

Essentials of **MARKETING MANAGEMENT**

Greg W. Marshall | Mark W. Johnston





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**McGraw-Hill
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After returning to school for his doctorate, Greg's managerial industry experience included 15 years in consumer packaged goods and retailing with companies such as Warner-Lambert, Mennen, and Tropic Corporation. He also has considerable experience as a consultant and writer for a variety of organizations in industries such as hospitality, financial services/insurance, defense contracting, consumer products, information technology, government, and not-for-profit. Greg has been heavily involved in graduate studies and has been the recipient of several teaching awards both within his schools and within the marketing discipline.

He is editor of the Journal of Marketing Theory and Practice and from 2002-2005 was editor of the Journal of Personal Selling & Sales Management. Greg serves on the editorial review boards of the Journal of the Academy of Marketing Science, Industrial Marketing Management, and Journal of Business Research, among others. Greg's published research focuses on the areas of decision making by marketing managers, international relationships, and sales force performance.

Greg 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 Fellow and past-president of the Society for Marketing Advances, presently serves as president-elect for the Academy of Marketing Science, and is a member of the board of directors of the Direct Selling Education Foundation.

To Patti and Justin

-Greg

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

-Mark

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Greg W. Marshall

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He is editor of the *Journal of Marketing Theory and Practice* and from 2002–2005 was editor of the *Journal of Personal Selling & Sales Management*. Greg serves on the editorial review boards of the *Journal of the Academy of Marketing Science*, *Industrial Marketing Management*, and *Journal of Business Research*, among others. Greg's published research focuses on the areas of decision making by marketing managers, intraorganizational relationships, and sales force performance.

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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. Mark continues to provide specialized seminars to top managers on strategic marketing issues.

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

In addition to working together on *Essentials of Marketing Management*, Greg and Mark are the co-authors of three other McGraw-Hill/Irwin titles: *Marketing Management*, 1st edition, *Relationship Selling*, 3rd edition, and *Churchill/Ford/Walker's Sales Force Management*, 10th edition.



PREFACE

INTRODUCTION

No doubt about it, the field of marketing is *really changing*—so much so that the American Marketing Association recently unveiled a change in the “official definition” of marketing:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Recent 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.
- 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.
- 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 facilitate 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 (quoting from the last line of the AMA definition) "customers, clients, partners, and society at large" has changed at a concurrent level. Yet, no marketing management book on the market today fully and effectively captures and communicates to students how marketing management is really practiced in the 21st-century world of business. Clearly, it was time for an updated approach to teaching and learning within the field. This book is designed to fulfill this 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 “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’ve heard comments like these and others from hundreds of colleagues in focus groups, in written reviewer comments, and in numerous casual conversations about the course. We’ve become 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 *Essentials of Marketing Management* 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 *Essentials of Marketing Management* has four major parts, reflective of the logical sequence of building blocks for the course.

- **Part One: Introduction to 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. Global marketplace issues are presented early in the book based on the idea that today, truly *all marketing is global*. And to kick off the marketing planning theme early in the course, comprehensive coverage of this aspect along with an example marketing plan appears in Part One.
- **Part Two: Information Drives Marketing Decision Making.** 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 begins with a unique and highly useful treatment of customer relationship management (CRM), presented in the context of connecting CRM capabilities with other relevant competencies and capabilities of successful marketers. It also includes a substantive discussion of how managers select and execute marketing metrics for decision making. The remainder of this part focuses on effective management of information to better understand competitors and customers, both in the consumer and business marketplaces.
- **Part Three: Developing the Value Offering.** 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, followed by a comprehensive drill-down into today's world of product strategy, branding, and new-product development. Reflecting the notion that service is a key driver of product success, the book makes important links between service and the overall offering. Part Three concludes with a fresh, managerially relevant treatment of pricing decision making.
- **Part Four: Communicating and Delivering the Value Offering.** This part takes an integrative approach to the multitude of modes at a manager's disposal today by which an offering can be made available to customers as well as the array of new-age and traditional marketing communication vehicles.

KEY FEATURES OF THE BOOK

ETHICAL DIMENSION 2

HP's Ethical Scandal Impacts Marketing Strategy

Developing a strategic marketing focus in an organization requires a commitment from senior management. As Jack Welch mentioned, good managers create, articulate, become passionate about, and focus the company on a vision. That requires a clear focus on what is and, critically, what is not important to the firm.

Many issues confront senior managers and it is easy to lose focus. For example, senior management is right: public gaining access to sensitive company information (for example, financial data, cost figures, future marketing strategies, product plans, and pricing programs). To help protect sensitive data from getting into the wrong hands, companies implement sophisticated security measures. At the same time, the Sarbanes-Oxley Act of 2002 (commonly referred to as SOX) established specific procedures and processes to ensure ethical conduct at the highest levels of a company including the board of directors and senior management.

