UNIT 2 MARKETING ENVIRONMENT

Structure

2.0 OBJECTIVES

After studying this unit, you should be able to:

- state the meaning of marketing environment, both in terms of micro environment and macro environment;
- explain the marketing environment in India;
- discuss how the environment affects marketing decisions; and
- describe the government regulations in India which have implications for marketing decisions.

2.1 INTRODUCTION

Marketing functions are to be carried out in a given environment. Even the marketing opportunity has to be scanned and identified by carefully observing the environment. The marketing mix is also decided in the context of a given marketing environment. Though marketing managers cannot control the forces in a marketing environment, they must take them into account when making marketing decisions. While formulating the marketing strategies, the marketers must closely observe the environment in which they are functioning. In this unit, you will study the factors that constitute the marketing environment, and the marketing environment in India. You will also study bow various Acts and Statutes influence the marketing decisions in India.

2.2 WHAT IS MARKETING ENVIRONMENT?

Marketing activities are influenced by several factors inside and outside a business firm. These factors or forces influencing marketing decision making are collectively called marketing environment. It comprises all those forces which have an impact on market and marketing efforts of the enterprise. According to Philip Kotler, marketing environment refers to "external factors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target customers." For example, the relevant environment to a car tyre manufacturer may be the car manufacturers and buyers, the tyre manufacturing technology, the tax structure, imports and export regulations, the distributors, dealers, competitors, etc. In addition to these, the company may have to consider its internal environment interms of Finance, Purchasing, Accounting, Manufacturing Technology, R&D. Top Management, etc. However, this internal environment is controllable to a large extent. The external environment becomes important due to the fact that it is changing and there is uncertainty. Most of these external environmental factors are uncontrollable. There is both a threat and opportunity in these changes.

The external marketing environment may be broadly divided into two parts:

1) Micro environment
2) Macro environment

Micro Environment refers to the company's immediate environment, that is, those environmental factors that are in its proximity. They include the company's own capabilities to produce and serve the consumer needs, the dealers and distributors, the competitors, and the customers. These are also the groups of people who affect the company's prospects directly.

Macro Environment refers to those factors which are external forces in the company's activities and do not concern the immediate environment. Macro environment are uncontrollable factors which indirectly affect the concern's ability to operate in the market effectively.

These include demographic, economic, natural, technological, political and culturat forces. The influence of these factors are indirect and often take time to reach the company. Look at Figure 2.1 carefully which presents these forces.

