

Lecture 9: Customer Cost

Episode 1: Theory

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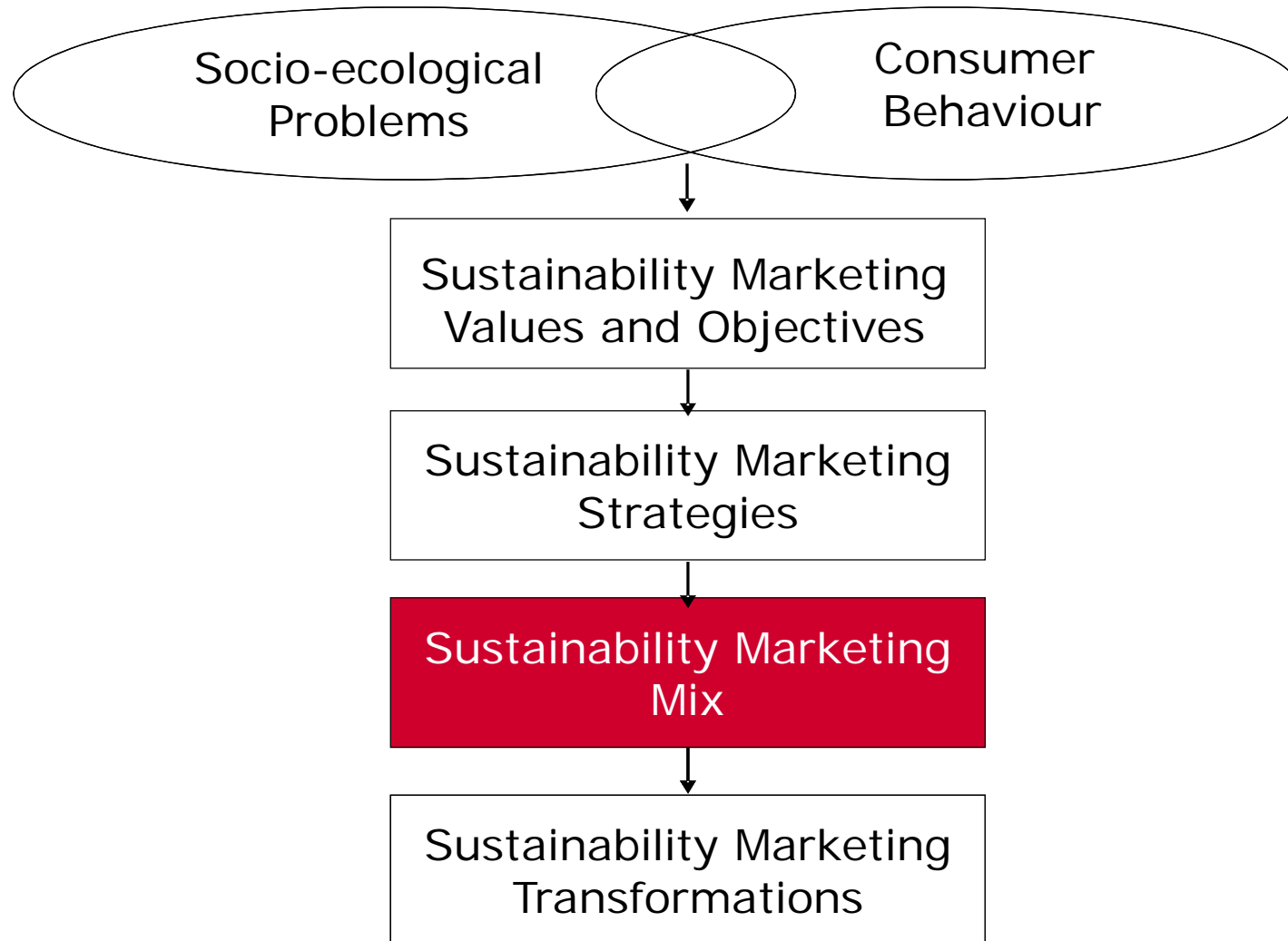
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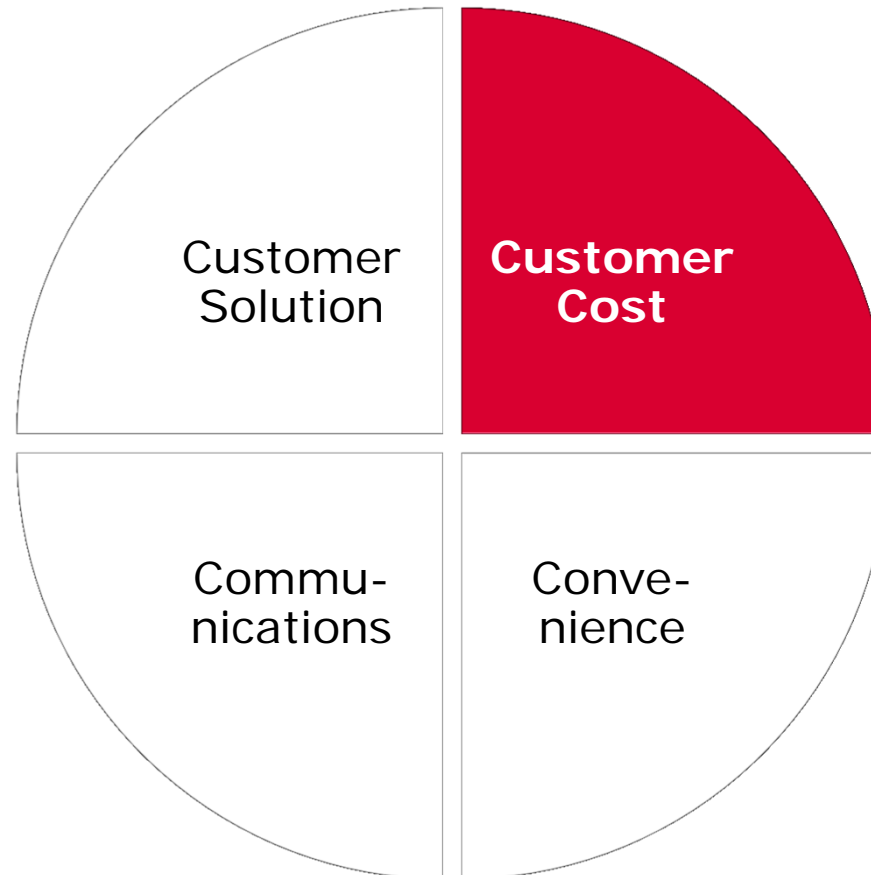


