

What is Marketing?

In Part 1 of our highly detailed Principles of Marketing tutorial we lay the groundwork for our study of the field of marketing with a close look at marketing's key concepts and the important tasks marketers perform. We will see that marketing encompasses a wide array of business decisions that are essential to the success of nearly all organizations.

Coverage in this part of the tutorial includes a close examination of the definition of marketing. A dissection of the key terms in the definition will show that marketing's primary focus is to identify and satisfy customers in a way that helps build a solid and, hopefully, sustained relationship that encourages customers to continue doing business with the marketer.

We also will spend a short time on the history of marketing and see how it has evolved from a process centered on simply getting as many people as possible to purchase a product to today's highly complex efforts designed to build long term customer relationships. Additionally, we'll see that marketing is not only important to individual organizations it also carries both positive and negative influences at a broader societal level. Finally we look at what it takes to be a marketer in today's world.

In Part 1: What is Marketing? we noted that marketers make decisions which result in value to both the marketer and its customers. Throughout the Principles of Marketing tutorial we emphasize the importance customers play in helping marketers meet their business objectives. To drive home this point, in Part 2: Managing Customers, we concentrate our discussion on understanding customers and examining their role in the marketing process. We will see that for most organizations understanding customers is necessary not only because of their effect on marketing decisions but because customers' activities influence the entire organization.

Yet, understanding customers is a never-ending challenge. One reason is that not all customers are the same and, consequently, benefits sought by one customer may differ from those sought by another. Because of this marketers must continually conduct marketing research to evaluate customers and to determine what they want. And uncovering what customers want is made significantly easier if a company establishes methods designed to manage their customers.

In this tutorial we explore the techniques marketers use to manage their customers. We begin by defining what a customer is and why they are important to an organization. We then look at what tools and strategies must be in place to skillfully manage customers including the crucial requirement that marketers build relationships with their customers. Finally, we conclude with a discussion of how servicing customers is often just as critical as selling products to them.

What is a Customer?

In general terms, a customer is a person or organization that a marketer believes will benefit from the goods and services offered by the marketer's organization. As this definition suggests,

a customer is not necessarily someone who is currently purchasing from the marketer. In fact, customers may fall into one of three customer groups:

- Existing Customers – Consists of customers who have purchased or otherwise used an organization's goods or services, typically within a designated period of time. For some organizations the timeframe may be short, for instance, a coffee shop may only consider someone to be an Existing Customer if they have purchased within the last three months. Other organizations may view someone as an Existing Customer even though they have not purchased in the last few years (e.g., television manufacturer). Existing Customers are by far the most important of the three customer groups since they have a current relationship with a company and, consequently, they give a company a reason to remain in contact with them. Additionally, Existing Customers also represent the best market for future sales, especially if they are satisfied with the relationship they presently have with the marketer. Getting these Existing Customers to purchase more is significantly less expensive and time consuming than finding new customers mainly because they know and hopefully trust the marketer and, if managed correctly, are easy to reach with promotional appeals (i.e., emailing a special discount for new product).
- Former Customers – This group consists of those who have formerly had relations with the marketing organization typically through a previous purchase. However, the marketer no longer feels the customer is an Existing Customer either because they have not purchased from the marketer within a certain timeframe or through other indications (e.g., a Former Customer just purchased a similar product from the marketer's competitor). The value of this group to a marketer will depend on whether the customer's previous relationship was considered satisfactory to the customer or the marketer. For instance, a Former Customer who felt they were not treated well by the marketer will be more difficult to persuade to buy again compared to a Former Customer who liked the marketer but decided to buy from someone else who had a similar product that was priced lower.
- Potential Customers – The third category of customers includes those who have yet to purchase but possess what the marketer believes are the requirements to eventually become Existing Customers. As we will see in Part 6: Targeting Markets, the requirements to become a customer include such issues as having a need for a product, possessing the financial means to buy, and having the authority to make a buying decision. Locating Potential Customers is an ongoing process for two reasons. First, Existing Customers may become Former Customers (e.g., decide to buy from a competitor) and, thus, must be replaced by new customers. Second, while we noted above that Existing Customers are the best source for future sales, it is new customers that are needed in order for a business to significantly expand. For example, a company that sells only in its own country may see less room for sales growth if a high percentage of people in the country are already Existing Customers. In order to realize stronger growth the company may seek to sell their products in other countries where Potential Customers may be quite high.

