Part 1
Designing Customer-Oriented Marketing Strategies

Chapter 1  Customer-Driven Marketing
Chapter 2  Strategic Planning and the Marketing Process
Chapter 3  The Marketing Environment, Ethics, and Social Responsibility
Chapter 4  Global Dimensions of Marketing
Chapter Objectives

1. Explain how marketing creates utility through the exchange process.
2. Contrast marketing activities during the four eras in the history of marketing.
3. Define the marketing concept and its relationship to marketing myopia.
4. Describe the characteristics of not-for-profit marketing.
5. Describe the five types of nontraditional marketing.
6. Outline the changes in the marketing environment due to technology.
7. Explain the shift from transaction-based marketing to relationship marketing.
8. Identify the universal functions of marketing.
Music fans everywhere have spoken. They want better music, better recordings of the music, and access to their favorite songs at a fair price. These fans are important customers to the music industry. Without them, there would be no industry. Still, for years the record company giants have been criticized by music lovers who believe they pay exorbitant—and unjustifiable—prices for compact disk products—$16 per CD is pretty steep for most folks. However, industry spokespeople claim that prices are legitimate.

Greater tension arose over this issue several years ago when computer technology made downloading music possible, and some people began accessing their music for free, first via Napster and later via Kaaza and similar sites. An estimated 60 million computer users currently participate in the illegal practice of file-sharing. The record companies cried foul and sued the Web sites that helped distribute copyrighted music files. Later the Recording Industry Association of America issued subpoenas to colleges and Internet service providers for the names and addresses of more than 950 computer owners—including college students—suspected of piracy and stealing millions of dollars in potential revenues.

Despite the fact that the industry—including recording artists themselves—was losing revenues and that free distribution of copyrighted music is illegal, the record companies’ actions did nothing to win back its customers. In fact, a number of recording artists publicly supported consumers, and some stars such as Jimmy Buffett and Pearl Jam left their record companies to start their own labels in an effort to control product, price, and distribution—and create value for their fans.

“We’re just starting to appreciate the freedom and see where it can take us,” says Pearl Jam’s manager, Kelly Curtis. This freedom also allows artists to fill a desire expressed by fans who say, “I’d be happy to pay if I could choose the songs.”

Enter Steve Jobs. He’s been around a long time, but he’s never been associated with the music industry—until now. The cofounder and CEO of Apple Computer announced his latest venture, the iTunes Music Store. Initially available to Apple Macintosh users, the Internet music store allows consumers to purchase and download a song for 99 cents, with almost no restrictions on how or where the song is played. There’s no monthly fee, as opposed to sites like Pressplay and MusicNet on AOL, both of which charge $9.95. And it’s legal. Jobs and a few Apple colleagues spent nearly a year and a half negotiating deals with such companies as Universal, Warner, BMG, EMI, and Sony Music; he also demonstrated his idea to artists such as the Eagles and Sheryl Crow. He won them over.

When iTunes was launched, more than 2 million song tracks were downloaded within the first two weeks. When iTunes expanded beyond its audience of Macintosh users (only 3% of all computer users) to include people with Windows-based computers, industry analysts predicted that revenues could reach $500 million per year.
Increasingly, the center of the marketing universe is the customer. It’s the customer who sets the rules and the marketer who responds.

Robert Wientzen
CEO, Direct Marketing Association

Chapter Overview

- “They’re the best.”
- “I always eat there.”
- “I only fly with that airline.”
- “I buy my electronics at that store.”

These words are music to a marketer’s ears. Customer loyalty is the watchword of 21st century marketing. But today, individual consumers and business purchasers have so many goods and services from which to choose—and so many different ways to purchase them—that marketers must continually seek out new—and better—ways to attract and keep customers, as Apple Computer has done with its new iTunes Music Store. Advances in communications technology allow information to be exchanged between buyers and sellers faster, cheaper, and through more media channels than ever before, including broadcast media, print, telecommunications, online computer services, and the Internet. Companies can now offer consumers more product choices and more places to buy.

Today’s savvy shoppers can visit a brick-and-mortar shopping mall, hire a personal shopper, order from catalogs, watch television home shopping channels, and browse virtual stores accessed through online services.

The technology revolution is changing the rules of marketing during this first decade of the 21st century. The combined power of telecommunications and computer technology creates inexpensive, global networks that transfer voice messages, text, graphics, and data within seconds. These sophisticated technologies create new types of products, and they also demand new approaches to marketing existing products. Communications technology contributes as well to the globalization of today’s marketplace, where businesses manufacture, buy, and sell across national borders. You can eat a Big Mac or drink Coca-Cola almost anywhere in the world; your DVD or CD player was probably manufactured in China or Korea. Both Mercedes-Benz and Hyundai sport utility vehicles are assembled in Alabama, while many Volkswagens are imported from Mexico. Products and components routinely cross international borders, but successful global marketing also requires knowledge to tailor products to regional tastes. An Asian food store in Austin, Texas, may also sell popular Hispanic foods such as tortillas to satisfy local tastes of shoppers who like both.

Rapidly changing business landscapes create new challenges for companies, whether they are giant multinational firms or small boutiques, profit-oriented or not-for-profit. Organizations must react quickly to shifts in consumer tastes, competitive offerings, and

Apple addresses many of the needs consumers express that other legitimate downloading sites and music suppliers have not, and it hopes these features will create loyal customers in a highly competitive market. First, there is no monthly charge to subscribe to the service—just the 99 cents it costs to download each tune. Second, for 99 cents consumers can actually buy the tune, rather than rent it for a period of time. A song won’t disappear from a customer’s screen after a designated period the way rented tunes do. Third, music buffs can pick and choose the songs they want, rather than having to buy an entire CD. If iTunes succeeds, Steve Jobs may turn out to be a very unlikely rock star.
other market dynamics. Fortunately, information technologies give organizations fast, new ways to interact and develop long-term relationships with their customers and suppliers. In fact, such links have become a core element of marketing today.

Every company must serve customer needs—create customer satisfaction—to succeed. Two customer satisfaction researchers described its value this way: “Customer satisfaction has come to represent an important cornerstone for customer-oriented business practices across a multitude of companies operating in diverse industries.” Marketing strategies provide the tools by which businesspeople identify and analyze customers’ needs and then inform these customers about how the company can meet those needs. Tomorrow’s market leaders will be companies who can effectively harness the vast amounts of customer feedback and respond with solutions to their needs.

This new edition of Contemporary Marketing focuses on the strategies that allow companies to succeed in today’s interactive marketplace. This chapter sets the stage for the entire text, examining the meaning of customer-driven marketing and its importance for all organizations. Initial sections describe the development of marketing, from early times to today’s focus on relationship marketing and its contributions to society. Later sections introduce the technology revolution, the universal functions of marketing, and the relationship between ethical business practices and marketplace success.

**What Is Marketing?**

Production and marketing of goods and services are the essence of economic life in any society. All organizations perform these two basic functions to satisfy their commitments to society, their customers, and their owners. They create a benefit that economists call *utility*—the want-satisfying power of a good or service. Table 1.1 describes the four basic kinds of utility—form, time, place, and ownership.

Form utility is created when the firm converts raw materials and component inputs into finished goods and services. By combining glass, plastic, metals, circuit boards, and other components, Toshiba creates a television set and Sony makes a camcorder. With fabric, thread, wood, springs, and down feathers, Ethan Allen produces a sofa. MTV’s hit television comedy show *The Osbournes*—starring heavy metal superstar Ozzy Osbourne, his wife, and their teenagers pink-haired Kelly and spiky-haired Jack—starts with writers, artists, actors, scripts, a director, producers, technical crew, and a sound stage. Although the marketing function determines consumer and audience preferences, the organization’s production function is responsible for the actual creation of form utility.

Marketing creates time, place, and ownership utilities. Time and place utility occur when consumers find goods and services available when and where they want to purchase them. Overnight courier services like FedEx and Airborne Express emphasize time utility; vending machines focus on providing place utility for people buying newspapers, snacks, and soft drinks. The transfer of title to goods or services at the time of purchase creates ownership utility.

The Osbourne family portrait shown in Figure 1.1 illustrates the result of a combination of efforts by both production and marketing to achieve this marketplace success. While production is responsible for creating form utility, marketing’s ability to create time, place, and ownership utility also contributes to the success of this rock ‘n’ roll sitcom. The choice of cable channel MTV as the delivery vehicle is particularly appropriate in reaching the *The Osbournes*’ core audience of teenagers and young adults.

All organizations must create utility to survive. Designing and marketing want-satisfying goods, services, and ideas are the foundation for the creation of utility. Organizations recently have begun to elevate the function of

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**Briefly Speaking**

We’re always looking to see what we can do to make our customers’ lives easier or save them money. It pervades every part of the company.

Michael Dell
(b. 1965)
founder and CEO,
Dell
marketing in their hierarchies; top marketing executives may be promoted to senior vice presidential positions. But where does the process start? In the toy industry, manufacturers try to come up with items that children will want to play with—creating utility. But that’s not as simple as it sounds. At the Toy Fair held each February in New York, retailers pore through the different booths of manufacturers and suppliers, looking for the next Barbie or scooter—trends that turn into classics, generating millions of dollars of revenues over the years. They also try to identify which toys will be the hottest items for the coming year; often figures or games tied to the latest film release in the Star Wars, Hobbit,

**TABLE 1.1 Four Types of Utility**

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Examples</th>
<th>Organizational Function Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form</td>
<td>Conversion of raw materials and components into finished goods and services</td>
<td>Citibank checking account; Nissan Pathfinder; Ramen Noodles (nutrition for students who are hungry, broke, and can’t—or won’t—cook)</td>
<td>Production*</td>
</tr>
<tr>
<td>Time</td>
<td>Availability of goods and services when consumers want them</td>
<td>One-hour photographs; LensCrafters eyeglass guarantee; U.S. Priority Mail</td>
<td>Marketing</td>
</tr>
<tr>
<td>Place</td>
<td>Availability of goods and services at convenient locations</td>
<td>Soft-drink machines outside gas stations; on-site day care; ATM machines in shopping malls</td>
<td>Marketing</td>
</tr>
<tr>
<td>Ownership (possession)</td>
<td>Ability to transfer title to goods or services from marketer to buyer</td>
<td>Retail sales (in exchange for currency or credit-card payment)</td>
<td>Marketing</td>
</tr>
</tbody>
</table>

*Marketing provides inputs related to consumer preferences, but the actual creation of form utility is the responsibility of the production function.
and *Harry Potter* series. If their decisions are on target, everyone wins—retailers, manufacturers, and children. But if parents and kids don’t buy what the retailers stock in their stores, everyone loses. If a toy creates utility, manufacturers and retailers have created customers.

