

Marketing – Lecture 1

Creating Customer Value

What is marketing?

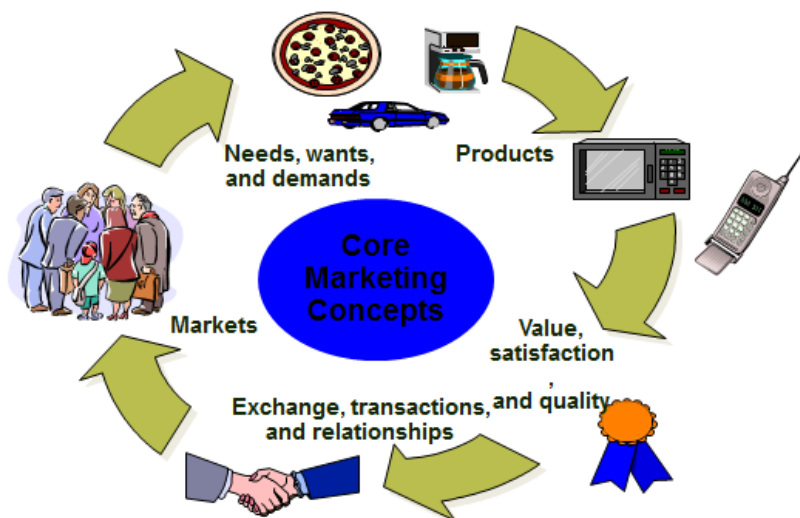
Marketing refers to the activities undertaken to create and exchange products and values with others. Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'.

The marketing process

1. Know the marketplace and your customers.
2. Design a customer driven strategy.
3. Construct an IMP.
4. Build profitable customer relationships.
5. Capture value and create customer equity.

The core marketing concepts – important terms

- Needs, wants and demands
- Products
- Value, satisfaction and quality
- Exchange, transactions and relationships
- Markets



Needs, wants and demands

Human Needs:

- The most basic concept underlying marketing is that of human needs. These are states of felt deprivation.
- Drawing from Maslow's hierarchy, these needs are summarised as physical, social or individual.
- When a need is not satisfied, a person will either try to reduce the need or look for an object that will satisfy it.
- The type of society in which people live will influence how these needs are specifically satisfied.
- People in less economically developed societies might try to reduce their desires and satisfy them with what is available.
- People in industrial societies try to develop objects that will satisfy their needs.

Wants:

- These are the objects that satisfy the needs.
- The form these objects take depends upon culture and individual personality.
- As society becomes more sophisticated, people are exposed to a range of need-satisfying objects and as such the wants of its members expand.
- Producers compete to satisfy these needs.
- A hungry person in Hong Kong may want a bowl of noodles for lunch while a hungry person in Sydney might want a meat pie with tomato sauce because each person will think of different objects that will satisfy this need.

Demands:

- Demands are the human wants that are backed up by buying power.
- If people have the money to purchase a need-satisfying object – there is a demand for that object.
- Because people have limited resources they choose objects that most satisfy their needs.
- Producers need to ensure that they provide need-satisfying objects for which there is demand. To do so effectively, producers need to understand the needs and wants of their customers.
- Customers view products as bundles of benefits and choose the products that give them the best value for money.
- Outstanding companies go to great lengths to learn about and understand their customers' needs, wants and demands.
- They conduct customer research, analyse and monitor customer behaviour, complaints, inquiry, warranty, and service data.
- Understanding customer needs, wants, and demands in detail provides important input for designing marketing strategies.

Marketing offerings: Goods, services and experiences

A market offering is a product that is some combination of goods, services and experiences that can be offered to a market to satisfy a need or want.

In the broadcast sense, marketing offerings include:

- goods
- services/experiences
- persons
- places
- organisations
- information
- ideas

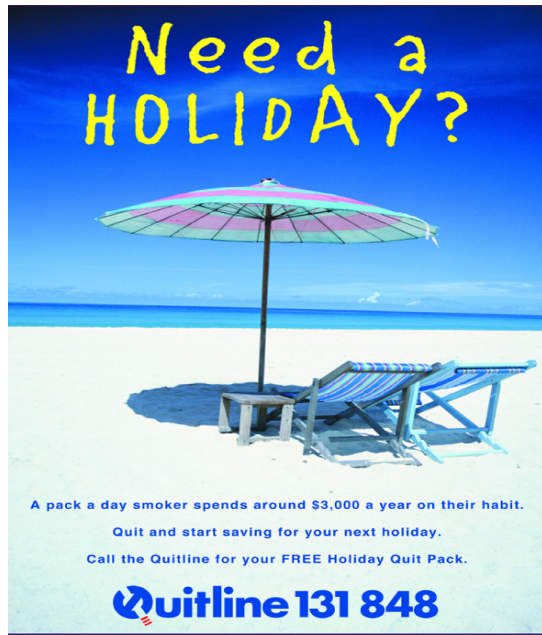
Marketing offerings: Products, services, and other market offerings

