



*it's good and
good for you*

Chapter 1

Marketing: creating and capturing customer value

Creating and capturing customer value

Topic outline

- What is marketing?
- Understand 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.



What is marketing?

The marketing process

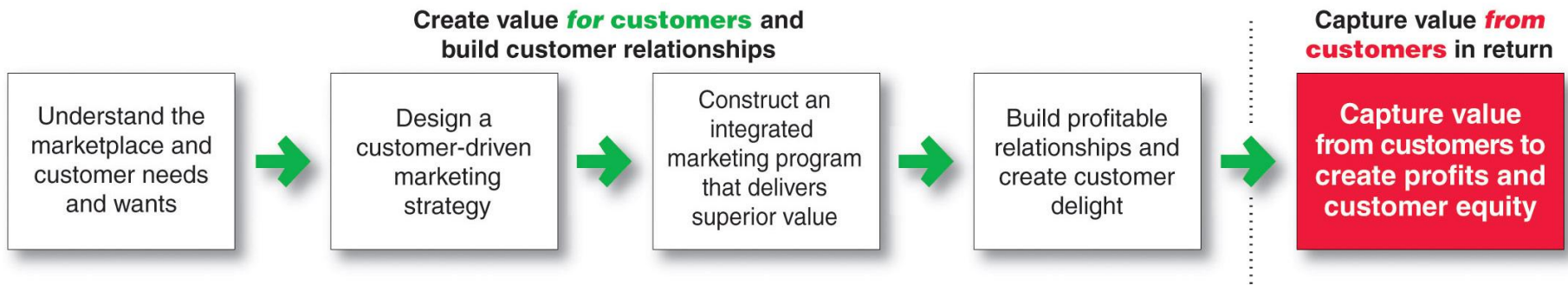


Figure 1.1 A simple model of the marketing process



Understanding the marketplace and customer needs

Customer needs, wants and demands

Needs

Wants

Demands



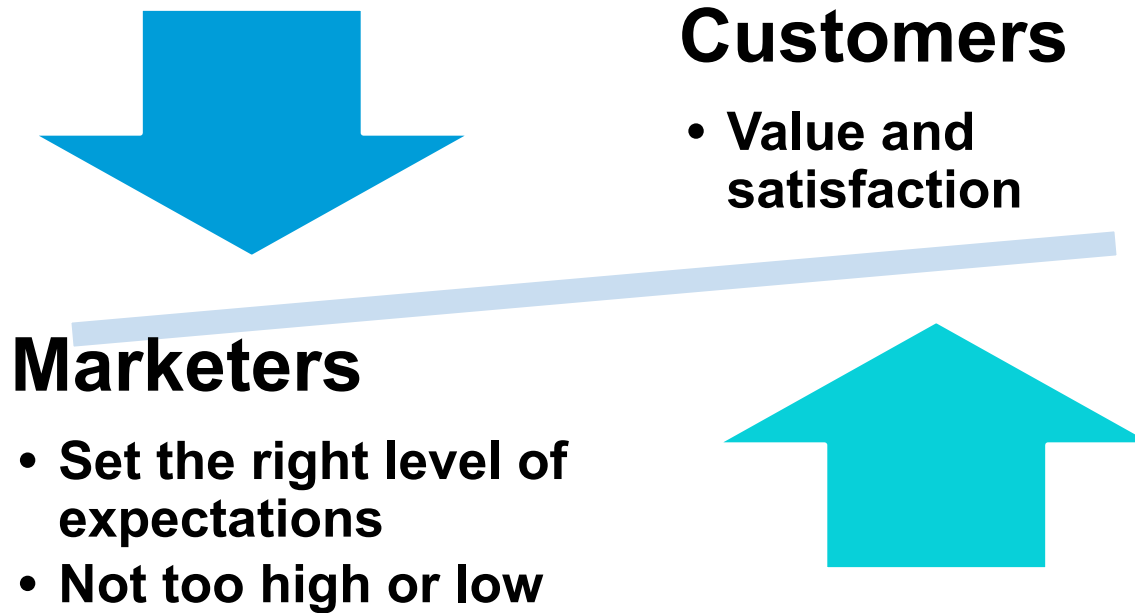
Understanding the marketplace and customer needs

- **Market offerings** are some combination of products, services, information, or experiences offered to a market to satisfy a need or want.
- **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



Understanding the marketplace and customer needs

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



Understanding the marketplace and customer needs

Market is the set of actual and potential buyers of a product.

