IDENTIFYING INTERNET MARKETING PRINCIPLES RELEVANT TO GENERIC MARKETERS

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This is to confirm that the statistical analysis for the Ph D-thesis for Me A.L. Bevan-Dye was done by Aldine Oosthuyzen (M Sc) using the following computer packages:

Statistica

SAS

Yours sincerely

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DECLARATION

I declare that:

"Identifying Internet marketing principles relevant to generic marketers"

is my own work, that all the sources used or quoted have been identified and acknowledged by means of complete references, and that this thesis has not previously been submitted by me for a degree at any other university.

A.L. Bevan-Dye
May 2005.

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A special word of thanks to the following persons for their assistance in completing this study:

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- To the South African marketing lecturers and marketing practitioners who took part in the final study.

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Ayesha Lian Bevan-Dye
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OPSOMMING

IDENTIFISERING VAN INTERNETBEMARKINGSBEGINSELS RELEVANT TOT GENERIESE BEMARKERS

SLEUTELWOORDE: Internetbemarking, Beginsels, Generiese bemarking, Voorgraadse bemarkingsopleiding.

Die voorsiening van 'n gegradueerde in die bemarkingstudierigting wat aan markstandaarde voldoen, vereis dat die inhoud van bemarkingsleerplanne voortdurend aangepas moet word om tred te hou met die dinamiese bemarkingsomgewing. Een van die belangrikste tendense wat 'n invloed uitoefen op die bemarkingsomgewing van die een-en-twintigste eeu is die koms van die Internet en aansienlike groei in Internetgebruik en Internetgebaseerde handel. Die Internet bring nie alleen groot veranderinge in die bemarkingsomgewing mee nie, maar is ook besig om as 'n bemarkingsmiddel met aansienlike potensiaal te ontwikkel. Die wydverspreide implikasies wat die Internet vir bemarking het, maak dit toenemend belangrik dat algemene bemarkers, selfs die wat nie aktief betrokke is in handel op die Internet nie, die beginsels van Internetbemarking moet verstaan.

Die relevansie van bemarkingsonderrig in die een-en-twintigste eeu sal verseker word indien inhoudskomponente van Internetbemarking in voorgraadse generiese bemarkingsleerplanne ingesluit word. Die eerste stap in die proses, en die een wat deur die studie aangespreek word, is die identifikasie van en die bereiking van konsensus oor watter inhoudskomponente van Internetbemarking relevant is vir die opleiding van generiese voorgraadse bemarkingstudente.

Die primêre doel van die studie was om deur middel van 'n empiries ondersoek 'n inventaris van relevante Internetbemarkingsinhoudskomponente vir generiese voorgraadse bemarkingsprogramme saam te stel. Die samestelling van die inventaris

is gebaseer op die perspektiewe van beide akademici in bemarking, sowel as bemarkingspraktisyns. Vyf doelgerigte vrae was gestel en deur die studie beantwoord.

- Watter Internetgedrewe veranderings in die bemarkingsomgewing word deur akademici in bemarking as relevant beskou vir generiese voorgraadse bemarkingstudente?
- Watter beginsels wat die gebruik van die Internet as bemarkingsmiddel lei, word deur akademici in bemarking as relevant beskou vir generiese voorgraadse bemarkingstudente?
- Watter benadering word deur akademici in bemarking beskou as die mees gepaste, vir die implementering van Internetbemarkingsbeginsels binne hoër onderwys voorgraadse besigheidsprogramme?
- Wat beskou akademici in bemarking as die relevante Internetbemarkings-leeruitkomste vir generiese bemarkingstudente op voorgraadse vlak?
- Het bemarkingspraktisyns dieselfde opinie as akademici aangaande die eerste vier vrae?

Vir die doel van die studie is navorsing gedoen met twee groepe respondente. Eerstens, 'n sensus by die bemarkingsfakulteite/departemente van elk van Suid-Afrika se openbare hoër onderwysinstansies was aan die einde van 2004 geneem. Tweedens, 'n onwaarskynlike, oordeel-steekproef by bemarkers, in diens van maatskappye betrokke in bemarkingsaktiwiteite en operasioneel in die Suid-Afrikaanse mark, wat op die Johannesburgse Aandele Beurs (JAB) gelys is, was aan die begin van 2005 geneem. Die vraelys het respondente in beide groepe versoek om die toepaslikheid van die vyf geïdentifiseerde Internetgedrewe bemarkingsomgewing-veranderings en vier-en-twintig geïdentifiseerde beginsels wat leiding gee in die gebruik van die Internet as 'n bemarkingsmiddel tot generiese voorgraadse bemarkingstudente aan te dui. Verder is beide groepe versoek om aan te dui wat hulle beskou as die mees gepaste implementeringsmetode van Internetgebaseerde beginsels vir voorgraadse besigheidsprogramme. Respondente in beide groepe is ook versoek om aan te dui watter Internetbemarkingsleeruitkomste hulle as relevant vir generiese voorgraadse bemarkingstudente beskou. Sekere demografiese inligting is ook van beide groepe gevra.

Die bevindings toon aan dat beide die Internetgedrewe bemarkingsomgewings veranderings en die beginsels wat die gebruik van die Internet as bemarkingsmiddel lei, relevant is vir generiese voorgraadse bemarkingstudente. Die bevindings dui verder daarop dat die aanbieding van Internetbemarkingsinhoudskomponente met bestaande bemarkingsonderwerpe geïntegreer moet word. Wat die leeruitkomste betref, dui die bevindings daarop dat beskrywende Internetbemarkingsbeginsels as die oorheersende leeruitkomste aanvaar word. Verder is daar 'n hoë korrelasie tussen die houding van bemarkingspraktisyns en die houding van bemarkingsakademici aangaande die relevansie van Internetbemarkingsinhoudskomponente vir generiese voorgraadse bemarkingstudente, sowel as die geselekteerde implementeringsmetode en die voorgestelde leeruitkomste.

Die studie dien om generiese voorgraadse bemarkingsonderrig te bevorder, deur die identifisering van 'n volledige inventaris van Internetbemarkingsinhoudskomponente binne die raamwerk van die generiese bemarkingsteorie. Die studie bied 'n gebalanseerde mening aan deurdat dit die mening van beide bemarkingspraktisyns en bemarkingsakademici in ag neem. Die inventaris van Internetbemarkings-inhoudskomponente, tesame met die voorgestelde metode van implementering en leeruitkomste, kan gebruik word as 'n platform om leiding te verskaf vir die gestruktureerde integrasie van daardie inhoudskomponente in 'n generiese voorgraadse bemarkingsprogram.

ABSTRACT

IDENTIFYING INTERNET MARKETING PRINCIPLES RELEVANT TO GENERIC MARKETERS

KEY WORDS: Internet marketing, Principles, Generic marketing, Undergraduate marketing education.

To deliver the type of marketing graduate that meets industry demand necessitates that marketing curricula content be continuously updated to keep pace with the dynamic marketing environment. One of the major trends influencing the twenty-first century marketing environment is the advent of the Internet and substantial growth in Internet usage and Internet-based commerce. Not only is the Internet driving major marketing environmental change, it is also emerging as a new marketing tool of significant potential. The widespread implications of the Internet to marketing is making it increasingly necessary for general marketing practitioners, even those not actively engaged in Internet-based commerce, to be equipped with an understanding of Internet marketing principles.

For marketing education to remain relevant in the twenty-first century, it is essential that Internet marketing content elements be included in undergraduate generic marketing curricula. The first step in this process, and the one addressed by this study, is to identify and reach consensus on which Internet marketing content elements are relevant to generic undergraduate marketing students.

The primary purpose of this study was to develop an empirically derived inventory of Internet marketing content elements relevant for inclusion in generic undergraduate marketing programmes, based upon both marketing academic and marketing practitioner perspectives. Five focal questions were asked and answered by the study.

- Which Internet-driven marketing environmental changes do marketing academics consider relevant to generic undergraduate marketing students?
- Which principles guiding the use of Internet as a marketing tool do marketing academics consider relevant to generic undergraduate marketing students?
- What do marketing academics consider to be the most suitable approach to implementing Internet marketing principles within higher education undergraduate business programmes?
- What do marketing academics consider to be the relevant Internet marketing learning outcomes for generic marketing students at undergraduate level?
- Do marketing practitioners hold the same opinion as marketing academics regarding research questions one, two, three and four?

For the purpose of this study, research was undertaken amongst two groups of respondents. Firstly, a census of the marketing faculties/departments of each of South Africa's public higher education institutions was taken at the end of 2004. Secondly, a non-probability, judgement sample of marketing practitioners, employed in those companies listed on the Johannesburg Stock Exchange (JSE), that engage in marketing activities and which are operational in the South African market was taken at the start of 2005. The questionnaire requested respondents in both samples to indicate the relevance of five identified Internet-driven marketing environmental changes and twenty-four identified principles guiding the use of the Internet as a marketing tool to generic undergraduate marketing students. Further, both samples were requested to select the approach they judged to be the most suitable in implementing Internet marketing principles within undergraduate business programmes. Respondents in both samples were also requested to indicate which Internet marketing learning outcomes they believed to be relevant to generic undergraduate marketing students. In addition, both samples were asked to provide certain demographical data.

The findings indicate that both the Internet-driven marketing environmental change's construct and the principles guiding the use of the Internet as a marketing tool construct to be relevant to generic undergraduate marketing students. The findings further suggest that Internet marketing content elements should be integrated into existing marketing subject offerings. Regarding the learning outcomes, the findings indicate descriptive Internet marketing principles to be the overriding learning outcome. In addition, there was a high convergence between the attitudes of marketing practitioners and the attitudes of marketing academics regarding the relevance of Internet marketing content elements to generic undergraduate marketing students, as well as the selected implementation method and suggested learning outcomes.

This study serves to advance generic undergraduate marketing education by identifying a comprehensive inventory of Internet marketing content elements within the framework of general marketing theory. The study offers a balanced view in that it incorporates the opinions of both marketing academics and marketing practitioners. The inventory of Internet marketing content elements, together with the suggested implementation method and learning outcomes, can be used as a platform to guide the structured integration of these elements into generic undergraduate marketing programmes.

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CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION

Levy (2002), in his description of the domain of marketing, uses the metaphor of a tree. The author indicates the roots of marketing to be the academic research that feeds the tree and facilitates its growth. The trunk is described as the variety of "masters programmes, MBAs, executive education seminars and consultancies" that translate the theoretical roots of marketing into strategic marketing theories and practices. Marketing's foliage is depicted as being the contribution marketing makes to society as a whole and, of specific interest in this study, to the undergraduate marketing programmes offered at higher education institutions. In a similar manner, Hunt (2002) describes the transfer of marketing knowledge as a "diffusion process", whereby research published in academic journals acts as input into marketing textbooks. In turn, knowledge contained in marketing textbooks acts as input into today's marketing student and tomorrow's marketing practitioner.

Marketing curriculum content must be structured so as to ensure that marketing graduates are equipped with relevant and up-to-date knowledge that enables them to function effectively in the contemporary marketing environment (Walker *et al.,* 1998). Given the dynamic nature of the marketing environment, marketing curricula needs to be continuously updated if it is to keep pace with changing industry demands (Piercy, 1995). One of the major change factors driving the future direction of marketing is the emergence of the Internet and Internet marketplace (Hoffman *et al.,* 1995; Hamill, 1997; Day & Montgomery, 1999; Schultz, 2000; Wang *et al.,* 2000; Darby *et al.,* 2003).

The advent of the Internet and the development of the World Wide Web service have resulted in the formation of an extensive electronic marketplace that is global in nature

(Hoffman *et al.*, 1995; Peterson *et al.*, 1997; Darby *et al.*, 2003). The unparalleled properties of this hypermedia environment have resulted in the Internet playing a pivotal role in the paradigm transmutation occurring in marketing (Hoffman & Novak, 1997; Kiani, 1998; Nour, 2000; Schultz, 2000). As a marketing channel, the Internet offers the salient advantages of one-to-one interactivity, flexibility and accessibility (Kiani, 1998). The uniqueness of the Internet as a marketing channel lies in the fact that no existing channel boasts all the features inherent in the Internet (Peterson *et al.*, 1997).

In order to keep pace with the needs of twenty-first century business and to ensure the position of marketing as a discipline within business education, marketing educators need to integrate Internet marketing content into marketing curricula. In the contemporary business world marketing graduates equipped with Internet marketing competencies are likely to have a competitive advantage (Atwong & Hugstad, 1997; Mitchell & Strauss, 2001). Thus, marketing educators need to incorporate Internet marketing principles into existing marketing curricula if they are to ensure that their end product, the graduate, meets the requirements of their customer, the business employer (Mitchell & Strauss, 2001).

This chapter outlines the study objectives in section 1.3. Section 1.4 discusses the formulation of the research hypotheses and section 1.5 describes the demarcation of the field of study. The research methodology to be followed is discussed in section 1.6. Section 1.7 provides a basic glossary of Internet terminology used in this study, while section 1.8 provides a classification of the chapters in this study. Section 1.9 indicates the limitations of the research study. These issues are discussed against the background of the problem statement outlined below in section 1.2.

1.2 PROBLEM STATEMENT

The significant growth of Internet usage (McGann, 2005) and Internet-based commerce (Sukazi, 2004: 7) have given rise to a number of pivotal changes in the contemporary marketing environment (Rayport & Sviokla, 1995; Weiber & Kollmann, 1998; Day &

Montgomery, 1999; Mohammed *et al.*, 2003: 18.) These Internet-driven changes represent pertinent new challenges to today's marketers; irrespective of whether or not they are actively engaged in Internet-based commerce (Siegel, 2000; Mohammed *et al.*, 2003: 18). This implies that generic marketers, and not just Internet marketing specialists, need to be knowledgeable regarding the Internet marketing environment.

