



SECOND EDITION

Capon's
MARKETING
Essentials



Noel Capon

about the author



Noel Capon is R.C. Kopf Professor of International Marketing and past Chair of the Marketing Division, Graduate School of Business, Columbia University. Educated primarily in Great Britain, Professor Capon earned B.Sc. (First Class Honours, Special) and Ph.D. degrees in Chemistry from University College, London University. He also received degrees in Business Administration from Manchester (Dip. BA), Harvard (MBA), and Columbia (Ph.D.) Business Schools.

Professor Capon joined the Columbia Business School faculty in 1979. Previously he served on the faculty of, and received tenure from, the University of California (Graduate School of Management, UCLA) and was also Marketing Department Chair. He has taught and/or held faculty positions at Harvard Business School; Australia — Monash University; England — Bradford Management Centre, London Business School, Manchester Business School; France — INSEAD; Hong Kong — Hong Kong University of Science and Technology (HKUST); China — China European International Business School (CEIBS — Shanghai), Marketing and Innovation College (MIC) — also Honorary Dean, Beijing; India — Indian School of Business (ISB — Hyderabad).

Professor Capon has published more than 80 refereed articles and book chapters, and is editor for sections on Marketing, and Sales Management and Distribution, in the *AMA Management Handbook* (1994). He has published more than 40 books plus three video books.

Professor Capon teaches in Columbia's full-time MBA and Executive MBA (EMBA) programs and its partner program with Hong Kong University and London Business School. He is a pioneer in developing video teaching materials and teaching via the *flipped classroom*. Professor Capon was Founding Director of Managing Strategic Accounts and the Global Account Manager Certification program in conjunction with St. Gallen University (Switzerland). He is a director of the Strategic Account Management Association (SAMA). He founded the Advanced Marketing Management Program in conjunction with CEIBS. Professor Capon also designs, directs, and teaches in numerous custom programs for major corporations globally. In 2001, Professor Capon cofounded The Chief Sales Executive Forum, offering multiple educational opportunities for sales and account management leaders. Capon is a director of the Strategic Account Management Association (SAMA), Founder and Chair of Wessex Press, and Chair of LunaCap Ventures, a venture capital firm, and Chair of LunaCap Foundation, a charitable organization that supports military veterans and those of Mexican descent, at top-tier business schools globally.

note from the author

For readers of the first edition of *Capon's Marketing Essentials*, this section highlights major changes from that edition. In addition to a general upgrade, this edition introduces some genuinely new ideas into marketing that, we believe, will be significantly beneficial for both marketing students and practitioners:

- **Customer insight.** In the first edition, we addressed customer insight in a single chapter; in the second edition, we separate insight into consumers (Chapter 3) from insight into organization customers — business, government, not-for-profit institutions (Chapter 4).
- **Market entities.** We reject the view that market insight should focus only on the 3Cs — customers, company, competitors:
 - **Customers** should be treated as a separate category. These are the entities to which the firm offers value in exchange for payment — revenues.
 - **Supply chain, publics, complementors** are important market entities whose actions may have a profound impact on the firm's ability to achieve its objectives.
 - **Complementors** are especially important. We devote an entire chapter to this topic.
- **Marketing mix.** Paralleling the 3Cs, marketing is often defined as the 4Ps — product, promotion, place, price. In this formulation, *product* is often a grab bag for all value the firm offers to customers. We depart from conventional thinking in three ways:
 - First, we affirmatively accept that the term *product* encompasses the major value the firm offers customers. Thus, the firm may offer value in the form of a tangible (physical) good or as an intangible service.
 - Second, the firm may provide customers with additional value in the form of *support services*.
 - Third, we prefer to use the term *distribution*, rather than force-fit a P into *place*. Hence, the 4Ps become **PSPDP** — **P**roduct, **S**upport **S**ervices, **P**romotion, **D**istribution, **P**rice.

Capon's Marketing Essentials

SECTION 1: MARKETING AND THE FIRM

CHAPTER 1
Introduction: Managing Marketing

SECTION 2: CUSTOMERS

CHAPTER 2
The Value of Customers

PROLOGUE TO
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Customer Insight:
Introduction

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Customer Insight:
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CHAPTER 4
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Business, Government,
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SECTION 1
Marketing and the Firm

CHAPTER 1
Introduction: Managing Marketing

For key messages from Section 1, see page 6.

key messages

each section ends with a list of key messages identifying the key learning points for each chapter

videos — many chapters offer links to publicly available material on the Internet. They also provide links to video interviews of the author with marketing leaders.

section opener — as laid out in the Table of Contents, we address the challenge of managing marketing in six sections and 30 chapters, with a brief summary outlining each chapter within that section.

