

Strategic Marketing Management

Lecture 4 – Betting In Your Most Priced Asset: The Customer

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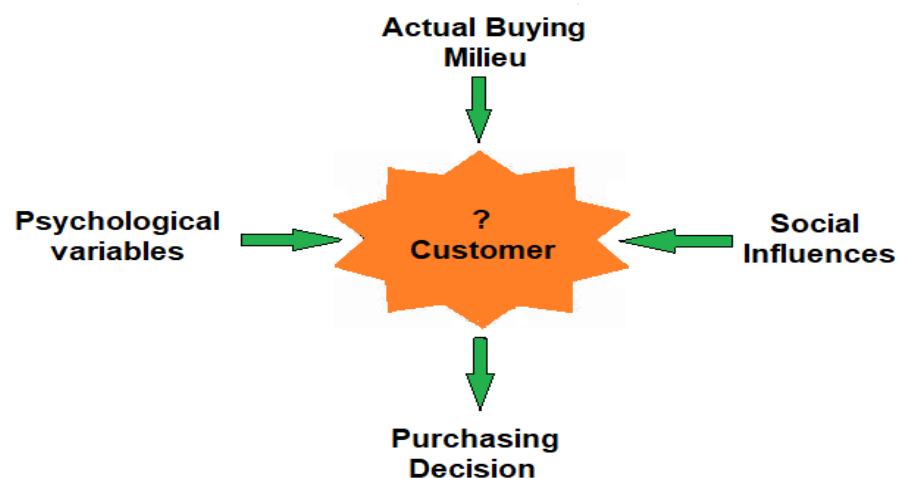
Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Discuss the factors affecting the purchasing behavior of consumers
2. Apply the total quality concept in understanding the customer and thereby creating a positive influence on consumer decision process
3. Develop a personal plan for a particular local store with the aim of improving their customer's in-store shopping experience
4. Integrate the use of total quality concept in understanding the customer
5. Explain the consumer decision process
6. Explain what research can do in understanding the customers

One formidable truth to deal in the business industry nowadays is the fact that customer is business. The organization's survival depends on the customer. Consequently, the rationale behind all marketing efforts starts with the customer. All business activities, from product planning and development, promotion and distribution, should revolve around the customer. For this reason, there is a constant need to study and understand them- the **customer's needs, wants, tastes, preferences, biases, idiosyncrasies** and many others. If managers and marketers will be grounded on this principle- understanding the customers, then, there is an increasing probability that risks associated to managing marketing efforts and programs will be reduced. **For instance**, getting a feel of the target market's priority needs and spending concerns will prompt producers to design products that would meet the stated customer's concerns, hence the chance of getting favorable customer acceptance would be clear and promising.

All learned and expert managers and marketers neither drop the idea of not having any inkling about customer's thoughts and feelings in purchasing products and brands. The revolutionary movement towards customer-focused over product-centeredness has already permeated in the minds of company leaders vying for world-class standards. Are you one of them? Or have you started thinking to join their team? Let us have first a closer view of how our customers operate and what influences their thoughts and emotions.



**Figure 2.1 Overview of Customer Operation
Naval (2021)**

Consumers are exposed to many promotional noises about product or brand's promises and attributes that may disrupt their choice behavior or decision-making process. Hence, **Figure 2.1** shows the factors affecting the purchasing decision of a consumer that include the following: psychological variables, social influences and the actual buying milieu.

1. **Psychological variables.** These **psychological variables** are manifested in an individual's motive. **Motives** are within every person drive the individual to seek satisfaction of his goal-oriented behavior. Say, a thirsty person is motivated by his urgent desire for any beverage that would immediately quench his thirst; therefore, a cheesy sandwich is definitely out of his choices as of the moment because of his goal-that is- to grab anything that could deliver his need for a soothing beverage.

