



# AND

## CHP: CREATING CUSTOMER VALUE EN GAGEMENT



**marketing:** is a process by which companies **create value** for customers and build strong customer relations to capture value from customers in return by creating, offering and exchanging product or services

### Creating and capturing customer value

#### 1. Understand market place customer needs and wants a platform where buyers/sellers meet/interact

**NEED:** state of deprivation

**WANT:** needs shaped by surrounding culture

**DEMAND:** wants that are backed by purchasing power

**MARKET OFFERINGS:** products & services offered to a market to satisfy a need or want

**MARKETING MYOPIA:** paying attention to specific products than to benefits and experiences produced satisfied customers buy again

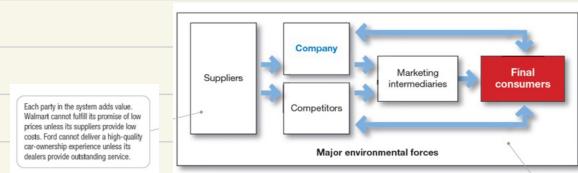
dissatisfied customers switch to competitors

**EXCHANGE:** obtaining a desired thing by offering something in return

marketing actions try to create, maintain, grow desirable **exchange relationships**

Consumers market when

- ↳ search for products
- ↳ interact with companies to obtain information
- ↳ make purchases



## 2. Design customer driven marketing strategy

- ↳ target market?
- ↳ how to best serve them

**VALUE PROPOSITION:** set of promises delivered to customers to satisfy their needs

### PRODUCTION CONCEPT

- ↳ applicable where supply exceeds demand
- ↳ can lead to monopoly

### SELLING CONCEPT

- ↳ aggressive selling
  - ↳ not worried about whether customer comes back
- ↳ focus: existing products
  - ↳ profits through sales volume
  - ↳ sells what company makes rather than what customers want

### PRODUCT CONCEPT

- ↳ modify product
- ↳ product improvement

### MARKETING CONCEPT

- ↳ research
- ↳ focus: satisfy customer needs
  - ↳ profits through customer satisfaction

### SOCIAL MARKETING CONCEPT

- ↳ customer concept
- ↳ consumers wants
- ↳ consumers long-run interests
- ↳ sustainable marketing

CUSTOMER  
CONCENTRATED

### MARKETING MIX (4 Ps)

- ↳ Product
- ↳ Price
- ↳ Promotion
- ↳ Place

### 3. Managing customer relationships and capturing customer value

CUSTOMER RELATIONSHIP MANAGEMENT: by delivering superior customer value and satisfaction

#### Relationship Building Blocks

- Customer-perceived value
  - The difference between total customer perceived benefits and customer cost
- Customer satisfaction
  - The extent to which perceived performance matches a buyer's expectations

CUSTOMER ENGAGEMENT MARKETING: direct and continuous customer involvement

↳ shaping brand contexts, experiences

↳ engaging customers

CONSUMER GENERATED MARKETING: brand exchanges created by consumers themselves

↳ e.g. fan made ads.

↳ word of mouth

PARTNER RELATIONSHIP MANAGEMENT: working with partners in other company departments and outside company to jointly bring greater value to customers

CUSTOMER LIFETIME VALUE: value of purchases customer would make over lifetime support

↳ TO KEEP customers coming back

↳ e.g. customer is always right

↳ sum of customer lifetime value → customer equity

SHARE OF CUSTOMER: portion of customers purchasing that a company gets



# The changing marketing landscape

## DIGITAL AGE

- ↳ social media: get people talking about a brand
- ↳ mobile marketing: stimulate immediate buying
- ↳ big data and AI: deep customer insights, personalised marketing

