



Chapter I

Marketing: Creating and capturing customer value

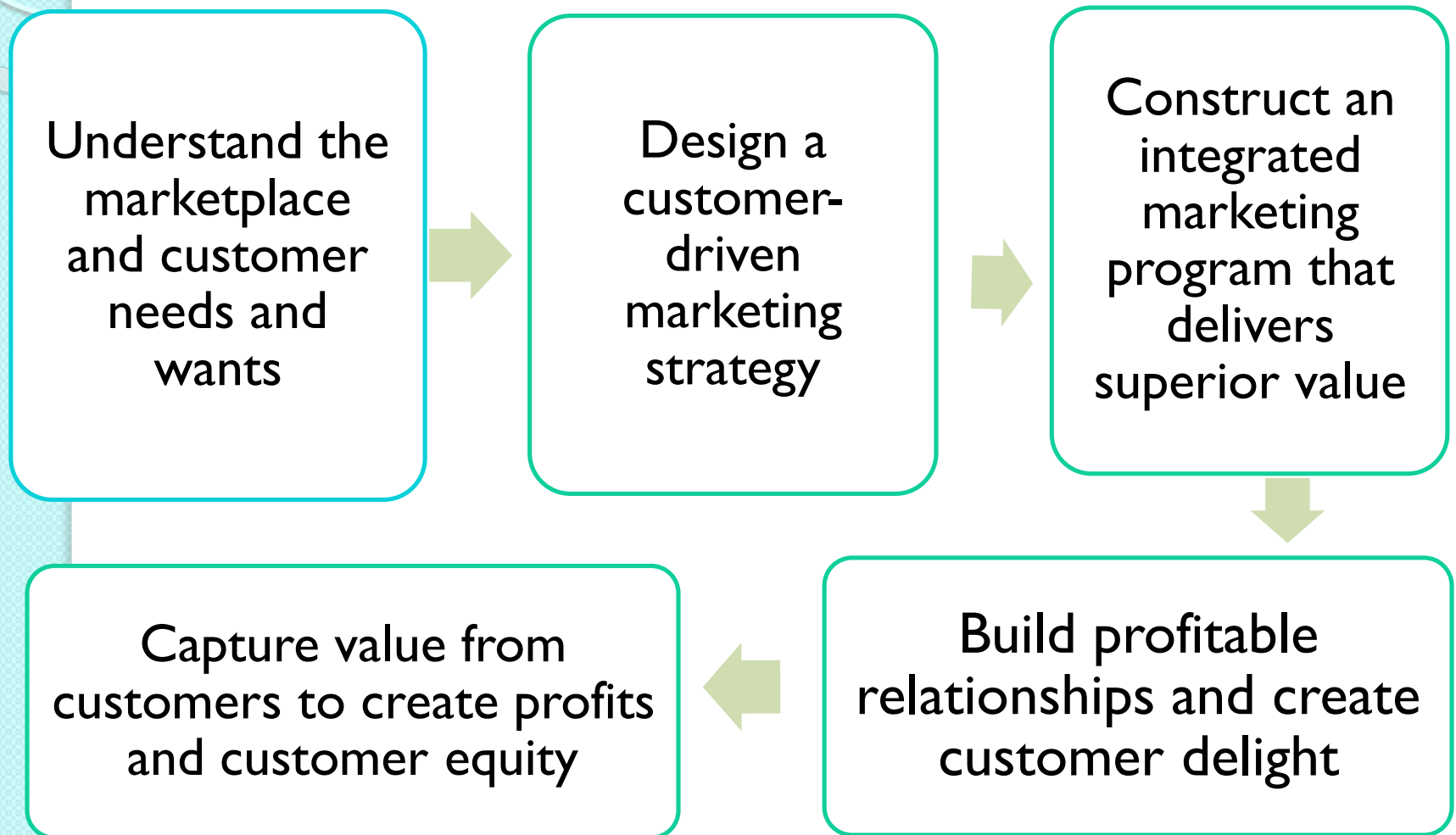
What is marketing?

