

# Principles of Marketing

Kotler and Armstrong

**Chapter 1:**

**Marketing**

Creating **Customer Value**

and **Engagement**

**Lecturer:**

**Dana Qaimary Sijaj**

# Marketing: Creating Customer Value and Engagement

Amazon.com's deep-down passion for creating customer engagement, value, and relationships has made it the world's leading online retailer. Amazon has become the model for companies that are obsessively and successfully focused on delivering customer value.



*"We see our customers as invited guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little better." – Jeff Bezos*

# **Marketing: Creating Customer Value and Engagement**

## **Learning Objectives**

- **Objective 1: Define marketing and outline the steps in the marketing process.**
- **Objective 2: Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.**

# **Marketing: Creating Customer Value and Engagement**

## **Learning Objectives**

- **Objective 3: Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.**

# **Marketing: Creating Customer Value and Engagement**

## **Learning Objectives**

- **Objective 4: Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.**
- **Objective 5: Describe the major trends and forces that are changing the marketing landscape in this age of relationships.**

# **Marketing: Creating Customer Value and Engagement**

## **Learning Objective 1**

- **Define marketing and outline the steps in the marketing process.**

### **What Is Marketing?**

# What Is Marketing?

## Marketing Defined

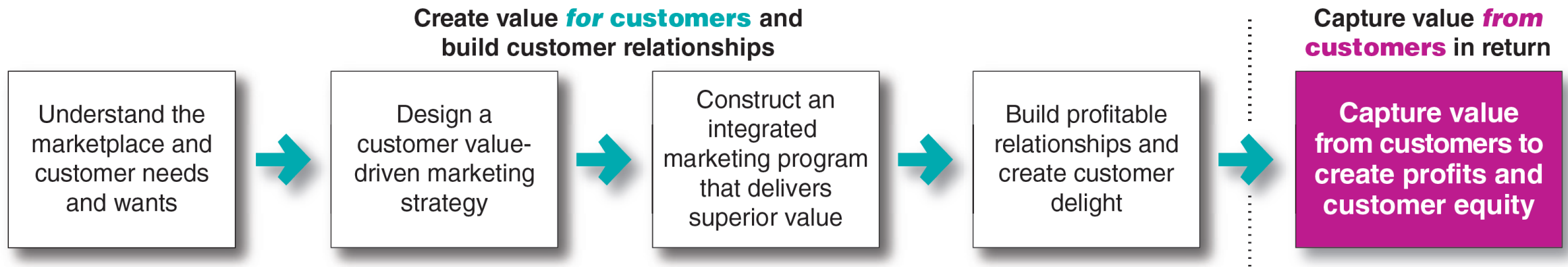
**Marketing** is a process by which companies **create value** for customers and build strong customer relationships in order to **capture value** from customers in return.