## NOT FOR PROFIT MARKETING

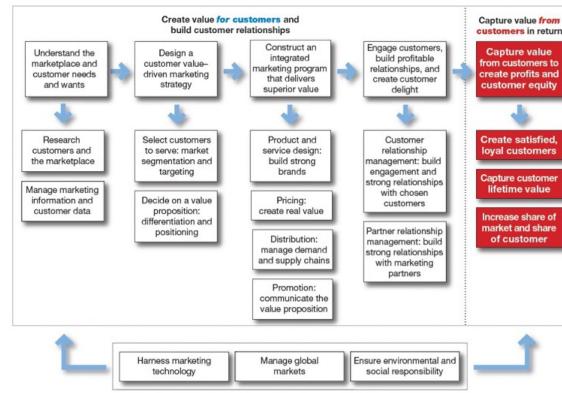
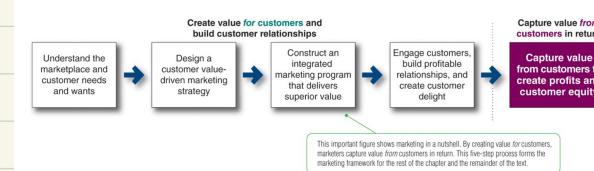
marketing to attract funds, donation and support

## SUSTAINABLE MARKETING:

### CHANGING ECONOMIC ENVIRONMENT

### RAPID GLOBALIZATION

- Rapid Globalization: Managers around the world are taking both local and global views of the company's:
  - Industry
  - Competitors
  - Opportunities



## → Secondary data

Marketing intelligence → marketing research

↳ track consumer behavior of specific product

quantitative survey

- make questionnaires

- what they expect

## UNCLE DAN SCENARIO

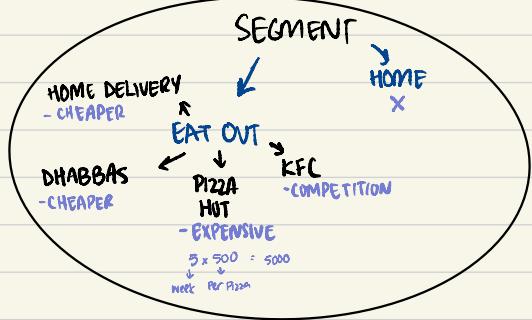
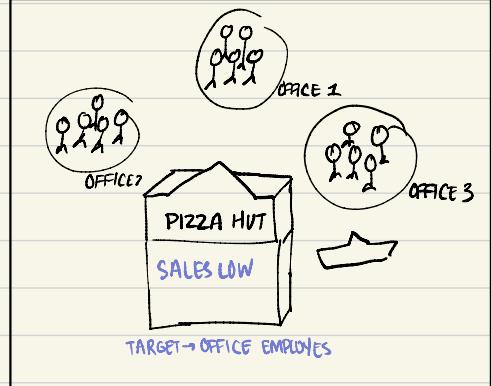
- why sales going down → analyse

### RESEARCH

WHY PEPSICO SALES LOW ?!

- LOST IMAGE
- WAS FOR YOUTH
- ↳ TEENS INTEREST
- ↳ ACTORS MUSIC
- ↳ SPORTS
- ↳ WASIM AKRAM
- HIRED MS. MADHURI AS EMBASSATORS
- BATTLE OF BANDS

## I.I CHANDIGARH BRANCH SHUTDOWN



# DOMINOS 50<sup>th</sup> YEAR

## TEST MARKETING

- RUN SAMPLES ON PEOPLE

REPOSITIONED

- CHANGED TAGLINE

- CHANGE PRODUCT

- WORD OF MOUTH PROMOTION

## PROBLEM STATEMENT

INFO NEEDED

USAGE PATTERN

LIKES DISLIKES

CHARACTERISTICS

## ETHNOGRAPHIC

LEGO sent trained  
researcher to see how children  
react with toys men made a  
product