- Marketing is managing profitable customer relationships
- Wal-Mart- “Save money. Live better”.
- Apple- “Think different”.

Marketing

- Marketing: is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return

Marketing process





I. Understanding the marketplace and customer needs

- 5 core customer and marketplace concepts:
 1. Customer needs, wants and demands
 2. Market offerings
 3. Customer value and satisfaction
 4. Exchanges and relationships
 5. Markets



I. Customer needs, wants and demands

- **Needs** - state of felt deprivation for basic items such as food and clothing and complex needs such as for belonging. i.e. I am hungry.
- **Wants** - form that a human need takes as shaped by culture and individual personality. i.e. I want a hamburger, French fries, and a soft drink.
- **Demands** - human wants backed by buying power. i.e. I have money to buy this meal.

2. Market offerings

- Market offerings: are some combination of products, services, information or experiences offered to a market to satisfy a need or want
- Marketing myopia: the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products



3. Customer value and satisfaction

- Customers form expectations about the value and satisfaction about market offerings
- Marketers must be careful about setting expectations- not too low, not too high.



How Do Consumers Choose Among Products and Services?

**Value Gained From Owning a Product and
Costs of Obtaining the Product is**

Customer Value

**Product's Perceived Performance in Delivering Value
Relative to Buyer's Expectations is**

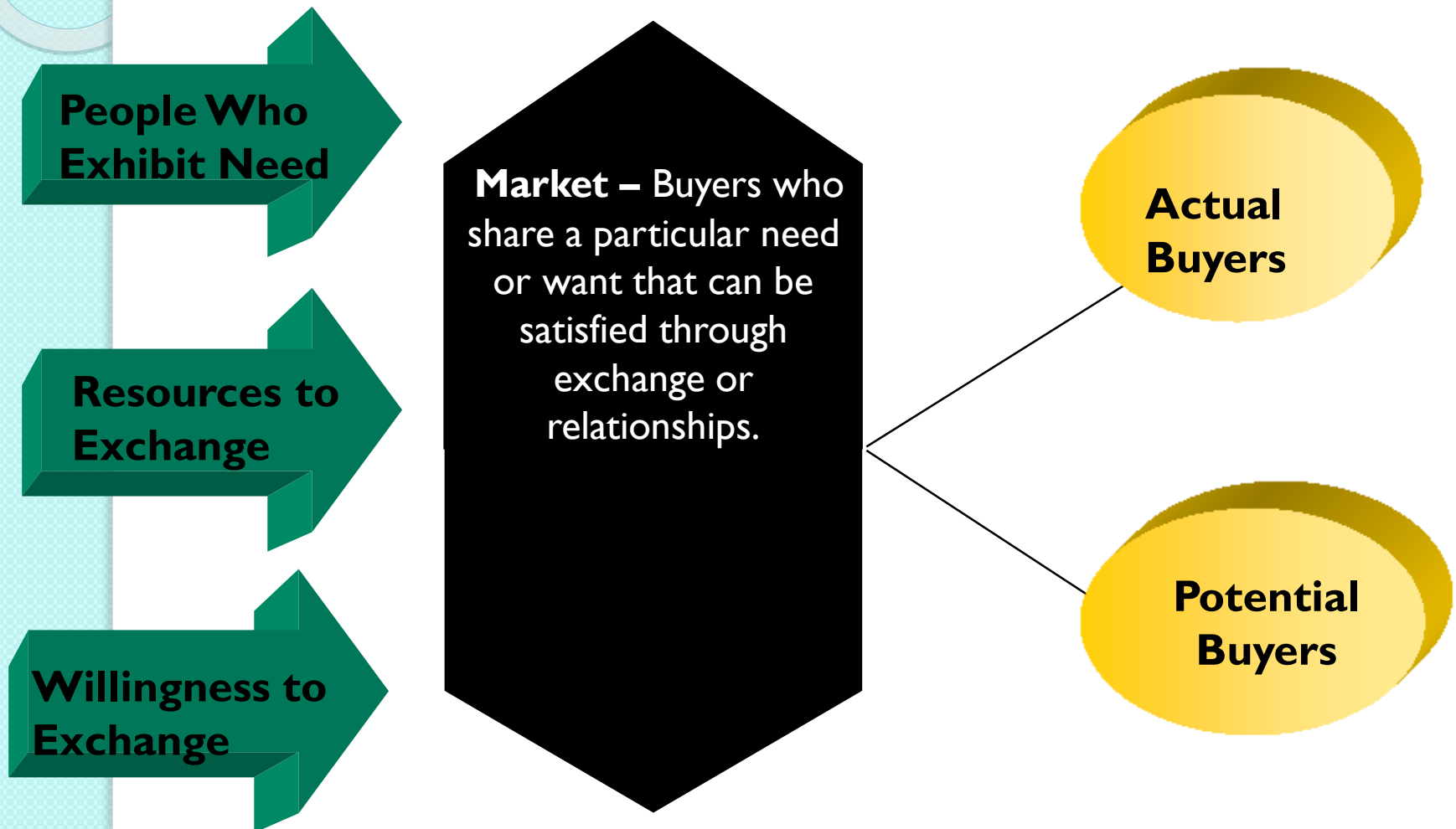
Customer Satisfaction



4. Exchanges and relationships

