

BUSINESS

PRIDE | HUGHES | KAPOOR



Building Customer Relationships Through Effective Marketing

Learning Objectives

1. Understand the meaning of marketing and the importance of management of customer relationships.
2. Explain how marketing adds value by creating several forms of utility.
3. Trace the development of the marketing concept and understand how it is implemented.
4. Understand what markets are and how they are classified.
5. Identify the four elements of the marketing mix and be aware of their importance in developing a marketing strategy.

Learning Objectives (cont'd)

6. Explain how the marketing environment affects strategic market planning.
7. Understand the major components of a marketing plan.
8. Describe how market measurement and sales forecasting are used.
9. Distinguish between a marketing information system and marketing research.
10. Identify the major steps in the consumer buying decision process and the sets of factors that may influence this process.

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



Managing Customer Relationships

- Relationship marketing: Establishing long term mutually satisfying buyer-seller relationship
- Customer relationship management (CRM): Using information about customers to create marketing strategies that develop and sustain desirable customer relationships

Major Marketing Functions

➤➤ TABLE 13.1

MAJOR MARKETING FUNCTIONS

Exchange functions: All companies—manufacturers, wholesalers, and retailers—buy and sell to market their merchandise.

1. **Buying** includes obtaining raw materials to make products, knowing how much merchandise to keep on hand, and selecting suppliers.
2. **Selling** creates possession utility by transferring the title of a product from seller to customer.

Physical distribution functions: These functions involve the flow of goods from producers to customers. Transportation and storage provide time utility and place utility and require careful management of inventory.

3. **Transporting** involves selecting a mode of transport that provides an acceptable delivery schedule at an acceptable price.
4. **Storing** goods is often necessary to sell them at the best selling time.

Major Marketing Functions (cont'd)

Facilitating functions: These functions help the other functions take place.

5. **Financing** helps at all stages of marketing. To buy raw materials, manufacturers often borrow from banks or receive credit from suppliers. Wholesalers may be financed by manufacturers, and retailers may receive financing from the wholesaler or manufacturer. Finally, retailers often provide financing to customers.
6. **Standardizing** sets uniform specifications for products or services. **Grading** classifies products by size and quality, usually through a sorting process. Together, standardization and grading facilitate production, transportation, storage, and selling.
7. **Risk taking**—even though competent management and insurance can minimize risks—is a constant reality of marketing because of such losses as bad-debt expense, obsolescence of products, theft by employees, and product-liability lawsuits.
8. **Gathering market information** is necessary for making all marketing decisions.

Evolution of Customer Orientation

▶▶ **TABLE 13.2**

EVOLUTION OF CUSTOMER ORIENTATION

Business managers recognized that they were not primarily producers or sellers but rather were in the business of satisfying customers' wants.

Production Orientation

Take orders

Distribute goods

Sales Orientation

Increase advertising

Enlarge sales force

Intensify sales techniques

Customer Orientation

Determine customer needs

Develop products to fill these needs

Achieve the organization's goals

Utility: The Value Added by Marketing

- The ability of a good or service to satisfy a human need
- Form utility- Created by converting production inputs into finished products
- Place utility- Created by making a product available at a location where customers wish to purchase it
- Time utility- Created by making a product available when customers wish to purchase it
- Possession utility- Created by transferring title (ownership) of a product to buyer



Types of Utility

Wanted:

One pair of size 8 shoes in Duluth, immediately. Will pay \$50.

