

## **MBA 610: Marketing Management**

— Winter 2014 —

### **LECTURE 5: Value, Satisfaction & Loyalty**

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In this session, we'll continue our discussion from Lecture 4 on analyzing markets. Then we'll disentangle the key concepts of value, customer satisfaction and loyalty.

#### **By the end of this session, you should:**

- Be able to define customer value, satisfaction, and loyalty in a managerially-relevant manner
- understand what a value proposition is, why it's important, and how to go about developing yours
- Understand the basic idea behind CRM and its key principles

#### **Your To-Do List (for next lecture)**

- Textbook: Chapters 8, 10
- Read "Target the Right Market," by J. Avery, T. Steenburgh, R. Martin, M. Volpe, Harvard Business Review, Oct 2012, pp 119-123.
- Read "Analyzing a case" and prepare case Clean Edge Razor for in-class discussion.

#### **Thought Questions:**

- What have been some "irritants" in your relationships with companies and retailers? What will typically cause you to "switch" provider? Conversely, think of brands and retailers you have enduring relationships with. What is the basis of that relationship?
- What are some of the things that companies and retailers have done to win your loyalty?
- As a consumer, when something goes wrong with a purchase or in your relationship with a company/retailer, how do you feel? what do you do? do you believe you have sufficient opportunities/resources for redress?
- How may companies encourage customers to voice their dis/satisfaction?

#### **Review Questions:**

The following review questions are representative of the types of questions you might be facing on the mid-term and/or final exams.

1. Customer satisfaction depends heavily on the expectations customers bring with them to the purchase experience. Why are customers' expectations often difficult to uncover and define? How can marketers "manage" customers' expectations?
2. What is CRM? What is CLV? how do the two relate?
3. What is the difference between customer loyalty and commitment?

4. Discuss the relationship between features and benefits. How do they relate to value? Wherein is the challenge in identifying which features/benefits to offer?
5. What is a value proposition? What role does it play?



This section contains a brief list of websites, publications titles and other resources that could add significant value to your MBA 610 experience. You need not explore each one in depth but you may want to familiarize yourself with the information these websites or publications have to offer.

### **Word of Mouth**

- Fred Reichheld's NPS: [www.netpromoter.com](http://www.netpromoter.com)
- word of mouth marketing association: [womma.org](http://womma.org)
- [www.bzzagent.com](http://www.bzzagent.com) and [www.tremor.com](http://www.tremor.com)

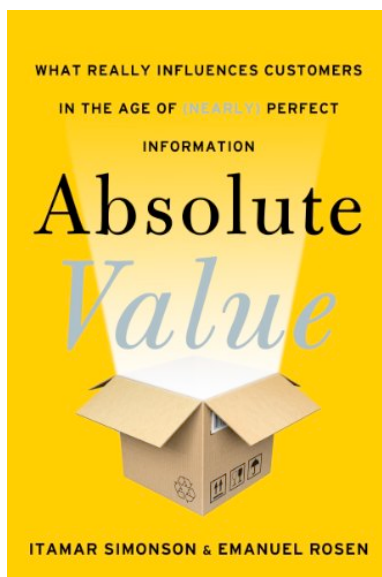
### **Mystery Shoppers**

One can sub-contract the task of inspecting/examining the customer experience to third party agents known as mystery shoppers.

- The association of mystery shoppers: [www.mysteryshop.org](http://www.mysteryshop.org)
- And [www.mysteryshoppers.com/](http://www.mysteryshoppers.com/)

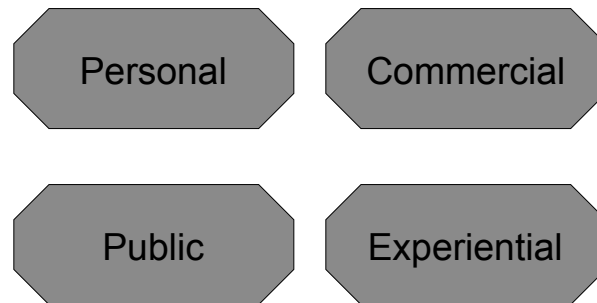
<http://www.fishbowl.com> provides customer-focused metrics to the restaurant industry.

<http://www.decisionanalyst.com> provides customers satisfaction research of different types as well as other research services.

