

BACHELORS IN COMMERCE - ENTREPRENEURSHIP
Semester II
Understanding Marketing Management (Unit 1)

Table of Contents

TEACHINGS OF INDIAN PHILOSOPHY FOR MARKETING	3
Verse 2.13	3
Verse 2.14	3
Verse 2.27	4
Verses 2.62-2.65	4
Verse 2.70	5
DEFINING MARKETING FOR THE NEW REALITIES	7
What is Marketing?	7
What is being Marketed?	7
Core Marketing Concepts	8
The Four P Components and the Four As of the Marketing Mix	12
DEVELOPING MARKETING STRATEGIES AND PLANS	14
Marketing and Customer Value	14
<i>Value Delivery Process</i>	15
Strategic Planning	16
The Nature and Contents of a Marketing Plan	19
CREATING LONG TERM LOYALTY RELATIONSHIPS	21
Building Customer Value, Satisfaction, and Loyalty	21
Maximizing Customer Lifetime Value	23
Cultivating Customer Relationships	24
Questions	24

TEACHINGS OF INDIAN PHILOSOPHY FOR MARKETING

Many of the teachings of Indian philosophy reflect the deep understanding and insight in marketing. Here is a list of the verses and how they relate to marketing:

Verse 2.13

देहिनोऽस्मिन्यथा देहे कौमारं यौवनं जरा |

तथा देहान्तरप्राप्तिर्धीरस्तत्र न मुह्यति || 13||

“Just as the embodied soul continuously passes from childhood to youth to old age, similarly, at the time of death, the soul passes into another body. The wise are not deluded by this.”

What it means: Every product and/or service comes with an expiry date. What is in demand today, will be lost tomorrow. Hence the marketing function should understand that business needs to understand the pulse of the customer. The market research and the campaigning should aim at making the product/service/business versatile and adaptable to the needs of the customer to stay on top of the game. One of the best example is Amazon. The company has continuously broadened its product range as well as the market area without loosening its hold over the existing products and the markets. The founder Jeff Bezos has many a times reiterated the philosophy that “everything comes with an expiry date”.

Verse 2.14

मात्रास्पर्शास्तु कौन्तेय शीतोष्णसुखदुःखदाः |

आगमापायिनोऽनित्यास्तांस्तितिक्षस्व भारत || 14||

“O son of Kunti, the contact between the senses and the sense objects gives rise to fleeting perceptions of happiness and distress. These are non-permanent, and come and go like the winter and summer seasons. O descendent of Bharat, one must learn to tolerate them without being disturbed.”

What it means: The marketing team needs to understand where to focus. Competitors will come and go. The business that understands this, will focus more on understanding and serving the customer in the best possible way, rather than focusing on a particular

competition, as the latter will distract them from other competition. The focusing on a particular competition can even drive the business away from the customer. **E.g.**

Verse 2.27

जातस्य हि ध्रुवो मृत्युर्ध्रुवं जन्म मृतस्य च ।

तस्मादपरिहार्येऽर्थे न त्वं शोचितुमर्हसि ॥ 27॥

“Death is certain for one who has been born, and rebirth is inevitable for one who has died. Therefore, you should not lament over the inevitable.”

What it means: The marketing team needs to understand where to focus. One should know when a product has to be allowed to die or to strategically start focusing on certain products from long term perspective.

For example: A pharmaceutical company like Merck shifting its promotional focus from already established over the counter multivitamin brands to the specialized range like cardiac or dermatological brands to earn more revenue from the brands, in order to improve the overall rating of the company.

Verses 2.62-2.65

ध्यायतो विषयान्पुंसः सङ्गस्तेषूपजायते ।

सङ्गात्सञ्जायते कामः कामात्क्रोधोऽभिजायते ॥ 62॥

क्रोधाद्भवति सम्मोहः सम्मोहात्स्मृतिविभ्रमः ।

स्मृतिभ्रंशाद् बुद्धिनाशो बुद्धिनाशात्प्रणश्यति ॥ 63॥

रागद्वेषवियुक्तैस्तु विषयानिन्द्रियैश्चरन् ।

आत्मवश्यैर्विधेयात्मा प्रसादमधिगच्छति ॥ 64॥

प्रसादे सर्वदुःखानां हानिरस्योपजायते ।

प्रसन्नचेतसो ह्याशु बुद्धिः पर्यवतिष्ठते ॥ 65॥

“While contemplating on the objects of the senses, one develops attachment to them. Attachment leads to desire, and from desire arises anger. Anger leads to clouding of judgment, which results in bewilderment of the memory. When the memory is

bewildered, the intellect gets destroyed; and when the intellect is destroyed, one is ruined. But one who controls the mind, and is free from attachment and aversion, even while using the objects of the senses, attains the Grace of God. By divine grace comes the peace in which all sorrows end, and the intellect of such a person of tranquil mind soon becomes firmly established in God.”

