



# Book Kotler on Marketing

## How to Create, Win and Dominate Markets

Philip Kotler  
Free Press, 1999

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### Recommendation

Philip Kotler draws on lectures he's given worldwide and textbook basics to craft an informative and refreshing marketing text. Highlighting the primary tools and techniques used by marketing professionals, he encourages companies to adopt a holistic approach that emphasizes customer value over product sales. Since it's cheaper to retain an existing customer than to acquire a new one, companies should use all of the resources at their disposal - including marketing - in building long-term customer relationships. Beyond the customer-value sermon, Kotler offers a systemic review of fundamental marketing concepts that *BooksInShort* heartily recommends to beginners, who quickly will find their copies of this book glowing with highlighter yellow, as well as marketing veterans, who will enjoy and learn from the book's fresh take on familiar topics.

### Take-Aways

- Marketing is not just selling.
- Marketing is not a department. It's a mindset.
- Marketing's central purpose is demand management - influencing the level, timing and composition of demand.
- There is no one marketing road to riches.
- You must ask the customer's question: "Why should I buy from you?"
- Three types of market opportunities exist: 1) Selling something in short supply, 2) Finding a new way to supply an existing product, and 3) Offering a new product.
- Marketing's traditional four P's (product, price, place, and promotion) are now the four C's (customer value, cost to customer, convenience and communication.)
- Using customer databases, you can identify very small market segments.
- Technology, globalization, deregulation and privatization are the four forces shaping the future.
- Encourage "breakthrough thinking."

# Summary

## Choose Your Strategy

The leaders of successful companies must already be aware of how rapidly today's world is changing as our destiny is shaped by four powerful forces: technology, globalization, deregulation and privatization. Companies that aren't preparing for monumental change in the wake of these forces will not survive.

Popular formulas promising marketing success do exist, advising you to provide higher quality, better service or lower prices; secure a high market share; adapt and customize; continuously improve your product; create new products; enter high-growth markets or exceed customer expectations. While all of these strategies represent good goals under certain circumstances, the one marketing road to riches is as imaginary as the yellow brick road in Oz. You cannot depend on one particular differentiation or thrust. Instead, create your own unique tapestry of marketing qualities and activities.

“Marketing's central purpose is demand management, the skills needed to manage the level, timing, and composition of demand.”

Your choice of strategies depends on your company's mix of products, services, organizational structures, environmental forces and other factors. For example, branded-goods manufacturers have one set of concerns, such as shrinking margins, rising sales and promotion costs - while store-based retailers have other issues, such as category killers and competition from catalogs, mail and Web orders. Your strategy depends on your answers to a number of key questions: How do you differentiate your product or services from your competitors? How do you choose the right market segments? How far do you go in customizing your offerings for your customers? How do you keep customers loyal? How do you increase the productivity of your sales force?

## Value Obsession

To be successful today, you need to be concerned about costs and the bottom line, but also you need to focus on a strong vision to create true value. This is the "top line." Your goal is identifying, evaluating and selecting market opportunities and creating strategies to dominate in your target markets. Customers have become increasingly demanding, and much more competition exists today, both globally and through the Internet. Thus, you need to provide value effectively and use marketing to position your company or product line to present this value.

“There are two kinds of companies: those who change and those who disappear.”

Your company's concentration on value should not be limited to the marketing department. Everyone in your organization should make this commitment. Every department should be customer-minded. For example, your research and development department should seek customer reactions and suggestions while designing a new product. The manufacturing department should continuously improve product quality and meet customer requirements for customization as much as possible. The sales department should provide feedback on customers' needs and ideas to those who develop products. In short, everyone should think of ways to offer more customer value.

This approach means that marketing is not just selling, although selling is part of marketing. In fact, when marketing works well, people respond so positively to the product that they praise it to others, and it becomes less necessary for you to sell your product, because your customers do it for you.

## Hitting Your Target (Market)

Markets range from mass markets at one extreme to customer-level marketing at the other. Mostly, companies practice target marketing by designing products or services for one or more particular segment of the market.

“Technology is the ultimate shaper not only of the material substructure of society but also of human thought patterns.”

You can segment the market according to the benefits that people seek (price, quality), their demographic background (senior

citizens, teenagers), usage level (heavy, medium, light-users or non-users), lifestyle (pickup-truck males or station-wagon suburbanites) and other factors. Once you segment the market and select those groups that are most likely to respond to your product, you can develop your marketing campaign to reach the most appropriate groups most effectively.

“If companies focus only on their costs, they will never grow to greatness. Without a top line, there will be no bottom line.”

Today, you can identify very small market segments, including niches. Niches are made up of a small number of customers with special needs - such as buyers who like powerful, expensive sports cars. An even smaller grouping is called a "market cell." These are buyers with a certain interest in a certain location. Huge customer databases enable customized marketing and mass-customized marketing.

## Identifying Market Opportunities

Whatever target market you seek to serve, look for three types of market opportunities: 1) Selling something in short supply, 2) Finding a new or superior way to supply an existing product, or 3) Offering an entirely new product or service.

If you want to develop a new product, you must have a central person who collects, reviews and evaluates new ideas. Otherwise, when these ideas rise up in different departments, they are likely to go nowhere and die. Appoint a senior-level person as your idea manager. The idea manager should meet with a committee to evaluate and select the ideas for further development.