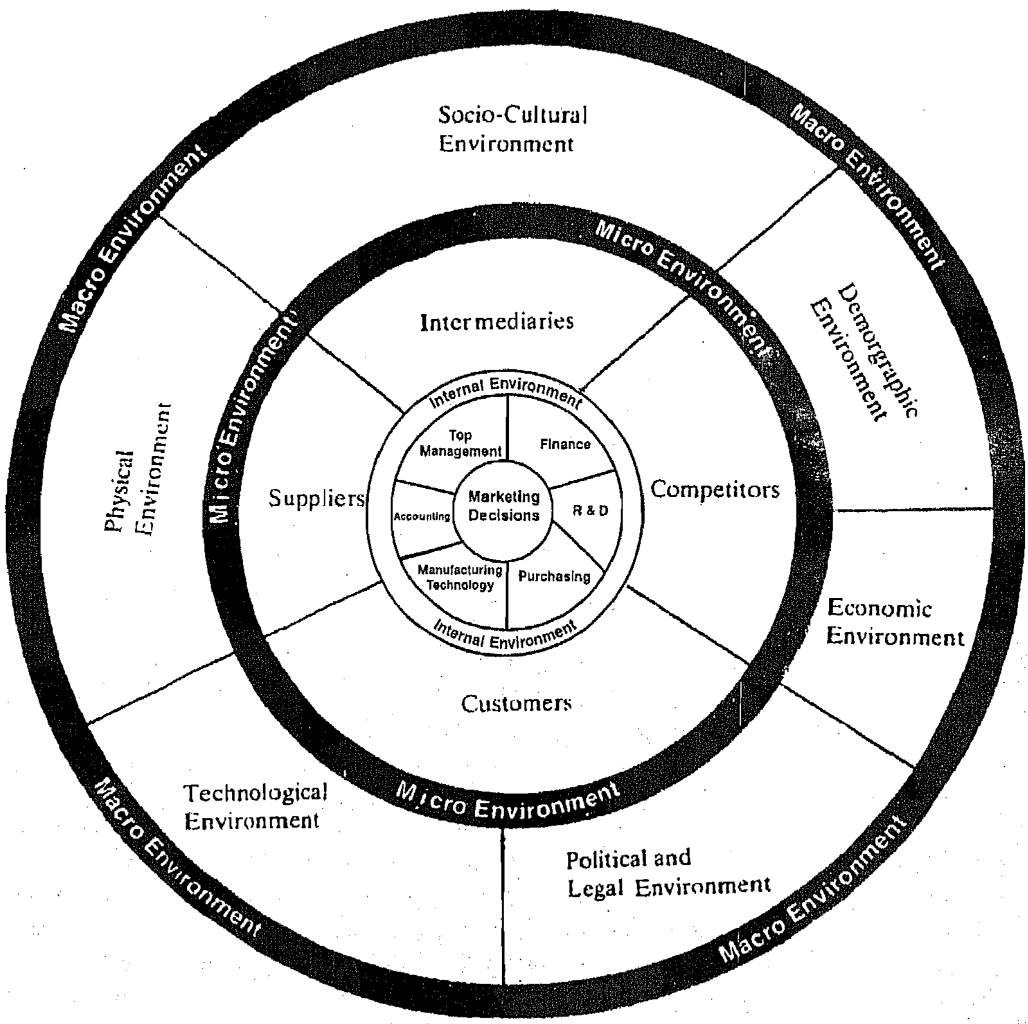

Figure 2.1: Marketing Environment

The forces in the *outer circle* may be taken to constitute the *macro environment* and those in the *inner circle* as the *micro environment* of a company.

2.2.1 Micro Environment

Micro environmental factors which influence the marketing decisions of the company are: i) organisation's internal environment, ii) suppliers, iii) marketing intermediaries, iv) competitors, and v) consumers.

Let us now study about each of these factors briefly.

Organisation's Internal Environment

Organisation's financial, production and human resource capabilities influence its marketing decisions to a large extent. *For instance*, while deciding about the sales targets, it is necessary to see whether the existing production facilities are enough to produce the additional quantities or not. If the existing facilities are not enough and expansion to plant and machinery is required, it is necessary to think about financial capabilities.

You may have a responsive research and development department to develop a new product. So also the production department may have its own facilities for producing the new product. It is also necessary to consider how non-marketing departments in the organisation cooperate with the marketing department. The top management may not agree with the views of the marketing department on the marketing strategies or their implementation. Besides, the marketing department must work in close cooperation with the other departments, especially the quality control and production departments. Sometimes it is the sale force that must bear the major task in the strategy.

Suppliers

For production of goods or services, you require a variety of inputs. The individuals or firms who supply such inputs are called suppliers. Success of the marketing organisation depends upon the smooth and continuous supply of inputs in required quantities on reasonable terms. Hence suppliers assume importance. The timely supplies of specified quality and quantity makes the producer to keep up the delivery schedule and the quality of the final product. The dependence on the supplier is naturally more when the number of suppliers is more. During periods of shortages, some suppliers may not supply materials on favourable terms. Each supplier may negotiate his own terms and conditions, depending upon the competitive position of his firm. Some suppliers, *for example,* expect payment in advance, and goods are supplied on the basis of a waiting list, whereas others may be ready to supply on credit basis.

Intermediaries

Normally, it is not possible for all the producers to sell their goods or services directly to the consumers. Producers use the services of a number of intermediaries to move their products to the consumers. The dealers and distributors, in other words the marketing intermediaries, may or may not be willing to extend their cooperation. These persons normally prefer well-established brands. Newcomers may find it extremely difficult to find a willing dealer to stock his goods. From newcomers they may demand favourable terms by way of discount, credit, etc., and the producer may find it difficult to satisfy them. There are also other intermediaries like transport organisations, warehousing agencies, etc., who assist in physical distribution. Their cost of service, accessibility, safe and fast delivery, etc., often influence the marketing activities.

Competitors

Competitors pose competition. Competitors' strategies also affect the marketing decisions. Apart from competition on the price factor, there are ,other forms of competition like production differentiation. There are also competitors who use brand name, dealer network, or close substitute products as the focal point. Their advertising may present several real or false attributes of their product. If one advertises that his product has an imported technology, the other may say that he is already exporting his product. Competitor's strategies sometimes may change an opportunity in the environment into a challenge.

Customers

There are many types of customers. A firm may be selling directly to the ultimate users, the resellers, the industries, the Government or international buyers. It may be selling to any one or all of these customers. Each type of consumer market has certain unique characteristics and the marketer should be fully acquainted with the art of persuading and selling to these consumers. The environment presented by customer profile will have a direct influence on these marketing activities.

The population also contains the potential consumers of the company's product. It may not be easier to identify the persons who are likely to become the customers of a company. The goodwill built-up by a company sometimes influences the consumers to become the customers of acompany. Companies generally try to build good public relations and create a favourable attitude among the people or groups of people. Government and consumer action groups are special categories with whom a negative attitude is to be avoided. Thus, the public also constitute an element in the environment.

