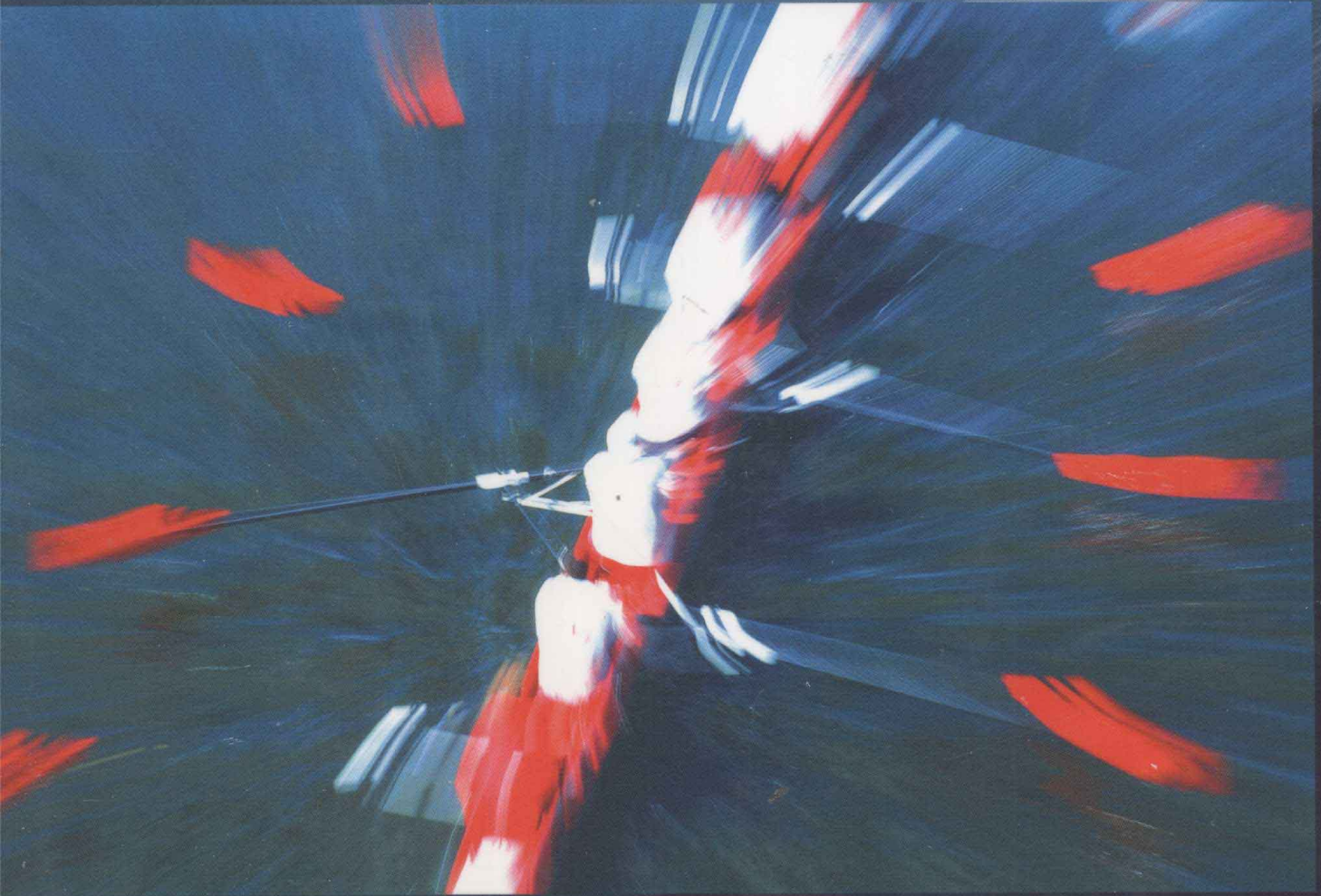


Seventh Edition

MARKETING STRATEGY

A Decision-Focused Approach



Orville C. Walker, Jr. • John W. Mullins

Marketing Strategy

A Decision-Focused Approach

Seventh Edition

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Orville C. Walker, Jr., is Professor Emeritus in the University of Minnesota's Carlson School of Management, where he served until recently as the James D. Watkins Professor of Marketing and Director of the PhD Program. He holds a master's degree in social psychology from Ohio State University and a PhD in marketing from the University of Wisconsin–Madison.