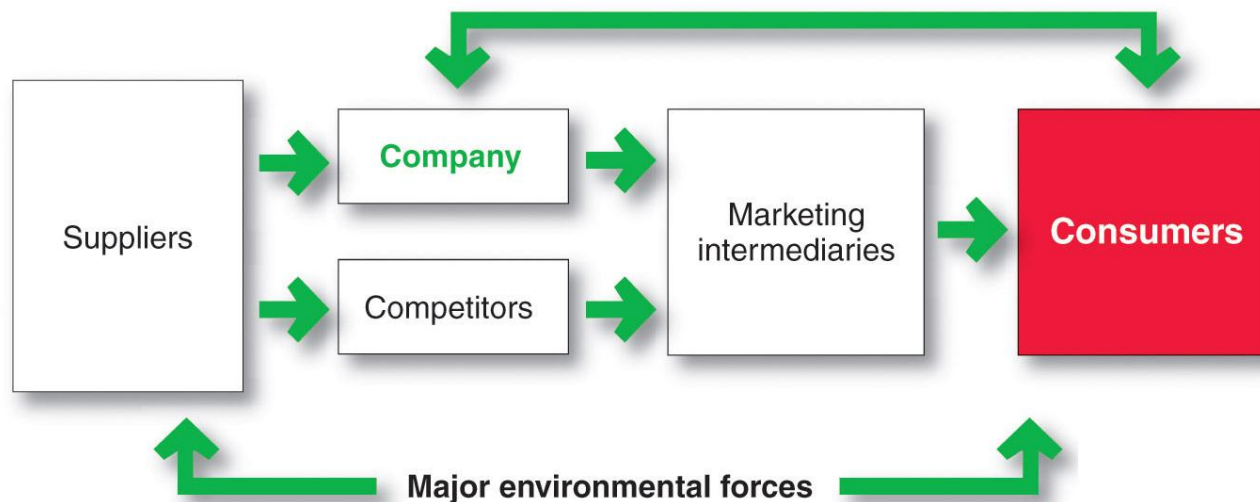


Figure 1.2 A modern marketing system



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 (Continued)

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 (Continued)

