

Technology

Customer

Value

Global

Marketing

Principles & Perspectives

Bearden

Ingram

LaForge

Third Edition

Relationship

Ethics

Entrepreneurship

Productivity

Marketing

Principles & Perspectives
Third Edition

William O. Bearden

University of South Carolina

Thomas N. Ingram

Colorado State University

Raymond W. LaForge

University of Louisville



McGraw-Hill
Irwin

Boston Burr Ridge, IL Dubuque, IA Madison, WI
New York San Francisco St. Louis
Bangkok Bogotá Caracas Lisbon London Madrid Mexico City
Milan New Delhi Seoul Singapore Sydney Taipei Toronto

McGraw-Hill Higher Education

A Division of The McGraw-Hill Companies

MARKETING: PRINCIPLES & PERSPECTIVES

Published by McGraw-Hill/Irwin, an imprint of The McGraw-Hill Companies, Inc. 1221 Avenue of the Americas, New York, NY, 10020. Copyright © 2001, 1998, 1995, by The McGraw-Hill Companies, Inc. All rights reserved. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of The McGraw-Hill Companies, Inc., including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning. Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

domestic 1 2 3 4 5 6 7 8 9 0 VNH/VNH 0 9 8 7 6 5 4 3 2 1 0
international 1 2 3 4 5 6 7 8 9 0 VNH/VNH 0 9 8 7 6 5 4 3 2 1 0

ISBN 0-07-232297-7

Publisher: *David Kendric Brake*
Executive editor: *Gary L. Bauer*
Developmental editor: *Barrett Koger*
Marketing manager: *Kimberley Kanakes/Colleen Suljic*
Project manager: *Karen Nelson*
Production supervisor: *Melanie Salvati*
Senior designer: *Jennifer McQueen Hollingsworth*
Supplement coordinator: *Elizabeth Hadala*
Media technology producer: *Ann Rogula*
Cover design: *Rebecca Lloyd Lemma*
Compositor: *Carlisle Communications, Ltd.*
Typeface: *10.5/12 Sabon*
Printer: *Von Hoffmann Press, Inc.*

Library of Congress Cataloging-in-Publication Data

Bearden, William O. (date)
Marketing, principles & perspectives / William O. Bearden, Thomas N. Ingram, Raymond W. LaForge.—3rd ed.
p. cm.
ISBN 0-07-232297-7 (alk. paper) (McGraw-Hill/Irwin series in marketing)
Includes index.
1. Marketing—United States. I. Ingram, Thomas N. II. LaForge, Raymond W. III. Title.
IV. Series.
HF5415.1.B4155 2001
658.8—dc21 00-056238

INTERNATIONAL EDITION ISBN 0071180257

Copyright © 2001. Exclusive rights by The McGraw-Hill Companies, Inc. for manufacture and export. This book cannot be re-exported from the country to which it is sold by McGraw-Hill. The International Edition is not available in North America.

To Patti, Anna, Wallace, and my mother, and in
memory of my father.

Bill Bearden

To Jacque and Rocky.

Tom Ingram

To Susan, Alexandra, Kelly, my dad and in
memory of my mom.

Buddy LaForge

Meet the Authors

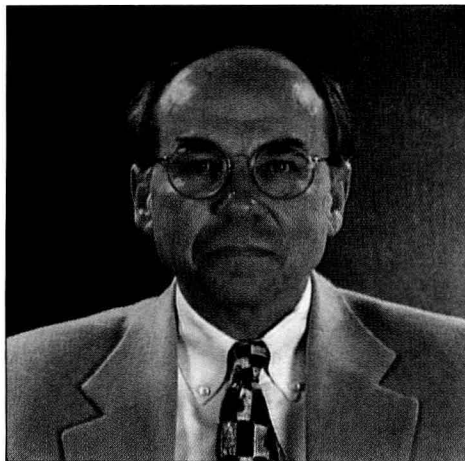
William O. Bearden

(Ph.D., University of South Carolina) University of South Carolina

Bill Bearden is the Bank of America Professor of Business Administration at the University of South Carolina. He has focused his teaching and research interests in consumer behavior and marketing research. In addition, Bill teaches principles of marketing and marketing management. His teaching awards include Outstanding MBA Teacher, the College of Business Administration Alfred G. Smith Excellence in Teaching Award, and the University of South Carolina AMOCO Award for Excellence in Undergraduate Teaching.

He is currently a member of the Editorial Review Boards for the *Journal of Consumer Research*, the *Journal of Marketing Research*, the *Journal of Marketing*, the *Journal of Retailing*, the *Journal of Business Research*, and the *Marketing Education Review*. His professional experience includes past president of the Southern Marketing Association and the Education Division of the American Marketing Association, and member of the American Marketing Association Board of Directors. Previously, he served as Co-Director of the USC Lilly Endowment Teaching Fellows Program and currently coordinates the Ph.D. Program in Marketing at USC.