The behavior of that thirsty person is linked to his needs. Needs, then, are translated into motives; and upon the processing of information-based desires as well as stimulating the person's behavior, the result would be the actual buying decision. Psychological variables have different dimensions as follow:

Motivation. This is just one of the starting points in understanding what, how and why consumers buy or not buy a product or brand despite the product's effort of enticing consumers-the bottom line is motive. There is a recently proposed model that suggest 15 fundamental motives leading to a person's behavior. Every marketer may use this model as guide in designing appealing products and persuasive messages to the consumers. The 15 motives are:

Table 2.1 15 Fundamental Human Motives

Curiosity	Food	Honor
Rejection	Sex	Physical Exercise
Order	Independence	Power
Citizenship	Pain Avoidance	Prestige
Family	Social Contact	Vengeance

Source: Etzel M., Walker, B. and Stanton, W. (2001)

Other psychological variables that may have significant impact on a person's purchasing decision are perception, learning, attitude, personality and lifestyle.

Perception. The truth, nowadays, is that when it comes to purchasing activities, consumers are no longer naïve about the product they are buying. They have learned to do their homework! It has become a voluntary action of checking the labels, product information, checking product substitutes and the like. In short, they search for possible information that could unburden them from feelings of regret, doubt and procrastination. That is why a modern consumer willingly receives information that he or she deems necessary. **Information** is then interpreted and comprehended selectively depending on his beliefs and attitudes (selective attention and comprehension); and the person may opt

to retain and remember only information in conformity with other psychological variables like his motives (selective retention).

For example, on your way to the supermarket, you are disrupted by several product demonstrations - all have their way of sweeping off their feet, encouraging to pick and to throw the items in their shopping basket. However, you hold the ball - options are yours, what among the items are to be placed in the basket! This happens after the consumer has processed different marketing stimuli and decides later what appeals the most as per evaluation of his motives, needs and perception. This is the reason why many global companies like Wrigley's, spends over million dollars a year advertising chewing gums just to establish a burning attribute in every consumer's mind.

Learning. Every part of the buying-decision process is influenced by learning. A person who buys a brand of cosmetics but experiences skin itching, or irritation may definitely withdraw the idea of picking the same brand of cosmetics ever again. On the contrary, a person who has sought the service of a barber and found satisfaction on his new hair cut would repeat hiring the service of the same barber the next time around until he finds another barber indorsed perhaps by a friend. In short, man's daily experiences form part of his learning. The stated scenarios revealed that one could tell that a person's experiences vary differently on every occasion.

A **person** could have a bundle of desirable or undesirable experiences brought by different product brands and services. It is the marketer's wit to break out persuasive stimuli that could salvage unwanted learnings then churning it out into another fresh, pleasant memories that can be transformed into a buying habit that is beneficial to the company's product brands or services.

Attitude. Another factor that spells out why consumers opt to buy or not is his attitude. It is a person's general feeling or opinion about something shaped as early as during childhood influenced by the family circle and the community where he belongs. **Attitude** is permanent in nature, and it would entail large effort and much money to change it. If change is possible, the remnant will still be there though in a controllable level. **For instance**, a conservative friend of mine was taught by her parents to always have the right pick when it comes to clothing. Being wholesome and modest as she is, shorts, skirts, sleeveless and spaghetti-strapped blouses are definitely not her pick; and she is comfortable that way; to ask a smoker to quit smoking despite government warning on cigarette packs maybe a strenuous attempt unless the person permits to be sent to a rehabilitating center to manage the addiction.

Then, how can a marketing mind creep into the different world of consumers who are with characterized diverse attitude? A **product a service** can be altered anytime to suit to the demand of a particular market. As a well-known dictum goes, "*marketing creates demand*". Anything that may be unwanted today may become "*wanted*" tomorrow because marketers have the magical wand to influence consumer's mind.

Personality. This refers to any distinguishing characteristics of a person influenced by different situations and experiences. Say, a person's frugality which is

manifested in some of his/her predicting behavior such as choices of restaurants, type of menus, range and brand of shoes and apparel are perhaps result of situations that triggered his/ her being frugal. A very out-going person may find pleasure in shopping sprees with other friends. Every person projects an image which he or she has weaved both consciously and sub-consciously depending on how the person would like to be regarded by others as well as on the manner that he or she will feel comfortable with oneself. This is the reason why every advertising message carry trait or characteristic that can be connected to person's well-being and emotions. **For instance**, low-cost housing is attached to people who seek safety within practical spending; Facial Care Center for men is for someone who needs a boost in one's appeal; Fundador Brandy's message, "*laging bukas sa mga tunay na kaibigan*" are intended for individuals who place primacy on friendship and comradeship; sugar-free pastries target individuals who are figure-conscious. Indeed, the first step towards a successful brand promotion is understanding your primary target market; in so doing it would be easier to dance in their music.