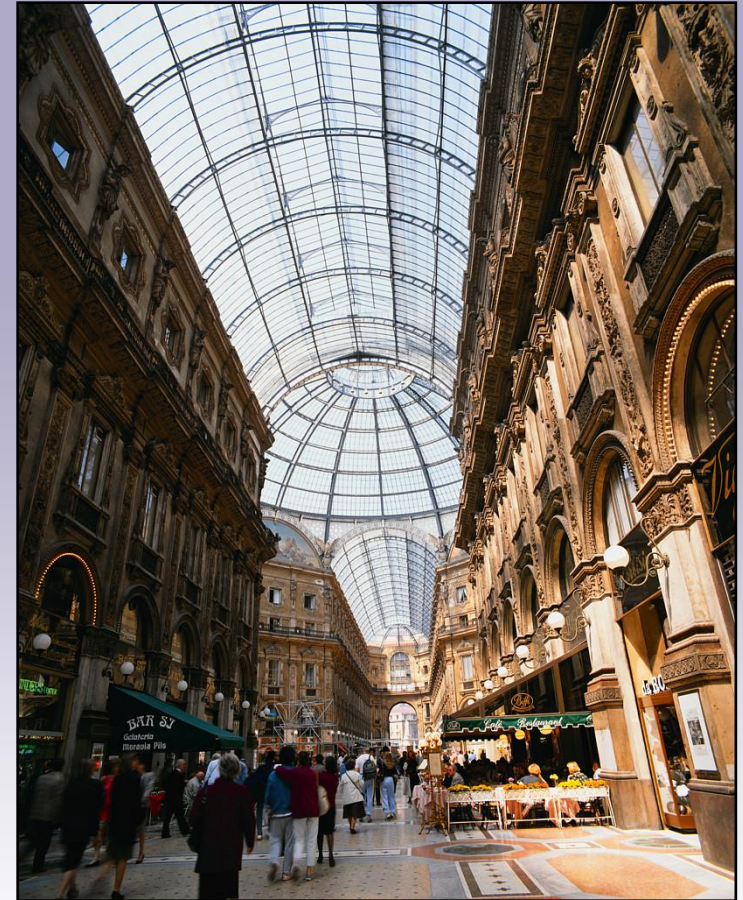


The Marketing Concept

- To achieve success, a business must
 - Talk to its potential customers to assess their needs
 - Develop a good or service to satisfy those needs
 - Continue to seek ways to provide customer satisfaction
- A business philosophy that involves the entire organization in the process of satisfying customers' needs while achieving the organization's goals
- Relationship marketing
 - Developing mutually beneficial long-term partnerships with customers to enhance customer satisfaction and to stimulate long-term customer loyalty

Implementing the Marketing Concept

- Obtain information about present and potential customers
 - Their needs; how well those needs are being satisfied; how products might be improved; customer opinions about the firm
- Pinpoint specific needs and potential customers toward which to direct marketing activities and resources



Implementing the Marketing Concept

(cont'd)

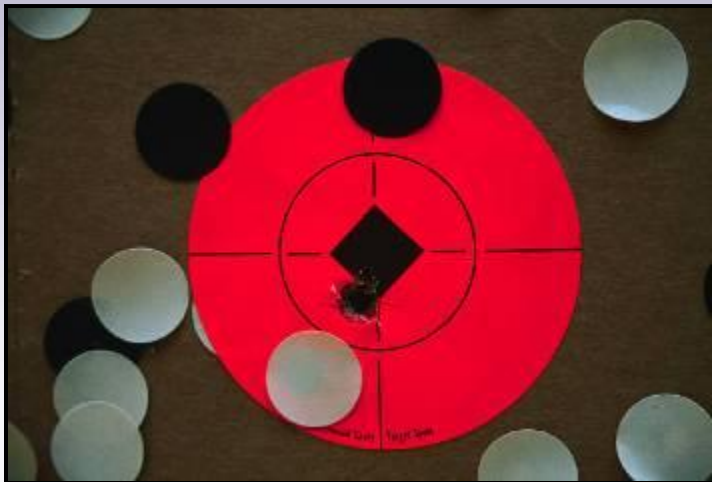
- Mobilize marketing resources to
 - Provide a product that will satisfy customers
 - Price the product at an acceptable and profitable level
 - Promote the product to potential customers
 - Ensure distribution for product availability when and where wanted
- Obtain information on the effectiveness of the marketing effort and modify efforts as necessary

Markets and Their Classification

- 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
- Consumer markets
 - Purchasers and/or households members who intend to consume or benefit from the purchased products and who do not buy products to make a profit
- Business-to-business (industrial) markets
 - Producer, reseller, governmental, and institutional customers that purchase specific kinds of products for use in making other products for resale or for day-to-day operations

Developing Marketing Strategies

- Marketing strategy
 - A plan that will enable an organization to make the best use of its resources and advantages to meet its objectives
 - Consists of
 - The selection and analysis of a target market
 - The creation and maintenance of an appropriate marketing mix (a combination of product, price, distribution, and promotion developed to satisfy a particular target market)



Developing Marketing Strategies (cont'd)

- Target market selection and evaluation
 - Target market
 - A group of individuals, organizations, or both, for which a firm develops and maintains a marketing mix suitable for the specific needs and preferences of that group
 - Market segment
 - A group of individuals or organizations within a market that share one or more common characteristics
 - Market segmentation
 - The process of dividing a market into segments and directing a marketing mix at a particular segment or segments rather than at the total market

