

CHAPTER II

REVIEW OF RELATED LITERATURE

2.1. Explanation and Definition of Marketing

Marketing is a business function identifying the desires and needs of those who are not fulfilled now and measuring the sizes, determining the best targets to serve, determining various products and services for the markets, and making appropriate programs that will be successful in serving the markets.

Marketing becomes very important since many companies that do not use marketing orientation fail in their business. Orienting to marketing means orienting to the consumers, that is giving satisfaction to the consumer. Thus, marketing process is not enough to conduct when the products or services are sold. It is started long time before the things are produced, and will not end with the sale. Marketing activities of a company must also satisfy the consumers otherwise the business does not run well, or the consumers have bad impression to the company.

Below we will explain various definitions from marketing experts:

1. William J. Stanton, (1987: p. 3)

Marketing is a whole system of business efforts aiming to plan, to determine the price, to promote, and to distribute goods and services that able to satisfy the needs of existing purchasers or potential ones.

2. Philip Kotler (1984: p. 8)

Marketing is people activities aiming to satisfy the needs and desires through exchanging process.

The definitions above can explain that marketing has much wider meaning than that of selling. Marketing includes the company's efforts starting with identifying consumers' needs to satisfy, determining the products to produce, determining the appropriate prices, determining the ways of promotion and distribution/sale of the products. Thus, marketing activities are related each other as a system. The activities operate in an environment, which is continued to develop as a social consequence of the company, but it is limited by the company's resources and also the existing rules.

In relation to this, the duty of a marketing manager is determining and implementing the marketing activities that support the achievement of company's goals and to adapt to environmental changes.

Marketing activities must be coordinated and managed in a good way, and then it is known as marketing management.

2.2. Definition of Marketing Management

The most relevant definition advised by Phillip Kotler (1987: p. 3) is as follow:

“Marketing management is analyzing, planning, actuating, and monitoring programs aiming to make an exchange with targeted market in order to reach the company’s goals.”

The main point is put on the company’s bargaining position to fulfill the needs and desires of the market and to determine the price, to communicate and to distribute the information effectively, to motivate and serve the market. So, marketing management is formulated as a management process that includes analyzing, planning, implementing, and monitoring marketing activities performed by the company.

2.3. Explanation and Definition of Marketing Concept

A company that to knows that marketing is an important factor to get success will find a new way and principle of it. The new way or principle is called *marketing concept*. Marketing concept aims at satisfying the consumers’ desire and needs, or its orientation is consumers. Marketing concept teaches that marketing activities of a company must be started with an effort to recognize and formulate the desires and needs of consumers. Then, the company must formulate and arrange a combination of product

policy, price, promotion, and distribution in the most proper way in which consumers' needs will be fulfilled satisfactory.

To put it in another way, Marketing concept is, thus, defined as a business principle stating that satisfying consumers' needs is an economical and social requirement for the survival of the company (Kotler, 1987: 5)

Three main elements of marketing concept are (Kotler, 1987: 6):

1. Consumer Orientation

A company that wants to keep its consumers must:

- a. Determine the basic needs of its purchasers to serve or to fulfill.
- b. Determine the purchaser groups to be the sale target. Since the company impossibly fulfills all consumers' basic needs, the company must determine its purchaser groups. Moreover, certain needs of the purchaser groups.
- c. Determine its products and marketing. In order to meet various needs from targeted purchaser groups, the company produces goods with various types or models and also markets using different marketing programs.

- d. Perform a research on consumers to measure, value, and interpret their desires, attitude, and behaviors.
- e. Determine and implement the best strategy, whether stressing on high quality, low-price, or interesting mode.

2. Arranging Marketing Activities in Integral Way

Integrating marketing activities includes each personal and each part in the company to participate in a coordinated effort to satisfy the consumers, that the company's goals can be reached.

3. Consumers' Satisfaction

Factor that will determine whether the company will get profits for a long time is the amount of consumers' satisfaction to fulfill. It does not mean that the company must maximize the consumers' satisfaction, Without but it have to get profits by satisfy the consumers.

2.4. Consumers' Behavior

Profitable marketing starts with the discovery of consumers' needs and desires as a basic point of developing marketing mix aimed to meet the needs and desires. Thus, the understanding toward consumers' needs and desires, and purchasers' behaviors is a part of successful marketing.

Firstly, the marketer can reach an appropriate understanding on the consumers through experiences in performing daily sale to the consumers and will get more profits than its competitors.

