



FIFTH EDITION

Managing **MARKETING** *in the 21st century*

Develop &
Manage



Noel Capon

“Managing Marketing in the 21st Century provides a new and powerful approach for marketing management. The organizing focus of six marketing imperatives is a distinctive and powerful integrative tool for communicating the critical functions and roles marketing must play. These imperatives provide an outline for the actions needed to implement the ideas in the book and thus provide a clear pathway from learning to action. Their focus provides great learning benefits at a much lower price — great customer value indeed!”

James R. Bettman

Burlington Industries Professor of Marketing,
The Fuqua School of Business, Duke University

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

Managing Marketing in the 21st Century 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 *Managing Marketing in the 21st Century*, 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 textbook is a refreshing change ... it offers advice on problems that many writers skirt ... the six marketing imperatives are a great way for the novice to begin to apply marketing principles, and for more expert readers to recast their thinking ... the book emphasizes and re-emphasizes the four principles for a useful, and effective learning tool. The reader, at any level of expertise, will not be disappointed.”

Priya Raghbir

Professor and Mary C. Jacoby Faculty Fellow,
Stern School of Business, New York University

Managing Marketing in the 21st Century

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

*Imperative 1 – Determine and Recommend
Which Markets to Address*

Imperative 2 – Identify and Target Market Segments

CHAPTER 10
Identify and Choose Opportunities

CHAPTER 11
Market Segmentation and Targeting

Imperative 3 – Set Strategic Direction and Positioning

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

Imperative 4 – Design the Market Offer

*Part A: Offer
Customer Value*

*Part B: Enhance
Customer Value*

*Part C: Communicate
Customer Value*

*Part D: Deliver
Customer Value*

*Part E: Get Paid for
Customer Value*

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 21
Digital Marketing

CHAPTER 17
Develop New Products

CHAPTER 22
Direct and Manage
Field Sales Effort

Imperative 5 – Secure Support from Other Functions (Businesses)

Imperative 6 – Monitor and Control Execution and Performance

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.axcessvids.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 *Managing Marketing in the 21st Century* — 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.

CHAPTER 1

Introduction: Managing Marketing

For complimentary material, see Access Capon codes at www.axcessvids.com

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

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 *Managing Marketing in the 21st Century* 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

the changing view — shows the direction of change regarding the upcoming material

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

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

Introduction: Managing Marketing • Chapter 1 7

KEY IDEA

Marketing embraces six imperatives — the *must-dos* of marketing.

Five marketing principles guide execution of the six imperatives.

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 Changing View

OLD WAY	NEW WAY
Accounting profit most important	Shareholder value is critical
Core marketing job: Design the marketing mix	The marketing job encompasses six marketing imperatives
Marketing is tactical	Marketing has strategic implications for the entire firm
Customers — a necessary evil	Customers — the firm's core assets
Manage the status quo	Manage change
Operate to suit managerial goals	Operates to deliver customer value
Internal orientations acceptable	External orientation is critical for success
The marketing department does the marketing	All firm employees have a marketing orientation
Marketing — one of the firm's functions	Marketing — both philosophy and function
Major firm objective — organization survival	Major firm objective — shareholder value
Seller power dominates	Customer power dominates
Shareholder value — an issue for finance	Shareholder value — an issue for marketing
Suppliers choose options	Customers in charge; they choose options

MARKETING QUESTION

Choose two familiar firms, one that exemplifies the *old way*, one the *new way*. What criteria led you to identify these firms? Why?

CHAPTER BUILDING BLOCKS

chapter building blocks — shows topics covered in each section of the chapter

Introduction: Managing Marketing

- Intel maintained R&D and production spending. The *Comp Times* a firm should never try to save its way out of a recession stronger by developing great new products. Mobile similarly increased R&D spending substantially.
- Tata Consulting Services (TCS) restructured to develop a customer relationship. TCS is now the largest services firm; it is also India's most valuable firm.
- Xerox's CEO told *Fortune*, "Everywhere I went, lenders and investors were screaming. But Xerox innovation is sacred ... investing in R&D spending. But Xerox innovation is sacred ... investing in R&D spending."

MARKETING QUESTION

How did senior managers view the temporary salesforce? Did they view these expenditures as an investment — returns expected in the future? Or did they think of them as expenses — returns expected in the short term?

Spending on Marketing — Investment or Expense?

