Chapter 1: Marketing

Creating Customer Value and Engagement
Amazon.com’s deep-down passion for creating customer engagement, value, and relationships has made it the world’s leading online retailer. Amazon has become the model for companies that are obsessively and successfully focused on delivering customer value.

“We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little better.” – Jeff Bezos
Marketing: Creating Customer Value and Engagement

Learning Objectives

• Objective 1: Define marketing and outline the steps in the marketing process.

• Objective 2: Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.
Objective 3: Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.
Marketing: Creating Customer Value and Engagement

Learning Objectives

• Objective 4: Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.

• Objective 5: Describe the major trends and forces that are changing the marketing landscape in this age of relationships.
Marketing: Creating Customer Value and Engagement

Learning Objective 1

• Define marketing and outline the steps in the marketing process.

What Is Marketing?
What Is Marketing?

Marketing Defined

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?

The Marketing Process

FIGURE 1.1
The Marketing Process: Creating and Capturing Customer Value

Create value for customers and build customer relationships

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

Capture value from customers to create profits and customer equity
Learning Objective 1

• Define marketing and outline the steps in the marketing process.

What Is Marketing?
- creating value for customers
- capturing value from customers
• Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.

Understanding the Marketplace and Customer Needs
Understanding the Marketplace and Customer Needs

Customer Needs, Wants, and Demands

- **Needs**: States of deprivation
- **Wants**: Form that needs take
- **Demands**: Wants backed by buying power
Understanding the Marketplace and Customer Needs

Market Offerings – Products, Services, and Experiences

• **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

Customers
• Value and satisfaction

Marketers
• Set the right level of expectations
**Understanding the Marketplace and Customer Needs**

**Exchanges and Relationships**

**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

Markets

**FIGURE 1.2**
A Modern Marketing System

- Suppliers
- Company
- Competitors
- Marketing intermediaries
- Final consumers

Each party in the system adds value. Walmart cannot fulfill its promise of low prices unless its suppliers provide low costs. Ford cannot deliver a high-quality car-ownership experience unless its dealers provide outstanding service.

Major environmental forces

Arrows represent relationships that must be developed and managed to create customer value and profitable customer relationships.
Marketing: Creating Customer Value and Engagement

Learning Objective 2

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

- Customer Needs, Wants, and Demands
- Market Offerings – Products, Services, and Experiences
- Customer Value and Satisfaction
- Exchanges and Relationships
- Markets
Marketing: Creating Customer Value and Engagement

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
Preparing an Integrated Marketing Plan and Program
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?
Selecting Customers to Serve

**Market segmentation** refers to dividing the markets into segments of customers.

**Target marketing** refers to which segments to go after.
Choosing a Value Proposition

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

Twitter, Inc.
Designing a Customer Value-Driven Marketing Strategy

Marketing Management Orientations

Production concept
Product concept
Selling concept
Marketing concept
Societal Marketing concept
Production concept:
Consumers will favor products that are available and highly affordable.
Product concept:
Consumers favor products that offer the most quality, performance, and features.

The focus is on continuous product improvements.
Selling concept:
Consumers will not buy enough of the firm’s products unless the firm undertakes a large-scale selling and promotion effort.
Marketing concept:

Know the needs and wants of the target markets and deliver the desired satisfactions better than competitors.
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

Marketing Management Orientations

FIGURE 1.3
Selling and Marketing Concepts Contrasted

The selling concept takes an inside-out view that focuses on existing products and heavy selling. The aim is to sell what the company makes rather than making what the customer wants.

The marketing concept takes an outside-in view that focuses on satisfying customer needs as a path to profits. As Southwest Airlines’ colorful founder puts it, “We don’t have a marketing department, we have a customer department.”

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Designing a Customer Value-Driven Marketing Strategy

Marketing Management Orientations

**FIGURE 1.4**
Three Considerations Underlying the Societal Marketing Concepts

UPS knows that doing what's right benefits both consumers and the company. Social responsibility "isn't just good for the planet," says the company. "It's good for business."
The marketing mix is the set of tools (four Ps) the firm uses to implement its marketing strategy. This set includes product, price, promotion, and place.

An integrated marketing program is a comprehensive plan that communicates and delivers the intended value to chosen customers.
Marketing: Creating Customer Value and Engagement

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

- Selecting Customers
- Choosing a Value Proposition
- Marketing Management Orientations

Preparing an Integrated Marketing Plan and Program
Marketing: Creating Customer Value and Engagement

Learning Objective 4

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

Building Customer Relationships

Capturing Value from Customers
Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.
Building Customer Relationships

Customer Relationship Management

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

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Building Customer Relationships

Customer Relationship Management

Customer Relationship Levels and Tools

- Basic Relationships – low-margin customers
- Full Partnerships – high-margin customers
- Frequency Marketing Programs – reward customers
Building Customer Relationships

Engaging Customers

Customer-Engagement and Today’s Digital and Social Media

Customer-Engagement Marketing makes the brand a meaningful part of consumers’ conversations and lives by fostering direct and continuous customer involvement in shaping brand conversations, experiences, and community.
Customer engagement and the social media: Hertz’s “Share It Up” social media campaign
Consumer-Generated Marketing

Brand exchanges created by consumers themselves—both invited and uninvited—by which consumers are playing an increasing role in shaping their own brand experiences and those of other consumers.
Engaging customers: Life is good starts with a deeply felt, engagement-worthy sense of purpose: spreading the power of optimism.
Partner relationship management involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers.
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 the portion of the customer’s purchasing that a company gets in its product categories.
Customer equity is the total combined customer lifetime values of all of the company’s customers.
Building Customer Equity

Building the Right Relationships with the Right Customers

FIGURE 1.5
Customer Relationship Groups
Marketing: Creating **Customer Value** and **Engagement**

Learning Objective 4

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

**Building Customer Relationships**

- Customer Relationship Management
- Engaging Customers
- Partner Relationship Management
Marketing: Creating Customer Value and Engagement

Learning Objective 4

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

Capturing Value from Customers

- Creating Customer Value Loyalty & Retention
- Growing Share of Customer
- Building Customer Equity
Marketing: Creating Customer Value and Engagement

Learning Objective 5

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

The Changing Marketing Landscape
The Changing Marketing Landscape

The Digital Age: Online, Mobile, and Social Media Marketing

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

The Digital Age: Online, Mobile, and Social Media Marketing
The Changing Marketing Landscape

- Not-for-profit marketing growth
- Rapid globalization
- Sustainable marketing
Marketing: Creating Customer Value and Engagement

Learning Objective 5

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

The Changing Marketing Landscape

- The Digital Age
- Not-for-Profit
- Rapid Globalization
- Sustainable Marketing