2.2.2 Macro Environment

The macro environmental factors that exert influence on an organisation's marketing system are: 1) physical environment, 2) technological environment, 3) political and legal environment, 4) economic environment, 5) demographic environment, and 6) social-cultural environment.

Let us discuss about these factors in a little more detail.

Physical Environment

The earth's natural renewable resources (e.g. forest, food products from agriculture, etc.) and finite non-renewable resources (e.g. oil, coal, minerals, etc.), weather (climatic) conditions, landscapes and water resources are components of an environment which quite often change the level and type of resources available to a marketer for his production. For *example*, India does not have enough petroleum resources, and imports petrol and other products. Recently, the Gulf War drastically affected the supply of petrol and diesel in the country. This had lot of implications for the companies consuming petro-products.

Technological Environment

Technology is shaping the destiny of the people. The revolution in computers, electronics and communication in general may make one's production out of tune with the current products and services. For *example*, new printing technology like laser printing and desk top publishing, has already made the labour-intensive type-set printing uneconomical.

Political and Legal Environment

Political changes bring in new policies and laws relevant to industry. Government regulation continues with different intensities and the law and the rules framed thereunder are becoming complex. Many areas of business are brought under one law or the other, and the marketer cannot escape from the influence of these laws. The tax laws *for example*, the sales tax. excise duty, income-tax, etc., have direct bearing on the costs and prices of the products and services marketed. So also the policies relating to imports and exports. Since these factors affect all the units, (they do not affect a single marketer alone), these are considered as the forces in the macro environment.

Economic Environment

Under economic environment, a marketing manager generally studies the following factors and trends:

i) Trends in gross national product and real income growth;

ii) Pattern of income distribution;

iii) Variations in geographical income distribution and its trends;

iv) Expenditure pattern and trends.

v) Trends of consumer savings and how consumers like to hold their savings, i.e., either in the form of bank account, investments in bonds arid securities; purchase of real estate, insurance policies, or any other assets;

vi) Borrowing pattern, trends and governmental and legal restrictions; and

vii) Major economic variables, e.g., cost of living, interest rates, repayment terms, disposable income, etc.

These factors determine the purchasing power, along with savings and credit availability. Study and knowledge of economic forces is essential for preparing effective marketing plans. No firm is immune to economic forces although some are less vulnerable than others. Anticipation of future economic conditions will enable the firm to devise appropriate marketing strategies.

Marketing organisations are susceptible to economic conditions, both directly and through the medium of market place. Economic conditions affect marketing directly because such organisations are themselves a part of market place. *For instance*, the cost of all inputs positively respond to upward swing of economic condition. This will affect the output price and consequently affect the sales. The effect on market place (consumers) also influences the marketing through changes in consumer habits. This is an indirect influence. *For example*, in the event of spiraling prices, consumers often curtail or postpone their expenditures for luxury products. Conversely, during times of relative affluence, consumers are much less conscious of small price differences and would buy luxury products.

Demographic Environment

Marketers are keenly interested in the demographic characteristics such as the size of the population, its geographical distribution, density, mobility trends, age distribution, birth rate, death rate, the religious composition, etc. The changing life styles, habits and tastes of the population, have potentials for the marketer to explore. *For example*, when both husband and wife go for jobs, the demand for gadgets that make house keeping easier and the semi-cooked food products increase.

Socio-Cultural Environment

There are core cultural values which are found stable and deep rooted, and hence change very little. There are also secondary cultural values which are susceptible to fast changes. Some of them like hair styles, clothing, etc. just fade. Even in a given culture, the entire population may not adopt the changes. There are different degrees with which people adopt them. Religion is also an important component of culture which has implications for the marketer. For example, Hindus worship the cow and do not eat beef. So the products made out of beef meat do not have demand. Thus, the culture of the society influences the consumption pattern to a certain extent. Culture also pervades other human activities by determining their values and beliefs.

2.3 RELEVANCE OF ENVIRONMENT IN MARKETING

You have studied that the marketing environment of a company comprises a variety of forces. Most of these forces are external to the company and may not be controllable by the marketing executives of the company. So the marketing system of the company has to operate within the framework of these ever-changing environmental forces. This uncertain marketingenvironment offers both opportunities, and shocks and threats. Therefore, it is necessary for a company to scan the changing environment continuously, and change the marketing mix strategies in accordance with the trends and developments in the marketing environment.

The company responds to these environmental factors and forces by its policies depending on its own capabilities particularly the finance, sales force and technical facilities. Among all these environmental factors, some of them may be controllable by the organisation to some extent, and others may be uncontrollable. Macro environmental factors are totally uncontrollable by the firm whereas micro environmental factors may be controlled to some extent. For *instance*, organisation's internal environment can be controlled by the firm to a large extent. *Similarly,* the firm can exert some influence on suppliers, dealers and distributors by offering liberal terms. And through its advertising effort, a finn can influence the prospective and present consumers.

