



Chapter 1

Marketing:

Creating and Capturing Customer Value

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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



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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



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What is Marketing?

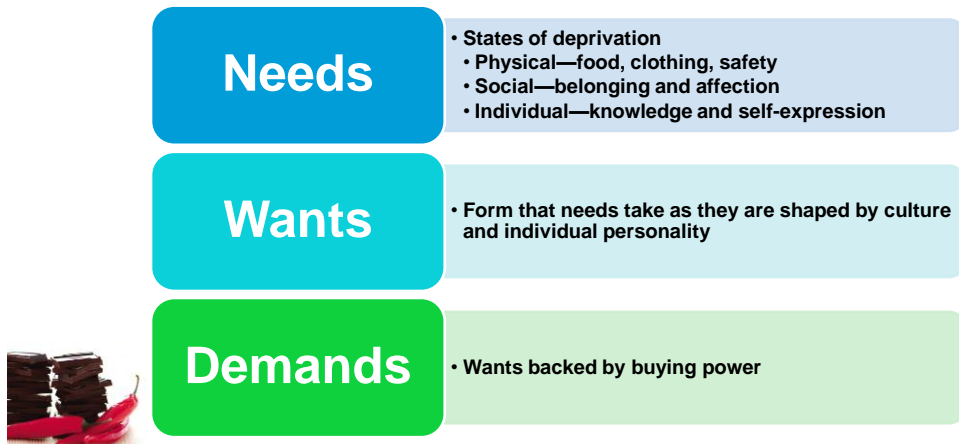
The Marketing Process



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Understanding the Marketplace and Customer Needs

Customer Needs, Wants, and Demands



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Understanding the Marketplace and Customer Needs

Customer Needs, Wants, and Demands

Needs -Human needs are the basic requirements and include food clothing and shelter. Without these humans cannot survive.

Wants – Wants are a step ahead of needs and are largely dependent on the needs of humans themselves. For example, you need to take a bath. But i am sure you take baths with the best soaps. Thus Wants are not mandatory part of life. You DONT need a good smelling soap. But you will definitely use it because it is your want.

Demand- When an individual wants something which is premium, but he also has the ability to buy it, then these wants are converted to demands. The basic difference between wants and demands is desire.



You might want a BMW or a Mercedes for a car. You might want to go for a cruise. But can you actually buy a BMW or go on a cruise? You can provided you have the ability to buy a BMW or go on a cruise. Thus a step ahead of wants is demands.

Understanding the Marketplace and Customer Needs

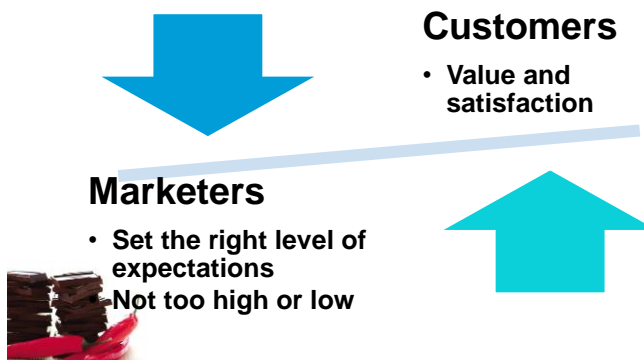
- **Market offerings** are some combination of products, services, information, or experiences offered to a market to satisfy a need or want
- **Marketing myopia** is focusing only on existing wants and losing sight of underlying(fundamental) consumer needs



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Understanding the Marketplace and Customer Needs

Customer Value and Satisfaction
Expectations



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Understanding the Marketplace and Customer Needs

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



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Understanding the Marketplace and Customer Needs

Markets are the set of actual and potential buyers of a product



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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?



