

THE IMPORTANCE OF ENVIRONMENTAL SCANNING FOR SUCCESSFUL MARKETING: AN ANALYSIS OF INTERNAL AND EXTERNAL FACTORS

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Abstract: The marketing environment is a complex and rapidly changing landscape that poses significant challenges to businesses seeking success in the market. In order to thrive, businesses must adapt to the internal and external forces that affect marketing decisions and their ability to establish successful relationships with customers. Environmental scanning is a critical process for businesses seeking to identify and respond to opportunities and threats in the marketing environment. This involves the collection, filtration, and analysis of information related to the environment of marketing, enabling businesses to keep up to date with changes and make the necessary adaptations to their strategies. Internal factors such as human resources, finance, and management, as well as external factors such as competitors, technology, and the economy, can significantly impact a business's success in the market. The micro environment, which includes suppliers, customers, competitors, marketing intermediaries, and the public, and the macro environment, which includes factors such as demography and the economy, must also be considered. This paper emphasizes the need for businesses to stay vigilant of the changes in the environment and to adjust their strategies accordingly with a focus on meeting consumer needs. Additionally, the paper highlights the importance of marketers in scanning the environment properly and dealing with possible threats in the market while availing the best opportunities available. By identifying the changes and policies that need to be implemented and their potential impact, environmental scanning provides businesses with a competitive advantage as they seek to establish a successful relationship with their customers.

Keywords: Marketing environment, environmental scanning, internal factors, external factors, micro environment, macro environment, consumer needs, competitive advantage.

Introduction

Having a proper knowledge about the requirements of the customers is necessary for any organization. For this, company needs to monitor their marketing environment regularly. The marketing environment is changing rapidly as there are many factors which influence the market.

Marketing Environment refers to the internal and external forces which affect the marketing decisions and the ability of the organization to maintain a successful relationship with its customers. Factors which influence the market from inside and outside the business are marketing environment. These factors collectively influence the marketing decisions. It also refers to those external forces which affect the ability of an organization to develop and maintain the successful relationship with its consumers. It consists of all the forces which directly or indirectly affect the activities of marketing like competition, regulation, economic

conditions, technology etc. The Program of marketing of an organization is affected by the firm's need to plan its business by considering the needs of its consumers, rather than giving preference to production of products. The firm needs to be in touch with the marketing environment, about what is going in the market and how the environment is changing and how these changes will affect the demand for the product. Organization also needs to access the opportunities and threats present in the market's surroundings. Environment is something which surrounds the system. Marketing is considered as a system which influences the environmental change. Environment consists of the factors, which are external and beyond the control of the business and its management. These are called as givers within which a firm and its management have to operate in a specific country or in case of international marketing, country to country.

The Organization of marketing operates within a complex and changing environment. It is the task of organizations which are marketing oriented to link the organization with its consumers. It is done by establishing a framework for opportunities and threats for the external environment. The internal environment is limited to the company which involves owners, workforce, machinery, policies, materials etc. and the External Environment is further divided into Micro and Macro Environment. Micro Environment is specified to external business-like production, promotion etc. Macro environment is the broadest one. It contains large societal factors influence the organization. It includes demography, competitors, technology etc. These are highly uncontrollable. Just like if the human body does not adjust with the environmental changes, it may face problems and many diseases, similarly, and an organization may also fail if it does not adapt the changes and make the business policy accordingly.

In the business, all the activities are done to satisfy the needs of the consumers. It is an activity which is carried by people for the people means people are the center attraction of the whole activity.

It states that business is the people and human is a dynamic entity who believes that change exists and it is the only thing which is certain in today's time. It is the huge challenge for the businessman and managers to become aware of the changes and keep themselves update with the changes and to ensure the survival and sustainability of the business in the market. Therefore, it can be said that study of marketing environment is the most necessary factor for the survival and success of the business. For Organization should not only monitor the need for changing market, but also needs to monitor the change in marketing environment to be successful. By understanding the environment, marketers can easily adapt their strategies in meeting new challenges and opportunities. Successful organizations know the importance of monitoring and adapting the changes in the environment.