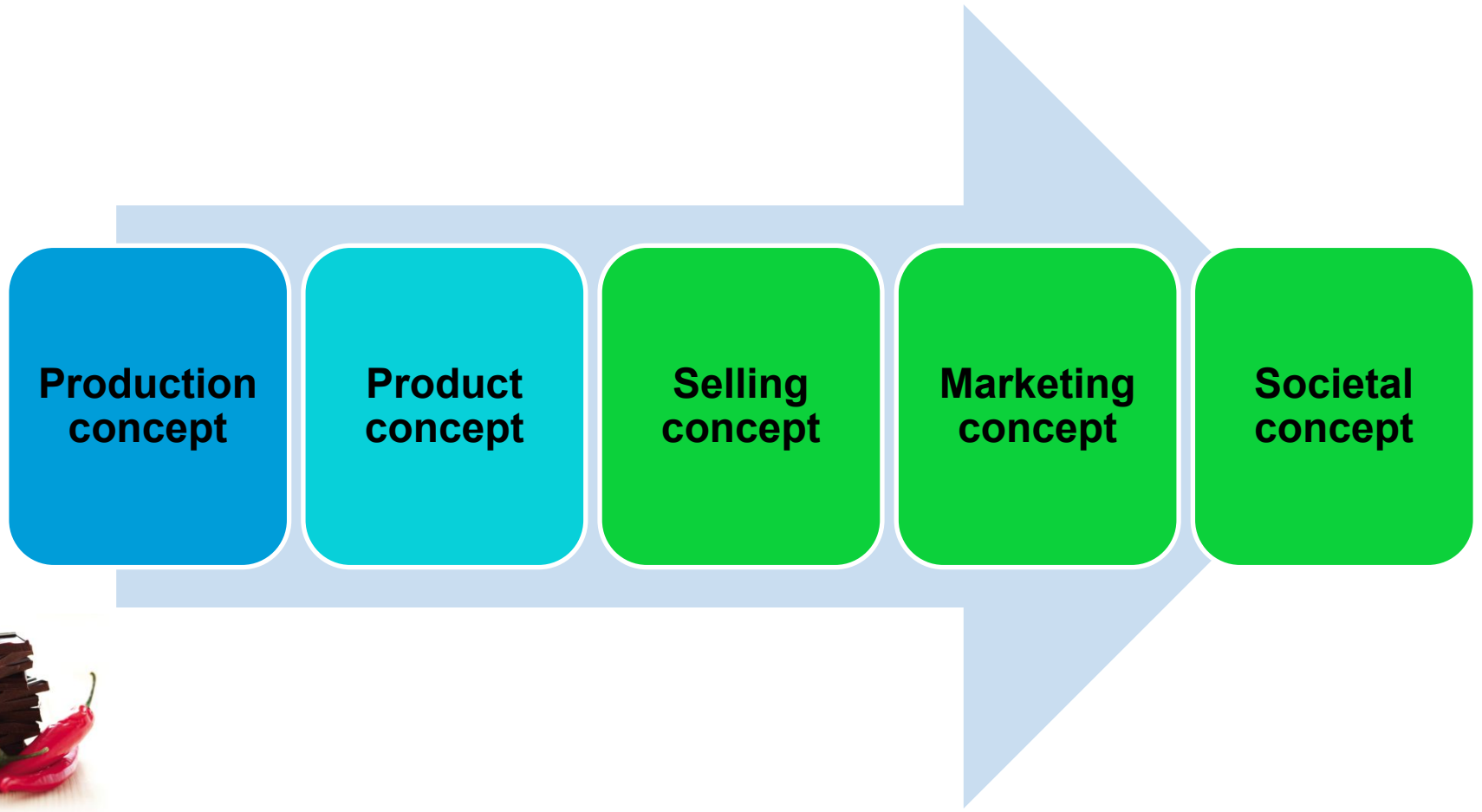
Choosing a value proposition

Value proposition is the set of benefits or values a company promises to deliver to customers to satisfy their needs.



Designing a customer-driven marketing strategy (Continued)

Marketing management orientations



Designing a customer-driven marketing strategy (Continued)

Marketing management orientations

Production concept is the idea that consumers will favour products that are available or highly affordable.



Designing a customer-driven marketing strategy (Continued)

Marketing management orientations

Product concept is the idea that consumers will favour products that offer the most quality, performance and features and that the organisation should therefore devote its energy to making continuous product improvements.



Designing a customer-driven marketing strategy (Continued)

Marketing management orientations

Selling concept is the idea that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.



Designing a customer-driven marketing strategy (Continued)

Marketing management orientations

Marketing concept is the idea that achieving organisational goals depends on knowing the needs and wants of the target markets and delivering the desired satisfactions better than competitors do.



Designing a customer-driven marketing strategy (Continued)

Marketing management orientations

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



Designing a customer-driven marketing strategy (Continued)

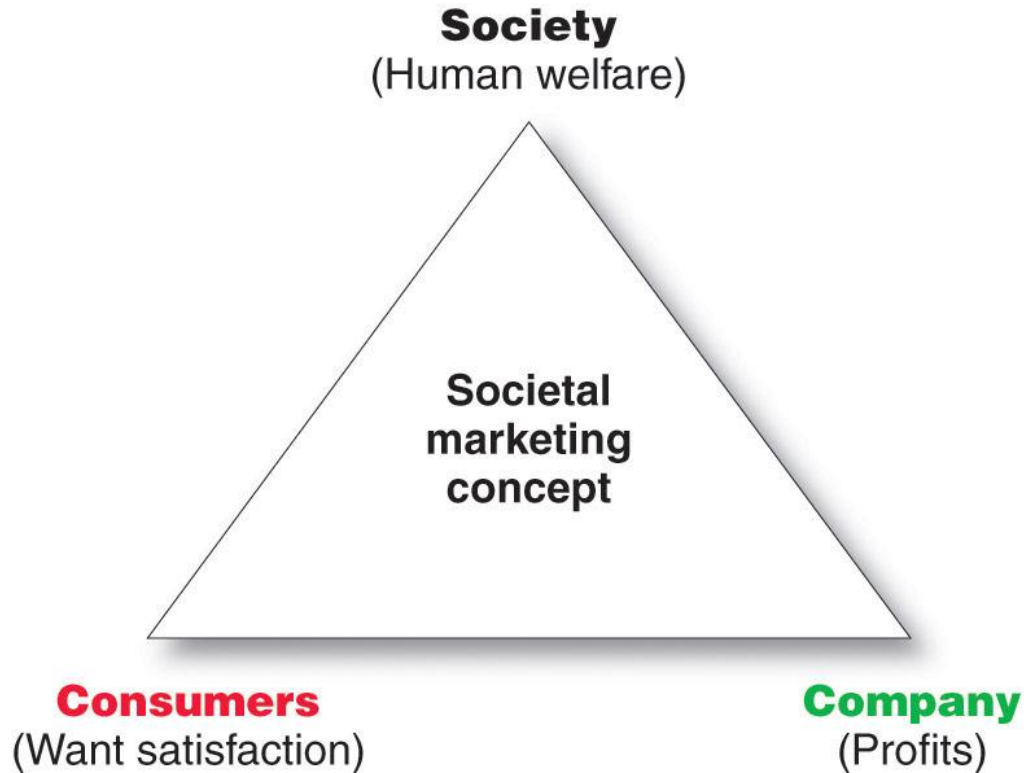


Figure 1.4 Three considerations underlying the societal marketing concept



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 (Continued)

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 (Continued)

Customer relationship levels and tools

Basic relationships

Full partnerships



Building customer relationships (Continued)

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 (Continued)

The changing nature of customer relationships

- **Customer-managed relationships:**
Marketing relationships in which customers, empowered by today's new digital technologies, interact with companies and with each other to shape their relationships with brands.



