Marketing - The Basics

Marketing?

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

Key concepts:
- create value and satisfaction (long term)
  - understand customer needs and wants
  - offer products to satisfy these needs
- build relationships and exchanges
- capture value from customers

A Classic Example of the Marketing Concept

Consumers do not buy drills, they buy …

Another Example

consumers buy photo cameras to …
First you need to understand the market

- **Needs**: state of felt deprivation for basic items such as food and clothing and complex needs such as belonging. e.g. I am thirsty.

- **Wants**: form that a need takes as shaped by culture and individual personality. e.g. I want an Uludağ.

- **Demands**: wants backed by buying power. e.g. I have money to buy an Uludağ.

**What is a Market?**

**Market**: All actual and potential buyers of a product -- who share a particular need or want.

- any product that satisfies the same need could be a competitor

**Marketing Offers Products**

**Product**: anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a need or want.

- **Goods**: tangible
- **Services**: activities or benefits offered for sale that are essentially intangible and don't result in the ownership of anything. e.g: banking, airlines, haircuts, and hotels.
Create Value and Satisfaction

Consumers choose among products based on the perceived value that different alternatives offer...

Value - benefit that the customer gains from owning and using a product compared to the cost of obtaining the product.

Satisfaction

Value is Delivered via a Plan

- Devise a Strategy
  - Select customers to serve (target market)
  - Have a value proposition
e.g. “Red Bull gives you wings”
  - What philosophy will guide your strategy? see next slide

- Prepare a Marketing Plan
  - Decide on the marketing mix (Product Price Place Promotion)

Marketing Orientations

- Production Concept
- Product Concept
- Selling Concept
- Marketing Concept
- Societal Marketing Concept

Managing Relationships

Customer Relationship Management (CRM) is the process of building and maintaining customer relationships - by delivering value and satisfaction. It is not just a data management activity.

Key blocks: Value & Satisfaction
  - keep relationships with select customers
  - relate for the long term
### Illustration

![Diagram showing new customers, retained customers, and lost customers.

### Capturing Value from Customers

- **Customer Lifetime Value (CLV):** the value of all the purchases that the customer would make over a lifetime of patronage.
- **Customer Equity:** combined CLV of all the customers of a company.

If the company is selling multiple products:

- **Share of customer** (share of wallet, garage, travel etc.)
- **Cross-selling**

### NOTE - Market Share

- **(unit) Market share of A:** \[
\frac{\text{number of units sold by A}}{\text{total number of units sold by all companies in a product category}}
\]

- **(dollar) Market share of A:** \[
\frac{\text{dollar value of units sold by A}}{\text{total dollar value of units sold by all companies in a product category}}
\]