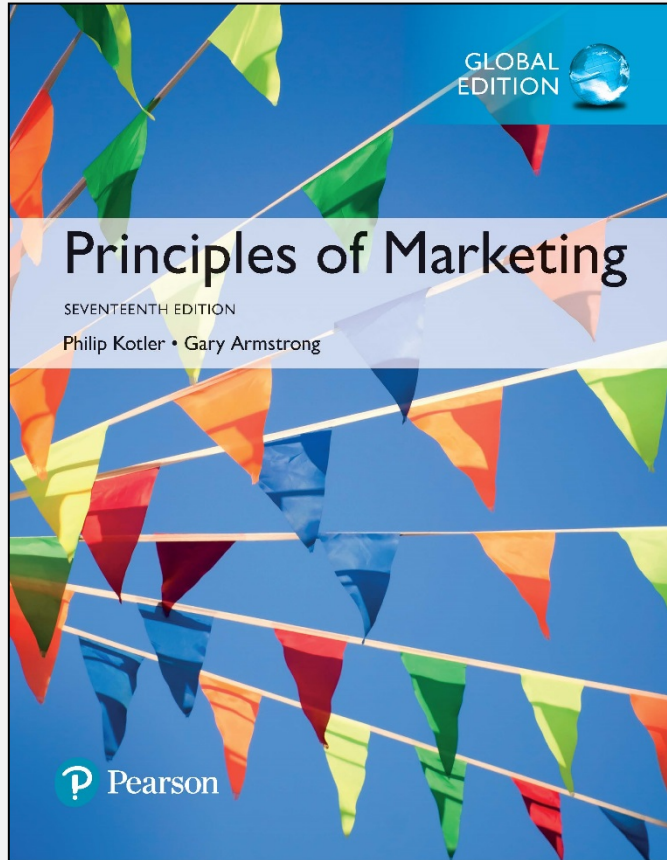


# Principles of Marketing

## Seventeenth Edition



## Chapter 1

### Marketing: Creating Customer Value and Engagement

# Learning Objectives

- 1-1 Define marketing and outline the steps in the marketing process.
- 1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.
- 1-3 Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.
- 1-4 Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.
- 1-5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

# Learning Objective 1

Define marketing and outline the steps in the marketing process.

# What is Marketing?

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

# What is Marketing?



● Marketing is all around you, in good old traditional forms and in a host of new forms, from websites and mobile phone apps to videos and online social media.

Westend61/Getty Images

# Learning Objective 2

Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.

# Understanding the Marketplace and Customer Needs

**Needs** are states of felt deprivation.

**Wants** are the form human needs take as they are shaped by culture and individual personality.

**Demands** are human wants that are backed by buying power.



● Staying close to customers: Energetic Target CEO Brian Cornell makes regular unannounced visits to Target stores, accompanied by local moms and loyal Target shoppers.

Ackerman + Gruber



# 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.



**Customer-focused mission:** The Buffalo Wild Wings mission is to provide a total eating and social environment that “fuels the sports fan experience” through in-store and online engagement.

Reprinted with permission of Buffalo Wild Wings, Inc.



# Understanding the Marketplace and Customer Needs

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

Marketing actions try to create, maintain, and grow desirable **exchange relationships**.

