

# Stakeholders in marketing and finance



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# Introduction

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This course comprises two parts, one relating to marketing and the other to financial information. Each part consists of a short, introductory reading and an activity which requires students to analyse their own work practice in relation to the ideas covered in the reading. The marketing reading and activity cover the concept of 'customers' and who customers are in different work contexts. The financial information reading and activity cover the idea of financial stakeholders and their interests in an organisation.

This OpenLearn course is an adapted extract from an Open University course

[B629 Marketing and finance](#)

# Learning Outcomes

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After studying this course, you should be able to:

- understand and identify customers, consumers and clients and their needs and expectations
- apply these ideas to a work context and recognise customers, consumers and clients and their needs and expectations
- understand and identify financial stakeholders of an organisation and their information needs
- apply these ideas to a work context and recognise the organisation's financial stakeholders and their information needs.

# 1 Introduction to customers, consumers and clients

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This section looks in more detail at what we mean by 'customers' and how they are different from 'consumers' and 'clients'. It considers all external and internal stakeholders as customers, consumers or clients of a marketing activity. So, an internal stakeholder might be the consumer of a service performed by another department in the same organisation. This is the case when staff of an organisation are consumers of the stationery and other equipment purchased by the purchasing department. The key differences discussed in this reading are between those stakeholders who buy a product or service (the customers) and those who use it (the consumers). Customers and consumers may be the same or different people. Note what distinguishes a customer from a *client* and the different kind of relationship each has with a service provider. In your own work context, when are *you* a consumer, a customer and a client? Who are *your* consumers, customers and clients?

## 1.1 Customers, consumers and clients

An understanding of marketing requires a clear understanding of the terms customer, consumer and client. The customer is the person buying from an organisation. The customer can also be another organisation, for example, when a bookstore buys from a book publisher. The customer will *also* be the consumer *if* the person or organisation uses what has been bought. This is not the case with the bookstore: there the bookstore is the customer of the publishing company and a person buying a book from the bookstore is likely to be the consumer.

Here are two simple examples that highlight the distinction:

- You choose, buy and eat an ice cream. Here you are the customer and consumer.
- Your child chooses and eats an ice cream but you pay for it. Here your child is the consumer and you are the customer.

The second example is of interest because marketing activity is likely to be focused on the consumer rather than the customer. Consumers and customers may not share the same view, and marketers often use the influence that consumers (in this case, children) have over customers (in this case, parents). For example, marketers advertise tempting toys or food items during breaks in children's television programmes or by placing sweets within reach of small children in supermarkets. They are thus attempting to use children's 'pester power' to persuade parents to buy the goods in question. As a result they are often criticised for addressing the wants of children without much consideration of the expectations of their parents, the customers.

When we look at purchases made by organisations, in most cases, customers and consumers are not the same. Many purchasing decisions in organisations are made by purchasing departments. As a manager you may be allowed to take decisions to buy items costing up to a certain amount of money. An exception might be for products used in

many parts of the organisation and which are supplied by another department, for example, ink for printers and printer paper. For these and more expensive items, many managers are required to use the equipment and materials which someone else in the organisation has chosen – and these buyers may or may not respond to managers' needs or wants. We will look in more detail at the buying behaviour of individuals and organisations later.

## Customers and clients

Now we turn to the difference between customers and clients. The term 'client' is generally associated with the provision of professional services (such as accountancy and legal services). In these contexts, the specific service being provided is normally discussed and agreed between client and provider. While the client has more influence over the specification of the product or service being provided, the service provider – the marketer in this context – is often in a position to advise the client as to what his or her needs and wants actually are, and then charge fees for delivering services that meet these needs. You should immediately recognise that the power balance between the marketer and the person being provided with a product or service can be quite different according to whether the person is a customer or a client.

In recent years it has become customary to use the terms customer or client for the recipients of public and not-for-profit services. Before then, these recipients were called passengers, patients, students and so on. These more traditional terms had the advantage of indicating to service providers the needs and expectations of these service recipients. It is argued that calling everybody a customer reduces every service to a commercial transaction – and many people would be unhappy to think that their relationship with their doctor or teacher is nothing more than a commercial transaction. This is partly an issue of terminology and becomes less problematic if we recognise that many aspects of marketing are useful and appropriate in not-for-profit contexts.