## EXPERIMENTAL

AB test → check it out



# INDUSTRIAL PRODUCTS



## Materials and Parts

- Juice shop fruits

## Capital Items

## Supplies and services

- Stationary
- Security guard
- driver

## ORGANISATIONAL MARKETING

- market your ownself

## - PERSON MARKETING

- influencers
- celebrities

## PLACE MARKETING

- Destinations
- Hunza
- Theme Parks

## SOCIAL MARKETING

- Promote a cause
- Anti racism
- women empowerment

Intangibility

can't feel or touch

Variable

depends on person hospitality

Transferable

can't transfer dentist appointments

S  
E  
R  
V  
I  
C  
E

Inseparability

↳ as soon as service used it is gone

↳ doctor, lawyer

↳ unlike product which you keep  
it is gone

Perishable

can't keep for further use

### PRODUCT

Ownership

Tangible

Separable

Variable

Transferable

Perishable

### SERVICE

no ownership

intangible

inseparable

Variability

not transferable

## INTERNAL SERVICE QUALITY

EMPLOYEES → train them

SATISFIED & PRODUCTIVE SERVICES EMPLOYEES

If employee satisfied then he will be more productive

CREATE SERVICE VALUE

SATISFIED AND LOYAL CUSTOMERS

HEALTHY SERVICE PROFITS & GROWTH

IF EMPLOYEES HAPPY

CUSTOMERS DEALT BETTER  
→ INTERACTIVE MARKETING

## Brand sponsorship

↳ Manufacturer Brand → high supervision

↳ Private brand → store brands

↳ Liscend brand → very less supervision

↳ co brand

↳ nandos giving discount on HBL cards

## PRODUCT ATTRIBUTES

- features, quality, design
- style
- waterproof

## BRANDING

- giving it a name

✓ swoosh

apple

Ø

## PRODUCT QUALITY

- return on quality → investment in quality

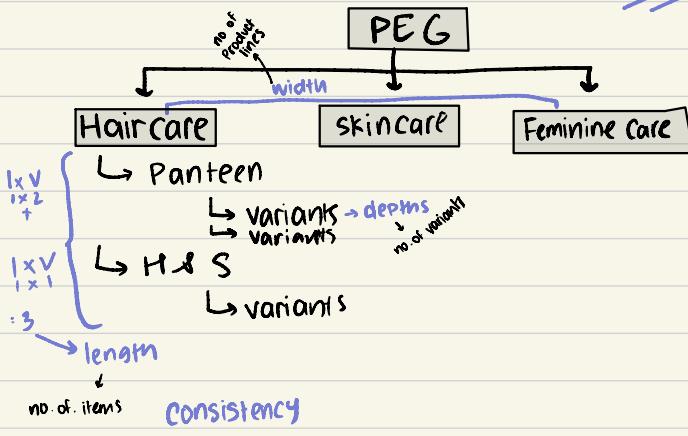
people liking it → 5

- conformance quality → no defects

- performance → up to the mark

## PRODUCT SERVICE

→ Quiz



## Product line

Same function similar manner

- ↳ price range
- ↳ customer group
- ↳ types of outlets

↳ similarity among product lines

# CHAPTER 2

## STRATEGIC PLANNING STEPS

### 1. Defining company mission

Mission statement

↳ organisation's purpose

↳ what organisation wants to accomplish

### 2. Setting company objectives and goals

Business objectives

- Build profitable customer relationships
- Invest in research
- Improve profits

Marketing objectives

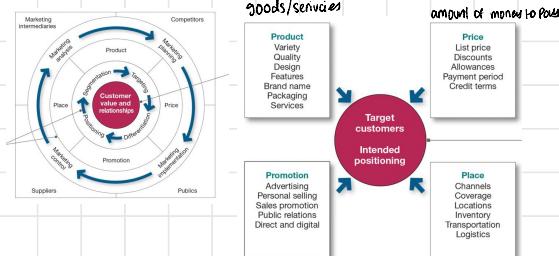
- Increase market share
- Create local partnerships
- Increase promotion

### 4. Planning marketing and other functional strategies

↳ Planning with other company departments

↳ Partnering with others in the marketing system

### Marketing mix



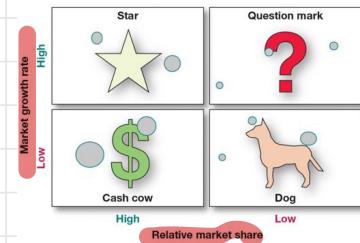
### 3. Designing business portfolio

↳ SBU (Strategic Business Units)

↳ Single Product brand

↳ Identify SBU and decide investment for it

↳ BCG growth share matrix



#### Problems with Matrix Approaches

- Difficulty in defining SBU's and measuring market share and growth
- Time consuming
- Expensive
- Focus on current businesses, not future planning