Lecture 9: Overview





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Lecture 9: Overview

Episode 1: Theory

Episode 2: Case Study Active Suncube

Episode 3: Interview



Learning Objectives

Learning Objective 1:

Identify total customer cost, including prices, purchase costs, use costs and post-use costs.

Learning Objective 2:

Understand how to reduce the costs to customers of sustainable products and services.

Learning Objective 3:

Discuss the nature of prices.



Structure of the Episode

- Detective Story
- Total Customer Cost: The Consumer Perspective
- Total Customer Cost: The Marketer Perspective
- The Nature of Prices



Detective Story



Source: Jennifer Huang, Severin Fontaine, Michael Brenner, David Marturano und Stefan Weymann
Winner of the "Sustainability Innovation & Marketing Video Award 2011" at the TUM School of Management

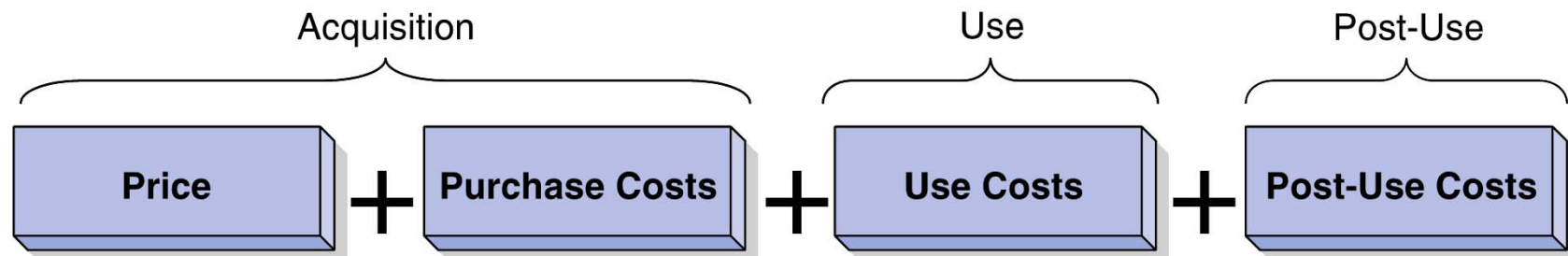




Total Customer Cost: The Consumer Perspective



Consumer



Source: Belz and Peattie 2012, p. 233



Total Customer Cost: The Consumer Perspective

Purchase Costs

- Search costs
- Information costs
- Transportation costs



Total Customer Cost: The Consumer Perspective

Purchase Costs

- Search costs
- Information costs
