

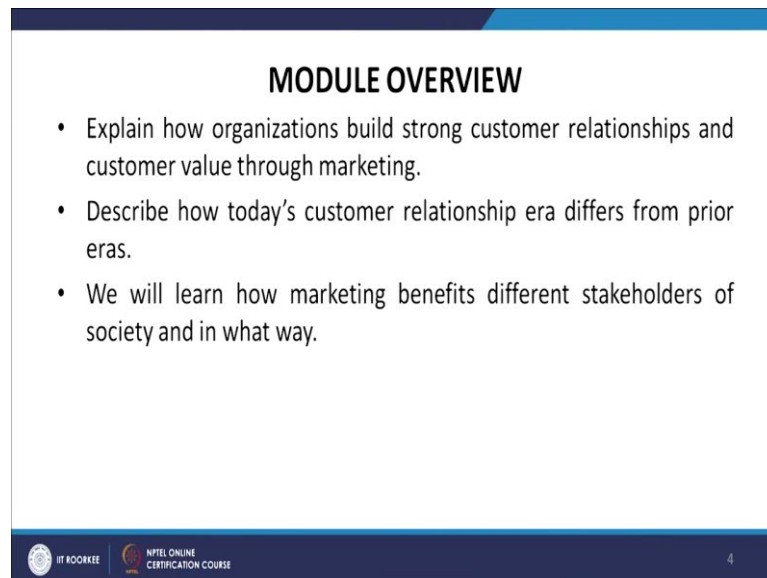
**Introduction to Marketing Essentials**  
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**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture – 02**  
**Creating Customer Relationships and Value through Marketing – II**

Welcome to this course on Introduction to Marketing Essentials. Now, we will talk about module 2. Keep in mind that we are in part 1, that is initiating the marketing process in which the first two modules are dedicated to Creating Customer Relationships and Value through Marketing.

Now, we will talk about module 2 and let us see what are the things that are covered in this module. The first thing is to we will try to explain, I will explain how organizations build a strong customer relationships and customer value through marketing.

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**MODULE OVERVIEW**

- Explain how organizations build strong customer relationships and customer value through marketing.
- Describe how today's customer relationship era differs from prior eras.
- We will learn how marketing benefits different stakeholders of society and in what way.

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Describe how today's customer relationship era differs from prior eras when; so, this era is of customer relationship, what were the earlier eras and how this era is different from them. And, then we will learn how marketing benefits different stakeholders of society and in what ways they benefit the different stakeholders.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

- An organization's marketing program connects it with its customers.
- To clarify this link, we will first discuss the critically important concepts of customer value, customer relationships, and relationship marketing.

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Now, we are let us look at the marketing program, that is the combination of the 4 P's and how customer relationships are built. An organization's marketing program connects the company with the customer by way of the 4 P's. To clarify this link, we will first discuss the critically important concept of customer value, customer relationships and the relationship marketing.

So, in order to clarify and understand this link we will have to understand these three concept. The first concept is that of customer value, the customer relationships and the relationship marketing.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

**Customer Value and Customer Relationships-**

- Intense competition in today's fast-paced domestic and global markets has caused massive restructuring of many industries and businesses.
- Managers are seeking ways to achieve success in this new, more intense level of global competition.
- This has prompted many successful firms to focus on "customer value."

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So, now, let us look at the two important concepts that is the concept of customer value and customer relationship. Intense competition in today's fast-paced domestic and global markets has caused massive restructuring of many industries and businesses. In this changing era managers are seeking ways to achieve success in this new and more intense level of global competition.

This has prompted many successful companies to focus on customer value. So, now what is the mantra to succeed in this highly competitive world? So, now managers are looking at this concept of customer value as this winning mantra.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

- For our purposes, customer value is the unique combination of benefits received by targeted buyers that includes-
  - quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price.
- Loyal, satisfied customers are likely to repurchase more over time.

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For our purposes, customer value is a unique combination of benefits that are received by the target buyers and those benefits includes - quality, convenience, on-time delivery and both before sales and after sales service at specific prices. So, the first thing that in customer value we are looking at a unique combination of all these benefits; loyal and satisfied customers are likely to repurchase more over time.

So, when a company is able to deliver this unique combination of benefits that is based on quality, convenience, on-time delivery, before and after sales service at a specific price; the customer is satisfied, he is loyal. And, he is more likely to repurchase more from this firm over a period of time.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

- Research suggests that firms cannot succeed by being all things to all people.
- Instead, firms must find ways to build long-term customer relationships to provide unique value that they alone can deliver to targeted markets.
- Many successful firms have chosen to deliver outstanding customer value with one of three value strategies-
  - best price, best product, or best service.

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Research suggests that the firm cannot succeed by being all thing to all people. So, this we have talked about in module 1 also that a firm cannot be making all products to all kind of people. Instead, firms must find ways to build long-term customer relationships to provide unique value that they alone can deliver to targeted markets. So, now, this how the company should go about building customer relationships.

