1

A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider to our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so.

M K Gandhi

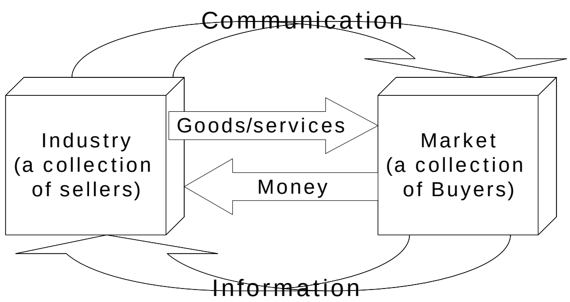
3

Objectives

- The new economy
- Strategic success: Macro and Micro factors
- The myth of value
- Companies orientation
- Preparing and Strategizing for a customer led business

4

Simple Marketing System



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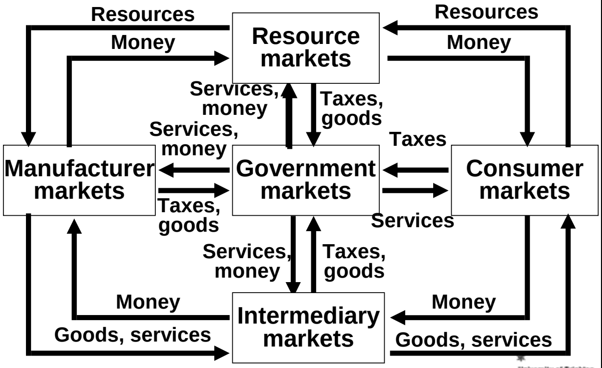
Structure of Flows



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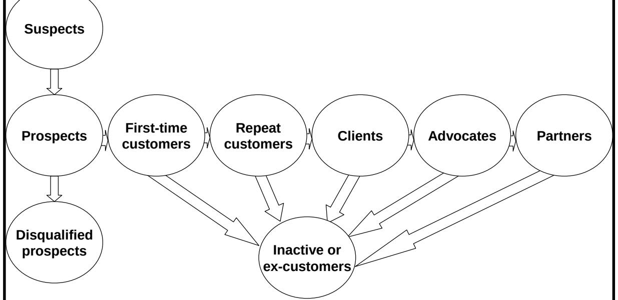
Customer Development



Peck. H. Payne. A. Christopher. M. Clark. M (1999) Relationship Marketing: Strategy and Implementation: Butterworth-Heinemann. Oxford.

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The new economy

- Substantial increase in buying power
- A greater variety of goods and services
- A greater amount of information about practically anything
- A greater ease in interacting and placing and receiving orders
- An ability to compare notes on products and services
- Websites can provide companies with powerful new information and sales channels.
- Companies can collect fuller and richer information about markets, customers, prospects and competitors.
- Companies can facilitate and speed up communications among employees.

8

The new economy

- Companies can have 2-way communication with customers and prospects
- Companies can send ads, coupons, samples, information to targeted customers.
- Companies can customize offerings and services to individual customers.
- The Internet can be used as a communication channel for purchasing, training, and recruiting.
- Companies can improve logistics and operations for cost savings while improving accuracy and service quality.

9

The traditional marketing approach

- Managerial process
- Transactions Focus
  - orientation to single sales
  - discontinuous customer contact
  - focus on product features
  - short time scale
  - little emphasis on customer service
  - limited commitment to meeting customer expectations
  - quality is the concern of production staff
- High consumer trust
- Growing prosperity & Homogeneous demand
- Dominant manufacturing power
- Poor distribution structure

Payne, A. (Ed.) (1995), Advances in Relationship Marketing, Kogan Page, London.
Shukla, P. (2005), Pitfalls of Traditional Marketing, under publication

10

Marketing Myopia

- What are business leaders myopic about?
- Market dynamics and stagnation of marketing approaches
- Shortening of long-term competitive advantage
- The myth of superior quality and technology

Levitt, T. (1960) "Marketing Myopia", Harvard Business Review, July- August, 45-56.
Shukla, P. (2005), Pitfalls of Traditional Marketing, under publication

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Marketing Myopia

- Four self-deceiving conditions leading companies to believe they are in a "growth" industry:
  - An expanding and more affluent population
  - No competitive substitutes
  - Too much faith in mass production and declining unit costs
  - Preoccupation with the product

Levitt, T. (1960) "Marketing Myopia", Harvard Business Review, July- August, 45-56.

