

P R I N C I P L E S O F  
**Marketing**

## **Chapter One**

### **Creating and Capturing Customer Value**



# Creating and Capturing Customer Value

## Topic Outline

- Define marketing and outline the steps in the marketing process
- 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



# Understanding the Marketplace and Customer Needs

## Core Concepts

- Customer needs, wants, and demands
- Market offerings
- Customer Value and satisfaction
- Exchanges and relationships
- Markets



# 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 human needs take as they are shaped by culture and individual personality

### Demands

- Human wants backed by buying power



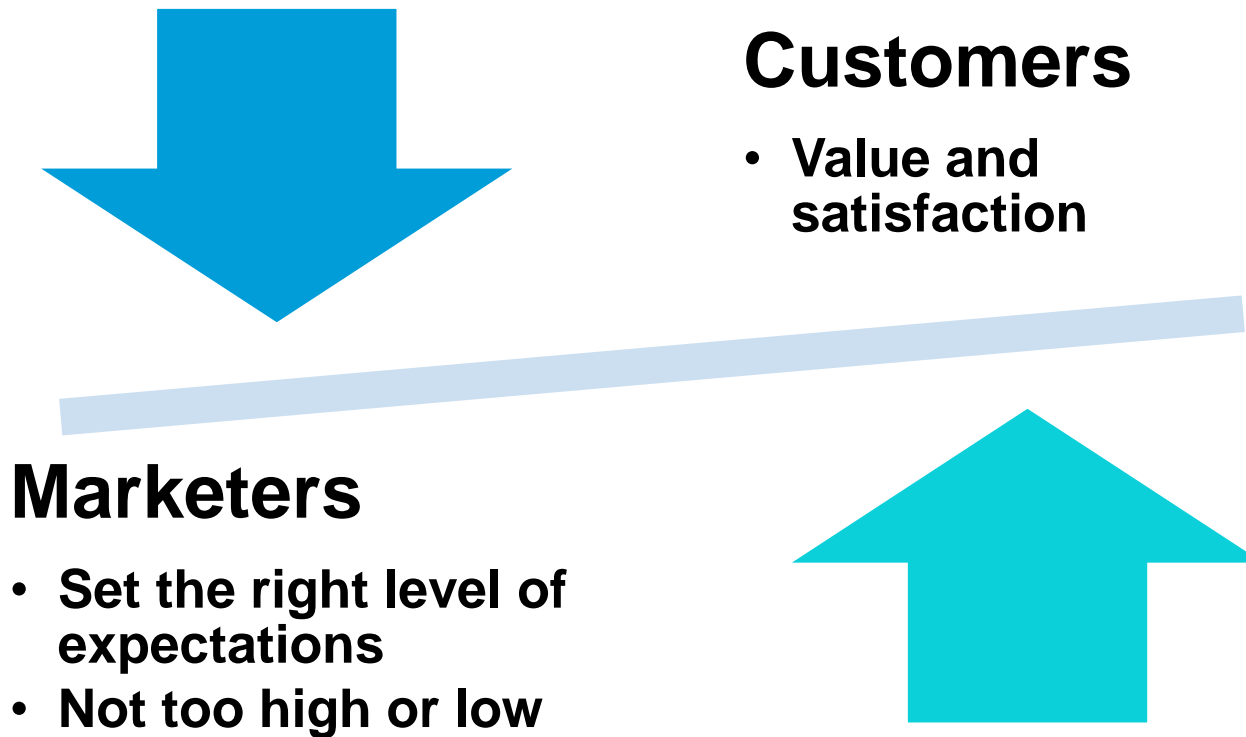
# Understanding the Marketplace and Customer Needs

