

# MARKETING MANAGEMENT THEORY AND PRACTICE



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SECOND EDITION

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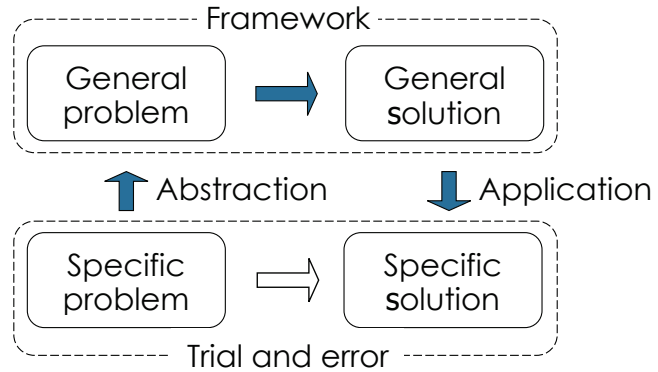
## Chapter 1

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### **Marketing as a Business Discipline**

**Figure 1. Making Decisions Using a Framework**

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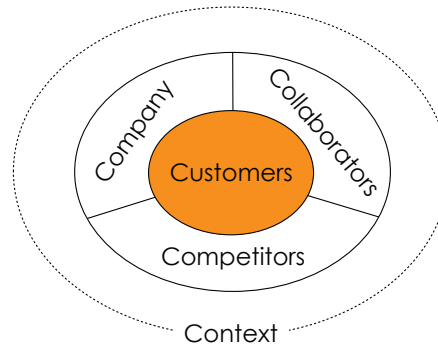
## Chapter 2

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### **Marketing Strategy and Tactics**

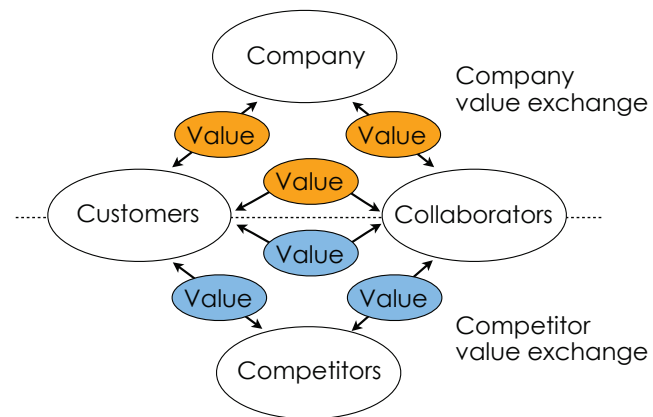
**Figure 1. Identifying the Target Market: The 5-C Framework**

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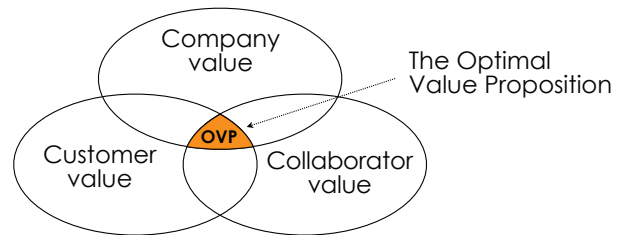
## Figure 2. Defining the Value Exchange

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### Figure 3. The 3-V Market Value Principle

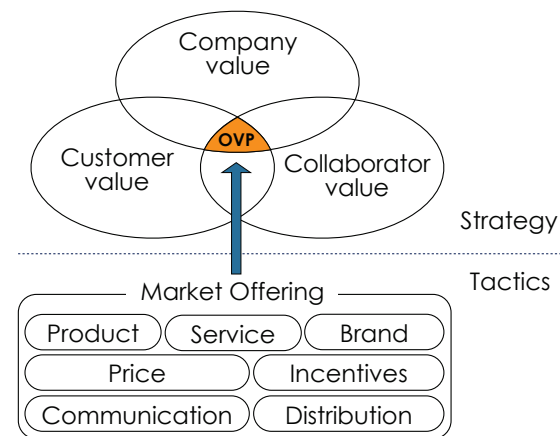
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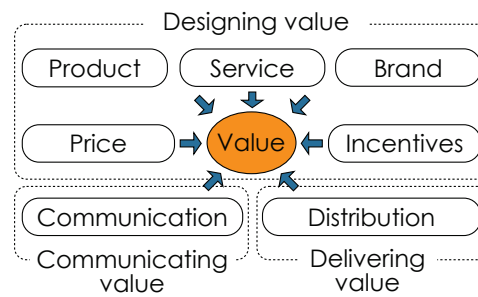
**Figure 4. The 7-T Framework Defining the Market Offering**

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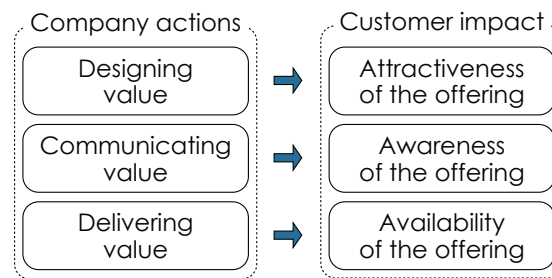
**Figure 5. Marketing Tactics as a Process of Designing, Communicating and Delivering Value**

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**Figure 6. Marketing Tactics: Company Actions and Customer Impact**

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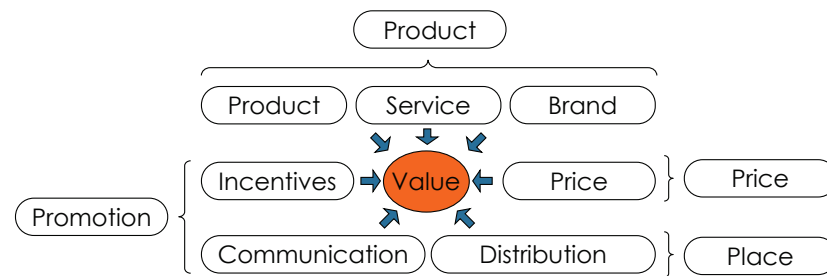


**Figure 7. The Market Value Map**

Target Market		Market Offering	
What customer need does the company aim to fulfill? Who are the customers with this need?	Customers	What are the key features of the company's product?	Product
What other entities will work with the company to fulfill the identified customer need?	Collaborators	What are the key features of the company's service?	Service
What are the company's resources that will enable it to fulfill the identified customer need?	Company	What are the key features of the offering's brand?	Brand
What other offerings aim to fulfill the same need of the same target customers?	Competition	What is the offering's price?	Price
What are the sociocultural, technological, regulatory, economic, and physical aspects of the environment?	Context	What incentives does the offering provide?	Incentives
Value Proposition		How will target customers and collaborators become aware of the company's offering?	Communication
What value does the offering create for target customers?	Customer Value	How will the offering be delivered to target customers and collaborators?	Distribution
What value does the offering create for the company's collaborators?	Collaborator Value		
What value does the offering create for the company?	Company Value		

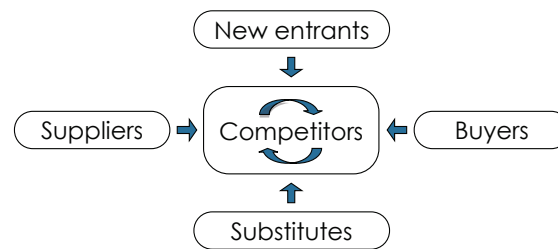
**Figure 8. The Four Ps and the Marketing Mix**

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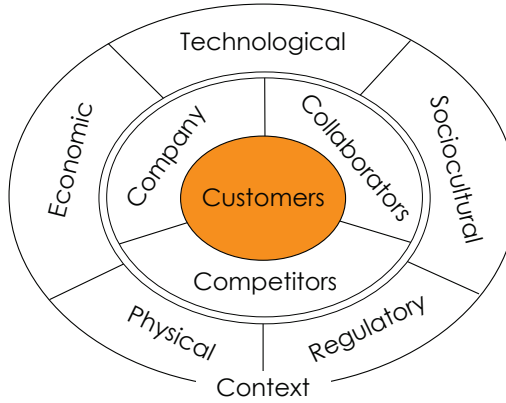
**Figure 9. The Five Forces of Competition**

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**Figure 10. Context Analysis**

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## Chapter 3

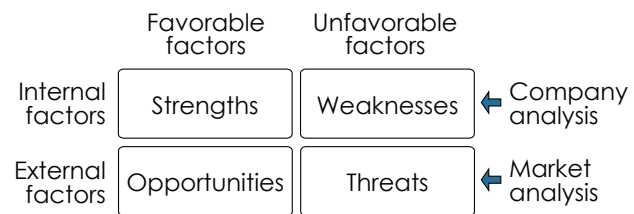
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### **The Marketing Plan**



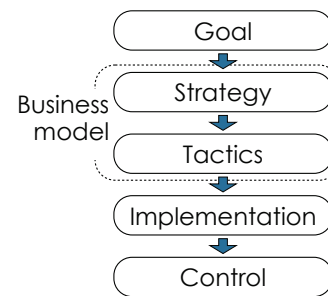
**Figure 1. The SWOT Framework for Assessing a Company's Market Position**

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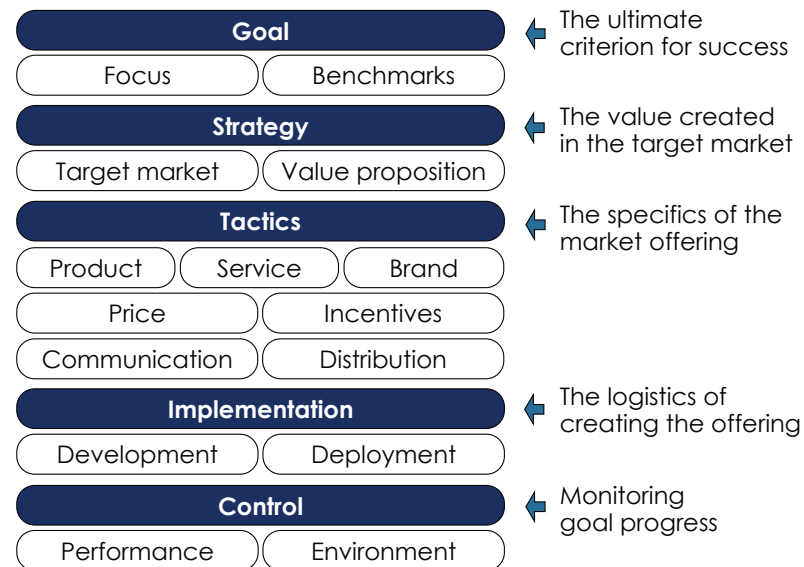
**Figure 2. The G-STIC Framework for Marketing Management**

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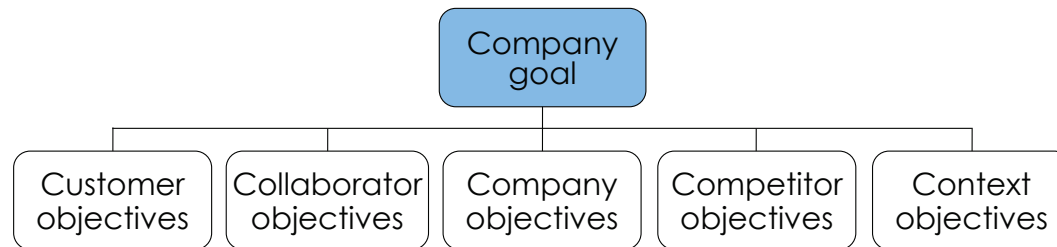
### Figure 3. The G-STIC Action-Planning Flowchart

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**Figure 4. Company Goal and Objectives**

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**Figure 5. The Marketing Plan**

Action plan	<b>Executive Summary</b>		What are the key aspects of the company's marketing plan?
	<b>Situation Overview</b>		
	What are the key aspects of the markets in which the company competes and/or will compete?	<b>Market</b>	What are the company's goals, resources, offerings, market position, and ongoing activities?
	<b>Goal</b>		
	What is the key performance metric the company aims to achieve with the offering?	<b>Focus</b>	What are the temporal and quantitative criteria for reaching the goal?
	<b>Strategy</b>		
	What are the key aspects of the target market (the 5 Cs)?	<b>Target market</b>	What value does the offering create for target customers, the company, and its collaborators?
	<b>Tactics</b>		
	What are the product, service, brand, price, incentives, communication, and distribution aspects of the offering?		<b>Market offering</b>
	<b>Implementation</b>		
	How is the company offering being developed?	<b>Development</b>	What processes will be used to bring the offering to market?
	<b>Control</b>		
	How will the company evaluate the progress toward its goal?	<b>Performance</b>	How will the company monitor the environment to identify new opportunities and threats?
	<b>Exhibits</b>		
	What are the details/evidence supporting the company's action plan?		

**Figure 6. The Critical Path Method**

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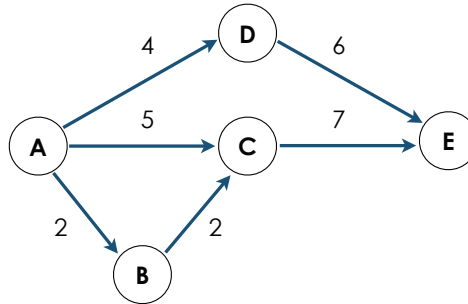


Figure 7. Gantt Matrix

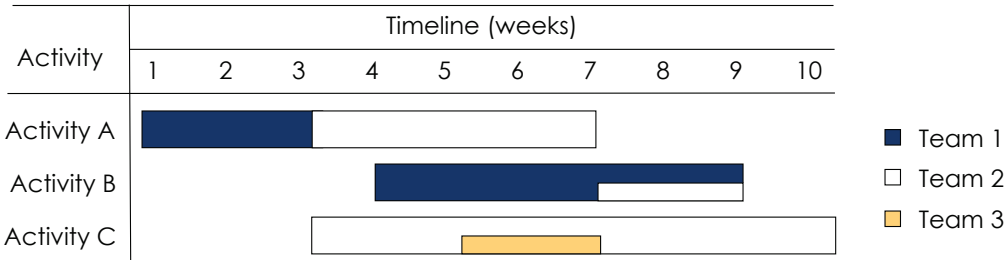


Figure 8. The Responsibility Assignment Matrix

Activity	Responsibilities			
	Role/Team 1	Role/Team 2	Role/Team 3	Role/Team 4
Activity A				
Activity B				
Activity C				



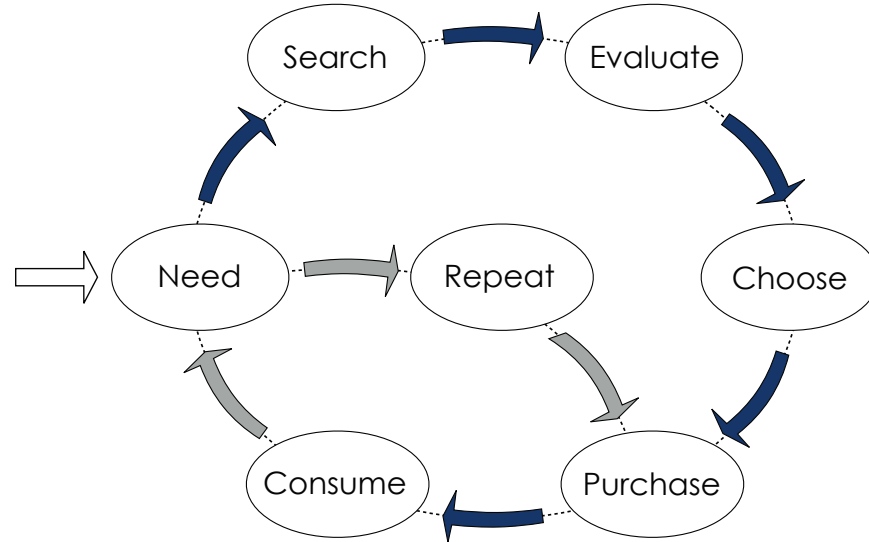
## Chapter 4

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### Understanding Consumer Markets