What it means: When competition is really targeting you, we shouldn't always respond to the attack. Instead at certain times, concentrating on the main target will be more advisable.

For example, in the Colgate Pepsodent ad-war, while Pepsodent openly targeted Colgate, the latter chose to rather focus on serving the customer in the best possible way. As a result, over a period of time, Colgate eventually won, due to strong bonding with the customer.

Verse 2.70

आपूर्यमाणमचलप्रतिष्ठं समुद्रमापः प्रविशन्ति यद्वत् ।

तद्वत्कामा यं प्रविशन्ति सर्वे स शान्तिमाप्नोति न कामकामी ॥ 70॥

“Just as the ocean remains undisturbed by the incessant flow of waters from rivers merging into it, likewise the sage who is unmoved despite the flow of desirable objects all around him attains peace, and not the person who strives to satisfy desires.”

What it means: The marketing team needs to understand that short term focus on the profitability i.e. a desire to increase the profit at whatever cost will not ensure customer loyalty”. Instead an honest approach a genuine intention to serve the customer well will yield better and long term success.

For example: Companies like Amazon, Toyota, Johnson and Johnson are examples of putting customer service on the highest pedestal.

Thus the teachings of Indian Ethos, as are related to marketing can be summed up as follows:

Ethical approach to marketing of product/service will definitely lead to satisfied customer. The same will increase the customer loyalty, thus increasing the brand equity for the organization. The ethical approach of doing business, will be definitely lead to transfer of a positive energy within the organization. This will lead to motivated internal customers.

The motivation will lead to them following the principle of Karma yoga and bhakti yoga.

The overall knowledge gained in the process is Jnana yoga. A leader who promotes the ethical approach, leads by example, creates a team of well-trained individuals, creates satisfied and loyal customers and helps the organization to sustain leadership.

DEFINING MARKETING FOR THE NEW REALITIES

In the current super-populous, dynamic and hybrid world, the finance, accounting, operations and other functions may not be as important as the marketing function. The customers today want more for less, and are demanding increased return on investments. Further “Change is the only thing that is constant today”. In an era where the consumers, competitors as well as technology are continuously changing and also multiplying, customer loyalty is becoming a rare asset. To add to all this, events like the economic downturn of 2008 or the economic downturn in the Covid era, the sluggish recovery thereafter has resulted in several budget cuts. It is hence now important for organizations to not just carefully monitor its customers and competitors, continuously improve their value offerings and marketing strategies, as also satisfy their employees, stockholders, suppliers, and channel partners in the process. All of this have increased the value of marketing.

What is Marketing?

Marketing thus, is the process of creating, communicating, delivering and also exchanging offers of value to various stakeholders of the organization. Marketing today is also about choosing a target market and acquiring, maintaining and growing customers by continuously creating, delivering and communicating superior value to the customers. Successful marketing is “not selling to the customers”. It is instead “making the customers feel the need for the product or service”, thus drawing them to the product and/or service.

What is being Marketed?

It is not just goods and/or services that are marketed. Today even the following entities qualify for getting marketed:

1. Events (trade shows, personal events and so on)
2. Entertainment events (programs, sitcoms, etc.)
3. Experiences (travel experience, destination weddings, etc)
4. Persons (Branding of a person for increasing one’s brand value)
5. Places (Branding of a person for increasing one’s brand value)
6. Properties or possessions (selling properties,

7. Organizations
8. Information
9. Ideas

A market typically tries to market a product/service to a prospect. Marketers don't just stimulate the demand for their products, but also seek to influence the level, timing, and composition of demand to meet the organization's objectives.