It is by way of providing that unique value that only this company can deliver to the target market and other companies cannot deliver it. Many successful firms have chosen to deliver outstanding customer value with one of the three value strategies. The first is or these three value strategies are the best price, the best product or the best service.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

- Companies such as Walmart, and Southwest Airlines, have all been successful offering consumers the best price.
- Other companies, such as Starbucks, Nike, and Johnson & Johnson, claim to provide the best products on the market.
- Finally, companies such as Marriott, and Home Depot (largest home improvement retailer in the United States) deliver value by providing exceptional service.

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Companies such as Walmart and Southwest Airlines, have all been successful offering consumers the best price. So, these are the three value strategies. One is offering the best price, another is offering the best product and the third is offering the best service. Now, Walmart and Southwest Airlines, they provide the best price to the customer.

Other companies such as Starbuck, Nike, Johnson and Johnson, they provide the best product to the market. And finally, companies such as Marriott and Home Depot that is the largest home improvement retailer in the United States deliver value by providing exceptional service. So, there are different companies who based on different strategies are offering the best value to the customer.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

**Relationship Marketing and the Marketing Program-**

- A firm achieves meaningful customer relationships by creating connections with its customers through careful coordination of the product, its price, the way it's promoted, and how it's placed.

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Now, let us look at the relationship marketing and the marketing program. A firm achieves meaningful customer relationships by creating connection with its customers through careful coordination of the products, the price of this product, the way it is promoted and how it is placed in the distribution channel.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

**Relationship Marketing-**

- The hall-mark of developing and maintaining effective customer relationships is today called relationship marketing.
- It links the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefit.
- In terms of selling a product, relationship marketing involves-
  - A personal, ongoing relationship between the organization and its individual customers that begins before and continues after the sale.

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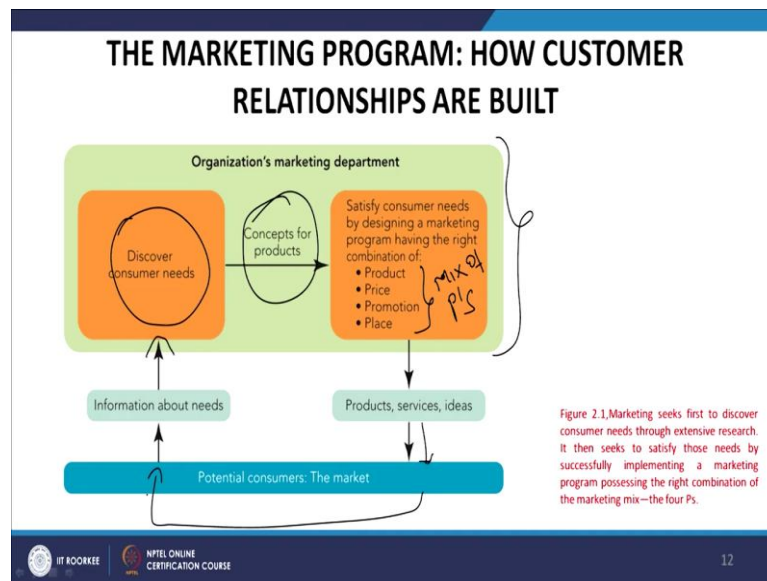
The hallmark of developing and maintaining effective customer relationship is today called as the relationship marketing. Developing and maintaining an effective relationship with the customer is called as relationship marketing. It links the

organization towards individual customers, employees, suppliers and other partners for their mutual long term benefit.

So, this company is looking at a long term benefit with every one of these with the customers, with the employees and suppliers and other partners. So, this relationship has to be mutually beneficial and long term. In terms of supplying a product relationship marketing involves - A personal ongoing relationship between the organization and its individual customer that begins before and continue after the sales.

So, in terms of selling a product relationship marketing involves a personal ongoing relationship between the organization and its individual customers. And, that relationship begins before the purchase and it continues till after the purchase, after the sale is made.

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Now, look at this figure 2.1, it is called as 2.1 because it is the first figure in 2nd module. So, marketing seeks first to discover consumer needs through extensive research, discover customer needs. So, this is the same figure that we have we have used in the module 1st also. This is the organization's marketing department. It first discovers consumer needs then it comes up with products to satisfy those needs and that is not the only thing that it does.

It also comes up with a combination of these 4 P's, mix of P's to satisfy the customer needs. Now, these potential consumers or the market it sends the information about their



needs. This is given to the company, the companies develop a product and the 4 P's and then this is then passed on to the market and again this thing goes back to the company. And therefore, the cycle continues.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

**Marketing program-**

- Effective relationship marketing strategies help marketing managers discover what prospective customers need.
- They must translate this information into some concepts for products the firm might develop (see Figure 2.1).
- These concepts must then be converted into a tangible **marketing program**—a plan that integrates the marketing mix to provide a good, service, or idea to prospective buyers.

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Marketing program- effective relationship marketing strategies help marketing managers to discover what prospective consumer needs. Then they translate this information into some concept for product that the firm might develop in future. These concepts must then be converted into a tangible marketing program - a plan that integrates the marketing mix to provide goods, services or ideas to the prospective buyers.

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**THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT**

- These prospects then react to the offering favorably (by buying) or unfavorably (by not buying), and the process is repeated.
- As shown in Figure 2.1, in an effective organization this process is continuous-
  - Consumer needs trigger product concepts that are translated into actual products that stimulate further discovery of consumer needs.