Principle 5: Customer Relationships

This principle is crucial to guiding marketing efforts over time. Marketers succeed in *retaining* and *growing* customers by developing long-run customer relationships. A focus on developing long-term customer relationships has many benefits. The trust customers have in the firm increases, and customers are often less price sensitive.

Customer relationship management (CRM) can take many forms, often depending on the type of customer. At one end of the continuum, in B2B markets, account managers working with the firm's most important strategic customers develop professional, personal relationships with customer executives. By comparison, such a process rarely works in

B2C markets where the number of customers may reach the millions.

This discussion of Marketing Principle 5 concludes the opening chapter of *Capon's Marketing Essentials*. Section 2 — *Customers* — follows directly from Principle 5.

Endnotes

- 1 P.F. Drucker, *The Practice of Management*, New York: Harper and Row, 1954, pp. 37–38.
- 2 P.F. Drucker, *Management: Tasks, Responsibilities, Practices*, New Brunswick: Transaction, 2007.
- 3 Personal communication from David Haines, former Director of Global Branding, Vodafone.

Section 1 Key Messages

Chapter 1

- Because of its focus on customers, marketing is the firm's fundamental activity.
- Firms that deliver greater customer value than competitors are more likely to attract, retain, and grow customers.
- Firms that successfully attract, retain, and grow customers earn profits. They are more likely to survive, grow, and enhance shareholder value.
- Value has two sides. When the firm delivers customer value, it attracts, retains, and grows customers. When the firm attracts, retains, and grows customers, it creates shareholder value.
- Marketing comprises three critical areas: marketing as a philosophy; marketing as six imperatives; and marketing as five principles.
- Marketing as a philosophy concerns the firm's entire orientation. A firm embracing marketing as a philosophy has an external orientation that places customers at the forefront of all decisions and actions.
- All organization members have a responsibility for delivering customer value.
- Six imperatives are *must-dos* for marketing. The first three imperatives focus on strategic marketing, the second three zero in on implementing the market strategy.
- Five principles provide the guiding framework for implementing the six marketing imperatives.

 **Videos related to Chapter 1**

Marketing Careers [402v]

(Ellen — Columbia Business School)

Pharmaceutical Marketing [568v]

(Robert Essner — Wyeth; Columbia Business School)

access capon codes

An innovative feature of *Capon's Marketing Essentials* is easy-to-use Access Capon codes. Their purpose of is to link items in the text to additional material you may find interesting. Access Capon codes act as hotlinks in the book's digital versions. Perhaps more importantly, Access Capon codes are simple links between the printed version and the Internet. With Access Capon codes, you enter a simple 4-digit alphanumeric code on your PC, tablet, or smartphone, at www.accessvids.com. If you're reading the printed book, we suggest you bookmark www.accessvids.com; then you'll be able to access the item you require with just four keystrokes.

access capon code

hotlinks in the book's digital version also accessible at www.accessvids.com

with a current customer or forgo a potential customer for other reasons:

- **Capacity constraints.** The firm has insufficient ability — expertise, financial resources, physical capacity — to serve all customers.
- **Competition.** The customer is a current or potential competitor; it could reverse engineer firm products, then launch its own. Example: Hi-tech firms often refuse to sell the products to competitors; they may also stop customers from reselling their products.
- **Evolving strategy.** When the firm shifts direction, drops products, or divests a business, it sheds customers as a byproduct.
- **Foreclosing options.** The customer prohibits the firm from serving other customers.
- **Impact on firm reputation.** A firm–customer relationship negatively affects the firm's brand image. (Can you find Gucci in Kmart?) Or the customer may use firm products inappropriately, leading to aggravation, negative word of mouth, and/or financial loss.
- **Impact on the offer.** In many service businesses, bad behavior by *some* customers reduces value for *others*; bad behavior may also negatively affect employee morale — rowdy sports fans in expensive restaurants, unruly airline passengers.
- **Instability.** The customer may be profitable but too unstable. Alternating high/low purchases cause too many organizational dislocations.
- **Nonpayer.** This customer would be profitable if it paid, but collection costs — money, human resources, aggravation — are too high.
- **Potential costs.** Future costs of doing business are too high. The customer may require costly customization, or the firm believes future servicing costs will be prohibitive.

