

Service Marketing: A practical approach
Prof. Dr. Biplab Datta
Vinod Gupta School of Management
Indian Institute of Technology-Kharagpur

Lecture-05
Understanding the Macro-Environment-I

Hello everybody. Welcome to this course on services marketing with a practical approach. My name is Dr. Biplab Datta and my contacts are given here, so once you watch this video if you have any queries or any feedback you can always write to me and I will see that your feedback is taken care of and I will also try as possible as much reply to you.

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[Lesson 5 Understanding the Macro Environment - I](#)

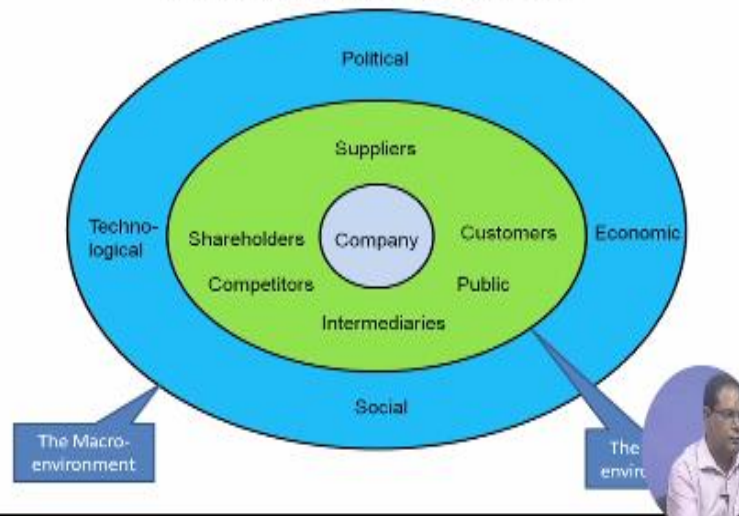
[Analysing the Macro Environment](#)

[The Political Environment](#)

Today we are going to look at the fifth lesson in this course which is understanding the macro environment part 1. In that we have 2 concepts one is analysing the macro environment and the political environment.

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The Business Environment



So this is the picture of the business environment, we can see our company here in the center and then we have the micro environment within which the company operates. That is consisting of supplier, customers, public, intermediaries, competitors, shareholders etc. And then these micro environment is within a macro environment and that macro environment consists of political environment, the economic environment, social environment and the technological environment.

So no company operates in a vacuum, it operates in some kind of environment and that is what we are going to see in this lesson as well as the next lesson how this company environment affect the delivery of services by the company.

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Analysing the Macro Environment

The macro environment is an independent variable that affects any company and determines whether the company would be able to produce and deliver its services in harmony with the prevailing business environment.

Political, Economic, Social and Technological dimensions of the business environment can be analysed using the PEST analysis.

So we come to analysing the macro environment. So the macro environment is an independent variable that affects any company and determines whether the company would be

able to produce and deliver its services in harmony with the prevailing business environment means whether the company has a good fit with the business environment. Now we have to analyse the business environment and the way to analyse this macro environment is the political, economic, social and technological dimensions. This environment is therefore analysed using the PEST analysis and for political, economic, social and technological.

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The Political Environment

We must analyse the political environment to make sure that our company is operating within legal boundaries and are congruent with common business practice.

We must be aware of the impact of changing political powers on our business. We must also understand how political practices can enable or hinder the growth of our business.

For example, mandatory recycling laws have boosted the recycling industry. For instance, food service companies like Nestle and Starbucks recycle their paper cups.



So we come to the political environment. We must analyse the political environment to make sure that our company is operating within legal boundaries and are congruent with common business practice. We must be aware of the impact of the changing political powers on our business. We must also understand how political practices can enable or hinder the growth of our business. For example, mandatory recycle laws have boosted the recycle industry. For instance, food service companies like Nestle and Starbucks recycle their paper cups. So this is how the political environment is affecting the business environment.

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The Political Environment

The political environment of a business can be analysed in terms of:

1. business legislation, and,
2. the activity of special interest groups

Now the political environment of a business can be analysed from 2 prospective. The first prospective is the business legislation and the second prospective is the activity of special interest groups.