Bill lives in Columbia, South Carolina, with his wife Patti, while his two daughters, Anna and Wallace, work for the Environmental Protection Agency in Washington and teach high school math in Greenville, SC, respectively. Bill and his entire family are active in tennis and enjoy frequent trips to the South Carolina coast.





Thomas N. Ingram

(Ph.D., Georgia State) Colorado State University

Tom Ingram is Professor of Marketing at Colorado State University, where he teaches principles of marketing, marketing management, and sales management courses. Before commencing his academic career, Tom worked in sales, product management, and sales management with Exxon and Mobil.

Tom has received numerous teaching and research awards, including being named the Marketing Educator of the Year by Sales and Marketing Executives International (SMEI). He is a recipient of the Mu Kappa Tau National Marketing Honor Society Recognition Award for Outstanding Scholarly Contributions to the Sales Discipline. Tom has served as the Editor of *Journal of Personal Selling and Sales Management*, Chairman of the SMEI Accreditation Institute, and as a member of the SMEI Board of Directors. Currently, he is editor of the *Journal of Marketing Theory and Practice*.

Tom has published extensively in professional journals, including the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, and the *Journal of Personal Selling and Sales Management*. He is co-author of *Sales Management: Analysis and Decision Making*, 4th ed.; and *Professional Selling: A Trust-Based Approach*. He and his wife Jacque enjoy skiing, golf, and exploring the mountains of Colorado.

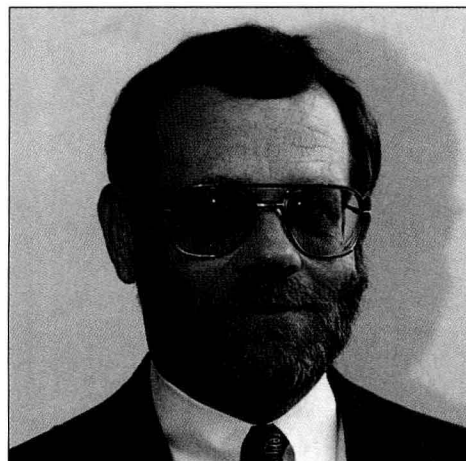
Raymond W. (Buddy) LaForge

(DBA, University of Tennessee) University of Louisville

Raymond W. (Buddy) LaForge is the Brown-Forman Professor of marketing at the University of Louisville (<http://cbpa.louisville.edu/buddyl>). He founded the *Marketing Education Review* (<http://cbpa.louisville.edu/mer>), served as Editor for 8 years, and is currently Executive Editor. Buddy has co-authored *Marketing: Principles & Perspectives*, *Sales Management: Analysis and Decision Making*, *Professional Selling: A Trust-Based Approach*, *The Professional Selling Skills Workbook*, and co-edited *Emerging Trends in Sales Thought and Practice*. His research is published in many journals to include the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science*, and *Journal of Personal Selling and Sales Management*. Buddy currently serves on the Direct Selling Education Foundation Board of Directors and Executive Committee, DuPont Corporate Marketing Faculty Advisory Team for the Sales Enhancement Process, Family Business Center Advisory Board

(<http://cbpa.louisville.edu/fbc>), as Vice President of Conferences and Research for the American Marketing Association Academic Council, and as Vice President/Marketing for the Academy of Business Education. He is developing The Sales Program at the University of Louisville and establishing The Sales Professional Network

(<http://cbpa.louisville.edu/salesnetwork>) linking sales faculty, students, and executives to improve sales careers, education, research, and practice. Buddy and his wife, Susan, and daughters, Alexandra and Kelly, enjoy tennis, golf, and thoroughbred racing in Louisville, Kentucky.



Preface

The marketing world is changing rapidly. Global economic conditions, political situations, and competitive landscapes are in constant flux. Marketing approaches that worked yesterday may not work tomorrow. Increasingly, marketing success requires doing things differently. Students will face a marketing environment different from the one discussed in our classes today. Learning what was done in the past will not prepare them entirely for what they need to do tomorrow. Consequently, in the third edition of *Marketing: Principles & Perspectives*, we have presented the topics that remain relevant and important, while simultaneously emphasizing new thinking and approaches to marketing practice. Because students need to be prepared to operate in the complex and dynamic marketing world of the future, they need to develop the capacity to think and act like marketers in a difficult and uncertain environment. This requires the ability to assess complex and changing marketing situations, to determine the best marketing strategies for these situations, and to execute the strategies effectively.

Every idea presented in the text and expanded upon in the accompanying teaching resources is intended to help students develop the understanding and skills to become successful marketers. The text is designed to facilitate student learning from individual reading and study. The teaching resources provide useful tools for instructors to go beyond what is covered in the text. Together, the text and teaching resources represent an integrated package for preparing students for marketing in the future.

This package differs from currently available products in many important ways. The critical advantages include the integration of key marketing perspectives, the presentation of comments from practicing marketers, the implementation of an integrated marketing communications (IMC) approach, and an emphasis on decision making.

