**Module 1: The Marketing Management Process**

**1.1: What are Marketing Decisions important?**

* A strong customer focus and well-conceived and executed marketing strategies will be even more crucial for the success of most organizations as the global marketplace becomes more crowded and competitive.
* Marketing attempts to measure and anticipate the needs and wants of a group of customers and respond with a flow of need-satisfying goods and services. Accomplishing this require the firm to:

🡪 Target those customer groups whose needs are most consistent with the firm’s resources and capabilities.

🡪 Develop products and/or services that meet the needs of the target market better than competitors.

🡪 Make its products and services readily available to potential customers.

🡪 Develop customer awareness and appreciation of the value provided by the company’s offerings.

🡪 Obtain feedback from the market as a basis for continuing improvement in the firm’s offerings.

🡪 Work to build long-term relationships with satisfied and loyal customers.

* The most important characteristic of marketing as a business function is to focus on customers and their needs. This is a focus that all manager- not just marketers – need to adopt to ensure their organizations can build and sustain a healthy “ top line”.

**What is the importance of the Top line?**

* In the financial markets it is a company’s bottom line- its profitability- that is most important. In the long run, all firms must make a profit to survive.
* A customer focus enables firms to enjoy success by exploiting changes in the marketplace, by developing products and services that have superiority over what is currently available, and by taking a more focused and integrated cross-functional approach to their overall operations.

**1.2 Marketing Creates Value by Facilitating Exchange Relationships**

* **Marketing:** is a social process involving the activities necessary to enable individuals and organizations to obtain what they need and want through exchanges with others and to develop ongoing exchange relationships.
* Increased division and specialization of labor are some of the most important changes that occur as societies move from a primitive economy toward higher levels of economic development. But while increased specialization helps improve a society’s overall standard of living, it leads to a different problem: Specialists are no longer self-sufficient. Artisans who specialize in making pots become very skilled and efficient at pot making, producing a surplus of pots, but they do not make any of the many other goods and services they need to survive and to improve their lifestyle.
* A society cannot reap the full benefits of specialization until it develops the means to facilitate the trade and exchange of surpluses among its members. Similarly, a nation cannot partake of the full range of goods and services available around the world or penetrate all potential markets for the economic output of its citizens unless exchanges can occur across national boundaries.

**What factors are necessary for a successful exchange relationship?**

* Many exchanges are necessary for people and organizations to reap the benefits of the increased specialization and productivity that accompanies economic development. But such exchanges do not happen automatically, nor does every exchange necessarily lead to a mutually satisfying long-term relationship. The conditions for a successful exchange transaction can be met only after the parties themselves have performed several tasks.
* These include identifying potential exchange partners, developing offerings, communicating information, delivering products, and collecting payments. This is what marketing is all about.

**Who markets and who buys? The parties in an exchange**

* Virtually every organization and individual with a surplus of anything engages in marketing activity to identify, communicate, and negotiate with potential exchange partners.
* When considering extensive marketing efforts aimed at stimulating and facilitating exchange, we think first of the activities of goods manufacturers (Intel, BMW, Sony) , service producers (Air France, McDonald’s), and large retailers (Zara, Wal-Mart).
* Increasing competition, changing customer attitudes and demographics, and rising costs have caused many nonprofit organizations to look to more extensive marketing efforts to solve their problems.
* **Customers**

🡪 **Ultimate customer:** buy goods and services for their own personal use or the use of others in their immediate household. These are called **consumer goods and services.**

**🡪 Organization customers:** buy goods or services (1) for resale, (2) as inputs to the production of other goods or services, or (3) for use in the day-to-day operations of the organization. These are called **industrial goods and services.**

**Customer Needs and Wants**

* **Needs:** are the basic forces that drive customers to take action and engage in exchanges. An unsatisfied need is a gap between a person’s actual and desired states on some physical or psychological dimension.

🡪 We all have basic physical needs critical to our survival, such as food, drink, warmth, shelter, and sleep. We also have *social and emotional needs* critical to our psychological well being, such as security, belonging, love, esteem, and self-fulfillment.