In general, how does an organization create a customer? Professors Joseph Guiltinan and Gordon Paul explain it this way:

Essentially, “creating” a customer means identifying needs in the marketplace, finding out which needs the organization can profitably serve, and developing an offering to convert potential buyers into customers. Marketing managers are responsible for most of the activities necessary to create the customers the organization wants. These activities include:

- Identifying customer needs
- Designing goods and services that meet those needs
- Communicating information about those goods and services to prospective buyers
- Making the goods or services available at times and places that meet customers’ needs
- Pricing goods and services to reflect costs, competition, and customers’ ability to buy
- Providing for the necessary service and follow-up to ensure customer satisfaction after the purchase

**A Definition of Marketing**

The word *marketing* encompasses such a broad scope of activities and ideas that settling on one definition is often difficult. Ask five people to define it, and five different definitions are likely to follow. Continuous exposure to advertising and personal selling leads most respondents to link marketing and selling or to think that marketing activities start once goods and services have been produced. But marketing also involves analyzing customer needs, securing information needed to design and produce goods or services that match buyer expectations, and creating and maintaining relationships with customers and suppliers. It applies not only to profit-oriented firms but also to thousands of not-for-profit organizations that offer goods and services.

Today’s definition takes all these factors into account. **Marketing** is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individual and organizational objectives.

The expanded concept of marketing activities permeates all organizational functions. It assumes that the marketing effort will proceed in accordance with ethical practices and that it will effectively serve the interests of both society and the organization. The concept also identifies the marketing variables—product, price, promotion, and distribution—that combine to provide customer satisfaction. In addition, it assumes that the organization begins by identifying and analyzing the consumer segments that it will later satisfy through its production and marketing activities. In other words, the customer, client, or public determines the marketing program. The concept’s emphasis on creating and maintaining relationships is consistent with the focus in business on long-term, mutually satisfying sales, purchases, and other interactions with customers and suppliers. Finally, it recognizes that marketing concepts and techniques apply to not-for-profit organizations as well as to profit-oriented businesses.

**Today’s Global Marketplace**

Several factors have forced countries to extend their economic views to events outside their own national borders. First, international agreements are being negotiated in attempts to increase trade among nations. Second, the growth of electronic commerce and related computer technologies brings previously isolated countries into the marketplace for buyers and sellers around the globe. Third, the interdependence of the world’s economies is a reality since no nation produces all of the raw materials and finished goods purchased by its citizens or...

**Marketing Dictionary**

*marketing* process of planning and executing the conception, pricing, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individual and organizational objectives.
consumes all of its output without some exporting to other countries. Evidence of this interdependence is illustrated by the introduction of the euro as a common currency to facilitate trade among the nations of the European Union and the creation of trade alliances such as NAFTA.

A recession in Europe affects business strategies in North America and the Pacific Rim. To remain competitive, companies must continually search for the most efficient manufacturing sites and most lucrative markets for their products. Marketers now find tremendous opportunities serving customers not only in traditional industrialized nations but also in Latin America and emerging economies in eastern Europe and Asia, where rising standards of living create increased customer demand for the latest goods and services.

Expanding operations beyond the U.S. market gives domestic companies access to 6 billion international customers. This explains why over 80 percent of Coca-Cola sales are generated outside the United States. Japan alone accounts for nearly 20 percent of Coke's profit. For Colgate-Palmolive, a whopping 70 percent of its revenue comes from abroad, and three-fourths of Exxon's revenues are from non-U.S. customers.

Service firms also play a major role in today's global marketplace. The New York Stock Exchange, illustrated in Figure 1.2, advertises itself as the "gateway to the global economy." Although the organization is based in New York City, investors trade over $50 billion worldwide every day over the exchange. Manpower Temporary Services, a worldwide firm that provides temporary and permanent workers in a broad range of jobs, earns almost 70 percent of its profits from foreign contracts. Technology products are also popular U.S. exports. Compaq's Digital Equipment subsidiary sells two-thirds of its computer products outside the United States, while Apple Computer generates half its revenues from non-U.S. sales.

The U.S. is also an attractive market for foreign competitors because of its size and the high standard of living that American consumers enjoy. Companies like Nissan, Sony, and Sun Life of Canada operate production, distribution, service, and retail facilities in the U.S. Foreign ownership of U.S. companies has increased as well. Pillsbury and MCA are two well-known firms with foreign parents. Even American-dominated industries like computer software must contend with foreign competition. While U.S. firms still hold about 75 percent of the market, European companies are quickly gaining market share. They currently supply about 18 percent of the $100 billion worldwide market for packaged software.
In many cases, global marketing strategies are almost identical to those used in domestic markets. Rather than creating a different promotional campaign for each country where they sell Pringles potato chips, Procter & Gamble marketers used the same ad—with spectacular results. Nearly everything in the U.S.-made ads was the same—the rap music themes, the young people dancing, and the tag line, “Once you pop, you can’t stop.” As a result, P&G had to boost production to handle the global demand.  

In other instances, domestic marketing strategies may need significant changes to adapt to unique tastes or different cultural and legal requirements abroad. It is often difficult to standardize a brand name on a global basis. The Japanese, for example, like names of flowers or girls for their car models, such as Bluebird, Bluebonnet, Violet, and Gloria. Americans, on the other hand, prefer rugged outdoorsy names like Mountaineer, Explorer, Sierra, and Yukon.

### Four Eras in the History of Marketing

The essence of marketing is the exchange process, in which two or more parties give something of value to each other to satisfy felt needs. In many exchanges, people trade money for tangible goods, such as CDs, clothes, or cars. In others, they trade for intangible services like child care, haircuts, or concerts. In still others, people may donate funds or time for a cause, such as a Red Cross blood drive, a new gymnasium for a church or school, or a campaign to clean up the environment.

Although marketing has always been a part of business, its importance has varied greatly. Figure 1.3 identifies four eras in the history of marketing: (1) the production era, (2) the sales era, (3) the marketing era, and (4) the relationship era.

### The Production Era

Prior to 1925, most firms—even those operating in highly developed economies in western Europe and North America—focused narrowly on production. Manufacturers stressed production of quality products and then looked for people to purchase them. The history of Pillsbury provides an excellent example of a production-oriented company. The late Robert J. Keith, who was once the company’s chief executive officer, described Pillsbury during its early years:

> We are professional flour millers. Blessed with a supply of the finest North American wheat, plenty of water power, and excellent milling machinery, we produce flour of the highest quality. Our basic function is to mill high-quality flour, and, of course, we must hire [salespeople] to sell it, just as we hire accountants to keep our books.

The prevailing attitude of this era held that a good product (one with high physical quality) would sell itself. This production orientation dominated business philosophy for decades; indeed, business success was often defined solely in terms of production victories.

The production era did not reach its peak until the early part of the 20th century. Henry Ford’s mass-production line exemplifies this orientation. Ford’s slogan, “They [customers] can have any color they want, as long as it’s black,” reflected the prevalent attitude toward marketing. Production shortages and intense consumer demand ruled the day. It is easy to understand how production activities took precedence.

The essence of the production era resounds in a statement made over 100 years ago by the philosopher Ralph Waldo Emerson: “If a man writes a better book, preaches a better sermon, or makes a better mousetrap than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door.” However, a better mousetrap is no guarantee of success, and marketing history is full of miserable failures despite better mousetrap designs.

### Marketing Dictionary

**exchange process** Activity in which two or more parties give something of value to each other to satisfy perceived needs.

**production orientation** Business philosophy stressing efficiency in producing a quality product, with the attitude toward marketing that “a good product will sell itself.”
In fact, over 80 percent of new products fail. Inventing the greatest new product is not enough. That product must also solve a perceived marketplace need. Otherwise, even the best-engineered, highest-quality product will fail. Even the horseless carriage took a while to catch on. People were afraid of motor vehicles, which spit out exhaust, stirred up dust on dirt roads, got stuck in mud, and tied up horse traffic. Besides, at the wild speed of seven miles per hour, they caused all kinds of accidents and disruption. It took savvy marketing by some early salespeople—and eventually a widespread perceived need—to change people’s minds about the product.\textsuperscript{11}

\textbf{The Sales Era}

Production techniques in the United States and Europe became more sophisticated, and output grew from the 1920s into the early 1950s. Thus, manufacturers began to increase their emphasis on effective sales forces to find customers for their output. In this era, firms attempted to match their output to the potential number of customers who would want it. Companies with a sales orientation assume that customers will resist purchasing goods and services not deemed essential and that the task of personal selling and advertising is to convince them to buy.

Although marketing departments began to emerge from the shadows of production, finance, and engineering during the sales era, they tended to remain in subordinate positions. Many chief marketing executives held the title of sales manager. Here is how Pillsbury described itself during the sales era:

\begin{quote}
We are a flour-milling company, manufacturing a number of products for the consumer market. We must have a first-rate sales organization which can dispose of all the products we can make at a favorable price. We must back up this sales force with consumer advertising and marketing intelligence. We want our sales representatives and our dealers to have all the tools they need for moving the output of our plants to the consumer.\textsuperscript{12}
\end{quote}

But selling is only one component of marketing. As Harvard University marketing professor Theodore Levitt has pointed out, “Marketing is as different from selling as chemistry is from alchemy, astronomy from astrology, chess from checkers.”\textsuperscript{13}
The Marketing Era

Personal incomes and consumer demand for goods and services dropped rapidly during the Great Depression of the early 1930s, thrusting marketing into a more important role. Organizational survival dictated that managers pay close attention to the markets for their goods and services. This trend ended with the outbreak of World War II, when rationing and shortages of consumer goods became commonplace. The war years, however, created only a pause in an emerging trend in business: a shift in the focus from products and sales to satisfying customer needs.

