

MARKETING STRATEGY

A DECISION-FOCUSED APPROACH

Fourth
Edition

Walker
Boyd
Mullins
Larreche

INTERNATIONAL EDITION

MARKETING STRATEGY

A DECISION-FOCUSED APPROACH

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MARKETING STRATEGY: A DECISION-FOCUSED APPROACH

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PREFACE

WHY THIS COURSE?

THE BEST OF THE LEADING BUSINESS SCHOOLS and other executive education programs offer capstone or other elective courses in marketing whose strategic perspective challenges students to “pull it all together” and integrate what they have learned in earlier courses—including those in marketing and other disciplines—in making strategic marketing decisions. Whether called Marketing Strategy, Strategic Market Planning, Strategic Brand Management, Marketing in the New Economy, or something else, such courses typically ask students to apply what they learn to decision making in cases that bring alive real marketing situations. Many also ask students to complete a term-long project of some kind, such as the development of a marketing plan for a new or existing product or a new venture. We have written this text to serve exactly these kinds of capstone and advanced elective courses.

WHY THIS BOOK?

Why did your instructor choose this book? Chances are, it was for one or more of the following reasons:

- Among your instructor’s objectives is to give you the necessary tools and frameworks to enable you to be an effective contributor to marketing **decision making**, whether as an entrepreneur or in an established firm. This book’s focus on decision making sets it apart from other texts that place greater emphasis on *description* of marketing phenomena than on the strategic and tactical marketing *decisions* that marketing managers and entrepreneurs must make each and every day.
- Your instructor prefers a tightly written text whose strategic perspectives serve as a **concise foundation** around which a broader set of materials, such as case studies or supplementary readings that fit the specific theme of the course, are

assembled. Thus, this text assumes student familiarity with—and thus does not repeat—the basics of buyer behavior, the four Ps, and other marketing fundamentals typically covered in earlier courses.

- Your instructor wants to use the most current and most **Web-savvy** book available. We integrate the latest new-economy developments into each chapter, and we devote an entire chapter—Chapter 12—to the development of marketing strategies for the new economy. In addition, we supplement the book with an interactive website to help you learn and to help your instructor choose the best case and other materials and in-class activities. Our goal—and probably that of your instructor, as well—is to make both the latest Web-based tools as well as time-tested marketing principles relevant to those of you who will work in either old- or new-economy companies.
- Your instructor appreciates and believes you will benefit from the **real-world, global perspectives** offered by the authors of this book. Our combined entrepreneurial, marketing management, and consulting experience spans a broad variety of manufacturing, service, software, and distribution industries and has taken us—and thereby you, the reader—around the world many times over.

As the reader will see from the outset in Chapter 1, marketing decision making is a critical activity in every firm, including start-ups—not just in big companies with traditional marketing departments. Further, it is not just marketing managers who make marketing decisions. People in nearly every role in every company can have powerful influence on how happy its customers are—or are not—with the goods and services the company provides. Stockbrokers must attract new customers. Accounting and consulting firms must find ways to differentiate their services from other providers so their customers have reasons to give them their business. Software engineers developing the next

great Internet or other technology must understand how their technology can benefit the intended customer, for without such benefits, customers will not buy. Thus, we have written this book to meet the marketing needs of readers who hope to make a difference in the long-term strategic success of their organizations—whether their principal roles are in marketing or otherwise.

In this brief preface, we want to say a bit more about each of the four distinctive benefits—bulleted above—that this book offers its readers. We also point out the key changes in this edition compared to previous ones; and we thank our many students, colleagues, and others from whom we have learned so much, without whom this book would not have been possible.

A FOCUS ON DECISION MAKING

This fourth edition of *Marketing Strategy: A Decision-Focused Approach* retains the strategic perspectives that have marked the earlier editions, while providing, in each chapter, specific tools and frameworks for **making marketing decisions** that take best advantage of the conditions in which the firm finds itself—both internally, in terms of the firm's mission and competencies, and externally, in terms of the market and competitive context in which it operates.