Services: KFC colourfully proclaim how it delivers satisfaction – “it’s finger lickin’ good”.

Products and brands: Manufacturers of fresh produce – distribute a number of premium brands from bananas to tomatoes.

Social causes: Quitline offers smokers options for how to go about quitting the smoking habit.

E.g.:



Quit smoking advertisements; marketing a social cause.

“Need a Holiday?”

This advert for Quitline falls into the social cause category. Non-profit and social marketing is increasing. This advert is trying to combine a rational and emotional appeal in emphasising how much money smokers are wasting that could be spent on something very pleasurable.

Question for students: Why is the advert very different from many that focus on smokers’ health problems?

Possible answers:

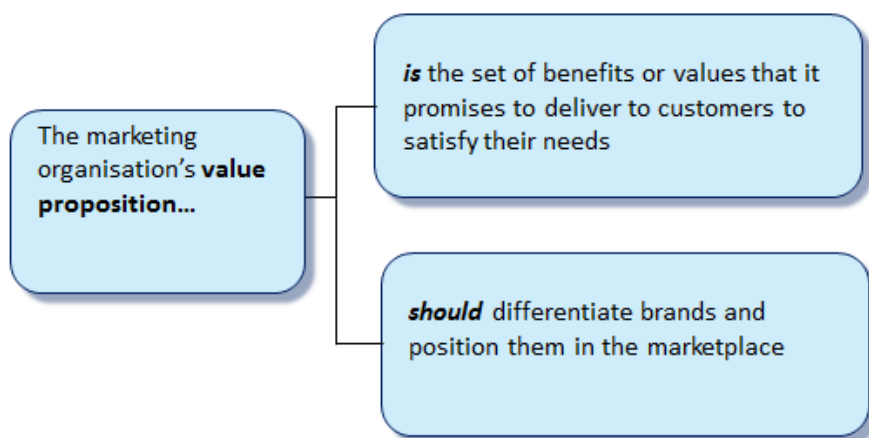
- Health is not a major concern for all smokers, particularly younger ones.
- The advert offers another form of shock tactic which is the realisation of how much money a smoker wastes over a year and other ways to spend it.
- The advert aims to create desire for the holiday and shows the means to achieve it by changing customer behaviour.

Exchanges, transactions, and relationships

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

Transaction: Is a trade between two parties that involved at least two things of value, agreed-upon conditions, and a time and place of agreement.

The value proposition

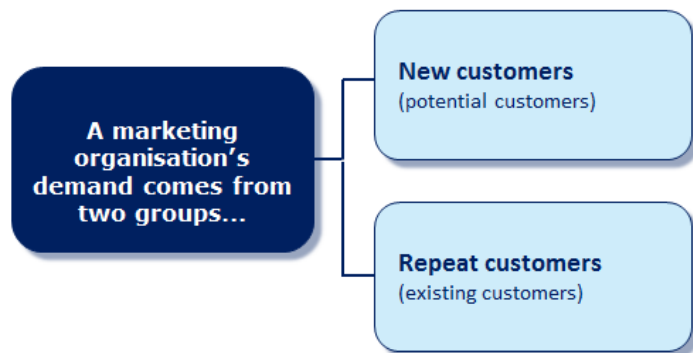


Designing a customer-driven marketing strategy

• To design a winning marketing strategy, the marketing manager must answer two important questions:

1. What customers will we serve? (Who is our target market?)
2. How can we serve these customers best? (What is our value proposition?)

