

CHAPTER 1

MARKETING:

CREATING AND CAPTURING CUSTOMER VALUE

CREATING AND CAPTURING CUSTOMER VALUE

Topic Outline

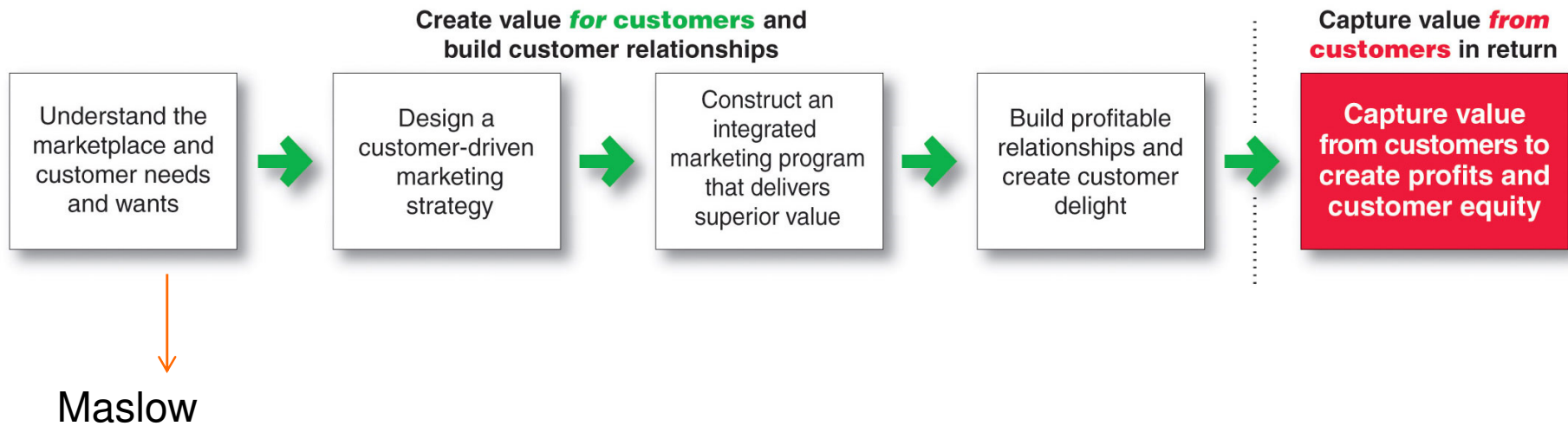
- What Is Marketing?
- Understanding the Marketplace and Customer Needs
- Designing a Customer-Driven Marketing Strategy
- Preparing an Integrated Marketing Plan and Program
- Building Customer Relationships
- Capturing Value from Customers
- The Changing Marketing Landscape

WHAT IS MARKETING?

Marketing is

a process by which companies create value for customers
and build strong customer relationships
to capture value from customers in return.

MARKETING PROCESS



NEEDS, WANTS, DEMAND



UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

Customer Needs, Wants, and Demands

Needs

- States of deprivation
- Physical—food, clothing, warmth, safety
- Social—belonging and affection
- Individual—knowledge and self-expression

Wants

- Form that needs take as they are shaped by culture and individual personality

Demands

- Wants backed by buying power

UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

- **Market offerings** are some combination of products, services, information, or experiences offered to a market to satisfy a need or want
- *Persons, information, ideas, organizations*
- **Marketing myopia** is focusing only on existing wants and losing sight of underlying consumer needs



UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS



Customer Value and Satisfaction Expectations



Customers

- Value and satisfaction



Marketers

- Set the right level of expectations
- Not too high or low



UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

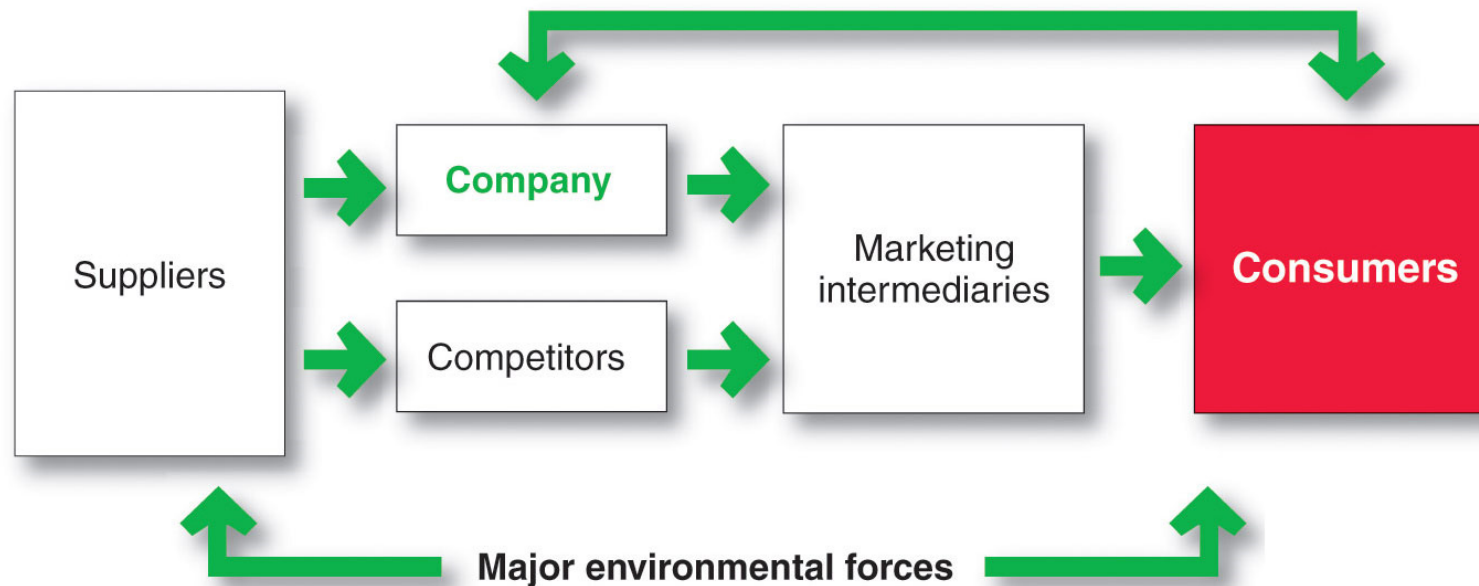
Exchange

the act of obtaining a desired object from someone by offering something in return