Emergence of the Marketing Concept

The marketing concept, a crucial change in management philosophy, can be explained best by the shift from a seller’s market—one in which there were more buyers for fewer goods and services—to a buyer’s market—one in which there were more goods and services than people willing to buy them. When World War II ended, factories stopped manufacturing tanks and ships and started turning out consumer products again, a type of activity that had, for all practical purposes, stopped in early 1942.

The advent of a strong buyer’s market created the need for consumer orientation in businesses. Companies had to market goods and services, not just produce and sell them. This realization has been identified as the emergence of the marketing concept. The recognition of this concept and its dominant role in business dates from 1952, when General Electric heralded a new management philosophy:

[The concept] introduces the [marketer] at the beginning rather than at the end of the production cycle and integrates marketing into each phase of the business. Thus, marketing, through its studies and research, will establish for the engineer, the designer, and manufacturer [person], what the customer wants in a given product, what price he [or she] is willing to pay, and where and when it will be wanted. Marketing will have authority in product planning, production scheduling, and inventory control, as well as in sales, distribution, and servicing of the product.14

Marketing would no longer be regarded as a supplemental activity performed after completion of the production process. Instead, the marketer would play a leading role in product planning. Marketing and selling would no longer be synonymous terms.

The fully developed marketing concept is a company-wide consumer orientation with the objective of achieving long-run success. All facets of the organization must contribute first to assessing and then to satisfying customer wants and needs. Marketers are not the only people working on this. Accountants in the credit office and engineers designing products also play important roles. Focusing on the objective of achieving long-run success differentiates the concept from policies of short-run profit maximization. Since the firm’s continuity is an assumed component of the marketing concept, company-wide consumer orientation will lead to greater long-run profits than managerial philosophies geared toward reaching short-run goals.

A strong market orientation—the extent to which a company adopts the marketing concept—generally improves market success and overall performance. It also has a positive effect on new-product development and the introduction of innovative products. Companies that implement market-driven strategies are better able to understand their customers’ experiences, buying habits, and needs. These companies can, therefore, design products with advantages and levels of quality compatible with customer requirements. Customers more quickly accept the new products. This is the beginning of customer-driven marketing.

Marketing Dictionary

sales orientation  Business assumption that consumers will resist purchasing nonessential goods and services with the attitude toward marketing that only creative advertising and personal selling can overcome consumers’ resistance and convince them to buy.

seller’s market  Market in which there are more buyers for fewer goods and services.

buyer’s market  Market in which there are more goods and services than people willing to buy them.

consumer orientation  Business philosophy incorporating the marketing concept that emphasizes first determining unmet consumer needs and then designing a system for satisfying them.

marketing concept  Company-wide consumer orientation with the objective of achieving long-run success.
The Relationship Era

The fourth era in the history of marketing emerged during the last decade of the 20th century, and continues today into the 21st century. Organizations now carry the marketing era’s customer orientation one step further by focusing on establishing and maintaining relationships with both customers and suppliers. This effort represents a major shift from the traditional concept of marketing as a simple exchange between buyer and seller. **Relationship marketing**, by contrast, involves long-term, value-added relationships developed over time with customers and suppliers. Strategic alliances and partnerships among manufacturers, retailers, and suppliers often benefit everyone. Ryder System—owner of those yellow rental trucks—has made alliances with such firms as Delphi Automotive, America’s largest auto parts supplier, and Toyota Tsusho America, which provides iron, steel, and textiles to automotive companies. Ryder and Toyota formed a joint venture called TTR Logistics, in which Toyota Tsusho provides the materials and Ryder manages the flow and warehousing of other materials such as plastics and wires. Ryder expects the alliance to generate $22 million in its first year and hundreds of millions in the future. Participants in collaborative relationships generate an estimated 25 percent more sales than independent firms. Teaming up with potential buyers of their products also reduces the risks of new-product introductions. The concept of relationship marketing, which is the current state of customer-driven marketing, is discussed in detail later in this chapter.

Converting Needs to Wants

Every consumer must acquire goods and services on a continuing basis to fill certain needs. Everyone must satisfy the fundamental needs for food, clothing, shelter, and transportation by purchasing things or, in some instances, temporarily using rented property and hired or leased transportation. By focusing on the benefits resulting from these goods and services, effective marketing converts needs to wants. A need for clothing may be translated into a desire (or want) for designer clothes. The need for a vacation may become the desire to take a Caribbean cruise or to backpack in the Rocky Mountains. As easier-to-use software has enabled millions of nontechnical consumers to operate personal computers, and as falling retail prices make these computers affordable to most households, computers have become fixtures in many schools, offices, and homes. Thousands of tiny and large PC makers have pushed prices below $1,000, and this once-prestigious possession has been reduced to a commodity. Best Buy, the electronics discount retailer shown in Figure 1.4, has achieved major sales success during
the past five years by offering PCs from companies like HP for less than $600 and e-machines for under $400. Because computers are now viewed as a common household need, much like a television or a cell phone, retailers and manufacturers must find new ways to compete for consumer attention.

Companies that adopt the marketing concept focus on providing solutions to customer problems. They stress product benefits rather than features to show the added value that customers will receive from the product. Auto marketers emphasize powerful engines, ABS brakes, and air bags as safety benefits, while office products dealers promote reliable, high-speed copiers and printers for the time savings and low maintenance costs they offer to business purchasers.

Avoiding Marketing Myopia

The emergence of the marketing concept has not been devoid of setbacks. One troublesome problem led Theodore Levitt to coin the term marketing myopia. According to Levitt, marketing myopia is management’s failure to recognize the scope of its business. Product-oriented rather than customer-oriented management endangers future growth. Levitt cites many service industries—dry cleaning, electric utilities, movies, and railroads—as examples of marketing myopia.

To avoid marketing myopia, companies must broadly define organizational goals oriented toward consumer needs. This approach can help a company stand out from others in highly competitive environments, such as the communications industry. The evolution of AT&T in the information age has created the largest telecommunications company in the U.S. and a world leader in communication services.

AT&T has undergone drastic changes since the demise of the regulated telephone monopoly in 1984. It began by focusing on offering long-distance service but gradually escaped the myopic view of itself as merely a telephone company. In the decades since deregulation, AT&T added Internet, wireless, cable, and local telephone services, transforming itself into a much broader role as a provider of communication services. Intense competition coupled with declining long-distance rates prompted AT&T to divide into separate companies so that specific marketing and other specialists could devote their creative efforts to become market leaders in each product category.16

Revlon founder and president Charles Revson understood the need for a broader focus on benefits rather than on products. As Revson described it, “In our factory we make perfume; in our advertising we sell hope.” Table 1.2 illustrates how firms in a number of other industries have overcome myopic thinking by developing broader marketing-oriented business ideas that focus on consumer need satisfaction.

**TABLE 1.2 Avoiding Marketing Myopia by Focusing on Benefits**

<table>
<thead>
<tr>
<th>Company</th>
<th>Myopic Description</th>
<th>Marketing-Oriented Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verizon</td>
<td>“We are a telephone company.”</td>
<td>“We are a communications company.”</td>
</tr>
<tr>
<td>JetBlue Airways</td>
<td>“We are in the airline business.”</td>
<td>“We are in the transportation business.”</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>“We are in the stock brokerage business.”</td>
<td>“We are in the financial services business.”</td>
</tr>
<tr>
<td>Nintendo</td>
<td>“We are in the video game business.”</td>
<td>“We are in the entertainment business.”</td>
</tr>
</tbody>
</table>
Extending the Traditional Boundaries of Marketing

Today’s organizations—both profit-oriented and not-for-profit—recognize universal needs for marketing and its importance to their success. During a television commercial break, viewers might be exposed to an advertisement for a Subaru Outback, an appeal to help children in foreign countries, a message by a political candidate, and a 30-second music-oriented ad featuring Britney Spears for a soft drink—all in the space of about two minutes.

Marketing in Not-for-Profit Organizations

The more than 1 million not-for-profit organizations across the U.S. employ nearly 15.1 million people and generate revenues of more than $620 billion each year. In addition, 109 million volunteers do $255 billion worth of work every year. That makes not-for-profit organizations big business.

Not-for-profit organizations operate in both public and private sectors. Federal, state, and local government units and agencies derive revenues from tax collection to pursue service objectives that are not keyed to profitability targets. The U.S. Department of Defense, for example, protects the nation from foreign aggression; a state’s department of natural resources regulates conservation and environmental programs; the local animal-control officer enforces ordinances that protect people and animals.

The private sector has an even more diverse array of not-for-profit organizations, including art institutes, the University of Miami football team, labor unions, hospitals, private schools, the American Cancer Society, and the YMCA. Some, like University of Miami’s football team, may generate surplus revenues that can pay for other athletic activities, but the organization’s primary goal is to win football games.

In some not-for-profit organizations, adopting the marketing concept means forming a partnership with a for-profit company to promote the not-for-profit’s message or image. The organization Save the Children Federation—which provides food, clothing, and shelter to impoverished children around the world—has 27 licensees, or for-profit companies that use the name of the organization on various products, and donate portions of the proceeds to Save the Children. Discount retailer T.J. Maxx recently introduced a line of clothing called Save the Children in a five-year licensing deal. Pepsi ran a holiday promotion offering greeting cards with children’s artwork on them, donating $1 from each purchase to Save the Children. Licensing fees and royalties raise about $2 million a year for the organization.

Generally, the alliances formed between not-for-profit organizations and commercial firms benefit both. The reality of operating with multimillion-dollar budgets requires not-for-profit organizations to maintain a focused business approach. Consider some current examples:

- McDonald’s Ronald McDonald House Charities work with several local and national not-for-profit organizations to help critically ill children and their families through difficult times.
- The fight against breast cancer has generated donations from many organizations, including the U.S. Postal Service, Avon, JCPenney, and Ford Motor Co., among others.
- The Children’s Miracle Network, a $172 million organization that raises money for children’s hospitals across the country, gets about $70 million from contributions from corporations like Wal-Mart, Toys “R” Us, and Delta Air Lines.
- General Motors throws its charitable funding behind the United Negro College Fund.

