After studying this chapter, you should be able to:

1. describe the environmental forces that affect the company’s ability to serve its customers
2. explain how changes in the demographic and economic environments affect marketing decisions
3. identify the major trends in the firm’s natural and technological environments
4. explain the key changes in the political and cultural environments
5. discuss how companies can react to the marketing environment
Microsoft: Adapting to the Fast-Changing Digital Marketing Environment

Just a dozen years ago, talking high tech meant talking about the almighty personal computer. Intel provided the PC microprocessors, and manufacturers such as Dell and HP built and marketed the machines. But it was Microsoft that really drove the PC industry—it made the operating systems that made most PCs go. As the dominant software developer, Microsoft put its Windows operating system and Office productivity suite on almost every computer sold.

The huge success of Windows drove Microsoft’s revenues, profits, and stock price to dizzying heights. By the start of 2000, the total value of Microsoft’s stock had hit a record US$618.9 billion, making it the most valuable company in history. In those heady days, no company was more relevant than Microsoft.
But moving into the new millennium, the high-tech marketing environment took a turn. PC sales growth flattened as the world fell in love with a rush of alluring new digital devices and technologies. It started with iPods and smartphones, and evolved rapidly into a full complement of digital devices—from e-readers, tablets, and sleek new laptops to Internet-connected TVs and game consoles. These devices are connected and mobile, not stationary stand-alones like the PC. They link users to an ever-on, head-spinning new world of information, entertainment, and socialization options. And, for the most part, these new devices don’t use the old Microsoft products. Increasingly, even the trusty old PC has become a digital-connection device—a gateway to the Web, social media, and cloud computing. And these days, much of that can be done without once-indispensable Microsoft software.

In this new digitally connected world, Microsoft found itself lagging behind more-glamorous competitors such as Google, Apple, Samsung, and even Amazon and Facebook, which seemed to provide all things digital—the smart devices, the connecting technologies, and even the digital destinations. Over the past decade, although still financially strong and still the world’s dominant PC software provider with 1.3 billion Windows users around the world, Microsoft has lost some of its lustre. In the year 2000—due largely to the collapse of the stock market technology bubble—Microsoft’s value plummeted by 60 percent. And whereas other tech stocks recovered, Microsoft’s share price and profits have languished at 2000’s levels for the past years.

But recently, Microsoft has begun a dramatic transformation in its vision and direction to better align itself with the new digital world order. Today, rather than just creating the software that makes PCs run, Microsoft wants to be a full-line digital devices and services company that delivers “delightful, seamless technology experiences” that connect people to communication, productivity, entertainment, and one another. Its mission is to help people and businesses realize their full professional and personal potential.

To make this mission a reality, during the past few years, Microsoft has unleashed a flurry of new, improved, or acquired digital products and services. Over one short span, it introduced a new version of Windows that serves not just computers but also tablets and smartphones; a next-generation Xbox console; a music and movie service to rival iTunes and Google Play; an upgraded version of Skype (acquired in 2011); a SkyDrive cloud storage solution; and even an innovative new tablet—the Microsoft Surface—that will give it a firmer footing in digital devices. Also rumoured to be in the works is an Xbox TV device for TV streaming. And the company recently acquired Yammer, a Web-services provider and hip maker of business social networking tools—a sort of Facebook for businesses. In its boldest expansion move yet, Microsoft recently paid more than US$7 billion dollars to acquire Nokia’s smartphone business.

More important than the individual new devices, software, and services is the way they all work together to deliver a full digital experience. It all started with Windows 8, a dramatic digital-age metamorphosis from previous Windows versions, and has continued with the release of Windows 10 in 2015. Windows 8 was the first version to employ large, colourful, interactive tiles and touchscreen navigation, making it feel lively and interactive. It works seamlessly across desktops and laptops, tablets, phones, and even Xbox, providing the cloud-based connectivity that today’s users crave.

Using Windows 8 software and apps with Windows-based devices and cloud computing services, you can select a movie from a tablet, start playing it on the TV, and finish watching it on your phone, pausing to call or text a friend using Skype. What you do on one
Windows device is automatically updated on other devices. Playlists created or songs and TV programs purchased from a mobile device will be waiting for you on your home PC. And Windows 8 is a social creature; for example, it updates contacts automatically with tweets and photos from friends.

The latest version of Office has also been transformed for the connected age. Using touchscreen interfaces, you can use an Office app and share files across PCs, Windows tablets, Windows phones, and even Macs via the SkyDrive cloud. Or you can tap into a continually updated, online-only version of Office from almost any device. In fact, Microsoft views Office as a service, not software. “It embraces the notion of social,” says Microsoft CEO Steve Ballmer. “You stay connected and share information with the people you care about.”

Perhaps Microsoft’s biggest about-face is the development of its own hardware devices. In the past, the company relied on partners like Dell, HP, and Nokia to develop the PCs, tablets, and phones that run its software. But to gain better control in today’s superheated digital and mobile markets, Microsoft is now doing its own hardware development. For starters, it developed the cutting-edge Surface tablet. The Surface not only employs the Windows 8 interface and connectivity, it sports a nifty kickstand and thin detachable keyboard that also serves as a cover, making the Surface a unique combination of tablet and mini-laptop. The Surface, plus Xbox and the Nokia smartphone acquisition, gives Microsoft better control of access to three important new digital screens beyond the PC—tablets, TVs, and phones.

Thus, Microsoft’s sweeping transformation is well underway. The company is putting a whopping US$1.5 billion of marketing support behind its revamped mission and all its new software, hardware, and services. Still, Microsoft has a long way to go. The Windows 8 system encountered mixed reviews, while the Surface tablet and other initiatives appear to be off to a decent start. However, many tentative customers are playing wait-and-see, despite very positive reviews for the Windows 10 system released in 2015. Many still see Microsoft as mostly a PC software company; it will take a sustained effort to change both customer and company thinking. Some skeptics think Microsoft may still be too tightly wedded to the old ways. “Just having the Windows name still around captures the problems of this company,” says one technology forecaster. “In their heads, they know the personal computer revolution is over and that they have to move on, but in their hearts they can’t do it. If Microsoft is around in 100 years, they will try and sell us a Windows teleporter.”

But Microsoft seems to be making all the right moves to stay with or ahead of the times. Microsoft’s sales have trended upward over the past few years, and the company is confident that it’s now on the right track. “It truly is a new era at Microsoft—an era of incredible opportunity for us . . . and for the people and businesses using our products to reach their full potential,” says CEO Ballmer. “Although we still have a lot of hard work ahead, our products are generating excitement. And when I pause to reflect on how far we’ve come over the past few years and how much further we’ll go in the next [few], I couldn’t be more excited and optimistic.”

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 Microsoft, companies 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 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 marketing environment consists of a microenvironment and a macroenvironment. The microenvironment consists of the actors close to the company that affect its ability to 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 4.1 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.

**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, 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

**FIGURE 4.1 Actors in the Microenvironment**
services. Supplier problems can seriously affect marketing. Marketing managers must watch supply availability and costs. Supply shortages or delays, labour strikes, 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. For example, giant Swedish furniture retailer IKEA doesn’t just buy from its suppliers. It involves them deeply in the process of delivering a stylish and affordable lifestyle to IKEA’s customers:

IKEA, the world’s largest furniture retailer, is the quintessential global cult brand. Each year, customers from Beijing to Moscow to Middletown, Ohio, flock to the Scandinavian retailer’s more than 300 huge stores in 40 countries, snapping up more than US$28 billion worth of IKEA’s trendy but simple and practical furniture at affordable prices. But IKEA’s biggest obstacle to growth isn’t opening new stores and attracting customers. Rather, it’s finding enough of the right kinds of suppliers to help design and make all the products that customers will carry out of its stores. IKEA currently relies on more than 2000 suppliers in 50 countries to stock its shelves. IKEA can’t just hope to find spot suppliers who might be available when needed. Instead, it must systematically develop a robust network of supplier-partners that reliably provide the more than 12,000 items it stocks. IKEA’s designers start with a basic customer value proposition. Then they find and work closely with key suppliers to bring that proposition to market. Thus, IKEA does more than just buy from suppliers. It involves them deeply in questions of quality, design, and price to create the kinds of products that keep customers coming back.²

Marketing Intermediaries

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. Selecting and partnering with resellers is not easy. No longer do manufacturers have many small, independent resellers from which to choose. They now face large and growing reseller organizations, such as Walmart, Target, Home Depot, and Costco. These organizations frequently have enough power to dictate terms or even shut smaller manufacturers out of large markets.

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. In its quest to create satisfying customer relationships, the company must do more than just optimize its own performance. It must partner effectively with marketing intermediaries to optimize the performance of the entire system.

