



FIFTH EDITION

*Capon's*  
**MARKETING**  
*Framework*



Noel Capon

*“This is a comprehensive and well-written book ... I especially like its practical approach ... the discussion on linking marketing actions to shareholder value is a much needed direction for the entire marketing profession.”*

**Sunil Gupta**

Edward W. Carter Professor of Business Administration, Harvard Business School

## 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

*Capon's Marketing Framework* provides all readers, instructors, and students with a comprehensive perspective of what all marketing professionals need to know, regardless of whether they intend to work for an established firm or embark on a career as an entrepreneur. Not only does this edition provide an up-to-date perspective on managing marketing, along with plenty of contemporary examples, it breaks genuinely new ground by abandoning tired ideas. Abandoned is the long-held traditional view of marketing as the 3Cs (customer, company, competitors) and 4Ps (product, promotion, place, price).

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

- **Customer insight.** In previous editions, we addressed customer insight in a single chapter; in the fifth 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 seeking 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 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** — Product, Support Services, Promotion, Distribution, Price.

*“This book uses the strength of the Internet to deliver more value to customers ... the proposed framework is clear, parsimonious, and engagingly presented ... a plethora of up-to-date examples cleverly interwoven throughout drives home key conceptual points.”*

**Richard J. Lutz**

JCPenney Professor of Marketing,  
Warrington College of Business Administration,  
University of Florida

# Capon's Marketing Framework

SECTION 1: MARKETING AND THE FIRM				
CHAPTER 1 Introduction: Managing Marketing				
SECTION 2: CUSTOMERS				
CHAPTER 2 The Value of Customers	PROLOGUE TO CHAPTER 3, CHAPTER 4 Customer Insight: Introduction	CHAPTER 3 Customer Insight: Consumers	CHAPTER 4 Customer Insight: Business, Government, Not-for-Profit Institutions	
SECTION 3: MARKETS				
CHAPTER 5 Market Insight	CHAPTER 6 Complementor Insight	CHAPTER 7 Competitor Insight	CHAPTER 8 External Forces	CHAPTER 9 Marketing Research
TRANSITION TO STRATEGIC MARKETING				
SECTION 4: STRATEGIC MARKETING				
<i>Imperative 1 – Determine and Recommend Which Markets to Address</i>		<i>Imperative 2 – Identify and Target Market Segments</i>		
CHAPTER 10 Identify and Choose Opportunities		CHAPTER 11 Market Segmentation and Targeting		
<i>Imperative 3 – Set Strategic Direction and Positioning</i>				
CHAPTER 12 Market Strategy – Integrate Firm Efforts for Marketing Success	CHAPTER 13 Manage through the Life Cycle		CHAPTER 14 Manage Brands	
SECTION 5: IMPLEMENT THE MARKET STRATEGY				
<i>Imperative 4 – Design the Market Offer</i>				
<i>Part A: Offer Customer Value</i>	<i>Part B: Enhance Customer Value</i>	<i>Part C: Communicate Customer Value</i>	<i>Part D: Deliver Customer Value</i>	<i>Part E: Get Paid for Customer Value</i>
CHAPTER 15 Manage the Product Line	CHAPTER 18 Provide Support Services	CHAPTER 19 Integrate Marketing Communications	CHAPTER 23 Distribution Decisions	CHAPTER 25 Critical Underpinnings for Price Decisions
CHAPTER 16 Distinguish Tangible Goods from Intangible Services		CHAPTER 20 Mass Communications	CHAPTER 24 Retail, Wholesale	CHAPTER 26 Set Prices
CHAPTER 17 Develop New Products		CHAPTER 21 Digital Marketing		
CHAPTER 22 Direct and Manage Field Sales Effort				
<i>Imperative 5 – Secure Support from Other Functions (Businesses)</i>		<i>Imperative 6 – Monitor and Control Execution and Performance</i>		
CHAPTER 27 Ensure the Firm Implements the Market Offer as Planned: Become Externally Oriented		CHAPTER 28 Monitor and Control: Firm Performance and Firm Functioning		
SECTION 6: SPECIAL MARKETING TOPICS				
CHAPTER 29 International, Regional, and Global Marketing		CHAPTER 30 Ethical, Legal, and Socially Responsible Decisions in Marketing		

SECTION 1

## Marketing and the Firm

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

*Marketing and the Firm* comprises a single chapter that sets the stage for the entire book. **Introduction: Managing Marketing** presents two marketing concepts that, together, form the basis for *Capon's Marketing Framework* — marketing as a *philosophy*, marketing as *six imperatives* — the *must-do* marketing activities the firm should perform. Chapter 1 also presents five *marketing principles* that should form the basis for marketing decision-making. Finally, Chapter 1 shows the relationship between customer value and shareholder value.