# Understanding the Marketplace and Customer Needs

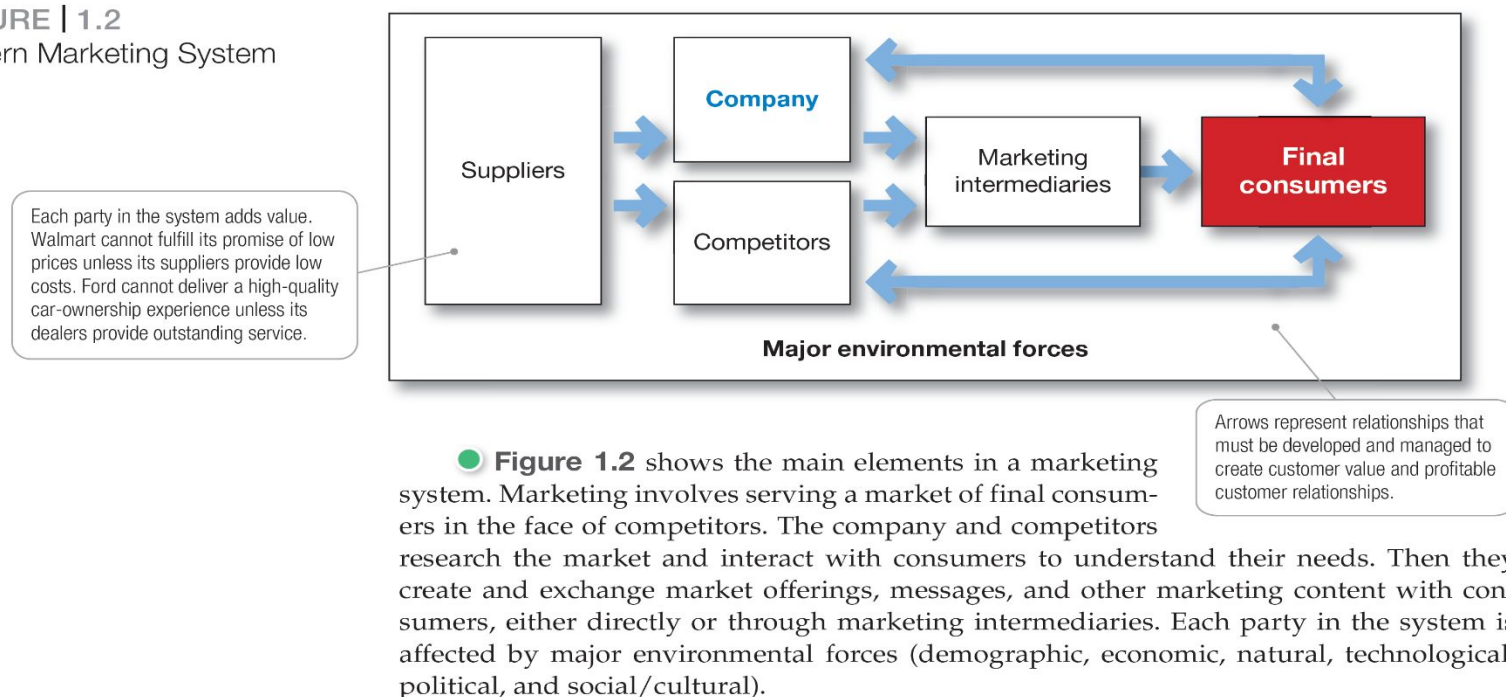
A **market** is set of actual and potential buyers.

Consumers market when they:

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

# Understanding the Marketplace and Customer Needs

● FIGURE | 1.2  
A Modern Marketing System



# Learning Objective 3

Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

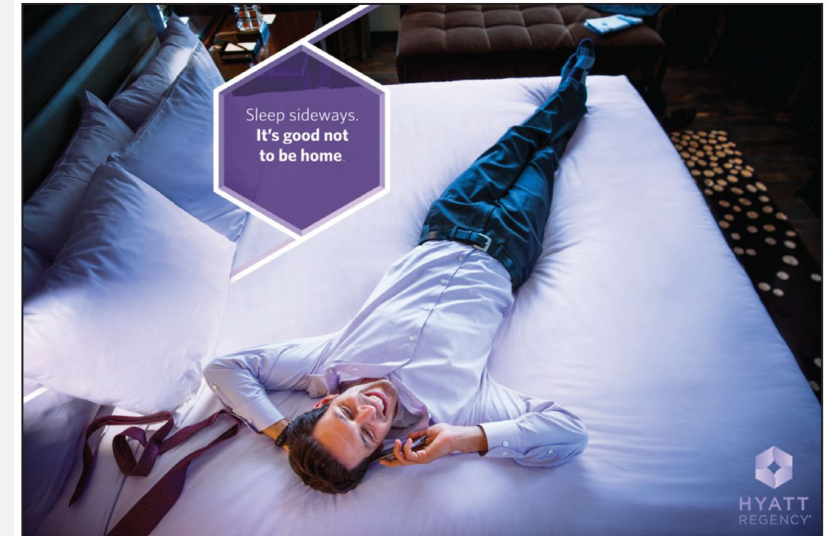
# Designing a Customer Value-Driven Marketing Strategy

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

- What customers will we serve (target market)?
- How can we best serve these customers (value proposition)?

