

Cooperative Marketing

Level-I

**Based on March 2022, Version II Occupational
Standard**



**Module Title: - Identifying Cooperative Marketing
Environment**

LG Code: AGR CM1 M03 LO (1-4) LG (7-10)

TTLM Code: AGR CM1 TTLM 0922v1

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Introduction to the Module

Dear learner, the Ethiopian TVET system is now focused on the labor market demands and industry relevance. This translates that the main objectives of the TVET system is to qualify its graduates according to the occupational requirements of the industry. This module covers skills, knowledge and attitude required to distinguish a market and marketing environment, identify marketing environment and recommend potential market entries for Cooperative's business.

LG #7

LO #1 Identify Cooperative Marketing Environment

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Introduction to the module
- Meaning and concept of Marketing Environment
- Distinctions between marketing and market environment
- Potential cooperative markets

This guide will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Explain Meaning and concept of Marketing Environment
- Distinction between marketing and market environment
- Identify Potential cooperative markets

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks

Information Sheet 1

1.1. Meaning and concept of Marketing Environment

1.1.1. Meaning of Marketing Environment

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors include government, technological, economical, social, and competitive forces; whereas, organization's strengths, weaknesses, and competencies form the part of internal factors. Marketers try to predict the changes, which might take place in future, by monitoring the marketing environment. These changes may create threats and opportunities for the business. With these changes, marketers continue to modify their strategies and plans.

1.1.2. Features of Marketing Environment

Today's marketing environment is characterized by numerous features, which are mentioned as follows:

➤ Specific and General Forces:

It refers to different forces that affect the marketing environment. Specific forces include those forces, which directly affect the activities of the organization.

Examples of specific forces are customers and investors. General forces are those forces, which indirectly affect the organization. Examples of general forces are social, political, legal, and technological factors.

➤ Complexity:

It implies that a marketing environment include number of factors, conditions, and influences. The interaction among all these elements makes the marketing environment complex in nature.

➤ Vibrancy:

Vibrancy implies the dynamic nature of the marketing environment. A large number of forces outline the marketing environment, which does not remain stable and changes over time. Marketers may have the ability to control some of the forces; however, they fail to control all the

forces. However, understanding the vibrant nature of marketing environment may give an opportunity to marketers to gain edge over competitors.

➤ **Uncertainty:**

It implies that market forces are unpredictable in nature. Every marketer tries to predict market forces to make strategies and update their plans. It may be difficult to predict some of the changes, which occurs frequently. For example, customer tastes for clothes change frequently. Thus, fashion industry suffers a great uncertainty. The fashion may live for few days or may be years.

➤ **Relativity:**

It explains the reasons for differences in demand in different countries. The product demand of any particular industry, organization, or product may vary depending upon the country, region, or culture.

1.1.3. Types of Marketing Environment

The sale of an organization depends on its marketing activities, which in turn depends on the marketing environment. The marketing environment consists of forces that are beyond the control of an organization but influences its marketing activities. The marketing environment is dynamic in nature.

Therefore, an organization needs to keep itself updated to modify its marketing activities as per the requirement of the marketing environment. Any change in marketing environment brings threats and opportunities for the organization. An analysis of these changes is essential for the survival of the organization in the long run.

A marketing environment mostly comprises of the following types of environment: micro environment and macro environment

1.2. Distinctions between marketing and market environment

The term ‘market’ is derived from Latin word called ‘marcatus’ which means trade, merchandise, traffic or place of business. In ordinary language, the term market refers to a certain place where buyers and sellers personally meet each other and make their purchases and sales. According to Cornot, “Market is meant not any particular place in which things are bought

and sold, but the whole of any region in which the buyers and sellers are in such free intercourse with one another, that the price of the same goods tends to equality easily and quickly”. According to Chapman, the term market refers “not to a place but to a commodity or commodities and buyers and sellers who are in direct competition with one another.

According to W.J Stanton and Others, “Any person or group with whom an individual or organization has an existing or potential relationship can be considered as market”. By analyzing the above definition we can define the term market refers to an exchange activity which takes place between buyers and sellers directly or through middlemen, in a place or otherwise, for a price, resulting in physical delivery of ownership of goods.

1.2.1. Marketing

Marketing is a comprehensive term and it includes all resources and a set of activities necessary to direct and facilitate the flow of goods and services from producer to consumer in the process of distribution. Marketing is referred to a process of creating or directing an organization to be successful in selling a product or service that people not only desire, but are willing to buy. The traditional meaning of marketing is clearly borne out by the definition given by Ralf S. Alexander and Others, Marketing is the performance of business activities that direct the flow of goods and services from the producer to consumer or user.

Marketing is referred to a process of creating or directing an organization to be successful in selling a product or service that people not only desire, but are willing to buy. The traditional meaning of marketing is clearly borne out by the definition given by Ralf S. Alexander and Others, “Marketing is the performance of business activities that direct the flow of goods and services from the producer to consumer or user”. The modern concept of marketing was defined by E.F.L. Breach as, “Marketing is the process of determining consumer demand for a product or service, motivating its sales and distributing it into ultimate consumption at a profit”. By analyzing the above definition we can define the term marketing as a business process which creates and keep the customer.

1.2.2. Marketing Environment

Marketing Environment concerns the influences or variables of the external and internal environment of a firm that controls the marketing management's capability to construct and preserve the flourishing relationships with the consumer. An assortment of environmental forces affects a company's marketing arrangement. A few of them are governable while others are unmanageable. It is the task of the marketing manager to modify the company's policies together with the shifting environment. Macro and micro environment comprise the structure of the marketing environment.

The overall Marketing environment is the snowballing form of the aspects that encapsulate inside themselves the capability of a firm to bond with the customers and also, the strength of the product as a driver of development to the firm. The macro-environment consisting of wider societal authorities, and the micro-environment which incorporates the influences related to a company, together form the general marketing environment of a company.

According to Philip Kotler, A company's marketing environment consists of the internal factors & forces, which affect the company's ability to develop & maintain successful transactions & relationships with the company's target customers."



Figure 1.1

1.3. Potential cooperative markets

What Is a Potential Market?

Your potential market includes the demographic groups that are not currently your customers but could become customers in the future. They might become your customers because you expand your available products or services, or because you begin marketing your current products and services in a new way and to new groups of buyers.

1.3.1. How Potential Markets Work

Potential markets are an important part of a business's future growth. Every business has a set of target customers that make up its share of the available market. While you can continue selling to these customers in the future, one of the best ways to grow your business is to identify potential markets that you can begin targeting.

Potential markets allow you to:

- Ensure the future of your business by identifying new customers.
- Think proactively about ways for your business to grow and change.
- Show the potential of your business to investors or collaborators.
- Increase your revenue.
- Create a plan B that will weather changes in the economy or market.

By identifying and pursuing potential markets, you are not increasing your market share for today; you are ensuring your market share will increase for the future.

1.3.2. Types of Potential Markets

Potential markets take one of three forms:

- New products you market to your current customers.
- New products you market to new customers.
- Current products you market to new customers.

To identify your new potential markets, consider every target demographic you currently sell to, as well as those you have not yet targeted. Identify what they have in common, new milestones they will encounter in their lives that will impact their buying patterns, and where they overlap or diverge from your current customers.² Ask yourself:

- What other products do my customers need now?
- What related products will they need in the future?

- Who else could make use of the products I am selling now?
- What demographic information does that new group have in common with my current customers?
- What demographic information does that new group have in common with each other?

These questions will help you identify both new ways to market your current products or services, as well as new products and services that you can begin selling. For example, a business that makes baby products and markets them to parents could identify potential markets such as:

- Toddler products marketed to parents of older children.
- Baby products marketed to grandparents.
- Toddler products marketed to grandparents.
- Baby and toddler products marketed to childcare providers.