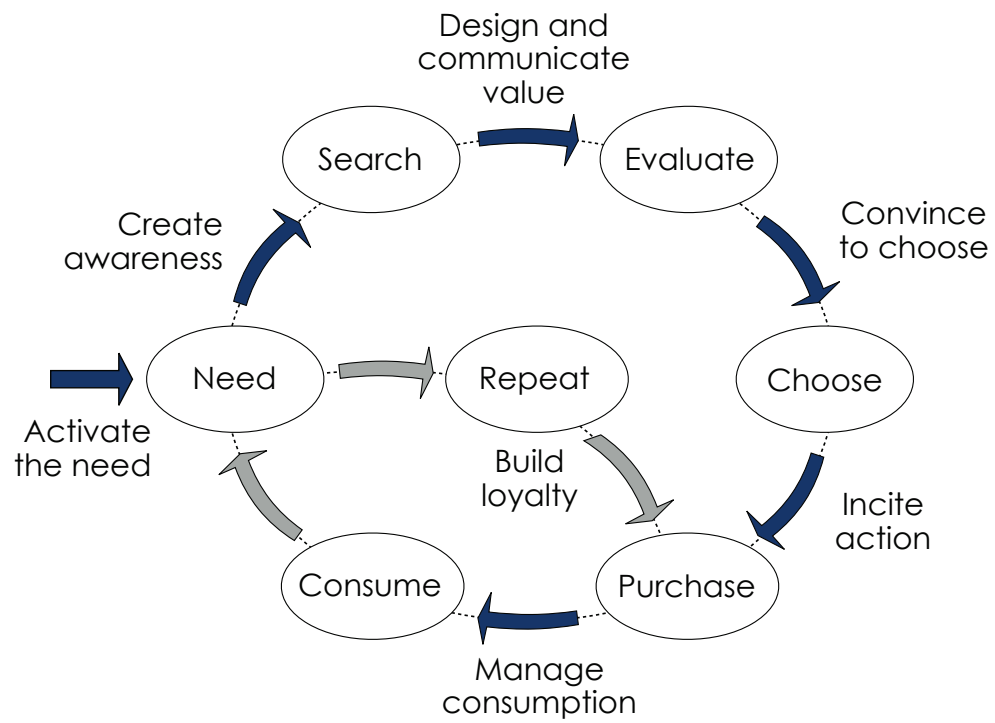
**Figure 1. The Customer Experience Map**

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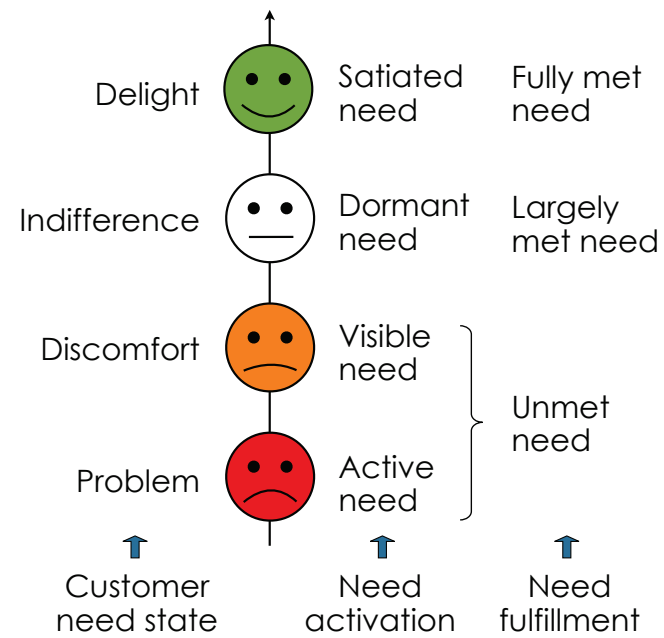
**Figure 2. Company Goals in Managing the Customer Experience**

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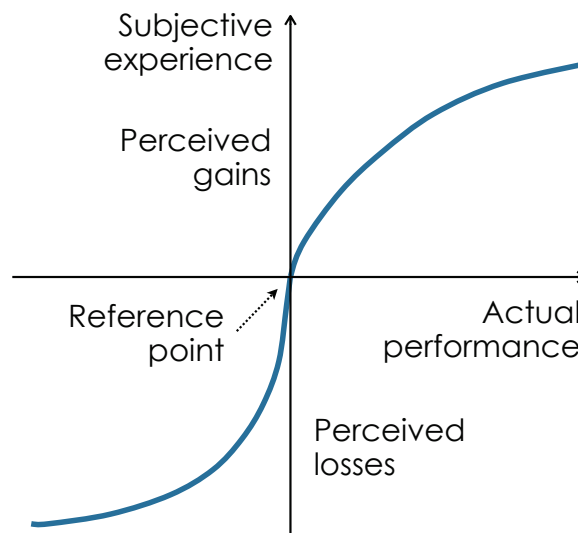
### Figure 3. Customer Need States

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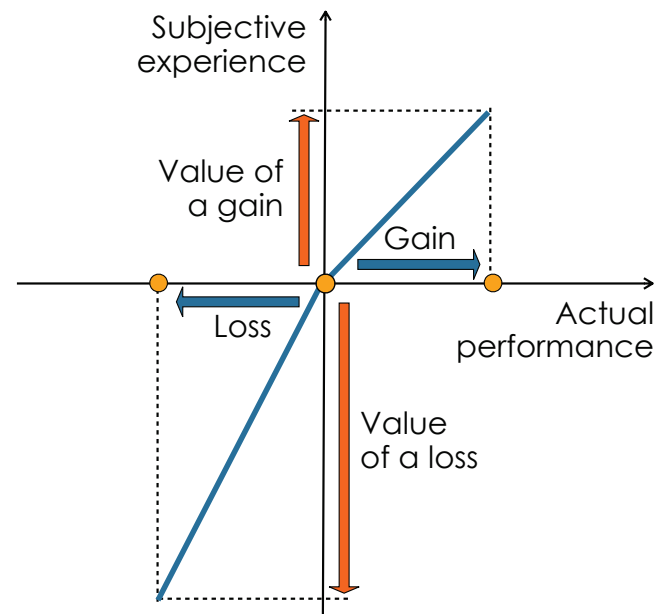
**Figure 4. The Value Function**

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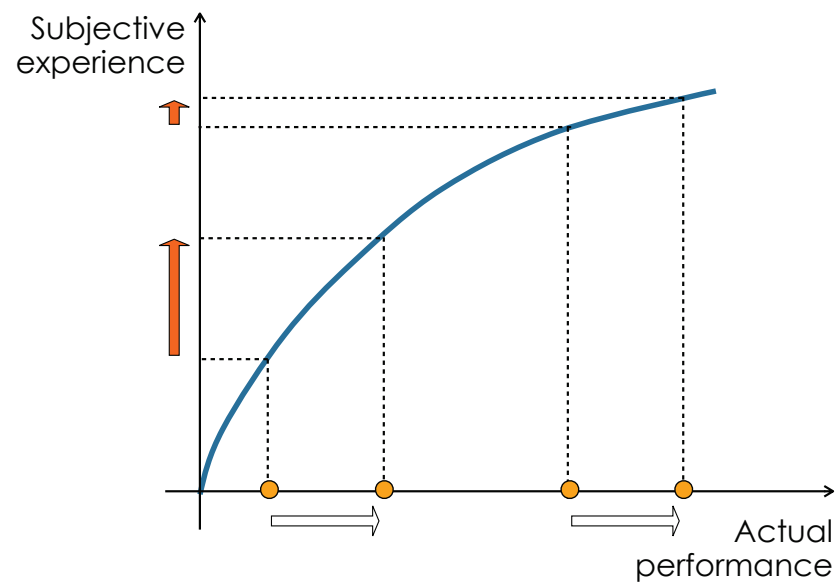
**Figure 5. Loss Aversion**

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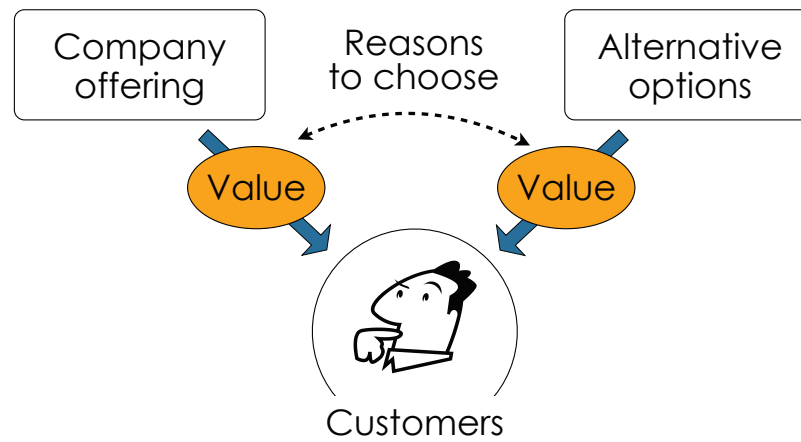
**Figure 6. Diminishing Marginal Value**

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**Figure 7. Reasons as Drivers of Choice**

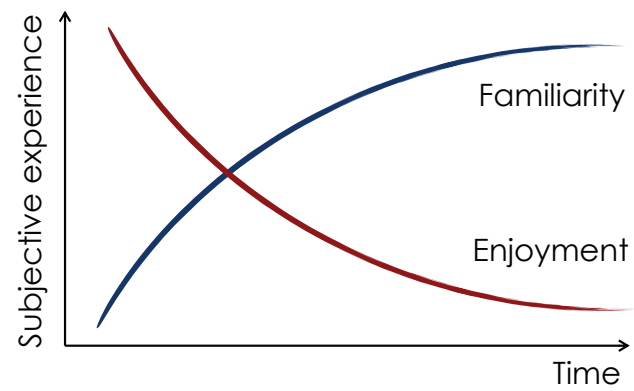
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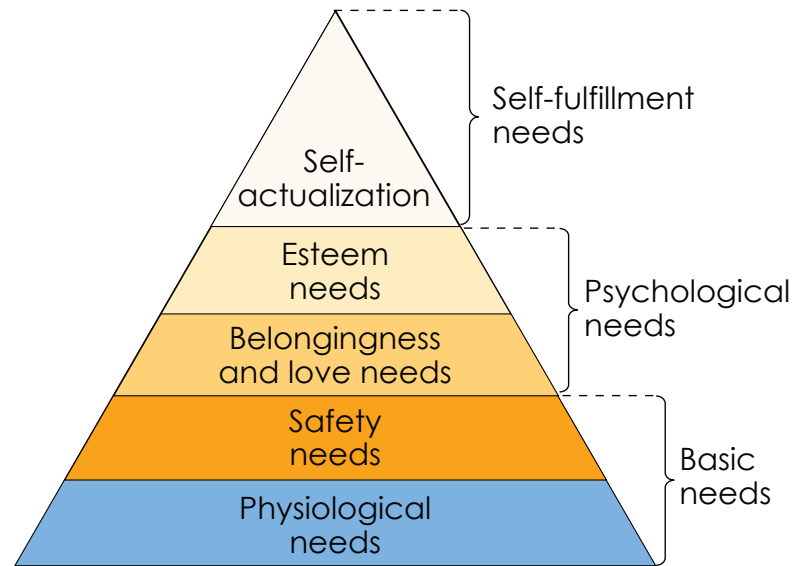
**Figure 8. The Dynamics of Familiarity with and Enjoyment of Using the Offering**

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**Figure 9. Maslow's Hierarchy of Needs**

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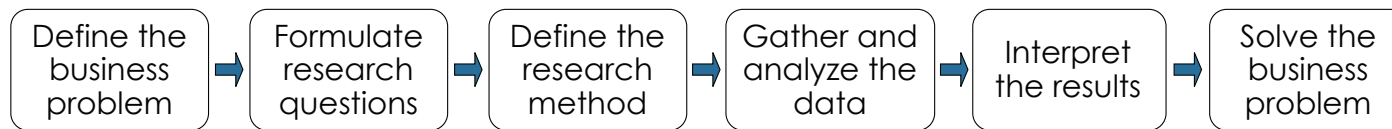
## Chapter 5

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### Gathering Market Insights

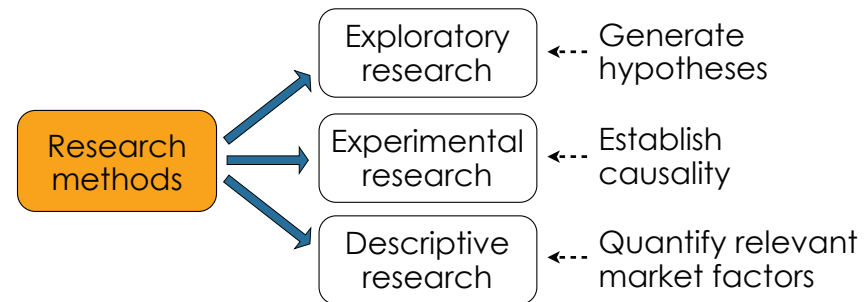
**Figure 1. Problem-Driven Customer Research**

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## Figure 2. Key Research Methods

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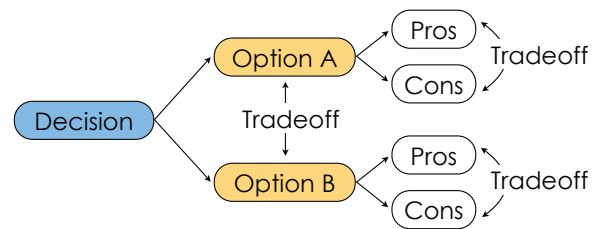
### Figure 3. Managing Decision Errors

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		Reality	
		True	False
Data	True	Correct	False positive
	False	False negative	Correct

**Figure 4. Making Necessary Tradeoffs**

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## Chapter 6

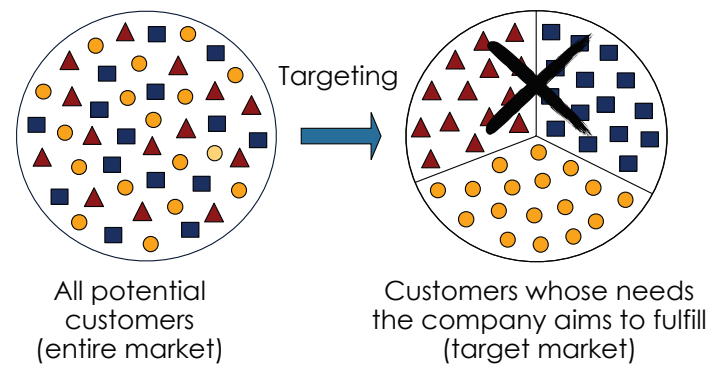
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# Identifying Target Customers



