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STRATEGIC MARKETING MANAGEMENT

A MEANS-END APPROACH

ANALYZING CUSTOMER DECISION MAPS

CREATING SUSTAINED COMPETITIVE SUPERIORITY

ASSESSING MARKET TRENDS

MARK E. PARRY

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Preface and Acknowledgments

At its core, strategic marketing is a process driven by two fundamental decisions involving targeting and positioning. To make these decisions, marketers must answer two fundamental questions:

1. Who are my important customers?
2. How do I want these customers to think about my product relative to competitors?

I have spent the last 10 years helping executives use means-end theory to answer these two questions. In the process, I have learned quite a bit, and this book is my attempt to share those learnings with a larger audience.

When I first began working with executives, they told me that the strategic marketing books they used were not very helpful. They cited three reasons. First, the books separated the targeting and positioning decisions. Typically one chapter dealt with targeting, and a second chapter addressed positioning. The implication was that the two decisions are sequential: First you choose your target customers, then you choose a positioning strategy. Executives objected to this process, because they saw the two decisions as interdependent. One of the criteria for choosing target customers is the ability to develop an effective positioning strategy for that segment. This means that the targeting and positioning decisions cannot be separated—they are inextricably bound together. For this reason, executives found it more comfortable to think about the identification and evaluation of strategic alternatives. From this perspective, the targeting and positioning decisions are simultaneous outcomes of the evaluation process.

Second, existing strategic marketing books tended to emphasize the evaluation of strategic alternatives. What the executives wanted was more reasonable alternatives to evaluate. Unfortunately, the books had very little to say about the process of generating alternatives, even though this was the area where the executives felt least comfortable. They felt pretty good about their ability to evaluate the alternatives that they had identified, but their list of alternatives was often sparse, and frequently none of the alternatives was very attractive. What these executives wanted first and foremost was a better way to identify marketing strategy options.

Third, from the perspective of evaluating strategic options, the strategic marketing books fell into two categories: simple and comprehensive. Books in the "simple" category typically focused on two evaluation criteria: customer satisfaction and competitive differentiation. The basic message was that marketers need to find something that customers want and cannot get from competitors. From the perspective of the executives I have worked with, these ideas are fine, but they are not enough. The executives wanted to be in situations where they had several good options, by which they meant options that satisfied significant customer segments and differentiated their products from relevant competitors. In these situations, customer satisfaction and differentiation were simply threshold criteria; they were not enough to identify the best option. What the executives wanted was an expanded set of criteria that they could use to prioritize a richer set of strategic alternatives.

The "comprehensive" books provided more detailed criteria for prioritizing strategic options, along with a lot of other material on a number of other topics. As a result, executives had a hard time finding the information they needed. This produced two kinds of reactions. Some executives grew impatient with discussions that, in their view, had little to do with the decisions they had to make. As a result, they tossed the books aside and went back to "business as usual." Other executives felt overwhelmed by the amount of material. At the same time, they were reluctant to skip anything, because they suspected everything in the book was important. After all, if a particular topic was not critical, it would not be in the book. Or so their thinking went. So they tried to wade through the entire text, but found that it took too much time. In the end, they too tossed the books aside and went back to "business as usual."

This book is designed to address these defects in conventional discussions of strategic marketing. I have focused on the two fundamental decisions that are the heart of strategic marketing: targeting and positioning. In my experience, this is where executives need help, and this is where conventional strategic marketing books fail them. I have tried to be ruthless in excluding material not directly related to these two topics. Only if particular strategic concepts are directly relevant have I included them.

I will approach strategic marketing from the perspective of means-end theory. Most of what I know about means-end theory I learned from three people: Tom Reynolds, John Norton, and Chuck Gengler. Tom Reynolds was one of my professors in the mid-1980s and is perhaps the

single person most responsible for popularizing means-end theory within the field of marketing. He has published many papers on the topic and consulted with many high-profile companies over the last 25 years. For the last four years he has been working on a decision-making curriculum for elementary school students that is based upon means-end theory. For further information on this project, please visit Tom's website at www.lifegoals.net.

