

Applications

Marketing Debate

Is Consumer Behavior More a Function of a Person's Age or Generation?

How much do consumers change over time? Some marketers who target certain age groups maintain that age differences are critical and that the needs and wants of a 25-year-old in 2015 are not that different from those of a 25-year-old in 1980. Others argue that cohort and generation effects are critical and that marketing programs must therefore suit the times.

Take a position: Age differences are fundamentally more important than cohort effects *versus* Cohort effects can dominate age differences.

Marketing Discussion

Age Targeting

★ What brands and products do you feel successfully speak to you and effectively target your age group? Why? Which ones do not? What could they do better?

Marketing Excellence

>> Microsoft

Microsoft is the world's most successful software company. Bill Gates and Paul Allen founded it in 1975 with the original mission of having "a computer on every desk and in every home, running Microsoft software." Today, Microsoft is the fifth most valuable company in the world and has a brand value of \$61.2 billion.

In the early 1980s, Microsoft developed the DOS operating system for IBM computers. The company leveraged this initial success to sell software to other manufacturers, quickly becoming a major player in the industry. Initial advertising efforts communicated the company's range of products, from DOS to Excel and Windows, and unified them under the Microsoft brand.

Microsoft went public in 1986 and grew tremendously over the next decade as the Windows operating system and Microsoft Office took off. In 1990, Microsoft launched Windows 3.0, a completely revamped version of its operating system, including applications like File Manager and Program Manager that are still used today. It was an instant success; Microsoft sold more than 10 million copies of the software within two years, a phenomenal accomplishment in those days. In addition, Windows 3.0 became the first operating system to be preinstalled on certain PCs, marking another major milestone for the industry and for Microsoft.

Throughout the 1990s, Microsoft's communication efforts convinced businesses not only that its software was the best choice but also that it should be upgraded frequently. Microsoft spent millions in magazine advertising and received endorsements from the top computer magazines in the industry, making

Microsoft Windows and Office the must-have software of its time. The 1998 slogan "Where Do You Want to Go Today?" promoted not individual Microsoft products like Windows 98 but rather the company itself, communicating that Microsoft could help empower companies and consumers alike.

During the mid-1990s, Microsoft entered the notorious "browser wars" as companies struggled to find their place during the Internet boom. Realizing what a good product Netscape had in its 1995 Navigator browser, Microsoft launched its own, Internet Explorer later the same year. By 1997, Explorer had grabbed 18 percent of the market.

Over the next five years, Microsoft took three major steps to overtake Netscape. First, it bundled Internet Explorer with its Office product, which included Excel, Word, and PowerPoint. This meant that consumers who wanted MS Office automatically became Internet Explorer users as well. Second, Microsoft partnered with AOL, which opened the doors to 5 million new consumers almost overnight. Third, Microsoft used its deep pockets to ensure that Internet Explorer was available free, essentially "cutting off Netscape's air supply." By 2002, Netscape's market share had fallen to a meek 4 percent.

Microsoft's fight to become the browser leader was not without controversy; some perceived that the company was monopolizing the industry. As a result, Microsoft faced antitrust charges in 1998 and numerous lawsuits based on its marketing tactics. Charges aside, the company's stock took off, peaking in 1999 at \$60 per share. Microsoft continued to release new products, including Windows 2000 in 2000 and Windows XP in 2001. It also launched Xbox in 2001, marking its entrance into the multibillion-dollar gaming industry.

Over the next several years, Microsoft's stock price tumbled by more than \$40 a share as consumers waited for the next operating system to be released. During this time, Apple made a strong comeback with consumer-friendly products like Mac computers, iPods, iPhones, and iTunes. Apple also launched a successful marketing campaign titled "Get a Mac" that featured a smart, creative, easygoing Mac character alongside a geeky, virus-prone, uptight PC character. Apple's campaign successfully converted many consumers and tarnished Microsoft's brand image.

