

P R I N C I P L E S O F
Marketing

Chapter One

**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



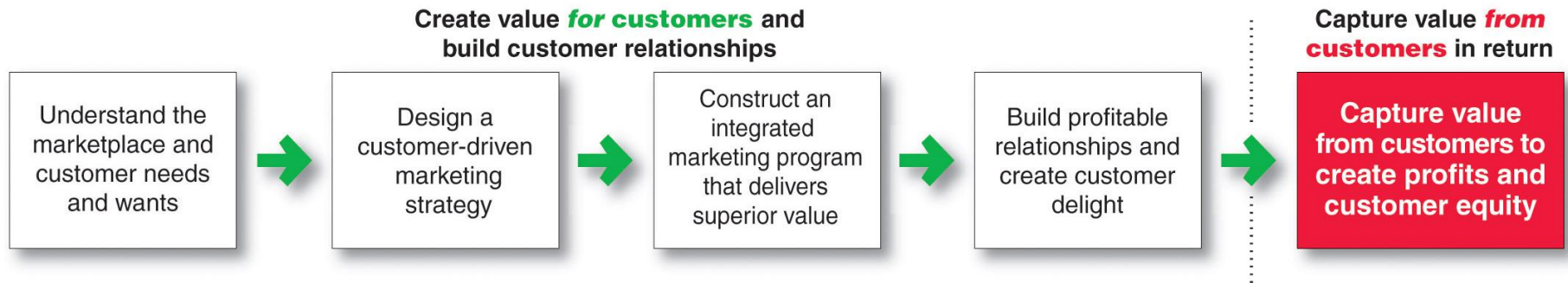
What Is Marketing?