Key Features and Changes

In this version of our text, we have made a number of substantial changes, while at the same time revising some of the features from the second edition of *Marketing: Principles and Perspectives*. Each chapter has been revised to include the most current marketing thought and practice. New and updated examples, cases, and chapter openings have been incorporated into what we believe is a very up-to-date presentation.

The major features and changes include the following.

Prologue

The text begins with an exciting prologue that tells the marketing story of America Online, one of the most innovative marketers heading into the twenty-first century. The brief introduction provides a description of marketing practice at a well-known company of interest to students, which will get them enthused about the study of marketing. Two new America Online video segments, created specifically for this text, accompany the Prologue and Chapter 1; taken together, this in-depth examination of a leading-edge company creates an exciting introduction to the principles of marketing course.

Electronic Commerce

In our previous editions, the authors have emphasized the role of technology as a source of new products and as a means of enhancing marketing practices. In the last edition, at a time when marketing on the Internet was in its infancy, we included Web pages as part of each chapter opener and Web exercises for each chapter. In addition, we discussed the role of technology in marketing throughout the text. In the current edition, we continue to offer these features and have added a complete

chapter on electronic commerce (Chapter 21). In this new chapter, we discuss the primary e-commerce business models, address key marketing issues in e-commerce, and provide in-depth coverage of ethical and legal issues in the electronic arena. Still in its formative years, e-commerce—as well as the more comprehensive practice of e-business—is often treated as if it is distinct from other business activities. However, e-commerce is fast becoming a crucial part of the very fabric of business, not a separate activity conducted only by Internet-based companies. The growing importance of e-commerce is recognized throughout this edition, and its importance is underscored with an additional chapter on the topic.

Marketing Perspectives

In this edition, we continue to integrate seven perspectives that are critical to effective marketing practice; these are discussed within the text where appropriate. These key perspectives are as follows: global, relationship, ethics, customer value, productivity, technology, and entrepreneurship. They are integrated throughout the text by direct discussion, examples, photos, and ads. Student exercises, boxed inserts, and cases address these timely themes as well. Briefly, the perspectives can be summarized as follows:



Global—A global perspective includes searching for marketing opportunities around the world, competing effectively against international competitors, and working with multicultural suppliers, employees, channel partners, and customers.



Relationship—A relationship perspective consists of building partnerships with firms outside the organization, encouraging teamwork among different functions within the organization, and developing long-term customer relationships.



Ethics—The ethics perspective stresses the importance of incorporating moral and social responsibility issues, including ecological concerns, within marketing decision making.



Customer Value—A customer value perspective means constantly looking for ways to give customers “more for less,” often by continually striving to improve product and service quality.



Productivity—The productivity perspective focuses attention on improving the management of marketing resources for optimum results.



Technology—The technology perspective encourages marketers to incorporate the latest technological advances to improve both marketing practice and the development of new products.



Entrepreneurship—The entrepreneurship perspective encourages marketers to emphasize creativity, innovation, and risk taking in their marketing efforts.

An Emphasis on Student Learning

We see important trends emerging in marketing education. For one thing, teaching is receiving more emphasis at most colleges and universities—but not teaching as traditionally viewed and practiced. It really does not matter *what* we teach, if students do not learn. And student learning is viewed differently, too. Learning is not just the recall of facts by passive students, but the understanding of concepts and the ability to apply them appropriately. Such learning requires the active participation of students.

The complete package for *Marketing: Principles & Perspectives, third edition*, is oriented toward student learning, and the text and the teaching resource materials are designed to complement each other toward that end. In keeping with our philosophy that students should be able to understand the text largely from their own

reading and study, we write in a lively, interesting, informal manner to capture their attention and interest. Major concepts are presented clearly and simply in a way that students can understand. Encouraged by our reviewing panels, we did not include everything we know about every topic, but only what we believe students at this level need to know. We streamlined the discussion of concepts and then reinforced them with interesting examples and exciting visuals, and incorporated a number of learning tools to facilitate the learning process. The pedagogical features emphasize our student-focused learning approach:

HOME-PAGE CHAPTER OPENERS Every chapter opens with an actual home page and discussion of how that site is being used to market the company or organization that created it. Companies represented include eBay, Pfizer, Information Resources Incorporated, British Airways, and Dell Computer Corporation to name a few. The book's home page will include a hot link to all of the Web sites mentioned in the text, including these chapter openers.

THINKING CRITICALLY Two critical thinking questions are included within each chapter to help emphasize the importance of effective decision making. Each question relates to one of the concepts within the chapter and is constructed to encourage the student to think critically about a complex issue. The decision-making scenarios presented here are drawn from both real and theoretical companies.

SPEAKING FROM EXPERIENCE This edition also includes comments about marketing from business professionals. We highlight one such person in each chapter and include three of his or her comments on key issues discussed in that chapter. By inclusion of these "Speaking from Experience" remarks, practitioners help bring to life the text material and add additional depth of explanation. The marketers included represent a range of large and small companies from a variety of industries. Example companies include Bank of America, Ralston-Purina, The Pampered Chef, Brown-Forman, Doe-Anderson, Inc., Lucent Technologies, and DuPont. Interestingly, the positions represented by these marketers include both senior individuals and young professionals in the early years of their careers. Consequently, students should be better able to identify and understand the varied opportunities available in marketing and how important marketing can be to professionals in other functional areas of business.