Core Marketing Concepts

Some of the core concepts required for marketing include:

1. Needs, Wants, and Demands: Needs are the basic human requirements, wants are related to the society that they live in and demands are often related to the power or rather the financial capability of the person to afford the concerned item. Hence while it is important to understand the needs and wants, it is the demand that leads a "prospect" to become a "customer".
For example, a person may want food, needs paratha and may demand pizza.
2. Target Markets, Positioning, and Segmentation:
The demographic, psychographic, and behavioral differences of the customer impact the demand. A marketer needs to understand these to appropriately position the product.
For example, an automobile company needs to focus on speed and technology while marketing a car brand in Germany, as the roads in Germany do not have speed breakers. As against that, an automobile company needs to focus on safety and technology while marketing a brand in India due to the densely populated roads in India.
3. Offerings and Brands: A brand is often related by a prospective customer to a value proposition made by a company. The value proposition is the combination of offerings made by the company to cater to the demands of the customer and to tempt the prospect to become a customer.
4. Marketing Channels: They can be of 3 types:
 - a. Communication channels: These are used to receive and transmit messages from and to the customer.
 - b. Distribution channels: These are the channels used to display, sell or deliver the product or the service to the customer.

- c. Service channels: These are used to provide the associated services to the customer, right from assistance to buy (banks), to deliver in the form (warehouse and transportation) and time required and a protection against any possible loss to the customer (insurance).
5. Paid, Owned, and Earned Media: These include the media channels that the companies pay to, or owned by the company or channels consisting of existing customers talking about the company and its products/services.
6. Impressions and Engagement: These help in associating a image in the mind of the customer for a product/service. These help in creating or modifying a perception related to the company and its products/services.
7. Value and Satisfaction: Value is often a result of a combined perception of the customer related to the quality, service and cost of the product/service. While the increase in price in most instances reduces the associated value, the improved quality and/or service lead to increased perception of value.
8. Supply Chain: The supply chain is a channel stretching from raw materials to components to finished products carried to final buyers. It plays a very important role in the creation of value for the product/service.
9. Competition: Competition includes all the actual and potential rival offerings and substitutes a buyer might consider. E.g. While Ola offers cab services, it definitely is a major competitor for automobile companies, as it takes away the motivation of a prospect to buy the car, and instead offers the same comfort of travelling in a car, without having to buy the car or even having to drive the car.
10. Marketing Environment: This mainly consists of the six factors from PESTLE analysis and the demographic factor. This also includes all the affecting the various stakeholders.

The many technological advances, the rapid growth of e-commerce, the multicultural nature of the global environment, and the newer awareness and sensitivity brought in by the private sector have all brought in different sensibilities and sensitivities in the market. The resulting dramatically changed marketplace has now granted newer capabilities to customers as well as companies.

The consumers now can now:

- Use the Internet as a powerful information and purchasing aid

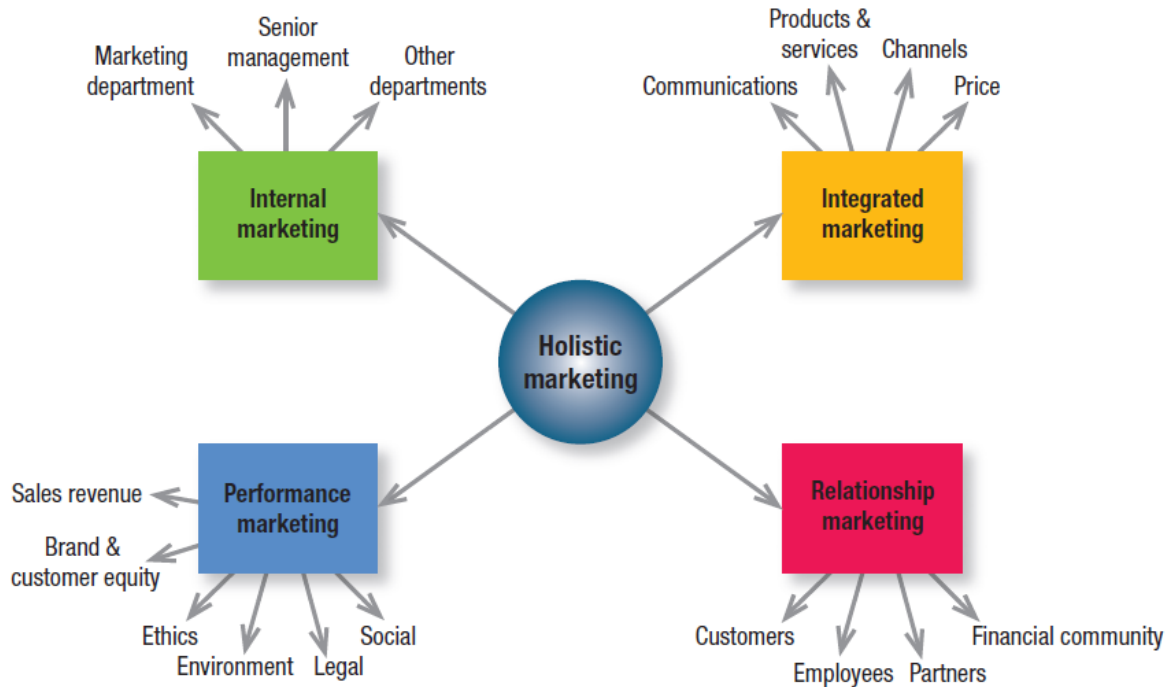
- Search, communicate, and purchase on the move
- Tap into social media to share opinions and express loyalty
- Actively interact with companies
- Reject marketing they find inappropriate