# Designing a Customer Value-Driven Marketing Strategy

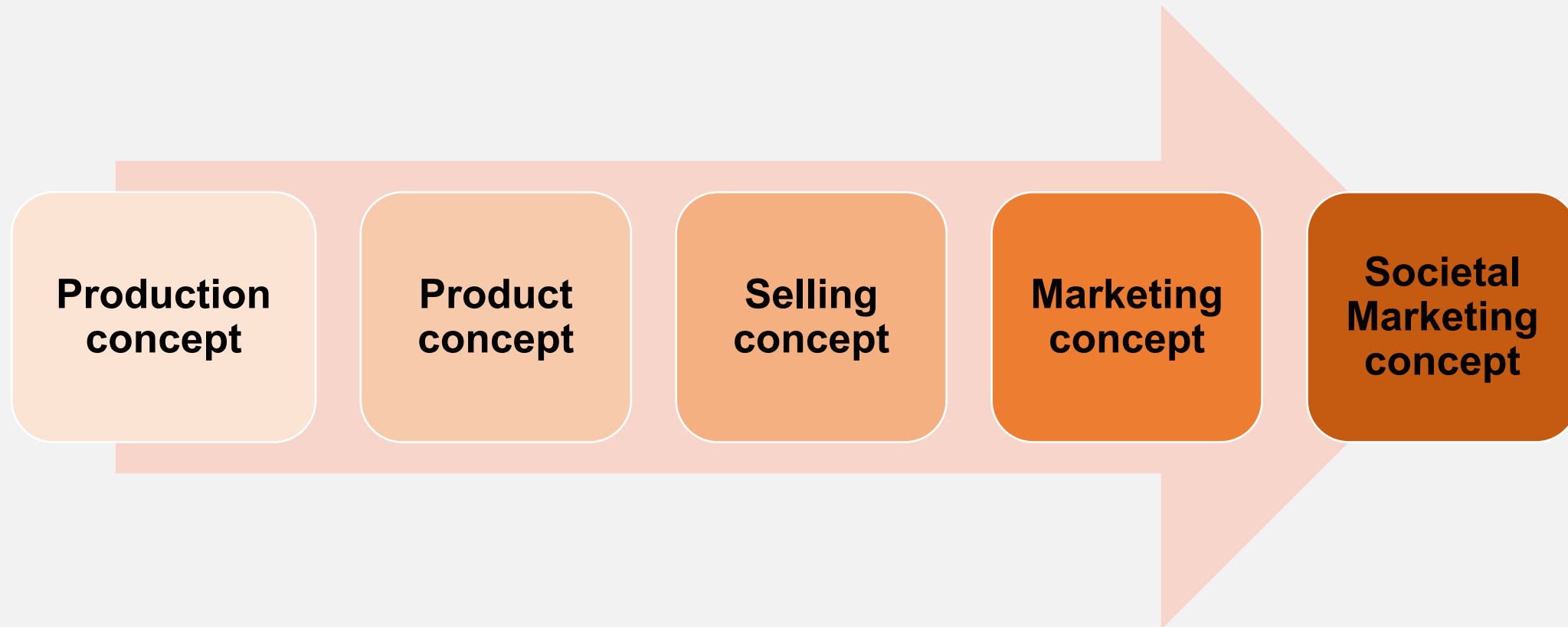
A brand's **value proposition** is the set of benefits or values it promises to deliver to customers to satisfy their needs.



● **Value propositions:** The Hyatt Regency brand declares that sometimes “It’s good not to be home.” Its ads highlight the joys of business travel and staying at a Hyatt Regency hotel.

Courtesy Hyatt Corporation. Photograph ©Richard Schultz-2015. Talent: Dean West.