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These prospects then react to the offerings favourably by buying or unfavourably by not buying and then this process is repeated. When they buy then also they send some information to the company, when they do not buy then also they send some information to the company.

Then company again comes up with the various concepts for the product and then they come up with the marketing with the marketing program for this these 4 P's. So, as it is shown in that earlier figure, in an effective organization this process is continuous. Customer needs trigger product concepts that are translated into actual product, that stimulate further discovery of customer needs.

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**HOW MARKETING BECAME SO IMPORTANT**

- To understand why marketing is a driving force in the modern global economy, let us look at -
  - The evolution of the market orientation.
  - Ethics and social responsibility in marketing.
  - The breadth and depth of marketing activities.

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So, how marketing becomes how marketing has become so important. To understand why marketing is a driving force in the modern global economy; let us look at the evolution of the marketing orientation, ethics and social responsibility in marketing and the breadth and depth of the marketing activities.

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**HOW MARKETING BECAME SO IMPORTANT**

**Evolution of the Market Orientation-**

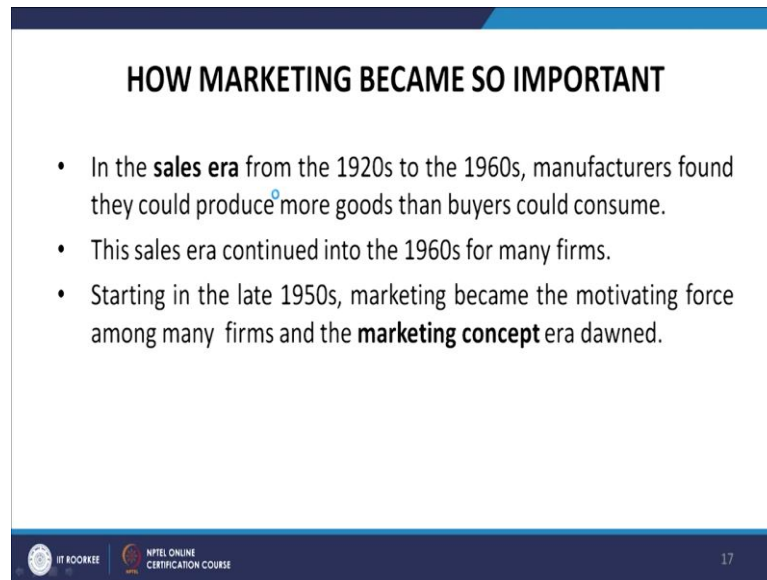
- Manufacturers have experienced four distinct stages in the life of their firms.
- The first stage, **the production era**, covers the early years up until the 1920s.
- Goods were scarce and buyers were willing to accept virtually any goods that were available and make do with them.

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So, let us first start with the evolution of the marketing orientation. Manufacturers have experienced 4 distinct stages in the life of their firm. The in the first stage was the production era that covers the early years up until the 1920s.

The goods were scarce and buyers were willing to accept virtually any good that was available and make do with them. So, in that era the goods were scarce and the buyers were willing to accept anything that was offered to them.

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**HOW MARKETING BECAME SO IMPORTANT**

- In the **sales era** from the 1920s to the 1960s, manufacturers found they could produce more goods than buyers could consume.
- This sales era continued into the 1960s for many firms.
- Starting in the late 1950s, marketing became the motivating force among many firms and the **marketing concept** era dawned.

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The next came the sales era from 1920s to the 60s, in those 40 years' manufacturers found that they could produce more goods than buyers could consume. So, now the supply was more than the demand. This sales era continued in the 60s for many for many firms. Starting in the late 50s, marketing became the motivating force among many firms and the marketing concept era dawned.

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**HOW MARKETING BECAME SO IMPORTANT**

**Marketing concept-**

- The marketing concept is the idea that an organization should-
  - 1 - strive to satisfy the needs of consumers
  - 2 - while also trying to achieve the organization's goals.
- General Electric probably launched the marketing concept and its focus on consumers when its 1952 annual report stated:
  - “The concept introduces . . . marketing . . . at the beginning rather than the end of the production cycle and integrates marketing into each phase of the business.”

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What is this marketing concept? The marketing concept is the idea that an organization should; 1 - strive to satisfy the needs of the customers and 2 - while also trying to achieve the organization goals. So, we are trying to or the companies trying to do two things: one is to satisfy the needs of the customers and also at the same time they are trying to achieve their own goals.

General Electric probably launched the marketing concept and its focused on consumers when its 1952 annual report stated: “The concept introduces marketing at the beginning rather than the end of the production cycle and integrates marketing into each phase of the business.”

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**HOW MARKETING BECAME SO IMPORTANT**

- Firms such as General Electric, Facebook, and Marriott have achieved great success by putting huge effort into implementing the marketing concept, giving their firms what has been called a **market orientation**.
- An organization that has a **market orientation** focuses its efforts on
  - 1 - Continuously collecting information about customers' needs.
  - 2 - Sharing this information across departments.
  - 3 - Using it to create customer value.

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Firms such as General Electric, Facebook and Marriott have achieved great success by putting huge efforts into implementing the marketing concept, giving their firm what has been called as market orientation. So, an organization that has a market orientation focuses its efforts on first continuously collecting information about customer needs.