Lifestyle. Individual's mode of living affects the spending habit and purchasing decision. A **person's lifestyle** may be attributed by his profession, activities, interests and beliefs in life. An example is the lifestyle of a celebrity or a public figure. Because of the kind of crowd, he/she is in, an impression of fame and high regard should be maintained; hence, he/she chooses carefully the items he/she acquires.

A gym enthusiast has also glared activities from the wardrobe to the food intakes, everything is painstakingly selected. Therefore, marketers are like watchdogs that are always ready to sniff opportunities that can be derived from this set of consumers; and turning these opportunities into doable business plans. As it is said, "*fish where the fishes are*".

2. Social influences. Man is by nature a social animal. He has to enter into relationships with his fellowmen to live a meaningful life, stated by the legendary Greek philosopher Aristotle. Therefore, man's connectedness with other being definitely results to complexities of his thoughts, emotions and behavior especially when, in his desire to fulfill one of his needs-that is the need to belong- he has to accede with the opinions and ideas of somebody he trusts. The variables that cause complexities in his viewpoints may come from: culture, social class, reference group and family.

Culture. Marketers should agree with the concept that the influence of culture in the psychological variables of a consumer is profound, be defeated. Anticipation of the culture of a certain target market is a that if taken lightly, the role of marketers as product specialists strategic move to better relay the marketing messages. It is said that culture comprises the totality of an individual or a group of individuals' beliefs, traditions, values, language and attitudes within a given time context passed from one generation to another generation. Other than that, **culture** also includes symbols and even artifacts that could depict the prolificacy of a place over a period of time. Our country, the culture notwithstanding the mixed culture due to longer foreign Philippines, is among the countries in the globe with vast and prolific invasions. Philippine history has recorded six major invaders (Japan, US, Great Britain, Netherlands, Portugal and Spain, and China) and some minor invading nations (Indonesia, Brunei, Malaysia). To name a few of the traits

that are richly taking part *in* the Filipinos' system *are* as follow: the use of Filipino's polite words such as "**po**" at "**opo**", the polite symbol of "**pagmamano**", our conviction with Christianity, the famous Filipino men's courtship and chivalry, Filipino's close family ties or giving much emphasis on family relationship even after couples were wedded; and many other traits to mention. Admittedly, some of these practices are slowly dying a natural death; yet our older generation *is* tasked to pass on to the younger generation these remarkable Filipino traits.

The dormancy of some of these traits did not cause marketers to lay still and dormant with their product ideas and marketing efforts. The principle of connectedness of marketing efforts to what the market expects remains very dynamic, like the award-winning commercial of McDonald's, "*Karen po!*" that depicts Filipino's care for the elderly. It is a heart touching commercial about a grandfather who is memory- challenged. Even if Karen constantly tells him her name, yet the grandfather keeps on calling her "*Gina*". The twist of the commercial is when the grandfather sliced half of his burger, kept it and uttered, "*Ito ay para sa paborito kong apo ... si Karen*". The brain behind this commercial was a genius in creating the story that matters to a lot every Filipino viewer.

Social Class. This refers to the ranking of members of a society which can be directly linked to their spending habits and buying behavior. Social classes may be divided into upper, middle and lower classes. Each class has general characteristics based on their sub-class.

Basically, the **upper-class people** are those who come from socially prominent families in the society living in big mansions, owners of large corporations often with inherited wealth; whereas the **middle class** are the working professionals who care so much for the education of their children and oftentimes these groups have the strong desire for success. The **lower class** holds the group of skilled and unskilled workers tied up with the routine of reducing their spending on food and clothing in order to enjoy some of life's indulgencies such as buying of luxury items. That is why marketers should properly program their activities in order to fit into their buying idiosyncrasies. Say for instance, the group of buyers whom marketers refer as system-beaters are buyers who prefer to buy certain brands but buy them at reduced prices.