John Norton and I overlapped slightly during our doctoral studies, and he convinced the marketing faculty at Darden to hire me in 1988. During John's time at Darden, I taught my first case on means-end theory: a case that he wrote, along with Tom Reynolds and John Fiedler, on the Reagan reelection campaign. He later worked with Tom at Wirthlin-Reynolds, a consulting firm that specialized in the application of means-end theory to marketing strategy. John is now a senior executive at the Connaught Group, Ltd. After John joined Connaught, we wrote a case dealing with the application of means-end theory to sales force recruitment at the Carlisle Collection, New York, one of the Connaught companies, and he and some of his colleagues at Carlisle came to Darden to hear and discuss student analyses of the case. John read drafts of every chapter in this book and provided many helpful suggestions.

Chuck Gengler and I were doctoral students together at the University of Texas at Dallas. Chuck has written a number of papers on means-end theory, as well as a software program (LadderMap) for creating customer decision maps (which we will discuss in Chapter 6) from data collected through laddering interviews. Chuck has also been kind enough to travel to Darden to speak to my marketing research students on means-end theory.

Most of the major examples in this book are drawn from cases that I have written. My interpretations have benefited from the comments of the many of students and executives who have read these cases, listened to my interpretations, and challenged my thinking. My discussion of carpets in Chapter 4 owes much to conversations with my colleague Paul Farris, the author of a best-selling case on Stainmaster carpet. The discussions of McDonald's (Chapters 1, 4, and 7) and disposable diapers benefited from conversations with Professor Yoshinobu Sato, who wrote cases with me on both topics. Despite all this help, I did not take every piece of advice offered to me, so any remaining errors are my responsibility alone.

I'd also like to thank my editor, Kelli Christiansen, for her comments on drafts of each chapter. Special thanks go to my research assistant, Melanie Jones, who tirelessly and cheerfully tracked down the articles I needed and read every revision of every chapter. Without her help, I could never have finished this book. Finally, I want to thank Cindy for her patient support during this project.

CONTENTS

CHAPTER 1

Means-End Theory and Strategic Marketing

At its core, strategic marketing is a process driven by two fundamental decisions involving targeting and positioning. To make these decisions, marketers must answer two questions:

1. What does matter—and what might matter—to potential customers?
2. On which of the things that matter to customers should I focus?

The answer to the first question identifies the set of possible positioning strategies that are available to the marketer. The answer to the second question determines both the set of target customers and the way the marketer will position his or her product to those customers. This book approaches these two questions from the perspective of means-end theory, which explains why products and services have meaning for customers. Let's begin by looking at the basic elements of this theory and its relationship to the strategic marketing process.

MEANS-END THEORY

Means-end theory addresses the ways that personal values influence individual behavior. Means-end theorists like Tom Reynolds and Chuck Gengler define personal values as "motivating 'end-states of existence' which individuals strive for in their lives."[1] Examples of "end-states of existence" include:

- A comfortable life
- An exciting life
- A sense of accomplishment

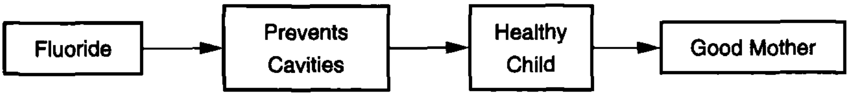
- Pleasure
- Self-respect
- Social recognition

Each of these end states is a possible answer to the question: "What is your vision of the good life?"[2] When an individual describes a personal value, they are describing a dimension of the kind of life that they would like to live. For this reason, Gengler and Reynolds describe personal values as "internal, self-relevant goal states."[3]

From the perspective of means-end theory, personal values are the ends that people seek. Means are the things that people use to reach those ends. Within marketing, the word "means" refers to *product attributes* and the consequences (both positive and negative) that flow from those attributes. Product attributes are characteristics of products. Consequences are the personally relevant outcomes that consumers experience when they own, use, or consume a product. Most marketers refer to positive consequences as *benefits,* which is the term I will use throughout this book.

