Frameworks and Models for Customer-Based Strategy[1]

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

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:

Table 4: Positioning Table for an MBA Program

INUSTRY 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

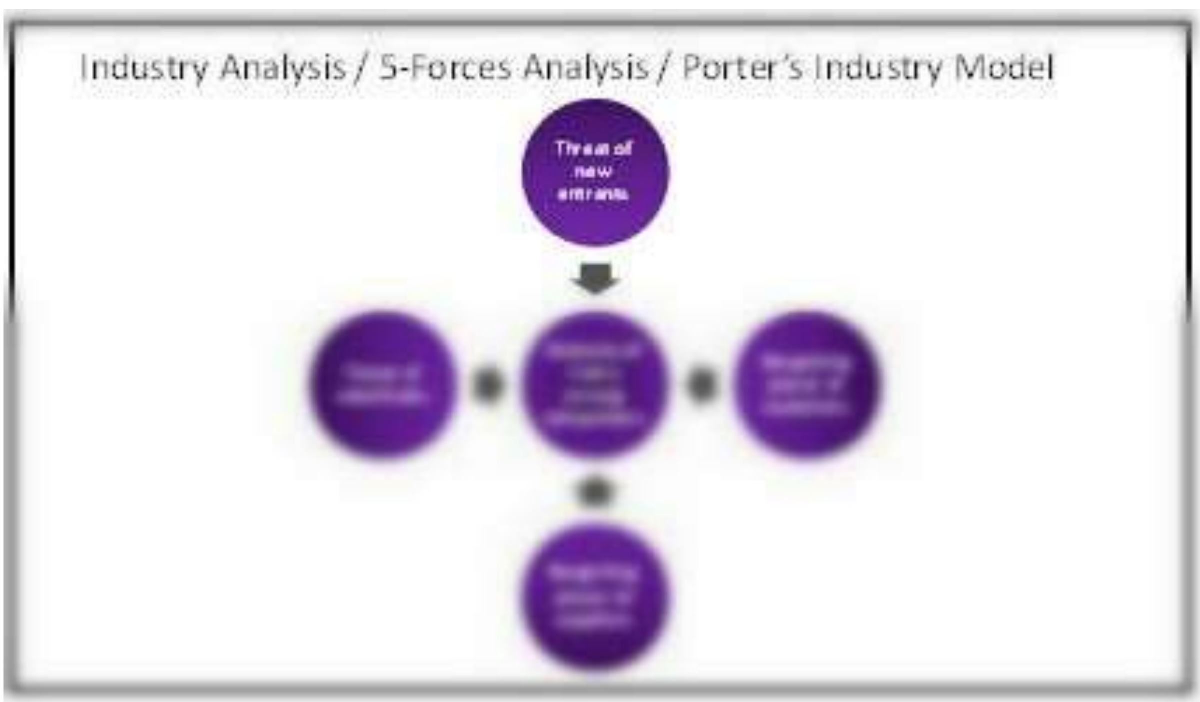

Table 6: Elements of Industry Analysis

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[illegible]	[illegible]
[illegible]	[illegible]
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Table 7: Evaluation of Industry Analysis

S-W-O-T: STRENGHTS, 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.

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.