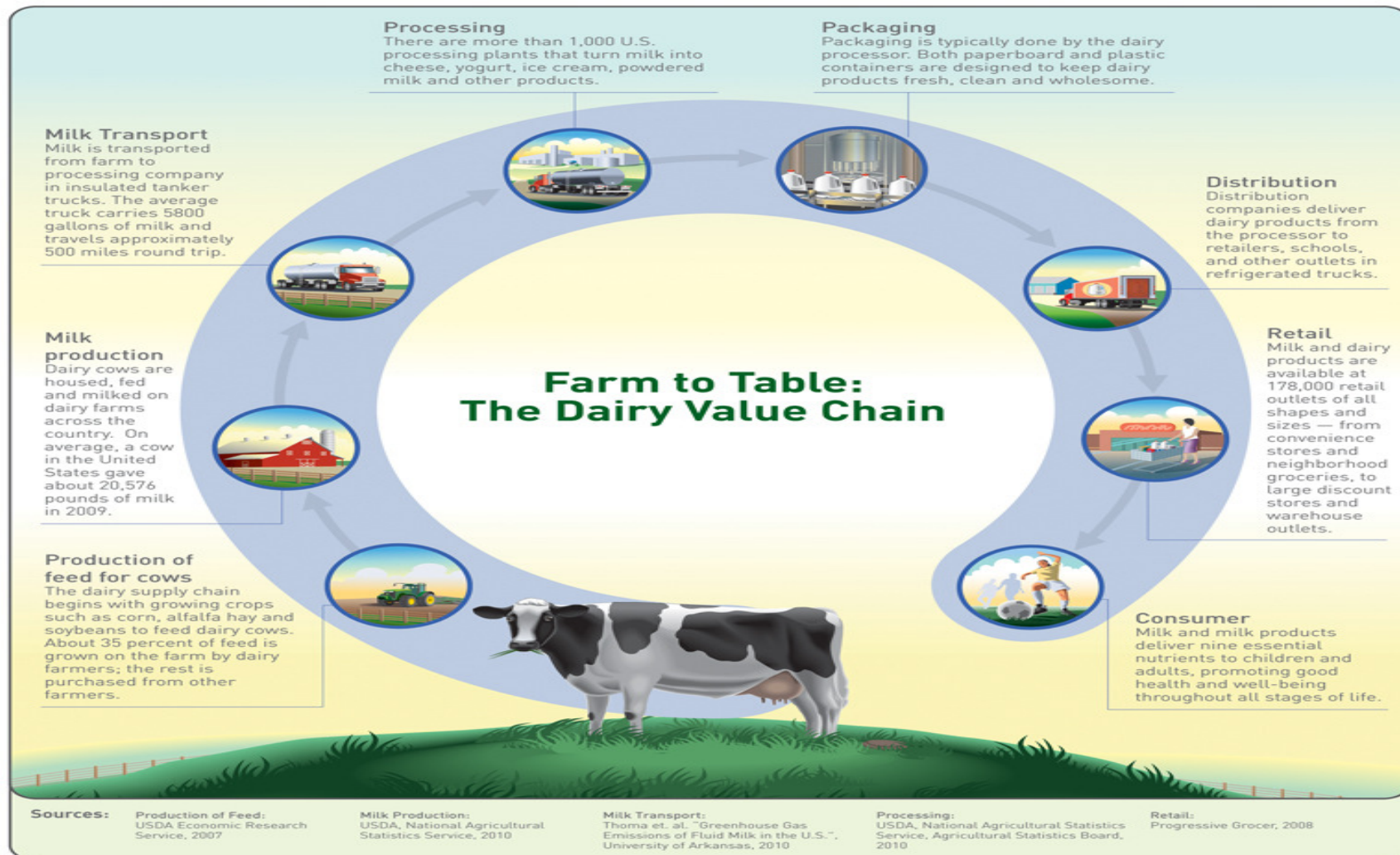
Marketing actions try to create, maintain, grow exchange relationships.

UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

Markets are the set of actual and potential buyers of a product



MAJOR ENVIRONMENTAL FORCES



DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing management is the art and science of choosing target markets and building profitable relationships with them

- What customers will we serve?
- How can we best serve these customers?



DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Selecting Customers to Serve

Market segmentation refers to dividing the markets into segments of customers

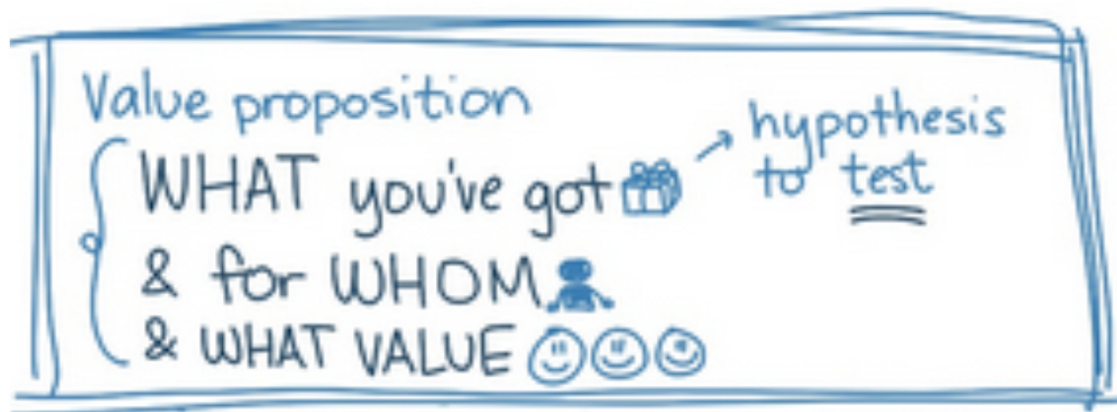
Target marketing refers to which segments to go after

DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Choosing a Value Proposition

Brand's Value Proposition

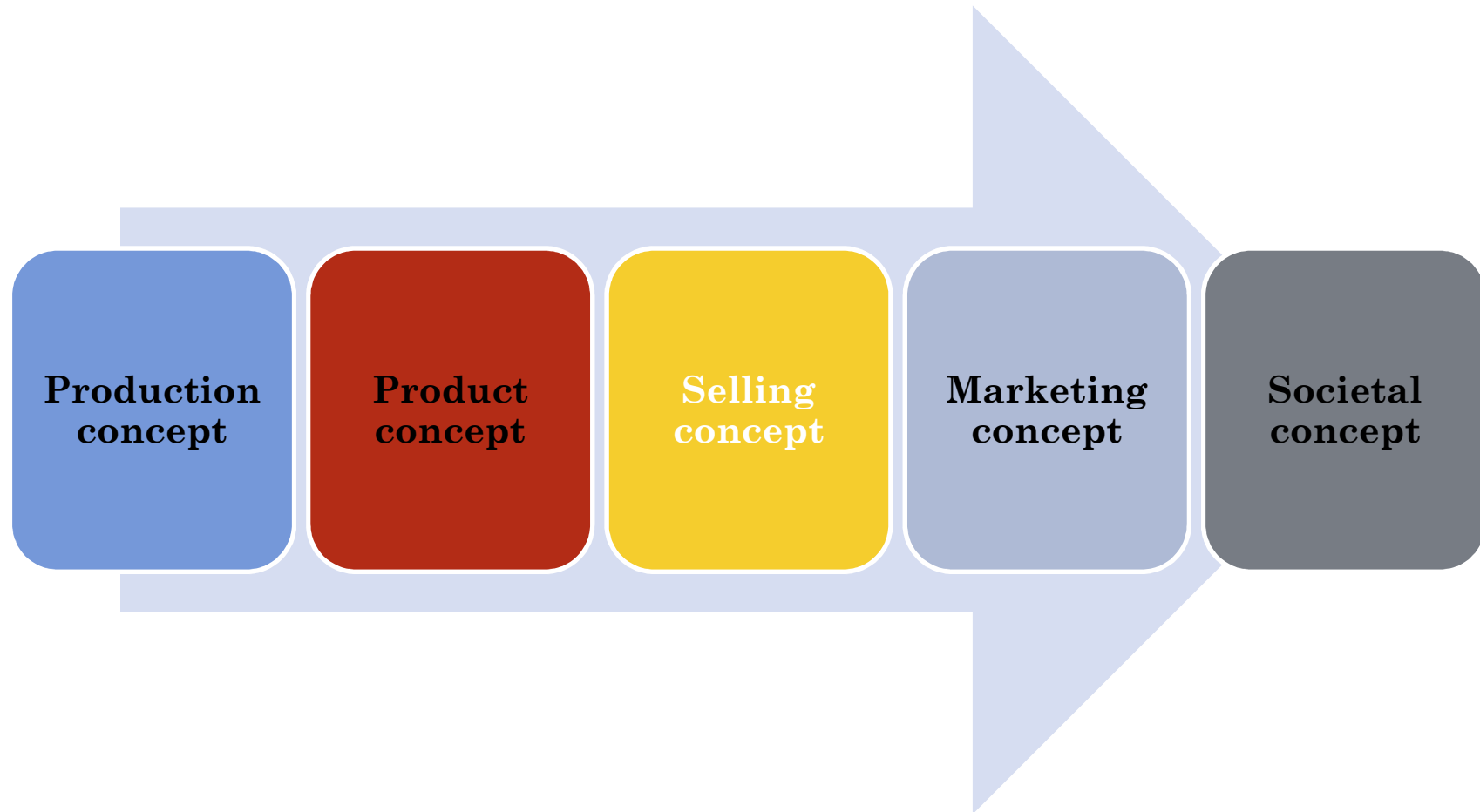
Set of benefits or values
a company promises to deliver
to customers to satisfy their needs