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



Understanding the Marketplace and Customer Needs

Core Concepts

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



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

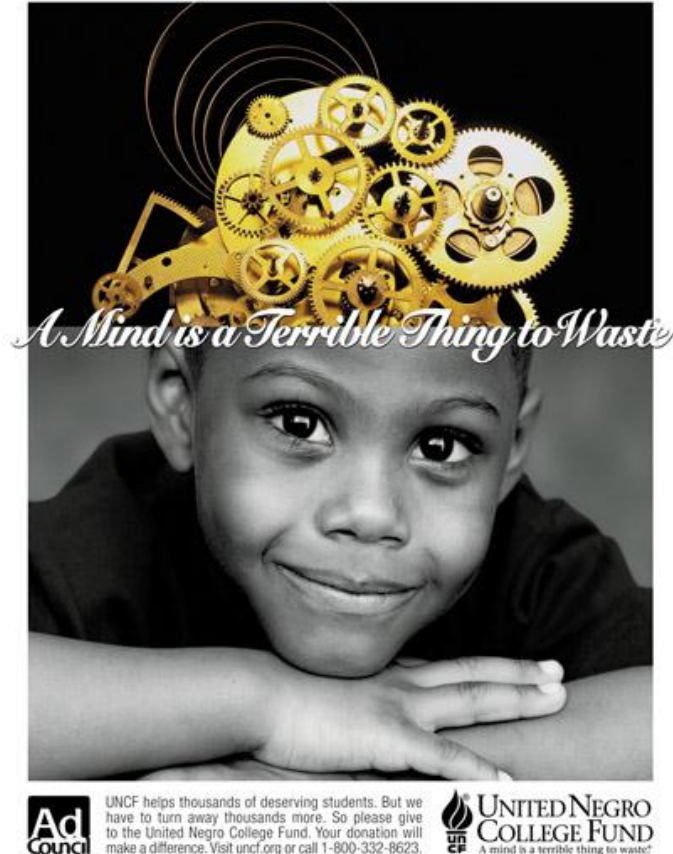
Demands

- Wants backed by buying power



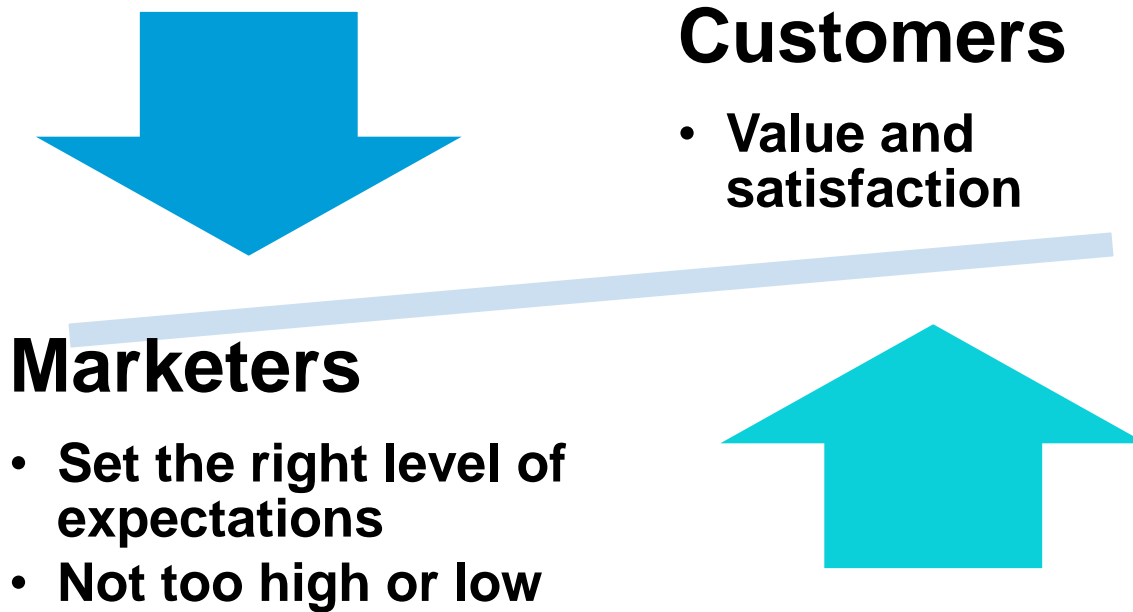
Understanding the Marketplace and Customer Needs

- **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



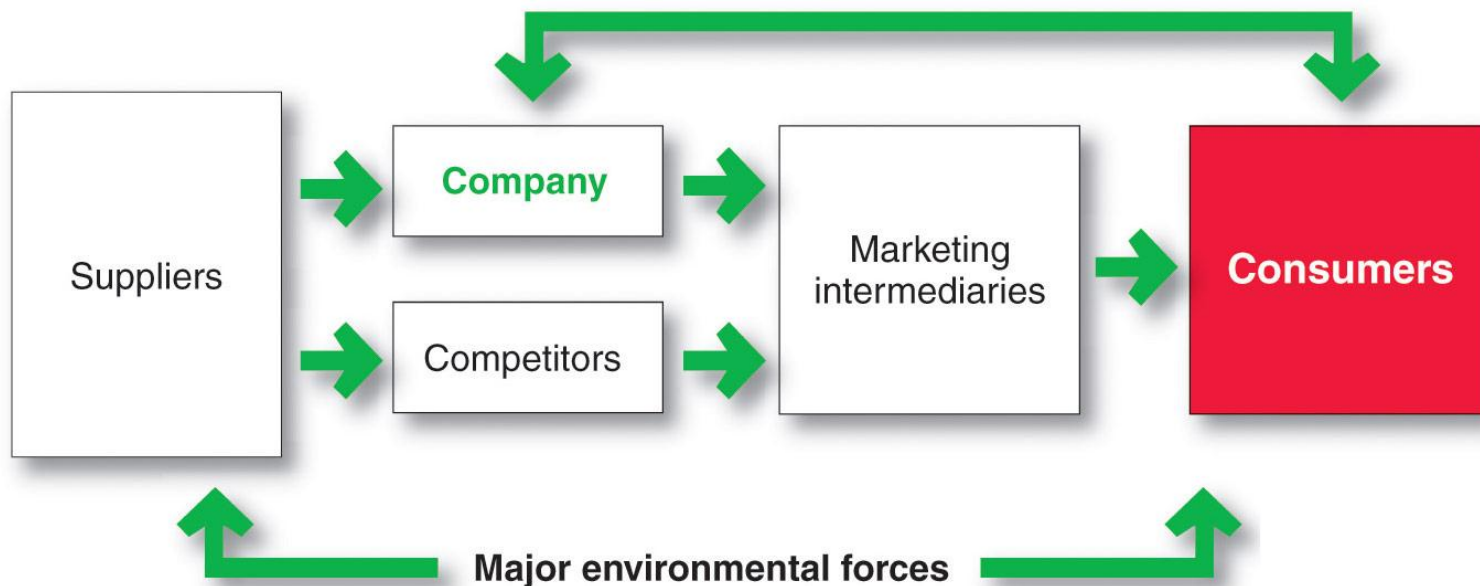
Understanding the Marketplace and Customer Needs