**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.

**learning outcomes** — highlight what you will gain from diligently studying material in each chapter

CHAPTER 1

## Introduction: Managing Marketing

For complimentary material, see Access Capon codes at [www.accessvids.com](http://www.accessvids.com)

### LEARNING OUTCOMES

When you have completed this chapter, you will be able to:

- » Define the term *marketing*.
- » Understand how popular understanding of marketing differs from this book's approach.
- » Explain the fundamental business model.
- » Articulate why marketing is so important for business organizations.
- » Explain how success in marketing — to attract, retain, grow customers, especially *high-value* ones — improves shareholder value.
- » Articulate how marketing as a philosophy embraces an external orientation.
- » Understand how the external orientation philosophy differs from various internal orientations.
- » Be ready to act on the six marketing imperatives.
- » Identify five marketing principles.
- » Understand how the structure and features of *Capon's Marketing Framework* enhance learning.

**opening case** — each chapter opens with a real-life example of an organization that helps focus the upcoming material

### OPENING CASE: STARBUCKS

It's difficult to think of a company and its flagship product that are more synonymous than Starbucks and coffee. Just like coffee fuels its customers, coffee has driven this industry-leading firm's growth.



**STARBUCKS®**  
COFFEE AT HOME

In 2021, the world's largest coffee-house chain generated \$29.1 billion in revenues, bouncing back to pre-COVID-19 pandemic levels. The momentum continued in 2022; revenues soared at a record 13 percent annual rate to surpass \$32 billion. From its Seattle-based roots (1971), the original *Starbucks Coffee, Tea & Spice* store had grown to more than 32,000 stores, in 80-plus countries, 50 years later. Starbucks revolutionized the coffee experience worldwide. The course of its upward trajectory was set in 1982, when 28-year-old Howard Schultz joined as director of retail operations and marketing.

During a buying trip to Milan (1983), Schultz became enamored by the espresso bars he experienced, where Italians enjoyed socializing over coffee. Schultz persuaded Starbucks' owners to transplant that concept of a coffee-drinking *community* to a

# sample pages from chapter 1

**key idea** — distributed throughout the book and highlighted in the margins for easy reference

Marketers must possess the tools and decision-making skills, then act with the marketing-philosophy perspective to get the marketing job done. Effective marketers focus attention on marketing imperatives.

**MARKETING IMPERATIVES** describe the specifics of the marketing job. They are the *must-do* marketing for executives with marketing and product-management titles. We identify two groups:

### 1 STRATEGIC MARKETING

- Imperative 1: Determine and recommend which markets to address.
- Imperative 2: Identify and target market segments.
- Imperative 3: Set strategic direction and positioning.

### 2 IMPLEMENT THE MARKET STRATEGY

- Imperative 4: Design the market offer.
- Imperative 5: Secure support from other functions (businesses).
- Imperative 6: Monitor and control execution and performance.

As a broader framework when thinking about markets/marketing, marketers must also consider *five* marketing *principles*. These principles should form the basis for marketing decision-making. They act as guidelines for executing the six marketing imperatives:

- Principle 1: Selectivity and Concentration
- Principle 2: Customer Value
- Principle 3: Differential Advantage
- Principle 4: Integration
- Principle 5: Customer Relationships

Chapter 1's discussion of these issues sets the stage for the entire book.

## The Marketing Job

William Rosenberg, pioneering entrepreneur and founder of Dunkin' Donuts (Dunkin'), had a very simple philosophy: "The boss is the customer." By implementing Rosenberg's philosophy, Dunkin's franchise operates around 13,000 outlets in more than 40 countries. Annually, Dunkin' sells more than one billion donuts (more than 50 varieties) and around two billion cups of coffee.

Target and Kmart have both ranked among America's largest retailers. Target has grown successfully for many years, but Kmart has long struggled, and as of 2022, had only a handful of remaining stores. By contrast, Target understands and addresses customer needs in a compelling manner—it has a cool brand, the right product mix, and excellent service. Target illustrates the essence of effective marketing.