Scanning of Marketing Environment: The environment of Marketing is dynamic and it keeps on changing. Marketers need to engage themselves in environmental scanning to avail the opportunities and decrease the threats of environment. Environmental scanning is the collection of information regarding the factors affecting marketing environment. It includes primary and secondary sources of data including magazines, newspapers, online blogs etc. It is the process of analyzing the information. It may be carried out by researchers or marketing managers. This collected information is assessed to interpret the results. With the help of analysis, marketers become able to identify the environment and determine the future trends. By these marketing efforts, future marketing strategies could be developed and the managers would be able to determine the prevailing threats and opportunities associated with fluctuations in the environment. All the operations of marketing are done in highly complex and dynamic environment which keeps on changing rapidly. According to most of the philosopher of marketing, "Marketing environment consists of all the factors which affect the marketing management from outside the organization and ability of business to maintain successful relationships with its customers. It can be done by:

- **Identifying Opportunities and Threats:** Environment of marketing provides both the opportunities and the threats. The companies which are successful know about the importance of change and they know very well how to adapt the change. It is the responsibility of the marketers to identify the significant changes from the environment.
- **Following Disciplines:** Marketers should be the trend and opportunity seekers other than any other group of the company. If all the management of the organization wants to observe the outside environment, they need to follow the discipline for collecting the information regarding marketing environment.
- **Interaction with Environment:** It is also necessary for the marketers to spend time with customers and in the competitive environment and it can be done by doing proper environmental scanning, so that marketers will be able to formulate marketing strategies to meet the challenges and opportunities present in the environment.
- **Meeting the needs of Consumers:** Marketing is all about, matching the offerings of organization to the needs of the market i.e. consumers. Functions of marketing like selling, research, promotion etc. are involved with problems and opportunities outside the business. Marketers need to focus themselves to outside environment, to earn profit for the organization.

Environmental scanning is a constant yet very important part of marketing for the companies to be successful. It involves collection, filtration and analysis of the information related to the environment of marketing and making strategies on its basis. It also involves monitoring of the changes which are taking part in the environment and affecting the business. Such analysis will help in availing the opportunities and eliminating the threats. It is the duty of marketing department to identify such changes and the policies regarding such changes should be implemented in the organization.

Components of Marketing Environment: Marketing environment is made up of factors and forces outside and inside the organization which are affecting the ability of an organization to develop and maintain the successful relationship with its customers. Marketing environment consists of various factors which affects the ability of the business to maintain the relationship with its customers. Every business consists of a set of internal and external factors which affects the business. The internal environment of the marketing can be controlled while there is no or very less control over the external environment. A business needs to look outside the organization to avail the opportunities and minimize the threats. The 2 components of marketing environment are: Internal environment and External environment. External environment is further categorized into Micro and Macro Environment.

1. Internal Environment: Internal Environment of the business includes all such forces which are prevailing inside the organization and may affect the business. There are a number of factors which influence the change in internal environment and the change in strategies. There is full control of management on the factors affecting internal environment. It includes Five M's of the business which are:

- **Men:** It means Human Resource of the Organization. It includes planning and development of human resources for the success of the organization. It states that the people working in the business are important and valuable resource of the organization and they require attention and proper training. The strength and weakness of the organization is determined by the skills, commitment and abilities of its employees. Employees at different level of the organization help in taking decisions and implementing them.
- **Money:** Internal factors affecting the organization also include finance because the performance of business is also affected by factors related to money like capital etc. Different strategies and decisions are made on the basis of financial factors which may include how much capital is available and how much is required. The success of the business depends on the management of available funds in the organization

successful. Moreover, money is the most important element because every business is established to earn some profit.

