

INTERNATIONAL EDITION

david w. CRAVENS

nigel f. PIERCY

strategic



marketing

SEVENTH *edition*

Contents

PART ONE

Market-Driven Strategy 1

Chapter 1

Market-Driven Strategy 3

- Market-Driven Strategy 4
 - Characteristics of Market-Driven Strategies* 4
 - Why Pursue a Market-Driven Strategy?* 5
- Becoming Market Oriented 5
 - Characteristics of Market Orientation* 6
 - Becoming a Market-Oriented Organization* 8
- Distinctive Capabilities 11
 - Identifying Distinctive Capabilities* 12
 - Types of Capabilities* 13
 - Value and Capabilities* 14
- Creating Value for Customers 14
 - Customer Value* 15
 - Providing Value to Customers* 15
 - Value Initiatives* 15
- Becoming Market Driven 17
 - Market Sensing and Customer Linking Capabilities* 17
 - Aligning Structure and Processes* 18
- Summary 18

Chapter 2

Business and Marketing Strategies 21

- Corporate Strategy 22
 - What is Corporate Strategy?* 22
 - Organizational Change* 24
 - Components of Strategy* 25
- Business and Marketing Strategy 29
 - Developing the Strategic Plan for Each Business* 30
 - Business Strategy and Marketing Strategy* 31
 - Strategic Marketing* 31
- Marketing Strategy Process 32
 - Strategic Situation Analysis* 32
 - Designing Market-Driven Strategies* 34
 - Market-Focused Program Development* 38
 - Implementing and Managing Market-Driven Strategy* 40

- Internet Strategy 41
 - Major Force for Change* 41
 - Strategy and the Internet* 42
- Preparing the Marketing Plan 43
 - Planning Relationships and Frequency* 44
 - Planning Considerations* 44
 - Preparing the Marketing Plan* 44
- Summary 47

Appendix 2A

Financial Analysis for Marketing Planning and Control 50

Cases for Part One 61

- Case 1–1 Nokia Corp. 61
- Case 1–2 Polaroid Corp. 68
- Case 1–3 EuroDisney 73

PART TWO

Situation Analysis 81

Chapter 3

Market Vision, Structure, and Analysis 83

- Markets and Strategies 85
 - Strategies and Markets Are Interlinked* 85
 - Value Migration* 85
 - Shared Vision About the Market* 86
- Mapping Product-Markets 86
 - Matching Needs with Product Benefits* 87
 - Mapping Product-Market Boundaries and Structure* 88
 - Forming Product-Markets* 90
 - Illustrative Product-Market Structure* 92
- Describing and Analyzing End-Users 93
 - Identifying and Describing Buyers* 93
 - How Buyers Make Choices* 93
 - Environmental Influences* 95
 - Building Customer Profiles* 95
- Analyzing Competition 96
 - Defining the Competitive Arena* 96
 - Key Competitor Analysis* 101
 - Anticipating Competitors' Actions* 103
- Developing a Strategic Vision About the Future 104

<i>Phases of Competition</i>	105
<i>Anticipating the Future</i>	105
Market Size Estimation	106
<i>Market Potential</i>	106
<i>Sales Forecast</i>	106
<i>Market Share</i>	107
<i>Evaluating Market Opportunity</i>	107
Summary	108

Appendix 3A

Forecasting Guidelines 111

Chapter 4

Segmenting Markets 116

Segmentation and Market-Driven Strategy	117
<i>Market Segmentation and Value Opportunities</i>	117
<i>Creating New Market Space</i>	118
<i>Matching Value Opportunities and Capabilities</i>	118
<i>Market Targeting and Strategic Positioning</i>	119
<i>Selecting the Market to be Segmented</i>	119
<i>Market Segmentation Activities and Decisions</i>	120
Identifying Market Segments	120
<i>Purpose of Segmentation Variables</i>	120
<i>Characteristics of People and Organizations</i>	121
<i>Product Use Situation Segmentation</i>	122
<i>Buyer's Needs and Preferences</i>	123
<i>Purchase Behavior</i>	124
Forming Segments	125
<i>Requirements for Segmentation</i>	126
<i>Approaches to Segment Identification</i>	128
<i>Customer Group Identification</i>	128
<i>Forming Groups Based on Response Differences</i>	131
Finer Segmentation Strategies	133
<i>Logic of Finer Segments</i>	134
<i>Finer Segmentation Strategies</i>	134
Selecting the Segmentation Strategy	135
<i>Deciding How to Segment</i>	135
<i>Strategic Analysis of Market Segments</i>	136
Summary	140

