describes.

Demographics thus provide an easily understood snapshot of the typical consumer in a specific target market, as the next few sections detail.

LO 5-3 Describe the differences among the various generational cohorts.

Generational Cohorts

Consumers in a **generational cohort**—a group of people of the same generation—have similar purchase behaviors because they have shared experiences and are in the same stage of life. Applying age as a basis to identify consumers is quite useful to marketers,

Social & Mobile Marketing 5.1

Understanding Connections, Both with and by Young Consumers[i]

For marketing executives, choices about where and how much to spend to appeal to consumers should depend mainly on a careful analysis of where those consumers are exposed to marketing messages. But when a generation gap appears between these two groups, advertising choices may reflect marketers' preferences more than consumers'.

A clear manifestation comes from advertising for beauty products. Previous generations of consumers often relied on insights and advice from big, glossy fashion magazines. Lush, expensive, two-page spreads, with glamorous shots of beauty products in use, seemed effective and appropriate. But Millennials (Gen Y) who still read such magazines likely access them online and skip quickly over such long and intrusive ads, with little appreciation for the quality of the shot. Furthermore, recent research shows that such high-quality visual tactics used in print advertisements do not translate particularly well to online product sites. On retail websites, the pretty pictures are largely ineffective because shoppers seek concrete information about their purchase decisions.

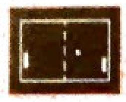
According to Forrester Research, 91 percent of Millennials are active Internet users. To reach the web, 59 percent of them use smartphones, 35 percent rely on tablets, and 70 percent employ their laptops. Across these various uses, this younger generation of consumers spends an average of 25 hours online every week.

Their electronic media usage is not the only impressive number describing these consumers: The Millennial market encompasses approximately 105 million consumers, with annual buying power of about $200 billion. Yet even when they recognize and appreciate the size and opportunity that these consumers represent, many marketers—especially those who have reached executive positions after long careers—continue to devote the bulk of their media spending to channels that Millennials simply don't use that much anymore, such as magazines and television.

The main reason for this error might be a somewhat cliched image of Baby Boomers, confused and overwhelmed by the new options created through technological advances. Faced with a wealth of choices, such as small independent blogs, content-generating sites, and aggregators, these marketing executives retreat to familiar ground. If they aren't sure what each type of site does, they can't determine which is the best option.

Even marketers who embrace technology channels for advertising exhibit a tendency to prefer well-established, widely known spaces, such as Facebook or Google. For young consumers who seek exciting, interactive media content, such options have little chances of success.

▼ **EXHIBIT 5.4** Generational Cohorts

Generational cohort	Gen Z	Gen Y	Gen X	Baby Boomers
				
Range of birth years	2001–2014	1977–2000	1965–1976	1946–1964
Age in 2015	0–13	14–37	38–49	50–68

as long as it is used in conjunction with other consumer characteristics. For example, most media are characterized by the consumers who use them.[10] Age groups can identify appropriate media in which firms should advertise, as discussed in Social and Mobile Marketing 5.1. Although there are many ways to cut the generational pie, we describe four major groups, as listed in Exhibit 5.4.

Members of **Generation Z (Gen Z)** are also known as **Digital Natives** because people in this group were born into a world that already was full of electronic gadgets and digital technologies such as the Internet and social networks.[11] These technologies are being developed and adopted at an unprecedented rate. Whereas it took 38 years for the radio to be adopted by 50 million people and 13 years for television, it only took 2 years for the same number of consumers to sign up for Facebook.

Members of **Generation Y (Gen Y)**, also called **Millennials**, include the more than 60 million people born in the United States between 1977 and 2000. As the children of the Baby Boomers, this group is the biggest cohort since the original postwar World War II boom. It also varies the most in age, ranging from teenagers to adults who have their own families.[12]

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

After World War II the birthrate in the United States rose sharply, resulting in a group known as the **Baby Boomers**, the 78 million Americans born between 1946 and 1964. Now that the oldest Boomers are collecting Social Security, it is clear that this cohort will be the largest population of 50-plus consumers the United States has ever seen.

Income Income distribution in the United States has grown more polarized—the highest-income groups are growing, whereas many middle- and lower-income groups' real purchasing power keeps declining. Although the trend of wealthy households outpacing both poor and middle classes is worldwide, it is particularly prominent in the United States. For 2013, the average weekly income of the richest 1 to 10 percent of the population was more than $1,917, the average (median) weekly income for the United States as a whole was $827, and the poorest 10 percent of the population earned less than $392 per week. Furthermore, the number of people who earn less than the poverty line ($23,550 for a family of four in 2013) continues to grow.[13] The wealthiest 1 percent control 34.6 percent of Americans' total net worth; the bottom 90 percent control only 26.9 percent in comparison.[14] The increase in wealthy families may

Tweens are always connected.

© Alberto Pomares/E+/Getty Images RF

Generation Z (Gen Z) Generational cohort of people born between 2001 and 2014. Also known as *Digital Natives* because people in this group were born into a world that already was full of electronic gadgets and digital technologies, such as the Internet and social networks.

Digital Natives See *Generation Z*.