Each aspect of the environment has some relevance in marketing. It is easy to imagine how various environmental factors affect the demand and supply, the distribution and promotional policies, etc. For *example*, with the oil crisis there will be demand for more oil-efficient machines. Similarly, the popularity of computers will create demand for more computer operators, programmers, voltage stabilizers, etc.

The following benefits of environment scanning have been suggested by various authorities:

- It creates an increased general awareness of environmental changes on the part of management.
- It guides with greater effectiveness in matters relating to Government.
- It helps in marketinganalysis.
- It suggests improvements in diversification and resource allocations.
- It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- It provides a base of 'objective qualitative information' about the business environment that can subsequently be of value of designing the strategies.
- It provides a continuing broad-based education for executives in general, and the strategists in particular.

2.4 MARKETING ENVIRONMENT IN INDIA

India is a vast country populated by around 100 crore people. Its unique feature is its diversity of religions, languages, social customs, regional characteristics, which is both a boon and a bane for the marketer. Boon because there is tremendous scope for a wide variety of products and services to be successfully marketed and a bane because the marketer often needs to adapt the marketing strategy to suit different tastes and values. There are marketers who may find that the Indian environment is full of profit potential. It means that there are buyer for anything one may produce and there is inarket for everything. There are others who take a somewhat pessimistic view by considering the poverty and shortages of requisite inputs. However, one can confidently say that the market is vast, quality consciousness among consumers is increasing, and there is demand for new and improved products and services and these trends may continue for a long time.

Despite more than 55 years of independence, India is still dominated by villages and almost 70 percent of population is located in the rural areas. But these rural areas are today enjoying the fruits of the Green Revolution and the purchasing power of the rural population is increasingly demanding attention from the marketer who had so far concentrated only in urban areas. No doubt tlie urban areas with their concentration of numbers and inarket potential are the priority target markets, but a firm which wants to ensure its future survival must start making inroads into the rural inarket as well. Government expenditure on rural development has increased the purchasing power of the rural public. Improvements in transport, communicatioii, literacy, etc. have made many new markets accessible. The capacity to see the opportunity and work out an appropriate marketing strategy can open the doors to the marketers.

There are a large number of companies, public sector undertakings, factories and small-scale units, all of which comprise the organisational consumers, operating in the country. While the public sector usually follows a bureaucratic long winded and time consuming procedure for making even the smallest purchase, the private sector decision-making is relatively quicker and free of bureaucratic procedures. If you are marketing your products/services to both the public and private sectors, you may like to think about having separate marketing organisations for them. Another inajor difference between the public and private sector is in the timing of the purchase decision. The public sector companies have an annual budget sanctioned to them by the government and the money from this is used for purchasing a variety of products. The public sector units feel compelled to use the entire budget amount, because if they do not, they run the risk of having a reduced budget in the subsequent years. You would find a flurry of purchases during the quarter preceding March when the financial year ends. So if the public sector companies are your major consumers, you should bear the timing factor in mind. In case of private sector companies, you would generally not find such a peaking of purchases in any particular month of the year unless it is linked to seasonality of production or sales.

In the context of 'Marketing Environment in India: you may also study section 1.7 'Marketing Management in Indian Context' in Unit I in this block,

Check Your Progress A

1) What is marketing environment?

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2) Distinguish between micro environment and macro environment.

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3) You are a manufacturer of VCRs and TVs. What will be the effect if Government abolishes import duty on these products?

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4) Go to a travel agency and ask how the Iraq War affected their business.

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5) What will be the impact on automobile industry if a new cheaper source of energy is invented?

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6) Research findings showed that consumption of a particular edible oil is injurious to health. Is this finding relevant to a sweet shop?

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7) If the winter season is severe, which industries lose and which gain?

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2.5 GOVERNMENT REGULATIONS AFFECTING MARKETING

A number of laws affecting business have become operational over the years. The important ones affecting marketing are listed below:

1) The Indian Contract Act, 1872
2) Sales of Goods Act, 1930
3) The Industries (Development & Regulation) Act, 1951
4) The Prevention of Food Adulteration Act, 1954
5) The Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954
6) The Essential Commodities Act, 1955
7) The Companies Act, 1956
8) The Trade Marks Act, 1999
9) The Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act)
10) The Patents Act, 1970
11) The Standards of Weights and Measures Act, 1976
12) The Consumer Protection Act, 1986
13) The Environment Protection Act, 1986
14) The Bureau of Indian Standards Act, 1986
15) The Agricultural Produce Grading and Marketing Act (AGMARK), 1937

Some of the legislations mentioned above apply to every undertaking, irrespective of the nature of the product sold or the service provided by it like the Indian Contract Act, the Sale of Goods Act, the Companies Act, the Trade Marks Act and the standards of Weights and Measures Act.