### Product market expansion



↳ downsizing

# SWOTS



## Market Planning—Parts of a Marketing Plan

- Executive summary
- Marketing situation
- Threats and opportunities
- Objectives and issues
- Marketing strategy
- Action programs
- Budgets
- Controls

## Profits generated by marketing activities

$$ROI = \frac{\text{net return on marketing investments}}{\text{cost of marketing investment}}$$

Profit margin =  $\frac{\text{profit}}{\text{net sales}}$

$$ROS = \frac{\text{net marketing contributions}}{\text{net sales}} = \frac{\text{gross profit}}{\text{net sales}} = \text{net sales} - \text{cost of goods} - \text{marketing expenses}$$

$$\text{net market contributions} = \text{gross profit} - \text{marketing expenses}$$

# CHAPTER 9

## NEW PRODUCT

↳ Acvivision : buying company / Patent / licence to produce their products

↳ New Product development: original products

license

↳ to produce someone else's product

↳ can learn formula and then use or compete

research for new product ideas

- ↳ internal sources
- ↳ external sources
- ↳ crowd sourcing

identify good ideas  
drop poor ideas  
Real  
Worth

Product idea is an idea for a possible product that the company can see itself offering to the market.

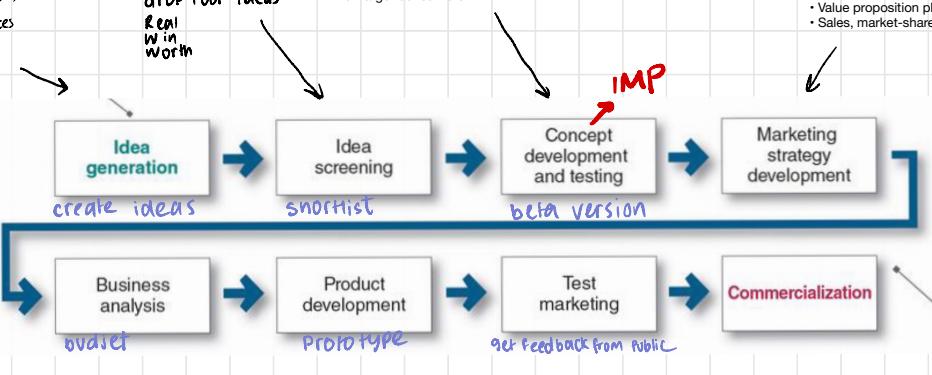
Product concept is a detailed version of the idea stated in meaningful consumer terms.

Product image is the way consumers perceive an actual or potential product.

Concept testing refers to testing new product concepts with groups of target consumers.

Marketing strategy statement consists of:

- Target market description
- Value proposition planned
- Sales, market-share, and marketing mix



review of sales cost profit

- ↳ make into physical product
- ↳ product testing

When test marketing is likely

- New product with large investment
- Uncertainty about product or marketing program

• When test marketing is unlikely

- Simple line extension
- Copy of competitor product
- Low costs
- Management confidence

introduce Product to market

- ↳ when to launch
- ↳ where to launch
- ↳ planned release
- ↳ monthly timeline

## Customer centered new Product development

new ways to solve customer problems

## Turbulent times new Product development

↳ reduce spending

↳ less competitive

## Team based new Product development

company departments working closely

overlapping developments steps to

save time

## Systematic new Product development

Innovation management system

yields large no. of new Product ideas

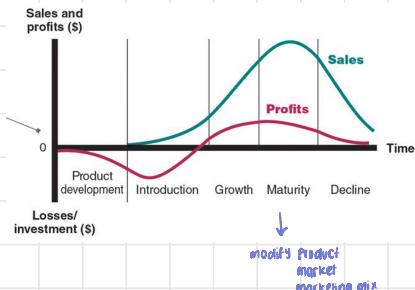
### Test marketing

↳ done when making product

↳ limited and get feedback from public

↳ can tell that you might rechange segmentation marketing

# Product Life Cycle → IMP



## New Product FAIL

- ↳ incorrect segmentation
- ↳ lack of brand awareness
- ↳ overestimate market size
- ↳ wrong form of marketing
- ↳ launch place/time not correct