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Business Legislation

The aim of business legislation is to:

1. protect companies from unfair competition,
2. to protect consumers from unfair business practices,
3. to protect the interest of society from unbridled business behaviour, and
4. to charge businesses with the social costs created by their products or production processes.

Although each new law has a legitimate rationale, it can have unintended effect of sapping initiative and restricting business growth.

In India, the Competition Commission has been set up under the Competition Act, 2002 to promote and sustain competition and protect the interest of consumers through legislation.

So come to business legislation. The aim of business legislation is to protect companies from unfair competition, to protect consumers from unfair business practices, to protect the interest of society from unbridle business behaviour, to charge businesses with the social costs created by their products or production processes. So here the aim (()) (04:34) the aim of the business legislation is to protect companies from unfair competition, to protect consumers from unfair practices, to protect the interest of society from unbridle business behaviour, and charge businesses with the social costs created by their products or production processes.

So although each new law has a legitimate rationale, it can have unintended effect of sapping initiative and restricting business growth. In India, the competition commission has been set up under the competition act 2002 to promote and sustain competition and protect the interest of consumers through legislation.

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I. Business Legislation

Business legislation can be further analysed in terms of five factors, namely:

1. laws and regulations,
2. legislation,
3. administration,
4. adjudication, and
5. lobbying

So coming to business legislation. Business legislation can be further analysed in terms of 5 factors, namely laws and regulation, legislation, administration, adjudication and lobbying.

So we will see these factors one by one.

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1. Laws and regulations

Laws and regulations refer to bills that have been passed or are in effect. Examples of laws and regulations that can affect our business are:

- price controls on room tariffs and other charges in a hotel
- taxes
- licensing of barber shops, pools, restaurants, night clubs, bars, etc.
- tax holidays
- safety standards
- building by-laws
- minimum labour wages
- available police force

Laws and regulations. Laws and regulations refer to bills that have been passes or are in effect. Examples of laws and regulations that can affect our business are price controls on room tariffs and other charges in a hotel. So these controls are made by the regulators of

different businesses. Then taxes, licensing of barber shops, pools, restaurants, night clubs, bars, etc.

Putting tax holidays, safety standards in the particular industry, building by laws, minimum labour wages and available police force. So these are all part of the laws and regulations which refer to bills that have been passed or are in effect.

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1. Laws and regulations

A list of important laws related to conducting business in India is given below:

Business Legislation in India

Act	Year
Prevention of Food Adulteration Act	1954
Drugs Control Act	1954
Company Act	1956
Standard Weights and Measures Act	1976
Display of Price Order	1963
Indian Patents Act	1970
Packaged Commodities (Regulation) Order	1975
Consumer Protection Act	1986
Water (Prevention and Control of Pollution) Act	1974
Air (Prevention and Control of Pollution) Act	1981
Environment (Protection) Act	1986
Competition Act	2002

So the laws and regulations and a list of important laws related to conducting business in India are given below. So business legislation in India we have several acts. So the first act is the prevention of food adulteration act, 1954. Drugs control act, 1954. Company act, 1956. Standard weights and measures act, 1976. Display of price order, 1963. Indian patents act, 1970. Packages commodities regulation order, 1975.

Consumer protection act, 1986. Water prevention and control of pollution act, 1974. Air prevention and control of population act, 1981. Environment protection act, 1986 and competition act, 2002. So under the competition act the competition commission has also been established and this to ensure that unfair competition or some kind of (()) (07:38) are not formed by the several businesses operating in the country.

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2. Legislation

Legislation refers to the process by which bills are passed, rejected or shelved. Examples of legislation that can affect our business are:

- raising and passage of bill introducing value added and service tax
- raising and passage of bill introducing quotas in hiring of employees
- raising and passage of bill closing night clubs in hotels, or that banning gambling

Then we come to legislation. Legislation refers to the process by which bills are passed, rejected, or shelved. Examples of legislation that can be affect our business are raising and passage of bill introducing value added and service tax. So recently the general service tax was also passed, he might be knowing that. Raising and passage of bill introducing quotas in hiring of employees, raising and passage of bill closing night clubs in hotels, or that banning gambling.

So these are some of the legislation which has been passed and which have been raised and this legislation on affect the business. So we must be aware of what legislation is being processed or being passes and how that will affect our business.