The diversity of not-for-profit organizations suggests the presence of numerous organizational objectives other than profitability. In addition to organizational goals, not-for-profit organizations differ from profit-seeking firms in other ways.
Characteristics of Not-for-Profit Marketing

The most obvious distinction between not-for-profit organizations and for profit—commercial—firms is the financial bottom line, business jargon that refers to the overall profitability of an organization. For-profit organizations measure profitability in terms of sales and revenues, and their goal is to generate revenues above and beyond their costs in order to make money for all stakeholders involved, including employees, shareholders, and the organization itself. Not-for-profit organizations hope to generate just as much revenue to support their causes, whether it is feeding children, preserving wilderness, or helping single mothers find work. Historically, not-for-profits have had less exact goals and marketing objectives than for-profit firms, but in recent years many of these groups have recognized that in order to succeed, they must develop more cost-effective ways to provide services, and they must compete with other organizations for donors’ dollars. Marketing can help them accomplish these tasks.

There are other distinctions between the two types of organizations as well, which influence marketing activities. Like profit-seeking firms, not-for-profit organizations may market tangible goods and/or intangible services. The Chicago Art Institute offers items in its gift shop and through direct-mail catalogs (tangible goods), as well as the special exhibits and educational classes (intangible services). But profit-seeking businesses tend to focus their marketing on just one public—their customers. Not-for-profit organizations, however, must often market to multiple publics, which complicates decision making regarding the correct markets to target. Many deal with at least two major publics—their clients and their sponsors—and often many other publics, as well. Political candidates, for example, target both voters and campaign contributors. A college targets prospective students as clients of its marketing program, but it also markets to current students, parents of students, alumni, faculty, staff, local businesses, and local government agencies.

A customer or service user of a not-for-profit organization may wield less control over the organization’s destiny than would be true for customers of a profit-seeking firm. The children who are fed and sheltered by Save the Children, Childreach, and other such organizations have less influence on the organization’s direction than do affluent American children who buy CDs at the local mall. Not-for-profit organizations also often possess some degree of monopoly power in a given geographic area. An individual contributor might object to United Way’s inclusion of a crisis center among its beneficiary agencies, but that agency still receives a portion of the person’s total contribution.

In another potential problem, a resource contributor—whether it is a cash donor, a volunteer, or someone who provides office space—may try to interfere with the marketing program in order to promote the message that he or she feels is relevant. Or a donor might restrict a contribution in certain ways that make it difficult for the organization to use. During a capital campaign to raise funds for a new science center, a college alumnus might make a restricted gift to the college theater instead.

Nontraditional Marketing

As marketing has gained acceptance as a generic activity, its application has broadened far beyond its traditional boundaries. In some cases, broader appeals focus on causes, events, individuals, organizations, and places in the not-for-profit sector. In other instances, they encompass diverse groups of profit-seeking individuals, activities, and organizations. Table 1.3 lists and describes five major categories of nontraditional marketing: person marketing, place marketing, cause marketing, event marketing, and organization marketing.

Person Marketing

One category of nontraditional marketing, person marketing, refers to efforts designed to cultivate the attention, interest, and preferences of a target market toward a celebrity or authority figure. Celebrities can be real people; Olympic skier Picabo Street promotes
Chapstick; former boxing great George Foreman can be seen in Meineke muffler ads as well as commercials for his indoor barbecue grill; actor Jason Alexander runs around the television screen carrying buckets of Kentucky Fried Chicken. Celebrities can be fictional characters, such as Snoopy, who encourages people to buy MetLife insurance. Or they can be widely recognized authority figures, such as former presidential candidate Bob Dole—who spoke out for cancer awareness and promoted Viagra. Campaigns for political candidates and the marketing of celebrities are examples of person marketing. In political marketing, candidates target two markets: They attempt to gain the recognition and preference of voters and the financial support of donors.

The big winners among celebrity endorsers are professional athletes. Basketball legend Michael Jordan earns as much as $40 million each year endorsing such products as Oakley sunglasses and Hanes underwear; tennis stars Venus and Serena Williams have agreements with Avon and other companies; and golfer Tiger Woods lends his celebrity to products ranging from Nike to American Express. Sometimes, professional athletes lend their names and images to ads promoting not-for-profit organizations, like the one in Figure 1.5. Five New York Giants football players posed for this advertisement for City Harvest, an organization that picks up fresh food from restaurants and supermarkets and distributes it to those in need.

Jimmy Buffett is the most unlikely sort of celebrity. His only top-ten single hit the charts

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**TABLE 1.3 Categories of Nontraditional Marketing**

<table>
<thead>
<tr>
<th>Type</th>
<th>Brief Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person marketing</td>
<td>Marketing efforts designed to cultivate the attention and preference of a target market toward a person</td>
<td>Celebrity Britney Spears; athlete Tiger Woods; political candidates</td>
</tr>
<tr>
<td>Place marketing</td>
<td>Marketing efforts designed to attract visitors to a particular area; improve consumer images of a city, state, or nation; and/or attract new business</td>
<td>Georgia: Experience the Soul of Georgia; Belize: Catch the Adventure; Tennessee: Sounds Good to Me</td>
</tr>
<tr>
<td>Cause marketing</td>
<td>Identification and marketing of a social issue, cause, or idea to selected target markets</td>
<td>“Welfare to Work. It works.” “Friends don’t let friends drive drunk.”</td>
</tr>
<tr>
<td>Event marketing</td>
<td>Marketing of sporting, cultural, and charitable activities to selected target markets</td>
<td>NASCAR Pepsi 400; American Cancer Society Relay for Life</td>
</tr>
<tr>
<td>Organization marketing</td>
<td>Marketing efforts of mutual-benefit organizations, service organizations, and government organizations that seek to influence others to accept their goals, receive their services, or contribute to them in some way</td>
<td>U.S. Army: An Army of One. United Way brings out the best in all of us. Tech Corps: America needs to know.</td>
</tr>
</tbody>
</table>

**FIGURE 1.5**

City Harvest: Generating Increased Public Awareness and Contributions from Person Advertising.
back in 1977. But here in the 21st century, he is packing in thousands of concertgoers who make his summer tours one of the top draws each year. His hard-core fans, known as Parrot Heads, often show up in full tropical attire—foam parrot hats, green and yellow grass skirts, and coconut-shell bras.

The fans are eager to participate in an illusion—those landlocked pillars of their community pretending they are finally going to cash in their chips and set sail for uncharted waters. And the man they have come to see is Jimmy Buffett. They spend over $50 million a year on his concert tickets, albums, books, T-shirts, trinkets, and food. The Buffett “brand” is carved from over 30 albums, eight movies, a clothing line, a series of Margaritaville Cafes, a custom record label, three best-selling novels, and hundreds of gift-shop trinkets.

Buffett works hard at perpetuating this image. He launched a Web site to sell his merchandise and was among the first stars to land a corporate sponsor—Corona Beer. His books, including Tales from Margaritaville and A Pirate Looks at Fifty, add to the carefree, beach-bum lifestyle legend. In addition, he gives freely to environmental causes, donating $1 from every concert ticket to local causes of the cities where he tours. He has served as chairman of the Save the Manatee society. Buffett’s three-decades-long career is a textbook example of how to cross-market books, music, restaurants, and retailing.

Place Marketing

Another category of nontraditional marketing is place marketing, which attempts to attract customers to particular areas. Cities, states, and countries publicize their tourist attractions to lure vacation travelers. They also promote themselves as good locations for businesses. Place marketing has become more important in the world economy, where localities compete for economic advantage, increased employment, trade, and investment. Organizations as varied as the San Diego Zoo, the Alamo in San Antonio, state bureaus of tourism and conventions, and the Seattle Port Authority apply place marketing techniques to attract visitors, residents, and new businesses to their areas. Their strategies include promoting positive images; marketing special attractions like The Great Wall of China, India’s Taj Mahal, and Niagara Falls; highlighting efficient transportation infrastructures and communication systems; and stressing the quality of available education, low crime rates, clean air and water, and cultural and recreational opportunities. Place marketing also fills promotional messages with positive perceptions of visitors as well as people who live in the area. Iraq hopes to attract visitors to view its ancient treasures, as “Marketing Hits” describes.

Cause Marketing

A third category of nontraditional marketing, cause marketing, refers to the identification and marketing of a social issue, cause, or idea to selected target markets. Cause marketing covers a wide range of issues, including literacy, physical fitness, gun control, family planning,
prison reform, control of overeating, environmental protection, elimination of birth defects, child-abuse prevention, and punishment of drunk drivers.

An increasingly common marketing practice is for profit-seeking firms to link their products to social causes. The San Francisco Giants baseball team dedicates several dates each season to raising awareness—and funds—for a worthy cause. In one recent season, the team used several game days at their home park to focus on AIDS research, blood donations, and prevention of domestic violence. The team also sponsors book and food drives. The Coca-Cola Co. sponsors TigerJam, Tiger Woods's annual fundraiser, which can run the company as much as $1 million. Other corporate sponsors of the event who spend as much as $100,000 include American Airlines, British Airways, Cirque du Soleil, Southern Wine and Spirits, and NetJets. The proceeds from the event go to the Tiger Woods Foundation, which supports various youth organizations.

Surveys show strong support for cause-related marketing by both consumers and company employees. Two-thirds of those surveyed say they are more likely to switch to a civic-minded brand or retailer if price and quality are equal. The top three issues consumers would like marketers to address are public education, crime, and the environment. Of course, supporting good causes is good publicity for corporations.

