

Chapter One

Marketing: Creating and Capturing Customer Value

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.

But how do we create value?

The Marketing Process (Fig. 1.1)



Figure 1.1 A Simple Model of the Marketing Process

Copyright © 2014 Pearson Canada Inc.



Understanding the Marketplace and Customer Needs

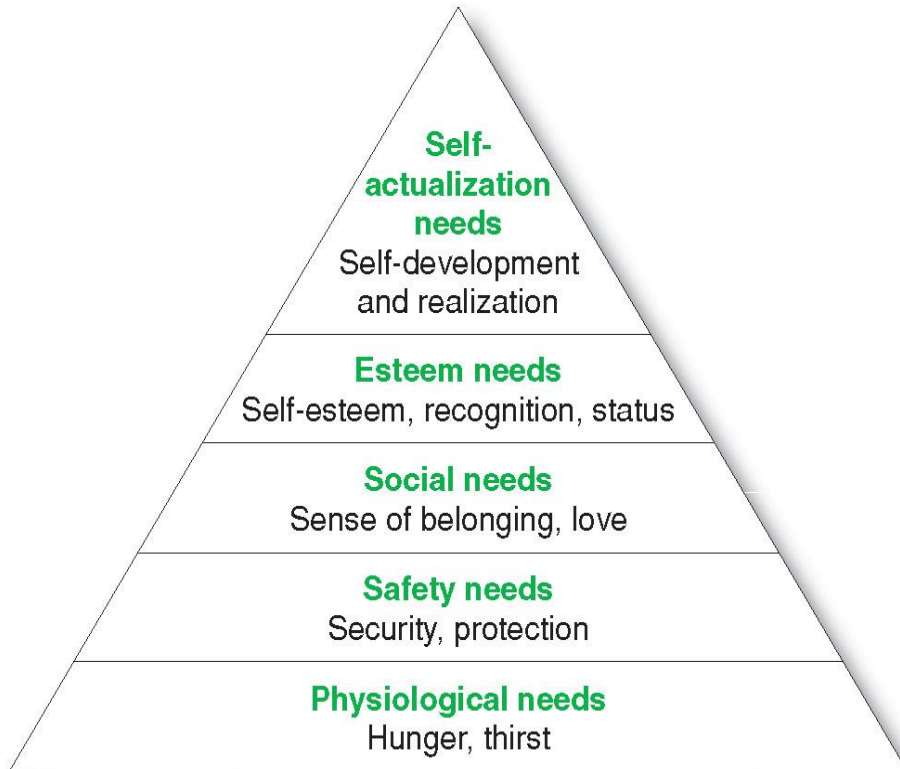
Core Concepts

- Customer needs, wants, and demands
- Market offerings (products and services)
- Value and satisfaction
- Exchanges and relationships
- Markets

Understand the marketplace and customer needs and wants

Understanding the Marketplace and Customer Needs

Customer Needs, Wants, and Demands



- Needs
 - State of felt deprivation
- Wants
 - The form human needs take as shaped by culture and individual personality
- Demands
 - Wants that are backed by buying power

Understanding the Marketplace and Customer Needs

Understand the marketplace and customer needs and wants

Customer Needs, Wants, and Demands

Needs

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

Wants

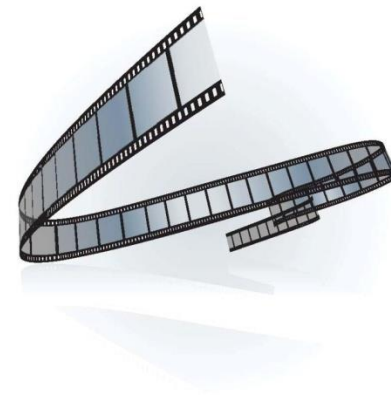
- Form that needs take as they are shaped by culture and individual personality