On the other hand, the companies can now:

- Use the Internet as a powerful information and sales channel, including for individually differentiated goods
- Collect fuller and richer information about markets, customers, prospects, and competitors
- Reach customers quickly and efficiently via social media and mobile marketing, sending targeted ads, coupons, and information
- Improve purchasing, recruiting, training, and internal and external communications
- Improve cost efficiency

The marketplace has now changed, due to the changing channels of distribution in the global environment and the increased competition.

As the customers are able to access more and more resources to get products, it is now becoming increasingly important for the marketing teams to adopt holistic approach inclusive of relationship marketing, integrated marketing, internal marketing, and performance marketing.



Relationship marketing concentrates on building long-term relationship with the customers and various stakeholders. Integrated marketing essentially combines the various marketing activities for effective marketing. Internal marketing includes effective serving of the internal customers, to motivate them to effectively serve the external customers. Finally, performance marketing includes optimal utilization of various resources to improve the overall performance. The performance can be evaluated in terms of market share, customer loss rate, customer satisfaction, product quality, and so on.

The Four P Components and the Four As of the Marketing Mix



The four As include:

- **Acceptability:** Acceptability is the extent to which a firm’s total product offering exceeds customer expectations.
- **Affordability:** Affordability is the extent to which customers in the target market are able and willing to pay the product’s price.
- **Accessibility:** Accessibility, the extent to which customers are able to readily acquire the product, has two dimensions: availability and convenience.
- **Awareness:** Awareness is the extent to which customers are informed regarding the product’s characteristics, persuaded to try it, and reminded to repurchase. It has two dimensions: brand awareness and product knowledge.

Marketers set the product (which mainly influences acceptability), the price (which mainly influences affordability), the place (which mainly influences accessibility), and promotion (which mainly influences awareness).

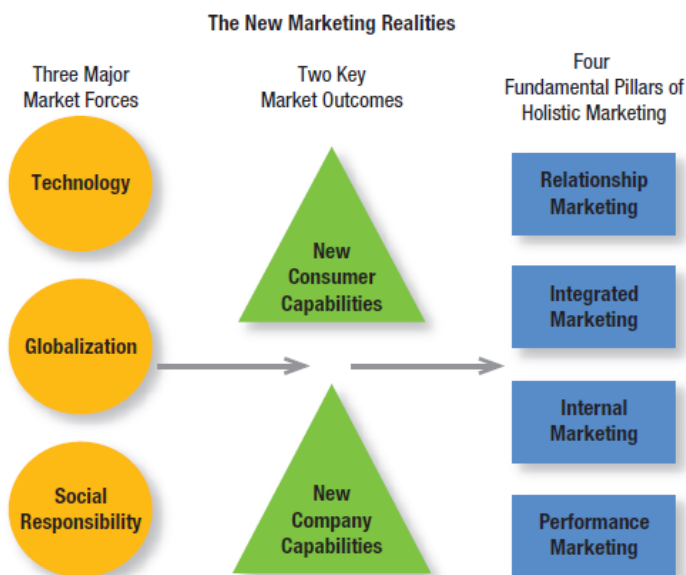
Due to the waning customer support, relationship management has acquired preference now for the marketing team. The increased competition has also lead to an increased focus on continual improvement of the overall product / service to stay ahead. Hence the 4Ps have now changed as shown below:



While 'People' takes care of the relationships, the 'Processes' and the 'Programs' take care of the consumer related activities that eventually lead to a better 'Performance'.