🡪 Organizations also must satisfy needs to assure their survival and well-being. Shaped by the organization’s strategic objectives, these needs relate to the resource inputs, capital equipment, supplies, and services necessary to meet those objectives.

* **Wants:** reflect a person’s desires or preferences for specific ways of satisfying a basic need. Thus, a person wants particular products, brands, or services to satisfy a need.
* Basic needs are relatively few, but people’s many wants are shaped by social influences, their past history, and consumption experiences. Different people may have very different wants to satisfy the same need. Everyone needs to keep warm on cold winter nights, for instance. But some people want electric blankets, while others prefer old-fashioned down comforters.
* This distinction between needs and wants helps put into perspective the charge that “marketers create needs”, or that “marketers make people want things they don’t need”. Neither marketers nor any other single social force can create needs deriving from the biological or emotional imperatives of human nature. On the other hand, marketers influence people’s wants.
* A major part of a marketer’s job is to develop a new product or service and then to stimulate customer wants for it by convincing people it can help them better satisfy one or more of their needs.

**Do customers always know what they want?**

* Some managers – particularly in high-tech firms – question whether a strong focus on customer needs and wants is always a good thing. They argue that customers cannot always articulate their needs and wants, in part because they do not know what kinds of products or services are technically possible.
* Others have pointed out that some very successful new products, such as the Chrysler minivan and Compaq’s pioneering PC network server, were developed with little or no market research. On the other hand, some famous duds, like Ford’s Edsel, New Coke, and McDonald’s McLean low-fat hamburger, were developed with a great deal of customer input
* The laws of probability dictate that some new products will succeed and more will fail regardless of how much is spent on marketing research. But the critics of a strong customer focus argue that paying too much attention to customer needs and wants can stifle innovation and lead firms to produce nothing but marginal improvements or line extensions of products and services that already exist. How do marketers respond to this charge?
* While many consumers may lack the technical sophistication necessary to articulate their needs or wants for cutting-edge technical innovations, the same is not true for industrial purchasers. About half of all manufactured goods in most countries are sold to other organizations rather than individual consumers. Many high-tech industrial products are initiated at the urging of one or more major customers, developed with their cooperation.
* As for consumer markets, one way to resolve the conflict between the views of technologists and marketers is to consider the two components of R&D.

🡪 First there is basic research and then there is development – the conversion of technical concepts into actual saleable products or services. Most consumers have little knowledge of scientific advancements and emerging technologies. Therefore, they usually don’t – and probably shouldn’t – play a role in influencing how firms allocate their basic research dollars.

🡪 Someone with the organization must either have the insight and market experience or the substantial customer input necessary to decide what product to develop for a new technology, what benefits it will offer to customers, and whether customers will value those benefits sufficiently to make the product of a commercial success.

* A new technology must be developed into a concrete product concept before consumers can react to it and its commercial potential can be assessed. In other cases, consumers can express their needs or wants for specific benefits even though they do not know what is technically feasible. They can tell you what problems they are having with current products and services and what additional benefits they would like from new ones.
* A strong customer focus is not inconsistent with the development of technically innovative products, nor does it condemn a firm to concentrate on satisfying only current, articulated customer wants. More important, while firms can sometimes succeed in the short run even though they ignore customer desires, a strong customer focus usually pays big dividends in terms of market share and profit over the long haul.

**What gets exchanged? Good and services.**

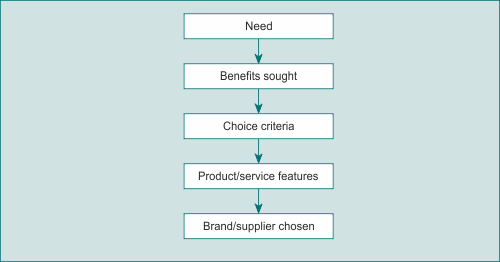
* Goods and services help satisfy a customer’s need when they are acquired, used, or consumed.
* **Products:** are defined broadly in this course to include both, goods and services that help satisfy a customer’s need when they are acquired, used, or consumed.
* **Goods:** are tangible physical objects (such as cars, watches, and computers) that provide a benefit.
* **Services:** are less tangible and in addition to being provided by physical objects, can be provided by people (doctors, lawyers, architects), institutions, places (Walt Disney), and activities ( a contest or a stop-smoking programme).