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

Selecting Customers to Serve

Demarketing is marketing to reduce demand temporarily or permanently; the aim is not to destroy demand but to reduce or shift it



Designing a Customer-Driven Marketing Strategy

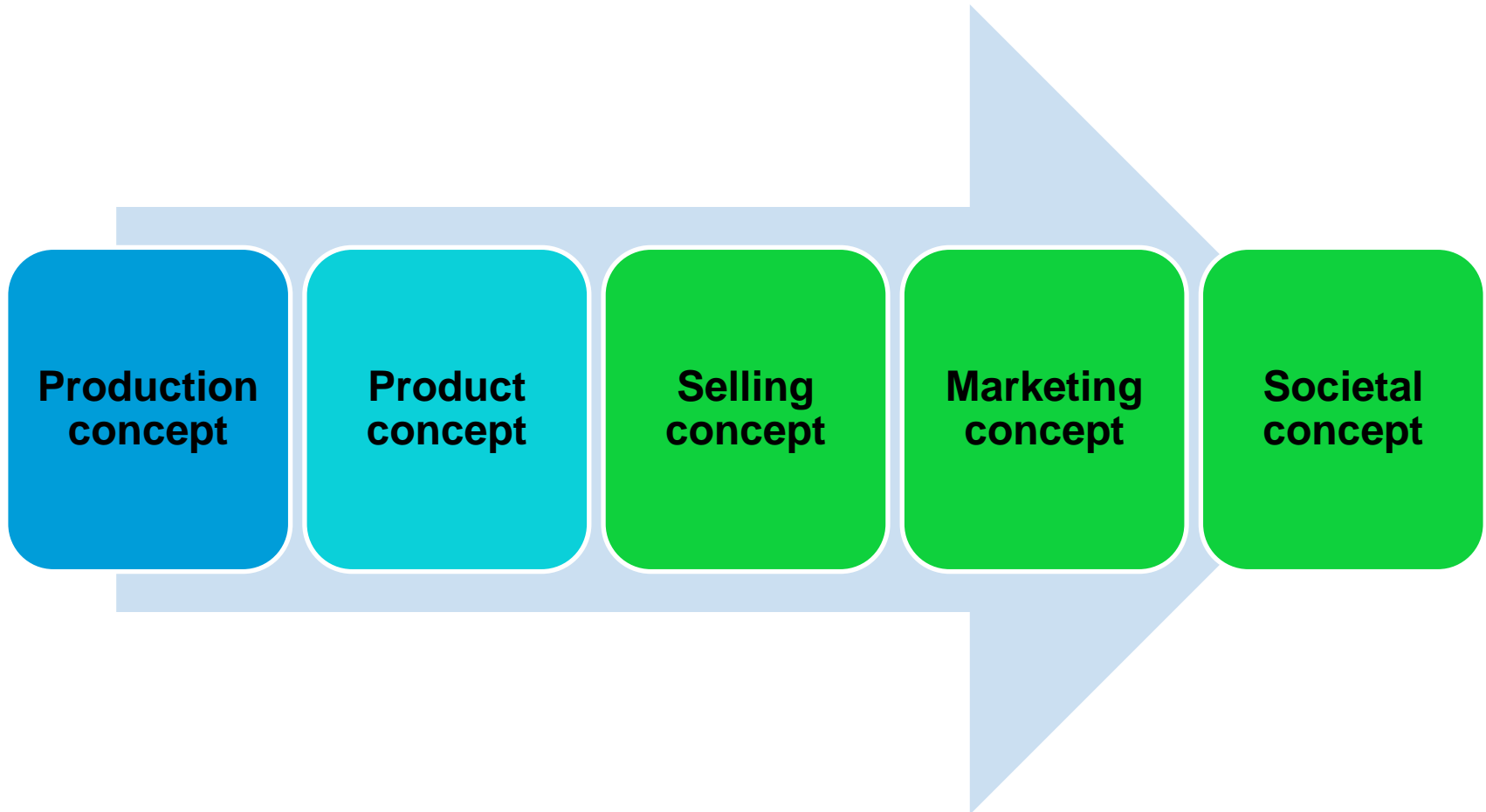
Choosing a Value Proposition

The value proposition is the 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