The popular press seems to confuse *marketing* with *promotion*, *advertising*, *sales*. Even many executives are unclear about marketing. It seems so intuitive. Can't anybody be a marketer? Real people at real companies told us:

- "Marketing is just advertising."
- "Marketing is giving away T-shirts, products, and concert tickets to potential clients."
- "Marketing's job is to support our salesforce."
- "Marketing is convincing consumers to purchase something they don't really need."
- "Marketing is what consumers do at the supermarket on Saturday mornings."

rivals, cuts prices. In recent recessions, several firms invested in customers and markets; they swept past more internally oriented competitors:

- Cisco invested in Asia as competitors contracted. Within one year, Cisco had lead market share in many countries.
- *Fortune* reported this statement by Coca-Cola's CEO: "We don't cut marketing in this crisis around the world. We make sure our brands stay healthy, and that we exit this tunnel with more market share than when we went in."
- Intel maintained R&D and production spending. The company's CEO told *The New York Times* a firm should never try to save its way out of a recession. Rather, it should emerge from a recession stronger by developing great new products. Mobile phone chip maker Qualcomm similarly increased R&D spending substantially.
- Tata Consulting Services (TCS) restructured to develop a customer-centric organization; it invested in customer relationships. TCS is now the largest global information technology services firm; it is also India's most valuable firm.
- Xerox's CEO told *Fortune*, "Everywhere I went, lenders and investors were demanding I cut R&D spending. But Xerox innovation is sacred ... investing in innovation was the best decision I ever made."

CEOs and top managers are generally responsible for establishing an external orientation as the overarching corporate philosophy, thrust. Leaders of firms like Alphabet (Google), Amazon, Apple, Microsoft, P&G, and Starbucks understand; they really *get it*. Only a tough CEO can dismiss the *tyranny of the quarterly earnings statement* and say: "You've got to expect a down quarter from time to time." Only a CEO who really gets it, like Johnson & Johnson's (J&J) leader during the Tylenol cyanide-lacing crisis (1982) would have **immediately demonstrated** the product until it developed fail-safe packaging. J&J's \$250 million write-off was a long-term investment in customers; Tylenol quickly returned to market leadership. [442v]

Some of the world's most successful firms see marketing as a philosophy. P&G spends \$400 million annually seeking customer, market insight. The developer of Viagra and leading COVID-19 vaccine producer, a senior executive asserted: "Our strongest belief at Pfizer is that marketing is really an investment, not an expense. Our former CEO believed it was important to invest in R&D. He also believed it was equally important to invest in marketing. He said, 'If you are best at both, there's no way you can be beat!' We invest billion and billions of dollars in R&D to have better science and develop innovative products. But we have always had the leading industry investment in marketing. We parallel our R&D spending with a similar investment in research about markets and customers. What separates us from competitors is an assiduous pursuit of information, knowledge, and understanding of our customer."<sup>11</sup>

### INTERNAL ORIENTATIONS

In a small, simply organized firm, the entrepreneur/sole proprietor (SP)/owner conducts most activities. The SP seeks and serves customers; they arrange financing, perform operational functions, and manage payroll. At a visceral level, the SP knows customers are critical assets; they operate with an external orientation almost by instinct. Question: Can you recall an occasion when your local garage, dry cleaner, hardware store, or other small business treated you personally as an important, valuable asset?

As firms grow, they seek efficiency through specialization and differentiation: Finance, legal, operations, product design, sales, technology, and other functions each have specific responsibilities. Typically, these functions develop their own business philosophies, values, missions, objectives, and systems/processes. Rather than working together to deliver customer value, these functions may pursue their own agendas, spurred by local cultural norms and management systems that measure,

#### KEY IDEA

The firm should view marketing expenditures as investments, not as expenses.

#### MARKETING QUESTION

What marketing question would you like to ask your favorite CEO? How do you think the CEO would answer?

**access capon code** — hotlinks in the book's digital version also accessible at [www.axcessvids.com](http://www.axcessvids.com)

**marketing question** — to engage you with the text and deepen your understanding, questions about the material can be found in the margins

### Key Messages

- 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

For complimentary material, see Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

Marketing Careers	402v	Ellen	Columbia Business School
Pharmaceutical Marketing	588v	Robert Essner	Wyeth; Columbia Business School

### Questions for Study and Discussion

Can you answer the questions implied by this chapter's learning outcomes? Check!