**How Exchanges create value**

* **Customers Buy Benefits, Not Products**

🡪 When people buy products to satisfy their needs, they are really buying **benefits** they believe the products provide, rather than the products itself.

🡪 The specific benefits sought vary among customers depending on the needs to be satisfied and the situations where products are used. Because different customers seek different benefits, they use different choice criteria and attach different importance to product features when choosing models and brands within a products category. As shown in the diagram (customers buy benefits, not products).



🡪 Services offered by the seller can also create benefits for customers by helping them reduce their costs, obtain desired products more quickly, or use those products more effectively. Such services are particularly important for satisfying organizational buyers.

* **Product Benefits, Service, and Price determine value**

🡪 A customer’s estimate of a product’s or service’s benefits and capacity to satisfy specific needs and wants determines the value he or she will attach to it. Generally, after comparing alternative products, brands, or suppliers, customers choose those they think provide the most need-satisfying benefits per dollar. Thus, **value** is a function of intrinsic product features, service, and price, and it means different things to different people.

🡪 A customer’s ultimate *satisfaction* with a purchase, then, depends on whether the product actually lives up to expectations and delivers the anticipated benefits. This is why customer services – particularly those occurring *after* a sale, such as delivery, installation, operating instruction, and repair – are often critical for maintaining satisfied customers.

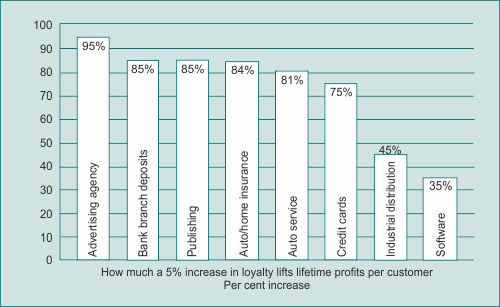
🡪 It is essential that companies handle customer complaints effectively. The average business never hears from 96 per cent of its dissatisfied customers. This is unfortunate, for 50 per cent of those who complain say they would do business with the company again if their complaints were handled satisfactorily – 95 per cent if the complaints were resolved quickly.

* **The value of Long- Term Customer Relationships**

🡪As global markets have become increasingly competitive and volatile, many firms have turned their attention to building a continuing long-term *relationship* between the organization and the customer. They are taking action to increase **lifetime customer value** – the present value of a stream of revenue that can be produced by a customer over time.

🡪 It costs more to attract a new customer than to keep an existing one. To persuade a customer to leave a competitor and buy your product or service instead usually takes either a financial inducement (a lower price or special promotional deal) or an extensive and convincing communication programme (advertising or sales force effort), all of which are costly.

🡪 The increased loyalty that comes through developing long-term customer relationships translates into higher profits. [Exhibit 1.3](http://coursewebsites.ebsglobal.net/CourseContent/H17MK/textpages/mk01-bk-en_02.html#exhibit_mae0103) shows how much a 5 per cent improvement in customer loyalty is estimated to increase the lifetime profits per customer in a variety of goods and service industries.



**Defining A Market**

* **Market:** consists of (a) *individuals and organizations* who (b) are *interested and willing* to buy a particular product to obtain benefits that will satisfy a specific need or want, and who (c) have the *resources (time, money)* to engage in such a transaction.
* **Market segments**: a market where each *segment* contains people who are relatively homogeneous in their needs, their wants, and the product benefits they seek. Also, each segment seeks a different set of benefits from the same product category.
* Strategic marketing management involves a seller trying to determine the following points in an effort to define the target market:

1. Which customer needs and wants are currently not being satisfied by competitive product offerings.
2. How desired benefits and choice criteria vary among potential customers and how to identify the resulting segments by demographic variables such as age, sex, lifestyle, or some other characteristics.
3. Which segments to target, and which product offerings and marketing programmes appeal most to customers in those segments.
4. How to position the product to differentiate it from competitors’ offerings and give the firm a sustainable competitive advantage.

