

## Frameworks and Models for Customer-Based Strategy<sup>1</sup>

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In 2013, the American Marketing Association approved the following definition of Marketing:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Over the years, many frameworks have been developed to understand the concept and practice of marketing. They are used in marketing textbooks, by practicing managers, and in marketing scholarship. This article reviews the different frameworks so that the readers can understand their basics.

### MARKETING MIX: 4-P'S

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services than it is for products, especially in the online era. Thus, distribution of digital content has changed remarkably due to online streaming.

**Figure 1: Marketing Mix Framework**



Source: <http://www.relativemarketing.co.uk/wp-content/uploads/2015/08/the-marketing-mix.jpg>

The relative pros and cons of using this approach are described below.



### SITUATION ANALYSIS: 5-C'S

Marketing activities occur in a context described along five specific dimensions summarized in Figure 2.



## STP: SEGMENTATION, TARGETING, AND POSITIONING

This is a three-step process as follows:

**Segmentation**  
The first step in the STP process is segmentation. This involves dividing the market into distinct groups of consumers that have similar needs, characteristics, or behaviors. The goal is to identify homogeneous groups of consumers that can be targeted with a specific marketing strategy. There are several ways to segment a market, including demographic, geographic, psychographic, and behavioral segmentation. Each method provides a different perspective on how consumers are grouped, allowing marketers to tailor their messaging and offerings to specific segments.

**Targeting**  
Once the market has been segmented, the next step is targeting. This involves evaluating the attractiveness of each segment and selecting one or more segments to focus on. Marketers consider factors such as the size of the segment, its growth potential, and the intensity of competition. The goal is to identify the most profitable and sustainable segments to target. This step is crucial for ensuring that marketing resources are allocated effectively to reach the right audience.

- 1. Identify the segments
- 2. Evaluate the segments
- 3. Select the segments

**Table 4: Positioning Table for an MBA Program**

Competitor	Strengths	Weaknesses
Competitor A	Strong brand reputation, extensive alumni network, and high placement rates.	High tuition fees and a less diverse curriculum.
Competitor B	Strong focus on experiential learning and industry connections.	Smaller class sizes and limited international opportunities.
Competitor C	Strong emphasis on research and innovation in business.	Higher emphasis on academic rigor and less focus on practical skills.
Competitor D	Strong focus on leadership development and networking.	Higher tuition and less emphasis on core business fundamentals.