As against this, there are certain legislations listed above which seek to regulate certain decisions of the undertakings engaged in the specific industries. These include The Industries (Development & Regulation) Act, 1951; The Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954; The Prevention of Food Adulteration Act, 1954; The Essential Commodities Act, 1955.

It would be too much to expect a marketer to know all about the various Acts listed above. But nevertheless, it is essential for you to have a good working knowledge of the major laws protecting competition, consumers and the larger interest of society. Such an understanding would help you to examine the legal implications of your decisions.

The main reasons for government control can be summarized as follows:

- Protecting the welfare of individuals and promoting higher standards of public health, general well being, safety, etc.
- Maintaining equality of opportunity for all persons irrespective of sex, nationality, race or religion.
- Restraining business from engaging in practices harmful to the interests of the public like making false and misleading statements about a product or service, manipulating prices for personal gains, failing to support warranties, etc.

- Protecting small firms from the threats of unfair competition by big firms.
- Preventing unfair practices resulting from mergers or other forms of combinations like price fixing.
- Conserving national resources especially forests, fuels, water, energy, etc.
- Preventing pollution of the environment.
- Preventing concentration of economic power and industrial wealth.
- Encouragingwidely dispersed industrial growth and the growth of small scale industries.
- Protecting the economy from dominance by foreign inventors and helping save the valuable foreign exchange resources.

Let us now briefly discuss about the Acts listed above.

The Indian Contract Act, 1872

Regulates the economic and commercial relations of citizens. The scope of this Act extends to all such decisions which involve the formation and execution of a contract. The essentials of a valid contract are specified and examined in detail. A contract is an agreement enforceable at law between two or more persons by which rights are acquired by one or more to act or forbearances on the part of the other or others. The Act also specifies provisions for the creation of an agency and the rights and duties of a principal and an agent.

Sales of Goods Act, 1930

Governs the transactions of sale and purchase. A contract of sale of goods is defined as a contract whereby the property in goods is transferred or agreed to be transferred by the seller to the buyer for a price. The Act also lays down rules about passing of property in goods, the rights and duties of the buyer and seller, rules regarding the delivery of goods as well as the rights of the unpaid seller.

The Industries (Development & Regulation) Act, 1951

It is through this Act that the industrial licensing system operates, in effect, it empowers the government to licence (or permit) new investment, expansion of licensed units, production of new articles, change of location by the licensed units and also to investigate the affairs of licensed units in certain cases and to take over the management thereof, if cotiditions so warrant. The objectives behind these powers are, of course, development and regulation of important industries involving fairly large investments which have an all-India importance. It is in the actual implementation of these objectives that the relevant aspects of the industrial policy are expected to be fulfilled.

Industrial licensing is a form of direct state intervention in the market to overrule its forces. The underlying assumption here is that the government is the best judge about the priorities from the national point of view and also that it can do the allocation in a better and socially optimal way. It must, however, be understood that there are economic costs involved in the measures of control and the benefits that are expected to accrue at least equal to or more than the costs involved.

Prevention of Food Adulteration Act (1954)

Prohibits the publication or issue of advertisement tending to cause harm to the ignorant consumer by consuming certain food articles. It also ensures purity in the articles of food.

Drugs and Magic Remedies (Objectionable Advertisement) Act (1954)

This Act proliibits the publication or issue ofadvertisements tending to cause the ignorant consumers to resort to self-medication with harmful drugs and appliances.

Advertisements for certain drugs for preventing diseases and disorders like epilepsy, prevention of conception, sexual impotency, etc., are also prohibited. The Act also prohibits advertisements making false claims for tlie drugs.

Essential Commodities Act (1955)

This Act provides for the control of production, supply and distribution in certain commodities declared as essential under Section 2(a) of the Act, in the public interest. Under Section 3(a) of this Act, the government can fix the price of such a commodity.

Companies Act (1956)

It is a piece of legislation wliicli has far-reaching effects on business by regulation of the organisation and functioning of companies. With more than 650 sections, it is one of the longest legal enactments. It is meant to regulate the growing uses of the company system as an instrument of business and finance and possibilities of abuse inherent in that system.

Trade Marks Act (1999)

It deals with the trade and merchandise marks registered under this Act.

A mark includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof. A Trade Mark is a distinctive symbol, title or design that readily identifies the company or its product. The owner of the trademark has the right to its exclusive use and the Act provides legal protection against infringement of this right. A trademark is registered for a maximum period of 10 years and is renewable for a similar number of years, each time tlie period of 10 years expires.

However; no such trademark should be used wliicli is likely to be deceptive or confusing, or is scandalous or obscene or which hurts tlie religious sentiments of the people of India.

Monopolies and Restrictive Trade Practices Act (1969) (MRTP Act)

This Act provides for tlie control of monopolies, for the prohibition of monopolistic, restrictive and unfair trade practices and for matters connected therewith or incidental thereto.