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

Our Credo

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens — support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

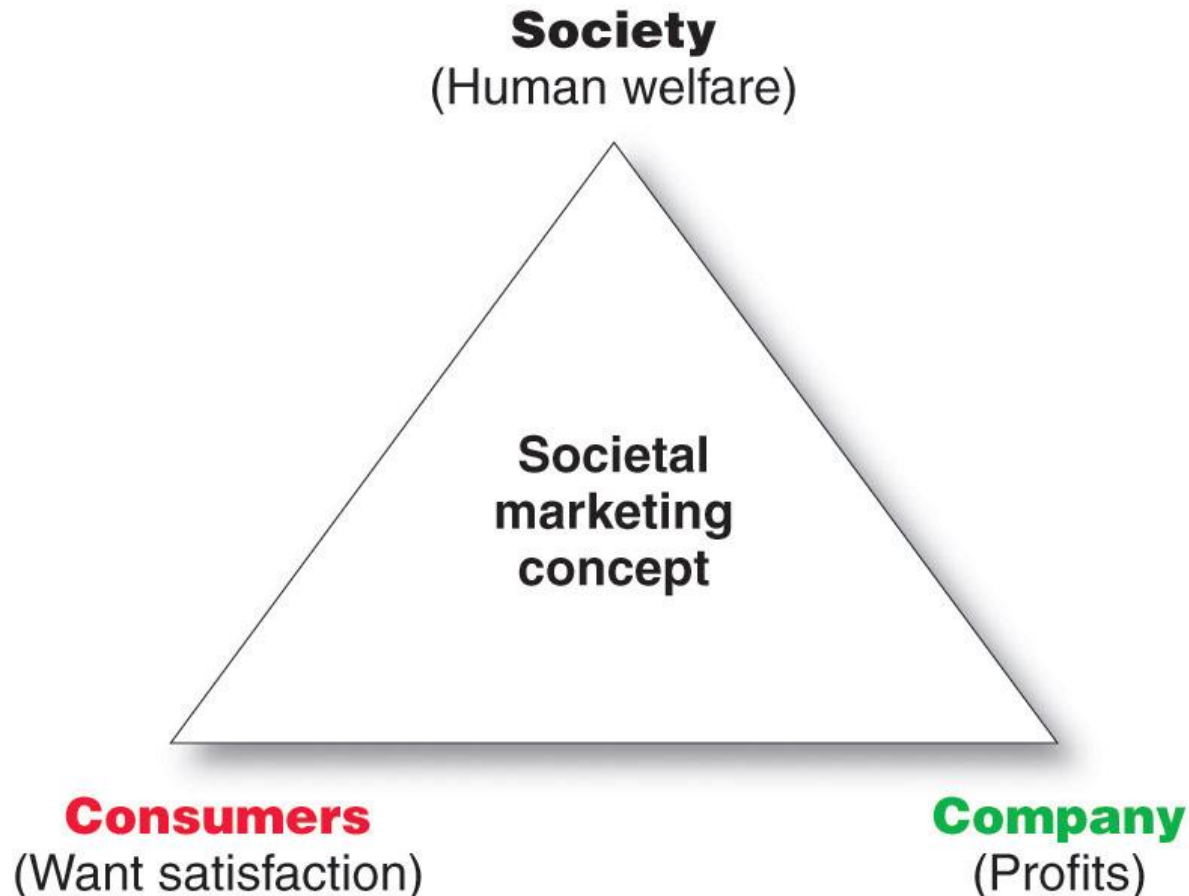
Johnson & Johnson

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

PRINCIPLES OF Marketing



Designing a Customer-Driven Marketing Strategy



Preparing an Integrated Marketing Plan and Program

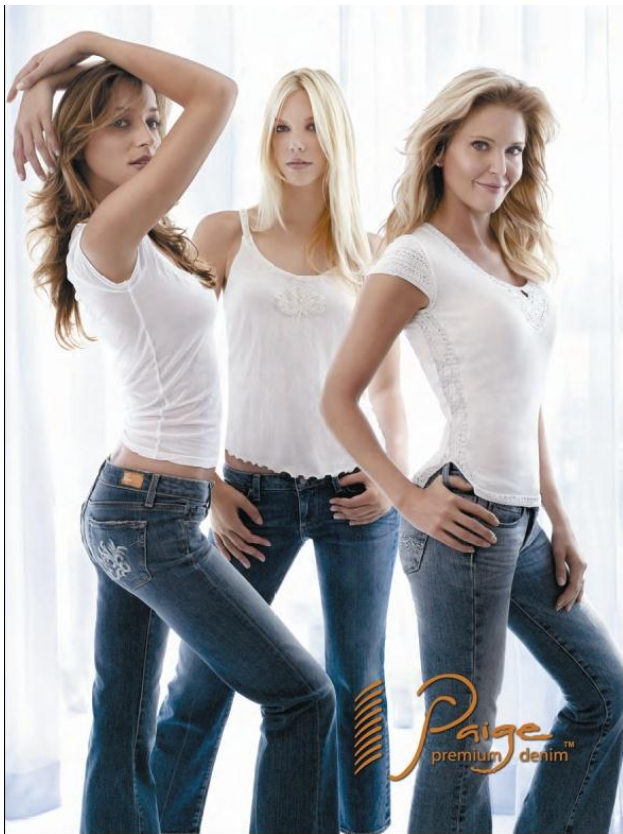
The marketing mix is the set of tools (four Ps) the firm uses to implement its marketing strategy. It includes product, price, promotion, and place.

Integrated marketing program is a 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

