

## Preface

The 16th edition of *Marketing Management* builds on the classic examples, core concepts, and logical structure that made the first edition a landmark text. Much has changed since the 15th edition was published. Ongoing globalization; the increasing role of corporate social responsibility; advances in technology, e-commerce, and digital communication; the growing impact of social media, and the widespread use of data analytics, marketing automation, and artificial intelligence have disrupted many industries and have opened doors to new business models. Responding to these changes, the 16th edition was redesigned from the ground up to provide managers with the tools necessary to succeed in the new market environment.

*Marketing Management* owes its success to its maximization of three dimensions of marketing coverage: depth, breadth, and relevance. The *depth* includes its solid academic grounding; its examination of important theoretical concepts, models, and frameworks; and its ability to provide conceptual guidance to solve practical problems. The *breadth* reflects the wide range of topics addressed in the book and its emphasis on those topics that are most crucial to marketing management. The *relevance* is embodied by the ability of this book to identify the issues commonly faced by managers and present the material in a way that enables them to develop successful strategies to address these issues.

The 16th edition builds on the fundamental strengths of past editions that distinguish *Marketing Management* from all other marketing management texts:

- **Managerial orientation.** The book focuses on the major decisions that marketing managers and top management face in their efforts to harmonize the organization's objectives, capabilities, and resources with marketplace needs and opportunities.
- **Analytical approach.** The text presents conceptual tools and frameworks for analyzing recurring problems in marketing management. Cases and examples illustrate effective marketing principles, strategies, and practices.

- **Multidisciplinary perspective.** *Marketing Management* draws on the rich findings of various scientific disciplines—such as economics, behavioral science, and management theory—for fundamental concepts and tools that are directly applicable to marketing challenges.
- **Universal applications.** The book applies strategic thinking to the complete spectrum of marketing: products, services, persons, places, information, ideas, and causes; consumer and business markets; profit and nonprofit organizations; domestic and foreign companies; small and large firms; manufacturing and intermediary businesses; and low- and high-tech industries.
- **Comprehensive and balanced coverage.** *Marketing Management* covers the topics a manager must understand in order to design and execute a successful marketing campaign.

## **Preface to the Indian Edition**

This adaptation has been enriched by incorporating scores of relevant examples and caselets of Indian brands and organizations from a variety of sectors to illustrate marketing strategies, practices, concepts and principles. Exemplifying key concepts with familiar brands from the Indian market will improve student engagement and enhance the relevance of theoretical analysis in a familiar context.

## **What's New in the 16th Edition**

The overriding goal of the revision for the 16th edition of *Marketing Management* was to create a comprehensive, current, and engaging marketing text. We streamlined the organization of the content, added new material, cut or updated older material, and deleted material that was no longer relevant or necessary. The 16th edition allows those instructors who have used previous editions to build on past experience, while at the same time offering a text that is unsurpassed in breadth, depth, and relevance for students experiencing *Marketing Management* for the first time.

To improve the presentation of the material, individual chapters are organized into seven rather than eight major parts, as described next. We retained many of the favorably received within-chapter features that have been introduced through

the years, such as topical chapter openers, examples highlighting noteworthy companies or issues, and the Marketing Insight and Marketing Spotlight features that provide in-depth conceptual and company-specific information. Most of the chapter-opening vignettes, in-text examples, and end-of-chapter features are new, reflecting current market developments.

## UPDATED CHAPTER CONTENT

The content of the 16th edition has been reorganized to accommodate the introduction of new material and streamline the presentation of material retained from the previous edition. The chapters and the material in the redesigned book better reflect the ways in which marketing management is currently being taught in most business schools. The organization of the 16th edition and the ways its individual parts and chapters correspond to those from the previous edition are outlined next.

- Part I, “Fundamentals of Marketing Management,” is a retitled version of Part I in the previous edition.
  - [Chapter 1](#), “Defining Marketing for the New Realities,” has been substantively rewritten to serve as an introductory chapter that defines the scope of marketing management as a business discipline.
  - [Chapter 2](#), “Marketing Planning and Management,” has also been extensively rewritten to provide an actionable framework for marketing management and marketing planning. It includes material from [Chapters 2](#) and [23](#) of the previous edition, but most of the content—text and figures—is new. For example, the new section entitled “Planning and Managing Marketing Offerings,” covers the G-STIC approach to action planning. New supporting [Figure 2.6](#) illustrates the G-STIC framework and [Figure 2.7](#) illustrates an action-planning flowchart.

will create value for collaborators. Finally, the company value map outlines the ways in which the offering will create value for the company's stakeholders. Note that these three value maps are intricately related as they reflect different aspects of the process of creating market value. Only by creating value for target customers, collaborators, and the company can a manager ensure the market success of an offering.

## Planning and Managing Market Offerings

A company's future depends on its ability to develop successful market offerings that create superior value for target customers, the company, and its collaborators.<sup>23</sup> Market success typically results from diligent market analysis, planning, and management; rarely is it a lucky accident. Succeeding in the market requires a company to develop a viable business model and an action plan that allows the business model to become a reality. The process of developing such an action plan is encapsulated in the G-STIC framework described in the following sections.

### THE G-STIC APPROACH TO ACTION PLANNING

The action plan, which articulates the company's goal and delineates a course of action to reach this goal, is the backbone of marketing planning. Five key activities guide the development of an action plan. These activities include setting a goal, developing a strategy, designing the tactics, defining an implementation plan, and identifying a set of control metrics to measure the success of the proposed action. The G-STIC (Goal-Strategy-Tactics-Implementation-Control) framework comprises these five activities and acts as the lynchpin of marketing planning and analysis. At the core of the action plan is the business model based on the offering's strategy and tactics.

The individual components of the G-STIC approach to marketing planning and management are as follows:

- The goal describes the company's ultimate criterion for success; it specifies the end result that the company plans to achieve. The two components of the goal are its *focus*, which defines the metric (such as net income) used to quantify the intended result of the company's actions, and the *performance benchmarks* that signal movement toward the goal and define the time frame for achieving the goal.
- The strategy provides the basis for the company's business model by delineating the company's target market and describing the offering's value proposition in this market.
- Tactics carry out the strategy by defining the key attributes of the company's offering. These seven tactics—product, service, brand, price, incentives, communication, and distribution—are the tools used to create value in the company's chosen market.
- Implementation consists of the processes involved in readying the company's offering for sale. Implementation includes developing the offering and deploying the offering in the target market.
- Control measures the success of the company's activities over time by monitoring the company's performance and the changes in the market environment in which the company operates.