This continuous collection of data of information is important, because the customer needs they keep on changing. So, that is the first thing that they do. Second is sharing this information across the departments, not only with marketing department with or, but with all other departments also. And, the third thing that they do is to use it to create customer value.

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**HOW MARKETING BECAME SO IMPORTANT**

- This focus on customers has led to **customer relationship management (CRM)**,-
  - It is the process of identifying prospective buyers, understanding them intimately, and
  - Developing favorable long-term perceptions of the organization and its offerings so that buyers will choose them in the marketplace.
  - The foundation of customer relationship management is really customer experience.

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The focus on customer has led to the customer relationship management. It is the process of identifying prospective buyers, understanding them intimately and developing favourable long term perceptions of the organization and its offering to that buyers will choose them in the marketplace. The foundation of customer relationship management is really the management of customer experience.

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**HOW MARKETING BECAME SO IMPORTANT**

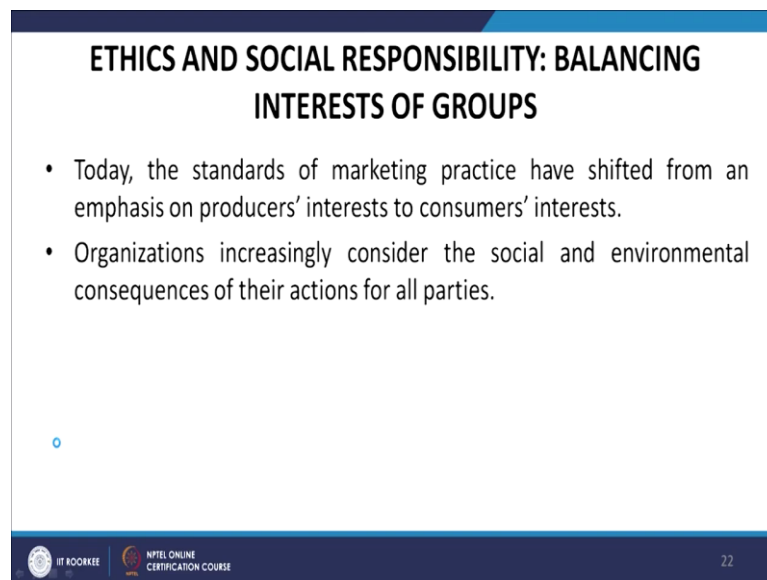
- Customer experience is the internal response that customers have, to all aspects of an organization and its offering.
- This internal response includes both the direct and indirect contacts of the customer with the company.
- Direct contacts include the customer's contacts with the seller through buying, using, and obtaining service.
- Indirect contacts most often involve-
  - unplanned "touches" with the company through word-of-mouth comments from other customers, reviewers, and news reports.

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So, customer experience is the internal response that customers have, to all aspects of an organization and its offerings. These internal responses include both the direct and

indirect contacts of the customer with this company. Direct contact includes the customer's contact with the seller through buying, using and obtaining a service. Indirect contacts most often involve unplanned touches with the company through the word of mouth comments from other customers, reviewers and news reports.

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**ETHICS AND SOCIAL RESPONSIBILITY: BALANCING INTERESTS OF GROUPS**

- Today, the standards of marketing practice have shifted from an emphasis on producers' interests to consumers' interests.
- Organizations increasingly consider the social and environmental consequences of their actions for all parties.

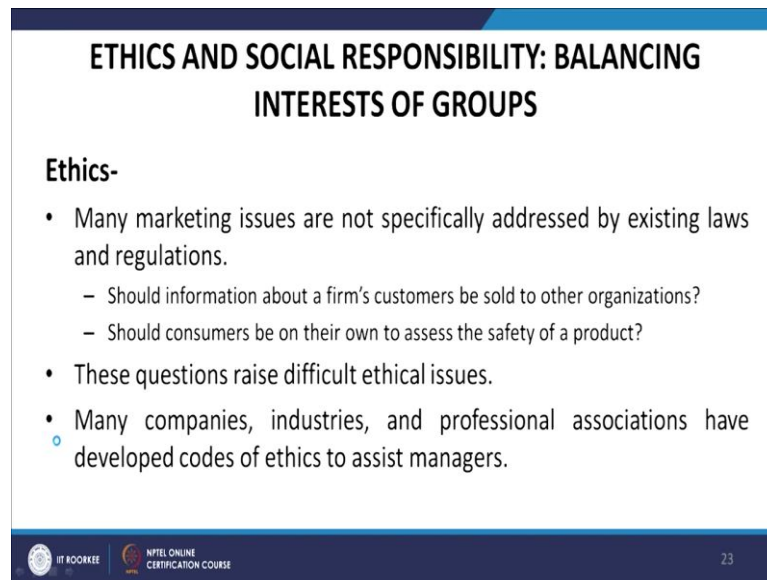
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Now, what are the ethical and social responsibilities involved that is balancing the interest of various groups. Today the standard of marketing practice has shifted from an emphasis on producers' interest to the consumer' interest. So, now, we are moving from the era of where we were where the companies were taking care of their own interest to an era where the where they are keeping consumer interest in mind.