# Designing a Customer Value-Driven Marketing Strategy

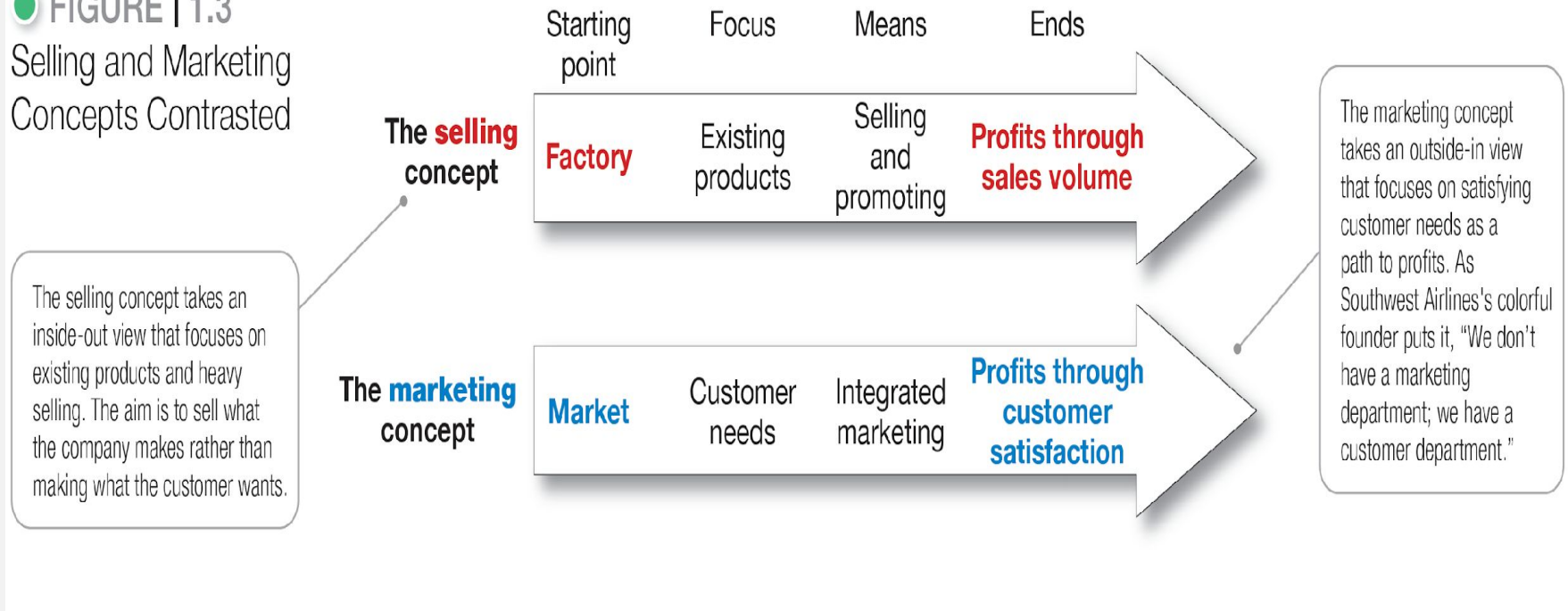




# Designing a Customer Value-Driven Marketing Strategy

● FIGURE | 1.3

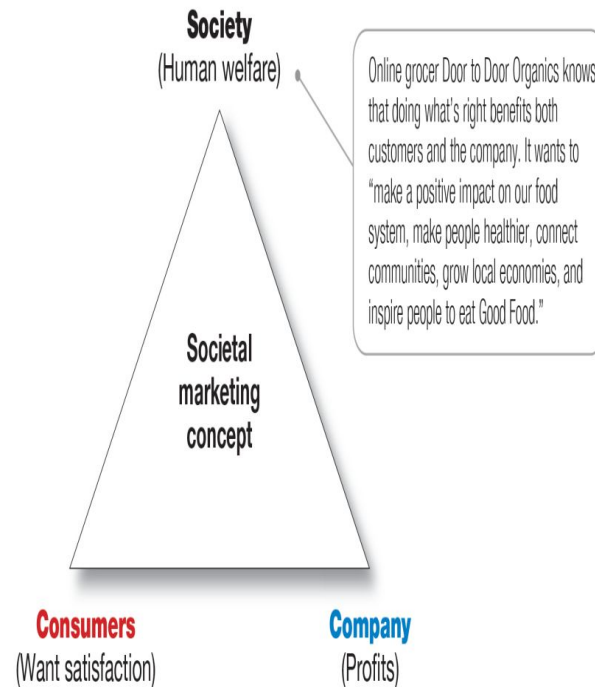
Selling and Marketing Concepts Contrasted



# Designing a Customer Value-Driven Marketing Strategy

FIGURE | 1.4

Three Considerations Underlying the Societal Marketing Concept



## Societal marketing:

The company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

# Designing a Customer Value-Driven Marketing Strategy

The **marketing mix** is comprised of a set of tools known as the four Ps:

- product
- price
- promotion
- place

**Integrated marketing** program—a comprehensive plan that communicates and delivers intended value

## Learning Objective 4

Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.

# Managing Customer Relationships and Capturing Customer Value

**Customer relationship** management—the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

# Managing Customer Relationships and Capturing Customer Value

## 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

### NOTICE

I do not consider a sale complete until goods are worn out and customer still satisfied.

We will thank anyone to return goods that are not perfectly satisfactory.

Should the person reading this notice know of anyone who is not satisfied with our goods, I will consider it a favor to be notified.

Above all things we wish to avoid having a dissatisfied customer.

L.L.Bean

- Customer satisfaction: Customer service champion L.L.Bean was founded on a philosophy of complete customer satisfaction. As founder Leon Leonwood Bean put it, "I do not consider a sale complete until [the] goods are worn out and the customer [is] still satisfied."

L.L.Bean

# Managing Customer Relationships and Capturing Customer Value

## Customer-Engagement Marketing

fosters direct and continuous customer involvement in shaping brand conversations, experiences, and community.



● Engaging customers: Life is good starts with a deeply felt, engagement-worthy sense of purpose: spreading the power of optimism. Then it creates online and social media tools that let people engage and help co-author the brand's story.