Generation Y (Gen Y) Generational cohort of people born between 1977 and 2000; biggest cohort since the original postwar baby boom. Also called *Millennials*.

Millennials See *Generation Y*.

Generation X (Gen X) Generational cohort of people born between 1965 and 1976.

Baby Boomers Generational cohort of people born after World War II, between 1946 and 1964.

be due to the maturing of the general population, the increase in dual-income households, and the higher overall level of education. It also may prompt some ethical concerns about the distribution of wealth. However, the broad range in incomes creates marketing opportunities at both the high and low ends of the market.

Although some marketers choose to target only affluent population segments, others have had great success delivering value to middle- and low-income earners. Consider, for example, the toys presented by the specialty retailer Hammacher Schlemmer (HS) versus the mass appeal of Walmart's toy sections. Toy buyers at Walmart are looking for inexpensive products; those at Hammacher Schlemmer go to great lengths to find unusual toys such as the flying Hovercraft, pictured, or the Mind Controlled UFO.[15]

Education Studies show that higher levels of education lead to better jobs and higher incomes.[16] According to the U.S. Bureau of Labor Statistics, employment that requires a college or secondary degree accounts for nearly half of all projected job growth in the near future. Moreover, average annual earnings are higher for those with degrees than for those without. Those who did not graduate from high school have an average weekly salary of $468, high school grads earn $648, and those with a bachelor's degree earn $1,216.[17]

For some products, marketers can combine education level with other data such as occupation and income and obtain pretty accurate predictions of purchase behavior. For instance, a full-time college student with a part-time job may have relatively little personal income but will spend his or her disposable dollars differently than would a high school graduate who works in a factory and earns a similar income. Marketers need to be quite cognizant of the interaction among education, income, and occupation.

THOSE WHO DID NOT GRADUATE FROM HIGH SCHOOL HAVE AN AVERAGE WEEKLY SALARY OF $468, HIGH SCHOOL GRADS EARN $648, AND THOSE WITH A BACHELOR'S DEGREE EARN $1,216.”

This flying Hovercraft, targeted to affluent population segments, is available at Hammacher Schlemmer for only $190,000.

© Splash/Hammacher Schlemmer/Newscom

Gender Years ago gender roles appeared clear, but those male and female roles have been blurred. In particular, women today outperform men scholastically, earn higher grades on average, and graduate from both high school and college at greater rates. Perhaps unsurprisingly, recent studies also show that approximately 15 percent of married women in Western economies earn more than their husbands in the workplace.[18] These shifts in status, attitudes, and behaviors affect the way many firms need to design and promote their products and services. More firms are careful about gender neutrality in positioning their products and attempt to transcend gender boundaries, especially through increased interactions with their customers. On the basis of its research with men, for example, the children's stroller company Bugaboo International designed a high-tech, black-and-chrome contraption with dirt bike tires. Several other long-held assumptions about who buys what also are being challenged in today's marketing environment, as Adding Value 5.1 describes.

Ethnicity[19] Because of immigration and increasing birthrates among various ethnic and racial groups, the United States continues to grow more diverse. Approximately 80 percent of all population growth in the next 20 years is expected to come from African American, Hispanic, and Asian communities. Minorities now represent approximately one-quarter of the population; by 2050 they will represent about 50 percent, and nearly 30 percent of the population will be Hispanic.[20] The United Nations also

Adding Value 5.1

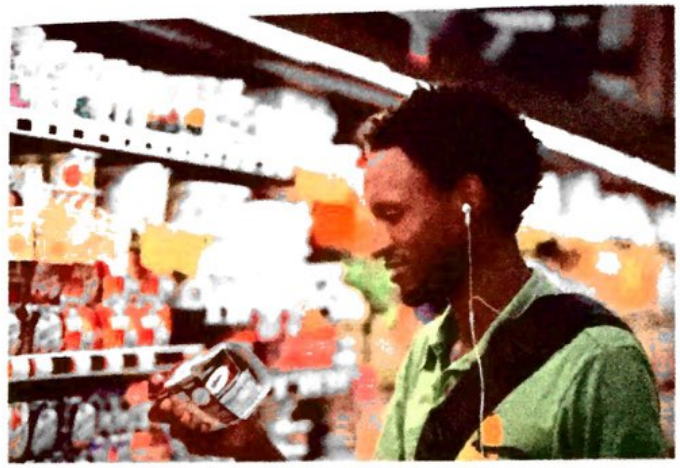
Where Gender Matters—and Where It Doesn't[ii]

In the past, the demographic patterns seemed clear: Women bought personal care products, fragrances, women's clothing, and groceries. Men bought stereo equipment, video games, tires, and men's clothing—if they had to. But in modern-day marketing environments, virtually all of these easy classifications are being challenged by shoppers who have little time to waste with gender stereotypes. And marketers are quickly catching on.

For example, when Urban Outfitters was redesigning its website, it stumbled on what the web designers thought was a brilliant and simple change. They would personalize the site so that female visitors immediately were directed to dresses and blouses, while male visitors saw work shirts and tough-guy jeans. The response was quick—and negative. Female visitors complained that they were the ones buying most of the clothing for the men in their lives. And on top of that, they found the gender-biased marketing offensive.