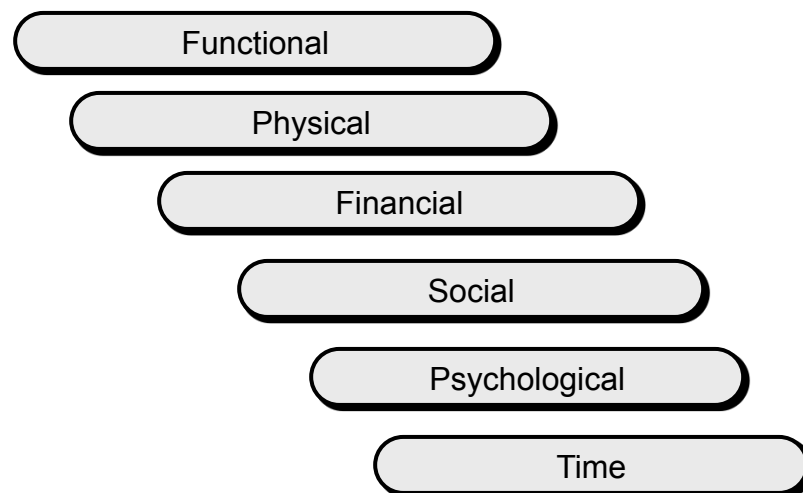


Absolute Value: What Really Influences Customers in the Age of (Nearly) Perfect Information, by Itamar Simonson and Emanuel Rosen (2014)