In the not-for-profit context we might consider the example of a doctor in the UK National Health Service (NHS) wanting a patient's blood sample tested. Here, the patient is the doctor's client and the doctor then becomes the customer of the blood testing laboratory. The laboratory must deliver a prompt service to satisfy the expectations of the doctor as a customer and the patient as a client.

When we look at *internal* stakeholders, an interesting feature is that 'consumers' often have no decision over what they consume. For example, in an organisation's wage and salary payment system there is usually no choice of products or suppliers if an employee wants to be paid. There are exceptions, however. For example, all IT systems within an organisation may be provided by the IT department but the internal customer or consumer may be able to influence the design.

In addition, while we can see clearly who is paying for a family's ice creams, holiday or car, in *internal* marketing contexts it is often not as clear who is paying and how much is being paid for the services or goods supplied. If you are a budget holder, you will know what items are charged to your budget. But if you are not the budget holder you may have little or no idea of what internal services actually cost.



**Activity 1 Know your stakeholders***Allow 45 minutes for this activity.*

In this activity you are asked to think further about what marketing means in your work context, focusing particularly on who your customers, consumers and/or clients are. The use of the words 'customer', 'consumer' and 'client' is not restricted to those external stakeholders who buy goods or services from for-profit organisations. Rather, any stakeholders whose needs and expectations you need to satisfy in your work can be regarded as customers, consumers or clients.

First make a copy of Table 1 below, allowing space for extra rows at the end.

Step 1: Identify all stakeholders whose needs and expectations you and your work team or unit need to anticipate and satisfy, and list them in the first column of your Table 1. Add more rows to Table 1 as necessary.

Step 2: For each of these stakeholders, consider whether you would classify them as customers, consumers and/or clients and briefly say why. Note that in many cases customers and consumers may be the same. Enter this information in the second column of your Table 1.

Step 3: Think about the needs and expectations of each of these customers, consumers or clients and enter this information in the third column of your Table 1.

Step 4: Consider how much influence each of those customers, consumers and clients has over the service or products you deliver to them. Can they normally get what they want from you? Is the extent to which they can influence what they get related to their status as either customer, consumer or client? Enter these considerations in the last column of your Table 1.

**Table 1 Customers, consumers and clients in my work context**

Who are the stakeholders?	Are they customers, consumers or clients? Why?	What are their needs and expectations?	How much influence do they have over the service or product they get?
1			
2			
3			
...			

**Discussion**

Depending on your work context, it may seem rather unfamiliar to think of the people who use the outputs of your work as customers, consumers or clients. Thinking of them in this way does not, of course, mean that they cease to be your line manager, colleagues, patients, funders or however you normally think of them. But consideration of them as customers, consumers or clients can give you a new, additional perspective on their needs and expectations and how what you do can fulfil their needs and expectations, and thus improve working relationships with them.



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## 2 Introduction to Financial Stakeholders

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The next page considers an organisation as a coalition of various 'stakeholders', each of whom has a financial interest in the organisation. The reading should answer questions such as: for whose benefit is an organisation run? Is it the owners, the employees, society as a whole, the state? Various stakeholders and their financial information needs are discussed. As you read, think about the sort of decisions the various stakeholders might want to make and how financial information is necessary for them to make these decisions. Being aware of who the main stakeholder groups (typically) are and of the sort of financial information they require will help you with Activity 2.

### 2.1 Financial Stakeholders

The stakeholders in an organisation may be interested in financial aspects of an organisation's performance and management. In particular, they will be interested in how an organisation's performance is likely to impact upon them. Other people have a stake in and use for the financial information that results from what you and others do in your organisation. The way in which financial information is used and compiled into financial reports and statements is heavily influenced by perceptions of what these users need and expect. Table 2 summarises stakeholders' main needs from and interests in an organisation's financial information.

**Table 2 Stakeholders' financial information needs and reasons for them**

<b>Internal</b>	<b>Main external</b>	<b>Other external</b>
<b>Managers</b>	<b>Owners/shareholders</b>	<b>Government agencies</b>
Planning, controlling, decision-making and stewardship (safeguarding assets)	Calculating returns if investing capital	Taxation
Internal controls	Holding managers to account for financial (and/or other) performance	Informing regional and national economic development, competition, regulation and/or employment policies
Context for their own remuneration		
<b>Employees</b>	<b>Lenders/financiers</b>	<b>Local communities</b>
Future job prospects	Repayments and interest on loans or investment*	Source of local employment, or of local pollution or congestion
Comparison with conditions in other organizations		
<b>Management board/governors</b>	<b>Suppliers</b>	<b>The general public</b>

