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LEARNING OBJECTIVE 1. Define marketing and outline the steps in the marketing process. (pp. 4–5)

- Marketing is engaging customers and managing profitable customer relationships.
- The goal of marketing is to attract new customers by promising superior value, and to keep and grow current customers by delivering satisfaction.
- Marketing is the process by which marketing organisations engage customer, build strong customer relationships and create customer value in order to capture value from customers in return.
- The marketing process involves five steps:

  ![Diagram of the marketing process]

  - In the first four steps, marketing organisations uncover knowledge about consumers, create customer value and build strong customer relationships:
    - First, marketers need to understand the marketplace and customer needs and wants.
    - Next, marketers design a customer-driven marketing strategy with the goal of getting, keeping and growing target customers.
    - In the third step, marketers construct a marketing program that actually delivers superior value.
    - All these steps form the basis for the fourth step, building profitable customer relationships and creating customer delight.
    - In the final step, companies reap the rewards of creating superior customer value i.e. creating value for consumers = capturing monetary value from consumers e.g. return sales.

LEARNING OBJECTIVE 2. Explain the importance of understanding customers and the marketplace and identify the five core marketplace concepts. (pp. 5–9)

- Understanding customer’s needs, wants and demands = long-term customer value and greater share of customers. Understanding consumers also helps design want-satisfying market offerings.

- Five core customer and marketplace concepts:
  1. Customer needs, wants and demands
  2. Needs = states of deprivation. Wants = human needs shaped by culture and individual personality. When backed by buying power = demands.
  3. Market offerings – goods, services and experiences
  4. Customer value and satisfaction
  5. Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly.

- Exchanges and relationships
- Marketing consists of actions taken to build and maintain desirable exchange relationships with target audiences. Beyond simply attracting new customers and creating transactions, the company wants to retain customers and grow their business. Needs addressed with
LEARNING OBJECTIVE 3. Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

Designing a customer-driven marketing strategy (pp. 9-13)

- Marketing management is choosing target markets and building profitable relationships with them. The aim is to attract, engage, keep and grow target customers by creating, delivering and communicating superior customer value.
- To design an effective marketing strategy, the company must first divide the market into segments of customers (market segmentation) and select which segments to cultivate (target markets).
- A marketing organisation’s demand comes from two groups: new customers and repeat customers. Beyond designing strategies to attract new customers and create transactions with them, marketing organisations go all out to retain current customers and build lasting relationships. Simply put, marketing management is customer management and demand management.
- The company must decide where to differentiate and position itself in the marketplace to serve the target market.
- Five alternative marketing concepts under which organisations may conduct their marketing activities:
  1. Production concept – The idea that consumers will favour products that are available and highly affordable, and that the organisation should therefore focus on improving production and distribution efficiency. Mass producing = mass selling.
  2. Product concept – The idea that consumers will favour products that offer the most quality, performance and features, and that the organisation should therefore devote its energy to making continuous product improvements. Product selling itself.
  3. Selling concept – The idea that consumers will not buy enough of the firm’s products unless the firm undertakes a large-scale selling and promotion effort increasing sales.
  4. Marketing concept – The marketing management philosophy which holds that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.
  5. Societal marketing concept – The idea that a company’s marketing decisions should consider consumers’ wants, the company’s requirements, consumers’ long-run interests and society’s long-run interests. Corporate social responsibility = customer satisfaction and long-run societal well-being.

Preparing an integrated marketing plan and program (pp. 13-15)

- The marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The plan builds customer relationships by transforming the marketing strategy into action consisting of the firm’s marketing mix.
- The marketing organisation must blend all these marketing mix tools into a comprehensive, integrated marketing program that communicates and delivers the intended value to chosen customers.
LEARNING OBJECTIVE 4. Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.

Engaging customers and managing customer relationships (pp. 15-18)