Chapter 5

Continuous Learning about Markets 144

Market Orientation and Organizational Learning	145
<i>Market Orientation</i>	146

<i>Learning about Markets</i>	147
<i>Information, Analysis, and Action</i>	149
Marketing Research Information	151
<i>Collecting Existing Information</i>	151
<i>Standardized Information Services</i>	152
<i>Special Research Studies</i>	154
Information Systems	159
<i>Management Information Systems</i>	159
<i>Database Systems</i>	159
<i>Decision-Support Systems</i>	160
Marketing Intelligence Systems and Knowledge Management	*162
<i>Knowledge Management</i>	162
<i>Role of the Chief Knowledge Officer</i>	163
<i>Leveraging Customer Knowledge</i>	163
Issues in Collecting and Using Information	164
<i>Invasion of Customer Privacy</i>	164
<i>Information and Ethics</i>	165
Summary	165

Cases for Part Two 169

Case 2-1	Gatorade	169
Case 2-2	Nike Inc.	174
Case 2-3	Campbell Soup Co.	180
Case 2-4	Pfizer, Inc., Animal Health Products (A)	184

PART THREE

Designing Market-Driven Strategies 195

Chapter 6

Market Targeting and Strategic Positioning 197

Market Targeting Strategy	198
<i>Targeting Strategies</i>	198
<i>Targeting Alternatives</i>	198
<i>Factors Influencing Targeting Decisions</i>	199
Targeting in Different Market Environments	200
<i>Emerging Markets</i>	202
<i>Growth Market</i>	203
<i>Strategies for Mature and Declining Markets</i>	205
<i>Global Markets</i>	206
Positioning Strategy	208
<i>Selecting the Positioning Concept</i>	211
Developing the Positioning Strategy	212

<i>Considerations about Targeting/Supporting Activities</i>	213
<i>Marketing Program Decisions</i>	213
Determining Positioning Effectiveness	216
<i>Customer and Competitor Research</i>	217
<i>Test Marketing</i>	218
<i>Positioning Models</i>	218
<i>Positioning Effectiveness</i>	219
<i>Positioning and Targeting Strategies</i>	219
<i>Determining Positioning Feasibility</i>	220
Summary	220

Chapter 7

Relationship Strategies 224

The Rationale for Interorganizational Relationships	226
<i>Value-Enhancing Opportunities</i>	226
<i>Environmental Turbulence and Diversity</i>	227
<i>Skill and Resource Gaps</i>	228
<i>Examining the Potential for Collaborative Relationships</i>	229
Types of Organizational Relationships	231
<i>Customer-Supplier Relationships</i>	231
<i>Distribution Channel Relationships</i>	232
<i>End-User Customer Relationships</i>	234
<i>Strategic Alliances</i>	236
<i>Joint Ventures</i>	240
<i>Internal Partnering</i>	240
Developing Effective Relationships between Organizations	241
<i>Objective of the Relationship</i>	241
<i>Relationship Management Guidelines</i>	243
<i>Partnership Capabilities</i>	245
<i>Control and Evaluation</i>	245
Global Relationships Among Organizations	245
<i>Types of Global Organizations</i>	245
<i>The Strategic Role of Government</i>	246
Summary	250

Chapter 8

Planning for New Products 254

Product Planning as a Customer-Driven Process	255
<i>Corporate and Business Strategies</i>	255
<i>Finding Customer Value Opportunities</i>	256
<i>Drivers of Successful Innovations</i>	258
Steps in New Product Planning	259

<i>Developing a Culture and Strategy for Innovation</i>	259
<i>Building Effective Development Processes</i>	260
<i>Responsibility for New Product Planning</i>	261
Idea Generation	263
<i>Methods of Generating Ideas</i>	265
Screening, Evaluation, and Business Analysis	266
<i>Screening</i>	267
<i>Concept Evaluation</i>	267
<i>Business Analysis</i>	268
Product and Process Development	271
<i>Product Development Process</i>	271
<i>Collaborative Development</i>	274
Developing Marketing Strategy and Market Testing	274
<i>Marketing Decisions</i>	274
<i>Market Testing Options</i>	275
<i>New Product Models</i>	278
Commercialization	279
<i>The Marketing Plan</i>	279
<i>Monitoring and Control</i>	279
Variations in the Generic New Product Planning Process	281
<i>Technology Push Processes</i>	281
<i>Platform Products</i>	281
<i>Process-Intensive Products</i>	281
<i>Customized Products</i>	282
<i>Proactive Cannibalization</i>	282
Summary	283

Cases for Part Three 287

Case 3–1	Samsung Electronics	287
Case 3–2	McDonald's	290
Case 3–3	Apex Chemical Company	298
Case 3–4	Dunkin' Donuts	300