It may be of interest for you to know that the first country to pass such a legislation was tlie United States wliicli has a free enterprise system. There, such an Act was passed as far back as 1890 and is called the Sherman Antitrust Act, But, so far as tlie United Kingdom is concerned it was only in 1948 that the Monopolies and Restrictive Practices (Inquiry Control) Act was passed. In 1956 and 1964 two more Acts were added, viz., Restrictive Trade Practices Act and Resale Prices Act, respectively. Our Act is modelled on tlie lines of the above three Acts.

Patents Act (1970)

Provisions of this Act are attracted especially where the company intends to produce patented products. A patent is tlie exclusive right to own, use and dispose of an invention for a specified period. The patent is granted by the Central Government to the first inventor or his legal representative.

Standards of Weights and Measures Act (1976)

This Act specifies the quantities in which products can be packed. The products covered include bread, butter, cheese, biscuits, cereals and pulses, cigarettes. cigar, cleaning and sanitary fluids, cleaning power, condensed milk, tea. coffee, cooking oils, cosmetics, honey, ice cream, jams, sauces. milk powder, soaps, spices, toothpaste, etc.

Consumer Protection Act (1986)

Consumer Protection Act, 1986, as amended by the Consumer Protection (Amendment) Act, 2002, is the latest addition to the list of the legislations regulating marketing decisions in India. The Act is in addition to and not in derogation of the provisions of any other law which influence marketing decisions. The Act is intended to provide better protection of the interests of consumers and for that purpose make provision for the establishment of Central Consumer Council, State Consumer Councils, District Consumer Councils and other authorities for the settlement of consumers' disputes and for matters connected therewith.

The Act has sharper teeth. One of the weaknesses of earlier legislations was the confusion regarding the burden of proof. They never made it sufficiently clear whether the onus of proof rested with the manufacturer, the irader or the consumer. This Act establishes a landmark in the sense that for the first time the onus has been shifted to the manufacturer and the seller. Besides, no court fee is payable. Also, the aggrieved consumer can himself argue his case. Moreover, decision lias to be dispensed within a given Lime-frame – 3 months, where no testing is required and 5 months where testing of the goods complained of is required.

The Act provides the consumer the right:

- to be protected against marketing of goods which are hazardous to life and property;
- to be informed about the quality, quantity, potency, purity, standard and price of goods thereby protecting the consumer against unfair trade practices;
- to be assured, wherever possible, access to a variety of goods at competitive prices;
- to be heard and to be assured that consumers interest will receive due consideration at appropriate forums.
- to seek redressal against unfair trade practices and unscrupulous exploitation of consumers.
- to consumer education.

These objects are sought to be promoted and protected by the Consumer Protection Councils established at the Central, State and District levels.

To provide speedy and simple redressal to consumer disputes, a quasi-judicial machinery (special courts) has been set up at the District, State and Central levels. These (Special Courts) quasi-.judicial bodies observe the principles of natural justice and have been empowered to give reliefs of a specific nature and to award, wherever appropriate, compensation to consumers. Penalties for non-compliance of the orders given by tlie quasi-judicial bodies (Special Courts) have also been provided.

Environment Protection Act (1986)

It provides for the protection and improvement of environment and the prevention of hazards to human beings, other living creatures, plants and property.

Environment includes, water, air and land and the inter-relationship existing between them and tlie human beings, living creatures, plants, etc. Any solid, liquid or gaseous substances present which may tend to be injurious to environment is an environmental pollutant and the presence thereof is pollution.

The present enactment covers not only all matters relating to prevention, control and abatement of environmental pollution but also powers and functions of the Central Government and its officers in that regard and penalties for committing offences.

Bureau of Indian Standards Act (1986)

Provides for the establishment of a Bureau for the harmonious development of the activities of standardisation, marking and quality certification of goods and for matters connected therewith or.incidental thereto.

It has been provided that the Bureau of Indian Standards will be a body corporate and there will be an Executive Committee to carry on its day-to-day activities. Staff, assets and liabilities of the Indian Standards Institution will perform all functions of the Indian Standards Institution. It has also been stipulated that access will be provided for to the Bureau's Standards and Certification Marks to suppliers of like products originating in General Agreement on Trade and Tariff (GATT) code countries.

The Act does not make any change in existing law except to provide a new forum for deciding the cases effectively and without delay.

When the Indian Standards Institution was establislied in 1947, the industrial development in the country was still in its infancy. Since then there has been substantial progress in various sectors of the Indian economy and hence the need for a new thrust to be given to standardisation and quality control. A national strategy for according appropriate recognition and importance of standards is to be evolved and integrated with the growth and development of production and exports in various sectors of the national economy. The public sector and private sectors, including small scale industries, have to intensify efforts to produce higher standard and quality goods to help in inducing faster growth, increasing exports and making available goods to the satisfaction of the consumers. It was to achieve the these objectives that the Bureau of Indian Standards has been set up as a statutory institution.