# What Is Marketing?

## The Marketing Process

### ● FIGURE | 1.1

The Marketing Process: Creating and Capturing Customer Value



# **Marketing: Creating Customer Value and Engagement**

## **Learning Objective 1**

- **Define marketing and outline the steps in the marketing process.**

### **What Is Marketing?**

- **creating value** for customers
- **capturing value** from customers

# **Marketing: Creating Customer Value and Engagement**

## **Learning Objective 2**

- **Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.**

### **Understanding the Marketplace and Customer Needs**

# Understanding the Marketplace and Customer Needs

## Customer Needs, Wants, and Demands

### Needs

- States of deprivation

### Wants

- Form that needs take

### Demands

- Wants backed by buying power

# Understanding the Marketplace and Customer Needs

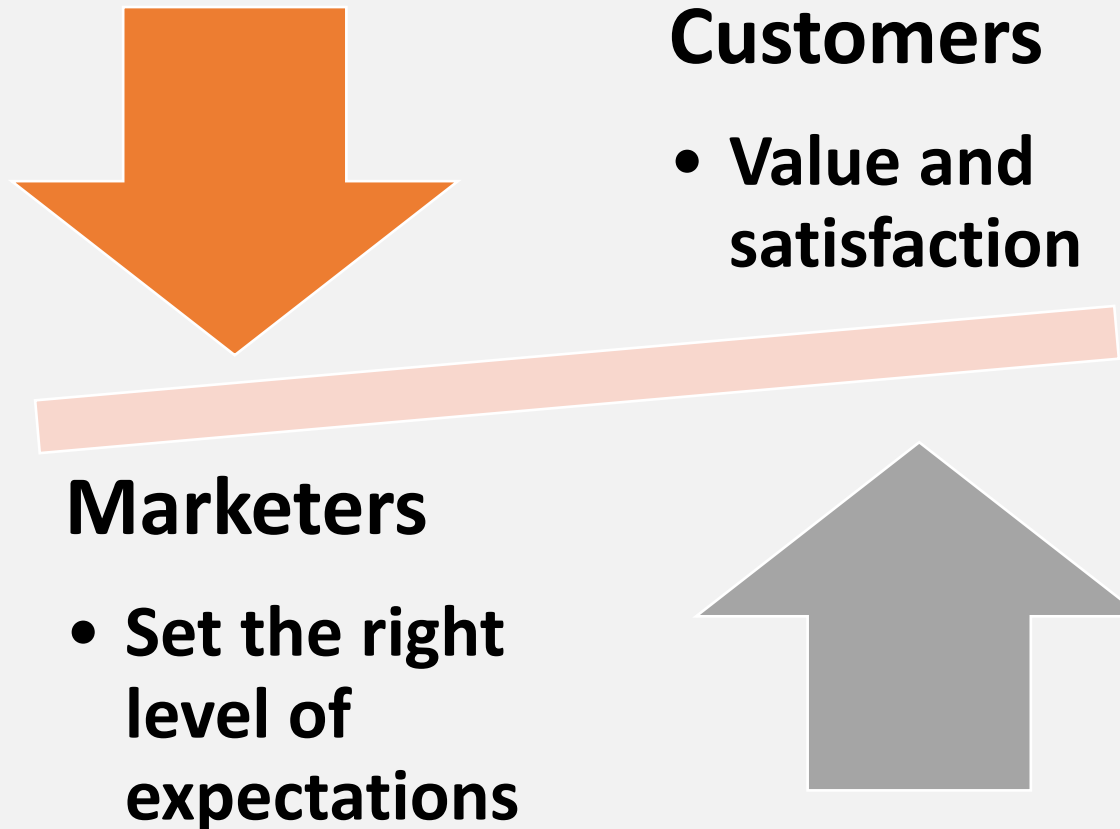
## Market Offerings – Products, Services, and Experiences

- **Market offerings** are some combination of products, services, information, or experiences offered to a market to satisfy a need or want.
- **Marketing myopia** is focusing only on existing wants and losing sight of underlying consumer needs.



# Understanding the Marketplace and Customer Needs

## Customer Value and Satisfaction



# Understanding the Marketplace and Customer Needs

## Exchanges and Relationships

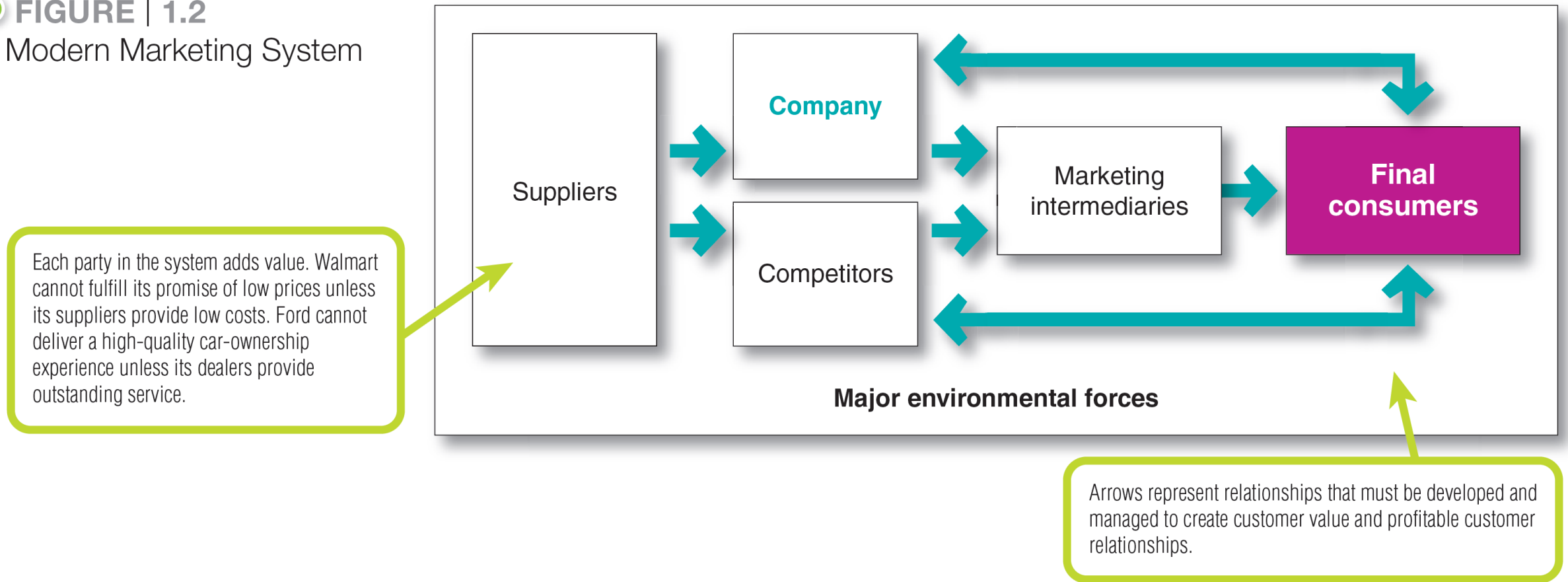
**Exchange** is the act of obtaining a desired object from someone by offering something in return.