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.
For example, when Coca-Cola signs on as the exclusive beverage provider for a fast-food chain, such as McDonald’s, Wendy’s, or Subway, it provides much more than just soft drinks. It also pledges powerful marketing support:

Coca-Cola assigns cross-functional teams dedicated to understanding the finer points of each retail partner’s business. It conducts a staggering amount of research on beverage consumers and shares these insights with its partners. It analyzes the demographics of U.S. zip code areas and helps partners determine which Coke brands are preferred in their areas. Coca-Cola has even studied the design of drive-through menu boards to better understand which layouts, fonts, letter sizes, colours, and visuals induce consumers to order more food and drink. Based on such insights, the Coca-Cola Food Service group develops marketing programs and merchandising tools that help its retail partners improve their beverage sales and profits. Its website, www.CokeSolutions.com, provides retailers with a wealth of information, business solutions, merchandising tips, and techniques on how to go green. “We know that you’re passionate about delighting guests and enhancing their real experiences on every level,” says Coca-Cola to its retail partners. “As your partner, we want to help in any way we can.” Such intense partnering has made Coca-Cola a runaway leader in the fountain-soft-drink market.3

Competitors
The marketing concept holds 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 must also 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 what 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.

- Local publics: This group includes neighbourhood residents and community organizations. Large companies usually create departments and programs that deal with local community issues and provide community support. For example, Life is good, Inc. recognizes the importance of community publics in helping accomplish the brand’s “spread optimism” mission (remember the Chapter 1 Life is good, Inc.)
story in Marketing@Work 1.2?). Its Life is good Playmakers program promotes the philosophy that “Life can hurt, play can heal.” It provides training and support for child-care professionals to use the power of play to help children overcome challenges ranging from violence and illness to extreme poverty in cities around the world, from Danbury, Connecticut, to Port-au-Prince, Haiti. So far, the organization has raised more than US$9 million to benefit children.4

- **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 behaviour.

- **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.

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, favourable 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 serve 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 the other actors operate in a larger macroenvironment of forces that shape opportunities and pose threats to the company. Figure 4.2 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 skilful 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 (see Marketing@Work 4.1). In the remaining sections of this chapter, we examine these forces and show how they affect marketing plans.

### 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 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 markets. They analyze changing age and family structures, geographic population shifts, educational characteristics, and population diversity. Here, we discuss the most important demographic trends in Canada.

#### The Changing Age Structure of the Population

The Canadian population exceeded 35.7 million in 2015 and is expected to reach between 40.1 and 47.7 million by 2036. The single most important demographic trend in Canada is the changing age structure of the population. The Canadian population contains several generational groups. Here, we discuss four 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, which began in 1947 and ran through 1966, produced 9.8 million baby boomers in Canada. Although there was a baby boom in both Canada and the United States, Canadian marketers have to recognize that our baby boom was unique. It started later than the American version (1947 versus 1946) and lasted longer (the American boom ended in 1964; the Canadian boom continued until 1966). While the American baby boom resulted in 3.5 children per family, the Canadian boom produced an average of 4 children. Furthermore, the baby boom was not a worldwide phenomenon. Among the other developed countries, only Australia and New Zealand experienced the same expansion in the birth rate. In Europe, there was no baby boom, and in Japan, the birth rate declined during our baby boom years, which explains why these countries have a higher proportion of older people in their societies.
After a decade of struggle, the year 2011 was supposed to be a comeback year for Sony. The consumer electronics and entertainment giant had one of its best batches of new products ever heading for store shelves. Even more important, Sony was heading back into the digital big leagues with the launch of an iTunes-like global digital network that would combine Sony’s strengths in movies, music, and video games for all its televisions, PCs, phones, game consoles, and tablets.

Analysts forecasted a US$2 billion profit. “I really and truly believed that I was going to have a year to remember,” says Sony’s chairman Sir Howard Stringer. “And I did, but in the wrong way.”

Instead of a banner year, 2011 produced a near-perfect storm of environmental calamities for Sony. For starters, in March 2011, eastern Japan was devastated by a mammoth earthquake and tsunami. The disaster forced Sony to shutter 10 plants, disrupting operations and the flow of Sony products worldwide. In April, a hacking attack on the company’s Internet entertainment services—the second-largest online data breach in U.S. history—forced the company to shut down its PlayStation Network. Only four months later, fires set by rioters in London destroyed a Sony warehouse and an estimated 25 million CDs and DVDs, gutting an inventory of 150 independent labels. To round out the year, floods in Thailand shut down component plants there.

When the rubble was cleared, Sony’s projected US$2 billion profit ended up as a US$6.4 billion loss—the company’s largest ever. That loss marked a three-year streak of losses that had begun with yet another environmental upheaval—the Great Recession and global financial meltdown of 2008–2009. By mid-2013, a shell-shocked Sony was still looking for a return to profitability.

There’s no doubt that environmental unforeseeables have dealt Sony some heavy blows. But not all the blame for Sony’s woes goes to uncontrollable environmental forces. Sony’s difficulties began long before the 2011 string of events. More to blame than any natural disaster has been Sony’s longer-term inability to adapt to one of the most powerful environmental forces of our time—dramatic changes in digital technology.

Interestingly, it was Sony’s magical touch with technology that first built the company into a global powerhouse. Only 15 years ago, Sony was a high-tech rock star, a veritable merchant of cool. Not only was it the world’s largest consumer electronics company, its history of innovative products—such as Trinitron TVs, Walkman portable music players, Handycam video recorders, and PlayStation video-game consoles—had revolutionized entire industries. Sony’s innovations drove pop culture, earned the adoration of the masses, and made money for the company. The Sony brand stood for innovation, style, and high quality.

Today, however, although still a US$78 billion company, Sony is more a relic than a rock star, lost in the shadows of high-fliers such as Apple, Samsung, and Microsoft. Samsung overtook Sony as the world’s largest consumer electronics maker over a decade ago. Samsung’s sales recently more than tripled Sony’s, and Samsung’s profits surged as Sony’s losses still mounted. Likewise, Apple has pounded Sony with one new product after another. “When I was young, I had to have a Sony product,” summarizes one analyst, “but for the younger generation today it’s Apple.”

How did Sony fall so hard so fast? It fell behind in technology. Sony built its once-mighty empire based on the innovative engineering and design of stand-alone electronics—TVs, CD players, and video-game consoles. As the Internet and digital technologies surged, however, creating a more connected and mobile world, stand-alone hardware was rapidly replaced by new connecting technologies, media, and content. As our entertainment lives swirled toward digital downloads and shared content accessed through PCs, iPods, smartphones, tablets, and Internet-ready TVs, Sony was late to adapt.

Behaving as though its market leadership could never be challenged, an
arrogant Sony clung to successful old technologies rather than embracing new ones. For example, prior to the launch of Apple’s first iPod in 2001, Sony had already developed devices that would download and play digital music files. Sony had everything it needed to create an iPod/iTunes-type world, including its own recording company. But it passed on that idea in favour of continued emphasis on its then-highly successful CD business. “[Apple’s] Steve Jobs figured it out, we figured it out, we didn’t execute,” says Sony chairman Stringer. “The music guys didn’t want to see the CD go away.”

Similarly, as the world’s largest TV producer, Sony clung to its cherished Trinitron cathode-ray-tube technology. Meanwhile, Samsung, LG, and other competitors were moving rapidly ahead with flat screens. Sony eventually responded. But today, both Samsung and LG sell more TVs than Sony. Sony’s TV business, once its main profit centre, has suffered losses for the past 10 years in excess of US$7 billion, but finally posted a slim profit margin in 2014.

It was a similar story for Sony’s PlayStation consoles, once the undisputed market leader and accounting for one-third of Sony’s profits. Sony yawned when Nintendo introduced its innovative motion-sensing Nintendo Wii, dismissing it as a “niche game device.” Instead, Sony engineers loaded up the PS3 with pricey technology that produced a loss of US$300 per unit sold. Wii became a smash hit and the best-selling game console; the PS3 lost billions for Sony, dropping it from first place to third.

Even as a money loser, the PlayStation system, with its elegant blending of hardware and software, had all the right ingredients to make Sony a leader in the new world of digital entertainment distribution and social networking. Executives inside Sony even recognized the PlayStation platform as the “epitome of convergence;” with the potential to create “a fusion of computers and entertainment.” But that vision never materialized, and Sony has lagged in the burgeoning business of connecting people to digital entertainment.

To his credit, CEO Stringer made a credible effort to reignite Sony. After taking over in 2005, he drew up a turn-around plan aimed at changing the Sony mindset and moving the company into the new connected and mobile digital age. Under his early leadership, the consumer electronics giant began to show renewed life as revenues and profits rose. Then came the Great Recession, once again knocking the bottom out of profits.

