

MARK101 SUMMARY: PRINCIPLES OF MARKETING

CHAPTER 1: CREATING AND CAPTURING CUSTOMER VALUE

| | |
|--------------------|--|
| Marketing | The activity, set of institutions and processes for creating, communication, delivering and exchanging offerings that have VALUE for customers |
| Needs | States of felt deprivation, e.g. food, clothing, shelter |
| Wants | Are shaped by culture and individual personality, e.g. Australians -> meat pie |
| Market | The set of actual and potential buyers of a product <i>A market = actual buyers + potential buyers</i> |
| Transaction | Trade between 2 parties with things of value with agreed conditions |

The marketing process;

1. Determine customer needs, wants, demands
2. Design customer-driven marketing strategy
3. Construct integrated marketing program
4. Build profitable relationships
5. Capture value from customers = profit + customer equity

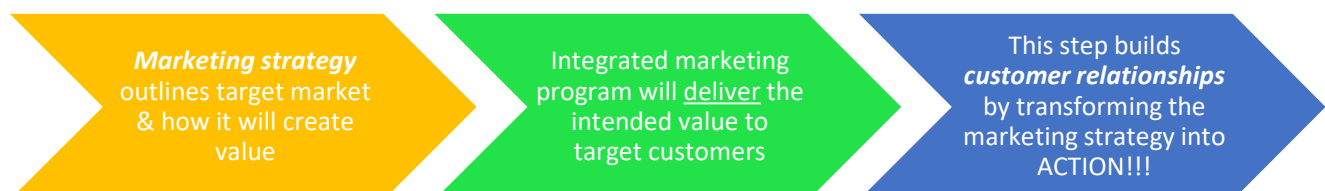
2. Designing a customer-driven marketing strategy

- The marketing manager's aim is to find, attract, keep and grow target customers by creating, delivering and communicating customer value
 - Who is our target market?
 - What is our value proposition? i.e. what do we offer, how to create value?

Marketing management orientations

| | | |
|-----------------------------------|---|-----------------------|
| Production concept | Focus on production & distribution efficiency | E.g. Lenovo |
| Product concept | Focus on product improvements | E.g. mobile phones |
| Selling concept | Focus on large-scale selling and promotion efforts | E.g. funeral services |
| Marketing concept | Focuses on determining the needs and wants of target markets and delivering satisfaction | E.g. Apple |
| Societal marketing concept | The idea that a company's marketing decisions should consider consumers' wants, the company's requirements, consumers'/society's long-run interests | E.g. electric cars |

3. Preparing an integrated marketing plan



Marketing mix

4P's;

- **Product** – goods, services or experiences
- **Place** – logistics, demand chain, channel
- **Price** – list price, discounts, allowances
- **Promotion** – advertising, personal selling, direct marketing, online marketing

Plus the 3 extra P's;

- *People* – relationships with customers
- *Process* – 'high-contact' services
- *Physical evidence* – services are mostly intangible

4. Building customer relationships

- **Customer relationship management (CRM)** – overall process of building & maintaining profitable customer relationships by delivering superior customer value/satisfaction
- Customer-perceived value – a customer's evaluation of the difference between an offering to those of competitors
- Customer satisfaction – performance matches expectations

5. Capturing value from customers

Creating customer loyalty and retention

- More cost effective and profitable to retain customers and to keep them happy
- Companies realise that losing a customer means more than losing a sale, it means losing the entire stream of purchases that the customer would make over a lifetime.
 - *Customer lifetime value* – the value of the entire stream of purchases
- E.g. Flybuys, Everyday Rewards card

Growing share of customer

- The portion of the customer's purchasing that a company get in its product categories e.g. offer more products, up selling
- E.g. Amazon -> started with selling books now to electronics, toys, gifts, office products etc.