- Select a well-known FMCG firm. From its financial statements, identify the book value of its assets. Identify the firm's shareholder value — its market capitalization (stock price multiplied by number of shares outstanding). Is there a difference between these values? What accounts for this difference? Do your findings change the way you think about marketing's role in delivering value?
- Does your school (college, university) approach the market for new students in a systematic manner? How could it use the six marketing imperatives to improve performance?
- Why did Kmart decline? Which marketing principle(s) did it neglect? What would you have done differently, had you been the key decision-maker? How do you assess Kmart's merger with Sears? Compare Kmart's performance with Target — what accounts for the performance differences?

**key messages** — this section concisely identifies the key learning points in the 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; students may access these materials at [www.axcessvids.com](http://www.axcessvids.com)

**questions for study and discussion** — each chapter concludes with questions to help you reflect on the chapter material and gain deeper insight

### True/False Questions

Answers on page A1 and at [www.axcessvids.com](http://www.axcessvids.com) — 500p

- The firm only increases shareholder value if its incoming cash flows earn a return on investment at least equal to its cost of capital.  TRUE  FALSE
- Firms with a sales orientation focus on short-term sales volume; they are less concerned with profits and long-run customer relationships.  TRUE  FALSE
- A firm with a finance orientation focuses on research, development, and engineering.  TRUE  FALSE
- The market offer is the total benefit package the firm provides to customers.  TRUE  FALSE
- Firms with an internal orientation are more likely to achieve integration because the shared value of serving customers promotes a common purpose.  TRUE  FALSE

### Multiple Choice Questions

Answers on page A1 and at [www.axcessvids.com](http://www.axcessvids.com) — 947p

- All of the following represent critical questions the firm should answer about its business and market portfolio (Imperative 1) EXCEPT:
  - In which businesses and markets shall we invest?
  - From which businesses and markets shall we withdraw?
  - Is the firm's market and financial performance reaching planned objectives?
  - In which current businesses and markets shall we continue to invest?
- The firm with a(n) \_\_\_\_\_ is typically less concerned with profits and long-run customer relationships.
  - sales orientation
  - operations orientation
  - finance orientation
  - technology orientation
- Which of the following is NOT one of the marketing-mix elements that comprise the basic building blocks of a firm's offer?
  - product
  - support services
  - promotion
  - position
  - distribution
  - price
- Which of the five marketing principles emphasizes competition?
  - Selectivity and Concentration (Concentration and Concession)
  - Customer Value
  - Differential Advantage
  - Integration
  - Customer Relationships

## true/false and multiple choice questions

you may test yourself on chapter material; answers are accessible using Access Capon codes at [www.axcessvids.com](http://www.axcessvids.com)

## access capon codes

An innovative feature of the fifth edition of *Capon's Marketing Framework* is **Access Capon codes**. The purpose of Access Capon codes is to link items in the text to additional material you may find interesting, in an easy way. 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.axcessvids.com](http://www.axcessvids.com). If you're reading the printed book, we suggest you bookmark [www.axcessvids.com](http://www.axcessvids.com); then you'll be able to access the item you require with just four keystrokes.

## extra for instructors

- Instructors' Manual
- PowerPoint slides by chapter
- Testbanks
- Case studies
- Summary Key Ideas and Messages
- Summary Learning Objectives
- In-Class Exercises

## extra for students

- Videos

## companion volume



*The Virgin Marketer: Create Your Market Plan* is a workbook that allows students to dig in, get their hands dirty, and apply what they are learning from *Capon's Marketing Framework* to create their own marketing plans.

## wessex press, inc.

[www.wessexlearning.com](http://www.wessexlearning.com)

Wessex Press is a New York State Certified Service-Disabled Veteran-Owned Business. Founded (2007) by Noel Capon, R.C. Kopf Professor of International Marketing, Columbia Business School, Wessex Press makes professional books, textbooks, simulations, and other learning materials more accessible and affordable for its core audience — college students, professors, professionals, and life-long learners globally. Wessex operates at the cutting edge of technology, providing traditional and e-learning tools. Focus topic areas are marketing, sales and account management, and other higher-education textbooks. We continue to expand our offerings into such areas as argumentation, economics, English as a second language, finance, general management, human resources, sociology.

For instructor access, or to request a free desk copy of *Capon's Marketing Framework*, go to <http://www.wessexlearning.com/pages/request-instructor-copy>

You can also reach us at [contact@wessexlearning.com](mailto:contact@wessexlearning.com) or call **914-573-2757**



Wessex Press, Inc.  
1412 Broadway  
New York, NY 10018  
[www.wessexlearning.com](http://www.wessexlearning.com)

