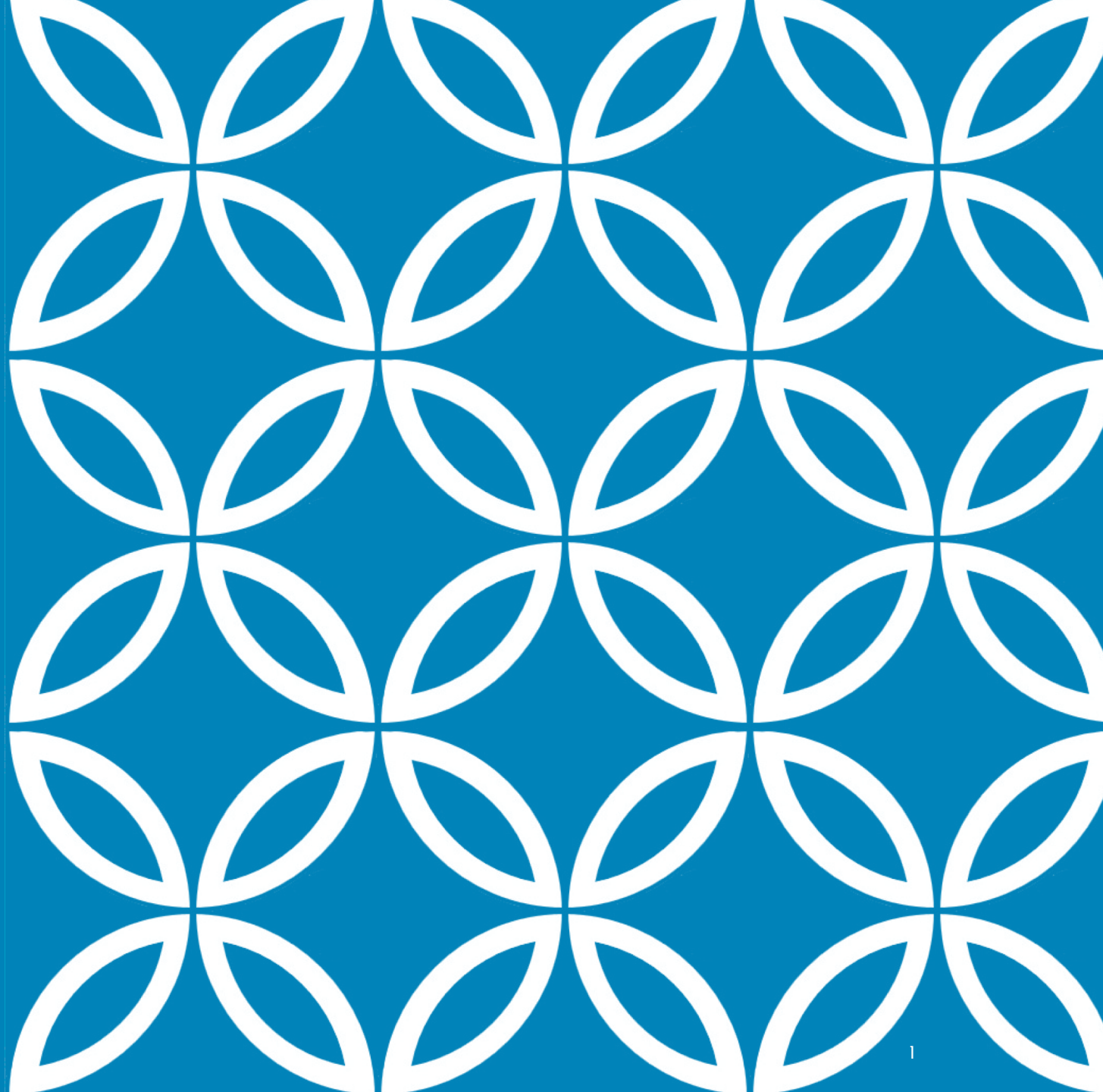


OPERATIONAL MARKETING

Class 2

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PRINCIPLES OF MARKETING

Kotler and Armstrong

Chapter 1:

**Creating Customer
Value**

and Engagement



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.

The simplest definition of marketing is engaging customers and managing profitable customer relationships

The twofold goal of marketing is to:

- attract new customers by promising superior value
- grow current customers by delivering satisfaction

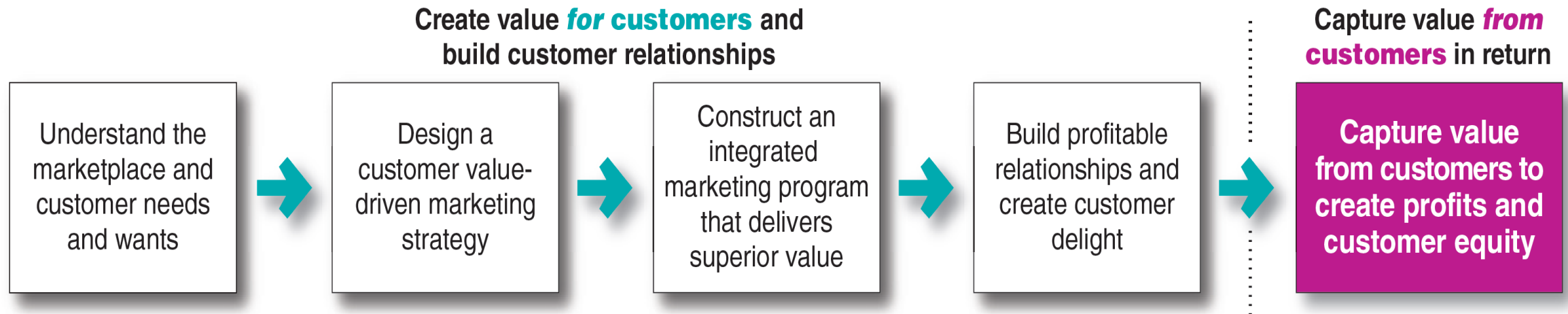
What Is Marketing?

THE MARKETING PROCESS

Five Steps of the Marketing Process

● FIGURE | 1.1

The Marketing Process: Creating and Capturing Customer Value



UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

Customer Needs, Wants, and Demands

Needs

Human needs include basic *physical* needs for food, clothing, warmth, and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression.

Wants

Wants are the form human needs take as they are shaped by one's society and are described in terms of objects that will satisfy those needs.

Demands

- **Wants backed by buying power**

UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

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.

**M
A R
K E T
I N G M
Y O P I A**



Failures

- Kodak film company is a great example in which marketing myopia was present.



- Kodak did not view Sony, an electronics company, as a potential competitor.

