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MARKETING AN INTRODUCTION

Armstrong/Kotler

Global Edition

Marketing

Creating and Capturing **Customer Value**

What is Marketing

Marketing is engaging customers and managing profitable customer relationships



What Is Marketing? Cont.

This means that marketing must:

- Attract new customers by promising superior value.
- Keep and grow current customer-base by delivering satisfaction.
- Focus on satisfying customer needs

Marketing Defined

Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

OLD view of marketing: Making a sale - “telling and selling”

NEW view of marketing: Satisfying customer needs

The Marketing Process

Create value **for customers** and
build customer relationships

Capture value **from**
customers in return

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 to
create profits and
customer equity



Important Core Concepts

Marketers must understand five core customer and marketplace concepts:

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

Needs, Wants, and Demands

- **Need:**

Human needs are states of felt deprivation, including *physical, social, and individual needs*.

These needs are not created by marketers; they are a basic part of the human makeup.

- **Wants:**

Wants are the forms that a human need takes, as they are shaped by culture and individual personality.

For example, *a person needs food but wants a Hamburger.*

- **Demands:**

Human wants that are backed by buying power

Wants + Buying Power = **Demand**

Types of Needs

- **Biogenic:** biological (*innate*) needs that are necessary to maintain life (i.e. water, food, air, shelter)
- **Psychogenic:** needs that we acquire as we become members of a specific culture (i.e. status, power, affiliation)

Market Offerings

- Customer needs and wants are fulfilled through market offerings.
- A **marketing offering** includes a combination of products, services, information, or brand experiences offered to a market to satisfy a need or want.
- Marketing offerings are not limited to physical products.



Marketing Myopia

Marketing myopia Occurs when sellers pay more attention to their specific products than to the benefits and experiences produced by these products.

- That is, sellers focus on the “wants” and lose sight of the “needs.”
- They forget that a product is only a tool to solve a consumer problem.

Customer Value and Satisfaction

Customers form expectations about the value and satisfaction that various market offerings will deliver.

Marketers must be careful to set **the right level** of expectations:

- If actual performance of the offering is **lower** than expectations, satisfaction is *low*. While,
- If actual performance of the offering is **higher** than expectations, satisfaction is *high*.

Exchanges and Relationships

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

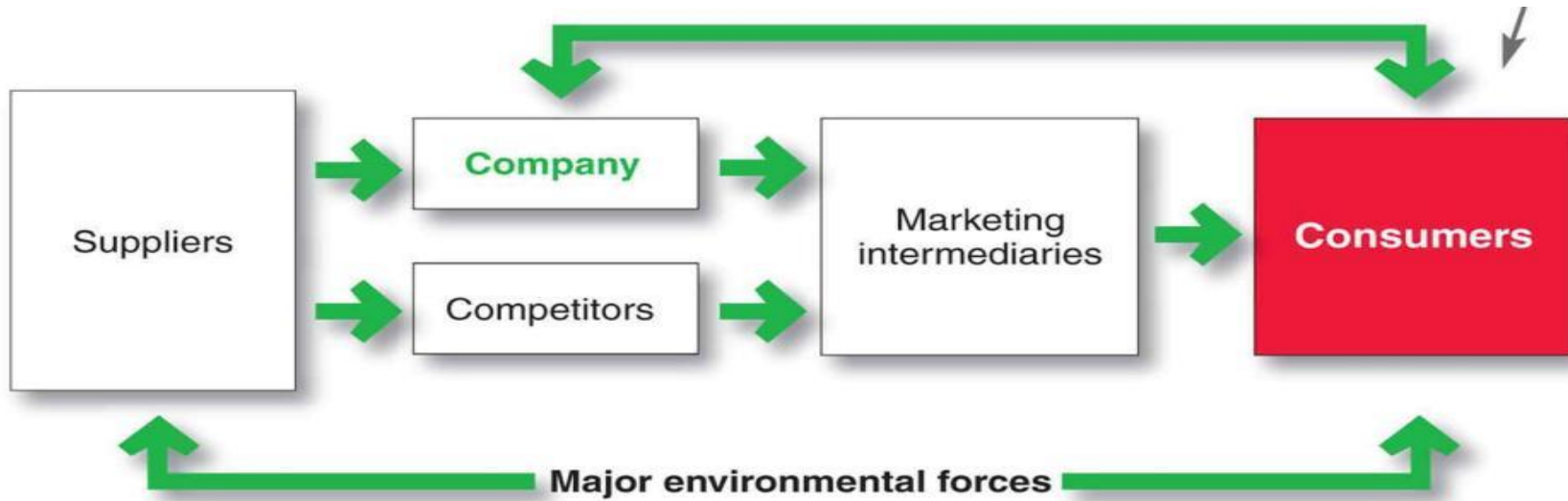


What Is a Market?