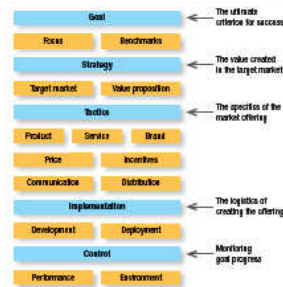
The key components of the marketing plan and the key factors describing each component are outlined in Figure 2.7 and are examined in more detail in the following sections.

### SETTING A GOAL

Defining the goal that the company aims to achieve sets the marketing plan in motion. The goal can be regarded as the beacon that guides all company activities. Two key decisions are involved in setting a goal: identifying the focus of the company's actions and specifying the performance benchmarks to be achieved. These decisions are discussed in more detail next.

**Defining the Goal Focus.** The goal's focus defines the desired outcome of the company's activities, an important criterion of a firm's success. Based on their focus, goals can be monetary or strategic.

- Monetary goals are based on such outcomes as net income, profit margins, earnings per share, and return on investment. For-profit firms use monetary goals as their primary performance metric.



**FIGURE 2.7**  
The G-STIC Action-Planning Flowchart  
Source: Alexander Chernov, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cengage Learning, 2016).

- Strategic goals are centered on nonmonetary outcomes that are of strategic importance to the company. Among the most common strategic goals are increasing sales volume, brand awareness, and social welfare, as well as enhancing the corporate culture and facilitating employee recruitment and retention. Nonprofit companies and for-profit companies looking to support items that are bigger revenue producers than the local offering have strategic goals as their main performance metric. As an example, Amazon might only break even or actually take a loss on some of its Kindle devices and yet view them as a strategically important platform for its retail business.

Companies are increasingly looking beyond sales revenue and profit to consider the legal, ethical, social, and environmental effects of their marketing activities and programs. The concept of a "triple bottom line"—people, planet, and profits—has gained traction among many companies taking stock of the societal impact of their activities.<sup>24</sup> For example, one of Unilever's key initiatives—its Sustainable Living Plan—has three major goals to improve people's health and well-being, to reduce our environmental impact, and to enhance livelihoods. These goals are underpinned by metrics spanning social, environmental, and economic performance in the company's value chain.<sup>25</sup>

**Defining Performance Benchmarks.** Quantitative and temporal performance benchmarks work in tandem to provide the measurements that track the progress of the company toward reaching its established goal.

- Quantitative benchmarks set out the specific milestones to be achieved as the company moves toward its ultimate goal. These benchmarks quantify the company's focal goal, which might, for example, include increasing market share by 5 percent, or improving retention rates by 15 percent, or growing revenues by 10 percent. Quantitative benchmarks can be stated in relative terms, such as aiming to increase market share by 20 percent, or in absolute terms, such as aspiring to achieve sales of one million units per year.
- Temporal benchmarks identify the time frame for achieving a specific quantitative or qualitative benchmark—for example, revamp the company's Web site by the end of the first quarter. The timeline set for achieving a goal is a key decision that can affect the type of strategy used to implement the goal, the number of people involved, and even costs. For example, the goal of maximizing next quarter's profits is likely to require a different strategy and tactics than the goal of ensuring long-term profitability.

Implementing the company goal requires that three main objectives be specified: what the company aims to achieve (goal focus), how much the company wants to achieve (quantitative benchmark), and when the company wants to achieve it (temporal benchmark). Thus, a company might have the goal

- Part II, "Understanding the Market," includes most of the material from Parts II and III in the previous edition.
  - Chapters 3 and 4, "Analyzing Consumer Markets" and "Analyzing Business Markets," are updated versions of namesake Chapters 6 and 7 in the previous edition. Both chapters have been significantly revised to present a systematic view of market analysis.
  - Chapter 5, "Conducting Marketing Research" combines the content outlined in Chapters 3 and 4 in the previous edition to present a streamlined approach for gathering market insights. Chapter 5 includes a new section on "Data Mining" that covers how marketers can gather useful information about consumers, businesses, and markets.
- Part III, "Developing a Winning Marketing Strategy" is a modified version of Part IV of the previous edition.
  - Chapter 6, "Identifying Market Segments and Targets," is a substantially revised version of Chapter 9 from the previous edition.

This chapter offers new content that defines the strategic and tactical aspects of segmenting the market and identifying target customers.

- [Chapter 7](#), “Crafting a Customer Value Proposition and Positioning,” is a largely revised and updated version of [Chapter 10](#) from the previous edition. This chapter builds on the content presented in [Chapter 6](#) to outline a systematic approach to developing a value proposition of the chosen target market. New content examines how to develop a meaningful value proposition by creating benefits across three domains—functional, psychological, and monetary—and delineates strategies for creating a sustainable competitive advantage.
- Part IV, “Designing Value,” is a modified version of Part V from the previous edition.
  - [Chapter 8](#), “Designing and Managing Products,” [Chapter 9](#), “Designing and Managing Services,” and [Chapter 10](#), “Building Strong Brands,” correspond to [Chapters 13](#), [14](#), and [11](#) in the previous edition. All three

chapters have been significantly revised to reflect new market realities.

## The New Services Realities

Service firms once lagged behind manufacturers in their understanding and use of marketing because they were small or faced large demand or little competition. This has certainly changed. Some of the most skilled marketers now are service firms.

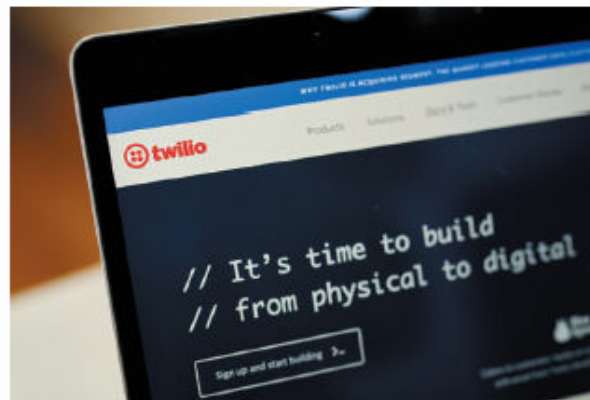
Savvy services marketers are recognizing the new services realities, such as the increasing role of technology, the importance of the increasingly empowered customer, customer coproduction, and the need to engage employees as well as customers.