“Clearly there is no one marketing road to riches. Instead of relying on one major differentiation or thrust, a company needs to weave its own unique tapestry of marketing qualities and activities.”

To take advantage of new opportunities, don't just "improvement think." Instead, encourage breakthrough thinking. General Electric CEO Jack Welch encouraged breakthrough thinking when the company found itself stalled in meeting its sales goals. A multidisciplinary group with 20 senior managers had an all-day session, and each team had a mandate to come up with breakthrough ideas for various areas of the business.

“Smart marketing companies are improving their customer knowledge, customer connection technologies and understanding of customer economics. They are inviting customers to co-design the product. They are ready to make flexible marketing offerings.”

Once you have developed a series of opportunities, figure out your overall probability of success by measuring technical completion, commercialization and economic success.

## The Power of Brand Equity

Since no company can be good at everything, it's important to develop your value proposition. Emphasize your areas of concentration - such as whether you want to be the "product differentiator, the low-cost leader, or the nicher." Then, develop your specific positioning. Do you want your company or a particular product line to be known for best quality? Best performance? Most reliability? Also, choose one of five value positions by offering: 1) More for more, 2) More for the same, 3) The same for less, 4) Less for much less, or 5) More for less. The one value position to avoid is offering less for more, since your customer will feel cheated.

Once you have your positioning, choose a brand name that fits the value positioning you have selected - for example, have a name that suggests luxury for an expensive product. Build positive associations with the name. Use various tools to strengthen and feature the brand image, including favorable word associations, a catchy slogan, a consistent set of colors and symbols or logos. Some brands also have stories associated with them, such as stories of extraordinary customer service provided by salespeople at Nordstrom.

## Marketing Tactics

Whatever you are marketing to your target customers, use a number of tactical strategies to make your marketing more effective.

Develop and use market intelligence. Design a good marketing mix. Find ways to increase customer value.

“Successful companies will be the few who can keep their marketing changing as fast as their market place.”

Using market intelligence has become especially critical, since competitors can copy each other’s equipment, product and procedures, but they can’t copy a company’s information and intellectual capital. Some companies have created a new position for a vice-president in charge of knowledge, learning or intellectual capital. This person typically deals with three environments:

- Macro-environment - Demographics, economics and trends in lifestyles, technology and politics.
- Task environment - Information on consumers, collaborators and competitors.
- Company environment - Information on sales, orders, costs and customer profitability by product and segment.

“Marketing must identify, evaluate and select marketing opportunities and lay down strategies for achieving eminence if not dominance in target markets.”

In the case of the marketing mix, consider more than just the traditional four P’s (product, price, place and promotion). Consider politics and public opinion. In the new economy, the four P’s turn into the Four C’s - customer value instead of product, the cost to the customer instead of price, the convenience to the customer instead of the place and the communication you provide the customer instead of promotion. This approach helps you differentiate your product so that it becomes less of a commodity and gains more distinctiveness and value.

Retaining and increasing your customers is another key marketing tactic. Don’t just acquire customers. Locate prospects and solicit leads within the target market you have selected. Then, use the appropriate sales techniques, such as capturing the prospect’s attention. Maintaining a customer costs less than getting a new one. Focus on creating long-term customer relationships through customer satisfaction. Also, consider different products or services that you can sell to your current customers. Your satisfied customers can be an adjunct to your sales force through word of mouth. They will talk up your product or service, and recommend it to others.

“Progressive companies seek to get all their departments to be customer-oriented, if not customer driven.”

To get and keep customers, deliver increasing value by doing a better job of determining what customers in your target market really want. For example, some customers who want a lower price may be willing to give up some services in return. That is, you might be able to charge a lower price to a customer who is willing to pick up or assemble the product.

## **Marketing Administering**

Besides taking these tactical steps, you need to administer your marketing effort effectively. Begin with a good marketing plan. You can choose among six types of plans, but each one should contain situation analysis, marketing objectives and goals, marketing strategy, marketing action plan and marketing controls. The types of plans are:

- Brand marketing.
- Product category marketing.
- New product introductions.
- Market segment planning.
- Geographic market planning.
- Separate plans for each valued customer.

“Wherever there is a need, there is an opportunity. Marketing is the art of finding, developing and profiting from opportunities.”

After you implement your plan, carefully evaluate and control the performance of your marketing through a marketing audit. This necessary final step can guide your further marketing efforts, since it enables you to evaluate and interpret current results and take corrective action. Look at costs and results in terms of market share, customer retention, relative product and service quality, customer satisfaction and other measures.

In addition, periodically examine your marketing effort and determine how the different areas of your company, such as marketing, finance, purchasing, R&D and others, contribute to it. Look closely at your marketing environment, strategy, organization, systems, productivity and other factors, so you have a comprehensive understanding of both the results and the process that goes into achieving those results.

## About the Author

**Philip Kotler** is a professor of international marketing at the Kellogg Graduate School of Management at Northwestern University. He has written or co-authored 15 books, including *Marketing Management*, *Social Marketing*, *Marketing Places* and *The Marketing of Nations*. He has won numerous awards as a marketing educator.

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