Marketing actions try to create, maintain, and grow desirable **exchange relationships**.

# Understanding the Marketplace and Customer Needs

## Markets

● **FIGURE | 1.2**  
A Modern Marketing System



# Marketing: Creating Customer Value and Engagement

## Learning Objective 2

**Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.**

- Customer Needs, Wants, and Demands
- Market Offerings – Products, Services, and Experiences
- Customer Value and Satisfaction
- Exchanges and Relationships
- Markets

# **Marketing: Creating Customer Value and Engagement**

## **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 Value-Driven Marketing Strategy**  
**Preparing an Integrated Marketing Plan and Program**

# Designing a Customer Value-Driven Marketing Strategy

## Selecting Customers to Serve

**Marketing management** is the art and science of choosing target markets and building profitable relationships with them.

- What customers will we serve?
- How can we best serve these customers?

# Designing a Customer Value-Driven Marketing Strategy

## Selecting Customers to Serve

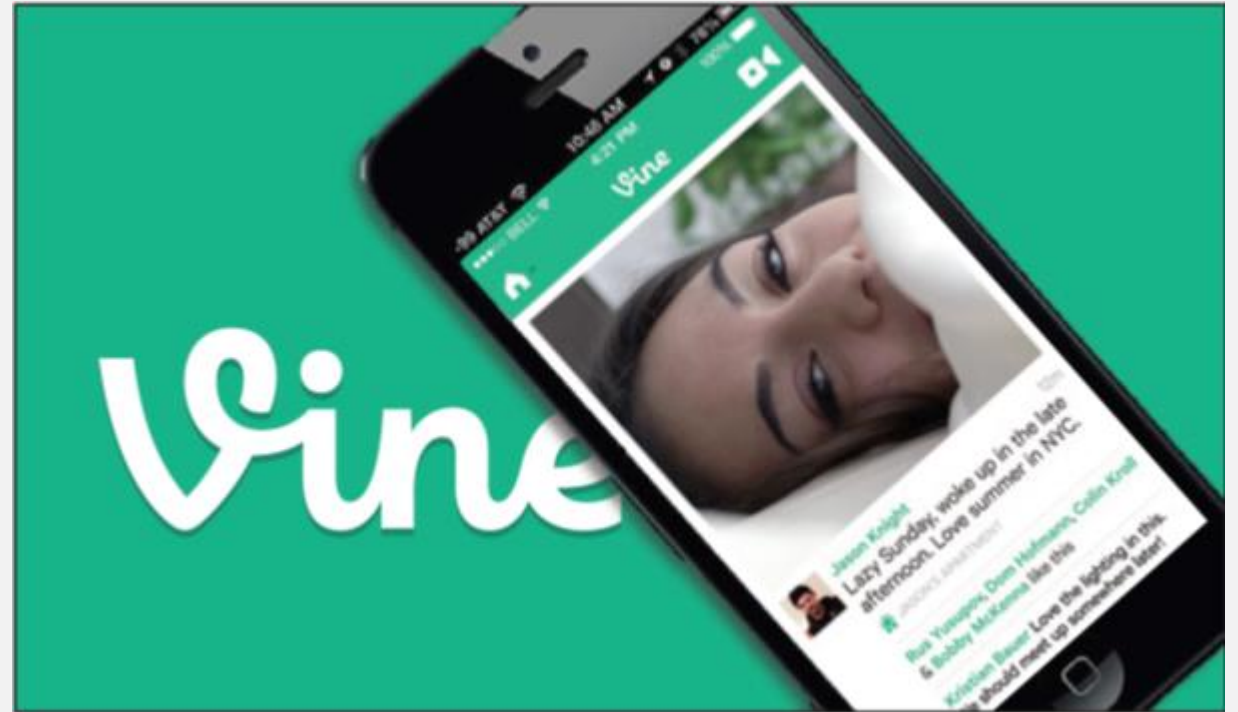
**Market segmentation** refers to dividing the markets into segments of customers.

