Delivering customer value through marketing

Class 6
Home assignment

• Finish exam case analysis with focus on:
  – Communications strategy and plan
  – Channel management strategy and factors influencing it
  – Product management strategy
  – Pricing strategy

• Preparatory work – what CIM recommends
Case analysis: Possible questions

- **Product management strategy**
  - New products development
    - Why it is necessary
    - How it creates competitive advantage
    - New product development process
  - Branding
    - Why it is needed
    - How it creates competitive advantage
  - Pricing
    - How products are priced
    - Pricing process
    - Pricing strategies for new markets
    - Pricing tactics (orientation)

- **Channel management strategy**
  - Why channel is important
    - Channel functions
    - Selecting an intermediary
  - Channel management strategies
    - Horizontal
    - Vertical
    - Alliances
  - New technologies in channel management

- **Communications management**
  - Communication strategies and objectives
  - Communications plan
  - Communications mix
  - Communications media
  - Coordination of communications
  - Communications industry
  - Communications effectiveness

- **Customer service expectations**
  - Service and its marketing mix
  - Customer service plan
  - Customer care
  - Customer retention
  - Relationship marketing
  - Key account management

- **Stakeholders analysis**

- **PLC**

- **4Ps**

- **7Ps**

- **Porter’s 5 forces**

- **PESTEL**

- **SWOT**

- **SERVQUAL**

- **Ansoff’s matrix**

- **Porter’s generic strategies**

- **BCG GE**
Exam practice analysis

• Evaluate *key factors* which will influence Black&Decker future *product management strategy*. How can product management help Black&Decker meet its *growth objectives* in the future?
Plan for today

• Key accounts management
• Marketing information for building relationships
• Customer service and customer care
Key accounts

• Customers that in a b2b market are willing to enter into relationship exchanges which are of strategic importance to the focus of organisation (Fill)

• KAM is the process adopted by an organisation in order to provide effective management to strategically important customers which contributes
Selecting key accounts

• Criteria (see p.238)
  – Profitability
  – Technical expertise
  – Image
  – Geographic proximity
  – Market experience

• Pareto’s Law (80/20 rule)

• Size is not all

• How many key accounts can you manage
Key account development

<table>
<thead>
<tr>
<th>Customer attractiveness</th>
<th>Relative strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Key development account</td>
</tr>
<tr>
<td>Low</td>
<td>Opportunistic account</td>
</tr>
<tr>
<td></td>
<td>Key account</td>
</tr>
<tr>
<td></td>
<td>Maintenance account</td>
</tr>
</tbody>
</table>
KAM cycle

• Stages – p. 241 table 14.3
• Organisational approaches to KAM – table 14.2
• Communications in KAM:
  – Regular
  – Coordinated and consistent messages
  – Communications at different KAM stages
  – Aim at building trust
People role in KAM

- Personal selling
- Problem solving
- Relationship building
- Communicating
Global Accounts Management

• Large companies that operate in multiple countries, are strategically important for the supplier and have some form of coordinated purchasing across different countries
• Customers are involved and collaborate
• Clear management, information supply and communications
• Coordinated and globally competent supply chain
Relationship marketing

- Relationship marketing is to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met. This is done by mutual exchange and fulfillment of promises (Grönroos, 1994)

- Relationship marketing refers to all marketing activities directed towards establishing and maintaining successful and relational exchanges (Morgan and Hunt, 1994)
Reasons for relationships development

- Creating expectations
- More demanding consumers
- Competition required knowing your markets and addressing them directly
- Maximizing effectiveness by retaining existing customers
Relationship marketing principle

• The greater the level of customer satisfaction with the relationship, the more likely the customers will be retained by the organisation.
## Transactional vs. Relationship Marketing