USING THE WWW IN MARKETING Internet exercises are found at the end of each chapter. These questions require the student to consider how the Internet can be used to address marketing concepts or decisions. In addition, you can visit our home page where additional marketing examples and up-to-the-minute information will be posted.

Other Student Features

All chapters in the third edition have been formatted so that each pedagogical feature contributes to student learning by supporting the text material, including the principles and concepts covered in the chapter.

STUDENT LEARNING OBJECTIVES Every chapter begins with several learning guides to help students focus attention on major concepts in reading and studying the chapter. At the end of each chapter, the summary is organized around these introductory learning objectives.

BOXED INSERTS Each chapter contains two boxed inserts designed to provide current examples of three important topics: **Earning Customer Loyalty**, **Being Entrepreneurial**, and **Using Technology**.

EXHIBITS AND PHOTOS The visual aspects of each chapter were designed to increase student learning. The exhibits, photos, and ads visually enhance and expand upon the chapter discussion.

UNDERSTANDING MARKETING TERMS AND CONCEPTS The most important terms and concepts are in boldface and defined when first introduced. Each boldface term is listed at the end of each chapter with the page number where it is defined. A glossary of terms and definitions is also included at the back of the text.

THINKING ABOUT MARKETING Ten review and discussion questions also are included at the end of each chapter. These questions reinforce the decision-making aspects of the text by including both critical thinking questions and recall of the most important material covered in the chapter.

APPLYING MARKETING SKILLS Every chapter includes three application exercises. These exercises can be used as either homework assignments or as in-class discussion topics. The exercises provide varied and interesting ways for students to apply what they have read or are covering in class.

MAKING MARKETING DECISIONS All chapters conclude with two cases representing well-known companies and current situations. At least one of each pair is global in orientation. Questions are included to encourage students to make decisions regarding the current activities of each company. A mix of both consumer and business-to-business cases, cases involving both multinational firms and small businesses, and cases reflecting both service and retail situations reflects the current diversity of the business world.

Organization

Marketing Principles and Perspectives, 3rd Edition, is divided into eight parts. *Part One, Marketing in a Dynamic Environment*, defines and examines the scope of marketing. The first chapter, *An Overview of Contemporary Marketing*, presents an overview of marketing including a historical perspective and the different philosophies that have guided marketing. An explanation of the marketing concept and the importance of satisfying customer needs and developing long-term profitable relationships with customers are also discussed. Chapter 1, also describes the seven key marketing perspectives—global, relationship, ethics, productivity, customer value, technology, and entrepreneurship—that are integrated within the text and the many reasons why their consideration is needed for effective marketing practice. *Chapter 2, The Global Marketing Environment*, emphasizes the global marketplace and the external environments (e.g., social, economic, political, and competitive) that influence marketer decision making. *Chapter 3, Marketing's Strategic Role in the Organization*, describes the role of marketing at different levels within the organization and the importance of effective marketing strategy.

Part Two, Buying Behavior, contains two chapters that describe, first, the concepts and influences on consumer buying behavior and decision making, and second, business-to-business markets and organizational buying behavior. *Part Three, Marketing Research and Market Segmentation*, contains two chapters as well. In *Chapter 6, Marketing Research and Decision Support Systems*, an overview of the marketing research process and information systems is presented. *Chapter 7, Market Segmentation and Targeting*, includes the concepts of segmentation, targeting, positioning, and product differentiation.

The remaining four parts cover the marketing mix elements—product, price, distribution, and promotion or integrated marketing communications. In *Part Four, Product and Service Concepts and Strategies*, three chapters present basic product and service concepts (Chapter 8), new-product development (Chapter 9), and product and service strategies (Chapter 10). Marketing services are emphasized throughout this section of the book.

The next part of the text, *Part Five, Pricing Concepts and Strategies*, covers fundamental pricing concepts and customer evaluations of prices (Chapter 11) and price determination and the managerial strategies used to guide pricing decisions (Chapter 12).

The distribution aspects of the marketing mix are covered in *Part Six, Marketing Channels and Logistics*. In *Chapter 13, Marketing Channels*, the different types of direct and indirect channels are discussed. Retailing is covered in a separate chapter (*Chapter 14*), which includes the many new advances in retailing technology and methods. The place or distribution component of the text concludes with a chapter on wholesaling and logistics management (*Chapter 15*).

Part Seven, Integrated Marketing Communications, contains six chapters. First, an overview of promotion and integrated communications is presented in *Chapter 16*. This chapter describes the communications process and marketing communications planning. The major components of the promotions *mix* are then discussed in the remaining four chapters. First, up-to-date coverage of advertising and public relations is offered in *Chapter 17*. The objectives and methods of both consumer and trade sales promotions are described in *Chapter 18*. Personal selling and sales management, with particular emphasis given to relationship selling, are the focus of *Chapter 19*. A separate chapter on direct marketing is included in *Part Seven*; specifically, the newest direct marketing techniques are covered in *Chapter 20*, as well as the interactive aspects of marketing communications.