Depending on the size and age of your company, as well as your industry, you may have a clear picture of the potential markets that are available. Other times, you may need to use research to identify the areas where your business can grow and expand.

While you may not decide to target every potential market that you identify, understanding your options will help you discover the most natural and profitable directions for your business to grow.

1.3.3. How to Get New Potential Markets

Once you've identified and chosen a potential market to begin targeting, you will need new marketing strategies in place to communicate with them.

Though there may be some overlap between your current customers and your potential market, you should still treat your potential market as you would your target audience by creating a customer profile. Use this profile to identify:

- The demographic information that people in this group have in common.
- The best forms of media to reach them.
- How they prefer to shop and make purchases.
- The concerns, struggles, or problems you can help them overcome.
- What values matter to them, both in everyday life and when shopping.

- The language that resonates with them.

1.3.4. Identify a potential market

Realizing how to identify real opportunities is something that can be developed and improved as your business grows. But this development is mostly unique, and it is tied to many years of attempts and mistakes. Today, with the expertise of thousands of negotiations initiated and concluded on our platform, we present you the main points to be raised into consideration for increasingly promising and, most of all, lasting results. Knowing the best way to penetrate a market is a prerequisite for the success of your business. So, we'll give you some tips to identify a potential market more accurately.

a. Know your target audience

Identifying a potential market means knowing the key characteristics, interests and needs of the people who attend that potential market and aligning with the target audience of your business.

It is worth evaluating economic, social, and demographic projections for that market. Seeing these aspects, at first glance, may seem non-priority, but in fact, these data prevent you from making an imprecise decision about the penetration of the brand in the country or region.

b. Identify opportunities

By carrying out a market analysis, it is possible to capture the benefits of marketing products in that country or region. Large companies capture a space within a widely disputed segment to provide a competitive edge with very high added value.

To search for new markets, it is essential to pay attention to which solutions can still be placed on the potential market. The habits (see item 1) and “pains” of the local population must be considered, as this can yield fruitful ideas when planning your business in new locations.

A great example of this is Uber, when materializing a simple idea, meeting a demand that in a scenario of urban overcrowding, high spending on the purchase, use and maintenance of urban furniture, associated with greater collective awareness about the environment, with an app that connects drivers and passengers and innovates in the urban mobility segment.

c. Retain your customers

It's no use identifying new and promising markets without winning over the customers that drove its growth. In other words, only take the next step with the conviction that the previous one was done well. Katherine Barchetti's phrase "Make a customer, not a sale" applies assertively when noting that when dealing with companies in any sector, the most valuable items in the long term are the relationship and image that the company has.

For this, get to know and apply actions to the current demands of your customers. Find out what each department can promote to enhance the experience of the product or service provided. Equally important: invest in digital marketing. Online presence is a powerful tool for customer retention and loyalty.

d. Know who your competitors' customers are

To generate a relevant (and if possible, innovative) service or product you need to know what is available on the market. Therefore, it is essential that you know the solution that your competition offers.

Understand the scenario in its entirety, understand what the customer's pains and desires are, what motivates them, in what aspect you could offer a better solution than what they already have access to.

Validate the breadth of the presence of competitors, whether the product is well accepted in that market, whether there is a trend for the coming months, how that service relates to the public, cost-benefit, established partnerships and other points you deem necessary to know who you are competing with. Marketing staff, virtual trade shows and other networking channels will help you provide more data to know if that location is the right target for your product

e. Optimize your time by centralizing contact to several companies in your niche in one place

Understanding the need to find the best partnerships for your company and simplify Foreign Trade operations,

| | |
|--------------|--------------|
| Self-check 1 | Written test |
|--------------|--------------|

Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer (8 point)

1. One is not the of features of marketing environment

- A. Specific and General Forces
- B. Certainty
- C. Complexity
- D. Relativity

2. Potential markets allow you to _____

- A. Ensure the future of your business by identifying new customers.
- B. Think proactively about ways for your business to grow and change.
- C. Show the potential of your business to investors or collaborators.
- D. Increase your revenue. E All

3. The need for the marketing information arises because of the following reasons, except

- A. Knowledge about Consumers
- B. Changing Economic Environment
- C. Knowledge about Technology
- D. Knowledge about Competitive Conditions
- E. None

4. One is not under the category of Micro environment

- A. Marketing Agencies
- B. Suppliers
- C. Marketing Intermediaries
- D. Monetary and Fiscal Policy

Test II: Short Answer Questions

1. Write the Types of Potential Markets

2. Define Market Environment

3. Explain how potential market works

4. What is the relationship between the environment and the marketing environment?

5. What is the concept of a “marketing environment”?

6. What is the relationship between the environment and the marketing environment?

7. Why is it important to study the marketing environment?

LG #8

LO #2 The Cooperative Marketing Environment

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Market information gathering tools
- Micro Environment
- Macro Environment

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Identify market information gathering tools
- Understand micro Environment
- Understand macro Environment

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks
5. Perform Operation Sheets
6. Do the “LAP test”

Information Sheet 2

2.1. Market information Gathering tools

Marketing information system includes all the facts and information which is used in making marketing decisions and which will affect the marketing operation of the enterprise. Information as such is needed by every department of the enterprise. But the informational need of the marketing department is different from that of other departments.

This is because marketing information is more concerned with outside activities which are dynamic and diverse. The information to be collected from the market is fast changing and complex. As against this, other departments are more concerned with the information within the organization. Thus, marketing information includes all information on which market decisions are based.

According to Cundiff Still and Govani, “marketing information is an organized set of procedures, information handling, routines and reporting techniques designed to provide information required for making marketing decisions.” According to K. Cox and K. Gonad, “marketing information is a set of produces and methods for the regular and planned collection, analysis and presentation of information in making marketing decisions.

Thus, marketing information system is a set of procedure used for collecting information and analyzes it for the purpose of making marketing decisions. These marketing decisions have far reaching effect on the marketing activities of the organization.

2.1.1. Need for Marketing Information

The need for information is felt by every enterprise. This is because business unit operates in unpredictable and complex environment. For the purpose of survival, they have to continuously adapt themselves to the change in the environment. This can be done when they have the information about the changes taking place. Marketing department are also highly exposed to the continuous change in the markets. As a result, marketing information becomes essential for them.

The need for the marketing information arises because of the following reasons:

- **Knowledge about Consumers:**

In today's consumer centric marketing approach, no company can survive without clear knowledge of the consumer. Since consumers have to be served, their needs, wants, likings, dislikings, etc. are very important for the company. Without this knowledge company cannot serve its markets. At the same time, consumers' taste and preferences are constantly changing, about which company should have perfect knowledge only then it can adapt itself to the changes and survive.

- **Changing Economic Environment:**

Business units are highly exposed to market forces and economic variables like size of the population, national income, per capita income, flow of money, price-level, economic policies, economic growth rate, demand and supply position in the economy, etc. They have to operate in an environment where economic conditions are constantly changing. This can be done only with the help of relevant and updated information on economic data.

- **Knowledge about Technology:**

Technology forms the base for the production activities. Firms carry out large scale production with the use of technology only which provide a competitive edge to the firm over its competitors. Firm can bring improvement in its quality of product, cost of production and price level through the use of new and latest technology. This is possible when firm keeps pace with technological changes and continuously adapt itself to it. Marketing information pertaining to marketing innovation and technological development should be there with the firm.

- **Market Information:**

Firms have to keep themselves abreast with the marketing environment. For this, they should have updated and accurate information about the observation made in newspapers and magazines, trade fairs and exhibition, observation made by the intermediaries like dealers, distributors, retailers, salesman, census data, trade association data, etc. Through this they can know what is happening around and thus keep themselves updated with the changes.