At the same time, more and more men are in the market for grooming and personal care products. The suggested reasons are many. Maybe the modern generation simply is more accustomed to shopping for themselves. Or perhaps job seekers in a tight economy need any edge they can get, and feeling confident about their personal grooming as they head to interviews might tip the scales in their favor. Regardless of the reason, the conventional wisdom that personal care and fragrance sellers could market just to women has gone out the window.

Overall it appears that men and women have approximately equal influences on households' spending. In a recent survey, 85 percent of women and 84 percent of men agreed that they shared responsibility for shopping decisions.



As gender roles shift, more grocery chains are gearing up to better meet the needs of their male customers.

© Fuse/Getty Images RF

Such equality of influence is not to say that women and men shop the same way though. As men take on more grocery shopping tasks—a role traditionally assigned to women—some grocery retailers are experimenting with ways to appeal to them. For example, men appear to hate to ask for help, so the stores need to be efficient and clearly laid out with good signage, rather than providing an abundance of customer service.

Best Buy similarly recognized that women are a massive market for electronics, smartphones, and mobile devices. But its stores tended to attract very few female shoppers. Therefore, its recent store design revisions aim to appeal to women with household appliance sections that look more like kitchens than like industrial shipyards and hand sanitizer dispensers placed next to the video game test consoles.

---

estimates that approximately 1 million people per year will emigrate from less developed nations to the United States over the next 40 years.[21] Many foreign-born Americans and recent immigrants tend to concentrate in a handful of metropolitan areas, such as New York, Los Angeles, San Francisco, and Chicago.

The Hispanic market is so large in some areas of the United States that marketers develop entire marketing programs just to meet their needs.

© Novovitz/The Image Works

LO 5-4 Identify various social trends that impact marketing.

Among the different groups, Hispanic buying power is projected to reach $1.3 trillion in 2015, a cumulative increase of around 25 percent compared with 2010.[22] The 50 million Hispanic consumers in the United States have increasing influences on mainstream U.S. culture. Many families have been in the United States for multiple generations, and the consumer behavior of these highly acculturated Hispanics differs little from that of other groups of Americans. For example, they use credit cards, are minimally influenced by advertising and product placements, exhibit greater sensitivity to in-store promotions, and are likely to shop online and from catalogs.

The census of 2010 counts 42 million African American U.S. households, who are more affluent and suburban than previous studies suggested. They also tend to be younger, such that 47 percent are between the ages of 18 and 49 years

In the past 20 years, child obesity has doubled and teenage obesity tripled in the United States, leading to skyrocketing rates of high blood pressure, high cholesterol, early signs of heart disease, and type 2 diabetes among children.

The United States is like a salad bowl, a mix made up of people from every corner of the world.
© Andrea Laurita/Getty Images RF

(i.e., a key age demographic for many marketers). The number of black households earning more than $75,000 has increased by 47 percent since 2005, and by 2015 trends indicate that a majority of black Americans will live in the suburbs.[23] For example, in the Atlanta metropolitan area the city lost 8 percent of its African American households, while the surrounding suburbs gained a remarkable 40 percent.[24] For this demographic segment, especially as it moves increasingly to the suburbs, Home Depot has developed particular appeals featuring national figures such as Tom Joyner and Steve Harvey.

Finally, Asian Americans make up only about 5.6 percent of the U.S. population, but they also represent the fastest-growing minority population, tend to earn more, have more schooling, and be more likely to be professionally employed or own a business.

Social Trends

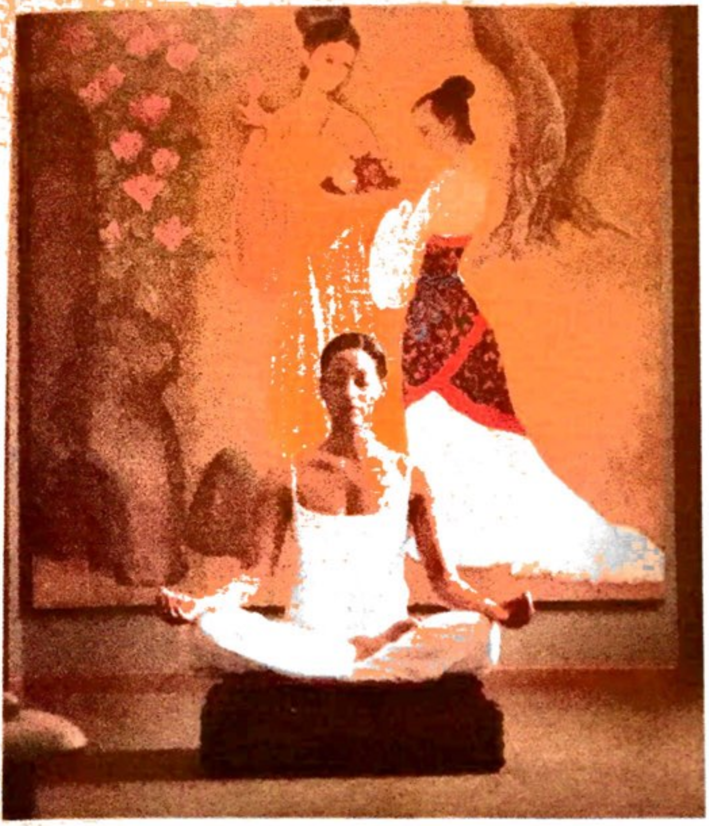
Various social trends appear to be shaping consumer values in the United States and around the world, including a greater emphasis on health and wellness concerns, greener consumers, and privacy concerns.