DEVELOPING MARKETING STRATEGIES AND PLANS

Prior to the development of marketing strategies and plans, one needs to understand the new marketing realities. Each of the factors shown in the diagram below, was discussed in the earlier chapter. The four fundamental pillars of holistic marketing have been the result of the two combined outcomes from the three market forces.



Effective marketing strategy today can only be developed by the marketing team after capturing detail market insight as a result of the study of the microenvironment as well as the macroenvironment. The marketing team also needs to develop a correct perception of the customer, so as to be able to connect with the customer. Strong brands can then be built by developing growth strategy that includes deep understanding of the competitor strategies and developing a dynamic and decision course of action.

Marketing and Customer Value

Customer today is increasingly aware of the various options available around the world and is also increasingly aware of their rights. Hence the customer's demand for more for less is becoming mandatory for the industries to fulfill. The multiple economic downturns and the slow recovery has made it increasingly difficult for companies worldwide to give the best value for the customer and also take care of their profitability. The only way to do this is to improve the overall value delivery process. To

work on the value delivery process, one needs to understand the value creation and the delivery sequence. The value creation and the delivery sequence are divided into:

- Choosing the value (after market research)
- Providing value (offering a combination of product features, prices and distribution mode)
- Communicating the value (promoting the product/service thru different modes of communication).

Value Delivery Process

The value delivery process begins before there is a product and continues through development and after launch. Each phase has cost implications.

The Value Chain

The value chain can be used for creating increased value for customer by improvising on the primary activities (logistics, operations, marketing and service) and the secondary activities (procurement, technology, human resource management and firm infrastructure). The value chain can be improved by optimizing the conduct of the core business processes including market research, developing and launching the product, identifying the target markets, prospecting the customers, building deeper understanding and relationship with the customers and the overall fulfillment management process. Creating a value delivery network is also important from the perspective of giving competitive advantages.

Core Competencies

The core competencies are the ones that offer specific competitive advantages by offering benefits to customers from customers' perspective. They are also applicable across multiple markets and are difficult for competitors to imitate. Thus the core competencies also offer higher return on investment as well. The maximizing of the core competencies helps business to succeed over competition.

A concrete marketing plan should clearly outline the marketing strategy and the tactics for the organization. The devising of the marketing plan begins with a ***dependable market research system*** that will help the managers and leaders to make the right decisions. The plan should then focus on ***creating value for the target markets*** and the target customers thru a trained marketing team well trained in presenting product

benefits that takes into account changing global opportunities and challenges. **Strong brands** can be developed by having a detailed understanding of the customer action and even planning surprise moves by anticipating customers' actions.

Besides the above a successful marketing strategy will also include the following:

- **Creating Value:** The product positioning has to create a perceived value in the mind of the buyer for the marketing strategy to be successful
- **Delivering value:** The product/service must be available to the target customer
- **Communicating value:** The marketing communication today is essentially an integration of communication thru advertising, sales promotion, events, and public relations. It also has to include online, social media, and mobile options to reach consumers and also may include a more personal communication, in the form of direct and database marketing. For increased communication value, the marketing team will also have to hire, train, and motivate salespeople to communicate with the appropriate customer and successfully.
- Last but not the least, the marketing responsibly is essential for long term success.

Strategic Planning

The market today is no less than a battlefield, where each player is trying to win and many of the participants are strong. The customer is also aware of the various players and hence has more options to choose from. The only way to succeed in such a market is to focus on understanding the core problems/needs of the customer and fulfill them in the best possible way.

The marketing plan hence consists of the strategic as well as tactical plan. The strategic marketing plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

The strategic planning exercise for an organization generally includes:

- Outlining the corporate mission
- Setting up strategic business units

- Prioritizing resources appropriately to each strategic business unit and
- Reviewing the growth opportunities for each business unit/ function point.

While mission is a reflection of the long-term philosophy of a business, it is a misconception that a mission is always constant. A business may be required to change its mission to stay relevant and useful and also acquire the leadership position.

