

Macro- Environmental Factors Effecting Fast Food Industry

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Abstract

This assignment explains about the macro-environmental factor that has the effect on fast food industry and they are adapting the changes to be in the competitors. The macro-environmental factors include demography, technology, culture, and other factors, which controllers not only the single company but the whole industry. So it is very important for the entire firm in the industry to keep the track of the macro-environment .The macro-environment has been analyzed using the Indian fast food industry. Marketing strategies of different organizations in this industry have been used for reference where applicable.

Keywords: macro-environmental factor, fast food, demography, marketing strategies, economic forces natural forces, technological forces, political forces, cultural forces.

1. INTRODUCTION

The assignment deals with micro environment forces shaping marketing strategy in **fast food industry**.

What is fast food actually? The food which is prepared and served very fast is called fast food in my view. Or we can say the food very easily prepared. And we all know is one of the great and big industry and also has great prospects at the moment. Fast food is very common in India now a days and all over the Word .we can see many shops of fast food every where .in the shopping mall by road sides in malls there are food courts with at least 5-10 fast food shops, these fast food shops ranges from cafés, south Indian, chat purees, Chinese food and also franchises like McDonalds, Burger king, Kfc, Pizza hut, Subway, Dominoes and many more.

The fast food shops may all vary from one another based on the food they offer and the customer service, but they all have to consider the market they are catering to and how they have to formulate their marketing strategies to attract more customers and to retain the existing ones. This report is based on the analysis of the factors that affect the environment in which they operate and how they have to adapt their marketing strategies to particular conditions

2. THE MACRO-ENVIRONMENT

All organizations have to operate considering the market they are targeting. The market here refers to the set of all potential buyers and sellers of a particular product or service (Kotler, Brown, Adam & Armstrong, 2004). They have to properly apply marketing management – analyze, plan, implement and control plans designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives (Kotler, et al, 2004).

The most important aspect of the marketing management is the proper identification of the marketing environment (Kotler, et al, 2004). This involves the actors and forces outside marketing that affect the marketing management’s ability to develop and maintain successful transactions with its target customers. The environment consists of the micro-environment and the macro-environment. The forces close to the organization that affect its ability to serve its customers is the micro-environment (Kotler, et al, 2004). Micro-environmental forces include the fast food shop itself, competitors – like McDonalds and Burger king, and publics – like banks and the media.

The macro-environment involves the larger societal forces that affect the whole micro-environment (Kotler, et al, 2004). These shape opportunities and pose threats to the organization. These are factors over which an organization has no control. They simply have to adapt to changes in these forces or they will face serious survival problems.

The basic macro-environmental forces that affect any organization are as follows:

- **Demographic forces**
- **Economic forces**
- **Natural forces**
- **Technological forces**
- **Political forces**

- **Cultural forces**

These forces will now be analyzed in relation to the fast food industry in India.

2.1 Demographic Forces

Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation and other statistics (Kotler, et al, 2004). The demographic environment is of great importance to marketers as it involves the study of people, and it is people that make up markets.

2.1.1 Changing age structure of the population

In India, one of the major changes in the age structure of the population is the increase in the number of young population. This means that marketers in the fast-food industry (and other industries) are having to market their services and products at different target markets as many of the current markets are becoming quit larger. For example, McDonald's have recently started aiming advertising campaigns at the young people and specially college going young generation by offering burgers for only 20 rupees which is affordable to everyone even to those who does not earn and are dependent on their parents.

2.1.2 Changing family structure

Another trend in the demographic environment is the characteristics of families. No longer are joint families nuclear families are in trend where parents and children live together without other extended member is more common in cities. And nuclear families are increasing day by day.

2.1.3 Geographic shifts

As the population grows it also expands and shifting to bigger cities. For fast-food services this means that they may need to open new stores to keep up with demand.

2.1.4 Education

Education conditions in India are improving day by day and are batter then other countries like Bangladesh, Nepal, and many others under developed countries. The higher education sector is widely expanding due to students from different countries. As a result, some fast food joints are now serving cheaper meals to cater to these students. McDonald's and Golli wada pav have cheaper meals.

2.1.5 Growing ethnic diversity

Interstate immigration has led to an increase in ethnic diversity of India. The impact this has on a market such as the fast-food industry includes understanding different cultures and tastes. That is the reason we see many SouthIndian restaurant and Panjabi dishes served in Maharashtra.

2.2 Economic Forces

“Markets require purchasing power as well as people. The available purchasing power in an economy depends on current income, prices, savings, debt, and credit availability.” (Kotler, 2000) “Factor that affect consumer buying power and spending patterns.” (Kotler, 2001) .The economic factor plays a great role in shaping the organisations as it deals with buying power of the consumer.

The key economic concerns for marketers are as follows (Kotler, et al, 2004):

There are two key economic concerns for marketers; these are changes in income and changes in consumer spending patterns. Changes in income may indicate trends and explain slumps in sales for the fast-food industry. A drop in sales may be able to be explained by a depression in the market place, etc. Consumer spending patterns refer to how household income is divided between food, housing, transportation, etc.

By monitoring changes in interest rates, unemployment, business and consumer confidence and retailing expenditure using economic forecasting fast-food outlets are less likely to be surprised by economic depressions or bursts of growth. Economic forces can be used to predict future sales rates and suggest the required number of service staff to have working at anytime.

2.3 Natural Forces

The natural environment is at present the main focus for critics. People are now more concerned about the global environment more than at any time before. Marketers need to be aware of the threats and opportunities associated with the natural environment (Kotler, 2000).