- Exchange: the act of obtaining a desired object from someone by offering something in return
- Marketing consists of actions taken to build and maintain desirable exchange *relationships* with target audiences involving products, services, ideas.

Who Purchases Products and Services?



5. Market

- Market: the set of all actual and potential buyers of a product or service

2. Designing a customer-driven marketing strategy

Marketing Management: The art and science of choosing target markets and building profitable relationships with them

- Selecting customers to serve
- Market segmentation
- Target marketing
- Demarketing: marketing to reduce demand temporarily or permanently; the aim is not to destroy demand but to reduce or shift it.
- Why De-Market
 - Shortage of supply
 - Want to promote newer products
 - The company is not having enough sales with the current product
- Choosing a value proposition- set of benefits and values it promises to deliver..
 - BMW- the ultimate driving machine
 - Nokia- connecting people
 - Apple Iphone- touching is believing

Marketing Management Orientations

Production Concept

Product Concept

Selling Concept

Marketing Concept

Societal Marketing Concept

Production Concept

- Assumes that consumers are interested primarily in product availability at low prices
- Improve production and distribution
- Marketing objectives of the companies:
 - Cheap, efficient production
 - Intensive distribution
 - Market expansion (don't focus on product innovation or product expansion)

Product Concept

- Consumers favor products that offer the most quality, performance, and innovative features.
- Marketing objectives:
 - Quality improvement
 - Addition of features
 - Tendency toward Marketing Myopia