Agricultural Produce Grading and Marketing Act (AGMARK) (1937)

This Act provides for grading and standardization of agricultural commodities. The main commodities graded are – vegetable oil, ghee, cream, butter, eggs, wheat flour, rice, cotton, gur, maize, honey and ground spices. The graded goods are stamped with the seal of the Directorate of Agriculture, Marketing and Inspection, Ministry of Rural Areas and Employment – AGMARK. The seal is an assurance of quality and purity to the buyers of the agricultural products. In case AGMARK goods are found to be of poor quality or defective, the consumer can complain to the Agriculture Marketing Advisor at Directorate of Marketing and Inspection. Defective goods are replaced free of cost or money refunded. With amendments of 1986, there is now a provision for penalty for misgrading and counterfeiting grade, designation mark – imprisonment upto 6 months and fine not exceeding Rs.5,000. Consumer organisations have been authorized to draw samples for testing.

Government Agencies

To enforce tlie laws, the Government has established a number of regulatory agencies like the Bureau of Industrial Costs and Prices, the Agricultural Prices Commission and the MRTP Commission.

The **Bureau of Industrial Costs and Prices** was establislied by the Government in 1971 to conduct enquiries about industrial products and recommended prices.

The Agricultural Prices Commission was set up in January 1965 to advise the government on pricing policies for agricultural commodities.

The Government has also framed rules like the Prevention of Food Adulteration Rules, 1955 and the Standards of Weights and Measures (Packaged Commodities) Rules, **1977** to enforce the provisions of the related Acts. The enforcement of these Acts is the responsibility of the Central and the State Government.

The MRTP Commission has been established by tlie Government under Section 5 of the MRTP Act, 1969. The Commission may inquire into (a) any restrictive trade practice; (b) any monopolistic trade practice; and (c) any unfair trade practice.

In the case of restrictive ***and unfair*** trade practice, the Commission may proceed:

i) upon receiving a complaint of facts which constitute such practice from any trade association or *from* any consumer or a registered consumers' association, whether the affected consumer is a member of that consumers' association or not;

ii) upon a reference made to it by the Central Government or a State Government; or

iii) upon an application made to it by the Director General; or

iv) upon its own knowledge or information.

In the case of monopolistic trade practice, however, the Commission may proceed:

i) upon a reference made to it by the Central Government; or

ii) upon a reference made to it by tlie DGIR; or

iii) upon its own knowledge or information.

In respect of complaints received from a consumer, registered consumers association and trade associations directly, the MRTP Commission has to make a preliminary investigation through its Director General of Investigation to satisfy itself that the complaint deserves a full-scale inquiry. Public interest groups have also grown up during the last two decades or so. These groups try to influence both government as well as business to pay more attention to consumer rights. They even take the matter to a law court to get justice to affected consumers against unfair dealings on the part of business enterprises.

2.6 MARKETING IMPLICATIONS OF SOME REGULATIONS

The objective of MRTP Act, as amended by the Amendment Act, 1991, is to curb monopolistic, restrictive and unfair trade practices and these have relevance from the point of view of decision making with respect to 4Ps of the marketing mix.

If the Consumer Protection Act becomes effectively enforceable, it would be really difficult for marketers to ignore the interests of consumers in taking decisions about different components of the marketing mix.

The Industries (Development & Regulation) Act also is one of the major economic laws of the country which has been designed to regulate the industrial activity.

Certain legislations which affect marketing decisions like the Indian Contract Act 1972, the Sale of Goods Act 1930, the Companies Act 1956, the Trade Marks Act. 1999 and the Bureau of Indian Standards Act 1986, apply to every undertaking, irrespective of the nature of product sold or service rendered.

As against these, there are other laws which seek to regulate marketing decisions of undertakings engaged in specific industries only. Some of these are the Industries (Development & Regulation) Act 1951, the Prevention of Food Adulteration Act 1954, tlie Drugs and Magic Remedies (Objectionable Advertisements) Act 1954, the Essential Commodities Act 1955, and the Sales Promotion Employees (Conditions of Service) Act 1976.