There are four major concerns within the natural environment. Not all affect consumer services; however they can have an effect on the fast-food market as part of the product is tangible. These are:

Shortages of raw materials - Many resources that once may have seemed to have an infinite supply are now seen as precious and greater efforts are being made to find alternatives or cut down usage. Some examples of these are: McDonald's use recycled paper to wrap their hamburgers, therefore reducing the amount of forestland that is cut down.

Energy costs - As nonrenewable resources like oil, gas and coal dwindle, prices of fast-food products are likely to increase as things like transportation costs rise. Some fast-food outlets may have to look for alternatives to how they cook their product; however, there should not be much effect on the service

elements of the market.

Increased pollution - Pollution has a major effect on how consumers view an organization. These days an 'environmentally aware' company is likely to be more popular than one that is not. Increased pollution has already had effects on the fast-food market. In 1991 McDonald's changed its packaging from polystyrene boxes to paper in response to consumer demands for a more 'environmentally friendly' packaging. This makes up an important part of the 'service' element of the fast-food market; consumers receive the peace of mind that the product they are eating has had minimal effect on the environment.

Government intervention - There are now controls in place to make sure organisations are doing minimal damage to the environment. Organisations in the fast-food industry can either oppose these regulations or help develop them.

2.4 Technological Forces

“The 1990s have been a period of technological change and true innovation.” (Jain, 2004). Technological changes simply change the way people do business. The technological forces that affect the fast food industry are as follows:

2.4.1 Fast pace of change

The rapid development and exploitation of new technologies have now mandated companies of all sorts to be informed at all times, or else they face the chances of threats to their survival. The internet itself has changed the scenario itself. Other innovative systems make the consumers more honoured at times. For example, Domino's Pizza has a special system to record the names and telephone number of any customer, so that in future when the person rings again, the customer service attendant can address the customer by name.

2.4.2 High R & D budgets

Although the fast food industry does not have so great Research and Developments, they do conduct surveys to calculate their brand loyalty and their market share. McDonald's, KFC, Pizza Hut are all continuously evaluating their customer's views and adapting their menus and customer service accordingly.

2.4.3 Increased regulation

Due to the vast development in the Internet sector, giving out personal information is now considered risky by most people, as mishandling of information is being a common crime these days. As a result fast food joints wanting to conduct surveys about their menus and service now have to be careful not to ask too personal data, and even if they do, they have to receive formal confirmation from the individual customers.

2.4.4 Focus on minor improvements

Since the industry is very big with a lot of different shops serving the similar types of food and giving similar services, fast food shops now have to concentrate on minor improvements like changing the décor – the menu list that hangs on top of the counter, the packaging, the customer service done over the phone. These are all done by the advanced technologies that are available.

2.5 Political Forces

Even in stable countries with no political unrest, political trends may have a significant impact on business (Jain, 2004). Although India is a politically stable country, there are conditions that affect the fast food industry operations.

2.5.1 Enforcement

Different governments focus on separate laws and enforce them more than others. At present the enforcement on excessive use of plastic bags is affecting the fast food industry. Shops now have to spend more on paper bags and other recyclable materials.

2.5.2 Greater concern for ethics

Ethics are more focused on these days. As a result, fast food shops now have to comply with certain norms. Like shops selling non-vegetarian burgers have to maintain the standard. They cannot simply cook non-veg with veg and sell the vegetarian item as pure vegetarian. Inspections are carried out by government agencies to ensure the quality of these products.

2.5.3 Legislation

There are many laws and regulations in force for the food industry. The fast food shops have to maintain a minimum level of hygiene, number of staff, customer service, payments to staffs, and storage of unused items and so on. These legislations are changed from time to time to better standardize their operations.

2.6 Cultural Forces

The cultural environment is composed of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviours (Kotler, et al, 2004). The cultural forces that are at play in our environment are as follows (Kotler, et al, 2004):

2.6.1 View of oneself

People are now more concerned for their health and thus are switching to healthier and greener food like salads, vegetable burgers, etc. Diabetes and heart diseases is also a major concern for consumers nowadays as most fast food items are rich in sugar and carbohydrates. So many fast food companies serve food which is healthy and has low oil in it.

2.6.2 Views of organizations

People try to associate themselves with good organizations most, those that are more concerned for the environment for example, or those that offer homely services. Fast food shops are now trying to improve their brand image by portraying their concerns for the environment.

2.6.3 Views of society

The society we live in is what affects our spending pattern to a great extent. The Indian culture is now a day is becoming fond of eating out as the part of refreshment and sometimes also part of their daily life. As a result fast food shops try to make the eating out a memorable experience for everyone. Like McDonald's gives away toys to kids for Happy Meals.

2.6.4 Views of nature

Concerns about the nature, as described earlier, have changed the eating habits of people. Like people now prefer health food, natural ice-cream, and other natural products (Kotler, 2000).

2.6.5 Views of the Universe

People's religious beliefs are a part of their universal values. Muslims all over the world are seen to avoid ham and Hindus to avoid beef. As a result, Indian fast food joints now serve veg and halal products at different shops.

3. CONCLUSION

The fast food industry as a whole is a flourishing sector in India. However health concerns may be affecting this sector the most. The fast food shops now are trying to shift their focus on health food, greener food and natural products. The increased competition in the industry is also a matter of concern. As it is easier to establish a fast food shop, the competition has increased considerably, and companies now have to try harder to retain their existing customers and get new ones, keeping good knowledge of the macro-environmental factors that are guiding the course of flourishment of this industry. The individual shops have to be well aware of any minor changes in these factors, to adapt to them as soon as possible to keep in pace with the others.

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