Chapter 11

Building Customer Relationships Through Effective Marketing
Marketing

...an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.
Relationship Marketing

…establishing long-term, mutually satisfying buyer-seller relationships.

Successful marketers respond to customer needs and strive to continually increase value to buyers over time.
Customer Relationship Marketing

...using information about customers to create marketing strategies that develop and sustain desirable customer relationships.
Customer Lifetime Value

...a combination of purchase frequency, average value of purchases, and brand-switching patterns over the entire span of a customer’s relationships with a company.
Utility

…the ability of a good or service to satisfy a human need.
Types of Utility

- **Form**: converting production inputs into finished products
- **Place**: making a product available at a location where customers wish to purchase it
- **Time**: making a product available when customers wish to purchase it
- **Possession**: transferring title (or ownership) of a product to a buyer
Figure 11.1: Types of Utility

**Wanted:**
One pair of size 8 shoes in Duluth, immediately.
Will pay $50.

**Form utility**
- Size 8 shoes

**Place utility**
- Size 8 shoes in Duluth

**Time utility**
- Size 8 shoes in Duluth available now
- Size 8 shoes in Duluth available now for $50

**Possession utility**
- Size 10 shoes
- Size 8 shoes in Los Angeles
- Size 8 shoes in Duluth available next month
- Size 8 shoes in Duluth available now for $80
Marketing Concept

…a business philosophy that a firm should provide goods and services that satisfy customers’ needs through a coordinated set of activities that allows the firm to achieve its objectives.
### Table 11.2: Evolution of Customer Orientation

<table>
<thead>
<tr>
<th>Production Orientation</th>
<th>Sales Orientation</th>
<th>Customer Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take orders</td>
<td>Increase advertising</td>
<td>Determine customer needs</td>
</tr>
<tr>
<td>Distribute goods</td>
<td>Enlarge sales force</td>
<td>Develop products to fill these needs</td>
</tr>
<tr>
<td></td>
<td>Intensify sales techniques</td>
<td>Achieve the organization’s goals</td>
</tr>
</tbody>
</table>
Implementing Marketing Concept

- Obtain information
- Determine needs
- Determine how needs are currently satisfied
- Learn how products might be improved
- Find out opinions customers have of firm and marketing efforts
- Use information to pinpoint specific needs and potential customers
Mobilize Marketing Resources

✓ Provide product
✓ Price product
✓ Promote product
✓ Distribute product
✓ Obtain information
Market

...a group of individuals or organizations, or both, that need products in a given category and that have the ability, willingness, and authority to purchase such products.
Market Classifications

- Business-to-Consumer (B2C)
- Business-to-Business (B2B)
Business-to-Consumer Markets

…consist of purchasers and/or household members who intend to consume or benefit from the purchased products and who do not buy products to make profits.
Business-to-Business Markets

...are grouped broadly into producer, reseller, governmental, and institutional categories.... They purchase specific kinds of products for use in making other products, for resale, or for day-to-day operations.
B2B Markets

- **Producer**: buys certain products to use in manufacture of other products
- **Reseller**: buys finished products and sells them for profit
- **Governmental**: buys goods and services to maintain internal operations and to provide products to citizens
- **Institutional**: buys goods for goals unrelated to profit, market share, or return on investment
…a plan that will enable an organization to make the best use of its resources and advantages to meet its objectives.
Parts of Marketing Strategy

- Select/analyze target market
- Create/maintain appropriate marketing mix
Marketing Mix

...a combination of product, price, distribution, and promotion developed to satisfy a particular target market.
Target Market

...a group of individuals or organizations, or both, for which a firm develops and maintains a marketing mix suitable for the specific needs and preferences of that group.
Marketing Managers

- Examine potential markets for possible effect on firm’s sales, costs, and profits
- Determine if organization has the resources to produce a marketing mix that meets the needs of a target market
- Determine if satisfying those needs is consistent with firm’s objectives
- Analyze competitors
Approaches of Selecting Target Market

- **Undifferentiated**
  Company designs a single marketing mix and directs it at the entire market for a particular product

- **Market segmentation**
  Company divides a market into segments and directs marketing mix at particular segment or segments rather than the total market
Market Segment

…a group of individuals or organizations within a market that shares one or more common characteristics.
Figure 11.2: Selecting Target Markets

The letters in each target market represent potential customers. Customers that have the same letters have similar characteristics and similar product needs.
Table 11.3: Common Bases of Market Segmentation

