

FIFTH EDITION



# MANAGEMENT

DAWN IACOBUCCI

This is an electronic version of the print textbook. Due to electronic rights restrictions, some third party content may be suppressed. Editorial review has deemed that any suppressed content does not materially affect the overall learning experience. The publisher reserves the right to remove content from this title at any time if subsequent rights restrictions require it. For valuable information on pricing, previous editions, changes to current editions, and alternate formats, please visit [www.cengage.com/highered](http://www.cengage.com/highered) to search by ISBN, author, title, or keyword for materials in your areas of interest.

Important notice: Media content referenced within the product description or the product text may not be available in the eBook version.

**Marketing Management, Fifth Edition**

Dawn Iacobucci

Senior Vice President, General Manager,  
Social Sciences, Humanities & Business:  
Erin Joyner

Product Director: Jason Fremder

Product Manager: Heather Mooney

Content Developer: John Sarantakis

Marketing Director: Kristen Hurd

Marketing Manager: Katie Jergens

Marketing Coordinator: Casey Binder

Product Assistant: Allie Janneck

Art and Cover Direction, Production

Management, and Composition: Cenveo

Publisher Services

Intellectual Property

Analyst: Diane Garrity

Project Manager: Sarah Shainwald

Manufacturing Planner: Ron Montgomery

Cover Image(s): Santiago Cornejo/  
Shutterstock, Mukhina Viktoriia/Shutterstock,  
Nomad\_Soul/Shutterstock, Redchanka/  
Shutterstock, Bspaliy/  
Shutterstock, hxdbzxy/Shutterstock,  
Quayside/Shutterstock, Cyrustr/  
Shutterstock, Subbotina Anna/  
Shutterstock, elen\_studio/Shutterstock

© 2018, 2015 Cengage Learning®

ALL RIGHTS RESERVED. No part of this work covered by the copyright herein may be reproduced or distributed in any form or by any means, except as permitted by U.S. copyright law, without the prior written permission of the copyright owner.

For product information and technology assistance, contact us at  
**Cengage Learning Customer & Sales Support, 1-800-354-9706**For permission to use material from this text or product,  
submit all requests online at **www.cengage.com/permissions**Further permissions questions can be emailed to  
**permissionrequest@cengage.com**

Library of Congress Control Number: 2016943749

ISBN-13: 978-1-337-27112-7

Except where otherwise noted, all content is © Cengage Learning.

**Cengage Learning**20 Channel Center Street  
Boston, MA 02210  
USACengage Learning is a leading provider of customized learning solutions with employees residing in nearly 40 different countries and sales in more than 125 countries around the world. Find your local representative at: **www.cengage.com**Cengage Learning products are represented in Canada by  
Nelson Education, Ltd.To learn more about Cengage Learning Solutions, visit **www.cengage.com**Purchase any of our products at your local college store or at our preferred online store **www.cengagebrain.com**

Printed in Canada

Print Number: 01 Print Year: 2016

# BRIEF CONTENTS

**Preface** x

**About the author** xii

## Part 1

### **Marketing Strategy**

- 1 Why is Marketing Management Important? 1
- 2 Customer Behavior 13
- 3 Segmentation 32
- 4 Targeting 51
- 5 Positioning 63

## Part 2

### **Product Positioning**

- 6 Products: Goods and Services 79
- 7 Brands 91
- 8 New Products and Innovation 109

## Part 3

### **Positioning via Price, Place, and Promotion**

- 9 Pricing 131
- 10 Channels of Distribution 161
- 11 Advertising Messages and Marketing Communications 185
- 12 Integrated Marketing Communications and Media Choices 205
- 13 Social Media 224

## Part 4

### **Positioning: Assessment Through the Customer Lens**

- 14 Customer Satisfaction and Customer Relationships 239
- 15 Marketing Research Tools 256

## Part 5

### **Capstone**

- 16 Marketing Strategy 275
- 17 Marketing Plans 293

Endnotes 312

Index 316

# CONTENTS

<b>Preface</b>	x
<b>About the author</b>	xii

## Part 1 **Marketing Strategy**

---

<b>1</b>	<b>Why Is Marketing Management Important?</b>	1
1-1	Defining Marketing	1
1-2	Marketing Is an Exchange Relationship	1
1-2a	Marketing is Everywhere	2
1-3	Why Is Marketing Management Important?	2
1-3a	Marketing and Customer Satisfaction is Everyone's Responsibility	4
1-4	The "Marketing Framework": 5Cs, STP, and the 4Ps	5
1-4a	Book Layout	7
1-4b	Learning from the Marketing Framework	8
1-4c	The Flow in Each Chapter: What? Why? How?	9
<b>2</b>	<b>Customer Behavior</b>	13
2-1	Three Phases of the Purchase Process	13
2-2	Different Kinds of Purchases	15
2-3	The Marketing Science of Customer Behavior	18
2-3a	Sensation and Perception	18
2-3b	Learning, Memory, and Emotions	20
2-3c	Motivation	22
2-3d	Attitudes and Decision Making	25
2-3e	How Do Cultural Differences Affect Consumers' Behavior?	27
<b>3</b>	<b>Segmentation</b>	32
3-1	Why Segment?	32
3-2	What Are Market Segments?	33
3-3	What Information Serves as Bases for Segmentation?	35
3-3a	Demographic	35
3-3b	Geographic	36
3-3c	Psychological	37
3-3d	Behavioral	39
3-3e	B2B	40
3-3f	Concept in Action: Segmentation Variables	41