Further, the Internet offers important potential as a tool for executing marketing activities (Nour, 2000; Darby *et al.*, 2003; Mohammed *et al.*, 2003: 5). In this regard, Mohammed *et al.* (2003: 5) highlight that the Internet should constitute an essential element in "any marketer's" toolkit. Indeed, a number of marketing textbooks and textbooks on marketing related subjects have recognised this and are beginning to address Internet marketing principles. Examples of such textbooks include, marketing text (Baker, 2003; Lamb *et al.*, 2004), marketing management text (Kotler, 2003), marketing strategy text (Walker *et al.*, 2003; Ferrell & Hartline, 2005), relationship marketing text (Gordon, 1998; Varey, 2002), consumer behaviour text (Schiffman & Kanuk, 2004), marketing research text (Aaker *et al.*, 2004; Malhotra, 2004), service marketing text (Zeithaml & Bitner, 1996), international marketing text (Johansson, 2000; Keegan & Green, 2003) and sales management text (Spiro *et al.*, 2003.) There are also textbooks specifically devoted to Internet marketing (Ellsworth & Ellsworth, 1997; Hanson, 2000; Kleindl, 2001; Wind & Mahajan, 2001; Mohammed *et al.*, 2003). The problem is that these marketing and marketing related textbooks differ widely in their approach to and coverage of Internet marketing. There appears to be no consensus as to which Internet marketing principles are relevant to generic marketing students. This is problematic, given Hunt's (2002) observation of marketing textbook knowledge being the input into marketing students and practitioners.

In a study with a comparable purpose to the one undertaken here, Mitchell and Strauss (2001) note the lack of available academic literature to guide marketing educators in planning electronic commerce and Internet marketing curricula. Although these authors approach this problem more in terms of the knowledge and skill required by Internet marketers, their findings do make a valuable contribution to Internet marketing education. Yet, a problem remains. There are no clear guidelines indicating which principles guiding the use of Internet as a marketing tool are relevant for inclusion in generic undergraduate marketing qualifications.

The problem addressed in this study is then, which Internet marketing content elements are relevant to generic undergraduate marketing students. The study focuses on five focal research questions:

1. Which Internet-driven marketing environmental changes do marketing academics consider relevant to generic undergraduate marketing students?
2. Which principles guiding the use of Internet as a marketing tool do marketing academics consider relevant to generic undergraduate marketing students?
3. What do marketing academics consider to be the most suitable approach to implementing Internet marketing principles within higher education undergraduate business programmes?
4. What do marketing academics consider to be the relevant Internet marketing learning outcomes for generic marketing students at undergraduate level?
5. Do marketing practitioners hold the same opinion as marketing academics regarding research questions one, two, three and four?

1.3 STUDY OBJECTIVES

One primary and seven secondary objectives have been formulated for this study.

1.3.1 Primary objective

This study seeks to develop an empirically derived inventory of Internet marketing content elements relevant for inclusion in generic undergraduate marketing qualifications, based on both academic and industry practitioner perspectives.

1.3.2 Secondary objectives

The following secondary objectives are important to support the attainment of the primary objective:

1. Delineate the fundamental principles of general marketing theory.
2. Identify observed Internet-driven changes in the contemporary marketing environment.
3. Identify the principles guiding the use of the Internet as a marketing tool.
4. Test the relevance of identified Internet marketing content elements to generic undergraduate marketing students from a marketing academic perspective.
5. Identify the most suitable approach to implementing Internet marketing content elements at undergraduate level and the relevant Internet marketing learning outcomes for generic undergraduate marketing students from a marketing academic perspective.
6. Test the research findings of objectives four and five from a marketing practitioner perspective.
7. Recommend an inventory of Internet marketing content elements relevant to generic undergraduate marketing students, together with a suitable approach to implementing Internet marketing content elements at undergraduate level and relevant Internet marketing learning outcomes for generic undergraduate marketing students.

1.4 HYPOTHESES

According to Welman and Kruger (2001: 22), where it is deemed possible, a research problem should be converted into research hypotheses. For the purpose of this study, research hypotheses are deductively inferred from literature. In this study, hypotheses are formulated to test the relevance of Internet marketing content elements to generic undergraduate marketing students. A further hypothesis is set to test the level of divergence between marketing academics' attitudes and marketing practitioners' attitudes toward the relevance of Internet marketing content elements to generic undergraduate marketing students. Empirical testing will therefore support or reject the hypotheses set. These hypotheses are formulated in chapter six.

1.5 DEMARCATION OF THE FIELD OF STUDY

For the purpose of this study, the research will be undertaken amongst two groups of respondents. Firstly, research will be undertaken amongst full-time marketing lecturers lecturing at South African public higher education institutions. Secondly, research will be undertaken amongst a non-probability, judgement sample of marketing practitioners employed in those companies listed on the Johannesburg Stock Exchange (JSE) that engage in marketing activities and which are operational in the South African market.

1.6 RESEARCH METHODOLOGY

The Internet enables fast, economic access to a wide number of data sources and, as such, will be the major data collection method employed for sourcing and collecting secondary data. Internet's electronic mail (e-mail) capabilities will be utilised to collect the required primary data.

1.6.1 Literature analysis

A literature review of secondary data sources including, full text databases; the World Wide Web; electronic and hardcopy journals; electronic and hardcopy newspaper reports; electronic and hardcopy business magazine articles, and textbooks, will be undertaken to answer objectives one, two and three. These sources will be used to generate a list of items for the empirical section of the study, which is designed to answer objectives four, five, six and seven.

1.6.2 Empirical analysis

For the study, two groups of respondents were targeted – marketing academics and marketing practitioners. The e-mail survey was employed to gather the required data from both groups of respondents. In accordance with the principles guiding the ethical use of the Internet as a marketing research tool (refer to Section 4.8.2), telephonic permission to forward the questionnaires was first solicited from both groups of respondents.

A census of the marketing faculties/departments of each of South Africa's then 26 public higher education institutions was conducted at the end of 2004. Responses were received from 19 of these 26 institutions, yielding a response rate of 73 percent. A total of 47 responses were received; with 9 institutions providing responses from 1 marketing lecturer, 3 institutions providing responses from 2 marketing lecturers, 2 institutions providing responses from 3 marketing lecturers, 3 institutions providing responses from 4 marketing lecturers and 2 institutions providing responses from 7 marketing lecturers.

A non-probability, judgement sample of 100 companies listed on the Johannesburg Stock Exchange (JSE), ranked according to turnover (Financial Mail, 2004) was taken at the beginning of 2005 (refer to Section 5.5.3). The same questionnaire was administered as used for marketing academics, with adjustments to requested demographical data. This questionnaire was e-mailed to 75 of these 100 companies from which telephonic permission had been obtained. The non-response portion of the original sample of 100 companies comprises 54 companies of which, 15 companies were automatically deselected after telephonically indicating that they were either not involved in any type of marketing activity or were not operational in the South African market. A further 10 companies indicated no inclination to take part in the study. Responses were received from 46 companies. This translates into a 46 percent response rate from the base of the original 100 identified companies and a filtered response rate of 61 percent from the base of the 75 companies actually sampled. A total of 51 responses were received; with 42 companies providing responses from 1 marketing practitioner, 3 companies providing responses from 2 marketing practitioners and 1 company providing responses from 3 marketing practitioners.

The questionnaire was designed to allow for mainly fixed-alternative responses on four-point Likert scales. All questions using scaled responses included a no-response option to alleviate potential loss of validity arising from forced response.

The questionnaire was initially pre-tested using first the protocol method and then the debriefing approach. After making the necessary adjustments and refinements the questionnaire was then piloted on two groups of respondents to test its reliability. The first group comprised 113 third year marketing students and the second comprised 50 fourth year marketing students. Results of these two pilot studies were duly coded and tabulated.

1.6.3 Data requirements

Five types of data were captured for the study.

1. Relevance of Internet-driven marketing environmental changes to generic undergraduate marketing students.
2. Relevance of the principles guiding the use of the Internet as a marketing tool to generic undergraduate marketing students.
3. Suitable approaches to implementing Internet marketing principles within undergraduate business programmes.
4. Internet marketing learning outcomes relevant to generic undergraduate marketing students.
5. Demographical data.

1.6.4 Statistical analysis

The captured data was analysed using the SAS and STATISTICA software packages. The following statistical methods were used on the empirical data sets:

- Reliability analysis
- Descriptive analysis
- Hypotheses testing

1.7 GLOSSARY OF INTERNET TERMINOLOGY

The following Internet terminology used in this study needs to be clarified in order to maximise understanding for those readers who are not fully Internet literate:

- **Browser.** The necessary software for loading and viewing World Wide Web pages.
- **Cookies.** The collective name for those files stored on a user's hard drive by a Web browser for the purpose of recording that user's Web browsing habits.
- **Hyperlink.** A link on a Web page that takes the user to another location or resource.
- **Hypermedia.** An interlinking combination of media types on a single document, including text, graphics, animation, audio, visual and visible links to other Web pages of text or media.
- **Internet domains.** Subdivisions of the Internet such as .com (business), .gov (government) and others.
- **Protocol.** A standard for the exchange of information. As a result of the adoption of protocols different computers, operating systems and software are able to communicate with each other on the Internet.

1.8 CLASSIFICATION OF CHAPTERS

Chapter two focuses on clarifying the fundamental elements of generic/general marketing theory for the purpose of developing a framework of established general marketing theory. This framework will serve to guide the identification Internet marketing content elements relevant to generic marketers in the subsequent chapters.

In chapter three, Internet-fuelled changes and challenges to marketers are considered. These changes and challenges are identified as including globalisation, the information revolution and ensuing knowledge economy, multi-channel consumer behaviour and organisational buying behaviour and the increasingly networked economy. These changes and challenges are presented against an overview of the Internet.

Using the framework of fundamental generic marketing elements developed in chapter two, chapter four seeks to identify those principles guiding the use of the Internet as a marketing tool that are relevant to generic marketers. Specifically, the chapter strives to identify the principles guiding the use of the Internet as a marketing tool in generic marketing areas such as, marketing intelligence, marketing research, marketing strategy, marketing tactics and international marketing. In addition the chapter considers the ethical use of the Internet as a marketing tool.

Chapter five outlines the research methodology employed in the empirical investigation. This chapter includes a review of the data gathering and analysis process and a description of the procedure followed in developing the research instrument. In addition, it includes a description of the sampling procedure followed and identifies the statistical methods employed.

The reported results of the empirical study are presented in chapter six. This chapter focuses on the analysis, interpretation and evaluation of the research findings. The statistical methods used to analyse the research data are presented. Further, the results of the different hypotheses are explained.

Chapter seven reviews the study as a whole and provides the conclusion drawn from the study. Contributions of the study, recommendations and implications for future research are presented in this chapter.

1.9 LIMITATIONS OF THE RESEARCH STUDY

While the study provides an inventory of Internet content recommendations for generic undergraduate marketing programmes, due consideration should be given to the study's limitations when applying these findings. The results of this study should be applied with caution given the sample size of marketing practitioners (100 companies) and the response rate of both marketing academics and practitioners (73 percent and 46 percent respectively). Further, this study only includes the opinion of public higher education institutions and large corporations – private higher education institutions and small, medium and micro enterprises are excluded.

In addition, recognition should be given to the ongoing changing nature of the Internet. This study only provides a snapshot in time of attitudes toward the relevance of Internet content elements to generic undergraduate marketing programmes. Other considerations regarding these findings include the possibility of differing interpretations of the Internet marketing content elements tested. There is also the question concerning whether the level of convergence between the study's target populations' attitudes are satisfactorily high to suggest a definitive inventory of Internet marketing content elements relevant to generic undergraduate marketing programmes.

1.10 GENERAL

- Annexures are placed at the back of the back of the dissertation.
- Tables and figures are placed on the relevant pages in the dissertation.
- Where no source reference appears for figures and tables, it refers to own research.

- Referencing is based on the Scientific Skills Series, Quoting Sources, Potchefstroom University for Higher Christian Education.

1.11 SYNOPSIS

The arrival of the Internet and the development of the World Wide Web service have led to the establishment of an extensive global electronic marketplace (Hoffman *et al.*, 1995; Peterson *et al.*, 1997; Darby *et al.*, 2003). Growth of Internet usage (McGann, 2005) and Internet-based commerce (Sukazi, 2004: 7) have fuelled a number of key shifts in the modern marketing environment (Rayport & Sviokla, 1995; Weiber & Kollmann, 1998; Day & Montgomery, 1999; Mohammed *et al.*, 2003: 18.) Moreover, the Internet proffers monumental potential as a tool for accomplishing marketing tasks (Nour, 2000; Darby *et al.*, 2003; Mohammed *et al.*, 2003: 5).

In order to keep step with the requirements of contemporary business, marketing educators need to incorporate Internet marketing content into marketing curricula. The purpose of this study is then to develop an empirically derived inventory of Internet marketing content elements relevant for inclusion in generic undergraduate marketing programmes, based on both academic and industry practitioner perspectives.

For this purpose, this chapter provided an overview of this study's problem statement, study objectives, demarcation, research methodology, chapter classification and limitations. The following chapter, chapter two, reviews the literature pertaining to general marketing theory, for the purpose of developing a framework of fundamental generic marketing elements. This framework will then be used to guide the identification of Internet marketing content elements relevant to generic marketers.