**Strategic Positioning Statement**

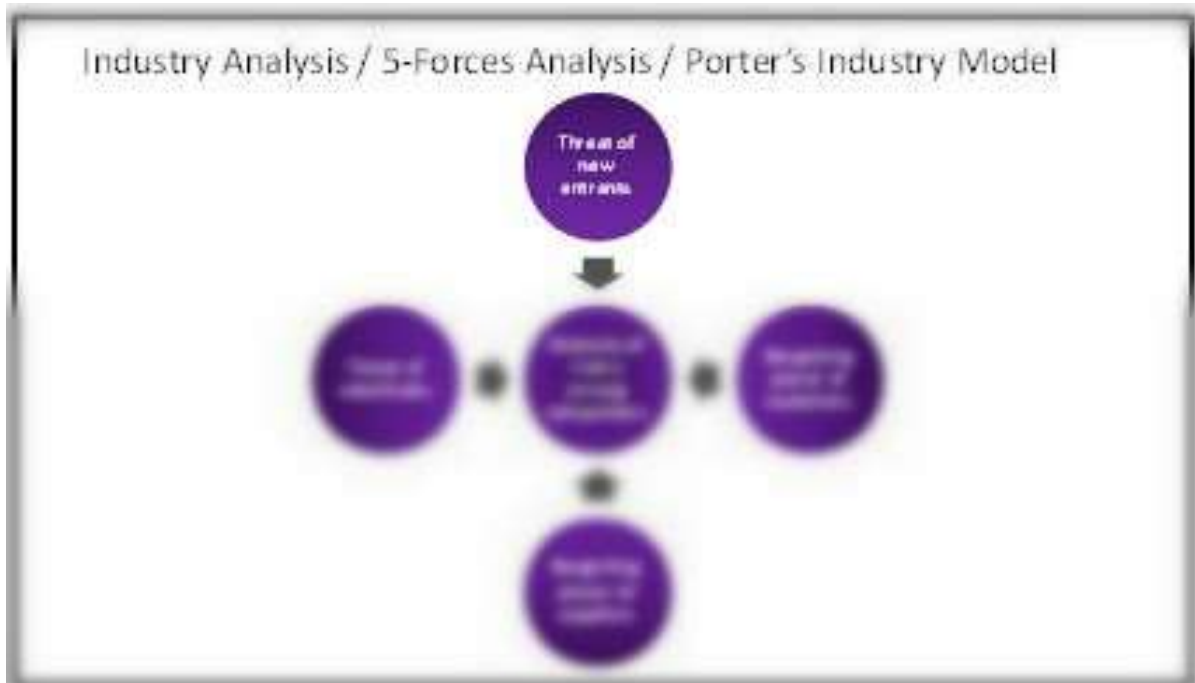
Strategic Positioning Statement	Key Differentiators
Our MBA program is the only one in the region that offers a unique blend of experiential learning, industry connections, and a strong focus on leadership development, all while maintaining a high level of academic rigor.	<ul style="list-style-type: none"> <li>Industry partnerships and internships</li> <li>Experiential learning opportunities</li> <li>Strong focus on leadership development</li> <li>High academic standards and research opportunities</li> <li>Small class sizes and personalized attention</li> <li>Strong alumni network and career support</li> <li>International exchange programs</li> <li>State-of-the-art facilities and resources</li> </ul>

## INDUSTRY ANALYSIS

Also known as Porter's 5-forces model, an industry analysis is designed to provide a static overview (i.e., snapshot) of an industry.