- 3-4 How Do Marketers Segment the Market?** 42
  - 3-4a How to Evaluate the Segmentation Scheme 42

## 4 Targeting 51

- 4-1 What Is Targeting and Why Do Marketers Do It?** 51
- 4-2 How Do We Choose a Segment to Target?** 52
  - 4-2a Profitability and Strategic Fit 52
  - 4-2b Competitive Comparisons 54
- 4-3 Sizing Markets** 56
  - 4-3a Concept in Action: How Much of My Consultative Advice Can I Sell? 58

## 5 Positioning 63

- 5-1 What Is Positioning and Why Is It Probably the Most Important Aspect of Marketing?** 63
  - 5-1a Positioning via Perceptual Maps 64
  - 5-1b The Positioning Matrix 66
- 5-2 Writing a Positioning Statement** 74

## Part 2 Product Positioning

---

## 6 Products: Goods and Services 79

- 6-1 What Do We mean by Product?** 79
  - 6-1a The Product in the Marketing Exchange 80
- 6-2 How Are Goods Different from Services?** 81
  - 6-2a Intangibility 81
  - 6-2b Search, Experience, Credence 82
  - 6-2c Perishability 83
  - 6-2d Variability 83
  - 6-2e To Infinity and Beyond Goods and Services 84
- 6-3 What Is the Firm's Core Market Offering?** 84
  - 6-3a Dynamic Strategies 86
  - 6-3b Product Lines: Breadth and Depth 87

## 7 Brands 91

- 7-1 What Is a Brand?** 91
  - 7-1a Brand Name 92
  - 7-1b Logos and Color 92
- 7-2 Why Brand?** 93
- 7-3 What Are Brand Associations?** 95
  - 7-3a Brand Personalities 97
  - 7-3b Brand Communities 98

- 7-4 What Are Branding Strategies?** 98
  - 7-4a Umbrella Brands vs. House of Brands 99
  - 7-4b Brand-Extensions and Co-Branding 100
  - 7-4c How are Brands Best Rolled Out Globally? 103
  - 7-4d Store Brands 103
- 7-5 How Is Brand Equity Determined?** 104

## 8

### **New Products and Innovation** 109

- 8-1 Why Are New Products Important?** 109
- 8-2 How Does Marketing Develop New Products for Their Customers?** 110
  - 8-2a Philosophies of Product Development 110
  - 8-2b Marketing 111
  - 8-2c Idea Creation and Market Potential 112
  - 8-2d Concept Testing and Design & Development 113
  - 8-2e Beta-Testing 115
  - 8-2f Launch 116
- 8-3 What Is the Product Life Cycle?** 118
  - 8-3a Diffusion of Innovation 120
- 8-4 How Do New Products and Brand Extensions Fit in Marketing Strategy?** 124
  - 8-4a Strategic Thinking about Growth 125
- 8-5 What Trends Should I Watch?** 126

## Part 3 **Positioning via Price, Place, and Promotion**

---

## 9

### **Pricing** 131

- 9-1 Why Is Pricing so Important?** 131
- 9-2 Background: Supply and Demand** 131
- 9-3 Low Prices** 136
  - 9-3a Concept in Action: Break-Even for a Good 137
  - 9-3b Concept in Action: Break-Even for a Service 139
- 9-4 High Prices** 142
  - 9-4a Using Scanner Data 142
  - 9-4b Using Survey Data 144
  - 9-4c Conjoint Analysis 144
- 9-5 Units or Revenue; Volume or Profits** 145
- 9-6 Customers and the Psychology of Pricing** 147
  - 9-6a Price Discrimination, a.k.a. Segmentation Pricing 150
  - 9-6b Quantity Discounts 151
  - 9-6c Yield or Demand Management 152
- 9-7 Non-Linear Pricing** 152
- 9-8 Changes in Cha-Ching** 154
  - 9-8a Pricing and the Product Life Cycle 154
  - 9-8b Price Fluctuations 155
  - 9-8c Coupons 155