In 2007, Microsoft launched the Vista operating system to great expectations; however, it was plagued by bugs and problems and the company's stock and image continued to slide, helped by the worldwide recession of 2008–2009. In response, Microsoft created a campaign titled "Windows. Life Without Walls" to help turn its image around. Its new message—that computers with Microsoft software were more cost-effective than the competition—resonated well in the recession. Microsoft also launched a series of commercials that boasted, "I'm a PC" and featured a wide variety of individuals who prided themselves on being PC owners, hoping to improve employee morale and customer loyalty.

In 2009, Microsoft launched Windows 7, an improved operating system, with the campaign "Windows 7 was my idea." Four years later, it was operating more than 30 stores like Apple's across the United States and Canada. Jonathan Adashek, general manager of Communications Strategy, explained, "We've welcomed more than 15 million customers and counting so far, and have learned a lot from them. Having this direct connection to our customers has really helped us better understand their tech needs." Travis Walter, general manager of Microsoft's International and New Store Formats, agreed, "In person, you get a very different experience and it's one we've been very delighted to provide. When you see our technology in person—when you can touch and feel it—a light goes off."

After the recession came to an end, Microsoft's image and stock started to recover, thanks to the success of its retail stores, effective marketing, and a wide range of new product launches. Microsoft went after Google's dominant position in the search marketplace, for instance, with a search engine called Bing, and it entered the growing mobile industry with its Windows Phone mobile operating system. The company's 2011 expansion into smart phones surprised many analysts, but Microsoft hoped the smart phone and Windows Phone mobile OS would forge a strong connection with its consumers around the world. It continued its innovation momentum in 2012 with the launch of Windows 8, Windows 8 Phone, and a computer called Surface Tablet. The tablet impressed consumers with a detachable keyboard that also served as its protective cover.

Today, Microsoft offers a wide range of software, mobile, and home entertainment products. Its most profitable products continue to be Microsoft Windows and Microsoft Office, which bring in approximately 80 percent of its \$86 billion in annual revenue.

Questions

1. Evaluate Microsoft's product and marketing evolution over the years. What has the company done well, and where did it falter?
2. Evaluate Microsoft's recent expansions into areas such as search engines and smart phones. Do you think these are good areas of growth for Microsoft? Why or why not?

Sources: Interbrand, "2014 Best Global Brands Report," www.interbrand.com; Stuart Elliot, "Microsoft Takes a User-Friendly Approach to Selling Its Image in a New Global Campaign," *New York Times*, November 11, 1994; "Todd Bishop, 'The Rest of the Motto,'" *Seattle Post Intelligencer*, September 23, 2004; Devin Leonard, "Hey PC, Who Taught You to Fight Back?" *New York Times*, August 30, 2009; Suzanne Vranica and Robert A. Guth, "Microsoft Enlists Jerry Seinfeld in Its Ad Battle Against Apple," *Wall Street Journal*, August 21, 2008, p. A1; Stuart Elliott, "Echoing the Campaign of a Rival, Microsoft Aims to Redefine 'I'm a PC,'" *New York Times*, September 18, 2008, p. C4; John Furguson, "From Cola Wars to Computer Wars—Microsoft Misses Again," *BN Branding*, April 4, 2009; Microsoft press release, "Microsoft Retail Stores Maturation: Going Behind the Scenes," November 8, 2012.

Marketing Excellence

>> Walmart

Walmart, the giant chain of discount stores, is the third-largest company in the world, with more than \$473 billion in revenue and 2.2 million associates (or employees). Its phenomenal success story began in 1962 when Sam Walton opened his first discount store in Rogers, Arkansas. Walton sold the same products

as his competitors but kept prices lower by reducing his profit margin. His customers quickly caught on, and the company took off almost immediately. Walton's EDLP (Every Day Low Price) strategy remains the foundation of Walmart's success today. Through the company's economies of scale, Walmart is able to offer customers top brand-name products for the lowest possible price.

Walmart expanded throughout the United States in the 1970s and 1980s by acquiring many of its