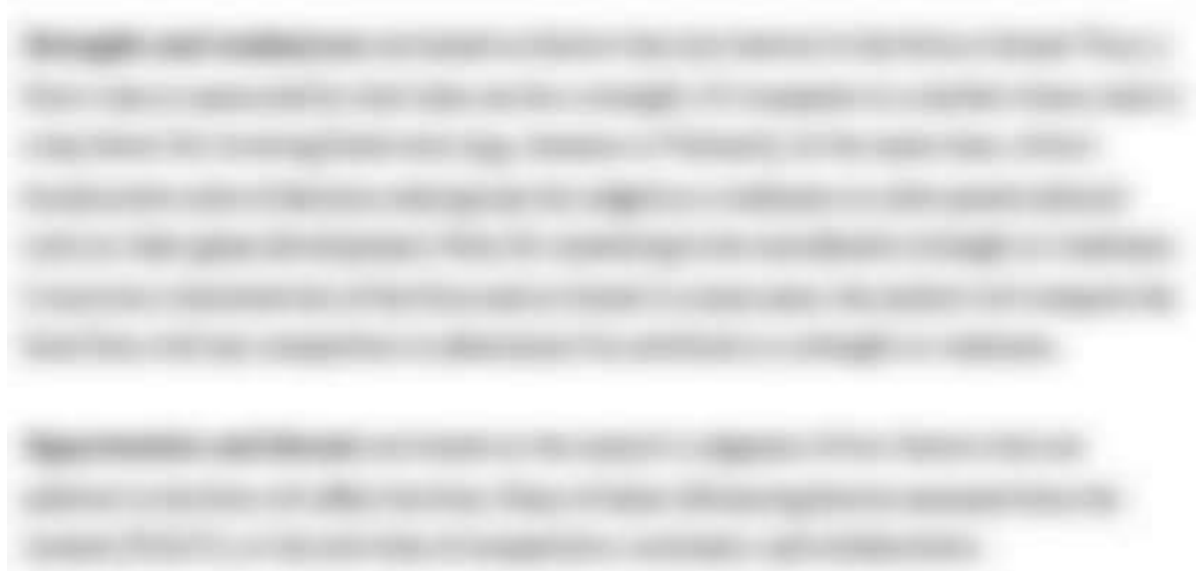
**Figure 2: Industry Analysis**



**Table 6: Elements of Industry Analysis**

ELEMENT	DESCRIPTION
Market Structure	<ul style="list-style-type: none"> <li>Number and size of firms</li> <li>Barriers to entry</li> <li>Portability of capital</li> <li>Scale economies</li> <li>Product differentiation</li> <li>Vertical integration</li> <li>Horizontal integration</li> <li>Government intervention</li> </ul>
Market Power	<ul style="list-style-type: none"> <li>Market concentration</li> <li>Market power of individual firms</li> <li>Market power of the industry</li> <li>Market power of the government</li> <li>Market power of the consumer</li> <li>Market power of the supplier</li> <li>Market power of the distributor</li> <li>Market power of the retailer</li> <li>Market power of the wholesaler</li> <li>Market power of the manufacturer</li> </ul>
Market Dynamics	<ul style="list-style-type: none"> <li>Market growth</li> <li>Market decline</li> <li>Market stability</li> <li>Market volatility</li> <li>Market uncertainty</li> <li>Market risk</li> <li>Market opportunity</li> <li>Market challenge</li> <li>Market threat</li> <li>Market advantage</li> </ul>
Market Performance	<ul style="list-style-type: none"> <li>Market efficiency</li> <li>Market effectiveness</li> <li>Market productivity</li> <li>Market quality</li> <li>Market quantity</li> <li>Market value</li> <li>Market price</li> <li>Market cost</li> <li>Market revenue</li> <li>Market profit</li> </ul>

## Table 7: Evaluation of Industry Analysis



The content of Table 7 is heavily blurred and illegible. It appears to be a table with multiple rows and columns, possibly detailing various aspects of industry analysis evaluation.

### **S-W-O-T: STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS**

This analysis is used to understand a firm's or brand's position relative to peers. In this framework, the analyst takes different elements such as firm characteristics, customer attributes, and aspects of the environment and classifies each of them in one of the four categories—strength, weakness, opportunity, threat—based on the analyst's judgment. The judgment may be based on objective information or subjective assessment.



The content of this table is also heavily blurred and illegible. It likely represents a structured analysis or a list of items related to the S-W-O-T framework.



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### **CUSTOMER LIFETIME VALUE (CLV)**

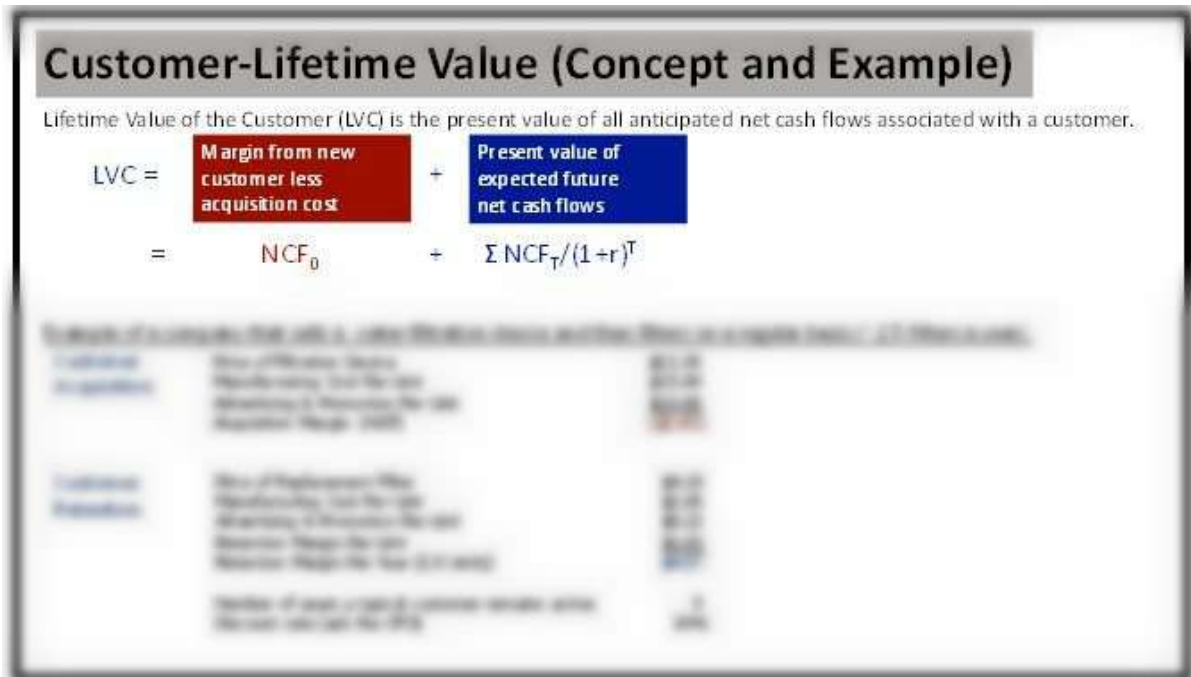
CLV is a framework for measuring the total net profits from a customer over the lifetime of a customer's relationship with a firm. Firms view each customer as an asset with association acquisition costs and net revenues.