### INCREASING ROLE OF TECHNOLOGY

Technology is changing the rules of the game for services in a very fundamental way. Banking, for instance, is being transformed by the ability to bank online and via mobile apps; some customers rarely see a bank lobby or interact with an employee anymore. The Covid-19 pandemic accelerated the digital transformation of services by forcing many companies to change course and transform their businesses by integrating digital technology to fundamentally change how they deliver value to their customers.

Technology also has great power to make service workers more productive. However, companies must avoid pushing technological efficiency so hard that they reduce perceived quality.<sup>21</sup> Amazon has some of the most innovative technology in online retailing, but it also keeps customers extremely satisfied when a problem arises, even if they don't actually talk to an Amazon employee. More companies have introduced "live chat" features to blend technology with a human voice. One company that enables enterprises to connect with customers across different touch points—from text messages to emails, phone calls to video, intelligent chatbots and back—is Twilio.

**Twilio** Twilio, the leading cloud communications platform, is used by millions of developers around the world to "virtualize" the telecommunications infrastructure and improve the human interaction experience. Twilio has over 80,000 business customers, including high-profile clients such as Airbnb, Intuit, Salesforce, Uber, Twitter, eBay, Sony, Yelp, Hulu, and Lyft. Twilio offers its clients a comprehensive, customizable, and easy-to-use platform to automate and streamline communications to customers, collaborators, employees, and coworkers. Coca-Cola uses Twilio to rapidly dispatch service technicians, real estate site Trulia uses Twilio for its click-to-call app that enables potential buyers to connect with an agent, EMC uses Twilio to send texts to



<< To keep both its high-profile business customers and their customers happy, leading cloud communication platform Twilio offers a variety of easy-to-use, customizable services that automate, streamline, and enhance interactions between companies and their customers, collaborators, and employees.

Source: Gaddy, Jerald/InvestmentDaily/Imagoe

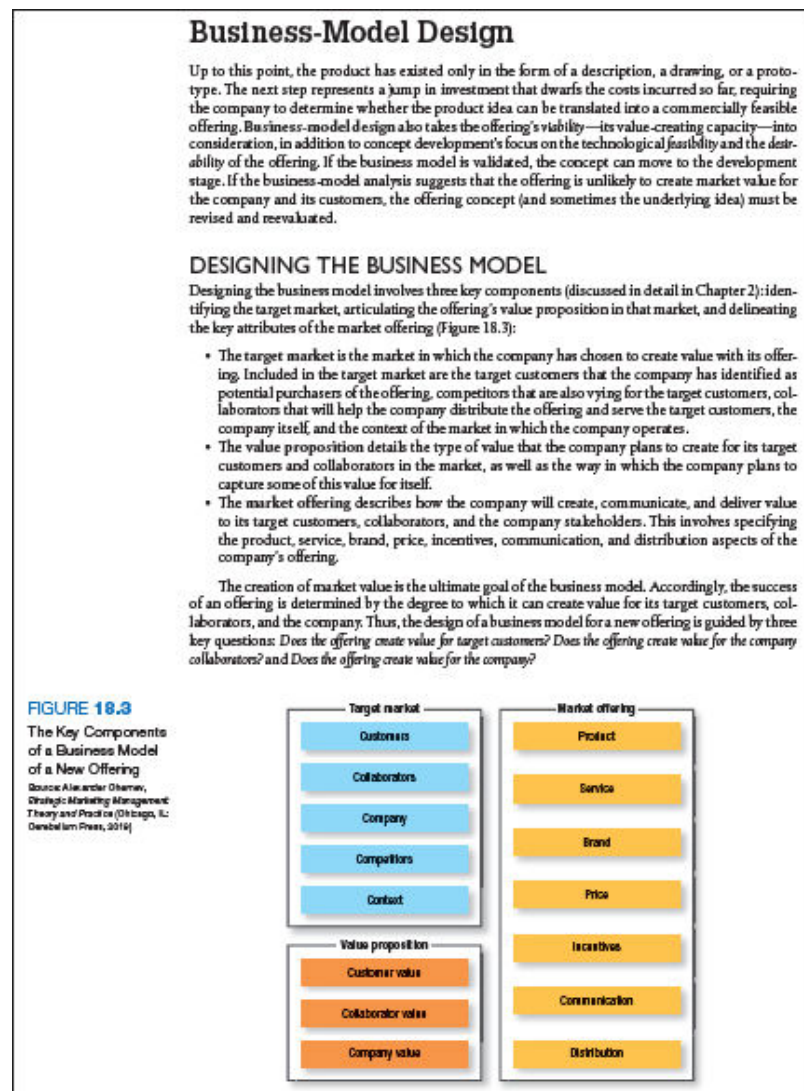
- **Chapter 11**, “Managing Pricing and Sales Promotions,” includes material from **Chapters 16** and **20** in the previous edition. The discussion of sales promotions is now a part of the pricing chapter rather than being discussed in the chapter on managing mass communications.
- Part V, “Communicating Value,” corresponds to Part VII of the previous edition. Note that the order of Parts VI and VII from the previous edition has been switched so that the topic of communications is introduced before the

topic of distribution. This change is made to better align the content with the view of marketing as a process of designing, communicating, and delivering value.