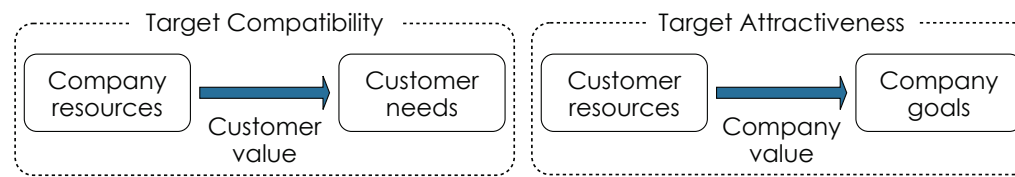
## Figure 1. Segment-Based Targeting

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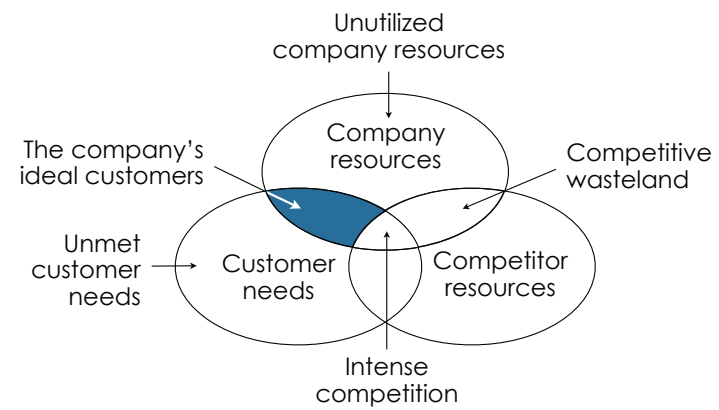
## Figure 2. Strategic Targeting: Key Principles

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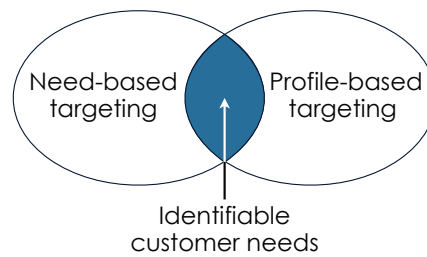
### Figure 3. The Resource Advantage Principle

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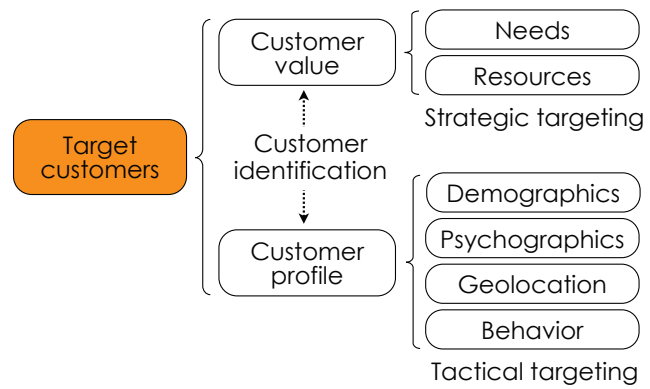
## Figure 4. Customer Profile and Customer Needs

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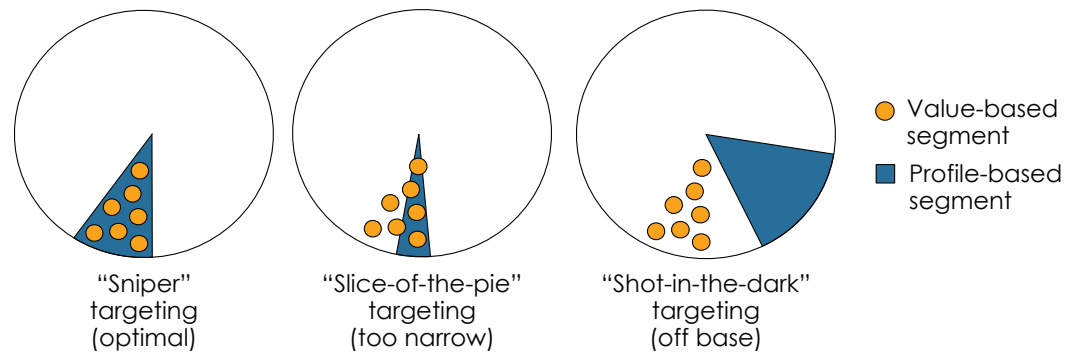
## Figure 5. Linking Customer Value and Profile

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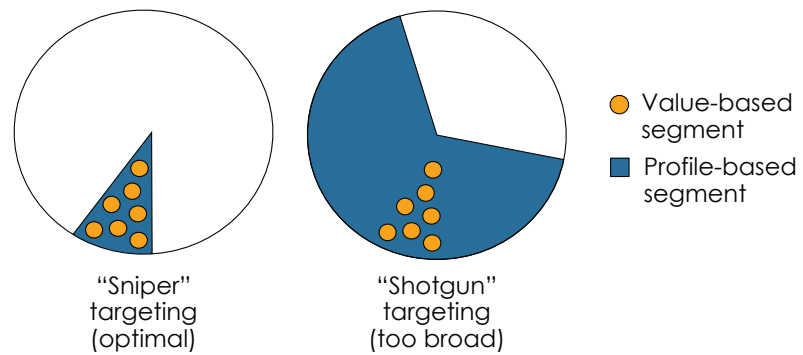
## Figure 6. Tactical Targeting: Effectiveness

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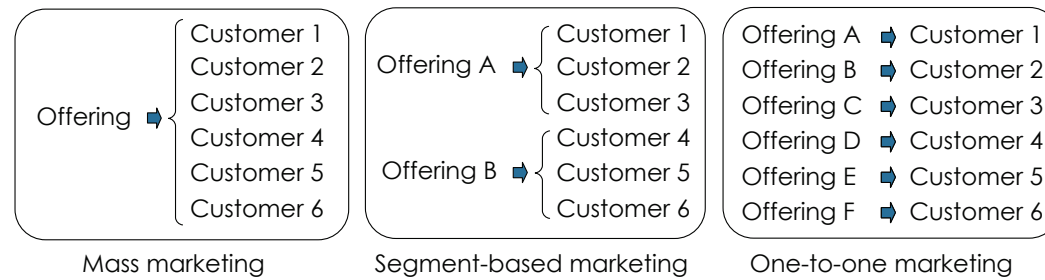
## Figure 7. Tactical Targeting: Cost Efficiency

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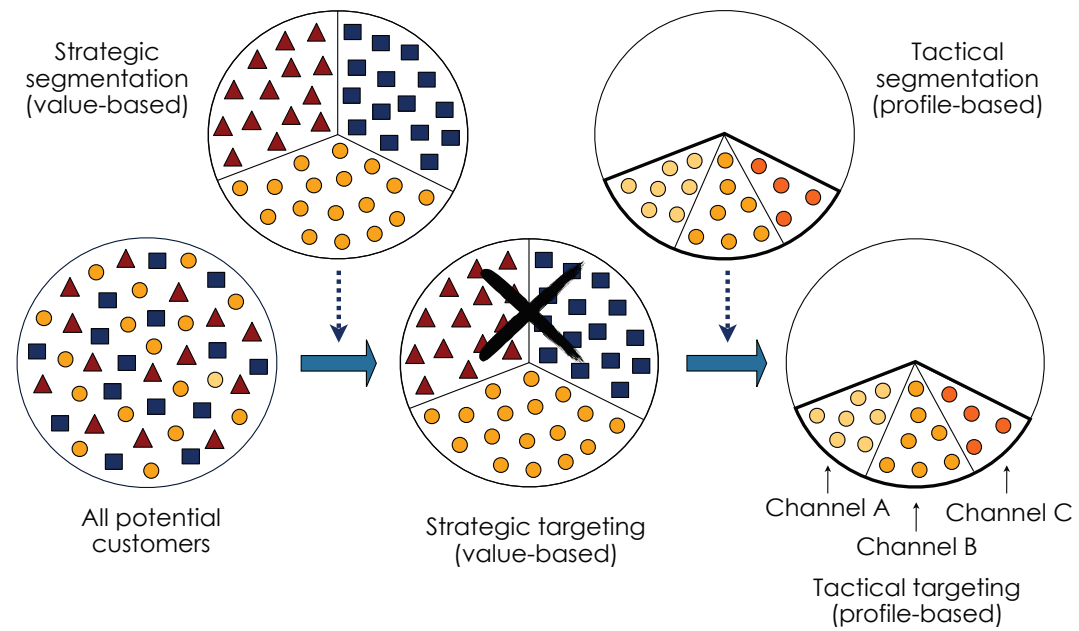
**Figure 8. Mass Marketing, Segment-Based Marketing, and One-to-One Marketing**

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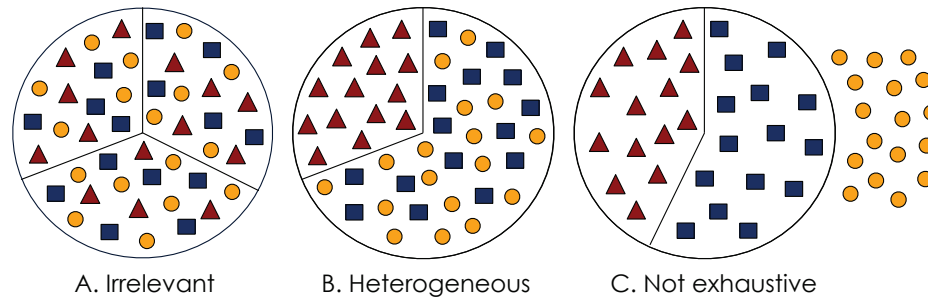


## Figure 9. Strategic and Tactical Segmentation



## Figure 10. Common Segmentation Errors

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## Chapter 7

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# Creating Customer Value

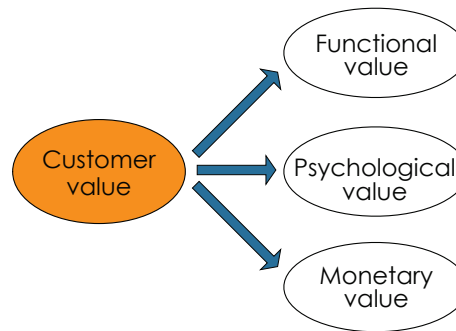
**Figure 1. Value as a Function of Customer Needs and Offering Attributes**

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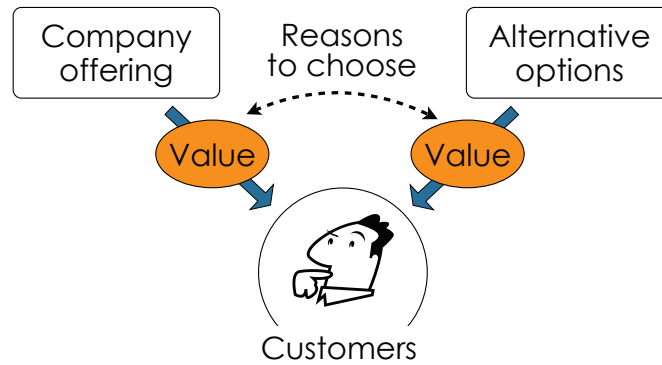
## Figure 2. Dimensions of Customer Value

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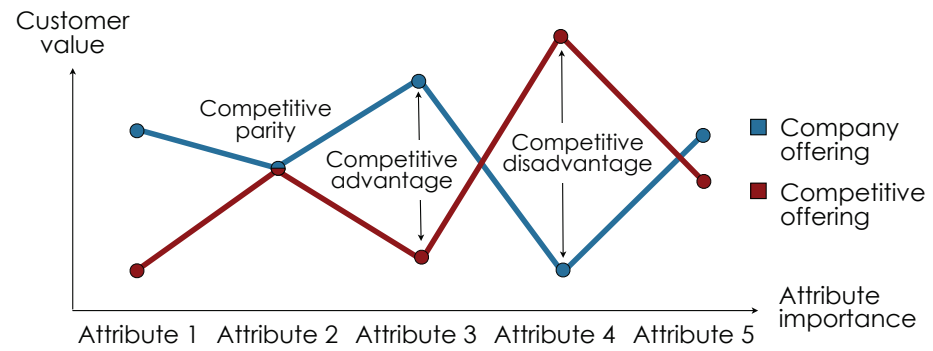
## Figure 3. The Customer Value Proposition

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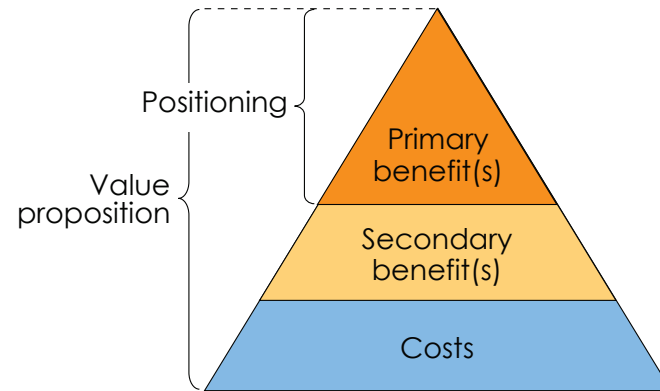
## Figure 4. Competitive Value Map

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**Figure 5. Customer Value Proposition and Positioning**

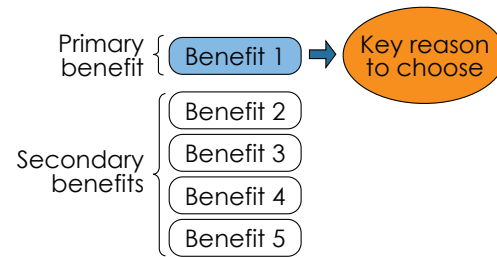
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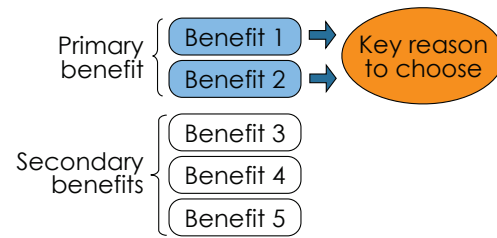
## Figure 6. Single-Benefit Positioning

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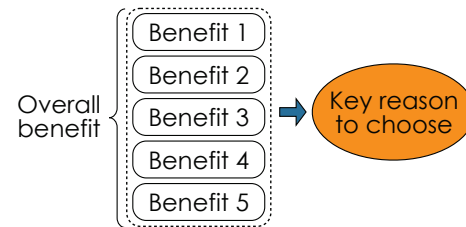
## Figure 7. Dual-Benefit Positioning

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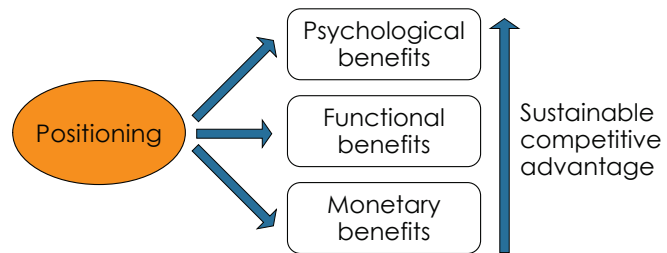
## Figure 8. Holistic Positioning

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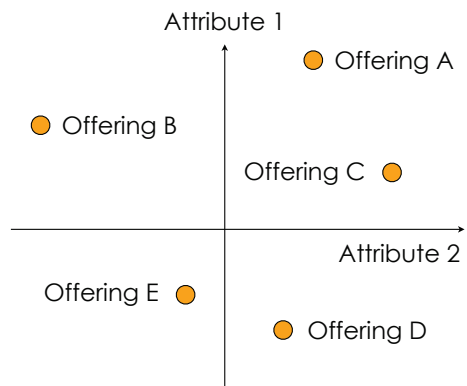
**Figure 9. Positioning as a Source of Sustainable Competitive Advantage**

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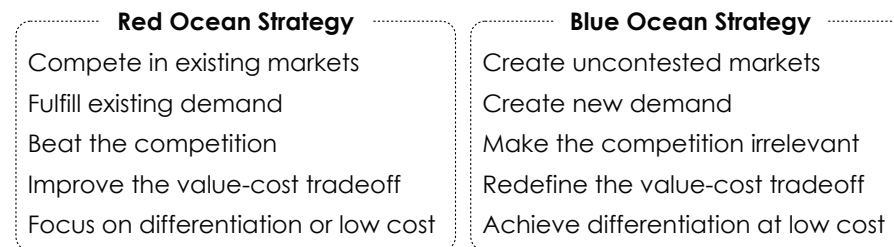
## Figure 10. Positioning Map