And just as Sony began digging out from that disaster, it was struck by the string of 2011 environmental calamities.

Thus, environmental forces—whether unforeseeable natural and economic events or more predictable turns in technology—can heavily impact company strategy. Sony’s difficult times provide a cautionary tale of what can happen when a company—even a dominant market leader—fails to adapt to its changing marketing environment. Despite the setbacks, however, giant Sony still has a lot going for it. For example, although it was a money loser, the PS3 was a hit with consumers, and when the much anticipated PS4 was released for the 2014 holiday season, it became an instant success for Sony. With over 22 million units sold by March 2015, the PS4 has helped Sony return to profitability. Now, if Sony can just get the economy and Mother Nature to cooperate. . . .


After years of prosperity, free spending, and not much saving, many baby boomers were hit hard by the Great Recession. A sharp decline in stock prices and home values ate into their nest eggs and retirement prospects. As a result, many boomers are now spending more carefully and are rethinking the purpose and value of their work, responsibilities, and relationships.

Although some might still be feeling the post-recession pinch, the baby boomers are still the wealthiest generation in Canadian history. Today’s boomers account for about one-third of Canada’s population and control over 50 percent of the nation’s disposable income. The 50–plus consumer segment now buys more than 55 percent of all consumer goods. As they reach their peak earning and spending years, the boomers will continue to constitute a lucrative market for financial services, new housing and home remodelling, new cars, travel and entertainment, eating out, health and fitness products, and just about everything else.

It would be a mistake to think of the older boomers as phasing out or slowing down; many of these boomers see themselves as entering new life phases. The more active boomers—sometimes called zoomers—have no intention of abandoning their youthful lifestyles as they age. For example, one study found that whereas 9 percent of baby boomers attended the symphony or opera during the previous 12 months, 12 percent...
attended a rock concert. As one expert noted, baby boomers “are showing the nation that their heyday is far from over by taking pleasure in life’s adventures.”

For example, many travel companies—such as ElderTreks, 50PlusExpeditions, and Row Adventures—now design adventure travel expeditions for active baby boomers. ElderTreks, for instance, offers small-group, off-the-beaten-path tours designed exclusively for people 50 and over. Whether it’s for wildlife and tribal African safaris, active hiking in the Himalayas or Andes, or an expedition by icebreaker to the Arctic or Antarctic, ElderTreks targets active boomers who have the time, resources, and passion for high-adventure travel but prefer to do it with others their own age—no young’uns allowed.

**GENERATION X**

The baby boom was followed by a “birth dearth,” creating another generation of 7 million Canadians born between 1967 and 1976. Author Douglas Coupland famously dubbed them Generation X because they lie in the shadow of the boomers and lack obvious distinguishing characteristics.

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 tend to research products before they consider a purchase, prefer quality to quantity, and tend to be less receptive to overt marketing pitches. They are more likely to be 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. Some 49 percent own smartphones and 11 percent own tablets. Of the Xers on the Internet, 74 percent use the Internet for banking, 72 percent use it for researching companies or products, and 81 percent have made purchases online. Ninety-five percent have an active Facebook page.

The Gen Xers have now grown up and are taking over. They are increasingly displacing the lifestyles, culture, and values of the baby boomers. They are moving up in their careers, and many are proud homeowners with growing families. They have the most educated generation to date, and they possess hefty annual purchasing power. However, like the baby boomers, the Gen Xers now face growing economic pressures. Like almost everyone else these days, they are spending more carefully.

Still, with so much potential, many brands and organizations are focusing on Gen Xers as a prime target segment. For example, Dairy Queen targets this segment directly, with a marketing campaign that fits the Gen Xer family situation and sense of humour:

Generation X is Dairy Queen’s new sweet spot. Its primary target market—parents roughly 34 to 44 years old with young children—falls squarely within the Gen X cohort. So what does that mean for DQ’s marketing? A “So Good It’s RIdQulous” advertising campaign loaded with irreverent Gen X humour—as in old-fashioned shaving bunnies, a guitar that sounds like a dolphin, fencing ninjas, and kittens in bubbles. In one ad, DQ’s new pitchman—a mustachioed 30-something—touts Dairy Queen birthday cakes, then says, “And we don’t just blow bubbles, we blow bubbles with kittens inside them [which he then does], because at Dairy Queen, good isn’t good enough.” To reach Gen X consumers better, DQ has shifted a batch of its ads from TV to social...
Milennials (or Generation Y)
The 10.4 million children of the baby boomers born between 1977 and 2000.

Millennials Both the baby boomers and Gen Xers will one day be passing the reins to the Millennials (also called Generation Y or the echo boomers). Born between 1977 and 2000, these children of the baby boomers number 10.4 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. “They tend to expect one-to-one communication with brands,” says one analyst, “and embrace the ability to share the good and bad about products and services with friends and strangers.”

Many brands are now fielding specific products and marketing campaigns aimed at Millennial needs and lifestyles. For example, the Kia Soul targets young Millennial consumers. It’s a funky but practical entry-level vehicle with an affordable price to match. Kia Soul “Hamstar” ads have a distinctly youthful appeal, featuring a trio of hamsters hip-hopping their way through scenes ranging from an apocalyptic landscape to an eighteenth-century opera house, accompanied by infectious soundtracks such as LMFAO’s “Party Rock Anthem.” The campaign—featuring everything from Super Bowl ads to online, mobile, and social media platforms—is built around what Kia’s U.S. chief marketing officer calls “the four pillars of Millennials’ lifestyles: music, sports, pop culture, and the ‘connected life.’” Both the car and the marketing campaign have been a smash hit with targeted buyers.

Generation Z
People born after 2000 (although many analysts include people born after 1995) who make up the kid, tween, and teen markets.

Exhibit 4.5 Targeting Millennials: The Kia Soul and its Hamster ads have been a smash hit with Millennials, helping to make the Kia one of the nation’s fastest-growing car brands.

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 Gen Zers make up important kid, tween, and teen markets. For example, by themselves, U.S. tweens (ages 8–12) number 20 million girls and boys who spend an estimated $30 billion annually of their own money and influence another $150 billion of their parents’ spending. In Canada, the 0–14-year-old demographic has declined to 16.7 percent of the population, but still represents approximately 5.6 million individuals. 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 take smartphones, tablets, iPods, 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. “If they’re awake, they’re online,” quips one analyst. They have “digital in their DNA,” says another.16

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.17

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 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 colours, music videos, a variety of merchandise, the tumult of all of that.” Fast-growing Justice now outsells even Walmart and Target in girls’ apparel (which is impressive, considering that Walmart has almost 4000 U.S. stores compared with Justice’s 920).18

Media companies and publishers are also targeting today’s connected, tech-savvy Gen Zers and their parents. For example, Netflix has created a “Just for Kids” portal and app, by which children can experience Netflix on any or all of their screens—TVs, computers, and tablets or other mobile devices. “Just for Kids” is filled with movies and TV shows appropriate for children 12 and under, organized in a kid-friendly way with large images of their favourite characters and content categories.19

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 digital, online, and mobile worlds. Although the under-13 set remains barred from social media such as Facebook and Instagram, at least officially (half of all tweens say they use Facebook), the social media will play a crucial marketing role as the kids and tweens grow into teens.

Today’s kids are notoriously hard to pin down, and they have short attention spans. Gen Zers “don’t want to be hit over the head with ad messages,” says one kid-marketing expert. They “don’t want products, they want experiences. You want to engage them.” Says another expert, “Today’s tweens demand a more personal, more tactile, truly up-close-and-in-person connection to their favourite brands.”20

Another Generation Z 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.
Do marketers 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 behaviours. Similarly, they split the 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 Chapter 7.

The Changing Canadian Household

When one uses the term household, a stereotype of the typical family living in the suburbs with its two children may leap to mind. However, this stereotype is far from accurate. The 2011 census (the latest one completed) reveals some interesting trends. For example, there is a growing “crowded nest” syndrome. About 42 percent of young Canadians aged 20 to 29 now live with their parents. There are almost 9.4 million families in Canada, but fewer are having children. In fact, the 2006 census marked the first time there were more census families without children than with children during the past 20 years, and this trend continued in 2011. The 2011 census counted more one-person households than couple households with children for the first time, and the average size of the Canadian family now stands at 2.9 persons.

Canada also experienced growth in diverse family structures, including common-law marriages, same-sex couples, and blended families. Given these trends, marketers must increasingly consider the distinctive needs and buying habits of these nontraditional households, because they are now growing more rapidly than traditional ones.