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Responsibility and accountability to stakeholders for financial performance	Likelihood of being paid	Context of employment or environmental concerns
	Future growth/survival prospects	Public sector organisations' use of tax
	<b>Customers/clients</b>	<b>Competitors</b>
	Prospects for the organisation remaining a supplier	Knowledge to inform their own strategies
	<b>Donors</b>	
	Cost-effectiveness	

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\*In the private sector, money for interest or repayment comes mainly from sales or revenues, whereas in the public sector it comes mainly from taxation. Because of the legal constraints on what public sector organisations can do, and the near certainty of their taxation income, these organisations often attract very good credit ratings and so can borrow at competitive interest rates. Voluntarily sector organisations may have less certain sources of funding and therefore may have difficulty in securing loans. In all cases, lenders will be looking at the available information to make a judgement about an organisation's financial stability.

Typical internal stakeholders with financial information interests include managers and employees, and also the board of management directors or, in the not-for-profit sector, bodies such as school administrators, the board or management committee, elected members of local government, and so on. Some of these management bodies may include stakeholders whose position is difficult to determine in terms of whether they are internal or external, such as non-executive directors or trustees. Some other groups may also be hard to define in these terms, for example self-employed staff on short-term contracts, volunteers and trade union officials. Similarly, elected members of local government from opposition political parties and those whose parties are in power have different interests in a local authority's financial information.

Typical external stakeholders include customers or clients, those owners or shareholders who do not play a part in governing or managing, lenders, financiers and guarantors, suppliers of goods and services, donors, government agencies and local communities. Other groups that may be interested in your organisation's financial information include competitors, pressure groups, the media and the general public.

Different stakeholders may wish to consider financial information available to them from slightly different perspectives. For example, employees may be interested in the stability of their employer in terms of risk to their jobs but may also look at the profitability with a view to pay expectations/negotiations. Also, suppliers may wish to assess the creditworthiness of their customers. Are they likely to have the ability to pay their debts when they fall due and are they financially stable such that the business relationship is likely to last. Customers may wish to assess the profitability to see if there may be room for movement on pricing and, again, be interested in the financial stability of the organisation as a way of judging the reliability of future supply. A shareholder may want to consider the likely returns and risks associated with investing in an organisation. Fund providers such as governments and charitable donors may want to consider the stewardship of their funds – has the money been spent wisely and in line with the objectives of the organisation.

## Activity 2 Identifying Stakeholders and their information needs

*Allow 45 minutes for this activity.*

This activity requires you to identify the various stakeholders, and their information needs, in the organisation you work for – or your part of it. The activity is designed to help you understand the importance of finance in the organisation you work for *and* in other organisations – those that other students work for.

Look again at Table 2. This time, note in the boxes below which stakeholder interests apply to your organisation or your part of it. Consider interests that are not mentioned in the text and add them; add new categories of stakeholders as necessary. Given the nature and purpose of your own organisation, what other (non-financial) information might be required by the various stakeholders and for what purpose?

### Internal

#### *Managers*

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

#### *Employees*

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

#### *Members of management boards*

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

### Main external

#### *Owners/shareholders*

Financial information needs:

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*Provide your answer...*

Reasons:

*Provide your answer...*

*Lenders/financiers*

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

*Suppliers*

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

*Customers/clients*

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

*Donors (those who give money to voluntary organisations)*

Financial information needs:

*Provide your answer...*

Reasons:

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*Provide your answer...*

**Other external**

***Government agencies***

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

***Local communities***

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

***The general public***

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

***Competitors***

Financial information needs:

*Provide your answer...*

Reasons:

*Provide your answer...*

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## Activity 2

### Discussion

You were perhaps surprised to find that a lot of people have a financial interest in your organisation – and that their interests are not identical. This activity should have served to revise the picture you have of the organisation you work for and to indicate how difficult it is likely to be to provide all these stakeholders with the financial information they need. All this may seem quite distant from you in your daily work, but whenever you or your team plan budgets – and particularly when you spend more than your budget – ultimately, you are accountable to these stakeholders, not just your line manager.

## Conclusion

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You should now be better able to identify your organisation's customers, consumers and clients, their needs and expectations. You should also be better able to determine their importance to your organisation. As well as being able to analyse the broad network of stakeholders you should also be able to identify your organisation's financial stakeholders and their information needs.

## Acknowledgements

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