This decision-focused approach is important to students and executives who are our readers, because, in most advanced marketing management classes and executive courses, the students or participants will be asked to make numerous decisions—decisions in case studies about what the protagonist in the case should do; decisions in a course project, such as those entailed in developing a marketing plan; or decisions in a marketing simulation such as Gamar, included with this book.

Our decision-focused approach is also important to employers, who tell us they want today's graduates to be prepared to “hit the ground running” and contribute to the firm's decision making from day one. The ability to bring thoughtful and disciplined tools and frameworks—as opposed to seat-of-the-pants hunches or blind intuition—to marketing decision making is one of the key assets today's business school graduates offer their employers. This book puts the tools in the toolbox to make this happen. In the end, employers want to know what their new hires can *do*, not just what they *know*.

A CONCISE STRATEGIC FOUNDATION

This fourth edition serves as a **concise foundation** for a capstone or advanced elective course in marketing whose focus is on strategic issues. By combining this book with supplemental readings and/or cases, instructors can design a rich and varied course in which students learn experientially, as they focus on the various strategic decisions that define contemporary marketing theory and practice.

Because the book is concise, students learn the key strategic principles quickly, so they can devote most of their reading and prep time to the *application* of those principles to cases or a course project. The book's concise strategic focus also helps instructors build specialized elective courses—in Strategic Brand Management or in Marketing in the New Economy, for example—that draw on supplemental readings to complete the thematic picture.

WEB-SAVVY INSIGHTS

Because this book has been written by authors who teach at Web-savvy institutions and work with Web-savvy companies, it brings a realistic, informed, and **Web-savvy perspective** to an important question many students are asking: “Has the advent of the Internet changed all the rules?” Our answer is, “Well, yes and no.” On one hand, the Internet has made available a host of new marketing tools—from banner ads to e-mail marketing to delivery of digital goods and services over the Internet—many of which are available to companies in the so-called old and new economies alike. On the other hand, time-tested marketing fundamentals—such as understanding one's customers and competitors and meeting customer needs in ways that are differentiated from the offerings of those competitors—have become even more important in the fast-moving, dot-com world, as the many dot-com failures over the last few years attest.

Thus, throughout the book, we integrate examples of new-economy companies—both successful and otherwise—to show how both yesterdays' and today's marketing tools and decision frameworks can most effectively be applied. Because the advent of the Internet, mobile telephony, and other new-economy technologies is so important in its own right, however, we

also devote an entire chapter—Chapter 12—to new-economy strategies, in order to provide for marketers in all kinds of companies a roadmap for decisions about where, when, and how to deploy new-economy tools.

A REAL-WORLD, GLOBAL PERSPECTIVE

Theory is important, because it enhances our understanding of business phenomena and helps managers think about what they should do. It is in the *application* of theory—the world of marketing practice—where we believe this book excels. Our decision focus is all about application. But we don't just bring an academic perspective to the party, important as that perspective is.

Two of us on the author team, Jean-Claude Lar-r  ch   and John Mullins, have started successful entrepreneurial companies. One of these firms has “gone public.” Two of us, Orville Walker and John, have worked for many years in the United States, at the University of Minnesota and University of Denver, respectively. Two, Jean-Claude and John, work in Europe, Jean-Claude at INSEAD and John as a visiting professor at the London Business School. All of us, including Harper Boyd, who passed away in 1999 but whose legacy lives on in this edition, have contributed the fruits of our research to the growing body of knowledge in the marketing management, marketing strategy, new products, and entrepreneurship arenas. The result of our collective and varied experience and expertise is a book marked by its **real-world, global perspective**. The book's many examples of real people from around the world making real strategic marketing decisions include examples of start-ups and high-growth companies as well as examples of larger, more established firms.

WHAT'S NEW IN THIS EDITION?

Aside from our extensive treatment of the new economy in this edition—as we've already noted—we've also made a few other important changes worth noting to those familiar with previous editions.