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## Figure 11. Blue Ocean Strategy

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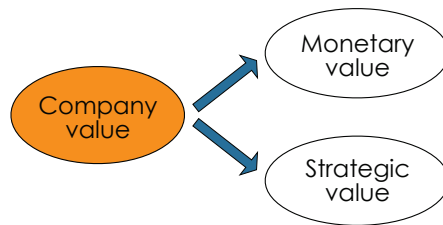
## Chapter 8

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# Creating Company Value

**Figure 1. Dimensions of Company Value**

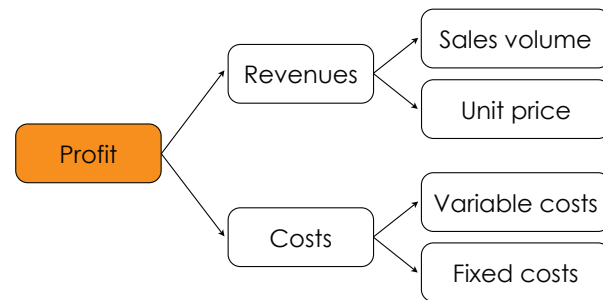
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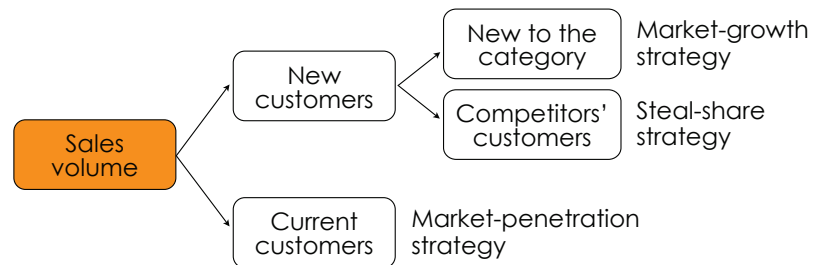
## Figure 2. The Key Profit Drivers

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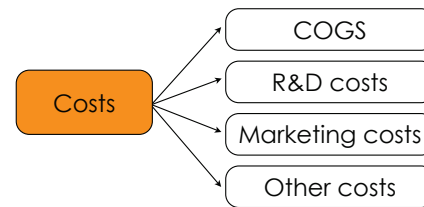
### Figure 3. Strategies for Growing Sales Volume

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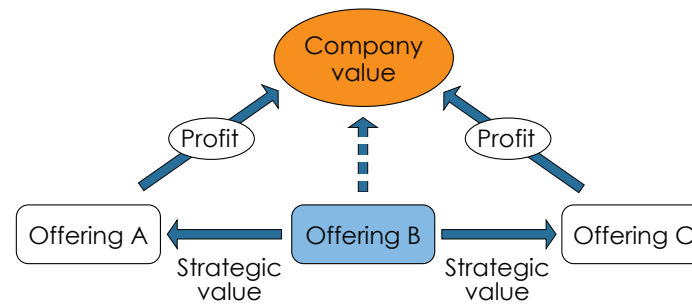
## Figure 4. Managing Profits by Lowering Costs

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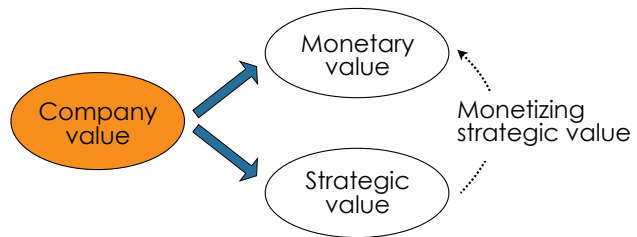
**Figure 5. The Profit Impact of Strategic Offerings**

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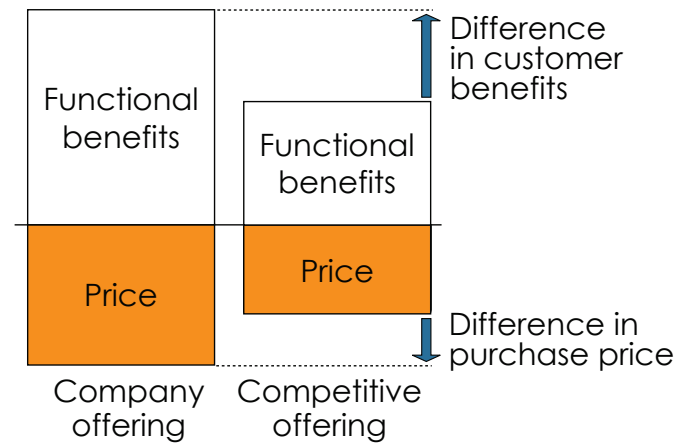
**Figure 6. Economic Value Analysis**

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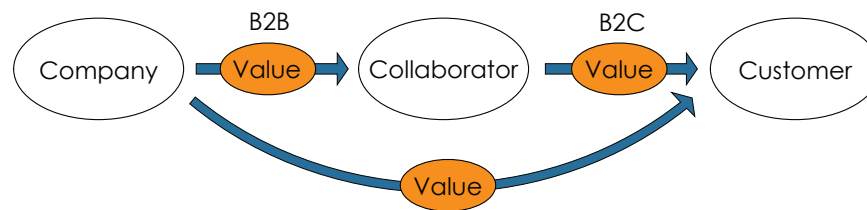
**Figure 7. Analyzing the Value of an Offering in a Competitive Context**

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**Figure 8. Creating Value through Collaboration**

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## Figure 9. The Income (Profit and Loss) Statement

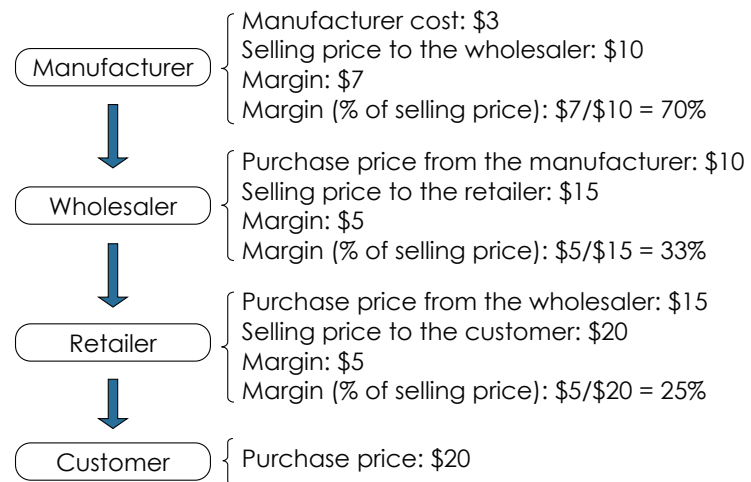
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<b>Gross Revenues</b>	
Sales revenues	\$18,000
Returns and allowances	(3,000)
<i>Total Gross Revenues</i>	15,000
<b>Cost of Goods Sold</b>	
Product costs	(4,500)
Services costs	(1,500)
<i>Total Cost of Goods Sold</i>	(6,000)
<b>Gross Profit</b>	9,000
Gross Margin	60%
<b>Operating Expenses</b>	
Sales and marketing	(5,000)
General and administrative	(1,000)
Research and development	(1,500)
<i>Total Operating Expenses</i>	(7,500)
<b>Operating Income</b>	1,500
Operating Margin	10%
<b>Other Revenues (Expenses)</b>	
Interest expense	(250)
Depreciation and amortization	(100)
Income tax expense	(400)
<i>Total Other Revenues (Expenses)</i>	(750)
<b>Net Income (Earnings)</b>	750
Net (Profit) Margin	5%



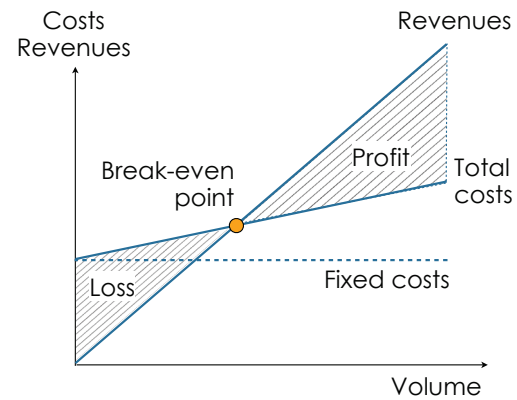
## Figure 10. Calculating Trade Margins

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**Figure 11. Break-Even of a Fixed Cost Investment**

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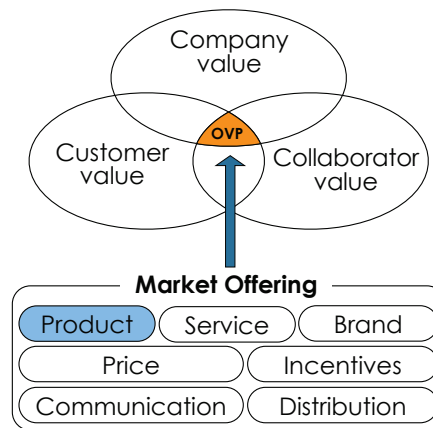
## Chapter 7

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### **Managing Products**

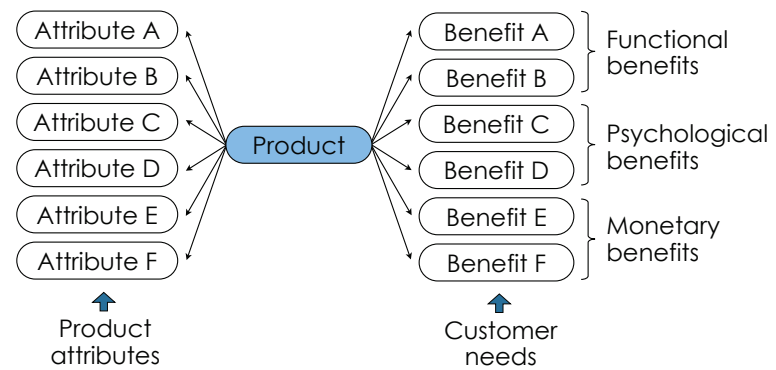
## Figure 1. The Product as a Tool for Creating Market Value

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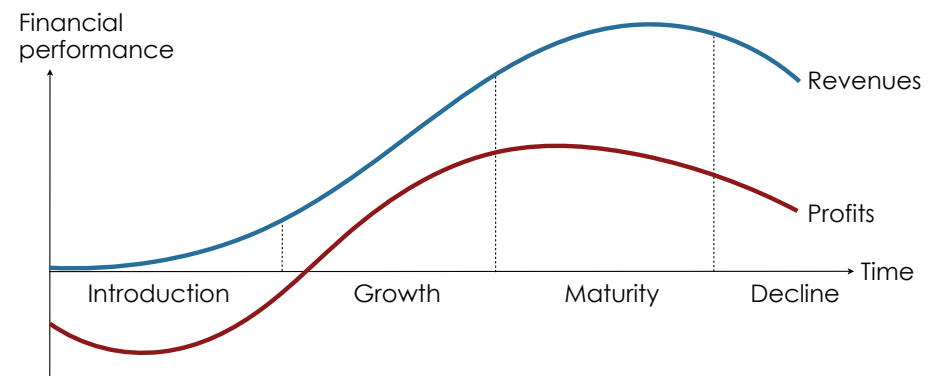
## Figure 2. Product Attributes and Customer Benefits

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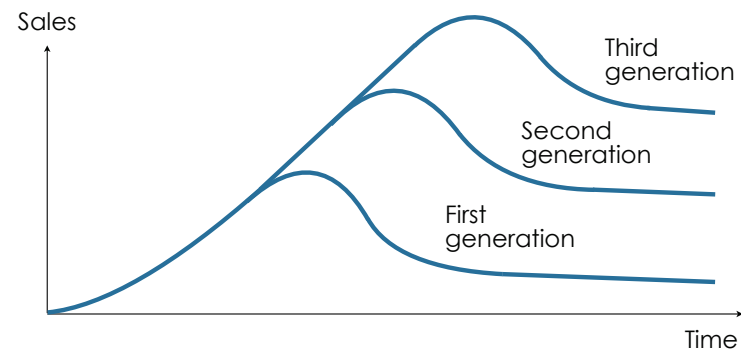
### Figure 3. Managing the Product Life Cycle

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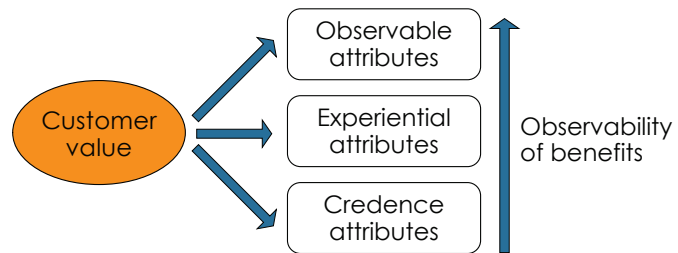
## Figure 4. Extending Product Lifestyle Through Innovation

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**Figure 5. Benefit Visibility in Product Design**

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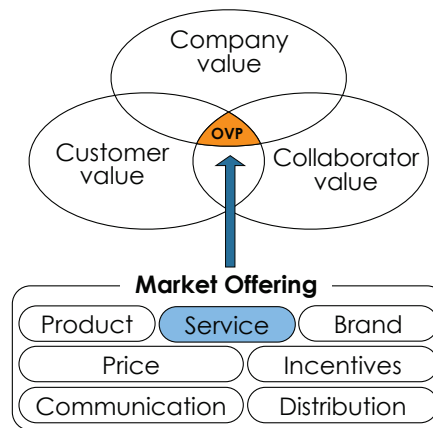
## Chapter 10

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### **Managing Services**

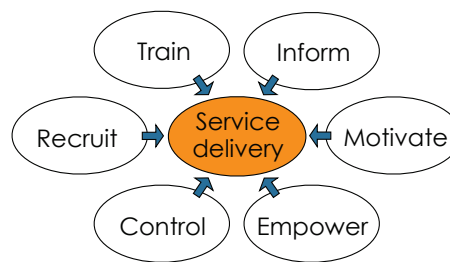
## Figure 1. Service as a Tool for Creating Market Value

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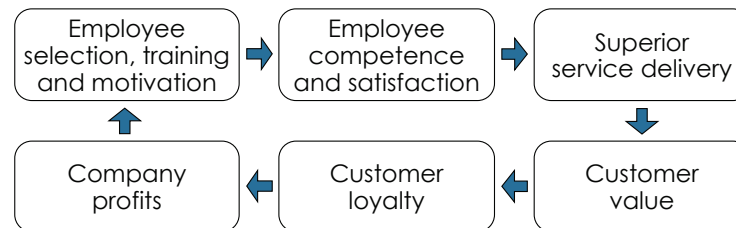
**Figure 2. Managing Employee Performance to Deliver Superior Customer Service**

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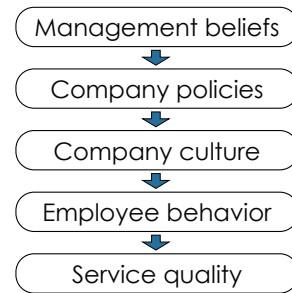
**Figure 3. Creating Market Value Through Superior Customer Service**