A market is the set of actual and potential buyers of a product.



A Modern Marketing System



- Each element adds value for the next level.
- A company's success depends on how well the entire system serves the need of final consumers

Marketing management

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



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Designing a customer-driven marketing strategy

Designing a winning marketing strategy requires answers to the following questions:

1. *What customers will we serve? (What is our **target market**?)*
2. *How can we best serve these customers? (What is our **value proposition**?)*



Selecting Customers to Serve

To select customers to serve we need to segment the market then choosing a market or more to serve.

- **Market segmentation:** is dividing the market into segments of customers.
- **Target marketing:** is selecting one or more segments (targets) to serve.

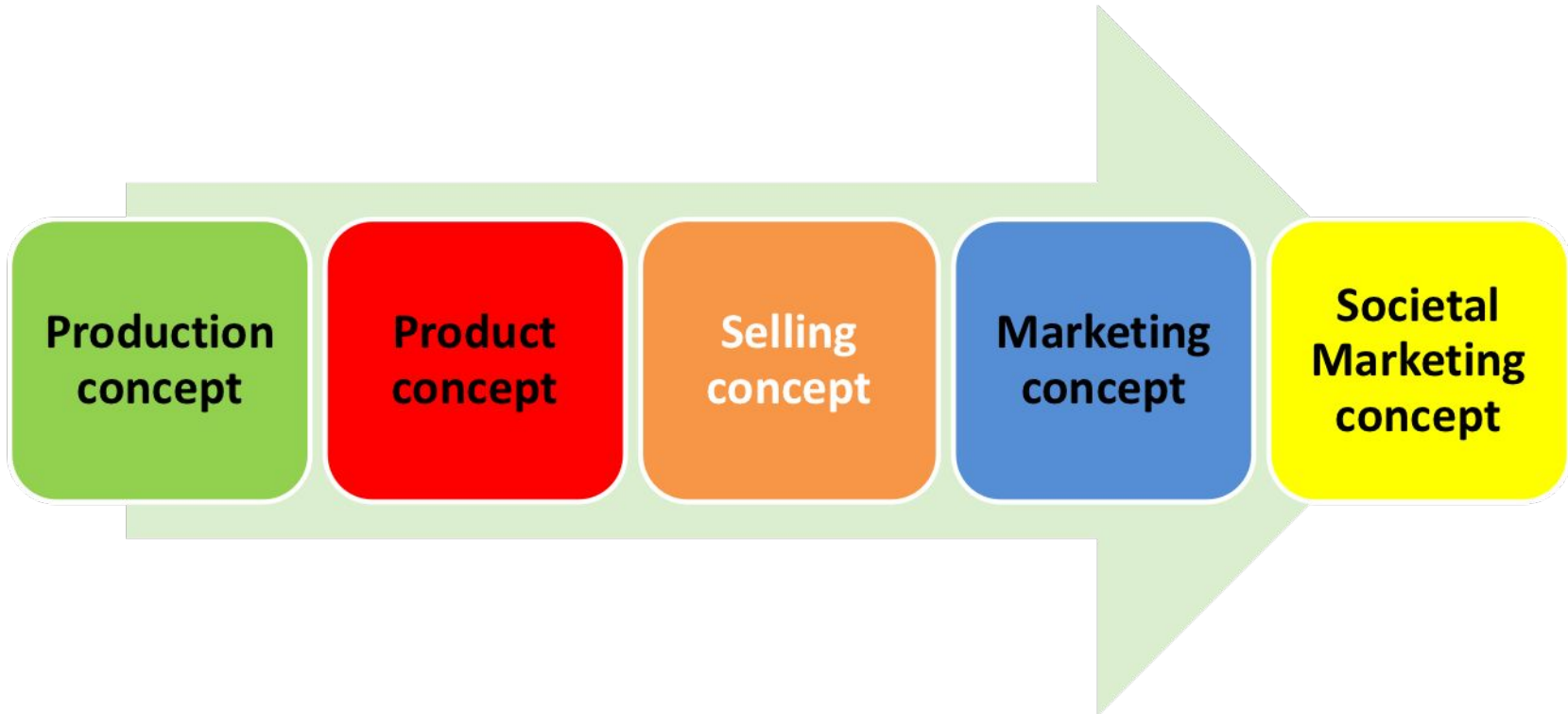




- A value proposition indicates how a firm will differentiate and position its brand in the marketplace.