BCG	Introduction ?	Growth	Stays	Maturity	Cash Cow	Decline	dot
<b>Characteristics</b>							
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales			
Costs	High cost per customer	Average cost per customer <small>most customers → cost production low</small>	Low cost per customer	Low cost per customer			
Profits	Negative	Rising profits	High profits	Declining profits			
Customers	Innovators <small>willing to risk new products</small>	Early adopters <small>people who enjoy after others have tried → supported by friend</small>	Mainstream adopters <small>trend</small>	Lagging adopters			
Competitors	Few	Growing number	Stable number beginning to decline	Declining number			
<b>Marketing objectives</b>							
<b>Strategies</b>	Create product engagement and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand			
	Offer a basic product	Offer product extensions, service, and warranty	Diversify brand and models	Phase out weak items			
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price			
Distribution	Promote to target store Build selective distribution <small>geographic advertising to people aware</small>	Promote everywhere Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets			
Advertising	Build product awareness among early adopters and dealers	Build engagement and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hardcore loyalists			
Sales promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level			

*few competitors*

↳ new product

↳ when popular then competition.

*last try, divest*

### International Product and Service Marketing

- Determining what products and services to introduce in which countries
- Standardization versus customization
- Packaging and labeling
- Customs, values, laws

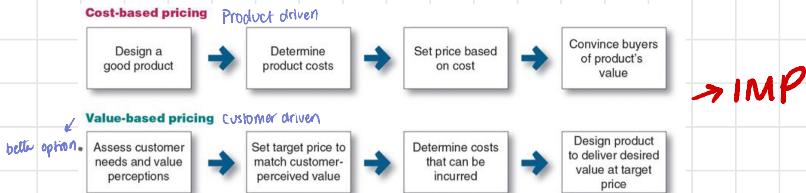
Penetration Price: lower Price so people buy more

# CHAPTER 10

## Price

amount of money

charged for a product/service



## PRICING STRATEGIES

### 1. CUSTOMER VALUE BASED PRICING

good value pricing

fair price for quality and good service

everyday low pricing (EDLP)

few or no temporary discounts

everyday constant low price

high to low

frequent promotions to lower prices on selected items

everyday constant high price

value added Pricing

value added features/service to differentiate company

higher prices

### 3. COMPETITION BASED PRICING

based on competitors strategies, costs, prices

### 2. COST BASED PRICING

set prices based on costs  
(producing/distributing/selling)

fixed costs

don't vary with production/sales

variable cost

vary with production

total costs

sum of fixed and variable cost

cost plus pricing

add markup to cost

Benefits

- Sellers are certain about costs.
- Price competition is minimized.
- Buyers feel it is fair.

Disadvantages

- Ignores demand and competitor prices

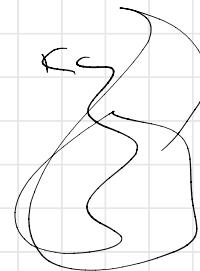
break even pricing

break even on costs

or make target return

## Prices

1 Price	2 Unit Demand Needed to Break Even	3 Expected Unit Demand at Given Price	4 Total Revenue (1) × (3)	5 Total Costs*	Profit (4) - (5)
\$14	75,000	71,000	\$994,000	\$1,010,000	-\$16,000
16	50,000	67,000	1,072,000	970,000	102,000
18	37,500	60,000	1,080,000	900,000	180,000
20	30,000	42,000	840,000	720,000	120,000
22	25,000	23,000	506,000	530,000	-24,000