**Target marketing** refers to which segments to go after.

# Designing a Customer Value-Driven Marketing Strategy

## Choosing a Value Proposition

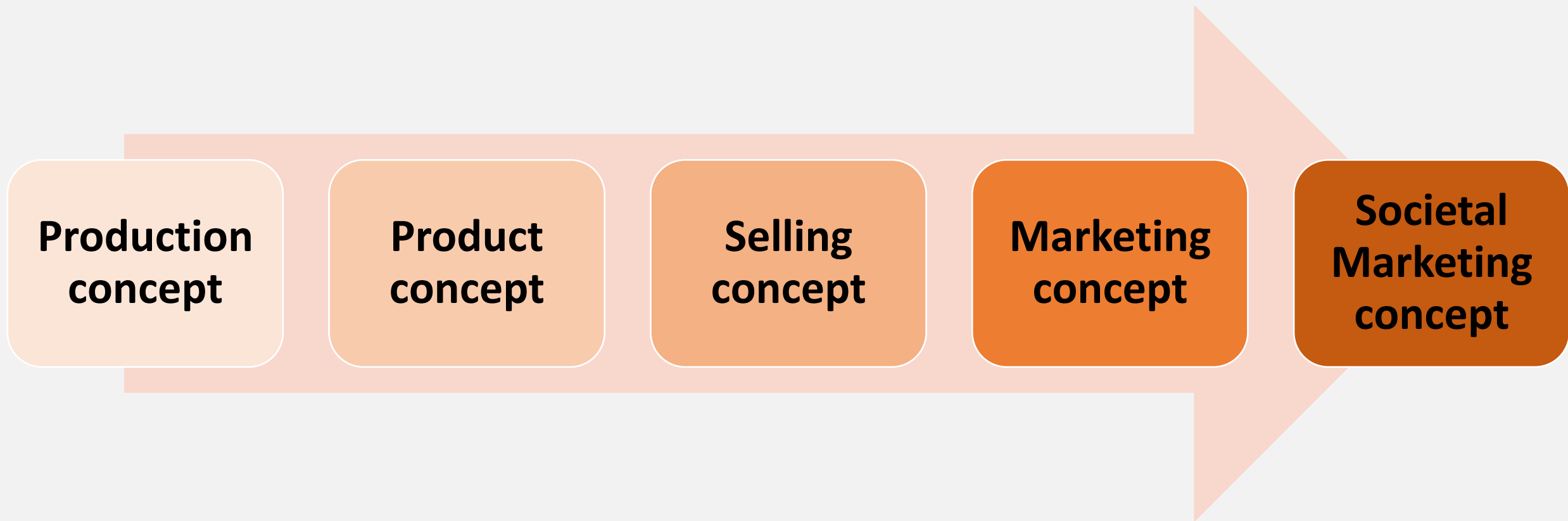
A brand's **value proposition** is the set of benefits or values it promises to deliver to customers to satisfy their needs.



Twitter, Inc.

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations



# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

### **Production concept:**

Consumers will favor products that are available and highly affordable.

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

### **Product concept:**

Consumers favor products that offer the most quality, performance, and features.

The focus is on continuous product improvements.

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

### **Selling concept:**

Consumers will not buy enough of the firm's products unless the firm undertakes a large-scale selling and promotion effort.

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

### **Marketing concept:**

Know the needs and wants of the target markets and deliver the desired satisfactions better than competitors.