Customers and the Organization

For most organizations understanding customers is the key to success while not understanding them is a recipe for failure. It is so important that the constant drive to satisfy customers is not

only a concern for those responsible for carrying out marketing tasks; satisfying customers is a concern of everyone in the entire organization.

Whether someone's job involves direct contact with customers (e.g., salespeople, delivery drivers, telephone customer service representatives) or indirect contact (e.g., production, accounting), all members of an organization must appreciate the role customers play in helping the organization meet its goals. To ensure everyone understands the customer's role, many organizations continually preach a "customer is most important" message in department meetings, organizational communication (e.g., internal emails, website postings), and corporate training programs. To drive home the importance of customers, the message often contains examples of how customers impact the company. These examples include:

- **Source of Information and Ideas** - Satisfying the needs of customers requires organizations maintain close contact with them. Marketers can get close to customers by conducting marketing research (e.g., surveys) and other feedback methods (e.g., website comments forms) that encourage customers to share their thoughts and feelings. With this information marketers are able to learn what people think of their present marketing efforts and receive suggestions for making improvements. For instance, research and feedback methods can offer marketers insight into new products and services sought by their customers.
- **Affects Activities Throughout Organization** - For most organizations customers not only affect decisions made by the marketing team but they are the key driver for decisions made throughout the organization. For example, customer's reaction to the design of a product may affect the type of raw materials used in the product manufacturing process. With customers impacting such a significant portion of a company, creating an environment geared to locating, understanding and satisfying customers is imperative.
- **Needed to Sustain the Organization** - Finally, customers are the reason an organization is in business. Without customers or the potential to attract customers, a company is not viable. Consequently, customers are not only key to revenue and profits they are also key to creating and maintaining jobs within the organization.

The Importance of Good Customers

For marketers simply finding customers who are willing to purchase their goods or services is not enough to build a successful marketing strategy. Instead, as we note in our definition of marketing in Part 1: What is Marketing?, marketers should look to manage customers in a way that will "identify, create and maintain satisfying relationships with customers." By using marketing efforts that are designed to "maintain satisfying relationships" rather than simply pursuing a quick sale, the likelihood increases that customers will be more trusting of the marketer and exhibit a higher level of satisfaction with the organization. In turn satisfied customers are more likely to become "good" customers.

For our purposes we define a "good" customer as one who holds the potential to undertake activities that offer long-term value to an organization. The activities performed by customers not only include purchasing products, these also include such things as:

- offering feedback on company performance
- making prompt payment
- offering suggestions for new products
- voluntarily promoting the company's products to others

These activities along with many others (including profit from product sales) represent the value (i.e., benefits for costs spent) an organization receives from its customers. In the case of "good" customers their potential for providing value should be a signal for marketers to direct additional marketing efforts in building, strengthening and sustaining a relationship with these customers. The fact that we place the descriptive term "good" in front of customers should not be taken lightly. Not all customers who currently have relationships with an organization (i.e., Existing Customers) should be treated on an equal level. Some consistently spend large sums to purchase products from an organization; others do not spend large sums but hold the potential to do so; and still others use up a large amount of an organization's resources but contribute little revenue. Clearly there are lines of demarcation between those in the Existing Customer category. As we will see later, identifying this line is critical for marketing success

Challenge of Managing Customers

While on the surface the process for managing customers may seem to be intuitive and straightforward, in reality organizations struggle to accomplish this. One reason for the struggle is that no two customers are the same. What is appealing to one customer may not necessarily work for another.