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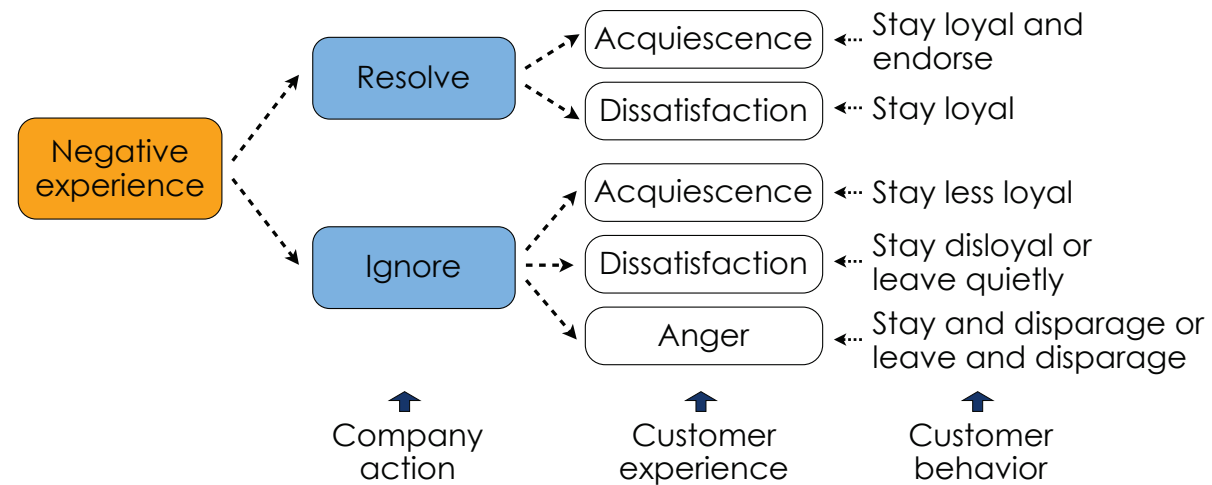
## Figure 4. Building a Service-Centric Company Culture

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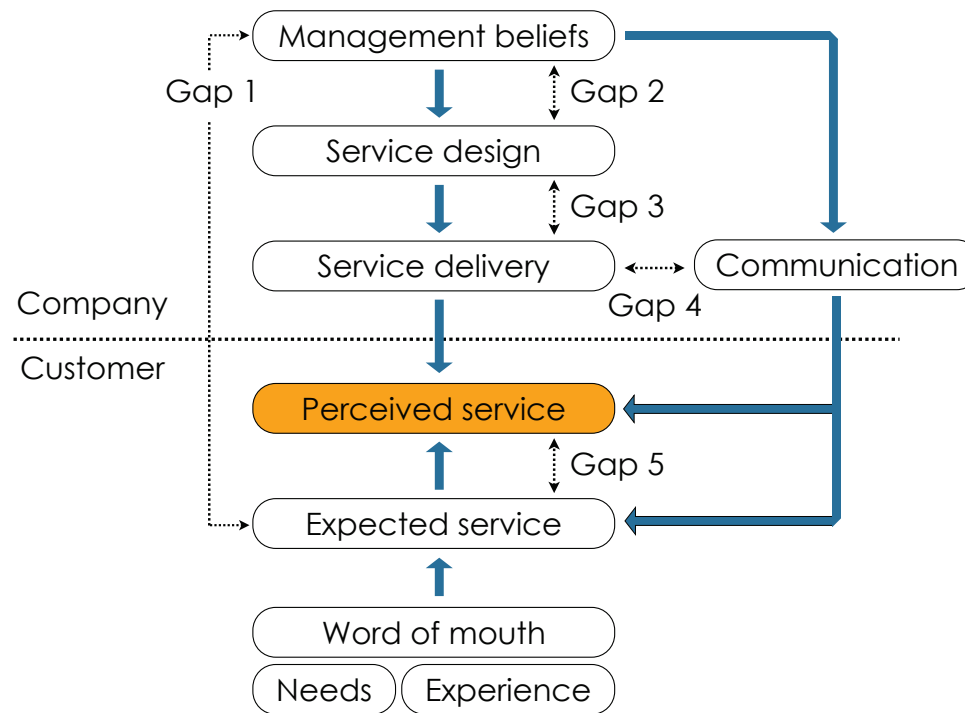


**Figure 5. Customer Reaction to Negative Experiences**

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## Figure 6. The Service-Gap Model



## Chapter 11

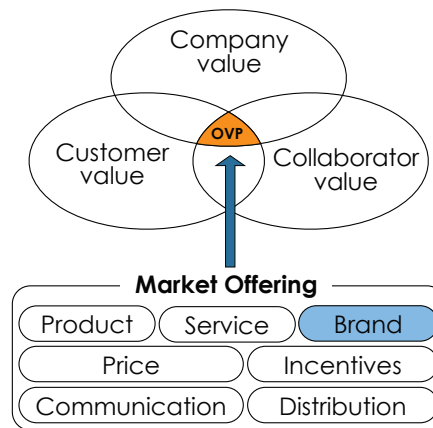
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### **Managing Brands**



## Figure 1. The Brand as a Tool for Creating Market Value

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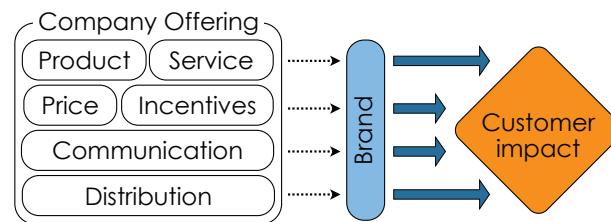
**Figure 1. Brand Association Map of Starbucks**

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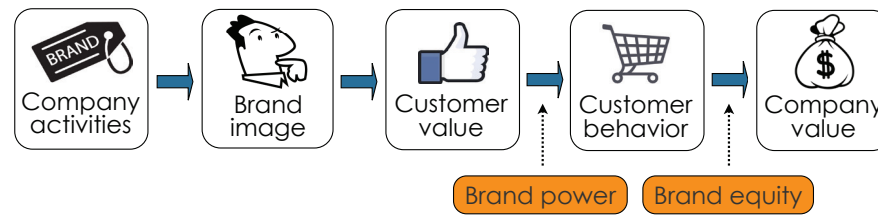
**Figure 3. The Brand as a Means of Amplifying the Impact of the Offering**

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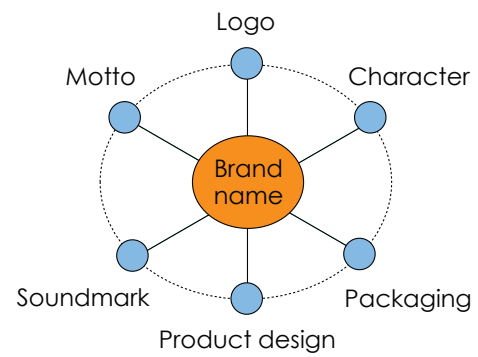
**Figure 4. Brand Power and Brand Equity**

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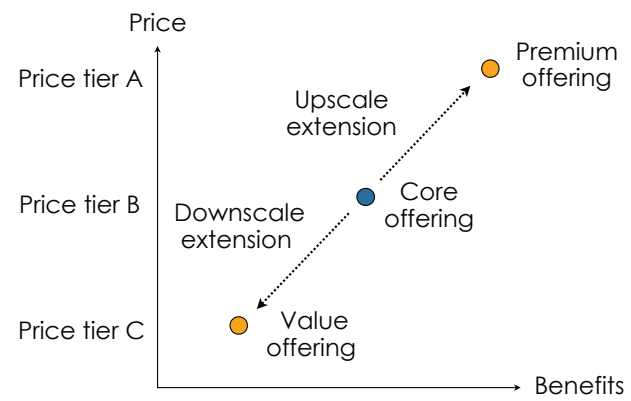
**Figure 5. Key Brand Identifiers**

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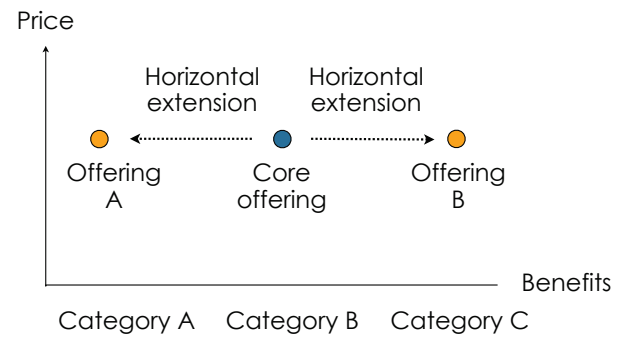
## Figure 6. Vertical Brand Extensions

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## Figure 7. Horizontal Brand Extensions

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## Chapter 12

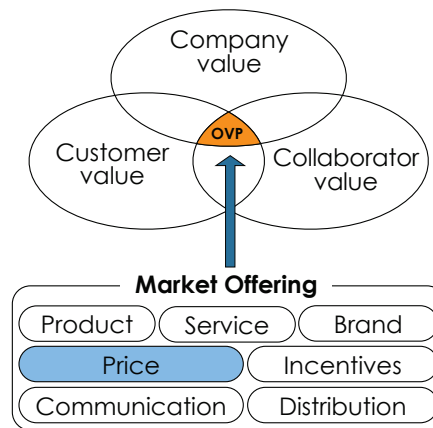
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### **Managing Price**



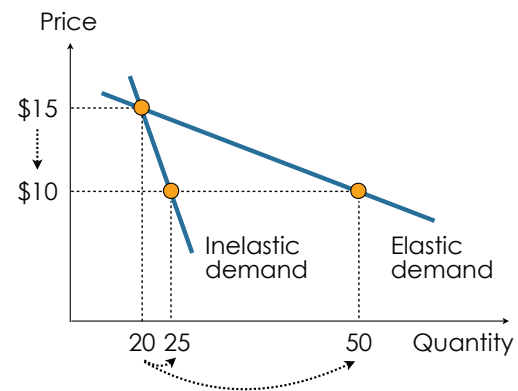
**Figure 1. The Price as a Tool for Creating Market Value**

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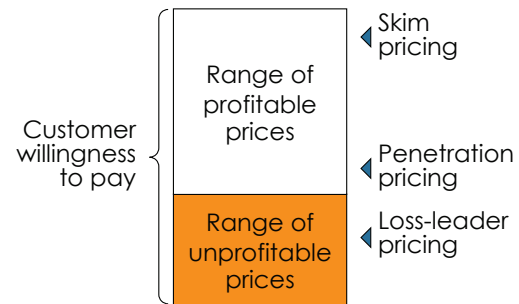
## Figure 2. The Price Elasticity of Demand

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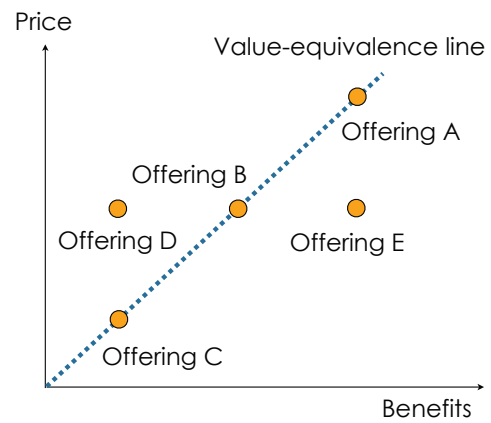
### Figure 3. Penetration, Skim, and Loss-Leader Pricing

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## Figure 4. Competitive Price–Benefit Map

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## Chapter 13

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### **Managing Incentives**

## Figure 1. Incentives as a Tool for Creating Market Value

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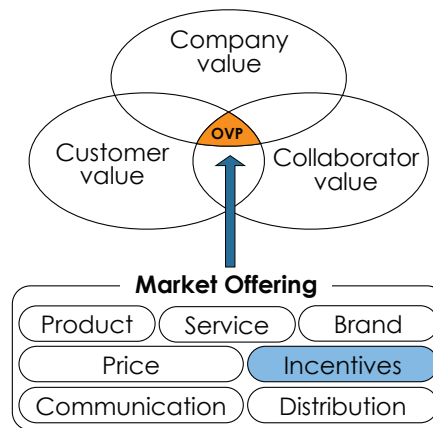
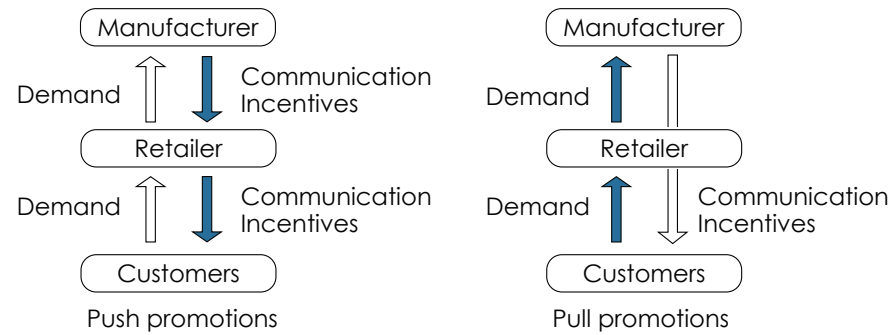


Figure 2. Incentive Types

	Monetary incentives	Nonmonetary incentives
Customer incentives	Coupons, rebates, volume discounts, price reductions	Premiums, rewards, sweepstakes, loyalty programs, prizes, contests
Collaborator (trade) incentives	Slotting, stocking, advertising, display, and market-development allowances; spiffs; volume discounts and rebates; off-invoice incentives; cash discounts; inventory financing	Contests, bonus merchandise, buyback guarantees, sales support and training
Company incentives	Monetary bonuses and rewards	Nonmonetary bonuses and rewards, recognition awards, contests

### Figure 3. Push and Pull Promotions

---





## Figure 4. The Prisoner's Dilemma

---

		Prisoner B	
		Confess	Not confess
Prisoner A	Confess	-5 / -5	-1 / -10
	Not confess	-10 / -1	-3 / -3

**Figure 5. The Prisoner's Dilemma in Sales Promotion**

---

		Company B	
		Discount	Not discount
Company A	Discount	\$10M / \$10M	\$20M / \$5M
	Not discount	\$5M / \$20M	\$15M / \$15M

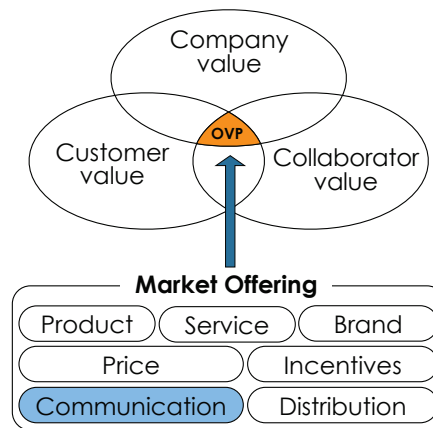
## Chapter 14

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### **Managing Communication**

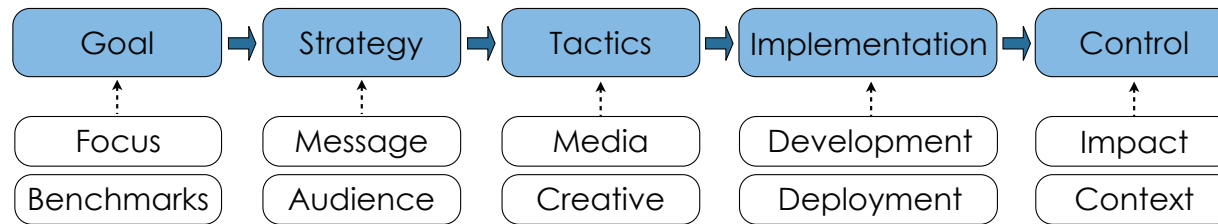
## Figure 1. Communication as a Tool for Creating Market Value