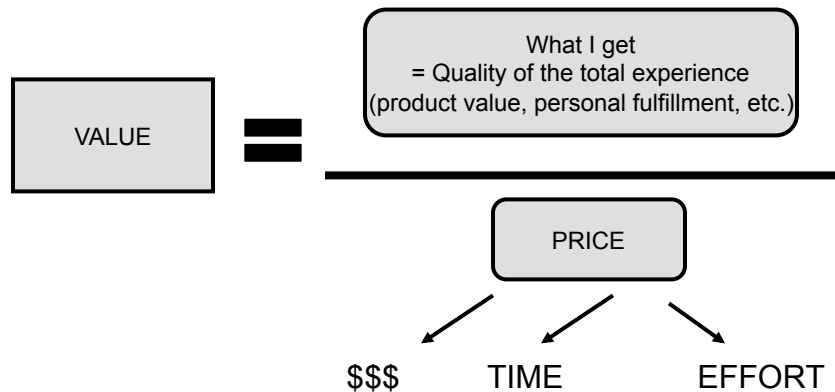
### ***Sources of Information***



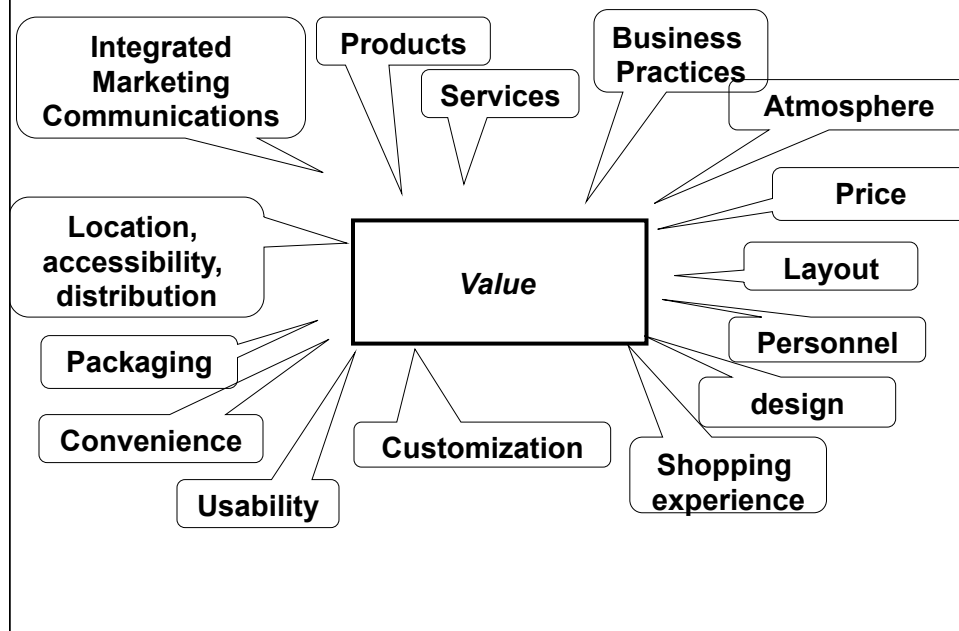
### ***Perceived Risk***

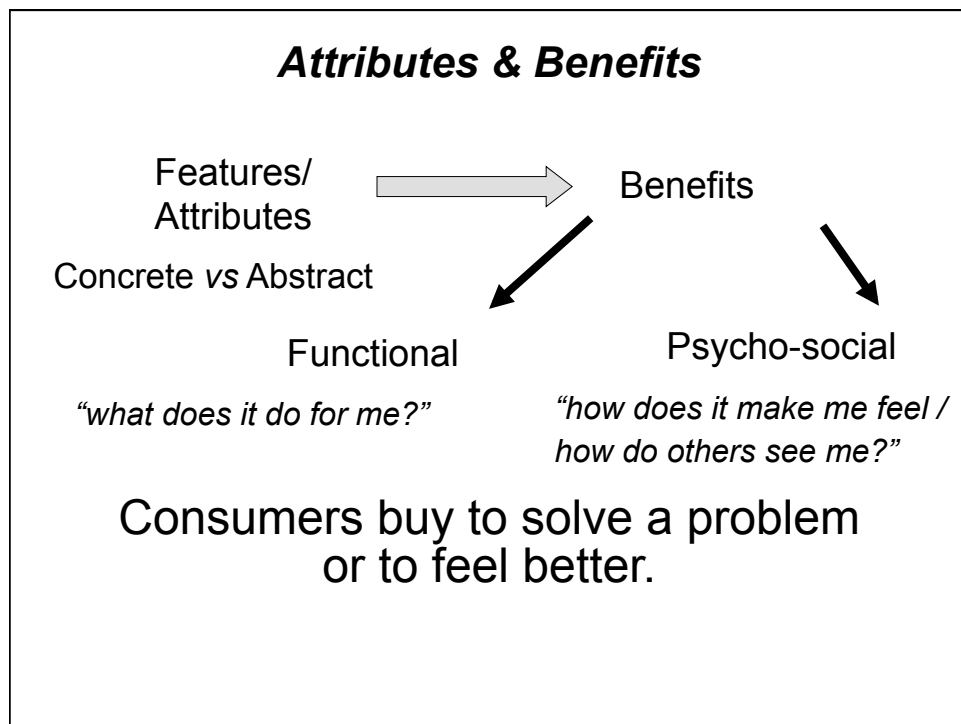


## What is value?



## How do we do it ?

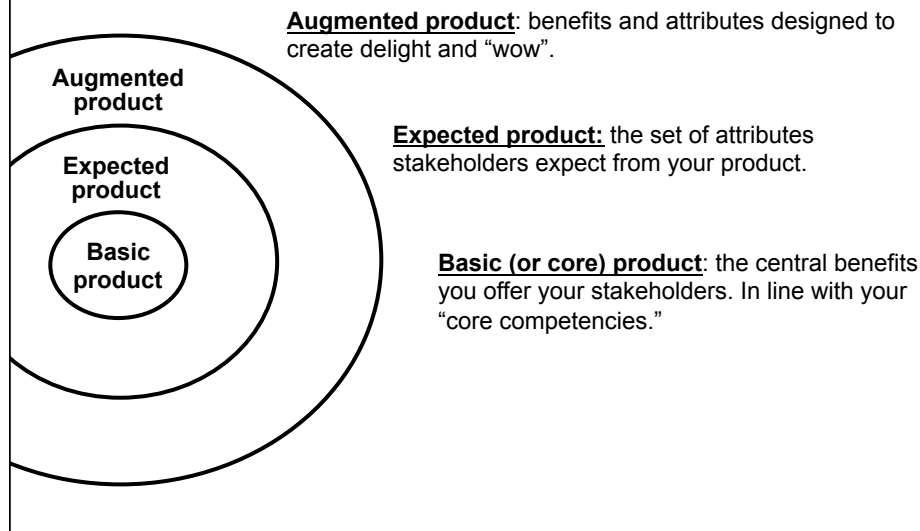




***That promise is your  
“value proposition”***

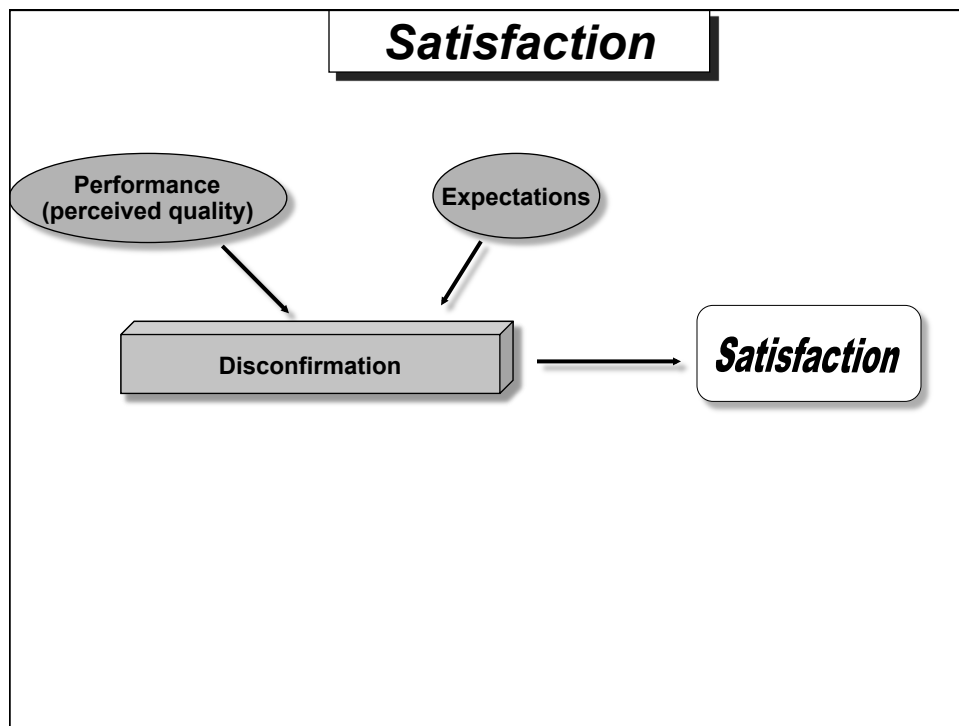