Customer-perceived value

- The difference between total customer value and total customer cost

Customer satisfaction

- The extent to which a product's perceived performance matches a buyer's expectations



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

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 management
- Strategic partners
- Strategic alliances



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

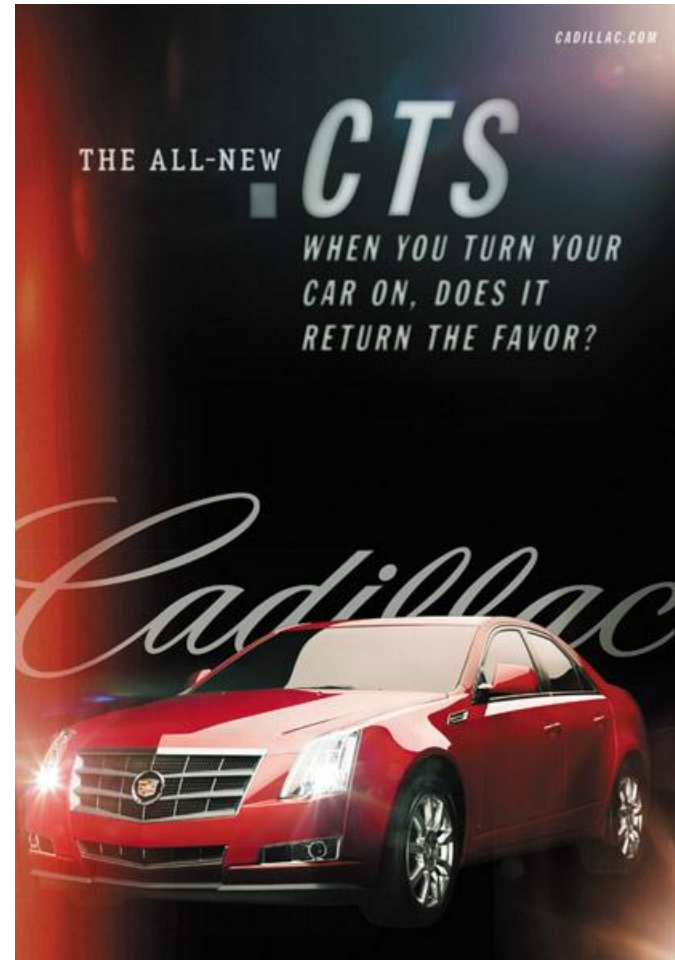
Growing Share of Customer

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

- Building the 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
 - Build the right relationship with the right customers