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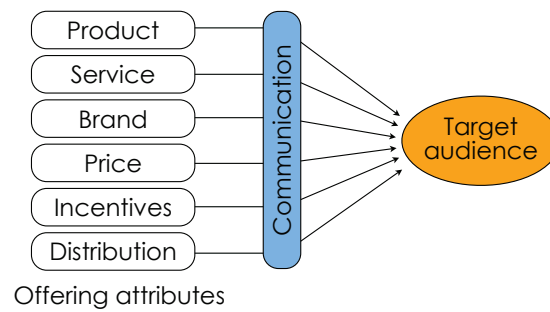
**Figure 2. The G-STIC Framework for Managing Communication**

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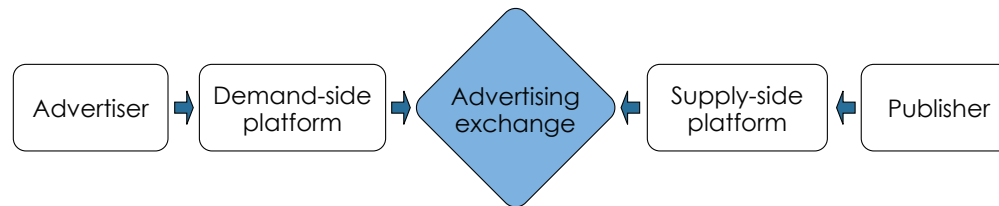
### Figure 3. Determining the Message Content

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## Figure 4. Programmatic Media Buying

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**Figure 5. The Organization of the Communication Plan**

<b>Executive Summary</b>			
What are the key aspects of the company's communication campaign?			
<b>Situation Overview</b>			
What are the key aspects of the market in which the company competes and/or will compete?	<b>Market</b>	What are the company's goals, resources, offerings, market position, and ongoing activities?	<b>Company</b>
<b>Goal</b>			
What is the key outcome the company aims to achieve with its communication?	<b>Focus</b>	What are the temporal and quantitative criteria for reaching the desired outcome?	<b>Benchmarks</b>
<b>Strategy</b>			
Who is the company's target audience?	<b>Target audience</b>	What is the message the company aims to communicate?	<b>Message</b>
<b>Tactics</b>			
Where will the audience encounter the company's communication?	<b>Media</b>	How will the company's message be expressed?	<b>Creative</b>
<b>Implementation</b>			
What resources need to be developed or acquired to communicate the company's message?	<b>Development</b>	What is the process of bringing the company's message to the target audience?	<b>Deployment</b>
<b>Control</b>			
How will the company evaluate the effectiveness of the communication campaign?	<b>Performance</b>	How will the company monitor the environment for changes that may affect its communication?	<b>Environment</b>
<b>Exhibits</b>			
What details or evidence support the communication plan?			



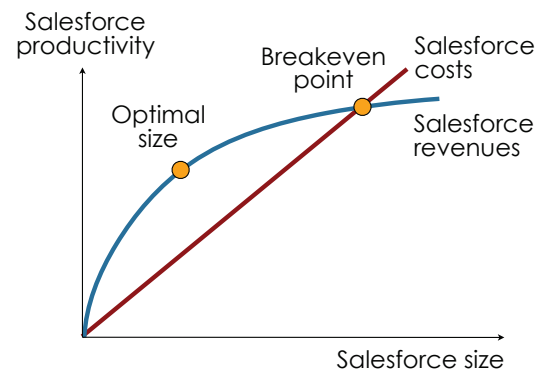
## Chapter 15

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### Personal Selling

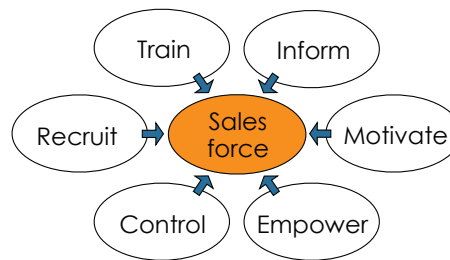
**Figure 1. Sales Productivity as a Function of Sales Force Size**

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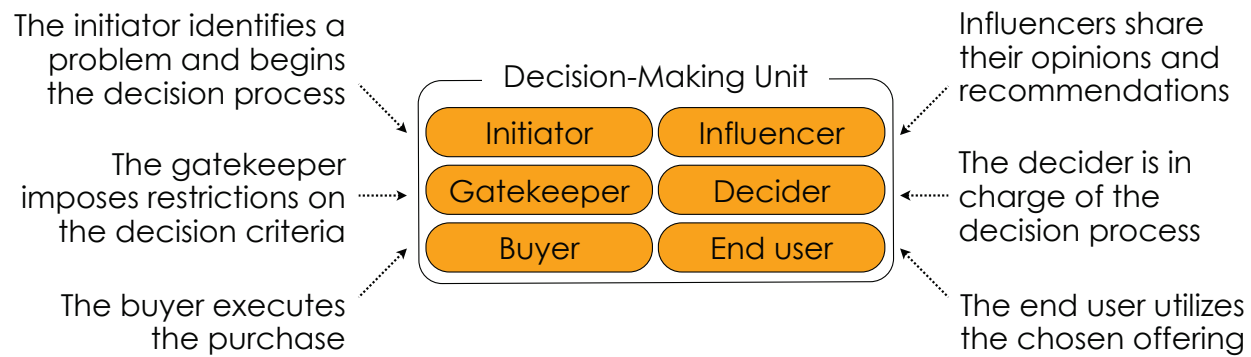
## Figure 2. Managing Sales Force Performance

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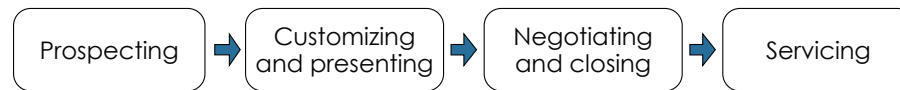
### Figure 3. The Composition of a Business Decision-Making Unit

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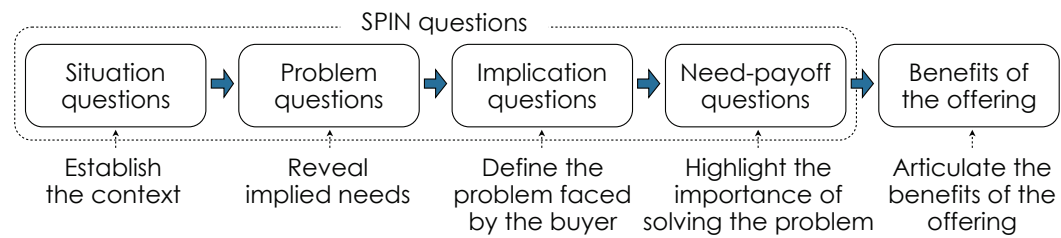
## Figure 4. The Personal Selling Process

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**Figure 6. The SPIN Model of Selling**

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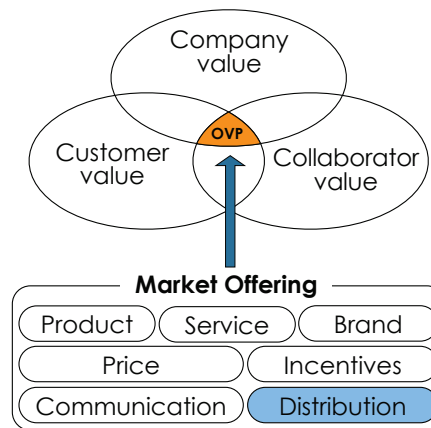
## Chapter 15

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### **Managing Distribution**

**Figure 1. Distribution as a Tool for Creating Market Value**

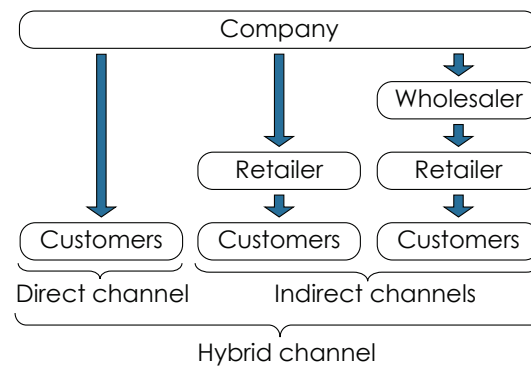
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## Figure 2. Distribution Channel Structure

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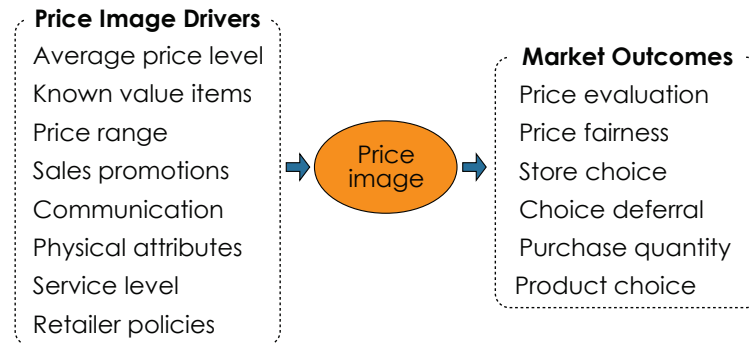
## Chapter 17

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### **Retail Management**

### Figure 3. Price Image Drivers and Market Outcomes

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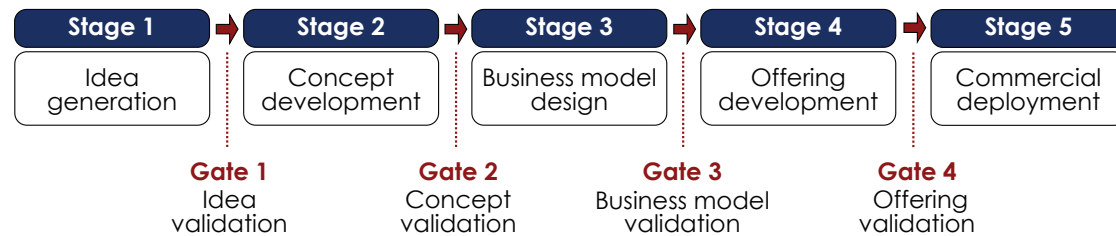
## Chapter 18

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### **Developing New Market Offerings**

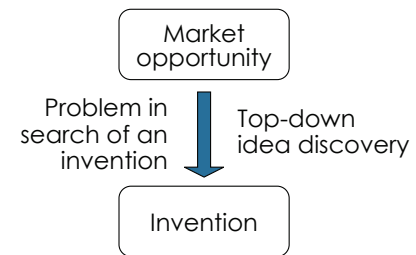
**Figure 1. The Stage-Gate Approach for Developing New Offerings**

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## Figure 2. Top-Down (Market-Driven) Idea Generation

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### Figure 3. Bottom-Up (Invention-Driven) Idea Generation

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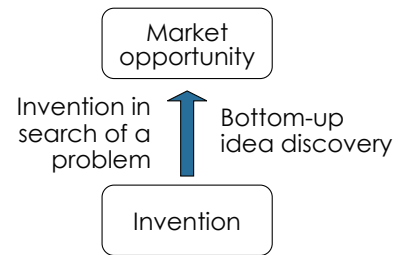
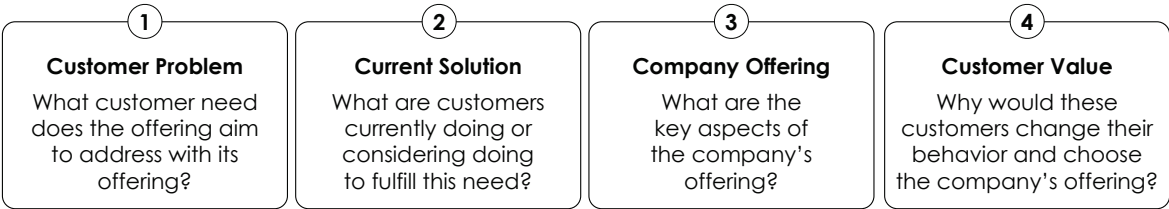


Figure 4. Concept Storyboard

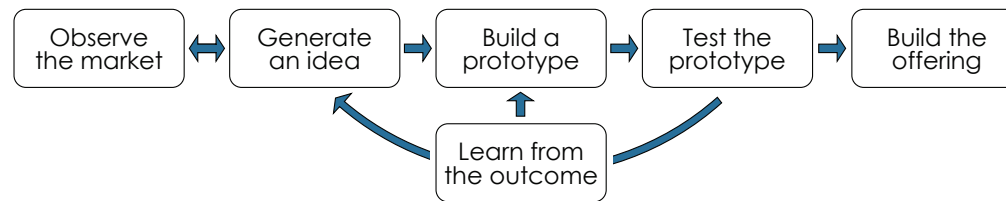
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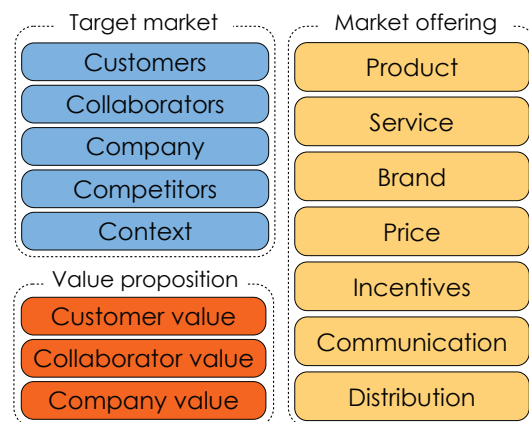
**Figure 5. The Validated-Learning Approach**

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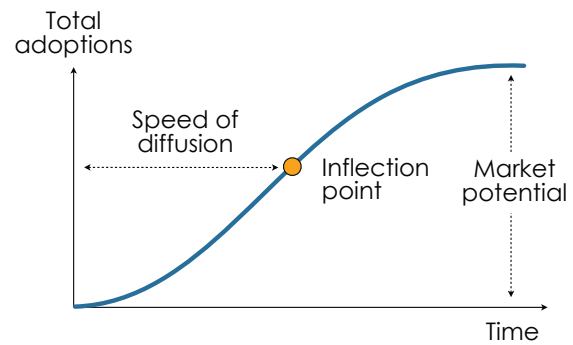
**Figure 6. The Key Components of a Business Model of a New Offering**

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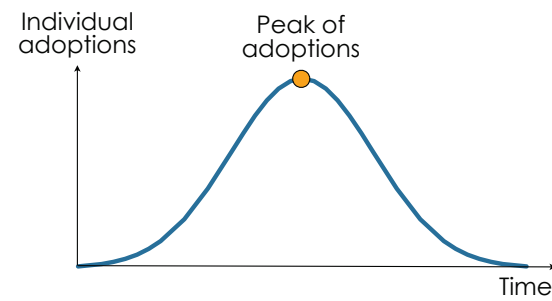
**Figure 7. The S-Curve of the Total Number of Adoptions of an Innovation**

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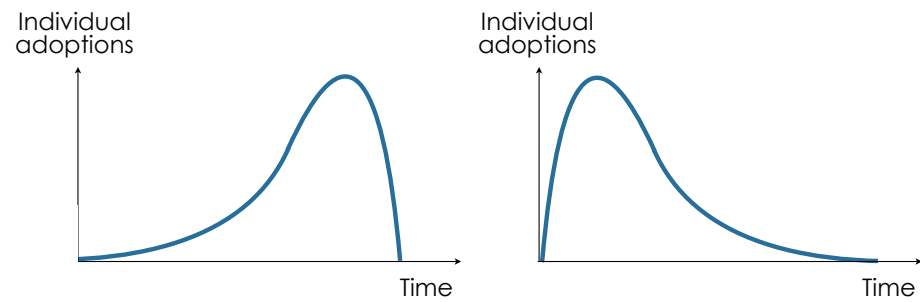
**Figure 8. The Bell-Shaped Curve of the New Adoptions of an Innovation**