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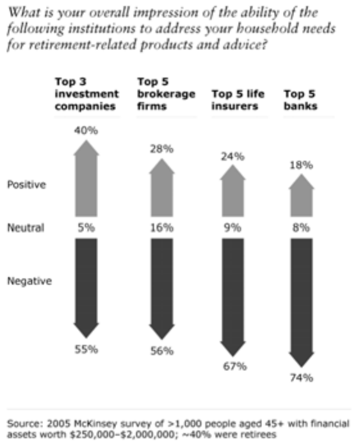

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Strategic success: macro factors

- Environmental fit
- Timing and success
- Efficiency vs. Effectiveness
- Speed and decisiveness
- Ambitious intent
  - Operational
  - Tactical
  - Strategic
- Outstanding competencies

Doyle, P. (2002), Marketing Management and Strategy, London: Prentice Hall.

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Strategic success: micro factors

- People
- Structure
- Strategy
- Systems
- Leadership

Doyle, P. (2002), Marketing Management and Strategy, London: Prentice Hall.

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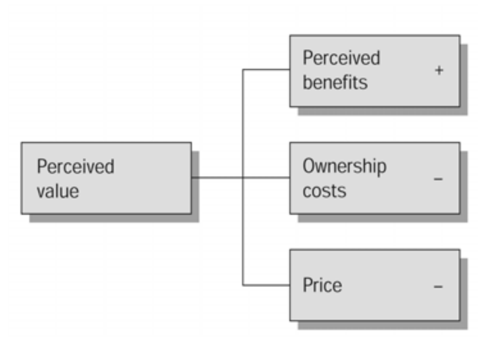
The myth of value



Doyle, P. (2002), Marketing Management and Strategy, London: Prentice Hall.
Kotler, P. (2003), Marketing Management, London: Prentice Hall

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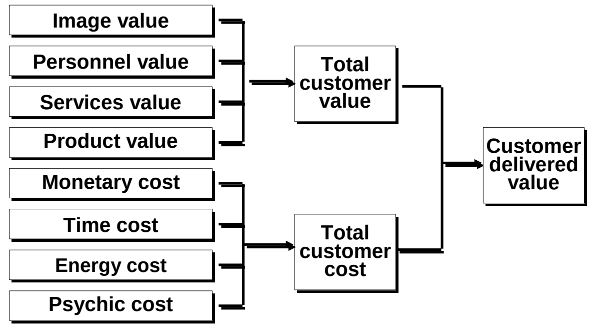
Determinants of Customer Delivered Value



Kotler, P. (2003), Marketing Management, London: Prentice Hall

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Customer Lifetime Value

Average transaction value
x
Yearly frequency of purchase
x
Customer life expectancy

$$Value = \int_{k=0}^{\infty}\int_{t=k}^{\infty} n_k m_{t-k} e^{-ik} e^{-\left(\frac{1+i-r}{r}\right)(t-k)} dt\,dk - \int_{k=0}^{\infty} n_k c_k e^{-ik} dk$$

Gupta, S., D. Lehmann, and J. Stuart (2004), "Valuing Customers," Journal of Marketing Research, 41 (February), 7-18.

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Impact of Improving Retention, Acquisition Cost and Margins On Customer Value

	Customer Value ($b)	% Increase in Customer Value for a 1% improvement in			
	Base Case	Retention	Acquisition Cost	Margin	Discount Rate
Amazon	0.82	2.45%	0.07%	1.07%	0.46%
Ameritrade	1.62	6.75%	0.03%	1.03%	1.17%
Capital One	11.00	5.12%	0.32%	1.32%	1.11%
Ebay	1.89	3.42%	0.08%	1.08%	0.63%
E*Trade	2.69	6.67%	0.02%	1.02%	1.14%

Gupta, S., D. Lehmann, and J. Stuart (2004), "Valuing Customers," Journal of Marketing Research, 41 (February), 7-18.