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

### **Societal marketing:**

The company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

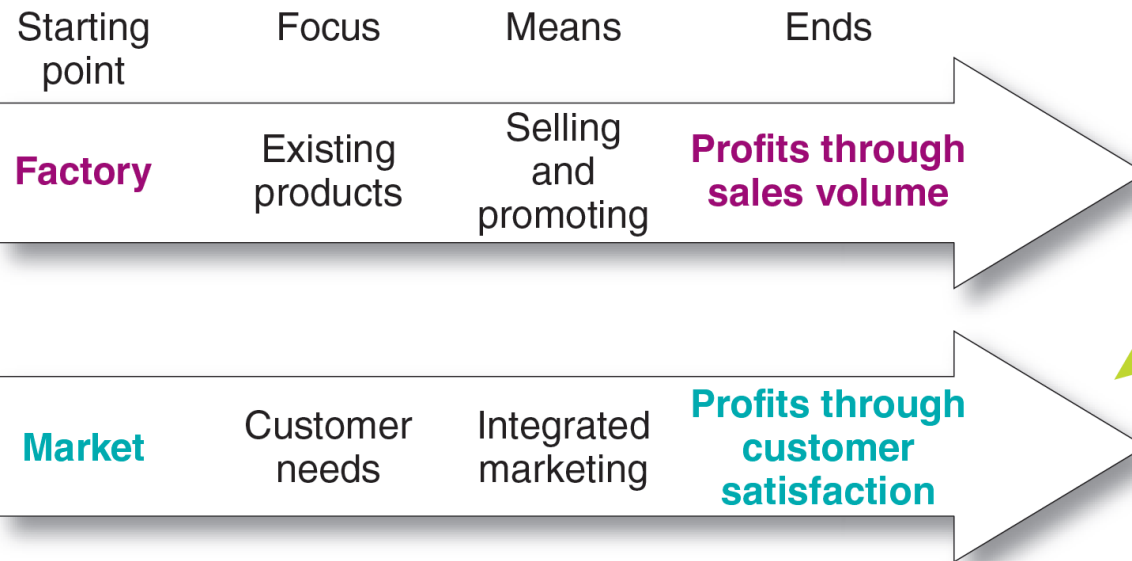
● **FIGURE | 1.3**

Selling and Marketing Concepts Contrasted

**The selling concept**

**The marketing concept**

The selling concept takes an inside-out view that focuses on existing products and heavy selling. The aim is to sell what the company makes rather than making what the customer wants.



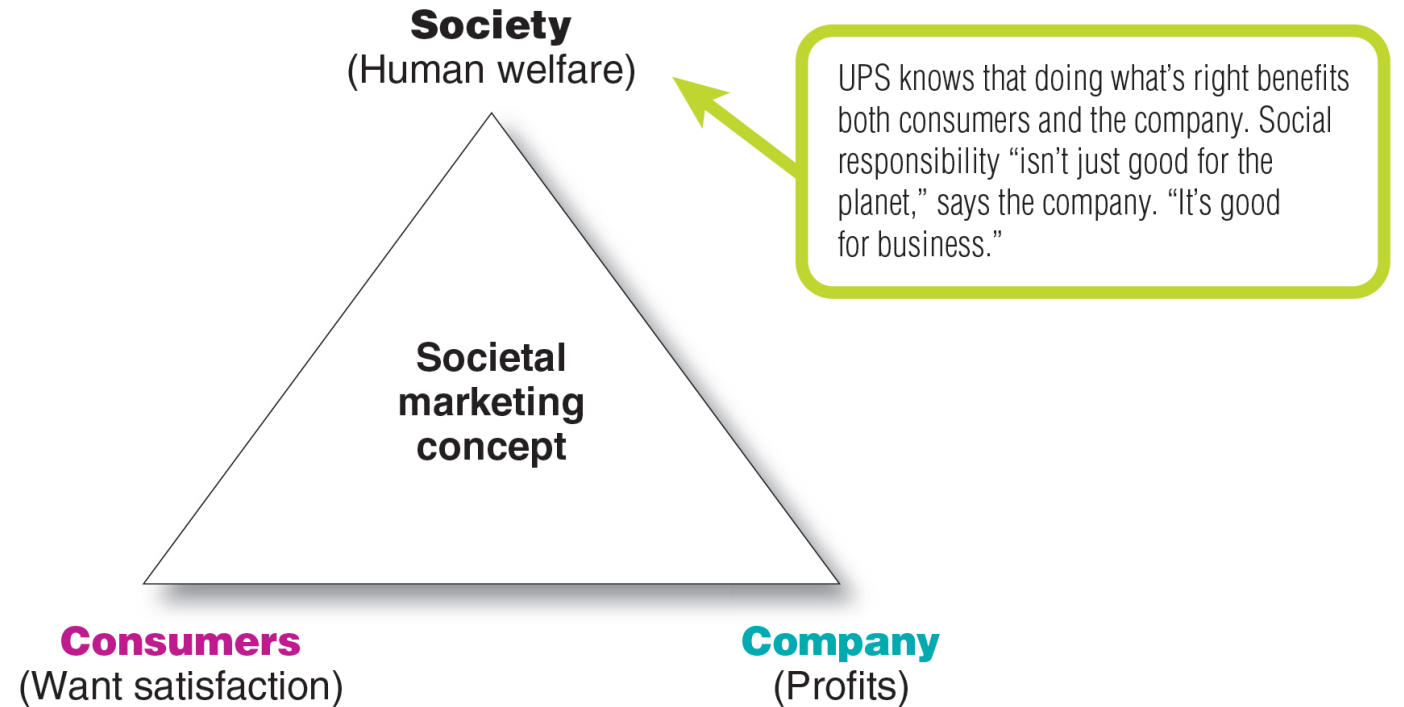
The marketing concept takes an outside-in view that focuses on satisfying customer needs as a path to profits. As Southwest Airlines' colorful founder puts it, "We don't have a marketing department, we have a customer department."

# Designing a Customer Value-Driven Marketing Strategy

## Marketing Management Orientations

### ● FIGURE | 1.4

Three Considerations Underlying the Societal Marketing Concepts



# Preparing an Integrated Marketing Plan and Program

The **marketing mix** is the set of tools (four Ps) the firm uses to implement its marketing strategy. This set includes product, price, promotion, and place.