PART FOUR

Market-Focused Program Development 307

Chapter 9

Strategic Brand Management 309

Product Management Issues	310
<i>New and Existing Product</i>	
<i>Interrelationships</i>	310
<i>Responsibility for Managing Products</i>	310

<i>Product Success Depends on Several Factors</i>	312
<i>Marketing's Role in Product Strategy</i>	312
Analyzing Product Performance	313
<i>Tracking Product Performance</i>	313
<i>Product Life Cycle Analysis</i>	314
<i>Product Grid Analysis</i>	315
<i>Brand Positioning Analysis</i>	316
<i>Other Product Analysis Methods</i>	316
<i>Product Cannibalization</i>	316
Strategies for Products/Brands	317
<i>Strategies for Improving Product Performance</i>	318
<i>Product Mix Modifications</i>	320
Strategic Brand Management	320
<i>The Role of Brands</i>	321
<i>The Value of Major Brands</i>	322
<i>Brand Equity</i>	324
<i>Brand Identification Strategy and Implementation</i>	325
<i>Strategies for Brand Strength</i>	328
<i>Brand Leveraging Strategy</i>	330
<i>Global Branding</i>	333
<i>Internet Brands</i>	334
<i>Managing Brand Systems</i>	335
Summary	336

Chapter 10

Managing Value-Chain Relationships 341

Strategic Role of Distribution	342
<i>Distribution Functions</i>	342
<i>Channels for Services</i>	345
<i>Direct Distribution by Manufacturers</i>	345
Channel of Distribution Strategy	347
<i>Types of Distribution Channels</i>	347
<i>Distribution Intensity</i>	350
<i>Channel Configuration</i>	352
<i>Selecting the Channel Strategy</i>	353
<i>Strategies at Different Channel Levels</i>	355
Managing the Channel	355
<i>Channel Leadership</i>	356
<i>Management Structure and Systems</i>	356
<i>Physical Distribution Management</i>	356
<i>Channel Relationships</i>	356
<i>Conflict Resolution</i>	357
<i>Channel Performance</i>	358
<i>Legal and Ethical Considerations</i>	358

International Channels	359
<i>Examining International Distribution Patterns</i>	359
<i>Factors Affecting Channel Selection</i>	361
<i>Strategic Alliances</i>	361
Strategic Value-Chain Management	361
<i>Supply Chain Management</i>	361
<i>Electronic-Business Models</i>	366
<i>Retailer and Distributor Power</i>	367
<i>Flexibility and Change</i>	368
Summary	369

Chapter 11

Pricing Strategy 373

Strategic Role of Price	374
<i>Price in the Positioning Strategy</i>	375
<i>Pricing Situations</i>	376
<i>Uses of Price in Positioning Strategy</i>	377
<i>Pricing Strategy</i>	378
<i>Pricing Objectives</i>	378
Analyzing the Pricing Situation	379
<i>Customer Price Sensitivity</i>	379
<i>Cost Analysis</i>	382
<i>Competitor Analysis</i>	384
<i>Legal and Ethical Considerations</i>	387
Selecting the Pricing Strategy	387
<i>How Much Flexibility Exists?</i>	388
<i>Price Positioning and Visibility</i>	390
<i>Illustrative Pricing Strategies</i>	390
Determining Specific Prices and Policies	392
<i>Determining Specific Prices</i>	392
<i>Establishing Pricing Policy and Structure</i>	393
<i>Special Pricing Considerations</i>	394
Summary	396

Chapter 12

Promotion, Advertising, and Sales Promotion Strategies 399

Promotion Strategy	400
<i>The Components of Promotion Strategy</i>	400
<i>Developing Promotion Strategy</i>	402
<i>Communications Objectives</i>	403
<i>Deciding on the Role of the Promotion Components</i>	406
<i>Budgeting Approaches</i>	406
<i>Integrating the Promotion Strategy Components</i>	408

Advertising Strategy	409
<i>Setting Advertising Objectives and Budgeting</i>	410
<i>Creative Strategy</i>	411
<i>Media/Scheduling Decisions</i>	412
<i>Role of the Advertising Agency</i>	413
<i>Implementing the Advertising Strategy and Measuring Its Effectiveness</i>	414
Sales Promotion Strategy	416
<i>Nature and Scope of Sales Promotion</i>	417
<i>Sales Promotion Activities</i>	417
<i>Advantages and Limitations of Sales Promotion</i>	420
<i>Sales Promotion Strategy</i>	420
Summary	421