- The first three steps in the marketing process – understanding the marketplace and customer needs, designing a customer-driven marketing strategy and constructing marketing programs - all lead to the fourth step which is building profitable customer relationships.
- Customer relationship management (CRM) is the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.
- The aim of customer relationship management is to produce high customer equity, the total combined customer lifetime values of all of the company’s customers.
- The key to building lasting relationships is the creation of superior customer value and satisfaction. Companies want not only to acquire profitable customers but also to build relationships that will keep them and grow ‘share of customer’.
- Customer perceived value – the customer’s evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers.
- In return for creating value for targeted customers, the company captures value from customers in the form of profits and customer equity.
- Customer satisfaction – the extent to which a product’s perceived performance matches or exceeds a buyer’s expectations – higher levels of satisfaction lead to greater customer loyalty = better company performance.
- Customer relationship levels and tools – companies with low-margin customers seek to develop a basic relationship with its customers and companies with fewer customers and high margins seek to develop full partnerships with key customers.
- Frequency marketing programs – reward customers who buy frequently or in large amounts e.g. frequent flyer programs, rewards programs.
- Customer-engagement marketing – fostering direct and continuous customer involvement in shaping brand conversations, brand experiences and brand community. Customer engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers’ conversations and lives. The internet plays a part with customers being better informed, more connected and more empowered than ever before.
- Companies are now engaging in social media such as FB, Instagram, Twitter, YouTube and Snapchat to create a brand buzz, launching blogs and creating mobile apps with the aim to engage customers on a more personal and interactive level.
customers are having an increasing say in everything from product design, usage and packaging, to pricing and distribution and reviewing product quality and satisfaction.

Partner relationship management – working closely with partners in other company departments and outside the company to jointly bring greater value to customers.

Capturing value from customers (pp. 18-21)

- The final step involves capturing value in return, in the form of current and future sales, market share and profits.
- Maintaining a good customer relationship creates customer satisfaction in turn, satisfied customers remain loyal and talk favourably to others about the company and its products.
- Customer lifetime value – the amount by which revenues over time exceed the company’s costs of attracting, selling and serving that customer. The value of the entire stream of purchases that the customer would make over a lifetime of patronage.
- Customer relationship management takes a long-term view. Companies want not only to create profitable customers, but to ‘own’ them for life, earn a greater share of their purchases and capture their customer lifetime value.
- the more loyal the company’s profitable customers, the higher the company’s customer equity. Customer equity may be a better measure of a company’s performance than current sales or market share. Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximised.
- The company can classify customers according to their potential profitability and manage its relationships with them accordingly. There are four groups whereby customers can be classified:
  1. Strangers: low potential of profitability, little projected loyalty
  2. Butterflies: potentially profitable but not loyal – create a satisfying and profitable transaction and capturing as much business as possible in a short time
  3. True Friends: both profitable and loyal – delight, nurture, retain and grow these customers to turn them into true believers, who come back regularly and tell others their good experiences
  4. Barnacles: highly loyal not very profitable – create a drag – most problematic customers – improve their profitability by selling more, raising fees or reducing service to them.

LEARNING OBJECTIVE 5. Describe the main trends and forces that are changing the marketing landscape in this age of relationships.

The changing marketing landscape (pp. 21-28)

- Social media provide exciting opportunities to extend customer engagement and get people talking about a brand.
- Digital and social media marketing - The use of digital marketing tools, such as websites, social media, mobile ads and apps, online video, email, blogs and other digital platforms, to engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs and other digital devices.
- Every company is reaching out to customers with multiple websites, newsy tweets and Facebook pages, viral ads and videos posted on YouTube, rich-media emails and mobile apps that solve consumer problems and help them shop.
- At the most basic level, marketers set up company and brand websites that provide information and promote the company’s products. Many companies also set up branded community sites, where customers can congregate and exchange brand-related interests and information.
- Online social media provide a digital home where people can connect and share important information and moments in their lives. Social media offers an ideal platform for real-time marketing by which marketers can engage consumers in the moment by linking brands to
important trending topics, real-world events, causes, personal occasions or other important happenings in consumers’ lives.

- Marketers understand that making cuts in the wrong places can damage long-term brand images and customer relationships. The challenge is to balance the brand’s value proposition with the current times while also enhancing its long-term equity.
- Companies are not only trying to sell more of their locally produced goods in international markets but are also buying more components and supplies abroad.
- Corporate ethics have become an important matter. Global companies, with widely adopted brands, cannot ignore the problems the cause by moving operations from one country to the net in search of lower labour costs.
- Some companies e.g. Ben and Jerry’s practice caring capitalism, setting themselves apart by being civic-minded and responsible. They build social and environmental responsibility into their company value and mission statement.

**So, what is marketing? Pulling it all together (pp.28-30)**

- The first four steps in the marketing process create value for customers. In the final step, the company reaps the rewards of its strong customer relationships by capturing value from customers. The result is increased long-term customer equity of the firm.
- Companies must take into account three additional factors. In building customer and partner relationships, they must harness marketing technology, take advantage of global opportunities and ensure they act in an ethical and socially responsible way.