9-8d Competitive Strategy and Game Theory 155

9-8e Auctions 156

## 10 Channels of Distribution 161

**10-1** What Are Distribution Channels, Supply Chain Logistics, and Why Do We Use Them? 162

**10-2** How to Design Smart Distribution Systems: Intensive or Selective? 165

10-2a Push and Pull 167

**10-3** Power and Conflict in Channel Relationships 168

10-3a Revenue Sharing 170

10-3b Integration 173

10-3c Retailing 175

10-3d Franchising 178

10-3e E-Commerce 179

10-3f Catalog Sales 180

10-3g Sales Force 181

10-3h Integrated Marketing Channels 182

## 11 Advertising Messages and Marketing Communications 185

**11-1** What Is Advertising? 187

**11-2** Why Is Advertising Important? 187

**11-3** What Marketing Goals Are sought from Advertising Campaigns? 188

**11-4** Designing Advertising Messages to Meet Marketing and Corporate Goals 190

11-4a Cognitive Ads 191

11-4b Emotional Ads 193

11-4c Image Ads 195

11-4d Endorsements 196

**11-5** How Is Advertising Evaluated? 198

11-5a  $A_{ad}$  and  $A_{brand}$  201

## 12 Integrated Marketing Communications and Media Choices 205

**12-1** What Media Decisions Are Made in Advertising Promotional Campaigns? 205

12-1a Reach and Frequency and GRPs 207

12-1b Media Planning and Scheduling 209

**12-2** Integrated Marketing Communications Across Media 210

12-2a Media Comparisons 212

12-2b Beyond Advertising 214

12-2c Choice Between Advertising and a Sales Force 215

12-2d The IMC Choices Depend on the Marketing Goals 218

**12-3** How Is the Effectiveness of Advertising Media Measured? 220



- 13 Social Media** 224
  - 13-1 What Are Social Media?** 224
    - 13-1a Types of Social Media 225
    - 13-1b Word-of-mouth 226
  - 13-2 What Are Social Networks?** 227
    - 13-2a Identifying Influentials 227
    - 13-2b Recommendation Systems 228
    - 13-2c Social Media ROI, KPIs, and Web Analytics 230
    - 13-2d Pre-purchase: Awareness 230
    - 13-2e Pre-purchase: Brand Consideration 231
    - 13-2f Purchase or Behavioral Engagement 232
    - 13-2g Post-purchase 233
    - 13-2h How to Proceed? 234

## Part 4 Positioning: Assessment Through the Customer Lens

---

- 14 Customer Satisfaction and Customer Relationships** 239
  - 14-1 What Are Customer Evaluations, and Why Do We Care?** 239
  - 14-2 How Do Consumers Evaluate Products?** 240
    - 14-2a Sources of Expectations 241
    - 14-2b Expectation and Experience 243
  - 14-3 How Do Marketers Measure Quality and Customer Satisfaction?** 245
  - 14-4 Loyalty and Customer Relationship Management (CRM)** 248
    - 14-4a Recency, Frequency, and Monetary Value (RFM) 249
    - 14-4b Customer Lifetime Value (CLV) 251

- 15 Marketing Research Tools** 256
  - 15-1 Why Is Marketing Research so Important?** 256
  - 15-2 Cluster Analysis for Segmentation** 258
  - 15-3 Perceptual Mapping for Positioning** 260
    - 15-3a Attribute-Based 260
  - 15-4 Focus Groups for Concept Testing** 264
  - 15-5 Conjoint for Testing Attributes** 265
  - 15-6 Scanner Data for Pricing and Coupon Experiments and Brand Switching** 268
  - 15-7 Surveys for Assessing Customer Satisfaction** 270

## Part 4 **Capstone**

---

# 16 **MARKETING STRATEGY 275**

- 16-1** Types of Business and Marketing Goals 275
- 16-2** Marketing Strategy 278
  - 16-2a Ansoff's Product-Market Growth Matrix 278
  - 16-2b The BCG Matrix 279
  - 16-2c The General Electric Model 280
  - 16-2d Porter and Strategies 281
  - 16-2e Treacy and Wiersema Strategies 282
- 16-3** How to "Do" Strategy 283
  - 16-3a SWOT's S&W 284
  - 16-3b SWOT's O&T 285
- 16-4** Key Marketing Metrics to Facilitate Marketing Strategy 287

# 17 **Marketing Plans 293**

- 17-1** How Do We Put it All Together? 293
- 17-2** Situation Analysis: The 5Cs 294
- 17-3** STP 298
- 17-4** The 4Ps 300
- 17-5** Spending Time and Money 304

**Endnotes** 312

**Index** 316

# PREFACE

There are several really good marketing management texts, yet this text was created because the Cengage sales force recognized an opportunity. Existing texts present numerous lists of factors to consider in a marketing decision but offer little guidance on how the factors, lists and multiple decisions all fit together.

In this book, an overarching Marketing Framework, used in every chapter, shows how all the pieces fit together. So, for example, when facing a decision about pricing, readers must consider how pricing will impact a strategic element like positioning or a customer reaction like loyalty and word of mouth. This book is practical, no-nonsense, and relatively short, to further heighten its utility. Everyone is busy these days, so it's refreshing when a writer gets to the point. After this relatively quick read, MBAs and EMBA students should be able to speak sensibly about marketing issues and contribute to their organizations.

## Chapter Organization

The form of each chapter is very straightforward: The chapter's concept is introduced by describing what it is and why marketers do it, and the rest of the chapter shows how to do it well. This what-why-and-how structure is intended to be extremely useful to MBA and EMBA students, who will quickly understand the basic concepts, e.g., what is segmentation and why is it useful in marketing and business? The details are in the execution, so the how is the focus of the body of the chapter.

## Key Features

Each chapter opens with a managerial checklist of questions that MBA and EMBA students will be able to answer after reading the chapter. Throughout each chapter, boxes present brief illustrations of concepts in action in the real world or elaborations on concepts raised in the text, also drawing examples from the real business world. Chapters close with a Managerial Recap that highlights the main points of the chapter and reviews the opening checklist of questions. Chapters are also summarized in outline form, including the key terms introduced throughout the chapter. There are discussion questions to ponder, as well as video resources to serve as points for still further discussion. Each chapter contains a Mini-Case that succinctly illustrates key concepts.

## MindTap

The 5th edition of Marketing Management offers two exciting alternative teaching formats. Instructors can choose between either a hybrid print and digital offering or a version that provides completely integrated online delivery through a platform called MindTap. MindTap is a fully online, highly personalized learning experience built upon authoritative

content. By combining readings, multimedia, activities, and assessments into a singular Learning Path, MindTap guides students through their course with ease while promoting engagement. Instructors personalize the Learning Path by customizing Cengage Learning resources and adding their own content via apps that integrate into the MindTap framework seamlessly. Instructors are also able to incorporate the online component of Consumer Behavior into a traditional Learning Management System (e.g. Blackboard, Canvas, D2L, etc.) providing a way to manage assignments, quizzes and tests throughout the semester

## Instructor Resources

Web resources for the book at [www.cengagebrain.com](http://www.cengagebrain.com) provide the latest information in marketing management. The Instructor's Manual, Test Bank authored in Cognero, and PowerPoint slides can be found there.

