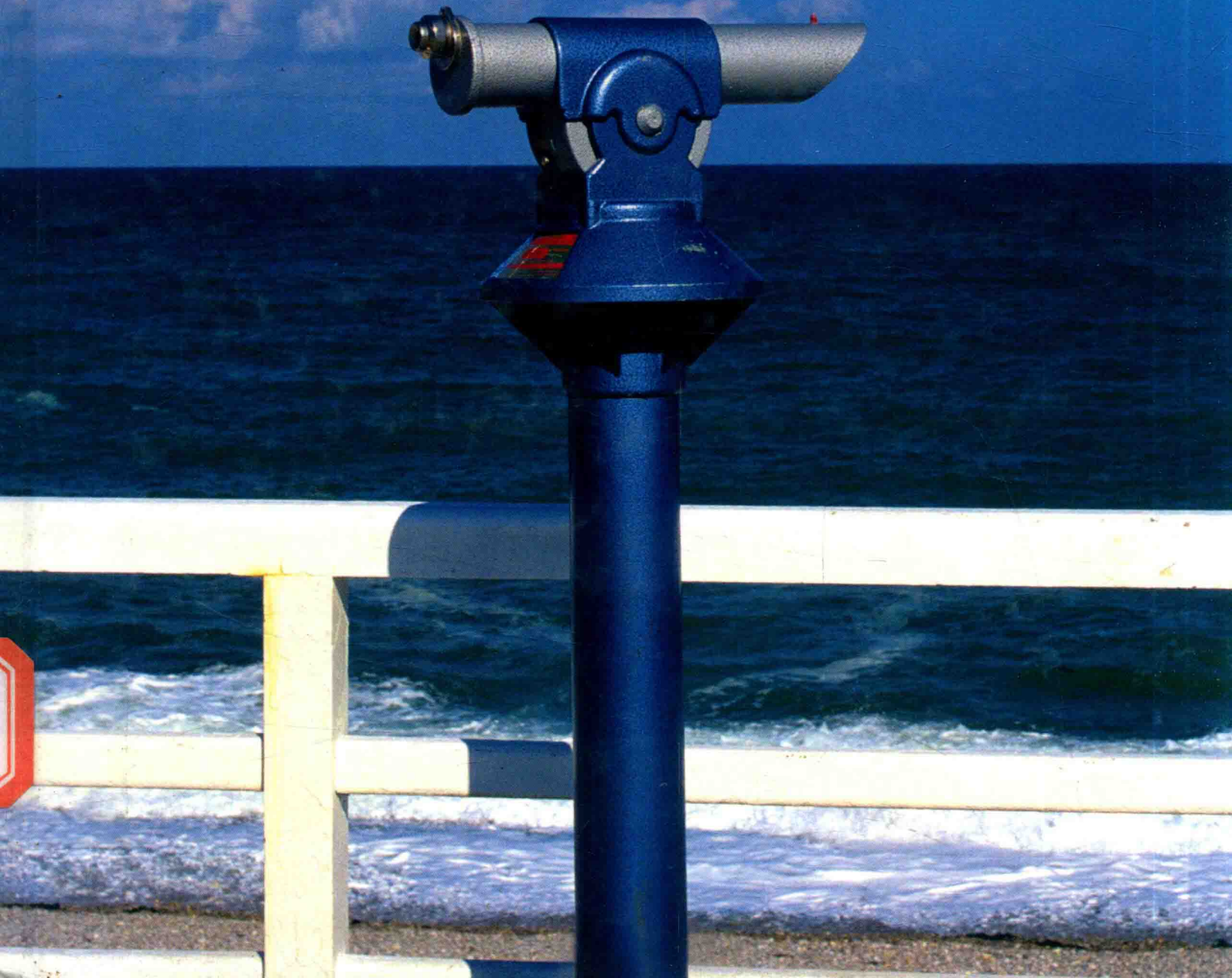


MARKETING ^{2e} MANAGEMENT

Greg W. Marshall / Mark W. Johnston



Marketing Management

Second Edition

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Greg W. Marshall
ROLLINS COLLEGE

