

# Chapter 1

## MARKETING: CREATING AND CAPTURING CUSTOMER VALUE

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## Objective 1



- Define Marketing and Outline the Steps in the Marketing Process.

# 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

Walmart – ‘Save money. Live better’

# Objectives of Marketing:

To satisfy customer needs **PROFITABLY**

To satisfy customer needs **EFFICIENTLY**

## ■ Some Definitions:

- The aim of marketing is to make selling superfluous. The aim is to know and understand the customer so well that the products or service fits...and sells itself – **Drucker**
- We define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products with value with others - **Kotler**

The Customer is King

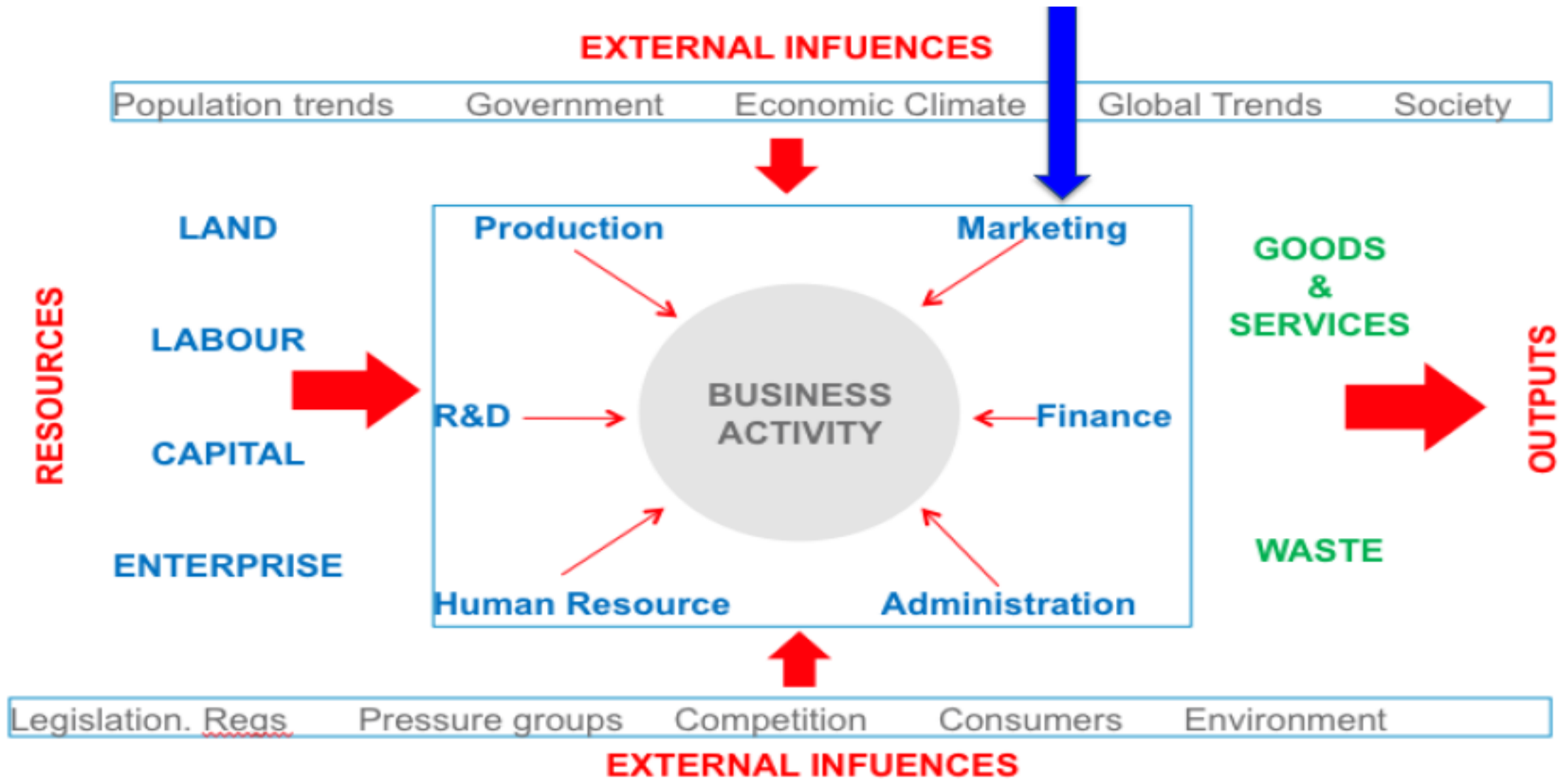
# Beginnings of Marketing Thought

- ✓ 1905 University of Pennsylvania offered a course 'The Marketing of Products'
- ✓ 1910 University of Wisconsin offered a course entitled Marketing Methods
- ✓ In 1922, Fred E. Clark (Associate Professor of Economics & Marketing, Northwestern University) wrote *Principles of Marketing*, which established him as a pioneer in the fundamental literature of marketing.