A simple example may help illustrate the differences between attributes, benefits, and *values.* Consider the mother who is buying toothpaste for her children. Many mothers insist on purchasing a toothpaste with fluoride, because they believe that regular brushing with a fluoride toothpaste will help prevent cavities. Fluoride is an attribute of toothpaste, while preventing cavities is a benefit. When a child has cavities, many mothers feel like their child is unhealthy, and they blame themselves. By taking steps to prevent cavities, mothers see themselves as protecting the health of their children, which makes the mothers feel good about themselves in their roles as mothers. In other words, many mothers associate preventing cavities with another benefit (healthy child), and they associate that benefit with a personal value (good mother).

Marketers refer to a connected sequence of attributes, benefits, and values as a means-end chain. The following diagram summarizes the means-end chain we have just described:



Note that this means-end chain begins with an attribute and ends with a personal value. This convention reflects the sequence in which this information is typically collected from customers in personal interviews. Researchers begin this process by asking a customer to identify attributes that distinguish one brand in a product category from competing brands. The researcher then selects one of the attributes identified by the customer, who is then asked: "Why is this attribute important to you?" The customer typically responds by identifying a benefit. Further probing is usually necessary to determine whether the customer sees any association between the benefit they have identified and a personal value. We typically draw means-end chains to reflect the order in which customers supply information about the means-end elements—the attributes, benefits, and values—that they associate with a product. The arrows indicate movement from concepts that are less tied to a customer's sense of self to concepts that are more closely tied to a customer's sense of self.

From the perspective of customers, however, meaning flows in the opposite direction. Look again at the simple means-end chain linking Fluoride to Good Mother. Notice that the meaning in this chain springs from the personal value. Because I value being a good mom, having a healthy child matters. Because having a healthy child matters, it is important that my child has no cavities. Because preventing cavities is important, I want to buy a toothpaste with something (i.e., fluoride) that helps prevent cavities. From a means-end perspective, fluoride has no meaning in and of itself. However, fluoride assumes meaning for individual customers when the personal values of those customers invest fluoride with meaning.

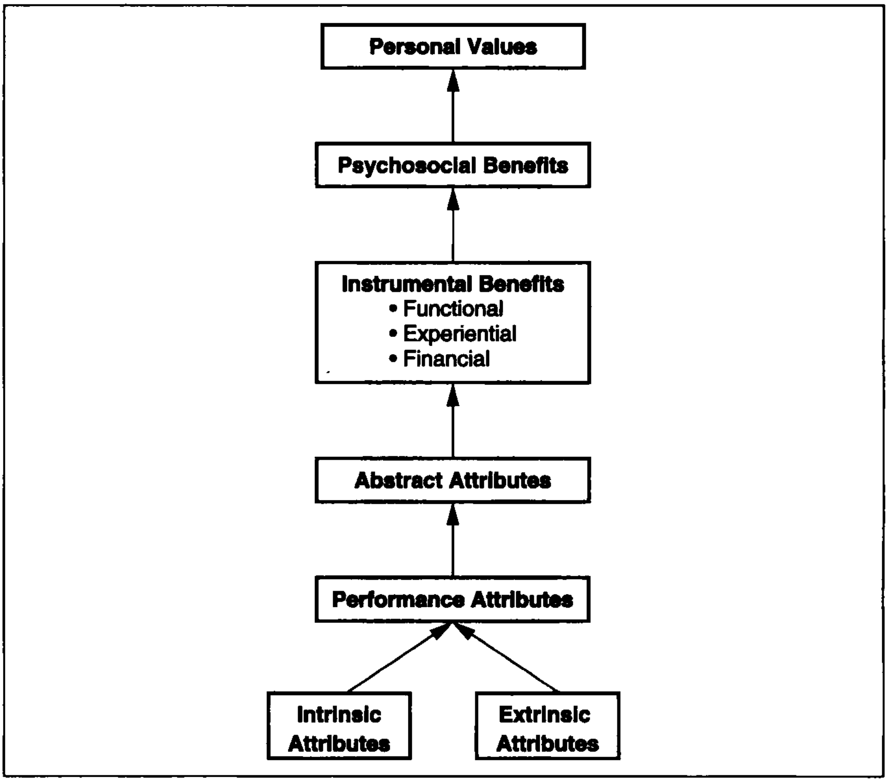
Exhibit 1.1 contains the general means-end chain model that is the foundation of this book. At the bottom of this chain are intrinsic attributes, which are "in" a product, as well as extrinsic attributes, which marketers add to the product to enhance the customer's product use or consumption experience. Together, intrinsic and extrinsic attributes determine the performance attributes of a product. Abstract attributes like quality, durability, or luxuriousness are subjective judgments that summarize two or more lower-level attributes. I will talk more about these attribute categories and their interrelationships in Chapter 4.