For instance, a marketer may change how it issues coupons to customers by reducing the frequency of issuing coupons by regular mail and instead directing customers to electronic coupons found on its website. The marketer makes this move to encourage customers to visit the website more often with the hope it will lead to cost savings (e.g., sending out traditional coupons by mail requires postage expense), allow the marketer to acquire more customer information (e.g., monitor their activities when they visit the website), and give the marketer the opportunity to sell more product to the customer (e.g., special promotional messages on the website). However, some long time customers may view electronic coupons as requiring more work on their part compared to coupons delivered through regular mail. In this example the introduction of a new feature may satisfy some customers while irritating others

Customer Contact Points

Another problem is that customers may interact with organizations at different contact points. A contact point is the method a customer uses to communicate with a company. For instance, consider the different ways customers may interact with an organization:

- In-Person – Customers seek in-person assistance for their needs by visiting retail stores and other outlets, and also through discussion with company salespeople who visit customers at their place of business or in their home.

- Telephone – Customers seeking to make purchases or have a problem solved may find it more convenient to do so through phone contact. In many companies a dedicated department called a call center handles all incoming customer inquiries.
- Internet – The fastest growing contact point is through the Internet. The use of the Internet for purchasing (called electronic commerce) has exploded and is now the leading method for purchasing certain types of products including music. The Internet is also a key area where customers look for help with their purchases.
- Kiosks – A kiosk is a standalone, interactive computer, often equipped with a touch-screen, that offers customers several service options including product information, ability to make a purchase, and review of a customer's account. Kiosks are now widely used for airline check-in, retail job applications, and banking.
- In-Person Product Support – Some in-person assistance is not principally intended to assist with selling but is designed to offer support once a purchase is made. Such services are handled by delivery people and service/repair technicians.
- Financial Assistance – Customer contact may also occur through company personnel who assist customers with financial issues. For instance, credit personnel help customers arrange the necessary funds to make a purchase while personnel in accounts receivable work with customers who are experiencing payment problems.

The challenge of insuring that customers are handled properly no matter the contact point they use is daunting for many companies. For some organizations the customer contact points cited above operate independently of others. For instance, retail stores may not be directly connected to telephone customer service. The result is that for different contact points many companies have developed different procedures and techniques for handling customers. And for some firms there exists little integration between the contact points so customers communicating through one point one day and another point the next day may receive conflicting information. In such cases customers are likely to become frustrated and question the company's ability to service its customers.

Customer Relationship Management

In order to overcome the challenges faced as they attempt cultivate and manage customers many marketers have turned to a business concept known as Customer Relationship Management (CRM). CRM is a strategic approach whose goal is to get everyone in an organization, not just the marketer, to recognize the importance of customers. Under CRM the key driver for marketing success is to treat "good" customers in a way that will increase the probability they will stay "good" customers. This is accomplished in part by ensuring that a customer receives accurate information and has a consistent and satisfying experience every time he/she interacts with a company.

While CRM is generally used to manage Existing Customers, it also has application for other customer groups. For instance, CRM is used to help identify Former Customers that may hold potential to become customers again. This is often possible due to the amount of information

that is obtained and subsequently retained when Former Customers were considered Existing Customers. Additionally, CRM can serve an integral role in helping to locate Potential Customers. As we will explore in Part 6: Targeting Markets, one method for doing this is to use information contained in CRM to determine important characteristics that are exhibited by Existing Customer and use this information to pursue new customers in untapped customer markets who have similar characteristics.

Computer technology plays a key part in carrying out CRM. A proper technology-based system is needed so that nearly anyone in an organization that comes into contact with a customer (e.g., sales force, service force, customer service representatives, accounts receivable, etc.) has access to necessary information and is well prepared to deal with the customer. But CRM is not only about utilizing high-tech products. CRM requires a strong organizational commitment that includes extensive training for all employees.

But while maintaining close and consistent relationships with customers through all contact points makes good business sense, accomplishing this has often been a challenge. Numerous problems, from technology failures and lack of communication between contact points as well as lack of adequate employee training or outright employee resistance, have derailed many CRM efforts. So while CRM is now widely adopted and is becoming an essential tool for most business organizations, it still has a long way to go before it is ingrained as an essential business function within most organizations.