- Transportation costs



Total Customer Cost: The Consumer Perspective

Use Costs

- Energy costs
- Switching costs



Total Customer Cost: The Consumer Perspective

Post-Use Costs

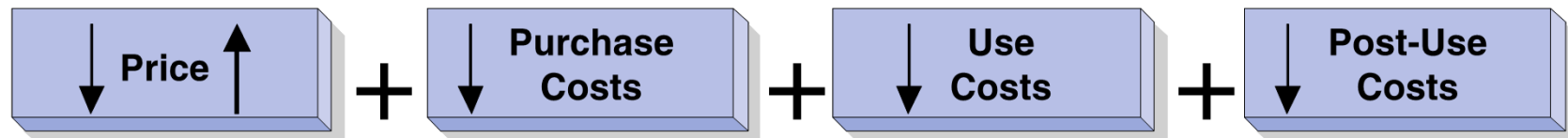
- Collection
- Storage
- Disposal



Total Customer Cost: The Marketer Perspective



Marketer



Source: Belz and Peattie 2012, p. 236

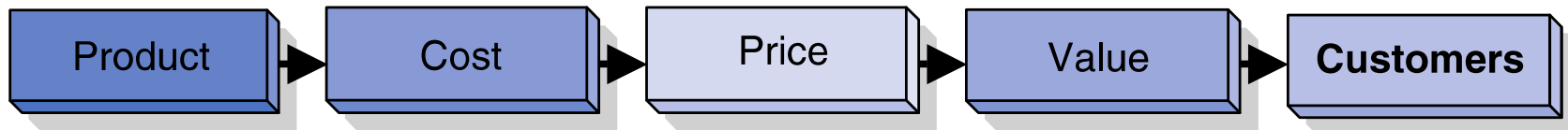


Total Customer Cost: The Marketer Perspective

Value-based pricing



Cost-based pricing

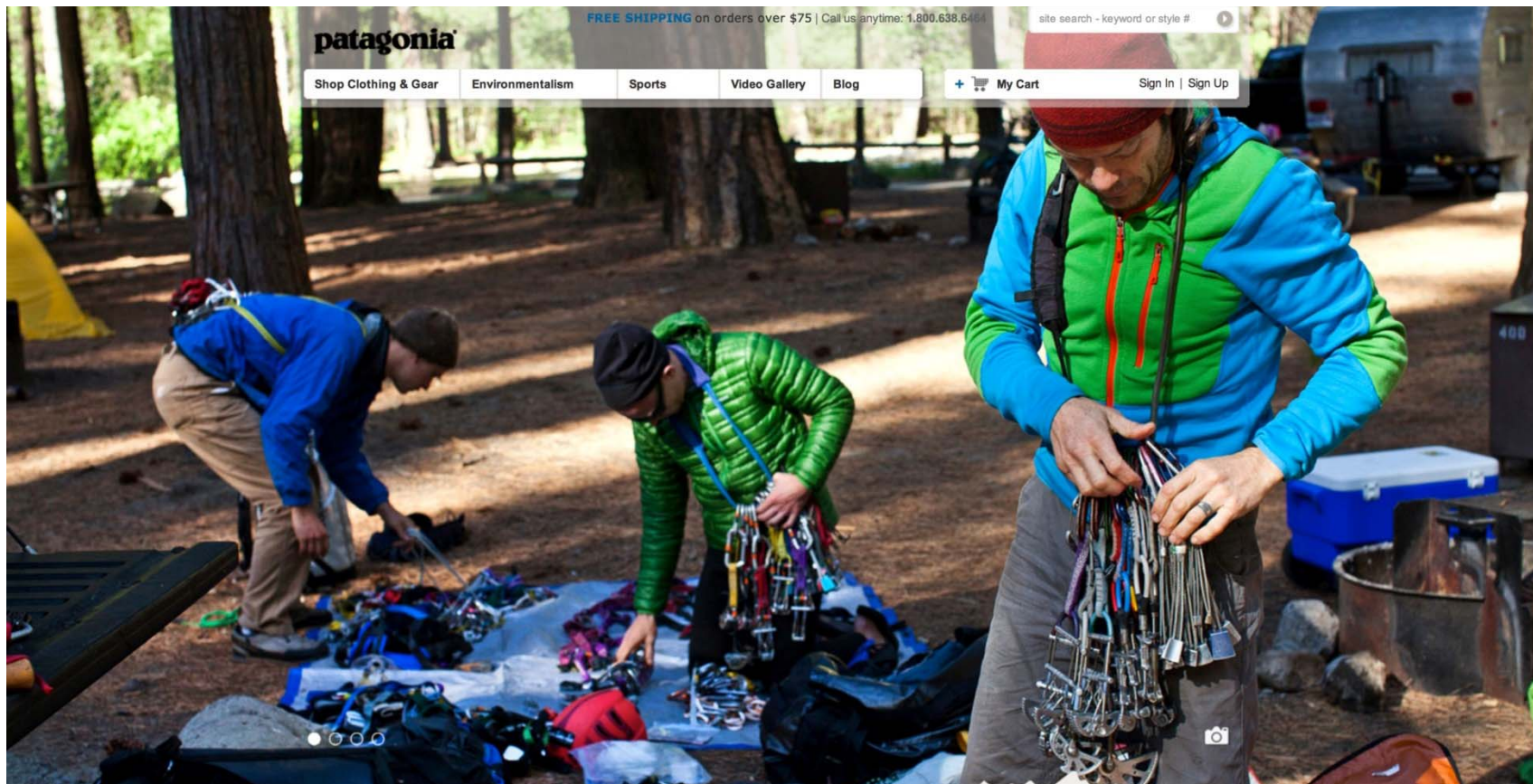


Source: Kotler and Armstrong 2004, p. 360



Total Customer Cost: The Marketer Perspective

Value-Based Pricing: Patagonia



Source: www.patagonia.com





Total Customer Cost: The Marketer Perspective

Cost-Based Pricing: Coop Naturaline



Photo: Coop

Source: <http://www.coop.ch/pb/site/medien/node/73720642/Lde/index.html>



Total Customer Cost: The Marketer Perspective

Value-Based Pricing: Hipp Baby Food

The screenshot shows the Hipp website homepage. At the top, there is a navigation bar with buttons for 'Milchnahrung', 'Beikost', 'Kinder', 'Pflege', 'Schwanger', 'BabyClub', 'Shop', and 'Über Hipp'. Below this is a banner for 'Mein Baby Club' with the text 'Liebe Eltern, freuen