## Acknowledgments

Cengage Learning's people are the best! Special thanks to John Sarantakis (Content Developer), Mike Roche (Senior Product Manager), Heather Mooney (Product Manager) Jenny Ziegler (Senior Content Project Manager), Diane Garrity (Intellectual Property Analyst), Sarah Shainwald (Intellectual Property Project Manager) Laura Cheu (Copyeditor), Ezhilsolai Periasamy (Project Manager), Manjula Devi Subramanian (Text Researcher), Abdul Khader (Image Researcher), and Pushpa V. Giri (Proofreader).

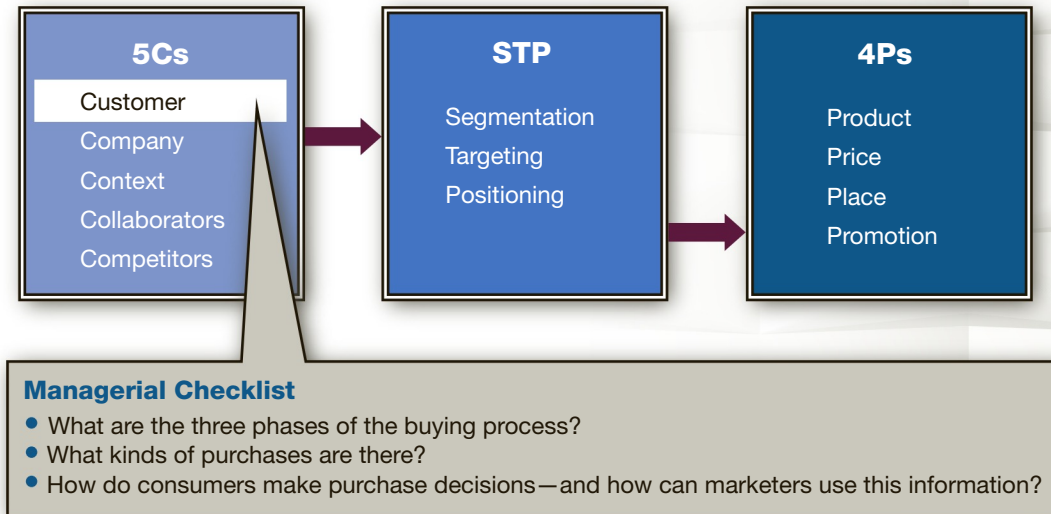
As always, special thanks to the Cengage sales force. I will forever be grateful for your notes of encouragement as we began this project. I hope you like *Marketing Management 5*.

# ABOUT THE AUTHOR

**DAWN IACOBUCCI** is the Ingram Professor of Marketing at the Owen Graduate School of Management, Vanderbilt University (since 2007). She has been Senior Associate Dean at Vanderbilt (2008-2010), and a professor of marketing at Kellogg (Northwestern University, 1987-2004), Arizona (2001-2002), and Wharton (Pennsylvania, 2004 to 2007). She received her M.S. in Statistics, and M.A. and Ph.D. in Quantitative Psychology from the University of Illinois at Urbana-Champaign. Her research focuses on modeling social networks and geeky high-dimensional analyses. She has published in *Journal of Marketing*, *Journal of Marketing Research*, *Harvard Business Review*, *Journal of Consumer Psychology*, *International Journal of Research in Marketing*, *Marketing Science*, *Journal of Service Research*, *Psychometrika*, *Psychological Bulletin*, and *Social Networks*. Iacobucci teaches Marketing Management and Marketing Models to Executives, MBA and undergraduate students and multivariate statistics and methodological topics to Ph.D. students. She has been editor of both *Journal of Consumer Research* and *Journal of Consumer Psychology*. She edited *Kellogg on Marketing*, she is author of *Mediation Analysis*, and co-author on Gilbert Churchill's leading text, *Marketing Research*.

# WHY IS MARKETING MANAGEMENT IMPORTANT?

# 1



## 1-1 DEFINING MARKETING

Ask the average person, “What is marketing?” and they might say:

- “Marketing is sales and advertising.”
- “Marketers make people buy stuff they don’t need and can’t afford.”
- “Marketers are the people who call you while you’re trying to eat dinner.”

Unfortunately those comments are probably all deserved. The marketing profession, like any other, has its issues. But in this book we’ll take a more enlightened view.

This chapter begins with an overview of marketing concepts and terms. We’ll see the importance of marketing in today’s corporation. We’ll then present the Marketing Framework that structures the book and gives you a systematic way to think about marketing, and we’ll define all the terms in the framework: 5Cs, STP, and 4Ps.

## 1-2 MARKETING IS AN EXCHANGE RELATIONSHIP

Marketing is defined as an exchange between a firm and its customers.<sup>1</sup> Figure 1.1 shows the customer wants something from the firm, and the firm wants something from the customer. Marketers try to figure out what customers want and how to provide it profitably.

Ideally, this can be a nice, symbiotic relationship. Customers don't mind paying for their purchases—and sometimes they pay a lot—if they really want what they're about to buy. Companies like taking in profits, of course, but great companies really do care about their customers. If we're lucky, the exchange depicted in Figure 1.1 is an ongoing exchange between the customer and the company, strengthening the tie between them.