Reference Group. The strength of the stimulus coming from the formal or informal group formed within a society is beyond question when it comes to influencing the minds of the members. **For instance**, some members of the Reserved Officers Training Corps (ROTC) formed an informal group of gym enthusiasts; or some business sophomore students formed an all-girls dancing group. Definitely, each of their members, most of the time, will seek each other's opinion as regard to their buying options prior to any purchasing activity; this is, of course, a fulfilment of their social needs-the need to belong, to be accepted, appreciated and recognized by a group of individuals who may possess the same characteristics as yours. Many advertisers rely on the reference-group influence that is why the use of celebrities, experts and professionals are among the effective strategy in establishing strong product appeal. **For example**, Colgate is being endorsed by the Philippine Dental Association or Milo as the official energy drink in the National

Olympics. These endorsements influence the behavior of consumers especially if they do not only seek to satisfy their basic needs but also seek to satisfy their need to belong.

Family. It is structured by a group of individual living together in a household either related by blood, by marriage or any adoption process. Basically, people living in one roof consume and use the same product item at a certain period of time. They influence each other's references on food, clothing and other discretionary items. As a marketer, it is best to identify who among the members of the household is the influencer before a buying decision will be made; who decides what to purchase; and who in particular does the actual buying activity. Each household-member plays a significant role before the buying process occurs. Hence, this should be addressed by marketers for a more effective product messaging, possible value creation and clear market segmentation. Let us take for instance the commercial of Surf powder detergent endorsed by Lumen, tagged as "*wais na misis*" (a smart wife). The message is for all smart wives who wanted to get the most from their detergent at an affordable price. Though Lumen is not the head of the family, being the wife, she can be an influence on her husband as to the brand of detergent their family will consider during their buying activity.

3. Actual Buying Milieu. The last factor that affects purchasing decision is the actual buying milieu wherein the consumer before finally making the actual purchase deliberately considers the store's atmospheric attributes. **Marketers** believe that the store's physical layout and its social environment have huge impact on customer's experience and the frequency of his visit in a store and therefore have direct impact to the company's sales. Researches on consumer behavior explain that 6 out of 10 shoppers are unplanned buyers. This is rather crucial because half of the battle is already won if the store is able to entice the customer to get inside; then the remaining half of the battle could be won depending on the different forces of marketing stimuli inside the store such as the physical set up and social ambiance.

The truth is customer's shopping route has drastically changed over time due to the rise and advancement in the technology from in- store buying to online shopping and now to mobile devices buying; this appears to be very attractive to many consumers. Why does the industry, particularly the retail industry, never stops improving the way they do business? Because the retail industry is among the kind of business that is highly congested with so many competitors and since they cater to the consumer market, they need to remain parallel to the concept of hedonism and in the doctrine of caveat-venditor.

The concept of a **hedonistic consumer** (where consumer is seen to have great love for one self, for pleasure, fun and convenience) and the doctrine of caveat-venditor (this speaks about consumer sovereignty where buyers determine which goods and services remain in production; hence they have the power to rule out products which they consider unwanted) should resonate in every marketer's mind insatiable wants and demands of the target market. **Retailers** should and make these concepts their guide in understanding and meeting the guard every actual buying experience of their customers as this is imperative to securing a sale and the probability of higher frequency of store revisits. Basically, the store atmospheric attributes deal with two important concerns: the physical environment and the social environment of the store.

Physical environment. It only takes few seconds to attract customers to get inside the store and once it happens, the store must be able to elicit a positive ambiance in order for the customer to stay longer inside. The store's physical environment is comprised of elements which

can be seen by an individual inside or outside the store premise. It ranges from the interior elements such as store's promotional display, signs and store layout, wall decors and colors, lighting, flooring, scents and music; while the exterior elements may consist of window displays, signage, landscape, parking space, main entrance, and the like. These elements will define the experience of a customer in a specific store and will start forming favorable or not so favorable responses depending on how the store had showcased their concept of a good store ambiance.