Another, the definition of consumer's behavior stated by James F. Engel, David T. Kollat and Roger D. Blackwell (1973: 5-6) is as follows: "Individual activities that directly involved in the process to get and use goods and services, including the process of making decision in the preparation and determination of the activities."

2.4.1. Consumers' characteristics

Each consumer has different behavior when purchasing a product. Philip Kotler (1995: 202) stated that the differences include 6 Os (*object, objective, occupant, occasion, operation and organization*).

a. *Object* (what to purchase)

Based on the goals achievement, goods can be classified into consumed goods and industrial ones. Based on the rate of consumption and tangibility, consumption goods can be classified into:

- *Nondurable goods*, goods that are normally be used in a time or some certain times. For example: food, soap.
- *Durable goods*, last longing endured goods or can be used for many times. For example: clothes, refrigerator, television.

- *Services*, activities, uses, or satisfaction being offered. For example, repairs, consultant service, barber service.

b. *Objective* (reason to purchase)

Consumers purchase a product since they want to satisfy their needs and desires. The products themselves sometimes are not as important as human needs and desires they fulfill. The raise of the needs and desires is caused by some factors: social, economy, psychological, physical development, religious factors, etc.

c. *Occupant* (who to purchase)

Consumer market consists of all individuals and households that purchase or need goods and services for private needs. This kind of consumers can be grouped based on age, income, level of education, pater of mobility, desires, etc.

The company needs to study the differences of each consumer group to develop appropriate goods and service as their needs. The company has to choose its market segment to serve.

d. *Occasion* (when to purchase)

Time to purchase performed by the consumers can be analyzed based on some factors. Frequency of purchasing a product depends on the use

level of the product. For example: the purchaser of umbrellas and raincoats will increase in rainy season.

e. *Operation* (how to purchase)

For consumers, purchaser is not the only action, but it consists of some actions including the decision on: kind of products, form, brands, amount, seller, time, and the way to pay.

It is much influenced by purchasing habits of the consumer. One of them is *impulse purchasing*, that is purchasing without planning. *Impulse purchasing* (Kotler, 1995, p. 21) can be classified into:

- *Suggestion purchasing*, that is purchasing without planning and based on the suggestion of others.
- *Reminder purchasing*, that is purchasing without planning and based only on his memory.

f. *Organization* (who involves in the purchasing process)

One of main duties of marketing in a company is determining *decision making unit* for a purchasing of goods/services. Consumer market consists of purchasing families. Family is a basic unit of economic activities in consumer markets.

Thus, various roles played in a decision to purchase (Philip Kotler: 1995: 224) are as follows:

- Who takes an initiative in a purchase (*initiator*)
- Who influences or suggests in a purchase (*influencer*).
- Who makes a decision to purchase including: what, how, and where to purchase (*decider*).
- Who purchases (*purchaser*).
- Who uses the products (*user*).

2.4.2. Factors Influencing Consumer Behaviors

Consumer behaviors are very influenced by the environment and various people levels where they were born and growth. It means that consumers from different levels or environments will have different values, needs, opinions, attitudes, and desires.

Externally environmental factors influencing consumer behaviors are: culture, social class, social group and reference and family (Kotler, 1987: 59).

a. Culture

Studying consumers' behaviors means studying human behaviors. Then, consumers' behaviors are also constructed by the culture mirroring the way of life, habits and tradition with various demands on goods and services in the market. No homogeneity in culture of an area will form different markets and consumers behaviors.

Thus, human behaviors are very influenced by the cultures around and its influence will always change every time as the improvement/development of the people and human behaviors tend to absorb the habitual adaptation of cultures.

b. Social class

Social layers in society can occur by itself in the process of people development and can also occur intentionally to reach collective goals. The reasons are also different for each person, it can be based on descent, richness, power, cleverness, etc.

There will be different behaviors in different social class. Each social class will have certain characteristics: people included in certain social class tend to behave and measure someone based on their social class.

c. Social group or reference group

Human has two desires to live in group since he was born: a desire to unite and interact with other people around him. A desire to unite with the environment around him. Both of them encourage social groups in human lives since it is impossible for human to live alone. Kotler (1969: 94-95) stated that social group is:

“Social unity as a place where individuals interact each other because of the relationship among them”.