- **Material:** Material may also be called as physical asset of the business. To increase the economy of the business, efficient supply of material and its optimum production is very important. It depends on the physical assets of the company. It should always be considered while making strategies because it plays an important role in asserting the performance of an organization.
- **Management:** Today businesses are not carried out by a single entrepreneur or by the partners, it is carried out by the whole team who works for the organization including board of directors who run and control the business in almost every decision. Therefore, composition of management should also affect the business environment internally.
- **Market:** Company's image in the market is also an important factor. The image of company also affects in taking decisions like entering into joint ventures, contracts etc. with other business or while establishing a new product or service in the market. Therefore, it is necessary to build the positive image of the company in the market.

These are some of the factors which affect the Internal Environment of any business. These are controllable because they are happening inside the organization and organization has full control over such factors and it can modify these factors as per the need of the organization. The internal environment is under full control of organization and can be changed whenever the external environment is changed. It includes all the departments of the organization like: Human Resource Department, Marketing Department, Sales department etc.

2. External Environment: External environment I made up of those forces which are outside the business and marketer has little or no control on them. Companies operating in external environment identify the threats and the opportunities. These forces are uncontrollable. For coping up with this environment, SWOT analysis is very necessary for making policies. It consists of Micro and Macro Environment.

(A) Micro Environment: Micro Environment is also known as task environment. The forces existing in the immediate environment of the business are micro forces. Suppliers, customers, market intermediaries, competitors are the part of micro environment. It is not always necessary that all the micro factors affect the firm. Factors affecting Micro Environment are:

- **Suppliers:** Suppliers are those business organizations which provide raw materials, components, services or supplies which are required for production. Suppliers are the link between organizations and their overall customer value system of delivery. It can affect the business. The suppliers can change their positions. The equation between suppliers and business is based on conditions of industry to extent of their dependency on each other. If any uncertainty prevails in the supply of raw material to the organization, which may lead to high cost of production. Therefore, dependency on single supplier may be risky. So to be safe, it is necessary to have relations with multiple suppliers.
- **Customers:** Customers are the most important element of micro environment of the business. No customers mean no marketing and no business. An organization must be aware of the constantly changing needs of the consumers and formulating essential policies on its basis. Their decisions can be changed by providing them delightful products and services. The main motive of any business is to create customers, because they are the backbone of survival of any business.
- **Competitors:** Marketing says that a business should provide satisfaction to its consumers more than its competitors. They need to gain competitive advantage by making their offerings strongly than its competitors. A firm should perform its competitive analysis for scanning direct competitors. This analysis not only ensures

the competitive position in market, but also helpful for identifying the major rival of the company. Thus, such analysis is important for strengthening the abilities of an organization.

- **Marketing Intermediaries:** Most of the organizations are relying on the intermediaries of the marketing to make their products available to the final consumer. They help the business in promoting, selling, and distributing the products to the buyers. While some organizations supply their products directly to the consumers, some organizations use intermediaries like wholesaler, retailers, distributors etc. Marketers need to know the importance of the intermediaries. A firm need to ensure that its link with the intermediaries is appropriate because a wrong choice may affect the organization.

- **Public:** Micro environment of business include various kind of public. Public are the people who have a direct impact on the organization. Public includes- Financial public, Media public, Government public, Citizen action public, Local public, General public, Internal public. Organizations are directly affected by the different acts of the public. Media is the also the most important factor affecting the organization, because if they turn hostile, they may ruin the image of the business. So the business needs to closely consider media too to avoid such hindrances.

(B) Macro Environment: Macro Environment of the marketing is also called as broad environment. It involves the factors which affect the business completely but not directly. It affects not only the business, but also the competitors. Organizations need to pay more attention towards these factors because they provide opportunities as well as possess threats. It includes demography, technology, economy etc. These factors are highly uncontrollable.

- **Demography:** It is the study of characteristics of population which includes: size, density, sex, age, race, location, occupation etc. It tells marketers about the current and potential consumers of the business, about their needs and wants. Marketers need to study the demography mix because it affects their choice of buying and their budget of buying and their buying behavior. Marketer needs to know the composition of demography to decide their marketing mix.