Health and Wellness Concerns Health concerns, especially those pertaining to children, are prevalent, critical, and widespread. In the past 20 years, child obesity has doubled and teenage obesity tripled in the United States, leading to skyrocketing rates of high blood pressure, high cholesterol, early signs of heart disease, and type 2 diabetes among children. The U.S. Centers for Disease Control and Prevention (CDC) also estimates that approximately one-third of U.S. adults are obese, and the incidence of diabetes has reached

This Subway ad speaks directly to the issue of childhood obesity and responds to the new advertising guidelines adopted by marketers. The SUBWAY FRESH FIT FOR KIDS™ meal, which meets the American Heart Association's criteria for a heart-healthy meal, provides a nutritional choice for customers wanting a quick service food alternative for their children.
Courtesy Subway Franchise Advertising Fund Trust.

8.3 percent—with much higher rates for people still undiagnosed or classified as having prediabetes.[25] It is also increasing at alarming rates in other countries and among consumers who adopt more Western diets.

New advertising guidelines therefore require marketers to produce food in reasonably proportioned sizes. Advertised food items must provide basic nutrients, have less than 30 percent of their total calories from fat, and include no added sweeteners. The advertising also cannot be aired during children's programming, and companies cannot link unhealthy foods with cartoon and celebrity figures. For example, Burger King no longer uses SpongeBob SquarePants to promote burgers and fries.[26] Yet for many consumers, finding the healthiest options using existing labels and packaging continues to be a challenge. Some retailers offer services to help customers with such choices, as Adding Value 5.2 explains.



The practice of yoga is growing as more consumers embrace a healthy lifestyle.

© Plush Studios/Blend Images RF

green marketing
Involves a strategic effort by firms to supply customers with environmentally friendly merchandise.

At the same time, consumers' interest in improving their health has opened up several new markets and niches focused on healthy living. For example, consumer spending on yoga classes, mats, and clothing has increased consistently in recent years.[27] Yoga studios actually combine multiple modern trends: As the economy sours, people face increasing stress, which they hope to reduce through yoga. In addition, yoga studios are relatively inexpensive to open and operate, so entrepreneurs and consumers appreciate the value for the money they offer. And of course, Americans remain consistently on the lookout for exercise mechanisms that can help them shed pounds and match media images of athletic prowess and beautiful bodies. Thus competition is growing in this industry, and some studios have begun to combine their basic yoga classes with additional offers to attract clients, such as food services, acupuncture, or massages.[28]

Greener Consumers

Green marketing involves a strategic effort by firms to supply customers with environmentally friendly, sustainable merchandise and services.[29] As we noted at the end of Chapter 4, sustainability is a critical ethical consideration for marketers. Many consumers, concerned about everything from the purity of air and water to the safety of beef

Adding Value 5.2

Transforming Grocery Stores into Health Providers[iii]

Increasing numbers of supermarkets now feature a new type of employee who floats among aisles, offering advice and suggestions for shoppers. By keeping a registered dietitian on staff, various grocery chains seek to meet their customers' demands for more information about healthy choices, as well as expand their roles in their customers' lives.

Dietitians have long been members of grocery store corporations, but usually they sat in corporate offices and informed executives on product decisions. Moving down the supply chain and into stores, today's dietitian staff advise consumers directly about the products they see on the shelves of their local store. A parent whose child suffers severe food allergies can ask about safe options. A consumer struggling with weight can learn about the best options for reducing calories and fat. And environmentally conscious buyers can determine the difference between "all-natural" and "organic" (the former claim is unregulated; the latter means the product has passed a series of stringent tests).

The Food Marketing Institute recently determined that about one-third of grocery store chains—including Hy-Vee, Safeway, and Wegmans—have added dietitians at the retail level, whereas 86 percent keep one on staff at the corporate level. In addition, predictions suggest that the number of retail dietitians will double in coming years.

Grocery stores, including Coborn's, provide a NuVal ranking from 1 to 100 for each product. Higher scores reflect more nutritious food choices.

© Glen Stubbe/ZUMAPRESS/Minneapolis Star Tribune/Newscom

Much of the advice dietitians offer to shoppers in stores is free, though some stores also offer more extensive consultations for a fee. Furthermore, the stores use their recommendations to promote certain products as "dietitians' picks," highlighted by shelf signs and promotions.