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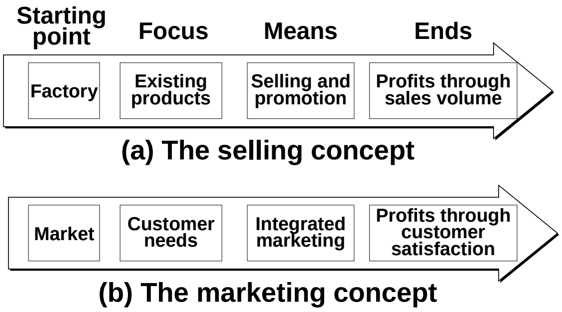
Customer Delivered Value



Kotler, P. (2003), *Marketing Management*, New Jersey: Pearson Education.

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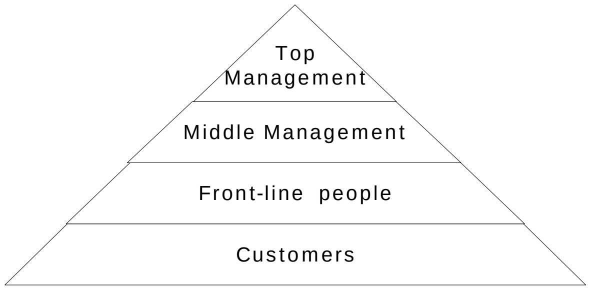
Traditional Organization Chart



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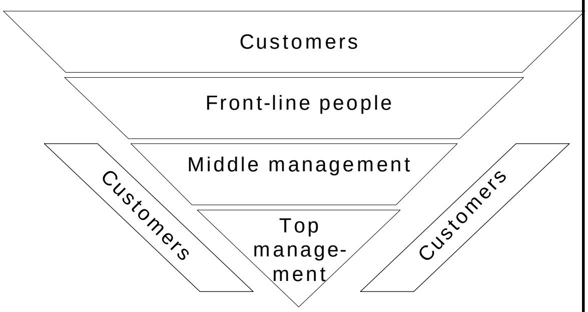
Customer-Oriented Organization Chart



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Some really interesting papers

- Anderson, E. W., C. Fornell, and S. K. Mazvancheryl (2004), "Customer satisfaction and shareholder value," Journal of Marketing, 68 (4), 172-85.
- Arnett, D. B., S. D. German, and S. D. Hunt (2003), "The identity salience model of relationship marketing success: The case of nonprofit marketing," Journal of Marketing, 67 (2), 89-105.
- Gupta, S., D. Lehmann, and J. Stuart (2004), "Valuing Customers," Journal of Marketing Research, 41 (February), 7-18.
- Homburg, C., N. Koschate, and W. D. Hoyer (2005), "Do satisfied customers really pay more? A study of the relationship between customer satisfaction and willingness to pay," Journal of Marketing, 69 (2), 84-96.
- Lambert-Pandraud, R., G. Laurent, and E. Lapersonne (2005), "Repeat purchasing of new automobiles by older consumers: Empirical evidence and interpretations," Journal of Marketing, 69 (2), 97-113.
- Neelamegham, R. and D. Jain (1999), "Consumer Choice Process for Experience Goods: An Econometric Model and Analysis," Journal of Marketing Research, 36 (3), 373-86.
- Spreng, R. A., S. B. MacKenzie, and R. W. Olshavsky (1996), "A reexamination of the determinants of consumer satisfaction," Journal of Marketing, 60 (3), 15-32.
- Thomas, J. S., R. C. Blattberg, and E. J. Fox (2004), "Recapturing lost customers," Journal of Marketing Research, 41 (1), 31-45.
- Venkatesan, R. and V. Kumar (2004), "A customer lifetime value framework for customer selection and resource allocation strategy," Journal of Marketing, 68 (4), 106-25.