Mark W. Johnston
ROLLINS COLLEGE



MARKETING MANAGEMENT, SECOND EDITION

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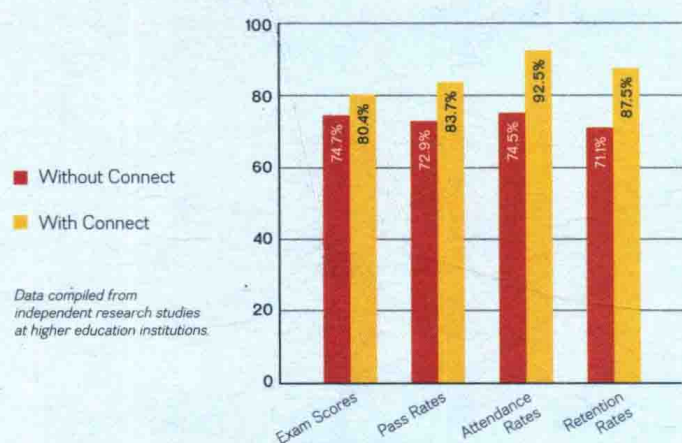
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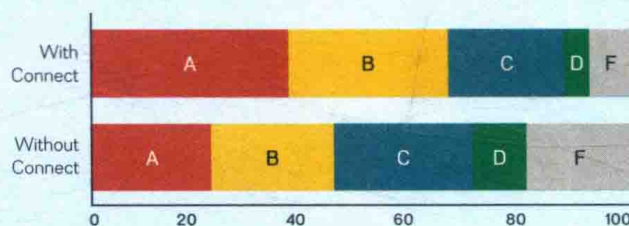
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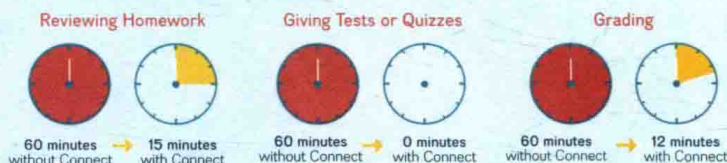
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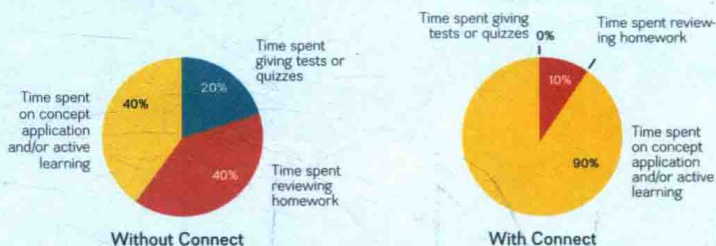
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Data compiled from independent research studies at higher education institutions.

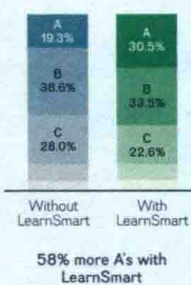
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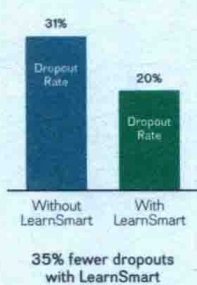
...allowing for more time to focus on concept application and other learning.