Amazon.com changed its mission from being the world's largest online bookstore to aspiring to be the world's largest online store; eBay changed from running online auctions for collectors to running online auctions of all kinds of goods. A good mission statement should:

- Focus on limited goals
- Reflect the company's major policies and values
- Identify the major competitive arena that the company will focus on
- take a long term view
- should be short, memorable and meaningful

A target market definition tends to focus on selling a product or service to a current market. A strategic market definition, however, also focuses on the potential market. If Pepsi considered everyone who might drink something to quench his or her thirst, its competition would include noncarbonated soft drinks, bottled water, fruit juices, tea, and coffee.

A company having a portfolio of businesses will need to identify strategic business units on the basis of the different strategies as well as allocation of resources. Each strategic business unit can even be a collection of businesses that can have its own set of competitors and may need a separate strategic planning and profit goal.

Marketers need to develop the skills go identify the trends that can be converted into opportunities. They can also:

- Make the buying process more efficient
- Offer information to others
- Customize a product/service or add new feature(s)
- Offer the product/service at a much better price

Marketers need to do SWOT analysis as a way of monitoring the external and internal marketing environment. The SWOT analysis will help the marketers in goal formulation. Goals are objectives that are specific with respect to magnitude and time. Each business unit pursues a mix of objectives, including profitability, sales growth, market share improvement, risk containment, innovation, and reputation.

While goals indicate what a business unit wants to achieve; strategy is a game plan for getting there. Every business must design a strategy for achieving its goals, consisting of a marketing strategy and a compatible technology strategy and sourcing strategy.

Porter's Generic Strategies Michael Porter has proposed three generic strategies that provide a good starting point for strategic thinking:

- Overall cost leadership: the company concentrates on achieving lowest production and distribution costs so as to offer the lowest price. Though this approach doesn't need much marketing skills, the disadvantage is that the firm's bottom-line can be hurt when the competition also lowers the prices.
- Differentiation: The firm can concentrate on differentiating its product from competition in a way that the majority of the customers finds the product beneficial to them.
- Focus: The business can achieve any of the above only by focusing on the understanding of the need of the customer in the target market.

Strategic Alliances: The business environment today is a scene of war. Companies today in an attempt to be the leader in the respective areas are choosing strategic partners to offer the best combination of services to the customers. These strategic partnerships are often market alliances that may belong one of the following categories:

- Product or service alliances—One company licenses another to produce its product, or two companies jointly market their complementary products or a new product.

For example, in Spotify and Uber alliance, Spotify lets Uber riders easily stream their Spotify playlists whenever they take a ride. This makes the Uber experience feel more personalized, and encourages Uber riders to subscribe to Spotify Premium. Uber's rivals don't have a similar personalized music experience, so this gives the rideshare giant a competitive advantage over Lyft and other similar

services. And since not all Uber riders have Spotify, and not all Spotify users ride with Uber, both brands gain access to new, broad audiences in this business alliance.

- Promotional alliances—One company agrees to carry a promotion for another company's product or service. *For example, Star Sports is the official broadcaster of Indian cricket. It won the broadcast rights from BCCI from 2018 to 2023 for 6138.10 crore rupees.*

- Logistics alliances—One company offers logistical services for another company's product.

For example, Amazon has logistics alliances with Blue Dart, Fedex, Gati, Indian Postal service, Aramex, Ecom Express and Delhivery to supply a seamless supplychain to the customers.

- Pricing collaborations—One or more companies join in a special pricing collaboration. For example, a lot of brands offer a special price when the customers buy their brands from a particular retailer. D-Mart offer a different price for a product. The same product will be available at different price on Amazon.

Program Formulation and Implementation: The business environment today is a scene of war. Companies today in an attempt to be the leader in the

The Nature and Contents of a Marketing Plan

The marketing plan is a most output of the marketing process. It provides direction and focus for a brand, product, or company. It summarizes what the marketer has learnt about the marketplace and how the organization plans to achieve its strategic objectives through specific marketing strategies and tactics, with the customer as the starting point. It is also linked to the plans of other departments.

The marketing plan includes the detailed analysis of the following:

- Industry
- Product
- Customer
- Competitor analysis
- Strategy

- Promotion
- Pricing
- Distribution
- Sales targets

The marketing plan focuses on all marketing activities of a venture for one year or more. The marketing plan will vary significantly for a firm depending on the industry, target market, and the size and scope of the organization. It is an integral part of a business plan, yet, as discussed below, it is also a standalone document that needs to be managed on a short-term basis to ascertain whether the venture is meeting its goals and objectives.