Figure 3a: Customer Lifetime Value Analysis

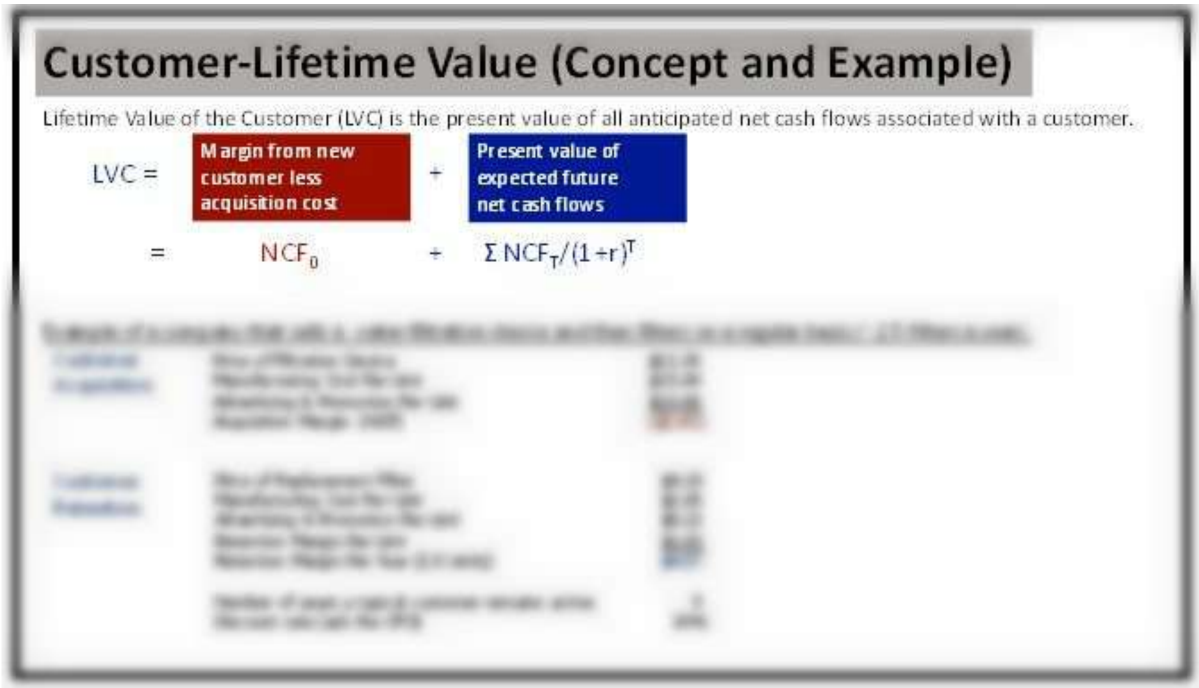
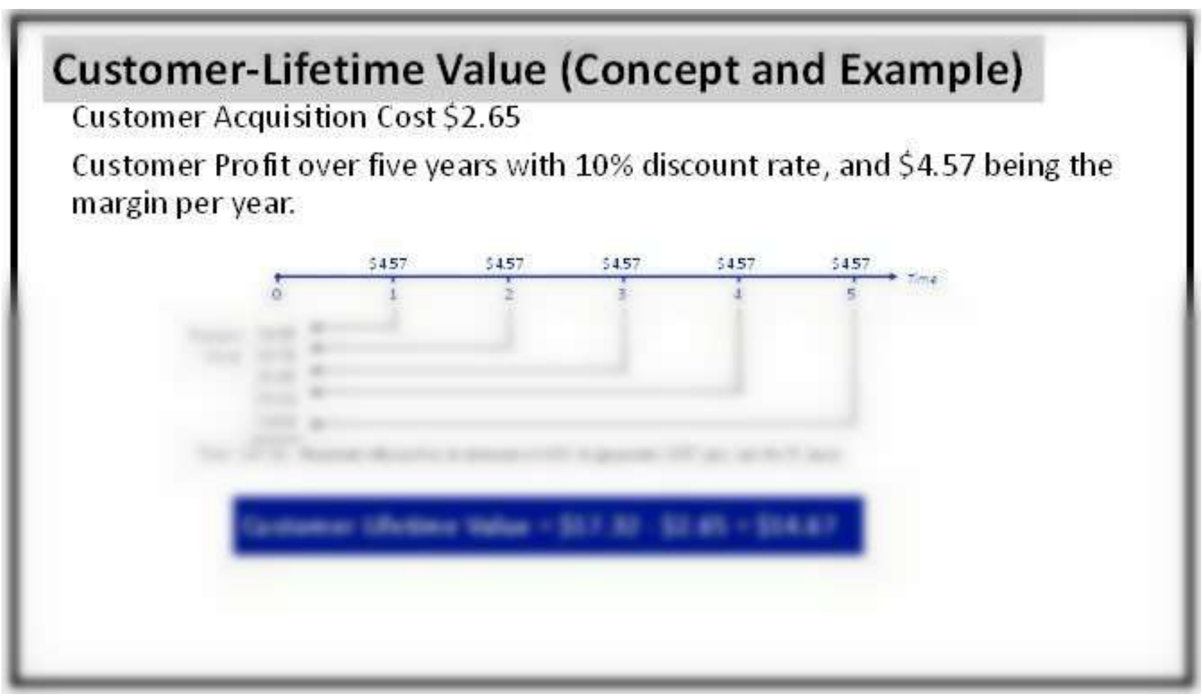


Figure 3b: Customer Lifetime Value Analysis



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:

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?

SATISFACTION-PROFIT-CHAIN (SPC)

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

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.