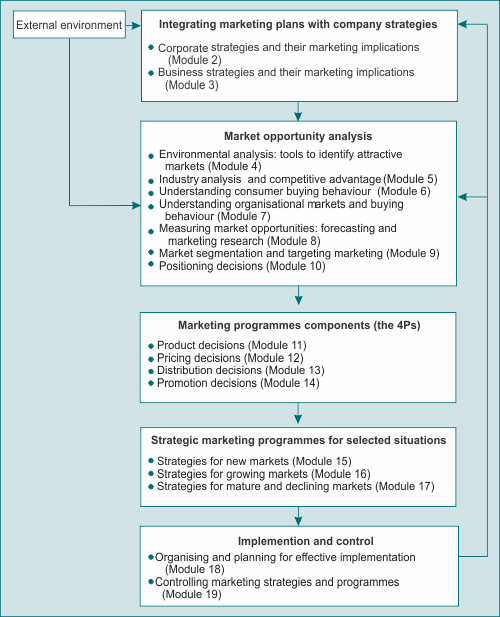
**1.3: What Does Effective Marketing practice Look Like?**

* Exchange transactions – and particularly long-term relationships – do not happen automatically. They are the result of many decisions that must be planned and carried out by somebody. Sometimes a single organization has the necessary resources to plan and execute an entire marketing strategy by itself. Usually, though, a firm’s marketing programme involves cooperative efforts from a network of more specialized institutions: suppliers, wholesalers, retailers, advertising agencies, and the like.

**Marketing Management- A Definition**

* **Marketing management:** is the process of analyzing, planning, implementing, coordinating, and controlling programmes involving the conception, pricing, promotion, and distribution of goods, services, and ideas designed to create and maintain beneficial exchanges with target markets for the purpose of achieving organizational objectives.
* [Exhibit 1.4](http://coursewebsites.ebsglobal.net/CourseContent/H17MK/textpages/mk01-bk-en_03.html#exhibit_mae0104) diagrams the major decisions and activities involved in the marketing management process, and it also serves as the organizational framework

be achievable

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* **A Decision-Making Focus**

**🡪** The framework has a distinct decision-making focus. Planning and executing an effective marketing programme involves many interrelated decisions about what to do, when to do it, and how.

* **Analyzing the 4Cs**

🡪 A substantial amount of analysis of customers, competitors, and the company itself occurs before decisions are made concerning specific components of the marketing programme.

🡪 The analysis necessary to provide the foundation for a good strategic marketing plan should focus on four elements of the overall environment that may influence a given strategy’s appropriateness and ultimate success:

(1) The ***company’****s* internal resources, capabilities, and strategies;

(2) The environmental ***contex****t* – such as broad social, economic, and technology trends – in which the firm will compete;

(3) The needs, wants, and characteristics of current and potential ***customers*;**

(4) The relative strengths and weaknesses of ***competitor****s* and trends in the competitive environment.

**Integrating Marketing Plans with the Company’s Strategies and Resources**

1. **Corporate strategy:** reflects the company’s mission and provides direction for decisions about what businesses it should pursue, how it should allocate its available resources, and its growth policies.
2. **Business- level (or competitive) strategy:** addresses how the business intends to compete in its industry.
3. **Marketing strategy:** Interrelated decisions about market segments, product line, advertising appeals and media, prices, and partnerships with suppliers, web portals, and fulfillment and transportation.

* A major part of the marketing manager’s job is to monitor and analyze customer’s needs and wants and the emerging opportunities and threats posed by competitors and trends in the external environment.
* Marketers often play a major role in providing inputs to corporate and business strategies.
* Marketing managers also bear the primary responsibility for formulating and implementing strategic marketing plans for individual product-market entries or product lines.
* The marketing objectives and strategy for a particular product-market entry must be achievable with the company’s available resources and capabilities and consistent with the direction and allocation of resources inherent in the firm’s corporate and business-level strategies.
* There should be a good fit- or internal consistency- among the elements of all three levels of strategy.

**Market Opportunity Analysis**

* A major factor in the success or failure of strategies at all three levels is whether the strategy elements are consistent with the realities of the firm’s external environment.
* **Environmental Analysis:**

**🡪** To understand potential opportunities and threats over the long term, marketers must first monitor and analyze broad trends in the economic and social environment. These include demographic, economic, technological, political/legal, and social/cultural developments.