CHAPTER 2

FUNDAMENTAL ELEMENTS OF GENERAL MARKETING THEORY

2.1 INTRODUCTION

As stated in chapter one, the purpose of this study is to identify the Internet marketing principles that are relevant to generic marketers. The perspective adopted here is that the Internet is driving a number of key changes in the environment within which marketers operate (Chapter three). Simultaneously, the Internet provides marketers with a valuable new tool that, if applied properly, serves to enhance the execution of generic marketing tasks (Chapter four). Thus, this study seeks to identify Internet marketing principles relevant to generic marketers within the framework of established general marketing theory. This being so, a necessary first step is to clarify the key elements of generic/general marketing theory. Section 2.2 discusses the meaning of generic marketing principles. Section 2.3 provides an overview of the fundamental elements of marketing. A review of market orientation is provided in section 2.4, while in section 2.5 the focus shifts to the related concept of relationship marketing. Literature pertaining to marketing intelligence and marketing research is reviewed in sections 2.6 and 2.7 respectively. The marketing strategy (segmentation, targeting and positioning) is discussed in section 2.8. Section 2.9 discusses generic marketing tasks within the framework of the four Ps marketing mix model. In section 2.10 the dimensions of international marketing are reviewed, while section 2.11 focuses on the ethics of marketing. In section 2.12, figure 2.1 illustrates a framework of the fundamental elements of generic marketing theory.

2.2 THE MEANING OF GENERIC MARKETING PRINCIPLES

The Collins English Gem Dictionary (1963: 412) defines the term 'principle' as a "fundamental truth or element". According to Bartels (1944), the term 'principle' refers to "an element of science falling between specific observation and theory". The author further indicates that this term can be interpreted in several ways, including "rule of action, general truth, fundamental assumption, and comprehensive or governing law". Kotler (1999: xiii) writes that substantial research in the field of marketing has significantly contributed to the development of both descriptive and prescriptive marketing principles.

The scope of marketing consists of a broad array of diverse subject areas (Hunt, 1976) and definitions pertaining to marketing largely depend on the particular subject matter being handled (Hunt, 1976; Levy, 2002.) Gummesson (2002) concurs, going on to criticise marketing text as having become a confusing "smorgasbord" of diverse topics, as new developments in the field are simply added on, rather than integrated into general marketing theory.

In articulating a generic conceptualisation of marketing, Kotler (1998) states that the transaction, defined as the exchange of values between two parties, represents the essence of marketing. Levy (2002) concurs, postulating that whichever perspective of marketing adopted, the core of marketing rests on the two principles governing exchange. The first being that of relative scarcity, which necessitates choice behaviour, and the second being reciprocity, which requires some form of response or return. Kotler (2003: 12) states that at its most generic level, marketing is about the actions undertaken in pursuit of "a behavioural response from another party". For these actions to succeed there needs to be firm commitment to the marketing concept philosophy, with its prescribed customer-oriented focus (Baker, 2003: 9). Gronroos (1997) agrees, highlighting the necessity of all marketing being in line with this marketing concept philosophy. This marketing concept philosophy, first formulated in the 1950s, views profit as the payoff for satisfying customers, rather than as the objective (Webster, 1992). This philosophy is now firmly entrenched in general marketing theory, where the implementation of the marketing concept is referred to as market orientation (Kohli & Jaworski, 1990).

Kotler and Levy (1969) postulate that marketing principles are generically applicable to both business and non-business organisations. Accordingly, the authors list nine marketing principles that are generic to all organisations. These are "generic product definition, target group definition, differentiated marketing, customer behaviour analysis, differential advantages, integrated marketing planning, continuous marketing feedback and marketing audit".

McCarthy and Perreault (1993: 46) propose the concept of the marketing mix, which they conceptualise as the four P's framework of product, price, promotion and place, as a suitable theory for guiding generic marketing tasks. This model, originally introduced in the 1960s, has become the dominant paradigm in general marketing theory and the framework around which most generic marketing text is structured (Hunt, 1976; Gronroos, 1997; Gummesson, 2002). This model, using a set of circles, depicts the customer in the inner most circle as the focal point of marketing efforts. The second circle illustrates the variables under the marketer's control – the four Ps. The third, most outward circle represents the uncontrollable marketing environmental variables that affect marketing efforts and therefore need to be continuously monitored (McCarthy & Perreault, 1993: 57).

This model is almost a mirror image of the generic conceptualisation of marketing tasks proposed by Kotler (1998). According to the author, "marketing is specifically concerned with how transactions are created (product), stimulated (promotion), facilitated (distribution) and valued (price)". The author goes on to add that executing these tasks successfully requires that marketers engage in the generic marketing activity of market analysis. Indeed, it is well accepted that marketing research, for the purpose of matching the organisation's capabilities and resources with the identified needs of the selected target market(s), is fundamental to marketing (Webster, 1992; Kotler, 1998).

Gronroos (1997), while not discounting the importance of the marketing mix, proposes that the principles of relationship marketing are more appropriate as a generic theory of marketing. The author argues that the relationship marketing tasks of interactive marketing, database marketing and network marketing are far more suited in fulfilling the marketing concept philosophy. Gummesson (2002) agrees, also highlighting the relevance of relationship marketing as a general theory of marketing, and as a far more viable alternative to the four Ps model. Kotler (1998), whilst acknowledging that generic marketing theory should incorporate a relationship perspective, does not feel that it replaces generic marketing tasks. In a similar fashion, Baker (2003: 15) postulates that the implementation of a marketing concept philosophy founded on "mutually satisfying relationships" necessitates the management of the four Ps by a specific marketing function.

Thus, one school of thought advocates a paradigm shift, calling for traditional general marketing theory to be replaced with the principles of relationship marketing (Gronroos, 1996; Gronroos, 1997; Gummesson, 2002). The other school of thought proposes that the adoption of a relationship marketing orientation does not replace traditional marketing. Rather, it represents an advance in marketing theory that serves to facilitate improved marketing efforts (Webster, 1992; Stone & Mason, 1997; Baker, 2003: 15; Lamb *et al.*, 2004: 10). For the purpose of this study, this second school of thought is adopted. That is, relationship marketing serves to enhance traditional marketing efforts.

For the purpose of this study, the term 'principles' is taken to mean the *fundamental elements*. Generic marketing is taken to mean those marketing tasks that are transferable across industries, with one important limitation – only marketing within industries involved in business marketing activities for profit will be considered. While full acknowledgement is given to the proposal that marketing principles are equally relevant to both business and non-business organisations, as postulated by Kotler and Levy (1969), most undergraduate marketing programmes treat marketing as a business subject. Therefore, the same approach is adopted here. The following section provides an overview of the fundamental elements of general marketing theory

2.3 OVERVIEW OF THE FUNDAMENTAL ELEMENTS OF GENERAL MARKETING THEORY

The discipline of marketing consists of three main elements – a philosophy, a strategy and a set of tactics (Webster, 1992).

The first element, the marketing philosophy, is an overall organisational philosophy that manifests itself in the organisation being market oriented (Kohli & Jaworski, 1990; Webster, 1992; Achrol & Kotler, 1999). Market orientation requires the organisation to align its actions with the marketing concept – the cornerstone of marketing (Kohli & Jaworski, 1990; Ferrell & Hartline, 2005: 40). The marketing concept holds that superior organisational performance requires integrated marketing effort to be directed at identifying, creating and delivering superior customer satisfaction relative to competitors (Turner & Spencer, 1997).

The second element, marketing strategy, involves market segmentation, targeting and positioning. The third element, marketing tactics, involves designing the marketing mix, and includes decisions on the product offering, together with the pricing, promotion and distribution of the offering (Webster, 1992; Kotler, 2003: 111).

The aggregate purpose of all three dimensions is to attain and retain customers by delivering superior customer value relative to competitors in order to achieve a sustainable competitive advantage (Srivastava *et al.,* 1999).

Each of the three dimensions is fuelled by marketing intelligence (Day, 1994; Webster, 1994a) and requires what Day (1994) termed as "superior market sensing capabilities".

Leveraging the organisation's resources and capabilities to provide superior customer value and, hence, a competitive advantage, depends on the organisation's ability to accurately identify the value offering benefits sought by customers (Ravald & Gronroos, 1996). It further requires the ability to identify and respond to the dynamic environmental forces that directly or indirectly affect the organisation's ability to create and maintain a competitive advantage (Kohli & Jaworski, 1990).

Marketing's role in creating a sustainable competitive advantage for the organisation depends largely on the level of understanding or insight that marketers have of the marketing environment within which they operate (Slater & Narver, 1995). Marketing has an essentially "outside-in" perspective (Day, 1994; Kotler, 2003: 20) and plays a pivotal role in linking the organisation to the dynamic external marketing environment (Moorman & Rust, 1999; Srivastava *et al.*, 1999) by generating, analysing, interpreting and disseminating marketing research and intelligence (Webster, 1994a.) Marketing constitutes the actual bridge between the market and the organisation (Jain, 2000: 23).

At the very foundation of marketing is the concept of exchange, the set of activities facilitating transactions in an exchange economy (Kotler, 1997: 11; Kotler, 2003: 12). Exchange takes place in a market where the market's size is determined by how many people have a particular need, what resources they have that are desired by others and their desire and capability to offer those resources in exchange for that which they desire (Kotler & Armstrong, 1999: 9). As more and more organisations are finding themselves competing in industries that are global in nature, so the pressure to internationalise increases (Kotler, 2003: 403). As such, international marketing is increasingly being viewed as a key element in general marketing theory.

From marketing's origins as a transaction-focused activity, the discipline has evolved into a relationship-focused activity (Achrol & Kotler, 1999; Srivastava *et al.*, 1999). Changing trends in contemporary business practices and in marketing research literature have given birth to a relationship-oriented approach to marketing (Gronroos, 1997). This approach to marketing views each of the three components of marketing from a relationship perspective (Webster, 1992; Stone & Mason, 1997; Baker, 2003: 15; Lamb *et al.*, 2004: 10), whereby superior customer and channel member relationship-building capabilities are viewed as true sources of sustainable competitive advantage (Day, 1994.)

All marketing tasks should be executed in an ethical manner, and ethical marketing is considered to be fundamental in any marketing situation (Evans & Berman, 1982: 644).

Thus, the discipline of marketing consists of three fundamental elements – the marketing philosophy, the marketing strategy and marketing tactics; each of which is fuelled by marketing intelligence and; each of which requires a strong relationship orientation. Further, given the rapid globalisation of markets, international marketing is now viewed as a fundamental element of general marketing theory. All of these marketing activities should at all times be in line with the fundamentals of ethical marketing behaviour. Each of these elements is discussed in more detail below.

2.4 MARKET ORIENTATION

The marketing concept, firmly entrenched in marketing literature, is a business philosophy (Kohli & Jaworski, 1990) that specifies a consumer orientation that manifests itself as the ability to identify and successfully satisfy customer needs through a coordinated organisation-wide effort in order to achieve the long-term objectives of the organisation (Turner & Spencer, 1997.)

Market orientation, which is the implementation of the marketing concept, requires an organisation to align its actions with the marketing concept and its three underlying principles of customer orientation, integrated marketing effort and profit orientation. The term market orientation, rather than marketing orientation, has been adopted to refer to this translation of the marketing concept into practice in order to make the approach acceptable to and the responsibility of all departments within the organisation and not just the province of the marketing department (Kohli & Jaworski, 1990).

2.4.1 Market orientation perspectives

There are a number of different perspectives as to what factors constitute an organisation being market oriented.

2.4.1.1 The organisational culture-based perspective

A market-oriented approach involves adopting an organisational culture (Narver & Slater, 1990) that emphasises management's role (Kohli & Jaworski, 1990) in fostering an organisation-wide generation and dissemination of market intelligence on current and future customer needs and preferences, and on current and potential competitors' strategies and short- and long-term capabilities (Kohli & Jaworski, 1990; Narver & Slater, 1990.) Such market intelligence would also include those exogenous market factors, such as technological advancements and government regulations that may impact customer needs and preferences (Kohli & Jaworski, 1990). The objective of developing a market-oriented business culture is to develop a superior level of customer orientation and business performance relative to competitors through the coordinated inter-functional integration of market intelligence and business resources (Narver & Slater, 1990).

2.4.1.2 The organisational learning perspective

The organisational learning approach expands on the organisational culture view of market orientation with the argument that the maximisation of the effectiveness of a market-oriented culture requires an entrepreneurial spirit and organisational climate appropriate to fostering the ability of the organisation to learn how to create superior customer value faster than competitors in dynamic and turbulent markets (Slater & Narver, 1995). A learning perspective to being market oriented involves developing a balanced approach to being both customer and competitor oriented, and utilising information technology in order to learn to respond to market intelligence at a faster rate than competitors (Day, 1994).

2.4.1.3 The innovation-based perspective

The innovation-based culture view argues that the focus of market orientation should be on having an organisational culture of innovation and, hence, an innovative capacity, rather than a culture of learning, in order to successfully respond to markets and develop a sustainable competitive advantage. This perspective introduces the construct of innovativeness and innovative capacity into existing models of market orientation (Hurley & Hult, 1998). Varadarajan and Jayachandran (1999), also stress the importance of generating superior innovations, stating that customer orientation facilitates this outcome as it enables organisations to gain greater knowledge and insights into customers' needs and preferences.

Although market orientation is defined in a number of different ways, customer satisfaction and the successful management of the relationship between the organisation and its customers forms the focal point of the market orientation concept, with its central objectives being to achieve superior customer value and superior business performance relative to competitors (Kohli & Jaworski, 1990; Narver & Slater, 1990; Day, 1994; Slater & Narver, 1995; Hurly & Hult, 1998; Varadarajan & Jayachandran, 1999).

2.4.2 Market orientation and organisation performance

Using customer orientation, competitor orientation and cross-functional coordination, together with organisation-wide market intelligence generation and dissemination as a measure of market orientation, Narver and Slater (1990) conclude that there is a positive relationship between the degree of market orientation adopted by an organisation and its level of performance in terms of profitability. One moderating variable in this market orientation - business performance relationship is the competitive structure of the industry within which an organisation operates, where the greater the intensity of competition is, the greater the need to follow a market-oriented approach becomes and vice versa (Kohli & Jaworski, 1990).