**Event Marketing**

**Event marketing** refers to the marketing of sporting, cultural, and charitable activities to selected target markets. It also includes the sponsorship of such events by firms seeking to increase public awareness and bolster their images by linking themselves and their products to the events. Sports sponsorships have gained effectiveness in increasing brand recognition, enhancing image, boosting purchase volume, and increasing popularity with sports fans in demographic segments corresponding to sponsor business goals.
Some people might say that the premier sporting event is the World Series. Others might argue that it’s the Super Bowl. But there is a special place in everyone’s heart for the Olympics, both summer and winter. Countries the world over compete for the privilege of hosting the games. Television networks bid for the right to cover them. Marketers pour millions into special campaigns tied to the events. Home Depot and UPS, which proudly count a number of athletes among their own employees, create advertisements featuring Olympians such as speed skater Derek Parra. Hallmark recently sponsored the 2002 Winter Games in Salt Lake City and plans to continue its sponsorship of the U.S. Olympic team through the 2006 Games in Turin, Italy. In addition to a flurry of TV commercials, the giant card marketer offered Olympic visitors at Salt Lake City the opportunity to send a complimentary greeting card with a unity theme free of charge to friends or family members and furnished the flower bouquets presented to medalists. Hallmark marketers chose the Olympics carefully as an event to sponsor. “When you look at the values of the Olympics—celebration, support, family being behind everyone—all the emotional elements of the Games fit quite neatly with Hallmark,” explained Kylie Watson-Wheeler, director of advertising at Hallmark.

### Organization Marketing

The category of nontraditional marketing called **organization marketing** involves attempts to influence others to accept the goals of, receive the services of, or contribute in some way to an organization. Organization marketing includes mutual-benefit organizations (churches, labor unions, and political parties), service organizations (colleges and universities, hospitals, and museums), and government organizations (military services, police and fire departments, and the U.S. Postal Service).

As cultural organizations encounter declining public funding for the arts and rising competition from other entertainment forms, they respond by actively marketing their programs. Like profit-seeking businesses, the Detroit...
Museum of Art must generate funds to cover its operating expenses. Revenues come from a number of sources, including individual donations, memberships, government grants, gift-shop sales, and special fund-raising drives. The organization also has a Web site and uses such business techniques as marketing research, advertising, and publicity. Special events, such as a recent exhibition of one of the largest number of works ever exhibited in the U.S. by the Dutch Post-Impressionist master Vincent van Gogh, provide added value to museum members and attract thousands of occasional and first-time visitors who may become members.

Organization marketers don’t just make appeals for money. They must also reassure donors that the money is being handled correctly and ethically. After the tragedy of the September 11 terrorist attacks, millions wanted to donate funds to charities and relief organizations in an effort to help the victims and their families recover. In fact, so much money flowed into organizations that it became a huge task for administrators to identify who should receive the money and to distribute it in a manner that everyone deemed fair. Even the American Red Cross suffered some damage to its reputation when it announced that some of the $500 million collected would be kept in reserve for possible future terrorist attacks and other disasters. But within weeks of the announcement, the organization reversed its stance and revealed that all the contributions would be directed to victims and relief efforts related to September 11. The advertisement in Figure 1.6 emphasizes that donors can trust these organizations to handle their contributions correctly; a quote from President George W. Bush lends the ad credibility.

Critical Thinking and Creativity

The challenges presented by today’s complex and technologically sophisticated marketing environment require critical-thinking skills and creativity from marketing professionals. Critical thinking refers to the process of determining the authenticity, accuracy, and worth of information, knowledge, claims, and arguments. Critical thinkers do not take information at face value and simply assume that it is accurate; they analyze the data themselves and develop their own opinions and conclusions.

Creative government bureaucracy might sound like an oxymoron, but it is an accurate description of the U.S. Mint since Philip N. Diehl became director. After years of fighting entrenched political resistance, Diehl was able to transform this $1 billion government agency into a close approximation of a private sector, profit-seeking business. The organization chart was reorganized, jobs were redesigned and positions added, state-of-the-art computerized information systems were installed, bureaucratic workers were trained to become customer-responsive employees, and new products were introduced. The 50-state quarter program, launched during Diehl’s tenure, proved highly successful. The Mint decided to release five quarters a year, through 2008, each featuring a different state. As a result, kids—and adults—are clamoring to collect the new quarters as they are released. Despite slowdowns in consumer purchases during the recent economic downturn, these creative changes contributed in a big way in bringing about a government agency that shines, as they say, like a brand-new penny.

Creativity is a human activity that produces original ideas or knowledge, frequently by testing combinations of ideas or data to produce unique results. It is an extremely valuable skill for marketers. Creativity helps them to develop novel solutions to perceived marketing problems. Creativity has been a part of human endeavor since the beginning of time. Leonardo da Vinci conceived his idea for a hel-
icopter after watching leaves twirl in the wind. Swiss engineer George de Mestral, noticing that burrs stuck to his wool socks because of their tiny hooks, invented Velcro. Many people think that creativity is the domain of only the young. But famed architect I. M. Pei designed the Rock and Roll Hall of Fame in Cleveland when he was 78 years old. Tom Peters, who wrote the business and marketing best-seller *In Search of Excellence* at age 40, launched a five-book series at age 57. “Creativity is being in one setting and seeing something strange someplace else,” he says. “To me, books on butterflies or baseball are more legitimate in terms of thinking about business strategy issues than books on business strategy.”

Peters’ remark is particularly applicable to the creation of promotional messages. Figure 1.7 demonstrates the use of creativity to communicate that Duke Energy has the power to become a global energy leader, no matter which way the wind blows.

**The Technology Revolution in Marketing**

As we move through the opening decade of the 21st century, we also enter a new era in communication, considered by some as unique as the 15th-century invention of the printing press or the first radio and television broadcasts early in the 20th century. *Technology* is the business application of knowledge based on scientific discoveries, inventions, and innovations. Interactive multimedia technologies such as computer networks, video conferencing, online services and the Internet, interactive kiosks, CD-ROM catalogs, and personal digital assistants (PDAs) have revolutionized the way people store, distribute, retrieve, and present information. Computer networks and other telecommunications technologies link employees, suppliers, and customers in different locations through the Internet or in-house intranets.

These technological advances are revolutionizing marketing. Companies can reach specific groups of customers in a variety of ways: from hotels’ in-house television channels targeting guests to toll-free telephone numbers and in-store videos with point-of-purchase product demonstrations. Now that half

**Briefly Speaking**

An irate banker demanded that Alexander Graham Bell remove “that toy” from his office. That toy was the telephone. A Hollywood producer scrawled a rejection note on a manuscript that became *Gone with the Wind*. Ford’s largest original investor sold all his stock in 1906. Roebuck sold out to Sears for $25,000 in 1895. Today, Sears may sell $25,000 of goods in 16 seconds.

**United Technologies Corp. Advertisement**

**FIGURE 1.7**

Demonstrating Duke Energy’s Creativity and Ability to Become a Global Energy Leader
of all U.S. households have personal computers, online services and the Internet offer a new medium over which companies can market products and offer customer service. Marketing and sales departments can quickly access vast databases with information about customers and their buying patterns. They can develop targeted marketing campaigns and zoned advertising programs for consumers located within a certain distance from a store and even within specific city blocks.

Shoppers can visit kiosks in shopping malls that feature video displays, discount coupons, and product information for a variety of merchants. They can browse through a CD-ROM product catalog on their computers or conduct specific searches to quickly find desired items. Surfing the Web or online services is another way to get product information and order merchandise from catalogs. Firms can quickly update this information at minimal costs. Online retail spending in the U.S. is growing at an astounding rate—from $7.8 billion in 1998 to $100 billion in 2003. Consumers’ willingness to spend online is growing—as is the amount they spend on each visit, despite the sluggish economy. More women are now shopping online than men, and shoppers are now looking for a greater range of products. “In the past, online shopping was all about books, videos, and music,” observes Rob Solomon of Yahoo! “Now shoes, watches, and all sorts of apparel items are moving into the top category.” Still, the most popular items at MSN’s eShop include digital cameras, personal digital assistants, and MP3 players. All of these changes represent opportunities for marketers.

Interactive Marketing

Interactive media technologies combine computers and telecommunications resources to create software that users can direct themselves. They allow people to digitize reports and drawings and transmit them, quickly and inexpensively, over phone lines, coaxial cables, or fiber-optic cables. People can subscribe to personalized news services that deliver article summaries on specified topics directly to their fax machines or computers. They can telecommunicate via e-mail, voice mail, fax, videoconferencing, and computer networks; pay bills using online banking services; and use online resources to get information about everything from investments to a local retailer’s special sale, day-care facilities, and local entertainment activities for the upcoming weekend.

Companies are now using interactivity in their marketing programs. Interactive marketing refers to buyer-seller communications in which the customer controls the amount and type of information received from a marketer. This technique provides immediate access to key product information when the consumer wants it. Interactive techniques have been used for more than a decade; point-of-sale brochures and coupon dispensers are a simple form of interactive advertising. Want to go skiing tomorrow? Log on to the Web site of your favorite mountain and you may be offered a coupon for a free lift ticket. Want to try a new restaurant? Check the Web site for a coupon offering a free appetizer. Interactive marketing also includes two-way electronic communication using a variety of media such as the Internet, CD-ROMs, and virtual reality kiosks.

Interactive marketing allows marketers and customers to customize their communication. Customers may come to companies for information, creating opportunities for one-to-one marketing. Interactive marketing can also allow many-to-many exchanges, where consumers can communicate with one another using e-mail or electronic bulletin boards. These electronic conversations establish innovative relationships between users and the technology, providing customized information based on users’ interests and levels of understanding. Interactive technologies support almost limitless exchanges of information.

One of the busiest areas of interactive marketing is online auctions and name-your-own-price vendors. Ebay, the online auction house, connects sellers and buyers directly—millions of them daily. Consumers who want to name their own price for airline tickets, hotel rooms, cruises, and rental cars
can do so at a variety of sites. Budget Car Rental was the first in the car rental industry to establish an interactive price bidding feature, the BidBudget program. Online bidders simply fill out a form indicating the desired dates and airport pickup location, preferred car type, contact information, a major credit-card number, and the price they are willing to pay. Budget notifies the bidder within 24 hours whether a bid is accepted and offers a money-back guarantee up to 48 hours before the pick-up time.30

Interactive promotions put the customer in control. Consumers can easily get tips on product usage and answers to customer service questions, they can also tell the company what they like or dislike about a product, and they can just as easily click the exit button and move on to another area. As interactive promotions grow in number and popularity, the challenge will be attracting and holding consumer attention.

