

CONTENTS

SECTION I

AN OVERVIEW OF MARKETING MANAGEMENT 1

1. MARKETING AND THE MARKETING MANAGEMENT PROCESS 2

Marketing activities and their importance 4

Marketing's role in the global economy—
facilitating exchange 4

Conditions necessary for exchange 5

1. *Who markets and who buys? The parties in
an exchange 5*

2. *Customer needs and wants 6*

3. *Products and services—the focus of
exchange 7*

4. *How exchanges create value 7*

5. *Defining a market 9*

Marketing functions and institutions 10

Flows and functions 11

*Who does what? The system of marketing
institutions 12*

Costs and benefits of marketing functions 13

Marketing management 14

The marketing manager's role 14

A definition of marketing management 15

The marketing management process 16

*Corporate, business-unit, and marketing
strategies 16*

Market opportunity analysis 17

*Formulating strategic marketing
programs 19*

Marketing program components 19

*Formulating strategic marketing programs for
specific situations 20*

*Implementation and control of the marketing
program 20*

2. THE STRATEGIC ROLE OF MARKETING 24

Corporate, business, and marketing
strategies—different issues at different
organizational levels 26

Strategy: A definition 26

The components of strategy 27

The hierarchy of strategies 27

Corporate strategy 29

Business-level strategy 29

Marketing strategy 29

Strategic decisions at the corporate level 30

*Corporate scope—defining the firm's
mission 30*

Corporate development strategy 33

Allocating corporate resources 36

Portfolio models 37

Value-based planning 41

Strategic decisions at the business-unit level 43

Defining strategic business units 43

The business unit's objectives 44

The business unit's competitive strategy 44

Allocating resources within the business unit 45

The role of marketing in formulating and
implementing strategies 45

*Factors that mediate marketing's role in
strategic planning 46*

The future role of marketing 49

Appendix 2.1: The American Marketing
Association's Code of Ethics 53

SECTION II

MARKETING OPPORTUNITY ANALYSIS 56

3. ENVIRONMENTAL AND COMPETITIVE ANALYSIS 58

Components of marketing's macroenvironment 60

- The physical environment 61
 - Response to physical environmental problems* 61
 - The political/legal environment 62
 - Political risk* 62
 - Government regulation* 63
 - Government deregulation* 63
 - Other government influences and actions* 63
 - The technological environment 65
 - Intensification of technological development* 65
 - The sociocultural environment 67
 - Changing individual values* 67
 - Changing family structure* 68
 - The demographic/economic environment 68
 - Demographics trends* 68
 - U.S. demographics* 68
 - Economic performance* 69
 - International competition* 70
 - Competitive analysis 72
 - Competitor's objectives* 73
 - Competitor's strategy* 74
 - Competitor's success to date* 74
 - Competitor's strengths and weaknesses* 74
 - Competitor's future behavior* 75
 - Strategic environmental issue management 75
 - Environmental scanning* 75
 - Key environmental issue identification* 75
 - Impact evaluation* 76
 - Formulation of response strategies* 78
 - Ethical issues arising from the environment 79
 - Ethical issues in gathering competitive intelligence* 79
- 4. INDUSTRY DYNAMICS AND STRATEGIC CHANGE 84**
- Strategic value of industry evaluation 86
 - Defining products and markets—the units of analysis 87
 - Product definitions* 87
 - Market definitions* 88
 - The product life cycle 89
 - Life cycle curves* 89
 - Characteristics and implications of product life-cycle stages* 91
 - Introductory stage* 91
 - Growth stage* 93
 - Shakeout period* 94
 - Mature stage* 94
 - Decline stage* 95
 - Strategic implications of the product life cycle* 96
 - Market evolution 97
 - The adoption process* 97
 - The rate of adoption* 98
 - Adopter categories* 99
 - Early adoption versus late adoption: implications for marketing strategy* 100
 - Product evolution 101
 - Product differentiation over time* 101
 - Competitive (supply-side) evolution* 102
 - Present (existing) competitors* 103
 - Threat of new entrants* 104
 - Bargaining strengths of suppliers* 104
 - Bargaining strength of buyers* 105
 - Threat of substitute products* 105
 - Changing competition and industry evolution 105
 - Industry evolution and potential competitors* 106
 - Industry driving forces* 106
- 5. CONSUMER MARKET AND BUYING BEHAVIOR 110**
- The importance of understanding consumers' decision process 112
 - Types of consumers' purchasing decisions 113
 - High-involvement purchase decisions* 113
 - Low-involvement purchase decisions* 114
 - High-involvement, complex decision-making process* 114
 - Problem identification* 114
 - Information search* 115
 - Evaluation of alternatives* 118
 - Purchase* 119
 - Postpurchase evaluation* 119
 - Low-involvement purchase decisions 120
 - Inertia* 121
 - Impulse purchasing and variety seeking* 121
 - Marketing implications of low-involvement purchasing* 121
 - Psychological and personal influences on consumer decision-making processes* 122
 - Perception and memory* 123
 - Needs and attitudes* 125
 - Demographics and lifestyle* 128
 - Social influences on consumers' decision-making processes* 129
 - Culture* 130
 - Social class* 131
 - Reference groups* 132
 - Family* 132