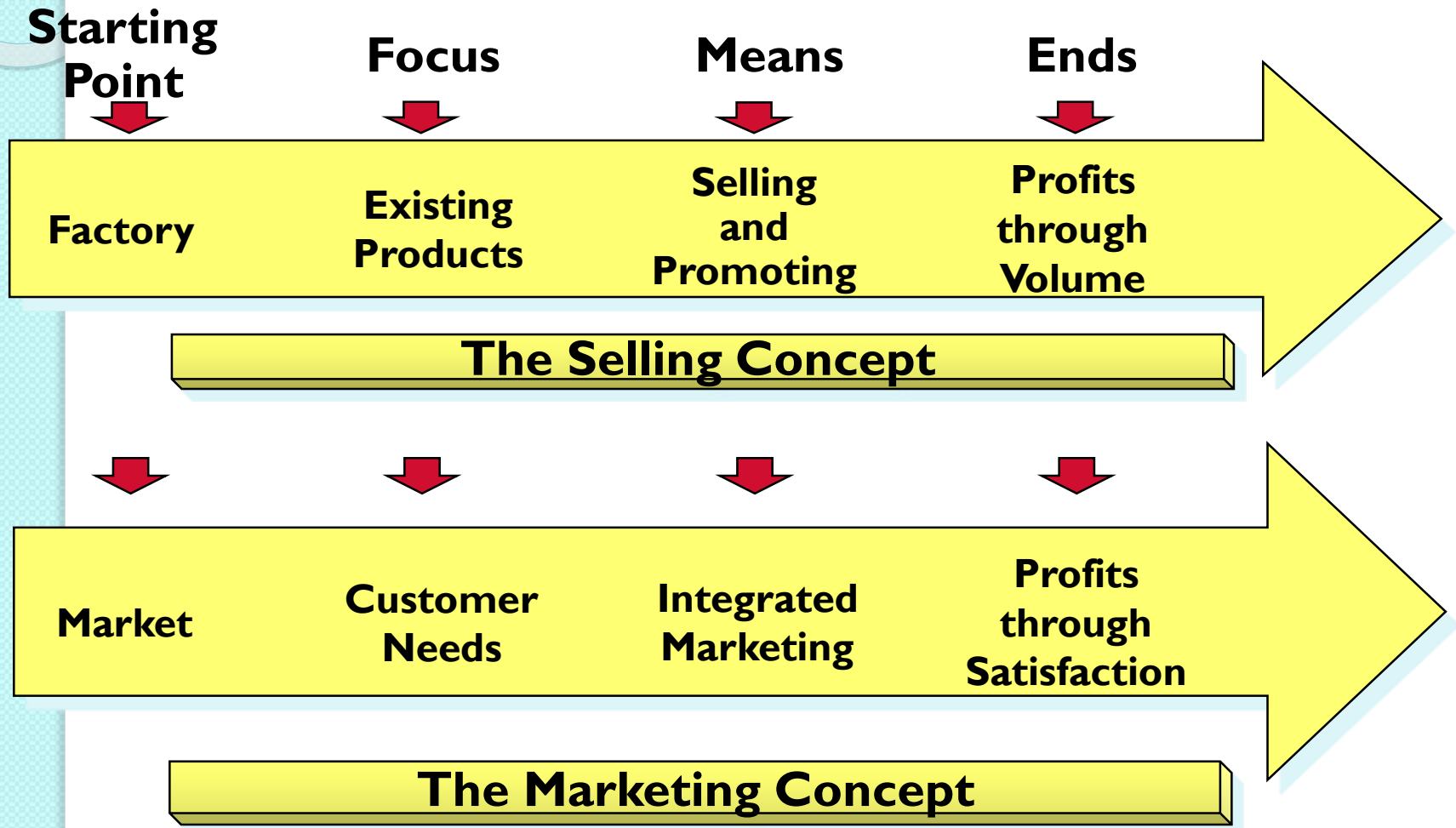
Selling Concept

- Consumers will buy products only if the company promotes/ sells these products.
- Assumes that consumers are unlikely to buy a product unless they are aggressively persuaded to do so
- Marketing objectives:
 - Sell, sell, sell
 - Lack of concern for customer needs and satisfaction

Marketing Concept

- Focuses on needs/ wants of target markets & delivering satisfaction better than competitors.
- Marketing objectives:
 - Make what you can sell
 - Focus on buyer's needs

