Chapter 3
Understanding Markets, Market Demand, and the Marketing Environment

Chapter Questions
- What are the components of a modern marketing information system?
- How can marketers use intelligence systems and marketing research?
- How can demand be more accurately measured and forecasted?
- What are some important macroenvironmental developments?

Marketing Information System (MIS) and Resources
- Consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.

- Internal records
- Marketing intelligence
- Marketing research
Marketing Insights vs. Marketing Research

- **Marketing insights** provide diagnostic information about how and why certain effects are observed in the marketplace, and what that means to marketers.
- **Marketing research** is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

Marketing Research Process

- Define the problem and research objectives
- Develop the research plan
- Collect the information
- Analyze the information
- Present the findings
- Make the decision

Step 1: Define the Problem and Research Objectives

- Define the problem
- Specify decision alternatives
- State research objectives
Step 2: Develop the Research Plan

- Identify data sources
- Design research approach
- Develop research instruments
- Design sampling plan
- Select contact methods

Forecasting and Demand Measurement

- Which market to measure?
  - **Potential market**—set of consumers who have sufficient interest in a market offer.
  - **Available market**—set of consumers who have interest, income, and access to a particular offer.
  - **Target market**—the qualified available market that the company decides to pursue.
  - **Penetrated market**—set of consumers who are buying the company’s product.

Demand Measurement

- **Market demand**—the total volume for a product that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.
- **Market potential**—the limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment.
Company Demand and Sales Forecast

- **Company demand**—the company’s estimated share of market demand at alternative levels of company marketing effort in a given time period.
- **Company sales forecast**—the expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

Estimating Current Demand

- **Total market potential**—the maximum number of sales that might be available to all of the industry’s firms during a given period, under a given level of industry marketing effort and environmental conditions.
- **Area market potential**—the market potential of a specific location:
  - Market buildup method
  - Multiple-factor method

Estimating Future Demand

- Survey of buyers’ intentions
- Composite of sales force opinions
- Expert opinion
- Past-sales analysis
- Market-test method
Macroenvironmental Trends and Forces
- Demographic
- Economic
- Political-legal
- Natural
- Social-cultural
- Technological

Demographic Environment
- Worldwide population growth
- Population age mix
- Ethnic markets
- Educational groups
- Household patterns
- Geographical shifts in population

Economic Environment
- Income distribution
- Savings, debt, and credit availability
Social-Cultural Environment
- Views of themselves
- Views of others
- Views of organizations
- Views of society
- Views of nature
- Views of the universe

Natural Environment
- Shortage of raw materials
- Increased cost of energy
- Increased pollution levels
- Changing role of governments

Technological Environment
- Accelerating pace of technological change
- Unlimited opportunities for innovation
- Varying R & D budgets
- Increased regulation of technological change

Political-Legal Environment
- Increase in business legislation
- Growth of special-interest groups