# The Eminent Marketing Historian

- ✓ Robert Bartels (BS in Marketing 1935, Ohio State University; MBA in Marketing 1936, Northwestern University; PhD at Ohio State University)
- ✓ Bartels 1941 Dissertation leads to the future master piece of Marketing book. 'Magna Opus (great work): The development of marketing thought'
- ✓ 1962 – Bartel published *The development of Marketing Thought*
- ✓ 1967- Kotler published *Marketing Management: Analysis, Planning, and Control*
- ✓ 1975- Kotler, the first person to receive the "Leader in Marketing Thought" award
- ✓ 1976 – The History of Marketing Thought by Bartel

# Where is Marketing?



# The Marketing Process





## Objective 2



- Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts

# 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

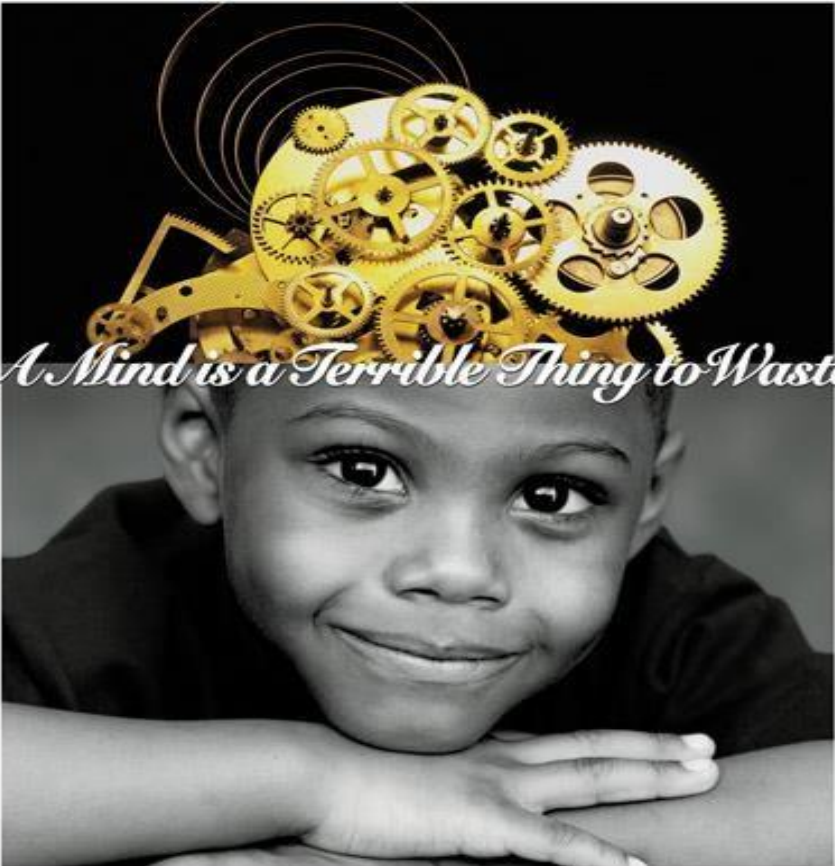
### Wants

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

### Demands

- Wants backed by buying power

- **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



*A Mind is a Terrible Thing to Waste*

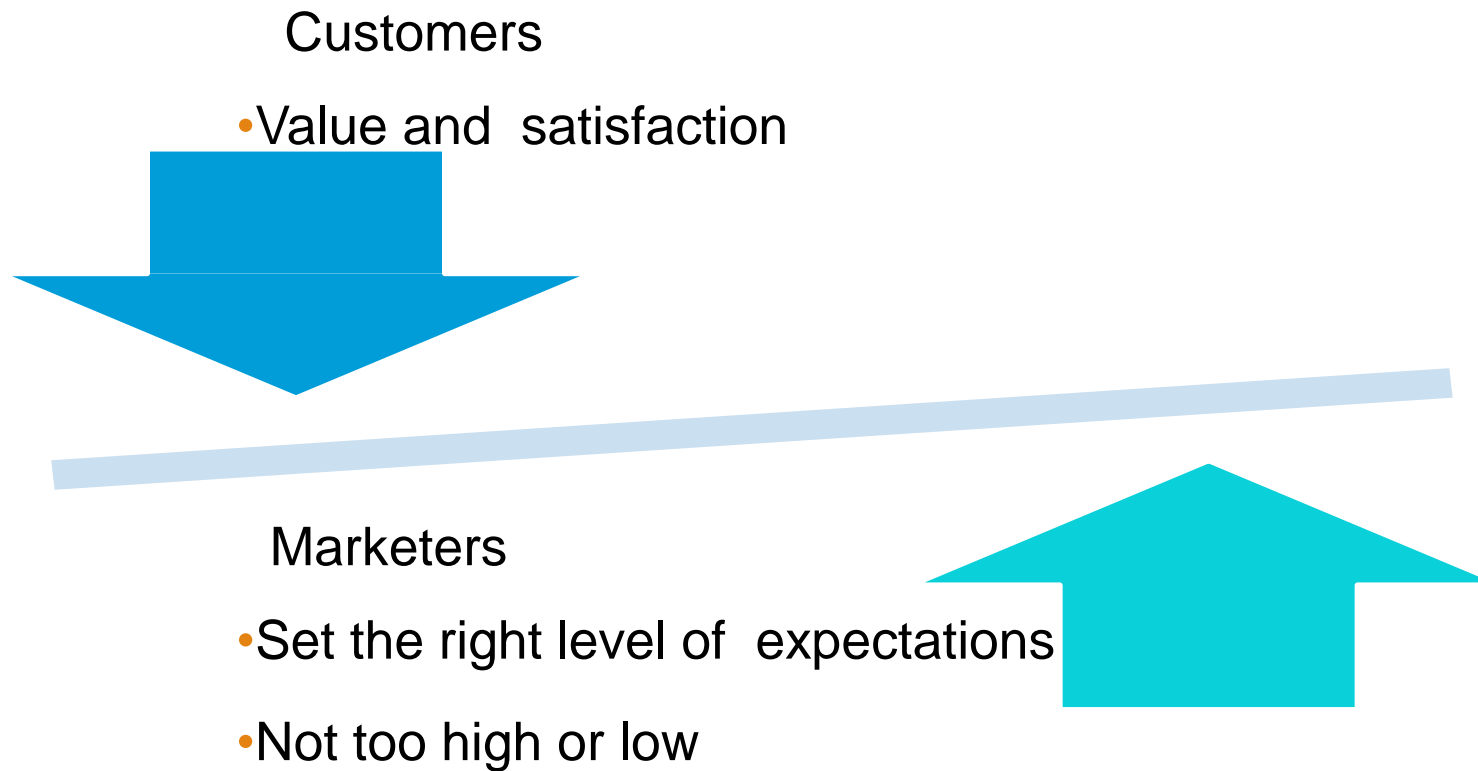
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# A Marketing Cycle