- [Chapter 12](#), “Managing Marketing Communications,” corresponds to [Chapter 19](#) in the previous edition and introduces a streamlined approach to developing a communication campaign that spans different media.
- [Chapter 13](#), “Designing an Integrated Marketing Campaign in the Digital Age,” includes content from [Chapters 20](#) and [21](#) of the previous edition. This chapter outlines the key decisions involved in managing the media across different communication channels.
- [Chapter 14](#), “Personal Selling and Direct Marketing,” includes substantively revised content from Chapter 22 in the previous edition. The content on personal selling is now organized into three sections: managing the sales process, designing the sales force, and managing the sales force.
- Part VI, “Delivering Value,” corresponds to Part VI in the previous edition
  - [Chapter 15](#), “Designing and Managing Distribution Channels,” corresponds to [Chapter 17](#) in the previous edition and features new chapter organization and content.
  - [Chapter 16](#), “Managing Retailing,” corresponds to [Chapter 18](#) in the previous edition and also includes new coverage on franchising.
- Part VII, “Managing Growth,” is a new capstone section that groups growth-related topics covered across different parts of the previous edition.
  - [Chapter 17](#), “Driving Growth in Competitive Markets,” offers an updated and streamlined version of the content discussed in [Chapter 12](#)



of the previous edition.



- **Chapter 18**, “Developing New Market Offerings,” which was **Chapter 15** in the previous edition, is now organized in a way that reflects the key steps of the new-product development process. Specifically, this chapter includes new coverage of idea generation, business model design, implementation of the offering, and market deployment.
- **Chapter 19**, “Building Customer Loyalty,” covers content discussed in **Chapter 5** of the previous edition and focuses on customer relationship management.



- Chapter 20, “Tapping into Global Markets,” covers content discussed in Chapter 8 of the previous edition.
- Chapter 21, “Socially Responsible Marketing,” is a new chapter that reflects the growing importance of corporate social responsibility in marketing management. As more companies are defining their purpose beyond profits, conducting business in a socially responsible manner becomes a key aspect of creating market value.

CHAPTER
21

# Socially Responsible Marketing

## TATA TRUSTS





Tata Trusts programs in healthcare, education, community & rural development and skilling have benefited millions over more than 100 years. They are a testimony to the founder, Jamsetji Tata's vision of keeping the community at the centre of the enterprise.

Source: Tata Trusts

Healthy long-term growth for a brand requires marketers to engage in a host of marketing activities and satisfy a broad set of constituents and objectives. In doing so, marketers must also consider the societal impact of their actions. Corporate social responsibility has become a priority for many organizations and is ingrained in their business models. Some organizations, such as Tata Trusts, fully embrace this vision of social responsibility.

>>> Tata Trusts, established by eminent industrialist and pioneering philanthropist Jamsetji Tata, has been an integral part of nation-building for more than 125 years<sup>1</sup>. Driven by the legacy of the founder's philosophy of constructive philanthropy and selfless giving, Tata Trusts that hold two-thirds of the equity of Tata Sons, has been ploughing the dividends to support an assortment of causes for nation building such as cancer care, health, nutrition, education, water and sanitation, livelihoods, environment, digital literacy, sports, arts and culture and, institutions to name a few. The many trusts and not-for-profits operating under the umbrella of Tata Trusts have been empowering and


## UPDATED CHAPTER FEATURES

In addition to the new core content, all chapters include a number of features—chapter openers, in-text examples, Marketing Insights, and Marketing Spotlights—that aim to illustrate the key concepts and enhance the relevance of the theoretical discussion. Many of these features in the 16th edition are new, and all of those that appeared in the previous edition have been updated to better reflect the current marketing environment. Some of the companies and topics highlighted in features new to the current edition are listed next.

- New chapter openers: bigbasket ([Chapter 1](#)), inMobi ([Chapter 2](#)), Flipkart ([Chapter 3](#)), Qualtrics ([Chapter 5](#)), Taj Hotels ([Chapter 6](#)), Reliance Jio ([Chapter 7](#)), Tesla ([Chapter 8](#)), Infosys ([Chapter 9](#)), Amul ([Chapter 10](#)), Netflix ([Chapter 11](#)), Fevicol ([Chapter 12](#)), Credit Access Grameen ([Chapter 14](#)), Asian Paints ([Chapter 15](#)), Net-a-Porter ([Chapter 16](#)), Maruti Suzuki ([Chapter 17](#)), Tata Ace ([Chapter 18](#)), cult.fit ([Chapter 19](#)), Bajaj Auto ([Chapter 20](#)) and Tata Trusts ([Chapter 21](#)).

CHAPTER **8**

DESIGNING AND MANAGING PRODUCTS



Tesla's Model 3 set out to prove that mass-produced, environmentally sound electric cars can successfully and profitably enter markets dominated by traditional gasoline-powered vehicles. *Source: Image courtesy of Tesla Motors.*

**A**t the heart of a great brand is a great product. To achieve market leadership, firms must offer products and services of superior quality that provide unsurpassed customer value. Tesla has conquered the electric car market in the United States, thanks in part to a relentless focus on product innovation and performance.

>>> In March 2016, Tesla revealed the long-awaited Model 3, the vehicle that the company hopes will ultimately take the electric car to the mass consumer. Priced starting at \$35,000 (after \$6,000 credits and fuel savings were factored in), Model 3 aimed to disrupt the auto industry by proving that mass-producing an environmentally friendly vehicle is both feasible and profitable. Tesla's new mass-market car created a lot of excitement, generating over half a million pre-orders, 100,000 of which were placed before the Model 3 was revealed. The customer appeal of Model 3 stemmed from several factors. Perhaps the most important was the lack of direct competition. The combination of Tesla's image as a luxury brand and the (relatively) low price point made it the only option for customers who were looking for an all-electric sedan priced around \$40,000. To achieve its goal of building 5,000 vehicles a week, Tesla invested close to \$1 billion to build its first Gigafactory—a lithium-ion battery and vehicle assembly factory near Reno, Nevada. Tesla's efforts to scale up

production of Model 3 paid off: In 2018, it became the best-selling luxury vehicle in the United States, despite the fact that electric cars made up only 1.12% of total vehicle sales. Despite its success, Tesla faces growing competition from other car manufacturers that are reworking their product lines to include an increasing number of all-electric vehicles. "We Tesla's focus is on gaining share from the traditional car market," said Tesla's CEO Elon Musk, "but rather the enormous flood of gasoline cars being produced." In the fall of 2020, Elon Musk laid out a plan for Tesla to build a \$25,000 electric car using drastically lower-cost batteries to potentially turn the company into the world's largest car manufacturer.<sup>1</sup>

Marketing planning begins with formulating an offering to meet target customers' needs or wants. The customer will judge the offering's benefits on three basic elements: product, service, and brand. In this chapter we examine product in Chapter 9, services in Chapter 10, and brand in Chapter 11. All three elements—product, service, and brand—must be fused into a competitively attractive market offering.

