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## Macro environment notes pdf

The company is not alone in its business environment. It is surrounded by and operates in a larger context. This context is called macro environment. It consists of all the forces that shape opportunities, but also pose a threat to the company. The Macro Environment consists of 6 different forces. These are: Demographics, Economy, Politics, Ecology, Socio-Cultural, and Technological Forces. This can be easily remembered: the DESTEP model, also called the DEPEST model, helps consider a variety of Macro Environment factors. Macro Environment – Six Strengths in the Business Force Environment

Demographic is a reason for businesses to exist. In other words, people are the driving force for market development. Large and diverse demographics both offer opportunities but also challenges for businesses. Especially at a time of rapid global population growth, and overall demographic change, people's studies are critical to marketers. The reason is that changing demographics means changing the market. Further, changing the market means the need for a tailored marketing strategy. Therefore, marketers should keep an eye on demographics. This may include all kinds of population characteristics, such as size, growth, density, age and gender structure, and so on. Some of the most important demographic trends affecting the market are: World population growth The world population is growing at an explosive rate. Already in 2011, it reached 7 billion, while it is expected to reach 8 billion by 2030. By the end of the century, it will likely double. However, the strongest growth occurs where wealth and stability are largely none. More than 70% of the world's population growth expected in the next 40 years is expected to take place outside the 20 richest countries on earth. This changes the requirements for effective marketing strategies and should be remembered. Changing the age structure The changing age structure of the world's population is another important factor affecting marketing. In the future, there will be countries with much more favorable age structures than others. For example, India has one of the youngest populations on earth and is expected to maintain that status. By 2020, the average age in India will be 28 years. Instead, EU countries and the United States must face an ageing population already today. This can lead to a dangerous reduction in dynamism and challenges regarding the supply of young workers who, at the same time, should growing elderly population. Changing the family structurealso, family family change which means that marketing strategies aimed at them should be subject to customization. For example, new household formats are starting to appear in many countries. While in the traditional western countries typical households consist of husbands, wives and children, there are currently more married couples without children, as well as single parents and single households. Another factor comes from the growing number of women working full-time, especially in European countries. Along with further powers, changing the structure of the family requires marketing strategies to be changed. Geographical shifts in populationOne - and most importantly - the geographical shift element is migration. By 2050, global migration is expected to double. This has a huge impact on the location and nature of demand for products and services. The reason is that the place people can be reached has changed, as has their needs because of the new situation. Another important factor is ethnic diversity that provides new opportunities, as well as urbanization. Economic strength in the Macro Environment Economic strength is related to factors that affect consumer purchasing power and spending patterns. For example, a company should not start exporting to a country before checking how much people will be able to spend. Important criteria are: GDP, real gdp growth rate, GNI, Import Duty and sales tax/VAT rates, Unemployment, Inflation, Disposable personal income, and Spending patterns. Socio-cultural forces in the Macro Environment of socio-Cultural Forces are associated with factors that influence basic values, preferences, and behaviors of society. The basis for these factors is shaped by the fact that people are part of the society and cultural groups that shape their beliefs and values. Many cultural blunders occur because of business failures in understanding foreign cultures. For example, symbols can carry negative meanings in other cultures. To understand these forces, Hofstede's cultural dimensions can be used: Distance Of Power, Individualism versus Collectivism, Masculinity versus Femininity, Uncertainty Avoidance etc. The power of technology in macrotechnological forces is forming an important influence in the Macro Environment. They relate to the factors that create new technologies and thus create new product and market opportunities. The technological power that everyone can think of today is the development of wireless communication techniques, smartphones, tablets, and so on. This may mean the emergence of opportunities for businesses, but be careful: each new technology replaces the older one. Thus, marketers must monitor the technology environment closely and adapt in order to keep up. Otherwise, the product will soon be missed and the company will lose new product and market opportunities. Ecological strength in the Macroecological Environment, or natural forces of nature Macro environments are important because they are about natural resources that are needed as input by marketers or that are affected by their marketing activities. Also, environmental concerns have grown strongly in recent years, which makes ecological strength an important factor to consider. For example, world pollution, air, and water are the headlines that every marketer should pay attention to. In other words, you have to track trends in the ecological environment. An important trend in the ecological environment