6. ORGANIZATIONAL MARKETS AND BUYING BEHAVIOR 136

Comparing organizational and consumer markets 138

Nature and scope of organizational markets 139

Resellers 139

Goods producers 140

Service producers 140

Governments 141

Organizational buying decisions and participants 141

The organizational buying center 142

Types of buying situations 143

Organizational purchase decision-making process 144

Recognition of a problem or need 144

Search for information about products and suppliers 145

Evaluation and selection of suppliers 146

The purchase 147

Performance evaluation and feedback 147

Environmental influences on purchase decision processes and procedures 148

Goods and services purchased by organizational buyers 148

Raw materials 148

Component materials and parts 150

Installations 150

Accessory equipment 151

Operating supplies 151

Business services 151

Ethical considerations 152

7. MARKETING RESEARCH AND MARKET MEASUREMENTS 156

Marketing research 158

Problem formulation 159

Determining information needs and specifying data sources 160

Research design 161

Data collection 162

Sample design and size 164

Tabulation and analysis 165

Ethical issues in marketing research 165

Market measurement: The demand estimation process 166

Market potential versus market forecasts 167

Definition and uses of market potential 168

Measurement of absolute potential 170

Relative market potentials 171

Sales forecasting 173

8. MARKET SEGMENTATION AND MARKET TARGETING 178

Segmentation, targeting, and positioning 180

Rationale for market segmentation 181

Growing importance of segmentation 182

Benefits of market segmentation 182

Identification of market segments 183

General behavioral descriptors 184

Product-related behavioral descriptors 185

Consumer needs 186

The segmentation process 187

Determining differences in needs 187

Requirements for effective segmentation 188

Global market segmentation 188

Market attractiveness 189

Analyzing and prioritizing potential target markets 189

Targeting strategies 194

Mass-market strategy 194

Niche-market strategy 195

Growth-market strategy 195

Selecting target markets in the international arena 195

The problem of product strength versus geographic expansion 196

Ethical issues in market targeting 196

Inclusion issues 197

Exclusion issues 197

9. POSITIONING DECISIONS 202

Physical versus perceptual product positioning 204

Limitations of physical positioning 205

Perceptual product positioning 205

Dimensions on which consumers perceive competitive offerings 206

The positioning process 207

Identify a relevant set of competitive products (step 1) 208

Identify determinant attributes (step 2) 208

Determine consumers' perceptions (step 3) 210

Analyze the intensity of a product's current position (step 4) 210

Analyze the product's current position (step 5) 212

Determine customers' most preferred combination of attributes (step 6) 213

Define market positioning and market segmentation (step 7) 214
Select positioning strategies (step 8) 215

SECTION III | **DEVELOPING STRATEGIC MARKETING PROGRAMS 222**

10. BUSINESS STRATEGIES AND MARKETING PROGRAM DECISIONS 224

The concept of strategic fit 226
Business strategies 226
 General business-level competitive strategies 227
 Business-level strategies for global competitors 228
 Underlying dimensions of different business strategies 229
The fit between business strategies and the external environment 232
 Appropriate conditions for a prospector strategy 232
 Appropriate conditions for an analyzer strategy 234
 Appropriate conditions for a defender strategy 234
 Changing strategies at different stages in the industry life cycle 235
Marketing implications of different business strategies 236
 Product policies 237
 Pricing policies 238
 Distribution policies 238
 Promotion policies 239
Do service businesses require different strategies? 239
 Business-level competitive strategies 240
 Impact of service characteristics on marketing 240