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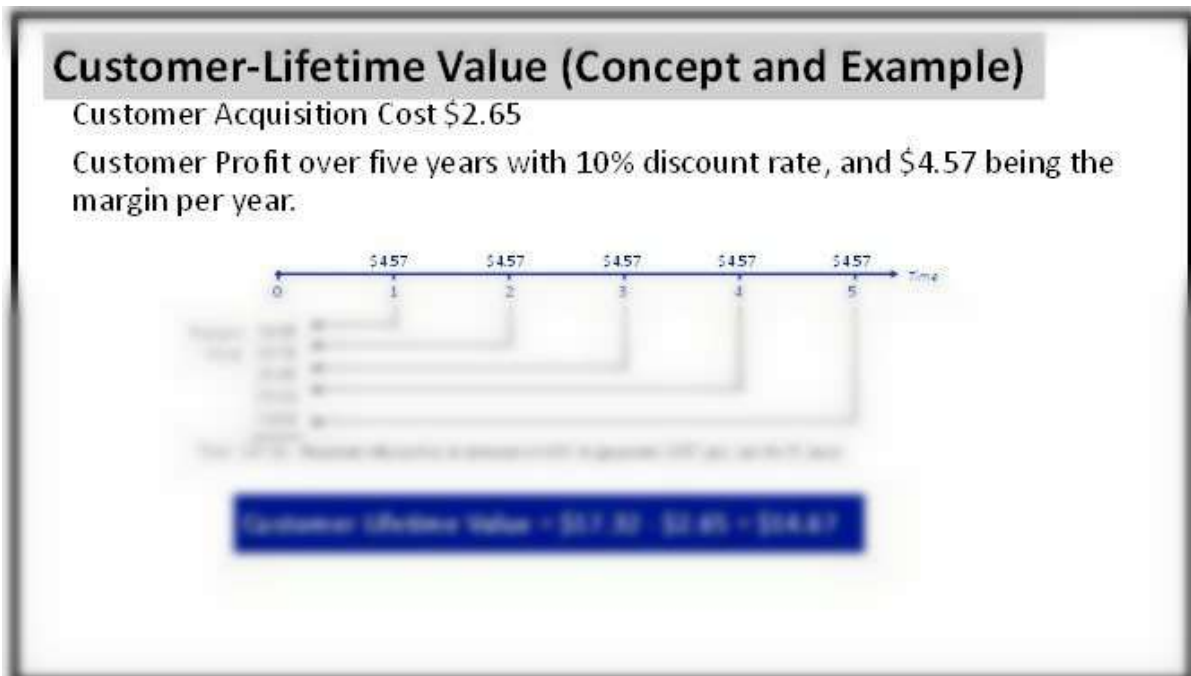
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**Figure 3a: Customer Lifetime Value Analysis**



**Figure 3b: Customer Lifetime Value Analysis**



## FINAICAL BREAK-EVEN

A breakeven analysis is designed to provide basic guidance about the scale at which the firm becomes profitable. We illustrate it using the example of a bakery:

**Revenue** This represents the total sales (not of any one product) generated by the business. Suppose the bakery averages 20 loaves a day, with an average retail price of \$10, and is open 300 days a year. Thus the monthly revenue (assuming a month is roughly one-third of a year) can be calculated as:

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$$\text{Revenue} = 20 \text{ loaves} \times \$10 \times 300 \text{ days} = \$1,000$$

**Variable cost** This cost is related to each unit sold by the bakery, such as baking supplies. In this context, these are categorized as *cost of goods sold (COGS)*. For the hypothetical bakery, we can assume that the cost for each loaf is \$0.50, or 50%.

$$\text{Variable cost} = 20 \text{ loaves} \times \$0.50 \times 300 \text{ days} = \$3,000$$

**Margin per unit** The margin per unit is the amount remaining to cover the fixed costs after the variable costs are paid for.

$$\text{Margin per unit} = \text{Revenue} - \text{Variable cost}$$

$$\text{Margin per unit} = \$10 - \$0.50 = \$9.50$$

Using the numbers above we answer some key questions:

**What is the breakeven volume?** The breakeven represents the point where the margin per unit covers the fixed costs. At this point the bakery is covering its fixed overhead long-term. This can be calculated as:

$$\text{Breakeven volume} = \frac{\text{Fixed Costs}}{\text{Margin per unit}}$$

$$= \frac{\$3,000}{\$9.50} = 316 \text{ units}$$

$$\text{Breakeven sales} = 316 \text{ units} \times \$10 \text{ per loaf} = \$3,160$$

By selling to more than 1,072 customers or having monthly sales of \$10,720 the bakery can break even. The bakery can answer additional questions such as:

- How many additional units should be sold, if fixed costs such as rent rose by \$1,000 per month?
- If the bakery introduced new products such that the average ticket price rose to \$ 12, how much additional could it make?

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### SATISFACTION-PROFIT-CHAIN (SPC)

The satisfaction-profit-chain is a basic framework with five linkages:

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cumulative evaluation of the entirety of experience with the company. As such, overall satisfaction should predict a variety of customer behaviors such as retention, word-of-mouth, and recommendation.

**Customer intentions and behaviors:** Customers who are more satisfied at the overall level, should be more likely to stay with the company (retention), more likely to recommend it, and more likely to engage in positive word-of-mouth. In other words, higher overall satisfaction leads to more favorable customer behaviors.