- **Knowledge about Competitive Conditions:**

Markets today are characterized by high degree of competition and more number of competitors. Business units compete with each other by superior marketing policies and strategies. Those firms are successful who keep a close watch on the degree of competition, competitors' changing strategies, etc. This is possible through relevant, authentic and latest information about the competitive environment.

- **Gap between Producer and Consumer:**

Modern marketing has increased the gap between producer and consumer. Greater distance between the two, creates communication gap and thereby problems. It is very essential that both producer and consumer understand each other, only then healthy relationship will develop. This is possible when there is perfect two-way flow of information between producer and consumer.

2.1.2. Characteristics of Good Marketing Information

The value and the use of marketing information depend to a large extent on the essential characteristics of good marketing information it possesses.

- Relevance (for decision making).
- Clarity.
- Completeness.
- Confidentiality.
- Precision.
- Economy.
- Reliability (from genuine source).
- Accuracy.
- Timeliness.
- Objectivity.
- Authenticity.
- Strategic value.

2.1.3. Data collection methods

Data is one of today's most valuable resources in business. Collecting information about customers allows companies to understand their interests and needs better. There are a variety of

methods for collecting data, and it's hard to choose the best one. That's why we are taking the time to introduce you to this topic! Get to know the best data collection methods and decide which one is best for your organization.

i. Surveys

Asking direct questions to your customers is probably one of the most popular, and also an effective method of gathering data. Web-based surveys are definitely quick and easy for the respondents. They usually have limited answers to choose from with a few open questions. Such a secure form of questionnaire sometimes leaves no place to share the actual thought of one customer or his in-depth impression.

ii. Interviews

A one-on-one interview is probably the most personal method to choose from. The interview is ideal when you want your data analytics to be in-depth. It allows you to ask specific questions, and if the answer is not clear enough, you can always follow-up with another question. Unfortunately, results of such interviews are at the risk of being generalized based on conclusions, and it shouldn't be done.

iii. Focus group

Focus groups are basically the same as interviews but conducted in a group. Ideally, the focus group should have between three to ten people maximum, plus a moderator. The general idea of a focus group is that each participant can share the opinion, but it also leaves a place for discussion within the group. Thanks to such a method, you can get highly detailed data from representatives of different target groups. But it also lies in the hand of the moderator to control this type of interaction, as well as trying to keep the results qualitative and measurable.

iv. Online tracking

Your website or app is the perfect tool for collecting data about customer behavior. Each person that visits your website automatically creates the data. Therefore you have access to information about how many people visited your site, how long they stayed, what they clicked, and where they got lost. Tracking customer's behavior allows you to have greater insight into their preferences. You can track not only customer's behavior but also their transactions. What they

bought, what they were interested in, what they left in the basket – all this information helps plan your business strategy.

v. Marketing analysis

Another data collection method is through your marketing campaigns. While conducting a campaign, you use a chosen channel. It analyzes data about profiles of people that clicked on your ad, how many times they did it, at what time, on which device, etc. This method provides you with the best feedback about profiles of people who were actually interested in your advertisement.

vi. Monitoring social media

Thanks to the power of social media, you can gather as much data as each person decided to share publicly. Collecting data about their interests, hobbies or followers can give you a better understanding of your target audience. You can also monitor how many times your company was mentioned or looked for on social media. Many social media sites will also provide you with analytics about the performance of your posts. This is a perfect use of the third-party data, that can give you precious customer insights.

vii. Subscription and registration data

Signing up to your email list or rewards program almost always requires providing valuable customer data. It is also done with the customer's permission. The main benefit of such a method is that your leads are more likely to convert. They have already shown an interest in your brand. You just need to remember that asking for too much can discourage people from joining your subscription, but if you're not asking for enough your data analytics won't be as valuable.

2.1.4. Importance of collecting marketing information

As mentioned before, data collection is essential. No matter which area of business you represent, the collected information can be of use to help you understand your customers' behavior. What are the main benefits of collecting the data?

- A better understanding of your customers

First and foremost, if you gather data, you get to know your customers. You get all the information required to provide the best experience they need. Of course, it is nearly impossible

to get to know every one of your customers personally, especially if your business is large or runs online. But the more information you have, the better you can understand them, and the easier it will be for you to meet their expectations. Data collection methods help you to improve your understanding of customer’s behavior, their interests, and what they want from you as a company.

- Easier identification of areas for improvement

Gathering data may also help with identifying which areas of your business need improvement. How? By looking at transactional data, you know which of your products are the most popular and which are not. Data collection methods are also helpful when it comes to identifying opportunities for expansion. If you analyze your customer data, you can gain valuable customer insights to determine your true potential. You can choose to launch a new store in a given area and put a personalized advertisement or discount that can focus on your current customers.

- Prediction of future trends

Following the newest trends is what keeps any business going. It would help if you kept an eye on the ball. The collected data analytics makes it easier and gives you more time to be prepared. Are videos getting more popular than text? Use it. Are people more eager to share their thoughts on your fan page than in emails? React to it. The black color is now leaving shelves for more colorful clothes? Take notes. Information is all around us; you just need to focus and make use of it. Data collection methods even help you make predictions based on the individual customer. By using information that may be important to your customer, you can proactively offer support that increases his customer experience.

- Better personalization and targeting

As mentioned in previous articles, targeting and personalization is an important factor when it comes to customer care. None of those techniques can be executed without the basis – data analytics. Thanks to the information gathered you can tailor any message, ad, or any type of content to each customer’s personal preferences. Targeting is not only useful in case of individual customers but also in case of a specific group. By gathering data about your customers, you can adjust your message so that it is more suitable for your target group.

2.2. Micro Environment

Micro environment refers to the environment, which is closely linked to the organization, and directly affects organizational activities. It can be divided into supply side and demand side environment. Supply side environment includes the suppliers, marketing intermediaries, and competitors who offer raw materials or supply products. On the other hand, demand side environment includes customers who consume products.

Let us discuss the micro environment forces in the following points:

i. Suppliers:

It provides raw material to produce goods and services. Suppliers can influence the profit of an organization because the price of raw material determines the final price of the product. Organizations need to monitor suppliers on a regular basis to know the supply shortages and change in the price of inputs.

ii. Marketing Intermediaries:

It helps organizations in establishing a link with customers. They help in promoting, selling, and distributing products. Marketing intermediaries include the following:

a. Resellers:

It purchases the products from the organizations and sell to the customers. Examples of resellers are wholesalers and retailers.

b. Distribution Centers:

It helps organizations to store the goods. A warehouse is an example of distribution center.

c. Marketing Agencies:

It promotes the organization's products by making the customers aware about benefits of products. An advertising agency is an example of marketing agency.

d. Financial Intermediaries:

It provides finance for the business transactions. Examples of financial intermediaries are banks, credit organizations, and insurance organizations.

iii. Customers:

Customers buy the product of the organization for final consumption. The main goal of an organization is customer satisfaction. The organization undertakes the research and development activities to analyze the needs of customers and manufacture products according to those needs.

iv. Competitors:

It helps an organization to differentiate its product to maintain position in the market. Competition refers to a situation where various organizations offer similar products and try to gain market share by adopting different marketing strategies.

2.3. Macro Environment:

Macro environment involves a set of environmental factors that is beyond the control of an organization. These factors influence the organizational activities to a significant extent. Macro environment is subject to constant change. The changes in macro environment bring opportunities and threats in an organization. Let us discuss these factors in details:

i. Demographic Environment:

Demographic environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location. It also includes the increasing role of women and technology. These elements are also called as demographic variables. Before marketing a product, a marketer collects the information to find the suitable market for the product. Demographic environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in demographic environment persuade an organization to modify marketing strategies to address the altering needs of customers.

ii. Economic Environment:

Economic environment affects the organization's costs structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability.