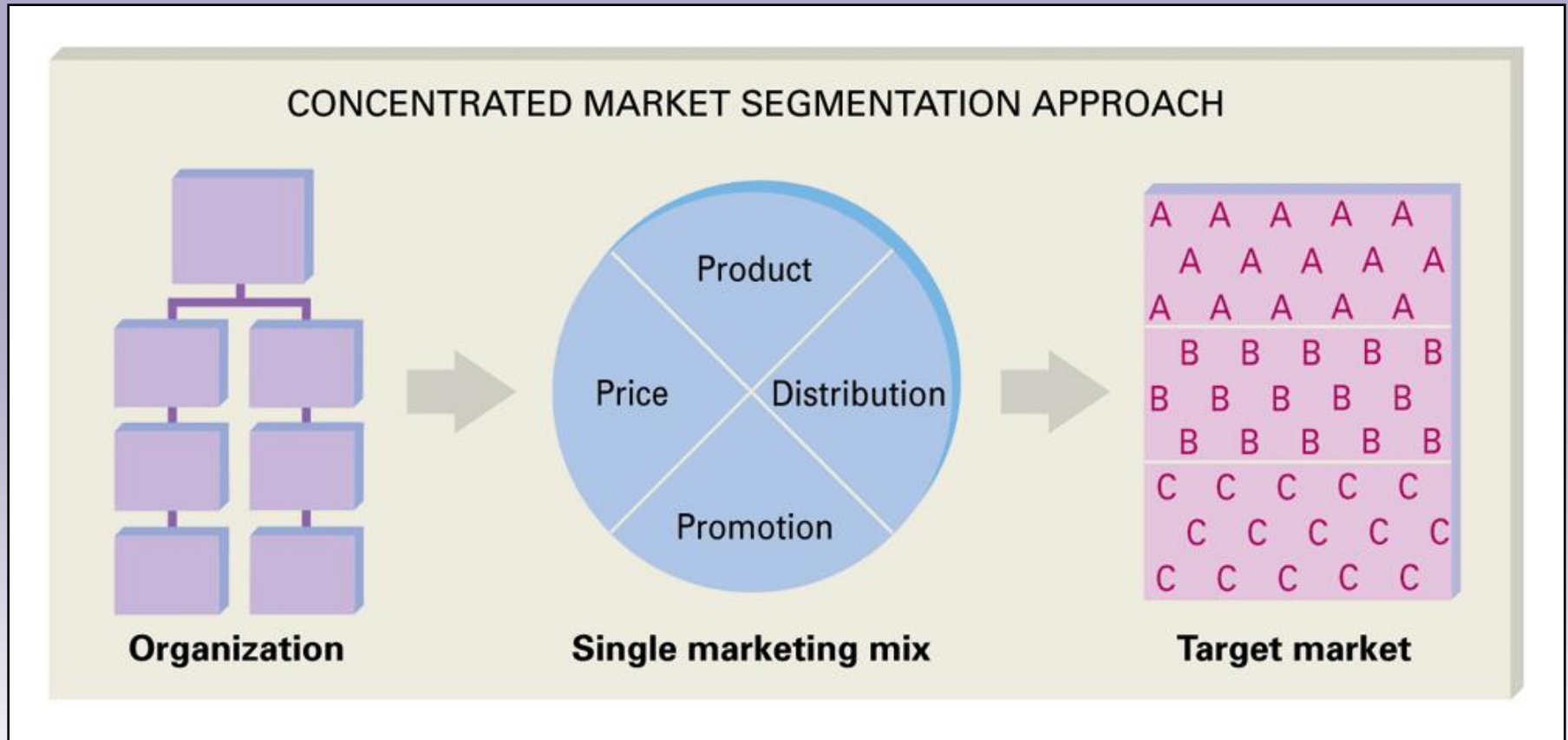


General Approaches for Selecting Target Markets



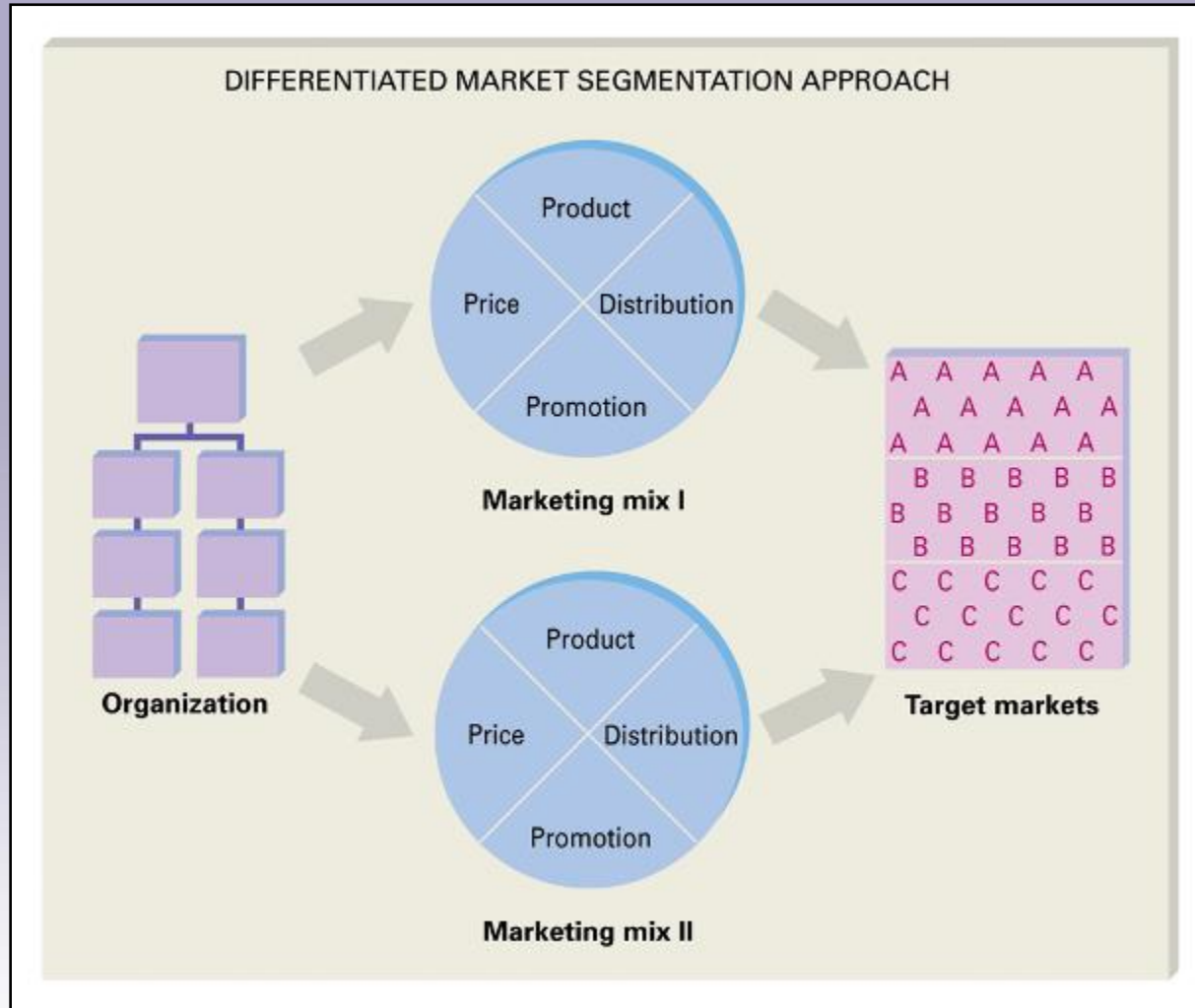
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General Approaches for Selecting Target Markets (cont'd)



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General Approaches for Selecting Target Markets (cont'd)



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Common Bases of Market Segmentation

➤ **TABLE 13.3**

COMMON BASES OF MARKET SEGMENTATION

Demographic

Age
Gender
Race
Ethnicity
Income
Education
Occupation
Family size
Family life cycle
Religion
Social class

