

# Preface

How do you take individuals who have never done business with your organization and work away on them till some of them eventually become the best possible customers that you have? How do you decide how much to spend on various marketing tactics? How do you think about the pricing decision with a view to optimizing the value of your customers as assets? Where do you start — what tools do you use — what heuristics are useful in making these decisions? This book attempts to answer questions such as these. The one-sentence summary, though, is simple — hold the individuals' hands and walk them through a value chain, one stage at a time.

The nucleus of this book has its roots in 2001, when I was asked to develop a new course in Marketing to be taught in the EMBA program at the Hong Kong University of Science and Technology (HKUST). Students had already taken classes in the principles of marketing, market research, branding and sales and distribution. As I pondered about what I would cover, I went back in time to my own experiences as a student and on my job. I am trained as an engineer, have worked briefly in sales and then advertising, have an MBA degree in general management and a PhD degree working in research at the intersection of economics and psychology. I had consulted with, done research for or worked as an executive trainer with a number of organizations. This meant that I had read a lot of books over the years — and — in particular — read books about marketing and customer facing activities of the organization.

Three things about most of those books had always bothered me. First, while I loved the content and examples presented in them, I always felt that the materials did a better job of helping the manager understand — in hindsight — what worked and what did not. There was a lot of discussion on value, for example, but there was very little by way of prescriptive advice and frameworks that guided the manager on how to go about creating and managing value. Second, most of the writings claim that marketing is customer focused. However, all of the popular frameworks in marketing are based on what marketers do, and not what the consequences of those actions are for customers. For instance, we talk about the 4P framework which organizes marketing along functional lines. What about thinking along customer outcomes — activities that increase acquisition versus activities that increase loyalty, for example? Third, I would have loved for our marketing materials to have more rigour. I do not mean that I would like to see horribly complicated equations to express ideas that could be expressed more simply, but I do mean that I'd have liked to see more systematic frameworks for thinking through customer related situations.

As I was thinking about these issues, I was in a meeting with a group of executives and was asked an intriguing question: “Why do marketers get very little respect in organizations?” Without blinking, I responded, “because they don't do a very good job at marketing themselves within the organization.” To this day, I am not sure as to why I chose those particular words. But that's the impression I had formed in my own interactions — as a group, people in marketing did not speak the language of finance and accounting; they made their own trade seem excessively complicated and they were very secretive about the processes they used to arrive at conclusions. In sum, the general belief was that good marketing is an art — and while I don't disagree, I also believed that there was a great deal of science to it.

I thought I would try to address these issues in my own little way through the new course I developed. I tried to make the material

prescriptive, yet analytical; theoretical, yet empirically driven. I taught the first edition with a bit of trepidation — I had always been told to avoid math in executive classes, let alone exponential functions and transition matrices. However, my message was simple — I wanted the students to understand, appreciate, internalize and modify the underlying intuition and use it in a meaningful way in their own organizations. Eight years later, and having adapted the materials in further details on classes on Pricing and Data Driven Marketing I now teach at the Rotman School of Management (University of Toronto), I am gratified by the response this approach has received, and the large volume of messages I receive from former students with examples on how they used some of the ideas from class to help their organizations do better.

This book covers the materials I have taught as lectures and discussion at HKUST, University of Toronto and as an executive trainer. Of course, the book is not a verbatim description of classes for a few reasons — first and foremost, I have never been able to deliver an uninterrupted monologue for more than five minutes without students enthusiastically piping in with comments, suggestions and critique. Second, MBA classroom content presented without context is often meaningless because students read research conducted by me and others prior to class. And finally, given the spirit of the MBA classroom, true educational value is created when the content delivered by the instructor blends in with the experiences of students to create a meaningful fugue. Sara N-Marandi was an MBA student at the Rotman School, worked with me on research and consulting projects for a year, and did an amazing job of applying some of the concepts to her work. I invited her to collaborate with me on this book project, and it was a great learning experience for me to see my own material through the lens of one of my former students. Given her experience in consumer packaged goods and now as a consultant, she was in a great position to complement the materials and whet them to make them more usable for the practicing manager and the MBA student alike.

I would like to thank all of my students for their feedback and suggestions to the classroom materials that have helped me sharpen my own thinking in this area. I would also like to thank a number of individuals for pushing my thinking through intriguing and challenging conversations, questions and collaborations: Charles Brian Boys, Dilip Chathanath, Honnus Cheung, Steve Dekrey, Delaine Hampton, Hazim Hassan, Dipak Jain, Joy Lee, Joseph Luk, Frank Markel, Jocelyn Phi, Fred Schaeffer, Rajesh Subramaniam, Malcolm Sullivan, Mike Wong, Sophia Wong, and Dekai Wu. In addition, the materials in this book draw on extensive research done both by others (which has been cited) and by me, ably assisted by Vivian Lam, Stewart Lawrence, Mandy Li, Kim Ly, Margie Moscoe, Szeling Tam and Nikki Weng. Special thanks are due to Mandy Chan, the manager of this book project who kept me and Sara honest and spent many hours tirelessly preparing and organizing our materials; to Judy Au, Venus Cheng and Stephanie Wong at HKUST who helped me immensely in preparing materials for the courses that feed into this book; and to Tanvi Mehta for editorial advice and assistance. Thanks are also due to Bell Canada's support through its Bell University Laboratories R&D program at the University of Toronto, which supported a part of the research that formed the basis of Chapters 3 and 4.

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