Orville is the coauthor 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.

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Since becoming a business school professor in 1992, John has published more than 40 articles in a variety of outlets, including *Harvard Business Review*, *Sloan Management Review*, the *Journal of Product Innovation Management*, and the *Journal of Business Venturing*. His research has won national and international awards from the Marketing Science Institute, the American Marketing Association, and the Richard D. Irwin Foundation.

John's consulting, executive education, and case-writing regularly take him to destinations in Africa, India, and China. John's best-selling trade book, *The New Business Road Test: What Entrepreneurs and Executives Should Do Before Writing a Business Plan*, is the definitive work on the assessment and shaping of market opportunities. John is also coauthor of *Marketing Management: A Strategic Decision-Making Approach*, 7th edition.

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, or something else, such courses typically ask students to apply what they learn to decision-making in case studies 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 case-based and project-based capstone and advanced elective courses.

WHY THIS BOOK?

Why did your instructor choose this book? Chances are that 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. This text assumes student familiarity with—and thus does not repeat—the basics of buyer behavior, the 4 Ps, and other marketing fundamentals typically covered in earlier courses.
- Your instructor wants to use the most current and **Web-savvy** book available. We integrate the latest new-economy developments into each chapter, and we devote an entire chapter—Chapter 11—to the development of marketing strategies for the new economy. In addition, we supplement the book with an interactive Web site 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 a 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 application 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 previously—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 seventh 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 game.

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 seventh 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 blogs to RSS feeds 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 a few years ago attest.

Thus, throughout the book, we integrate examples of new-economy companies—both successful and otherwise—to show how both yesterday’s and today’s marketing tools and decision frameworks can most effectively be applied. Because the advent of the Internet and other new-economy technologies is so important in its own right, however, we also devote Chapter 11 to new-economy strategies in order to provide marketers in all kinds of companies with 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—to 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.

Both of us have successfully started and managed entrepreneurial companies—a vineyard in Orville’s case and a fresh pasta company and outdoor products company as part of the 20 years of executive experience with large companies and small ones that preceded John’s academic career. In short, both of us have practiced the marketing lessons we preach, and we have the battle scars to prove it.

Both of us bring a rich variety of both domestic American and international consulting and executive education experience, with the latter ranging from Scotland to South Africa, from London to Lagos, from Hyderabad to Hong Kong and more. John’s platform at London Business School, one of the world’s most global institutions, keeps us in touch with the latest development on the global business scene.

Both of us 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?

In this seventh edition of *Marketing Strategy*, we’ve gone to considerable lengths to address four key trends that are sweeping the world of marketing theory and practice, trends that are creating opportunities for well-educated graduates to bring new tools and ideas to their employers or to their own entrepreneurial ventures:

- The growing interest among students everywhere in learning what it will take to run their own companies, whether now—upon, or even before, graduation—or later in their careers.
- The growing importance of emerging markets such as India, China, Brazil, and Russia on the global economic stage and the growing realization in companies everywhere that business today is a global game.
- The increasing attention being given in many companies to issues concerning the measurement of marketing performance and the extent to which marketing activities and spending contribute to the creation of shareholder value.

- The inexorable rise of the Internet, social networking, blogs, and so on and their wider implications for marketers.

We've addressed the first of these issues, students' growing interest in all things entrepreneurial, by adding more examples throughout the book of how entrepreneurial companies—not just large, established ones—are using the strategic tools and frameworks that this book brings to life. As the author team knows from personal experience, the entrepreneurial path is a long and difficult—but always exciting—one, and we'd like our readers who choose such a path to be well equipped for the journey.

Recent editions of this book have been known for their global perspective, and this edition is no exception. We have added many new examples highlighting companies outside the United States, including an opening vignette on Korea's consumer electronics powerhouse Samsung in Chapter 1. We've made a special effort in this revision to add examples from **fast-growing emerging economies** such as China, India, and Russia. For many firms, developing countries are crucial sources of supply, high-potential markets for what the company produces, or both. Thus, we've added examples throughout the book that focus either on companies headquartered in developing countries or on the marketing programs of multinational firms designed to attract customers in those countries.

