

Marketing Management

14e

Global Edition

PHILIP KOTLER

Northwestern University

KEVIN LANE KELLER

Dartmouth College

PEARSON

Boston Columbus Indianapolis New York San Francisco Upper Saddle River
Amsterdam Cape Town Dubai London Madrid Milan Munich Paris Montreal Toronto
Delhi Mexico City Sao Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo

Brief Contents

Preface 16

PART 1 Understanding Marketing Management 24

- Chapter 1** Defining Marketing for the 21st Century 24
Chapter 2 Developing Marketing Strategies and Plans 54

PART 2 Capturing Marketing Insights 88

- Chapter 3** Collecting Information and Forecasting Demand 88
Chapter 4 Conducting Marketing Research 118

PART 3 Connecting with Customers 144

- Chapter 5** Creating Long-term Loyalty Relationships 144
Chapter 6 Analyzing Consumer Markets 172
Chapter 7 Analyzing Business Markets 204
Chapter 8 Identifying Market Segments and Targets 234

PART 4 Building Strong Brands 262

- Chapter 9** Creating Brand Equity 262
Chapter 10 Crafting the Brand Positioning 296
Chapter 11 Competitive Dynamics 320

PART 5 Shaping the Market Offerings 346

- Chapter 12** Setting Product Strategy 346
Chapter 13 Designing and Managing Services 376
Chapter 14 Developing Pricing Strategies and Programs 404

PART 6 Delivering Value 436

- Chapter 15** Designing and Managing Integrated Marketing Channels 436
Chapter 16 Managing Retailing, Wholesaling, and Logistics 468

PART 7 Communicating Value 496

- Chapter 17** Designing and Managing Integrated Marketing Communications 496
Chapter 18 Managing Mass Communications: Advertising, Sales Promotions, Events and Experiences, and Public Relations 524
Chapter 19 Managing Personal Communications: Direct and Interactive Marketing, Word of Mouth, and Personal Selling 556

PART 8 Creating Successful Long-term Growth 588

- Chapter 20** Introducing New Market Offerings 588
Chapter 21 Tapping into Global Markets 616
Chapter 22 Managing a Holistic Marketing Organization for the Long Run 642