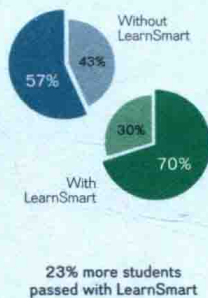
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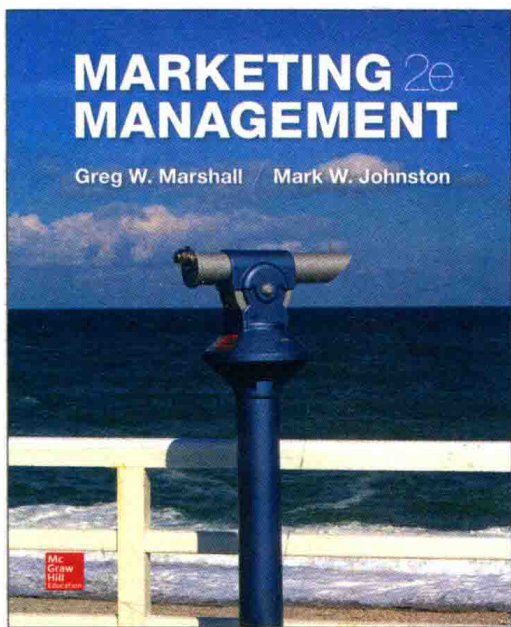
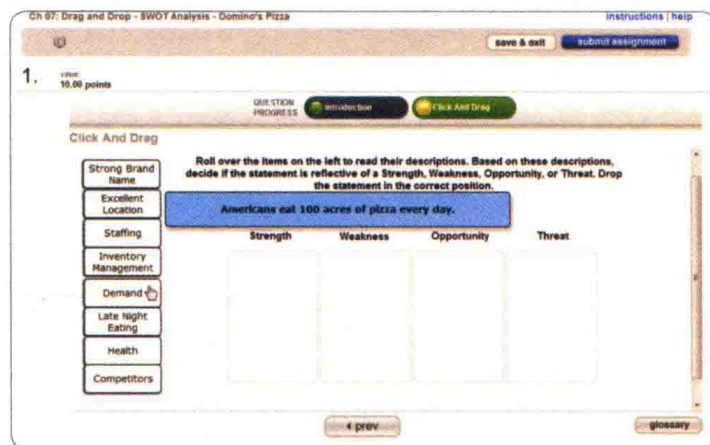
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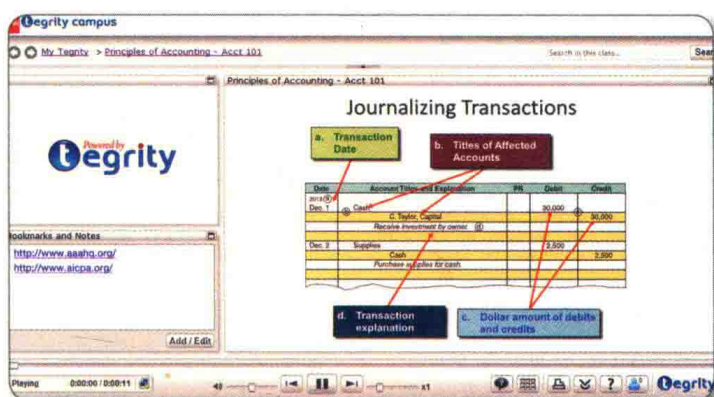
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To Patti and Justin

-Greg

To Susan, my love, and Grace, my joy, thank you

-Mark

ABOUT THE AUTHORS

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Greg W. Marshall is the Charles Harwood Professor of Marketing and Strategy in the Roy E. Crummer Graduate School of Business at Rollins College in Winter Park, Florida, and is also the academic director of the Executive DBA program there. For three years he served as vice president for Strategic Marketing for Rollins. He earned his PhD in Business Administration from Oklahoma State University, taking a marketing major and management minor, and holds a BSBA in marketing and an MBA from the University of Tulsa. Before joining Rollins, Greg was on the faculty at the University of South Florida, Texas Christian University, and Oklahoma State University. He currently also holds an appointment as professor of Marketing and Strategy at Aston Business School in Birmingham, United Kingdom.

Prior to returning to school for his doctorate, Greg's managerial industry experience included 13 years in consumer packaged goods and retailing with companies such as Warner Lambert, Mennen, and Target Corporation. He also has considerable experience as a consultant and trainer for a variety of organizations and has been heavily involved in teaching Marketing Management at multiple universities to both MBA and undergraduate students.

Greg is editor of the *Journal of Marketing Theory and Practice* and from 2002–2005 was editor of the *Journal of Personal Selling & Sales Management*. His published research focuses on the areas of decision making by marketing managers, intraorganizational relationships, and sales force performance. He is past president of the American Marketing Association Academic Division and also was a founder and served for five years on its Strategic Planning Group. He is a Distinguished Fellow and past president of the Academy of Marketing Science and is a Fellow and past president of the Society for Marketing Advances.