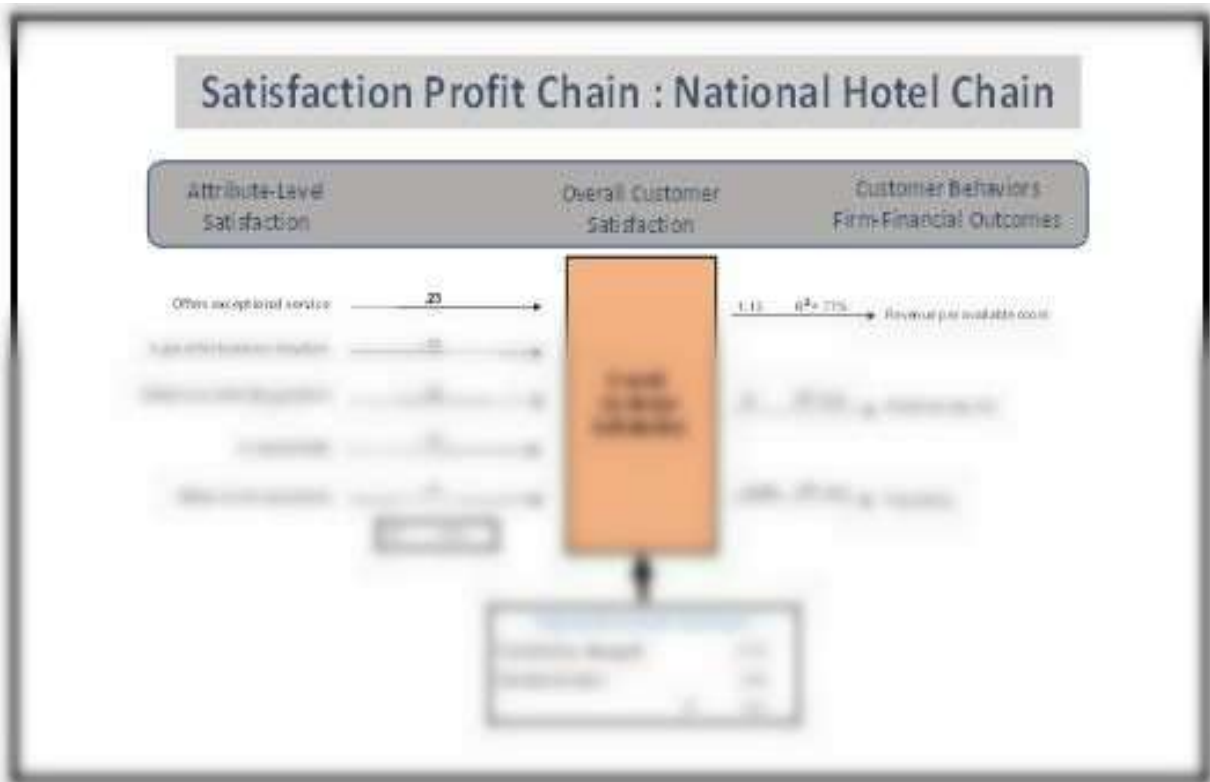
**Firm financial outcomes:** If customers are more loyal, engage in more positive word of mouth, repurchase more, and so forth then the company should witness positive financial outcomes such as higher sales, better margins, and increased stock price.

The chain is shown in Figure 4. To develop a SPC, companies measure attributer-performance perceptions, overall customer satisfaction, and their behaviors. These can then be linked to actual operational investments and firm-outcomes. These linkages comprise the satisfaction profit chain. The idea is that companies can create a recurring system to enhance financial outcomes by satisfying the right customers. Figure 5 shows an example for a national hotel chain. The client used an SPC to quantify key relationships, and used the insights to make operational investments in a way that align with customer satisfaction.

**Figure 4: Satisfaction Profit Chain**



**Figure 5: Satisfaction Profit Chain for a Hotel Chain**



As seen in Figure 5, there are five specific attributes that are important drivers of overall satisfaction. Improving performance on these attributes enhances overall customer satisfaction. Overall satisfaction is further related to specific financial outcomes, most notably RevPar (revenue per available room). This can be used to develop a financial model for the SPC.



Table 1: Key Performance Indicators (KPIs) for Customer Satisfaction

Attribute	Measurement Method
Room Cleanliness	Visual inspection, guest feedback
Staff Friendliness	Guest surveys, mystery shopper
Room Comfort	Temperature logs, guest feedback
Room Size	Room dimensions, guest feedback
Room View	Guest feedback, photo analysis

These KPIs are used to monitor and improve customer satisfaction. The data is used to identify areas for improvement and to track progress over time. The overall goal is to enhance the guest experience and increase RevPar.

## Outline

- 1. Introduction
- 2. The Management of Marketing Costs: A Review of the Literature (1980-2000)
- 3. The Evolution of Marketing Cost Management: From Accounting to Strategic Marketing Cost Management and the Marketing Management System (1980-2000)
- 4. The Evolution of Marketing Cost Management: From Accounting to Strategic Marketing Cost Management and the Marketing Management System (2000-2010)
- 5. The Evolution of Marketing Cost Management: From Accounting to Strategic Marketing Cost Management and the Marketing Management System (2010-2020)
- 6. The Evolution of Marketing Cost Management: From Accounting to Strategic Marketing Cost Management and the Marketing Management System (2020-2030)
- 7. The Evolution of Marketing Cost Management: From Accounting to Strategic Marketing Cost Management and the Marketing Management System (2030-2040)
- 8. The Evolution of Marketing Cost Management: From Accounting to Strategic Marketing Cost Management and the Marketing Management System (2040-2050)