Market orientation is a source of sustainable competitive advantage (Hoffman, 2000; Farrall, 2000) and, as such, is an approach that should be adopted by all organisations that hold long-term survival and success as an aggregate objective (Farrall, 2000.)

Developing a market orientation is considered to be only the beginning, as the creation of a sustainable competitive advantage requires the organisation to purposefully evolve into a learning-oriented organisation (Slater & Narver, 1995). The very fact that an organisation is market oriented tends to logically lead to the organisation developing a learning orientation (Farrall, 2000). Closely related to this concept of market orientation is the concept of relationship marketing discussed next.

2.5 RELATIONSHIP MARKETING

The central element of both market orientation and relationship marketing is customer satisfaction, with relationship marketing placing greater emphasis on the longevity of that relationship (Kalwani & Narayadas, 1995; Steinman & Deshpande, 2000).

While the concept of exchange forms the foundation of all marketing relationships (Kotler, 1997: 11; Day, 2000), it is necessary to view this exchange process as more than merely fleeting exchanges with customers if an organisation's long-term interests are to be fostered (Yau *et al.*, 2000.) Central to the adoption of this long-term perspective to marketing exchanges is the notion that it is economically more efficient to concentrate on the retention of profitable customers than to follow the traditional marketing focus of acquiring new customers. This is due to the higher relative cost typically associated with customer acquisition (Reichheld & Sasser, 1990; Morgan & Hunt, 1994; Day, 2000).

Relationship marketing revolves around the concept of recognising the value of long-term customer retention (Alexander & Colgate, 2000) and developing customer loyalty by attaining customer satisfaction by means of achieving a superior degree of customer orientation and level of service (Heskett *et al.*, 1994.)

The concept itself is old but has only recently experienced accelerated interest in marketing practice and academic research (Berry, 1995; Gronroos, 1996). Advances in the field of service marketing, together with organisations increasingly recognising the financial benefits of retaining a loyal customer base, and customers in turn recognising the desirability of forming relationships with suppliers in order to reap benefits such as continuity, risk-reduction and customised service delivery, has fuelled this growing interest in relationship marketing. A further driving force is the accelerated development in information technology that facilitates adopting a relationship marketing approach (Berry, 1995).

2.5.1 Building organisation-customer relationships

In order to facilitate the formation of organisation-customer relationships, it is necessary for both the organisation's top management and its employees to develop a strong customer orientation attitude, plus for the organisation to have customers that are relationship motivated. Factors that help in the initial formation of the relationship include a coordinated inter-functional effort to deliver a level of augmented personal service that exceeds customer expectations. Functionality, trust and friendship enhance the said relationships and enable ongoing customer-employee interactions (Beatty & Lee, 1996). Relationship commitment and trust are prerequisites of successful, ongoing relationships - trust being the major determinant of relationship commitment (Morgan & Hunt, 1994) - facilitating the development of a strong customer-employee-organisation relationship, encompassing customer loyalty to both the organisation and its employee, which, in turn, solidifies the employee's loyalty to the organisation and the customer (Beatty & Lee, 1996.)

Relationship marketing does not refer exclusively to buyer-seller relationships. It encompasses all forms of relational exchanges, and involves focusing all marketing efforts on the creation, building and maintenance of successful exchange relationships (Morgan & Hunt, 1994).

2.5.2 Relationship marketing strategy

A relationship marketing strategy requires all types of organisations - from those that define themselves as manufacturing organisations through to those that consider themselves to be pure service organisations - to redefine themselves as service organisations, involving understanding that customer demand extends beyond the technical solution of the product or service, to the total service offering. This necessitates adopting a "process management perspective" involving inter-functional and inter-departmental coordination and integration, and the removal of traditional functional boundaries. Further, it necessitates the development of a network of partnerships with other organisations, including suppliers and competitors, to facilitate the handling of the total service process. The tactical elements of a relationship marketing strategy include seeking direct interaction with customers, building a "customer-oriented service system" and developing a database (Gronroos, 1996).

2.5.3 Fundamental elements of relationship marketing

Relationship marketing can be subdivided into three distinctive parts: Firstly, database marketing involving the use of information technology and techniques to manage relational exchanges between the organisation and its customers in order to increase customer satisfaction and, hence, loyalty. Secondly, interaction marketing that refers to the managing of both formal and informal, direct employee-customer interactions. Lastly, network marketing involving establishing, developing and maintaining inter-organisational relationships to facilitate resource exchange and market access for the mutual benefit of exchange partners (Pels *et al.,* 2000). The mutual benefit derived from such network partnerships depends on the extent to which the relationship enables each of the exchange partners to enhance their total service process by developing capabilities beyond the constraints of their existing individual capabilities (Gronroos, 1996).

Both the elements of the marketing concept and the elements of the relationship-marketing concept can be viewed as fundamental to marketing. Thus, all marketing efforts should be guided by a market orientation and enhanced by adopting a relationship marketing orientation. The successful implementation of both of these concepts relies on the level of understanding that the organisation has regarding the environment within which it operates. That is, the quality of its marketing intelligence.

2.6 MARKETING INTELLIGENCE

As indicated previously, being market oriented necessitates the continuous, organisation-wide generation and dissemination of intelligence regarding the marketing environment (Kohli & Jaworski, 1990; Narver & Slater, 1990). Indeed, continuous and current intelligence regarding the marketing environment is widely espoused to be the key ingredient in an organisation's success (Evans & Berman, 1982: 52; Adcock *et al.*, 1995: 26; Etzel *et al.*, 1997: 30; Kotler, 2003: 158).

The marketing environment refers to the environment within which marketers operate (Evans & Berman, 1982: 27; Perreault & McCarthy, 1996: 61; Kotler, 2003: 15). It consists of variables both internal to the organisation and external variables (Evans & Berman, 1982: 27; Cronje *et al.,* 1990: 43; Etzel *et al.*, 1997: 30), that directly or indirectly affect the organisation's strategic value creating endeavours (Dibb, 1996.)

As a dynamic system, that continuously presents both new opportunities, as well as new threats, the organisation should constantly monitor and adapt its strategies to the trends occurring within this environment (Kotler, 2003: 158). This marketing intelligence should serve as ongoing input into strategy, including marketing strategy formulation (Zack, 1999).

While every business manager should be aware of changing marketing environment trends, monitoring these trends is essentially the responsibility of the organisation's marketers (Kotler, 2003: 159). One of the central issues in marketing is the study of how organisations interact with their markets (Day & Montgomery, 1999). Having both a strong customer and competitor orientation translates into marketing having a superior ability to identify and respond to the dynamic environmental forces that directly or indirectly affect the organisation's ability to create and maintain a competitive advantage (Kotler, 2003: 159).

Marketing, with its essentially "outside-in" orientation and superior "market sensing capabilities" (Day, 1994), constitutes the actual bridge between the market place and the organisation (Jain, 2000: 23.) Marketing's role in creating a sustainable competitive advantage for the organisation depends largely on the level of understanding or insight that marketers have of the marketing environment in which they operate (McCarthy & Perreault, 1993: 112). It further depends on marketing's ability to translate and infuse these "outside-in" insights into the organisation's "inside-out" value adding processes (Day, 1994; Srivastava *et al.*, 1999).

Defining and adapting strategy, including marketing strategy, should be preceded by a systematic analysis of the strengths, weaknesses, opportunities and threats (SWOT) occurring within the marketing environment (Zack, 1999). Smith (2003) asserts that this SWOT framework is one of the most important strategic marketing tools, given that effective strategic planning depends upon the 'fit' between internal and external organisational contingencies. It is thus widely prescribed in marketing text that marketers should engage in continuous monitoring and analysis of the variables that make up the marketing environment (Evans & Berman, 1982: 52; Adcock *et al.,* 1995: 26; Etzel *et al.,* 1997: 30; Kotler, 2003: 158).

Cronje *et al.* (1990: 42), conceptualise the marketing environment as consisting of a dynamic system of mutually related variables, classified into the three sub-environments of the internal-, market- and macro-environment.

The internal environment describes the organisation itself and those variables within the organisation that give rise to competitive strengths or weaknesses (Kotler, 2003: 104). Competitive strengths or weaknesses arise from the organisation's accumulated resources or assets and its capabilities of configuring and deploying these assets in the execution of its value adding activities (Day, 1994). It is these strengths and weaknesses that define the organisation's ability to deflect threats and exploit opportunities within the market environment (Zack, 1999).

The market environment includes the organisation's current and potential consumers and/or organisational customers, their needs, preferences and buying behaviour, including the factors that influence that behaviour (Cronje *et al.*, 1990: 43; Kotler, 2003: 14). It also includes current and potential competitors offering rival market offerings or substitute market offerings (Jain, 2000: 77, 78; Kotler, 2003: 14). Lastly, the market environment includes the organisation's collaborators that contribute toward the organisation's ability to deliver on its value proposition (Kotler, 1999: 83).

The macro-environment refers to those forces that give rise to trends and developments that may influence the organisation (Kotler, 2003: 15) directly (Cronje *et al.*, 1990: 43) or indirectly via their influence on the actors in the market environment (Cronje *et al.*, 1990: 43; Kotler, 2003: 15.) These forces include physical/natural (Kotler, 2003: 15), economic, social, regulatory/legislative, demographic, and technological environmental trends (Cronje *et al.*, 1990: 43; Dibb, 1996; Kotler, 2003: 15.)

Marketing intelligence provides the indispensable foundation of strategic management (Wee, 2001). Successful strategy formulation, at corporate, business and operational level, depends on the match between internal resources and capabilities, and external environmental realities (Walker *et al.,* 2003: 25). The continuous monitoring and analysis of the variables that form part of the marketing environment represents one of the pivotal tasks of professional marketeters (Siegel, 2000; Kotler, 2003: 159; Walker *et al.*, 2003: 25). Closely linked to the marketing intelligence task is the task of marketing research (Wee, 2001), which is discussed next.

2.7 MARKETING RESEARCH

Whereas marketing intelligence refers to the systematic and continuous gathering, analysis and interpretation of information about trends in the marketing environment, marketing research refers to the *ad hoc* gathering, analysis and interpretation of information concerning a particular marketing occurrence or situation (Wee, 2001: Kotler, 2003: 125, 129). Kotler (2003: 129), defines marketing research as the "systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company". That is, the emphasis of marketing research is on solving a specific marketing issue or problem (Cravens, 1994: 250; Bennett, 2002: 179).

Recognition of the importance of basing business decisions on marketing research can be found in marketing text dating back to the early 1900s. Clark and Clark (1942: 544) summarise the main contributions of marketing research to business success to be as follows: "(1) To keep a business in touch with its markets; (2) to eliminate waste in marketing methods; (3) to develop new products or markets; (4) to insure against unforeseen changes in the market; (5) to guide sales promotion efforts; and (6) to infuse enthusiasm in the organisation through the knowledge on the part of the personnel that marketing activities are based on scientific knowledge of its market." The authors go on to prescribe that specifically relevant data must be gathered and synthesised with already existing data available from other sources, and that this data must be interpreted and then applied to delineated business problems.

Perreault and McCarthy (1996: 155) concur, stating that marketing research procedures need to be utilised to aid marketing decision-making. The authors also subject that owing to continued improvements in research methodology, marketing research findings are now more dependable and, hence, more valuable than ever before.

Evans and Berman (1982: 54) emphasise that marketing research must be systematic in that it must follow a specific step-by-step process. Further, the authors stress that the process must be scientific which necessitates that it be objective, accurate and thorough. Bennett (2002: 179) adds that for marketing research findings to be useful the research must be both reliable and valid.

Generally, the marketing research process starts with an investigation of the background of the research problem. This includes defining the problem, establishing the objectives of the study, determining what relevant secondary data already exists and what further data, if any, is required (Wee, 2001). If existing secondary data is not deemed to be reliable, accurate, sufficient or current enough for the problem on hand then a primary study will be embarked upon (Kotler, 2003: 131). Then, depending on the objectives of the study, the primary research design will be selected (Boyd *et al.,* 1985: 38), where a choice is made between quantitative, qualitative or a combination of the two research design methodologies. The selected research design methodology then serves to guide how data is collected and analysed (Wee, 2001). The relevant research findings are then reported on and, if deemed valid, acted upon (Kotler, 2003: 139).

As with marketing intelligence, the principles and practices of marketing research constitute a salient ingredient of every marketing curriculum (Luck & Rubin, 1987: xiii; Malhotra *et al.*, 2002), given that marketing research is considered to be an essential task of marketing (Webster, 1992; Kotler, 1998; Ferrell & Hartline, 2005: 11.) Luck and Rubin (1987: xiii) subject that marketing students need to understand "when and where to use marketing research, how to make it effective and choose among optional methods, and how to interpret results". In a similar vein, Moberg and Walton (2003) identify the "information/tools necessary to conduct valid and effective marketing research" as a critical knowledge area for marketing students.

Gronroos (1997) argues that conventional marketing research treats customers as numbers, relying on broad estimates, rather than any true understanding of customers. In contrast, relationship marketing, which advocates building customer databases, focuses marketing research efforts on developing true insight into customer needs and preferences (Gronroos, 1997; Franzak *et al.,* 2001). Gordon (1998: 194) describes the database as being the "engine" of relationship marketing. Through the use of databases, marketers can build the detailed profiles of customers that are so critical to successful relationship marketing efforts (Franzak *et al.,* 2001). Marketing research and customer knowledge housed in the organisation's customer database provides the essential input into the marketing strategy process (Buttle, 2004: 11), as discussed next.