In the vast majority of companies the conflicting demands of securing sensitive information and open disclosure of business procedures exist relatively harmoniously. However, occasionally the system fails and the result is scandal and even criminal activity. Hewlett-Packard (HP), one of the leading global technology companies, found itself involved in a scandal that led to the dismissal of two members of its Board of Directors and the firing of several employees. The scandal was initiated when *The Wall Street Journal* reported sensitive information about future business plans that were meant to be communicated only inside the company and in internal discussions among the Board of Directors. Former HP Chairman Patricia Dunn was determined to find out who was leaking the information and started an investigation into the personal and business communications (phone calls, e-mail, etc.) of several board members without their knowledge.

Organizational Strategies

At the firm level, a **strategy** is a comprehensive plan stating how the organization will achieve its mission and objectives. Put another way, strategy is like a road map to get the organization where it wants to go, based on good information gathered in advance. The choice of which direction a firm should go ultimately boils down to a decision by a firm and its managers. Strategy has two key phases: formulation (or development) and execution. And it occurs at multiple levels in the firm: corporate level, SBU (or business) level, and functional level (marketing, finance, operations, etc.). As we have discussed,

When the people involved in this mess simply unethical by nature? Evidence about some of the players' career tracks suggests just the opposite. Indeed, one of the fired HP officers was the ethics chief for the company and also a well-respected attorney. While stopping the leak of sensitive information was a valid goal, poor—even illegal, decisions were made about how to accomplish that goal. At critical decision moments, no one stepped back to reflect and ask important questions like: Does this make sense? Is this activity appropriate or ethical? HP CEO Mike Hurd, while involved in the scandal, was not directly connected to the illegal activity. He admitted that mistakes were made during the process and the company subsequently initiated a number of changes to its ethics policies and business practices. While HP's market performance remained strong, employees reported considerable conflict as the company dealt with changes to ethics procedures and policies. Hurd has admitted the scandal has been a disaster for him and the company, and of course negative publicity about a company is never a good thing for customer confidence in its brands. When management gets distracted by ethics scandals, the company loses strategic focus and the company's brands could lose market share to competitors who take advantage of the scandalized firm's weakened state in the marketplace.³⁸

Ethical Perspective

1. **Senior management:** How should senior management incorporate ethical standards at all stages of the marketing planning process?
2. **Marketing managers:** A company's brands can be quickly impacted by negative publicity surrounding ethical scandals. How might they be impacted and what might a marketing manager do to reestablish a brand damaged in this way?
3. **The public:** Company image and trust can be regained by a CEO's quick public acknowledgment of an ethics problem accompanied by plans for changes in practice. What could HP's CEO have done better?

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.

translate that information into specific strategies. Tracking public statements is certainly one way of identifying what a competitor is considering.

Twitter, the free social messaging utility, has an added value that makes it extremely appealing to giants Google and Facebook. Twitter has a rich stream of data that it could sell as a service to marketers that want reports about products and topics that are discussed on the site. This information lets companies pinpoint people interested in their business and provides detailed analyses of individuals that follow particular companies.⁴⁴

Additional information can be learned from a company's annual report as well as mandatory documents filed with the Securities and Exchange Commission (SEC)

MARKETING PLAN EXERCISE

Each chapter connects the key content to a semester-long marketing plan project activity, integrated by Marketing Plan Pro software. Marshall/Johnston's *Essentials of Marketing Management* effectively threads 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.

MARKETING PLAN EXERCISES

ACTIVITY 2.1: Elements of a Marketing Plan

In the chapter, you learned that marketing planning drives the activities of the marketing manager and you were provided a framework for marketing planning. Before you move further through this course, it is important to be sure that you understand the flow and content of a typical marketing plan.

1. Read the annotated marketing plan example presented on this book's Web site (www.mhhe.com/marshall1e).
2. Make notes about any questions you may have about the example plan, and be prepared to bring those questions to class for clarification.
3. If you are going to be using Marketing Plan Pro Software to develop your marketing plan, take this opportunity to open your copy of the software and familiarize yourself with its functionality. An electronic template for your marketing plan that follows Exhibit 2.2 in the chapter (which is the same format used in the CloudCab Small Jet Taxi Service example located on our Web site) can be accessed at www.mhhe.com/marshall1e.

If you are using Marketing Plan Pro, a template for this assignment can be accessed at www.mhhe.com/marshall1e.

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:** set the stage for what students will achieve by reading and studying the chapter.
- **Summary:** at the end of each chapter, reminds students of the highlighted topics.

- **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.

LEARNING OBJECTIVES

- Examine the concept of value and the elements and role of the value chain.
- Understand the conditions required for successful marketing planning: Marketing planning is focused on the value proposition and is a dynamic process.
- Identify various types of organizational strategies.
- Conduct a situation analysis.
- Use the framework provided for marketing planning, along with the content in future chapters, to build a marketing plan.