An **integrated marketing program** is a comprehensive plan that communicates and delivers the intended value to chosen customers.

# **Marketing: Creating Customer Value and Engagement**

## **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 Value-Driven Marketing Strategy**

- **Selecting Customers**
- **Choosing a Value Proposition**
- **Marketing Management Orientations**

### **Preparing an Integrated Marketing Plan and Program**

# Marketing: Creating Customer Value and Engagement

## Learning Objective 4

- Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.

**Building Customer Relationships**

**Capturing Value from Customers**

# Building Customer Relationships

## Customer Relationship Management

**Customer relationship management** is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

# Building Customer Relationships

## Customer Relationship Management

### Relationship Building Blocks

#### Customer-perceived value

- The difference between total customer perceived benefits and customer cost

#### Customer satisfaction

- The extent to which perceived performance matches a buyer's expectations

# Building Customer Relationships

## Customer Relationship Management

### Customer Relationship Levels and Tools

Basic Relationships  
– low-margin  
customers

Full Partnerships  
– high-margin  
customers

Frequency  
Marketing  
Programs – reward  
customers

# Building Customer Relationships

## Engaging Customers

### **Customer-Engagement and Today's Digital and Social Media**

Customer-Engagement Marketing makes the brand a meaningful part of consumers' conversations and lives

by fostering direct and continuous customer involvement in shaping brand conversations, experiences, and community.

# Building Customer Relationships

## Engaging Customers

### Customer Engagement and Today's Digital and Social Media

Customer engagement and the social media:  
Hertz's "Share It Up" social media campaign



Hertz System, Inc.

# Building Customer Relationships

## Engaging Customers

### Consumer-Generated Marketing

Brand exchanges created by consumers themselves—both invited and uninvited—by which consumers are playing an increasing role in shaping their own brand experiences and those of other consumers.

# Building Customer Relationships

## Engaging Customers

Engaging customers: Life is good starts with a deeply felt, engagement-worthy sense of purpose: spreading the power of optimism.



The Life is good Company

# Building Customer Relationships

## Partner Relationship Management

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

# Capturing Value from Customers

## Creating Customer Loyalty and Retention

**Customer lifetime value** is the value of the entire stream of purchases that the customer would make over a lifetime of patronage.