2.8 MARKETING STRATEGY – SEGMENTATION, TARGETING AND POSITIONING

The three-phase marketing strategy process of segmentation, targeting and positioning (STP) represents the foundation of all marketing strategy (Evans, 2003: 280; Kotler, 2003: 308; Ferrell & Hartline, 2005: 134). It constitutes the organisation's strategic marketing component (Kotler, 1999: 30). The success of this three-step strategy is significantly dependent on quality input from both marketing intelligence and marketing research (Trustrum, 1989; Kotler, 1999: 30; Ferrell & Hartline, 2005: 135).

The STP strategy is based on the well-established marketing principle that recognises that consumers/organisational customers are not homogeneous (Trustrum, 1989; Kara & Kaynak, 1997; Lee *et al.*, 2000; Evans, 2003: 246; Schiffman & Kanuk, 2004: 12). This STP process is considered to be a critical element of the marketing concept (Trustrum, 1989; Schiffman & Kanuk, 2004: 12). Kohli and Jaworski (1990) indicate that responding to marketing intelligence in a market-oriented manner involves the very actions of target market selection and market offering positioning.

According to this widely prescribed STP marketing model, the first step, market segmentation, involves identifying and profiling segments of relatively homogeneous groups of buyers from within the wider heterogeneous market. The second step, market targeting, involves the selection of one or more of the identified segments for the organisation to pursue. The third step, positioning, involves creating and communicating a distinctive image of the market offering within the minds of each selected target market (Trustrum, 1989; Kara & Kaynak, 1997; Kotler, 2003: 279; Schiffman & Kanuk, 2004: 12).

Market segmentation commences with the selection of the most suitable dimension(s) upon which the market can be subdivided (Schiffman & Kanuk, 2004: 53). Evans and Berman (1982: 194), together with Stanton *et al.* (1992: 98) and Etzel *et al.* (1997: 161) suggest that the market should first be divided into the two broad segments of end consumers and organisational customers. In the consumer market commonly prescribed segmentation dimensions include geographic variables, demographic variables, psychographic variables and behavioural variables (Stanton *et al.*, 1992: 99; Etzel *et al.*, 1997: 161; Kotler, 2003: 288; Ferrell & Hartline, 2005: 143). Variables for segmenting the business market, as prescribed by Kotler (2003: 296), include demographic variables, operating characteristics, purchasing approach, situational factors and the personal characteristics of the organisational buyer.

A number of prerequisites have been established for successful market segmentation. According to marketing text, prospective target segments need to be sufficiently large to generate a profit, as well as accessible in terms of both marketing infrastructure and costs (Evans & Berman, 1982: 194; Kotler, 2003: 286; Schiffman & Kanuk, 2004: 75). Further, they should be identifiable (Schiffman & Kanuk, 2004: 75), measurable (Evans & Berman, 1982: 194; Kotler, 2003: 286), stable or increasing in size (Schiffman & Kanuk, 2004: 75) and actionable (Kotler, 2003: 286.)

In determining if an identified segment is actionable, marketers should investigate whether or not the organisation's resources and capabilities are such that it is able to serve that segment better than current and potential competitors. The marketing task here is to establish if there is a 'fit' between the organisation's strengths and objectives and the opportunities presented by the segment (Trustrum, 1989; Kotler, 2003: 299; Ferrell & Hartline, 2005: 149). Ferrell and Hartline (2005: 149) prescribe that a comprehensive SWOT analysis be conducted for this purpose. This then forms the basis for selecting the markets to be targeted (Trustrum, 1989; Kotler, 2003: 299; Ferrell & Hartline, 2005: 149).

Given that the fundamental logic behind segmentation is that a uniquely tailored marketing mix be designed for each identified segment, targeting more than one segment would involve designing more than one marketing mix (Schiffman & Kanuk, 2004: 78). Five possible target market strategies are identified in marketing literature. These include, concentrated single-segment targeting, selective multi-segment targeting, product-specialisation targeting, market-specialisation targeting and full-market targeting (Kotler, 2003: 299; Ferrell & Hartline, 2005: 150).

Kotler (2003: 308) defines positioning as "the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market". The author goes on to state that the outcome of positioning should be a customer-centred value proposition, a potent reason why the target market should purchase the product.

Other marketing texts infuse both a customer and competitor orientation into their description of the positioning process. Accordingly, they refer to positioning as the target market's understanding of the organisation or brand in relation to that of competing organisations or brands (Evans & Berman, 1982: 226; Evans, 2003: 279; Walker *et al.*, 2003: 171; Ferrell & Hartline, 2005: 151).

The two fundamental principles of successful positioning are identified as communicating benefits as opposed to features and ensuring that each brand's selling/value proposition is uniquely differentiated (Schiffman & Kanuk, 2004: 12). Product differentiation is central to creating a competitive advantage (Kotler, 2003: 343) and it is the brand that is core to creating this differentiation (Ferrell & Hartline, 2005: 151.) Indeed, branding is acknowledged as a key issue in the product strategy (Kotler, 2003: 418; Ferrell & Hartline, 2005: 175) and is discussed in the following section.

Relationship marketing theorists postulate that segmentation should occur on the basis of customer relationship profitability analysis (Webster, 1994a; Gronroos, 1997; Gordon, 1998: 43; Hughes, 2000: 24). In other words, that the segmentation process should focus on uncovering the "value potential" of each delineated segment (Buttle, 2004: 101). Some customers are more valuable to the organisation than others and, as such, the organisation would be better-served focusing relationship building efforts on these customers (Webster, 1994a). Retention is not a sufficient measure of a customer's value, as even long-term customer relationships may not be profitable. Rather, an analysis of the customers' profitability should guide the decision of which customers to retain

(Gronroos, 1997). Hughes (2000: 24) suggests using customer lifetime values as the basis for segmenting customers within the organisation's customer database. According to the author, lifetime value can be defined as "the net present value of profit that you will realise on the average new customer during a given number of years".

The decision of which segment(s) to target is then based on customers' profitability to the organisation (Webster, 1994b), where the goal is to target those customers with the greatest future profit generating capacity (Buttle, 2004: 101.) Further, the organisation's customer database can then be used to target profitable customers with tailored marketing efforts (Gronroos, 1996; Buttle, 2004: 11).

Regarding positioning, Webster (1994b) argues that positioning relative to competitors is far too narrow a concept. The author prescribes that marketers should rather position according to a value proposition. Kotler (2003: 62) defines a value proposition as "the whole cluster of benefits the company promises to deliver". Gronroos (1997) warns that while these promises are essential in attracting customers into a relationship, the relationship can only be maintained and enhanced upon if the organisation delivers on these promises. Whether a traditional or a relationship marketing perspective of the marketing strategy is taken, the primary purpose of this strategy is to guide decisions regarding the marketing tactics.

2.9 MARKETING TACTICS – MARKETING MIX STRATEGIES

As discussed in section 2.4, the third fundamental component of marketing refers to the marketing tactics. Marketing tactics involve the actual design of the marketing mix (Webster, 1992; Kotler, 2003: 111). While the four Ps framework – product, price, promotion/ marketing communication and place/distribution – has been subject to a great deal of criticism, it still provides marketers with a useful tool for guiding marketing mix planning (Adcock *et al.*, 1995: 119; Kotler, 1999: 96). It is this marketing mix that represents the tactical elements of the marketing positioning strategy (Evans, 2003: 279) discussed above.

2.9.1 Product strategy

The product represents the core of an organisation's marketing mix strategy (Ferrell & Hartline, 2005: 160). As the most important component of the marketing offering, marketing mix planning generally starts with formulating and developing the marketing product strategy (Kotler, 2003: 407; Lamb *et al.,* 2004: 222).

The term product refers to tangible goods, as well as to intangible services (Etzel *et al.,* 1997: 192; Perreault & McCarthy, 1996: 277). In their efforts to broaden the concept of marketing, Kotler and Levy (1969) postulate that the term product can be applied to tangible goods, intangible services, persons, organisations and, even ideas. In the same article, the authors emphasise the wisdom of marketers defining their products broadly in terms of the fundamental customer need(s) they serve. Both of these concepts appear to have become widely accepted in marketing text pertaining to the product (Stanton *et al.,* 1992: 190; Etzel *et al.,* 1997: 193; Kotler, 2003: 407; Lamb *et al.,* 2004: 222).

Kotler (2003: 407) suggests that a product refers to "anything that can be offered to a market to satisfy a want or need". Perreault and McCarthy (1996: 275), state that the term product refers to "the need-satisfying offering of a firm". Taking more of a customer-centric perspective, Adcock *et al.* (1995: 137) define a product to mean "everything that the customer receives that is of value in terms of a perceived want, need or problem".

2.9.1.1 Classifying products

Marketing text typically classifies products broadly according to their use (Evans & Berman, 1992: 215; Stanton *et al.,* 1992: 191; Adcock *et al.,* 1995: 140; Perreault & McCarthy, 1996: 280; Etzel *et al.,* 1997: 194; Kotler, 2003: 410; Lamb *et al.,* 2004: 224;

Ferrell & Hartline, 2005: 161) and their level of tangibility (Adcock *et al.*, 1995: 140; Kotler, 2003: 410.)

Classifying products according to their use involves differentiating between business-to-consumer products and business-to-business products. Consumer products are typically further categorised into convenience, shopping and speciality products (Evans & Berman, 1992: 215; Stanton *et al.*, 1992: 191; Adcock *et al.*, 1995: 140; Perreault & McCarthy, 1996: 280; Etzel *et al.*, 1997: 194; Kotler, 2003: 410; Lamb *et al.*, 2004: 224; Ferrell & Hartline, 2005: 161). Business-to-business products are generally categorised as raw materials, fabricated parts and materials, installations, accessory equipment and operating supplies (Evans & Berman, 1992: 215; Stanton *et al.*, 1992: 197; Perreault & McCarthy, 1996: 286; Etzel *et al.*, 1997: 198; Kotler, 2003: 411, 412; Ferrell & Hartline, 2005: 163).

In terms of tangibility, four characteristics are typically used to distinguish services from physical goods. These unique characteristics of services – intangibility, inseparability, variability and perishability – are said to present marketers with specific challenges (Zeithaml & Bitner, 1996: 19; Pitt *et al.*, 1999; Kotler, 2003: 410; Ferrell & Hartline, 2005: 180, 181).

Firstly, being intangible makes services difficult for customers to evaluate prior to purchase and consumption (Kotler, 2003: 446; Ferrell & Hartline, 2005: 180). The challenge for marketers is to convert the intangible service into a tangible benefit (Kotler, 2003: 447).

Secondly, production and consumption of services, by necessity, occurs simultaneously. This means that both the service provider and the service consumer need to be present at the same time and in the same location (Zeithaml & Bitner, 1996: 20; Kotler, 2003: 447; Mohammed *et al.*, 2003: 243; Ferrell & Hartline, 2005: 181), making economies of scale difficult to realise (Zeithaml & Bitner, 1996: 21.) In order to lower costs, marketers need to find ways to either increase the ratio of customers to service providers per contact

(Kotler, 2003: 447) or decrease the level of contact required per customer (Ferrell & Hartline, 2005: 181.)

Thirdly, being people-based, services are subject to a great deal of quality variation, which creates the marketing challenge of finding ways to ensure consistent levels of quality across service delivery. Lastly, services are perishable, in that they cannot be stored, making the matching of supply with demand a significant challenge to marketers of service-based offerings (Zeithaml & Bitner, 1996: 20, 21; Kotler, 2003: 448, 449; Ferrell & Hartline, 2005: 180).

2.9.1.2 Product levels

When planning the product strategy, it is prescribed that marketers should consider the five levels of the product. A product is said to be made-up of a core benefit, a basic offering, an expected offering, an augmented offering and, at the highest level, the potential product (Kotler, 2003: 407, 408, 409; Lamb *et al.*, 2004: 223). According to Kotler (2003: 408), competition today typically occurs at the augmented level. The purpose of augmenting the offering with added value is to differentiate it from competing offerings and achieve a competitive advantage (Ravald & Gronroos, 1996). From a relationship marketing perspective, it is well understood that a technical solution alone is an insufficient basis for competing. The technical solution itself represents only one part of an aggregated continuous service offering (Gronroos, 1996).

Relationship marketing literature stresses the importance of expanding the market offering beyond the core offering by embedding it with value adding services and information in order to create greater customer satisfaction and, hence, greater customer loyalty (Gronroos, 1996; Ravald & Gronroos, 1996; Gronroos, 1997). Developing a differential advantage by augmenting the offering with value added services and information requires a precise understanding of what constitutes added value from the customer's perspective (Ravald & Gronroos, 1996). The major dilemmas facing marketers when seeking to augment the product are the added cost that augmentation implies (Kotler, 2003: 409) and the fact that many, if not the majority, of the value added services augmenting the offering are delivered by non-marketing staff (Gronroos, 1996.)

2.9.1.3 New product development

New product development, as a key marketing decision related to the product strategy (Ferrell & Hartline, 2005: 166), is frequently highlighted as being fundamental to an organisation's future growth and profitability (Perreault & McCarthy, 1996: 323; Etzel *et al.*, 1997: 204; Kotler, 2003: 348; Walker *et al.*, 2003: 196; Lamb *et al.*, 2004: 252; Ferrell & Hartline, 2005: 166.) Indeed, the ability to generate and screen new product ideas, develop the product concept, right through to test marketing and commercialisation is considered to be a fundamental generic marketing skill (Kotler, 1998).

