Customer Needs, Wants and Demands

**Needs**
Needs are a state of felt deprivation.
- **Physical needs:** food, clothing, warmth, safety
- **Social needs:** belonging, affection
- **Individual needs:** Knowledge, self-expression
Marketers do not create these needs. Needs are a fundamental part of human nature.
When a need is not satisfied, a person will look for an object that will satisfy it.

**Wants**
Wants are the form human needs take when they are shaped by culture and individual personality.
Customers have unlimited wants but limited resources.

**Demands**
Demands are human wants that are backed by buying power. Customers demand products that bring them benefits that add up to the most satisfaction and perceived value.

**Market Offerings**

_Market offerings are anything that can be offered to a market that can satisfy a need or want._

A combination of physical goods, services, information or experiences offered to a market to satisfy a need or a want.

**Customer Satisfaction and Value**

**Customer Satisfaction** – The customer’s conscious evaluation of a product or service feature, or of the product or service itself.
It is the extent to which a product’s perceived performance matches a buyer’s expectations.
Factors influencing customer satisfaction judgment:
- Past purchase experience
- Information and promises made by the company and its competitors
- What they think is fair value based on the price they paid
Why is high satisfaction important?
- High intention to repurchase
- Positive word-of-mouth to others
But satisfaction alone is not enough. Companies need to provide high value.

**Customer Value** – The difference between the benefits the customer gains from having access to or owning or using a product and the costs of obtaining it.
Customers will choose the product they think will give them the greatest value.
Exchange and Relationships

An exchange is the act of obtaining a desired object from someone by offering something in return.
It does not have to be an exchange of money.
A transaction is an element of an exchange. It is a trade between two parties that involves at least two things of value, agreed-upon conditions, a time of agreement and a place of agreement.

Building strong relationships is becoming critical. Marketers nowadays want to retain customers and grow their business.
Customer Relationship Manager (CRM) is the overall process of building and maintaining profitable relationships by delivering superior customer value and satisfaction.
Some examples of CRM tools are frequency marketing programs and club marketing programs.

Markets

The set of actual and potential buyers for a good or service.
The market represents the overall potential market.
  ➢ The actual market size depends on the number of people who share their need, have resources and authority to exchange and who are willing to offer these resources in exchange for what they want.
  ➢ The actual market size will determine the product demand level.
  ➢ Effective marketing can increase product attractiveness and hence increase product demand.

Marketing Philosophies

1. Production Philosophy
   o Consumers favour products that are available and highly affordable.
   o Firms should then focus on improving production and distribution efficiency.

2. Product Philosophy
   o Consumers favour products that offer the most in quality, performance and innovative features.
   o Firms should then focus on making continuous product improvement.

3. Selling Philosophy
   o Consumers won’t buy enough unless the firm undertakes a large-scale promotion effort to persuade people to buy.
   o Takes an inside-out approach by selling what the company makes.
4. **Marketing Philosophy**
   - Firms can achieve their goals if they know the needs and wants of their target markets and can deliver the desired satisfaction better than their competitors can.
   - Focus on customers and delivering what they want.
   - Takes an outside-in approach by making what customers want.

5. **Societal Marketing Philosophy**
   - Marketing strategy should deliver value to customers in a way that maintains or improves both consumer’s and society’s well-being,
   - Socially and environmentally marketing that meets the present needs of consumers and businesses whilst also preserving and enhancing the ability of future generations to meet their needs.
   - Focus is on impact on all stakeholders, company, customers and society.

**What is the Marketing Environment?**

*The forces outside marketing that affect marketing management’s ability to develop and maintain successful transaction with its target market.*

There are two major components of the marketing environment:

1. **The Microenvironment**
   - Forces close to the company including the organisation, suppliers, marketing channels, firms, customer markets, competitors and the public.

2. **The Macroenvironment**
   - The larger societal forces that affect the whole microenvironment including demographic, economic, natural, technological, political and cultural forces.

**Why is the marketing environment important?**

The marketing environment has a significant impact on the organisation’s strategy, operations, positioning, success and marketing program.

