# *Marketing: Managing Profitable Customer Relationships*

## Chapter 1

# Objectives

- Be able to define marketing and discuss its core concepts.

- Be able to define marketing management and compare the five marketing management orientations.

# Objectives

- Understand customer relationship management and strategies.

- Realize the major challenges facing marketers in the new "connected" millennium.

# Case Study

## Amazon.com

- Strong sales, no profits
- Customer-driven to its core
- Each customer's experience is unique
- Provides great selection, good value, discovery and convenience
- A true online community

*Discussion:* *Will Amazon.com Survive?*

# What is Marketing?

- Marketing is managing profitable customer relationships
  - Attracting new customers
  - Retaining and growing current customers
- "Marketing" is NOT synonymous with "sales" or "advertising"

# What is Marketing?

- Kotler's social definition:

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

# What is Marketing?

## Many Things Can Be Marketed!

- Goods
- Services
- Experiences
- Events
- Persons

- Places
- Properties
- Organizations
- Information
- Ideas

# What is Marketing?

## Core Marketing Concepts

- Needs, wants, and demands
- Marketing offers: including products, services and experiences
- Value and satisfaction
- Exchange, transactions and relationships
- Markets

# Marketing Management

- *Marketing management* is "the art and science of choosing target markets and building profitable relationships with them."
  - Creating, delivering and communicating superior customer value is key.

# Marketing Management

- Customer Management:
  - Marketers select customers that can be served well and profitably.

- Demand Management:
  - Marketers must deal with different demand states ranging from no demand to too much demand.

# Marketing Management

## Management Orientations

- Production concept

- Product concept

- Selling concept

- Marketing concept

- Societal marketing concept

# CRM

- *CRM – Customer relationship management . . .*
  "is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction."

# CRM

- It costs 5 to 10 times MORE to attract a new customer than it does to keep a current customer satisfied.

- Marketers must be concerned with the lifetime value of the customer.

# CRM

## Key Concepts

- *Attracting, retaining and growing customers*

- *Building customer relationships and customer equity*

- Customer value/satisfaction
  - Perceptions are key
  - Meeting/exceeding expectations creates satisfaction

- Loyalty and retention
  - Benefits of loyalty
  - Loyalty increases as satisfaction levels increase
  - Delighting consumers should be the goal

- Growing share of customer
  - Cross-selling

# CRM

## Key Concepts

- *Attracting, retaining and growing customers*

- *Building customer relationships and customer equity*

- Customer equity
  - The total combined customer lifetime values of all customers.
  - Measures a firm's performance, but in a manner that looks to the future.

# CRM

## Key Concepts

- *Attracting, retaining and growing customers*

- *Building customer relationships and customer equity*

- Customer relationship levels and tools
  - Target market typically dictates type of relationship
    - *Basic relationships*
    - *Full relationships*
  - Customer loyalty and retention programs
    - *Adding financial benefits*
    - *Adding social benefits*
    - *Adding structural ties*

# Marketing Challenges

- Technological advances, rapid globalization, and continuing social and economic shifts are causing marketplace changes.

- Major marketing developments can be grouped under the theme of *Connecting*.

# Marketing Challenges

## Connecting

- *Via technology*
- *With customers*
- *With marketing partners*
- *With the world*

- Advances in computers, telecommunications, video-conferencing, etc. are major forces.
  - Databases allow for customization of products, messages and analysis of needs.
- The Internet
  - Facilitates anytime, anywhere connections
  - Facilitates CRM
  - Creates marketspaces

# Marketing Challenges

## Connecting

- *Via technology*
- *With customers*
- *With marketing partners*
- *With the world*

- Selective relationship management is key.
  - Customer profitability analysis separates winners from losers.
- Growing "share of customer"
  - Cross-selling and up-selling are helpful.
- Direct sales to buyers are growing.

# Marketing Challenges

## Connecting

- *Via technology*
- *With customers*
- **With marketing partners**
- *With the world*

- **Partner relationship management involves:**
  - Connecting inside the company
  - Connecting with outside partners
    - *Supply chain management*
    - *Strategic alliances*

# Marketing Challenges

## Connecting

- *Via technology*
- *With customers*
- *With marketing partners*
- *With the world*

- Globalization
  - Competition
  - New opportunities
- Greater concern for environmental and social responsibility
- Increased marketing by nonprofit and public-sector entities
  - Social marketing campaigns