BMW promises “the ultimate driving machine,”
Facebook helps you “connect and share with the people in your life,”

DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing Management Orientations



DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing Management Orientations **Production concept**

consumers will favor products that are available and highly affordable

- *Production efficiency*
- *Mass distribution*

built one car --the Model T

"You can have any color you want as long as it is black."

the fundamental business philosophy -- the production concept -- practiced by Ford at the time

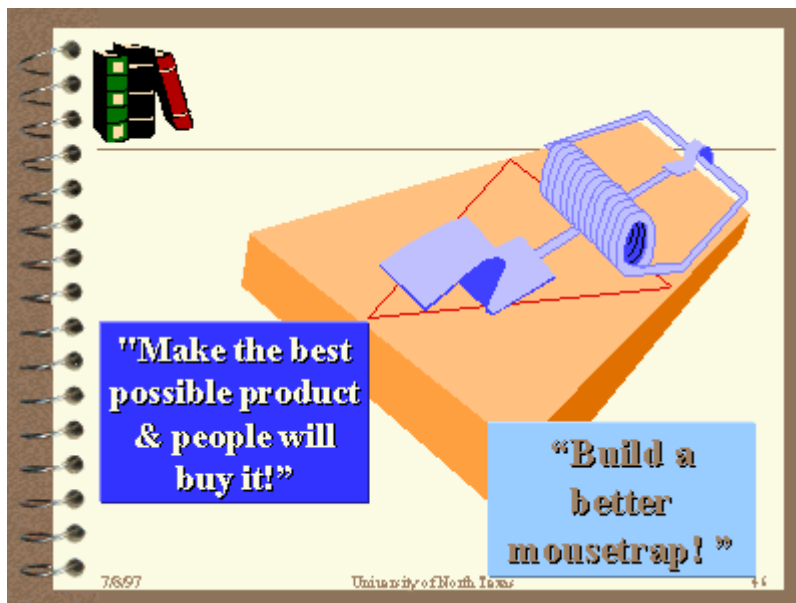


DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing Management Orientations

Product concept

consumers favor products that offer the most quality, performance, and features. Focus is on continuous product improvements.



DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing Management Orientations

Selling concept

consumers will not buy enough of the firm's products
unless it undertakes a large scale selling and
promotion effort

Products, even good ones, don't necessarily sell themselves.
Customers must be convinced to buy products.

DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

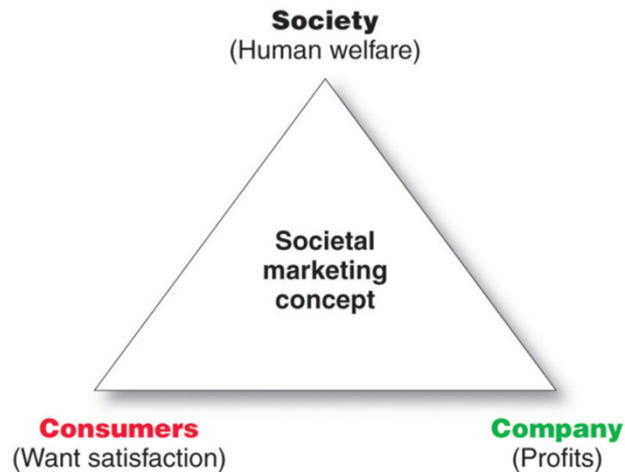
Marketing Management Orientations



Marketing concept
knowing the needs and
wants of the target
markets and delivering
the desired satisfactions
better than competitors do

DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY

Marketing Management Orientations



Societal marketing make good marketing decisions by considering consumers' wants and long-term interests

company's requirements

society's long-run interests



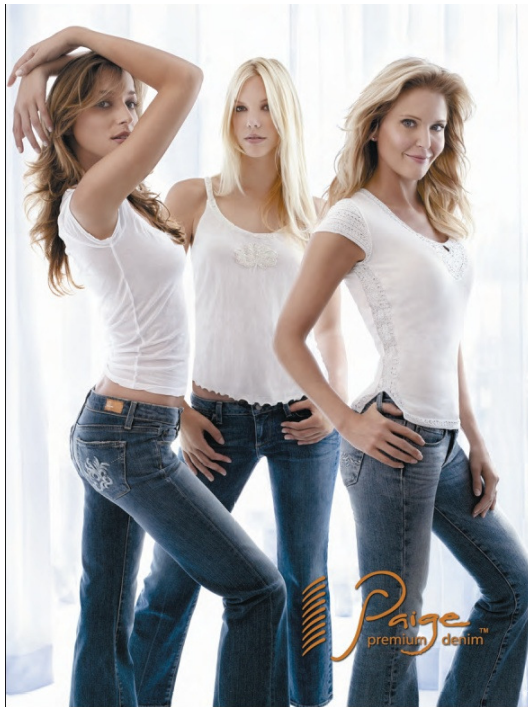
PREPARING AN INTEGRATED MARKETING PLAN AND PROGRAM

The marketing mix: set of tools (four Ps) the firm uses to implement its marketing strategy. It includes product, price, promotion, and place.

Integrated marketing program: comprehensive plan that communicates and delivers the intended value to chosen customers.

BUILDING CUSTOMER RELATIONSHIPS

Customer Relationship Management (CRM)



- The overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction

BUILDING CUSTOMER RELATIONSHIPS

Relationship Building Blocks:

Customer Value and Satisfaction

Customer-perceived value

- The difference between total customer value and total customer cost

Customer satisfaction

- The extent to which a product's perceived performance matches a buyer's expectations

BUILDING CUSTOMER RELATIONSHIPS

Customer Relationship Levels and Tools

Basic Relationships

Full Partnerships



BUILDING CUSTOMER RELATIONSHIPS

The Changing Nature of Customer Relationships

- Relating with more carefully selected customers uses selective relationship management to target fewer, more profitable customers
- Relating more deeply and interactively by incorporating more interactive two way relationships through blogs, Websites, online communities and social networks

BUILDING CUSTOMER RELATIONSHIPS

The Changing Nature of Customer Relationships

Customer-managed relationships

Customers, empowered by today's new digital technologies, interact with companies and each other to shape their relationships with brands.

BUILDING CUSTOMER RELATIONSHIPS

Partner relationship management involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers

BUILDING CUSTOMER RELATIONSHIPS

Partner Relationship Management

- Partners inside the company is every functional area interacting with customers
 - Electronically
 - Cross-functional teams

BUILDING CUSTOMER RELATIONSHIPS

Partner Relationship Management

Marketers connect with their suppliers, channel partners, and competitors by developing partnerships

Supply chain is a channel that stretches from raw materials to components to final products to final buyers

CAPTURING VALUE FROM CUSTOMERS

Creating Customer Loyalty and Retention

- **Customer lifetime value** is the value of the entire stream of purchases that the customer would make over a lifetime of patronage

CAPTURING VALUE FROM CUSTOMERS

Growing Share of Customer

Share of customer

the portion of the customer's purchasing that a company gets in its product categories

CAPTURING VALUE FROM CUSTOMERS

Customer equity
the total combined
customer lifetime
values of all of the
company's customers



CAPTURING VALUE FROM CUSTOMERS

Building Customer Equity

- Right relationships with the right customers involves treating customers as assets that need to be managed and maximized
- Different types of customers require different relationship management strategies

THE CHANGING MARKETING LANDSCAPE

Changing Economic Environment

- **New consumer frugality**
- **Marketers focus on value for the customer**



THE CHANGING MARKETING LANDSCAPE

DIGITAL AGE

- **Online marketing is the fastest-growing**
- **Click- and- mortar companies evolved**

THE CHANGING MARKETING LANDSCAPE

- Not-for-profit marketing growth
- Rapid Globalization
- Sustainable marketing



SO, WHAT IS MARKETING?

PULLING IT ALL TOGETHER