Marketing Management Orientations

Organizations design and carry out their marketing strategies under five alternative concepts:



1- The Production Concept

The **production concept** holds that consumers will favor products that are available and highly affordable.

- Under this concept, marketing strategy should focus on improving production and distribution efficiency.

2- The Product Concept

The **product concept** holds that consumers will favor products that offer the most in quality, performance, and innovative features.

- Under this concept, marketing strategy focuses on making continuous product improvements.

3- The Selling Concept

The **selling concept** holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.

- The concept is typically practiced with unsought goods – those that buyers do not normally think of buying, such as insurance.
- These industries must be good at tracking down prospects and selling them on product benefits.

4- The Marketing Concept

The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfaction better than competitors do.

- Under the marketing concept, ***customer focus*** and ***value*** are the *paths* to sales and profits.
- That is, the marketing job is **not** to find the **right customers for your product** but to find the **right products for your customers**.

The Selling and Marketing Concepts: a point of difference

- The **selling concept** takes an inside-out approach, whereas
- the **marketing concept** uses an outside-in perspective
- What does this mean? look at the next slide

Marketing Management Orientations



Production
concept

Product
Concept

Selling
concept

Marketing
Concept

Societal
Marketing
Concept

5- The Societal Marketing Concept

The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare.

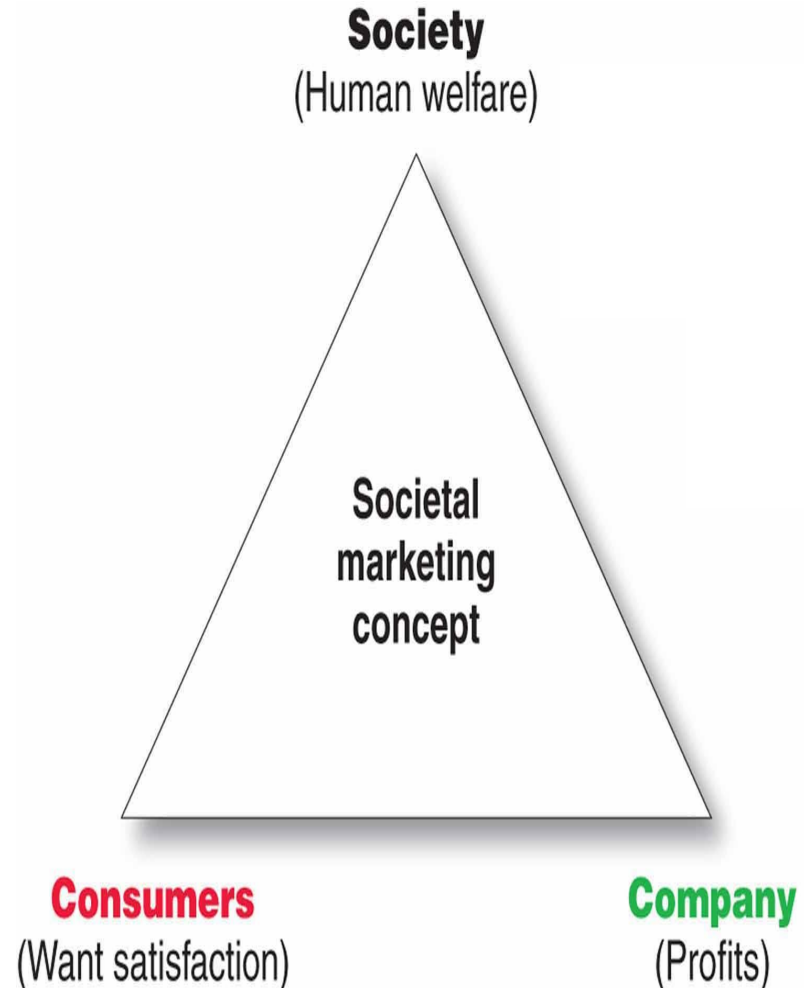
The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and the society's well-being.

Look at the next slide...

The Considerations Underlying the Societal Marketing Concept

Companies should balance three considerations:

- Company profits
- Consumer wants
- Society's interest



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Preparing an Integrated Marketing Plan and Program



Price



Place



Promotion



Product

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Building Customer Relationships

Customer Relationship Management is the overall process of building And maintaining Profitable customer Relationships by Delivering superior customer value and satisfaction.