- **Product:** capturing moments and **commodity:** film



Successes

- Coca Cola is a good example of which marketing and management myopia is absent.



- Coca Cola's diversification into the bottled water market.

- **Product:** a feel good thirst quencher and **commodity:** a soft drink.



To avoid marketing myopia, organizations should diversify their products.

UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

Customer Value and Satisfaction

Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly. Satisfied customers **buy again** and **tell others** about their good experiences. Dissatisfied customers often **switch to competitors** and disparage the product to others



Customers

- Value and satisfaction



Marketers

- Set the right level of expectations



Customer value and customer satisfaction are **key building blocks** for developing and managing customer relationships



**CUSTOMER
EXPERIENCE**

**CUSTOMER
LOYALTY**

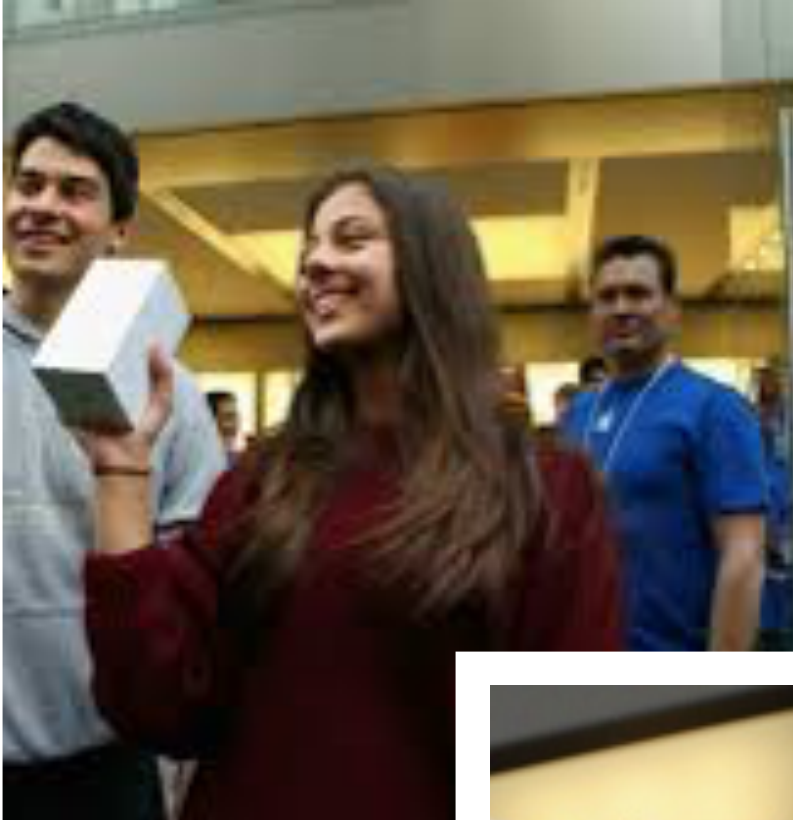
**CUSTOMER
SATISFACTION**

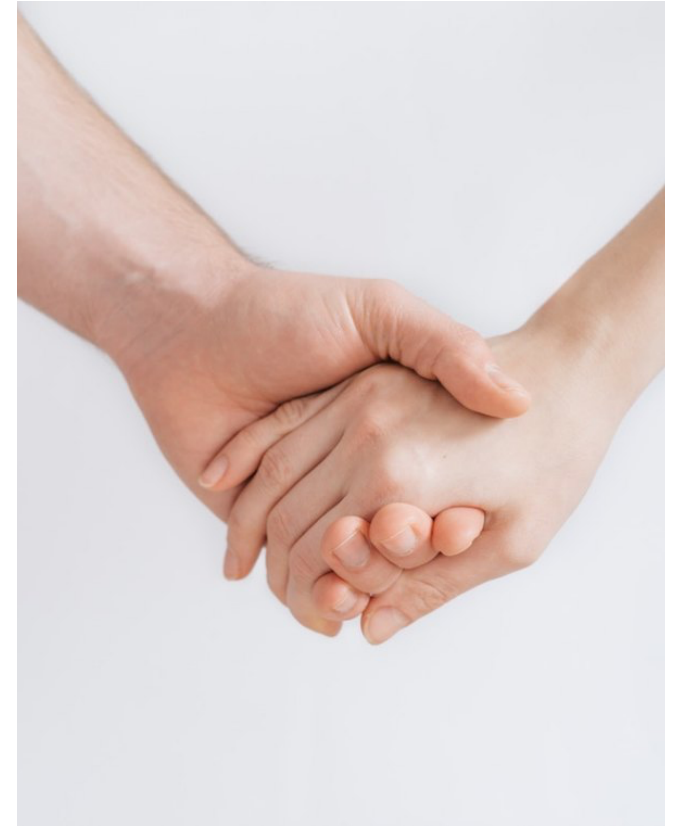


CUSTOMER SATISFACTION |



SATISFIED CUSTOMERS





RELATIONSHIPS

BUILDING CUSTOMER RELATIONSHIPS

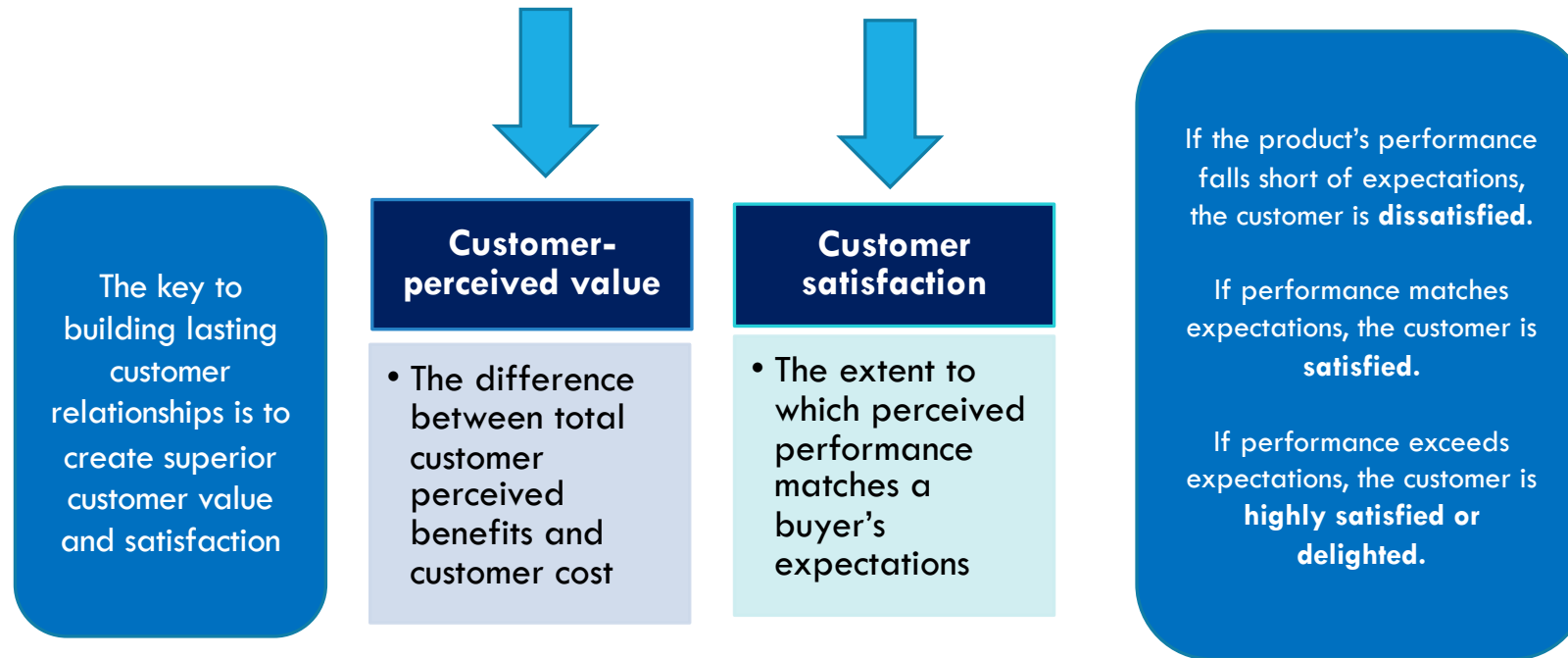
Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Also called “customer data management”