### Product Differentiation

To successfully compete in the market, products must be differentiated. At one extreme are products that allow little variation: chicken, aspirin, and steel. Yet even here some differentiation is possible. Perdue chicken, Bayer aspirin, and India's Tata Steel have carved out distinct identities in their categories. Procter & Gamble makes Tide, Cheer, and Gain laundry detergents, each with a separate brand identity. At the other extreme are products that lend themselves to high differentiation, such as automobiles, commercial buildings, and furniture. Here the seller faces an abundance of differentiation possibilities.

Well-differentiated products can create significant competitive advantages. Crafting a distinctive auto for a product that helps distance it from competitors can involve more than range from impressive technological advances like Infiniti's iQVO robotic system for minimally invasive surgery to simple tweaks like putting a Chiquita sticker on a banana. Some brands, such as Dell, differentiate their products by tying them to special occasions. Others, including Tropicana and Tiffany, use packaging to ensure that they stand out from their respective competitors.

Attributes on the basis of which to differentiate include core functionality, features, performance, quality, conformance, durability, reliability, form, style, and customization.<sup>2</sup> Design has become an increasingly important differentiator, and we discuss it separately later in the chapter.

- Core functionality. To create customer value, products must deliver on their core benefit. Products that fail to deliver on their core value proposition will inevitably fail in the market. Consider the plight of one-time high-flier Nokia.

#### Learning Objectives

After studying this chapter you should be able to:

LO 1 Explain how companies use product differentiation to create market value.	LO 4 Describe the key decisions involved in managing product packaging.
LO 2 Explain the role of product design in differentiating market offerings.	LO 5 Explain how companies design and manage product guarantees and warranties.
LO 3 Discuss the key aspects of designing product portfolios and product lines.	

- New in-text examples integrated into various chapters: Wipro ([Chapter 1](#)), HDFC Bank and Biocon ([Chapter 2](#)), Allen Solly ([Chapter 3](#)), Tata Steel ([Chapter 4](#)), Titan, Aries Agro, Geico, Bandhan Bank ([Chapter 7](#)), Infosys Finacle, Maruti Suzuki ([Chapter 8](#)), Narayana Health, Kaya Skin Clinic, Clirnet, SBI Yono ([Chapter 9](#)), Treebo, Mahindra Rise ([Chapter 10](#)), Buhler, Twilio ([Chapter 11](#)), ID Vada ([Chapter 13](#)), Eureka Forbes, Tupperware ([Chapter 14](#)), Ambit Energy ([Chapter 14](#)), Mercedes Benz ([Chapter 15](#)), Fab India, Max ([Chapter 16](#)), Cadbury, SBI MF SIP ([Chapter 17](#)) Godrej Interio ([Chapter 19](#)), Starbucks, TCS ([Chapter 20](#)), and Gokaldas Exports, Naandi Foundation, Plaeto, Faguo ([Chapter 21](#)).
- New Marketing Insights: Behavioral Decision Theory ([Chapter 3](#)), Chasing the Long Tail ([Chapter 6](#)), Ethical Issues in Prescription Drug Pricing ([Chapter 11](#)), Managing the Price Image of a Retailer ([Chapter 16](#)), and Understanding the Adoption of Innovations ([Chapter 18](#)).
- New Marketing Spotlights: Aravind Eye Care and PayTM ([Chapter 3](#)), udaan ([Chapter 4](#)), LEGO ([Chapter 5](#)), mjunction ([Chapter 6](#)), Lenskart ([Chapter 7](#)), Priceline ([Chapter 11](#)), Uber ([Chapter 11](#)), Avon ([Chapter 14](#)), Titan ([Chapter 15](#)), Croma ([Chapter 16](#)), Treebo ([Chapter 17](#)), Paper Boat ([Chapter 18](#)), WeChat ([Chapter 18](#)), Infosys & Tanishq ([Chapter 19](#)), Taj Hotels ([Chapter 20](#)), Ben & Jerry's ([Chapter 21](#)), and Tiffany & Co. ([Chapter 21](#)).

## **Solving Learning and Teaching Challenges**

Many students who take a marketing management course are creative and have strong communication skills. However, students often have difficulty developing marketing plans that blend time-tested marketing approaches with modern marketing tools to both generate new customers and maintain existing customers. The 16th edition of *Marketing Management* addresses these challenges by reflecting changes in marketing theory and practice and providing relevant examples from a variety of industries.

This edition prepares students to work in today's environment as companies increasingly (1) shift gears from managing product and service portfolios to managing *customer* portfolios; (2) move from stand-alone mass products to integrated and customized service solutions; (3) use data analytics and artificial intelligence to better create and capture customer value; (4) rely on social media

rather than traditional advertising to promote their offerings; (5) improve their methods of measuring customer profitability and customer lifetime value; (6) focus on measuring the return on their marketing investment and its impact on shareholder value; and (7) concern themselves with the ethical and social implications of their marketing decisions.

To address all these different shifts, the 16th edition is organized to specifically describe and interpret the following eight functions that constitute modern marketing management in the 21st century.

1. Developing a strategic marketing plan
2. Understanding the market and capturing market insights
3. Crafting winning marketing strategies
4. Designing market value
5. Communicating market value
6. Delivering market value
7. Managing growth in a socially responsible way

As companies change, so does their marketing organization. Marketing is no longer a company department charged with a limited number of tasks; it is a company-wide undertaking. It drives the company's vision, mission, and strategic planning. Marketing includes decisions like deciding whom the company wants as its customers, which customer needs to satisfy, what products and services to offer, what prices to set, what communications to send and receive, what channels of distribution to use, and what partnerships to develop.

## PEDAGOGY THAT EMPHASIZES REAL-WORLD, RELEVANT MARKETING EXAMPLES

Effective learning occurs when sound theory is complemented by relevant practical examples. To this end, the 16th edition includes a variety of features—chapter-opening vignettes, in-text examples, Marketing Insights, and Marketing Spotlights—designed to engage students by highlighting the practical application of the concepts covered in each chapter.