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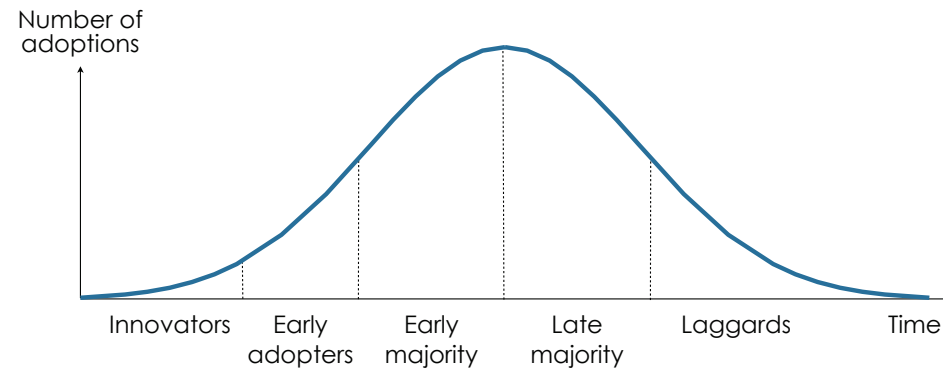
**Figure 9. Alternative Patterns of Adoption of Innovation**

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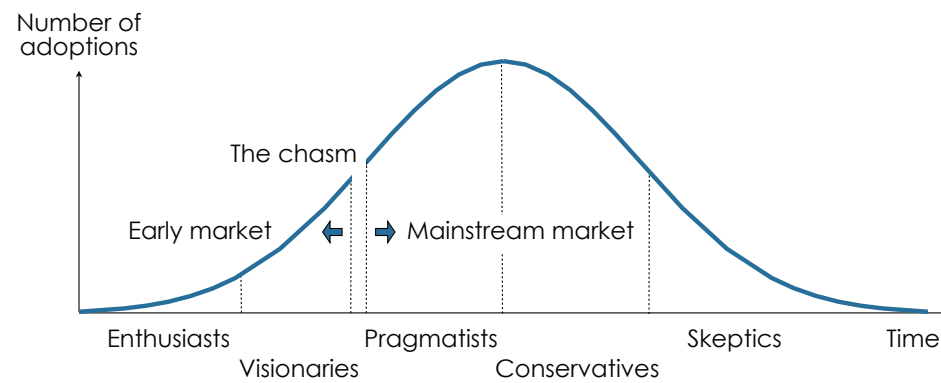
**Figure 10. Rogers' Categorization of Customer Based on the Time of Adoption of Innovation**

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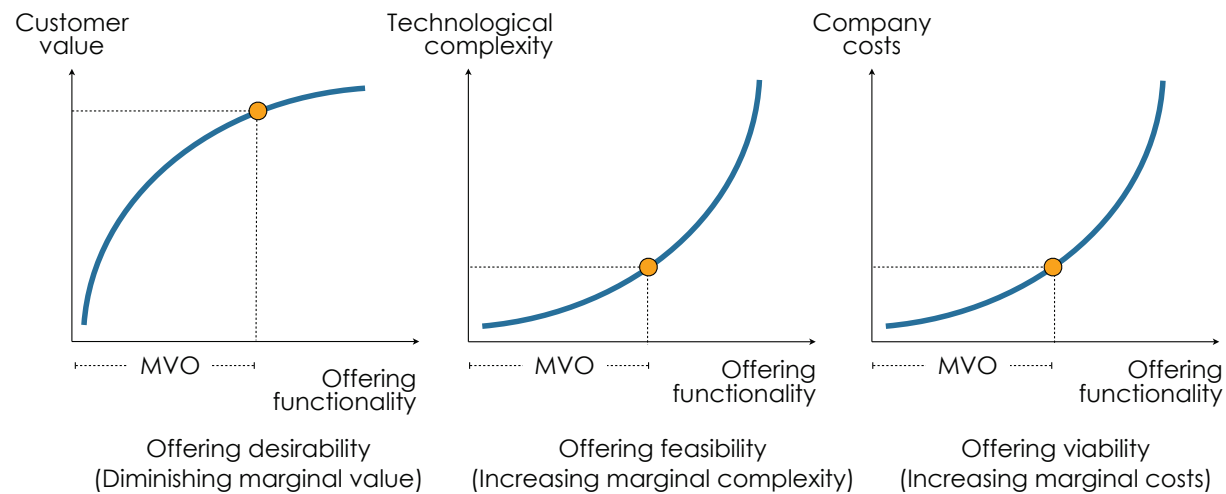
**Figure 11. Moore's Application of the Rogers Model to Technology Markets**

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**Figure 12. The Minimum Viable Offering as a Function of Offering's Desirability, Feasibility, and Viability**

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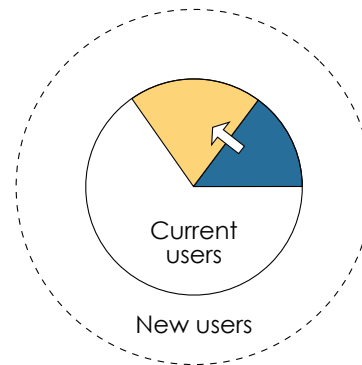
## Chapter 19

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### **Gaining and Defending Market Position**

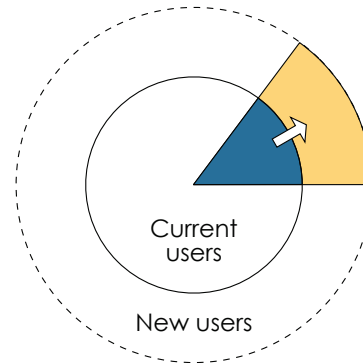
## Figure 1. Steal-Share Strategy

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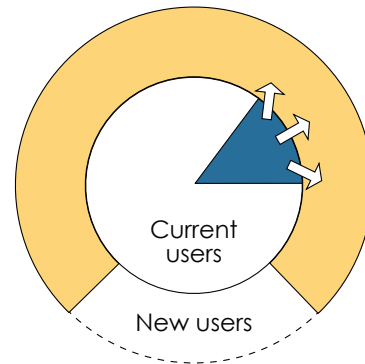
## Figure 2. Market-Growth Strategy

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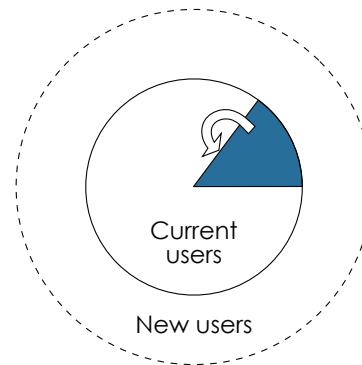
**Figure 3. Market-Growth Strategy for a Superior Offering**

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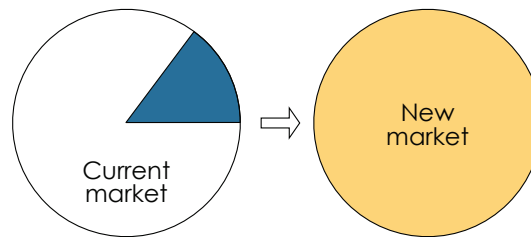
## Figure 4. Market-Penetration Strategy

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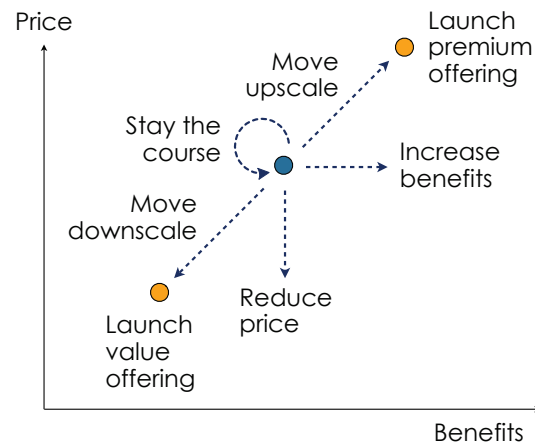
## Figure 5. Market-Creation Strategy

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## Figure 6. Defensive Marketing Strategies

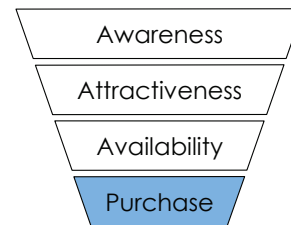
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Source: Stephen Hoch (1996), "How Should National Brands Think about Private Labels?" *Sloan Management Review*, 37 (2), 89–102

## Figure 7. The Adoption Funnel

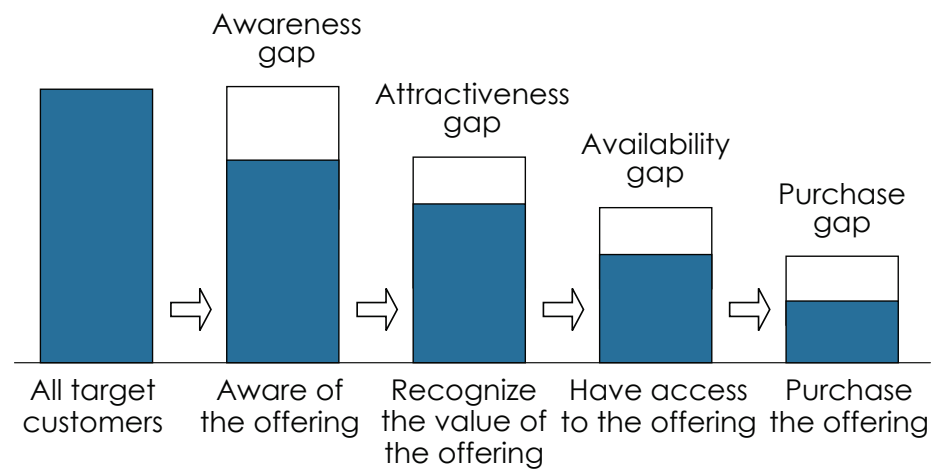
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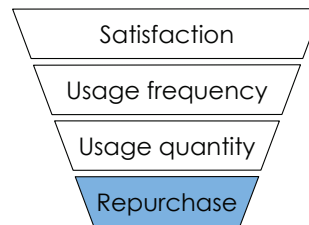
## Figure 8. Identifying Adoption Gaps

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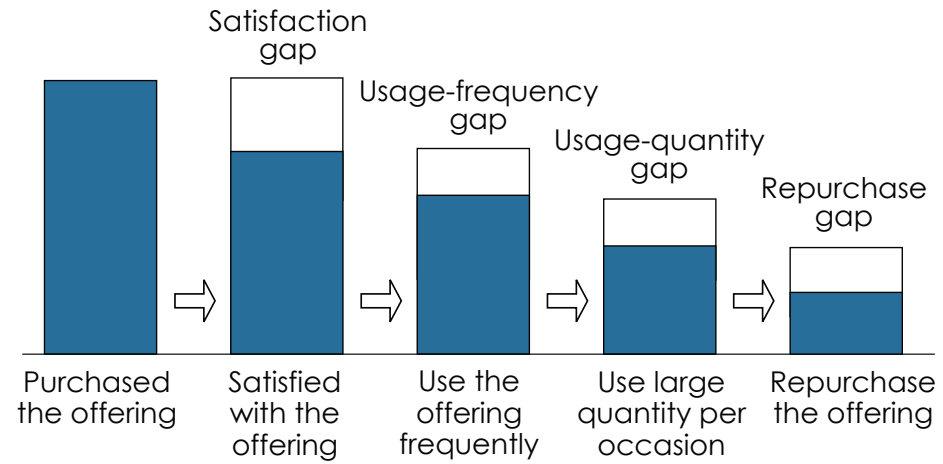
## Figure 9. The Usage Funnel

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**Figure 10. Identifying Usage Gaps**

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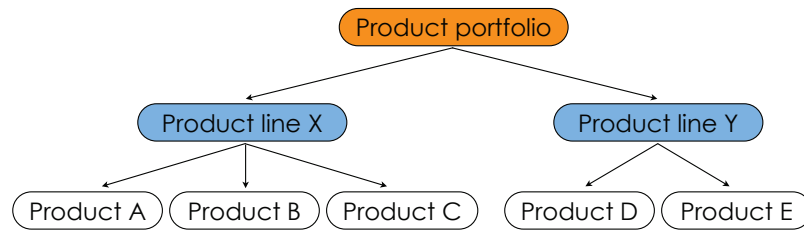
## Chapter 20

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### **Managing Product Lines**

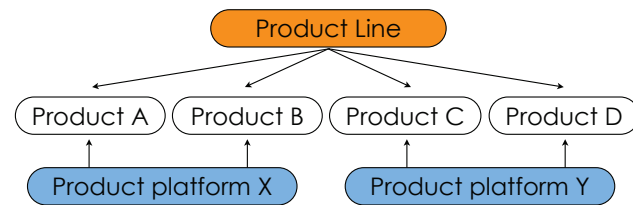
**Figure 1. Product Portfolio and Product Lines**

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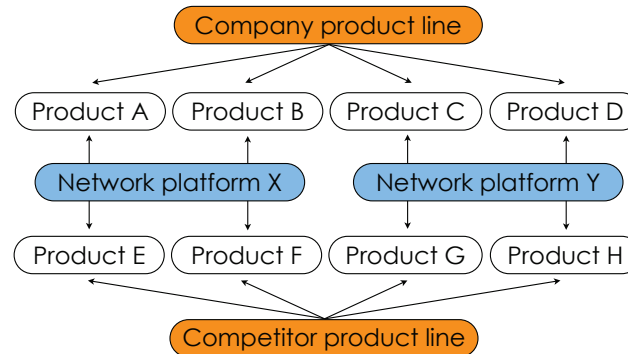
## Figure 2. Product Line and Product Platforms

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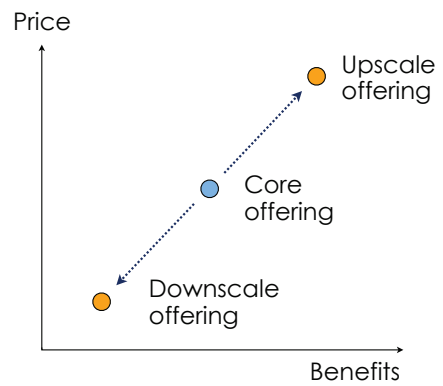
## Product 3. Network Product Platforms

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## Figure 4. Vertical Product-Line Extensions

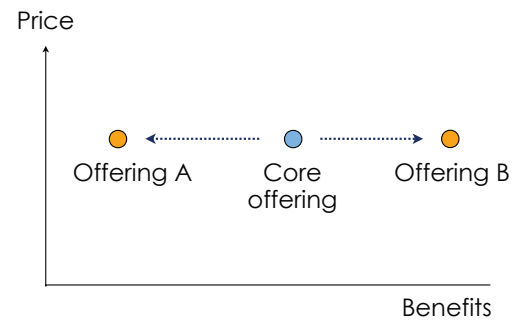
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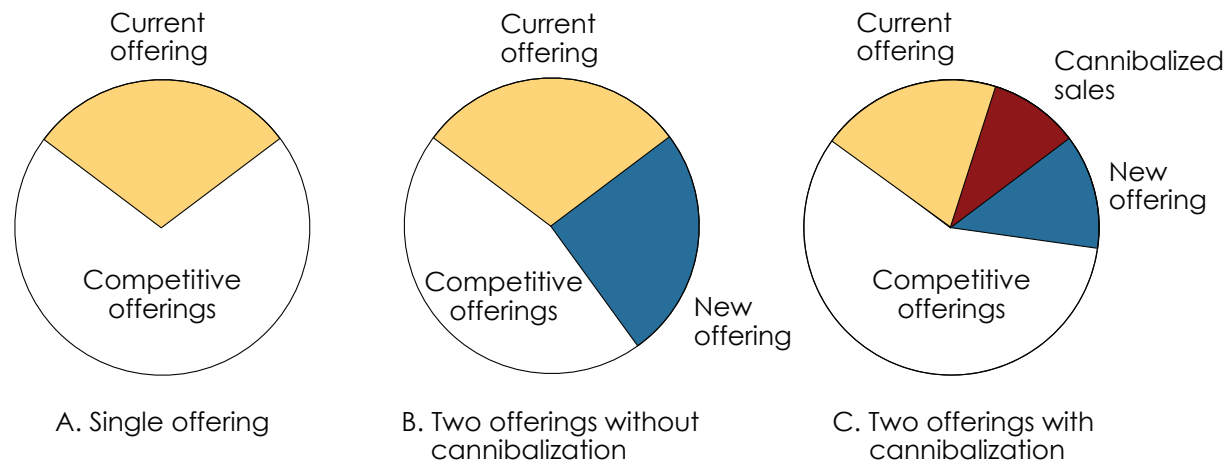
**Figure 5. Horizontal Product-Line Extensions**