Responsibility for household tasks and the care of children is also changing. There are now more dual-income families as more and more women enter the workforce. Today women account for more than 50 percent of the Canadian workforce. The employment rate of women with children has grown particularly sharply in the past two decades, especially for those with preschool-aged children. In 2009, 72.9 percent of women with children under the age of 16 living at home were employed, more than double the 1976 figure.

The significant number of women in the workforce has spawned the child daycare business and increased the consumption of career-oriented women’s clothing, convenience foods, financial services, and time-saving services. Royal Caribbean targets time-crunched working moms with budget-friendly family vacations that are easy to plan and certain to wow the family. Royal Caribbean estimates that, although vacations are a joint decision, 80 percent of all trips are planned and booked by women—moms who are pressed for time, whether they work or not. “We want to make sure that you’re the hero, that when your family comes on our ship, it’s going to be a great experience for all of them,” says a senior marketer at Royal Caribbean, “and that you, Mom, who has done all the planning and scheduling, get to enjoy that vacation.”

Geographic Shifts in Population

The population of Canada grew by approximately 4.5 percent between 2010 and 2014. As Table 4.1 shows, however, growth rates across all provinces and territories are not uniform. The Prairie provinces (Alberta, Saskatchewan, and Manitoba) and two of our three territories (Yukon and Nunavut) experienced growth rates higher than the national average. However, growth was below the national average for the remainder of the country.

Interprovincial migration is driven by differences in unemployment rates and wages, and the oil boom in Alberta has lured many Canadians westward. However, while Alberta
has seen a bump in interprovincial migration in recent years, flows between provinces remain lower than they were in the 1970s and 1980s. A study by Ipsos Reid found that only 20 percent of Canadians were willing to relocate to another city for a few years, even with a pay hike of at least 10 percent and all moving expenses covered. Moving costs are often cited as the single biggest reason preventing Canadians from moving. In addition, however, some professional qualifications aren’t transferable between provinces, meaning that people would have to get recertified when they move. As well, many Canadians are now caring for aging parents or younger children, making moving to another province more difficult.24

Canada’s cities are changing as well. Canadian cities are often surrounded by large suburban areas; Statistics Canada calls these combinations of urban and suburban populations Census Metropolitan Areas (CMAs). Census data for 2011 showed that 23 123 441 people, or 69.1 percent of the total population, lived in one of Canada’s 33 CMAs. The three largest CMAs—Toronto, Montreal, and Vancouver—accounted for 35.0 percent of the total Canadian population. The two fastest growing CMAs were both in Alberta: Calgary, where the population rose 12.6 percent, and Edmonton, where it increased 12.1 percent.25 The shift in where people live has also caused a shift in where they work. For example, the migration toward metropolitan and suburban areas has resulted in a rapid increase in the number of people who telecommute—that is, work at home or in a remote office, and conduct their business by phone, fax, or the Internet. This trend, in turn, has created a booming SOHO (small office/home office) market. An increasing number of people are working from home with the help of PCs, smartphones, and broadband Internet access. One study estimates that 24 percent of employed individuals do some or all of their work at home.26

Many marketers are actively courting the lucrative telecommuting market. For example, WebEx, the Web-conferencing division of Cisco, helps connect people who telecommute or work remotely. With WebEx, people can meet and collaborate online via computer or smartphone, no matter what their work location. And companies ranging

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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, companies such as Regus or Grind rent out fully equipped shared office space by the day or month for telecommuters and others who work away from the main office.  

**A Better-Educated, More White-Collar, More Professional Population** The Canadian population is becoming better educated. Statistics Canada reported that in 2011, 89 percent of Canadians had completed high school and 64 percent of Canadians aged 25 to 64 had completed post-secondary education (university, college, or trade school). The rising number of educated people will increase the demand for quality products, books, travel, computers, and Internet services.

Higher education is a must to maintain a skilled labour force in Canada. It is estimated that roughly two-thirds of all job openings between 2007 and 2017 will be in occupations requiring postsecondary education (university, college, or apprenticeship training) or in management occupations. These jobs will cover a wide range of diverse options, from nursing to construction. In fact, the Canadian Chamber of Commerce predicted that over the next decade there will be labour shortfalls of 163,000 in construction, 130,000 in oil and gas, 60,000 in nursing, 37,000 in trucking, 22,000 in the hotel industry, and 10,000 in the steel trades. The Chamber also lists the skilled labour shortage as the number one barrier to increasing the country’s international competitiveness.

**Increasing Diversity** Countries vary in their ethnic and racial makeup. At one extreme is Japan, where almost everyone is Japanese. At the other extreme are countries such as Canada and the United States, with people from virtually all nations who have mixed together, but have maintained their diversity by retaining and valuing important ethnic and cultural differences. Anyone who has walked the streets of Vancouver, Montreal, Calgary, or Toronto will immediately understand that visible minorities in Canada are a force to be reckoned with. More than 6.2 million Canadians (19.1 percent) identified themselves as visible minorities in the 2011 census and more than 200 ethnic origins were reported. Toronto is the most ethnically diverse, with 47 percent of the city’s population identified as a visible minority. According to Statistics Canada’s population projections, members of visible minority groups could account for over 30 percent of the total population by 2031.

Most large companies, from P&G and Walmart, to McDonald’s and Levi Strauss, now target specially designed products, ads, and promotions to one or more of these groups. For example, Procter & Gamble has long been the leader in African American advertising, spending nearly 50 percent more than the second-place spender in Hispanic media. P&G also tailors products to the specific needs of black consumers. For instance, its CoverGirl Queen Collection is specially formulated “to celebrate the beauty of women of colour.” In addition to traditional product marketing efforts, P&G supports a broader “My Black Is Beautiful” movement:

Created by a group of African American women at P&G, the movement aims “to ignite and support a sustained national conversation by, for, and about black women” and how they are reflected in popular culture. P&G discovered that black women spend three times more than the general market on beauty products, yet they feel they’re portrayed in a worse manner than
other women in media and advertising. Supported by brands such as Crest, Pantene, Always, Secret, the CoverGirl Queen Collection, and Olay Definity, the My Black Is Beautiful movement’s goal is to empower African American women to embrace their beauty, health, and wellness and, of course, to forge a closer relationship between P&G brands and African American consumers in the process. My Black Is Beautiful includes a rich website, national media platforms, a TV series in its third season on BET, and a full slate of major social media such as Twitter, Facebook, and Pinterest. It maintains a presence at key events that allow women to interact with brands and the My Black Is Beautiful movement in trusted and relevant environments.31

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 US$790 billion.32 While the exact percentage of Canadians who identify themselves as LGBT is unknown, Statistics Canada now identifies same-sex couples in the census. The 2011 census enumerated 64,575 same-sex couples in Canada, up 42.4 percent from 45,300 in 2006.33 As a result of TV shows such as Modern Family and Glee, movies like Brokeback Mountain and The Perks of Being a Wallflower, and openly gay celebrities and public figures such as Neil Patrick Harris, Ellen DeGeneres, and David Sedaris, the LGBT community has increasingly emerged in the public eye. Numerous media now provide companies with access to this market. For example, Planet Out Inc., a leading global media and entertainment company that exclusively serves the LGBT community, offers several successful magazines (Out, The Advocate, Out Traveler) and websites (Gay.com and PlanetOut.com). Canada’s only digital television channel specifically targeted at the gay and lesbian community, OUTtv, was launched nationally in 2001. By 2011, it became Canada’s fastest-growing digital cable channel and had 1 million subscribers.

Companies in a wide range of industries are now targeting the LGBT community with gay-specific ads and marketing efforts—from Amazon and Apple to household goods retailer Crate & Barrel. American Airlines has a dedicated LGBT sales team, sponsors gay community events, and offers a special gay-oriented site (www.aa.com/rainbow) that features travel deals, an e-newsletter, podcasts, and a gay events calendar. The airline’s focus on gay consumers has earned it double-digit revenue growth from the LGBT community each year for more than a decade.34

Another attractive diversity segment is the 14.3 percent of the Canadian population (4.4 million) who have some form of disability. This group has considerable spending power as well as a great need for tailored products and services. Not only do they value services that make daily life easier, but they’re also a growing market for travel, sports, and other leisure-oriented products. The Canadian Abilities Foundation provides a wealth of information, ranging from products and services to housing and travel advice on its website (www.abilities.ca).

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 and the same. Marketers such as McDonald’s, Nike, Samsung, and Honda have featured people with disabilities in their mainstream marketing. For instance, Samsung and Nike sign endorsement deals with Paralympic athletes and feature them in advertising.

As the population in Canada grows more diverse, successful marketers will continue to diversify their marketing programs to take advantage of opportunities in fast-growing segments.
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. Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets.