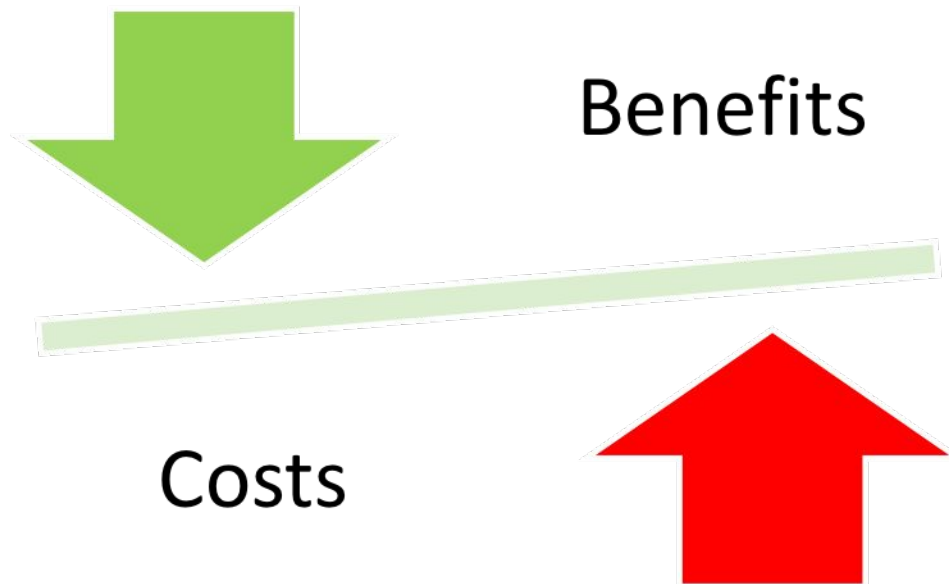
Building Customer Relationships Cont.

Customer relationship management (CRM) deals with all aspects of *acquiring, keeping, and growing* customers.

(1) *Customer value* and **(2) *satisfaction*** are the keys in building lasting customer relationships .

(1) Customer Perceived Value

Customer perceived value is customer's evaluation of the difference between all of the benefits and all of the costs of a marketing offer relative to those of competing offers.



Customer Perceived Value Cont.

- A customer buys from the firm that offers the highest customer value.
- But customers often do not judge values and costs “accurately” or “objectively.” They act on perceived value
- *Different customers view “values” in different ways.*

(2) Customer Satisfaction

- **Customer satisfaction** depends on the product's perceived performance relative to a buyer's expectations.
 - If the product's performance falls short of expectations, the customer is dissatisfied.
 - If performance matches expectations, the customer is satisfied.
 - If performance exceeds expectations, the customer is highly satisfied or delighted.
- ✓ *High levels of customer satisfaction often leads to consumer loyalty.*

The Changing Nature of Customer Relationships

Relating with
More Carefully
Selected
Customers



Relating
More Deeply and
Interactively

Customer Relationship Levels and Tools

Levels

- Basic relationships
 - Low-margin customers
- Full partnerships
 - High-margin customers

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Tools

- Frequency marketing programs
- Loyalty rewards programs
- Club marketing programs

Customer-Engagement Marketing

- Customer-engagement marketing makes the brand a meaningful part of consumers' conversations and lives.
- Greater consumer empowerment means that companies must practice marketing by attraction.
- Marketers must find ways to enter consumers' conversations with engaging and relevant brand messages.

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Consumer-Generated Marketing

- Brand exchanges created by consumers
 - Consumers play an increasing role in shaping their own brand experiences and those of other consumers.
- Uninvited and Invited
 - Consumer-to-consumer exchanges
 - Consumers invited by companies
 - New product and service ideas
 - Active role in shaping ads

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Partner Relationship Marketing

- Today, many businesses focus more attention on **marketing partners**
- **Partners inside the firm:**
 - Today, firms are linking all departments in the cause of creating customer value.
 - Rather than assigning only sales and marketing people to customers, they are forming **cross-functional customer teams**.
- **Partners outside the firm:**
 - **Supply chain**, which describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers.

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Capturing Value from Customers



Creating
Customer
Loyalty and
Retention



Growing
Share of
Customer



Building
Customer
Equity

Capturing Value From Customers

- Value is captured from customers via current and future sales, market share, and profit.
- Superior customer value leads to highly satisfied loyal customers who buy more.
- Key outcomes of customer value include **customer loyalty and retention**, **share of market**, **share of customer**, and **customer equity**.