Appendix: Sonic Marketing Plan A1

Endnotes E1

Glossary G1

Image Credits C1

Name Index I1

Company, Brand, and Organization Index I4

Subject Index I14

Contents

Preface 16

PART 1 Understanding Marketing Management 24

CHAPTER 1 Defining Marketing for the 21st Century 24

The Importance of Marketing 25

The Scope of Marketing 27

What Is Marketing? 27

What Is Marketed? 27

Who Markets? 29

Core Marketing Concepts 31

Needs, Wants, and Demands 31

Target Markets, Positioning, and Segmentation 32

Offerings and Brands 32

Value and Satisfaction 32

Marketing Channels 33

Supply Chain 33

Competition 33

Marketing Environment 33

The New Marketing Realities 34

Major Societal Forces 34

New Company Capabilities 36

Marketing in Practice 37

MARKETING INSIGHT Marketing in an Age of Turbulence 38

Company Orientation toward the Marketplace 39

The Production Concept 40

The Product Concept 40

The Selling Concept 40

The Marketing Concept 40

The Holistic Marketing Concept 40

MARKETING MEMO Marketing Right and Wrong 41

Relationship Marketing 42

Integrated Marketing 42

Internal Marketing 43

Performance Marketing 44

Updating the Four Ps 47

Marketing Management Tasks 48

Developing Marketing Strategies and Plans 48

Capturing Marketing Insights 48

MARKETING MEMO Marketers' Frequently Asked Questions 48

Connecting with Customers 49

Building Strong Brands 49

Shaping the Market Offerings 49

Delivering Value 49

Communicating Value 49

Creating Successful Long-Term Growth 49

Summary 50

Applications 50

CHAPTER 2 Developing Marketing Strategies and Plans 54

Marketing and Customer Value 55

The Value Delivery Process 55

The Value Chain 56

Core Competencies 57

A Holistic Marketing Orientation and Customer Value 58

The Central Role of Strategic Planning 58

Corporate and Division Strategic

Planning 59

Defining the Corporate Mission 60

Establishing Strategic Business Units 61

Assigning Resources to Each SBU 64

Assessing Growth Opportunities 64

Organization and Organizational Culture 67

Marketing Innovation 67

MARKETING INSIGHT Creating Innovative Marketing 68

Business Unit Strategic Planning 69

The Business Mission 70

SWOT Analysis 70

Goal Formulation 72

Strategic Formulation 72

MARKETING MEMO Checklist for Performing Strengths/Weaknesses Analysis 74

Program Formulation and

Implementation 75

Feedback and Control 75

Product Planning: The Nature and Contents of a Marketing Plan 76

MARKETING MEMO Marketing Plan Criteria 77

The Role of Research 77

The Role of Relationships 77

From Marketing Plan to Marketing Action 77

Summary 78

Applications 78

Sample Marketing Plan: Pegasus Sports International 82

PART 2 Capturing Marketing Insights 88

CHAPTER 3 Collecting Information and Forecasting Demand 88

Components of a Modern Marketing Information System 89

Internal Records 92

The Order-to-Payment Cycle 92

Sales Information Systems 92

Databases, Data Warehousing, and Data Mining 93

Marketing Intelligence 93

The Marketing Intelligence System 93

Collecting Marketing Intelligence on the Internet 94

Communicating and Acting on Marketing Intelligence 95

Analyzing the Macroenvironment 96

Needs and Trends 96

Identifying the Major Forces 96

The Demographic Environment 97

MARKETING INSIGHT Finding Gold at the Bottom of the Pyramid 98

The Economic Environment 99

The Sociocultural Environment 100

The Natural Environment 102

The Technological Environment 103

MARKETING INSIGHT The Green Marketing Revolution 104

The Political-Legal Environment 106

Forecasting and Demand

Measurement 107

The Measures of Market Demand 107

A Vocabulary for Demand

Measurement 108

Estimating Current Demand 110

Estimating Future Demand 112

Summary 114

Applications 114

CHAPTER 4 Conducting Marketing Research 118

The Marketing Research System 119

The Marketing Research Process 121

Step 1: Define the Problem, the Decision Alternatives, and the Research

Objectives 121

Step 2: Develop the Research Plan 122

MARKETING MEMO Conducting Informative Focus Groups 124

MARKETING MEMO Questionnaire Dos and Don'ts 126

MARKETING INSIGHT Getting into the Heads of Consumers 128

MARKETING INSIGHT Understanding Brain Science 130

Step 3: Collect the Information 132

Step 4: Analyze the Information 133

Step 5: Present the Findings 133

Step 6: Make the Decision 133

MARKETING INSIGHT Bringing Marketing Research to Life with Personas 134

Overcoming Barriers to the Use of Marketing Research 134

Measuring Marketing Productivity 136

Marketing Metrics 136

Marketing-Mix Modeling 138

Marketing Dashboards 138

MARKETING INSIGHT Marketing Dashboards to Improve Effectiveness and Efficiency 139

Summary 140

Applications 141

PART 3 Connecting with Customers 144

CHAPTER 5 Creating Long-term Loyalty Relationships 144

Building Customer Value, Satisfaction, and Loyalty 145

Customer Perceived Value 146

Total Customer Satisfaction 150

Monitoring Satisfaction 150

MARKETING INSIGHT Net Promoter and Customer Satisfaction 151

Product and Service Quality 153

Maximizing Customer Lifetime Value 154

MARKETING MEMO Marketing and Total Quality 154

Customer Profitability 155

Measuring Customer Lifetime Value 156

Cultivating Customer Relationships 156

MARKETING MEMO Calculating Customer Lifetime Value 156

Customer Relationship

Management 157

Attracting and Retaining

Customers 161

Building Loyalty 163

Win-Backs 165

Customer Databases and Database

Marketing 165

Customer Databases 165

Data Warehouses and Data Mining 165

The Downside of Database Marketing and

CRM 167

MARKETING INSIGHT The Behavioral Targeting Controversy 168

Summary 169

Applications 169

CHAPTER 6 Analyzing Consumer Markets 172

What Influences Consumer Behavior? 173

Cultural Factors 173

Social Factors 175

MARKETING MEMO The Average U.S. Consumer Quiz 177

Personal Factors 177

Key Psychological Processes 182

Motivation: Freud, Maslow, Herzberg 182

Perception 183

Learning 185

Emotions 185

Memory 185

MARKETING INSIGHT Made to Stick 187

The Buying Decision Process:

The Five-Stage Model 188

Problem Recognition 189

Evaluation of Alternatives 190

Purchase Decision 192

Postpurchase Behavior 194

Moderating Effects on Consumer Decision Making 195

Behavioral Decision Theory and Behavioral Economics 196

Decision Heuristics 196

MARKETING INSIGHT Predictably Irrational 198

Framing 198

Summary 199

Applications 200

CHAPTER 7 Analyzing Business Markets 204

What Is Organizational Buying? 205

The Business Market versus the Consumer Market 205

Buying Situations 207

Systems Buying and Selling 209

Participants in the Business Buying Process 210

The Buying Center 210

Buying Center Influences 211

Targeting Firms and Buying Centers 212

MARKETING INSIGHT Big Sales to Small Businesses 213

The Purchasing/Procurement Process 215

Stages in the Buying Process 217

Problem Recognition 218

General Need Description and Product Specification 218

Supplier Search 218

Proposal Solicitation 220

Supplier Selection 220

MARKETING MEMO Developing Compelling Customer Value Propositions 221

Order-Routine Specification 223

Performance Review 223

Managing Business-to-Business Customer Relationships 223

The Benefits of Vertical Coordination 224

MARKETING INSIGHT Establishing Corporate Trust, Credibility, and Reputation 225

Business Relationships: Risks and Opportunism 225

New Technology and Business
Customers 226

Institutional and Government Markets 227

Summary 229

Applications 230

CHAPTER 8 Identifying Market Segments and Targets 234

Bases for Segmenting Consumer

Markets 236

Geographic Segmentation 236

Demographic Segmentation 238

MARKETING INSIGHT Trading Up, Down,
and Over 240

Psychographic Segmentation 247

Behavioral Segmentation 249

Bases for Segmenting Business Markets 252

Market Targeting 253

Effective Segmentation Criteria 253

Evaluating and Selecting the Market
Segments 254

MARKETING INSIGHT Chasing the Long
Tail 257

Summary 258

Applications 259

PART 4 Building Strong Brands 262

CHAPTER 9 Creating Brand Equity 262

What Is Brand Equity? 263

The Role of Brands 264

The Scope of Branding 265

Defining Brand Equity 265

Brand Equity Models 267

MARKETING INSIGHT Brand Bubble
Trouble 270

Building Brand Equity 271

Choosing Brand Elements 272

Designing Holistic Marketing Activities 273

Leveraging Secondary Associations 274

Internal Branding 275

Brand Communities 275

Measuring Brand Equity 277

MARKETING INSIGHT The Brand Value
Chain 277

MARKETING INSIGHT What Is a Brand
Worth? 279

Managing Brand Equity 280

Brand Reinforcement 280

Brand Revitalization 281

Devising a Branding Strategy 282

Branding Decisions 283

Brand Portfolios 284

Brand Extensions 285

Customer Equity 289

MARKETING MEMO Twenty-First-Century
Branding 289

Summary 290

Applications 291

CHAPTER 10 Crafting the Brand Positioning 296

Developing and Establishing a Brand
Positioning 297

Determining a Competitive Frame of
Reference 298

MARKETING INSIGHT High Growth Through
Value Innovation 300

Identifying Optimal Points-of-Difference and
Points-of-Parity 302

Choosing POPs and PODs 305

Brand Mantras 306

Establishing Brand Positioning 308

MARKETING MEMO Constructing a Brand
Positioning Bull's-eye 309

Differentiation Strategies 311

Alternative Approaches to Positioning 313

Positioning and Branding a Small
Business 315

Summary 316

Applications 316

CHAPTER 11 Competitive Dynamics 320

Competitive Strategies for Market
Leaders 321

MARKETING INSIGHT When Your
Competitor Delivers More for Less 322

Expanding Total Market Demand 323
Protecting Market Share 324
Increasing Market Share 326
Other Competitive Strategies 327
Market-Challenger Strategies 327
Market-Follower Strategies 329
Market-Nicher Strategies 330