## OTHER CONSIDERATIONS AFFECTING PRICE

### Target costing

based on customer value considerations

### Organizational Considerations

- ↳ who should set price
- ↳ who influences price

### Market and Demand

demand and price inversely related

higher price = lower demand

**Price elasticity** is a measure of the sensitivity of demand to changes in price.

**Inelastic demand** is when demand hardly changes with a small change in price.

**Elastic demand** is when demand changes greatly with a small change in price.

### External factors

- ↳ Economic condition
- ↳ Government
- ↳ Social concerns

# CHAPTER 11

## NEW PRODUCTS PRICING STRATEGY

Market Skimming Pricing

set high initial price

Skim revenue layer from market

Market Penetration Pricing

set low price

attract large number of buyers

## PRODUCT MIX PRICING STRATEGY

Product line Pricing

↳ cost difference b/w product line

↳ competitors price

↳ customer evaluations

takes into account

Optional Product Pricing

accessory products along with  
the main product

Captive Product Pricing

sets prices of needed accessories

to make up for main product

By Product Pricing

Set price for by-product

to make main products price competitive

Product bundle Pricing

combines several products at a  
reduced price

# PRICE ADJUSTMENTS

Strategy	Description
Discount and allowance pricing	Reducing prices to reward customer responses such as <u>volume purchases</u> , paying early, or promoting the product
Segmented pricing	Adjusting prices to allow for differences in customers, products, or locations or time
Psychological pricing	Adjusting prices for psychological effect <small>Price sends something about the Product</small>
Promotional pricing	Temporarily reducing prices to spur short-run sales <small>limited time offers, special events</small>
Geographical pricing	Adjusting prices to account for the geographic location of customers
Dynamic and personalized pricing	Adjusting prices continually to meet the characteristics and needs of individual customers and situations
International pricing	Adjusting prices for international markets

Reference Pricing  
PRICE BUYERS carry in their mind and refer to when they look at a product

For segmented pricing to be effective:

- Market must be segmentable
- Segments must show different degrees of demand
- Costs of segmenting cannot exceed the extra revenue
- Must be legal

## Geographical Pricing

FOB (free on board pricing)

goods are placed free on board a carrier

customer pay shipping

Price cuts occur due to:

- Excess capacity
- Increased market share

Buyer Reactions to Pricing Changes

- Price increases
- Product is "hot"
- Company greed

Price increases occur due to:

- Cost inflation
- Increased demand
- Lack of supply

- Price cuts
- New models will be available
- Models are not selling well
- Quality issues

## Uniform delivered Pricing

company charges same shipping

price regardless of location

## Zone Pricing

customer within a given

zone pay same price

## Basing Point Pricing

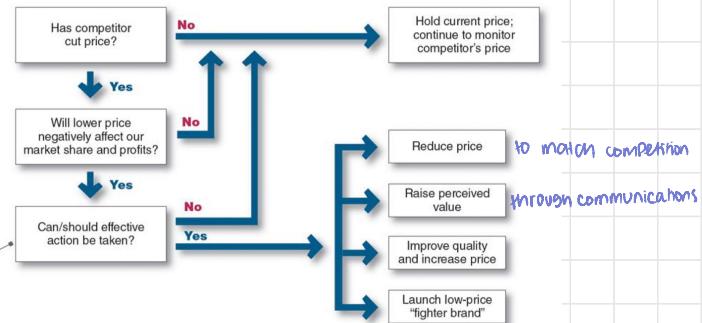
Selects a city as base point

charges customer shipping from their

## Freight absorption Pricing

seller pays for the shipping

## RESPONDING TO COMPETITOR PRICE CHANGE



## Pricing Within Channel Levels

**Price fixing legislation** requires sellers to set prices without talking to competitors.

**Predatory pricing** legislation prohibits selling below cost with the intention of punishing a competitor or gaining higher long-term profits by putting competitors out of business.

## Pricing Across Channel Levels

**Robinson-Patman Act** prevents unfair price discrimination by ensuring that the seller offer the same price terms to customers at a given level of trade.

**Price discrimination** is allowed if the seller:

- can prove that costs differ when selling to different retailers
- manufactures different qualities of the same product for different retailers

**Retail (or resale) price maintenance** is when a manufacturer requires a dealer to charge a specific retail price for its product, which is prohibited by law.

**Deceptive pricing** occurs when a seller states prices or price savings that mislead consumers or are not actually available to consumers.