Demands

- Wants backed by buying power

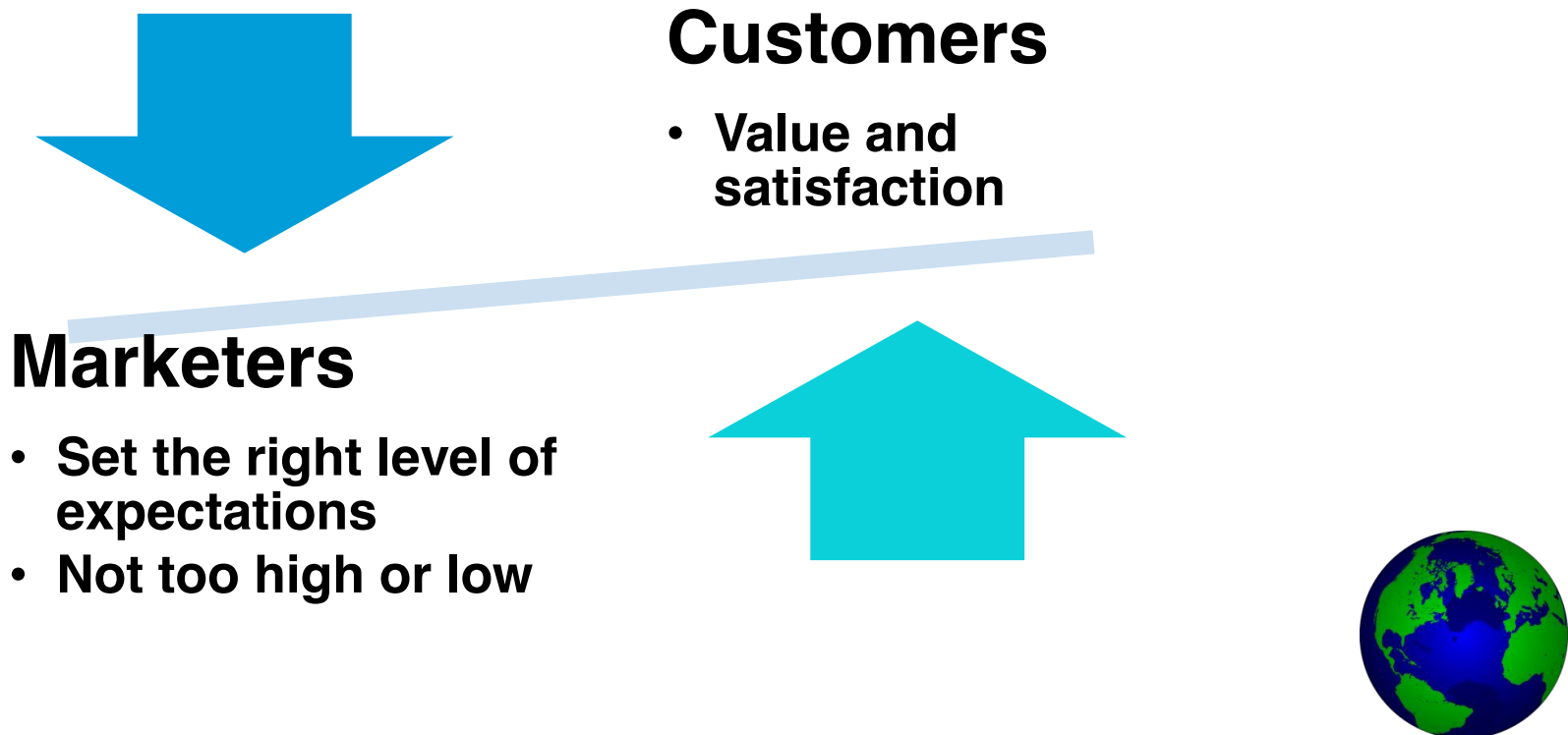
Understanding the Marketplace and Customer Needs

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

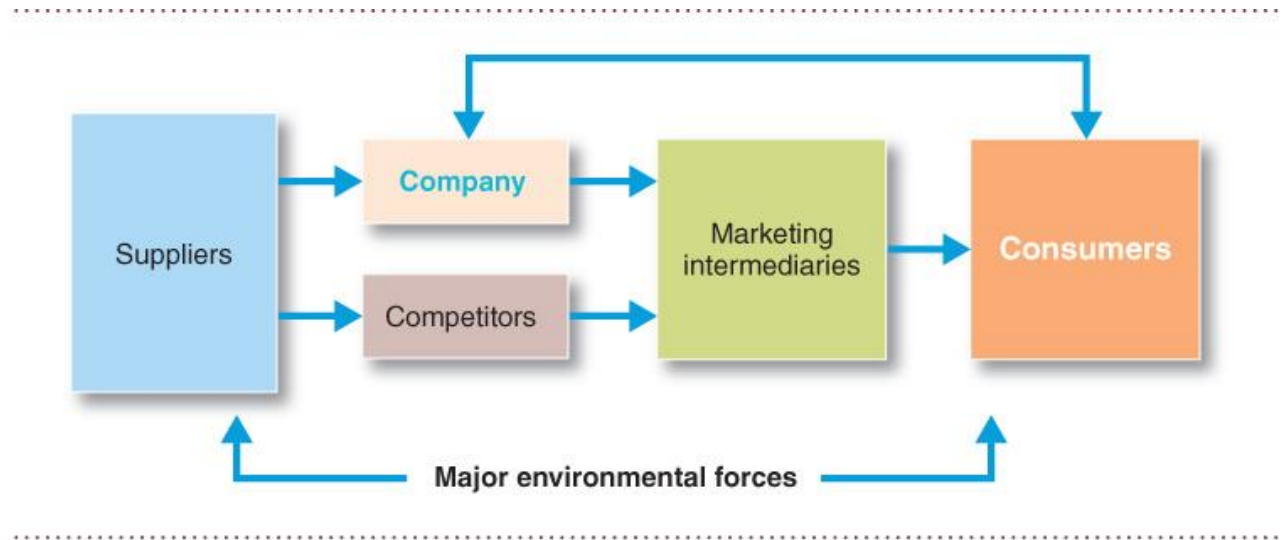
Exchange is the act of obtaining a desired object from someone by offering something in return.