For example, Safeway's new "Simple Nutrition" program highlights 22 separate potential health benefits associated with the various products on its shelves. A third-party organization also has established a NuVal ranking system that assigns each product a nutrition value score, from 1 to 100. The scores reflect more than 30 criteria, such as cholesterol, sugar, and sodium levels, as well as the amount of calcium or protein provided.

greenwashing
Exploiting a consumer by disingenuously marketing products or services as environmentally friendly, with the goal of gaining public approval and sales.

and salmon, believe that each person can make a difference in the environment. For example, nearly half of U.S. adults now recycle their soda bottles and newspapers, and European consumers are even more green. Germans are required by law to recycle bottles, and the European Union does not allow beef raised on artificial growth hormones to be imported.

Demand for green-oriented products has been a boon to the firms that supply them. Marketers encourage consumers to replace older versions of washing machines and dishwashers with water- and energy-saving models and to invest in phosphate-free laundry powder and mercury-free and rechargeable batteries. New markets emerge for recycled building products, packaging, paper goods, and even sweaters and sneakers as well as for more efficient appliances, lighting, and heating and cooling systems in homes and offices. Jumping on the green bandwagon, Frito-Lay's SunChips line of snack foods uses solar power at one of its eight production facilities to harness the sun's energy to produce its products.[30] Ethical and Societal Dilemma 5.1 examines some of the challenges companies face in making green products.

Demand for green-oriented products has been a boon to the firms that supply them.

These green products and initiatives suggest a complicated business model. Are they good for business? Some green options are more expensive than traditional products and initiatives. Are consumers interested in or willing to pay the higher prices for green products? Are firms really interested in improving the environment? Or are they disingenuously marketing products or services as environmentally friendly, with the goal of gaining public approval and sales rather than actually improving the environment? This type of exploitation is common enough that it even has produced a new term: **greenwashing**. Consumers need to question whether a firm is spending significantly more money and time advertising being green and operating with consideration for the environment than actually spending these resources on environmentally sound practices.

ethical&societal dilemma 5.1

Green Cereal?[iv]

At times it may seem that massive conglomerates are slow to change, but some companies are clearly learning some lessons when it comes to responsible sourcing. Just a few years ago, Nestlé suffered terrible consumer backlash when it agreed to purchase a small amount of palm oil (used in its chocolate candies) from a company that cleared rain forests to access the palms.

Wary of such reactions, General Mills (GM) quickly promised that all the palm oil used in any of its products and packaging would come from responsible, sustainable sources by 2015. Recent estimates suggest that such moves are achieving some success. The rate of Amazonian deforestation in 2012 was lower than at any other point since the Brazilian government started tracking this statistic in 1988. But neither GM nor any of its competitors in the consumer packaged-goods industry have reached the goal of complete sustainability quite yet.

Determined not to limit itself to palm oil, GM also committed to improving the trade conditions for vanilla farmers that supply the raw material for the traditional, favorite flavor of its Häagen-Dazs ice cream. With a two-year investment of $125 million in Madagascar, GM plans to train small vanilla farmers in sustainable methods that also increase crop quality, such as yield improvements and curing techniques. Ideally, these tactics also will enhance the earnings of local farmers and their communities.

Next, GM helped found—in collaboration with the U.S. Department of Agriculture (USDA) and Environmental Protection Agency (EPA)—the U.S. Food Waste Challenge. This initiative seeks not only to reduce the environmental impacts of waste collected in landfills but also to address spreading food insecurity concerns. By reducing the waste and loss of food products, the collaborators hope to feed more people or at least use the edible remainders for productive uses such as animal feed.

These examples reflect GM's overall sustainability mission and efforts. It has released Global Responsibility Reports annually for more than 40 years. It also touts its efforts widely through its blog, press releases, and other communications. In this sense, GM runs the risk that skeptical consumers will come to believe it publicizes its good works to cover up bad behavior. But as the CEO of General Mills has readily acknowledged, "We're finding opportunities to collaborate with business, government and non-governmental organizations on important systemic solutions. While we're proud of our progress, we also know there is still much more to be done. We are committed to continued progress in these areas. Our business requires it and future generations depend on it."

The demand for palm oil can often lead to rain forests, such as this one, being clear cut.
Warwick Lister-Kaye/Getty Images RF

Privacy Concerns More and more consumers worldwide sense a loss of privacy. At the same time that the Internet has created an explosion of accessibility to consumer information, improvements in computer storage facilities and the manipulation of information have led to more and better security and credit check services. Yet controversies still erupt, and some observers suggest hackers are just getting more effective. In 2013, for example, Target suffered a massive security breach that allowed hackers to steal credit and debit card information for 40 million customers, as well as personal information, including phone numbers and addresses, for another 70 million.[31]

Every time a consumer surfs the web and clicks on a site, online marketers can place "cookies" on that user's computer, showing them where he or she starts, proceeds, and ends the online encounter—as well as what he or she buys, and doesn't. For many consumers, such close access to their behaviors is an unacceptable invasion of privacy.