<table>
<thead>
<tr>
<th>DEMOGRAPHIC</th>
<th>PSYCHOGRAPHIC</th>
<th>GEOGRAPHIC</th>
<th>BEHAVIORISTIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Personality attributes</td>
<td>Region</td>
<td>Volume usage</td>
</tr>
<tr>
<td>Gender</td>
<td>Motives</td>
<td>Urban, suburban,</td>
<td>End use</td>
</tr>
<tr>
<td>Race</td>
<td>Lifestyles</td>
<td>Rural</td>
<td>Benefit expectations</td>
</tr>
<tr>
<td>Ethnicity</td>
<td></td>
<td>Market density</td>
<td>Brand loyalty</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td>Climate</td>
<td>Price sensitivity</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td>Terrain</td>
<td></td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td>City size</td>
<td></td>
</tr>
<tr>
<td>Family size</td>
<td></td>
<td>County size</td>
<td></td>
</tr>
<tr>
<td>Family life cycle</td>
<td></td>
<td>State size</td>
<td></td>
</tr>
<tr>
<td>Religion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social class</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 11.3: The Marketing Mix and the Marketing Environment
Product Decisions

- Design
- Brand Name
- Packaging
- Warranties
Pricing Decisions

- Base Price
- Discounts
- Goals
  - Maximize profit
  - Make room for new models

Spotlight

Source: Bayer Consulting for Deloitte LLP survey of 1,006 people ages 17 to 28.
Distribution Decisions

- Transportation
- Storage
- Selection of Intermediaries
  - Number of levels
  - Width of distribution
Promotion Decisions

- Advertising
- Personal Selling
- Sales Promotion
- Public Relations

Will You Be Slim or Supersized in 2014?
Controllable Elements of Mix Can Also Be Varied for...

- Organizational goals
- Marketing goals
- Target markets
Forces of External Marketing Mix

- Economic
- Sociocultural
- Political
- Competitive
- Legal & regulatory
- Technological
...a written document that specifies an organization’s resources, objectives, strategy, and implementation and control efforts to be used in marketing a specific product or product group.
Marketing Plan

✓ Describes firm’s current position
✓ Establishes marketing objectives for product
✓ Specifies how the organization will attempt to achieve these objectives

✓ Time frame
  • Short-range = 1 year or less
  • Medium-range = 1 to 5 years
  • Long-range = 5+ years
Marketing Plan Is Used for...

- Communication among employees
- Assignment of responsibilities/tasks
- Schedules for implementation
- How resources allocated
- Monitor/evaluate performance
# Table 11.4: Components of Marketing Plan

<table>
<thead>
<tr>
<th>PLAN COMPONENT</th>
<th>COMPONENT SUMMARY</th>
<th>HIGHLIGHTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>One- to two-page synopsis of the entire marketing plan</td>
<td>1. Assessment of marketing environment factors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Assessment of target market(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Assessment of current marketing objectives and performance</td>
</tr>
<tr>
<td>Environmental analysis</td>
<td>Information about the company’s current situation with respect to the marketing</td>
<td>1. Strengths</td>
</tr>
<tr>
<td></td>
<td>environment</td>
<td>2. Weaknesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Opportunities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Threats</td>
</tr>
<tr>
<td>SWOT analysis</td>
<td>Assessment of the organization’s strengths, weaknesses, opportunities, and threats</td>
<td></td>
</tr>
<tr>
<td>Marketing objectives</td>
<td>Specification of the firm’s marketing objectives</td>
<td>Qualitative measures of what is to be accomplished</td>
</tr>
<tr>
<td>Marketing strategies</td>
<td>Outline of how the firm will achieve its objectives</td>
<td>1. Target market(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Marketing mix</td>
</tr>
<tr>
<td>Marketing implementation</td>
<td>Outline of how the firm will implement its marketing strategies</td>
<td>1. Marketing organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Activities and responsibilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Implementation timetable</td>
</tr>
<tr>
<td>Evaluation and control</td>
<td>Explanation of how the firm will measure and evaluate the results of the</td>
<td>1. Performance standards</td>
</tr>
<tr>
<td></td>
<td>implemented plan</td>
<td>2. Financial controls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Monitoring procedures (audits)</td>
</tr>
</tbody>
</table>

Sales Forecast

…an estimate of the amount of a product that an organization expects to sell during a certain period of time based on a specified level of marketing effort.
Forecasting Methods

- Executive judgments
- Surveys of buyers/sales personnel
- Time-series analyses
- Correlation analyses
- Market tests
Marketing Information System