Instrumental benefits describe what a product does for the customer. We can distinguish three kinds: functional, experiential, and financial. A product generates a *functional* benefit when it enables users to (1) do something that would otherwise be impossible or (2) do something better than would otherwise be possible. *Experiential* benefits arise from a customer's physical and emotional reactions to product consumption. A product has a *financial* benefit when it helps the customer reduce the expenditures required to secure a particular functional or experiential benefit, or when it reduces future expenditures. Psychosocial benefits involve the ways in which customers think about themselves, as well as the self-images that they project to others. I will talk more about these benefits and their interrelationships in Chapter 2. Personal values, which are at the top of the means-end chain model, are the subject of Chapter 5.

The model in Exhibit 1.1 identifies the kinds of means-end elements that *might* link a particular product attribute to a relevant personal value. Many means-end chains contain only some of these means-end elements. For example, look again at the toothpaste means-end chain described

EXHIBIT 1.1

A General Means-End Chain Model



above. Fluoride is an intrinsic attribute, while Preventing Cavities and Healthy Child are functional benefits, and Good Mother is a personal value. This means-end chain does not contain a performance attribute, an abstract attribute, or a psychosocial value. As this example illustrates, customers often truncate the connections between attributes and personal values; however, the model in Exhibit 1.1 can serve as a framework for the ways in which products can assume meaning for customers.

THE IMPORTANCE OF MEANS-END THEORY FOR STRATEGIC MARKETING

The basic ideas behind means-end theory are simple, but the implications for the strategic marketing process are profound. Many of the implications will be explored in depth in later chapters. Here I will simply highlight four of the most important implications.

A Focus on Customers

Many years ago, Peter Drucker said that the only valid definition of business purpose was "to create a satisfied customer."[4] Ted Levitt agreed:

> . . . the purpose of a business is to create and keep a customer. There can be no corporate strategy that is not in some fundamental fashion a marketing strategy, no purpose that does not respond somehow to what people are willing to buy for a price.[5]

When executives in a firm think this way, we often refer to that business as a customer-focused or customer-oriented firm. Most marketers believe that customer orientation is the foundation of all business success. Academics often refer to this belief as the marketing concept, which says that the best way for a firm to accomplish its goals over the long run is to choose a group of customers and do a better job than competitors of satisfying the needs of those customers.[6]

While most executives pay lip service to the value of a customer orientation, their actions belie their words. Executives are easily distracted by competitors, particularly when marketers conclude that the reason for the poor performances of their own products lies in something that competitors did. This frequently results in executives paying more attention to competitors than to customers. For example, when McDonald's introduced the McDLT in 1985, launch ads suggested that the new sandwich "could be the best-tasting lettuce and tomato hamburger ever."[7] While some observers referred to the new sandwich as the "Whopper Stopper"—a reference to Burger King's Whopper, the country's best-selling lettuce-and-tomato burger—others saw the new sandwich as nothing more than a poor imitation of the Whopper. In fact, the only innovative aspect of the McDLT was the two-chamber polystyrene package that separated the hot and cold parts of the sandwich. Six months after the launch of the McDLT, McDonald's Corporation President and Chief Operating Officer Michael Quinlan admitted that the new sandwich was nothing more than a Quarter Pounder with lettuce and tomato. Then how could McDonald's call the McDLT a new product? Quinlan responded: "Were we selling it two years ago? No. Now we're selling it. It's a new product."[8]