The factors economic environment is as follows:

a. Inflation:

It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

b. Interest Rates:

It determines the borrowing activities of the organization. For example, increase in interest rates for loan may lead organizations to cut their important activities.

c. Unemployment:

It leads to a no income state, which affects the purchasing power of an individual.

d. Customer Income:

It regulates the buying behavior of a customer. The change in the customer's income leads to changed spending patterns for the products, such as food and clothing.

e. Monetary and Fiscal Policy:

It affects all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy; whereas, fiscal policy regulates the government spending in various areas by collecting the revenue from the citizens by taxing their income.

iii. Natural Environment:

Natural environment consists of natural resources, which are needed as raw materials to manufacture products by the organization. The marketing activities affect these natural resources, such as depletion of ozone layer due to the use of chemicals. The corrosion of the natural environment is increasing day-by-day and is becoming a global problem.

Following natural factors affect the marketing activities of an organization in a great way:

a. Natural Resources:

It serves as raw material for manufacturing various products. Every organization consumes natural resources for the production of its products. Organizations are realizing the problem of depletion of resources and trying best to use these resources judiciously. Thus, some organizations have indulged in de-marketing their products.

For example, Indian Oil Corporation (IOC) tries to reduce the demand for its products by promoting advertisements, such as Save Oil, Save India.

b. Weather:

It leads to opportunities or threats for the organizations. For example, in summer, demand for water coolers, air conditioners, cotton clothes, and water increases while in winter, the demand for woolen clothes and room heaters rises. The marketing environment is greatly influenced by the weather conditions of a country.

c. Pollution:

It includes air, water, and noise pollution, which lead to environmental degradation. Now-a-days, organizations tend to promote environment friendly products through its marketing activities. For example, the organizations promote the usage of jute and paper bags instead of plastic bags.

iv. Socio-Cultural Environment:

Socio-cultural environment comprises forces, such as society's basic values, attitudes, perception, and behavior. These forces help in determining that what type of products customers prefer, what influences the purchase attitude or decision, which brand they prefer, and at what time they buy the products. The socio-cultural environment explains the characteristics of the society in which the organization exists. The analysis of socio-cultural environment helps an organization in identifying the threats and opportunities in an organization.

For example, the lifestyles of people are changing day-by-day. Now, the women are perceived as an active earning member of the family. If all the members of a family are working then the family has less time to spend for shopping. This has led to the development of shopping malls and super markets, where individuals could get everything under one roof to save their time.

v. Technological Environment:

Technology contributes to the economic growth of a country. It has become an indispensable part of our lives. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment. Technology acts as a rapidly changing force, which creates new opportunities for the marketers to acquire the market share. Marketers with the help of technology can create and deliver products matching the life style of customers. Thus, marketers should observe the changing trends in technology. Following points explain the technological trends that affect the marketing environment:

a. Pace of Technological Change:

It leads to product obsolescence at a rapid pace. If the pace of technological change is very rapid then organizations need to modify their products as and when required. On the other hand, if the technology is not changing at a rapid pace then there is no need for the organization to bring constant changes in the product.

b. Research and Development:

It helps in increasing growth opportunities for an organization. Many organizations have developed a separate team for R&D to bring innovation in its products. Pharmaceutical organizations, such as Ranbaxy and Cipla, have started putting greater force in R&D and these efforts have led to great opportunities in global market.

c. Increased Regulation:

It refers to government guidelines to ban unsafe products. Marketers should be aware of these regulations to prevent their violation. Every pharmaceutical organization takes the approval of the Drugs Controller of India, which lays down the standards for drugs manufacturing.

vi. Political and Legal Environment:

Political and legal environment consists of legal bodies and government agencies that influence and limit the organizations and individuals. Every organization should take care of the fact that marketing activities should not harm the political and legal environment prevailing in a country. The political and legal environment has a serious impact on the economic environment of a country. For example, in some regions of Uttar Pradesh, Reliance Fresh had to shut down its stores because of the lack of political support. Various legislations affecting the marketing activities are as follows:

- a. Anti-pollution laws, which affect the production or manufacturing of various products.
- b. Customer legislation, which tries to protect the customer's interest.

2.3.1. Need for Analyzing the Marketing Environment:

The business environment is not static. It is continuously changing with fast speed. The marketing environmental analysis will help the marketer to:

- i. Become well acquainted with the changes in the environment.

- ii. Gain qualitative information about the business environment; which will help him to develop strategies in order to cope with ever changing environment.
- iii. Conduct marketing analysis in order to understand the markets needs and wants so as to modify its products to satisfy these market requirements.
- iv. Decide on matters related to Government-legal-regulatory policies in a particular country so as to formulate its strategies successfully amidst these policies.
- v. Allocate its resources effectively and diversify either into a new market segment or totally into a new business which is outside the scope of its existing business.
- vi. Identify the threats from the environment in terms of new competitors, price wars, competitor's new products or services, etc.; and prepare its strategies on the basis of that.
- vii. Identify the opportunities in the environment and exploit these opportunities to firm's advantage. These opportunities can be in terms of emergence of new markets; mergers, joint ventures, or alliances; market vacuum occurred due to exit of a competitor, etc.
- viii. Identify its weaknesses such as lower quality of goods or services; lack of marketing expertise; or lack of unique products and services; and prepare strategies to convert its weaknesses into strengths.
- ix. Identify its strengths and fully exploit them in firm's advantage. These strengths can be in terms of marketing expertise, superior product quality or services, or giving unique innovative products or services.

2.3.2. Importance of Marketing Environment:

The study of marketing environment is essential for the success of an organization.

The discussion of importance of marketing environment is as follows:

- Identification of Opportunities:

It helps an organization in exploiting the chances or prospects for its own benefit. For example, if an organization finds out that customers appreciate its products as compared to competitors' products then it might encash this opportunity by giving discounts on its products to boost sale.

- Identification of Threats:

It gives warning signals to organizations to take the required steps before it is too late. For example, if an organization comes to know that a foreign multinational is entering into the

industry then it can overcome this threat by adopting strategies, such as reducing the product's prices or carrying out aggressive promotional strategies.

- Managing Changes:

It helps in coping with the dynamic marketing environment. If an organization wishes to survive in the long run then it has to adapt to the changes occurring in the marketing environment.

| | |
|--------------|--------------|
| Self-Check 2 | Written test |
|--------------|--------------|

Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Multiple choice

- Characteristics of Good Marketing Information includes, but
 - Relevance
 - Clarity.
 - Completeness.
 - Confidentiality.
- Why we collect market information?
 - Better understanding of your customers
 - Easier identification of areas for improvement
 - Better personalization and targeting
 - Prediction of future trends
 - All
- One is not under the Category of Macro Environment
 - Suppliers
 - Demographic Environment
 - Customer Income
 - Monetary and Fiscal
 - Inflation:
- _____ refers to the environment, which is closely linked to the organization, and directly affects organizational activities.
 - Macro Environment
 - Micro Environment
 - Political Environment
 - Economic Environment
- _____ environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location
 - Economic Environment
 - Demographic Environment
 - Political Environment
 - Social Environment

Test I: Short answer

1. Write the importance of marketing information

2. Mention market information collection methods

3. Distinguish between macro and micro environment

Note: Satisfactory rating - 5 points Unsatisfactory - below 5 points
You can ask you teacher for the copy of the correct answers.

LG #9

LO #3 Identifying Cooperative marketing opportunity

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Source of marketing opportunities
- Characteristics of good market opportunity
- Market Opportunities selection and Prioritization

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Identify Source of marketing opportunities
- Explain Characteristics of good market opportunity
- Select and Prioritize Market Opportunities

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks
5. Perform Operation Sheets
6. Do the “LAP test”

Information Sheet 3

3.1. Source of Marketing Opportunities

A marketing opportunity is a qualified sales lead that a sales team reviews and identifies as someone in potential need of a product or service. Marketing opportunities create the foundation for driving sales and are more likely to end in a successfully closed sale. Often better than other types of sales leads, marketing opportunities are already qualified as the customer having a problem that you have the solution to and the customer has verified they have the resources to purchase that product or solution.