© WWPhotography/Alamy Stock Photo



# Managing Customer Relationships and Capturing Customer Value

## Consumer-Generated Marketing

Brand exchanges created by consumers themselves.

Consumers are playing an increasing role in shaping brand experiences.



# Managing Customer Relationships and Capturing Customer Value

**Partner relationship management** involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers.

# Managing Customer Relationships and Capturing Customer Value

**Customer lifetime value** is the value of the entire stream of purchases that the customer would make over a lifetime of patronage.



● Customer lifetime value: To keep customers coming back, Stew Leonard's has created the "Disneyland of dairy stores." Rule #1—The customer is always right. Rule #2—If the customer is ever wrong, reread Rule #1.

Courtesy of Stew Leonard's

# Managing Customer Relationships and Capturing Customer Value

**Share of customer** is the portion of the customer's purchasing that a company gets in its product categories.

# Managing Customer Relationships and Capturing Customer Value

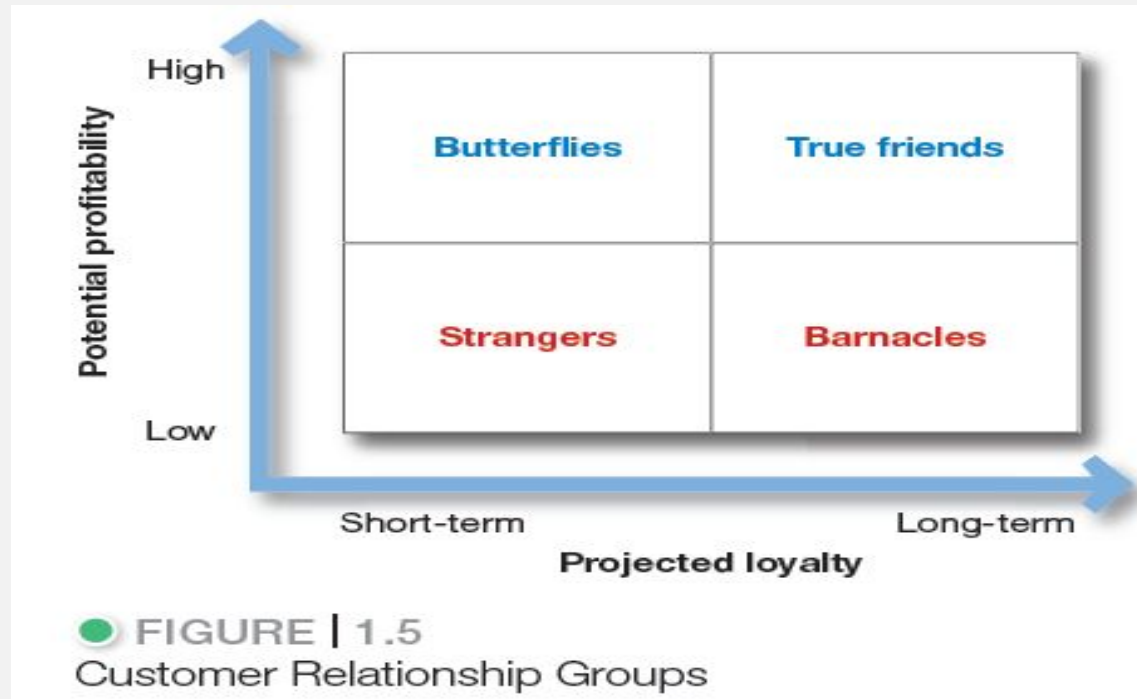
**Customer equity** is the total combined customer lifetime values of all of the company's customers.



● Managing customer equity: To increase customer equity, Cadillac is making the classic car cool again among younger buyers, encouraging consumers to “Dare Greatly.”

General Motors

# Managing Customer Relationships and Capturing Customer Value



# Learning Objective 5

Describe the major trends and forces that are changing the marketing landscape in this age of relationships.



# The Changing Marketing Landscape

**Digital and social media marketing** involves using digital marketing tools such as web sites, social media, mobile ads and apps, online videos, e-mail, and blogs that engage consumers anywhere, at any time, via their digital devices.

# The Changing Marketing Landscape

- Not-for-profit marketing growth
- Rapid globalization
- Sustainable marketing



● Sustainable marketing: Ben & Jerry's three-part "linked prosperity" mission drives it to make fantastic ice cream (product mission), manage the company for sustainable financial growth (economic mission), and use the company "in innovative ways to make the world a better place" (social mission). Both Ben & Jerry's and its products are "Made of Something Better."

Clark Brennan / Alamy Stock Photo

# So, What Is Marketing? Pulling It All Together

● FIGURE | 1.6

An Expanded Model of the Marketing Process