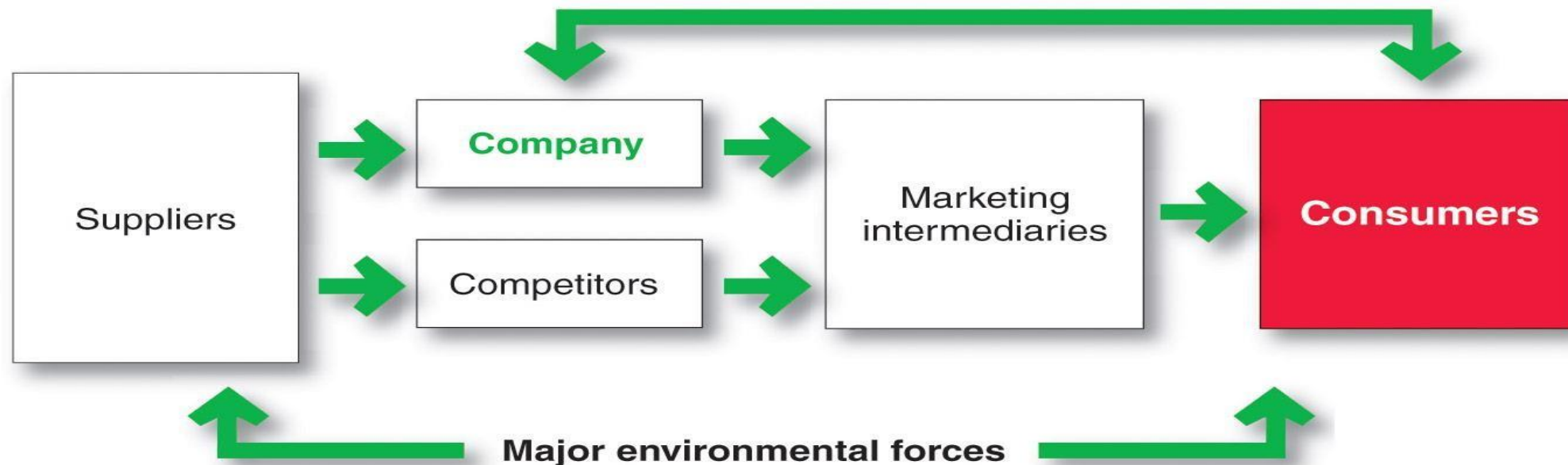


# Customer Value and Satisfaction, Expectations



# A Modern Marketing System

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



## Objective 3



- Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy

# 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?



# Selecting Customers to Serve

**Market segmentation** refers to dividing the markets into segments of customers

**Target marketing** refers to which segments to go after

# Choosing a Value Proposition

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

Facebook helps you “Connect and Share with the people in your life”

# Demand Management

Marketing managers seek to influence the level, timing, and composition of demand to meet the organization's objective. Eight demand states are possible:

Negative (dislike product and may even pay a price to avoid it)

Irregular (purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis)

Nonexistent (unaware of or uninterested in the product)

Unwholesome (product that have undesirable social consequences)

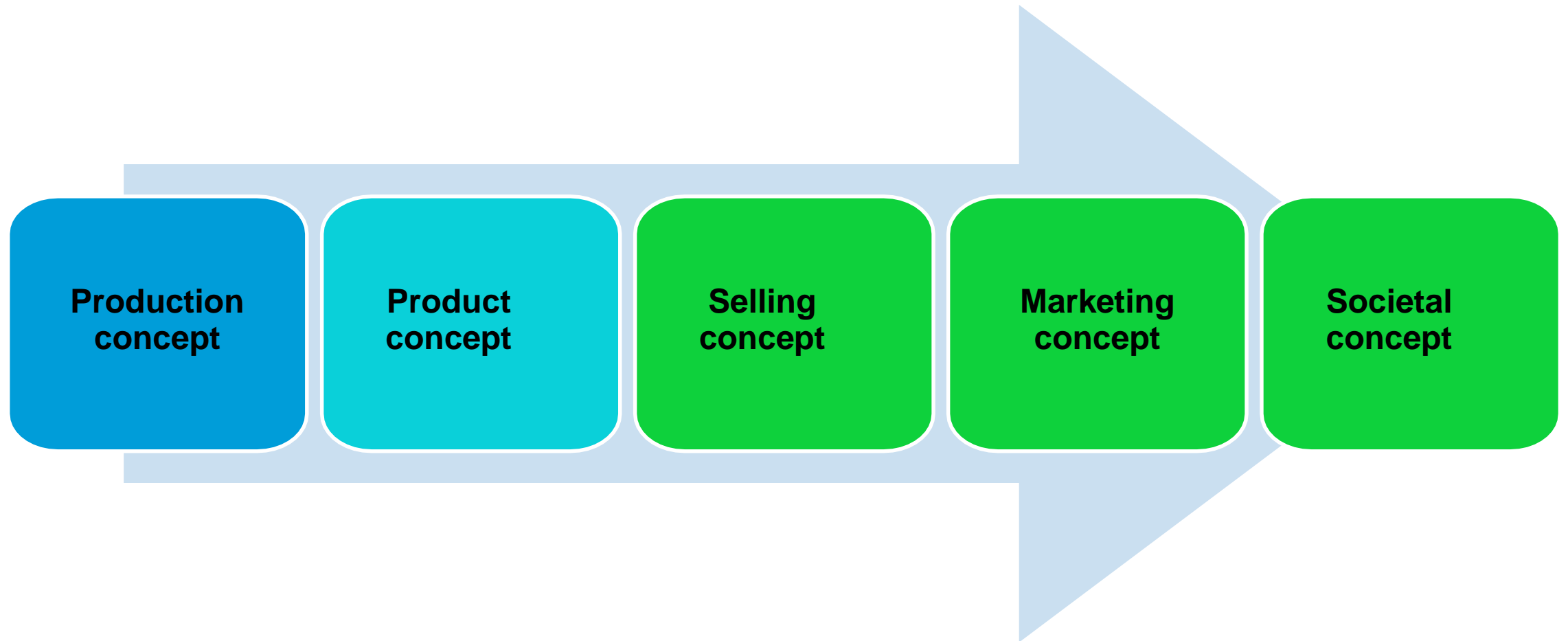
Latent (need that cannot be satisfied by existing product)