touch points. More precisely, CRM is the ongoing process of identifying and creating new value with individual customers and sharing these benefits over a lifetime of association with them. CRM helps the firm know its customers better; CRM helps large firms build and foster relationships with their customers in a systematic way by leveraging qualitative and quantitative data to synchronize marketing activities. (What is *M?* [407v1])

The underlying premise of a CRM system is understanding and improving customer relationships. CRM systems are only really successful in firms committed to a true external orientation. Four issues are crucial for success:

- **Top management buy-in.** CRM involves all parts of the firm; ongoing support from the top is critical.
- **Objectives.** The firm must be clear about its objectives. Without good direction, the firm cannot select from myriad potential CRM initiatives. Costs can easily spiral out of control.
- **Customer benefits.** The CRM system must provide benefits/values to customers — delightful new products, attractive offers, high support service levels. Unfortunately, many firms focus on value to the firm, often by cutting costs and giving short shrift to customer value. The CRM system must drive *mutually* beneficial relationships with customers.
- **Technology.** Many people think extensive databases, analytic engines, and other technologies are necessary components of an effective CRM system. Of course, technology, databases, and data-mining tools often play an important role in gaining customer insight. But CRM is not only about technology. To repeat, CRM is the holistic approach firms use when forming *mutually beneficial relationships with customers*.

Develop a CRM System

Customer databases for effective CRM systems must be accessible, accurate, complete, consistent, current, relevant, secure, structured. The firm should have an integrated database available at every customer touch point, then analyze those data well. A large B2C firm's database contains longitudinal (over time) data, including responses to promotional campaigns for millions of customers. Adding state-of-the-art *data-mining* technology in the context of a *test-and-learn* culture secures, then manipulates, data to yield customer insight.

The firm should identify each customer. B2C firms often use indirect methods — customer-get-customer campaigns, customer value cards, factory warranties, loyalty cards, mail inserts, social media, special events, syndicated questionnaires, telephone help lines, third-party lifestyle databases,

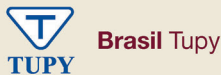
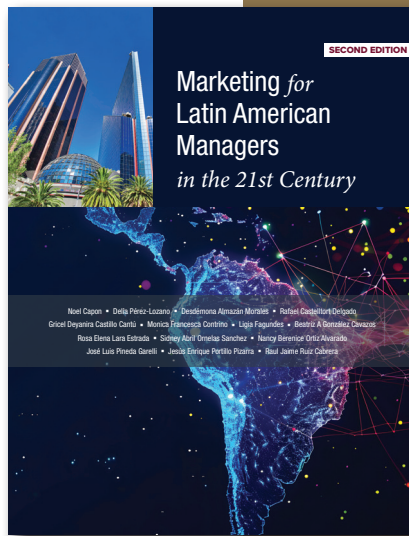
How to Bind Customers Closer to the Firm

Customer Relationship Management

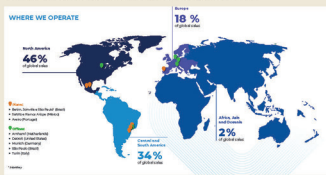
A customer relationship comprises the series of over-time interactions/*touch points* between the customer and the firm. *Customer relationship management* (CRM) is a synthesis of relationship marketing, customer insight, support services, and quality management that helps the firm manage these

related to Capon's Marketing Essentials

Marketing for Latin American Managers in the 21st Century (2nd edition) provides the essence of marketing for current and aspiring marketing professionals throughout the many countries of Latin America. *Marketing for Latin American Managers in the 21st Century* is a book for Latin American managers written by Latin American academics steeped in the culture of Latin American business. Similar to *Capon's Marketing Essentials*, this book is easy to read, packed with examples from throughout the region, and provides a concise and excellent understanding of modern marketing.



Tupy is a Brazilian company that began operations in 1938. Tupy designs and produces cast iron structural components of high geometric and metallurgical complexity. It offers freight transport, infrastructure, agrobusiness, and power generation services. Tupy promotes access to health, basic sanitation, safe drinking water, food, and other basic needs to promote quality of life.