The Internet

Most of today's discussion of interactive marketing centers on the Internet. The Internet is an all-purpose global network composed of some 50,000 different networks around the globe that, within limits, lets anyone with access to a personal computer send and receive images and text anywhere.

The Internet provides an efficient way to find and share information, but until the last decade, most people outside universities and government agencies found it difficult to use and learn. This changed in 1993 with the advent of browser technology that provides point-and-click access to the World Wide Web (WWW or Web). The Web is actually an interlinked collection of graphically rich information sources within the larger Internet. Web sites provide hypermedia resources, a system allowing storage of and access to text, graphics, audio, and video in so-called pages linked to each other in a way that integrates these different media elements. When a user clicks on a highlighted word or picture (icon), the browser converts the click to computer commands and brings the requested new information—text, photograph, chart, song, or movie clip—to the user's computer.

Compared with traditional media, the hypermedia resources of the Web offer a number of advantages. Data moves in seconds, without the user noticing that several computers in different locations combine to fulfill a request. Interactive control allows users to quickly access other information resources through related pages, either at the same or other sites, and easily navigate through documents. Because it is dynamic, Web site sponsors can easily keep information current. Finally, multimedia capacities increase the attractiveness of these documents.

Broadband

Broadband technology—an always-on Internet connection that runs at a speed of 200 kilobytes per second or higher—can deliver large amounts of data at once, making online marketing even faster and easier than it was a few years ago. Consumers can access Web pages and sites can process credit card purchases much quicker via broadband. The number of households with broadband connections is increasing rapidly, as people grow impatient with the old, slower “dial-up” Internet connections. By 2003, more than 18 million U.S. households (nearly 30 percent of all online U.S. households) used a broadband Internet connection, even though subscription costs remained about double that of traditional dial-up connections. “These technologies are going to be moving from novelties to integrated tools,” predicts Glenn McClanan, director of broadband initiatives for Edmunds.com, a California-based auto shopping information site that offers free downloads of informational video clips.31

Wireless

More and more consumers now have wireless Internet connections for their laptop computers and personal digital assistants, which is both a

Marketing Dictionary

**interactive marketing**  Buyer-seller communications in which the customer controls the amount and type of information received from a marketer.

**Internet**  All-purpose global network of 50,000 different networks that, within limits, lets anyone with access to a personal computer send and receive images and text anywhere.

**World Wide Web (WWW or Web)**  Interlinked collection of graphically rich information sources within the larger Internet.

**broadband technology**  Extremely high speed, always-on Internet connection.
challenge and an opportunity for marketers. By 2003, the number of U.S. consumers with these connections had passed the 30 million mark, a 100 percent increase in a single year. Although wireless advertising is still in its infancy, industry watchers predict that wireless ad revenues will reach $700 million by 2005. This high-tech form of advertising has been slower to catch on with marketers because of the relatively high cost—$40 to $50 per thousand impressions, compared with $2 to $3 for a banner ad on the Web. But wireless ads offer tremendous potential to target certain audiences. And since these ads appear by themselves on a PDA user’s screen, they command more attention than a banner ad would. Currently, wireless carriers put a limit on how much wireless advertising they allow, for fear of alienating their own customers if they are bombarded with unwanted information. Also, the speed of data transfer via wireless Internet service is not quite where it needs to be in order to handle this type of communication on a regular basis. But marketers would do well to prepare for this next generation of advertising.

**Interactive Television Service**

Interactive Television (iTV) service is another new technology for marketers and consumers alike to embrace. Interactive television service is a package that includes a return path for viewers to interact with programs or commercials by clicking their remote controls. The 18 million U.S. TV viewers who have iTV can request additional information about products or actually purchase them without having to dial their phones. Companies such as Ford have already incorporated iTV into their marketing programs.

**How Marketers Use the Web**

The Web offers marketers a powerful, yet affordable way to reach customers across town or overseas, at almost any time, with interactive messages. The online techniques that companies use to market their businesses fall into four broad categories: virtual storefronts, interactive brochures, online newsletters, and customer service tools.

- The virtual storefront allows customers to view and order merchandise. Amazon.com and eBay are two of the largest such sites. Web stores can be stand-alone operations or grouped in cybermalls with links to 30 to 100 participating retailers. The Internet service provider Yahoo! operates such a mall.

  After the initial rush to establish a virtual storefront, many retailers are backing off because they have discovered that their customers are either not interested in shopping for their products online or their product offerings just don’t lend themselves to online shopping. Ames Department Stores learned that customers would rather run into the store to pick up the small items it sells; Ikea reasoned that the shipping costs it would have to charge to send its furniture items to online shoppers would undermine the store’s low prices. Such companies instead set up Web sites that act as information clearinghouses, providing in-depth product information. Shoppers can ask questions and get online answers, and companies can hold virtual meetings (online conferences) and sponsor discussion groups. Not-for-profit organizations use this tool as well. The World Wildlife Fund (WWF) maintains a Web site that provides information about the organization and its conservation activities. With 4.7 million supporters and a global network active in over 100 countries, WWF’s primary mission is to protect nature. Site visitors can obtain membership information and learn about publications, fund-raising campaigns, educational programs, and current conservation issues facing the world today.
Interactive brochures that provide company and product information are popular Internet marketing applications. These range from simple, one-page electronic flyers to multimedia presentations. When American Airlines’ travelers need information, they can simply log on to AA.com to get instant access to their AAdvantage account, browse programs and services, make reservations, and check out special benefits available to them as members of American’s frequent flyer programs.

Online newsletters provide current news, industry information, and contacts and links for internal and external customers. Web Commerce Today, a monthly online newsletter, helps merchants plan, design, manage, and promote retail or business-to-business Web stores.

The Web is also a customer service tool. Consumers can order catalogs, refer to lists of frequently asked questions with answers, place orders online, and send questions to company representatives. For instance, they can access many Kraft Foods Web sites, such as jello.com, to obtain information on Kraft’s many products, learn new recipes, ask questions about cooking, and even buy merchandise online.

A colorful, dynamic, user-friendly Web site is not enough to ensure cyberspace success. The online marketer must convince potential customers to visit the site. A common method of generating traffic is to advertise on heavy-traffic sites like directories and search engines such as Yahoo! and AOL.

The Web is probably the most significant innovation affecting marketing and business in the past 50 years. Properly used, it should prove an indispensable tool in promoting connections, building associations, delivering information, and creating online communities.

However, to date, few companies have made money on the Internet—and many have lost a bundle. The primary beneficiaries have been firms marketing Net-related goods or services—for example, computer networking equipment; software such as access, browser, Web page authoring, and e-mail programs; consultants and Web page creators; Internet access and online service providers like PsiNet, Netcom, America Online, and CompuServe; and companies offering sites where businesses can advertise.

As fast as the first tidal wave of Internet-based companies—dot.coms—rose, it crashed, drowning most of the firms that thought they were going to ride the wave to riches. Even companies that became household names, like Pets.com and eToys, fell victim to the flood. The online auction house eBay was the only major online merchant to show a profit, while Monster.com and E*Trade survived but remained in the red. As the Web evolves, marketers need to explore its capabilities and learn the best ways to use it effectively in combination with other distribution channels and communications media. Among the questions marketers need to ask are the following:

- What types of goods and services can be successfully marketed on the Web?
- What characteristics make a successful Web site?
- Does the Internet offer a secure way to process customer orders?
- How will Internet sales affect traditional store-based and non-store retailing and distribution?
- What is the best use of this technology in a specific firm’s marketing strategy: promotion, image building, or sales?
The importance of the Internet is reflected throughout this text, and as forthcoming chapters discuss specific marketing topics, we will revisit the Internet and its related technologies to look for answers to the preceding questions.

**From Transaction-Based Marketing to Relationship Marketing**

As marketing progresses through the 21st century, a significant change is taking place in the way companies interact with customers. The traditional view of marketing as a simple exchange process, or transaction-based marketing, is being replaced by a different, longer-term approach. Traditional marketing strategies focused on attracting customers and closing deals. Today's marketers realize that, although it's important to attract new customers, it's even more important to establish and maintain a relationship with them so they become loyal repeat customers. These efforts must expand to include suppliers and employees, as well.

As defined earlier in this chapter, relationship marketing refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefit. It broadens the scope of external marketing relationships to include suppliers, customers, and referral sources. In relationship marketing, the term customer takes on a new meaning. Employees serve customers within an organization as well as outside it; individual employees and their departments are customers of and suppliers to one another. They must apply the same high standards of customer satisfaction to intradepartmental relationships as they do to external customer relationships. Relationship marketing recognizes the critical importance of internal marketing to the success of external marketing plans. Programs that improve customer service inside a company also raise productivity and staff morale, resulting in better customer relationships outside the firm.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the firm and its goods and services, and finally to advocates who not only buy its products but recommend them to others, as shown in Figure 1.8.

By converting indifferent customers into loyal ones, companies generate repeat sales. As pointed out earlier in this chapter, the cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. In fact, creating loyal customers can mean the difference between flying and remaining grounded. Air travel plummeted in the aftermath of September 11, 2001, causing the nation's air carriers to suffer tremendous losses, despite a federal bail-out. While most airlines chose the cost-cutting path, eliminating onboard meals and in-flight movies, closing ticket offices and airport clubs, and suspending any construction projects, Continental decided to push ahead. CEO Gordon M. Bethune reasoned that cabin comforts and customer service, part of building relationships with passengers, were more important than making a couple of extra bucks from each passenger. Understanding and acknowledging passenger safety concerns, Continental added security checkpoints and self-service check-in kiosks. The airline offered free in-flight movies and free drinks at its airport clubs—which it kept open. Bethune authorized more than a month of overtime pay to construction workers in order to complete an expanded terminal at Newark International Airport, which was vital to Continental's presence in the New York area. Then Continental launched a commuter-train service, making it easier for New York passengers to get to the new terminal. Within a couple of months, the results of this relationship building were evident. While all the big U.S. airlines incurred billions in losses during those difficult times, Continental's losses were minimal compared with its competitors. And by the end of the year, its planes carried a higher percentage of passengers than those of its rivals, who had grounded many of their nearly empty flights.34

Programs to encourage customer loyalty are not new. Frequent purchaser rewards for everything from clothing to groceries are popular examples. Firms in the service industries are among the leaders in building such relationships. Visa teams up with Holiday Inn resorts and hotels during peak vaca-
tion months. Holiday Inn advertisements target families, offering a “kids eat free, stay free” program. In addition, travelers who use their Visa cards to stay at one of over 1,000 participating hotels receive a Kids’ Activity Book with valuable coupons. Customers who use their Holiday Inn Visa for any purchase receive points for upgrades and free nights at Holiday Inns.