Mark W. Johnston

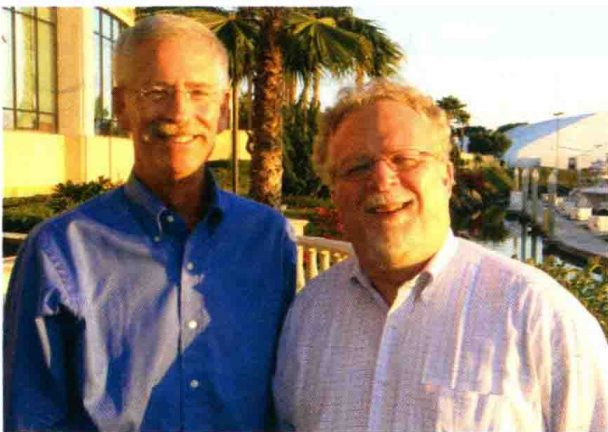
Mark W. Johnston is the Alan and Sandra Gerry Professor of Marketing and Ethics in the Roy E. Crummer Graduate School of Business at Rollins College in Winter Park, Florida. He earned his PhD from Texas A&M University and holds a BBA and an MB from Western

Illinois University. Before joining Rollins, Mark was on the faculty at Louisiana State University. Prior to his academic career, he worked in industry as a sales representative for a leading distributor of photographic equipment. His research has been published in a number of professional journals including *Journal of Marketing Research*, *Journal of Applied Psychology*, *Journal of Business Ethics*, *Journal of Marketing Education*, *Journal of Personal Selling & Sales Management*, and many others.

Mark has been retained as a consultant for firms in a number of industries including personal health care, chemical, transportation, hospitality, and telecommunications. He has consulted on a wide range of issues involving strategic business development, sales force structure and performance, international market opportunities, and ethical decision making. Mark also works with MBA students on consulting projects around the world for

companies such as Tupperware, Disney, and Johnson & Johnson. He has conducted seminars globally on a range of topics including the strategic role of selling in the organization, developing an ethical framework for decision making, improving business unit performance, and structuring an effective international marketing department.

For more than two decades Mark has taught Marketing Management, working with thousands of students. His hands-on, real-world approach has earned him a number of teaching awards.



PREFACE

INTRODUCTION

No doubt about it, the field of marketing is *really changing*. The changes in the practice of marketing management are dramatic and important, and call attention to a number of organizational issues in today's business milieu that differ from the past. In general, marketing management today is:

- Very strategic—customer centricity is now a core *organizational* value.
- Heavily enabled by technology and data.
- Focused on facilitating *value* for the customer.
- Concerned with internal alignment of people, processes, systems, and strategies to effectively compete through a customer focus.
- Accountable to top management through diligent attention to metrics and measurement.
- Oriented toward service as the driver of product.
- Focused on a long-term customer relationship-centered understanding of the need to develop deep commitments from current profitable customers while also cultivating new ones.
- “Owned” by everybody in the firm, to one degree or another.
- Critically committed to exhibiting the utmost ethical behavior in all dealings.

In contrast, marketing management in the past has been:

- Much less strategic in nature.
- Very 4Ps oriented—more tactical.
- Less relationship-centered, thus focused on shorter time horizon decision making.
- Less focused on the ability to consistently deliver value for the customer.
- Oriented toward product as the core deliverable.
- Done by marketing *departments*.
- Much less accountable to upper management in terms of measurement of marketing success.

WHY WE WROTE THIS BOOK

Given the dramatic changes in the field of marketing, it is a sure bet that the job of leading and managing marketing's contributions to the organization and its customers, clients, partners, and society at large has changed at a concurrent level. Yet, the typical marketing management book on the market today does not effectively capture and communicate to students how marketing management is really practiced in the 21st century world of business. Clearly, it is time for an updated approach to teaching and learning within the field. This book is designed to fulfill that need.