* **Industry Analysis and Competitive Advantage:**

**🡪** The competitive and market environments of an industry are not static, but can change dramatically over time.

* **Customer Analysis:**

**🡪** The primary purpose of marketing activities is to facilitate and encourage exchange transactions with potential customers. One of a marketing manager’s major responsibilities is to analyze the motivations and behavior of present and potential customers.

* **Marketing Research and Market information**

🡪Marketing managers must obtain objective information about potential customers, the satisfaction and loyalty of current customers, the firm’s wholesale and retail partners, and the strengths and weaknesses of competitors.

🡪 If managers are to make informed decisions, however, research information must be converted into estimates of the sales volume and profit the firm might reasonably expect a particular marketing programme to generate within a given market segment.

* **Market Segmentation, Targeting, and Positioning Decisions**

**🡪** Not all customers with similar needs seek the same products or services to satisfy those needs. Their purchase decisions may be influenced by individual preferences personal characteristics, social circumstances, and so forth.

**🡪**customers who do purchase the same product may be motivated by different needs, seek different benefits from the product, rely on different sources for product information, and obtain the product from different distribution channels. Thus, one of the manager’s most crucial tasks is to divide customers into **market segments** – distinct subsets of people with similar needs, circumstances, and characteristics that lead them to respond in a similar way to a particular product or service offering or to a particular strategic marketing programme.

🡪 Finally, the manager must decide how to **position** the product or service offering within a target segment, that is , to design the product and its marketing programme so as to emphasize attributes and benefits that appeal to customers in the target segment and at once distinguish the company’s offering from those of competitors.

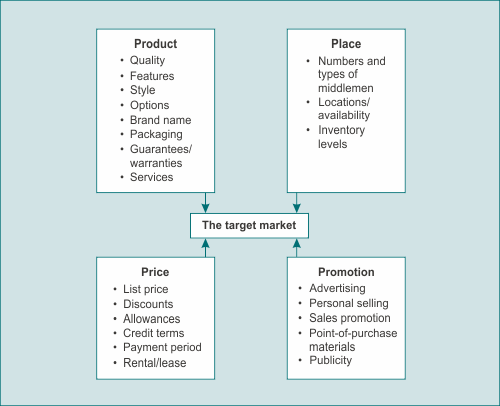
**Formulating Strategic Marketing Programs**

* **Marketing Programme Components:**

**🡪 (4 Ps or Marketing mix):** is the combination of controllable marketing variables that a manager uses to carry out a marketing strategy in pursuit of the firm’s objectives in a given target market.

**Product offering:** including breadth of the product line, quality levels, and customer services

1. **Price**
2. **Promotion:** advertising, sales promotion, and sales force decisions
3. **Place:** distribution channel decisions.



**Formulating Strategic Marketing Programs for Specific Situations:**

* The strategic marketing programme for a product should reflect market demand and the competitive situation within the target market. But demand and competitive conditions change over time as a product moves through its life cycle. Therefore, different marketing strategies are typically more appropriate and successful for different market conditions and at different life cycle stages.

**Implementation and Control of the Marketing Programme**

* This depends on whether the strategy is consistent with the resources, the organizational structure, the coordination and control systems, and the skills and experience of company personnel.
* Managers must design a strategy to fit the company’s existing resources, competencies, and procedures or try to construct new structures and systems to fit the chosen strategy.
* The final tasks in the marketing management process are determining whether the strategic marketing programme is meeting objectives and adjusting the programme when performance is disappointing. This evaluation and control process provides feedback to managers and serves as a basis for a market opportunity analysis in the next planning period.

