Chapter 1
Marketing:
Creating and Capturing Customer Value
Creating and Capturing Customer Value

Topic Outline

• What Is Marketing?
• Understand 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.
What Is Marketing?

The Marketing Process

1. Understand the marketplace and customer needs and wants
2. Design a customer-driven marketing strategy
3. Construct an integrated marketing program that delivers superior value
4. Build profitable relationships and create customer delight

Capture value from customers to create profits and customer equity
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
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

Customers
- Value and satisfaction

Marketers
- Set the right level of expectations
  - Not too high or low
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.
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

Choosing a Value Proposition

Value proposition
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

- Production concept
- Product concept
- Selling concept
- Marketing concept
- Societal concept
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. 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.
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.
Designing a Customer-Driven Marketing Strategy

Society (Human welfare)

Societal marketing concept

Consumers (Want satisfaction)  Company (Profits)
Preparing an Integrated Marketing Plan and Program

The marketing mix: set of tools (four Ps) the firm uses to implement its marketing strategy. It includes product, price, promotion, and place.

Integrated marketing program: 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

<table>
<thead>
<tr>
<th>Customer-perceived value</th>
<th>Customer satisfaction</th>
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<tr>
<td>• The difference between total customer value and total customer cost</td>
<td>• The extent to which a product’s perceived performance matches a buyer’s expectations</td>
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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

The Changing Nature of Customer Relationships

Customer-managed relationships
Marketing relationships in which customers, empowered by today’s new digital technologies, interact with companies and with each other to shape their relationships with brands.
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 chain management
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

• 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
The Changing Marketing Landscape

Uncertain Economic Environment

• New consumer frugality

• Marketers focus on value for the customer
The Changing Marketing Landscape

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
The Changing Marketing Landscape

- Rapid Globalization
- Sustainable Marketing
- Not-for-Profit Marketing
So, What Is Marketing?
Pulling It All Together

Create value *for customers* and build customer relationships

- Understand the marketplace and customer needs and wants
- Design a customer-driven marketing strategy
- Construct an integrated marketing program that delivers superior value
- Build profitable relationships and create customer delight

Capture value *from customers* in return

- Capture value from customers to create profits and customer equity
- Create satisfied, loyal customers
- Capture customer lifetime value
- Increase share of market and share of customer

Harness marketing technology
Manage global markets
Ensure ethical and social responsibility

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