Sie sich auf viele Vorteile und jede Menge Geschenke....' and buttons for 'Neu anmelden' and 'Login'. To the right is a video featuring Claus Hipp and Stefan Hipp in a field. Below the video is a section for 'Portal für Fachkreise' for midwives, doctors, and staff. At the bottom, there are several promotional banners: 'upon-Aktion' (1,- € coupon), 'NEU von Hipp' (Bio Combiotik), 'HIPP & OSP Bayern' (Olympiastützpunkt Bayern), and 'HIP BI'.

Source: www.hipp.de





Total Customer Cost: The Marketer Perspective

Cost-Based Pricing: Aldi Bio

Willkommen bei ALDI SÜD

Aktuelle Angebote Sortiment Online-Services Kundeninformation Unternehmen Karriere

Sie sind hier: [Startseite](#) → [Sortiment](#) → Natürlich Bio – für eine wertvolle Ernährung!

Natürlich Bio – für eine wertvolle Ernährung!

bio

ALDI Qualität & Sicherheit
fTRACE
Alle Daten auf einen Klick!

Unsere Qualität im Test
ÖKO-TEST
gut

Weine aus aller Welt

Source: http://www.aldi-sued.de/de/html/product_range/sortiment_aller_bio.htm



Total Customer Cost: The Marketer Perspective

Reduction of Purchase Costs: Whole Foods Market



Photo: David Shankbone

Source: http://en.wikipedia.org/wiki/File:Whole_Foods_Market_in_the_East_Village_of_New_York.JPG