Chapter 21, Electronic Commerce, provides additional discussion of marketing's role in electronic commerce. While many aspects of e-commerce have been discussed in earlier chapters, *Chapter 21* examines prevalent business models and crucial issues facing electronic marketers.

Appendix A describes many of the frequently used mathematical and financial tools used to make marketing decisions. *Appendix B* presents an expanded marketing plan and a discussion of how to develop one. A detailed glossary of terms and three indexes conclude the text. These indexes enumerate authors cited, companies and brands used as examples, and the subjects covered within the text.

Teaching Resources

INSTRUCTOR'S MANUAL The instructor's manual comprises chapter outlines, lecture notes with supplemental lecture materials, answers to end-of-chapter questions, and ideas for individual and group student learning activities.

TEST BANK AND COMPUTEST The test bank comprises more than 3,000 questions, including multiple choice, short answer, fill-in-the-blank, and critical-thinking essay questions.

VIDEO LIBRARY This current, dynamic video library includes 22 video segments, one for each chapter plus the prologue. The video segments, which run between 6 and 15 minutes, demonstrate the marketing concepts from the text and are tied to specific chapter concepts. Some of the companies featured include America Online, BMW, Reebok, Rollerblade, and Specialized Bike to name just a few.

INSTRUCTOR CD-ROM This exciting presentation CD-ROM allows the professor to customize a multimedia lecture with original material and material from our supplements package. It includes video clips, all of the electronic slides and acetates, art from the text, the computerized test bank, and the print supplements.

COLOR ACETATES The acetate package contains 100 original, full-color acetates of compelling ads and striking line art that illustrate key marketing concepts. We have changed the ratio of images to 50 percent text sources and 50 percent outside sources. Our research indicated that some adopters missed not having text graphics in the package. Detailed teaching notes accompany each acetate and include provocative questions to stimulate class discussion and promote active learning.

ELECTRONIC SLIDES PowerPoint slides are rapidly becoming a staple in the presentation tools that instructors use. Three hundred slides, approximately 15 per chapter, are available to adopters of the text.

MEDIA RESOURCE GUIDE This manual includes a summary of every segment within the video library, along with specific student learning objectives. Creative and thought-provoking application exercises are also included to further enhance the video experience.

HOME PAGE The book's home page can be found at www.mhhe.com.business/marketing/bearden. It contains Web Exploration Links (hotlinks to other Web sites) and Keeping Current (abstracts of issues in the news, referenced to a chapter in the book and accompanied by a list of discussion questions). For instructors, it will also offer updates of the examples and cases in the text, additional sources of marketing information, and downloads of key supplements.

Student Resources

The book's home page can be found at www.mhhe.com.business/marketing/bearden. It contains Think Links, provocative Web links with accompanying questions, and StudentSpeak, a forum designed to encourage students to interact with one another.

Acknowledgments

Writing a text requires a team effort, and we have enjoyed a collaboration with the best teammates imaginable. Cooperative, knowledgeable, creative, candid, and always encouraging—these are but a few of the positive things we found in our teammates. We are especially appreciative of the countless number of people involved in this project who time after time put forth the extra effort necessary to accomplish our mutual goals.

- The professionals at McGraw-Hill/Irwin led the way on what we feel is a terrific revision. Thanks to many, many people at McGraw-Hill/Irwin, including Jill Braaten (sponsoring editor), Colleen Suljic (marketing), Karen Nelson (production), Jennifer Hollingsworth (designer), Keri Johnson and Mike Hruby (photo research), Harriet Stockanes (permissions), and Barrett Koger (developmental editor).
- We would also like to thank several people who have been with us since the early days of this project. Eleanore Snow was our developmental editor on the first edition, and her early direction still serves as an inspiration to us. Rob Zwettler signed us to our first book contract years ago, and we truly appreciate his continuing support. Nina McGuffin and Lynn Mooney worked with us on previous editions—and sweated the deadlines as much as we did. Steve Patterson and Greg Patterson were instrumental in our decision to work with McGraw-Hill/Irwin on this book.
- We would also like to thank several individuals who have contributed significantly to the supplementary materials accompanying the text. Craig Hollinghead and Barbara R. Oates, both of Texas A&M, Kingsville, put together the comprehensive *Instructor's Manual*. An extensive set of objective test questions was developed by Ronald L. Weir of East Tennessee State University. The PowerPoint slides developed by Mary Mobley of Augusta College, and Kevin Bittle of Johnson and Wales University will provide monthly updates to the book's Web site.
- Our book has been improved by a long list of reviewers—both national and international—of three drafts of the manuscript. We were stimulated and encouraged by their comments and suggestions, and we incorporated many of their ideas into the text. Our thanks to our marketing colleagues listed below and to additional reviewers who prefer to remain anonymous. Because of length considerations we were not able to incorporate every good suggestion, but we considered all of them carefully and appreciate the reasoning behind them. We believe *Marketing: Principles & Perspectives* comes much closer to meeting your teaching needs and the learning needs of your students because of your efforts.