11. PRODUCT AND SERVICES DECISIONS 244

What is a product? 246
 Product classifications 246
Product strategy constraints 247
 Influence of market targeting strategies on product decisions: Global standardization versus localization 248
 Effects of positioning strategies on product decisions 250
 Business strategy constraints 251

Product quality 251
 Quality dimensions 252
 Quality strategy 253
Branding 253
 Favorable branding conditions 254
 Manufacturer versus distributor brands 254
 Branding strategies 255
Packaging 257
Servicing products 258
Strategy decisions for product lines 258
 Line filling 259
 Line stretching 259
 Line extensions 260
 Brand extensions 260
 Dropping products 260
 Product systems 261
Services 261
 Classification of services 262
 Impact of service characteristics on marketing management 263
 Service quality 265
 Service guarantees 266

12. DEVELOPING AND TESTING NEW PRODUCTS AND SERVICES 270

Problems and opportunities in new product development 272
 New product success 272
New product development process 274
 Objectives and strategies for new products 275
 New product ideas and idea-screening process 276
 Product design 279
 Testing 282
 Pretest market research 285
 Field test marketing 286
 Commercialization 288
Applying the new product development process to services 288
Ethical issues 289

13. PRICING DECISIONS 294

The shifting importance of price 296
The price-setting process 296
 A step-by-step procedure 296
 Strategic pricing objectives 296
 Estimating demand 300
 Estimating costs 303
 Analyzing competitors' costs and prices 305

- Methods for setting a price level 306
 - Cost-oriented methods* 306
 - Competition-oriented methods* 308
 - Customer-oriented methods* 310
- Adapting prices to variations in market circumstances 312
 - Geographic adjustments* 312
 - Global adjustments* 312
 - Discounts and allowances* 313
 - Discriminatory pricing adjustments* 315
 - Product line pricing adjustments* 316
- Initiating and responding to price changes 317
- 14. DISTRIBUTION DECISIONS 320
 - Channel functions and institutions 322
 - Channel institutions* 323
 - Nonstore retailing* 326
 - Channel design alternatives 328
 - Alternative industrial goods channels* 328
 - Multichannel distribution* 329
 - Channels for services* 330
 - Backward channels for recycling* 330
 - Channel design decisions 330
 - Channel objectives* 330
 - Desired number of retail outlets* 333
 - Physical distribution and the number of distribution points* 334
 - Criteria for choosing between different types of institutions* 335
 - Channel management decisions 336
 - Vertical marketing systems* 336
 - Sources of channel power* 339
 - Channel control strategies* 339
 - Incentives for motivating channel members* 340
 - Channel conflicts and resolution strategies* 340
 - International channels 341
 - Market entry strategies* 341
 - Channel alternatives* 343
 - Channel problems* 344
 - Internationalization of services* 346
 - Ethical issues 346
- 15. PROMOTION DECISIONS 350
 - The promotion mix 352
 - The communication process 353
 - Communications problems* 353
 - Framework for developing an effective promotion mix 354
 - Steps in developing the promotion mix* 355
 - Advertising 359
 - Advertising expenditures and the different types of advertising* 360
 - Types of advertising* 360
 - Advertising objectives* 361
 - The source* 362
 - The message* 363
 - Advertising media* 366
 - Feedback* 368
 - International advertising* 370
 - Sales promotion* 373
 - Public relations* 374
 - International sales promotions and publicity* 375
 - Ethical issues in advertising and sales promotion 375
 - Issues of morals, taste, and values* 375
 - Deceptive advertisements* 376
 - Sweepstakes, contests, and games* 377
- 16. PERSONAL SELLING DECISIONS 382
 - Personal selling and sales management issues 384
 - The strategic role of the salesforce 385
 - Determinants of the role of personal selling* 385
 - Marketing objectives for the salesforce* 386
 - Types of sales jobs 387
 - Steps in the selling process 388
 - Prospecting for customers* 388
 - Opening the relationship* 389
 - Qualifying the prospect* 390
 - Presenting the sales message* 390
 - Closing the sale* 391
 - Servicing the account* 391
 - Planning the sales program 392
 - Salesforce organization* 393
 - Organizing the sales effort in global markets* 396
 - Account management policies* 398
 - Territory design and deployment* 398
 - Setting quotas* 399
 - Implementing the sales plan 400
 - Recruitment and selection* 401
 - Training* 402
 - Compensation and rewards* 402
 - Evaluation and control 405