Organization increasingly consider the social and environmental consequences of their actions for all parties. So, whatever action do the companies the companies take they have to keep in mind the social and environmental impact of all those actions on all the parties involved.



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**ETHICS AND SOCIAL RESPONSIBILITY: BALANCING INTERESTS OF GROUPS**

**Ethics-**

- Many marketing issues are not specifically addressed by existing laws and regulations.
  - Should information about a firm’s customers be sold to other organizations?
  - Should consumers be on their own to assess the safety of a product?
- These questions raise difficult ethical issues.
- Many companies, industries, and professional associations have developed codes of ethics to assist managers.

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Ethics - many marketing issues are not specifically addressed by existing laws and regulations; should information about the firm’s customer be sold to other organization? So, that is one question that is not answered by existing laws. But, is it ethical; should consumers be on their own to assess the safety of a product.

Again, there are not many laws on this and is customer mature enough or educated enough to assess the safety of a product? These questions often raise difficult ethical issues. Many companies, industries and professional associations have developed code of ethics to assist their managers in answering these types of questions.

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**ETHICS AND SOCIAL RESPONSIBILITY: BALANCING INTERESTS OF GROUPS**

**Social Responsibility-**

- While many ethical issues involve only the buyer and seller, others involve society as a whole.
- A manufacturer dumping toxic wastes into streams has an impact on the environment and society.
- This example illustrates the issue of social responsibility, the idea that individuals and organizations are accountable to a larger society.

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Another important issue is that of social responsibility; while many ethical issues involve only the buyer and the seller, but several times other involves society as a whole. A manufacturer dumping toxic waste into a stream has an impact on the environment and the society; because the water flows to the houses and the people will drink those water. This example illustrates the issue of social responsibility, the idea that individual and organizations are accountable to a larger society.

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**ETHICS AND SOCIAL RESPONSIBILITY: BALANCING INTERESTS OF GROUPS**

**Societal marketing concept-**

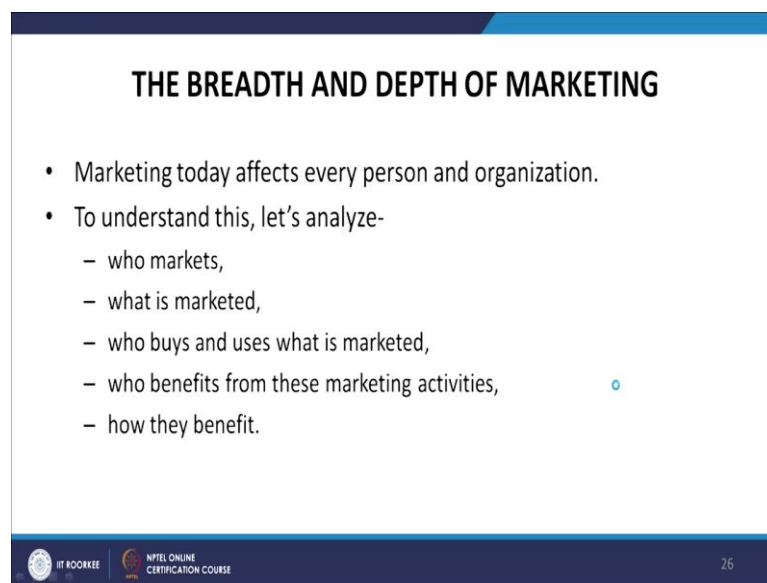
- It is the view that an organization should discover and satisfy the needs of its consumers in a way that also provides for society's well-being.
- The well-being of society at large should be recognized in an organization's marketing decisions.
  - For example, Scotchbrite® Never Rust™ soap pads from —which are made from recycled plastic bottles— are more expensive than competitors' products but superior because they don't rust or scratch.

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Then comes the societal marketing concept - it is the view that an organization should discover and satisfy the needs of the consumers in a way that also provides for society's well being. The well being of a society at large should be recognized in an organization's marketing decisions.

For example: Scotchbrite Never Rust soap pads from 3M, 3M is the name of a company that manufactures them which are made from recycled plastic bottles are more expensive than competitors products, but superior because they do not rust or scratch.

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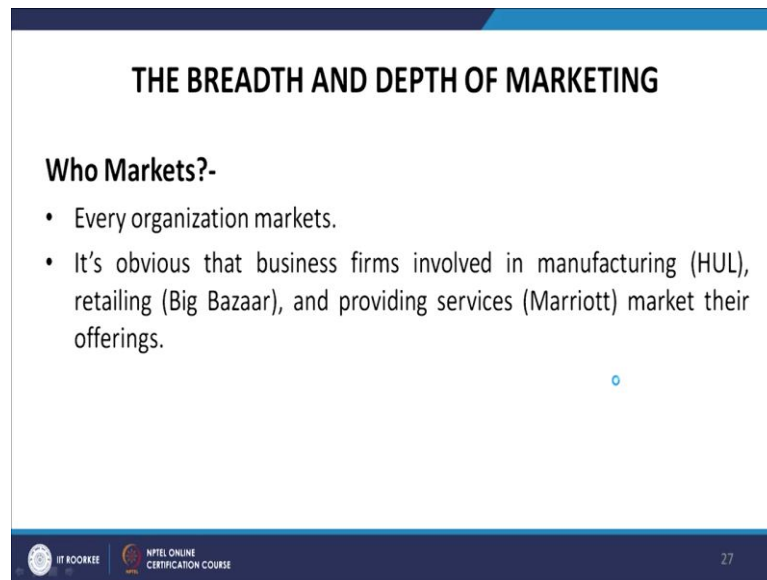
**THE BREADTH AND DEPTH OF MARKETING**

- Marketing today affects every person and organization.
- To understand this, let's analyze-
  - who markets,
  - what is marketed,
  - who buys and uses what is marketed,
  - who benefits from these marketing activities,
  - how they benefit.