# Capturing Value from Customers

## Growing Share of Customer

**Share of customer** is the portion of the customer's purchasing that a company gets in its product categories.

# Capturing Value from Customers

## Building Customer Equity

**Customer equity** is the total combined customer lifetime values of all of the company's customers.

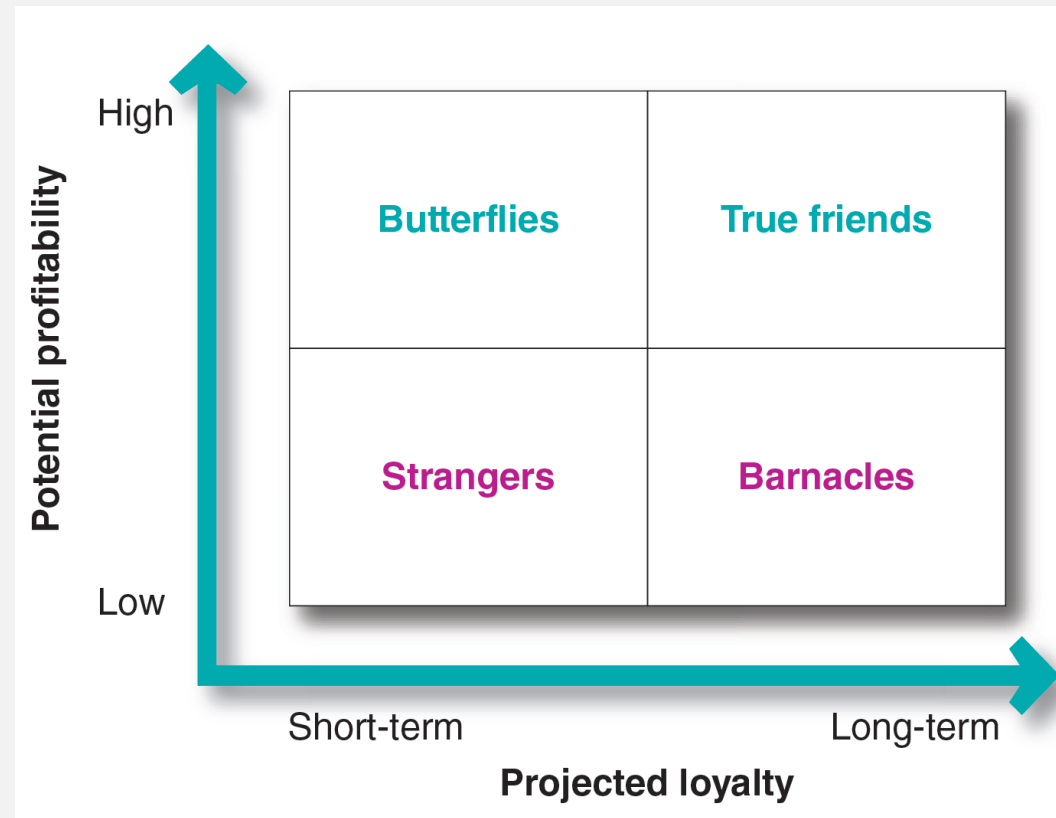


# Capturing Value from Customers

## Building Customer Equity

Building the Right Relationships with the Right Customers

**FIGURE 1.5**  
Customer  
Relationship  
Groups



# Marketing: Creating Customer Value and Engagement

## Learning Objective 4

- Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.

### Building Customer Relationships

- Customer Relationship Management
- Engaging Customers
- Partner Relationship Management

# Marketing: Creating Customer Value and Engagement

## Learning Objective 4

- Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.

### Capturing Value from Customers

- Creating Customer Value Loyalty & Retention
- Growing Share of Customer
- Building Customer Equity

# Marketing: Creating Customer Value and Engagement

## Learning Objective 5

- Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

## The Changing Marketing Landscape

# The Changing Marketing Landscape

## The Digital Age: Online, Mobile, and Social Media Marketing

**Digital and social media marketing** involves using digital marketing tools such as web sites, social media, mobile ads and apps, online videos, e-mail, and blogs that engage consumers anywhere, at any time, via their digital devices.