Reference group

Reference group is a social group as someone's measurement (not a member of the group) forming his personal behaviors (Kotler 1987: 68)

Members of reference group often play a role as influencing disseminators in the case of desires and hobbies. Usually, consumers will always observe and follow the reference group, both physical and mental behaviors. On the contrary, it is possible to have a situation in which there are no direct interactions among reference groups to influence the consumers, for example: advertising its products by using famous figures like famous artists/singers, athletes, etc.

d. Family

The term of family is used to describe various kinds of households. The types of family are (Kotler: 1987, P. 69):

Nuclear family, describes a family including father, mother, and children living with them. *Extended family*, that is a nuclear family added with people with relative relationship like: grandfather, grandmother, uncle, aunt, and son-or daughter-in-law. In consumer market, family is one of parties who make many purchases. Each member of family has different desire and taste. For example, their children will not only always take whatever their parents purchase for them, but also want to get something as their desires. Furthermore, the company needs to study who takes the initiative in the family, makes a decision maker, purchaser, or who will influence a decision to purchase. Compared with other group where someone has a direct relationship, family plays the biggest and the longest in forming attitudes and behaviors of human being.

2.4.3. Internal Factors Influencing Consumers' Behaviors

Other than externally environmental factors, there are also internal factors that tend to be psychological side of a person and influence very much to the consumer behavior to purchase. Some of them are (Kotler 75):

a. Motivation

Motivation is a personal condition encouraging the person to conduct certain activities to achieve a goal (Kotler: 75)

David L. London and Albert J. Dellabitta (1979: 298-300) stated that individual's motivation in performing an activity can be classified into physiological and psychological motives.

b. Observation

Observation is a process in which a consumer realizes and interprets environmental aspects.

c. Learning

Learning is behavioral changes happening as a result of having experienced a particular event or action. Learning process happens since there is an interaction between people as individual with his specific environment. Learning process in a purchasing process happens if the consumer wants to response and get satisfaction or disappointment of purchasing the product in a good or bad quality.

Consumers' responses are very much influenced by past experiences. If the consumers are satisfied, there will be responses and there is a tendency that the same response will be repeated.

d. Personality and Self-Concept

Personality is a characteristic pattern that can determine the response. Variables that show personality are activity, interest and opinion. Another, self-concept is the way one sees himself and at the same time he has a description of others. Self- concept can be distinguished into:

(Kotler: 82)

- Real self-concept
- Ideal self-concept (ideal way to see himself)

e. Attitude

Attitude is derived from genetically factor and process of learning and always relates to an object or product. Usually, attitude gives a value (accepting/rejecting) to an object/product and learning process, both from experience and others. Consumers' attitudes usually are positive or negative value to certain products. William G. Nickels (1979: 178) stated the definition of attitude usually used in marketing is: "A learnt tendency to act toward product/service offers in good or bad things as a consequence."

2.5. Service Quality

Definition of service quality centers on the effort to fulfill the needs and desires of consumers and the accuracy of statement to balance

their hopes. Wyckof (in Loveleck, 1988)(1996: 59), stated that service quality is:

“Expected level of quality and control of the quality to meet the consumers’ desires.”

In other words, there are two main factors influencing service quality, *expected service* and *perceived service* (Parasuraman, et al. 1985), (1996: 60). If *expected service or perceived service* is in the line with the expectations, then service quality is perceived as good service and satisfied. Another, if service quality is over the consumers’ expectations, it is perceived as ideal quality.

On the contrary, if the quality accepted is lower than what is expected, the service quality will be perceived as bad. Thus, the bad or good of the service quality depends on the ability of service provider to meet the consumers’ expectations consistently.

2.5.1. Service Quality Dimension

There are five dimensions of quality summarized by Parasuraman et. al. (in Fitzsimmons and Fitzsimmons, 1994; Zeithaml and Bitner, 1996), (1996: 70). They are:

- *Tangibles*, including physical facilities, equipment, staffs, and communication means.

- *Reliability*, ability to serve as promised immediately, accurately and satisfying.
- *Responsiveness*, staffs' desires to help the consumers and serve responsively.
- *Assurance*, including knowledge, ability, politeness, and reliable characters owned by the staffs; free of dangers, risks, or doubts.
- *Empathy*, including the ease to communicate, to have good relationship, to get personal attention and to understand the needs of customers.