However, no matter how broad the appeal of a product or service, not every person will purchase it, which is why it's so important to identify and take advantage of marketing opportunities. Companies work diligently to identify marketing opportunities, starting with a global overview of the market potential for their product or service and narrowing it down to individual actionable marketing opportunities for sales. Companies conduct marketing opportunity analyses to determine if they can introduce new products, sell more products, attract more customers and achieve company growth.

Successful organizations look for unmet needs of market and try to meet the same by offering service/products in a profitable manner. The process is known as market opportunity analysis (MOA) which helps in identifying the gaps in the market in terms of underserved or the latent demand. It involves identifying the gap or the niche in the market and to provide a suitable offering. It involves lot of time, research and planning before the product/ service is identified, designed, developed and introduced into the market. The analysis of market opportunities is a very serious business and cannot be taken as a routine annual ritual. It is a well thought out, scientific and critical managerial exercise which could improve the business dramatically in the long run and if not handled properly, the product may fail in the market wiping out precious financial resources invested over a period of time.

The MOA models /frameworks help to evaluate the environment in a systematic manner so that nothing is left to chance. The outcome of this practice guides a company to identify the

product/service to be introduced. In spite of adopting MOA, due to rapid changes in consumer preferences, disruptive technologies, undue delay in launching products and dynamic microenvironment some of the reputed organizations with strong brand equity fail to satisfy the potential customers. Surprisingly, products that were introduced without much research, developed by accident, or were an outcome of gut feeling found ready acceptance in the market and have become runaway success as they met some unmet needs. These facts reinforce the thinking that organizations have to be agile to capture the customer needs on a regular basis in order to be successful. It is to be noted that ultimately, the fate of the offering is decided by the consumer.

3.1.1. Identifying Market Opportunities

In today's business environment, sustaining growth and profitability is never a guarantee. Technological and scientific advances shorten life cycles of products and services, business models change and new competitors appear from outside the industry. This constant instability makes it necessary to seek new business opportunities. In this article, we'll outline 8 ways to identify market opportunities for business growth.

First, you need to define a framework to help search for opportunities. To do this, it is necessary to understand your company's business direction and to have knowledge of the resources, strengths and capabilities of your company.

Once you have a good understanding of company goals and areas of expertise, the next step is to analyze the market, assessing consumer needs and how they are being met by companies today. In order to identify market opportunities, the business model as a whole must be evaluated by identifying consumers and companies and other factors such as brand value propositions, direct and indirect competitors, supply chains, existing regulations and the general environment. Let's examine how to analyze these factors in detail below.

a. Consumer segmentation

To understand your demand, you must identify consumer segments that share common characteristics. These characteristics can be "hard" variables such as age, gender, place of residence, educational level, occupation and level of income or "soft" variables such as lifestyle, attitude, values and purchasing motivations.

Hard variables can help estimate the number of potential customers a business can have. For example, a nappies/diapers producer should know how many children under 3 years live in a certain country as well as the birth rate. Soft variables can help identify motivations that lead to purchasing decisions including price, prestige, convenience, durability and design.

An example of how segmentation can help identify market opportunities is Aguas Danone, a bottled water company in Argentina. Several years ago the company's sales were falling and they were looking for a new product. Aguas Danone identified two drivers behind non-alcoholic drinks consumption: health and flavor. Bottled water was perceived as healthy but did not offer the attribute of good taste. Soft drinks and juices tasted good, but were perceived as highly caloric. The company realized there was an opportunity for healthy drinks offering both taste and flavor. As a result, they launched flavored bottled waters Ser with great success. According to data from Euro monitor International, Aguas Danone has been the leader of Reduced Sugar Flavored Bottled Water in Argentina since launching in 2002, beating giants such as Coca Cola and Nestlé. As of 2016, Aguas Danone still had 57% off-trade value share of Reduced Sugar Flavored Bottled Water as well.

b. Purchase situation analysis

Purchase situations must also be examined to uncover expansion opportunities. Questions to ask when reviewing purchase analysis are:

- When do people buy our product or service?
- Is it when they need it?
- Where do people make the purchase?
- How do they pay?

Looking at distribution channels, payment methods and all other circumstances that involve purchasing decisions can teach you how consumers buy and how you can position your product appropriately. Offering new shopping alternatives may bring new customers. For example, vending machines offering snacks like yoghurt and individual juices have been introduced in the hallways of the subway of Santiago de Chile, promoting on-the-go consumption.

Another aspect to explore is the acceptance of different means of payment. For example, Amazon recently launched Amazon Cash in the US, enabling consumers without credit cards to shop online by adding credit to their personal Amazon accounts.

c. Direct competition analysis

In addition to analyzing demand and purchasing situations, it is important to analyze supply. Knowing the existing players in the market where you are competing or going to compete is important when evaluating opportunities. Relevant questions in this case are:

- What are the products and brands of our industry that are growing more significantly and why?
- What is their value proposition?
- What competitive advantage do we have over them?

For example, SKY airline, competing in the Chilean market against a notably positioned brand such as LAN, found there was an opportunity to differentiate itself with a low cost model, which until then had not existed in Chile. SKY lowered its costs, by eliminating complimentary food and beverages for all passengers during flights and in doing so lowered its ticket prices. This helped the company increase its share of carried passengers from 10% in 2008 up to 20% in 2017, according to Euro monitor International.

d. Indirect competition analysis

Opportunities can also be found by analyzing substitute industries. For example, thanks to the decrease in airfares, airlines may look for opportunities in consumer segments currently supplied by other means of transport. Air carriers should research how many people travel on long-distance buses and trains, which routes are the most in-demand, how much travelers pay for their tickets, what the occupation rate of long-distance buses and trains is and what is necessary to persuade a current passenger of buses or trains to choose to travel by plane instead. This type of analysis helps establish competitive advantages against indirect competitors and provide insight on additional opportunities for growth.

e. Analysis of complementary products and services

Companies should monitor the performance of other companies' products, which are complementary to their own. For instance, a packaging company should monitor sales of products that it could potentially package, while a company producing coffee machines should gather insights on the evolution of different types of coffee sales. Trends in complementary markets should be taken into account when making investment decisions.

f. Analysis of other industries

In some cases, the objective of companies is not to continue operating within an industrial sector but to expand a certain business model or philosophy. For example, a British holding of companies, Easy Group, started maximizing the occupancy rate of flights with the airline Easy Jet. Easy Group understood that it was preferable to sell a seat at a lower price than not selling it at all. Easy Jet opted for a rate management model that depended on the occupancy rate of flights and the time remaining until the day of the flight. With this business model, it managed to increase occupancy rates. Easy applied the same model to cinemas when it created Easy Cinema and then with buses for Easy Bus. In any case, to enter a new industry it is important to learn about competition first: market sizes, market shares, growth rates, unit prices, per capita sales and brands positioning.

g. Foreign markets analysis

When a company operates in a mature or saturated market, exploring other countries may lead to additional opportunities. Markets in different countries grow at different paces for several reasons, including disparities in the level of economic development and local habits. Knowing the evolution of per capita consumption of a given product in a given country can serve as an indicator of the maturity of the product's life cycle. Having information on the size of the market and competitors in other countries will help to estimate the business potential.

In addition to product sales, you can also investigate what happens in more developed countries in terms of consumption habits. For example:

- What is the percentage of people who use the smart phone to pay for their purchases?
- What is the market share of private labels in a certain industry?