As a lifelong customer, you are already somewhat familiar with marketing from the consumer side. But on the job, you'll need to understand marketing from the firm's point of view. Throughout this book, you'll see both perspectives. In particular, you'll see all the issues that marketers deal with as they try to deliver something of value to their customers, while trying to derive value from them.

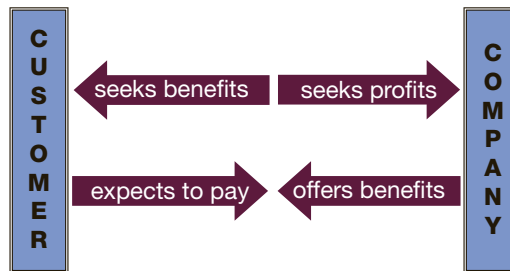
“

*Marketing oversees the customer-brand exchange.*

”

Figure 1.1

**Marketing is an Exchange**



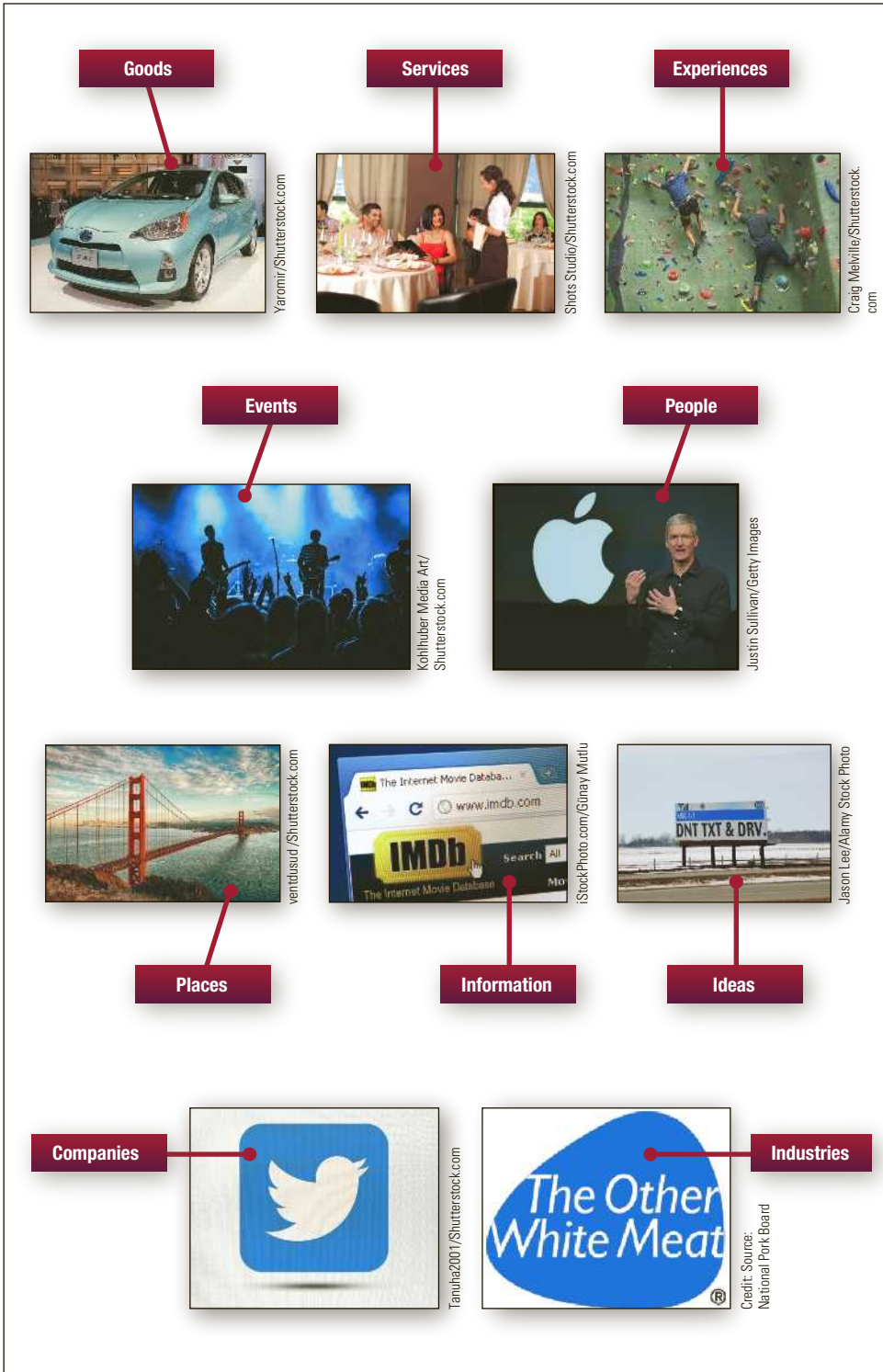
## 1-2a Marketing is Everywhere

Figure 1.2 illustrates that you can market just about anything. Marketing managers sell simple, tangible goods such as soap or shampoo, as well as high-end luxury goods such as Chanel handbags. Other marketing managers work in services, such as haircuts, airlines, hotels, or department stores. Marketers oversee experiences like theme parks or events like theater and concerts. Marketers help entertainers, athletes, politicians, and other celebrities with their images in their respective “marketplaces” (fans, agents, intelligentsia, opinion). Tourist bureaus have marketers who advertise the selling points of their city’s or country’s unique features. Information providers use marketing because they want customers to think they’re the best (and thereby maximize their ad revenue). Marketers at nonprofits and government agencies work on “causes” (e.g., encouraging organ donation or drinking responsibly). Industries market themselves (think of the beef or milk ads). Naturally, companies use marketing for their brands and themselves. And you can market yourself, e.g., to a job interviewer or potential amour. These goals may look different, but marketing can be used beneficially in all these situations.