First, we would like to thank the following focus group participants and reviewers of the third edition:

Steven Engel
University of Colorado
Ronald E. Goldsmith
Florida State University
David C. Jones
Otterbein College
Robert Key
University of Phoenix

Dale A. Lunsford
University of Tulsa
Glen Reiken
East Tennessee State University
Nick Sarantakes
Austin Community College

Lois Smith
University of Wisconsin–Whitewater
Michael Welker
Franciscan University

We would also like to thank the many survey respondents who helped to shape this new edition and thank again the reviewers of our first and second editions:

Ronald J. Adams
University of North Florida
Nancy J. G. Adelson
North Seattle Community College
Arni Arnthorsson
College of St. Francis
Ramon Avila
Ball State University
Joe Ballenger
Stephen F. Austin University
Terri Feldman Barr
Thomas Moore College
Kenneth Bartkus
Utah State University
Stephanie Bibb
Chicago State University
Connie T. Boyd
University of Tennessee–Martin
John R. (Rusty) Brooks
Houston Baptist University
Phyllis Campbell
Bethel College
Paul Chao
University of Northern Iowa
Robert Collins
University of Nevada at Las Vegas
Kent Cox
University of Houston–Central
Lyndon Dawson
Louisiana Tech University
Oscar DeShields
California State University–Northridge
Ann M. Devine
Alverno College

Kathryn Dobie
University of Wisconsin at Eau Claire
John Doering
Minot State University
Casey Donoho
Northern Arizona University
Michael Dore
University of Oregon
Robert Doukas
Westchester Community College
Michael Drafke
College of DuPage
Cemel Ekin
Providence College
Leisa Reinecke Flynn
Florida State University
Bob Franz
Southwestern Louisiana State University
Barry Freeman
Bergen Community College
Ralph Gallay
Rider College
William G. Glynn
University College Dublin, Ireland
Pradeep Golpalakrishna
Pace University
Sandra K. Smith Gooding
Loyola College in Maryland
Bill Green
Sul Ross State University
Steve Grove
Clemson University

Robert F. Gwinner
Arizona State University
Fleming Hansen
Copenhagen Business School, Denmark
James B. Hunt
University of North Carolina at Wilmington
Eva M. Hyatt
Appalachian State University
David B. Jones
LaSalle University
Robert King
University of Hawaii at Hilo
Fredric Kropp
University of Oregon
Priscilla A. La Barbera
New York University
Irene Lange
California State University–Fullerton
J. Ford Laumer, Jr.
Auburn University
Paul Londrigan
Mott Community College
Mike Luckett
University of Central Florida
Dale Lunsford
University of Tulsa
Mary Ann Machanic
University of Massachusetts
Ed McQuarrie
Santa Clara University
H. Lee Meadow
Northern Illinois University