We hear it from colleagues all the time—the complaint that the book they are using in their marketing management course “doesn't say what I believe the students need to hear” or that it “is too simplistic—like a marketing principles book” or that it “doesn't match what my MBAs actually do on the job” or that it “reads like an encyclopedia of marketing” or that it “has too much about everything and not enough focus on anything.” During the development process for this book,

we heard comments like these and others from hundreds of colleagues in focus groups, in written reviewer comments, and in numerous conversations around the world about the course. As a result, we became convinced that such comments truly are pervasive among instructors who teach marketing management, whether as the introductory MBA course, capstone undergraduate course, or first focal course after the undergraduate marketing principles course. Many marketing management instructors are looking for a book that is:

- Written for today's students in an up-to-date, user-friendly, yet professional and thorough style.
- Able to strike an effective balance between presenting the new world order of marketing at the strategic, operational, and tactical levels.
- A step up from the previous norm in terms of support materials for the classroom.

Marshall/Johnston's *Marketing Management, 2e* has taken great effort to represent marketing management the way it is actually practiced in successful organizations today. In our view, leading and managing the aspects of marketing to improve individual, unit, and organizational performance—**marketing management**—is a *core business activity*. Its relevance is not limited to just marketing departments or marketing majors. And business students of all backgrounds should appreciate the impact of effective marketing management on their own professional careers as well on as the overall success of their organizations. Bottom line, the ability to do great marketing management is relevant to *everyone in a firm*.

The content of the book reflects the major trends in the managerial practice of marketing, and the pedagogy is crafted around *learning and teaching preferences in today's classroom*. Above all, it is written in a style that is appealing for both students and instructors so that students will actually enjoy reading the material and instructors will be proud to teach from it and confident about presenting its up-to-date, professional, and thorough approach to their courses.

STRUCTURE OF THE BOOK

Marshall/Johnston's *Marketing Management, 2e* has six major parts, reflective of the logical sequence of building blocks for the course.

- **Part One: Discover Marketing Management.** In this part, students gain an understanding of the dynamics of the field. Significant attention is paid to framing the importance of studying marketing to future success as a manager. To kick off the marketing planning theme early in the course, Part One includes comprehensive coverage of this aspect along with an example marketing plan.
- **Part Two: Use Information to Drive Marketing Decisions.** It has often been said that information is the fuel that fires the engine of marketing management decision making. With this in mind, Part Two focuses on effective management of information to better understand customers, both in the consumer and business marketplaces. Effective segmentation, target marketing, and positioning are at the core of successful marketing and this part provides a modern managerial treatment of these critical topics, including connecting CRM capabilities with other relevant competencies and capabilities of successful marketers.
- **Part Three: Develop the Value Offering—The Product Experience.** This "product suite" of chapters presents a coherent and comprehensive drill-down into today's world of product strategy, branding, and new-product development. Reflective of the notion that service is a key driver of product success, we devote a separate chapter to making important links between service and the overall offering.

- **Part Four: Price and Deliver the Value Offering.** Part Four begins with a fresh, managerially relevant treatment of pricing decision making followed by an integrative approach to the multitude of modes at a manager's disposal today by which an offering can be made available to customers through channels and points of interface.
- **Part Five: Communicate the Value Offering through the Elements of Integrated Marketing Communications.** With the rise of social media and the dramatic changes in the deployment of marketing communications, this new "marketing communications suite" of chapters has been created for *Marketing Management, 2e* to best feature the array of new-age and traditional marketing communication vehicles available to managers.
- **Part Six: Bring It All Together—Global and Performance Dimensions.** Global marketplace issues are presented based on the idea that today, truly *all marketing is global*. The final chapter in the book is unique in marketing management books, in that it is the first of its kind to focus on comprehensive approaches to selecting and executing marketing metrics for decision making. As such, it is useful as a resource chapter for numerous other topics in the course including the development of a marketing plan.