## 1-3 WHY IS MARKETING MANAGEMENT IMPORTANT?

Marketers have evolved beyond being merely product or production focused, where the company mind-set is, “Let’s build a better mouse trap.” We know that approach doesn’t work. There’s no point in just cranking out better gadgets unless the customers want them

Figure 1.2  
What Can We  
"Market"?





### CUSTOMERS' PERSPECTIVE

Marketing can seem intuitive because we're all consumers. But we're not always the target customer for the brands we're building. As a Brand Manager or CEO, don't forget to put yourself in the shoes of your customers every once in a while, to see your brand from their perspective. When you do, you'll understand their wants and needs better. That alone will give you an advantage over your competitors!

because the gadgets won't sell. However, there are still pockets of marketing naïveté in a number of industries. For example, some museums believe they don't need marketing. They think people should appreciate their exhibits, and, if they don't, it's because the public is ignorant. Perhaps the general public is indeed relatively unsophisticated culturally, but marketing can be used to educate the public.

We're also more advanced than the old sales-oriented days when the action in the marketplace was, "Let's make a deal." This mentality still exists in places like drug companies, which push their sales forces to impress physicians. But usually sales dynamics occur where the product is perceived to be a commodity. In contrast, marketers should be good at communicating product distinctions. As much as direct-to-consumer pharma ads annoy physicians, they attest to the power of marketing. The ads result in patients asking their doctors for particular brand names.

These days we live in a truly customer-oriented and customer-empowered marketing world. Marketing is even said to be evidence of evolved markets—that an industry or country has moved beyond production and sales and seeks true relationships with its customers. Marketers seek to identify their customers' needs and wants, and they try to formulate attractive solutions. Marketing can make customers happier, thereby making companies more profitable. Throughout the book, you'll see how.

## 1-3a Marketing and Customer Satisfaction is Everyone's Responsibility

Many management gurus believe that marketing has succeeded so well that it isn't just a "function" in an organization anymore. Marketing is more of a philosophy—a way to think about business. The marketing orientation should permeate the organization.

- Accounting and finance need to acknowledge the importance of marketing. Why? Because their CEOs do. Thinking about customers is unimportant only if you're a monopoly, and even then, you won't be one for long.
- Salespeople understand marketing immediately. They're the front line, interfacing with the customer. They want to push their firm's stuff, but they're thrilled when their company actually makes stuff that customers want. Then their jobs are so much easier.
- R&D people tend to understand the marketing spirit, too. They're hired because they're technically sophisticated, but they get jazzed when their inventions become popular. It doesn't take much marketing research to test concepts or prototypes and to veer an R&D path one way or another.

One of the factors stressing marketers these days is the pressure to show results. It's fair to hold any part of the corporation accountable, and results may be measured for a number of marketing activities. The Chief Financial Officer (CFO) who wants to see that a recent coupon promotion lifted sales can get reasonably good estimates from the Chief Marketing Officer (CMO) about effectiveness, e.g., the percentage sales increase attributable to the coupon introduction. The Chief Operating Officer (COO) can also get good estimates of whether a recent direct mail campaign to target customers has been effective in encouraging frequent buyers to go directly to the Web for purchasing.

However, it's important not to go overboard in the effort to quantify. For example, how does one assess the value of a good segmentation study? If segments are poorly defined, any



TENGGU BAHAR/Staff/APP/Getty Images

**Marketing speaks to customers wherever they are.**

subsequent marketing efforts would be completely off, so a good segmentation scheme is invaluable. Advertising is also a little tricky. Non-marketers have the misconception that advertising is supposed to bump up sales. It can, and that bump is easily measured. But really great advertising isn't intended for a short-term effect on sales. Great advertising is intended to enhance brand image, a goal that is relatively longer term and thus more difficult to measure.

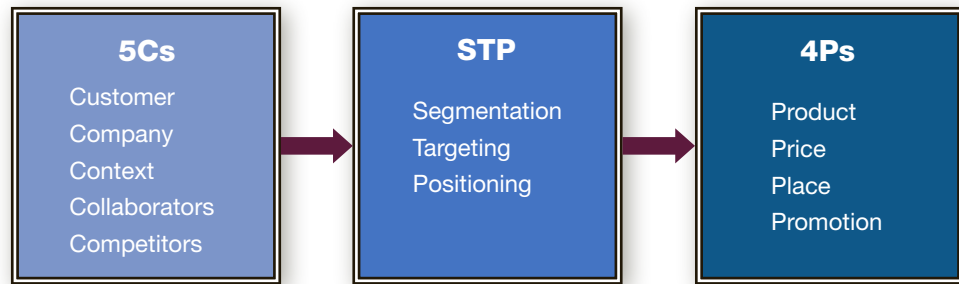
In addition to quantifying the effectiveness of marketing programs, marketers are motivated to translate their efforts into dollars for another reason: to have a "seat at the table." Marketers want to make sure that the CMO carries as much weight in the firm as the CEO or CFO or COO. They all speak finance, so the marketer is frequently motivated to translate progress into financial terms. Fortunately, technology and data are increasingly enabling more opportunities for the marketer to make such assessments. For example, a good customer relationship management (CRM) program allows marketers to run a field study to assess the impact of a new promotion, and tracking Web data allows marketers to determine the product combinations that are most attractive to customers.

