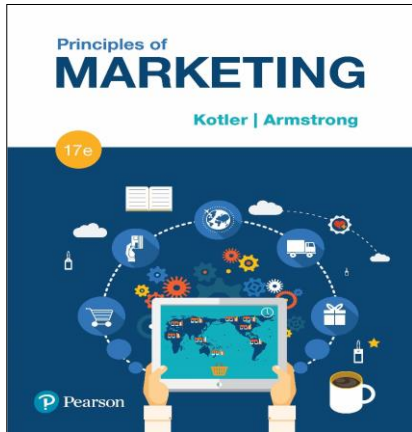


Principles of Marketing Seventeenth Edition



Chapter 1

Marketing: Creating Customer Value and Engagement



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

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.



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

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.
- The primary / main objectives of marketing are:
 1. attract new customers / clients by promising superior value
 2. keep and grow current customers / clients by delivering value and satisfaction



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

- The **marketing process** involves five steps:

First, marketers need to understand the marketplace and customer needs and wants.

Second, marketers design a customer value - driven marketing strategy with the goal of getting, engaging, and growing target customers.

Third, marketers construct a marketing program that actually delivers superior value.

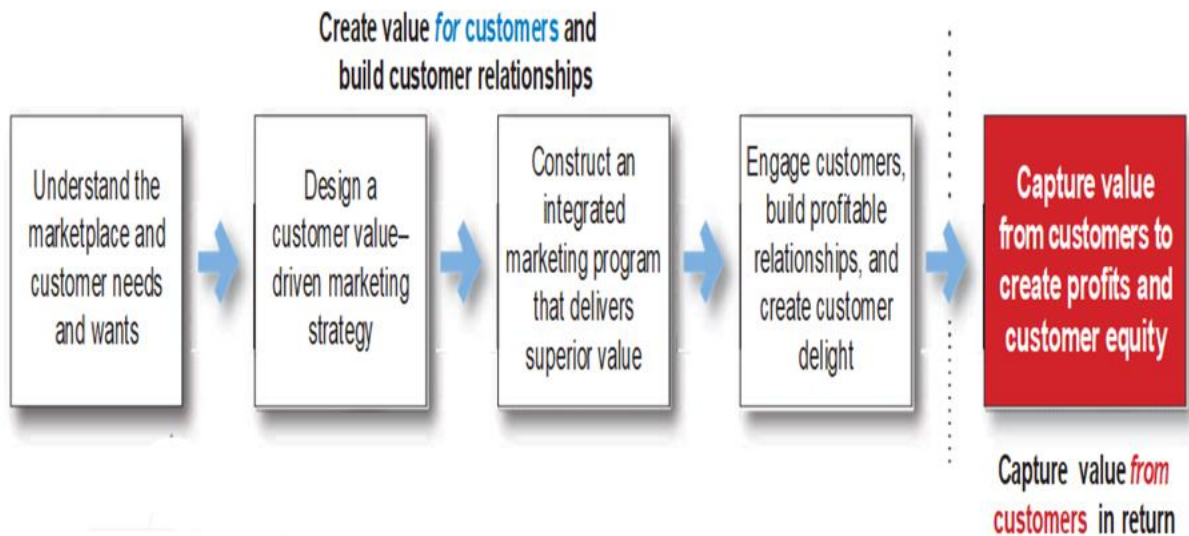
Fourth, engaging customers, building profitable customer relationships, and creating customer delight.

Five, the company reaps the rewards of strong customer relationships by capturing value from customers.
- **Notes:**
 1. Steps (1+2+3) form the basis for the fourth step.
 2. The first four steps create value for customers.



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process: Creating and Capturing Customer Value



The Marketing Process

1. Understanding the Marketplace and Customer Needs

Five core customer and marketplace concepts must be examined:

1. needs, wants, and demands
2. market offerings (products, services, and experiences)
3. value and satisfaction
4. exchanges and relationships; and
5. markets.

The Marketing Process

1. Understanding the Marketplace and Customer Needs

- **Needs** are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression
- **Wants** are the form human needs take as they are shaped by culture and individual personality.
 - An American needs food but wants a Big Mac, fries, and a soft drink.
 - Wants are shaped by one's society and are described in terms of objects that will satisfy those needs
- **Demands** are human wants that are backed by buying power.



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

1. 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.
 - Market offerings are not limited to physical products. They also include services activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.
 - Examples of market offerings include banking, airline, hotel, tax preparation, and home repair services.
 - **Marketing myopia** is the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products.



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

1. Understanding the Marketplace and Customer Needs

- **Customer Value and Satisfaction** are key building blocks for developing and managing customer relationships.
- **Satisfied customers** buy again and tell others about their good experiences.
- **Dissatisfied customers** often switch to competitors and disparage the product to others.
- **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**.

