

Value-Based Marketing: Marketing Strategies for Corporate Growth and Shareholder Value

by Peter Doyle

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Reviewed by
R.M. (Erik) Gordon

Value Based Marketing, by professor and veteran consultant Peter Doyle, is a good book for senior marketing managers who work with senior finance people or the CEO of their company. It attacks a paradox that frustrates marketing executives and puts a ceiling on their careers.

Everyone, from the CEO down, says that a marketing orientation is a key success factor, but few senior executives, including CEOs, hold marketers in high regard. (If it makes us feel any better, things are even worse for human resources (HR) professionals. Every company says its people are its most important asset, but HR people tend to be held in even lower regard than marketers are.)

Doyle says the major problem is that marketers' objectives are difficult to connect to CEOs' objectives. Our objectives include increases in sales volume, market share, or customer awareness. CEOs have one objective: increase shareholder value. For all the talk about multiple constituencies and balanced scorecards, no CEO whose stock has lost half its value can save his or her job by pointing out how happy the employees are or that customer awareness has skyrocketed.

Value-Based Marketing starts by explaining the shareholder value financial concept and, thankfully for marketers, the crucial role marketing plays in driving shareholder value. The shareholder value chapter contains a small amount of math, accounting, and financial theory, but you will understand it

even if you were attracted to marketing because you didn't like math, barely stayed awake in accounting, and had

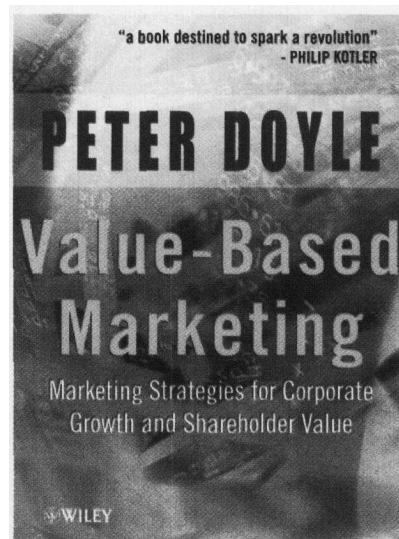
trouble following finance. If you are in or aspire to senior management, you need to understand the shareholder value concept in detail sufficient to be able to justify your expenditures and explain how they link to the drivers in the shareholder value model.

The chapter that explains marketing's crucial role in driving shareholder value

offers a new definition of marketing. "Marketing is the management process that seeks to maximize returns to shareholders by developing and implementing strategies to build relationships of trust with high-value customers and to create a sustainable advantage." This definition deviates from the usual textbook and American Marketing Association definitions that tend to emphasize the social benefit of marketing. CEOs and practitioners often are less concerned with social benefit apologetics and more concerned with keeping their jobs.

The chapter offers little new information to readers who have kept up to date on ideas like customer loyalty, trust, and the importance of selecting the right customers. For readers who are behind in their reading, the chapter provides a good overview of current thinking in these important areas.

Doyle provides a timely chapter around the theme "growth is essential for creating shareholder value." This seems uncontroversial to marketers, but Doyle reminds us that some companies



pursue another strategy—cost cutting—more politely referred to as “rationalization.” Doyle’s proposition is particularly important in times of economic downturn. When top management believes sales growth is unlikely, cost cutting appears to be the only way to increase shareholder value.

Doyle offers nine generic approaches to generating sales growth. Senior marketers will be familiar with all of them, but the chapter provides a useful checklist and some interesting thoughts on each approach.

Two chapters cover assessment of a company’s strategic position and development of a value-based marketing strategy. If it has been a while since you went through the advanced marketing strategy drill and you expect to participate in high-level strategic planning in your company, you will find the chapter useful. You also will find it useful if your CEO hires an expensive consulting firm that sends you newly minted MBAs who speak in jargon.

The book ends with a long section covering four topics in strategy implementation. The chapter on building brand value, similar to other chapters, offers a concise review of current thought, but introduces little new material. The chapter on pricing for value goes a bit beyond the material covered in many popular books on pricing. It includes introductory material on game theory, estimation of price elasticity, and customized prices.

The book closes with chapters on value-based communications and Internet marketing. These will be the least useful chapters to most senior marketers and may have been included simply to make the book more complete. (The book is intended to be used by practitioners and advanced marketing students, and the latter use requires subject matter completeness.)

Fair warning: Some marketers will be put off by the book’s emphasis on linking marketing to financial measures. Marketers do not produce great marketing by playing amateur financial executive. Marketers produce great marketing by being great marketers.

On the other hand, marketers who want to be senior managers and sit at the long table with the CFO, the CEO, and others of that ilk will help themselves by making the links to financial measures. Senior marketing executives can do more to help their great marketing people if they can wrestle resources from the people who control the resources. These days, those people think in terms of shareholder value. ■

About the Author

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