Carla Meeske
University of Oregon

Carla Millar
*City University Business School,
London*

Michael S. Minor
*University of Texas—
Pan American*

Robert Morgan
University of Alabama

Linda Morris
University of Idaho

William F. Motz Jr.
Lansing Community College

Erik B. Ness
*Norwegian School of
Management, Oslo, Norway*

William Perttula
San Francisco State University

Linda Pettijohn
Southwest Missouri State

Marie A. Pietak
*Bucks County Community
College*

David Prensky
College of New Jersey

Milt Pressley
University of New Orleans

Andrea Prothero
*Cardiff Business School,
University of Wales*

Daniel Rajaratnam
Baylor University

Rich Rexeisen
St. Thomas University

Glen Riecken
East Tennessee State University

Bob Robicheaux
University of Alabama

Carlos M. Rodriguez
Governors State University

Joel Saegert
*University of Texas at
San Antonio*

Nick Sarantakes
Austin Community College

Charlie Schwepker
Central Missouri State University

Don Self
*Auburn University at
Montgomery*

C. David Shepherd
*University of
Tennessee—Chattanooga*

Richard Sjolander
University of West Florida

Jane Sojka
Ohio University

Carol Soroos
North Carolina State University

Michael J. Swenson
Brigham Young University

David Szymanski
Texas A&M University

Janice Taylor
Miami University

Ronald D. Taylor
Mississippi State University

Lou Turley
Western Kentucky University

Michael Tuttle
Northwood University

Sushila Umashanker
University of Arizona

David J. Urban
*Virginia Commonwealth
University*

Rockney G. Walters
Indiana University

Jim Wilkins
*Southwestern Louisiana
University*

Susan D. Williams
Jersey City State College

Ken Williamson
James Madison University

Kenneth Willig
LaSalle University

Robert Winsor
Loyola Marymount University

Terrence H. Witkowski
*California State University—Long
Beach*

Helen R. Woodruffe
University of Salford, England

Alyce Zahorsky
Golden Gate University

Sherilyn Zeigler
University of Hawaii—Manoa

**Bill Bearden
Tom Ingram
Buddy LaForge**

Prologue: America Online



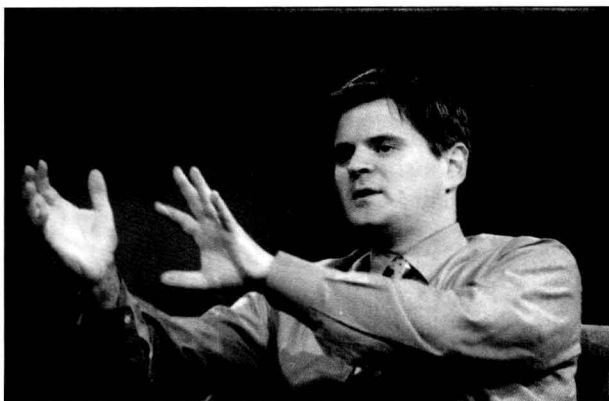
You whip out your cell phone on the way to work and send an AOL instant message to your boss to discuss the day's schedule. While lunching at McDonald's, you check your AOL stock portfolio on your pocket organizer. After dinner, you flip on AOL TV to watch the news or use your PC to buy some gifts at Shop@AOL. As you climb into bed, you remember another gift you need to buy. So, you use the mini-Web terminal at your bedside to place this order.¹

Does this sound farfetched? Not if America Online (AOL) has its way. Beginning in early 2000, AOL will begin to implement its strategy called AOL Anywhere. This strategy is intended to make AOL accessible through the new information appliances that are becoming available. These include smart phones, TV setup boxes, and a host of other gizmos.

America Online was launched in 1985 and went public in 1992 with 155,000 members. Today, AOL has more than 21 million members and generates annual revenues in excess of \$5 billion from subscribers' fees, advertising, and e-commerce sales. Its stock is up over 6,000 percent since it went public. So, if you had invested \$1,000 in AOL stock in 1992, it would be worth over \$150,000 today!²

Why has AOL been so successful? There are many reasons. One is certainly the leadership provided by founder, chairman, and CEO Steve Case. He has established a vision that drives everything at AOL. The vision is simply "to build a global medium as central to people's lives as the telephone or television . . . and even more valuable."³ The AOL Anywhere strategy is intended to achieve this vision.

Effective marketing is another reason for AOL's success. We have studied leading marketing companies, such as AOL, and identified seven key perspectives that help these companies better identify and respond to market opportunities, and that improve marketing decision making. Our objective is to present each key marketing perspective and illustrate the importance of each perspective to the success of AOL. Although the perspectives are highly interrelated, we address them separately in this discussion. Many interrelationships among the perspectives are discussed at the end of the Prologue and throughout the remainder of the book.



A Global Perspective

A global perspective means that marketers should view the world as their potential marketplace. Customers, suppliers, competitors, partners, and employees can come from anywhere on the globe, no matter where a firm is located or where its product is marketed. The rapid growth of the Internet as a truly global medium increases the importance of a global perspective. For example, anyone anywhere in the world with Internet access can interact with AOL by typing

¹Adapted from Catherine Yang, Steve Brull, Peter Burrows, Linda Himmelstein, and Steve Hamm, "There's No Escaping AOL," *Business Week*, December 6, 1999, p. 92.

²Malcolm Campbell, "What Makes AOL Click?" *Selling Power*, September 1999, pp. 56-62.

³*Ibid.*, p. 56.

www.aol.com. This site is open to those who are not AOL members. Astute marketers take a global perspective in identifying growth opportunities, and when developing and executing marketing strategies.

Identifying Growth Opportunities

Many firms operate in mature domestic markets that provide only limited opportunities for future growth. These firms can often find attractive growth opportunities in international markets. This is especially true for most companies operating on the Internet, and certainly for AOL.

The United States currently dominates the Internet with more than half of the individuals who are on-line and three-quarters of Internet commerce. However, Iceland, Finland, and Sweden have more Internet usage per capita than does the United States. And, Internet usage is increasing rapidly in Europe, Asia, and Latin America.⁴ AOL recognizes that the fastest Internet growth in the future will be outside of the United States. It is taking steps to establish itself in various international markets, but competition is fierce and marketing strategies must be adapted to the specific requirements of each international market.

Successful Marketing Strategies

A global perspective is needed not only to identify potential growth opportunities, but also to guide firms in the development and execution of marketing strategies in order to take advantage of these opportunities. Understanding the culture, language, customs, and other unique aspects of an international market or cultural target market is critical for marketing success.