Realizing consumers are upset about this issue, the marketing industry as a whole has sought to find solutions and self-regulations that would calm customers, satisfy cautious regulators, and still enable marketing firms to gain access to invaluable information about consumer behaviors. Those attempts appear to have stalled. The online marketing industry simply has not been able to agree about how to police itself. It looks like it may be up to Congress to address this growing issue.[32]

Technological Advances

Technological advances have accelerated during the past decade, improving the value of both products and services. Consumers have constant access to the Internet everywhere through services such as Wi-Fi, Mobile Hotspots, 4G, and LTE. Smartphones using the iOS and Android systems allow for greater computing, data storage, and communication. Tablet computers, starting with the iPad, have extended mobile computing even further by offering a larger mobile interface in environments that traditionally have limited access.

These examples of advanced technology make consumers increasingly dependent on the help they receive from the providers of the technology. As Marketing Analytics 5.1 details, Netflix relies on its advanced technological capabilities not just to suggest which movies we should watch but also to develop new content that it is confident we will like.

Near field communication technology takes payments, coupons, and loyalty card data from customers as they walk by the scanner. The next broad wave of mobile applications is likely to expand the use of wireless payments, through applications such as Google Wallet, Master Card's Easy Pay, and Isis Mobile Wallet, all of which enable customers' phones to serve as m-wallets.

From the firm's perspective, the technology called radio frequency identification device (RFID) enables it to track an item from the moment it was manufactured, through the distribution system, to the retail store, and into the hands of the final consumer. Because they are able to determine exactly how much of each product is at a given point in the supply chain, retailers can also communicate with their suppliers and collaboratively plan to meet their inventory needs.

Mobile devices enhance the customer's experience by making it easier to interact with the manufacturer or retailer or other customers, and they add a new channel of access, which makes customers more loyal and more likely to spend more with a particular retailer. Walgreens' applications and Web Pickup service allow customers to order prescriptions or review their prescription history, check the in-store inventories, and print photos. As Social and Mobile Marketing 5.2 summarizes, ever more new and exciting technologies seem poised to enter the consumer market.

Economic Situation

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

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

In a similar fashion, **foreign currency fluctuations** can influence consumer spending. For instance, in the summer of 2002 the euro was valued at slightly less than US$1. By 2008, it had risen to an all-time high of $1.60, but in early 2015, the euro and the dollar were nearly equivalent.[33] When the euro is more expensive than the dollar, merchandise made in Europe is more costly for Americans, but European shoppers enjoy bargains on U.S. products. When the dollar is worth more than the euro, American-made products become more costly for European consumers, but U.S. buyers can get great deals in Europe.

Interest rates represent the cost of borrowing money. When customers borrow money from a bank, they agree to pay back the loan, plus the interest that accrues. The interest, in effect, is the cost to the customers or the fee the bank charges those customers for borrowing the money. Likewise, if a customer opens a savings account at a bank, he or she will earn

technological advances Macroenvironmental factor that has greatly contributed to the improvement of the value of both products and services in the past few decades.

economic situation Macroeconomic factor that affects the way consumers buy merchandise and spend money, both in a marketer's home country and abroad; see also *inflation*, *foreign currency fluctuations*, and *interest rates*.

inflation Refers to the persistent increase in the prices of goods and services.

foreign currency fluctuations Changes in the value of a country's currency relative to the currency of another country; can influence consumer spending.

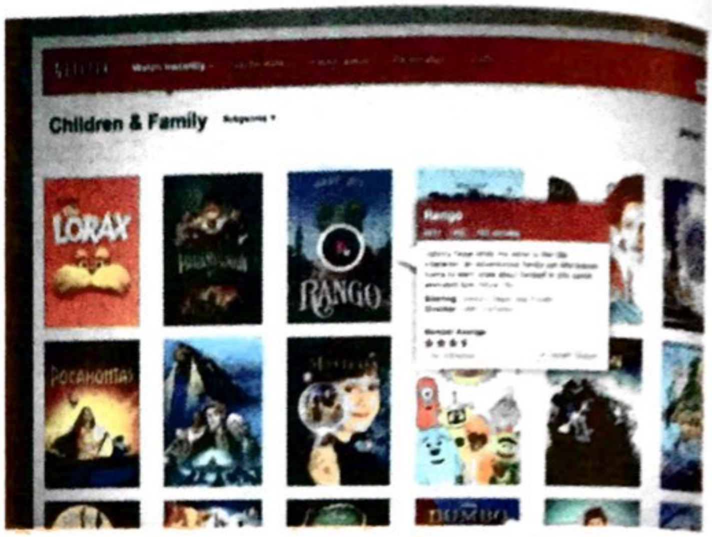
interest rates These represent the cost of borrowing money.

Marketing Analytics

When the Best Is Good Enough: Netflix's Stellar Predictive Analytics[v]

Netflix's data analytics are groundbreaking. In academic circles, its influence has been called a "scientific renaissance" because of the techniques the streaming service has pioneered in its efforts to handle the massive amounts of data it deals in, as well as process payments from across the globe. The power and precision of Netflix's predictive analytics have become such common knowledge that even Netflix pokes fun at itself. In one April Fool's joke, it revised its recommended television and movie categories to include classifications such as "TV Shows Where Defiantly Crossed Arms Mean Business!" Netflix gathers data about every aspect of the viewing process, including not just the basics, such as customer ratings, searches, time of day and week, and location, but also customer behaviors that take place during the movie, such as rewinds, fast-forwards, pauses, and how long they let the credits roll. Going even a step further, Netflix analyzes every hue of color contained in the cover art of the options that it offers and can create a profile of the average color of titles viewed by each customer.