- **Economy:** Economic environment includes factors which are affecting the purchasing power and spending patterns of consumers and the demand in economy. It is one of the important components of marketing environment. It decides the success and survival of the business. The economic policy introduced by the government creates a heavy impact on the business.

Economic factors include inflation, deflation, demand, supply, boom, recession, income distribution, saving habits, interest rates etc.

- **Technology:** It is the most powerful force affecting the business. New technological discoveries cause threats as well as opportunities in the market. Technological advancement is very necessary for the success and survival of business. It brought change in our day to day lives too, in almost all the fields including medicine, entertainment etc. The technological change is increasing rapidly in the market and marketers needs to understand the change and adapt it into the business.

- **Politics:** It is the least predictable environment in the marketing environment. These changes can affect the business profoundly. It involves law, govt. agencies, and groups etc. which influence the organizations and the individuals. It is directly related with the economic system of the country and the economic policies. Some standards are specified for packaging, labeling, manufacturing of products etc. Most of the promotional activities are under the control. As India is a democratic country, it has a stable political system, where government plays the most important role as the planner, organizer, promoter, and regulator of all the economic activities.

▪ **Socio-Culture:** This environment is the most difficult to evaluate, so it is the most challenging environment for the organization. It includes attitude, norms, beliefs, values, lifestyle of the individuals. These create both opportunities and threats for the business. The important factors which influence the buying and consumption behavior of people are their habits, languages, beliefs, customs, taste and preferences, their education etc. These factors influence their demands and then affect the business. Change in lifestyle of the people influence the marketing environment of the organization.

Importance of Marketing Environment: Environmental analysis is important because it provide the overview of conditions of market and the impact of environment on the business. It plays an important role in sustaining the consumers of the business in changing market conditions. Every business whether it is small or large, works within the market environment. Its existence depends on its adaptability in Internal and External environment. To remain in the market, besides the changing environment, it is necessary to analyze the marketing environment. Some of the importance of analysis of marketing environment is:

▪ **Necessary for Planning:** Study of both the internal and external environment is necessary for planning the future of the business. Marketer needs to know about the changes which are happening in the market, and need to make prediction for the future of the business, regarding the changes in the market; only the business will be able to succeed.

▪ **Knowing the Customers:** A complete knowledge about the market is necessary to know about the needs and wants of the consumer. It can only be done by analyzing the environment of the marketing. It helps in removing the threats in the market and helps in understanding the needs of the consumers about what they actually want and what the business is providing to them.

▪ **Formulating New Trends:** Formulation of new trends according to the change prevailing in the market can be done by doing marketing environment scanning. A marketer needs to do a complete and thorough research to formulate new plans for the business.

▪ **Identifying Threats and Opportunities:** When the marketer will do environmental scanning, he/she needs to have the complete knowledge about the changes occurring in the environment so that he can identify the threats and opportunities and take necessary steps to eliminate the threats and avail the opportunities which will help in the success of the business.

▪ **Knowing the Customers:** Many organizations are fighting competition for the same field. Every organization wants to earn profit and sustain in the market, and it can be done by better understanding of the environment and to identify the advantages over its competitors.

Conclusion

Activities of marketing are influenced by various internal and external factor of the marketing environment. Some of these factors are controllable while some are not under the control of the business, to avoid those factors, a business need to adapt itself to those changes and take necessary steps regarding them. These internal and external forces together become the marketing environment for the business.

The internal factors consist of those factors which are happening inside the organization like human resource of the company, management structure, image of company, financial decisions etc. These factors are under the control of the business and it can be easily sorted. While the external factors include micro and macro factors. Micro factors are related to the immediate environment of the firm which includes suppliers, consumers, competitors, market intermediaries and public. These factors are under some control of the business because marketing department has direct contact with them. Macro factors of external environment include technology, politics, economy, social culture, legality, demography etc. These factors of external environment are totally out of the control of the business and affect the whole industry equally. To remain in

the market, a marketer needs to constantly review the macro environment of the business and keeps on making changing the strategies accordingly. **References**

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