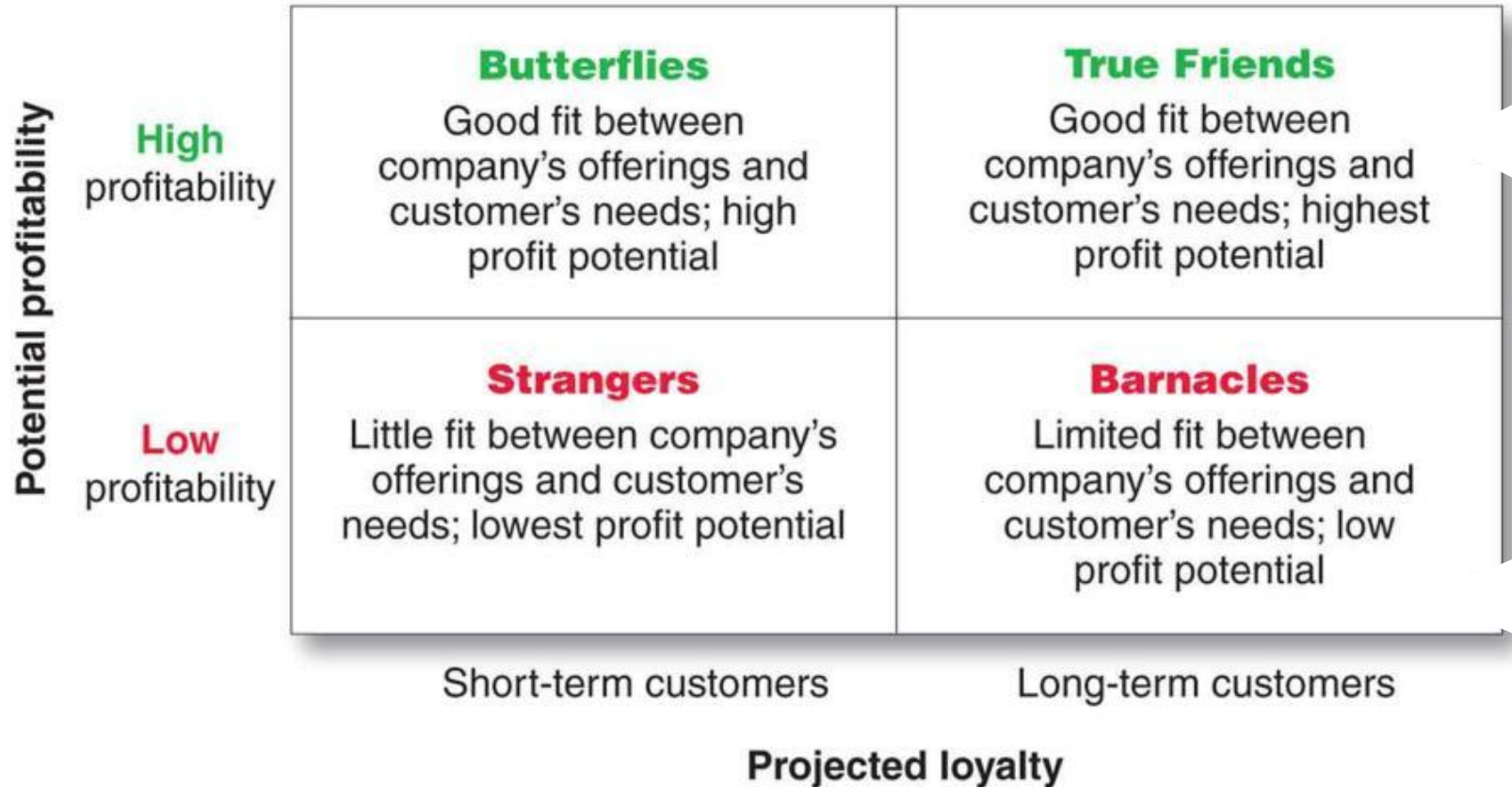
Capturing Value From Customers (cont.)

- **Customer lifetime value:** is the value of the entire stream of purchases that the customer would make over a lifetime of patronage.
- **Share of customer:** is defined as the share the company gets of customers purchasing in their product categories

Customer Equity

- **Customer Equity**: is the total combined customer lifetime values of all the company's current and potential customers.
 - Clearly, the more loyal the firm's profitable customers, the higher the firm's customer equity.
- Marketers manage equity by classifying customers by ***projected loyalty*** and ***potential profitability into four groups***.
 - Then, each group is managed accordingly.
 - Look at next slide...

Customer Relationship Groups



The Changing Marketing Landscape

- The Uncertain Economic environment
- The Digital age
- Rapid globalization
- Sustainable marketing, which calls for more socially responsible marketing
- Not-for-profit marketing



What Is Marketing?