- We've brought forward, to Chapter 1, the material that outlines what a marketing plan is and does, to better support students who are asked, as part of the capstone or elective course in which
- this book is used, to develop marketing plans for either real or hypothetical products, whether existing ones or new. The balance of the book then provides the detail that enables students to make the necessary decisions to complete, and even implement, such a plan.
- We've added new material in Chapter 2 on brands and brand management, to reflect the growing strategic importance of these topics. The addition of this new material also provides support for instructors who wish to give their capstone or elective course a brand management emphasis.
- We've added a chapter, Chapter 6, to provide the necessary tools and frameworks to enable students to prepare evidence-based forecasts of demand for products whose marketing plans they may be asked to prepare. We've also included in Chapter 6 references to enough marketing research basics to enable them to conduct primary research for a marketing plan project and—perhaps more importantly—to make every reader of this book a better informed and more critical user of marketing research studies. This enhanced decision support for student projects—inherent in our decision-focused approach—is, we believe, a major strength of this revised edition.
- We've added an interactive website—at **www.mhhe.com/walker**—to complement the book, one we believe will be helpful to students and instructors alike. For students, the website offers a series of self-diagnostic questions to enable them to self-test their understanding of the tools and decision frameworks covered in each chapter. For instructors, the website offers suggested activities and assignments for each chapter, in order to aid instructors who seek to build interactive classroom environments. The website also suggests the “best of the best” decision-focused cases—including international ones, dot-coms, and companies in services and manufacturing industries—and other supplemental readings to help instructors find the best teaching materials to train graduates for the local economies in which they are likely to work and to most effectively nail down the learning in each chapter.

In reality, though, no chapter has escaped untouched. All have been updated, although the basic flow, sequence,

and strategic focus of the book have remained unchanged.

THANKS!

Simply put, this book is not solely our work—far from it. Many of our students, colleagues, and those with whom we work in industry have made contributions that have significantly shaped our perspectives on marketing decision making. We are grateful to all of them.

We also thank a small army of talented people at Irwin/McGraw-Hill for their work that has turned our rough manuscript into an attractive and readable book. In particular, our editors, Linda Schreiber and Sarah

Crago, have been instrumental in giving birth to this edition. Without them, we'd probably still be writing!

Finally, we thank Harper Boyd, without whom this book would not exist, and our parents, without whom, of course, none of us would be here. To all of you we extend our love, our respect, and our gratitude for passing on to us your curiosity and your passion for learning. We therefore dedicate this book to Harper Boyd, to Jeannette and Orville Walker, Sr., to Jack and Alice Mullins, and to Odette and Pierre Larréché.

Orville C. Walker, Jr.

John Mullins

Jean-Claude Larréché

Minneapolis, London, and Fontainebleau:

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Orville is the co-author of three books and has published more than 50 research articles in scholarly and business journals. He has won several awards for his research, including the O'Dell award from the *Journal of Marketing Research*, the Maynard award from the *Journal of Marketing*, and a lifetime achievement award from the Sales Management Interest Group of the American Marketing Association.

Orville has been a consultant to a number of business firms and not-for-profit organizations, and he has taught in executive development programs around the world, including programs in Poland, Switzerland, Scotland, and Hong Kong. Perhaps his biggest business challenge, however, is attempting to turn a profit as the owner-manager of a small vineyard in western Wisconsin.

HARPER W. BOYD, JR.

The late **Harper W. Boyd, Jr.** was the Donaghey Distinguished Professor Emeritus of Marketing at the University of Arkansas at Little Rock. He was internationally known in the areas of marketing strategy and marketing research. He authored, co-authored, or edited more than 50 books and monographs and 100 articles, cases, and other teaching materials, and served as editor of the *Journal of Marketing Research*. He taught on the faculties of several prominent business

schools around the world, including Stanford, Northwestern, Tulane, and INSEAD; and he received an honorary Doctorate of Letters from the Edinburgh Business School in Scotland. He also consulted extensively with both consumer and industrial products companies around the world.

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simulations and other tools for strategic marketing. An award-winning teacher, Jean-Claude is also a two-time winner of the overall case competition of the European Case Clearing House. He is co-author of *Marketing Management: A Strategic Decision-Making Approach*, 4th edition.

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