- Bogus reference or comparison prices
- Scanner fraud and price confusion

# CHAPTER 12

**Upstream partners:** firms to make product - raw materials, finances, parts, expertise

**downstream partners:** firms to sell product - marketing/distribution channel

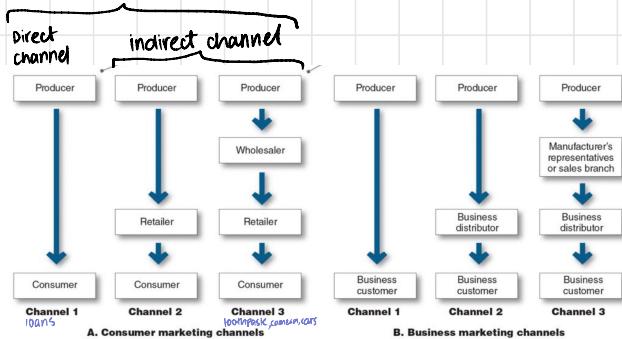
**SUPPLY chain:** make and sell

**Demand chain:** sense and respond

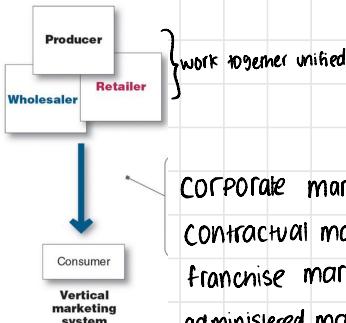
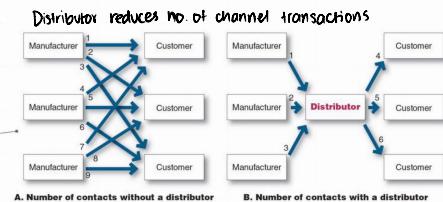
**Value delivery network:** composed of suppliers, distributors, customers who partner to improve system

**Marketing channel:** set of independent organisations that partner to help make product available (distribution channel)

**multichannel:** multiple marketing channel



Distributor reduces no. of channel transactions



**Horizontal marketing system:**

Two or more companies join

**CORPORATE marketing system:**

Production & distribution under 1 ownership

**Contractual marketing system:**

franchise marketing system:

administered marketing system:

**Disintermediation:** cutting out of marketing channel intermediaries

**Exclusive distribution** is when the producer gives only a limited number of dealers the exclusive right to distribute its products in their territories.

**Exclusive dealing** is when the seller requires that the exclusive distribution sellers not handle competitor's products.

**Exclusive territorial agreements** are where producer or seller limit territory.

**Tying agreements** are agreements where the dealer must take most or all of the line.

Marketing logistics (physical distribution) involves planning, implementing, and controlling the physical flow of goods, services, and related information from points of origin to points of consumption to meet consumer requirements at a profit.

#### Major Logistics Functions

- Warehousing
- Inventory management
- Transportation
- Logistics information management

#### Nature and Importance of Marketing Logistics

Supply chain management involves managing upstream and downstream value-added flows of materials, final goods, and related information among suppliers, the company, resellers, and final consumers.

Goal of marketing logistics should be to provide a targeted level of customer service at the least cost.

# CHAPTER 14

Promotion mix: blend of promotional tools to persuade customer value and build relationships

**Advertising** is any paid form presentation, promotion of ideas, goods, or services by an identified sponsor.

- Broadcast
- Print reach masses geographically
- Online
- Mobile
- Outdoor repeat message multiple times

**Sales promotion** is a short-term incentive to encourage the purchase or sale of a product or service.

- Discounts
- Coupons
- Displays
- Demonstration

**Personal selling** is the personal interaction by the firm's sales force for the purpose of engaging customers, making sales, and building customer relationships.

**Public relations** publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events. Sponsorship, events, news stories, featured

**Direct and digital marketing** involves engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships.  
telephone, online, mobile, social media, mail, catalogues

## NEW MARKETING COMMUNICATIONS MODEL

**content marketing**: create, inspire, share, curate marketing content

**integrated marketing communications (IMC)**: coordinating channels to all deliver a clear, compelling message



## EFFECTIVE MARKETING COMMUNICATION

### Identify target audience

- What will be said
- How it will be said
  - When it will be said
  - Where it will be said
  - Who will say it

### designing message

- AIDA Model
- Get Attention
  - Hold Interest
  - Arouse Desire
  - Obtain Action

Message Content – "What to Say"

Rational appeal relates to the audience's self-interest.