Nations vary greatly in their levels and distribution of income. Some countries have industrial economies, which constitute rich markets for many different kinds of goods. At the other extreme are subsistence economies; they consume most of their own agricultural and industrial output and offer few market opportunities. In between are developing economies that can offer outstanding marketing opportunities for the right kinds of products.

Consider Brazil, with its population of more than 196 million people. Until recently, only well-heeled Brazilians could afford to travel by air. Azul Brazilian Airlines has changed that:

For decades, Brazilians with lesser means travelled the sprawling country—which is about the size of the continental United States but with less-well-developed roads—mostly by bus. However, David Neeleman, founder and former CEO of JetBlue and himself a native Brazilian, saw a real opportunity in serving Brazil’s fast-growing middle class of more than 100 million people. He founded Azul Brazilian Airlines, a low-fare airline modelled after JetBlue (“azul” is Portuguese for “blue”). Azul provides a good-quality but affordable alternative to long bus rides—a trip that used to take 34 hours by bus now takes only 2 via Azul. And with many Azul flights costing the same or less than a bus trip, the thrifty airline has converted millions of Brazilians to air travel. Azul even provides free buses to the airport for its many passengers who don’t have cars or access to public transportation. Customers with no or low credit can pay for tickets with bank withdrawals or by installment. After only five years, Azul has grown rapidly to become Brazil’s third-largest air carrier, with a more than 14 percent domestic travel market share.35

Changes in Consumer Spending Economic factors can have a dramatic effect on consumer spending and buying behaviour. For example, until relatively recently, Canadian consumers spent freely, fuelled 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 that 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.

Income Distribution Marketers should pay attention to income distribution as well as income levels. Canadians in the top 5 percent of wage
earners account for approximately 25 percent of the total income earned. According to the 2006 census, the median earnings among the top 20 percent of full-time workers increased over 16 percent, while the median earnings among those in the bottom one-fifth of the distribution fell by over 20 percent. In Canada, the rich are getting richer, the poor are getting poorer, and the earnings of the middle class are stagnating. Canadians are definitely feeling the effects of the past recession. From 2009 to 2010, only 52.8 percent of Canadians saw an increase in their after-tax household income, compared with 62.4 percent from 2006 to 2007, despite the fact that the cost of living continues to rise. Furthermore, roughly 3 million Canadians (including 546,000 children) lived below the poverty line in 2010.

This distribution of income has created a tiered market. Many companies—such as Holt Renfrew and La Maison Simons department stores—aggressively target the affluent. Others—such as Giant Tiger and Dollarama stores—target those with more modest means. Still other companies tailor their marketing offers across a range of markets, from the affluent to the less affluent. For example, Ford offers cars ranging from the low-priced Ford Fiesta, starting at $11,200, to the luxury Lincoln Navigator SUV, starting at $70,300.

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 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, an unexpectedly warm winter put the chill on sales of products ranging from cold-weather apparel to facial tissues and Campbell’s soups. In contrast, warmer weather can boost demand for products such as hiking and running shoes, house paint, and gardening supplies. Similarly, the damage caused by the earthquake and tsunami in Japan had a devastating effect on the ability of Japanese companies such as Sony and Toyota to meet worldwide demand for their products. Although companies can’t prevent such natural occurrences, they should prepare contingency plans for dealing with them.

At a broader level, environmental sustainability concerns have grown steadily over the past three 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’ll soon 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 world. It’s estimated that by 2030, more than one in three people in the world will not have enough water to drink. 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. Even richer nations lack the vast funds and political accord needed to mount a worldwide environmental effort. The general hope is that companies around the world will accept more social responsibility and that less expensive devices can be found to control and reduce pollution.

The Canadian government passed the Environmental Protection Act in 1989. This act established stringent pollution-control measures as well as the means for their enforcement, including fines as high as $1 million if regulations are violated. In the United States, the Environmental Protection Agency (EPA) was created in 1970 to set and enforce pollution standards and to conduct pollution research. In the future, companies doing business in Canada and the United States can expect continued strong controls from government and pressure groups. Instead of opposing regulation, marketers should help develop solutions to the material and energy problems facing the world.

Concern for the natural environment has spawned the so-called green movement. Today, enlightened companies go beyond what government regulations dictate. They are developing strategies and practices that support environmental sustainability—an effort to 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. For example, Timberland’s mission is about more than just making rugged, high-quality boots, shoes, clothes, and other outdoor gear. The brand is about doing everything it can to reduce the environmental footprint of its products and processes:

- Timberland is on a mission to develop processes and products that cause less harm to the environment and to enlist consumers in the cause. For example, it has a solar-powered distribution centre in California and a wind-powered factory in the Dominican Republic. It has installed energy-efficient lighting and equipment retrofits in its facilities and is educating workers about production efficiency. Timberland is constantly looking for and inventing innovative materials that allow it to reduce its impact on the planet while at the same time making better gear. Its Earthkeepers line of boots is made from recycled and organic materials, and the brand has launched footwear collections featuring outsoles made from recycled car tires. Plastic from recycled soda bottles goes into its breathable linings and durable shoe laces. Coffee grounds find a place in its odour-resistant jackets. Organic cotton without toxins makes it into its rugged canvas. To inspire consumers to make more sustainable decisions, Timberland puts Green Index tags on its products that rate each item’s ecological footprint in terms of climate impact, chemicals used, and resources consumed. To pull it all together, Timberland launched an Earthkeeper’s campaign, an online social networking effort that seeks to inspire people to take actions to lighten their environmental footprints.39

Companies today are looking to do more than just good deeds. More and more, they are recognizing the link between a healthy ecology and a healthy economy. They are learning that environmentally responsible actions can also be good business.
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, miniaturized electronics, smartphones, and the Internet. It has also released such horrors as nuclear missiles, chemical weapons, 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, which would allow tracking of the products from their point of production through use and disposal? Or 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? On the one hand, such technology would provide many advantages to both buyers and sellers. On the other hand, it could be a bit scary. Either way, with the advent of radio-frequency identification (RFID) transmitters, it’s already happening.

Many firms are already using RFID technology to track products through various points in the distribution channel. For example, Walmart has strongly encouraged suppliers shipping products to its distribution centres to apply RFID tags to their pallets. So far, more than 600 Walmart suppliers are doing so. 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 embedded in items and linked to smartphones to provide personalized, interactive experiences for customers in its stores and at runway shows. Disney has taken RFID technology to new levels with its cool MagicBand RFID wristband:

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 motherlode 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-brotherish, there are 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.

The technological environment changes rapidly. Think of all of today’s common products that weren’t available 100 years ago—or even 30 years ago. John A. Macdonald didn’t know about automobiles, airplanes, radios, or the electric light. William Lyon Mackenzie King didn’t know about xerography, synthetic detergents, tape recorders, birth control pills, jet engines, or Earth satellites. John Diefenbaker didn’t know about personal computers, cellphones, the Internet, or Google.
New technologies create 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 MP3 players and digital downloads are hurting the CD business. When old industries fought or ignored new technologies, their businesses declined. 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 technology become more complex, the public needs to know that these are safe. Canada has a complex web of departments and regulations devoted to issues associated with product safety. For example, Agriculture and Agri-Food Canada and the Canadian Food Inspection Agency monitor the safety of food products. The Department of Justice Canada oversees the Consumer Packaging and Labelling Act, the Food and Drug Act, and the Hazardous Products Act. Health Canada also has a food safety and product safety division. Transport Canada governs vehicle recalls. Such regulations have resulted in much higher research costs and in 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 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 and 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.

Legislation affecting business around the world has increased steadily over the years. Canada has many laws covering issues such as competition, fair trade practices, environmental protection, product safety, truth in advertising, consumer privacy, packaging and labelling, pricing, and other important areas (see Table 4.2). The European Commission has been active in establishing a new framework of laws covering competitive behaviour, product standards, product liability, and commercial transactions for the nations of the European Union.

Understanding the public policy implications of a particular marketing activity is not a simple matter. For example, in Canada, many laws are created at the federal, provincial/territorial, and municipal levels, and these regulations often overlap. 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.

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 behaviour. 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 Canada, several federal agencies, such as Health Canada, the Canadian Food Inspection Agency, Industry Canada, and the Canadian Environmental Assessment Agency, have been established. 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, provincial/territorial, 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 Behaviour** 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’ Internet browsing and buying behaviour and collect, analyze, and share digital data from every move consumers make at 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.

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. Down the street, needy people will probably find the P&G Duracell Power Relief Trailer, which provides free batteries and flashlights as well as charging stations for phones and laptops. Walgreens sponsors a “Walk with Walgreens” program—do simple things like walk and log your steps, hit your goals, or just comment on other walkers’ posts at the site, and you’ll be rewarded with coupons and exclusive offers from Bayer, Vaseline, Degree, Slimfast, Dr. Scholls, or another program partner.

