

A FRAMEWORK FOR MARKETING MANAGEMENT

Sixth Edition

Philip Kotler

Northwestern University

Kevin Lane Keller

Dartmouth College

PEARSON

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

Brief Contents

Preface xix

- Part 1** **Understanding Marketing Management 1**
 - 1 Defining Marketing for the New Realities 1
 - 2 Developing and Implementing Marketing Strategies and Plans 18
 - 3 Capturing Marketing Insights and Forecasting Demand 34
 - Part 2** **Connecting with Customers 54**
 - 4 Creating Long-Term Loyalty Relationships 54
 - 5 Analyzing Consumer and Business Markets 68
 - Part 3** **Building Strong Brands 92**
 - 6 Identifying Market Segments and Targets 92
 - 7 Crafting the Brand Positioning and Competing Effectively 106
 - 8 Creating Brand Equity and Driving Growth 121
 - Part 4** **Creating Value 138**
 - 9 Setting Product Strategy and Introducing New Offerings 138
 - 10 Designing and Managing Services 159
 - 11 Developing Pricing Strategies and Programs 173
 - Part 5** **Delivering Value 191**
 - 12 Designing and Managing Integrated Marketing Channels 191
 - 13 Managing Retailing, Wholesaling, and Logistics 208
 - Part 6** **Communicating Value 221**
 - 14 Designing and Managing Integrated Marketing Communications 221
 - 15 Managing Mass Communications: Advertising, Sales Promotions, Events and Experiences, and Public Relations 235
 - 16 Managing Digital Communications: Online, Social Media, and Mobile 250
 - 17 Managing Personal Communications: Direct and Database Marketing and Personal Selling 261
 - Part 7** **Managing the Marketing Organization for Long-Term Success 275**
 - 18 Managing Marketing Responsibly in the Global Economy 275
- Glossary 290
- Brand, Company, and Name Index 300
- Subject Index 309

Contents

Preface xix

Part 1 Understanding Marketing Management 1

1 Defining Marketing for the New Realities 1

Marketing Management at Unilever 1

The Value of Marketing 2

The Scope of Marketing 2

What Is Marketing? 2

What Is Marketed? 3

Who Markets? 4

What Is a Market? 4

Core Marketing Concepts 5

Needs, Wants, and Demands 5

Target Markets, Positioning, and Segmentation 5

Offerings and Brands 5

Marketing Channels 6

Paid, Owned, and Earned Media 6

Impressions and Engagement 6

Value and Satisfaction 6

Supply Chain 6

Competition 7

Marketing Environment 7

The New Marketing Realities 7

Technology 7

Globalization 8

Social Responsibility 8

A Dramatically Changed Marketplace 8

Company Orientation Toward the Marketplace 10

The Production Concept 10

The Product Concept 10

The Selling Concept 10

The Marketing Concept 10

The Holistic Marketing Concept 11

	Updating The Four Ps	12
	Marketing Management Tasks	14
	Executive Summary	15
	Notes	16
2	Developing and Implementing Marketing Strategies and Plans	18
	<i>Marketing Management at Hewlett-Packard</i>	18
	Marketing and Customer Value	19
	<i>The Value Delivery Process</i>	19
	<i>The Value Chain</i>	19
	<i>Core Competencies</i>	20
	<i>The Central Role of Strategic Planning</i>	20
	Corporate and Division Strategic Planning	21
	<i>Defining the Corporate Mission</i>	21
	<i>Establishing Strategic Business Units</i>	21
	<i>Assigning Resources to Each SBU</i>	22
	<i>Assessing Growth Opportunities</i>	22
	<i>Organization and Organizational Culture</i>	23
	Business Unit Strategic Planning	23
	<i>The Business Mission</i>	23
	<i>SWOT Analysis</i>	23
	<i>Goal Formulation</i>	25
	<i>Strategy Formulation</i>	25
	<i>Strategy and Implementation</i>	26
	The Marketing Plan	26
	<i>Contents of a Marketing Plan</i>	26
	<i>From Marketing Plan to Marketing Action</i>	27
	Marketing Implementation, Control, and Performance	28
	<i>Marketing Metrics</i>	28
	<i>Marketing-Mix Modeling</i>	28
	<i>Marketing Dashboards</i>	29
	<i>Marketing Control</i>	30
	Executive Summary	31
	Notes	32
3	Capturing Marketing Insights and Forecasting Demand	34
	<i>Marketing Management at Campbell Soup Company</i>	34
	The Marketing Information System and Marketing Intelligence	35
	<i>Internal Records and Database Systems</i>	35
	<i>Marketing Intelligence</i>	36