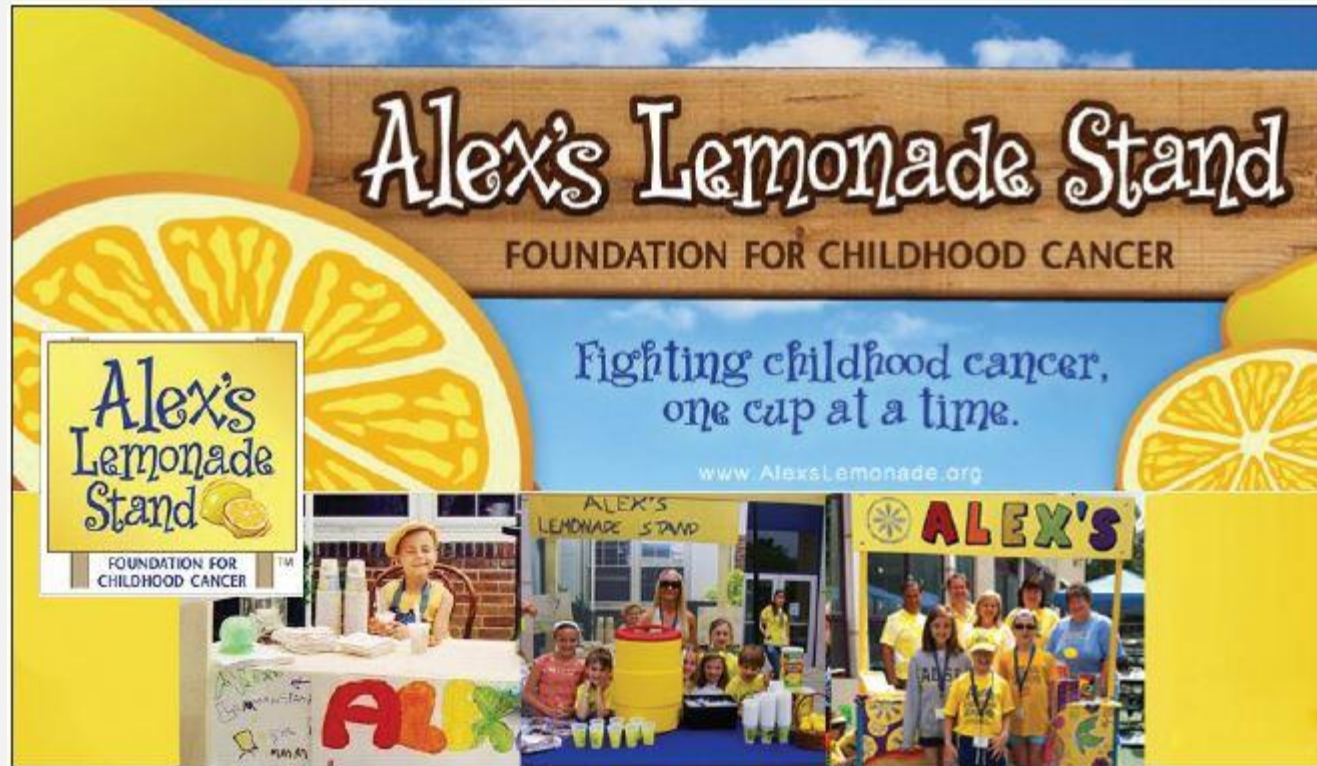
# The Changing Marketing Landscape

## The Digital Age: Online, Mobile, and Social Media Marketing



# The Changing Marketing Landscape

- Not-for-profit marketing growth
- Rapid globalization
- Sustainable marketing



# Marketing: Creating Customer Value and Engagement

## Learning Objective 5

- Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

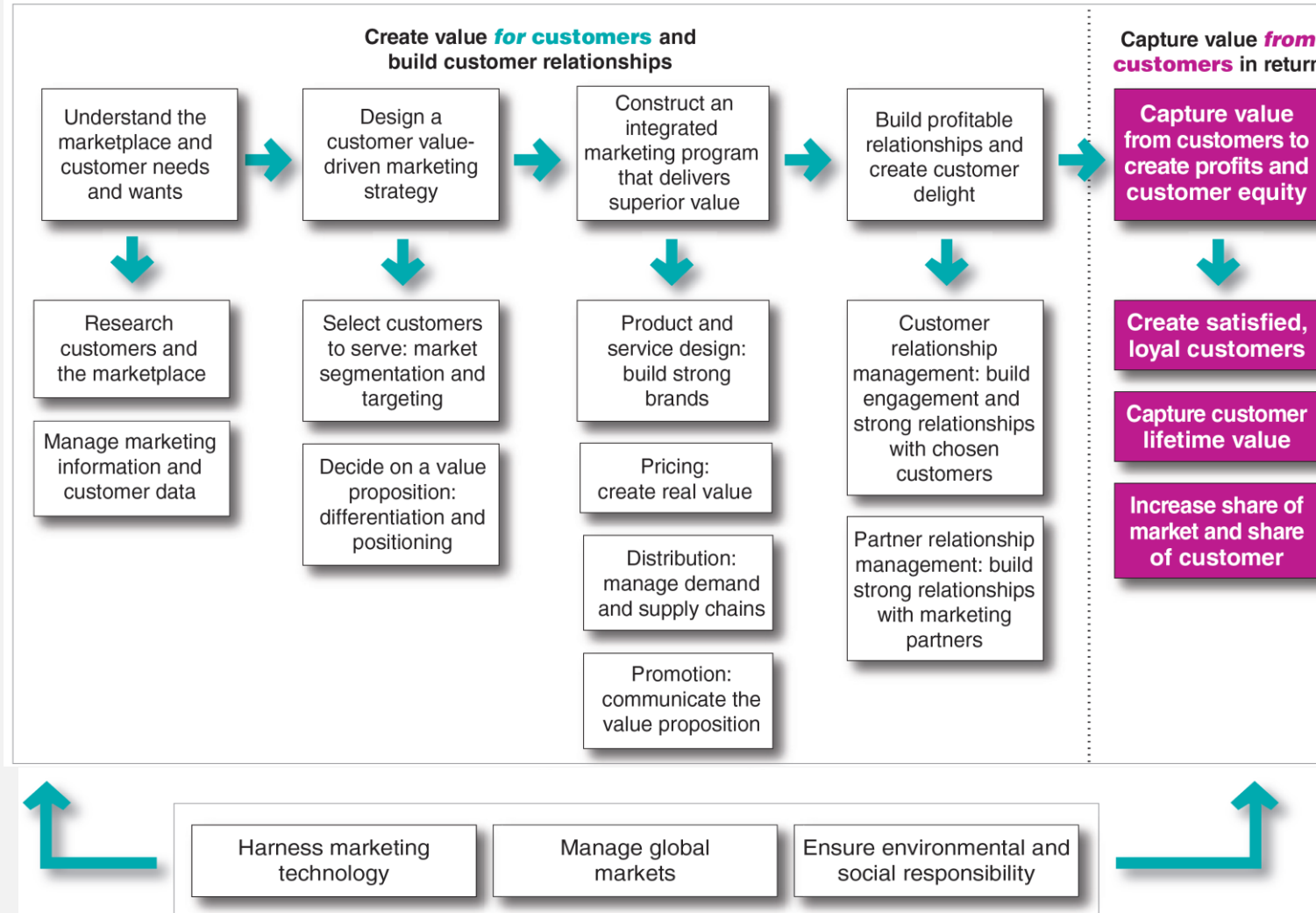
### The Changing Marketing Landscape

- The Digital Age
- Not-for-Profit
- Rapid Globalization
- Sustainable Marketing

# So, What Is Marketing? Pulling It All Together

● FIGURE | 1.6

An Expanded Model of the Marketing Process



# Principles of Marketing

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