Understanding the Marketplace and Customer Needs

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

Figure 1.2 A Modern Marketing System



Copyright © 2014 Pearson Canada Inc.

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.
- **Demarketing** is marketing to reduce demand temporarily or permanently; the aim is not to destroy demand but to reduce or shift it.



Designing a Customer-Driven Marketing Strategy

Choosing a Value Proposition

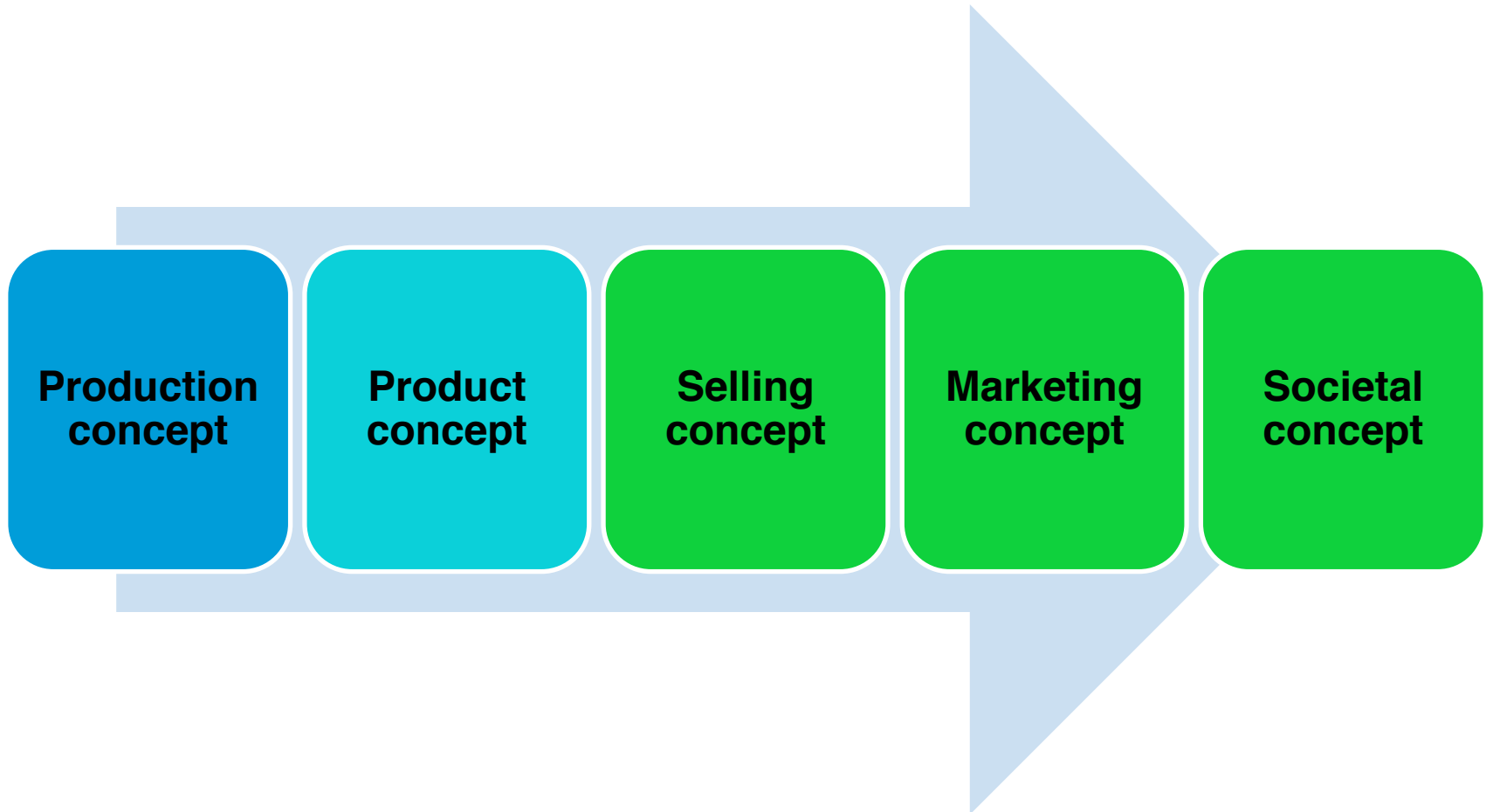
The **value proposition** is the set of benefits or values a company promises to deliver to customers to satisfy their needs.