All these Acts, thus, affect decision-making in relation to different elements of the marketing mix. The following are some examples to illustrate these. In the area of the product, the government control may affect decision-making with regard to product-line expansion, product quality and safety, provision of adequate and efficient services, packaging, labelling, and branding, sizes and shapes of packages, information to be given on tlie wrapper or container, claims with regard to sponsorship, performance, characteristics, etc., warranty or guarantee provisions and the after-sales service. The decisions that may get affected in the context of regulation of pricing practices by tlie Government may concern collusive price fixing agreements, re-sale price maintenance and agreements for price control to eliminate competition, or competitors and also excessive, deceptive, bargain or bait pricing. So far as advertising, sales promotion and personal selling is concerned, the government tries to regulate activities like false, misleading and deceptive advertising, bait advertising and prize contests and other sales promotion devices. The other decision areas concern the use of deceptive or confusing trade marks, use of advertisements to cause the ignorant consumer to resort to self-medication with harmful drugs and appliances and regulation of the service conditions of sale personnel of pharmaceutical and other industries that may be covered. The main aspects in relation to which the government tries to exercise control in respect of channels and distribution decisions relate to restrictive and unfair trade practices like hoarding and cornering ofgoods, refusal to sell goods or provide services, etc., and arrangements like sole selling agency agreements, tie-up sales, boycott, exclusive dealing, territorial restrictions, full-line forcing, re-sale price maintenance, etc. The marketer must ensure that his decision in all these fields conform to the relevant provisions of the various Acts.

Check Your Progress B

1) List the legislations which apply to all business undertakings.

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2) List tlie legislations wliich affect certain specific industries.

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i) One of the reasons for Government control of business is to prevent environmental pollution.

ii) One of the main objectives of the Consumer Protection Act is to provide redressal meclianism to the consumers against unfair trade practices.

iii) Agricultural Prices Commission advises the Government on pricing policies for agro-based industrial products.

iv) All the regulatory measures that affect marketing are within the purview of Central Government only.

v) The MRTP Act intends to control concentration of economic power.

4) Fill in the blanks:

i) The Act which prohibits the sale of adulterated food products is ....

ii) .... Act governs the transactions of sale and purchase of goods.

iii) .... Act specifies the quantities in which certain products can be packed.,

iv) .... Act provides for the protection of environment.

2.7 LET US SUM UP

Marketing decisions of every business organisation is influenced by a large number of uncontrollable factors that surround tlie company. A company's marketing environment consists of the factors and forces outside the marketing that affect marketing management's ability to develop and maintain successful transactions with its target consumers..

These environmental factors may be classified as micro environment and macro environment. ***Micro environment*** refers to the companies immediate environment, that is, those environmental factors that are in its closer circle. They include the company's own capabilities to produce and serve tlie consumer needs, the dealers and distributors, tlie competitors, and the customers. Tliese are also tlie groups of people who affect tlie company's prospects directly. The *macro* ***environment*** consists of larger societal forces, which may be placed in an outer circle. These include demographic, economic, natural, technological, political and cultural forces. The influence of these factors are indirect and often take time to reach the company.

Macro environmental factors are totally uncontrollable by the firm whereas micro environmental factors may be controlled to some extent. It is necessary for tlie company to scan the ever-changing environment continuously, and adopt marketing mix strategies in accordance with tlie trends and developments in the marketing environment.

A number of laws' affecting business have become operational over the years in India. Some of the legislations apply to every undertaking, irrespective-of the nature of tlie product sold or the service provided by it like the Indian Contract Act, Sale of Goods Act, tlie Companies Act, the Trade Marks Act and tlie Standards of Weights and Measures Act. As against this, there are certain legislations which seek to regulate certain decisions of undertakings engaged in tlie specific industries. These include tlie Industries (Development & Regulation) Act; the Drugs and Magic Remedies (Objectionable Advertisements) Act; tlie Preventive of Food Adulteration Act; the Essential Commodities Act.

2.8 KEYWORDS

Macro Environment : Large societal forces which exert influence on firm's marketing system. It includes demographic, economic, natural, technological, political, legal and cultural forces.

Marketing Environment : The factors and forces outside the marketing that affect marketing management's ability to develop and maintain successful transactions with its target customers.

Marketing Intermediaries : Firms which help the company in promoting, selling and distributing its goods to ultimate consumers. They include middlemen, transporters, marketing service agencies and financial intermediaries.

Micro Environment : The environmental factors that are relevant to the firm. It includes organisation's internal environment, suppliers, market intermediaries, customers and competitors.

Suppliers : Firms that supply consumables and raw materials to tlie company.

2.9 ANSWERS TO CHECK YOUR PROGRESS

B. 3) i) True ii) True iii) False iv) False v) True

B. 4) i) Prevention of Food Adulteration Act, 1954

ii) Sale of Goods Act, 1930

iii) Standards of Weights and Measures Act, 1976

iv) Environment (Protection) Act, 1986

2.10 TERMINAL QUESTIONS

1) What is marketing environment? Describe the macro environment and micro environment of marketing.

2) I-low do environmental factors affect marketing policies and strategies?

3) What is marketing environment? Briefly explain tlie marketing environment in India?

4) Compare and contrast a company's micro and macro environments.

5) Briefly explain various regulations that affect the marketing decision in India.

6) State various regulations affecting marketing in India and explain their implications.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University. Tliese are for your practice only.