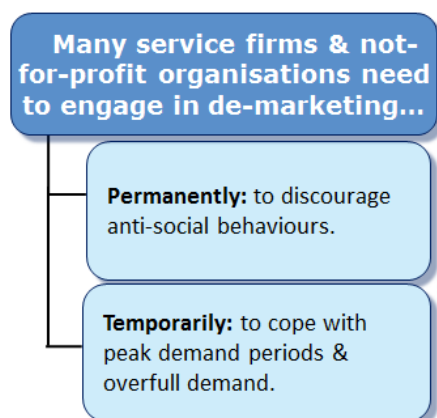
Managing customer demand: Sources of demand



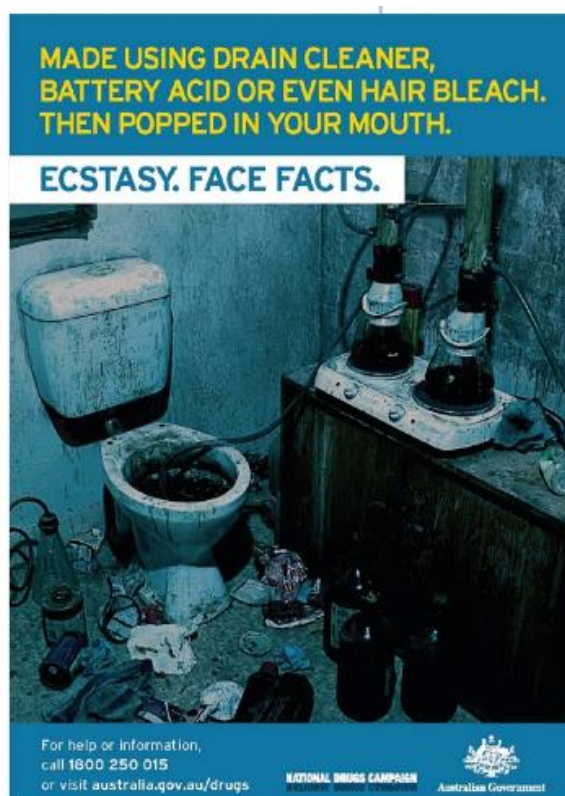
Demand management

1. Negative demand: A major part of the market dislikes the product and may even pay a price to avoid it e.g. dental surgery, vaccinations.
2. No demand: Target consumers may be unaware of or uninterested in the product. Need to link.
3. Latent demand: Many consumers share a strong need that cannot be satisfied by existing products.
4. Declining demand: Every organisation will face a decline in demand for one or more of its products sooner or later.
5. Irregular demand: Many organisations face demand that varies on a seasonal, daily or hourly basis.
6. Full demand: Organisations face full demand when they are satisfied with their volume of business. Need for sustainable programs.
7. Overfull demand: Organisations may face a demand level that is higher than they can or want to handle.
8. Unwholesome demand: Unwholesome products will attract organised efforts to discourage their consumption. E.g. tobacco, drugs.

Managing customer demand: De-marketing



Product offerings: Social causes are products ... Often demarketing is involved.
Department of Health



Marketing management orientations

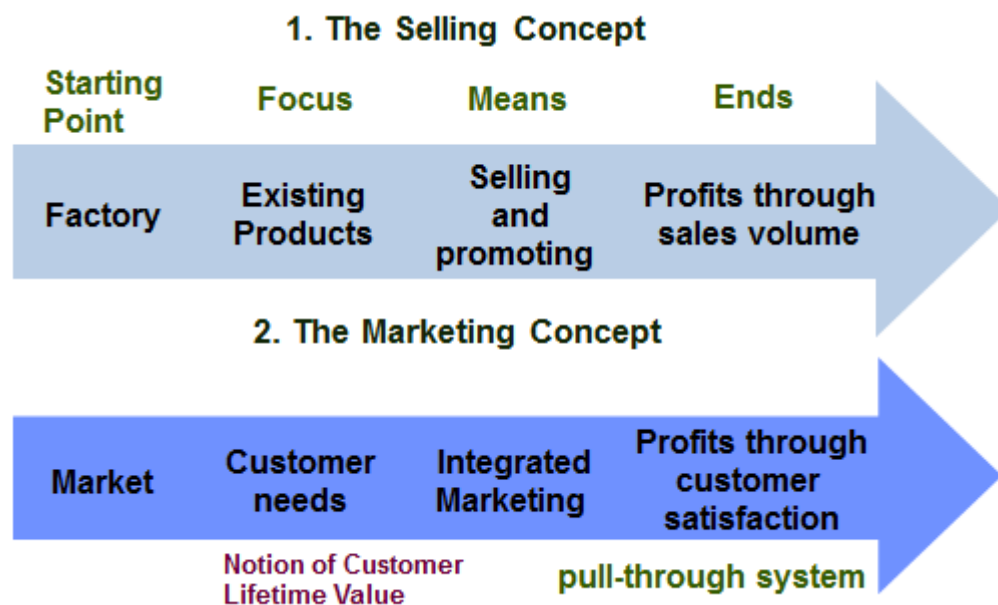
The product concept: Focus their efforts on research and development in order to produce improved and/or innovative products. Philosophy is that 'consumers favour products that offer the most quality, performance and features'.