- 📌 The bundle of benefits that you promise your stakeholders
  - 📌 Functional vs psycho-social benefits
- 📌 Tailored to the needs and expectations of each stakeholder
- 📌 Depends on competition and your market
- 📌 Must be clear, concise, and compelling

## Augment your product



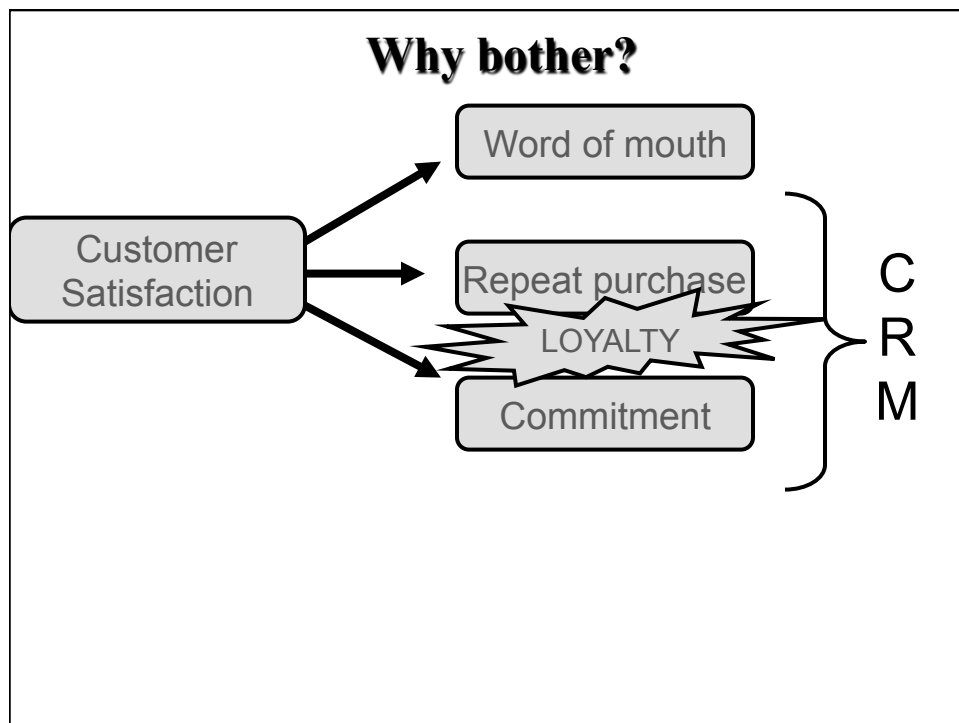
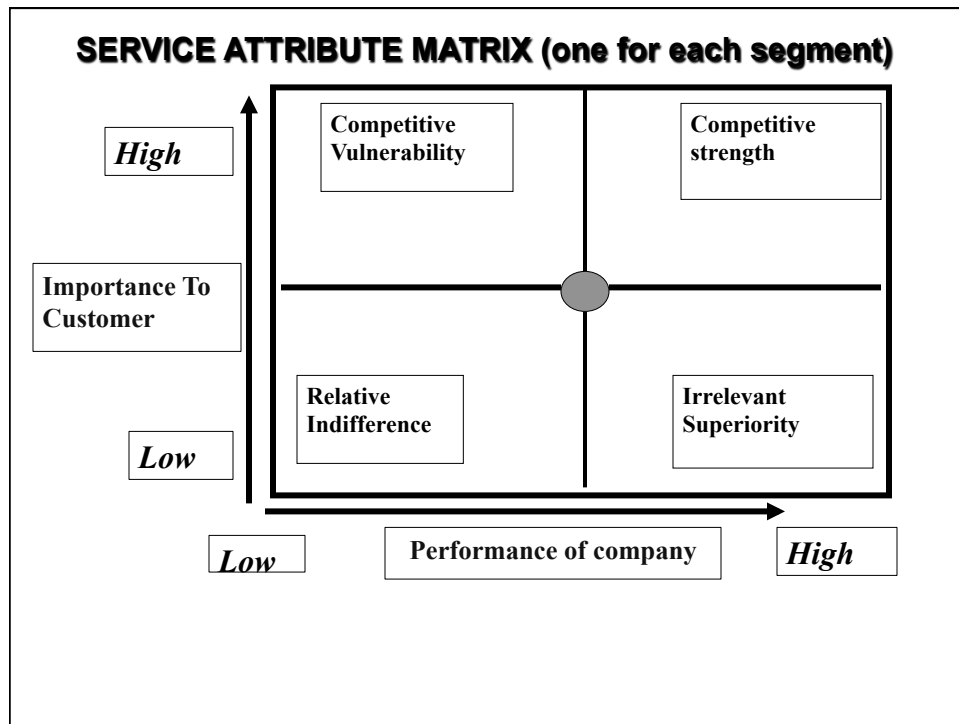
## Defining your “value proposition”