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.42
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 stirred some controversy. Critics worry that it’s 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 $1.78 billion in 2013.

The Cultural Environment

The cultural environment consists of institutions and other forces that affect a society’s basic values, perceptions, preferences, and behaviours. People grow up in a particular society that shapes their basic beliefs and values. They absorb a worldview that defines their 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, many Canadians believe in cultural diversity (versus assimilation), democracy, gender equality, sustainable development, universal healthcare, a love of nature, hard work, and being honest. These beliefs shape more specific attitudes and behaviours 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.
For example, ads for Sherwin Williams paint—headlined “Make the most for your color with the very best paint”—seem to appeal to older, more practical do-it-yourselfers. By contrast, Benjamin Moore’s ads, along with its several social media pitches, appeal to younger, more outgoing fashion individualists. One Benjamin Moore print ad—consisting of a single long line of text in a crazy quilt of fonts—describes Benjamin Moore’s Hot Lips paint colour this way: “It’s somewhere between the color of your lips when you go outside in December with your hair still wet and the color of a puddle left by a melted grape popsicle mixed with the color of that cough syrup that used to make me gag a little. Hot lips. Perfect.”

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 Internet 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 online social media and mobile communications to connect more than ever. Basically, the more people meet, network, tweet, and socialize online, the more likely they are to eventually meet up with friends and followers in the real world.45

However, these days, even when people are together, they are often “alone together.” Groups of people sit or walk in their own little bubbles, intensely connected to tiny screens and keyboards. One expert describes the latest communication skill—“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.”46 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 are increasingly tapping into their networks of friends, fans, and followers to discover, discuss, and purchase goods and services in ever-more sophisticated ways,” says one analyst. “As a result, it’s never been more important for brands to make sure they [tap into these networks] too.”47

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 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 last decade, major corporate scandals, rounds of layoffs resulting from the 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—nationalists 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. National pride in Canada has been increasing gradually for the past two decades, and many Canadian companies are responding to this trend with Canadian themes and promotions. From the famous Molson “I am Canadian” rant to the more recent Tide commercial that claimed “No self-respecting Canadian says let’s wait for a warmer day!,” companies are jumping on the patriotic bandwagon. In fact, since the Vancouver Olympics in 2010, national pride has soared. According to a survey conducted by Ipsos Reid, 80 percent of Canadians agree that they are Canadian nationalists, up from 72 percent polled one year before the Olympics.48

Marketers respond with patriotic products and promotions, offering everything from beer to clothing with patriotic themes. Although most of these marketing efforts are tasteful and well-received, waving the flag can prove tricky. Except in cases where companies tie product sales to charitable contributions, such flag-waving promotions can be viewed as exploitative. Marketers must take care when responding to such 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 41-million-person “lifestyles of health and sustainability” (LOHAS) market, consumers who seek out everything from natural, organic, and nutritional products to fuel-efficient cars and alternative medicine. This segment spends an estimated US$290 billion annually on such products.49

Headquartered in Montreal, GoGo Quinoa caters to such consumers by creating an ethical business promoting organic food and fair trade practices. The company product line includes over 30 gluten-free, vegan and organic products made from quinoa and amaranth, which are distributed across Canada. The company’s mission “to contribute to the nutritional well-being of all by offering nutritious, innovative and flavourful products.”50

Food producers have also found fast-growing markets for natural and organic products. In total, the U.S. organic food market recently generated $31 billion in sales, more than doubling over the previous five years. Niche marketers, such as Whole Foods Market, have sprung up to serve this market, and traditional food chains, such as Loblaw and Safeway, have added separate natural and organic food sections. Even pet owners are joining the movement as they become more aware of what goes into Fido’s food. Almost every major pet food brand now offers several types of natural foods.51

PEOPLE’S VIEWS OF THE UNIVERSE Finally, people vary in their beliefs about the origin of the universe and their place in it. Although many Canadians practise religion, religious conviction and practice have been gradually declining through the years. Statistics Canada surveys show Canadians’ continuing slide out the doors of the country’s churches, temples, and synagogues. In 1946, 67 percent of adult Canadians regularly attended religious services, but by 2001 the figure had dropped to 20 percent. In fact, 23.9 percent of adult Canadians were reported to have no religious affiliation in 2011.52
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.” 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. These companies passively accept the environment and don’t try to change it. Instead, 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—such as Ford’s Model T car, Apple’s iPod and iPhone, and Google’s search engine—often create and shape new industries and their structures.

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 favourable press coverage. They run “advertisorials” (ads expressing editorial points of view) and 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. Taco Bell did this when its brand fell victim to potentially damaging claims about the quality of the beef filling in its tacos:

When a California woman’s class-action suit questioned whether Taco Bell’s meat filling could accurately be labelled “beef,” the company’s reaction was swift and decisive. The suit claimed that Taco Bell’s beef filling is 65 percent binders, extenders, preservatives, additives, and other agents. It wanted Taco Bell to stop calling it “beef.” But Taco Bell fought back quickly with a major counterattack campaign, in print and on YouTube and Facebook. In full-page ads in the Wall Street Journal, the New York Times, and USA Today, the company boldly thanked those behind the lawsuit for giving it the opportunity to tell the “truth” about its “seasoned beef,” which it claimed contains only quality beef with other ingredients added to maintain the product’s flavour and quality. Taco Bell further announced that it would take legal action against those making the false statements. The company’s proactive counter-campaign quickly squelched the false information in the lawsuit, which was voluntarily withdrawn only a few months later.

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 Marketing@Work 4.2).
In the Social Media Age: When the Dialogue Gets Nasty

Marketers have hailed the Internet and social media as the great new way to nurture customer relationships. Brands use social media to engage customers, gain insights into their needs, and create customer community. 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 goo-bie55’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 unsolicited 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 favourite corporations.

“I hate” and “sucks” sites are almost commonplace. These sites target some highly respected companies with some highly disrespectful labels: WalmartBlows.com, PayPalSucks.com (aka NoPayPal), IHateStarbucks.com, DeltaREALLYsucks.com, and UnitedPackageSmashers.com (UPS), to name only a few. “Sucks” videos on YouTube and other video sites also abound. For example, a search of “Apple sucks” on YouTube turns up more than 600,000 videos; a similar search for Microsoft finds 143,000. An “Apple sucks” search on Facebook links to hundreds of groups. If you don’t find one you like, try “Apple suks” or “Apple sux” for hundreds more.

Some of these sites, videos, and other online attacks air legitimate complaints that should be addressed. Others, however, are little more than anonymous, vindictive slurs that unfairly ransack brands and corporate reputations. Some
of the attacks are only a passing nuisance; others can draw serious attention and create real headaches.

How should companies react to online attacks? The real quandary for targeted companies is figuring out how far they can go to protect their images without fuelling the already raging fire. One point on which all experts seem to agree: Don’t try to retaliate in kind. “It’s rarely a good idea to lob bombs at the fire starters,” says one analyst. “Pre-emption, engagement, and diplomacy are saner tools.”

Such criticisms are often based on real consumer concerns and unresolved anger. Hence, the best strategy might be to proactively monitor these sites and respond to the concerns they express. For example, Boeing quickly took responsibility for mishandling aspiring Harry Winsor’s designs, turning a potential PR disaster into a positive. It called and invited young Harry to visit Boeing’s facilities. On its corporate Twitter site, it confessed “We’re experts at airplanes but novices in social media. We’re learning as we go.” In response to its Figo ad fiasco, Ford’s chief marketing officer issued a deep public apology, citing that Ford had not approved the ads and that it had modified its ad review process. Ford’s ad agency promptly fired the guilty creatives. Similarly, FedEx drew praise by immediately posting its own YouTube video addressing the monitor-smashing incident. In the video, Matthew Thornton, senior vice-president of operations, stated that he’d personally met with the aggrieved customer, who had accepted the company’s apology. “This goes directly against all FedEx values,” declared Thornton. The FedEx video struck a responsive chord. Numerous journalists and bloggers responded with stories about FedEx’s outstanding package handling and delivering record.

Many companies have now created teams of specialists that monitor online conversations and engage unhappy consumers. For example, the social media team at Southwest Airlines includes a chief Twitter officer who tracks Twitter comments and monitors Facebook groups, an online representative who checks facts and interacts with bloggers, and another person who takes charge of the company’s presence on sites such as YouTube, Instagram, Flickr, and LinkedIn. So if someone posts an online comment, the company can respond promptly in a personal way.