Social environment. Ranges of product brands from one store to another may have slight differences or, in short, different stores may offer homogenous products which will make the competition indeed harder. But the good thing is, each store can leverage on the kind of services they would like to deliver to their customers. This makes the store different among stores alike. The personal selling orientation of every staff contributes a lot to the positive image of the store.

Selling staff who shows a friendly and welcoming spirit and staff who is oriented about the store's mission to deliver great customer service give the firm an advantage over other competitors. Delivering excellent customer service should be more than just a company's battle cry, the management must be able to put into effect their bold commitment in meeting and even exceeding customer's satisfaction level by becoming attuned with the latest quality concepts.

The Use Total Quality Concept in Understanding the Customer

Contemporary managers and marketers are those who have the nose about the nature of the new generation of customers. They respond quickly to changes and they have deeper understanding about how these breeds of customers think and take actions. As customers become smarter than they were before, their orientation about product and service quality has changed already. It has become more complex and more demanding and unless companies start to take the truth regarding quality revolution seriously, it would be harder for companies to survive in the business field. To fathom the complex satisfaction index of these breed of customers, the broad sense of total quality approach must take the place of the traditional quality concept. The total quality concept takes customers at the center stage. In this concept, quality becomes the business of every member in the organization and not just the sole obligation of the production people or the quality controller. Quality gurus believed that total quality approach should be grounded on the principle of continual improvement on the three important elements such as people, processes and measures". This total quality concept can easily be grasped using the three-legged stool as shown in Figure 2.2. This means that with total quality the customer is in the "driver's seat" as the ultimate judge for quality. Each of the three legs encompasses the aforementioned important elements.

The first leg pertains to the first element-- the "measures" which imply that quality can be measured hence organization must exert efforts to improve their assessment and control mechanism. The ***second element is the "people" leg*** which serves as a reminder to organization to prioritize people empowerment in the workplace to as this leads to better productivity level of workers towards the creation of product or services that will fit into the requirements of the customers. ***The last leg is the element pertaining to "processes"***. This means that every organization embodies a defined system or program of works that should be enhanced or improved continually since total quality concept holds on to the quality principle that good enough is never good enough. This portion provides further discussions after the illustration.

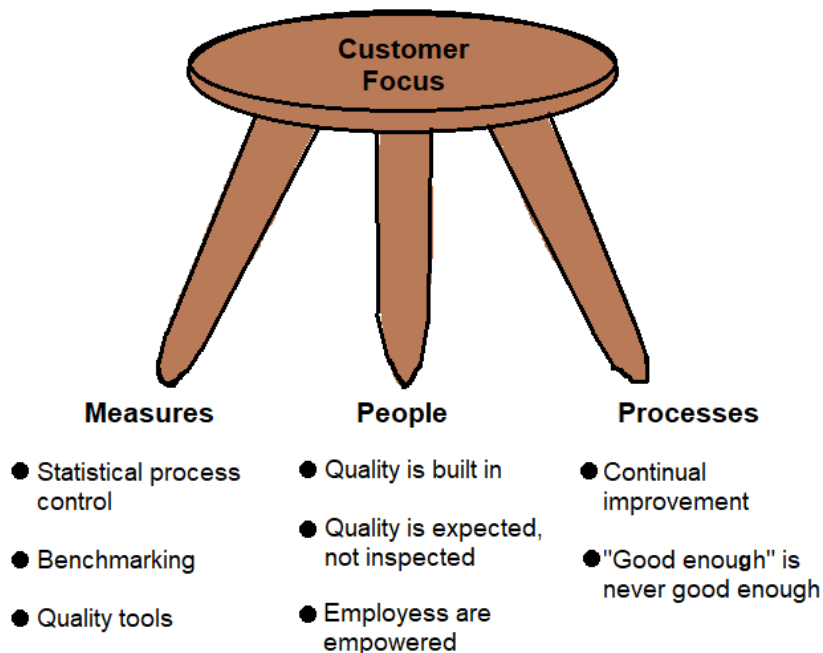


Figure 2.2 The Three-legged Stool: Total Quality Concept

Source: Sankaran, S. (2020)

1. **People.** An organization who commits to total quality approach has a team of empowered employees who do their job right the first time. They were oriented on the Japanese concept that good enough is never good enough and what they consider excellent product brand today may become mediocre tomorrow.