- Each chapter opens with a relevant real-world marketing example that engages students and sets the context of the chapter.
- Each chapter includes several in-text features with additional real-world and engaging marketing examples to illustrate key concepts within sections.

- Each chapter includes at least one Marketing Insight feature that addresses a specific marketing topic in greater detail to provide in-depth coverage and foster better understanding of this topic.

**marketing**  
INSIGHT

## Managing the Price Image of a Retailer

Price image reflects the general perception that consumers have about the level of prices at a given retailer. For example, Walmart is often regarded as being rather inexpensive, whereas Target is usually considered to be moderately priced. Price image differs from price, which is quantitatively expressed; price image is qualitative in nature. This means that consumers regard a retailer's pricing in categorical terms such as "expensive" or "inexpensive." Price image resides in the minds of the buyers; thus, it is based on consumers' perception of prices at a particular retailer compared to other retailers and may not be an accurate reflection of the actual level of a retailer's prices.

Many managers mistakenly believe that price image is based solely on the prices within a specific store and that managing price image is as simple as adjusting the prices of items the store carries. This results in the theory that a retailer can lower its price image by lowering the prices of items in its assortment.

However, this method of resetting price image has not proved effective. Low or high prices are an important factor in the formation of a retailer's price image, but prices are not the only things that consumers consider when forming a judgment about price image. Figure 16.1

depicts the key drivers of price image and their related impact on consumer behavior.

- *Average price level.* Price image does indeed hinge on the actual prices of the items carried by a particular retailer, although not entirely. A store in which prices are substantially above those of its competitors will find it difficult to convince customers that it is not high priced, regardless of other measures it may take to change its price image.
- *Known-value items.* Consumers typically do not examine all prices at a store; instead, they tend to focus on items whose prices they are familiar with, which are referred to as known-value or signpost items. Because shoppers are aware of the prices for these items at other stores, they use them to determine whether or not a particular price is competitive. Known-value items usually fall into the category of frequently purchased items like milk, soda, and snacks, allowing consumers to readily compare prices across different stores.
- *Price range.* Consumers form an assessment of price image not just from the average level of prices at a retailer, but also from the range of prices within

- Each chapter includes two Marketing Spotlight (formerly Marketing Excellence) features that use a relevant real-world company to illustrate the marketing concepts covered in the chapter. Questions give students an opportunity to confirm their understanding and apply critical thinking. Professors can assign the questions as homework or use them for class discussion.



## marketing SPOTLIGHT

### IKEA

IKEA—a Swedish retailing company known for furniture, home furnishings, and appliances—has been the world's largest furniture retailer since 2008. IKEA has made a name for itself worldwide because of its affordable prices and innovative design. In 75 years of business, IKEA has expanded to over 300 stores in 25 countries across the globe, adjusting its stores and products on the basis of different consumer preferences in each location.

IKEA was founded by entrepreneur Ingvar Kamprad in 1943. The name IKEA is an acronym for Ingvar Kamprad's name; Elmtaryd, the farm where he grew up; and Agunnaryd, his hometown in Sweden. Kamprad started the business by



Source: Alexander Blinn/Alamy  
Stock Photo

furniture. The popularity of IKEA's first showroom inspired the company to open its first retail location 5 years later in the same city. The profitability of IKEA's Älmhult showroom spurred the spread of IKEA across Europe, starting with Norway in 1963. Enjoying success in European

The preceding features capture many of the significant changes and trends in the marketplace and can greatly enhance comprehension of the material by illustrating the key marketing concepts. In addition, these real-world examples can help to stimulate student interest and engagement with the material.

### INSTRUCTOR TEACHING RESOURCES

Detailed information and resources are available at [www.pearsoned.co.in/PhilipKotler](http://www.pearsoned.co.in/PhilipKotler).

### Acknowledgments

The 16th edition of *Marketing Management* bears the imprint of many people.

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David Georgoff, Florida Atlantic University  
Rashi Glazer, University of California, Berkeley  
Bill Gray, Keller Graduate School of Management  
Albert N. Greco, Fordham University  
Barbara Gross, California State University at Northridge  
Lewis Hershey, Fayetteville State University  
Thomas Hewett, Kaplan University  
Mary Higby, University of Detroit–Mercy  
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**Philip Kotler**

Professor Emeritus of Marketing  
Kellogg School of Management  
Northwestern University  
Evanston, Illinois

**Kevin Lane Keller**

E. B. Osborn Professor of Marketing  
Tuck School of Business  
Dartmouth College  
Hanover, New Hampshire

**Alexander Chernev**

Professor of Marketing  
Kellogg School of Management  
Northwestern University  
Evanston, Illinois

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**Jagdish N. Sheth**

Charles H. Kellstadt Professor of Business  
Goizueta Business School, Emory University  
Atlanta, Georgia, US

**G Shainesh**

Professor of Marketing  
Indian Institute of Management Bangalore (IIMB)  
Bengaluru, India

## About the Authors



**Philip Kotler** is one of the world's leading authorities on marketing. He is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University (emeritus). He received his master's degree at the University of Chicago and his PhD at MIT, both in economics. He did postdoctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Dr. Kotler is the author or coauthor of *Principles of Marketing*; *Marketing: An Introduction*; *Strategic Marketing for Nonprofit Organizations*; *Marketing Models*; *The New Competition*; *Marketing Professional Services*; *Strategic Marketing for Educational Institutions*; *Marketing for Health Care Organizations*; *High Visibility*; *Social Marketing*; *Marketing Places*; *The Marketing of Nations*; *Marketing for*

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In addition, he has published over 150 articles in leading journals, including *Harvard Business Review*, *Sloan Management Review*, *Business Horizons*, *California Management Review*, *Journal of Marketing*, *Journal of Marketing Research*, *Management Science*, *Journal of Business Strategy*, and *Futurist*. He is the only three-time winner of the Alpha Kappa Psi award for the best annual article published in the *Journal of Marketing*.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) Distinguished Marketing Educator Award (1985); he was chosen as the Leader in Marketing Thought by academic members of the AMA (1975) and received the Paul Converse Award (1978). Other honors include the Prize for Marketing Excellence from the European Association of Marketing Consultants and Sales Trainers; Sales and Marketing Executives International's (SMEI) Marketer of the Year (1995); the Distinguished Educator Award from the Academy of Marketing Science (2002); the William L. Wilkie "Marketing for a Better World" Award (2013); the Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice (2013); and induction into the Marketing Hall of Fame (2014).