Building customer equity

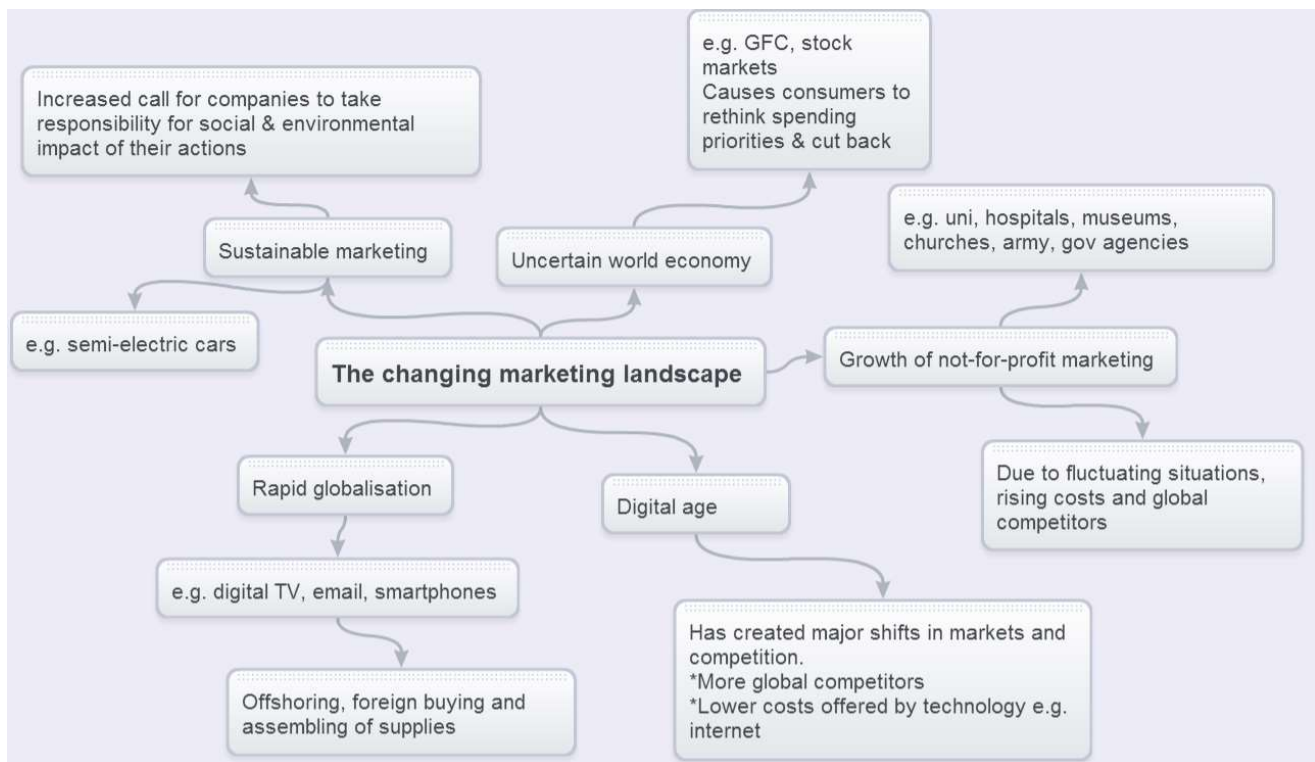
- *Customer equity* – the total of lifetime values of all your current and future customers
- It is a MEASURE of the **future value** of all the company's current and potential customers

Building the right relationship with customers

Companies need to manage **customer equity** carefully, in terms of profitability, investment and loyalty.

| | | |
|---------------------------|--|--|
| <i>High profitability</i> | "Butterflies" High profit potential | "True friends" Highest profit potential |
| <i>Low profitability</i> | "Strangers" Lowest profit potential | "Barnacles" Low profit potential |
| | <i>Short term customers</i> | <i>Long term customers</i> |

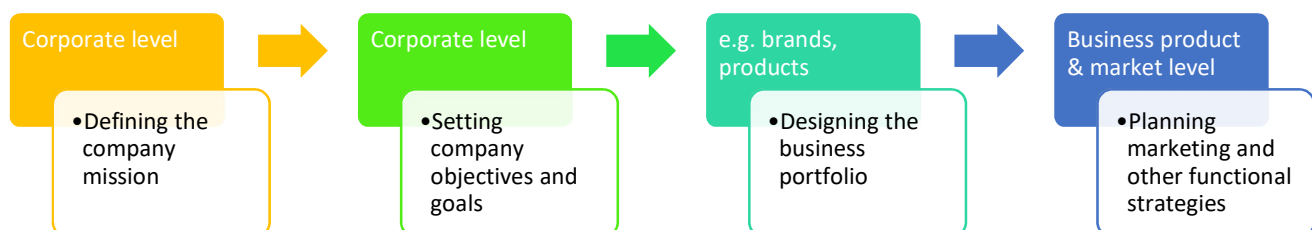
The changing marketing landscape



CHAPTER 2: COMPANY AND MARKETING STRATEGY – PARTNERING TO BUILD CUSTOMER RELATIONSHIPS

Strategic planning – the process of developing and maintaining a **strategic fit** between the organisation's goals and capabilities and its changing marketing opportunities

Translating the company mission to real life...