...a system for managing marketing information that is gathered continually from internal and external sources.
## Sources of Information

### Internal
- Sales figures
- Product/marketing costs
- Inventory levels
- Activities of sales force

### External
- Organization’s suppliers
- Intermediaries
- Customers
- Competitors’ activities
- Economic conditions
Information Can Include

- Daily sales reports
- Forecasts of sales/buying trends
- Reports on changes in market share
Marketing Research

…the process of systematically gathering, recording, and analyzing data concerning a particular marketing problem.
Table 11.5: The Six Steps of Market Research

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Define the problem</td>
<td>In this step, the problem is stated clearly and accurately to determine what issues are involved in the research, what questions to ask, and what types of solutions are needed. This is a crucial step that should not be rushed.</td>
</tr>
<tr>
<td>2. Make a preliminary investigation</td>
<td>The objective of preliminary investigation is to develop both a sharper definition of the problem and a set of tentative answers. The tentative answers are developed by examining internal information and published data and by talking with persons who have some experience with the problem. These answers will be tested by further research.</td>
</tr>
<tr>
<td>3. Plan the research</td>
<td>At this stage, researchers know what facts are needed to resolve the identified problem and what facts are available. They make plans on how to gather needed but missing data.</td>
</tr>
<tr>
<td>4. Gather factual information</td>
<td>Once the basic research plan has been completed, the needed information can be collected by mail, telephone, or personal interviews; by observation; or from commercial or government data sources. The choice depends on the plan and the available sources of information.</td>
</tr>
<tr>
<td>5. Interpret the information</td>
<td>Facts by themselves do not always provide a sound solution to a marketing problem. They must be interpreted and analyzed to determine the choices available to management.</td>
</tr>
<tr>
<td>6. Reach a conclusion</td>
<td>Sometimes the conclusion or recommendation becomes obvious when the facts are interpreted. However, in other cases, reaching a conclusion may not be so easy because of gaps in the information or intangible factors that are difficult to evaluate. If and when the evidence is less than complete, it is important to say so.</td>
</tr>
</tbody>
</table>
Technology and Marketing Information

- Database
- Single-Source Data
- Online Information Services
- Internet
  - Nielsen
  - Advertising Age
- Intranet
Table 11.6: Internet Sources of Marketing Information

<table>
<thead>
<tr>
<th>GOVERNMENT SOURCES</th>
<th>COMMERCIAL SOURCES</th>
<th>PERIODICALS AND BOOKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>census.gov</td>
<td>acnielsen.com</td>
<td>adage.com</td>
</tr>
<tr>
<td>state.gov</td>
<td>Infosys.com</td>
<td>salesandmarketing.com</td>
</tr>
<tr>
<td>fedworld.gov</td>
<td>gallup.com</td>
<td>Fortune.com</td>
</tr>
<tr>
<td></td>
<td>arbitrion.com</td>
<td>inc.com</td>
</tr>
<tr>
<td></td>
<td>chamber-of-commerce.com</td>
<td>businessweek.com</td>
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<tr>
<td></td>
<td></td>
<td>bloomberg.com</td>
</tr>
</tbody>
</table>

Buying Behavior

…the decisions and actions of people involved in buying and using products.
Consumer Buying Behavior

…the purchasing of products for personal or household use, not for business purposes.
Figure 11.4: Consumer Decision Process and Influences

POSSIBLE INFLUENCES ON THE DECISION PROCESS

Situational influences
- Physical surroundings
- Social surroundings
- Time
- Purchase reason
- Buyer’s mood and condition

Psychological influences
- Perception
- Motives
- Learning
- Attitudes
- Personality
- Lifestyles

Social influences
- Family
- Roles
- Peer groups
- Social class
- Culture and subcultures

CONSUMER BUYING DECISION PROCESS

Recognize problem → Search for information → Evaluate alternatives → Purchase → Evaluate after purchase
Personal Income

…the income an individual receives from all sources less the Social Security taxes the individual must pay.
Disposable Income

...personal income less all additional personal taxes.
Discretionary Income

...disposable income less savings and expenditures on food, clothing, and housing.
Business Buying Behavior

…the purchasing of products by producers, resellers, governmental units, and institutions.
Business Buyers

- **Consider**
  - Quality
  - Price
  - Service provided

- **Usually**
  - Better informed
  - Buy in larger quantities
Business Buying Occurs Through...

- Description
- Inspection
- Sampling
- Negotiation