**The Marketing Plan- A Blueprint for Action**

* **Marketing plan:** is a written document detailing the current situation with respect to customers, competitors, and external environment and providing guidelines for objectives, marketing actions, and resource allocations over the planning period for either an existing or a proposed product or service.
* Written plans are necessary in most larger organizations because a marketing manager’s proposals must usually be reviewed and approved at higher levels of management and because the approved plan provides the benchmark against which the manager’s performance will be judged.
* The discipline involved in producing a formal plan helps ensure that the proposed objectives, strategy, and marketing actions are based on rigorous analysis of the 4Cs and sound reasoning.
* There are three major parts to the plan:

1. First, the marketing manager details his or her assessment of the current situation. This is the homework portion of the plan where the manager summarizes the results of his or her analysis of current and potential customers, the company’s relative strengths and weaknesses, the competitive situation the major trends in the broader environment that may affect the product and for existing products, past performance outcomes.
2. The second part of the plan details the strategy for the coming period. This part usually starts by detailing the objectives (e.g., sales volume, market share, profits, customer satisfaction levels, etc.) to be achieved by the product or service during the planning period. It then outlines the overall marketing strategy, the actions associated with each of the 4Ps necessary to implement the strategy, and the timing and locus of responsibility for each action.
3. Finally, the plan details the financial and resource implications of the strategy and the controls to be employed to monitor the plan’s implementation and progress over the period. Some plans also specify some contingencies: how the plan will be modified if certain changes occur in the market, competitive, or

external environments.

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| **Section** | Content |
| 1. Executive Summary | Presents a short overview of the issues, objectives, strategy and act6ions incorporated in the plan and their expected outcomes for quick management review |
| 1. Current situation and trends | Summarizes relevant background information on the market, competition and the macro environment and trends therein, including size and growth rates for the overall market and key segments |
| 1. Performance review (for an existing product or service only) | Examines the past performance of the product and the elements of its marketing programme (e.g.: distribution, promotion, etc.) |
| 1. Key issues | Identifies the main opportunities and threats to the product that the plan must deal with in the coming year and the relative strengths and weaknesses of the product and business unit that must be taken into account in facing those issues. |
| 1. Objectives | Specifies the goals to be accomplished in terms of sales volume, market share and profit |
| 1. Marketing Strategy | Summarizes the overall strategic approach that will be used to meet the plan’s objectives |
| 1. Action Plans | This is the most critical section of the annual plan for helping to ensure effective implementation and coordination of activities across functional departments. It specifies:   * The target market to be pursued * What specific actions are to be taken with respect to each of the 4 Ps. * Who is responsible for each action * When the action will be engaged in * How much will be budgeted for each action |
| 1. Projected profit-and-loss statement | Presents the expected financial payoff from the plan |
| 1. Controls | Discusses how the plan’s progress will be monitored; may present contingency plans to be used if performance falls below expectations or the situation changes. |
| 1. Contingency plans | Describes actions to be taken if specific threats or opportunities materialize during the planning period. |

**1.4: Who Does What?**

**Marketing Institutions**

* **Vertical integration**: activities are performed by a single organization and its employees; in which, an internal control of the full range of marketing functions and activities are held.
* **Marketing channels or channels of distribution:** alliances or networks involving multiple institutions or middlemen. Each institution within the channel specializes in performing only a part of the activities or functions necessary to conduct exchanges with the end user.
* Marketing institutions fall into one of the following categories:
* **Merchant wholesalers** take title to the goods they sell and sell primarily to other resellers (retailers), industrial, and commercial customers, rather than to individual consumers.
* **Agent middlemen,** such as manufacturers representatives and brokers, also sell to other resellers and industrial commercial customers, but they do not take title to the goods they sell. They usually specialize in the selling function and represent client manufacturers on a commission basis.
* **Retailers** sell goods and services directly to final consumers for their personal non-business use.
* **Facilitating agencies,** such as advertising agencies, marketing research firms, collection agencies, railroads, and web portals, specialize in one or more marketing functions on a free-for- service basis to help their clients perform those functions more effectively and efficiently.