STRATEGIC PLANNING STEPS

1) Defining a market-orientated mission –

Mission statement – a statement of the organisation's purpose; what it wants to accomplish in the larger environment

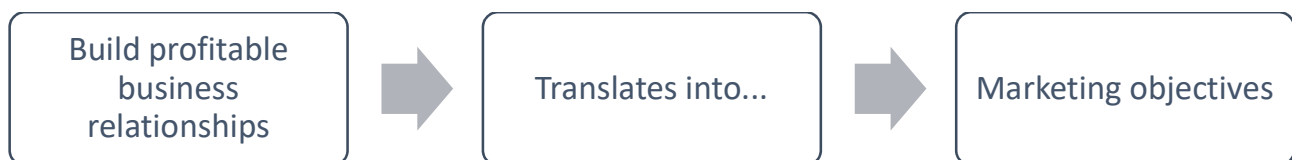
Characteristics of a strong mission statement;

- Market-orientated and based on satisfying customer needs
- Meaningful and specific, yet motivating
- Emphasise company's strengths in the marketplace
- Should NOT be stated in terms of sales/profits



E.g. IKEA – “At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.”

2) Setting company objectives and goals



- The marketing organisation needs to turn its mission into detailed supporting objectives for each level of management.

3) Designing the business portfolio

Business portfolio – is the collection of businesses and products that make up the company

e.g. L’Oreal owns the brands: The Body Shop, Lancôme, Maybelline New York, Essie, Garnier

Business portfolio planning consists of 2 steps...

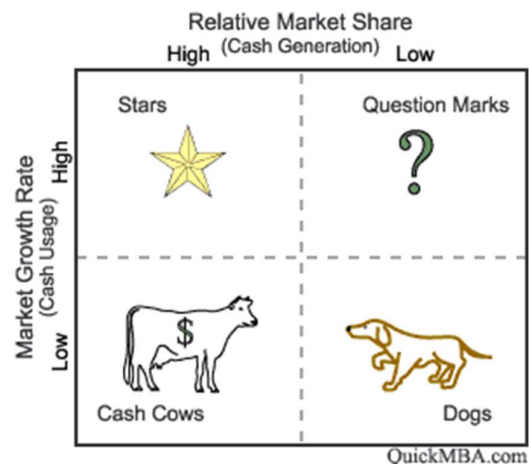
1. Analyse the **current** portfolio
2. Shape the **future** portfolio

BCG growth-share matrix – measures industry attractiveness (e.g. value, market share) and helps to analyse a business's product (whether to continue or sell a product/business)

e.g. ??? is usually a new product to a market

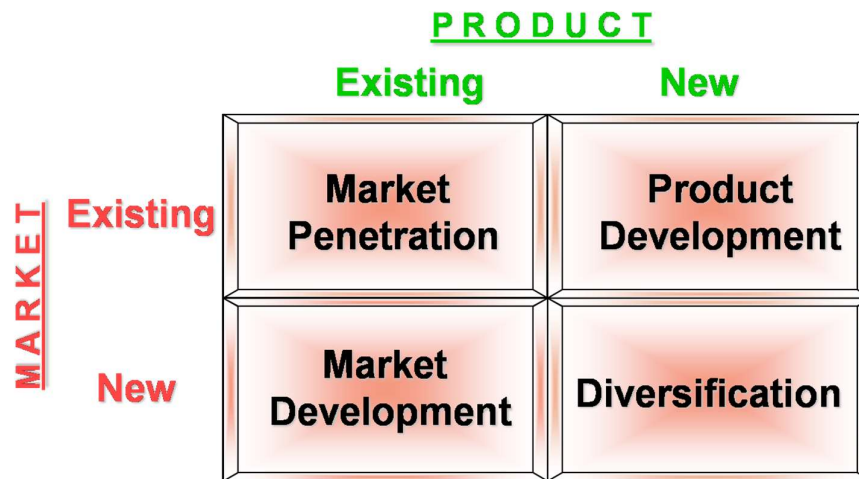
Related to the *product life cycle*;

Introduction → Growth → Maturity → Decline



Developing strategies for growth and downsizing: the product/market expansion grid

Product/market expansion grid – a business portfolio planning tool for identifying company growth opportunities through market penetration, market development, product development or diversification



| Market penetration | Market development | Product development | Diversification |
|---|--|--|--|
| Company growth by increasing sales without changing the product e.g. Apple | Existing products for new markets e.g. Neutrogena → ageing/natural skincare range | Offering new or modified products to current markets e.g. iPhones | New products in new markets E.g. Coles car and home insurance |

4) Planning marketing: Partnering to build customer relationships

Internal value chain – providing value to other company departments

External value chain – providing value to others in the market e.g. delivering value to customers

Marketing strategy and the marketing mix →