The Marketing Process

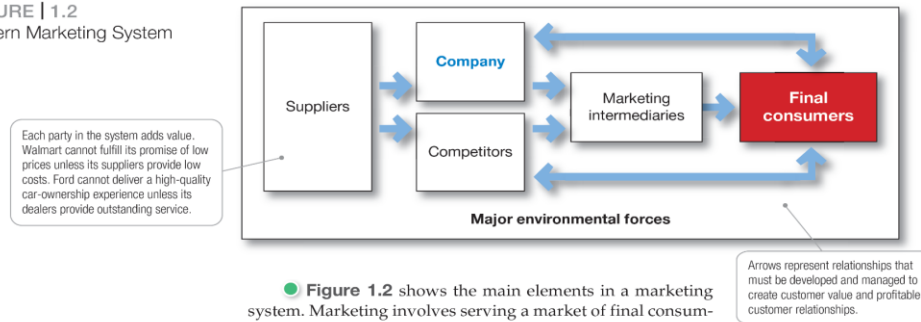
1. Understanding the Marketplace and Customer Needs

- A **market** is the set of actual and potential buyers.
- Consumers market when they:
 - search for products
 - interact with companies to obtain information
 - make purchases

The Marketing Process

1. Understanding the Marketplace and Customer Needs

● FIGURE | 1.2
A Modern Marketing System



● Figure 1.2 shows the main elements in a marketing system. Marketing involves serving a market of final consumers in the face of competitors. The company and competitors research the market and interact with consumers to understand their needs. Then they create and exchange market offerings, messages, and other marketing content with consumers, either directly or through marketing intermediaries. Each party in the system is affected by major environmental forces (demographic, economic, natural, technological, political, and social/cultural).

The Marketing Process

2. Designing a Customer Value-Driven Marketing Strategy

- **Marketing management** is the art and science of choosing target markets and building profitable relationships with them.
- To design a winning marketing strategy, the company must answer two important questions;

1. What customers will we serve (target market)?

The company must decide whom it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (target marketing)

The Marketing Process

2. Designing a Customer Value-Driven Marketing Strategy

2. How can we best serve these customers (value proposition) ?

- A brand's **value proposition** is the set of benefits or values it promises to deliver to customers to satisfy their needs.
- Such value propositions differentiate one brand from another.



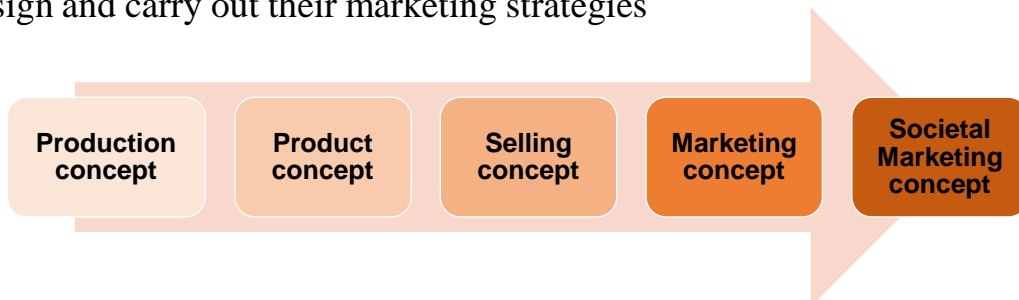
Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

2. Designing a Customer Value-Driven Marketing Strategy

Marketing management orientations

There are five alternative concepts under which organizations design and carry out their marketing strategies



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

2. Designing a Customer Value-Driven Marketing Strategy

Marketing management orientations

1. The production concept holds that consumers will favor products that are available and highly affordable. Therefore, management's task is to improve production and distribution efficiency.
2. The product concept holds that consumers will favor products that offer the most in quality, performance, and innovative features; thus, management should devote its energy to continuous product improvements.
3. The selling concept holds that consumers will not buy enough of an organization's products unless it undertakes a large-scale selling and promotion effort.
4. The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.



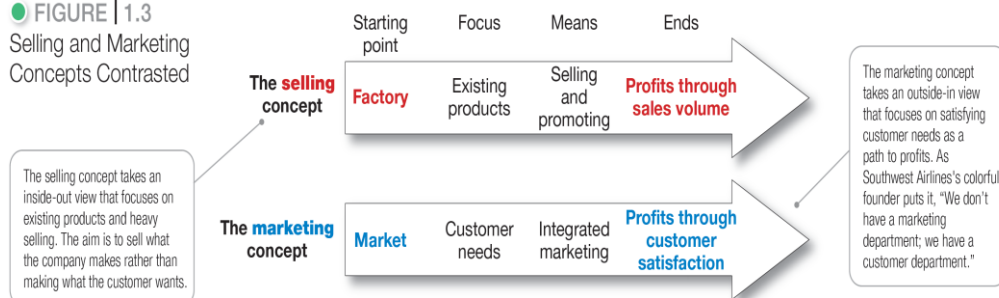
Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