2. **Processes.** Since the empowered employees are all in sailing in the right direction, it would be easier for the organization to connect this situation in their production line. The principle of continual improvement should be realized in this area. The organization should never settle for mediocrity but to always design products and services that are parallel to the demands of the customers.

3. **Measures.** Control measures should never be separated to the organization's planning activities. This is among the means where they can be assured of a successful undertaking or not and whether adjustments or modifications of the process are needed for a better output. Hence, the company may employ various statistical process control, industry check and quality tools to verify the results of the company's effort. In doing so, one could say that indeed the company is embracing total quality approach through the practice of continual improvement.

Consumer Decision Process

Consumers become quite unpredictable at times. **Consumers** may postpone their buying actions when various stimuli are causing disruptions and that these tend to baffle their decision-making process; and there are also times that consumers tend to become impulsive in their buying decisions; meaning they resort to unplanned buying actions. Thus, marketers must be in constant guard in this changing behavior. It is a must that every marketer must be well adept when it comes to the processes that every consumer goes through before making an actual purchase because

in doing so, they could be upbeated with the specific strategy to be offered in the spur of the moment. Let us take a closer look at the process that each of them goes through:

1. **Need Recognition.** We can look at this process in two different perspectives. One is that consumer's problems or needs are most of the time explicit or evident; yet there are also times that their needs are latent, or they may not consider it a real need until a real problem has occurred. Say for instance, the need of every consumer to acquire a health or insurance card; hence, there are needs that are immediate in nature while there are needs that can be postponed hence, they become latent needs. Regardless of the classification of needs, marketers have a great influencing role not only in satisfying the needs of the consumer but also in recognizing their latent needs. That is why marketers are referred to as problem solvers.

For needs that are explicit, and that the consumer can easily decide when to make the purchase based on their previous experiences, then in this instance, to become the first in every consumer's mind, marketers must have carefully planned the range of their product availability, clarity of brand messaging and value creation and the degree of loyalty through various consumer promotion. However, for needs that are latent, consumer communication mechanism must be intensified to turn latent needs to active ones.

2. **Information Search.** Once needs were identified and recognized, a strong motivation will begin to set into the consumer's mind. This motivation will cause the person to make attempts to conduct an information search. An individual who had felt the strong desire to fulfill his needs will start to exert effort to fill in said desire especially if the item or product falls under the high-involvement class. Products that require high involvement from a consumer are products that may involve large sum of money or if a product is seen to have significant benefits and considerable social importance, as the case mentioned about the buying of a health or insurance card. In this item, the consumer needs greater amount of information hence he has to also exert greater amount of effort before arriving at a favorable decision. What is the role of marketer in this scenario? Consumer education must be intensified through the help of highly trained and motivated sales agents. On the other hand, products under the low involvement situations are typically consumer products commonly bought in the supermarkets and grocery outlets. Though it appears that it would only require a short period of time, and it seems to be effortless in the part of the consumer before one decides whether to make a purchase not and yet the competition is very intense, there are a number of brands competing for the attention of the consumer; therefore, the store's atmospherics should ensure positive image towards the consumer.

3. **Evaluation of Alternatives.** Every manufacturer has their right to claim that their product is the best, all natural, no preservatives and so on. These are all subjective claims, and nothing is wrong with that. The only challenge is when this Mr. and Ms' "*smart*" buyer evaluates all the information he or she had gathered. Hence, the situation now becomes the tie breaker! It is then that the company has to reap their efforts for being able to promote a trustworthy and reputable brand.

4. **Decision.** The consumer has finally made the decision based on the alternatives he has gathered with the influence, of course, by the factors mentioned at the beginning of this lecture: the psychological and social variables and the actual buying milieu.