KEY FEATURES OF THE BOOK

ETHICAL DIMENSION

Reflective of the centrality of ethical practices to marketing management, each chapter includes a real-world example of business ethics related to chapter material. These lively boxed features highlight how ethical issues permeate every marketing decision.

POP-OUT EXAMPLES

Each chapter contains numerous pop-out examples so that students can immediately connect chapter content to real-world application.

**ETHICAL DIMENSION 3**
The Source of the Click

Internet ad spending is currently \$100 billion and is projected to reach more than \$160 billion by 2016. The pay structure has evolved along two distinct lines. About half of all Internet ads are priced based on the number of people viewing the ad, similar to traditional television advertising. The other model for Internet advertising charges by the click. If someone views an ad and then chooses to click on the ad through to the advertiser, the advertiser pays a fee ranging from a few pennies to \$20. A critical assumption in the click's legitimacy, it is supposed to represent someone actively seeking information from the advertiser's site.

Two companies control the vast majority of Internet ad placements—Yahoo and Google. While Google and Yahoo generate most of their revenue on legitimate websites, they also send ads to affiliated sites, known as 'domain parking websites,' which are basically advertising sites with very little content. Publicly they state these sites provide a useful service by directing Internet surfers to relevant information. However, companies are starting to express concern that some of these sites may actually be generating illegitimate clicks, clicks by individuals (or other computers) who are not legitimate potential customers.

Click fraud, estimated at more than \$1 billion, has become a big issue for many Internet advertisers. Websites with names such as "insurance402.com" are dummy sites located primarily in Asia and Eastern Europe that generate false clicks. The process works like this. First, ABC Company contracts with Google or Yahoo to advertise on the Internet and negotiates the fee ABC will pay for each click from an ABC ad to the company website. Second, Google or Yahoo displays the ad on legitimate websites but also sends the ad to domain parking websites. Third, these sites distribute the ads to parked websites that are often just lists of ads. Fourth, the owner of the parked website sends out a list of sites to individuals known collectively as "paid-to-read groups." These individuals' role is to click on ads for which they receive a small payment. Finally, Google or Yahoo charges ABC Company for the click, then shares part of the revenue with the domain parking website, which shares it with the other participants on the list.

Adding to the position of Google when click fraud is rampant. However, both it with advertisers, their business model.

Ethical Perspectives

1. **Advertisers** advertising a number of products not accurate
2. **Google and** with click fraud significant revenue

growth in a community. In Mexico City, days during the week as congestion and smog hang over the city. In China, government stations monitored for pollution levels, nearly 25 times as high as in the United States. These concerns influence marketers as they products are manufactured. For example, investing billions to identify and develop products.

Political/Legal Environment Political environment significantly affect company industry. In 2003, the National Do Not Call telemarketing calls. By registering telemarketing calls. Telemarketing companies they call someone listed on the register. MI companies were forced to recognize their Local, state, and federal legislatures put them over before. In addition, government business activity. During the 1990s the actively pursued several antitrust actions.

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At the broadest conceptual level, members of society at large can be viewed as a stakeholder for marketing, a concept called **societal marketing**. As one example, the concept of environmentally friendly marketing, or **green marketing**, has been a growing trend in socially responsible companies. Today the movement has evolved into a part of the philosophical and strategic core of many firms under the label **sustainability**, which refers to business practices that meet humanity's needs without harming future generations.¹¹ Sustainability practices have helped socially responsible organizations incorporate *doing well by doing good* into their overarching business models so that both the success of the firm and the success of society at large are sustained over the long term. Ethical Dimension 1 takes a look at environmentally friendly marketing at several firms.