## 1-4 THE "MARKETING FRAMEWORK": 5CS, STP, AND THE 4PS

Figure 1.3 provides the marketing management framework. Marketing is captured by the 5Cs, STP, and the 4Ps. The 5Cs are customer, company, context, collaborators, and competitors. The 5Cs force a businessperson to systematically frame the general analysis of the entire business situation. Figure 1.1 shows that the *customer* and *company* are the central players in the marketing exchange. The *context* includes the backdrop of macro-environmental factors: How is our economy and that of our suppliers doing? What legal constraints do we face, and are these changing? What cultural differences do our global segments manifest? The *collaborators* and *competitors* are the companies and people we work with vs. those we compete against (though drawing the line is sometimes difficult in today's interconnected world).

Figure 1.3

**Marketing Management Framework: 5Cs, STP, 4Ps**



STP stands for segmentation, targeting, and positioning. A company or a brand may want to be all things to all people, but most are not. It's best to identify groups, or *segments*, of customers who share similar needs and wants. Once we understand the different segments' preferences, we're in a position to identify the segment we should *target* with our marketing efforts. We then begin to develop a relationship with that target segment by *positioning* our product to them in the marketplace, via the 4Ps.

The 4Ps are product, price, promotion, and place. A marketer is responsible for creating a *product* (goods or services) that customers need or want, for setting the appropriate *price* for the product, for *promoting* the product via advertising and sales promotions to help customers understand the product's benefits and value, and finally for making the product available for purchase in easily accessed *places*.<sup>2</sup>

Marketing management oversees the 5Cs, STP, and 4Ps with the goal of enhancing the marketing exchange (of goods, services, payment, ideas and information, etc.) between a customer base and a firm. It all sounds easy! Group your customers, and figure out which group to target. Then create a position in the marketplace by means of the features of the product, its price, communications and promotions, and distribution choices. Ah, but don't dismiss marketing as only common sense; after all, consider how few companies do it well!

If marketing is an exchange, then, just like an interaction between two people, a company has its best chance at keeping its customers happy if it is in close communication with them. The company that does its marketing research and really listens to its customers will be able to deliver goods and services that delight those customers. The best marketers put themselves in the place of their customers: What are they like? What do they want? How can we play a role in their lives? In this book, we'll elaborate on these themes. If you get overloaded while reading this book, you can step back and remember this: You'll always be a step ahead of your competition if you simply think about your customers! All marketing strategy derives from that.

To elaborate on marketing strategy and develop a particular marketing plan, start with a situation analysis, and sketch answers to the following questions:

- *Customers*: Who are they? What are they like? Do we want to draw different customers?
- *Company*: What are our strengths and weaknesses? What customer benefits can we provide?
- *Context*: What is happening in our industry that might reshape our future business?
- *Collaborators*: Can we address our customers' needs while strengthening our business-to-business (B2B) partnerships?
- *Competitors*: Who are the competitors we must consider? What are their likely actions and reactions?

With that background analysis, proceed to strategic marketing planning via STP:

- *Segmentation*: Customers aren't all the same; find out their various preferences, needs, and resources.
- *Targeting*: Pursue the group of customers that makes the most sense for our company.
- *Positioning*: Communicate our product's benefits clearly to the intended target customers.

Similarly, marketing tactics to execute the intended positioning derive from a customer focus:

- *Product*: Will customers want what our company is prepared to produce?
- *Price*: Will customers pay what we'd like to charge?
- *Place*: Where and how will customers purchase our market offering?
- *Promotion*: What can we tell our customers or do for them to entice them to purchase?

That doesn't sound too difficult, right? But customers' preferences change. And the competition is also dynamic; who they are changes as well as what they offer your customers. Factors that are out of your control change as well. For example, as marketing manager or CMO, you won't have control over whether your company is merged with another whose image seems inconsistent with your brand, but you'll have to deal with it. Further, the legal environment in this country is different from that in another's, and each is always in flux. Many such contingencies call for modifying marketing plans. So the inputs keep changing. (But if marketing weren't challenging, it wouldn't be as fun!)

As Figure 1.3 indicates, if we keep an ongoing read on the 5Cs, it will make us better informed as we approach the STP task. These background indicators will apprise us of which qualities of a customer base are likely to be relevant as we identify segments. The P of positioning in STP is done via all 4Ps. Thus the 5Cs, STP, and 4Ps operate interdependently. Optimal business solutions (in real life or in class case discussions) should reflect a working knowledge of all of these elements, and their connections; as a contextual factor changes, what is the predicted impact on distribution channels? As a collaborator shifts its demands, what will that do to our pricing structure? As our company sells off a nonperforming function, what impact might that have on our positioning and customer satisfaction? The plot thickens!



*Good marketing makes any company better!*



## 1-4a Book Layout

Marketing is involved in designing products that customers will enjoy, pricing them appropriately, making them available for purchase at easy points of access in the marketplace, and advertising the products' benefits to customers. Throughout this book, we'll assume that we're talking about customers all over the world. This internationalism is already true for most big firms, and it will be true even for small entrepreneurs via the Internet or once they succeed and grow. We'll also assume the omnipresence of the Internet and always consider it a factor in data intake or in customer channels of interactions with the company. In addition to aiming for global citizenship and recognizing the Internet as essential as air, we will offer fresh, fun examples throughout the book, such as Vegas and Ferrari, instead of laundry detergent.