MARKETING MEMO Niche Specialist
Roles 331

Product Life-Cycle Marketing

Strategies 332
Product Life Cycles 332
Style, Fashion, and Fad Life Cycles 333
Marketing Strategies: Introduction Stage and
the Pioneer Advantage 334
Marketing Strategies: Growth Stage 335
Marketing Strategies: Maturity Stage 335
Marketing Strategies: Decline Stage 336

MARKETING INSIGHT Managing a Brand
Crisis 338

Evidence for the Product Life-Cycle
Concept 338
Critique of the Product Life-Cycle
Concept 339
Market Evolution 339

Marketing in an Economic

Downturn 340
Explore the Upside of Increasing
Investment 340
Get Closer to Customers 340
Review Budget Allocations 341
Put Forth the Most Compelling Value
Proposition 341
Fine-tune Brand and Product
Offerings 342

Summary 342

Applications 343

PART 5 Shaping the Market Offerings 346

CHAPTER 12 Setting Product Strategy 346

Product Characteristics and
Classifications 347
Product Levels: The Customer-Value
Hierarchy 348
Product Classifications 349

Product and Services Differentiation 350
Product Differentiation 351
Services Differentiation 352

Design 354

Product and Brand Relationships 355

MARKETING INSIGHT Marketing Luxury
Brands 356

The Product Hierarchy 358
Product Systems and Mixes 358
Product Line Analysis 359
Product Line Length 361

MARKETING INSIGHT When Less Is
More 361

Product Mix Pricing 364
Co-Branding and Ingredient
Branding 366

MARKETING MEMO Product-Bundle Pricing
Considerations 366

Packaging, Labeling, Warranties, and

Guarantees 368
Packaging 368
Labeling 370
Warranties and Guarantees 371

Summary 371

Applications 372

CHAPTER 13 Designing and Managing Services 376

The Nature of Services 377
Service Industries Are Everywhere 378
Categories of Service Mix 378
Distinctive Characteristics of Services 380

The New Services Realities 383
A Shifting Customer Relationship 384

Achieving Excellence in Services

Marketing 387
Marketing Excellence 387
Best Practices of Top Service
Companies 388
Differentiating Services 390

MARKETING INSIGHT Improving Company
Call Centers 391

Managing Service Quality 392

MARKETING MEMO Recommendations for
Improving Service Quality 394

Managing Customer Expectations 395
Incorporating Self-Service Technologies
(SSTs) 397

Managing Product-Support Services 397
Identifying and Satisfying Customer
Needs 398