Among some initiatives to create value for its stakeholders:

- In 2023, they trained more than 600 suppliers on their Code of Ethics and Conduct and on integrity-related issues. They gave a work
- 40 companies the Integrity bribery policy.
- Enhancing Tupy's continued growth through inclusion, the

2023 Results

- RS 2.8 billion
- 18,676 persons
- 2,123 volunteers
- RS 11.2 billion

Source: Tupy. Sustainability Report 2023. Accessed June 5, 2024.

externally oriented firm looks *outward* to the environment and knows customers are central to its future. Other firms focusing on internal business drivers have one of several *internal orientations*; delivering customer value takes a back seat.

External Orientation

The externally oriented firm knows that current products (goods, services) and processes are the reasons for past and present success. This firm also knows that as the external environment evolves and becomes more complex, its products and processes must also change. The externally oriented firm does not fear change. This firm goes beyond a customer focus; it works hard to understand competitors, markets, other environmental forces. The externally oriented firm invests in new capabilities/competencies to exploit opportunities for attracting, retaining, growing customers. P&G spends over \$400 million annually seeking customer/market insight.

In difficult economic times, when profits are under pressure, many firms cut spending/investment; but the externally oriented firm increases investments — human capital, marketing budgets, mergers, acquisitions. Example: In recent recessions, Amazon, Cisco, Intel invested heavily; they swept past more internally oriented competitors.

Internal Orientation

Internally oriented firms focus on internal business drivers ahead of customer value.

- **Operations oriented** firms focus on reducing unit costs. Cutting costs is a primary goal. But cost-cutting can reduce product quality and customer support services. Times are crucial.
- **Sales oriented** firms focus on short-term sales and profits and sales-oriented firms focus on customer-oriented firms focus on customer value.
- **Finance oriented** firms focus on long-term value and manages by financial metrics with long-term capital investment.

promotes common purpose. Sharing responsibility for designing and implementing market offers drives agreement on priorities, together with close and cooperative working relationships.

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Totto was founded in Colombia in 1987 when Yonatan Bursztyn detected a business opportunity and acquired a leather factory. One of the decisions with which they begin their path towards differentiation is through the introduction of canvas as a material to create a line of backpacks and bags. Thanks to its designs and colors, this brand is positioned in Colombia as a favorite, starting an expansion in 1991 to Latin America and the world.

Totto has a presence in 57 countries, with its products available in more than 600 stores around the world.

Some countries in which Totto has a presence include Colombia, Mexico, Dominican Republic, Guatemala, Costa Rica, El Salvador, Panama, Puerto Rico, Bolivia, Chile, Ecuador, Paraguay, Spain, Portugal, among others.

Below are the company's current product categories.



Totto Store Official Categories

In 2021, the company not only changed its logo but also renewed its corporate image. Totto announced that this process meant a "transformation and evolution that was reached thanks to the path built together with its consumers, allies, customers, collaborators, and community"

According to the Brand Asset Valuator (BAV) 2023 ranking, Totto is positioned second among Colombian brands that consumers love most in that country.

In March 2024, on the eve of Easter, Totto presented its new *Minimize* collection for practical travelers looking to optimize space in their luggage. "Minimize becomes the ideal choice for travelers who want a smart and efficient solution to their luggage needs," said the briefcase and clothing brand.

QUESTIONS

1. How effective is Totto for positioning with its customer segments? Discuss your arguments.
2. Do you think Totto offers value to its customers? Yes or no. Why?

Sources: Alvarez, M.G. (2023). "The Colombian brands that consumers fall in love with the most." *Portafolio.co*. (<https://www.portafolio.co/negocios/empresas/totto-renew-y-las-otras-marcas-que-mas-enamoraron-a-los-colombianos-676641>) (accessed June 4, 2024); Colombia, T. (2024) Totto Official Store: Backpacks, travel, accessories, clothing & more. (<https://co.totto.com/>) (accessed June 4, 2024); *Forbes* (2021) "After 30 Years, Totto Renews and Changes Its Image." *Forbes Colombia* (<https://forbes.co/2021/11/16/empresas/lujo-de-30-anos-totto-se-renewa-y-cambia-su-imagen/>) (accessed June 4, 2024); "Totto launches a new collection of travel suitcases for Easter." (March 26, 2024) *Portafolio*, Colombia, NA (<https://o-link-gale.com/biblioteca-ils-tec.mx/apps/doc/A78863945/FME7u=beimgic&id=ebcc&id=04b732d>).

companion volume



The Market Planning Workbook is divided into two parts: Part 1 – Insight; Part 2 – Strategic Marketing.

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- Instructors' Manual
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- Testbanks

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