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Now, let us look at the breadth and depth of marketing. Marketing today affects every person and organization. To understand this let us analyze - who markets, what is marketed, who buys and uses what is marketed, who benefits from these marketing activities and how they benefit from them.

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**THE BREADTH AND DEPTH OF MARKETING**

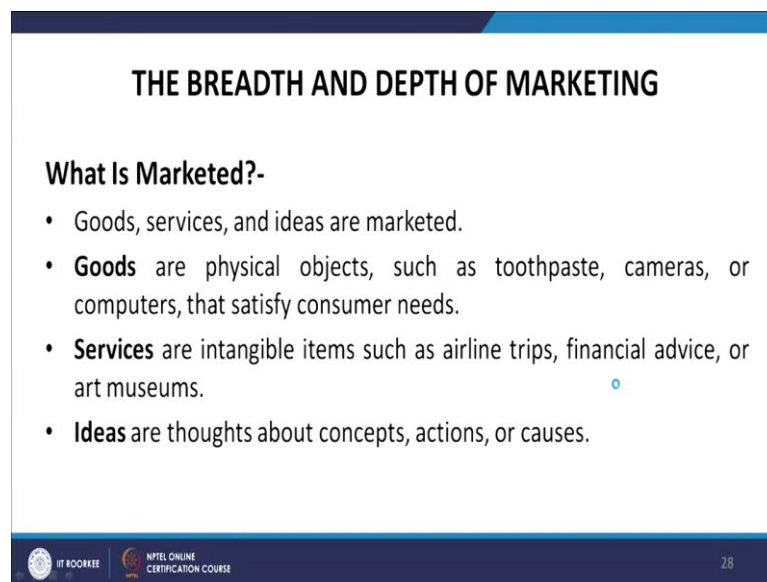
**Who Markets?-**

- Every organization markets.
- It's obvious that business firms involved in manufacturing (HUL), retailing (Big Bazaar), and providing services (Marriott) market their offerings.

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Now, who markets? Every organization markets. It is obvious that business firms involved in manufacturing for example: HUL, retailing Big Bazaar and providing services Marriott market their offerings.

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**THE BREADTH AND DEPTH OF MARKETING**

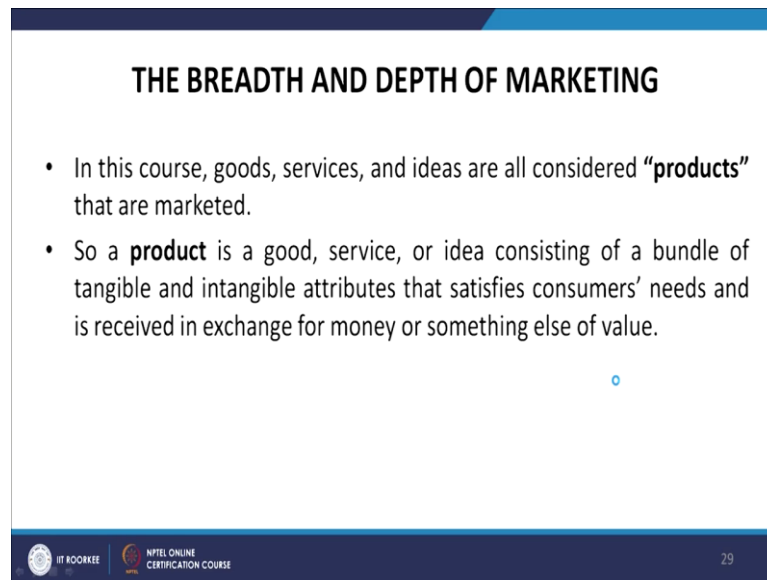
**What Is Marketed?-**

- Goods, services, and ideas are marketed.
- **Goods** are physical objects, such as toothpaste, cameras, or computers, that satisfy consumer needs.
- **Services** are intangible items such as airline trips, financial advice, or art museums.
- **Ideas** are thoughts about concepts, actions, or causes.

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What is marketed? The goods, services and ideas are marketed. What are goods? Goods are physical objects such as a toothpaste, a camera or computers that satisfy a consumer needs. What are services? Services are intangible items such as airline trips, financial advice or art museum. Ideas, ideas are thought about concepts, action or causes.

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**THE BREADTH AND DEPTH OF MARKETING**

- In this course, goods, services, and ideas are all considered “**products**” that are marketed.
- So a **product** is a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers’ needs and is received in exchange for money or something else of value.