2.5.2. Principles of Service Quality

To create management style and environment that are conducive for service company to improve its quality, the company must meet the six main principles for manufacture and service company. The six main principles are (Wolkins in Scheuing and Cristhoper, 1993), (1996: 75-76):

- Leadership

Company's service quality strategy must be an initiative and commitment of the top management. The top management must lead the company to improve its quality performance. Without leadership of the top management, any efforts to improve quality will bring little impacts to the company.

- Education

All company's staff from the top management to operational employees must get an education on quality. The aspects that need to be pressed are the concept of quality as a business strategy, tools and techniques of implementing strategy on quality, and executive roles in implementing strategy on quality.

- Planning

Strategic planning process must include the measurements and quality objective used to direct the company to achieve its vision.

- Review

Review process is the only most effective tool for the management to change organizational behaviors. This kind of process is a mechanism of guarantee of constant and continuous attention to achieve quality goal.

- Communication

Implementation of strategy on quality in organization is influenced by communication process in the company. There must be communication with the staff consumers, and stakeholders of other companies.

- Appreciation and acknowledgement

Appreciation and acknowledgement is an important aspect in implementing strategy on quality. Each good-performance staff needs to be awarded an appreciation and his performance must be acknowledged. It will increase motivation, working moral, proudest, and sense of belonging of each person in the organization.

2.6. Consumer's Satisfaction

Nowadays, there is an increase in believing that the primary key to win the competition is giving value and satisfaction to the consumers through serving good-quality products and services with competitive prices. When purchasing a product, a consumer usually will try to maximize the perceived value.

As a basic criterion to maximize the value, consumer relies on the value he will gain. To the chosen offers, they will evaluate whether it meets his expectation or not. Consumer's satisfaction after purchasing depends on the performance of offer. Here is a definition on consumer's satisfaction by Philip Kotler (1995: 46):

“Satisfaction is level of someone's opinion after comparing the performance/product he perceived with that of before purchasing/consuming a product/service.”

Then, the level of satisfaction is a function of differences between perceived performance and consumer's expectations.

2.6.1. Measurement of Consumer's Satisfaction

Consumer can experience one of general levels of satisfaction, that is, if the performance is below the expectation, the consumers will be disappointed; if it agrees with the expectation, they will be satisfied. Moreover, if the performance is more than the consumers' expectation, they will be very satisfied, happy or cheerful.

Consumers who are satisfied with a certain brand or product tend to purchase again if the same needs arise in the future. It shows that the size of consumer's satisfaction is a key factor in performing repeated purchase as the biggest portion of the company's sale volume. Moreover, satisfied consumers have a high possibility to influence their environment to consume their satisfying products/services. This condition will really help the company in promoting its products.

2.6.2. Method and Technique of Measuring Consumers' Satisfaction

Measurement on consumers' satisfaction is an important thing for the company to get a feedback on the development of strategy to increase the consumers' satisfaction.

Philip Kotler (1995: 41-43) identify 4 methods to measure consumers' satisfaction are as follows:

a. System of Complaint and Suggestion

That is the company gives a chance for consumers to give complaints or suggestions. For example: providing suggestion box, commentary card, etc.

b. Ghost Shopping

That is employing people to play a role as purchasers of competing companies to find their superiorities and weaknesses.

c. Lost Customer Analysis

That is contacting consumers who have stopped to buy in order to know why they do this.

d. Survey on Consumers' Satisfaction

Consumers' satisfaction can be reached if the needs, desires, and expectations of consumers are met. By getting information on what the consumers want, it will ease the company to give the products to the targeted consumers. It is clearly shown in this chart of consumers' satisfaction below:

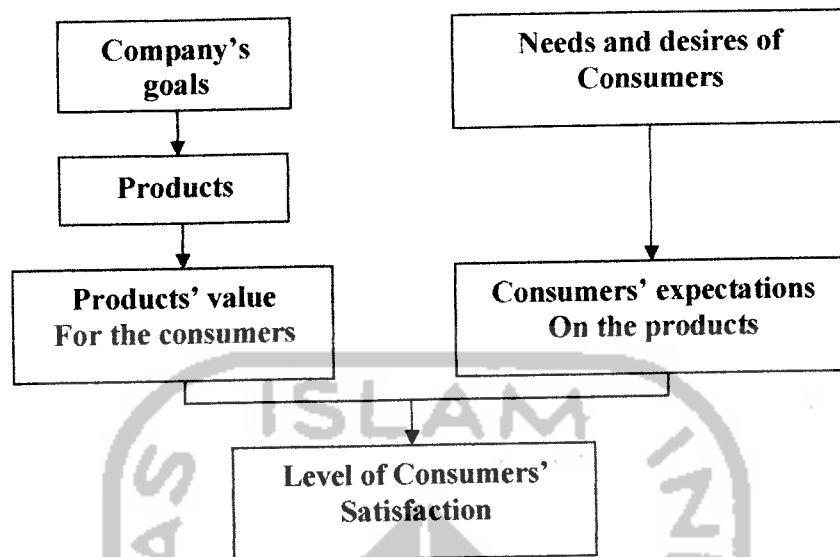


Figure 2.1

Concept of Consumers' Satisfaction

Source: Philip Kotler
(1995: 28).

2.7. Process of Decision Making

Process of making decision to purchase consists of introducing steps to the needs to the step of post-purchasing. However, when the time of purchasing process starts, the candidate of purchaser can cancel the process of purchasing before he does a real purchase.

2.7.1. Structure of Decision to Purchase

Decision to purchase taken by the purchaser is actually a collection of a number of decisions to purchase with seven components, are:

1. Decision on the kind of products
2. Decision on the form of products
3. Decision on the brand
4. Decision on the sale
5. Decision on the number of products
6. Decision on the time to purchase
7. Decision on how to purchase

2.7.2. Level of Purchase Involvement

Level of purchase involvement is the level of consumers' attention in the process of decision to purchase of the consumer. The involvement will be high if the consumers follow all process of decision. Level of involvement depends on the situation in which the decision is made and the types to purchase. Decision to purchase is divided into three:

1. *Habitual Decision Making*

Consumers' attention is very low toward a product since the consumers have enough experiences on the products or brand. It occurs on

i. *Brand loyalty*

Consumers only choose a brand since they have often use it or loyal to the brand.

ii. *Repeat purchase*

Consumers only choose certain brand since they have satisfying experiences or get expected results.

2. *Limited Decision Making*

Consumers' attentions are relatively low since the considered attributes and the types of decisions are relatively limited. Usually, it happens on the choice of products for new and modified products.

3. *Extended Decision Making*

Consumers' attentions are highly enough since the high number of attributes and considered alternatives that the made decisions will be complex. It usually happens on the purchase of specific or special products and they are new products for consumers.

2.7.3. Steps of Decision Making

Kotler (1988:103) stated the steps of decision-making:

1. Step of need introduction

This step happens when consumers realize the differences between existing situation and expected situation, that is the arise of consumers' demands. The needs can be generated by stimulus outside consumers.

2. Step of information searching

In order to meet their needs, consumers will try to search information relating the products or services. The information can be from the following sources:

- a) Personal source : family, friends, neighbor
- b) Commerce source : advertisement, sale officer, packaging
- c) Main source : ever use, test, handle the products

3. Measurement on alternative selection

As a result of information gathering, consumers recognize some brands in the market and their characteristics. After the information is gathered, consumers start selecting based on the most relevant order for them, which is forming a system of value.

4. Decision to purchase

From the introduction of needs, information searching and the forming of sets of selected products, consumers start forming intention to purchase. However, other two factors, that are other's attitudes and unpredictable factor, can influence intention to purchase.

5. Behavior after the purchase

After purchasing a product, consumer will experience some level of satisfaction or dissatisfaction. Satisfaction and dissatisfaction to the product will influence the next behavior. If the consumer is satisfied, he will show a higher possibility to repeat the purchase in the next occasion. Steps of decision-making do not always happen, especially in the purchase that does not really need the purchaser's involvement. Consumers can pass some inappropriate steps.

2.8. Bank

Based on the Law No. 7 of 1992, the kinds of bank have been simplified, from various kinds of bank (Law of No. 14 of 197) to be two kinds of bank, i.e. general bank and people bank on credit.

General bank is a bank that has an authority to give service on payment. People bank on credit is a bank that ready to accept savings in the form of measured deposit, savings and other equal things.

2.9. Hypothesis

Hypothesis is a temporal answer for research formulation problem; thus, it is usually arranged in the form of question sentences. It is said temporal since the given answers are only based on relevant theories, not based on empirical factors that got through data collection. The hypotheses are:

1. There is a gap between service quality and decision to purchase of customer of BPR Shinta Daya Kalasan.
2. Assurance variable is the most dominant influence on the decision to purchase.