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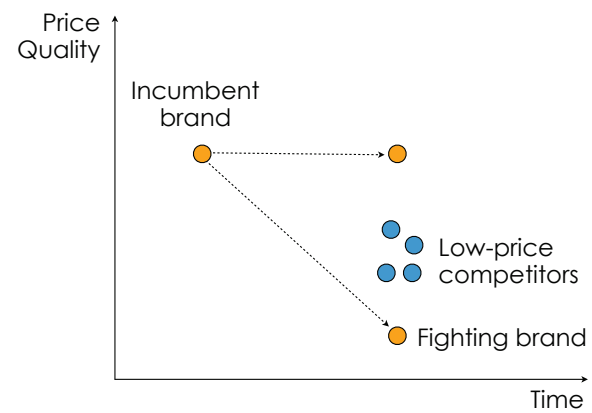
## Figure 6. Product-Line Cannibalization

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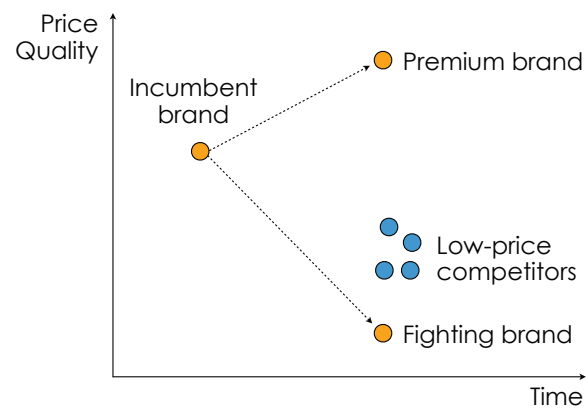
## Figure 7. The Fighting-Brand Strategy

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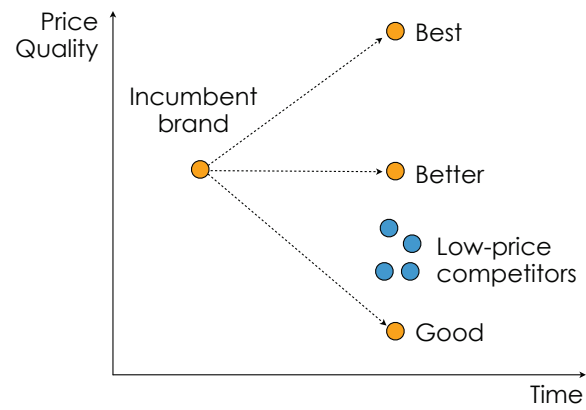
## Figure 8. The Sandwich Strategy

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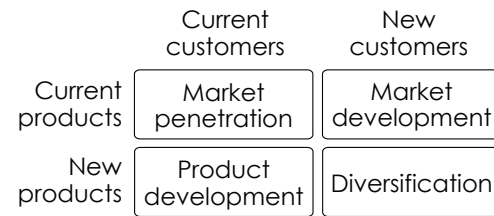
## Figure 9. The Good-Better-Best Strategy

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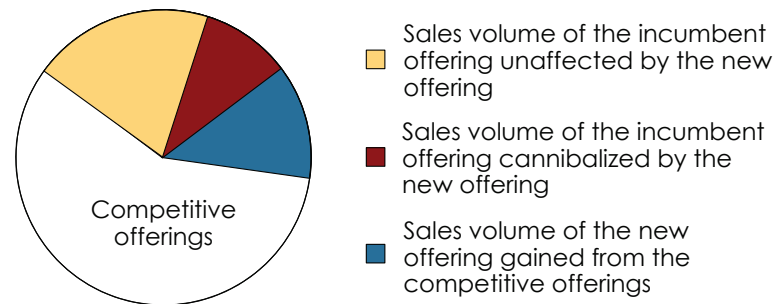
**Figure 10. The Product-Market Growth Framework**

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## Figure 11. Cannibalization Analysis

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## Figure 1. Promotion-Driven Customer Acquisition

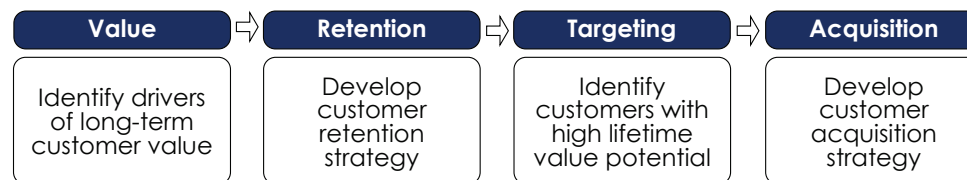
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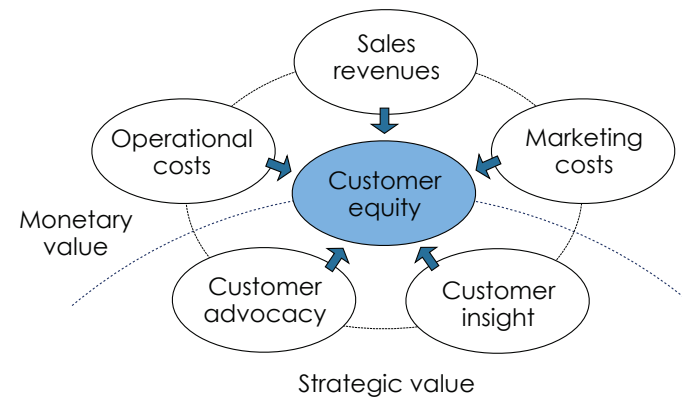
## Figure 2. Loyalty-Driven Customer Acquisition

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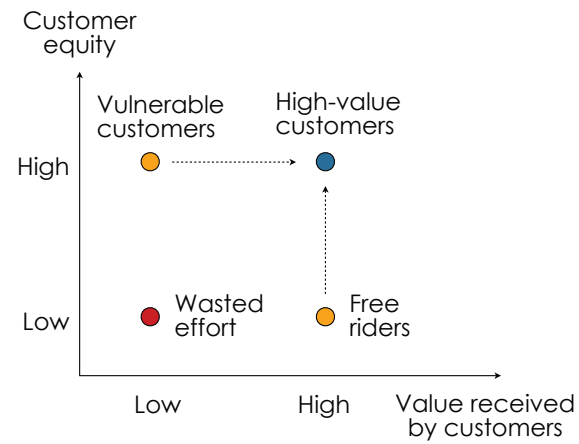
### Figure 3. The Customer Equity Framework

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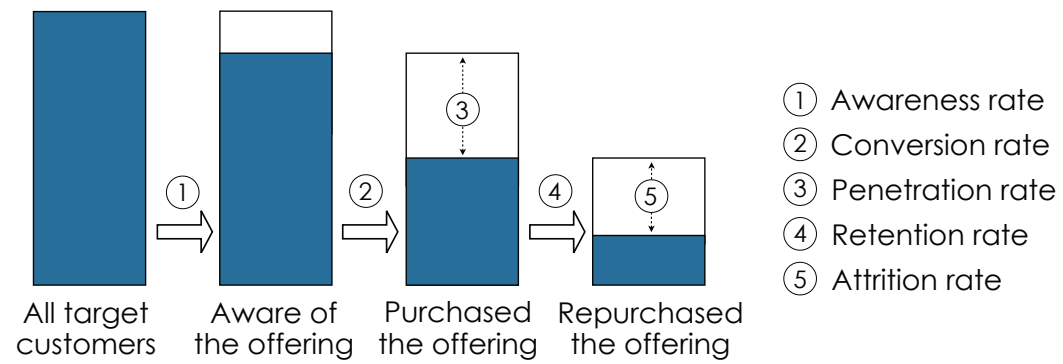
## Figure 4. Aligning Customer Equity and Consumer Value

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## Figure 5. Key Customer Adoption Metrics

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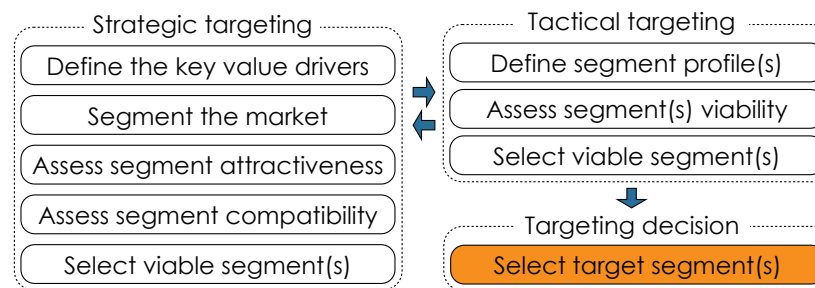
## Chapter 22

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### **Segmentation and Targeting Workbook**

## Figure 1. Identifying Target Customers

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**Figure 2. The Targeting Workbook**

		Step 2 ⇨ Customer value analysis			Step 4 ⇨ Compatibility analysis			
Step 1 ⇩ Value drivers		Customer segments			Company offering	Competitive offerings		
		Segment A	Segment B	Segment C		Offering X	Offering Y	Offering Z
Strategic targeting	Attribute 1							
	Attribute 2							
	Attribute 3							
	Attribute 4							
	Attribute 5							
Tactical targeting	Segment attractiveness				⇨ Step 3			
	Segment compatibility				⇨ Step 4 ←			
	Strategic viability				⇨ Step 5			
	Segment profile				⇨ Step 6			
	Tactical viability				⇨ Step 7			
	Target selection				⇨ Step 8			

Figure 3. Customer Value Analysis Workbook (Two Segments)

---

Attributes	Customer segments	
	Consumer	Commercial
Power	Low	High
Reliability	Low	High
Service	Low	Medium - High
Brand	Medium	Low - High
Price	High	Low - Medium



Figure 4. Customer Value Analysis Workbook (Three Segments)

---

Attributes	Customer segments		
	Consumer	Trade	Industrial
Power	Low	High	High
Reliability	Low	High	High
Service	Low	High	Medium
Brand	Medium	High	Low
Price	High	Low	Medium

Figure 5. Compatibility Analysis Workbook (Trade Segment)

Attributes	Attribute	Market offerings			
	importance	Black&Decker	Makita	Milwaukee	Ryobi
Power	High	Medium	High	High	Medium
Reliability	High	High	High	High	High
Service	High	Medium	Medium	Medium	Low
Brand	High	Low	High	High	Low
Price	Low	Medium	High	High	Medium

**Figure 6. The Targeting Workbook: Black & Decker**

		Customer value analysis			Compatibility analysis			
Value drivers		Customer segments			Black & Decker	Competitive offerings		
		Consumer	Trade	Industrial		Makita	Milwaukee	Ryobi
Strategic analysis	Power	Low	High	High	Medium	High	High	Medium
	Reliability	Low	High	High	High	High	High	High
	Service	Low	High	Medium	Medium	Medium	Medium	Low
	Brand image	Medium	High	Low	Low	High	High	Low
	Price	High	Low	Medium	Medium	High	High	Medium
Tactical analysis	Segment attractiveness	Medium	High	Medium	<div>← Improve on power, brand, and service</div>			
	Segment compatibility	Low	High	Low				
	Strategic viability	Low	High	Low				
	Segment profile	–	Behavioral profile	–				
	Tactical viability	–	High	–				
	Target selection	–	Yes	–				

## Chapter 23

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### **The Business Model Workbook**

**Figure 1. The Market Value Map**

Target Market		Market Offering	
What customer need does the company aim to fulfill? Who are the customers with this need?	Customers	What are the key features of the company's product?	Product
What other entities will work with the company to fulfill the identified customer need?	Collaborators	What are the key features of the company's service?	Service
What are the company's resources that will enable it to fulfill the identified customer need?	Company	What are the key features of the offering's brand?	Brand
What other offerings aim to fulfill the same need of the same target customers?	Competition	What is the offering's price?	Price
What are the sociocultural, technological, regulatory, economic, and physical aspects of the environment?	Context	What incentives does the offering provide?	Incentives
Value Proposition		How will target customers and collaborators become aware of the company's offering?	Communication
What value does the offering create for target customers?	Customer Value	How will the offering be delivered to target customers and collaborators?	Distribution
What value does the offering create for the company's collaborators?	Collaborator Value		
What value does the offering create for the company?	Company Value		

## Figure 2. The Customer Value Map

Target Customers		Customer Offering	
What customer need does the company aim to fulfill?	Customer need	What are the features of the product that the company offers to target customers?	Product
	Customer profile		Service
What other offerings aim to fulfill the same customer need?	Key competitors	What are the features of the offering's brand?	Brand
		What is the offering's price for target customers?	Price
	Value proposition	What incentives does the offering provide to target customers?	Incentives
	Offering attributes	How will target customers become aware of the company's offering?	Communication
Customer Value		How will the offering be delivered to target customers?	Distribution
What value does the offering create for target customers? Why would they choose this offering?	Reason to choose		

## Figure 3. The Collaborator Value Map

Collaborators		Collaborator Offering	
Which entities will partner with the company to create value for target customers?	Collaborator profile	What are the features of the product that the company offers to collaborators?	Product
What goals do collaborators pursue by partnering with the company?	Collaborator goals	What are the features of the service that the company offers to collaborators?	Service
Competition		Brand	
What other offerings aim to fulfill the same collaborator goals?	Key competitors	What are the features of the offering's brand?	
What value do these offerings create for the company's collaborators?	Value proposition	What is the price of the offering for the company's collaborators?	Price
What are the key attributes of the competitive offerings?	Offering attributes	What incentives does the offering provide to the company's collaborators?	Incentives
Collaborator Value		How will the company's collaborators become aware of the offering?	Communication
What value does the offering create for collaborators? Why would they partner with the company?	Reason to choose	How will the offering be delivered to the company's collaborators?	Distribution

## Figure 4. The Company Value Map

Company		Company Offering	
What entity is managing the offering? What are its key resources?	Company profile	What are the features of the product that the company offers to target customers and collaborators?	Product
What goal does the company aim to fulfill with this offering?	Company goals	What are the features of the service that the company offers to target customers and collaborators?	Service
Alternative Options		What are the features of the offering's brand?	Brand
What alternative options can fulfill the same company goal?	Key alternatives	What is the offering's price for target customers and collaborators?	Price
What value do these options create for the company?	Value proposition	What incentives does the offering provide to target customers and collaborators?	Incentives
What are the key aspects of the alternative options?	Option attributes	How will target customers and collaborators become aware of the company's offering?	Communication
Company Value		How will the offering be delivered to target customers and collaborators?	Distribution
What value does the offering create for target customers? Why would they choose this offering?	Reason to choose		