A graduating Columbia MBA joined a fast-moving consumer goods (FMCG) firm. Her first assignment was to shepherd a new product from development to launch. The firm believed it had one year's lead time over competitors. As she developed her launch plan, the MBA realized the salesforce was working at capacity. The new product would get insufficient attention; it would not secure adequate retail distribution. Her innovative solution: Hire a temporary salesforce. These sellers would gain distribution; the regular salesforce would later perform maintenance. Her financials showed a first-year loss, but then forecast profits rose steadily. She presented her launch plan to senior management.

Senior managers were unhappy about the first-year loss. But by eliminating the temporary salesforce, the regular salesforce made the financials work. The firm launched on this basis. Unexpectedly, the first competitor entered after six months; within one year, the firm had three competitors. Two years after launch, the firm exited the market!

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 demonstrated a long-term investment in customers; Tylenol quickly returned to market leadership. [442v]

KEY IDEA

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

Some of the world's most successful firms view marketing as a philosophy. P&G spends \$400 million annually seeking customer, market, and competitive intelligence. Pfizer, developer of Viagra and leading COVID-19 vaccine producer, a senior executive asserted: "Our strong 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 billions 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."¹⁷

Table 1.1 (p. 16) shows general characteristics of internal and external orientations.

access capon code — hotlinks in the book's digital version also accessible at www.accesstvids.com

Key Messages

The Marketing Job

- 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.

Marketing and Shareholder Value

- 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

- 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 Marketing Imperatives

- 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:
 - Imperative 1: Determine and recommend which markets to address.
 - Imperative 2: Identify and target market segments.
 - Imperative 3: Set strategic direction and positioning.
 - Imperative 4: Design the market offer.
 - Imperative 5: Secure support from other functions (businesses).
 - Imperative 6: Monitor and control execution and performance.

Five Marketing Principles

- Five principles provide the guiding framework for implementing the six marketing imperatives:
 - Principle 1: Selectivity and Concentration
 - Principle 2: Customer Value
 - Principle 3: Differential Advantage
 - Principle 4: Integration
 - Principle 5: Customer Relationships

Marketing Question: What other messages did you glean from this chapter?

Videos

For complimentary material, see Access Capon codes at www.axcessvids.com

Marketing Careers	402v	Ellen	Columbia Bu
Pharmaceutical Marketing	588v	Robert Essner	Wyeth; Colu

sample pages from chapter 1

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

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

true/false (and multiple choice questions) — you may test yourself on chapter material; answers are accessible using Access Capon codes at www.axcessvids.com

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?
- Chapter 1 describes how Barnes & Noble's balance-sheet assets, inherent in its retail stores, became strategic liabilities. Identify and describe another example. What was the outcome? What would you have done differently had you been the key decision-maker? Would it have been easy to implement your decisions? Why or why not? How would your decisions have affected firm employees? Can you identify other firms facing similar challenges?
- 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?
- Erewhon (founded 1966), a Los Angeles upscale organic grocery store, is a celebrity sighting spot. Erewhon features obscure health foods — cold-pressed celery juice, macadamia nut cheeses, kelp noodles, charcoal smoothies, CBD tonics, adaptogenic latte — sold at premium prices; cult favorite coconut yogurt costs \$25 per jar! Since 2016, Erewhon's revenues have consistently grown more than 35 percent annually. Following a 2019 private equity deal, Erewhon plans to expand to other California cities, and also New York City. Identify another successful local merchant. Use the six marketing imperatives to explain its success.
- 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?
- How have the Internet, mobile marketing, social media, podcasts, and smart home devices affected marketing practices? How do you predict they will affect the future?
- Examples presented in this chapter have been drawn from many industries, countries around the world. Do you think the practice of marketing should differ among industries, countries? Why, or why not? If you believe it should differ, explain how, and under what circumstances.
- Describe the challenges, opportunities marketing faces in your school (college, university) or firm.

True/False Questions

Answers on page A1 and at 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

“Managing Marketing in the 21st Century is likely to become a classic ... compared to many purely descriptive textbooks, it is much more prescriptive and action-based ... it takes a stand on what should be done, and focuses on crucial topics that are often short-changed. The direct distribution model will pass significant value to buyers.”

Puneet Manchanda

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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 *Managing Marketing in the 21st Century* to create their own marketing plans.

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For instructor access, or to request a free desk copy of *Managing Marketing in the 21st Century*, go to
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