is the growing shortage of raw materials and treatments for renewable resources. In addition, increased pollution, but also increased government intervention in the management of natural resources is an issue. Due to all these concerns and increased community involvement in ecological issues, companies more than ever need to consider and implement environmental sustainability. This means that they must contribute to supporting the environment, for example by using renewable energy sources. Thus, businesses not only support the maintenance of the green planet, but also respond to consumer demands for environmentally friendly and responsible products. Political power in the Macro EnvironmentEvery business is limited by the political environment. It involves legislation, government agencies and pressure groups. This influence and restricts organizations and individuals in society. Therefore, marketing decisions are heavily influenced and influenced by developments in the political environment. Before entering a new market in a foreign country, the company should know everything about the legal and political environment. How will the law affect business? What rules need to be obeyed? What laws can limit a company's ability to be successful? For example, laws covering issues such as environmental protection, product safety regulations, competition, pricing, etc. may require companies to tailor certain aspects and strategies to new markets. As we've seen, the company is surrounded by a complex environment. The Macro environment consists of a variety of different forces. All of this can shape opportunities for companies, but can also pose a threat. Therefore, it is very important for marketers to understand and supervise development in the Macro Environment, to make their business grow in the long term. In business analysis, we tend to focus our research on individual and industrial markets, regardless of the larger and so-called macro environment. But what exactly is the macro environment, and why should you care? The macro environment is a broader business environment across all markets and industries. It takes into account the size and nature of the entire economy and society (or even internationally). Understanding the macro environment is very important in measuring and and for business success.9 Important Macro Environment Factors to Include in Your Analysis Of Macro Environments refer to the broader business environment as a whole. While this can include political, technological, and other factors, the most relevant are all economies. In this section, we will dive into some core, mostly economic factors that affect the macro environment. If you think about it, you'll see how each of these factors can affect your business regardless of industry or geography. Gross Domestic Product Gross Domestic Product, referred to briefly as GDP, is a measure of the total monetary value of goods sold or services imposed in a given quarter or year. GDP is usually measured nationally, and provides insight into the strength of the local economy in terms of misered values. High GDP represents a strong economy, which is often what businesses want to see in a macro environment. Gross domestic product is a factor in the macroeconomic environment. This single number shows the total value of goods and services exchanged over a span of years, often in one country. Another highly related step is gross domestic product per capita, which refers to the average value of erified goods and services across a year's range, per each individual in the country. As far as single numbers go, gross domestic product is one of the most effective tools for quickly and easily measuring the nation's economy. High gross domestic product indicates a healthy economy (and a strong business environment) while low gross domestic product indicates a weak economy (and a poor business environment). Gross domestic product trends may explain the improvement or decrease in your organization's performance. Demographics The word demographic refers to the breakdown of population statistics. As a single number, the population itself - i.e. the number of people living in a particular area - doesn't tell you much. However, the concept of a broader demographic, which also accounts for, for example, population breakdown based on age or gender, can tell you a lot about the macro environment. Let's look at an example. If your product targets over-60s individuals, you'll be pleased to know that there are trends in aging populations around the world, which means people are living longer. One of the specific demographic factors we have seen before is ethnic breakdown in a country. If your organization targets people of a certain ethnicity, there may not be one number that means more to you than this one! EmploymentNext up is a job, which is a fraction of the local or global population that is or is not employed. Employment rate is another factor that provides strong insights economic circumstances. Again, for the most part the case: the higher the job, the better. TaxesTax is usually nationally. Of course, taxes don't need an explanation - they are a cut of your sweet business proceeds taken by the government. The tax measure can help you understand your jurisdiction's monetary policy, and how it relates to the economy as a whole. Consumer ExpenditureSConsumer spending refers to the amount of goods and services purchased by end consumers each year. Although also an economic factor, consumer spending is partly a socio-cultural factor as far as the macro environment is concerned. This is because some cultures are only more or less susceptible to buying consumer products, and may also be associated with cultural change all the time. If your business targets the end consumer with goods or services, then consumer spending can be a very powerful factor for understanding the spending habits of the chosen geographic region. For example, Apple, a premium electronics manufacturer, specifically targets countries with high consumer spending - such as the United States - because of how expensive their branded products are. PoliticsPolitics can also be an important factor in the macro environment, especially when it comes to international trade policy. A country's political state can also give you a lot of insight into its socio-cultural values. Again, let's look at an example. If the selected geographic market does not have a trade agreement with your organization's home country, then your product may be subject to import tax, which may affect the viability of your business model. In some cases, the political environment may even make it impossible for you to do business in a particular country. TechnologyNeedless to say, technology is an important factor in the current macro environment. In particular, a nation's technological infrastructure can be an important element of the macro environment. This may refer to the nation's technological preferences, the expansion of certain technologies, or other such factors. For example, let's imagine you are a mobile software home. Before deciding whether to translate your app into the selected language, you can see technological advances in related countries as part of a macro environment analysis. If there are multiple mobile phone users in the country, you can decide not to bother. Ecology We are entering an age where the environment is more valuable than ever, with a depleting amount of natural resources and growing pollution. As far as macro environmental analysis is concerned, ecology is a category of important factors that take this into account. Other examples of individual ecological factors include weather, terrain flatness, or even soil fertility. Undoubtedly, the most significant factor in the world's ecological playing field is global warming. Regardless of target you (in terms of their geography), global warming will organization if you leave it. Also, it might be a good time to start making umbrellas and sun lotions! Laws/RegulationsBundled together as the last macro environmental factor, we have laws and regulations. If you are going to operate in a particular country, it is very important that you comply with local laws and rules. There are quite differences in regulation around the world, so you may be surprised to hear what is or isn't legal in some places. Take the emerging cryptocurrency market. Cryptocurrencies are a new class of financial assets, where certain rules and regulations have not been laid out in most countries. However, certain countries, such as Malta or Switzerland, have quickly set up that space, and may be a good macro environment option for your digital asset business. As you can see, there are many potential factors that you can include in your own macro environment analysis. The most important thing to take away from this paragraph is that you don't have to include it all - and you don't have to! Choose the economic, political, social, legal, technological, and environmental factors you want to use for your macro environment analysis based on how relevant they are to your business. What is Macro Environment Analysis? Macro environmental analysis can be a powerful tool for businesses that use it along with small-scale market analysis. Together, these two modes of business analysis paint a complete picture of the business environment. If you are familiar with PEST or PESTLE analysis, which takes into account political, economic, social, technological, and sometimes Legal or Environmental factors that affect the target market, you may have noticed how this analysis tool can be equally applied to the macro environment. That's right, if you want to do macro environment analysis, you just have to apply the PEST (LE) toolset to the broader business environment. PEST helps macro environment analysisTo perform macro environment analysis, it is wise to use accurate tools built for this particular study. In this case, it's pest analysis. Pest analysis examines the influence of political, economic, social, and technological factors on a business. These factors cannot be controlled by the company directly. Yet every factor affects any and every business, no matter their industry. Political factors may be related to the government. They consist of legislative bills, tax policy, health and safety legislation, as well as government stability. The average entrepreneur cannot lower taxes or introduce new laws that will affect the entire economy. They should instead understand these factors at a magnificent level and ensure their business is in line with the laws, regulations, and Economic factors, as discussed above, are related to inflation, taxes, unemployment, and recession. While the people in can track trends and implement planning, many businesses are not evidence of recession. Social factors consist of people (or consumers). They buy products based on many different factors. These include their demographic location, ethnic background, social status, urgent needs, lifestyle changes and trends. Look at how organic food explodes across the country. More and more consumers are becoming health conscious. Fast food restaurants are adopting 'healthy alternatives' to cater to this crowd. Once upon a time, fast food venues could ignore the needs of these consumers. But now, that's not the problem. They cannot convince these consumers that unhealthy food is the right purchasing decision for them. Customers choose this. It's important to listen to consumers, on a macro level, rather than waste efforts that seek to change their minds. There's always another business they can go to. Technological factors are often called technological advances. It's not just technology that's used to develop and deliver products to consumers. But also the technology used to run the business efficiently. The fastest companies, with the best agile technology, can easily beat competition in any market. Keeping an eye on which technologies are used in the industry can mean life or death for the company. We use PEST analysis to perform macro environmental analysis. Understanding