- The marketing environment can change rapidly
  - (Global financial crisis, changes in government policy, natural disasters, terrorist acts)
- The marketing environment can be unpredictable
  - (Contaminated powdered milk in China, death of CEO, changing exchange rates)
- The marketing environment can offer opportunity
  - (Investment opportunities locally and overseas, new technology innovation)
Developing Marketing Information

The challenge here is to find the right information that can be transferred into customer insights useful for decision makers.

Information can be collected from:
- Internal Data
- Marketing Intelligence
- Marketing Research

Internal Data
Electronic collections of consumer and market information obtained from data sources within the company network, such as:
- Customer demographics, sales transactions, website visits
- Customer satisfaction, service problems, complaints
- Production schedules, shipments, inventories
- Financial statements, sales report
- Reseller reactions, competitor activities

Such information can be used to evaluate marketing performance, to detect marketing problems and opportunities, and plan programs.

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<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td>- Quick Access</td>
<td>- Incomplete information as it was collected for other purposes</td>
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<tr>
<td>- Cheap to Acquire</td>
<td>- Need further refinement as the format might not match the requirement</td>
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<td>- Data ages quickly and storing it properly requires effort</td>
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Marketing Intelligence
The systematic collection and analysis of publicly available information about competitors and developments in the marketing environment.

Aim is to improve strategic decision making by understanding the consumer environment, assessing and tracking competitors’ actions and providing early warnings of opportunities and threats.

Sources of marketing intelligence:
- Actors in the microenvironment
- Trade shows
- Company reports, websites
- Commercial market service companies
- Media
**Marketing Research**

Formal studies for specific marketing situations. It is the function that links the consumer, customer and public to the marketer through information used to:

- Identify and define marketing opportunities and problems
- Generate, refine and evaluate marketing actions
- Monitor marketing performance
- Improve understanding of the marketing process

**Analysing and Using Information**

All data needs to be turned into useable information on which marketing decisions can be made.

Analysed by managers or specific analysts in the organisation. This process may include advanced statistical analysis to help learn more about relationships within a data set and their statistical reliability. It applies mathematical models to answer questions such as what if? and which is best?

Nowadays, smart companies capture information with every customer interaction. Information is usually widely scattered across separate databases, thus Customer Relationship Management (CRM) tools use sophisticated software to integrate data into a central location, and then analyse in depth using data mining.

**Distributing and Using Information**

*The right information, at the right time, in the right format, to the right people is needed.*

The MIS must make information readily available to managers and others who need it.

**Marketing Research**

Marketing research gathers information to aid decision making – it does not make the decision.

The key role of marketing research is in initially defining and specifying information required.

Marketing research is expensive and time consuming, and does not guarantee success as good research can still result in bad decisions.
Types of Data

- **Secondary Data**
  Information already exists somewhere. The information has been collected for other purposes, internal or external to the organisation.

- **Primary Data**
  Information collected for the current research purpose.

In general, secondary data can be obtained more quickly and cheaper than primary data.

**Secondary Data VS Primary Data**
Always start with evaluating secondary data and proceed to collection of primary data only when secondary data becomes exhausted or yields marginal returns.

Both Secondary and Primary Data need to be:
- Relevant – fits the research project need
- Accurate – reliably collected and reported
- Current – up to date for current decisions
- Impartial – objectively collected and reported

Research Methods

- **Observational Research (qualitative research)**
  Gathering primary data by observing relevant people, actions and situations.
  - Ethnographic – A form of observational research where a trained observer watches and interacts with consumers in their natural environments.
  - Webnograhic – Observing consumers in a natural context on the Internet.

- **Survey Research (quantitative research)**
  Gathering primary data by asking people questions about their knowledge, attitudes, preferences and buying behaviour. It is best suited for collecting descriptive information.
  Survey questions can be direct and indirect. Surveys are flexible, quick and have low costs, but have a high risk of a low response rate.

- **Experimental Research (quantitative research)**
  Gathering primary data by selecting matched groups of subjects, giving them different treatments, controlling unrelated factors, and checking for differences in group responses.
  Best suited for collecting causal information, one variable causes values of other variable.