

## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

This chapter reviews literature in five main areas along with a summary: (1) purchasing decision, (2) consumer behavior, (3) integrated marketing – marketing mix, and (4) relevant research.

#### **2.1 THE THEORY OF PURCHASING DECISION**

According to “Purchasing Principles and Applications” (Heinritz, Farrell, Giunipero, & Kolchin, 1991, p. 127), there are three major factors that influence every purchasing decision. The first factor is the quality of the item purchased. Buyers generally consider quality first in importance therefore, it is a crucial element. Unless the quality of the purchased part meets the requirements of the buyer, superb service and a low price are meaningless. The second one is the service which is provided by the supplier. Service involves people’s contribution, delivery, and time investment to an end product. Prompt and friendly services lead to customer satisfaction. Thus, they cause growth in purchasing. The service sector now contributes 58 percent of the Gross National Product (GNP) worldwide. The final one is the price paid by the buyer. Price actually is expected at the most favorable and obtainable level by the buyer.

#### **2.2 THE THEORY OF CONSUMER BEHAVIOR**

Consumer behavior is the first significant aspect which marketers have to take into consideration (Kotler & Keller, 2006, p. 184). There are four steps of stimulus that encourage a consumer’s buying decision. The first step is that marketing and consumer’s environment encourage their consciousness. The second step is that as a result of the first one, the consumer’s awareness is increased. Next to the third step, the buying decision process is generated. Consumers start from searching for information to support their needs, evaluate alternatives, and gain experiences after the purchase. Finally, all these stimuli are turned into the consumer’s purchase decision which is called repurchase.

Wright (2006, p. 182) stated that instant communications leads to constant change in customers' demands and buying patterns. The modern customers become high potential buyers. They have more demanding expectations of quality, value, and friendly staff. They also want more choice and are easily bored. They have more information and many sources for purchases and they have more knowledgeable, complex, emotional reasons behind a purchase. Finally, they are affluent.

According to "Consumer Behavior in Asia" (Schutte & Ciarlante, 1998, p. 90), there are three driving forces influencing consumer behavior as follows:

1. Motivation and Needs

Motivation and needs consists of two theories as follows:

- 1.1 Maslow's Hierarchy of Needs

This classifies the needs in order of importance. They are physiological needs, safety needs, social needs, esteem needs, and self-actualization needs. People will try to satisfy their most important need first. When a person succeeds in satisfying an important need, he or she will then try to satisfy the next most important level of need. Maslow's theory helps marketers understand how various products fit into the plans, goals, and lives of consumers.

- 1.2 Trio of Needs

It is the needs of humans which have the most significant ramifications for customer behavior. These are the needs for power, affiliation, and achievement. Power need helps marketers understand the desire of customers for control of their environment for safety reasons. Affiliation need helps marketers understand how customers consume products and services in groups and alleviate feelings of loneliness. Achievement need helps marketers understand the desire of customers for receiving feedback about realization of their goals.

2. Purchase Intention and Process

Purchasing intention and process consists of two theories as follows:

- 2.1 Behavioral Intention Model

In "Attitude and the Prediction of Behavior" (Fishbein, 1967, p. 90), it was explained how a behavioral intention model was designed to account for the various factors influencing behavioral intention. The individual's intention to purchase or not purchase a product influences decisions to purchase the product or

not. The behavioral intention is influenced by two factors: (1) the individual's attitude towards the act of purchasing the product and his/her belief about the consequences of this act, which represents the personal component, and (2) a subjective norm characterizing what the individual perceives to be the attitude of important others towards the act of purchasing the product, and the motivation of the individual to comply with that attitude, that is, the social component of the intention. In other words, a person forms intentions to behave or not behave in a certain way, and these intentions are based on the person's own attitude toward the behavior as well as his perception of the others' opinions.