Effective relationship marketing relies heavily on information technologies such as computer databases that record customers’ tastes, price preferences, and lifestyles. This technology helps companies become one-to-one marketers who gather customer-specific information and provide individually customized goods and services. The firms target their marketing programs to appropriate groups, rather than having to rely on mass-marketing campaigns. Companies who study customer preferences and react accordingly gain distinct competitive advantages.

**Developing Partnerships and Strategic Alliances**

Relationship marketing does not apply just to individual consumers and employees, however. It also affects a wide range of other markets, including business-to-business relationships with the firm’s suppliers and distributors as well as other types of corporate partnerships. In the past, companies have often viewed their suppliers as adversaries against whom they must fiercely negotiate prices, playing one off against the other. But this attitude has changed radically, as both marketers and their suppliers discover the benefits of collaborative relationships.

The formation of *strategic alliances*—partnerships that create competitive advantages—is also on the rise. These take many forms, from product development partnerships that involve shared costs for research and development and marketing to vertical alliances in which one company provides a product or component to another firm who then distributes or sells it under its own brand. Starbucks follows its customers’ tastes by forming alliances with other businesses. Several years ago, the coffee giant made a deal with Dreyer’s Ice Cream to create five coffee-flavored ice creams. Then it formed an alliance with PepsiCo to create the leading bottled coffee drink, Frappuccino. Shoppers can find Starbucks products in Marriott’s airport hotels, Albertson’s supermarkets, and Barnes & Noble bookstore cafes—all the result of strategic alliances. These partnerships now rake in an additional $20 million a year in earnings for Starbucks.35

Not-for-profit organizations often make use of strategic alliances in order to raise awareness and funds for their causes. In Figure 1.9, Stride Rite and Save the Children have teamed up in a combined effort to increase shoe sales and raise money for needy children.

Relationship building begins early in marketing, beginning with high-quality products and continuing with excellent customer service during and after purchase. It also includes programs that encourage repeat purchases and foster customer loyalty. Marketers may try to rebuild damaged relationships with these practices also, as “Marketing Misses” explains.

**Marketing Dictionary**

*strategic alliance* Partnership formed to create or maintain a competitive advantage.
Costs and Functions of Marketing

Firms must spend money to create time, place, and ownership utilities. Numerous attempts have been made to measure marketing costs in relation to overall product costs, and most estimates have ranged between 40 and 60 percent of total costs. On the average, one-half of the costs involved in a product, such as a Subway sandwich, an ounce of Safari perfume, a pair of Steve Madden shoes, or even a European vacation, can be traced directly to marketing. These costs are not associated with fabrics, raw materials and other ingredients, baking, sewing, or any of the other production functions necessary for creating form utility. What, then, does the consumer receive in return for this 50 percent marketing cost? What functions does marketing perform?

As Figure 1.10 reveals, marketing is responsible for the performance of eight universal functions: buying, selling, transporting, storing, standardizing and grading, financing, risk taking, and securing marketing information. Some functions are performed by manufacturers, others by retailers, and still others by marketing intermediaries called wholesalers.

Buying and selling, the first two functions shown in Figure 1.10, represent exchange functions. Buying is important to marketing on several levels. Marketers must determine how and why consumers buy certain goods and services. To be successful, they must try to understand consumer behavior. In addition, retailers and other intermediaries must seek out products that will appeal to their customers. Since they generate time, place, and ownership utilities through these purchases, marketers must anticipate consumer preferences for purchases to be made several months later. Selling is the second half of the exchange process. It involves advertising, personal selling, and sales promotion in an attempt to match the firm’s goods and services to consumer needs.

Transporting and storing are physical distribution functions. Transporting involves the physical movement of goods from the seller to the purchaser. Storing involves warehousing goods until they are needed for sale. Manufacturers, wholesalers, and retailers all typically perform these functions.

The final four marketing functions—standardizing and grading, financing, risk taking, and securing marketing information—are often called facilitating functions because they assist the marketer in performing the exchange and physical distribution functions. Quality and quantity control standards and grades, frequently set by federal or state governments, reduce the need for purchasers to inspect each item. Specific tire sizes, for example, permit buyers to request needed sizes and to expect uniform sizes.

Financing is another marketing function because buyers often need access to funds in order to finance inventories prior to sales. Manufacturers often provide financing for their wholesale and retail customers. Some types of wholesalers perform similar functions for their retail customers. Finally, retailers frequently permit their customers to buy on credit.

The seventh function, risk taking, is part of most ventures. Manufacturers create goods and services based on research and their belief that consumers need them. Wholesalers and retailers acquire inventory based on similar expectations of future consumer demand. Entrepreneurial risk takers accommodate these uncertainties about future consumer behavior when they market goods and services.
The final marketing function involves securing marketing information. Marketers gather information to meet the need for decision-oriented input about customers—who they are, what they buy, where they buy, and how they buy. By collecting and analyzing marketing information, marketers also try to understand why consumers purchase some goods and services and reject others.

**Ethics and Social Responsibility: Doing Well by Doing Good**

While most companies do their best to abide by an ethical code of conduct, sometimes organizations and their leaders fall short. In recent years, headlines have publicized unethical conduct by several well-known businesses. In 1999, Microsoft Corp., which owns more than 90 percent of the PC operating-systems software market, was convicted of violating antitrust laws by abusing its monopoly to stifle competition and harm consumers. In late 2001, the Texas-based energy giant Enron collapsed, taking with it the retirement savings of its employees and investors. Enron’s accounting firm, Arthur Andersen, was accused of shredding documents related to the fall of the company. And in 2002, chemical manufacturer Monsanto was convicted not only of polluting water sources and soil in a rural Alabama area for decades, but of ignoring evidence its own scientists had gathered indicating the extent and severity of the pollution.

Despite these and other alleged breaches of ethical standards, most businesspeople do follow ethical practices. Over half of all major corporations now offer ethics training to employees, and most corporate mission statements include pledges to protect the environment, contribute to communities, and improve workers’ lives. Unfortunately though, in some cases, only media attention and pressure from consumers avoid France did so because they did not feel welcome there. So the office launched a new travel guide and planner, as well as the Club France card, offering a 10 percent discount on services ranging from plane flights to hotels. In addition, the office focused on local news reports of Americans receiving a warm welcome in France and encouraged businesses and citizens to do the same. As animosity between the two nations cooled, consumers began to go back to their favorite products, both American and French.

**Lessons Learned.** The fact that many American consumers were speaking their minds through their pocketbooks was undeniable, and marketers on both sides of the Atlantic would be wise to take notice.

motivate companies to implement social responsibility programs. The tobacco industry paid for
an antismoking commercial during the 2002 Super Bowl, but the agreement to do so was part
of a $205 billion settlement with 46 state attorneys general in 1998.36

These programs often produce such benefits as improved customer relationships, increased
employee loyalty, marketplace success, and improved financial performance. The National Basketball
Association has a partnership with Reading Is Fundamental, in which the NBA holds NBA Reading
Month and produces and airs public service announcements for reading. This socially responsible pro-
gram helps develop relationships with the general public.37 Timberland Co., the New Hampshire–
based manufacturer of boots and other outdoor clothing featured in Figure 1.11, is well-known for its
high ethical standards and socially responsible programs. The company donates large sums of money
to charities each year, and its employees are given paid time off to volunteer for their favorite organi-
zations—from the animal shelter to the local preschool.

Many companies of all types and sizes sponsor community-based programs. Phillips Petroleum
expresses its commitment to reducing air pollution by reducing sulfur emissions in its refining
processes. In its communications to shareholders, employees, customers, and the general public,
the energy giant stresses its belief that not only does the human race benefit, but so do animals
and vegetation.38

Because ethics and social responsibility are important topics to marketers, each chapter in this
book includes a critical thinking box called “Solving an Ethical Controversy.” This chapter’s contro-
versy deals with new wireless networking technology and the loss of privacy.

Wi-Fi and the Invasion of Privacy

Wi-Fi—wireless Internet access—is one of the hottest new products. Some say this technology
will transform everyday life in the 21st century. Individual consumers and businesspeople can now
connect to the Internet via wireless technology at breakneck speeds, which is prompting companies like Dell, HP, Intel,
Sony, and Toshiba to equip their laptops, PDAs, and other devices for it. So-called hot spots—now numbering 29,000 in
the U.S. alone—are being added to attract customers in outlets ranging from Starbucks and Borders bookstores to
McDonald’s and Omni Hotels. But as always, when a new technology arrives, people question its side effects, in this case
the security of wireless networks and the issue of privacy.

Does Wi-Fi contribute to the invasion of individual and business privacy?

PRO

1. The high speed of connection allows a greater number of users to interact simultaneously—and a greater
potential for theft of information such as credit card numbers and Social Security numbers.

CON

1. A Wi-Fi connection is no less secure than a traditional Internet connection or a phone call in which
a consumer verbally supplies a credit card number to a sales representative.

2. Security systems are constantly being developed and will only improve as Wi-Fi technology is used more
frequently by the general public.

Summary

Wi-Fi technology still has its glitches, including “dead” spots where service is not available and the potential for security
vulnerabilities. Consumers and businesses who adopt Wi-Fi will have to become educated in its strengths and weaknesses,
as well as in ways to protect themselves from vulnerability, until security measures catch up with the technology.

B1, B2; Sky Dayton and David Worrell, “Wireless Wealth,” Entrepreneur, July 2003, p. 92;
Mark Anderson, “When It Comes to Wi-Fi, You Ain’t Surfed Nothing Yet,” Fortune, June 23,
Unprecedented opportunities have emerged out of electronic commerce and computer technologies in business today. These advances and innovations have allowed organizations to reach new markets, reduce selling and marketing costs, and enhance their relationships with customers and suppliers. Business-to-business e-commerce has grown into a global market thanks to the Internet.