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3. Administration

Administration refers to how laws and regulations are managed and enforced by governments. Examples of administration that can affect our business are:

- government's grading system of a hotel
- waiver on import duties on materials required for construction or refurbishment of a service facility
- restriction on business hours of a service
- controls on purchasing systems
- national airline policies that dictate the entry or exit of tourists from a country
- integrity and corruption in the business environment



Then comes to administration. So, administration refers to how laws and regulations are managed and enforced by governments. Examples of administration that can affect our business are government's grading system of a hotel, waiver on import duties on materials required for construction or refurbishment of a service facility, restriction on business hours of service, controls on purchasing systems, national airline polices that dictate the entry or exit of tourists from a country and integrity and corruption in business environment.

So these are some of the examples of administration that can affect our business. This about the administration of laws and regulations in the political environment.

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4. Adjudication

Adjudication refers to where and how laws and regulations are enforced. Examples of adjudication that can affect our business are:

- court decisions on enforcement of service contracts
- decisions of consumer courts
- court decisions on legal implications of overbooking and infringement of consumer rights
- overall integrity of the judicial system and quality of the judiciary
- enforceability of foreign judgments or arbitration awards

Then comes adjudication. So, adjudication refers to where and how laws and regulations are enforced. Examples of adjudication that can affect our business are court decision on enforcement of service contracts, decisions of consumer courts, court decisions on legal implications of overbooking and infringement of consumer rights, overall integrity of the judicial system and quality of the judiciary and enforceability of foreign judgments or arbitration awards.

So these are basically to do with several court decisions in different aspects and these decisions also have to be known by the businesses. So there follow these decisions and they do not repeat history as they say.

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5. Lobbying

Lobbying refers to the activity of interest groups to influence lawmakers and administrative officials to meet their interests. Examples of lobbying that can affect our business are:

- access to government officials either directly or through an association
- use of the service association as a lobbying group
- existing laws related to lobbying
- ability to hire executives who are knowledgeable of the working of government officials and the ability to manage government involvement on the working of a service organisation

Then the question of lobbying. Now lobbying refers to the activity of interest groups to influence lawmakers and administrative officials to meet their interests. Examples of lobbying that can affect our business are access to government officials either directly or through an association, so people can form a lobby and access government officials directly or through an association and would try influence that.

Then use of the service association as a lobbying group, existing laws related to lobbying, that must be known so that while lobbying the companies do not violate any of these laws.

Ability to hire executives who are knowledgeable of the working of government officials and the ability to manage government involvement on the working of a service organisation.

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II. Activity of special Interest groups

An important force affecting businesses worldwide, and particularly in India, is the Consumerist Movement. The Government of India passed the Consumer Protection Act 1986 under which six rights of consumers have been recognised. These include:

1. Safety: The right to be protected against the marketing of goods and services that are hazardous to life and property.
2. Information: To protect consumers against unfair trade practices, and the right to be informed about the quality, quantity, purity, standard and price.
3. Choice: The right to choose a variety of products and services at competitive prices.
4. Representation: The right to be heard and be assured that the consumer's interests will receive due consideration at appropriate forum.
5. Redress: the right to seek redress against unfair and restrictive trade practices, and unscrupulous exploitation of consumers.
6. Consumer education: The right to be educated about products and services.

Then we come to the activity of special interest groups and important force affecting business worldwide, and particularly in India is the consumerist movement. The government of India passes the consumer protection act at 1986 under which 6 rights of consumers have been recognised. These include safety, information, choice, representation, redress and consumer education.

So as far as safety is concern, it the right to be protected against the marketing of goods and services that are hazardous to life and property. Information: To protect consumers against unfair trade practices, and the right to be informed about the quality, quantity, purity, standard and price. Choice: The right to choose a variety of products and services at competitive prices.

Representation: The right to be heard and be assured that the consumer's interests will receive due consideration at appropriate forum. Redress: The right to seek redress against unfair and restrictive trade practices and unscrupulous exploitation of consumer. Consumer education: The right to be educated about products and services. So these activities of special interest groups.

They have to avoid by the consumer protection act 1986 under which there are 6 rights consumers have while purchasing or using any of the services of a particular company. Thank you. I hope this video helps you.