## 2.2 Decision Making

Fishbein (1967, p. 90) also stated that there are two approaches of making a decision that are fact approach and feeling approach. The rational decision makers tend to be influenced by facts. When they make decisions, they approach through the following steps: (1) Problem recognition, (2) Information search, (3) Evaluations of alternatives, (4) Product choice, (5) Outcomes. The behavioral, holistic, or experiential decision makers tend to be influenced by feelings. The feeling approach decision makers tend to be influenced by personal factors such as prior mood states. Understanding customers' decision making help marketers know how to develop their products to match with customers' purchase intentions.

## 3. Post-purchase Behavior

Consumers will experience satisfaction if the product is consistent with the consumer's prior expectation, but dissatisfaction will result, if the product fails to live up to the consumer's prior expectations (Fishbein, 1967, p. 90). The consumer who is satisfied with the product actually purchases it again while the one who is not satisfied with the product normally looks for other brands or products of competitors for the next purchase.

## 2.3 INTEGRATED MARKETING – MARKETING MIX

According to "Consumer Behavior" (Wright, 2006, p. 182), the majority of goods and services are produced for end individual consumption; therefore, understanding of customer or consumer behavior is an essential part and crucial part for the company to avoid the wrong product benefits to be offered resulting in loss of

sales and corporate failure. The idea of the rational consumer who seems to put more emphasis in comparison price and added value in purchasing products and services rather than emotion has currently been taken into consideration. Integrated marketing mix is a set of marketing tools manipulated by the organizations to influence consumer behavior. The stated marketing tools consist of products (brands, packaging, services, innovation, etc.), price, place (direct and indirect distribution), and promotions. Developing the right product and the right price, making it available in the right place, and then promoting in the right way, can make customers satisfied and delighted. Then the product will be purchased and repurchased on a continuous basis.

According to “Marketing Management” (Kotler & Keller, 2006, p. 19), integrated marketing is a method which was invented by marketers to create, communicate, and deliver value for customers. It consists of numerous decisions on marketing activities to use. One key form of the marketing activities is in terms of the marketing mix which has been defined as the set of marketing tools the firm use to pursue its marketing objectives. These tools can be classified into four broad groups called the four Ps of marketing: product, price, place, and promotion. The particular marketing variables under each P are shown in Figure 1. Marketing mix is made for influencing the trade channels as well as the final consumers. The firm prepares and offers mix of products, services, and prices, and utilizes a communications mix of advertising, sales promotion, events and experiences, public relations, direct marketing, and personal selling to reach the trade channels and the target customers. The four Ps which sellers view as the marketing tools for influencing buyers become four Cs in the buyers’ view. The sellers’ four Ps consisting of product, price, place, promotion correspond to the customers’ four Cs: customer solution, customer cost, convenience, communication.

**Figure 1.** The four P components of the marketing mix.



## 2.4 RELEVANT RESEARCH

### 2.4.1 Factors Affecting High School Students' Decisions to Take English Courses at Tutorial Schools.

According to a study of “Factors Affecting High School Students’ Decisions to Take English Courses at Tutorial Schools” (Nuntapon Chaisiri, 2006), the majority of students decided to take English courses at tutorial schools because of the need for English improvement besides their school learning. In addition, most of

them were satisfied because of the good maintenance of the class atmosphere by the tutor.

#### 2.4.2 The Image of “Enconcept” the English Tutorial School in the Eyes of the Parents in Bangkok.

In a study of “Image of “Enconcept” the English Tutorial School in the Eyes of the Parents in Bangkok” (สุขุมมาดี สวาสดิ์, 2550), it was purposed to find out the school’s image concerning its organization, services, price, management, promotion, and relations between its promotion and image. The research methodology was quantitative. Survey research was conducted by using questionnaires as an instrument to collect data from the sample group who were students’ parents living in Bangkok. The total number of the respondents was 400. Mix method sampling was conducted for two steps. The first step used multi stage sampling that applied purposive type to survey data during a curtain period of March to May 2007. The second step used quota sampling to survey data from the respondents who were separated into nine groups related to the total number of branches of the schools. Descriptive statistics was used to analyse the data in terms of percentage and average.