The Marketing Research System	36
<i>Defining Marketing Research</i>	37
<i>The Marketing Research Process</i>	38
<i>Step 1: Define the Problem, Decision Alternatives, and Research Objectives</i>	38
<i>Step 2: Develop the Research Plan</i>	39
<i>Step 3: Collect the Data</i>	41
<i>Step 4: Analyze the Information</i>	41
<i>Step 5: Present the Findings</i>	41
<i>Step 6: Make the Decision</i>	41
Forecasting and Demand Measurement	42
<i>The Measures of Market Demand</i>	42
<i>The Market Demand Function</i>	42
<i>Estimating Current Demand</i>	44
<i>Estimating Future Demand</i>	45
Analyzing the Macroenvironment	45
<i>Identifying the Major Forces</i>	46
<i>The Demographic Environment</i>	46
<i>The Economic Environment</i>	48
<i>The Sociocultural Environment</i>	48
<i>The Natural Environment</i>	49
<i>The Technological Environment</i>	50
<i>The Political-Legal Environment</i>	50
Executive Summary	51
Notes	52
Part 2	Connecting with Customers 54
4	Creating Long-Term Loyalty Relationships 54
	<i>Marketing Management at Pandora</i> 54
	Building Customer Value, Satisfaction, and Loyalty 55
	<i>Customer-Perceived Value</i> 55
	<i>Total Customer Satisfaction</i> 56
	<i>Monitoring Satisfaction</i> 57
	<i>Product and Service Quality</i> 58
	Maximizing Customer Lifetime Value 59
	<i>Customer Profitability</i> 59
	<i>Measuring Customer Lifetime Value</i> 60
	Cultivating Customer Relationships 60
	<i>Attracting and Retaining Customers</i> 61
	<i>Building Loyalty</i> 63
	<i>Win-Backs</i> 64

Executive Summary	64
Notes	65
5 Analyzing Consumer and Business Markets	68
<i>Marketing Management at Cisco</i>	68
What Influences Consumer Behavior?	69
<i>Cultural Factors</i>	<i>69</i>
<i>Social Factors</i>	<i>69</i>
<i>Personal Factors</i>	<i>70</i>
Key Psychological Processes	72
<i>Motivation</i>	<i>72</i>
<i>Perception</i>	<i>73</i>
<i>Learning</i>	<i>74</i>
<i>Emotions</i>	<i>74</i>
<i>Memory</i>	<i>74</i>
The Consumer Buying Decision Process	75
<i>Problem Recognition</i>	<i>75</i>
<i>Information Search</i>	<i>76</i>
<i>Evaluation of Alternatives</i>	<i>77</i>
<i>Purchase Decision</i>	<i>78</i>
<i>Postpurchase Behavior</i>	<i>78</i>
<i>Behavioral Decision Theory and Behavioral Economics</i>	<i>79</i>
What is Organizational Buying?	80
<i>The Business Market versus the Consumer Market</i>	<i>80</i>
<i>Institutional and Government Markets</i>	<i>81</i>
<i>Business Buying Situations</i>	<i>81</i>
Participants in the Business Buying Process	82
<i>The Buying Center</i>	<i>82</i>
<i>Buying Center Influences</i>	<i>82</i>
<i>Targeting Firms and Buying Centers</i>	<i>83</i>
Stages in the Business Buying Process	84
<i>Problem Recognition</i>	<i>84</i>
<i>General Need Description and Product Specification</i>	<i>85</i>
<i>Supplier Search</i>	<i>85</i>
<i>Proposal Solicitation</i>	<i>86</i>
<i>Supplier Selection</i>	<i>86</i>
<i>Order-Routine Specification</i>	<i>86</i>
<i>Performance Review</i>	<i>86</i>
Managing Business-to-Business Customer Relationships	86
<i>The Benefits of Vertical Coordination</i>	<i>86</i>
<i>Risks and Opportunism in Business Relationships</i>	<i>87</i>