how macro factors affect companies is necessary when building or expanding a business. By examining how outside influences, uncontrolled by the average person, connect to the business, it will reflect how to stay ahead of the competition. And reduce the risk when they arrive. Why Do Macro Environment Analysis? You may be wondering why you're doing macro environmental analysis - and that's a good question! After all, every business analysis takes a lot of time, and very often the same amount of money. There are a number of reasons you might do this kind of analysis; for example, you represent a company or cross-industry government that wants to understand and plan the business environment in the future as a whole. However, the most common application for macro environmental analysis is in small and medium enterprises (SMEs), which use analysis along with individual market analysis to get a full view of their business environment. For example, consider that your organization is a consumer electronics manufacturer. Your market analysis of the consumer electronics space may have yielded some interesting results, such as more and more television purchases. Further analysis of the market found no explanation for this change. However, when you perform a macro environment analysis, you see that growth is rapidly growing overall - and with it, consumer spending - which explains that households are buying more televisions only They can! This is just one example when you may see a macro environment, but the general rule is that it solves the missing piece of the puzzle. Who Should Do Macro Environmental Analysis? As we mentioned above, there are quite a lot of uses for macro environmental analysis - and with that, there are enough individuals and organizations that could benefit from it. So how do you know if you should do a macro environment analysis? As a general rule of thumb, if you do analysis for individual and industrial markets, you may also have to do at least some macro environmental analysis. There are exceptions to these rules, but they usually refer to large-scale, transnational organizations or government agencies. When you do macro environment analysisafter reading the last two sections, you may see a pattern here: macro environment analysis is most commonly used in tandem with market analysis. If you're wondering when to do this analysis, the answer lies in the same pattern. If you're a small or medium-sized company doing market analysis to get a complete picture of your business environment, you'll need to do macro environment analysis at the same time. If you've done market analysis before, and you don't plan to do it again anytime soon, you should go ahead - and bring the analysis as soon as possible to see if there's anything you missed in your market analysis. Real Examples of Macro EnvironmentsNow it's time to dive into some real examples of macro environments. For the purposes of this article, we will look at the macro environment in the United States and China. Just as with any business analysis tool, the factors you choose to view in your own macro environment analysis will depend on the information you consider most valuable. For this article, we'll do an overview of each macro environment—but keep in mind the weird and wonderful data that applies to your industry when you do your own macro environment analysis. Example Macro Environment 1: The United States is one of the largest economies in the world, which makes it a profitable macro environment for almost all businesses. In 2017, the United States recorded a gross domestic product of more than \$19 trillion - the highest of any country in the world. Although difficult to measure, consumer spending is also very high in the United States. In addition, the United States has a registered population of about 325 million people. Of these millions, the population is split relatively evenly among different age groups. As far as ethnicity is concerned, there is quite a lot of reach. This includes most White Americans, as well as Africans, Hispanics, Natives Asian American. Macro Environment Example 2: ChinaChina is economic powerhouse on the global stage. China has a GDP of more than \$12 trillion, with a large population of just under 1.4 billion people. Thus, you can see that the average Chinese person gets a smaller cut of the pie, and the reduced consumer spending (compared to the US) reflects this. In terms of ethnicity, the macro environment in China is almost entirely Asian, with a small handful of Caucasian people present as well. Macro Environment ScaleWith two examples behind us, it should be mentioned that the macro environment should not only refer to one country. In fact, you can see the business macro environment at the local or global level. A macro environment in one city or region, despite being a very narrow tool, can help smaller businesses a lot. For example, if you run a restaurant, understanding the macro environment of your surroundings can help you decide whether to choose a cheaper or more expensive menu option. On the other hand, looking at the global macro environment can be a useful tool for companies large and small. If the global economy is in recession, that might explain the decline in sales in your business how big it is. This is why macro environmental analysis is so powerful - it captures data that is completely ignored by other business analyses! Final Thinking Macro environment is a broader business environment that affects businesses across industry and geography. This refers to the national or international business climate as a whole, which usually depends on the economy and regional communities. Macro environment analysis can be a fantastic tool for your business if you want to solve business analysis puzzles, and you can get started right away by applying the same PEST principles you know and love! Photo by Vlad Busuioc at Unsplash, Paul Calescu and Natee Meepeian/Shutterstock.com Meepeian/Shutterstock.com

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