Selling concept: Focus their efforts on the sales process in order to sell large quantities of the product. The philosophy is that 'consumers will not buy enough of the organisation's products unless the organisation undertakes a large scale selling and promotion effort'.

The marketing concept: Based upon the satisfaction of both parties to the exchange – customer value within the capabilities of the company.

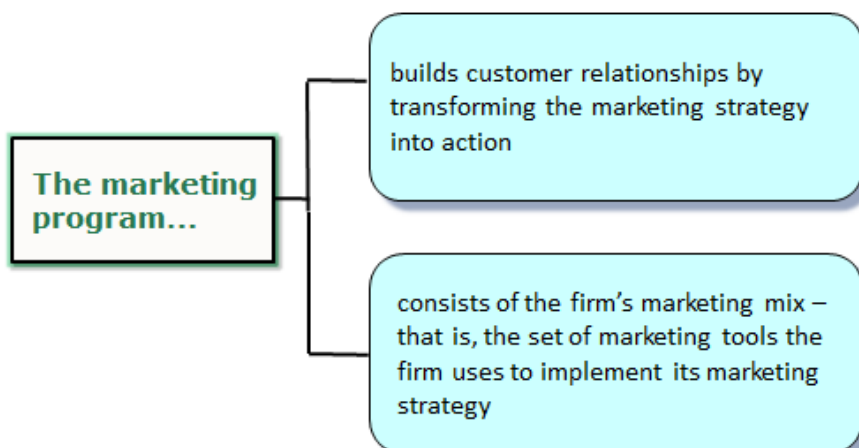
The societal marketing concept: Dominated by this concept are following the marketing orientation. The key difference is that the interests of society are also factored into the equation.