Executive Summary 87

Notes 88

Part 3 Building Strong Brands 92

6 Identifying Market Segments and Targets 92

Marketing Management at LinkedIn 92

Bases for Segmenting Consumer Markets 93

Geographic Segmentation 93

Demographic Segmentation 93

Psychographic Segmentation 96

Behavioral Segmentation 96

Bases for Segmenting Business Markets 99

Market Targeting 100

Effective Segmentation Criteria 100

Evaluating and Selecting Market Segments 101

Executive Summary 104

Notes 104

7 Crafting the Brand Positioning and Competing Effectively 106

Marketing Management at DirecTV 106

Developing and Establishing a Brand Positioning 107

Understanding Positioning and Value Propositions 107

Choosing a Competitive Frame of Reference 107

*Identifying Potential Points-of-Difference
and Points-of-Parity* 108

Choosing Specific POPs and PODs 109

Emotional Branding 111

Brand Mantras 111

Establishing a Brand Positioning 111

Alternative Approaches to Positioning 112

Competitive Strategies for Market Leaders 112

Expanding Total Market Demand 114

Protecting Market Share 114

Increasing Market Share 116

Other Competitive Strategies 116

Market-Challenger Strategies 116

Market-Follower Strategies 117

Market-Nicher Strategies 118

Executive Summary 118

Notes 119

8 Creating Brand Equity and Driving Growth 121

Marketing Management at Gatorade 121

How Does Branding Work? 122

The Role of Brands 122

The Scope of Branding 122

Defining Brand Equity 123

Customer-Based Brand Equity 123

Brand Equity Models 124

Building Brand Equity 125

Choosing Brand Elements 126

Designing Holistic Marketing Activities 126

Leveraging Secondary Associations 127

Internal Branding 128

Measuring and Managing Brand Equity 128

Brand Audits and Brand Tracking 128

Brand Valuation 128

Managing Brand Equity 129

Devising a Branding Strategy 129

Branding Decisions 129

Brand Portfolios 130

Brand Extensions 131

Customer Equity 132

Driving Growth 132

Growth Strategies 132

Growing the Core 133

Executive Summary 134

Notes 134

Part 4 **Creating Value** 138

9 Setting Product Strategy and Introducing New Offerings 138

Marketing Management at Lexus 138

Product Characteristics and Classifications 139

Product Levels: The Customer-Value Hierarchy 139

Product Classifications 140

Differentiation 140

Product Differentiation 140

Services Differentiation 141

Design Differentiation 141

Product and Brand Relationships 142

The Product Hierarchy 142

Product Line Analysis 143

	<i>Product Line Length</i>	143
	<i>Line Modernization, Featuring, and Pruning</i>	144
	<i>Product Mix Pricing</i>	144
	<i>Co-Branding and Ingredient Branding</i>	145
Packaging, Labeling, Warranties, and Guarantees		145
	<i>Packaging</i>	145
	<i>Labeling</i>	146
	<i>Warranties and Guarantees</i>	146
Managing New Products		146
	<i>The Innovation Imperative and New Product Success</i>	147
	<i>New Product Development</i>	147
The Consumer-Adoption Process		151
	<i>Stages in the Adoption Process</i>	151
	<i>Factors Influencing the Adoption Process</i>	151
Product Life-Cycle Marketing Strategies		152
	<i>Product Life Cycles</i>	153
	<i>Marketing Strategies: Introduction Stage and the Pioneer Advantage</i>	153
	<i>Marketing Strategies: Growth Stage</i>	154
	<i>Marketing Strategies: Maturity Stage</i>	154
	<i>Marketing Strategies: Decline Stage</i>	154
	<i>Critique of the Product Life-Cycle Concept</i>	154
Executive Summary		155
Notes		156
10	Designing and Managing Services	159
	<i>Marketing Management at USAA</i>	159
	The Nature of Services	160
	<i>Categories of Service Mix</i>	160
	<i>Distinctive Characteristics of Services</i>	160
	The New Services Realities	162
	<i>A Shifting Customer Relationship</i>	163
	<i>Achieving Excellence in Services Marketing</i>	163
	<i>Differentiating Services</i>	165
	Managing Service Quality	166
	<i>Managing Customer Expectations</i>	166
	<i>Incorporating Self-Service Technologies</i>	168
	Managing Product-Support Services	169
	<i>Identifying and Satisfying Customer Needs</i>	169
	<i>Postsale Service Strategy</i>	169