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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



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Designing a Customer-Driven Marketing Strategy

Choosing a Value Proposition

Value proposition

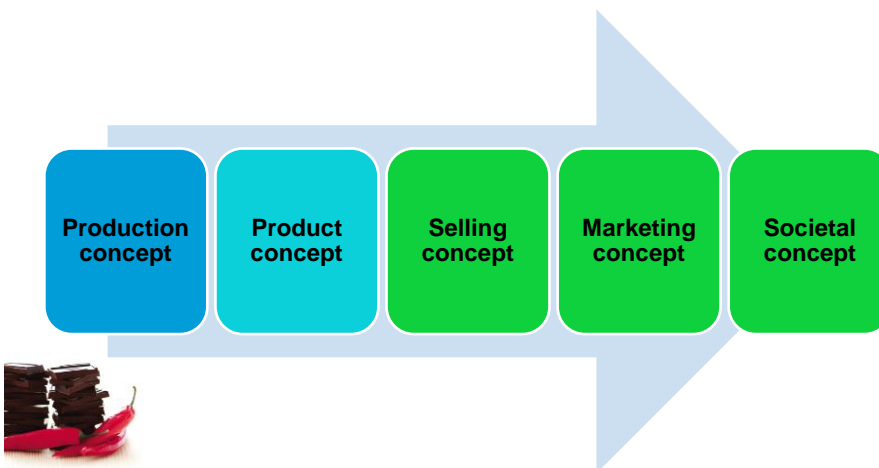
Set of benefits or values a company promises to deliver to customers to satisfy their needs



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Designing a Customer-Driven Marketing Strategy

Marketing Management Orientations (Angles, directions)



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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



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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.



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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



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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



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Designing a Customer-Driven Marketing Strategy

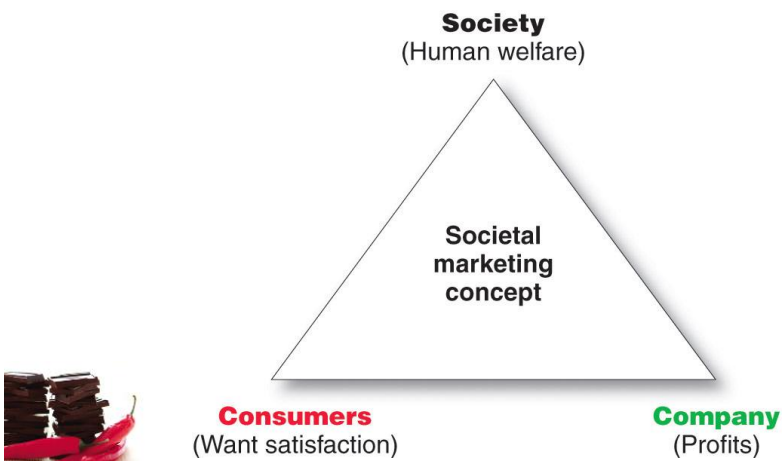
Marketing Management Orientations

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**



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Designing a Customer-Driven Marketing Strategy



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Preparing an Integrated Marketing Plan and Program

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

Integrated marketing program: (A future Plan) comprehensive plan that communicates and delivers the intended(future) value to chosen customers.



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Building Customer Relationships

Customer Relationship Management (CRM)



- The overall **process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction**



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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(level) to which a **product's perceived performance** matches a **buyer's expectations**



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Building Customer Relationships

Customer Relationship Levels and Tools

Basic Relationships

Full Partnerships



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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



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Building Customer Relationships

The Changing Nature of Customer Relationships

Customer-managed relationships

Marketing relationships in which **customers, empowered by today's new digital technologies, interact with companies and with each other to shape their relationships with brands.**



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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



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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



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Building Customer Relationships

Partner Relationship Management

- Supply chain is a channel that stretches
from raw materials to components to final
products to final buyers

Raw materials → Industry Process → Final Buyer

- Supply chain management



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Capturing Value from Customers

Creating Customer Loyalty and Retention(maintenance)

- Customer lifetime value is the value of the entire stream of purchases that the customer would make over a lifetime of patronage (support)



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Capturing Value from Customers

Building Customer Equity

- 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



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The Changing Marketing Landscape

Digital Age

- People are connected continuously to people and information worldwide
- Marketers have great new tools to communicate with customers
- Internet + mobile communication devices creates environment for online marketing



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