Netflix clearly relies on these customer data to create its hallmark personalized suggestions. But in 2010, Netflix chose not to enhance its ability to personalize any further. In 2009, a team of mathematicians created a new algorithm that would have improved Netflix's personalization by 10 percent, in response to a company-sponsored contest. But Netflix never implemented the improved algorithm. Why? There simply wasn't enough value to be gained from it. Various studies show that, even for the most personal choices, including their love lives, people often forgo what they know already for the thrill of what's new. Thus, Netflix decided that it could deliver more value to its customers by offering something new, rather than a personalized version of what they wanted yesterday. Accordingly, it has changed its strategy and its uses of predictive analytics to focus more on creating original content.



Netflix relies on its advanced technological capabilities not just to suggest which movies we should watch but also to develop new content that it is confident we will like.
© Victor J. Blue/Bloomberg/Getty Images

Netflix challenges traditional approaches to content development by using data to help make both new show and production decisions. This approach has almost guaranteed the success of the shows, as evidenced by the release of the third season of the award-winning series *House of Cards*. Before the release, the show experienced an unprecedented increase in fans on Facebook and Twitter, approximately double the increase that occurred prior to the Season 2 premier. This jump was especially notable, because a show's social growth usually slows after its first or second season. Even though the third season initially brought some mixed reviews, many viewers already had finished watching the entire season, just a week or so after its release.

interest on the amount saved, which means the interest becomes the fee the consumer gets for loaning the money to the bank. If the interest rate goes up, consumers have an incentive to save more because they earn more for loaning the bank their money; when interest rates go down, however, consumers generally borrow more.

How do these three important economic factors—inflation, foreign currency fluctuations, and interest rates—affect firms' ability to market goods and services? Shifts in the three economic factors make marketing easier for some and harder for others. For instance, when inflation increases, consumers probably don't buy less food, but they may shift their expenditures

HOW DO THESE THREE IMPORTANT ECONOMIC FACTORS—INFLATION, FOREIGN CURRENCY FLUCTUATIONS, AND INTEREST RATES—AFFECT FIRMS' ABILITY TO MARKET GOODS AND SERVICES? SHIFTS IN THE THREE ECONOMIC FACTORS MAKE MARKETING EASIER FOR SOME AND HARDER FOR OTHERS.

U.S. tourists are flocking to other countries like the UK to shop because the value of the dollar is high compared to other currencies like the pound sterling.

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political/regulatory environment
Comprises political parties, government organizations, and legislation and laws.

from expensive steaks to less expensive hamburgers. Grocery stores and inexpensive restaurants win, but expensive restaurants lose. Consumers also buy less discretionary merchandise, though off-price and discount retailers often gain ground at the expense of their full-price competitors. Similarly, the sales of expensive jewelry, fancy cars, and extravagant vacations decrease, but the sale of low-cost luxuries, such as personal care products and home entertainment, tends to increase.

Political/Regulatory Environment

The **political/regulatory environment** comprises political parties, government organizations, and legislation and laws. Organizations must fully understand and comply with any legislation regarding fair competition, consumer protection, or industry-specific regulation. Since the turn of the 20th century,

Social & Mobile Marketing 5.2

The News from This Year's CES[vi]

Every year, the Consumer Electronics Show (CES) in Las Vegas gets bigger and more impressive, hosting the top names in technology and electronics and providing a harbinger of the things to come. The 2014 version was no exception. Some of the main trends emerging from the show are as follows:

1. *Conversational appliances inside connected homes.* Advances in technology promise that not only will our refrigerators tell us when the milk is getting low, but our washing machines will warn us that the rinse cycle is about to start. Bathroom scales will link to online sites to help dieters keep track of their progress. These smart appliances also will have specific recommendations and services for each member of the household, ensuring individual-level targeting.
2. *Really smart, really sharp, really big televisions.* It might seem as if this trend would be covered in the connected homes prediction, but it is so remarkable that it earned its own place on most lists. Televisions are getting bigger than ever, with improved 4K resolution (four times better than the HD televisions currently on the market). The LEDs are getting better too, with an organic version (OLED) that provides better contrast. Finally, the big screens are curving, such that even if viewers have a relatively small room and must sit close to the television, they can still enjoy the full peripheral view.
3. *Fitness, readily on hand.* For a trade show that stereotypically has appealed to tech geeks, fitness was a major theme at CES. The latest innovations make it far easier for consumers to track their exercise rates, times, and distances, then engage with others by uploading the data to shared sites. Enhancing this ease, many of the fitness apps depend on technology that users can wear, such that they never need to take it off, if they so choose.
4. *The promise of the driverless car.* Automakers including Toyota, Lexus, and Audi announced collaborations with innovators from companies such as Google and Apple in their ongoing effort to devise a car that can drive itself. Others were slightly less ambitious, such as the impending dashboard-mounted weather and music apps from GM. These models also plan to include 4G LTE hotspots within the cars themselves. In a combined effort, Honda, Hyundai, Audi, and GM are working with the chip manufacturer Nvidia and engineers from Google (along with input from the National Highway Traffic Safety Administration) to develop industry standards to define the rules for linked cars and their in-vehicle mobile apps.