<table>
<thead>
<tr>
<th>Transactional focus</th>
<th>Relationship focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation to single sales</td>
<td>Orientation to customer</td>
</tr>
<tr>
<td>Discontinuous customer contact</td>
<td>Continuous customer contact</td>
</tr>
<tr>
<td>Focus on product features</td>
<td>Focus on customer value</td>
</tr>
<tr>
<td>Short timescale</td>
<td>Long timescale</td>
</tr>
<tr>
<td>Limited emphasis on customer service</td>
<td>High customer service emphasis</td>
</tr>
<tr>
<td>Limited commitment to meeting customer expectations</td>
<td>High commitment to meeting customer expectations</td>
</tr>
<tr>
<td>Quality is the concern of production staff</td>
<td>Quality is the concern of all staff</td>
</tr>
</tbody>
</table>
Establishing a relationship

• Defining value proposition
  – Meeting the expectations
  – Decreasing customer uncertainties

• Identifying customer value segments
  – Closely defined target markets
  – Customer profile

• Designing value delivery system
  – Core values and peripheral values
  – Use of technologies to deliver value
  – Technologies can make switching from one company to another painless and easy

• Managing and maintaining satisfaction
  – Customer perception of value
  – Closing expectation gaps
Planning for relationship management

• Relationship ladder

Emphasis on developing and enhancing relationships (customer keeping)

Emphasis on new customer (customer catching)

Developing relationship

Adoption

Targeting

Prospect

Customer

Client

Supporter

Advocate
Key dimensions of relationship marketing

- **Reliability** – ability to perform the promised service dependably and accurately
- **Responsiveness** – willingness to help customers and provide prompt service
- **Assurance** – knowledge and courtesy of employees and their ability to inspire trust and confidence
- **Empathy** – caring, individualism and attention to customers
- **Tangibles** – physical facilities, equipment and appearance of personal
Building trust

Relationship
commitment

Trust

Co-operation
Marketing information systems

- Collecting useful information
- Storing information
- Retrieving information when needed
- Using information to tailor offers to customers
- MIS consists of people, equipment and procedures to gather, sort, analyse, evaluate and distribute needed, timely and accurate information
Sources of information

- Market research results
- Sales data, year on year comparisons
- Customers data
- Customers complaints
- Marketing campaigns costs and results
- Marketing intelligence
Information outputs

• Specific data requirements
  – Format
  – Data sources external
  – Data sources internal
  – Frequency of reports
Marketing decision support systems

• Software aiding decision making process by helping managers anticipate certain outcomes based on the information available
Problems with customer relations

- Misconceptions/misunderstanding
- Inadequate resources
- Inadequate delivery
- Exaggerated promises
Understanding and overcoming potential problems

• Ishikawa diagrams (fishbone diagrams or cause-and-effect diagrams) are diagrams that show the causes of a certain event.

• Common uses of the Ishikawa diagram are product design and quality defect prevention, to identify potential factors causing an overall effect. Each cause or reason for imperfection is a source of variation.
Understanding and overcoming potential problems

• Causes are usually grouped into major categories to identify these sources of variation.

• The categories typically include:
  – People: Anyone involved with the process
  – Processes/methods: How the process is performed and the specific requirements for doing it, such as policies, procedures, rules, regulations and laws
  – Equipment/machines: Any equipment, computers, tools etc. required to accomplish the job
  – Materials: Raw materials, parts, pens, paper, etc. used to produce the final product
  – Management: Data generated from the process that are used to evaluate its quality
  – Environment: The conditions, such as location, time, temperature, and culture in which the process operates
Fishbone diagram
Overcoming potential problems

• Staff
  – Motivation
  – Training
  – Productivity
  – Technology
  – Customer interaction (service teams)
Customer service plan

- Assess your customer service level
- Understand your customers requirements
- Create service policies
- Deal effectively with your customers
- Educate your staff
- Allocate adequate resources

- Examples of service plan
Customer care program

- Customer service
- Service standards
- Customer communications
- Customer interface
Exam practice

• How can customer service plan help Black and Decker maintain its future growth?
Home assignment

• Finish case analysis:
  – Porter’s generic strategies
  – Ansoff’s matrix
  – Marketing mix
  – SERVQUAL gaps

• Next Saturday
  – Answering possible exam questions using case analysis
  – Turn in case analysis (four A4 pages)