One of the concerns facing today's marketer is how to improve the new product development process, both in terms of speed to market and success rate (Day *et al.*, 1992). Speed and flexibility (Balasubramanian *et al.*, 2001: 325), together with customer input (Webster, 1992; Balasubramanian *et al.*, 2001: 325) and collaboration between organisational expert teams (Day *et al.*, 1992) are considered as crucial ingredients in a successful new product development process. From a relationship marketing perspective, cooperatively designing, developing, testing and refining the product by collaborating with customers throughout the new product development process is considered a crucial prerequisite to building an ongoing relationship with customers (Gordon, 1998: 7, 12, 13).

2.9.1.4 Branding

Branding represents the core element of the product strategy (Kotler, 2003: 418; Ferrell & Hartline, 2005: 175). Kotler (2003: 418) refers to branding as "the art and cornerstone of marketing", stating the ability to build brands to be possibly the most important professional marketing skill of all. Brands are considered to be a powerful purchase decision influencer in both the business-to-consumer and business-to-business markets

(Adcock *et al.*, 1995: 373; Gordon, 1998: 131). This recognition of the value of brands is increasingly leading many marketing professionals to substitute the word 'product' with that of 'brand' in their vocabulary (Doyle, 2003: 298).

A brand is a product-positioning tool (de Chernatony, 2003: 377) that identifies the organisation's products and differentiates them from those offered by competitors (Lamb *et al.*, 2004: 230; Ferrell & Hartline, 2005: 175.) A brand is a name, a design, a symbol or a combination thereof (Evans & Berman, 1982: 271; Kotler, 2003: 420; Lamb *et al.*, 2004: 230; Ferrell & Hartline, 2005: 175). Successful brands include both rational and emotional appeals that promise customers a unique brand experience (de Chernatony, 2003: 372; Kotler, 2003: 420). Infusing a brand with emotional values aids in creating a brand personality (de Chernatony, 2003: 377), which aids in creating an emotional bond between the customer and the brand (Lamb *et al.*, 2004: 231.)

The value of brands, as intangible organisational assets (de Chernatony, 2003: 372), is expressed in terms of brand equity (Perreault & McCarthy, 1996: 295; Lamb *et al.*, 2004: 233; Ferrell & Hartline, 2005: 177.) According to Etzel *et al.* (1997: 252), this concept of brand equity has become one of the most popular topics in marketing literature. Brand equity refers to the value of the brand's overall position in the market (Perreault & McCarthy, 1996: 295; Ferrell & Hartline, 2005: 177).

Building brand equity necessitates an understanding of the brand as being essentially a marketing promise, where the customer experience depends on the organisation's ability to consistently deliver on that promise (Kotler, 2003: 420). Focusing on building brand equity facilitates the coordinated implementation of the marketing mix. It is the link between the brand's positioning and the marketing mix tactics that must support it. This serves to enhance the consistency between these elements in delivering on the brand's promise (Roberts, 2000).

In the case of physical goods, another two aspects that marketers need to consider under the product strategy are that of packaging and labelling (Kotler, 2003: 436). Packaging, labelling and branding are all closely related (Etzel *et al.,* 1997: 258; Ferrell & Hartline, 2005: 179) in that all three contribute to the positioning, differentiation and identity of the product (Ferrell & Hartline, 2005: 179.)

The main functions of packaging include product protection, storage, promotion and facilitation of the convenient usage of the product (Evans & Berman, 1982: 287; Lamb *et al.*, 2004: 242; Ferrell & Hartline, 2005: 179). Additionally, packaging can be used to aid in product repositioning and modification strategies (Ferrell & Hartline, 2005: 179). Given that packaging plays a significant role in facilitating instant brand recognition (Kotler, 2003: 436), it is essentially a marketing task (Etzel *et al.,* 1997: 255.)

Closely linked to packaging (Etzel *et al.,* 1997: 257; Lamb *et al.,* 2004: 242), labelling is typically characterised as being either persuasive or informative in nature (Lamb *et al.,* 2004: 243.) In addition, labelling may also take the form of a product-grading device (Etzel *et al.,* 1997: 257; Kotler, 2003: 437).

Labelling and packaging (Ferrell & Hartline, 2005: 179), together with the other components of the marketing mix all contribute to building brand equity (de Chernatony, 2003: 377.) Brand equity has important relationship marketing connotations. Perreault and McCarthy (1996: 295) are of the opinion that it is this concern about brand equity that is driving the move toward the relationship marketing movement. Taking a different stance, Kotler (2003: 423) reasons that a strong brand indicates loyal customers and, hence, makes an important contribution to creating customer equity. Following this logic, the author offers that brand management represents a significant relationship-building tool. While in no way discounting the importance of brand management as a relationship-building tool, Gordon (1998: 132) believes brand equity to have more of a proverbially "foot-in-the-door" type of functionality in relationship marketing.

Pricing strategy, as a component of the marketing mix, is discussed next.

2.9.2 Pricing strategy

Kotler (1998) refers to pricing as "valuation", indicating this to be a generic task of marketing that involves the development of "an attractive set of terms for the product". Price is viewed as being unique relative to the other components of the marketing mix. Firstly, it is the easiest of all to alter (Diamantopoulos, 2003: 344; Kotler, 2003: 470; Ferrell & Hartline, 2005: 187) and, secondly, it is the only component of the mix to directly generate revenues (Diamantopoulos, 2003: 344; Doyle, 2003: 302; Kotler, 2003: 370.)

Marketing text indicates that pricing should occur from the customer's perception of value. That is, price should be based on the value offered, as perceived by the customer, rather than on the cost of the product (Ravald & Gronroos, 1996; Diamantopoulos, 2003: 348; Doyle, 2003: 302; Kotler, 2003: 473). Attaining and retaining customers by delivering superior customer value relative to rivals has long been accepted as the aggregate purpose of marketing (Srivastava *et al.,* 1999). For the customer, perceived value involves a trade-off between perceived benefit gains and perceived costs (Ravald & Gronroos, 1996; Kotler, 2003: 11). Accordingly, Porter (1996) maintains that gaining a competitive advantage rests on an organisation's ability to differentiate itself from competitors by providing a superior level of customer satisfaction or, alternatively, providing a similar level of customer value cheaper, or both.

The practice of pricing is neither easy nor simple. Proactive price management, as opposed to reactive price setting, necessitates that pricing be viewed as a process. Adopting a process perspective of pricing enables marketers to make the important distinction between pricing strategy and the tactics of pricing (Monroe & Cox, 2001).

Marketing text pertaining to price strategy generally revolve around the factors that influence price strategy determination, commonly used base pricing strategies, methods of setting prices and pricing tactics. These topics are reviewed below.

2.9.2.1 Factors that influence price strategy determination

A number of important factors that influence price strategy decisions are identified in marketing text. An important element of the price strategy is the setting of pricing objectives, where the selected objective then acts as a major determinant of the pricing strategy (Ferrell & Hartline, 2005: 192). The selected pricing objective should be consistent with both the organisation's overall objectives and with the marketing objectives (Stanton *et al.*, 1992: 266; Perreault & McCarthy, 1996: 514; Etzel *et al.*, 1997: 277).

Typically, marketing text classifies pricing objectives into three categories. Firstly, profit oriented objectives that may either focus on attaining a target return or on maximising profits. Secondly, sales oriented objectives, involving either sales growth or market share growth. Thirdly, *status quo* oriented objectives, where the focus is either on stabilising prices or on meeting competition (Evans & Berman, 1982: 530; Stanton *et al.*, 1992: 266; Perreault & McCarthy, 1996: 515; Etzel *et al.*, 1997: 281).

The second important determinant of the pricing strategy, as identified by marketing text, is that of demand. In estimating demand, marketers should determine the price that customers expect to pay for the product, as expressed in terms of a range of prices (Stanton *et al.*, 1992: 270; Etzel *et al.*, 1997: 281; Ferrell & Hartline, 2005: 192). It is further advocated that use be made of the law of demand and price elasticity concepts, as set out in the theory of economics (Stanton *et al.*, 1992: 271; Etzel *et al.*, 1997: 282, 283; Kotler, 2003: 475, 478; Lamb *et al.*, 2004: 385, 388; Ferrell & Hartline, 2005: 192).

The cost of producing and marketing the product is also considered to be a major determinant of the pricing strategy (Perreault & McCarthy, 1996: 562; Etzel *et al.*, 1997: 285; Kotler, 2003: 478; Lamb *et al.*, 2004: 390; Ferrell & Hartline, 2005: 193), as are the actions and likely reactions of competitors regarding pricing (Stanton *et al.*, 1992: 271; Etzel *et al.*, 1997: 283; Kotler, 2003: 480; Lamb *et al.*, 2004: 394; Ferrell & Hartline, 2005: 193.)

Two further factors said to influence price strategy determination are the stages of the product life cycle (Lamb *et al.,* 2004: 394; Ferrell & Hartline, 2005: 194) and the other elements of the marketing mix (Stanton *et al.,* 1992: 272; Etzel *et al.,* 1997: 283; Kotler, 2003: 487; Lamb *et al.,* 2004: 405; Ferrell & Hartline, 2005: 195.)

Lastly, marketing text indicates the importance of marketers considering both the legal (Perreault & McCarthy, 1996: 535; Lamb *et al.,* 2004: 398; Ferrell & Hartline, 2005: 208) and ethical issues when determining the pricing strategy (Lamb *et al.,* 2004: 398; Ferrell & Hartline, 2005: 208.)

2.9.2.2 Pricing strategies, methods and tactics

Marketing text identifies a number of common base pricing strategies. The market skimming pricing strategy involves setting the price initially high relative to competitors, while the market penetration strategy involves setting price initially low relative to competitors (Stanton *et al.,* 1992: 310, 311; Perreault & McCarthy, 1996: 520, 521; Etzel *et al.,* 1997: 317, 318; Kotler, 2003: 473, 474; Lamb *et al.,* 2004: 405; Ferrell & Hartline, 2005: 211). The non-price strategy focuses on emphasising the other aspects of the marketing mix rather than price (Stanton *et al.,* 1992: 316; Etzel *et al.,* 1997: 316; Ferrell & Hartline, 2005: 211). There is also the value-based pricing strategy involving offering consistently low prices (Adcock *et al.,* 1995: 197; Etzel *et al.,* 1997: 327; Ferrell & Hartline, 2005: 211). The prestige/premium pricing strategy, whereby prices are kept consistently high relative to competitors, is an effort to communicate exclusivity and superior brand quality (Adcock *et al.,* 1995: 196; Ferrell & Hartline, 2005: 211). Lastly, there is the *status quo* pricing strategy involving matching competitors' prices by charging the market price (Lamb *et al.,* 2004: 398; Ferrell & Hartline, 2005: 211).

A number of pricing methods are identified in marketing text. To mention but a few, these methods include mark-up pricing (Evans & Berman, 1982: 557; Perreault & McCarthy, 1996: 557; Kotler, 2003: 480), cost-plus pricing (Evans & Berman, 1982: 554; Stanton *et al.,* 1992: 272; Etzel *et al.,* 1997: 286) and target-return pricing (Evans &

Berman, 1982: 558; Perreault & McCarthy, 1996: 567; Kotler, 2003: 481; Lamb *et al.*, 2004: 383.) There are also dynamic pricing methods, such as yield management (Kotler, 2003: 492; Ferrell & Hartline, 2005: 199), negotiations (Stanton *et al.*, 1992: 311; Perreault & McCarthy, 1996: 585; Etzel *et al.*, 1997: 325; Lamb *et al.*, 2004: 402; Ferrell & Hartline, 2005: 206) and auctions (Kotler, 2003: 485; Ferrell & Hartline, 2005: 206.)

According to Lamb *et al.* (2004: 399), price tactics are short-term approaches used by marketers to adjust the base price in reaction to changes in the market. Commonly used price tactics include discounts, allowances (Stanton *et al.*, 1992: 306; Perreault & McCarthy, 1996: 526; Etzel *et al.*, 1997: 319; Kotler, 2003: 489; Lamb *et al.*, 2004: 399; Ferrell & Hartline, 2005: 205), and rebates (Lamb *et al.*, 2004: 399), as well as geographic pricing tactics (Evans & Berman, 1982: 542; Stanton *et al.*, 1992: 309; Perreault & McCarthy, 1996: 532; Etzel *et al.*, 1997: 323; Kotler, 2003: 489; Lamb *et al.*, 2004: 400; Ferrell & Hartline, 2005: 205.) Further, there are promotional pricing tactics, product mix pricing tactics (Kotler, 2003: 491, 492) and discriminatory pricing tactics (Evans & Berman, 1982: 566; Perreault & McCarthy, 1996: 536; Kotler, 2003: 491; Ferrell & Hartline, 2005: 205.)

Diamantopoulos (2003: 342, 343, 344) asserts that despite the numerous pricing models that have been developed by academics, in practise these are rarely implemented. Monroe and Cox (2001) concur, stating that most practitioners follow a naïve approach to their pricing decision, failing to research how customers view price differences and form value perceptions.

From a relationship marketing perspective, price, while acknowledged as not being unimportant, is considered to be less relevant. The belief is that strong relationships with customers moderate the customer's price sensitivity (Gronroos, 1997). Further, price sensitive customers are generally considered to be transactional, rather than relational and, as such, are not considered to be profitable target segments (Hughes, 2000: 13). Webster (1994b) points out the strategic dangers of competing on price to include building sales volume at the expense of profit margins and attracting the 'wrong' type of customer – one that is unlikely to be either satisfied or loyal. Price, together with marketing communication, serves to communicate the organisation's value proposition to the organisation's targeted segment(s).