Psychographic

Personality attributes
Motives
Lifestyles

Geographic

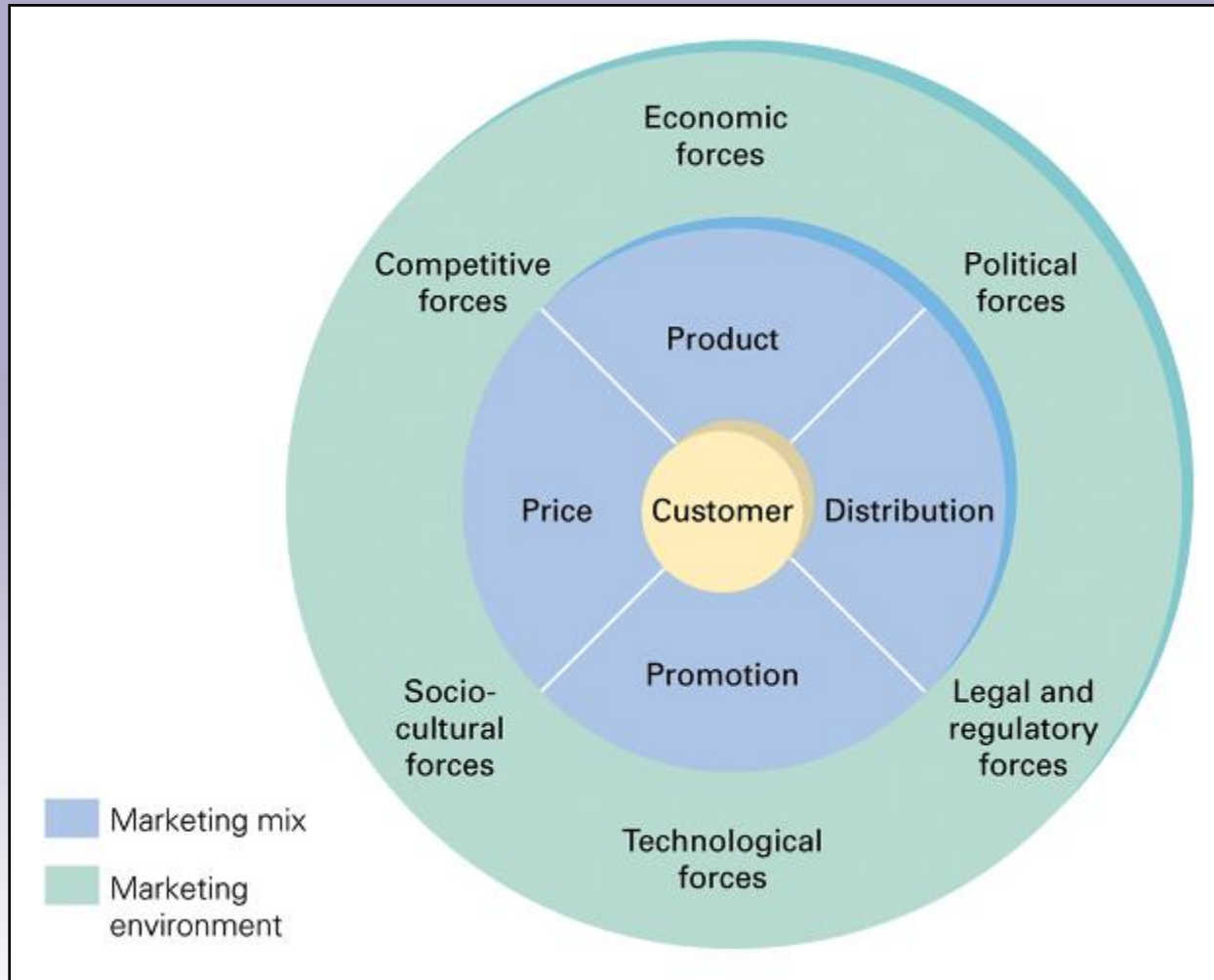
Region
Urban, suburban,
Rural
Market density
Climate
Terrain
City size
County size
State size

Behavioristic

Volume usage
End use
Benefit expectations
Brand loyalty
Price sensitivity

Source: William M. Pride and O. C. Ferrell, *Marketing: Concepts and Strategies*, 13th ed. (Boston: Houghton Mifflin, 2006). Copyright © 2006 by Houghton Mifflin Company. Adapted with permission.

The Marketing Mix and the Marketing Environment



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Developing a Marketing Plan

- 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
- Elements of a marketing plan
 - Executive summary
 - Environmental analysis
 - Strengths and weaknesses
 - Opportunities and threats
 - Marketing objectives
 - Marketing strategies
 - Marketing implementation
 - Evaluation and control



Market Measurement and Sales Forecasting

- 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
- Importance of measuring sales potential
 - Evaluate feasibility of enter new segments
 - Decide how best to allocate marketing resources and activities
- Estimates should do several things
 - Identify the relevant time frame covered by the forecast
 - Define the geographic boundaries of the forecast
 - Indicate for which products the forecasts are relevant

Marketing Information

- Marketing information system
 - A system for managing marketing information that is gathered continually from internal and external sources
- Internal data sources
 - Sales figures, product and marketing costs, inventory, sales force activities
- External data sources
 - Suppliers, intermediaries, customers, competitors, economic conditions
- Outputs
 - Sales reports, sales forecasts, buying trends, market share

Marketing Information (cont'd)