Design a
customer-driven
marketing
strategy

Designing a Customer-Driven Marketing Strategy

Marketing Management Orientations



Designing a Customer-Driven Marketing Strategy

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

Marketing Management Orientations

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

Designing a Customer-Driven Marketing Strategy

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.

Have you ever been asked:

- Would you like fries with that?
- Would you like that supersized?

Designing a Customer-Driven Marketing Strategy

Marketing Management Orientations

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



Design a customer-driven marketing strategy

Designing a Customer-Driven Marketing Strategy

Figure 1.3 The selling and marketing concepts contrasted

Figure 1.3 The Selling and Marketing Concepts Contrasted



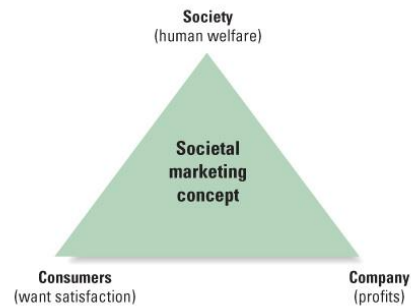
Copyright © 2014 Pearson Canada Inc.

Design a customer-driven marketing strategy

Designing a Customer-Driven Marketing Strategy

Marketing Management Orientations

Figure 1.4 Three Considerations Underlying the Societal Marketing Concept



Copyright © 2014 Pearson Canada Inc.

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.

Construct an
integrated
marketing program
that delivers
superior value

Preparing an Integrated Marketing Plan and Program

- **The marketing mix** is the set of tools (four Ps) the firm uses to implement its marketing strategy. It includes product, price, promotion, and place.
- **An integrated marketing program** is a comprehensive plan that communicates and delivers the intended value to chosen customers.

Build profitable relationships and create customer delight

Building Customer Relationships

Customer Relationship Management (CRM)



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

Build profitable relationships and create customer delight

Building Customer Relationships

Relationship Building Blocks: Customer Value and Satisfaction

Customer-perceived value

- the customer's evaluation of the difference between all benefits and all costs of a market offering relative to those of competing offers

Customer satisfaction

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

Build profitable relationships and create customer delight

Building Customer Relationships

Customer Relationship Levels and Tools

Basic Relationships

Full Partnerships



Copyright © 2014 Pearson Canada Inc.

Build profitable relationships and create customer delight

Building Customer Relationships

The Changing Nature of Customer Relationships

- Relating with more carefully selected customers using 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

Build profitable
relationships and
create customer
delight

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.

Build profitable relationships and create customer delight

Building Customer Relationships

Partner Relationship Management

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

Build profitable relationships and create customer delight

Building Customer Relationships

Partner Relationship Management

- Supply chain: a channel that stretches from raw materials to components to final products to final buyers
- Supply management
- Strategic partners
- Strategic alliances

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.



Copyright © 2014 Pearson Canada Inc.

Capturing Value from Customers

Growing Share of Customer

- **Share of customer** is the portion of the customer's purchasing that a company gets in its product categories.
 - What's your favourite brand?
 - What products would you like to see your favourite brand come out with?

Capturing Value from Customers

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



Copyright © 2014 Pearson Canada Inc.

Capturing Value from Customers

Building Customer Equity

- Building the 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.
 - Build the right relationship with the right customers.



Capturing Value from Customers

Building the Right Relationships with the Right Customers

Profitability	High	Butterflies Good fit between company's offerings and customer's needs; high profit potential	True Friends Good fit between company's offerings and customer's needs; highest profit potential
	Low	Strangers Little fit between company's offerings and customer's needs; lowest profit potential	Barnacles Limited fit between company's offerings and customer's needs; low profit potential
		Short-term customers	Long-term customers
		Projected loyalty	

So, What Is Marketing?