2.9.3 Marketing communication strategy

Having a product that is well developed and attractively priced is naturally important to marketing success. Yet, even such a product is likely to be a marketing failure unless it is effectively promoted to the organisation's target market(s) (Kotler, 2003: 563; Lamb *et al.*, 2004: 315). Stimulating interest in and demand for the organisation's products is considered to be one of the generic tasks of marketing (Kotler, 1998). Promotion, or as it has become more popularly labelled, marketing communication (Doyle, 2003: 308) is essentially the task of effectively communicating the benefits of a product to the intended target market(s) of the organisation. The three fundamental objectives of the marketing communication component of the marketing mix are to inform, persuade and remind the target market about the organisation and its products (Evans & Berman, 1982: 412; Stanton *et al.*, 1992: 423; Perreault & McCarthy, 1996: 425; Etzel *et al.*, 1997: 444; Lamb *et al.*, 2004: 315).

When discussing the marketing communication component of the marketing mix, marketing text typically reviews the elements of the communication process and the unique characteristics of each of the elements in the marketing communication mix. Further, reference is generally made to the factors that influence the marketing communication mix and the prescribed steps in developing a marketing communication plan.

2.9.3.1 Communication process

Almost all the marketing texts reviewed in this study provide an overview of the communication process. Common to all, are the communication elements of source/sender, encoding, message media/message channel, receiver/audience, a feedback loop and noise as a message distorter (Evans & Berman, 1982: 417; Stanton *et al.*, 1992: 435; Adcock *et al.*, 1995: 208; Perreault & McCarthy, 1996: 426; Etzel *et al.*, 1997: 441; Kotler, 2003: 565; Lamb *et al.*, 2004: 324). Three of these texts add a further element of the response (Stanton *et al.*, 1992: 435; Etzel *et al.*, 1997: 441; Kotler, 2003: 565), which according to Etzel *et al.* (1997: 441), may range from mere awareness to actual purchase.

These elements are said to represent the basics of effective communication. They emphasise the intended target audience, the desired response and the appropriate message channel. Further, this process emphasises the necessity of developing a feedback loop to gauge reactions (Kotler, 2003: 565).

2.9.3.2 Elements of the marketing communication mix

The various elements of the marketing communication mix typically discussed within marketing text include personal selling, advertising, sales promotion and publicity/public relations (Evans & Berman, 1982: 416; Stanton *et al.*, 1992: 430; Adcock *et al.*, 1995: 235; Perreault & McCarthy, 1996: 420; Etzel *et al.*, 1997: 441; Kotler, 2003: 580; Lamb *et al.*, 2004: 326; Ferrell & Hartline, 2005: 237). These elements can be subdivided into two categories according to whether they utilise personal or non-personal communication channels (Evans & Berman, 1982: 420; Adcock *et al.*, 1995: 211; Kotler, 2003: 574). Personal communication channels, such as those used in personal selling efforts (Evans & Berman, 1982: 420; Adcock *et al.*, 1995: 211), involves personal contact between the sender and the recipient(s) (Adcock *et al.*, 1995: 211; Kotler, 2003: 574.) Non-personal communication channels, as used by advertising, sales promotion and publicity (Evans & Berman, 1982: 420; Adcock *et al.*, 1995: 214), involves no personal contact between the sender and recipient(s) (Adcock *et al.*, 1995: 214; Kotler, 2003: 574.)

Each of the marketing communication mix elements has its own distinct characteristics, strengths and constraints (Evans & Berman, 1982: 416; Stanton *et al.*, 1992: 430; Adcock *et al.*, 1995: 235; Perreault & McCarthy, 1996: 420; Etzel *et al.*, 1997: 440; Kotler, 2003: 580; Lamb *et al.*, 2004: 326; Ferrell & Hartline, 2005: 254, 255) that determine the conditions under which it would be the most effectively employed (Etzel *et al.,* 1997: 440.)

For example, Lamb *et al.* (2004: 326) summarise that while advertising, sales promotion and public relations are indirect, impersonal, one-directional, non-flexible messages that provide little and delayed feedback, they do have extensive audience reach. The authors indicate that in contrast, personal selling allows for direct, personal, bio-directional, customised messages with rich and immediate feedback, yet is severely limited in terms of reach.

Perreault and McCarthy (1996: 420) indicate that because each marketing communication element offers unique strengths and constraints, marketers generally use them in combination.

2.9.3.3 Developing the marketing communication mix plan

In developing an effective marketing communication mix plan it is prescribed that the target audience be defined in explicit terms (Kotler, 2003: 566; Lamb *et al.,* 2004: 336). Following this, specific objectives are set (Evans & Berman, 1982: 424; Perreault & McCarthy, 1996: 425; Kotler, 2003: 568; Lamb *et al.,* 2004: 336) in terms of whether a cognitive, affective or behavioural response is being sought by the marketer (Kotler, 2003: 568.)

Use of the hierarchy of effects model is often prescribed for this purpose (Evans & Berman, 1982: 425; Kotler, 2003: 568; Lamb *et al.,* 2004: 331). Alternatively, the AIDA (attention, interest, desire and action) model may be used for guiding the setting of marketing communication objectives (Adcock *et al.,* 1995: 227; Perreault & McCarthy, 1996: 429; Lamb *et al.,* 2004: 329).

To be effective, these objectives should be measurable and formulated in factual terms. Further, they should be realistic and consistent with the objectives of the overall marketing strategy. In addition, the objectives should be based on proper marketing research and should clearly define the intended target audience (Lamb *et al.*, 2004: 337).

Once the target market is identified and the objectives have been set, marketers should develop a marketing communication budget. The major approaches that can be applied for this purpose include, the object-and-task method, the percentage-of-sales method, the all-you-can-afford method, the competitive parity method (Evans & Berman, 1982: 424; Stanton *et al.*, 1992: 442, 443; Adcock *et al.*, 1995: 232; Etzel *et al.*, 1997: 453; Kotler, 2003: 577; Lamb *et al.*, 2004: 337) and the incremental increase method (Evans & Berman, 1982: 424; Perreault & McCarthy, 1996: 441.)

Designing the communication message requires careful consideration of the message content, structure, format and source (Kotler, 2003: 569). Care needs to be taken in the encoding of the message so as to ensure that the intended target audience decodes it in the way that the marketer intended (Perreault & McCarthy, 1996: 427).

Selecting the most appropriate channels for reaching the target audience requires informed decisions regarding to use of personal and/or non-personal (mass media) channels, as well as the various sub-channels within each category (Evans & Berman, 1982: 420; Kotler, 2003: 574). Evans and Berman (1982: 420) postulate that when choosing between personal and mass media channels factors, such as total cost and cost per unit, product complexity, audience characteristics and communication objectives need to be analysed.

Similarly, when selecting a marketing communication mix, marketers should carefully consider those factors identified as influencing individual element combination effectiveness. These factors include, target market attributes, product attributes and stage of the product life cycle (Evans & Berman, 1982: 429; Stanton *et al.*, 1992: 436; Etzel *et al.*, 1997: 447; Kotler, 2003: 581; Lamb *et al.*, 2004: 332). Consideration of these factors guides the allocation of the budgeted communication resources between the elements of the communication mix (Evans & Berman, 1982: 428; Kotler, 2003: 578).

For example, technical complex products typically require the communication of a great deal of product information and therefore require more emphasis on personal selling efforts. Advertising is more suited for reaching target markets consisting of geographically dispersed customers. Mass produced consumer products are more suited to advertising and sales promotion efforts. Advertising and public relations are emphasised more in the introductory stage of the product life cycle than in the decline stage (Evans & Berman, 1982: 429; Stanton *et al.*, 1992: 436, 437, 438, 439; Etzel *et al.*, 1997: 448, 449; Kotler, 2003: 581, 582; Lamb *et al.*, 2004: 332, 333, 340).

Whichever particular mix of marketing communication elements is selected, Perreault and McCarthy (1996: 424) emphasise the importance of following an integrated approach. The topic of integrated marketing communication will be explored in more depth in chapter four.

Relationship marketing literature subjects that all marketing communication efforts should be directed at encouraging relationship-building interactive communication, rather than on promoting once-off transactions (Gronroos, 1997; Moorman & Rust, 1999). Fostering interactive dialogue is viewed as a critical success factor in relationship marketing (Franzak *et al.*, 2001). Ferrell and Hartline (2005: 234) add that building long-term customer relationships also necessitates following an integrated marketing communication strategy as this serves to "convey an image of truly knowing and caring about their customers". Such an integrated approach is also stressed in the distribution strategy discussed next.

2.9.4 Distribution strategy

Distribution, expressed simply, involves making products available to customers in the right quantities, at the right time and from a location that is convenient to the customer (Perreault & McCarthy, 1996: 338). No matter how well designed, attractively priced or effectively promoted a product is, if customers are unable to acquire it where and when they want to obtain the product, it will not be sold (Perreault & McCarthy, 1996: 338;

Lamb *et al.,* 2004: 280; Ferrell & Hartline, 2005: 214, 215). While a good distribution system is both costly and time consuming to construct, it is considered to be a critical source of sustainable competitive advantage (Ferrell & Hartline, 2005: 214). Kotler (1998) aptly labels the generic marketing task of distribution as "facilitation", stating that marketers need to determine how best to make the product available to the organisation's target customers.

Distribution involves two interrelated components – distribution/marketing channels and physical logistics (Ferrell & Hartline, 2005: 215) or, more broadly speaking, supply chain management (Kotler, 2003: 551.) These two components are discussed in more depth below.

2.9.4.1 Marketing channels

According to Ferrell and Hartline (2005: 215), a marketing channel can be defined as "an organised system of marketing institutions, through which products, resources, information, funds, and/or product ownership flow from the point of production to the final user". While some intermediaries, for example, wholesalers, retailers, distributors, take ownership title to the product, others, for example, financial institutions, brokers, transport organisations and the like, merely facilitate the distribution process (Stanton *et al.,* 1992: 330, 331; Etzel *et al.,* 1997: 344; Kotler, 2003: 504; Ferrell & Hartline, 2005: 215).

These channel intermediaries perform a number of vital functions (Stanton *et al.,* 1992: 329; Etzel *et al.,* 1997: 343; Kotler, 2003: 506; Lamb *et al.,* 2004: 282). These functions, as summarised by Lamb *et al.* (2004: 282) include, the transactional functions of initiating contact with customers, promoting products to customers, negotiating the terms of sale and risk taking. Further, they perform logistical functions including, the sorting process and the physical distribution process. In addition, they perform the functions of marketing research and the financing of transactions.

These functions are essential. As such, one of the basic principles of marketing is that you can eliminate the intermediary but you cannot eliminate the function(s) performed by that intermediary (Stanton *et al.,* 1992: 329; Etzel *et al.,* 1997: 343).

There are two basic types of marketing channel structure options for marketers to choose from. Firstly, the direct marketing channel, whereby producers sell directly to customers without the use of intermediaries. Secondly, the indirect marketing channel, which involves at least one level of intermediaries between the producer and the customer (Evans & Berman, 1982: 307; Stanton *et al.,* 1992: 333; Adcock *et al.,* 1995: 172; Etzel *et al.,* 1997: 346, 347). When comparing these two alternatives, marketers should consider the organisation's ability, together with the costs involved in performing intermediary functions internally versus the benefits of channel control and total sales (Evans & Berman, 1982: 323).

In an effort to coordinate activities within a channel and resolve conflict situations, the organisation can seek to develop a contractual or administered channel system. Alternatively, the organisation may seek to acquire organisations at different levels within the channel, thereby developing a vertical channel (Evans & Berman, 1982: 307, 308, 309; Perreault & McCarthy, 1996: 349, 350; Kotler, 2003: 522, 523). Where the organisation is one of a number of intermediaries at the same level in the channel, it may attempt to integrate horizontally by acquiring other organisations like itself (Evans & Berman, 1982: 310; Kotler, 2003: 524).

Further, marketers will need to decide on the required level of distribution coverage. There are three basic options identified in marketing text – intensive distribution, selective distribution and exclusive distribution (Evans & Berman, 1982: 314; Stanton *et al.,* 1992: 341; Adcock *et al.,* 1995: 175; Perreault & McCarthy, 1996: 352; Kotler, 2003: 513; Lamb *et al.,* 2004: 287; Ferrell & Hartline, 2005: 218).

Once the marketer has selected an appropriate channel option, it is necessary to select the specific intermediaries, train them, as well as motivate and evaluate them on an ongoing basis (Kotler, 2003: 516).

While some organisations utilise a single marketing channel in their distribution efforts, others make use of more than one channel (Evans & Berman, 1982: 310; Stanton *et al.*, 1992: 336; Adcock *et al.*, 1995: 173; Perreault & McCarthy, 1996: 355; Etzel *et al.*, 1997: 349; Kotler, 2003: 524; Lamb *et al.*, 2004: 284; Ferrell & Hartline, 2005: 228). While following such a multi-channel strategy offers benefits such as broader market coverage, it also creates channel conflict (Stanton *et al.*, 1992: 336; Etzel *et al.*, 1997: 350; Kotler, 2003: 525; Ferrell & Hartline, 2005: 229).

Regardless of whether one or multiple channels are selected, once the organisation has established its marketing channels, it must organise and manage the physical distribution of products through these systems (Etzel *et al.*, 1997: 413).

2.9.4.2 Physical logistics and supply chain management

Marketing text identifies the major tasks of the physical logistics element to include, warehousing, material handling, inventory control, order processing and transportation (Stanton *et al.*, 1992: 399; Etzel *et al.*, 1997: 414; Lamb *et al.*, 2004: 293). The principle objective of physical logistics is to ensure that the right quantities of the right product are available in the right place at the right time to meet customer needs (Evans & Berman, 1982: 382; Stanton *et al.*, 1992: 398; Etzel *et al.*, 1997: 413; Ferrell & Hartline, 2005: 215). Strategically, physical logistics can be used to reduce distribution costs and/or increase customer satisfaction by improving customer service levels (Stanton *et al.*, 1992: 402; Etzel *et al.*, 1997: 418). An optimal physical logistics system is said to be one that balances customer service levels against distribution costs (Stanton *et al.*, 1992: 402).