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So, in this course goods, services and ideas are all considered products that are marketed. So, I may not be using different terms all the times, different terms include goods, services or ideas, but an overall umbrella term that is products will be used. So, a product is a good, service or idea consisting of a bundle of tangible and intangible attributes that satisfy consumer needs and is received in exchange for money or something else of value.

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**THE BREADTH AND DEPTH OF MARKETING**

**Who Buys and Uses What Is Marketed?-**

- Both individuals and organizations buy and use goods and services that are marketed.
- **Ultimate consumers** are the people— whether 80 years or eight months old—who use the products and services purchased for a household.
- **Organizational buyers** are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.

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Who buys and uses what is marketed? Both individuals and organization by and use goods and services that are marketed. So, both individuals and organizations they buy and they also use goods and services. So, there are ultimate consumers are the people whether 80 years or 8 months old who use the product or service purchased for a household. Then there are also organizational buyers, those manufacturers, wholesalers, retailers, government agencies that buy production services for their own use or for resale.

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**THE BREADTH AND DEPTH OF MARKETING**

**Who Benefits? –**

- In our free-enterprise society there are three specific groups that benefit from effective marketing-
  - 1- consumers who buy,
  - 2- organizations that sell, and
  - 3- society as a whole.

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Who benefits from marketing? In our free enterprise society there are three specific groups that benefit from effective marketing. The first group is the consumer who buy this product, the second is organizations that sells and the third is society as a whole.

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**THE BREADTH AND DEPTH OF MARKETING**

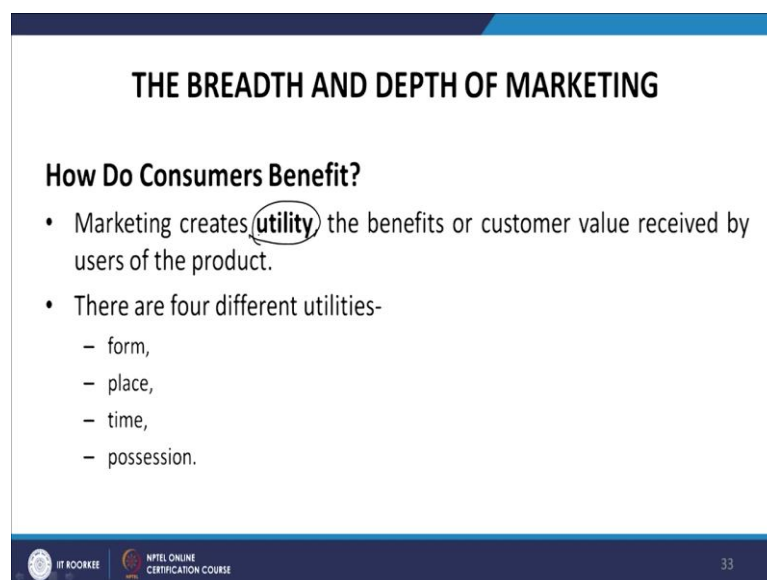
**Who Benefits? –**

- Effective marketing benefits society.
- It enhances competition, which both improves the quality of products and services and lowers their prices.
- This makes countries more competitive in world markets and
- Effective marketing can provide jobs and a higher standard of living for their citizens.

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So, effective marketing benefits society also. It enhances competition and this increased competition improves the quality of the products and services and lower their prices. This makes countries more competitive in the world market and hence their ability to export and import. Effective marketing can provide jobs and a higher standard of living for the citizens of a country.

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**THE BREADTH AND DEPTH OF MARKETING**

**How Do Consumers Benefit?**

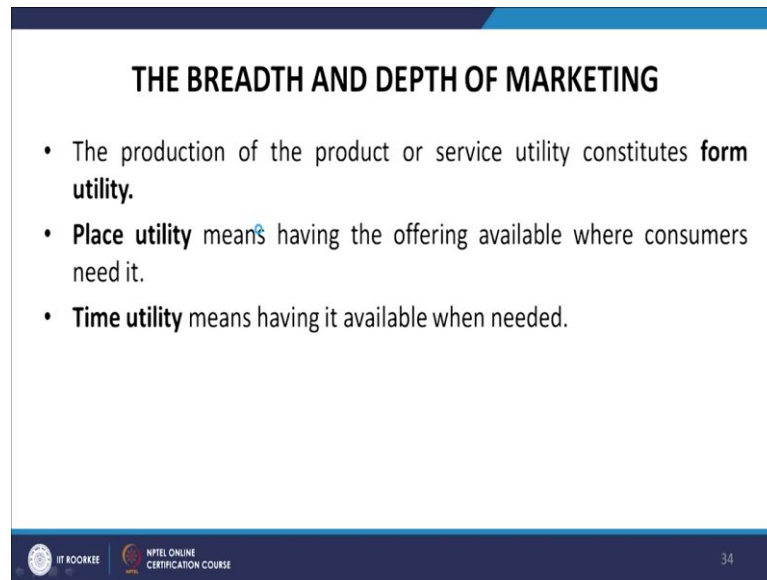
- Marketing creates utility the benefits or customer value received by users of the product.
- There are four different utilities-
  - form,
  - place,
  - time,
  - possession.