The fourth step in the marketing process

Managing customer *touchpoints* to maximize customer loyalty

Relationship Building Blocks



CUSTOMER SATISFACTION SCORE (CSAT)



Customer Relationship Levels and Tools

Basic Relationships

- low-margin customers

a company with many low-margin customers may seek to develop *basic relationships* with them

Full Partnerships

- high-margin customers

In markets with few customers and high margins, sellers want to create *full partnerships* with key customers.

Frequency Marketing Programs

- reward customers

frequency or club marketing programs



CUSTOMER ENGAGEMENT

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.



Marketers are now embracing not only customer relationship management, but also **customer-managed relationships**, in which customers connect with companies and with each other to help forge their own brand experiences.

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.


consumer-to-consumer exchanges in blogs, video-sharing sites, social media, and other digital forums



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.



In addition to being good at *customer relationship management*, marketers must also be good at partner relationship management

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.



O valor da vida do cliente é o valor de todo o fluxo de compras que o cliente faria ao longo da sua uma vida inteira.

At Stew Leonard's profitable four-store supermarket, the lifetime revenue of a customer is \$50,000. Because his average customer spends about \$100 a week, shops 50 weeks a year, and remains in the area for about 10 years, losing one customer can be a significant loss.

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.

To increase share of customer, firms can offer greater variety to current customers or they can create programs to cross-sell and up-sell to market more products and services to existing customers.



CAPTURING VALUE FROM CUSTOMERS

Building Customer Equity

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

The ultimate aim of customer relationship management is to produce high *customer equity*.

it's a measure of the future value of the company's customer base

Customer equity may be a better measure of a firm's performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future.