MARKETING MEMO Assessing E-Service
Quality 398

Postsale Service Strategy 399

Summary 400

Applications 400

CHAPTER 14 Developing Pricing Strategies and Programs 404

Understanding Pricing 405
A Changing Pricing Environment 406

MARKETING INSIGHT Giving It All
Away 406

How Companies Price 408
Consumer Psychology and
Pricing 408

Setting the Price 411

Step 1: Selecting the Pricing
Objective 411

Step 2: Determining Demand 412

Step 3: Estimating Costs 414

Step 4: Analyzing Competitors' Costs, Prices,
and Offers 417

Step 5: Selecting a Pricing
Method 417

Step 6: Selecting the Final Price 424

MARKETING INSIGHT Stealth Price
Increases 425

Adapting the Price 425

Geographical Pricing (Cash, Countertrade,
Barter) 426

Price Discounts and Allowances 426

Promotional Pricing 427

Differentiated Pricing 428

Initiating and Responding to Price

Changes 429

Initiating Price Cuts 429

Initiating Price Increases 430

Responding to Competitors' Price
Changes 431

Summary 432

Applications 432

PART 6 Delivering Value 436

CHAPTER 15 Designing and Managing Integrated Marketing Channels 436

Marketing Channels and Value Networks 437

The Importance of Channels 438

Hybrid Channels and Multichannel
Marketing 438

Value Networks 439

The Role of Marketing Channels 440

Channel Functions and Flows 440

Channel Levels 442

Service Sector Channels 443

Channel-Design Decisions 444

Analyzing Customer Needs and Wants 444

Establishing Objectives and
Constraints 445

Identifying Major Channel Alternatives 446

Evaluating Major Channel Alternatives 448

Channel-Management Decisions 449

Selecting Channel Members 449

Training and Motivating Channel
Members 450

Evaluating Channel Members 451

Modifying Channel Design and
Arrangements 451

Channel Modification Decisions 451

Global Channel Considerations 452

Channel Integration and Systems 453

Vertical Marketing Systems 453

MARKETING INSIGHT Channel Stewards

Take Charge 454

Horizontal Marketing Systems 455

Integrating Multichannel Marketing
Systems 455

Conflict, Cooperation, and Competition 457

Types of Conflict and Competition 457

Causes of Channel Conflict 458

Managing Channel Conflict 458

Dilution and Cannibalization 460

Legal and Ethical Issues in Channel
Relations 460

E-Commerce Marketing Practices 460

Pure-Click Companies 461

Brick-and-Click Companies 462

M-Commerce Marketing Practices 463

Summary 464

Applications 464

CHAPTER 16 Managing Retailing, Wholesaling, and Logistics 468

Retailing 469

- Types of Retailers 470
- The New Retail Environment 473
- Marketing Decisions 475
- Channels 476

MARKETING MEMO Helping Stores to Sell 480

Private Labels 481

- Role of Private Labels 482
- Private-Label Success Factors 482

MARKETING INSIGHT Manufacturer's Response to the Private Label Threat 483

Wholesaling 483

- Trends in Wholesaling 485

Market Logistics 486

- Integrated Logistics Systems 486
- Market-Logistics Objectives 487
- Market-Logistics Decisions 488
- Organizational Lessons 491

Summary 491

Applications 492

PART 7 Communicating Value 496

CHAPTER 17 Designing and Managing Integrated Marketing Communications 496

The Role of Marketing Communications 498

- The Changing Marketing Communications Environment 498

MARKETING INSIGHT Don't Touch That Remote 498

- Marketing Communications, Brand Equity, and Sales 500
- The Communications Process Models 502

Developing Effective Communications 504

- Identify the Target Audience 504
- Determine the Communications Objectives 504
- Design the Communications 506

MARKETING INSIGHT Celebrity Endorsements as a Strategy 508

- Select the Communications Channels 508

- Establish the Total Marketing Communications Budget 510

Deciding on the Marketing

Communications Mix 512

- Characteristics of the Marketing Communications Mix 512
- Factors in Setting the Marketing Communications Mix 514
- Measuring Communication Results 516

Managing the Integrated Marketing

Communications Process 516

- Coordinating Media 517
- Implementing IMC 518

MARKETING MEMO How Integrated Is Your IMC Program? 518

Summary 519

Applications 519

CHAPTER 18 Managing Mass Communications: Advertising, Sales Promotions, Events and Experiences, and Public Relations 524

Developing and Managing an Advertising Program 526

- Setting the Objectives 526
- Deciding on the Advertising Budget 527
- Developing the Advertising Campaign 528

MARKETING MEMO Print Ad Evaluation Criteria 531

Deciding on Media and Measuring

Effectiveness 532

- Deciding on Reach, Frequency, and Impact 533
- Choosing among Major Media Types 534
- Alternate Advertising Options 534

MARKETING INSIGHT Playing Games with Brands 538

- Selecting Specific Media Vehicles 538
- Deciding on Media Timing and Allocation 539
- Evaluating Advertising Effectiveness 540

Sales Promotion 541

- Objectives 541
- Advertising versus Promotion 541
- Major Decisions 542

Events and Experiences 546

Events Objectives 546
Major Sponsorship Decisions 547
Creating Experiences 548

MARKETING MEMO Measuring High
Performance Sponsorship Programs 548

Public Relations 549
Marketing Public Relations 549
Major Decisions in Marketing PR 550

Summary 552

Applications 552

CHAPTER 19 Managing Personal

**Communications: Direct and
Interactive Marketing, Word
of Mouth, and Personal
Selling 556**

Direct Marketing 557
The Benefits of Direct Marketing 558
Direct Mail 560
Catalog Marketing 561
Telemarketing 561
Other Media for Direct-Response
Marketing 561
Public and Ethical Issues in Direct
Marketing 562
Interactive Marketing 562
Advantages and Disadvantages of Interactive
Marketing 562
Interactive Marketing Communication
Options 563

MARKETING MEMO How to Maximize the
Marketing Value of E-mails 565

MARKETING MEMO Segmenting Tech
Users 567

Word of Mouth 568
Social Media 568
Buzz and Viral Marketing 571
Opinion Leaders 573