The Changing Marketing Landscape

Major Developments

Digital age

Rapid globalization

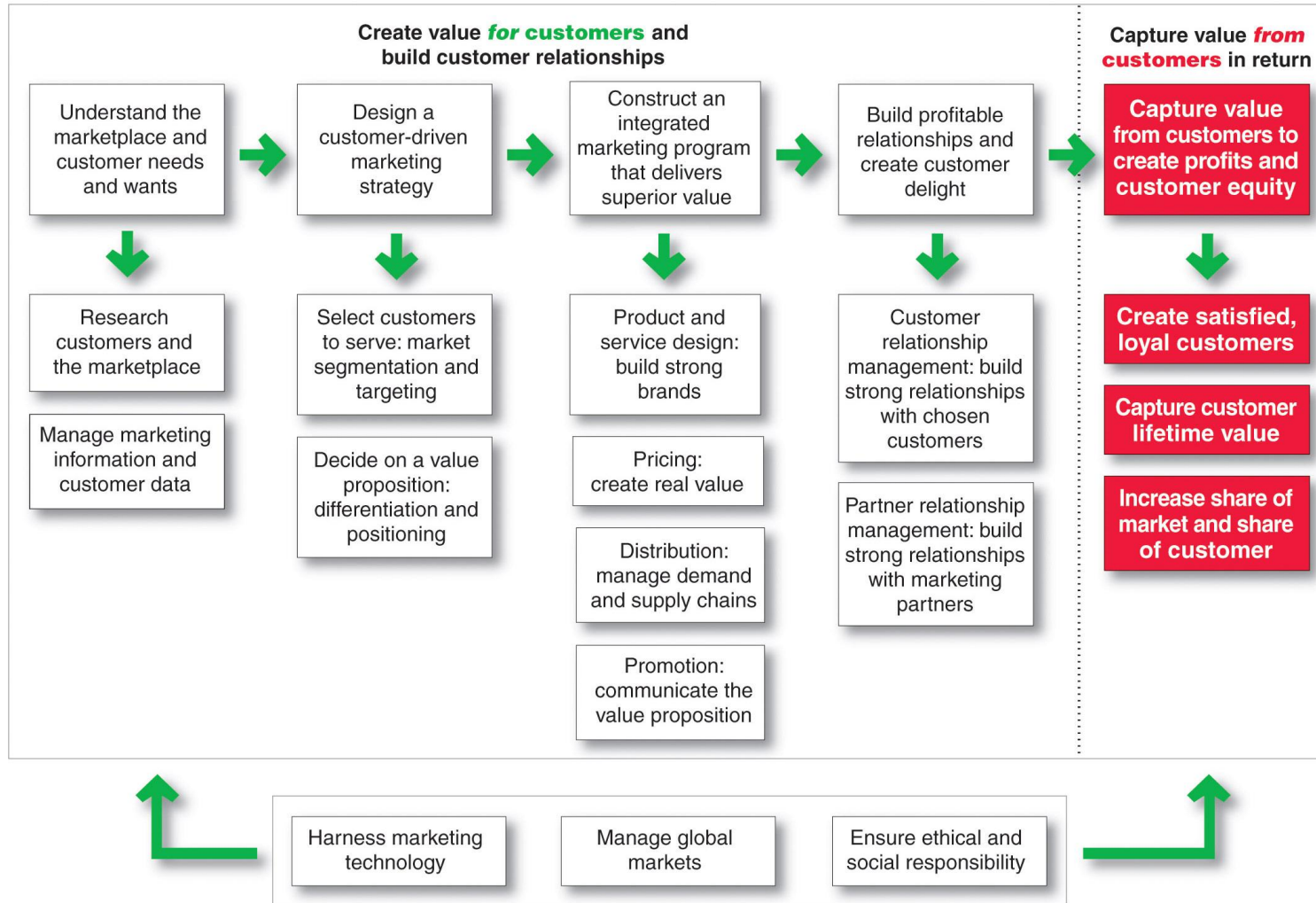
Ethics and social responsibility

Not-for-profit marketing



So, What Is Marketing?

Pulling It All Together





This work is protected by United States copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning. Dissemination or sale of any part of this work (including on the World Wide Web) will destroy the integrity of the work and is not permitted. The work and materials from it should never be made available to students except by instructors using the accompanying text in their classes. All recipients of this work are expected to abide by these restrictions and to honor the intended pedagogical purposes and the needs of other instructors who rely on these materials.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher. Printed in the United States of America.

Copyright © 2010 Pearson Education, Inc.
Publishing as Prentice Hall