As a new universe for consumers and organizations is created, it demands new marketing approaches to meet changing environments and avoid being left behind in a desolate business world. Profit-seeking and not-for-profit organizations must broaden the scope of their activities to prevent myopic results in their enterprises.

As we begin the rapid journey on a course paved by information technology that leads to a global economy, many aspects of business will become extinct while others will be born. It seems everything is electronic these days: marketing, communications, entertainment, the economy, commerce, and business in general. While some have predicted the demise of traditional marketing and brick-and-mortar retailing, the majority feel that the world of electronic commerce will not eliminate but enhance the systems that exist today.

Marketers must be aware of today’s customer-oriented environment and employ computer technologies to satisfy individual needs. One outcropping of this new electronic era is mass customization—providing unique product offerings to match the specific needs of individual buyers while also retaining the production efficiencies of mass-produced items. Five key trends that will influence consumer behavior include an environment ranging from do-it-yourself, no-service to full-service organizations; a strong emphasis on healthy,
better-for-you purchases; more leisure activities with less effort and physical exertion; a shift to entrepreneurship; and a search for goods and services that save time in a multi-tasking society.

Marketers must understand that although consumers are empowered with unlimited accessibility to information, they still require quality and satisfaction in the products they purchase. Marketers must overcome barriers facing one-to-one interactive relations with their customers, be faster than the competition, and be able to adapt to changes when necessary. The future is in the Internet, using data, voice, optical, and wireless communications to help bring buyers and sellers together. After all, communication is the basis of all marketing activities.

### Summary of Chapter Objectives

1. **Explain how marketing creates utility through the exchange process.**
   
   Utility is the want-satisfying power of a good or service. Four basic kinds of utility exist: form, time, place, and ownership. Form utility is created when a firm converts raw materials and component inputs into finished goods and services. Marketing creates time, place, and ownership utilities.

2. **Contrast marketing activities during the four eras in the history of marketing.**
   
   During the production era, the prevailing attitude was that quality products would sell themselves. In the sales era, the emphasis was on convincing people to buy. The marketing concept emerged during the marketing era, in which there was a companywide focus on consumer orientation with the objective of achieving long-term success. The relationship era focuses on establishing and maintaining relationships with customers and suppliers. Relationship marketing involves long-term, value-added relationships.

3. **Define the marketing concept and its relationship to marketing myopia.**
   
   The marketing concept is a companywide consumer orientation with the objective of achieving long-run success. To many marketers, it means “Find a need and fill it—profitably.” Marketing myopia is management’s failure to recognize a company’s scope of business.

4. **Describe the characteristics of not-for-profit marketing.**
   
   Not-for-profit organizations operate in both public and private sectors. The biggest distinction between not-for-profits and commercial firms is the bottom line—whether the firm is judged by its profitability levels. A customer or service user of a not-for-profit organization may have less control over the organization’s destiny than do customers of a profit-seeking firm. Not-for-profits often lack a clear organizational structure, but are conservative about spending.

5. **Describe the five types of nontraditional marketing.**
   
   Person marketing focuses on efforts to cultivate the attention, interest, and preferences of a target market toward a celebrity or authority—celebrities from the world of entertainment or sports and political candidates. Place marketing attempts to attract visitors, potential residents, and businesses planning to relocate to a particular destination. Cause marketing identifies and markets a social issue, cause, or idea. Event marketing promotes sporting, cultural, charitable, or political activities. Organization marketing attempts to influence others to accept the organization’s goals or services and contribute to it in some way.

6. **Outline the changes in the marketing environment due to technology.**
   
   Technology by itself now constitutes one of the major elements of the marketing environment. Interactive marketing, the Internet, broadband, wireless, and iTV are all technological advances that can be used by marketers. These new technologies have spawned new industries and products, created new advertising opportunities, redefined competition, significantly impacted marketing mix decisions, and resulted in increased government supervision.

7. **Explain the shift from transaction-based marketing to relationship marketing.**
   
   Relationship marketing represents a dramatic change in buyer-seller interactions from the previous transaction-based market-
8. Identify the universal functions of marketing.

Marketing is responsible for eight universal functions, divided into three categories: (1) exchange functions (buying and selling); (2) physical distribution (transporting and storing); and (3) facilitating functions (standardization and grading, financing, risk taking, and securing market information).


Although some firms conduct themselves unethically in order to profit in the short run, programs that promote ethical behavior and social responsibility usually produce increased employee loyalty and a better public image for a firm. This image should also pay off in customer growth, since many buyers want to associate themselves—and be customers of—firms that exhibit high ethical standards and employ socially responsible corporate citizens.
Projects and Teamwork Exercises

1. Research a company that has been around awhile, such as Ford Motor Co., BellSouth, General Electric, or Kellogg, and write a brief description of what the firm’s marketing focus would have been during each of these eras: production, sales, marketing, and relationship. (Teams can also work together by having a different person write the description of each era.)

2. Choose a company that interests you from the following list, or select one of your own. Research the company in the library or on the Internet to learn what seems to be the scope of its business. Write a brief description of the company’s scope of business as it is now—and what it could be in five years, as you imagine it.

   General Mills
   Bank of America
   Marriott Hotels
   IBM

3. Choose a not-for-profit organization, such as the Environmental Protection Agency, United Way, American Heart Association, or the Metropolitan Opera, and design a cause or organization ad promoting its message.

4. Team up with one or more classmates to form a strategic alliance. Each group represents an organization—one to be for-profit, the other to be not-for-profit. Identify what business your organization is in, and formulate a plan for an advertisement, event, or some other promotion that would benefit both organizations.

5. Divide into two groups to discuss the ethical or socially responsible conduct of an organization that interests you: Arthur Andersen, the American Red Cross, Enron, Ford Motor Co., Patagonia, or Timberland. Research the organization on the Internet to come up with information to use in your debate.

\[\text{Note: Internet Web addresses change frequently. If you don't find the exact sites listed, you may need to access the organization or company's home page and search from there.}\]
need a vacation? Something you can really sink your teeth into? Ignore those ads for adventure trips to the Himalayas, for cruises to the Bahamas, for spring break in Florida. Romanian tourism minister Dam Matei Agathon wants to convert your need for a vacation into the desire to visit Transylvania—Dracula Park, in particular. Lest you think this $31.5 million park is on par with Dollywood or the upcoming theme park dedicated to the King (Elvis Presley), this development is no phantom—it’s a serious venture. Romania wants tourists, and the country is banking on one of its most famous “residents” to draw people there. “We know the border between interesting and ridiculous,” assures Marius Stoian, the tourism ministry’s man in charge of the park. This park may be person and place marketing at its most extreme.

Officials hope the park will breathe new life into Romania’s tourism industry. Many Americans have few associations with this Eastern European land beyond the ruinous regime of Nicolae Ceaușescu during the 1980s and, of course, Dracula. In addition, Transylvania has excellent name recognition among vampire enthusiasts. Before Romania could show a single fang, the government had to buy the rights to Dracula’s image from Universal Studios in Hollywood. That’s because Dracula, the fictional character created by Irish novelist Bram Stoker in 1897, actually achieved fame through Universal’s 1930s films based on his exploits, starring Bela Lugosi. Hollywood agreed, and construction on Dracula Park began near Sighisoara, a southern Transylvanian town of 37,000 believed to be the birthplace of Vlad Dracul.

What will visitors encounter during a visit to Dracula Park? Dracula Castle, of course—nestled among the oldest oaks in Europe. But park plans also include a sports arena and golf course, a theater, rides (like the Dracula carousel), a house of horrors, and a house of mirrors. Oh, and the Institute for Vampirology. “The center for vampirology will be there,” says a spokesman for the local mayor’s office. “A little train will connect it all.” Tourism minister Dam Matei Agathon expands a bit: “We’ll have Draculas who will walk, speak, fly, land.” But it won’t be ridiculous at all.

Agathon had to do a bit of marketing just to convince Romanians that this was a good idea. For a century, Romania has rejected the Bram Stoker and Hollywood versions of the vampire. Instead, they celebrated the historical vampire, Vlad Tepes, son of Vlad Dracul, as a heroic count who fought off Turkish invaders and brought law and order to this area of southeastern Europe in the 1400s. Vlad used wooden stakes to impale his foes, earning him a harsh reputation and the nickname Vlad the Impaler. “But he wasn’t a vampire,” says Sighisoara mayor Dorin Danesan. “That’s silly.” But Agathon, Danesan, and other Romanian officials recognized an opportunity to boost the economy of their tiny nation. “There’s big money in Dracula all over the world—except in Romania,” says Agathon. “I realized I had a world-renowned marketing icon that I could wrap in a ribbon and sell. So I came up with the idea of Dracula Park.” Danesan agrees. “This myth, this legend, we must use.”

Danesan predicts that the park will create at least 3,000 new jobs when it opens in 2004 and estimates that more than 1 million tourists will visit each year, generating $12 million in revenue. At the Dracula Bar and Grill, which is located in Vlad Dracul’s old house, the curator of the current local museum, Adriana Antihi, is serious about the opportunities that the park will bring. “We respect Vlad Tepes for what he did,” she explains, “and some people here are frightened that the park will be too full of kitsch. But we could use $300,000 for a new heating system in the museum.” Even scholars are interested in the park. Raymond McNally, a professor of East European history at Boston College, is eager to visit. “It will be tricky for Romanians who treat Dracula as a national hero to define him as a vampire,” he concedes. “But if you think the average tourist is going to Transylvania to find out about an obscure ruler from the 15th century, you’ve got to be kidding. For if you destroy the myth, you destroy the interest.” And if you do that, the whole thing seems even sillier.

Questions for Critical Thinking
1. What kind(s) of utility does Dracula Park create?
2. What types of strategic alliances might Romania’s ministry of tourism make in marketing Dracula Park?
3. Suggest a slogan for Dracula Park that focuses on person and/or place marketing, as well as converting needs to wants.