**Who Pays the Cost of Marketing Activities- and Are the Worth it?**

* The final selling price of the product reflects the costs of performing the activities necessary for exchange transactions. Those costs vary widely across different products and customers. They account for a relatively high proportion of the price of frequently purchased consumer package goods such as cereals and cosmetics.
* Extensive transportation, storage, and promotion activities facilitate the millions of consumer purchases that occur every year. On average, roughly 50 per cent of the retail price of such products is made up of marketing and distribution costs; one half represents retailer margins, and the other half the marketing expenses of the manufacturer and wholesale middlemen.
* Marketing costs for nontechnical industrial goods, such as sheet steel or basic chemicals, are much lower because they are sold in large quantities directly to a small number of regular customers.
* Though both individual and organizational customers pay for the marketing activities of manufacturers and their middlemen, they are still usually better off than if they were to undertake all the functions themselves. This is true for two reasons:
* First, the purchasing, storage, promotion, and selling activities of wholesalers and retailers allow customers to buy a wide variety of goods from a single source in one transaction, thereby increasing transactional efficiency.
* A second benefit of an extensive marketing system is that specialization of labor and economies of scale lead to functional efficiency. Manufacturers and their agents can perform the exchange activities more cheaply than can individual customers.

**Room for Improvement in Marketing Efficiency**

* There are some good reasons why marketing costs have increased in recent years, including the greater intensity of global competition, the rapid pace of technological change, the fragmentation of the communications media, and many other factors. Nevertheless, even modest improvements in marketing efficiency could produce dramatic cost reductions, increased profits, and improved customer value in many industries.

**The Role of the Marketing Decision Maker**

* While the marketing manager bears the primary responsibility for formulating and implementing a strategic marketing programme for a product or service, a single marketing manager (1) seldom does all the analysis or makes all the decisions involved in such plans all alone and (2) almost never has the formal authority to demand that all the activities specified in the plan be carried out by subordinates exactly as they are written down.

**1.5: Some Recent Developments Affecting Marketing Management**

* These developments include (1) the increased globalization of markets and competition, (2) the growth of the service sector of the economy and the importance of service in maintaining customer satisfaction and loyalty, (3) the rapid development of new information and communications technologies, and (4) the growing importance of relationships for improved coordination and increased efficiency of marketing programmes and for capturing a larger portion of customers’ lifetime value.

**Increased Importance of Service**

* **Service:** defined as any activity or benefit that one party can offer another that is essentially intangible and that does not result in the ownership of anything.
* Services are the fastest growing sector of most other developed economies around the world.

**Information Technology**

* First, new technologies are making it possible for firms to collect and analyze more detailed information about potential customers and their needs, preferences, and buying habits.
* A second impact of information technology has been to open new channels for communications and transactions between suppliers and customers.
* Exhibit 1.8 suggests, one simple way of categorizing these new channels is based on whether the suppliers and customers involved are organizations or individual consumers.

**EXHIBIT 1.8**

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|  | **Business** | **Consumer** |
| **Business** | **Business-to-Business (B2B)**  Examples:   * Purchasing sites of Ford, Oracle, Cisco * Supply chain network linking producers and distribution channel members, such as 3M and Wal-Mart | **Business-to-Consumer (B2C)**   * E-tailers, such as E\*trade, Amazon, RedEnvelope * Producers direct sales sites, such as Dell, British Airways * Websites of traditional retailers, such as Sears, Lands End |
| **Consumer** | **Consumer-to-Business (C2B)**   * Sites that enable consumers to bid on unsold airline tickets and other goods and services, such as Priceline | **Consumer-to-Consumer (C2C)**   * Auction sites, such as eBay, QXL |

* New information and communications technologies are enabling firms to gorge more cooperative and efficient relationships with their suppliers and distribution channel partners.
* The web is presenting marketers with new strategic options regardless of what or to whom they are selling. The changes being wrought by these new technologies are so extensive and profound.

**Relationships across Functions and Firms**

* New information technologies and the ongoing search for greater marketing efficiency and customer value in the face of increasing competition are changing the nature and customer value in the face of increasing competition are changing in the nature of exchange between companies. Instead of engaging in a discrete series of arm’s-length , adversarial exchanges with customers, channel members, and suppliers on the open market, more firms are trying to develop and nurture long0term relationships and alliances.
* Cooperative relationships are thought to improve each partner’s ability to adapt quickly to environmental changes or threats, to gain greater benefits at lower costs from its exchanges, and to increase the lifetime value of its customers.
* Similar kinds of cooperative relationships are emerging inside companies as firms seek mechanisms for more effectively and efficiently coordinating across functional departments the various activities necessary to identify, attract, service, and satisfy customers.