Answers to those questions in more developed countries can serve as indicators of the potential the indexes have in their own country. On the other hand, monitoring what happens in other countries may lead to new products or services present still absent in your current market.

h. Environment analysis

Market opportunities can also be identified by analyzing changes in the environment with technological and scientific developments generating new business opportunities. For example, the growth of the Internet and smart phones' penetration has enabled the arrival of companies

with new business models such as Airbnb and Uber. According to Euro monitor International, the share of mobile internet subscriptions to mobile telephone subscriptions in the world was 20% in 2011, reaching 53% in 2016. And while globally only 17% of households possessed a smart phone in 2011, this percentage reached 45% in 2016. Beyond mobile and the Internet, artificial intelligence, robotization, internet of things, biotechnology and renewable energy sources also provide multiple business opportunities.

Changes in a country's regulatory framework can also create opportunities. Since June 2016, Chile requires companies to include labels on products high in calories, sodium, sugars and saturated fats. This obligation may represent a growth opportunity for healthier products not affected by the new labels. Euro monitor International expects product sales in Chile will be impacted depending on the product type. Obtaining more market research on category and product sales in Chile may help identify categories that have growth opportunities for new products without labels.

Other transformations in the environment such as climate change, geopolitical movements and changes in financial markets also influence market opportunities. It is imperative to consider using market research to gain insight on the local business environment; ensuring that your strategy will flourish in a new or developing marketplace.

Consumer segmentation, purchasing decisions, direct and indirect competitors, complementary products and services, industry, foreign markets and environmental analysis are the eight types of analysis that will help your organization identify new market opportunities. Using a variety of analysis will help your business gain a holistic view of opportunities and help create long-term strategic business plans. Once opportunities are identified, companies must move quickly to create a plan. It is necessary to develop a value proposition, plan the commercialization chain and estimate costs, revenues, cash flows and financing needs. Not all market opportunities identified will succeed but experimenting will give answers on the potential of each.

To minimize the costs of failed opportunities, pilot testing new products, services or business models can be performed in controlled areas. Risks in pilot testing include alerting the competition about your strategy. This risk must be compared against the risk and cost of

launching a new product at a global scale and failing. When pilot testing many experiments will fail, but some will succeed and be developed at a larger scale.

For example, in 2013 Coca-Cola launched Coca-Cola Life within the Low Calorie Cola Carbonates category. It was a pilot test that started in Argentina and Chile, followed by launches in other countries like the UK, Sweden, Australia, Switzerland, Japan and New Zealand. Sales of Coca-Cola Life did not grow as much as expected in many of these markets. According to Euromonitor International, in 2016 Coca Cola Life reached less than 2% value share in Australia and less than 4% value share in the UK. As such, Coca Cola discontinued the brand in those two countries. In other countries similar measures have been announced: retirement of the product line within the market or reduction of production within the market. Pilot testing helped Coca Cola determine success of Coca Cola Life, since a failure at a global scale would have had higher costs in terms of expenditure and brand image.

3.1.2. Market Opportunity Analysis

- Research your customers and competition.

Use market research to analyze your customers and competitors on multiple levels. This will help you evaluate whether the demand for a product/service is real, and whether expanding into a potential new market is worthwhile for your company.

Identify consumers segments that share common characteristics such as age, gender, education, income, occupation, and place of residence, or softer variables such as lifestyle and values. Also consider consumer motivation. What "job" is the customer trying to get done? What barriers may be constraining consumption? Knowing who your key competitors are and assessing their strengths and weaknesses can also illuminate specific growth strategies and ways to differentiate your products and services.

- Get a high-level view of the market.

However, assessing your customers and competitors is not enough. You also need to obtain a broader understanding of the market as a whole and what the potential of success is in the market.

Otherwise, your organization could be trapped into thinking that a few percentage points increase is enough, where there is actually much more potential. Market researchers are experts at providing the overall objective picture and can help you step away from intra-company thinking.

When analyzing a market, these high-level questions come into play:

- What is the market size?
- How quickly is the market expanding or contracting?
- How many buyers are there?
- What are the barriers to entry?
- What is the bargaining power of suppliers?
- What is the industry value chain?
- What is the intensity of the competition?
- Is there a threat of new entrants or substitute products or services?

- Explore adjacent opportunities.

Pursuing adjacent opportunities can also be a winning strategy.

In a five-year study, researchers analyzed the growth and performance of 1,850 corporations. They found that the companies with the most sustained profitable growth had used a systematic, disciplined approach to expand the boundaries of their core business into an adjacent space. Some companies expanded from one geographic market to another, while others applied an existing business model to adjacent segments.

Take Procter & Gamble's Crest toothpaste brand as an example. In the late 1990s, Crest was floundering, but Procter & Gamble revitalized the brand by moving into two other categories — teeth whitening and brushing — with the introduction of Crest White strips and Spin Brush. The company used the same channels to reach the same customers with the same marketing framework and added more than \$200 million of new sales for each new brand in one year. Keeping your finger on the pulse of a market will help you to maintain a proactive approach and profitably outgrow your rivals by finding ways to expand outside your core business.

- Understand the business environment factors.

Another area to explore is the overall business environment, which can have a profound impact on company performance and the ways industries operate.

The business environment includes factors such as:

- Technological developments
- Government regulations
- Geopolitical shifts
- Economic indicators
- Trade policies
- Social and cultural norms

As an example, companies in the life science and healthcare sectors currently face a number of potential disruptors that contribute to ongoing uncertainty, as noted by market research firm Kalorama Information, including attempts to repeal and replace the Affordable Care Act, health IT policies, and President Trump’s statements about drug pricing. Other factors impacting markets include Brexit, rising out-of-pocket spending on healthcare, and physician shortages. Any new business opportunity in these sectors will need to be evaluated in the context of these factors and challenges.

- Find the market research you need fast.

Gathering and synthesizing information about all these categories can take significant time, effort, and expertise, but market research reports can give you a helpful leg up. Off-the-shelf” reports, such as those available on MarketResearch.com, can supply you with much of the information you need for a comprehensive understanding of the customer, competition, industry, and business environment. In these reports, you’ll find information on market size, market share, market forecasts, information on regulations, consumer demographics, and much more. In addition, many reports explicitly share analysis on key opportunities for future growth, next-generation product innovation, and emerging marketing strategies.

If you are researching a niche market that is not covered in a published report, you can also commission a custom market research project to fit your unique specifications. Our expert team of in-house analysts regularly assists companies with make-or-break decisions and initiatives such as new product development, geographic market expansion, mergers and acquisitions, competitive intelligence, voice of the customer, and strategic planning.

3.2. Characteristics of good market opportunity

For most people, a business opportunity arises from a need to fulfill something. For example, when you see a vacuum in the market, you have an idea of how to fill it, and you have the capability and the resources needed, then you can go ahead and start the business. 10 characteristics of a good business opportunity

- **Solves a problem**

As long as societies change and technologies advance, consumers will face different challenges or problems. Luckily, solutions for each situation will always exist. However, an issue for would-be entrepreneurs is finding these problems and matching them with the best solutions. The best way of approaching this would be to focus on building a must-have product. Consumers have many choices on the market today. But a new entrepreneur should look for something that will solve a painful problem and grab their customer's attention.

- **Demand**

The first thing that one ought to take into account before planning to start a business is to ask themselves where there's a significant demand for the particular product or services they intend to launch i.e. is there a gap in the market? If the answer is NO then that idea isn't a viable business opportunity. It would also be profitable to target a specific niche as this increases the chances of you becoming a dominant player for that specific niche.

- **Return On Investment**

3.2.1. Characteristics of a Business Opportunity

If the business opportunity you have in mind has the potential of bearing fruits within a set period of time and which can cover the capital that was used in addition to bearing profits then there's a high chance that you've got a winner but if it only requires more and more capital to be injected in with minimal or no possibility of having any returns any time soon then you ought to tread carefully.