McDonald's attempt to copy the Whopper was testimony to the company's inability to generate new product ideas by analyzing the needs and wants of customers. In fact, when the company tried to innovate, the results were often disappointing. In 1991 *Business Week* ran a cover story on McDonald's that featured CEO Quinlan along with six of his company's new products. Seven years later another *Business Week* cover story reported that none of those products remained as permanent fixtures on the company's national menu. So what did McDonald's executives do? In the summer of 1997 the company trotted out another "Whopper Stopper." Nicknamed the "Quarter Pounder Big and Tasty" in some markets, the new burger bore "a remarkable resemblance to the Whopper, right down to the 4.5-inch diameter of its sesame-seed bun."[9] Still another "Whopper Stopper" followed in December 1997. The newest burger, dubbed the MBX (an acronym for McDonald's Big Xtra), promised 20 percent more burger after cooking than the Whopper.[10]

Means-end theory is an antidote for this kind of obsessive preoccupation with competitor products. The heart of the strategy creation process outlined in this book is a careful analysis of customers, which is the proper foundation of any marketing strategy. This is not to say that competitor analysis is not important. An understanding of competitor strategies, along with the skills and assets that make those strategies possible, is critical to the proper evaluation of the marketer's strategic options. Having said that, priorities must be clear. We identify possible marketing strategies by studying customers. We evaluate the attractiveness of those strategies—in part—by analyzing competitors; however, the goal is not to make competitors miserable, but to make high-priority customers happy.

A Focus on Benefits

The idea that marketing strategy should focus on customers comes with an immediate corollary: Customers buy products (or services), but they want benefits. This idea is also nothing new. In 1941, economist Ruby Norris wrote: "Goods are wanted because they are capable of performing services—favorable events which occur at a point in time."[11] Another economist, Lawrence Abbott, wrote: "What people really desire are not products but satisfying *experiences*." He continued: "People want products because they want the experience-bringing services which they hope the products will render."[12] In a well-known *Harvard Business Review* article titled "Marketing Myopia," Harvard professor Ted Levitt wrote: "Management must think of itself not as producing products but as providing customer-creating value satisfactions. It must push this idea (and everything it means and requires) into every nook and cranny of the organization."[13]

Talk with executives about this idea and they will nod their heads and say "Amen." But again, their actions often belie their words. The problem is that understanding customers is hard, frustrating work. As Levitt explained:

> Consumers are unpredictable, varied, fickle, stupid, shortsighted, stubborn, and generally bothersome. This is not what the engineer-managers say, but deep down in their consciousness it is what they believe. And this accounts for their concentrating on what they know and what they can control, namely, product research, engineering, and production.[14]

This tendency to focus on what can be controlled—the product and its production process—can be overwhelming when a firm has been very successful. Nothing illustrates this more clearly than the story of McDonald's under Mike Quinlan in the 1980s and 1990s. Quinlan and his colleagues certainly had reason to be proud of their company's history: Management experts routinely point to McDonald's as one of the great successes of the second half of the twentieth century. Unfortunately, that very success turned the attention of McDonald's executives inward.