"Purpose Marketing, or "Pro-Social Marketing" is growing as a marketing strategy. This growing popularity can be attributed to an increasing number of consumers who say what a company stands for influences their purchasing decisions. Companies, such as Panera Bread, must communicate their core values through their use of the marketing mix. Panera is known for its quick serve restaurants, but it's also charitable, actively working with other organizations including Feeding America. In order to create awareness of its social consciousness, Panera launched its "Live consciously. Eat deliciously" campaign. The initiative will have a significant presence on social media sites, including Facebook and Twitter, exposing this new positioning to millions of fans. Purpose marketing with this type of sincerity has the potential to appeal to consumers on an emotional level and further drive customer loyalty. This trend moves marketing beyond push brand messaging and instead engages consumers in a much more meaningful way.¹²

Value and Exchange Are Core Marketing Concepts

Throughout the various topics encompassed within this book, the idea of value as a core concept in marketing will be a central theme. From a customer's perspective, we define **value** as a ratio of the bundle of benefits a customer receives from an offering compared to the costs incurred by the customer in acquiring that bundle of benefits.¹³ Another central tenet of marketing is the concept of **exchange**, in which a person gives up something of value to them for something else they desire to have.¹⁴ Usually an exchange is facilitated by money, but not always. Sometimes people trade or barter nonmonetary resources such as time, skill, expertise, intellectual capital, and other things of value for something else they want. For any

MANAGEMENT DECISION CASE

At the end of each chapter is a case drawn from the business headlines. Students are engaged by the currency of the problem and asked to develop solutions using chapter material. The cases are just the right size for today's classroom use—not too short but not too long!

MANAGEMENT DECISION CASE: Using Information to Target Customers Who Do Not Know They Are Being Targeted

In late 2013, Target Corporation, one of the biggest retail organizations in America, announced one of the largest data security breaches in history, with tens of millions of credit cards compromised by system hackers. This case focuses on another interesting but less publicized event from the same time frame.

"If we wanted to figure out if a customer is pregnant, even if she didn't want us to know, can you do that?" This question is emblematic of similar questions that are asked in companies all over the world in an effort to more specifically identify customers for increased sales opportunities. In this case, the Target brass were hoping to identify buying patterns of their female customers that would allow for effective promotion of specific products such as maternity and baby items. As Target has learned, customer buying patterns are representative of their life stage and to the extent that an organization can identify those life stages through data mining and information analysis, greater sales opportunities are possible.

Target is one of many companies that have discovered the benefits of "big data" and "business analytics." As individuals buy items, whether it is online or if Target was encouraging his daughter to get pregnant, the store manager apologized profusely for Target's home office's action. A few days later the store manager phoned the customer to apologize again and learned the customer's daughter was actually pregnant, a fact that was revealed after the father returned from the store and spoke with her.

As enhanced computer processing power becomes more prevalent and more people are trained in the science and art of business analytics, there is no question that companies will utilize these data to increase company performance. In fact, Target Corporation's total revenues rose from \$44 billion in 2002 to over \$70 billion in 2013, an increase attributed to Target's "heightened focus on items and categories that appeal to specific segments such as mom and baby." However, the ability for companies to analyze big data with sophisticated techniques is not without some risk, and given Target's highly publicized security breach in late 2013 Target must be highly sensitive to the issue. The key is to balance the need ensure security and at the same time use data to enhance organizational success.

MARKETING PLAN EXERCISE

ACTIVITY 3: Identify Critical Information

This exercise asks you to identify the critical information needed to create the marketing plan. In that regard it is important to evaluate existing information (internal inside and secondary data) as well as new information gathered through primary research. This assignment includes:

1. Catalog internal sources of information available to you inside the organization and what information you will receive from each source.
2. Identify secondary data sources and the specific information you need from each source.
 - a. List sources.
 - b. Date.
 - c. Assess the relevance of the data to the project.
3. List primary data needs to create the marketing plan. Then develop the specific instruments (focus group questions, surveys) that you will use later in the marketing plan.

MARKETING PLAN EXERCISE

Each chapter connects that chapter's key content to a semester-long marketing plan project activity. Marshall/Johnston's *Marketing Management, 2e* is the only marketing management book to effectively thread a marketing planning focus throughout the textbook itself. Whether or not a semester marketing plan project is used by the instructor, the marketing plan exercise feature does a great job of tying together important planning concepts for students in a methodical, stepwise manner.