Full (adequately buying all products put into the marketplace)

Declining (buy the product less frequently or not at all)

Overfull (more consumers would like to buy the product that can be satisfied)

# Marketing Management Orientations



# Developing Concepts from 18<sup>th</sup> Century

- **The Production Concept**

- Holds that consumers will favour products that are available and affordable – management focus on production and distribution efficiency



- **The Product Concept**

- Holds that consumers will favour products that offer most in terms of quality, performance and innovation – management has product development focus



- **The Selling Concept**

- holds that consumers will only buy with large scale selling and promotional efforts, typically unsought after goods

BOGOF

- **The Marketing Concept**

- Holds that marketing success depends on matching the needs wants and demands of the target market – the concept of a customer focussed organisation



# Production-Oriented and Marketing-Oriented Managers Have Different Views of the Market



Production-oriented manager sees everyone as basically similar and practices “mass marketing”



Marketing-oriented manager sees everyone as different and practices “target marketing”

## Our Credo

We believe our first responsibility is to the doctors, nurses and patients,  
to mothers and fathers and all others who use our products and services.

In meeting their needs everything we do must be of high quality.

We must constantly strive to reduce our costs

In order to maintain reasonable prices.

Customers' orders must be serviced promptly and accurately.

Our suppliers and distributors must have an opportunity  
to make a fair profit.

We are responsible to our employees,

the men and women who work with us throughout the world.

Everyone must be considered as an individual.

We must respect their dignity and recognize their merit.

They must have a sense of security in their jobs.

Compensation must be fair and adequate,

and working conditions clean, orderly and safe.

We must be mindful of ways to help our employees fulfill

their family responsibilities.

Employees must feel free to make suggestions and complaints.

There must be equal opportunity for employment, development

and advancement for those qualified.

We must provide competent management,

and their actions must be just and ethical.

We are responsible to the communities in which we live and work  
and to the world community as well.

We must be good citizens — support good works and charities

and bear our fair share of taxes.

We must encourage civic improvements and better health and education.

We must maintain in good order

the property we are privileged to use,

protecting the environment and natural resources.

Our final responsibility is to our stockholders.

Business must make a sound profit.

We must experiment with new ideas.

Research must be carried on, innovative programs developed

and mistakes paid for.

New equipment must be purchased, new facilities provided

and new products launched.

Reserves must be created to provide for adverse times.

When we operate according to these principles,

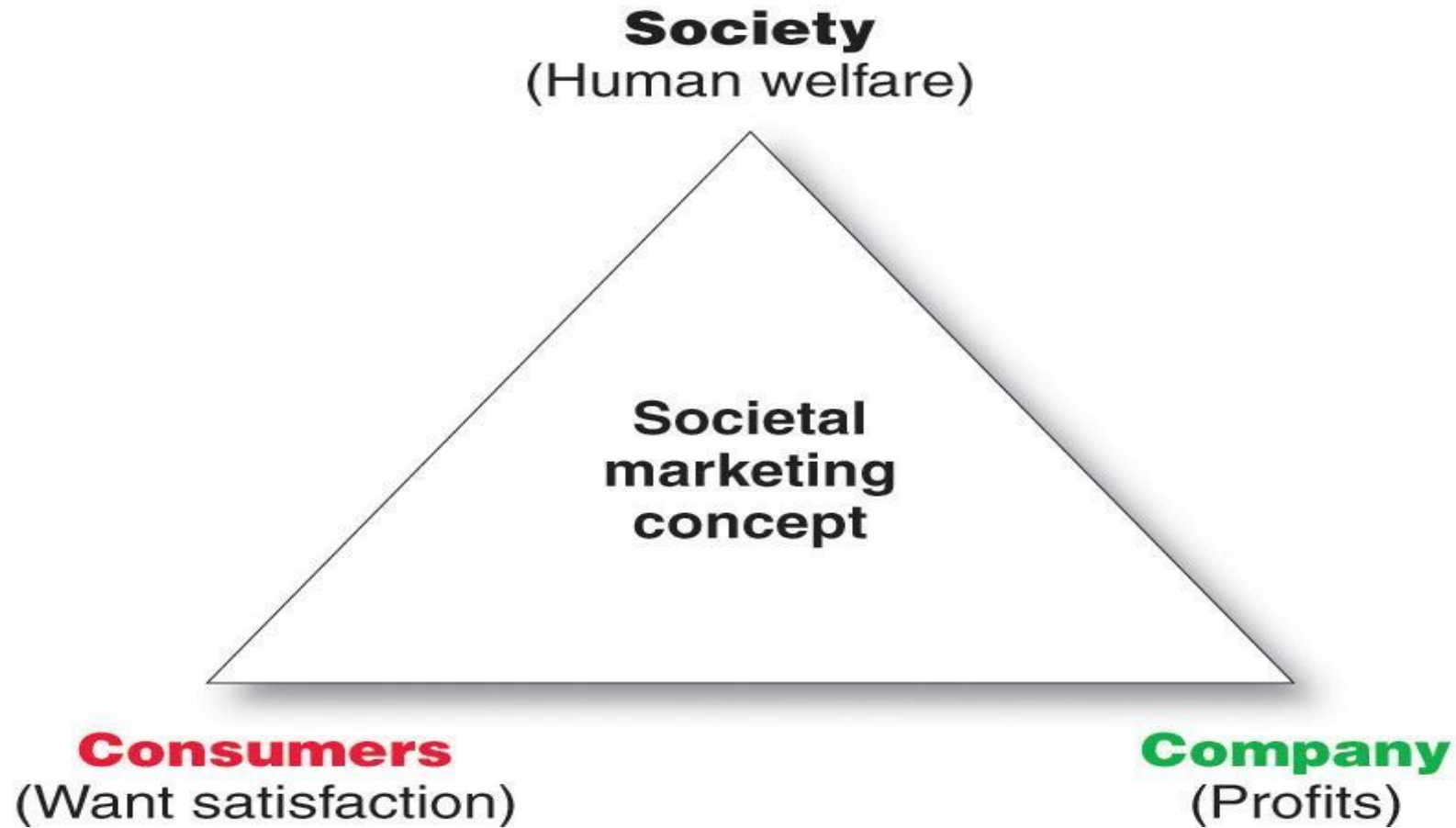
the stockholders should realize a fair return.