Total Customer Cost: The Marketer Perspective

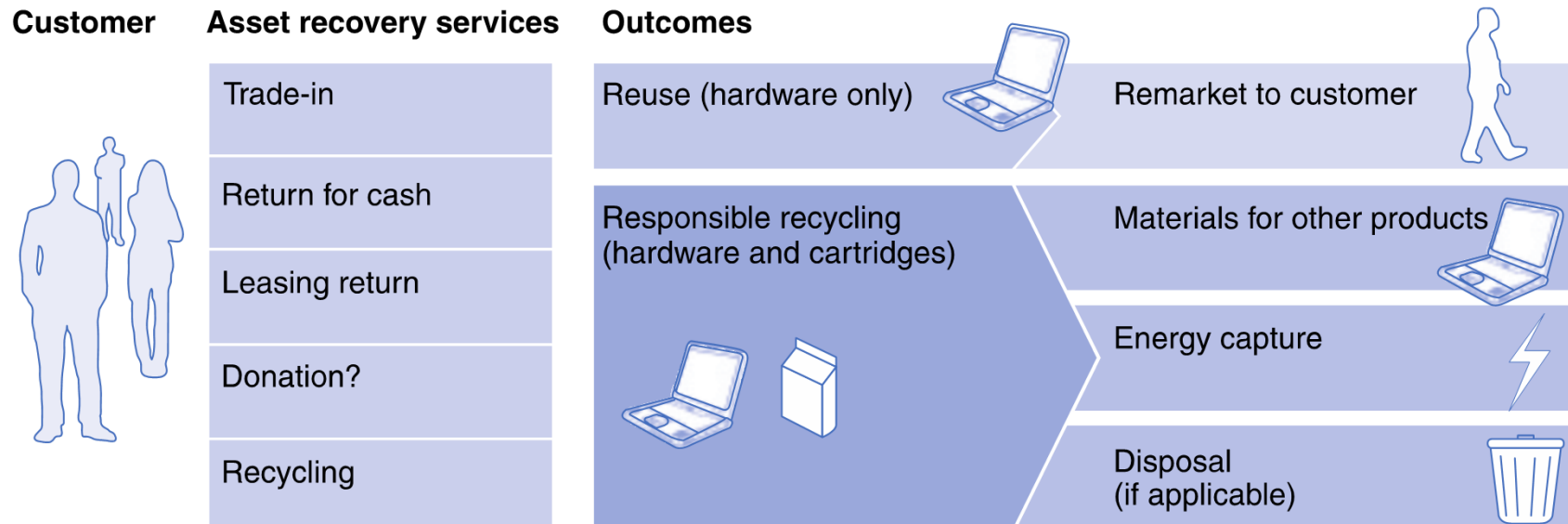
Reduction of Use Costs





Total Customer Cost: The Marketer Perspective

Reduction of Post-Use Costs





Total Customer Cost: The Marketer Perspective

Making Customer Aware of Total Cost



Source: Electrolux, www.electrolux.com/ecosavings



Total Customer Cost: The Marketer Perspective

Making Customer Aware of Total Cost



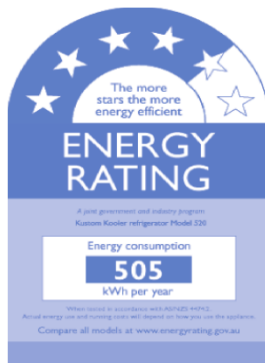
European Union



United States



Japan



Australia



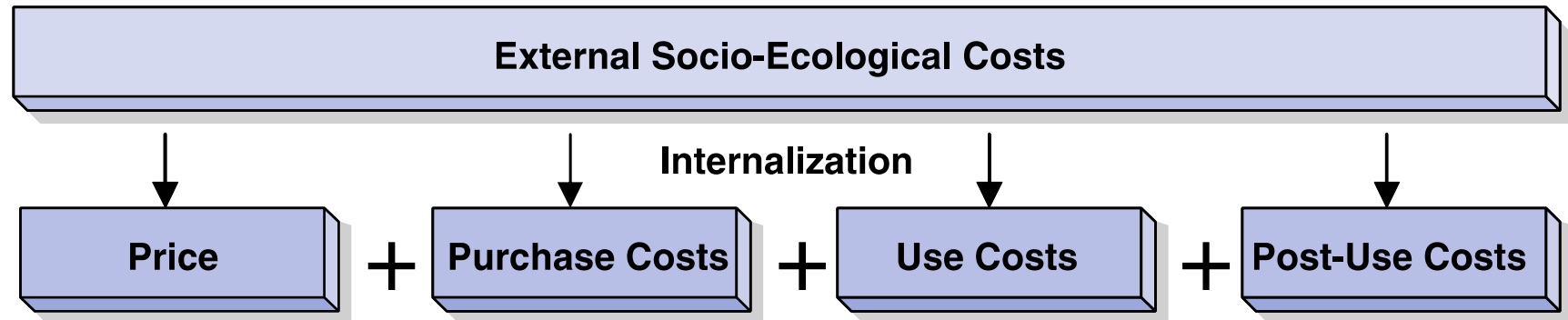
Korea



China



The Nature of Prices





Review and Discussion Questions

1. Identify and describe the components of the total customer costs for (a) a refrigerator, (b) a car and (c) a frozen pizza.
2. What does the term *switching costs* mean? Give examples of switching costs for two sustainable products that you would consider buying.
3. List possible ways to reduce use costs.
4. Making customer aware of total costs is crucial for sustainability marketers. Discuss the pros and cons of the environmental information and tools provided by co. as compared to third-party organizations.



References

- Belz, F.-M., Peattie, K. (2012): Sustainability Marketing: A Global Perspective, 2. ed., Chichester, p. 231-248.
- Meyer, A. (2001): What's in it for the Customer? Successfully marketing green clothes, *Business Strategy and the Environment*, 10(5): 317-330.
- Kuursela, H., Spence, M. (1999): Factors Affecting the Acquisition of Energy Efficient Durable Goods, in: Charter, M./Polonsky, M.J. (eds): *Greener Marketing*, Sheffield, pp. 242-232.



In Cooperation



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