Assurance of Learning Ready

Assurance of learning is an important element of many accreditation standards. Marshall/Johnston's *Essentials of Marketing Management* is designed specifically to support your assurance of learning initiatives. 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, in addition to 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 *Essentials of Marketing Management* has sought to recognize 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.

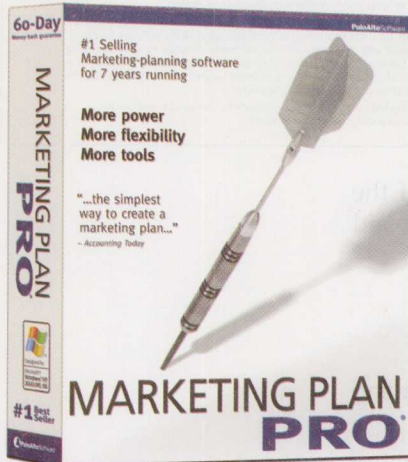
The statements contained in Marshall/Johnston's *Essentials of Marketing Management* are provided only as a guide for the users of this text. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While Marshall/Johnston's *Essentials of Marketing Management* 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.

SUPPLEMENT PACKAGE

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

MARKETING PLAN PRO

Marketing Plan Pro is the most widely used marketing plan software program in the industry, and it includes everything students need to create professional, complete, and accurate marketing plans. Marketing Plan Pro can be packaged with Marshall/Johnston's *Essentials of Marketing Management* for a nominal fee (approximately \$20). In addition, Marshall/Johnston's *Essentials of Marketing Management* will have a Correlation Guide provided at no extra cost linking the Marketing Plan Exercises at



the end of each chapter to the Marketing Plan Pro software. This eliminates the need for instructors to spend time in office hours and in class showing how to use this program.

BUSINESSWEEK VIDEO NEWSLETTER

Bi-monthly you will receive an electronic newsletter from the authors including synopses of current *BusinessWeek* videos as well as discussion questions that correlate to relevant topics in the textbook.

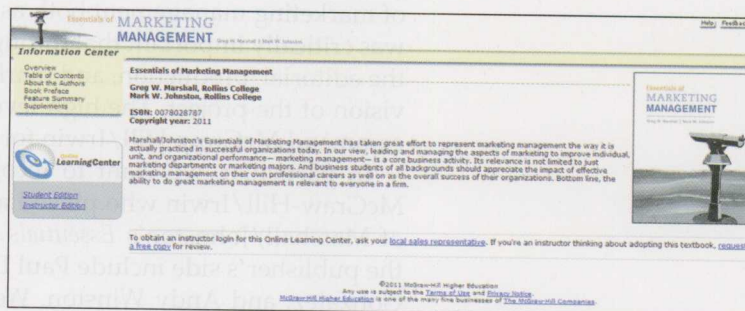
INSTRUCTOR'S RESOURCE CD

The Instructor's Resource CD contains instructor supplements including the Instructor's Manual, PowerPoint slides, and Test Bank. These supplements are also available on the password-protected Instructor Online Learning Center.

- The Instructor's Manual contains a chapter outline for each of the 14 chapters in the text as well as PowerPoint thumbnail references, sample syllabi, and end-of-chapter text solutions.
- The PowerPoint slides include examples from the text and additional lecture support.
- The Test Bank contains true/false, multiple-choice, short answer, and essay questions that are tagged to the appropriate Learning Objective within each chapter as well as applicable AACSB Learning Outcomes.

ONLINE LEARNING CENTER

Students using Marshall/Johnston's *Essentials of Marketing Management* will have access to resources located on the Online Learning Center, including Chapter Quizzes and a Marketing Plan Guide. The Marketing Plan Guide is a correlation guide linking the Marketing Plan Exercises at the end of each chapter to the Marketing Plan Pro software. This guide walks students through the Marketing Plan Pro software, providing direct correlations to show how to complete the marketing plan exercises using the online software.



CONCLUSION

Our overarching goal is to introduce the first really new marketing management book in over a decade—one 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 their 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.
- 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.
- Provide a state-of-the-art supplement package that enhances instructional effectiveness and the student's learning experience.
- Ultimately, provide a book today's instructor's 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

Writing a textbook requires the talents of many dedicated people. First and foremost, we want to thank the McGraw-Hill/Irwin team for sharing the vision of this project with us from the very beginning. Particularly given the dynamic nature of marketing management both as a professional field and as a course of study, it was critically important that throughout the development process the authors and the editorial, production, and marketing team remain steadfast in believing in the vision of the project. The high level of mutual enthusiasm never waned, and we commend McGraw-Hill/Irwin for this.

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