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How do consumers benefit? So, marketing creates utility, the benefit or customer value received by users of this product. So, this is the concept of utility. This utility is created

by market by marketing, this utility is the benefit or customer value that is received by the user of this product. And, there are four different types of utilities: form utility, place utility, time utility and position utility.

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**THE BREADTH AND DEPTH OF MARKETING**

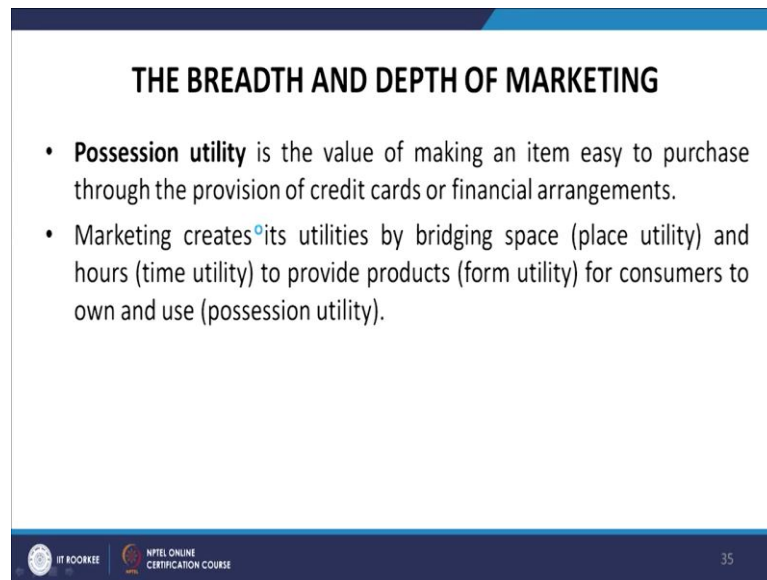
- The production of the product or service utility constitutes **form utility**.
- **Place utility** means having the offering available where consumers need it.
- **Time utility** means having it available when needed.

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Now, let us look at what are these four different types of utilities. The production of the product or service utility constitutes the form utility. Place utility means having the offerings available where consumers need them. So, I may need a bottle of water at my home or at a beach that is place utility. The time utility means having it available when I need.



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**THE BREADTH AND DEPTH OF MARKETING**

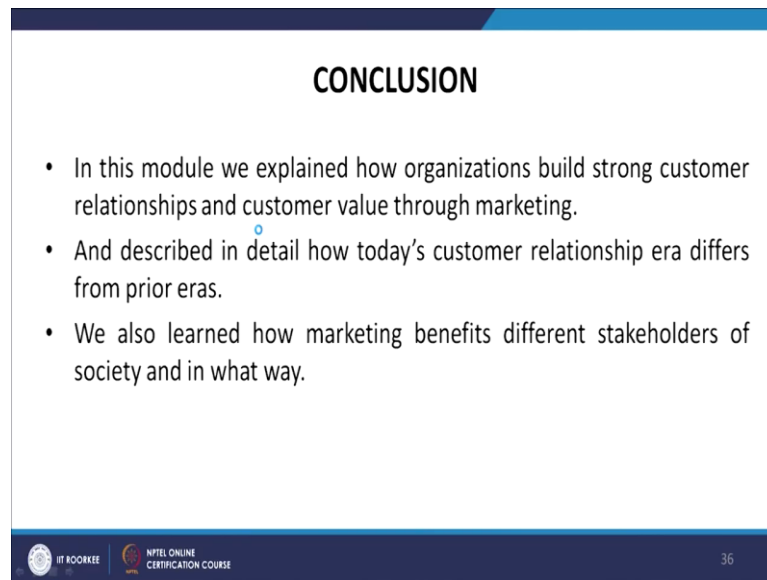
- **Possession utility** is the value of making an item easy to purchase through the provision of credit cards or financial arrangements.
- Marketing creates its utilities by bridging space (place utility) and hours (time utility) to provide products (form utility) for consumers to own and use (possession utility).

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So, when I am thirsty that should be bottle of water should be available to me. And the possession utility that is the fourth type of utility is the value of making an item easy to purchase through provisions of credit card or financial arrangements. Marketing creates its utilities by bridging space, that is the space utility and hours. Time utility to provide products that is form utility for consumers to own and use that is the possession utility.

So, I can easily buy a bottle of water at my home and pay with credit or debit cards or UPIs and cash. Now how do I do that on a beach? The credit card or the debit card may not be working because, the internet connection is not there; I may not be carrying money with them with myself on the beach. So, then how do I purchase this product?

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## CONCLUSION

- In this module we explained how organizations build strong customer relationships and customer value through marketing.
- And described in detail how today's customer relationship era differs from prior eras.
- We also learned how marketing benefits different stakeholders of society and in what way.

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Now, to conclude in this module we have explained how organizations they build a strong customer relationships and customer value through marketing. And, we have described in detail how today's customer relationship era differs from earlier era of production and sales. And, we have also learned how marketing benefits different stakeholders of society and in what ways it benefits the different stakeholders of this society.

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## REFERENCES

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These are the three books that from which the material for this module was taken.

Thank you.