Automakers, such as Toyota, are collaborating with companies including Apple and Google to create a self-driving car.

In a constantly changing marketing environment, the marketers that succeed are the ones that respond quickly, accurately, and sensitively to their consumers.

the government has enacted laws that promote both fair trade and competition by prohibiting the formation of monopolies or alliances that would damage a competitive marketplace, fostering fair pricing practices for all suppliers and consumers.

The government enacts laws focused on ensuring that companies compete fairly with one another. Although enacted in the early part of the 20th century, they remain the backbone of U.S. legislation protecting competition in commerce. These laws include the 1890 Sherman Antitrust Act that prohibits monopolies and other activities that would restrain trade or competition and makes fair trade within a free market a national goal; the 1914 Clayton Act that supports the Sherman Act by prohibiting the combination of two or more competing corporations through pooling ownership of stock and restricting pricing policies such as price discrimination, exclusive dealing, and tying clauses to different buyers; and the 1936 Robinson-Patman Act that specifically outlaws price discrimination toward wholesalers, retailers, or other producers and requires sellers to make ancillary services or allowances available to all buyers on proportionately equal terms. These laws have been specifically used to increase competition, such as the deregulation of the telephone and energy industries, in which massive conglomerates such as Ma Bell, the nickname for AT&T, were broken into smaller, competing companies.

Legislation has also been enacted to protect consumers in a variety of ways. First, regulations require marketers to abstain from false or misleading advertising practices that might mislead consumers, such as claims that a medication can cure a disease when in fact it causes other health risks. Second, manufacturers are required to refrain from using any harmful or hazardous materials (e.g., lead in toys) that might place a consumer at risk. Third, organizations must adhere to fair and reasonable business practices when they communicate with consumers. For example, they must employ reasonable debt collection methods and disclose any finance charges, and they are limited with regard to their telemarketing and e-mail solicitation activities. A summary of the most significant legislation affecting marketing interests appears in Exhibit 5.5.

▼ **EXHIBIT 5.5** Consumer Protection Legislation

Year	Law	Description
1906	Federal Food and Drug Act	Created the Food and Drug Administration (FDA); prohibited the manufacture or sale of adulterated or fraudulently labeled food and drug products.
1914	Federal Trade Commission	Established the Federal Trade Commission (FTC) to regulate unfair competitive practices and practices that deceive or are unfair to consumers.
1966	Fair Packaging and Labeling Act	Regulates packaging and labeling of consumer goods; requires manufacturers to state the contents of the package, who made it, and the amounts contained within.
1966	Child Protection Act	Prohibits the sale of harmful toys and components to children; sets the standard for child-resistant packaging.
1967	Federal Cigarette Labeling and Advertising Act	Requires cigarette packages to display this warning: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health."
1972	Consumer Product Safety Act	Created the Consumer Product Safety Commission (CPSC), which has the authority to regulate safety standards for consumer products.
1990	Children's Television Act	Limits the number of commercials shown during children's programming.
1990	Nutrition Labeling and Education Act	Requires food manufacturers to display nutritional contents on product labels.
1995	Telemarketing Sales Rule	Regulates fraudulent activities conducted over the telephone. Violators are subject to fines and actions enforced by the FTC.
2003	Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act)	Prohibits misleading commercial e-mail, particularly misleading subject and from lines.
2003	Amendment to the Telemarketing Sales Rule	Establishes a National Do Not Call Registry, requiring telemarketers to abstain from calling consumers who opt to be placed on the list.
2003	Do Not Spam Law	Laws created to reduce spam or unwarranted e-mails.
2010	Financial Reform Law	Created the Consumer Financial Protection Bureau whose aim is to enforce appropriate consumer-oriented regulations on a number of financial firms, such as banks, mortgage businesses, and payday and student lenders. It also set up the Financial Services Oversight Council to act as an early warning system.

Responding to the Environment

As the examples throughout this chapter show, many companies engage in tactics and marketing strategies that attempt to respond to multiple developments in the wider environment. For example, responding to pressures from the Federal Communications Commission (political and regulatory environment), the economic status of consumers (economic situation), increasing access to faster broadband capabilities (technological advances), and calls for greater social responsibility (social trends), 14 cable companies agreed to provide low-cost Internet access to impoverished families.[34] This remarkable agreement allows the cable companies to promote their social responsibility. But it also ensures that families whose children are eligible for free lunch programs can gain access to the services, opportunities, and options available only online. In a constantly changing marketing environment, the marketers that succeed are the ones that respond quickly, accurately, and sensitively to their consumers. ■

✓ check yourself

1. What are the six key macroenvironmental factors?
2. Differentiate between country culture and regional culture.
3. What are some important social trends shaping consumer values and shopping behavior?

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