Not long ago, Southwest’s team averted what could have been a major PR catastrophe when a hole popped open in a plane’s fuselage on a flight from Phoenix to Sacramento. The flight had Wi-Fi, and the first passenger tweet about the incident, complete with a photo, was online in only 9 minutes—11 minutes before Southwest’s official dispatch channel report. But Southwest’s monitoring team picked up the social media chatter and was able to craft a blog post and other social media responses shortly after the plane made an emergency landing in Yuma, Arizona. By the time the story hit the major media, the passenger who had tweeted initially was back on Twitter praising the Southwest crew for its professional handling of the situation.

Thus, by monitoring and proactively responding to seemingly uncontrollable events in the environment, companies can prevent the negatives from spiralling out of control or even turn them into positives. Who knows? With the right responses, Walmartblows.com might even become Walmartrules.com. Then again, probably not.

GlutenWise, or Gluten-Free

Boston Pizza’s main menu items have historically been made using wheat flour, which is off-limits to gluten-free dieters. But while gluten was once thought to negatively impact only a small percentage of the general public—those with celiac disease—it has more recently been linked to number of allergies and intolerances, which has driven a wedge into wheat-based food consumption and turned gluten-free alternatives into a burgeoning food industry.

The growing demand for gluten-free foods presented BP with both a threat and an opportunity. While up to 10 percent of its market was suddenly abstaining from items on its menu, that same market was in need of healthy alternatives. The magnitude of the market had also jumpstarted research and development into gluten-free alternatives—a technological opportunity that was embraced by Boston Pizza, which introduced gluten-free to its menu in 2010.

The only problem was that the gluten-free dishes were prepared in same kitchens as everything else, raising the possibility of cross-contamination, which BP was legally obligated to disclose. But rather than view this political-legal threat as a barrier, BP again turned it into a competitive opportunity. The company branded its gluten-free products as “GlutenWise,” a trademark that not only showed BP’s commitment to respecting dietary sensitivities, but also positioned the company ahead of competitors who were struggling with the same dilemma.

The move was a total win, generating positive feedback even from the most demanding critics. “Everyone has the right to safe food,” said Anne Wraggett, president of the Canadian Celiac Association, “and we are excited that Boston Pizza is taking steps to provide for the gluten-free community. Having safe gluten-free choices when dining out enhances our quality of life.”

QUESTIONS

1. Factors in the marketing environment are broken into categories. Identify the opportunities and threats that emerged in BP’s path toward introducing its GlutenWise menu, and sort them into their appropriate categories.

2. Why is cross-contamination of gluten-free dishes with non-gluten-free dishes categorized as a political-legal threat?

3. The microenvironment comprises internal forces that are controlled by the organization and that reveal a firm’s strengths and weaknesses. Is Boston Pizza’s introduction of GlutenWise a strength, weakness, opportunity, or threat? Why?
1. Describe the environmental forces that affect the company’s ability to serve its customers.

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 its 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. These forces shape opportunities and pose threats to the company.

2. Explain how changes in the demographic and economic environments affect marketing decisions.

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 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 is also shifting. The rich have grown richer, the middle class has shrunk, and the poor have remained poor, leading to a two-tiered market.

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

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 poses threats to companies that fail to keep up with technological change and will miss out on new product and marketing opportunities.

4. Explain the key changes in the political and cultural environments.

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 behaviours. 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.

5. Discuss how companies can react to the marketing environment.

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.

MyMarketingLab

Study, practice, and explore real marketing situations with these helpful resources:

- Interactive Lesson Presentations: Work through interactive presentations and assessments to test your knowledge of marketing concepts.
- Study Plan: Check your understanding of chapter concepts with self-study quizzes.
- Dynamic Study Modules: Work through adaptive study modules on your computer, tablet, or mobile device.
- Simulations: Practise decision-making in simulated marketing environments.
DISCUSSION QUESTIONS

1. Name and briefly describe the elements of an organization's microenvironment and discuss how they affect marketing.

2. What is demography, and why is it so important for marketers?

3. Who are the Millennials, and why are they of so much interest to marketers?

4. Discuss trends in the natural environment of which marketers must be aware, and provide examples of companies' responses to them.

5. Compare and contrast core beliefs/values and secondary beliefs/values. Provide an example of each and discuss the potential impact marketers have on each.

6. How should marketers respond to the changing environment?

CRITICAL THINKING EXERCISES

1. Research a current or emerging change in the legal or regulatory environment affecting marketing. Explain its impact on marketing and how companies are reacting to the law or regulation.

2. Cause-related marketing has grown considerably over the past 10 years. 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.

ONLINE, MOBILE, AND SOCIAL MEDIA MARKETING

If you have a great product idea but no money, never fear: There's Kickstarter, an online crowdfunding site. Founded in 2008, Kickstarter enables companies to raise money from multiple individuals; since its founding, it has helped launch more than 91,000 projects. For example, when Pebble Technology Corporation created a “smart” wristwatch called Pebble, which works with iPhones or Android phones, it didn’t have the funding to produce and market the device. So young CEO Eric Migicovsky turned to Kickstarter for crowdfunding. His modest goal was to raise US$100,000—but the company raised US$1 million in only one day and a total of US$10.27 million in just over one month! Nearly 70,000 people pre-ordered the $115 watch, and Pebble had to deliver on the promise. Kickstarter takes a 5 percent fee on the total funds raised, with Amazon Payments handling the processing of the funds. Kickstarter charges pledgers' credit cards, and the project creator receives the funds within only a few weeks.

The JOBS Act legislation in the United States, signed into law in 2012, provides a legal framework for this type of financing, which is expected grow even faster as a result. (Canadian legislators have been slow to regulate the crowdfunding industry, although a few provinces have proposed guidelines to do so.) However, Kickstarter and similar sites don’t guarantee that the projects will be delivered as promised, and some people are concerned that crowdfunding will beget crowdfunding.

QUESTIONS

1. Find another crowdfunding site and describe two projects featured on that site.

2. Learn more about the JOBS Act and how it impacts crowdfunding for start-up businesses. What protections are in place for investors with regard to crowdfunding? What types of regulation exists in Canada for Canadian start-ups?

THINK LIKE A MARKETING MANAGER

Customer loyalty for online travel companies is low because the average consumer checks several different travel sites for the best prices on air travel, hotels, and rental cars before booking. With consumers highly motivated to make their selections based on price, online travel companies are trying to figure out other ways to differentiate themselves from the competition.

QUESTIONS

1. What macroenvironmental forces do you think are having the greatest positive and negative impact on online travel companies?

2. What do you think will be the most significant environmental issues facing the online travel industry in the next five years?
MARKETING ETHICS

The roughly 25 percent of the North American population under 18 years old wields billions of dollars in purchasing power. Companies such as eBay and Facebook want to capitalize on those dollars—legitimately, that is. eBay is exploring ways to allow consumers under 18 years old to set up legitimate accounts to both buy and sell goods. Children already trade on the site, either through their parents’ accounts or through accounts set up after they lie about their ages. Similarly, even though children under 13 are not allowed to set up Facebook accounts, about 7.5 million of them have accounts, and nearly 5 million account holders are under 10 years old. That translates to almost 20 percent of U.S. 10-year-olds and 70 percent of 13-year-olds active on Facebook. Many of these accounts were set up with parental knowledge and assistance. Both eBay and Facebook say that protections will be put in place on children’s accounts and that parents will be able to monitor their children’s accounts.

QUESTIONS
1. Debate the pros and cons of allowing these companies to target children. Are these efforts socially responsible behaviour?
2. Review the Children’s Online Privacy Protection Act at www.coppa.org. Explain how eBay and Facebook can target this market and still comply with this act.

MARKETING BY THE NUMBERS

Do you know of Danica from the Philippines, Peter from London, Nargis from India, Marina from Russia, Chieko from Japan, or Miran from the United States? These are some of the babies whose parents claimed they were the 7th billion human born into the world. The world population continues to grow, even though women are having fewer children than ever before. Markets are made up of people, and to stay competitive, marketers must know where populations are located and where they are going. The fertility rate in North America is declining and the population is aging, creating opportunities as well as threats for marketers. That is why tracking and predicting demographic trends are so important in marketing. Marketers must plan to capitalize on opportunities and deal with the threats before it is too late.

QUESTIONS
1. Develop a presentation on a specific demographic trend in Canada. Explain the reasons behind this trend and discuss the implications for marketers.
2. Discuss global demographic trends. What are the implications of those trends, and how should marketers respond to them?
XEROX: ADAPTING TO THE TURBULENT MARKETING ENVIRONMENT

Xerox introduced the first plain-paper office copier more than 50 years ago. In the decades that followed, the company that invented photocopying flat-out dominated the industry it had created. The name Xerox became almost generic for copying (as in “I’ll Xerox this for you”). Through the years, Xerox fought off round after round of rivals to stay atop the fiercely competitive copier industry. Through the late 1990s, Xerox’s profits and stock price were soaring.