- ☞ Which market segment(s) are you targeting?
  - ☞ What is their profile? Level of knowledge? Interest? Motivation? What are their needs and expectations?
- ☞ What benefit(s) is your product bringing them?
  - ☞ What is the “core” of your product?
- ☞ What benefit(s) could augment your value proposition to differentiate you from other solutions to customers’ needs?
- ☞ Condense that value proposition in a short 2-min “elevator pitch” and a slogan.



### ***Measuring C.S.***

- **Actionable (help managers make decisions and take action)**
  - Assess performance, by market segment
  - Results should help to prioritise interventions
  - Features cover entire experience, all important touch points
  - Competitive assessment
  - Open-ended
- **Reliable**
  - Measure overall performance (first)
  - Track periodically, map over time
- **Timely**
  - Close to each major phases of purchase: pre-, in-, post-process
- **Cost Effective**
  - What price tag do you put on c.s. feedback?
- **Contract out: mystery shoppers**





## ***Key principles of CRM***

### Long term value of a customer

1. Financial value
  - \$ from repeat purchases
2. Marketing value
  - word-of-mouth
  - referrals

Make your loyal customers Brand Ambassadors

## ***CRM Strategies***

Reduce the rate of defection

Increase longevity

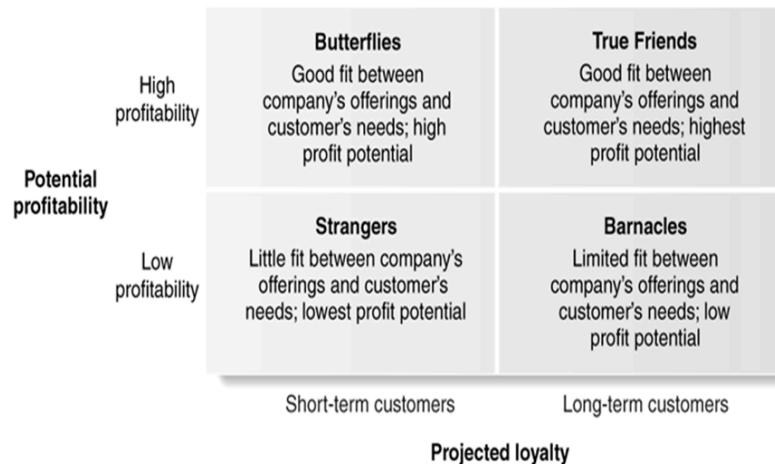
Enhance “share of wallet”

Terminate low-profit  
customers

Focus more effort on  
high-profit customers

### *Capturing Value from Customers*

- **Classify customers according to their potential profitability & manage relationships accordingly**



### *The Net Promoter Score*

*Frederick Reichheld in The Loyalty Effect*

- Do you intend to recommend us to a friend?
- 0 = very unlikely, 10 = very likely
- 9 & 10 = promoters = 80% of positive wom
- 7 & 8 = passives = switchers
- 0 to 6 = detractors
- $NPS = \% \text{ promoters} - \% \text{ detractors}$
- = wom reach or power of current customer base