The Impact of so-called Microenvironments on Business

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The Four C’s of the Microenvironment

1. **Company** – know strengths and weaknesses
2. **Customers** – understand what is motivating them
3. **Competitors** – study the competitors in your market
4. **Collaborators** – firms both up and down stream upon whom the success of your mission is based

Four Types of Utility and their Relation to Competition

- **Economic Utility** - Price Competition
  - Low price at a *standard* Quality
- **Form Utility** – Quality Competition
  - Superior Quality at the similar prices
- **Place Utility** – Location based Competition
  - Considering place as a competitive advantage
- **Time Utility** – Time Competition
  - Delivering products when desired
Competitive Advantage

Definition: (from Michael Porter)

Some proprietary asset, which allows the firm to achieve a sustained profit position with relation to other firms in its industry.

Porter’s Value chain, Introducing the Theory of Competitive Advantage

• Depicts the activities of the firm in relation to its markets
• All activities are either Primary to the production and delivery of the product, or
• Secondary, support activities of the firm necessary to the production, but not assignable to distinct products.

PM 11.2 The generic value chain
Importance of the Value Chain concept to Profit

• Two distinct possibilities are open to the firm in terms of earning profits from its operations, (under the assumption that all other things are equal):
  • 1. Reduce Cost
  • 2. Differentiate - (Increase Revenue)

Coordination is Important in Optimizing the Value Chain

• Minimization of cost in any activity may not lead to an optimal position.
• Key activities must be coordinated, such as
  – New Product Development - optimizing NPD
  – Inventory Management - raw materials to finished goods
  – Customer Acquisition and Retention -
  – Order-to-Remittance - from receipt to payment
  – Customer Service - broadly defined

Global Impacts: The Customer

• Markets are no longer local
• Markets are no longer Regional
• Markets are no longer National
• Markets have become GLOBAL
  – due to the effects of Technology on the Communications and Transportation Industries
The Global Customer

- Looks like us.
  - And that is precisely what causes many of the problems in international marketing.
  - Remember what culture means.

The Superiority of US

- Ethnocentrism is a tendency to consider one's own culture and way of life as the natural and normal ones. (Zikmund and d'Amico)
- Ethnocentrism is an unconscious belief in the superiority of one's own culture. (Sjolander)

Self-Reference Criterion

An unconscious belief that the world is as you perceive it.
Wal-Mart Example
Understanding External Environments

• Wal-Mart moving into Argentina is an example of ethnocentrism in action
• Compare Carrefour’s Strategy with Wal-Mart’s strategy:
  meat
  electronics
  consumer jewelry
The same types of problems of problems are reported for their entry into the German market.

Global Impacts: Integration of Markets Requires Cooperation

• Any integration requires sovereign states to give up certain freedoms.

• The greater the integration of the states, the greater the freedoms, which must be forfeited.

Levels of Economic Integration

• The Free Trade Area
• The Customs Union
• The common Market
• The Economic Union
Steps in Entering Foreign Markets

1. Evaluate your firm: determine your competitive advantage.
2. Evaluate potential markets for entry.
3. Determine the best product or line to enter the market with.
4. Estimate the resources required.
5. What are the constraints on the firm?
6. Choose the vehicle (method for market entry).