Chapter 13

Sales Force, Internet, and Direct Marketing Strategies 424

Developing and Implementing Sales Force Strategy	425
<i>The Role of Selling in Promotion Strategy</i>	426
<i>Types of Sales Jobs</i>	427
<i>Defining the Selling Process</i>	428
<i>Sales Channels</i>	430
<i>Designing the Sales Organization</i>	432
<i>Managing the Sales Force</i>	435
<i>Sales Force Evaluation and Control</i>	436
Internet Strategy	437
<i>Strategy Development</i>	438
<i>Deciding Internet Objectives</i>	438
<i>E-Commerce Strategy</i>	439
<i>Value Opportunities and Risks</i>	440
<i>Measuring Internet Effectiveness</i>	441
<i>The Future of the Internet</i>	441
Direct Marketing Strategies	441
<i>Considerations in the Use of Direct Marketing</i>	442
<i>Direct Marketing Methods</i>	443
<i>Direct Marketing Strategy</i>	445
Summary	445

Cases for Part Four 449

Case 4-1 Amazon.com Inc.	449
Case 4-2 Pier 1 Imports	455
Case 4-3 Virgin Group Ltd.	459
Case 4-4 Sun Microsystems Inc.	463

PART FIVE

Implementing and Managing Market-Driven Strategies 471

Chapter 14

Designing Market-Driven Organizations 473

Considerations in Organization Design	474
<i>Strategy and Organization</i>	474
<i>Hybrid, Process-Type Structures</i>	475
<i>The Challenge of Integration</i>	477
<i>Partnering with Other Organizations</i>	478
<i>The Impact of the Internet on Organizational Design Decisions</i>	480
Organizational Design Options	481
<i>Traditional Designs</i>	481
<i>Marketing's Corporate Role</i>	484
<i>New Forms of Marketing Organizations</i>	485
Selecting an Organization Design	488
<i>Organizing Concepts</i>	489
<i>Organizing the Sales Force</i>	491
Global Dimensions of Organizations	492
<i>Issues in Organizing Global Marketing Strategies</i>	492
<i>Coordination and Communication</i>	493
Summary	494

Chapter 15

Marketing Strategy Implementation and Control 499

The Marketing Plan	500
<i>How the Marketing Plan Guides Implementation</i>	500
<i>Contents of the Marketing Plan</i>	500
<i>Managing the Planning Process</i>	504
Implementing the Plan	506
<i>Implementation Process</i>	506
<i>Improving Implementation</i>	506
<i>Internal Marketing</i>	508
<i>A Comprehensive Approach to Improving Implementation</i>	509
<i>Internal Strategy-Structure Fit</i>	510
<i>Developing a Market Orientation</i>	511
Strategic Evaluation and Control	513
<i>Customer Relationship Management</i>	513
<i>Overview of Evaluation Activities</i>	514
<i>The Strategic Marketing Audit</i>	515

Performance Criteria and Information Needs 518

Selecting Performance Criteria and Measures 518

Marketing Metrics 519

Obtain and Analyze Information 519

Performance Assessment and Action 520

Opportunities and Performance Gaps 520

Determining Normal and Abnormal Variability 521

Deciding What Actions to Take 522

Summary 523

Cases for Part Five 527

Case 5-1 Oracle Corp. 527

Case 5-2 Ford Motor Co. 535

Case 5-3 Fuji Photo Film Co. 543

PART SIX

Comprehensive Cases 549

Case 6-1 Microsoft Corp. 551

Case 6-2 Toys 'R' Us 560

Case 6-3 Enterprise Rent-A-Car 568

Case 6-4 Slendertone 580

Case 6-5 Intel Corp. 594

Case 6-6 Pfizer, Inc., Animal Health Products (B) 605

Case 6-7 Capital 613

Case 6-8 Martha Stewart Living Omnimedia Inc. 634

Case 6-9 Avon Products Corp. 641

Case 6-10 Konark Television India 648

Case 6-11 Murphy Brewery Ireland, Limited 657

Case 6-12 Apple Computer Inc. 671

Case 6-13 International Business Machines 681

Case 6-14 L'Oréal Nederland B.V. 689

Case 6-15 A.T. Kearney 698

Case 6-16 Camar Automotive Hoist 709

Case 6-17 Stone & Lewis 718

Case 6-18 Hewlett-Packard Co. 724

Case 6-19 Quaker Oats Company 733

Case 6-20 CUTCO International 748

Case 6-21 Longevity Healthcare Systems, Inc. 763

Case 6-22 SystemSoft Corporation 777

Case 6-23 LoJack Corporation 787

Case 6-24 Powrtron Corporation 799

Case 6-25 Cima Mountaineering, Inc. 807

Name Index 824

Subject Index 831