Pulling It All Together

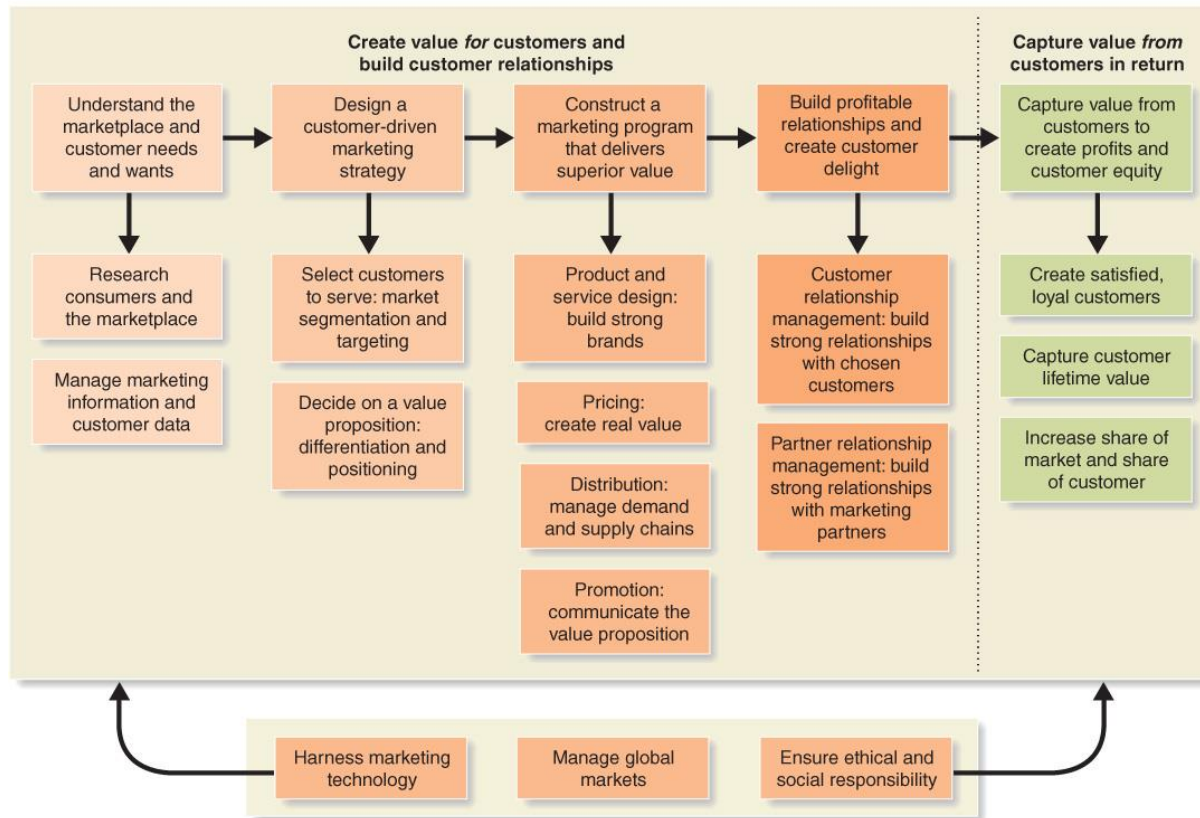


Figure 1.5 An Expanded Model of the Marketing Process

Copyright © 2014 Pearson Canada Inc.

The Changing Marketing Landscape

Major Developments

Digital age

Rapid globalization

Ethics and social responsibility

Not-for-profit marketing



Copyright © 2014 Pearson Canada Inc.

The New Marketing Landscape

- Challenges
 - *The Digital Age*
 - *Rapid Globalization*
 - *Ethics and Social Responsibility*
 - *Not-for-Profit Marketing*
- Advances in computers, telecommunications information, transportation
 - Customer research and tracking
 - Product development
 - Distribution
 - New advertising tools
 - 24/7 marketing through the Internet

The New Marketing Landscape

- Challenges
 - *The Digital Age*
 - *Rapid Globalization*
 - *Ethics and Social Responsibility*
 - *Not-for-Profit Marketing*
- Geographical and cultural distances have shrunk
 - Greater market coverage
 - More options for purchasing and manufacturing
 - Increased competition from foreign competitors

The New Marketing Landscape

- Challenges
 - *The Digital Age*
 - *Rapid Globalization*
 - *Ethics and Social Responsibility*
 - *Not-for-Profit Marketing*
- Marketers need to take great responsibility for the impact of their actions.
 - Caring capitalism is a way to differentiate your company

The New Marketing Landscape

- Challenges
 - *The Digital Age*
 - *Rapid Globalization*
 - *Ethics and Social Responsibility*
 - *Not-for-Profit Marketing*
- Many non-profit organizations are realizing the importance of strategic marketing
 - Performing arts
 - Government agencies
 - Colleges
 - Hospitals
 - Churches