According to Kotler (2003: 551), while physical distribution begins with the finished product at the point of production, supply chain management adopts a broader view that stretches right back to the procurement of inputs into the production process. The core criteria for successful supply chain management lies in the level of integration effected between the various members of the chain (Ferrell & Hartline, 2005: 220). Effective supply chain management enables the organisation to improve customer satisfaction by providing higher levels of customer satisfaction, while simultaneously lowering the costs throughout the supply chain (Christopher & Payne, 2003: 496).

Ferrell and Hartline (2005: 221) emphasise that the adoption of a collaborative win-win stance, rather than a competitive adversarial stance, is fundamental to effective supply chain integration. Further, the authors indicate that the focus of this integrated supply chain system needs to be on delivering superior customer value as perceived by the targeted customers.

Building collaborative relationships between supply chain members in order to create a customer-focused value delivery system is a concept well understood in relationship marketing (Gordon, 1998: 9). Relationship marketing literature highlights that delivering the "total service offering" and building strong relationships with customers necessitates building collaborative relationships with a network of strategic partners (Gronroos, 1996). Such network marketing involves moving away from adversarial negotiations toward adopting a more win-win collaborative stance (Gronroos, 1996; Ferrell & Hartline, 2005: 116). In the view of Kotler (2003: 13), such marketing networks of strong relationships can be regarded as the outcome of successful relationship marketing efforts.

International marketing, as a fundamental element of general marketing theory, is discussed in the following section.

2.10 INTERNATIONAL MARKETING

In delineating the scope of general marketing theory, Hunt (1976) includes international marketing decisions, categorising these decisions as micro, normative fundamentals applicable to both profit and non-profit sectors. According to Lazer (1993), international marketing is relevant to marketers regardless of whether or not they are actively engaged in international trade. The author urges contemporary marketers to adopt a global mind set. Webster (1994a) concurs, indicating the global market to be relevant to marketers across industries, in both small and large organisations. This trend toward adopting a global view in marketing (Johansson, 2000: 6) has resulted in the call for marketing educators to spend more time on international marketing issues (Hunt, 2002.)

While there are numerous texts that focus exclusively on international marketing, there is a growing trend to include this topic in general or basic marketing texts. The reason behind this, according to Stanton *et al.* (1992: 547), is that "marketing is on a global scale and is becoming more global as each year goes by". Taking a similar tone, Kotler (2003: 403) states that with most industries being global, the internationalisation of marketing is fundamental to survival. As such, this study includes international marketing as a fundamental element of generic marketing.

Marketing text indicates that there are five main decision areas regarding international marketing. Firstly, the initial decision of whether or not to go international. Secondly, selecting which foreign markets to target. Thirdly, deciding on the most suitable mode of market entry. Fourthly, deciding between a standardised marketing mix and one that is adapted to each target market. Lastly, deciding on how best to organise international marketing activities (Adcock *et al.,* 1995: 377; Kotler, 2003: 384).

Regarding the fourth decision area, Levitt (1983: 16, 17) argues that the world has evolved into a global market where customer preferences have become homogenised across borders. In analysing this view, Porter (1986a) submits that while there is indeed greater homogenisation of preferences globally, there is also greater segmentation within foreign markets. The author puts forward that marketers should exploit these two trends simultaneously in order to create a global competitive advantage. Kotler (2003: 393), in considering the adaptive versus the standardised debate, highlights that there are a number of possibilities between the two extremes that can be considered.

Marketing text typically describes the third decision area as an incremental and gradual process. This so-called internationalisation process generally involves an evolution of the market entry mode in terms of the level of commitment and international involvement. That is, the progression from indirect exporting through to direct investment in foreign markets (Evans & Berman, 1982: 601, 602; Stanton *et al.,* 1992: 551; Adcock *et al.*, 1995: 376; Perreault & McCarthy, 1996: 613; Etzel *et al.,* 1997: 540; Kotler, 2003: 391, 393).

Most of the marketing texts reviewed discuss the obstacles to, and risks of international marketing and highlight the importance of good quality marketing intelligence and research (Evans & Berman, 1982: 588; Stanton *et al.*, 1992: 556; Adcock *et al.*, 1995: 378; Etzel *et al.*, 1997: 543, 552; Kotler, 2003: 385). Stanton *et al.* (1992: 553) and Etzel *et al.* (1997: 552) both indicate that gathering quality intelligence in foreign markets introduces numerous challenges in terms of cost and complexity.

As a last note, Etzel *et al.* (1997: 552) subject that entry into foreign markets creates new ethical quandaries that the marketer will need to consider. This question of marketing ethics is discussed in more detail below.

2.11 MARKETING ETHICS

According to Ferrell and Hartline (2005: 292), marketing ethics and social responsibility are attracting an increasing amount of attention in recent times. The societal marketing concept represents the broadening of the marketing concept to include both the social and ethical responsibilities of marketing practices (Kotler, 2003: 26, 27; Lamb *et al.,* 2004: 10). Experience has taught that failure to address the issues of social responsibility and ethical marketing can cause grievous harm to an organisation's reputation and marketing endeavours (Ferrell & Hartline, 2005: 292).

Etzel *et al.* (1997: 13) write that the persistent criticism levelled against the marketing concept was that it failed to address the effect of marketing actions on society as a whole.

In an effort to address these concerns, the marketing concept has been expanded to include the concept of social responsibility – hence, the societal marketing concept (Etzel *et al.*, 1997: 13; Kotler, 2003: 26, 27; Lamb *et al.*, 2004: 10). Social responsibility, as an all-encompassing concept, dictates that an organisation has an obligation to maximise the positive contributions of its actions on society while, simultaneously, minimising the negative consequences of its actions (Perreault & McCarthy, 1996: 44; Ferrell & Hartline, 2005: 293).

Essentially, the societal marketing concept acknowledges that marketing practices can and do influence, both positively and negatively, society as a whole. The concept stresses the necessity of executing marketing actions in a manner that contributes rather than detracts from the long-term interests of society as a whole (Lamb *et al.*, 2004: 10).

Perreault and McCarthy (1996: 45), contend that adopting the marketing concept, together with social responsibility, ensures ethical marketing. The authors reason that unethical customer orientation is an oxymoron. According to Ferrell and Hartline (2005: 293), marketing ethics are the "principles and standards that define acceptable marketing conduct as determined by the public, government regulators, private interest groups, competitors, and the firm itself".

While many organisations have developed codes of ethics (Perreault & McCarthy, 1996: 46; Etzel *et al.*, 1997: 15) and the most fundamental of ethical principles are generally legislated (Ferrell & Hartline, 2005: 293), ethical marketing goes beyond merely subscribing to codes and rules (Etzel *et al.*, 1997: 15; Ferrell & Hartline, 2005: 293.) Ferrell and Hartline (2005: 293) scribe that ethical marketing is about creating trust, the essential ingredient of relationship building. From a relationship marketing perspective, ethical marketing is taken to be self-evident (Gummesson, 1997), given that commitment and trust are pivotal to relationship formation, maintenance and enhancement (Morgan & Hunt, 1994; Gummesson, 1997.)

Self-evident or not, Kotler (2003: 701) argues that the distinction between common marketing practices and unethical marketing practices is not always clear-cut. The author adds that marketers continuously face ethical dilemmas in the natural course of business. Perreault and McCarthy (1996: 27), contend that while purposeful unethical or even illegal marketing practices do occur, often the criticisms levelled against marketing are the result of marketers not fully considering the ethical implications of their actions.

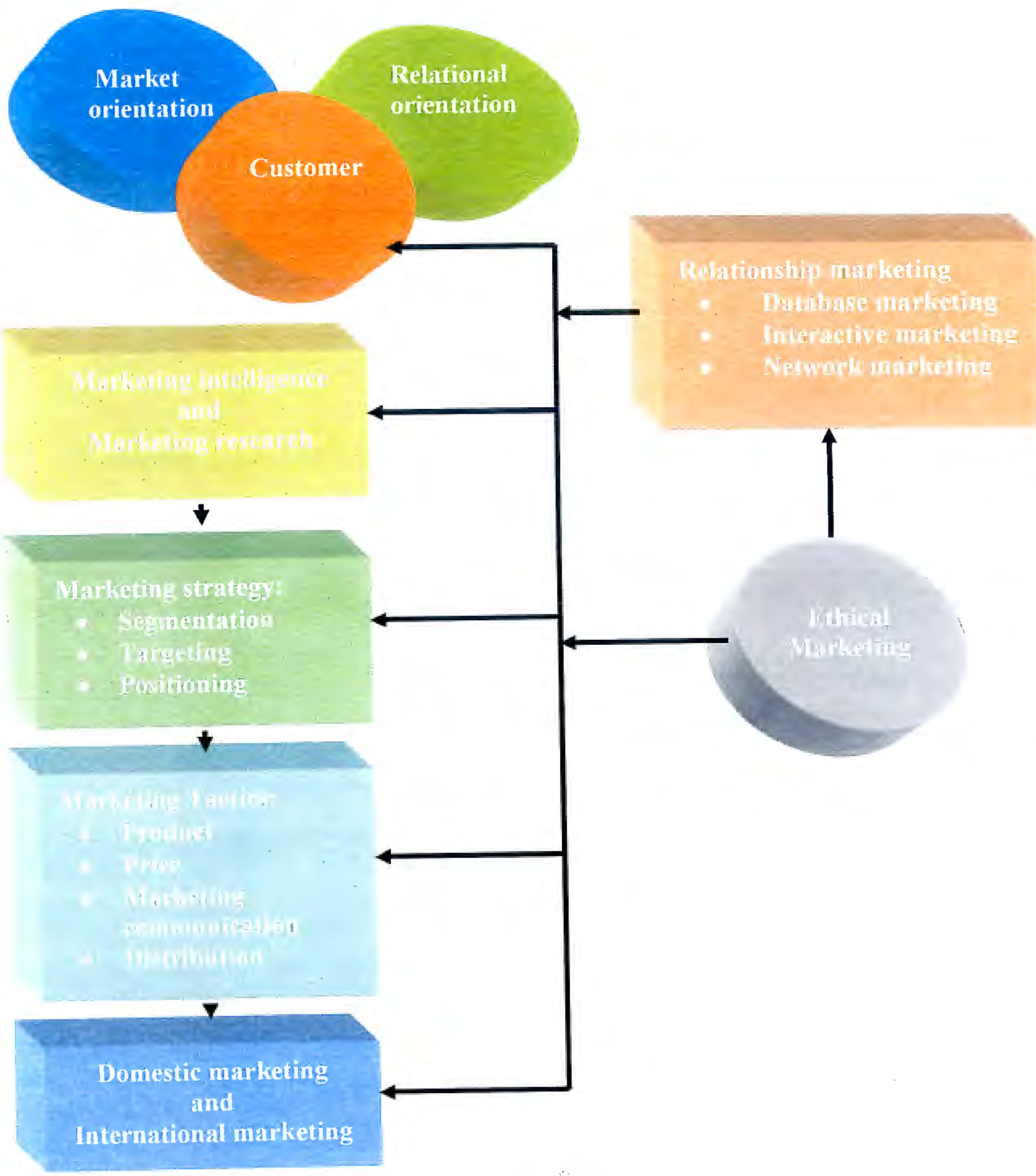
Yet, from both a relationship marketing (Ferrell & Hartline, 2005: 293) and a market orientation perspective (Perreault & McCarthy, 1996: 45), it is essential that all marketing actions be executed in an ethical manner (Evans & Berman, 1982: 644; Perreault & McCarthy, 1996: 45; Etzel *et al.*, 1997: 15; Kotler, 2003: 391, 702; Lamb *et al.*, 2004: 29; Ferrell & Hartline, 2005: 293.) Thus, it can be stated that ethical marketing is fundamental to generic marketing.

2.12 FRAMEWORK OF THE FUNDAMENTAL ELEMENTS OF GENERIC MARKETING

This study defines 'principles' to be *fundamental elements*. Generic marketing is taken to mean those marketing tasks that are transferable across industries within the profit sector. As such, generic marketing principles are taken to be the *fundamental elements of marketing that are generally applicable across industries within the profit sector.*

The general theory of marketing consists of three fundamental elements – the marketing philosophy, the marketing strategy and marketing tactics, each of which relies on marketing intelligence and marketing research. Further, each requires a strong relationship orientation and the implementation of the elements of relationship marketing to enhance traditional marketing efforts. In addition, given the increasingly global nature of markets today, international marketing has become a fundamental to generic marketing theory. All of these marketing activities should at all times be in line with the fundamental elements of ethical marketing. Figure 2.1 below illustrates the fundamental elements of generic marketing.

Figure 2.1 Framework of the fundamental elements of generic marketing



2.13 SYNOPSIS

Given that the primary purpose of this study is to identify Internet marketing principles relevant to generic marketers, the focus of this chapter was on establishing what constitutes the key elements of generic/general marketing theory. Section 2.2 discussed the meaning of generic marketing principles. Section 2.3 provided an overview of the fundamental elements of marketing. Following a review of basic marketing text, the following elements were identified as fundamental to generic marketing theory:

- Market orientation (Section 2.4)
- Relationship marketing (Section 2.5)
- Marketing intelligence (Section 2.6)
- Marketing research (Section 2.7)
- Marketing strategy (segmentation, targeting and positioning) (Section 2.8)
- Marketing tactics (Section 2.9)
- International marketing (Section 2.10)
- Ethical marketing (Section 2.11)

Figure 2.1 in section 2.12 illustrated these fundamental elements of generic marketing as a diagrammatical framework. The following chapter, chapter three, seeks to identify the influence of the Internet on the environment within which marketers market.