*Johnson & Johnson*

**Societal marketing** concept is the idea that a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-term interests, and society's long-run interests



# The Considerations Underlying the Societal Marketing Concept



## **Following are the examples of Societal Marketing Concept:**

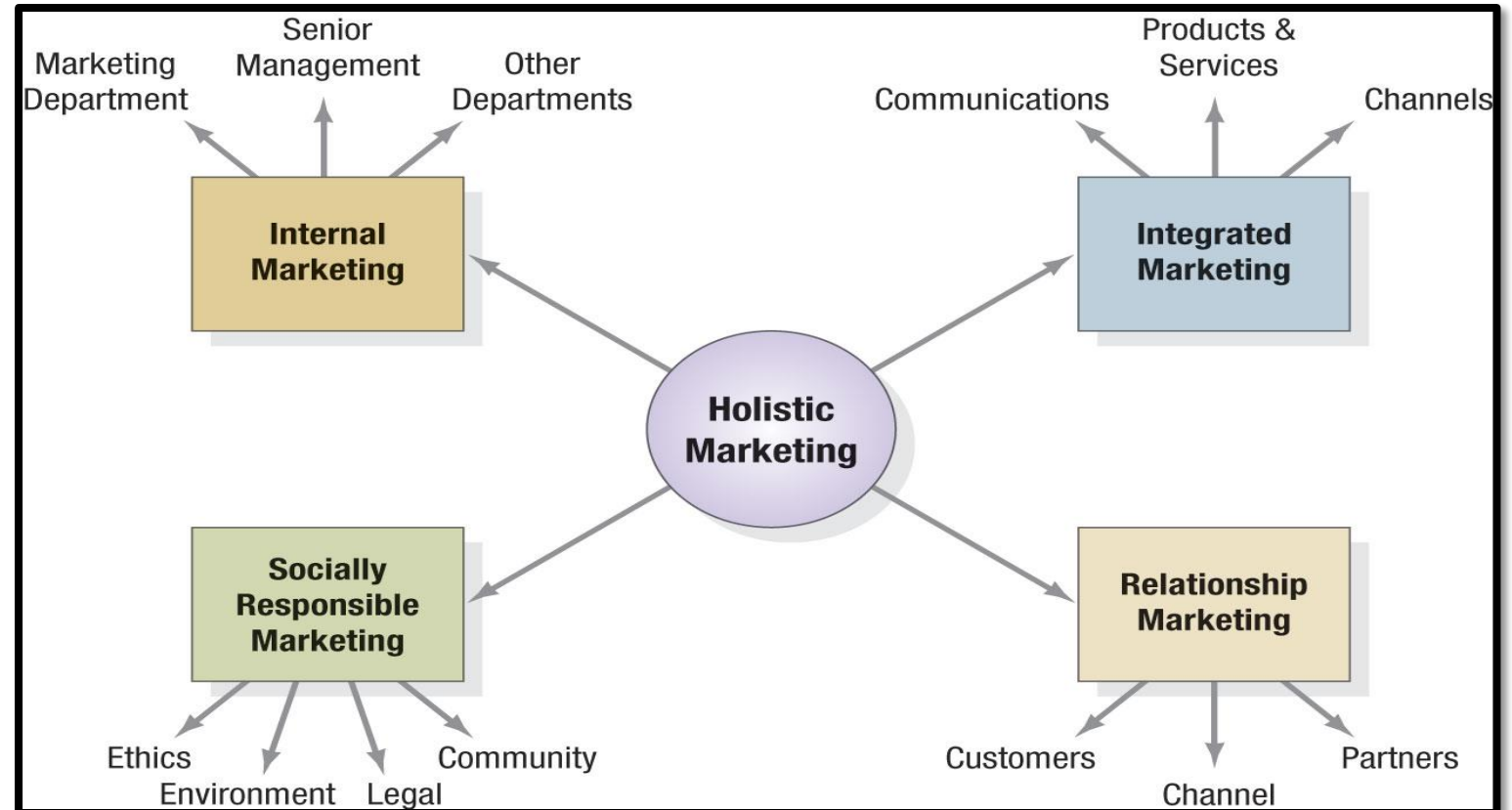
Body Shop: Body Shop is a cosmetic company found by Anita Roddick. The company uses only vegetable based materials for its products. It is also against Animal testing, supports community trade, activate Self Esteem, Defend Human Rights, and overall protection of the planet. Thus it is completely following the concept of Societal Marketing.