CAPTURING VALUE FROM CUSTOMERS

Building Customer Equity

Building the Right Relationships with the Right Customers

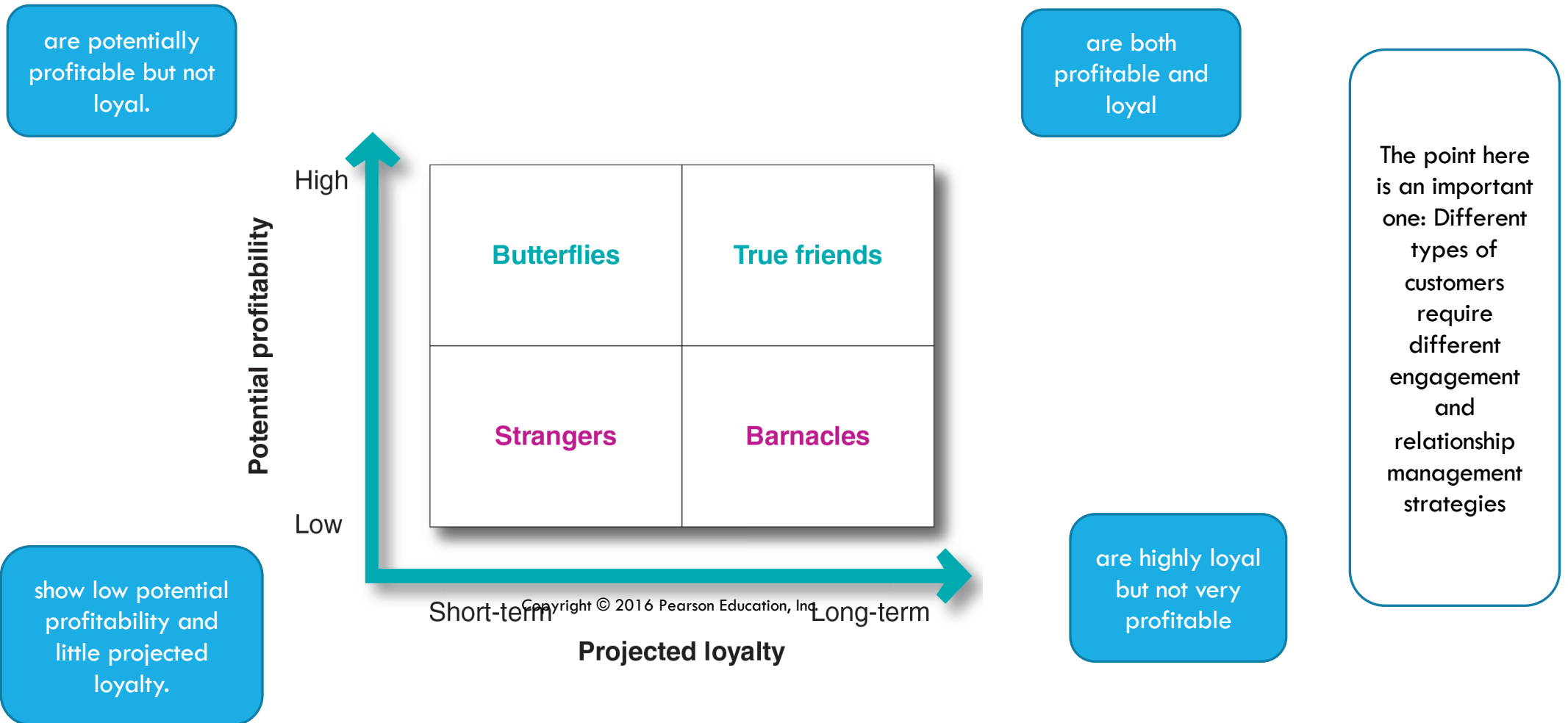
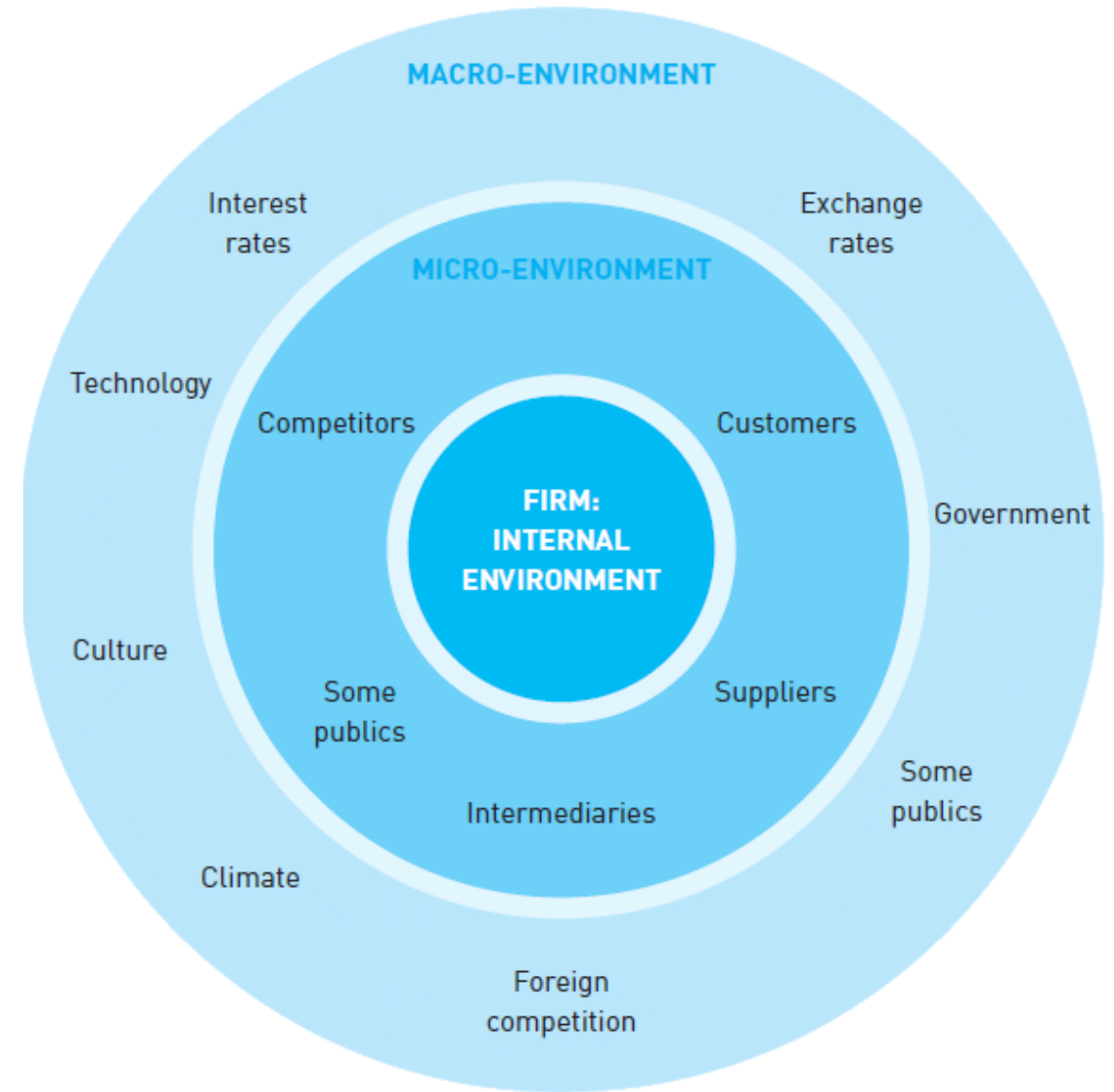


FIGURE 1.5
Customer
Relationship
Groups

MARKETS



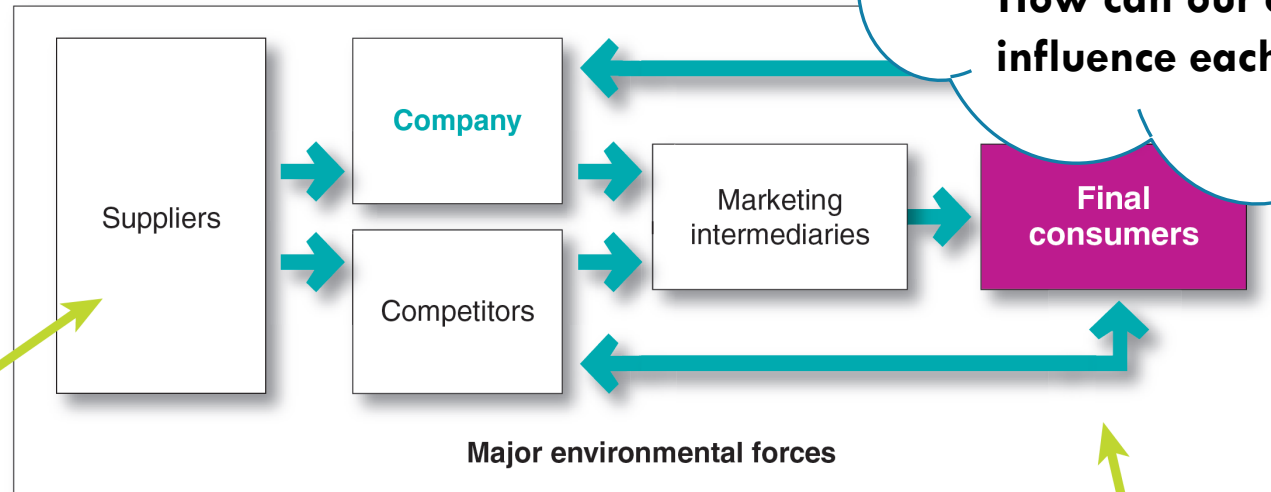
UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS

A **market** is the set of actual and potential buyers of a product or service. These buyers share a particular need or want that can be satisfied through exchange relationships

Each party in the system adds value. Walmart cannot fulfill its promise of low prices unless its suppliers provide low costs. Ford cannot deliver a high-quality car-ownership experience unless its dealers provide outstanding service.