He has received 22 honorary doctoral degrees, among them from Stockholm University, the University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the Budapest School of Economic Science and Public Administration, the University of Economics and Business Administration in Vienna, and Plekhanov Russian Academy of Economics.

Professor Kotler has been a consultant to many major U.S. and foreign companies, including IBM, General Electric, AT&T, Honeywell, Bank of America, Merck, SAS Airlines, and Michelin. In addition, he has served as chairman of the College of Marketing of the Institute of Management Sciences, a director of the American Marketing Association, a trustee of the Marketing Science Institute, a director of the MAC Group, a member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He was a member of the Board of Governors of the School of the Art Institute of Chicago and a member of the Advisory Board of the Drucker Foundation. He has traveled extensively throughout Europe, Asia, and South America, advising many companies about global marketing opportunities.



**Kevin Lane Keller** is the E. B. Osborn Professor of Marketing and Senior Associate Dean for Marketing and Communications at the Tuck School of Business at Dartmouth College. Professor Keller has an AB degree in math and economics from Cornell University, an MBA from Carnegie-Mellon, and a PhD in marketing from Duke University. At Dartmouth, he teaches

MBA courses on strategic brand management and lectures in executive programs on those topics.

Previously, Professor Keller was on the faculty at Stanford University, where he also served as head of the marketing group. Additionally, he has been on the faculty at the University of California at Berkeley and the University of North Carolina at Chapel Hill, was a visiting professor at Duke University and the Australian Graduate School of Management, and has two years of industry experience as marketing consultant for Bank of America.

Professor Keller's general area of expertise is in understanding how theories and concepts related to consumer psychology can improve branding and marketing strategies. His research has been published numerous times in each of the four of the major marketing journals: the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of Consumer Research*, and *Marketing Science*. With over 120 published papers, he is also one of the most heavily cited of all marketing academics, and he has received numerous awards for his research accomplishments.

Actively involved with industry, Professor Keller has worked on a host of different types of marketing projects. He has served as a consultant and advisor to marketers for some of the world's most successful brands, including Accenture, American Express, Disney, Ford, Intel, Levi Strauss, L.L. Bean, Nike, Procter & Gamble, and Samsung. He is a popular and highly sought-after speaker and has given keynote speeches and conducted workshops with top executives in a wide variety of forums. He has lectured all over the world, from Seoul to Johannesburg, from Sydney to Stockholm, and from Sao Paulo to Mumbai.

Professor Keller is currently conducting a variety of research studies that address strategies to build, measure, and manage brand equity. His text on those subjects, *Strategic Brand Management*, added coauthor Vanitha Swaminathan for its 5th edition. It has been adopted at top business schools and leading firms around the world and has been heralded as the "bible of branding." He has also served as an academic trustee, executive director, and executive committee member for the Marketing Science Institute.



An avid sports, music, and film enthusiast in his so-called spare time, Professor Keller has helped to manage, market, and serve as executive producer for one of Australia's great rock and roll treasures, The Church, as well as American power-pop legends Tommy Keene and Dwight Twilley. He currently serves on the Board of Directors for the Lebanon Opera House and the Doug Flutie, Jr. Foundation for Autism. He lives in Etna, New Hampshire, with his wife Punam (also a Tuck marketing professor) and two daughters, Carolyn and Allison.



**Alexander Chernev** is a professor of marketing at the Kellogg School of Management, Northwestern University. He holds an MA and a PhD in psychology from Sofia University and a PhD in business administration from Duke University. He is an academic thought leader, speaker, and advisor in the area of marketing strategy, brand management, consumer decision making, and behavioral economics.

Professor Chernev has written numerous articles focused on business strategy, brand management, consumer behavior, and market planning. His research has been published in the leading marketing journals and has been frequently quoted in the business and popular press, including the *Wall*

*Street Journal*, the *Financial Times*, the *New York Times*, the *Washington Post*, *Harvard Business Review*, *Scientific American*, the *Associated Press*, *Forbes*, and *Bloomberg Businessweek*. He was ranked among the top ten most prolific scholars in the leading marketing journals by the *Journal of Marketing* and among the top five marketing faculty in the area of consumer behavior by a global survey of marketing faculty published by the *Journal of Marketing Education*.

In addition to academic and managerial articles, Professor Chernev has published a number of impactful books—*Strategic Marketing Management: Theory and Practice*, *Strategic Marketing Management: The Framework*, *Strategic Brand Management*, *The Marketing Plan Handbook*, and *The Business Model: How to Develop New Products, Create Market Value, and Make the Competition Irrelevant*—that have been translated into multiple languages and are used in top business schools around the world.

Professor Chernev has served as an area editor for the *Journal of Marketing* and the *Journal of Consumer Psychology* and on the editorial boards of leading research journals, including the *Journal of Marketing Research*, *Journal of Consumer Research*, *International Journal of Research in Marketing*, *Journal of the Academy of Marketing Science*, and *Journal of Marketing Behavior*.

At the Kellogg School of Management, Professor Chernev teaches marketing strategy, brand management, and behavioral decision theory in MBA, PhD, and executive education programs. He has also taught in executive programs at INSEAD in France and Singapore, at the Institute for Management Development (IMD) in Switzerland, and at Hong Kong University of Science and Technology. He has received numerous teaching awards, including the Core Course Teaching Award, the Kellogg Faculty Impact Award, and the Kellogg Executive MBA Program's Top Professor Award, which he has received 13 times.

In addition to research and teaching, Professor Chernev has served as an academic trustee, and is currently a fellow, of the *Marketing Science Institute*. He has served as an expert on numerous legal cases dealing with issues pertaining to intellectual property, consumer behavior, and marketing

strategy. A consummate educator and presenter, Professor Chernev has keynoted presentations at conferences and corporate events around the globe. He advises companies worldwide—from Fortune 500 firms to start-ups—on issues of marketing strategy, brand management, strategic planning, and new-product development, as well as on ways to craft their business models, build strong brands, uncover market opportunities, develop new products and services, and gain competitive advantage.