The six steps of marketing research

1. Define the problem
2. Make a preliminary investigation
3. Plan the research
4. Gather factual information
5. Interpret the information
6. Reach a conclusion

Grassroots Market Research at Finagle A Bagel



Types of 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
- Business buying behavior
 - The purchasing of products by producers, resellers, governmental units, and institutions

Internet Sources of Marketing Information

▶▶ **TABLE 13.6**

INTERNET SOURCES OF MARKETING INFORMATION

Government sources

census.gov

state.gov

fedworld.gov

Commercial sources

acnielsen.com

Infores.com

gallup.com

arbitron.com

chamber-of-commerce.com

bloomberg.com

Periodicals and books

adage.com

salesandmarketing.com

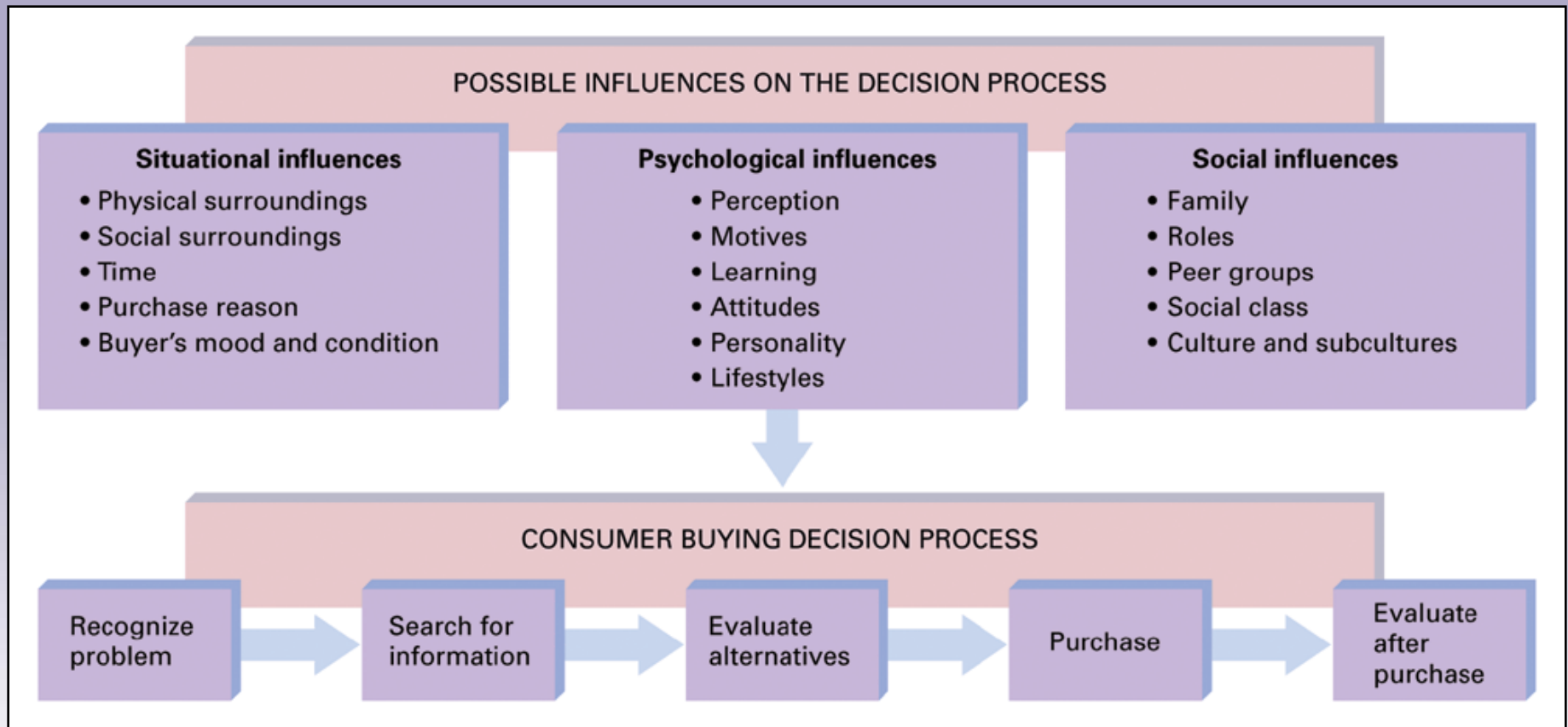
Fortune.com

inc.com

businessweek.com

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Consumer Buying Decision Process and Possible Influences on the Process



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The American Consumer

- Consumer income
 - 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