- **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 or service



# 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

## Selecting Customers to Serve

**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

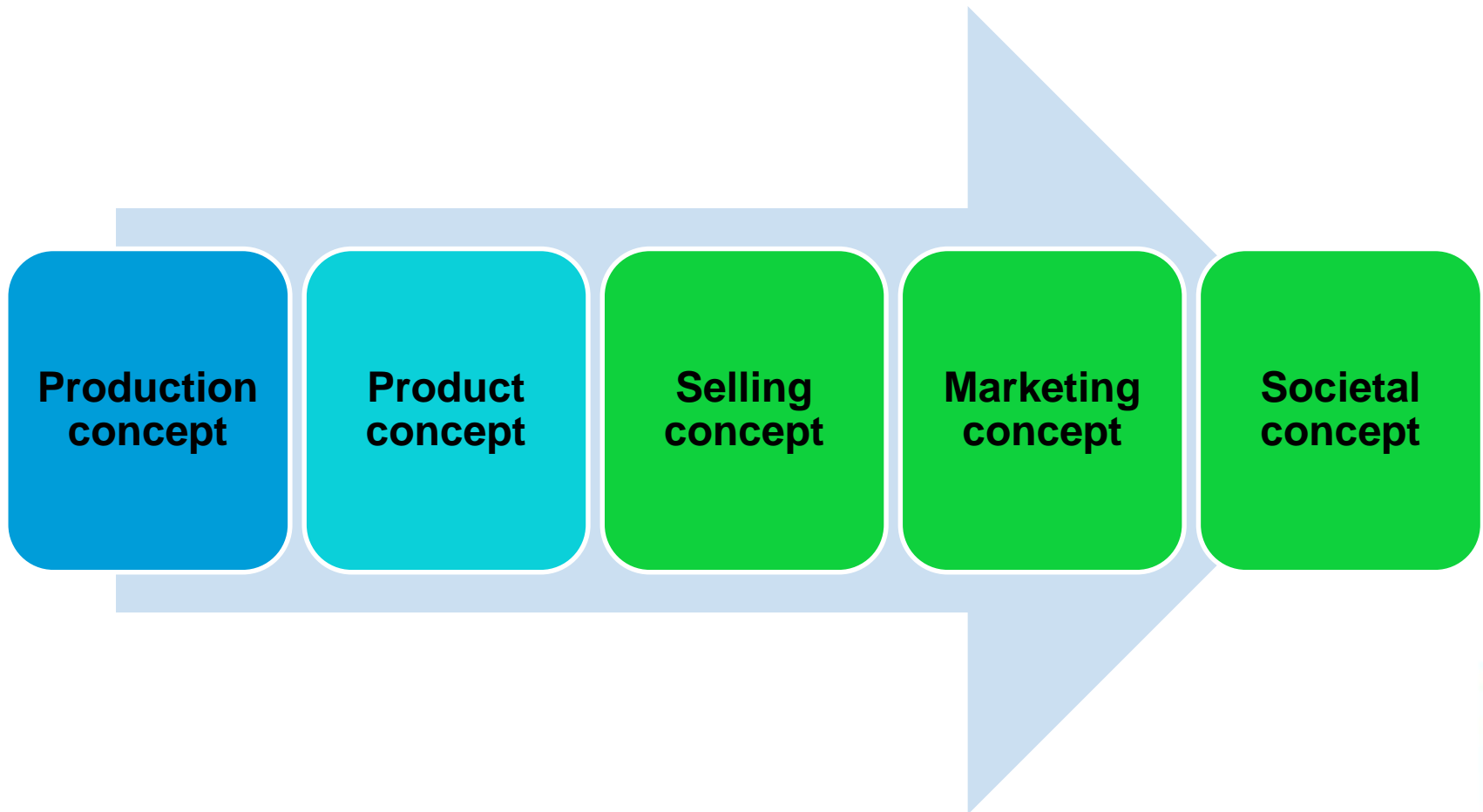
## Choosing a Value Proposition

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



# 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 favor products that are available or highly affordable



# Designing a Customer-Driven Marketing Strategy

## Marketing Management Orientations

**Product concept** is the idea that consumers will favor products that offer the most quality, performance, and features. Organizations 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



# 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



# Designing a Customer-Driven Marketing Strategy

## Marketing Management Orientations

**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



# 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.
- **Integrated marketing program** is a 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

## 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 function 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

## Partner Relationship Management

- Supply chain is 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



# 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



# Capturing Value from Customers

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



# 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



# The New Marketing Landscape

## Major Developments

Digital age

Rapid globalization

Ethics and social responsibility

Not-for-profit marketing