SECTION IV STRATEGIC MARKETING PROGRAMS FOR SELECTED SITUATIONS 410

17. STRATEGIES FOR NEW AND GROWING MARKETS 412

Some strategic issues concerning new market entries 414

How new is new? 414

Market entry strategies: Pioneers versus followers 416

Pioneer strategy 416

Not all pioneers capitalize on their potential advantages 418

Follower strategy 418

Determinants of success for pioneers and followers 419

Strategic marketing programs for pioneers 421

Mass-market penetration 421

Niche penetration 422

Skimming and early withdrawal 423

Marketing program components for a mass-market penetration strategy 424

Marketing program components for a niche penetration strategy 427

Marketing program components for a skimming strategy 427

Growth-market strategies for market leaders 427

Marketing objectives for share leaders 428

Marketing actions and strategies to achieve share-maintenance objectives 429

Fortress, or position defense, strategy 430

Flanker strategy 433

Confrontation strategy 434

Market expansion 434

Contraction or strategic withdrawal 435

Share-growth strategies for followers 435

Marketing objectives for followers 435

Marketing actions and strategies to achieve share growth 436

Frontal attack strategy 436

Leapfrog strategy 440

Flanking and encirclement strategies 440

Empirical evidence 441

18. STRATEGIES FOR MATURE AND DECLINING MARKETS 446

Strategic issues in mature and declining markets 448

Issues in mature markets 448

Issues in declining markets 448

Business strategies for mature markets 449

Strategies for maintaining competitive advantage 450

Methods of differentiation 451

Methods for maintaining a low-cost position 455

Business strategy and performance 457

Marketing strategies for mature markets 458

Strategies for maintaining current market share 458

Strategies for extending volume growth 458

Strategies for declining markets 464

Relative attractiveness of declining markets 465

Divestment or liquidation 467

Marketing strategies for remaining competitors 468

SECTION V IMPLEMENTING AND CONTROLLING STRATEGIC MARKETING PROGRAMS 474

19. IMPLEMENTING BUSINESS AND MARKETING STRATEGIES 476

Issues in the implementation of business and marketing strategies 478

Relationships between business and marketing strategies 478

Administrative relationships and strategy implementation 479

Business unit autonomy 481

Shared programs and facilities 482

Evaluation and reward systems 482

Organizational structure, processes, and strategy implementation 483

Functional competencies and resource allocation 483

Additional considerations for service organizations 485

Organizational structures 486

Interfunctional coordination and conflict resolution mechanisms 487

Alternative organizational designs 487

Future of product management 491

Recent organizational design developments 491

Marketing action plans 492

Organizational design and the international community 494
 Decision making and organizational structure 495
 Appendix: The contents of the annual marketing plan 496

20. CONTROLLING MARKETING STRATEGIES AND PROGRAMS 500

The control process 502
 Setting standards of performance 502
 Specifying and obtaining feedback data 507
 Taking corrective action 508
 Strategic control 509
 Identifying key variables 509
 Tracking and monitoring 509
 Strategy reassessment 510

Product-market entry control 510
 Sales/share determinants 510
 Sales analysis 510
 Adherence to plan control 513
 Global marketing control 513
 The marketing audit 514
 Types of audits 514
 Marketing decision support systems (MDSSs) 516
 Future of MDSS 516

APPENDIX THE GAMAR CASE—GAMAR: GLOBAL ALLOCATION OF MARKETING RESOURCES 524

NAME INDEX 543

SUBJECT INDEX 547