MARKETING MEMO How to Start a Buzz
Fire 574

Measuring the Effects of Word of
Mouth 574

Designing the Sales Force 575
Sales Force Objectives and Strategy 576
Sales Force Structure 577

MARKETING INSIGHT Major Account
Management 577

Sales Force Size 578
Sales Force Compensation 578

Managing the Sales Force 578
Recruiting and Selecting
Representatives 578
Training and Supervising Sales
Representatives 579
Sales Rep Productivity 579
Motivating Sales Representatives 580
Evaluating Sales Representatives 581
Principles of Personal Selling 582
The Six Steps 583
Relationship Marketing 584

Summary 584

Applications 585

PART 8 Creating Successful Long- term Growth 588

CHAPTER 20 Introducing New Market Offerings 588

New-Product Options 589
Make or Buy 589
Types of New Products 590
**Challenges in New-Product
Development 590**
The Innovation Imperative 590
New-Product Success 591
New-Product Failure 592
Organizational Arrangements 592
Budgeting for New-Product
Development 593
Organizing New-Product
Development 594

Managing the Development Process:
Ideas 595
Generating Ideas 595

MARKETING MEMO Ten Ways to Find Great
New-Product Ideas 596

MARKETING INSIGHT P&G's New Connect +
Develop Approach to Innovation 596

MARKETING MEMO Seven Ways to Draw
New Ideas from Your Customers 598

MARKETING MEMO How to Run a
Successful Brainstorming Session 599
Using Idea Screening 600

Managing the Development Process: Concept to Strategy 601

- Concept Development and Testing 601
- Marketing Strategy Development 604
- Business Analysis 605

Managing the Development Process:

Development to Commercialization 607

- Product Development 607
- Market Testing 607
- Commercialization 610

The Consumer-Adoption Process 611

- Stages in the Adoption Process 611
- Factors Influencing the Adoption Process 611

Summary 612

Applications 613

CHAPTER 21 Tapping into Global Markets 616

Competing on a Global Basis 617

Deciding Whether to Go Abroad 619

Deciding Which Markets to Enter 619

- How Many Markets to Enter 620
- Developed versus Developing Markets 620

MARKETING INSIGHT Spotlight on Key Developing Markets 622

- Evaluating Potential Markets 624

Deciding How to Enter the Market 625

- Indirect and Direct Export 625
- Licensing 626
- Joint Ventures 627
- Direct Investment 627

Deciding on the Marketing Program 628

- Global Similarities and Differences 628
- Marketing Adaptation 629

MARKETING MEMO The Ten

- Commandments of Global Branding 630

- Global Product Strategies 630

- Global Communication Strategies 632

- Global Pricing Strategies 633

- Global Distribution Strategies 635

Country-of-Origin Effects 636

- Building Country Images 636
- Consumer Perceptions of Country of Origin 636

Deciding on the Marketing Organization 638

- Export Department 638
- International Division 638
- Global Organization 638

Summary 639

Applications 639

CHAPTER 22 Managing a Holistic Marketing Organization for the Long Run 642

Trends in Marketing Practices 643

Internal Marketing 645

- Organizing the Marketing Department 645

MARKETING MEMO Characteristics of

- Company Departments That Are Truly Customer Driven 646

- Relationships with Other Departments 649

- Building a Creative Marketing Organization 650

MARKETING INSIGHT The Marketing CEO 650

Socially Responsible Marketing 651

- Corporate Social Responsibility 652

MARKETING INSIGHT The Rise of

- Organic 655

- Socially Responsible Business Models 656

- Cause-Related Marketing 656

MARKETING MEMO Making a Difference:

- Top 10 Tips for Cause Branding 659

- Social Marketing 660

Marketing Implementation and Control 662

- Marketing Implementation 662

- Marketing Control 663

- Annual-Plan Control 663

- Profitability Control 664

- Efficiency Control 664

- Strategic Control 665

The Future of Marketing 665

MARKETING MEMO Major Marketing

- Weaknesses 669

Summary 670

Applications 670

Appendix Tools for Marketing

- Control 674

Appendix Sonic Marketing Plan A1

Endnotes E1

Glossary G1

Image Credits C1

Name Index I1

Company, Brand, and Organization Index I4

Subject Index I14