The marketing plan should be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection. Primarily the marketing plan establishes how the entrepreneur will effectively compete and operate in the marketplace and thus meet the business goals and objectives of the new venture.

Thus a marketing plan is expected to help the business in understanding how to get from AS-IS to TO-BE position by planning the appropriate path on the basis of the market research and the market understanding. The market research can help in identifying the alternative routes to take to achieve the business objective also referred to as the TO-BE state. Finally it is important that a marketing plan is realistic, has a short-term focus primarily and should have included sufficient competitive analysis.

A marketing plan thus generally contains the following sections:

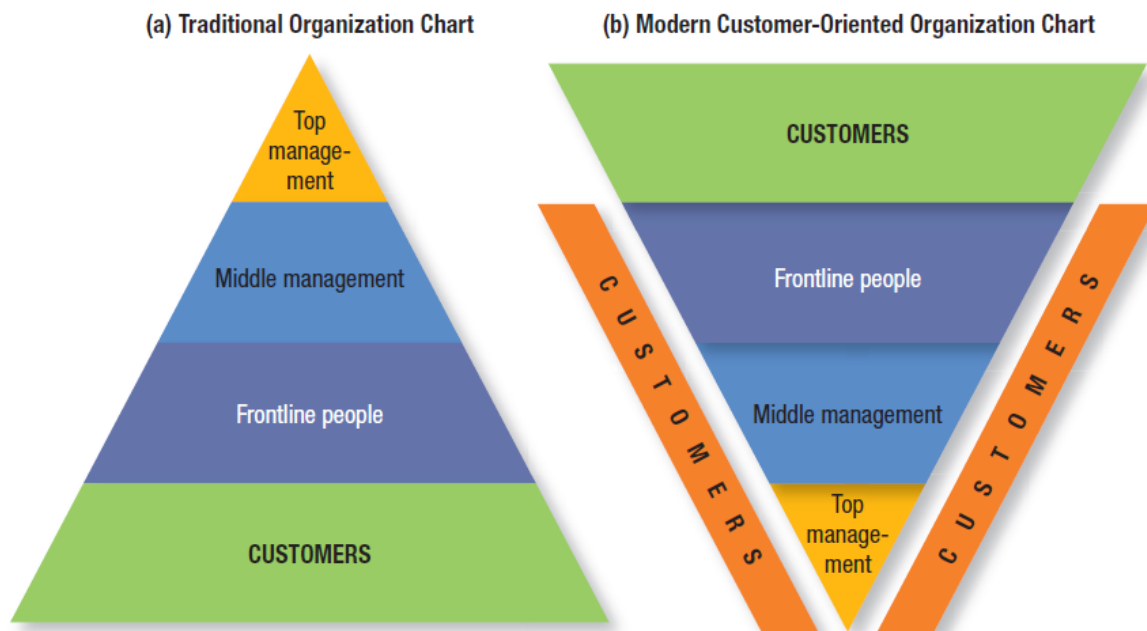
- Table of contents
- Executive summary
- Situation analysis (Background data)
- Marketing strategy
- Marketing tactics
- Financial projections
- Implementation controls

CREATING LONG TERM LOYALTY RELATIONSHIPS

Although opening up of the markets and the newer technologies have increased the capabilities and the reach of the companies, the customer is however now more difficult to get and the customer loyalty more difficult to retain. Successful marketers are those who carefully cultivate customer satisfaction and loyalty and also have a finger on the pulse of the customer to proactively understand the changes in the need of the customer and cater to them if such changes are within the strategic scope identified for the company. This is how customer loyalty can be retained in the long term.

Building Customer Value, Satisfaction, and Loyalty

As customer becoming more and more informed and educated, the customer is now becoming the true profit center of the company.



While in older times, customers were at the bottom, i.e. they were considered least important, the growing competition has now made companies realize that the customer today drives profit and business and hence now is the top driver for every business decision.

Companies have realized the importance of keeping an eye on the customer and the customer perceived value for the company's [product and/or service and also that for the competition. Understanding the reason(s) behind the customer's choice(s) will help

the marketer in planning the appropriate strategic plan and also implement it to get the best returns.

Amazon, Subway, Discovery Channel, YouTube, Google, etc. are all examples of concentrating on customer value, satisfaction and loyalty.