The selling and marketing concepts contrasted

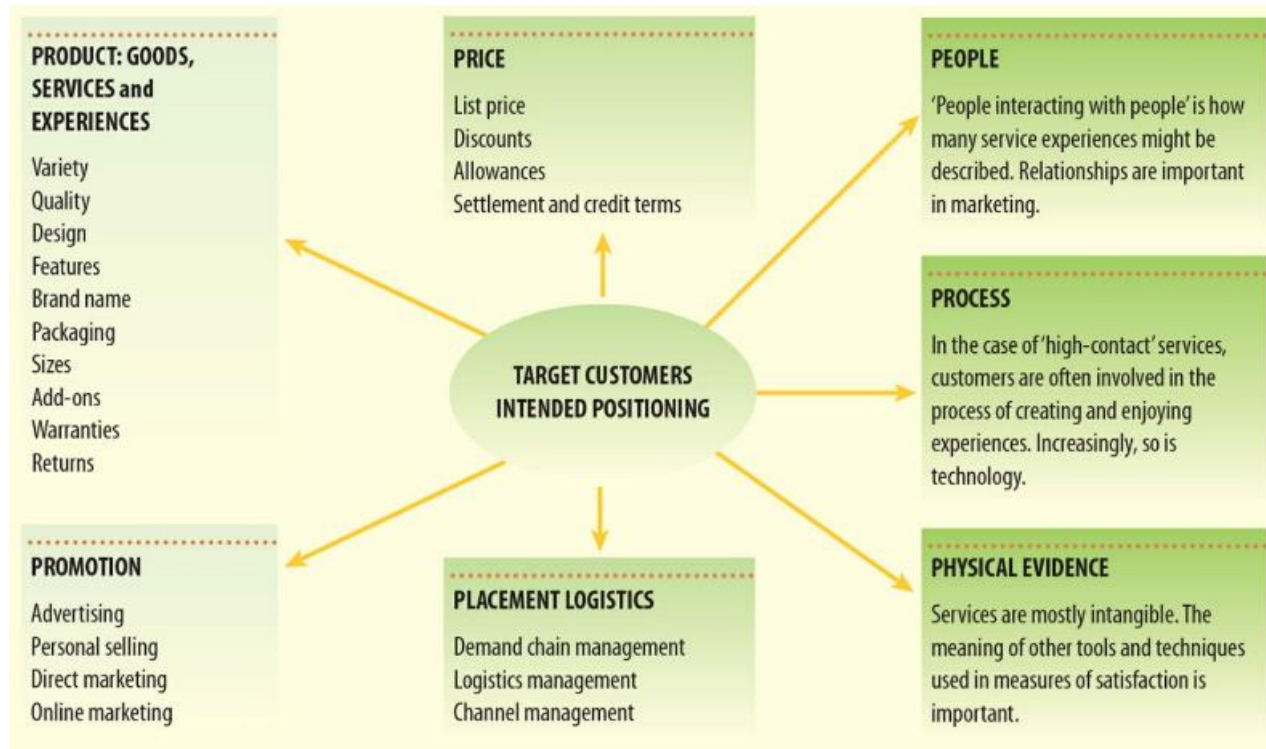


- The Selling Concept takes an inside-out perspective – looking at the company's needs and wants in terms of existing products and ways to find customers for them.
- The Marketing Concept takes an outside-in perspective – identifying the needs and wants of a clearly defined market and adjusting company efforts to make products that meet the needs.

Preparing an integrated marketing program



The extended marketing matrix (7 P's)



Building profitable customer relationships

- The 'leaky-bucket' approach refers to companies' past ability to keep filling the marketing bucket with new customers without worrying about losing old customers through the holes in the bucket.
- Changing demographics, a slow-growth economy, more sophisticated competitors and overcapacity in many industries e.g. tourism means there are fewer customers to share.
- The current marketing emphasis is on building good customer relationships that will last.
- Losing a customer may be more than losing one sale.
- One transaction may result in loss, but there may be gain in a long term relationship.
- The key to customer retention is superior customer value and satisfaction.

Relationship building blocks: Customer value and satisfaction

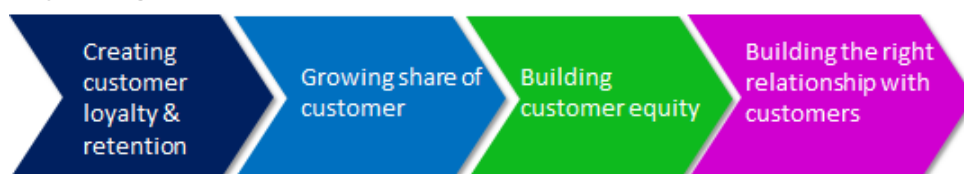
Perceived value: The customer's evaluation of the difference between all the benefits and the costs of a market offering relative to those of competing offerings.

Customer satisfaction: Depends on the product's perceived performance relative to a buyer's expectations.

Frequency marketing programs

Operate on a quasi-club basis. Members are issued with a card and accrue points for every purchase made using the card. These points can subsequently be exchanged for goods, bonuses, or cash. E.g.: flybuys.

Capturing value from customers



The changing nature of relationships

Relating more carefully with selected customers

Relating more deeply and interactively

Customer-managed relationships

Online social networks

Consumer-generated marketing

Relationship marketing: Customer lifetime value

Customer lifetime value (CVL): Refers to the value of an entire stream of purchases that the customer would make over a lifetime of patronage.

- To keep customers coming back, the US supermarket chain Stew Leonard's has created the 'Disneyland or dairy stores'.
- Rule #1: The customer is always right.
- Rule #2: If the customer is ever wrong, re-read Rule #1.

The changing marketing landscape

- The uncertain world economy
- Measuring marketing's contribution to organizational performance
- Growth of not-for-profit marketing
- The digital age
- Rapid globalization
- Sustainable marketing: the call for social responsibility

The changing marketing landscape: The digital age

- Telecommunications, media and technology (TMT): In this digital age, for better or worse, technology has become an indispensable part of our lives. The technology boom provides exciting new opportunities for marketers.
- The IT explosion is accelerating the rate of change and the emergence of new global competitors as various markets become attractive due to the lower costs offered to many industries by technology such as the internet.

Summary

- Marketing's role in the company
- What marketing is and how it provides value to everyone involved in the marketing process
- The goods and services continuum
- Value from the perspectives of the customers, producers, and society
- Marketing management and the marketing mix tools used in the marketing process
- The changing marketing landscape