Internal and External Customers

PROF. DIGESH V. PAWAR
Vyakhyata Sahayak,
Govt. Arts & Commerce College, Vansda.
Gujarat (India)

Abstract:
This lesson considers the internal and external customer, how marketing is used to build and nurture customer relationships, and will begin to build your knowledge on the customer loyalty. So let's begin by looking at external customers and internal customers. For the purposes of an introduction to marketing, the more generic terms for the different types and characteristics of people with which an organisation develops relationships would include: customers, users, connected stakeholders, and other stakeholders. We will now look at how we differentiate between the internal and external customer.

Keywords: *Customers, External customer, Internal customer*

1. Internal Customers

Internal customers are those colleagues and departments within your own organisation. Again in previous lessons we looked at internal functions and how marketing can be used internally for the flow of internal services and communication. Sometimes you are the customer and sometimes you are the service provider. We considered how marketing connected internally with how marketing interacts with research and development, production/operations/logistics, human resources, IT and customer service. There are of course many other internal parts of the business.

2. Example – Starbucks Coffee

We going to look at Starbucks coffee as an example of a company that has both internal and external customers, and we should be able to apply some of the terminology that we introduced above. The internal customers will be the people that work within the business of Starbucks. The internal customers will be everyone from the Board of Directors of the company, to the supervisors and team members that serve coffee at the customer interface. So information and communication will flow from the board of directors to the people on the ground, and data and feedback from customers can flow from the people in the coffee shops back to the internal customers in the marketing department. External customers and consumers will be the everyday public that come in to the coffee shop and buy coffee for themselves and their friends. Of course the user will be the consumer of the product, whether that is the purchaser or not. The connected stakeholder would be the coffee suppliers from around the world, and the pension schemes that own shares in the business. Other stakeholders will include other businesses which are based around the Starbucks stores, as well as those impacted by the environment around coffee plantations (which is something that Starbucks is very keen to deal with since it has an ethical purchasing policy).

3. External Customers

External customers are more likely to be customers, users, and stakeholders. Customers are those that exchange money for goods and services and consumers are those that actually use the product (and as we said they may or may not be the same person). So a user is the same as a consumer. According to Blythe (2011), stakeholders are people who are impacted by corporate activities. An obvious stakeholder might be a shareholder since they have voting rights at annual general meetings. A less obvious stakeholder would be the person that owns the land next to your factory, or the family that is supported by the father that works in your warehouse. So stakeholders would include 'publics' such as shareholders, customers, staff and the local community. A connected stakeholder is one with the direct association with your business, and this would be a supplier or a shareholder. Obviously other stakeholders would not have the same strength of connection, for example in the case of the local community.

4. What is Consumer Buying Behavior?

How many times throughout the day do people make product decisions? If you stop to think about it, many product decisions are made every day, some without much thought. What should I wear? What should I eat? What am I going to do today? Many product decisions are answered routinely every day and they help move the economy of cities, countries and ultimately the world.

- Provide value and customer satisfaction.
- Effectively target customers.
- Enhance the value of the company.
- Improve products and services.
- Create a competitive advantage
- Understand how customers view their products versus their competitors' products.
- Expand the knowledge base in the field of marketing,
- Apply marketing strategies toward a positive effect on society (encourage people to support charities, promote healthy habits, reduce drug use etc.)

Product decisions also shape life for the consumer. How can simple decisions be so important? Why do marketers spend millions of dollars to uncover the reasons behind these decisions?

To define consumer behavior: it is the study of consumers and the processes they use to choose use (consume), and dispose of products and services. A more in depth definition will also include how that process impacts the world. Consumer behavior incorporates ideas from several sciences including psychology, biology, chemistry and economics.

"All marketing decisions are based on assumptions and knowledge of consumer behavior," (Hawkins and Mothersbaugh, 2007). Researching consumer behavior is a complex process, but understanding consumer behavior is critical to marketers-they can use it to:

5. Definition of Buying Behavior

Buying Behavior is the decision processes and acts of people involved in buying and using products.

6. Need to understand

- Why consumers make the purchases that they make?
- What factors influence consumer purchases?
- The changing factors in our society.

Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. A firm needs to analyze buying behavior for:

- Buyer's reactions to a firms marketing strategy has a great impact on the firm's success.
- The marketing concept stresses that a firm should create a *Marketing Mix* (MM) that satisfies (gives utility to) customers, therefore need to analyze the what, where, when and how consumers buy.
- Marketers can better predict how consumers will respond to marketing strategies.

7. Stages of the Consumer Buying Process

Six Stages to the Consumer Buying Decision Process (For complex decisions). Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. All consumer decisions do not always include all 6 stages, determined by the degree of complexity...discussed next.

8. The 6 stages of Consumer Buying Process

1. **Problem Recognition**
   (awareness of need)--difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat. Can be stimulated by the marketer through product information--did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.
2. **Information search**
   - Internal search, memory.
   - External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.
3. **Evaluation of Alternatives**
   Need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest rank etc. If not satisfied with your choice then returns to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.
4. **Purchase decision**
   Choose buying alternative, includes product, package, store, method of purchase etc.
5. **Purchase**
   May differ from decision, time lapse between 4 & 5, product availability.
6. **Post-Purchase-Evaluation outcome (Satisfaction or Dissatisfaction)**
   Cognitive Dissonance, have you made the right decision. This can be reduced by warranties, after sales communication etc. After eating an Indian meal, may think that really you wanted a Chinese meal instead.

References

1. Kardes, Frank R.; Cronley, Maria L.; Cline, Thomas W., (2011). Consumer Behavior, Mason, OH : South-Western, Cengage Learning, ISBN 978-0-538-74540-6
2. Laermer, Richard; Simmons, Mark, (2007).Punk Marketing, New York: Harper Collins, ISBN 978-0-06-115110-1 (Review of the book by Marilyn Scrizzi, in Journal of Consumer Marketing 24(7).
3. Loudon, D.L. (1988). Consumer Behavior: Concepts and Applications, McGraw Hill, London.
4. McNair, B. (1958). Retail Development, Harper & Row, New York, NY.
5. Packard, Vance. (1957). the Hidden Persuaders, New York, D. McKay Co.,
6. Schiffman, L.G. (1993). Consumer Behavior, Prentice Hall International, London.