To be successful in this approach, it is critical to understand the customer perceived value. The customer perceived value is the sum total of the customer benefits and the customer cost. The customer perceives the benefits from the benefits offered by the product, the services involved, the people involved in making the product available to the customer and the overall image of the product in the market. The perceived cost of the product by a customer is the sum total of the monetary cost of procuring the product, the time required to procure it, the energy involved in the process and the overall psychological impact (cost) while buying the product.

Tata Nano is a perfect example of how important a product image is to a customer. The psychological cost is much higher while buying a car, as it involves a lot of thought process besides the money.

Another perfect example of customer value, satisfaction and resultant loyalty is Caterpillar. Caterpillar has become a leading firm by maximizing total customer value in the construction equipment industry, despite challenges from a number of able competitors such as John Deere, Case, Komatsu, Volvo, and Hitachi and emerging ones such as LiuGong Machinery in China. First, Caterpillar produces high-performance equipment known for reliability and durability—key purchase considerations in heavy industrial equipment. The firm also makes it easy for customers to find the right product by providing a full line of construction equipment and a wide range of financial terms. Caterpillar maintains the largest number of independent construction-equipment dealers in the industry. These dealers all carry a complete line of Caterpillar products and are typically better trained and perform more reliably than competitors' dealers. Caterpillar has also built a worldwide parts and service system second to none in the industry. Customers recognize all the value Caterpillar creates in its offerings, allowing the firm to command a premium price 10 percent to 20 percent higher than competitors'. Caterpillar also makes strategic acquisitions to acquire new customers, such as picking up mining equipment maker Bucyrus International for \$8.6 billion in 2010. Despite a recession that

brought hard times to its industry and battered many of its competitors' finances, Caterpillar was one of the best-performing stocks among the 30 companies in the Dow Jones Industrial Average coming out of the recession.

Maximizing Customer Lifetime Value

It is all about attracting and retaining customers and managing the customer base by reducing the customer defection. The reduced defection can automatically increase the longevity of the customer relationship. Further the marketers should concentrate on increasing growth potential of each customer to maximize the return on investment on each customer. Focus should be on customers yielding higher ROI. The low profit or loss making customers should be ignored to increase the overall customer lifetime value.

Loyalty can be built amongst customers by interacting closely with customers.

Connecting customers, clients, patients, and others directly with company employees is highly motivating and informative. Customer bonds can be strengthened by

- creating superior products, services, and experiences for the target market
- Get cross-departmental participation in planning and managing the customer satisfaction and retention process
- Integrating the “Voice of the Customer” to capture their stated and unstated needs or requirements in all business decisions
- Organizing and making accessible a database of information on individual customer needs, preferences, contacts, purchase frequency, and satisfaction
- Make it easy for customers to reach appropriate company staff and express their needs, perceptions, and complaints
- Assess the potential of frequency programs and club marketing programs
- Run award programs recognizing outstanding employees.

Loyalty programs like offer card membership programs and offering those members special benefits (for e.g. Amazon Prime customers) can also help in creating brand communities and thus improve the customer loyalty. *Amazon Prime customers have been found to buy at least four times more than the regular customers. The Prime members also ensures that they stay loyal to Amazon for a longer time.*

Cultivating Customer Relationships

Customer relationship management (CRM) is the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize loyalty. CRM is important because a major driver of company profitability is the aggregate value of the company’s customer base. A customer touch point is any occasion when a customer encounters the brand and product—from actual experience to personal or mass communications to casual observation. For a hotel, the touch points include reservations, check-in and checkout, frequent-stay programs, room service, business services, exercise facilities, laundry service, restaurants, and bars. For an online retailer, the touchpoints are the search engines as well as the retail site, CRM enables companies to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, they can customize market offerings, services, programs, messages, and media.

For example, if a customer buys an outfit (e.g. kurta) of a particular size from Amazon, the other items in the same size range (for e.g. trousers, jeans and so on), thus improving the overall service to the customer and also improving the customer bonding.

Questions

1. Describe any one teaching from Indian philosophy as applicable to marketing with one example from your day-to-day life. (understand, analyze)
2. Explain how in modern marketing the 4Ps are more relevant to the business environment today with example. (analyze)
3. Elaborate on one example of strategic alliance in India. (understand and analyze)
4. Using one example from the industry, elaborate on how cultivating customer relationship can help in creating long term and loyal customers. (understand and apply)