2. Designing a Customer Value-Driven Marketing Strategy

Selling and Marketing Orientations

● FIGURE | 1.3
Selling and Marketing
Concepts Contrasted



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

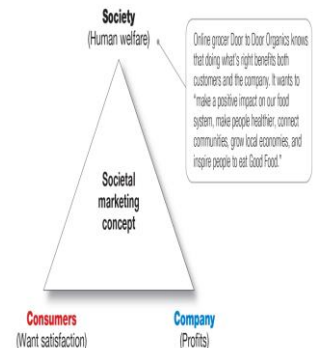
The Marketing Process

2. Designing a Customer Value-Driven Marketing Strategy

Marketing management orientations

5. The societal marketing concept holds that generating customer satisfaction and long-run societal well-being through sustainable marketing strategies is key to both achieving the company's goals and fulfilling its responsibilities. Therefore, the company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

FIGURE | 1.4
Three Considerations Underlying
the Societal Marketing Concept



The Marketing Process

3. Preparing an integrated marketing plan and program

- The company's marketing strategy outlines which customers it will serve and how it will create value for these customers.
- Then, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers.
- The marketing program builds customer relationships by transforming the marketing strategy into action.
- The marketing program consists of the firm's **marketing mix**, the set of marketing tools the firm uses to implement its marketing strategy.

The Marketing Process

3. Preparing an integrated marketing plan and program

- The **marketing mix** is comprised of a set of tools known as the four Ps:
 - Product
 - Price
 - Promotion
 - Place



Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

4. Engaging customers and managing customer relationships

- **Customer relationship management:** the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.
- **Importantly**, customers often do not judge values and costs “accurately” or “objectively.” They act on perceived value.
- **Customer-Engagement Marketing** aims to make a brand a meaningful part of consumers’ conversations and lives through direct and continuous customer involvement in shaping brand conversations, experiences, and community.

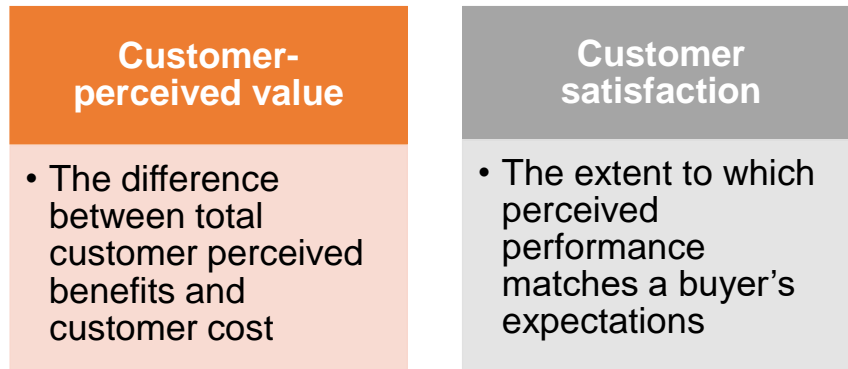


Copyright © 2018, 2016, 2014 Pearson Education, Inc. All Rights Reserved.

The Marketing Process

4. Engaging customers and managing customer relationships

Relationship Building Blocks

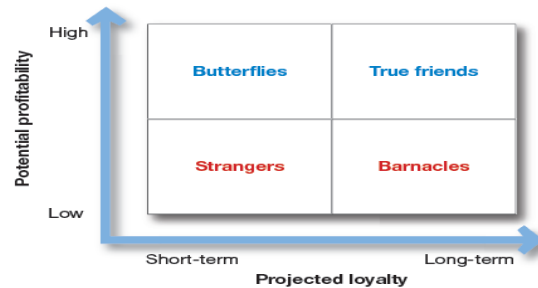


The Marketing Process

5. 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.
- **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.

Managing Customer Relationships and Capturing Customer Value



● FIGURE | 1.5
Customer Relationship Groups

Building the Right Relationships with the Right Customers

- Figure 1.5 classifies customers into one of four relationship groups:
 1. **Strangers** show low potential profitability and little projected loyalty.
 2. **Butterflies** are potentially profitable but not loyal.
 3. **True friends** are both profitable and loyal.
 4. **Barnacles** are highly loyal but not very profitable.
- Different types of customers require different engagement and relationship management strategies. The goal is to build the right relationships with the right customers.

The Changing Marketing Landscape

The major trends and forces that changing marketing and challenging marketing strategy are:

- The digital age
- The changing economic environment
- 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