- **Availability Of Resources**

You should have all the resources needed to take advantage of that particular business opportunity as well as a time frame for implementing it lest someone else beats you to it.

- **Skill**

You need to have the experience required to tap into that particular business opportunity e.g. if you want to start a bakery but don't know a thing about baking then that's not a viable business opportunity. It is therefore important that you have the required skill i.e. experience and expertise, for the business you would like to start.

- **Scalability**

Can the business grow gradually within a given period of time and can it adapt to the changing times i.e. is it flexible enough? If the answer is NO then that idea isn't a viable business opportunity.

- **Healthy Profit Margin**

Does the business have a good profit margin that will ensure the business remains profitable even as it meets the gap in the market? If the answer is NO and you're not in it for charity then that idea isn't a viable business opportunity.

- **Customer Retention**

It's said that customers are the lifeblood of any business but if you can't retain your customers then your business won't last very long. You therefore need to put in place mechanisms that will ensure you prolong your customers stay with you i.e. that they will keep buying from you for as long as possible.

3.3. Market Opportunities selection and Prioritization

You may be considering a variety of new business ideas and market opportunities, but not all of them are worth pursuing. It's important to narrow down your options and make sure you focus on the ones that have the highest potential for success. Chasing too many growth initiatives can be dangerous for your business. According to the Harvard Business Review, "As an executive team's priority list grows, the company's revenue in fact declines relative to its peers." But focusing on a small set of promising initiatives can lead to above-average revenue growth.

Follow these five steps to evaluate the attractiveness of a new market opportunity and start prioritizing your business growth initiatives.

i. Research your customers and competition.

Use market research to analyze your customers and competitors on multiple levels. This will help you evaluate whether the demand for a product/service is real, and whether expanding into a potential new market is worthwhile for your company. Identify consumers segments that share common characteristics such as age, gender, education, income, occupation, and place of residence, or softer variables such as lifestyle and values. Also consider consumer motivation. What "job" is the customer trying to get done? What barriers may be constraining consumption? Knowing who your key competitors are and assessing their strengths and weaknesses can also illuminate specific growth strategies and ways to differentiate your products and services.

ii. Get a high-level view of the market.

However, assessing your customers and competitors is not enough. You also need to obtain a broader understanding of the market as a whole and what the potential of success is in the market. Otherwise, your organization could be trapped into thinking that a few percentage points increase is enough, where there is actually much more potential. Market researchers are experts at providing the overall objective picture and can help you step away from intra-company thinking.

When analyzing a market, these high-level questions come into play:

- What is the market size?
- How quickly is the market expanding or contracting?
- How many buyers are there?
- What are the barriers to entry?
- What is the bargaining power of suppliers?
- What is the industry value chain?
- What is the intensity of the competition?
- Is there a threat of new entrants or substitute products or services?

iii. Explore adjacent opportunities.

Pursuing adjacent opportunities can also be a winning strategy. In a five-year study, researchers analyzed the growth and performance of 1,850 corporations. They found that the companies with

the most sustained profitable growth had used a systematic, disciplined approach to expand the boundaries of their core business into an adjacent space.

Some companies expanded from one geographic market to another, while others applied an existing business model to adjacent segments.

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iv. Understand the business environment factors.

Another area to explore is the overall business environment, which can have a profound impact on company performance and the ways industries operate.

The business environment includes factors such as:

- Technological developments
- Government regulations
- Geopolitical shifts
- Economic indicators
- Trade policies
- Social and cultural norms

As an example, companies in the life science and healthcare sectors currently face a number of potential disruptors that contribute to ongoing uncertainty, as noted by market research firm Kalorama Information, including attempts to repeal and replace the Affordable Care Act, health IT policies, and President Trump’s statements about drug pricing.

Other factors impacting markets include Brexit, rising out-of-pocket spending on healthcare, and physician shortages. Any new business opportunity in these sectors will need to be evaluated in the context of these factors and challenges.

v. Find the market research you need fast.

Gathering and synthesizing information about all these categories can take significant time, effort, and expertise, but market research reports can give you a helpful leg up. Off-the-shelf” reports, such as those available on MarketResearch.com, can supply you with much of the information you need for a comprehensive understanding of the customer, competition, industry, and business environment.

In these reports, you’ll find information on market size, market share, market forecasts, information on regulations, consumer demographics, and much more. In addition, many reports explicitly share analysis on key opportunities for future growth, next-generation product innovation, and emerging marketing strategies. If you are researching a niche market that is not covered in a published report, you can also commission a custom market research project to fit your unique specifications. Our expert team of in-house analysts regularly assists companies with make-or-break decisions and initiatives such as new product development, geographic market expansion, mergers and acquisitions, competitive intelligence, voice of the customer, and strategic planning.

Self-check 3

Written test

Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer

1. Marketing opportunities helps

- A.** In identifying the gaps in the market in terms of underserved or the latent demand.
- B.** In identifying the gap or the niche in the market and to provide a suitable offering
- C.** To identify unmet needs of market and try to meet the same by offering service/products in a profitable manner
- D.** All
- E.** None

2. In the Identification market opportunities, one of the following is not important

- A.** Consumer segmentation
- B.** Purchase situation analysis
- C.** Indirect competition analysis
- D.** identifying the type of customers

3. Which of the following Statement is wrong

- A.** A change in a country's regulatory framework has nothing to with creating opportunities.
- B.** Opportunities can also be found by analyzing substitute industries
- C.** In today's business environment, sustaining growth and profitability is never a guarantee.
- D.** Market research can help to analyze customers and competitors on multiple levels.

Test II: Short Answer Questions

1. In today's business environment, sustaining growth and profitability is never a guarantee. Technological and scientific advances shorten life cycles of products and services, business models change and new competitors appear from outside the industry. This constant instability makes it necessary to seek new business opportunities. Therefore would you mention some of market opportunity identification methods?

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2. Explain briefly market opportunities selection and prioritization criteria

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LG #10

LO #4 Responding to the Marketing Environment

Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Market entry systems and challenges for Cooperatives
- Approaches to respond to the marketing environment

This guide will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Explain market entry systems and challenges for Cooperatives
- Identify approaches to respond to the marketing environment

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks

Information Sheet 4

4.1. Introduction

Markets are constantly changing, especially with regard to commodities and staple crop demand and supply fluctuations, which influence marketing strategies. Likewise, the requirements and needs of today's consumers change fast. The wider environment also changes; one only has to think of innovations, price changes in energy or construction of new roads. A cooperative should anticipate changes in the environment.

- **Changes in policy environment**

In some cases, lobbying might help to influence developments, for example in the policy environment. It can also be the other way around with interest groups, for example, lobbying government and buyers of agricultural products for closer attention to labour rights, which can create constraints or opportunities for cooperatives. There can also be changing laws and regulations that discriminate or favor cooperatives. In order to avoid decisions being made to the detriment of cooperatives and without a proper consultation, maintaining relations with the government is considered to be part of cooperative marketing.

- **Changes in prices**

In the case of changes in prices, other steps help cooperatives to cope with or take advantage of this. For example, in the case of a decline in agricultural commodity prices the cooperative could invest in storing their products in a warehouse until market prices have stabilized.

- **Changes in technology**

Technological advances can bring new opportunities for cooperatives to market products and disseminate information, for example by using mobile phone services or the internet. Examples exist of multi-stakeholder platforms that own a website on which cooperatives can post when and how much they have to sell and buyers what they are looking for.

- **Changes in consumer demand**

Consumers are not only increasingly interested in social issues but also in environmental issues. Some consumers do also reject products that are produced under conditions that violate human rights or labor standards, for example, child labor. Concern for the environment can be seen as providing a marketing advantage. Cooperatives should consider their impact on the environment and how their practices might be used in a marketing program. Producing organic products opens up access to alternative marketing channels.

