

Marketing: Managing Profitable Customer Relationships

Chapter 1

Learning Goals

- 1. Define marketing and the marketing process.**
- 2. Explain the importance of understanding customers and identify the five core marketplace concepts**
- 3. Identify the elements of a customer-driven marketing strategy and discuss the marketing management orientations.**
- 4. Discuss customer relationship management and creating value for and capturing value from customers**
- 5. Describe the major trends and forces changing the marketing landscape**

Case Study

NASCAR – What is its secret?

Creating Value

- Create compelling blend of live racing events, media coverage and Web sites.
- Go out of its way to show the customer a good time.
- Create wholesome family-oriented environment

Capturing Value

- Fans spends nearly \$700 a year on NASCAR merchandise
- Second highest regular season sport on TV
- NASCAR attracts over 250 big-name sponsors

What is Marketing?

Marketing Defined:

“Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging value with others”

Marketing is about managing profitable customer relationships

- **Attracting new customers**
- **Retaining and growing current customers**

The Marketing Process

A Five-Step Process

- 1. Understand the marketplace and customer needs and wants**
- 2. Design a customer-driven marketing strategy**
- 3. Construct a marketing program that delivers superior value**
- 4. Build profitable relationships and create customer delight**
- 5. Capture value from customers to create profits and customer quality**

Understanding the Marketplace

Core Concepts

Needs, wants, and demands

*Marketing offers:
including products,
services and
experiences*

*Value and satisfaction
Exchange, transactions
and relationships
Markets*

Need

- State of felt deprivation
- Example: Need food

Wants

- The form of needs as shaped by culture and the individual
- Example: Want a Big Mac

Demands

- Wants which are backed by buying power

Understanding the Marketplace

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Marketing offer

- Combination of products, services, information or experiences that satisfy a need or want
- Offer may include services, activities, people, places, information or ideas

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Value

- Customers form expectations regarding value
- Marketers must deliver value to consumers

Satisfaction

- A satisfied customer will buy again and tell others about their good experience

Understanding the Marketplace

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Exchange

- The act of obtaining a desired object from someone by offering something in return
- One exchange is not the goal, relationships with several exchanges are the goal
- Relationships are built through delivering value and satisfaction

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Market

- Set of actual and potential buyers of a product
- Marketers seek buyers that are profitable

Marketing Management

Marketing management is the art and science of choosing target markets and building profitable relationships with them.

- **This definition must include answers to two questions:**
 - **What customers will we serve?**
 - **How can we serve these customers best?**

Selecting Customers and Creating Value

Customer Management

- What customers will we serve?
- Marketers select customers that can be served profitably

Value Proposition

- How can we serve these customers best?
- Includes the set of benefits or values a company promises to deliver to consumers to satisfy their needs

Marketing Orientations

Production concept **Selling concept**
Product concept **Marketing concept**

- **Societal marketing concept**

The Marketing Plan

Transforms the marketing strategy into action

Includes the marketing mix and the 4P's of marketing

- **Product**
- **Price**
- **Place**
- **Promotion**

Building Customer Relationships

CRM – Customer relationship management

The overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping and growing customers.

Value and Satisfaction

Perceived Value

- **The customer's evaluation of the difference between benefits and costs.**
- **Customers often do not judge values and costs accurately or objectively.**

Customer Satisfaction

- **Product's perceived performance relative to customer's expectations.**

Not All Customers are Equal

Basic Relationships

- **Low-margin customers**

Full Partnerships

- **Key customers**

Selective relationship management

- **Weeding out unprofitable customers**

Capturing Value from Customers

Key Concepts

Customer Loyalty and Retention

Share of Customer

Customer Equity

Customer delight leads to emotional relationships and loyalty

Customer Lifetime Value shows true worth of a customer

Capturing Value from Customers

Key Concepts

Customer Loyalty and Retention

Share of Customer

Customer Equity

Share of customer's purchase in a product category. Achieved through offering greater variety, cross-sell and up-sell strategies.

Capturing Value from Customers

Key Concepts

*Customer Loyalty
and Retention*

*Share of
Customer*

Customer Equity

- The combined customer lifetime values of all current and potential customers.
- Measures a firm's performance, but in a manner that looks to the future.
- Choosing the "best" customers is key

Marketing Landscape

Challenges

Digital age

Globalization

*Ethics and social
responsibility*

*Not-for-profit
marketing*

*Marketing
relationships*

**Growth of the
Internet**

**Advances in
telecommunications,
information,
transportation**

- Customer research and tracking
- Product development
- Distribution
- New advertising tools
- 24/7 marketing through the Internet

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**Geographical and
cultural distances
have shrunk**

- **Greater market coverage**
- **More options for purchasing and manufacturing**
- **Increased competition from foreign competitors**

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**Marketers need to
take great
responsibility for the
impact of their
actions**

- **Caring capitalism is a way to differentiate your company**

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**Many organizations
are realizing the
importance of
strategic marketing**

- **Performing arts**
- **Government agencies**
- **Colleges**
- **Hospitals**
- **Churches**

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Profits through managing long-term customer equity

- Improve customer knowledge
- Target profitable customers
- Keep profitable customers

What is Marketing

The process of building profitable customer relationships by creating value for customers and capturing value in return