	Executive Summary	170
	Notes	170
11	Developing Pricing Strategies and Programs	173
	<i>Marketing Management at Ryanair</i>	<i>173</i>
	Understanding Pricing	174
	<i>Pricing in a Digital World</i>	<i>174</i>
	<i>A Changing Pricing Environment</i>	<i>174</i>
	<i>How Companies Price</i>	<i>174</i>
	<i>Consumer Psychology and Pricing</i>	<i>175</i>
	Setting the Price	176
	<i>Step 1: Selecting the Pricing Objective</i>	<i>176</i>
	<i>Step 2: Determining Demand</i>	<i>177</i>
	<i>Step 3: Estimating Costs</i>	<i>178</i>
	<i>Step 4: Analyzing Competitors' Costs, Prices, and Offers</i>	<i>180</i>
	<i>Step 5: Selecting a Pricing Method</i>	<i>180</i>
	<i>Step 6: Selecting the Final Price</i>	<i>183</i>
	Adapting the Price	184
	<i>Geographical Pricing (Cash, Countertrade, Barter)</i>	<i>184</i>
	<i>Price Discounts and Allowances</i>	<i>185</i>
	<i>Promotional Pricing</i>	<i>185</i>
	<i>Differentiated Pricing</i>	<i>186</i>
	Initiating and Responding to Price Changes	187
	<i>Initiating Price Cuts</i>	<i>187</i>
	<i>Initiating Price Increases</i>	<i>187</i>
	<i>Anticipating Competitive Responses</i>	<i>187</i>
	<i>Responding to Competitors' Price Changes</i>	<i>187</i>
	Executive Summary	188
	Notes	188
Part 5	Delivering Value	191
12	Designing and Managing Integrated Marketing Channels	191
	<i>Marketing Management at L.L.Bean</i>	<i>191</i>
	Marketing Channels and Value Networks	192
	<i>The Importance of Channels</i>	<i>192</i>
	<i>Multichannel Marketing</i>	<i>192</i>
	<i>Integrating Multichannel Marketing Systems</i>	<i>193</i>
	<i>Value Networks</i>	<i>193</i>
	<i>The Digital Channels Revolution</i>	<i>193</i>
	The Role of Marketing Channels	194
	<i>Channel Functions and Flows</i>	<i>194</i>

	<i>Channel Levels</i>	195
	<i>Service Sector Channels</i>	196
Channel-Design Decisions		196
	<i>Analyzing Customer Needs and Wants</i>	196
	<i>Establishing Objectives and Constraints</i>	197
	<i>Identifying Major Channel Alternatives</i>	198
	<i>Evaluating Major Channel Alternatives</i>	198
Channel-Management Decisions		199
	<i>Selecting Channel Members</i>	199
	<i>Training and Motivating Channel Members</i>	200
	<i>Evaluating Channel Members</i>	200
	<i>Modifying Channel Design and Arrangements</i>	200
	<i>Global Channel Considerations</i>	200
Channel Integration and Systems		200
	<i>Vertical Marketing Systems</i>	201
	<i>Horizontal Marketing Systems</i>	201
E-Commerce and M-Commerce Marketing Practices		202
	<i>E-Commerce and Pure-Click Companies</i>	202
	<i>E-Commerce and Brick-and-Click Companies</i>	202
	<i>M-Commerce Marketing</i>	202
Channel Conflict, Cooperation, and Competition		203
	<i>Types of Conflict and Competition</i>	203
	<i>Causes of Channel Conflict</i>	204
	<i>Managing Channel Conflict</i>	204
	<i>Dilution and Cannibalization</i>	204
	<i>Legal and Ethical Issues in Channel Relations</i>	204
Executive Summary		205
Notes		205
13	Managing Retailing, Wholesaling, and Logistics	208
	<i>Marketing Management at Warby Parker</i>	208
	Retailing	209
	<i>Types of Retailers</i>	209
	<i>The Modern Retail Marketing Environment</i>	210
	<i>Retailer Marketing Decisions</i>	211
	Private Labels	213
	<i>Role of Private Labels</i>	214
	<i>Private-Label Success Factors</i>	214
	Wholesaling	214
	<i>Wholesaling Functions</i>	215
	<i>Trends in Wholesaling</i>	216

- Market Logistics 216
 - Integrated Logistics Systems* 216
 - Market-Logistics Objectives* 217
 - Market-Logistics Decisions* 217
- Executive Summary 219
- Notes 220