British American tobacco Company: BAT is a British based Tobacco company. It was found in the year 1902. BAT is involved in working for the society in every part of the world. It conducts tree plantation drives as part of its societal marketing strategy.



# Holistic Marketing Concept

A holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.



## Objective 4



- Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.

# Building Customer Relationships



## Customer Relationship Management (CRM)

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

# 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

## **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

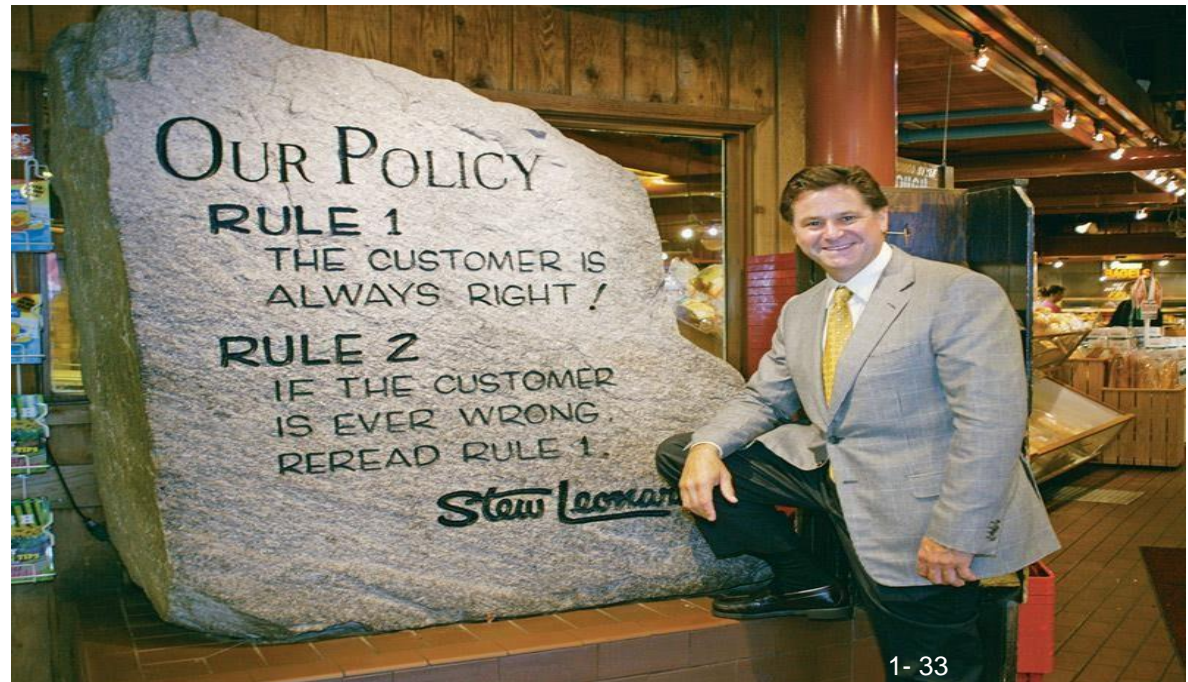
**Partner relationship management** involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers



# 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



## **Growing Share of Customer**

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

# Customer equity

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

## Objective 5



- Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

# The Changing Marketing Landscape

## Uncertain Economic Environment

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



# **Digital Age**

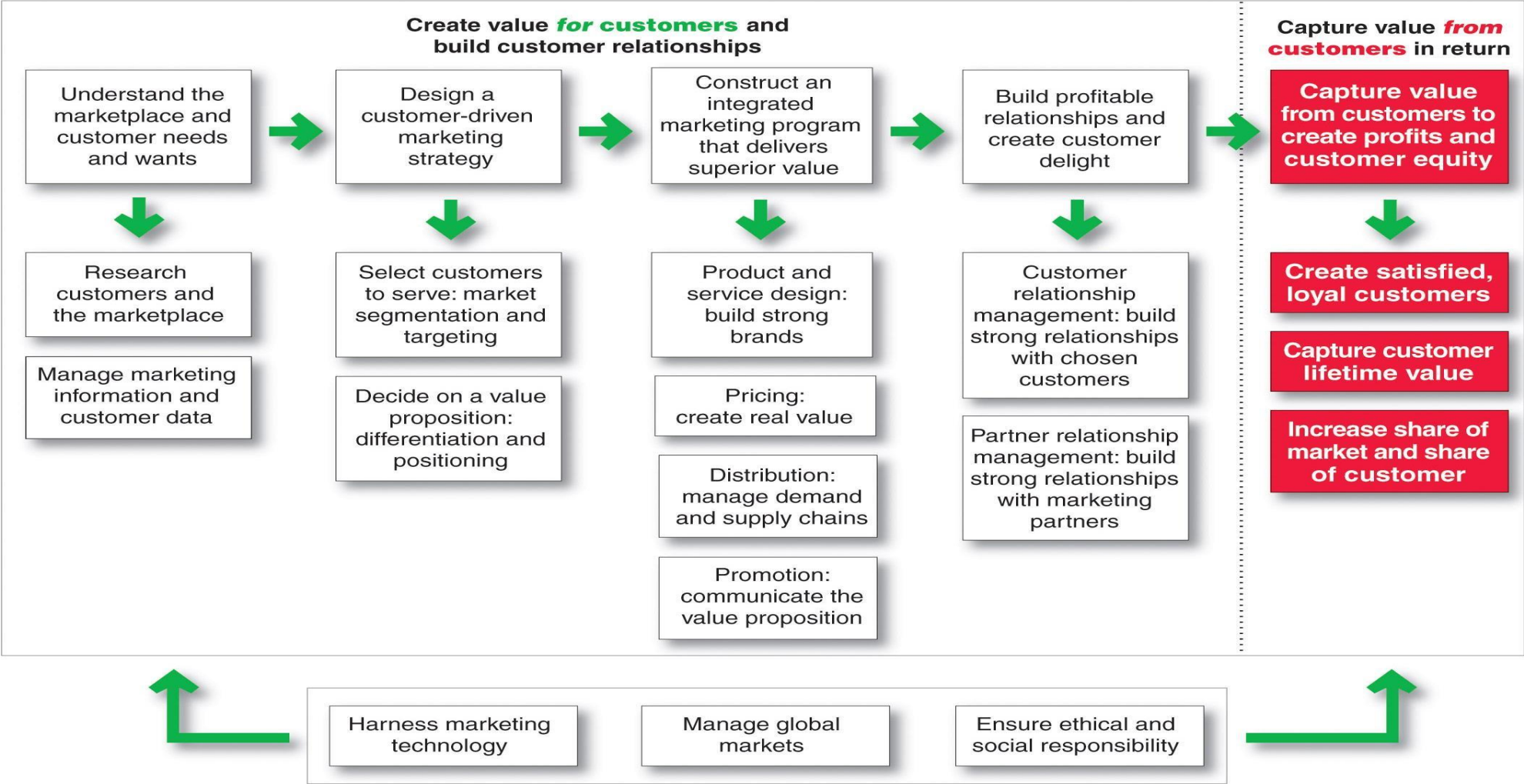
- **People are connected continuously to people and information worldwide**
- **Marketers have great new tools to communicate with customers**
- **Internet + mobile communication devices creates environment for online marketing**

- Rapid Globalization
- Sustainable Marketing
- Not-for-Profit Marketing





# So, What Is Marketing? Pulling It All Together



Thank  
You