Then things went terribly wrong for Xerox. The legendary company’s stock and fortunes took a stomach-churning dive. In only 18 months, Xerox lost some US$38 billion in market value. Its stock price plunged from almost US$70 in 1999 to under US$5 by mid-2001. The once-dominant market leader found itself on the brink of bankruptcy. What happened? Blame it on change—or, rather, on Xerox’s failure to adapt to its rapidly changing marketing environment. The world was quickly going digital, but Xerox hadn’t kept up.

In the new digital environment, Xerox customers no longer relied on the company’s flagship products—stand-alone copiers—to share information and documents. Instead of pumping out and distributing stacks of black-and-white copies, they created digital documents and shared them electronically. Or they printed out multiple copies on their nearby networked printer. On a broader level, while Xerox was busy perfecting copy machines, customers were looking for more sophisticated “document management solutions.” They wanted systems that would let them scan documents in Frankfurt, weave them into colorful, customized showpieces in Toronto, and print them on demand in London—even altering for Canadian spelling.

This left Xerox on the edge of financial disaster. “We didn’t have any cash and few prospects for making any,” says CEO Ursula Burns. “The one thing you wanted was good and strong leaders that were aligned and could get us through things and we didn’t have that.” Burns didn’t realize it back then, but she would one day lead the company she began working for as a summer intern in 1981. In fact, Burns almost left the company in 2000, but her colleague and friend Anne Mulcahy became CEO and convinced her to stay. Burns was named a senior vice-president and was then charged with cleaning house.

THE TURNAROUND BEGINS

Task number one: Outsource Xerox’s manufacturing. An often criticized and unpopular move, outsourcing was critical to Xerox’s cost-saving efforts. Burns oversaw the process in a way that preserved quality while achieving the desired cost benefits. And she did so with the blessing of Xerox’s employee union by convincing the union that it was either lose some jobs or have no jobs at all. With the restructuring of manufacturing, in only four years, Xerox’s workforce dropped from 100 000 employees to 55 000. Although this and other efforts returned Xerox to profitability within a few years, the bigger question still remained: What business is Xerox really in?

To answer this question, Xerox renewed its focus on the customer. The company had always focused on copier hardware. But “we were being dragged by our customers into managing large, complex business processes for them,” says Burns. Before developing new products, Xerox researchers held seemingly endless customer focus groups. Sophie Vandebroek, the company’s chief technology officer, called this “dreaming with the customer.” The goal, she argued, was “involving [Xerox] experts who know the technology with customers who know the pain points... Ultimately innovation is about delighting the customer.” In the process, Xerox discovered that understanding customers is just as important as understanding technology.

What Xerox learned is that customers didn’t want just copiers; they wanted easier, faster, and less costly ways to share documents and information. As a result, the company had to rethink, redefine, and reinvent itself. Xerox underwent a remarkable transformation. It stopped defining itself as a “copier company.” In fact, it even stopped making stand-alone copiers. Instead, Xerox began billing itself as the world’s leading document-management technology and services enterprise. The company’s newly minted mission was to help companies “be smarter about their documents.”

This shift in emphasis created new customer relationships, as well as new competitors. Instead of selling copiers to equipment purchasing managers, Xerox found itself developing and selling document-management systems to high-level information technology managers. And instead of competing head-on with copy machine competitors like Sharp, Canon, and Ricoh, Xerox was now squaring
off against information technology companies like HP and IBM. Although it encountered many potholes along the way, the company once known as the iconic “copier company” became increasingly comfortable with its new identity as a document-management company.

BUILDING NEW STRENGTHS

Xerox’s revenue, profits, and stock price began to show signs of recovery. But before it could declare its troubles over, yet another challenging environmental force arose—the Great Recession. The recession severely depressed Xerox’s core printing and copying equipment and services business, and the company’s sales and stock price tumbled once again. So in a major move to maintain its transition momentum, Xerox acquired Affiliated Computer Services (ACS), a US$6.4 billion information technology (IT) services powerhouse with a foot in the door of seemingly every back office in the world. The expertise, capabilities, and established channels of ACS were just what Xerox needed to take its new business plan to fruition.

The synergy between Xerox, ACS, and other acquired companies has resulted in a broad portfolio of customer-focused products, software, and services that help Xerox’s customers manage documents and information. In fact, Xerox has introduced more than 130 innovative new products in the past few years. It now offers digital products and systems ranging from network printers and multifunction devices to colour printing and publishing systems, digital presses, and “book factories.” It also offers an impressive array of print-management consulting and outsourcing services that help businesses develop online document archives, operate in-house print shops or mailrooms, analyze how employees can most efficiently share documents and knowledge, and build Internet-based processes for personalizing direct mail, invoices, and brochures.

These new products have allowed Xerox to supply solutions to clients, not just hardware. For example, Xerox has a new device for insurance company customers—a compact computer with scanning, printing, and Internet capabilities. Instead of relying on the postal service to transport hard copies of claims, these and related documents are scanned on-site, sorted, routed, and put immediately into a workflow system. This isn’t just a fancy new gadget for the insurance companies. They are seeing real benefits. Error rates have plummeted along with processing times, and that means increases in revenues and customer satisfaction.

DREAMING BEYOND ITS BOUNDARIES

Riding the combination of Xerox’s former strengths and its new acquisitions, Burns and the Xerox team now have a utopian image of what lies ahead. They believe that the tools and services they offer clients are getting smarter. “It’s not just processing Medicaid payments,” says Stephen Hoover, director of Xerox’s research facilities. “It’s using our social cognition research to add wellness support that helps people better manage conditions like diabetes.” Hoover adds that the future may see a new generation of Xerox devices, such as those that can analyze real-time parking and traffic data for municipal customers, allowing them to help citizens locate parking spots or automatically ticket them when they are going too fast. Already, Xerox is market testing parking meters that are capable of calling 911 or taking photos when a button is pushed. Not all products such as these will hit the market, but Xerox now has a model that allows it to dream beyond its known boundaries.

In another example of smarter tools for clients, in 2014 Xerox rolled out Ignite, a software and Web-based service that turns its copiers/scanners/printers already in service at schools around the world into paper-grading machines. Previous automated grading technologies (such as Scantron) worked only on multiple-choice responses filled out on special forms. But Ignite grades work where answers are written in by students—even numeric math problems. The real revolutionary potential of Ignite, however, is not just in automated grading, but in taking the results and turning them into Web-accessible data that allow teachers to identify problem areas and make improvements to their techniques.

Throughout this corporate metamorphosis, Xerox isn’t focused on trying to make better copiers. Rather, it’s focused on improving any process that a business or government customer needs to perform and performing it more efficiently. Xerox’s new machines have learned to read and understand the documents they scan, reducing complex tasks that once took weeks down to minutes or even seconds. From now on, Xerox wants to be a leading global document-management and business-process technology and services provider.

With all the dazzling technologies emerging today, Burns acknowledges that the business services industry in which Xerox now operates is decidedly unsexy. But she also points out that “These are processes that companies need to run their businesses. They do it as a sideline; it’s not their main thing.” But running these seemingly mundane business processes is now Xerox’s main thing. Xerox provides these basic document and IT services to customers so that customers can focus on what matters most—their real businesses.

Xerox’s transition is still a work in progress. Revenues were down in 2014, and in the first two quarters of 2015
as well. Part of the reason is that Xerox still relies to some extent on its copier and printer products for its success, even with its recent diversification strategy. And just as email and desktop software killed photocopying, smartphones and tablets are killing inkjet and photo printers. But Xerox depends much less on such products than competitors such as Hewlett-Packard and Lexmark International do. Thus, experts predict, Xerox will rebound much more quickly than its rivals. Burns and crew are also confident that as Xerox continues its transition to solutions provider, the seeds it has planted over the past few years will soon bear fruit.

Xerox knows that change and renewal are ongoing and never-ending. “The one thing that’s predictable about business is that it’s fundamentally unpredictable,” says the company’s annual report. “Macro forces such as globalization, emerging technologies, and, most recently, depressed financial markets bring new challenges every day to businesses of all sizes.” The message is clear. Even the most dominant companies can be vulnerable to the often turbulent and changing marketing environment. Companies that understand and adapt well to their environments can thrive. Those that don’t risk their very survival.

**Questions for discussion**

1. What microenvironmental factors have affected Xerox’s performance since the late 1990s?
2. What macroenvironmental factors have affected Xerox’s performance during that period?
3. By focusing on the business services industry, has Xerox pursued the best strategy? Why or why not?
4. What alternative strategy might Xerox have pursued following the first signs of declining revenues and profits?
5. Given Xerox’s current situation, what recommendations would you make to Burns for the future of Xerox?