Ray Kroc built McDonald's on one simple formula: quality, service, and cleanliness. Not surprisingly, promotions at McDonald's went to those who did the best job of implementing Ray Kroc's vision. The result was a group of executives who were more focused on Kroc's vision than they were on customers. In the words of my colleague Alec Horniman, they were totally absorbed in "doing yesterday better." Ed Rensi, former president of McDonald's USA, epitomized this inward orientation. In 1989 he was asked: "What's on your mind these days?" Rensi replied: "We've got some 20,000 bathrooms that need to be cleaned every day."[15] Asked where McDonald's would be in the year 2020, he replied: "I can't tell you; I just want to make sure that all the bathrooms are clean tomorrow."[16] In fact, Rensi and other top executives spent 70 percent of their time visiting McDonald's restaurants—and checking bathrooms.[17] Rensi announced 60 percent of his visits in advance, so it's not clear how much he actually learned from these visits.[18] But from a strategic marketing perspective, the more important question is: What was the number two man at McDonald's doing spending all this time in bathrooms?

The simple answer is that Rensi was implementing Ray Kroc's vision. Rensi himself described his job as executing the operating standards developed by Ray Kroc and his successor, Fred Turner. This is a fine thing, as long as those standards generate benefits that target customer wants. But what happens when the needs and wants of target customers change? Executives who are focused on their products typically miss the early warning signs that customer wants and needs are changing. When they do finally notice the changes, they don't know how to respond, because they have spent their whole career focused on their products (or services) and the attributes of those products (or services).

Part of the reason executives focus on products is that they believe they already know what customers want. So they devote their attention to satisfying those wants. And they believe that they know what customers want because their past successes "prove" they know what customers want. In "Marketing Myopia," Levitt made the following observation about executives in the electronics industries:

> . . . they are growing up under conditions that come dangerously close to creating the illusion that a superior product will sell itself. Having created a successful company by making a superior product, it is not surprising that management continues to be oriented toward the product rather than the people who consume it. It develops the philosophy that continued growth is a matter of continued product innovation and improvement.[19]

These words could have just as easily been written about the senior executives at McDonald's. Their rise to the top was predicated upon a belief that they offered a superior service, and that continued growth was a matter of finding new ways to better implement Ray Kroc's vision. In other words, their attention was focused on (1) making food that always tasted the same, regardless of time or location; (2) reducing customer waiting times; and (3) keeping the bathrooms clean. When consumers started saying "We want more than that," Quinlan and his colleagues did not know how to respond. The result was a series of reactive missteps driven by attempts to infer what customers wanted by looking at competitive products (e.g., the Whopper) or listening to analysts.

Despite these missteps, McDonald's executives maintained their unshaken faith in the vision that had driven their company's past success. In the 1998 *Business Week* article that recited a long list of problems at McDonald's, CEO Quinlan raised the question: "Do we have to change?" He answered: "No, we don't have to change. We have the most successful brand in the world."[20] Unsurprisingly, the following month the company named a new CEO (though Quinlan remained chairman).[21]

How can executives avoid the kind of product orientation that blinds them to changes in the benefits customers want? I believe that a means-end approach to marketing strategy can help managers keep their focus where it should be, which is on customer benefits. The strategy creation process outlined in this book begins with a careful analysis of the benefits that customers seek when they consume or use products. It is the ability to perform this kind of analysis that enables managers to (1) identify—and anticipate—shifts in customer needs and wants, and (2) respond to those changes. Once again, priorities must be clear. First we identify the benefits that customers want, then we design a product with the attributes needed to deliver those benefits. As Levitt said so many years ago:

> An industry begins with the customer and his needs, not with a patent, a raw material, or a selling skill. Given the customer's needs, the industry develops backwards, first concerning itself with the physical *delivery* of customer satisfactions. Then it moves back further to *creating* the things by which these satisfactions are in part achieved.[22]

A Dynamic Perspective

One of the most important aspects of means-end theory involves the ways in which consumers organize information about products and brands. Customers associate product attributes with consequences (positive or negative), and they associate those consequences, directly or indirectly, with personal values. According to means-end theory, these three elements—attributes, benefits, and personal values—form the core of a consumer's knowledge structure. This structure can evolve over time. Consumers can:

- Form new associations among the existing elements of their core knowledge structure
- Integrate additional attributes, benefits, and values to the core structure
- Add marketing and organizational associations that further elaborate the structure

The important point, however, is that a customer does not start out linking a benefit with a brand. From a means-end perspective, customers first associate a benefit with a product attribute, and only indirectly with the brand name of the product containing that attribute. It is only over time, as customers' knowledge structures for a particular brand evolve, that they may begin to link a benefit directly with that brand. This means that marketers must define both short-term and long-term objectives regarding the kinds of things they want target customers to associate with the marketers' products.