**Ethics: Have a Heart**

It is a good thought exercise to consider any dilemma from 2 perspectives:

- 1) Outcomes
  - a) An outcome orientation is called consequentialism or teleological ethics (fancy words to impress an interviewer).
  - b) This perspective believes that “the end justifies the means.”
  - c) As a manager, you’d ask, “What should I do to produce the most good (or the least harm)?”
- 2) Processes
  - a) An orientation toward fair process is called deontological ethics.
  - b) The idea is that the process must be fair, regardless of the outcome that might result.
  - c) Managers suggest an action as the right one to take according to a principle, such as human rights (e.g., fair pay) or environmental sustenance (e.g., green packaging).

Throughout the book, we’ll encounter several classes of ethical issues: don’t price discriminate, don’t target uninformed groups, don’t advertise deceptively, etc.

If you want an additional challenge, assess a scenario from multiple viewpoints. For example, deontologically, we might say, “We never price discriminate!” Teleologically, we might say, “To maximize value to our shareholders, we should charge different prices to different customer segments.” See? The plot thickens!

This book will train you to think like a marketer. You’ll see that great marketing is not a soft discipline, it’s not an art, nor is it simply intuitive. Great marketing is based on sound, logical—economic and psychological—laws of human and organizational behavior. You will learn the scientific and rigorous way to think about marketing issues, so that, in the future, when your situation looks nothing like the ones you’ve talked about in school, you’ll know how to proceed in finding your optimal solution. (*Hint:* Keep the framework close at hand!)

## 1-4b Learning from the Marketing Framework

There are two key features to how the material is organized in this book. First, MBA and executive students learning marketing management typically want to see a framework depicting how all the marketing pieces come together to form the whole picture. To give you the big picture as well as to provide you with the in-depth details, Figure 1.3 kicks off every chapter with a Managerial Checklist of questions and issues that the reader can expect to understand better at the close of the chapter. Those questions are revisited at the end of the chapter in a list format called Managerial Recap. The chapters are mapped onto the framework as depicted in Figure 1.4.

You’ll become very familiar with this marketing management framework. You will see the 5Cs, STP, and 4Ps over and over again, so you’ll pick them up nearly by osmosis.

We want to make great marketing part of your DNA. You’ll know that any marketing strategy and planning must begin with the 5Cs assessment and then a strategic look at STP, before turning to the strategies and tactics of the 4Ps.

When you’re . . .

- Working on a case for class,
- Or trying to answer an interviewer intelligently,
- Or trying to impress your boss at work,
- Or trying to launch your own business.

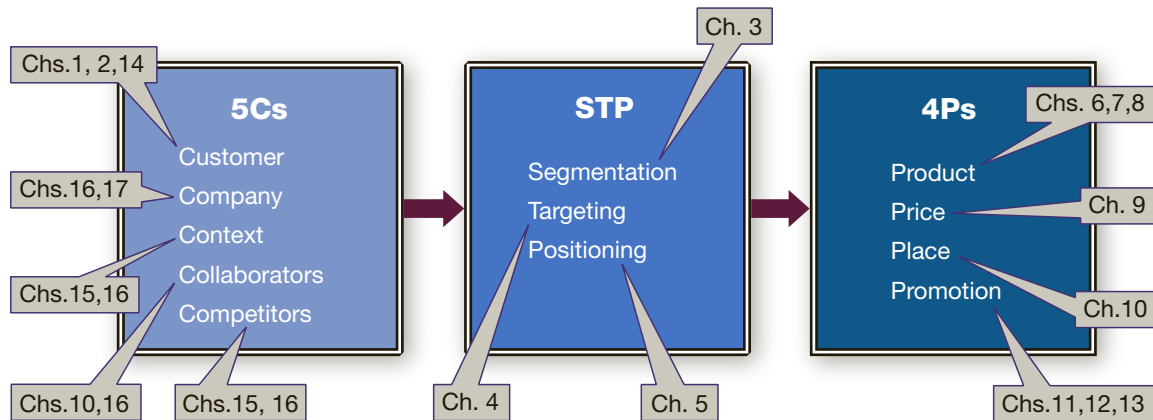


Figure 1.4

**Chapters  
Mapped to  
Marketing  
Framework**

You'll see the framework in your head. It will remind you of everything that needs to be addressed and how all the pieces fit together. The framework will make you process these marketing questions very thoughtfully and systematically.

## 1-4C The Flow in Each Chapter: What? Why? How?

The presentation scheme we've adopted in this book is that each chapter covers the What, Why, and How. Specifically,

- What is the topic in this chapter?
- Why does it matter?
- How do I do this? Show me what to do so that I can be successful!

Between the marketing framework and the practical flow of the chapters, you'll gain a strong, clear knowledge of marketing both at the strategic, conceptual level and at the tactical, hands-on level. Both levels of insight will help ensure your success throughout your career, whether you're a marketer, a brand manager, an advertising exec, a CMO, or a well-informed financial analyst, CEO, or world guru.

## MANAGERIAL RECAP

Marketing can make customers happier and therefore companies more profitable. Marketing will enhance your career, and marketing can make the world a better place. Honest!

- Marketing is about trying to find out what customers would like, providing it to them, and doing so profitably.
- Ideally, marketing facilitates a relationship between customers and a company.
- Just about anything can be marketed.
- The overarching marketing management framework—5Cs, STP, 4Ps—will structure the book and help you to think methodically about the big picture of marketing.
- Don't forget! Stay focused on your customer! If you can remain customer-centric, you'll be five steps ahead of the competition.