GLOSSARY OF TERMS

A complete glossary of key terms and definitions is provided at the end of the book. The glossary serves as an important reference as well as a handy study aid for students preparing for exams.

OTHER FEATURES IN EACH CHAPTER

- *Learning objectives:* These set the stage at the beginning of the chapter for what students will achieve by reading and studying the chapter. Each objective reappears in the margin at the relevant point in the chapter so students can track their progress.
- *Summary:* At the end of each chapter, a summary reminds students of the highlighted topics.
- *Key terms:* Terms are bolded throughout the chapter and connected with definitions in the Glossary.
- *Application questions:* These engaging questions at the end of each chapter are designed to direct students' thinking about the topics to the next level of application. Throughout the book all of these questions have been specially designed to simulate managerial decision making.

SUPPLEMENT PACKAGE

Marshall/Johnston's *Marketing Management*, 2e is committed to having the best supplement package in the marketing management textbook arena.



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LEARNING OBJECTIVES

- LO 3-1** Describe the difference between market information systems and market research systems.
- LO 3-2** Identify how critical internal (inside the firm) information is collected and used in making marketing decisions.
- LO 3-3** Explain essential external (outside the firm) information collection methods.
- LO 3-4** Recognize the value of market research and its role in marketing.
- LO 3-5** Define the market research process.
- LO 3-6** Illustrate current research technologies and how they are used in market research.

Assurance of Learning Ready

Assurance of learning is an important element of many accreditation standards. Marshall/Johnston's *Marketing Management, 2e* is designed specifically to support your assurance of learning initiatives. As mentioned earlier, each chapter in the book begins with a list of learning objectives, which are then addressed throughout the chapter as well as in the end-of-chapter problems and exercises. Every test bank question is also linked to one of these objectives and indicates level of difficulty, topic area, Bloom's Taxonomy level, and AACSB skill area. EZ Test, McGraw-Hill's easy-to-use test bank software, can search the test bank by these and other categories, providing an engine for targeted Assurance of Learning analysis and assessment.

AACSB Statement

The McGraw-Hill Companies is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, Marshall/Johnston's *Marketing Management, 2e* has recognized the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the test bank to the general knowledge and skill guidelines found in the AACSB standards.

The statements contained in Marshall/Johnston's *Marketing Management, 2e* are provided only as a guide for the users of this text. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While Marshall/Johnston's *Marketing Management, 2e* and the teaching package make no claim of any specific AACSB qualification or evaluation, we have labeled selected questions according to the six general knowledge and skills areas.

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ONLINE LEARNING CENTER

Students using Marshall/Johnston's *Marketing Management, 2e* will have access to resources located on the Online Learning Center, including Chapter Quizzes.



CONCLUSION

Our overarching goal is to provide a marketing management book that truly captures the managerial practice of marketing in a way that is fully relevant to today's business students, professors, and managers. As stated earlier, we strongly believe that leading and managing the aspects of marketing to improve individual, unit, and organizational performance—**marketing management**—is a core business activity that is relevant to any MBA or undergraduate business student, regardless of his or her functional area of focus. At the end of the course, we want this book to allow marketing management instructors to have accomplished these key objectives:

- Clearly bring knowledge leadership in managerial aspects of marketing into the classroom, especially focusing on marketing management decision making in this new era of marketing.
- At the same time, cover the core areas of day-to-day management of marketing functions, but with a focus always on application and managerial decision making—not just basic “principles.”
- Integrate the following themes as systematic focal areas of the course experience: marketing planning, leadership, metrics, value, customer centricity, globalization, ethics, technology and data-driven marketing, and marketing's interface with other business functions.
- Speak to today's students in an up-to-date, user-friendly, yet professional and thorough writing style with vivid examples of actual marketing managers and leaders doing their jobs and making decisions about marketing problems and opportunities.
- Offer a state-of-the-art supplement package that enhances instructional effectiveness and the student's learning experience.
- Ultimately, provide a book today's instructors will be proud to teach from, secure in the knowledge that students *will want to read it* and that it represents the field of marketing management the way it is practiced in today's business milieu.

Acknowledgments

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