Marketers who ignore the fact that marketing knowledge structures evolve over time commit either short-term or long-term errors. Let's look first at the approach that emphasizes short-term objectives at the expense of long-term objectives.

Short-term marketing errors Some marketers put a lot of thought into the development of the customer's initial knowledge structure, but spend little time thinking about the ways in which that initial structure should evolve over time. Marketers who fail to manage the evolution of their customers' knowledge structures frequently find that the associations that do exist in customers' minds are vulnerable to attacks from focused competitors.

For example, in 1986 DuPont introduced Stainmaster carpet in what was perhaps the most successful product launch in the history of synthetic carpets. The launch campaign did a very effective job positioning the new carpet as stain-resistant and easy to clean. Fifteen years later, when I ask executives what they think of when they hear the name Stainmaster carpet, they still say stain-resistance and easy to clean.* There has been no evolution in the perceived meaning of the Stainmaster name in 14 years. This greatly simplifies the strategic challenge faced by Stainmaster's competitors.

To take sales from Stainmaster, competitors simply have to convince customers—and retailers—that competitor brands also have stain resistance. One easy way to do that is to offer a stain-resistance warranty that is as good as or better than the warranty that comes with Stainmaster carpets. A second strategy is to focus on stains not covered by the Stainmaster warranty.[23] Solutia did exactly this when it introduced Wear-

*Some executives also mention DuPont, the maker of Stainmaster carpet fiber, or nylon, the kind of synthetic fiber featured in Stainmaster carpets.

Dated Pet-Agree carpet in 1998. The new carpet featured "an impervious polyethylene backing that traps liquids where they can be found and cleaned thoroughly before soaking into the padding and through to the floor." The new backing was designed to help "pet owners keep pet stains and odors from reappearing."[24] The failure to expand the perceived meaning of the Stainmaster carpet left the brand vulnerable to aggressive competitors who focused on the task of undermining the few associations Stainmaster did have in the minds of customers.

Long-term marketing errors The opposite error substitutes long-term objectives for short-term objectives. Marketers who fall into this trap spend a lot of time thinking about the kind of knowledge structure they would like customers to develop, but they try to build that structure all at once. This frequently happens in companies that hire a branding consultant to help them "build their brand." The result of this process is typically a huge list of desired brand associations. This list becomes the basis of a costly campaign that tries to establish most or all of the associations on the list simultaneously. It is a process doomed to failure from the start, because it ignores the way consumer knowledge structures evolve over time. What company executives should be doing—and what their consultants should be helping them do—is planning the set of evolutionary steps that are needed to help consumers develop the desired long-run brand associations.

Means-end theory can help managers think carefully about the evolution of the knowledge structures of target customers. In particular, the strategy creation process outlined in this book can help managers (1) identify the long-run knowledge structure they would like to develop in target customers; (2) prioritize the different elements of the knowledge structure; and (3) develop a plan to build the needed brand associations in the most effective temporal sequence. I will address this topic in greater detail in Chapter 7.

Research Findings and Informed Speculation

Most discussions of means-end theory focus on the interpretation of data collected through in-depth customer interviews. These interviews typically consist of two parts. In the first part, interview subjects identify the attributes that differentiate products or that explain their preferences for one product over another in different consumption situations. In the second stage of the interview, the interviewer selects one attribute identified by a subject and asks: "Why is this attribute important to you?" In the simplest form of the interview, the subject responds by linking the attribute to another attribute or to a benefit. The interviewer then asks: "Why is that attribute (or benefit) important to you?" The interview continues, with the subject providing a response and the interviewer asking another "why" question that has been phrased to fit the subject's previous