The result of the study was that 62.25% of the respondents were female while 37.75% were male. Most of them were between 41-50 years of age, had completed a Bachelor’s degree, and earned income between 20,001 – 30,000 Baht.

Image of services proved to be the most important factor, followed by image of organization, image of price, and management, accordingly. Concerning the promotion, most of the respondents knew about the school’s information from their children, followed by the leaflet and catalogues. About the result of the relations between promotion and image recommended by students’ parents, promotion was mostly related to the image of organization followed by the image of price, image of management, but the promotion was not related to image of services.

#### 2.4.3 The Study of the Siam-Square Tutorial Schools Management

A study of the Siam-Square Tutorial Schools Management (ปีติมา เม่นแมน, 2548) was purposed to explore the managerial programs of tutorial schools located in Siam Square. Qualitative research was conducted for the study. Random sampling was done to collect data from total 10 respondents who were management members

and lecturers working at a total of 5 of the tutorial schools. Instrument was interviewing, observation, and document research. Structured interviews were done with 10 respondents: five management members and five lecturers working at the five schools, along with the observations and document research which were done by the author in order to see the overall picture of the five schools. The result of this study was that the tutorials schools focused on five parts of management.

The first part was teaching management. It is categorized into five major areas: (1) quality of lecturers, that refers to qualifications and personality of lecturers, (2) quality of text books, (3) teaching techniques that is concerned with students' satisfaction related to varieties of modern techniques provided for students, (4) teaching contents that have to be reviewed regularly, (5) managing the students' expectation in terms of learning results, new techniques of problem solving, meeting new friends, getting learning experiences, new skills, and meeting parents' requirements, and (6) market competitive policy which refers to sustainable overall quality, professional management team, and high profit.

The second part was facility management which can be categorized into two areas: (1) classroom arrangement referred to size of classroom, decoration, and safety sake, (2) information center concerned places arrangement for leaflet, catalogues, signs, boards, etc.

The third part was communication management which can be categorized into two areas: (1) communication management for students and their parents with both internal schools and external in order to promote good attitudes towards studying, good relations among students and lecturers, and good atmosphere in place, (2) communication management for public to create and promote the good reputation of schools to the public. Communication tools can be leaflets, catalogues, public relations, word of mouth, and website.

The fourth part was tutoring fee management. It was categorized into two areas: (1) fee rate that provides alternatives for students, such as fee rate related to the teaching aids, live or by tape recorder, (2) fee payments that refers to fees paid via banking, or fees paid by cash at the schools.

The final one was external environment management which can be categorized into two areas: (1) management of political and legal controls that

concerned the issues, such as teaching auditing by government officers, safety controls by legal, (2) management of the situations caused from economic factors that concerned the issues, such as building rental fee, decrease in wage rate of lecturers and administrative staff, etc.

In summary, the principle theories relevant to the current studies are 1) the theory of purchasing decision and 2) the theory of consumer behavior. The theory of purchasing decision defines three major factors that influence every purchasing decision; quality of item which is purchased, service which is provided by supplier, and price paid by buyer. The theory of consumer behavior identifies stimulus encouraging consumers' buying decisions, communication leading to the change of customers' demand and buying, and driving forces influencing consumer behaviors. The other factor related to the study is the concept of integrated marketing. It is formed in terms of the marketing mix and is defined as a set of marketing tools that firms use to pursue their marketing objectives. The tools are classified into four broad groups called the four Ps of marketing: product, price, place, and promotion. The research on the image of "Enconcept" the English tutorial school in the eyes of the parents in Bangkok clarified that image of services comes to be the most important one while most of the respondents know the school's information from their children. In addition, the study also concluded that promotion is mostly related to the image of organization followed by image of price and image of management, but promotion is not related to image of services. Another research on the Siam-Square tutorial schools management revealed that the tutorial schools at Siam-Square focus on five management functions which are 1) teaching management, 2) facilitating management, 3) communication management, 4) tutoring fee management, and 5) external environment management. On the basis of these accounts, this study on factors influencing working people's decisions to take English courses at language institutions was carried out with the methodology as explained in the next chapter.