To reflect the growing interest—some would say concern—about the **measurement of marketing performance**, we've added new material to Chapter 13 to reflect some of the latest thinking about marketing metrics and the extent to which marketing activities can be shown to contribute to the firm's bottom line and to the creation of shareholder value. New technology that can bring up-to-the-minute performance data to managers' desktops is having profound effects on how today's most forward-thinking companies are run. Readers of this seventh edition should be equipped to contribute to the development of executive dashboards and other systems for measuring and tracking marketing performance.

Perhaps nothing, however, provides a greater opportunity for today's marketing graduates than the **continuing rise of Internet penetration** around the world and its growing importance for marketers—whether as a vehicle for promoting one's brand and building loyalty, a means of conducting marketing research, a way to disintermediate one's distribution channel and reach customers directly, or for other reasons. We've substantially updated Chapter 11 to reflect the latest new-economy developments, such as blogs, RSS feeds, e-mail marketing, search engine optimization, and much more. In particular, we have expanded our coverage of social networking and mobile advertising on cellular phones in order to explore the potential of these fast-growing developments for marketing practitioners.

In addition to these more significant changes, every chapter has been refreshed, its examples updated, and the latest empirical evidence of what works and what doesn't incorporated. Despite these updates, the overall structure and flow of this seventh edition remains unchanged. Perhaps most importantly, its emphasis on strategic **decision-making** remains intact. This book's decision-focused approach remains its key strength.

SPECIAL FEATURES

There are several special features we've used to call the reader's attention to key concepts and examples, to make the book more readable and its key themes more engaging, and to direct both readers and instructors to additional resources to help make our marketing strategy subject matter come alive. These features include the following:

- **Case vignettes:** We open each chapter with a brief case vignette to illustrate how some of that chapter's key themes have been applied in a real company, chosen with the book's global focus clearly in mind.

- Strategic issues: We note in the margins key concepts or questions that are addressed more thoroughly in the adjacent text, to ensure that time-pressed readers don't overlook critical information or crucial questions they should ask.
- Global and Internet icons: We place icons in the margins to call the reader's attention to global examples as well as examples of how marketing strategy concepts are playing out in the Internet arena.
- Marketing plan exercises: Because many of our readers will be asked to prepare a marketing plan, whether on the job or as a class project, we highlight at the end of each chapter how that chapter's material might be effectively put to use in developing a marketing plan.
- Online learning center at www.mhhe.com/walker7e: We have placed a variety of supplemental materials for students and instructors on the book's Web site. To help students 'crack tomorrow's case' or 'pass the exam', the student resources include chapter quizzes and review material. Instructor resources include an instructor's manual, PowerPoint slides, and a test bank. In addition, we provide a list of recommended readings and cases to enable instructors to choose the most current and compelling materials in designing or updating a case-based or project-based course that's focused on marketing strategy or related issues

THANKS!

Simply put, this book is not solely our work—far from it. Many of our students, colleagues, and those we work with in industry have made contributions that have significantly shaped our perspectives on marketing decision-making. We are grateful to all of them. We wish to give special thanks to Johanna Walker and Felicia Collins of London Business School. Johanna's deep experience in doing business on the Web since nearly the beginning of Internet time has been instrumental in the extensive updating of Chapter 11. Without Felicia's research skills, the examples in this book would be fewer in number and far less compelling.

We would also like to thank the following reviewers for their outstanding comments: Mary Robin Whitney, Zicklin/Baruch/CUNY; Feisal Murshed, Towson University; Angela Hausman, Xavier University; Dennis Pitta, University of Baltimore.

We also thank a small army of talented people at McGraw-Hill/Irwin for their work that has turned our rough manuscript into an attractive and readable book. In particular, our editors, Laura Spell, Robin Reed, and Lori Bradshaw have been instrumental in giving birth to this edition. Without them, we'd probably still be writing!

Finally, we thank our parents, without whom, of course, neither 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 Jeannette and Orville Walker, Sr., and to Alice and Jack Mullins.

Orville C. Walker, Jr.

John W. Mullins

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