Part 6 **Communicating Value** 221

- 14** Designing and Managing Integrated Marketing Communications 221
 - Marketing Management at Mondelēz International*** 221
 - The Role of Marketing Communications 222
 - The Marketing Communications Mix* 222
 - Communications Process Models* 224
 - Developing Effective Communications 224
 - Identify the Target Audience* 224
 - Set the Communications Objectives* 225
 - Design the Communications* 226
 - Select the Communications Channels* 228
 - Establish the Total Marketing Communications Budget* 229
 - Selecting the Marketing Communications Mix 229
 - Characteristics of the Marketing Communications Mix* 230
 - Factors in Setting the Marketing Communications Mix* 231
 - Measuring Communication Results* 232
 - Managing the Integrated Marketing Communications Process 232
 - Coordinating Media* 232
 - Implementing IMC* 232
 - Executive Summary 233
 - Notes 233
- 15** Managing Mass Communications: Advertising, Sales Promotions, Events and Experiences, and Public Relations 235
 - Marketing Management at Procter & Gamble*** 235
 - Developing and Managing an Advertising Program 236
 - Setting the Advertising Objectives* 236
 - Deciding on the Advertising Budget* 237
 - Developing the Advertising Campaign* 237
 - Choosing Media* 238
 - Evaluating Advertising Effectiveness* 240
 - Sales Promotion 241
 - Advertising versus Promotion* 241
 - Major Decisions* 242

	Events and Experiences	244
	<i>Events Objectives</i>	244
	<i>Major Sponsorship Decisions</i>	245
	<i>Creating Experiences</i>	245
	Public Relations	246
	<i>Marketing Public Relations</i>	246
	<i>Major Decisions in Marketing PR</i>	247
	Executive Summary	247
	Notes	248
16	Managing Digital Communications: Online, Social Media, and Mobile	250
	<i>Marketing Management at PepsiCo</i>	250
	Online Marketing	251
	<i>Advantages and Disadvantages of Online Marketing Communications</i>	251
	<i>Online Marketing Communication Options</i>	251
	Social Media	253
	<i>Social Media Platforms</i>	253
	<i>Using Social Media</i>	254
	Word of Mouth	254
	<i>Forms of Word of Mouth</i>	254
	<i>Creating Word-of-Mouth Buzz</i>	255
	<i>Measuring the Effects of Word of Mouth</i>	256
	Mobile Marketing	256
	<i>The Scope of Mobile Marketing</i>	257
	<i>Developing Effective Mobile Marketing Programs</i>	257
	<i>Mobile Marketing across Markets</i>	257
	Executive Summary	257
	Notes	258
17	Managing Personal Communications: Direct and Database Marketing and Personal Selling	261
	<i>Marketing Management at “Obama for President”</i>	261
	Direct Marketing	262
	<i>The Benefits of Direct Marketing</i>	262
	<i>Direct Mail</i>	262
	<i>Catalog Marketing</i>	263
	<i>Telemarketing</i>	263
	<i>Other Media for Direct-Response Marketing</i>	263
	<i>Customer Databases and Database Marketing</i>	264
	<i>Public and Ethical Issues in Direct Marketing</i>	265

Personal Selling and the Sales Force	265
<i>Types of Sales Representatives</i>	265
<i>Personal Selling and Relationship Marketing</i>	266
<i>Designing the Sales Force</i>	267
Managing the Sales Force	269
<i>Recruiting and Selecting Representatives</i>	269
<i>Training and Supervising Sales Representatives</i>	271
<i>Sales Rep Productivity</i>	271
<i>Motivating Sales Representatives</i>	271
<i>Evaluating Sales Representatives</i>	272
Executive Summary	272
Notes	273

Part 7 **Managing the Marketing Organization for Long-Term Success** 275

18 **Managing Marketing Responsibly in the Global Economy** 275

<i>Marketing Management at Patagonia</i>	275
Competing On a Global Basis	276
<i>Deciding Whether to Go Abroad</i>	277
<i>Deciding Which Markets to Enter</i>	277
<i>Deciding How to Enter the Market</i>	277
<i>Deciding on the Marketing Program</i>	279
Internal Marketing	282
<i>Organizing the Marketing Department</i>	282
<i>Relationships with Other Departments</i>	283
<i>Building a Creative Marketing Organization</i>	283
Socially Responsible Marketing	283
<i>Corporate Social Responsibility</i>	283
<i>Sustainability</i>	285
<i>Cause-Related Marketing</i>	285
<i>Social Marketing</i>	286
Executive Summary	286
Notes	287

Glossary 290

Brand, Company, and Name Index 300

Subject Index 309