

Customer Value

Delivering Value to Customers

Market Orientated Culture

believes that the purpose of business is to create superior customer value

Reflected by:

1. Deep understanding of customers
2. Awareness and knowledge of competitors
3. Strong collaboration across all functions of the firm
4. Leadership actions that focus on the customer

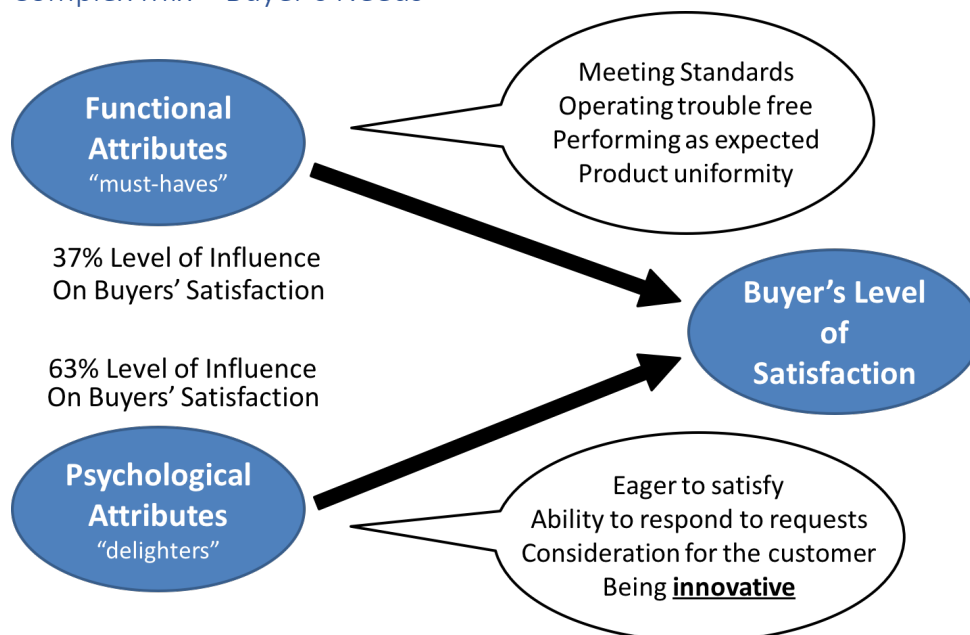
Customers are Value Maximisers

- They will buy from those with the highest customer delivered value
- They only consider features that are important to them
- Their perception of value is a strong predictor of purchase and their experience will influence their future choice
- Customer satisfaction is an important component of their experience

Features: attributes of a product

Benefits: attributes the customer will actually use (provides value)

Complex Mix – Buyer's Needs



Customer Satisfaction

The customers conscious evaluation of a product, service or feature

Influenced by:

- Past experiences
- Information and promises made by marketing organisations
- Company's competitors or competing products
- What seems like fair value

→ Generally, it depends on the products performance, relative to the buyer's expectations

Measuring Satisfaction and Loyalty

- Customers satisfaction and loyalty surveys
- Complaint and suggestion systems
- Mystery shipping and customer interviews
- Lost customer analysis – eg. surveyed when unsubscribing from email service

Satisfaction vs Loyalty

- Totally satisfied customers are more likely to be loyal
- However, the relationship varies across industries and competitive situations
- Satisfaction alone does not achieve loyalty – eg. impulse purchases

Relationship Marketing

- Focuses on retaining profitable customers (key customers) and holding their loyalty by totally satisfying them
- Some customers do not want a relationship with a company – impulse buying

Relationship Level

1. **Partnership** – product developments: user and developer work together eg. medical industry
2. **Proactive** – maintain a database of customers with a lot of information. contact customers with ideas
3. Accountable
4. Reactive
5. Basic

Relationship Ties

- **Financial Benefits**
 - loyalty programs, member discounts
 - can be easily imitated by competitors
- **Social Benefits**
 - Focuses on social bonds
 - Personalising products and services to a customer's needs
 - Eg. option to choose preferred seat on airplane
- **Structural Ties**
 - Not every organisation wants close ties with customers
 - Refers to links that an organisation may provide to a customer to assist with its own business
 - Eg. software for inventory or orders which customers can check order status

Customer Retention and Profitability

- 20-40% of customers DO NOT represent profitable sales
- marketing can be viewed as an investment instead of an expense
- results in development of better measures of return on marketing investment

Customer Lifetime Value

The amount by which revenues from a given customer, exceeds the cost of attracting, selling and servicing that customer over the lifetime of the customer relationship