Building customer relationships (Continued)

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 (Continued)

Partner relationship management

- Partners inside the company is every functional area interacting with customers
 - Electronically
 - Cross-functional teams.
- Partners outside the company is how marketers connect with their suppliers, channel partners and competitors by developing partnerships.



Building customer relationships (Continued)

Partner relationship management

- The **supply chain** is a channel that stretches from raw materials to components to final products to final buyers.
- Supply chain management.



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 (Continued)

Growing share of customer

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



Capturing value from customers (Continued)

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



Capturing value from customers (Continued)

Building customer equity

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



The changing marketing landscape

Uncertain economic environment

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



The changing marketing landscape (Continued)

Digital age

- People are connected continuously to people and information worldwide.
- Marketers have great new tools to communicate with customers.
- Internet + mobile communication devices create environment for online marketing.



The changing marketing landscape (Continued)

- **Rapid globalisation**
- **Sustainable marketing**
- **Not-for-profit marketing**



So, what is marketing?

Pulling it all together

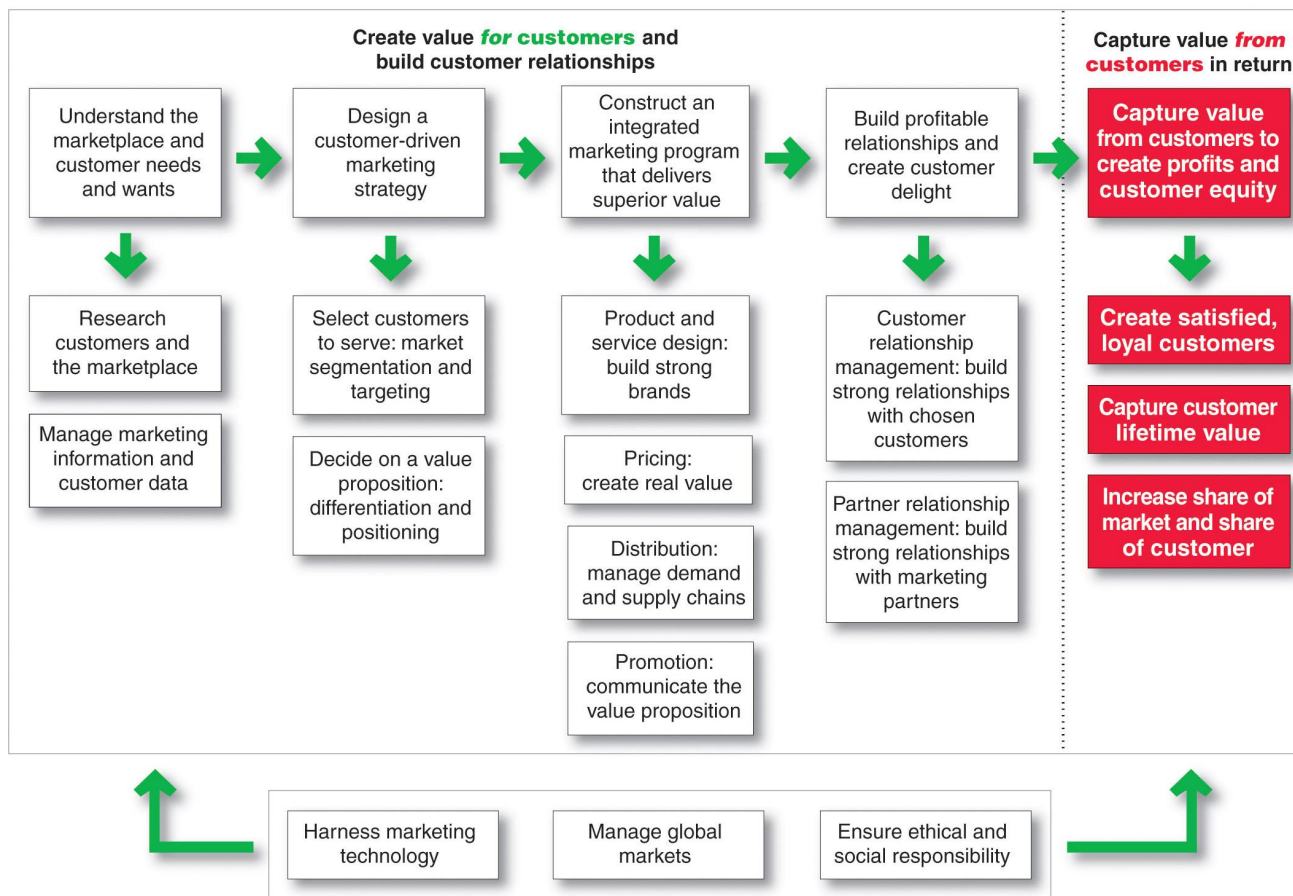


Figure 1.6 An expanded model of the marketing process