Environmental forces : demographic, economic, natural, technological, political, and social/cultural.

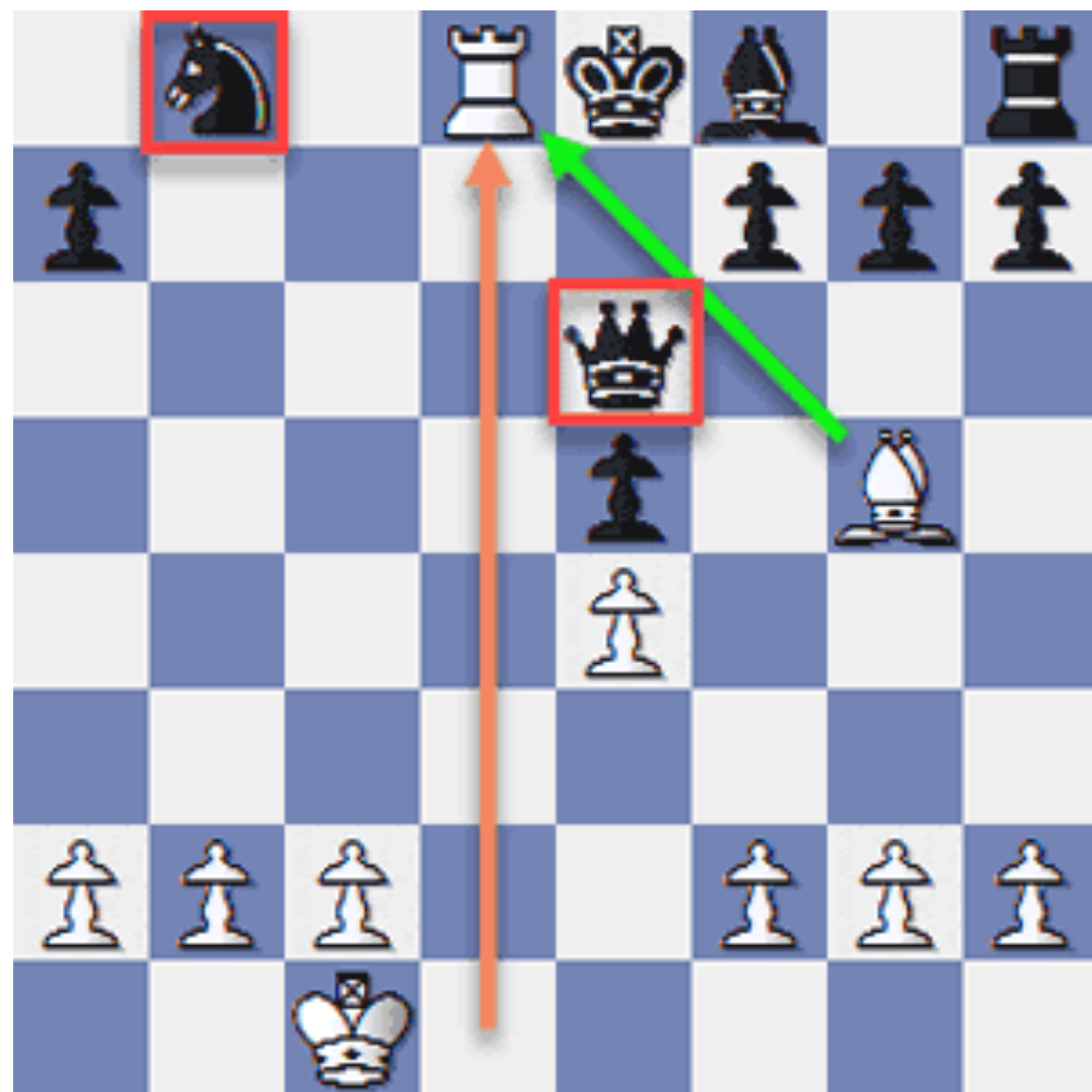
Markets



Marketers are no longer asking only “How can we influence our customers?” but also “How can our customers influence us?” and even “How can our customers influence each other?”

Arrows represent relationships that must be developed and managed to create customer value and profitable customer relationships.

STRATEGY



STP Marketing Model



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.



What customers
will we serve
(what's our target
market)?

DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY

Selecting Customers to Serve



wiseGEEK

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

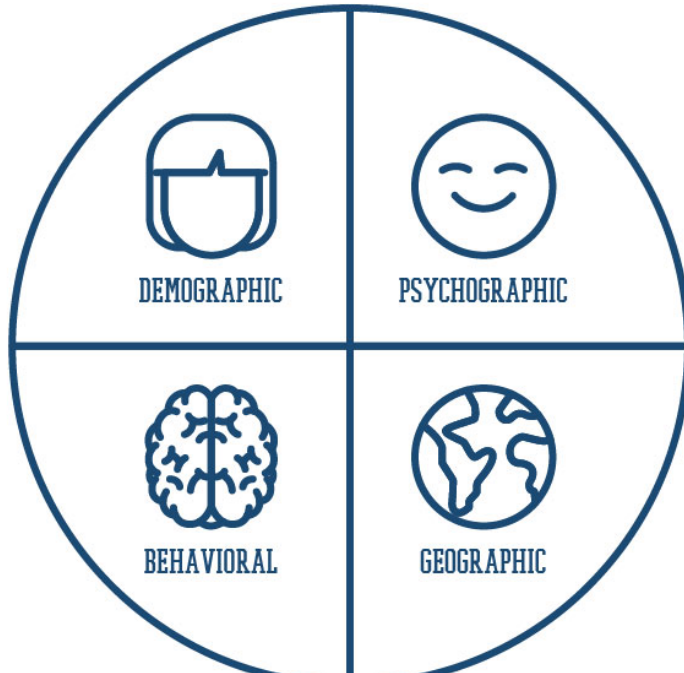
What customers will we serve?

How can we best serve these customers?



*Quais clientes vamos atender?
Como podemos melhor atender esses clientes?*

4 Types of MARKET SEGMENTATION



MARKET SEGMENTATION APPROACHES



GEOGRAPHICAL

- continent
- country
- country region
- city
- density
- climate
- population
- subway station
- city area



DEMOGRAPHIC

- age
- gender
- family size
- occupation
- income
- education
- religion
- race
- nationality



PSYCHOGRAPHIC

- lifestyle
- social class
- AIOs (activity, interest, opinion)
- personal values
- attitudes



BEHAVIORAL

- occasions
- degree of loyalty
- benefits sought
- usage
- buyer readiness stage
- user status

THE VARIABLES OF MARKET SEGMENTATION

Find it Below.