Emotional appeal is an attempt to stir up positive or negative emotions to motivate a purchase.

Moral appeal is directed to an audience's sense of what is right and proper.

### choose communication/media channel

**Media Personal** communication involves two or more people communicating directly with each other.

- Face-to-face
- Phone
- Mail or email
- Texting or internet chat

**Opinion leaders** are people whose opinions are sought by others.

**Buzz marketing** involves cultivating opinion leaders and getting them to spread information about a product or service to others in their communities.

**Nonpersonal communication** channels are media that carry messages without personal contact or feedback, including major media, atmospheres, and events.

### Message source

- Celebrities
  - Athletes
  - Entertainers
  - Professionals
  - Health-care providers

### Collect feedback

check resulting behavior from content

## Setting the Promotional Budget

- The **affordable method** sets the promotion budget at the level management thinks the company can afford.
- The **percentage-of-sales method** sets the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price.

The **competitive-parity method** sets the promotion budget to match competitors' outlays.

- The **objective-and-task method** develops the promotion budget by specific promotion objectives and the costs of tasks needed to achieve these objectives.

**Figure 14.3 Push versus Pull Promotion Strategy**



Socially responsible marketing communication

false advertising

click bait

disparage competitor

Offer bribes

Zia Mehtab  
chahigay  
leben

fb gaker

# SKIMMING

## Strategy

higher price at launch (niche)

# PENETRATION

## Goal

maximise revenue from customers  
with high budget

lower price to increase market share

## Target Audience

## Early adopters / innovators

Attract large no. of customers  
with lower budget

## Cons

Encourage new competition

can derive product

Best for

## innovative products

mass market

## Brand development strategies

		Product Category
		Existing
Existing		new
P	Existing	increasing depth
R		LINE EXTENTION
O		change form, color, sizes
D		BRAND EXTENTION
V		same brand name
C		new category, new product
N		NEW BRAND
A		altogether new
M	new	
E		
		MULTI BRAND
		eg pepsi, coke

Net sales 50,000,000

Cost of goods sold 45% = 22500,000

पात्र

## Selling expenses

SALARIES 7,000,000

Crimin

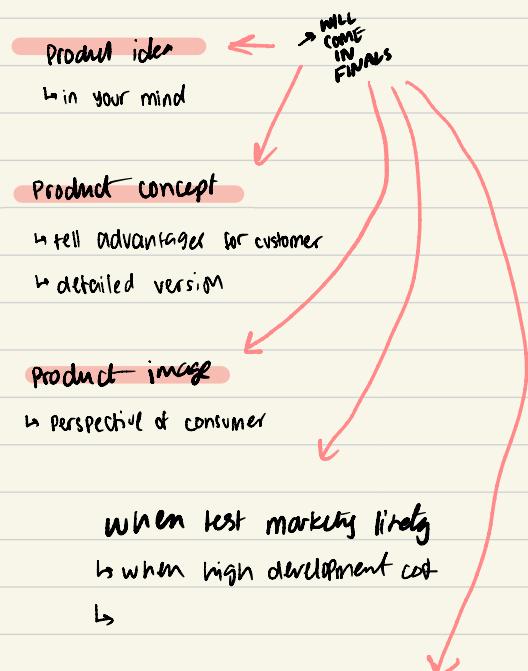
## Cloud Sourcing

- ↳ outsider give input on ideas

## Cloud funding

- ↳ help you meet goal

## Business analysis



## what Pricing strategy → MIDS

When People are aware of your product then Product line extention extend

economies of scale

↳ when production increases

↳ when test market likely  
↳ when high development cost

↳

↳ when test market unlikely  
↳ simple line extension  
↳ copy of competitor product  
↳ low cost  
↳ management trust

fat  
goat yoga  
ANIMAL  
JUST