Customer Service and Marketing

As we have noted, to effectively manage customers marketers must be concerned with the entire experience a customer has with a company. While much of the value sought by customers is obtained directly from the consumption or use of goods or services they purchase (i.e., offers benefits that address a need), customers' satisfaction is not limited to direct product benefits. Instead the customer's buying experience covers the entire purchasing experience and is a mix of product and non-product benefits.

When it comes to managing customers, an important non-product benefit that affects customers' feelings about a company is customer service, which is defined as activities used by the marketer to support the purchaser's experience with a product. Customer service includes several activities including:

- Training - services needed to assist the customer in learning how to use a product
- Repair – services needed to handle damaged or malfunctioning products
- Financial Assistance – services needed to help customers with the financial commitment in purchases or using the product
- Complaint Resolution - services needed to address other problems that have arisen with customers' use of a product

In many industries customers' experience with a company's customer service can significantly affect their overall opinion of the product. Companies producing superior products may negatively impact their products if they back these up with shoddy service. On the other hand, many companies compete not because their products are superior to their competitors' but

because they offer a higher level of customer service. In fact, many believe that customer service will eventually become the most significant benefit offered by a company because global competition (i.e., increase in similar products) makes it more difficult for a company's product to offer unique advantages.

Customer service manifests itself in several ways, with the most common being a dedicated department to handle customer issues. Whether a company establishes a separate department or spreads the function among many departments, being responsive and offering re

Customer Service Trends

Marketers have seen the customer service process evolve from an area that received only marginal attention into a primary functional area. In response to customers' demands for responsive and reliable service, companies are investing heavily in innovative methods and processes to strengthen their service level. These innovations include:

Increased Customer Self-Service

A major trend in customer service is the move by companies to encourage customers to be involved in helping solve their own service issues. This can be seen in retail industries where self-service ranges from customers placing their own grocery products in shopping bags all the way to having customers do their own checkout including scanning products and making payment. Also, as we will soon discuss, customers needing information are being encouraged by companies to first undertake the effort themselves often by visiting special company-provided information areas (see Website and Phone Accessible Knowledge Base below). Only after they have explored these options are customers encouraged to contact customer service.

Revenue Generators

Companies that maintain a customer service staff have found that these people not only can help solve customer problems but they may also be in a position to convince customers to purchase more. Many companies are now requiring sales training for their customer service personnel. At a basic level customer service representatives may be trained to ask if customers are interested in hearing about other products or services. If a customer shows interest then the representative will transfer the customer to a sales associate. At a more advanced level the representative will shift to a selling role and attempt to get the customer to commit to additional product purchases.

Out-Sourcing

One of the most controversial developments impacting customer service is the move by many companies around the world to establish customer service functions outside of either their home country or the country in which their customers reside. Called out-sourcing, companies pursue this strategy to both reduce cost and also increase service coverage. For instance, having multiple customer service outlets around the world allows customers to talk via phone with a service person no matter what time of day. The ability to move service to another country is only viable in large part due to technological developments (see Internet Telephone below). But

such moves have raised concerns on two fronts. First, many see this trend as leading to a reduction of customer service jobs within a home country. Second, customer service personnel located off-shore may lack sufficient training and often lack an understanding of the conditions within the customers' local market both of which can affect service levels. At the extreme a poorly managed move to out-source customer service can lead to a decrease in customer satisfaction which in the long-run could affect sales.

Customer Service Technologies

As we will see throughout the Principles of Marketing tutorial, technological innovation has significantly impacted all areas of marketing. Within customer service, improvements in computer hardware and software, as well as rampant adoption of the Internet as a prime channel for connecting with customers, has led to numerous innovative methods to address customer needs. These methods include:

- **Online Chat** – Companies are finding value in using Internet chat as a way to address customer questions. Typically the chat feature is presented via a pop-up browser window that appears when a customer clicks on a website link, though newer technology using computer programming dubbed AJAX allows for chat to take place right on a webpage and not through pop-up windows. Whether presented as a separate window or contained within a regular webpage, online chat sessions are undertaken in real-time with customers and company service people exchanging text messages. More advanced chat technology called collaborative browsing or co-browsing allows customer service representatives to manipulate a customer's browser by sending webpages that contain relevant information. For instance, retailer Land's End "pushes" webpages to customers' browsers in response to requests for clothing. In this way the service person can offer suggestions and guidance by controlling what the customer is seeing on their screen.
- **Website and Phone Accessible Knowledge Base** – As part of customers' desire to be more involved in solving their own problems, companies have moved to offering technological solutions in ways that appeal to customers' desire for self service. The predominant method for doing this is by maintaining a collection of answers to commonly asked questions. The collection may be part of a Knowledge Base that is accessible either online, through such methods as frequently asked questions (FAQ), or through a call system where an automated helper or virtual attendants guide customers to an answer.
- **Really Simple Syndication (RSS)** – Another Internet technology that is rapidly gaining a place in customer service is called Really Simple Syndication (RSS). Made popular by its use in Internet blogs and now widely used on most popular websites, RSS allows a company to send out information quickly, and to a large number, with little manual effort compared to traditional methods. With RSS customers are able to subscribe to a company's RSS feed and anytime the company updates information that is connected to a RSS feed (e.g., website) a notice is instantly sent to all subscribers. Subscribers who have installed the proper software or have access to an online reader will see the information appear automatically. Customer service has found RSS to be useful for: communicating product updates; technical matters, such as product defects or recalls; and general company communication, such as notification of special promotions.

- **Wireless Data Access** – Providing a high-level of customer services does not only occur when the customer initiates contact with an organization. Customer service takes place during any potential interaction including those that may be initiated by a company representative who is meeting face-to-face with a customer. For instance, an organization may send salespeople and other support personnel to a customer's location and their ability to address customer concerns is vital to maintaining strong customer service. To ensure field people have the most up-to-date information, many companies now equip their field teams with portable devices that can access the Internet from virtually any location. This is accomplished through wireless Internet connections which allow the field person to access company computers and tap into customer data.
- **Text Messaging** – Once considered a play-toy for teenagers, text messaging is quickly being adopted as a tool for customer service. Many companies and organizations, including colleges and universities, now use text messaging as a means to communicate with their customers. For instance, colleges and universities have set up instant alert security systems where students can receive a text message in the case of on-campus emergency or weather-related problem.
- **Internet Telephone** – Despite the growth in the Internet as an outlet for addressing customer questions, many customers still prefer to discuss their situation with a live person through a telephone conversation. For large companies that receive thousands of calls a day a dedicated department or call center may be in place to handle customer inquiries. No matter the organization's size, the cost of maintaining telephone support services can be expensive. One major expense lies with the cost of using traditional telecommunication lines. Commonly referred to as Plain Old Telephone Service or POTS, this system is more expensive because telephone lines are generally dedicated to individual users, that is, a single line can only handle one phone call, fax transmission, or computer data connection at a time. While a discussion of technical issues behind this are beyond the scope of this tutorial, suffice to say that POTS system is inefficient since a single telephone line has the capacity to handle a far larger volume of phone and data transmission. For this reason companies have moved to a technology called Voice over Internet Protocol (VoIP). With VoIP, telephone calls are delivered over the Internet with multiple phones sharing the same connection. With more people using the same line the cost per call is reduced. While the audio quality of the call may not be as reliable as POTS technology, improvements over the last few years have narrowed the quality gap to the point where most customers cannot distinguish the difference.
- **Intelligent Call Routing** – Another innovation associated with telephone support deals with technologies that identify and filter incoming customer calls. One method is the use of software that attempts to identify the caller (usually based on the incoming phone number) and then automatically directs the call for proper servicing. For instance, an appliance manufacturer may be able to distinguish between those who have purchased a refrigerator and those who purchased microwave oven. But some marketers go a step further and can program their call routing system to distinguish "good" customers from others. This may result in these customers receiving preferential placement in the calling order or queue so that they will be serviced before lower rated customers who sequentially may have called before the "good" customer