505[®]
STRAIGHT



527[™]
BOOT



51
SKII

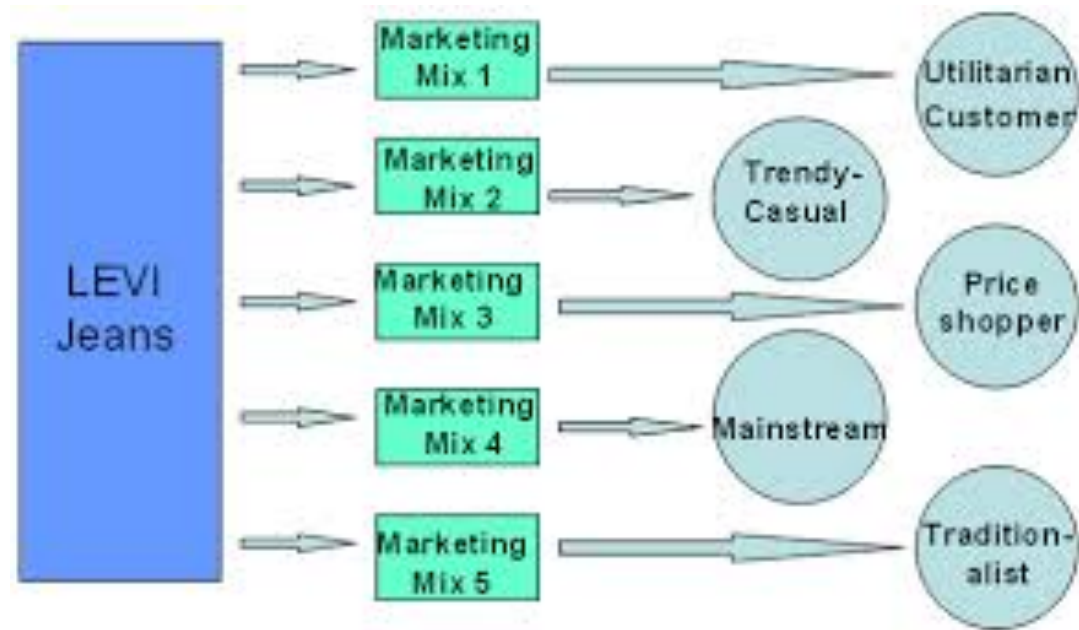


DE FAR BETTER THAN NECESSARY



| 513[™] SLIM STRAIGHT | 514[™] STRAIGHT | 504[™] REGULAR STRAIGHT | 501[®] ORIGINAL | 508[™] REGULAR TAPE |
|---|---|--|--|---|
| | | | | |
| <ul style="list-style-type: none"> • SITS BELOW THE WAIST • SITS BELOW THE WAIST • SLIM LEG • 15 1/4" LEG OPENING | <ul style="list-style-type: none"> • SITS BELOW THE WAIST • STRAIGHT LEG • 17" LEG OPENING | <ul style="list-style-type: none"> • SITS BELOW THE WAIST • REGULAR FIT • 16 1/2" LEG OPENING | <ul style="list-style-type: none"> • SITS AT WAIST • BUTTON FLY • 17" LEG OPENING | <ul style="list-style-type: none"> • SITS BELOW THE • TAPERED LEG • 14 1/2" LEG OP |

MARKET SEGMENTATION EXAMPLE





Visual Shoe Dictionary

<http://learnliveLaughlikeLoveLust.blogspot.com>



MARKET SEGMENTATION EXAMPLE 2





£365

£10

VALENTINO GARAVANI

Valentino Garavani
Rockstud leather pumps

€ 720







Women's Ace embroidered
sneaker

Brand: GUCCI

Price: 495€



Brand: GUCCI

Price: 695€

DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY

Choosing a Value Proposition

Value propositions differentiate one brand from another.

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



A proposta de valor de uma marca é o conjunto de benefícios ou valores que a marca promete entregar aos clientes para satisfazer suas necessidades.

- *BMW promises “the ultimate driving machine”*
- *Nissan Leaf electric car is “100% electric. Zero gas. Zero tailpipe.”*
- *Vibram FiveFingers shoes: “You are the technology.”*
- *Facebook helps you “connect and share with the people in your life”*
- *YouTube “provides a place for people to connect, inform, and inspire others across the globe.”*



The Ultimate Driving Machine



The Ultimate Driving Machine



ParkAve BMW

The Many Faces of the Ultimate Driving Machine

| | | |
|---|--|--|
| <p>2013 BMW X3 xDrive28i</p> <p>\$379 per month</p> <p>30 Months / 3.75% Financing</p> | <p>2012 BMW 335i xDrive Coupe</p> <p>\$399 per month</p> <p>30 Months / 3.75% Financing</p> | <p>2012 BMW 535i xDrive Sedan</p> <p>\$559 per month</p> <p>30 Months / 3.75% Financing</p> |
|---|--|--|

Park Ave BMW ParkAveBMW.com
Call Toll Free: 866-584-6048
210 Route 17, Rochelle Park, NJ



Vibram FiveFingers shoes: “You are the technology.”



Vibram Sets Aside \$3.75 Million to Refund Victims of Heinous Toe Shoes

They join Skechers Shapeups in the junk fitness science hall of fame.

By Molly Mulshine | 05/08/14 3:15pm

COMMENT



WHEN THE VALUE
PROPOSITION GOES
WRONG....

Butt-ugly shoe provider Vibram has agreed to put aside \$3.75 million to refund its victims customers.

Anyone who's had the misfortune of purchasing their FiveFingers shoes since March 21, 2009, could receive up to \$94 from the company. This is the result of a settlement for a "class-action lawsuit brought by a woman who claimed that the company deceived consumers when it claimed, without any scientific backup, that its shoes could **decrease foot injuries and strengthen foot muscles,**" the Washington Post reports.