4.2. Market entry systems and challenges for Cooperatives

It's a common mistake for businesses to seek brand new market places. After all, a lack of competition can only be a good thing, right? Unfortunately, there are two problems with this approach – a lack of an established market can be a strong indicator of a lack of demand for a product and secondly, an un-established market will often require huge financial resources to educate potential buyers as to why they need something from this new market.

In fact, competition is a healthy sign of established demand for a product or service and can, in many ways, be beneficial for a new product. However, competition also often delivers new barriers to entry to a market place and there are many other sources that may create barriers to market entry as well. McAfee, Mialon and Williams in their paper; “What is a barrier to entry?” published in The American Economic Review quote George Stigler who says that a barrier to entry is; “A cost of producing which must be borne by a firm which seeks to enter an industry but is not borne by firms already in the industry.”

The same authors quote Franklin M Fisher in their paper, “Economic and Antitrust Barriers to Entry,” who says that a barrier to entry is; “anything that prevents entry when entry is socially beneficial.” However you define a barrier to entry to a market place; it must be overcome before your products can be adopted by your users and customers. Let's take a look at some common barriers to market entry for products and firms to new markets:

- Common Barriers to Market Entry
- Advertising and Marketing

Established brands often have larger budgets for advertising than new arrivals in a market place; this can enable them to “crush” new entrants by spending heavily on marketing and thus

drowning out the message from the new entrant. Potential customers will also be more exposed to these established brands and thus may regard the new brand with suspicion.

It is important for new entrants to a market to carefully consider how they will approach the market and what the cost may be; before they commit to entering that market.

- Capital Costs

One of the most common barriers to entry for new players is the cost of entering a market. The equipment they use to make their products, the buildings they make them in and work from, and the raw materials all incur costs. In some markets the capital costs prevents all but a handful of possible new players from entering. Consider the capital costs, for example, in establishing a new telecoms network – billions of dollars of investment dramatically reduces the opportunities to start up your own operator.

- Monopolization of Resources

In some instances the very resources needed to produce the finished product are tied up with a single producer or producers. China has effectively dominated solar panel production this way by ensuring that Chinese firms are given priority access to the raw silicon; a product that China has a near (but not total) monopoly on producing.

- Cost Advantages (excluding economies of scale)

Established players in a market may have competitive access to raw materials or strong geographic locations which enable cheaper production of goods. They may also have developed or licensed proprietary technologies that make it more expensive for a new entrant to produce similar goods. They are also likely to have the experience to reduce production costs that a new entrant may lack.

- Customer Loyalty

Nearly every year a new type of Cola is introduced to the global market and nearly every year this Cola either fails or quickly becomes a niche product in its local market. Pepsi and Coca-Cola have a near monopoly on the cola market and this is mainly due to customer loyalty. Well-established, strong brands have a large advantage with strong customer loyalty.

- Distribution

Both distributors and retailers in certain sectors may either be contractually prohibited from doing business with competing businesses by contracts with existing businesses or may be highly incentivized for doing so. This can make it difficult for a new market entrant to get their products in front of customers in order for them to adopt them.

- Economies of Scale

Economies of scale benefit large, established players in a market because they buy large volumes of raw material and intermediary products – they get them at a preferential price. This may make it difficult for new entrants to a market to produce goods as cheaply as the established players. In some cases, technological advances can quickly eliminate economies of scale. Today, computing power, for example, is available to nearly all businesses - 50 years ago only industrial giants could afford access to such an advantage.

- Regulatory Barriers

Governments take a strong interest in certain market sectors and new entrants may be required to jump through a lot of legal hoops before they can enter a market. Licenses, permissions, compliance, etc. all add additional financial and administrative burdens to new entrants to a market.

- Inelastic Demand

Many new entrants to a market will try and adopt a cheaper pricing strategy to persuade customers to defect from existing competition. This can be a mistake if the demand for a product comes from price insensitive customers. Cigarette smokers are a good example of price insensitive consumers – increased taxes generally do not discourage smoking but increase revenues for governments. Cigarette smokers also tend to be “brand loyal” and a discount will not necessarily encourage a change of brand.

- Intellectual Property

You only have to witness Apple and Samsung slugging it out in the courts to realize that even big companies have issues with intellectual property when entering new markets. Patents, copyright, trademarks, etc. can be costly to obtain market and protect. When the intellectual

property required to succeed is owned by a competitor – it may be costly to appropriate driving up production prices.

- Network Resistance

If a new product requires a network of customers to succeed; existing network may be hard or impossible to break into. Think Google + trying to break into social networking and having to tackle the established dominance of Face book.

- Predatory Pricing Effects

Larger companies may abuse their resources in order to significantly undercut new entrants to a market. This is sometimes referred to as “loss leading”. This makes it impossible for a new entrant, with shallower financial resources, to compete. Technically, this practice is illegal in most jurisdictions but in reality it can be very difficult and time consuming to prove and this can drive a new entrant out of business before the matter is resolved legally.

- Restrictive Practices

Many airlines have agreements that allow them to dictate the allocation of landing slots at airports. This in turn makes it difficult for a new airline to establish themselves because of difficulty in obtaining landing slots. This is a restrictive practice and again may be illegal in some jurisdictions; once again – having the time and money to enforce this is a luxury not afforded to all new entrants.

- Sunk Costs

If it costs a lot of money to enter a market and that money is not recoverable should the entrant try to leave the market (following failure to gain adoption from users/customers) – it is a barrier to entry as it dramatically increases the risks involved in market entry.

- Switching Impedance

The harder it is to change from one supplier to another; the less likely they will change. For a long time banks were big beneficiaries of this practice; moving accounts required a painful manual process of visiting a branch, opening a new account, making written instructions for all existing instructions to be replaced, then visiting the branch of the old bank and repeating the

process. Now that this process, in many places, is painless and electronic – more customers change banks.

- Tariffs and Taxes

Some markets are protected by tariffs established on entrants from outside of that jurisdiction. Other jurisdictions offer tax regimes which are highly beneficial to large established players which cannot be exploited by newer, smaller market entrants.

4.3. Approaches to respond to the marketing environment

There are two approaches organizations can follow while responding to the environmental forces of marketing forces. These are popularly known as reactive marketing and proactive marketing:

i. Reactive Marketing

The reactive marketing views marketing environmental forces as totally uncontrollable and difficult to predict. This is a passive approach, under which, the organization tries to adjust its marketing mix and program according to the changes in the environment. The adjustments take place only after changes occur in the environment. The organization analyses the environmental changes and finds suitable way to avoid the threat and utilize the new opportunities in the market. In essence, they wait for the environment to change and react only after the change takes place.

ii. Proactive Marketing

Organizations that adopt the environmental management perspective follows proactive marketing. Proactive **marketing** believes that although many of the environmental forces such as demography, economy, culture and natural factors are not controllable, the environmental forces such as politics, law and technology can be influenced by correct and calculated moves. Proactive marketing uses political, psychological, economic and public relations skills to influence the environmental forces to the organization's benefits. The technique of political lobbying, financing political parties and elections, using publicity to shape public opinion and many others are used by organizations to bring the environmental forces to their favor.

Self-check 4

Written test

Name..... ID..... Date.....

Directions: Answer all the questions listed below

Test I: Short Answer Questions

- 1. A cooperative should anticipate changes in the environment which includes but not limited to**

- 2. What are the common barriers to market entry?**

- 3. Discuss briefly about the two approaches organizations that follow while responding to the marketing environmental forces.**

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AKNOWLEDGEMENT

Ministry of Labor and Skills, federal ATVET Coordination directorate director and Ardaita ATVET College wish to extend thanks and appreciation to the many representatives of TVET instructors and respective industry experts who donated their time and expertise to the development of this Teaching, Training and Learning Materials (TTLMs).

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