The need to adjust marketing strategies to meet the needs of different international markets is evident in Europe. Many Europeans think that American sites have too many bells and whistles, so European sites need to be more customer-oriented. The colors used on sites are also a consideration. For example, in America red is the color of love, but in Spain it is associated with socialism.⁵ In addition to these types of preference differences, AOL faces a difficult problem in pricing. Its basic strategy in the United States is to offer unlimited access through a local or toll-free telephone number for a flat monthly fee. However, in many European countries local telephone calls are still charged by the minute. This adds considerably to the cost of using AOL in these countries based on its monthly fee pricing strategy. Thus, AOL has had to change its pricing in some countries. For example, the company reduced its monthly fee from \$21.95 to \$16 in Britain. It is even considering offering the service for free to compete against Freeserve, the no-fee Internet service in Britain with the largest number of users.⁶

A Relationship Perspective

The increasingly complex business environment drives companies and marketers to work together for mutual benefit. No longer can one individual or one company have all of the knowledge, skills, or resources necessary for marketing success. Instead, networks of various relationships are required. A **relationship perspective** consists of building partnerships with firms outside the organization and encouraging teamwork among different functions within the organization to develop long-term customer relationships.

⁴Irene Kunii, "The Internet Economy: The World's Next Growth Engine," *Business Week*, October 4, 1999, p. 77.

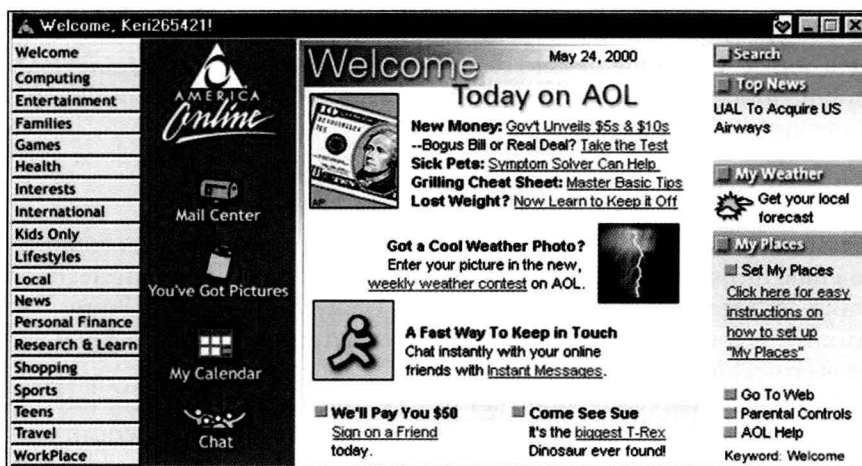
⁵*Ibid.*, p. 77.

⁶Catherine Yang, Kerry Capell, Jack Ewing, and Marsha Johnston, "I Claim This Land . . . Whoops!" *Business Week*, June 14, 1999, pp. 115–19.

Customer Relationships

Marketing has traditionally been viewed as the sales-generating business function. Its importance is reflected in the adage "nothing happens until a sale is made." This sales orientation sometimes leads firms to focus entirely on generating sales in the short run, with little consideration for profitability or the activities used to produce sales. Fortunately, the emphasis on generating sales in the short run at any cost is being replaced by an emphasis on developing, maintaining, and expanding long-term, profitable relationships with selected customers.

AOL is concerned with two types of customer relationships. The first is relationships with the 21 million subscribers who typically pay \$21.95 per month for unlimited access to AOL. Maintaining and expanding relationships with subscriber customers is one key to AOL's success. The second is relationships with business customers using AOL for advertising and electronic commerce. The Interactive Marketing Group was established in 1996 to serve these customers. The group's sales were \$102 million in 1996 but exceeded \$1 billion in 1999. A sales organization consisting of 38 outside salespeople and 20 inside sales representatives is responsible for developing relationships with these business customers.⁷



Organizational Partnerships

Few firms can themselves perform all of the necessary marketing activities productively and profitably; therefore, it is necessary to work with different organizations to carry out many marketing activities. Examples include relationships with marketing research firms to perform marketing studies, advertising agencies to develop integrated marketing communications programs, and wholesalers and retailers to distribute a firm's products. A firm's success in developing long-term customer relationships typically requires close working partnerships with many different organizations.

AOL represents a network of partnerships with many different organizations. For example, the success of its AOL Anywhere strategy depends largely on several recent partnership agreements:⁸


- A partnership with Gateway to develop and co-market Internet appliances and home networking devices, such as Web terminals.
- A partnership to put AOL e-mail on Palm Pilot handheld devices.
- A partnership with Motorola to put AOL's Instant Messenger service on Motorola's new smart wireless devices.
- A partnership with DirecTV to bring AOL to the satellite TV screen.

AOL

AAdvantage,
the world's
largest
loyalty
program.

AOL Keyword: Big.

America Online and Netcentives have joined to create a global marketing infrastructure that will power the largest loyalty program of its kind. Why? Because Netcentives has the patented, scalable transaction processing system—SecureRewards Architecture™—that can drive global membership rewards programs the size of AOL. Advantages and ICG ClickRewards™. All with the potential to reward millions of online and offline customers every day. Find out more at www.netcentives.com/aol and AOL Keyword: AOL. Advantages and Big. (We mention that site is big!)



Netcentives™
Rewarding Relationships™

NASDAQ: NCTV

⁷Campbell, "What Makes AOL Click?" pp. 56–62.

⁸Yang et al., "I Claim This Land . . ." p. 92.