5. **Post-purchase behavior.** Getting a pool of reliable customers is what all marketers wanted to collect because this means the company has not only satisfied their customers but delighted them as well; and this is what real business is all about. Hence, there are companies who are keeping tally of their customers who are making repeat purchases. Repeat purchase is just one of the expected behaviors in the post-purchase situation. It is when the consumer conducts appraisal if he had made the right decision or not. Other companies extend after sales services in order to manage post-purchase behavior. This after sales service may range from simple communication to the client pertaining to his experience after buying the item or extending assistance to clients regarding product usage, after-care service program and the like. These practices yield loyalty from customers and a good way to dictate favorable post-purchase behavior.

What Research can do in Understanding the Customers

Managers and marketers alike should learn how to listen to the active voices of the consumers, and they must also learn how to develop a heart that understands how consumers operate because the organizations who have mastered this craft are most likely the organization who will capture the attention of the target market. These are the wonders of marketing research which form part of the organization's marketing intelligence.

This statement is related to the success story of a couple from San Pablo City, Laguna who are now operating various company-owned branches and franchised branches of their Lugaw Queens. They have practically run the business on their own, waking up at the crack of dawn buying ingredients, prepping, cooking and manning their 24/7 store then. They owe their success to the "*masa*". Accordingly, they have paid attention to the C and D market; and they had given close detail with how they could reach to these market segment by studying intently how they operate. According to them, the reason why they maintained an open setup, not an enclosed, air-conditioned store. because if they do so, the enclosed setup tends to turn-off the C and D market because they believe that foods offered in an air-conditioned store are expensive. And to top it all, the owners knew that this market would never bet their hard-end money on expensive items, so they apply consumer promotions as well. Applying their understanding about consumers, they were able to tame their target market resulting to the success of their operation.

The business industry offers a lot of uncertainties on the various aspects of business operation such as competitors' business activities, selection of market segments, designing and offering new products and brands, launching advertising activities and the insatiable expectations of the consumers and a lot more; hence the risks in decision making may become very high. No business owners can easily afford to endure the risks of losing a big sum of money for a haphazard undertaking. To relieve the big burden caused by hasty decisions, marketing research should become the managers and marketers most useful business tool. Marketing research is a systematic process of designing, gathering, analyzing and reporting information that are aimed at solving a predetermined and specific marketing problem. It is considered a very important tool in defining marketing opportunities, refining the actions of the management and in monitoring the effectiveness of the management actions which should be based on facts and truthful data. Ideally, if the organization is working towards the accomplishment of a predetermined goal, then they could tap an expert or trained person in

their department to conduct the marketing research. This is good in situations like they are serious about getting results on their short-term goals; say, for instance, knowing how the customers operate inside the retail store or results of store promotions to customer revisiting intentions. These objectives are possible to have known results following the processes involved in conducting research. These processes are as follow:

1. **Situation Analysis.** Guided by the general objective of the firm as this also indicates to the identified problem that has to be solved, they could start vending ideas through analysis of the present situation. They need to scan the environment both internal and external for possible factors that may impede the intended objectives. In so doing, they would have verifiable facts about how the problem occurred and how the same will be solved. This is also another opportunity for the organization to identify again their strengths and limitations.

2. **Gathering Primary Data.** From the analysis of the company's present environment, reports, office documents, product literature, annual reviews and other related papers had helped them came up with an understanding about their present concern. However, these facts have to be validated through the gathering of primary data from the involved or qualified respondents (these are group of individuals who have sound judgment about the matter since they may have the learning or experiences about the subject at hand). In gathering the primary data, the organization may use different methodologies such as the use of survey questionnaire or an interview guide. These are helpful tools in the facilitation of ideas from the respondents.

3. **Analysis and Interpretation of Data.** Data collected require an expert's analysis and a deeper scrutiny that will serve as guide in drawing conclusions. The organization's analysis or assessment about the gathered facts has to be rendered with interpretations grounded on relevant facts in consonance to the best practices in the industry.

4. **Solution and Recommendation.** The sound judgment of the researcher after the actual gathering of relevant facts should result to solving the identified problem; and therefore, meeting the general objective stated prior to the conduct of actual research study. The probable research-based solution may result to a series of recommended business actions leading to a much efficient organizational performance.

Textbooks:

- Strategic Marketing Management, Naval, Girly H. Mind shapers Co, Inc. 2021