**Jagdish N. Sheth** is Charles H. Kellstadt Professor of Business in the Goizueta Business School at Emory University. He is globally known for his scholarly contributions in consumer behavior, relationship marketing, competitive strategy, and geopolitical analysis. Professor Sheth has over 50 years of combined experience in teaching and research at the University of Southern California, the University of Illinois at Urbana-Champaign, Columbia University, MIT, and Emory University.

Dr. Sheth is a recipient of the 2020 Padma Bhushan Award for literature and education, one of the highest civilian awards given by the Government of India. He is also a Fellow of the Academy of International Business (AIB); Fellow of the Association of Consumer Research (ACR); Fellow of

the American Psychological Association (APA); Fellow of the American Marketing Association (AMA); Distinguished Fellow of the Academy of Marketing Science (AMS); and a Distinguished Fellow of International Engineering Consortium. Dr. Sheth is the recipient of an Honorary Doctorate in Science, awarded by the University of Illinois at Urbana-Champaign (2016), and Honorary Doctor of Philosophy, awarded by Shiv Nadar University (2017). He is the recipient of all four top awards given by the American Marketing Association (AMA).

Dr. Sheth has been on the board of several companies including Norstan, Pacwest-Telecom, Cryocell International, Shasun Drugs and Chemicals, and WIPRO Limited. Over the 50 years, he has been advisor to numerous companies including Whirlpool, Motorola, Texas Instruments, Cox Communications, Rockwell International, AT&T, Bellsouth, WIPRO Consumer Care, Aditya Birla Group, L.M. Mittal (Avanta), E&Y, Square D, Ingram Micro, Hughes Corporation, and others. This has included mergers and acquisitions as well as strategic positioning or repositioning of the company.

His *Rule of Three* book has been the foundation for investment bankers and policy makers with respect to industry consolidation including horizontal mergers and acquisitions. Professor Sheth has authored or coauthored more than three hundred papers and several books including *The Global Rule of Three: Competing with Conscious Strategy* (2020), *The Howard-Sheth Theory of Buyer Behavior* (2020), *Genes, Climate and Consumption Culture: Connecting the Dots* (2017), *Breakout Strategies for Emerging Markets* (2016), *The Sustainability Edge* (2016), *The 4 As of Marketing* (2012), *Chindia Rising* (2011), *Self-Destructive Habits of Good Companies* (2007), *Firms of Endearment* (2007), *Tectonic Shift* (2006), *The Rule of Three* (2002), and *Clients for Life* (2000). His autobiography, *The Accidental Scholar* (2014), has inspired others in the areas of education and academic entrepreneurship.

Professor Sheth has been advisor to the Government of Singapore in repositioning the nation for the future. He has also been the policy advisor

to the U.S. Government about the future of the telecommunications industry.

Dr. Sheth is the Founder of Center for Telecommunications Management (CTM) at University of Southern California (USC) which has now become an Institute. He is also Founder and Chairman of India, China, and America (ICA) Institute which analyzes the trilateral relationship and its impact on geopolitics, security, trade, and investment. He and his wife, Madhu Sheth, have established the Sheth Family Foundation to support several charities in India and in the United States. They have also established the Madhuri and Jagdish Sheth Foundation to support scholars and scholarship in the field of marketing. The Sheth Foundation supports the AMA-Sheth Foundation Doctoral Consortium, hosted annually by different universities. It also supports research in emerging fields through AMA, ACR, AMS, and AIB. Finally, Professor Sheth is the Founder and Chairman of the Academy of Indian Marketing (AIM) which supports research and scholarship among Indian scholars in marketing and management.



**G Shainesh** is a Professor of Marketing at the Indian Institute of Management Bangalore (IIMB). He is the current Chair for Executive Education at IIMB. Shainesh has over two and half decades of research and teaching experience in India and abroad. He has conducted research and

teaching assignments at the University of Gothenburg (Sweden), University of St. Gallen (Switzerland), Audencia Nantes and IESEG (France), Vienna University and MCI Innsbruck (Austria), Bocconi University (Milan), and Curtin University of Technology (Perth), among others. His research and teaching focus on Digital Marketing Strategies, Relationship Marketing, Services Marketing and Service Innovations. At IIMB, Shainesh has served as Dean – Administration (2014-17), Chair – EPGP (2013-14) and Chair – Student Exchange Program (2006–09).

He leads the cross functional research initiative on consumer insights (ICI@IIMB). His case study ‘Narayana Nethralaya: Expanding Affordable Eye Care’ won the second prize in the Global Lens 2014 NextBillion Case Writing Competition. He was named ‘Best Professor in Marketing’ by the CMO Asia Council during the ‘Best B-Schools in Asia Awards’, July 2011, Singapore. He is also a past winner of the Citibank Special Research Award (1994) and P D Agarwal TCI Award for Doctoral Research in Management (1995).

He has worked for several organizations in the public, the non-profit and the corporate sectors, including telecom, software, engineering, and service firms, both as an advisor and as a seminar leader. His clients include ABB, Adobe, Allstate Insurance, Aventis Pharma, Department of Pharmaceuticals, Caterpillar, Ericsson, Indian Oil, Lumen Technologies, Manipal Universal, NCSM, Philips, SKF, Indian Railways, IFFCO, ICPB, Ministry of Tourism, Power Ministry, Tata AIG, TRIFED, Sanskriti, Pradan, etc.

His books include *Social Media Marketing: Emerging Concepts and Applications* (2018), *Customer Relationship Management – A Strategic Perspective* (2006) and *Customer Relationship Management – Emerging Concepts, Tools and Applications* (21st Reprint 2017). Professor Shainesh’s MOOC courses on CRM and Services Marketing are offered on edX <https://www.edx.org/bio/shainesh-g>

He is Editor-in-Chief of the *Journal of Indian Business Research (JIBR)*, an Emerald (UK) publication. His papers on services and relationship marketing have been published in the MIS Quarterly, *Journal of Service Research*, *Journal of International Marketing*, *Journal of Services*



*Marketing, Service Industries Journal, International Journal of Bank Marketing, International Journal of Retail and Distribution Management, International Journal of Technology Management, Journal of Relationship Marketing, International Marketing Review, among others.*