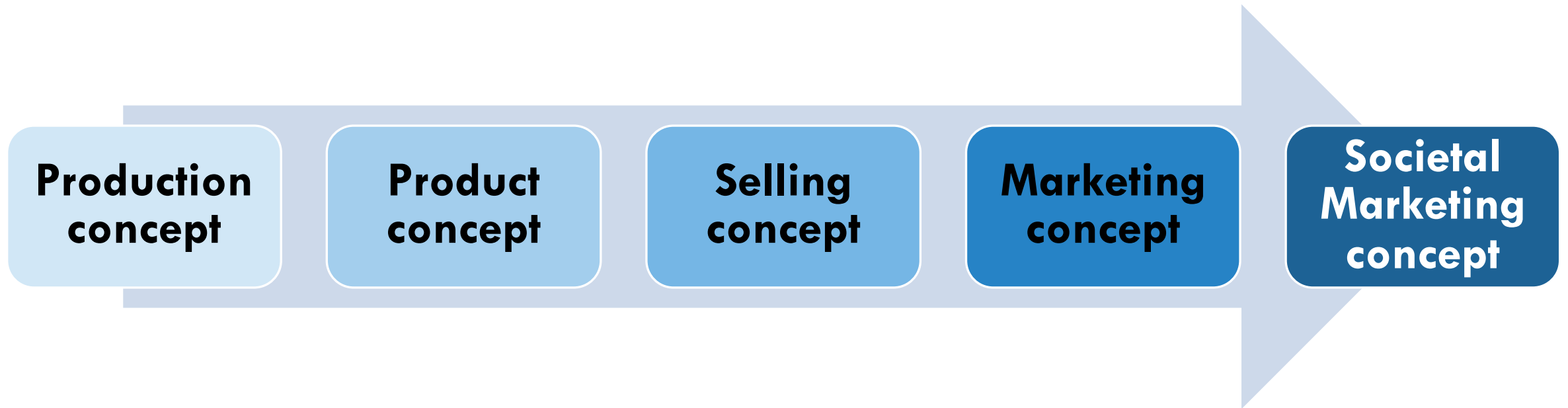
Vibram denied any wrongdoing in the court papers. But a recent study shows transitioning to minimalist running shoes can cause increases in bone marrow edema, which is a precursor to stress fractures, as Deadspin points out.

MARKETING ORIENTATION



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 (*Os consumidores preferem produtos disponíveis e altamente acessíveis*).



With the production concept, management focuses on improving production and distribution efficiency

The production concept is still a **useful philosophy in some situations**. For example in the highly competitive, price-sensitive Chinese market, both personal computer maker Lenovo and home appliance maker Haier dominate through low labor costs, high production efficiency, and mass distribution.

However, although useful in some situations, the production concept **can lead to marketing myopia** and losing sight of the real objective—satisfying customer needs and building customer relationships.



Charlie Chaplin Assembly Line

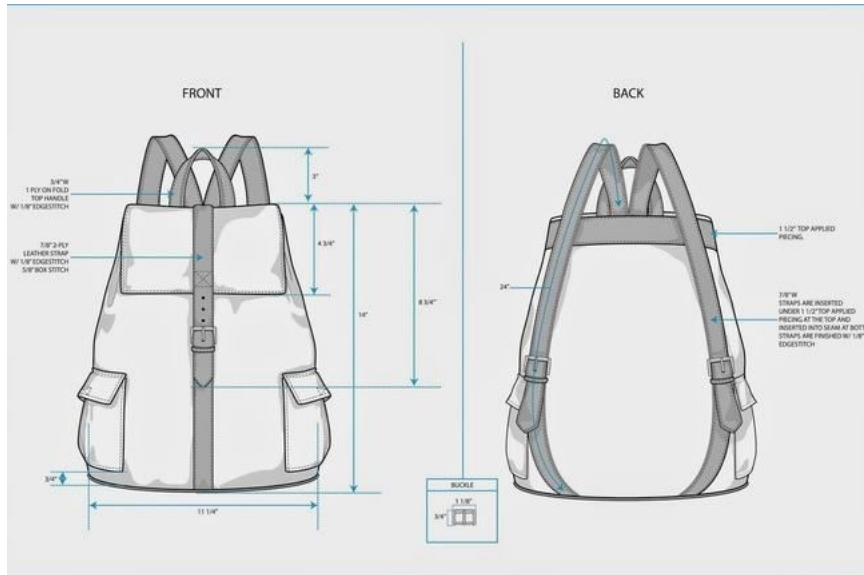


DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY

Marketing Management Orientations

Product concept:

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



The focus is on continuous product improvements.

Product quality and improvement are important parts of most marketing strategies. However, **focusing only on the company's products can also lead to marketing myopia.**

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.



typically practiced with **unsought goods**—those that buyers do not normally think of buying

focuses on creating sales transactions rather than on building long-term, profitable customer relationships



Such aggressive selling, however, carries **high risks**. The aim often is to sell what the company makes rather than making what the market wants. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions.

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.



Instead of a product-centered *make-and-sell* philosophy, the marketing concept is a customer-centered *sense-and-respond* philosophy.

Under the marketing concept, customer focus and value are the *paths* to sales and profits.

customer-centered

The job is not to find the right customers for your product but to find the right products for your customers

DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY

Marketing Management Orientations



● **FIGURE | 1.3**
Selling and Marketing Concepts
Contrasted

| | Starting point | Focus | Means | Ends |
|------------------------------|----------------|-------------------|-----------------------|---------------------------------------|
| The selling concept | Factory | Existing products | Selling and promoting | Profits through sales volume |
| The marketing concept | Market | Customer needs | Integrated marketing | Profits through customer satisfaction |

The selling concept focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why

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."

The marketing concept starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating relationships with the right customers based on customer value and satisfaction.

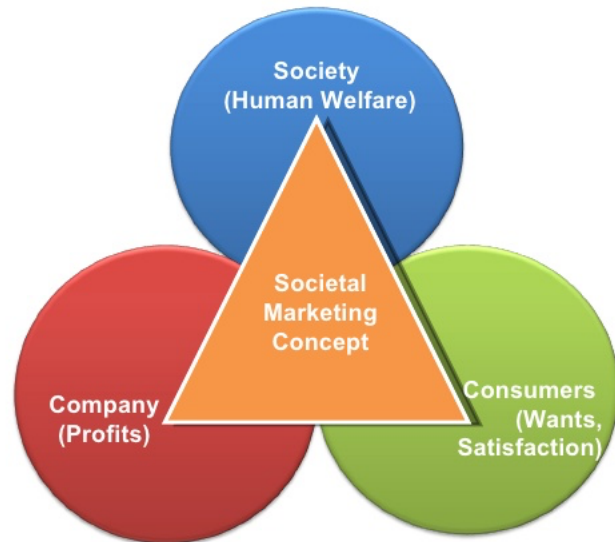
DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY

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.