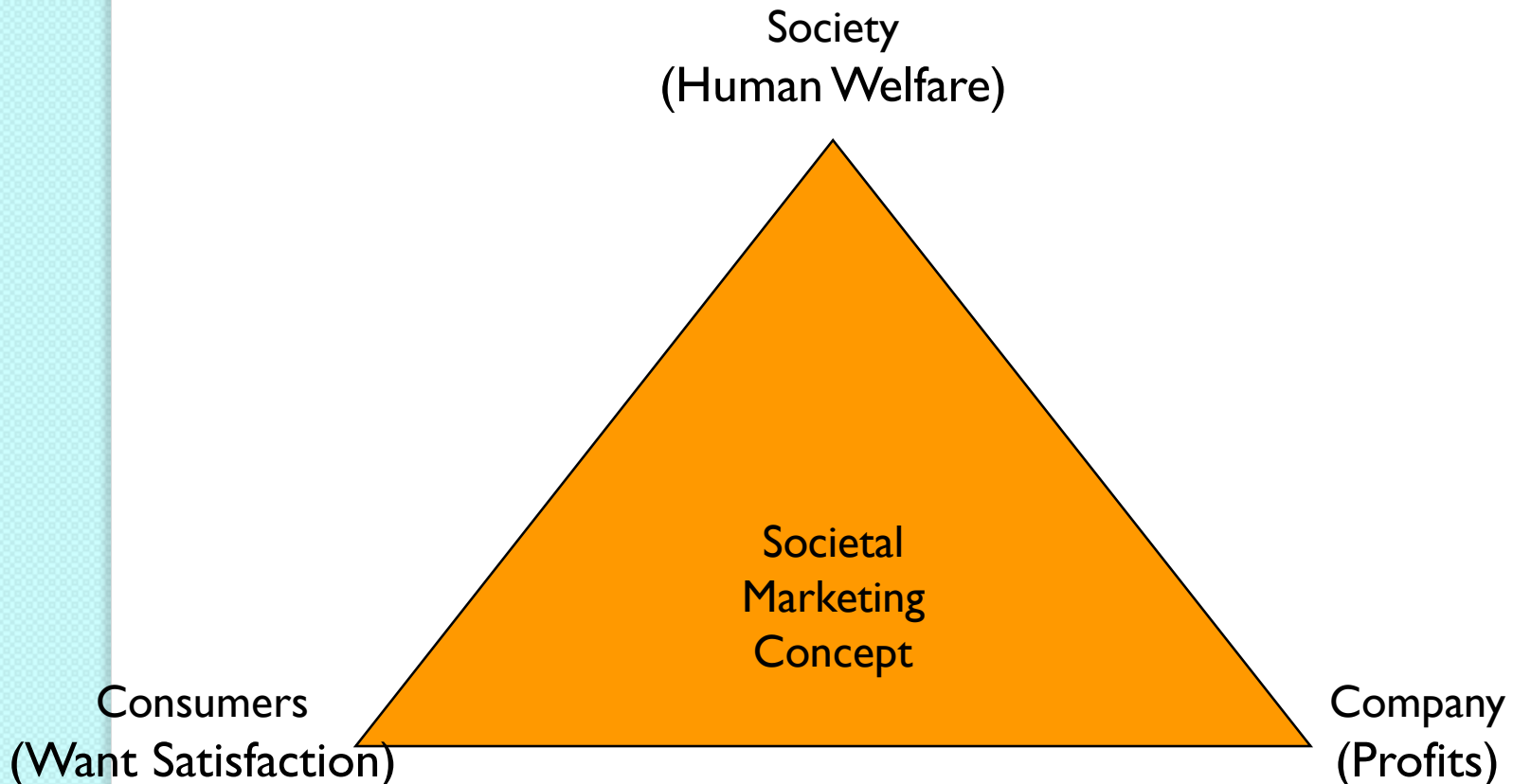
Marketing and Sales Concepts Contrasted



Societal Marketing Concept:

idea that a company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-term interests, and society's long-term interests

Ethical Marketing, Green Marketing



3. Preparing an integrated marketing plan and program

The marketing program builds customer relationship by transforming marketing strategy into action. It consists of **marketing mix**.

- Marketing mix tools: 4Ps
- Create a need for market offerings
- Decide how much should be charged
- How it will make offerings
- Communicate with target customers

4. Building customer relationships

- **CRM – Customer relationship management**

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“is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.”

- Customer perceived value- customer’s evaluation of the difference between all the benefits and the cost of a marketing offerings relative to those of competing offers.
- Customer satisfaction
- Partner relationship management- inside partners and outside partners

5. Capturing value from customers

- Creating customer loyalty and retention
 - Customer Lifetime Value (CLV)- value of the entire stream of purchases that the customer would make over a lifetime of patronage.
- Growing share of customer
 - Cross-selling
- Building customer equity- is the total combined CLV of all the company's current and potential customers.
- Building the right relationship with right customers- some loyal customer can be unprofitable and disloyal customer can be profitable

Customer relationship groups