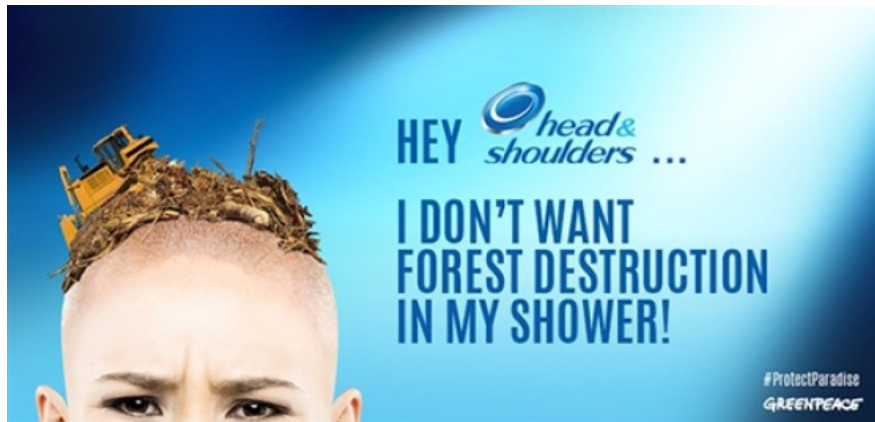
Societal Marketing



calls for *sustainable marketing*, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs

Many leading business and marketing thinkers are now preaching the concept of *shared value* which recognizes that **societal needs, not just economic needs, define markets**

SOCIETAL MARKETING EXAMPLES



2 (c) Marketing Management Orientations

These are the philosophies that guides the marketing strategy formulation

| | | | | |
|---|--|---|---|--|
| <p><u>Production Concept:</u></p> <p>The idea that consumers will favour products that are available and highly affordable and that organization should therefore focus on improving production and distribution efficiency</p> | <p><u>Product Concept:</u></p> <p>The idea that consumers will favor products that offer the most quality, performance and features and that the organization should devote its energy to making continuous product improvement.</p> | <p><u>Selling Concept:</u></p> <p>The idea that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.</p> | <p><u>Marketing Concept:</u></p> <p>It holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfaction better than the competitors do.</p> | <p><u>Societal Marketing Concept:</u></p> <p>The idea that company's marketing decisions should consider consumer's wants, the company's requirements, consumers long-run interests, and society's long run interests.</p> |
|---|--|---|---|--|

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.

4 Ps



MARKETING MIX IN SERVICES (7PS)



The 7 Ps of Service Marketing



THE CHANGING MARKETING LANDSCAPE

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

In recent years, marketing has also become a major part of the strategies of many **not-for-profit organizations**, such as colleges, hospitals, museums, zoos, symphony orchestras, foundations, and even churches. The nation's not-for-profits face stiff competition for support and membership. Sound marketing can help them attract members, funds, and support.

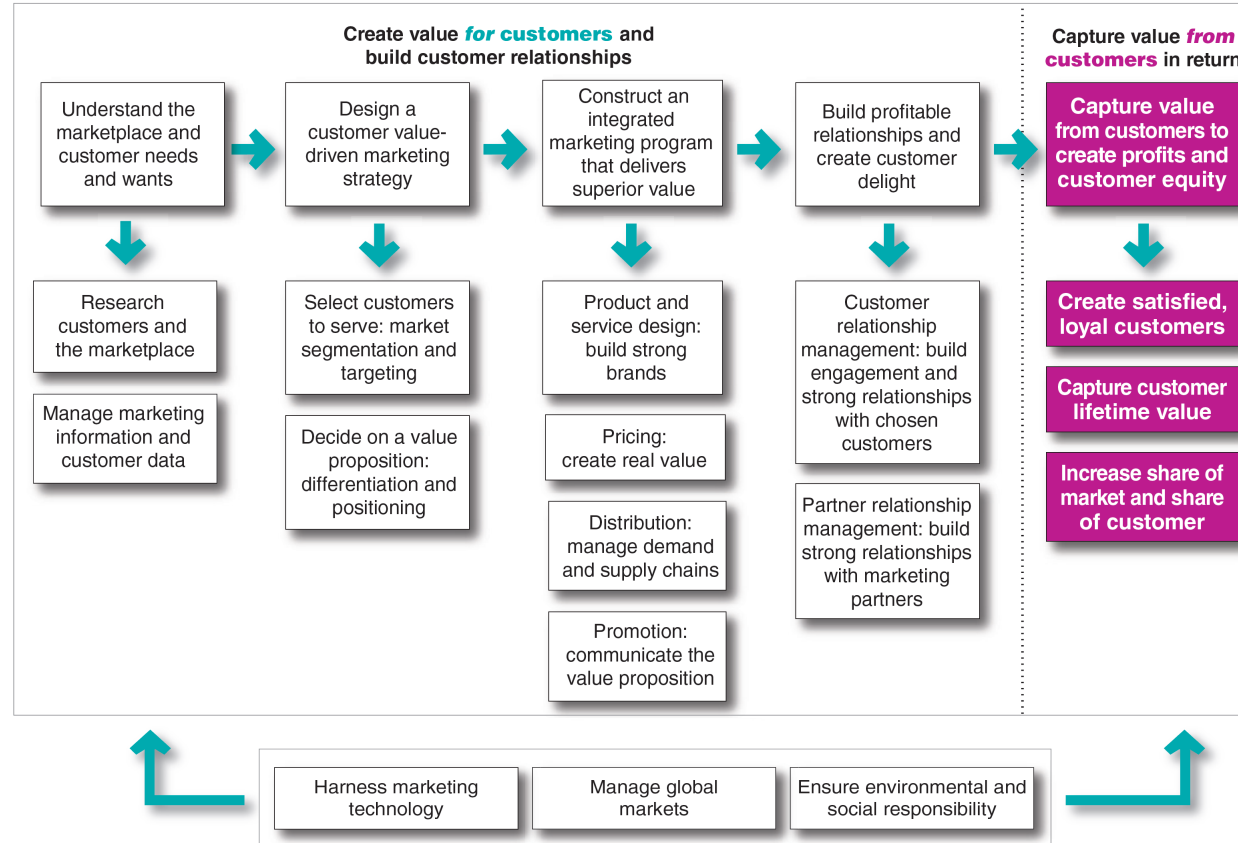
As they are redefining their customer relationships, marketers are also taking a fresh look at the ways in which they relate with the broader world around them. Today, almost every company, large or small, is touched in some way by **global competition**.

Marketers are reexamining their relationships with social values and responsibilities and with the very Earth that sustains us. As the worldwide consumerism and environmentalism movements mature, today's marketers are being called on to develop **sustainable marketing** practices.



SO, WHAT IS MARKETING? PULLING IT ALL TOGETHER

● FIGURE | 1.6
An Expanded Model of the Marketing Process



Apple case

Five core customer and marketplace concepts are critical to success: (1) needs, wants, and demands; (2) marketing offers (products, services, and experiences); (3) value and satisfaction; (4) exchanges and relationships; and (5) markets.

- - Take a look at Apple. Answer the following questions.
 -
1. What needs, wants, and/or demands is Apple attempting to fill?
 2. Describe their marketing offers.
 3. Describe the relationships they have with their customers.
 4. What are their markets?