

Customer vs Consumer – A Different Perspective**By S Datta, Assistant Professor,****Rawal Institute of Management, Faridabad, India****Abstract**

In this article the author attempts to explore the true meanings of customer and consumer using case analysis, definition of Consumer, who is more important for the manufacturers and marketers - customers or consumers and Formula to calculate the total number of consumers and customers of a Product or Service. The primary methodology used is Theoretical Research in which the goal is to prove / disprove a hypothesized truth. Also, Data Triangulation which is the use of a variety of data sources and Theory Triangulation which is the use of multiple perspectives to interpret the results have also been used. There may be a mismatch between the number of Customers and the number of Consumers, particularly in the case of non-industrial products. It is virtually impossible to determine the exact number of Customers and Consumers of a product or service. Mere purchase or usage of a product or service does not make the buyer a True Customer or Consumer of the product or service. The manufacturers and marketers should give equal importance to both customers and consumers. The determining factor is the decision-maker, irrespective of whether he or she is the customer or consumer.

Keywords: Consumer, Customer, Definition, Formula, Importance.

Literature Review

A customer (consumer) buys (consumes) what fits his / her budget and style of living and rejects the other products and services.

By strict definition a consumer is a person who consumes or is the end-user of the product. A customer is a person who purchases something or engages in some form of exchange transaction. A customer can be a consumer but a consumer does not necessarily need to be a customer.

For example, a customer is best exemplified by a coffee shop which buys a coffee maker from a coffee maker manufacturer. The coffee shop buys the said equipment for the benefit of its patrons or guests. In this connection, the restaurant is clearly the customer and not the actual consumer. However, in a similar scenario where a person directly goes to the coffee maker manufacturer and buys its product so that he can bring it home for his family's use then he is the real consumer.

A customer (also known as a client, buyer or purchaser) is the recipient of a product or service obtained from a seller, vendor or supplier of a monetary or other valuable consideration who may or may not be the consumer (i.e. the end user of the product or service).

Wikipedia has defined consumer as – “A consumer is a person or organization that uses economic services or commodities.”

American Heritage Dictionary of the English Language has defined consumer as “One that consumes, especially one that acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing.”

Collins English Dictionary – Complete and Unabridged has defined consumer as - “a person who acquires goods and services for his or her own personal needs”.

A customer may or may not be a consumer, but the two notions are distinct, even though the terms are commonly confused. A customer purchases goods; a consumer uses them. An ultimate customer may be a consumer as well, but just as equally may have purchased items for someone else to consume. An intermediate customer is not a consumer at all. The situation is somewhat complicated in that ultimate customers of so-called industrial goods and services (who are entities such as government bodies, manufacturers, and educational and medical institutions) either themselves use up the goods and services that they buy, or incorporate them into other finished products, and so are technically consumers, too. However, they are rarely called that, but are rather called industrial customers or business-to-business customers. Similarly, customers who buy services rather than goods are rarely called consumers.

Comparison Chart

Basis for Comparison	Customer	Consumer
Meaning	The purchaser of goods or services	The end user of goods or services
Resell	May be a business entity also which purchases for resell	No
Purchase of Goods	Yes	Not necessary
Purpose	Consumption or Resell	Consumption
Price of Product or Service	Paid	May not be paid

However, according to the Consumer Protection Act of India 1986, the term ‘consumer’ has a broader meaning to include those who use a product or commodity for a living. And so, according to this Act, if someone is the sole proprietor of a company and he purchased the coffee maker under his name then he can still be considered a consumer. Furthermore, the Act expands the consumer definition even more by stating that a consumer does not need to buy products for personal usage to be considered as one. Rather, the mere thought or intent of buying already turns him into a consumer.

As per the Consumer Protection Act 1986, it does not include the person who purchases the commodity for the purpose of adding value or resale for any commercial purpose. However, a person can use those goods or services to earn livelihood or self-employment. Any type of user, other than the buyer who purchases goods, consumes the goods by taking permission of the buyer will also come under the category of Consumer. It includes the person who avails the services for any consideration. Moreover, the beneficiary of such services will also be regarded as the consumer.

The difference between a consumer and a customer impacts how you market your products. Customers will buy your product only if consumers demand your product, so your marketing efforts should target the end user as opposed to the buyer. Using the children's toys example, your marketing efforts should be geared toward exciting the children about your products so they will ask their parents to make a purchase.

Even if your customers are not the same as the consumers of your products, you should not completely ignore them in your marketing efforts since they are ones who control the purse strings. Again using the children's toys example, in addition to appealing to the desires of children, your marketing can also cater to parents by mentioning that the product is completely safe or is built to withstand the rigors of rough play.

As such, consumers play a vital role in the economic system of a nation. Without consumer demand, producers would lack one of the key motivations to produce -to sell to consumers. The consumer also forms part of the distribution chain.

Objectives of the Study

In this article the author attempts to explore

1. The true meanings of customer and consumer using case analysis.
2. Definition of consumer.
3. Who is more important for the manufacturers and marketers - customers or consumers?
4. Formula to calculate the total number of consumers and customers of a brand / product / service.

Methodology

- (1) The primary methodology used is Theoretical Research in which the goal is to prove / disprove a hypothesized truth.
- (2) Data Triangulation which is the use of a variety of data sources.
- (3) Theory Triangulation which is the use of multiple perspectives to interpret the results.

Analysis and Results

CASE 1

Dr. Bimal Aggarwal goes to the market and buys a chocolate. He comes back home and eats it.

Here, the Buyer (Dr. Bimal Aggarwal) is **both the Customer and Consumer**. Hence

Number of Customer = 1

Number of Consumer = 1

CASE 2

Dr. Bimal Aggarwal goes to the market and buys a chocolate. He comes back home and gives the chocolate to his Son who eats it.

Here, the **Buyer** (Dr. Bimal Aggarwal) is the **Customer and Son is the Consumer**. Hence

Number of Customer = 1

Number of Consumer = 1

But they are **different individuals**.

CASE 3

Ajay Sharma goes to the market, buys a chocolate and comes back home. He himself does not eat the chocolate but gives it to his Son, Daughter and Wife who all eat it.

Here, the Buyer (Ajay Sharma) is the Customer and his Son, Daughter and Wife are the Consumers. Hence

Number of Customer = 1

Number of Consumer = 3

And they are different individuals.

CASE 4

Sachin Arora goes to the market, buys a chocolate and comes back home. He **himself does not** eat the chocolate but gives it to his Son, Daughter and Wife **who also do not eat it**.

Here, the Buyer (Sachin Arora) is the Customer but nobody is a Consumer **although one product is sold**. Hence

Number of Customer = 1

Number of Consumer = 0

CASE 5

Even in the **case of Television**, there may be a **mismatch between the number of Customers and the number of Consumers**. Consider a family of 4 members – Gagandeep Singh, his wife, their son and daughter. Gagandeep Singh buys a Sony Television and the entire family watches it. Hence

Number of Customer = 1

Number of Consumers = 4

Same is in the case of Newspaper, Car and other electronic items.

For example, even if there are more than one newspaper (say The Times of India and The Navbharat Times) in a family either only one person (say Father) paid for both the newspapers or one person (say Father) paid for The Times of India while another (say Son) paid for The Navbharat Times. In both cases, the number of buyer and **customer** for a **particular newspaper** is **one** only but the number of **consumers** is **greater than one**.

CASE 6

In certain cases it **may not be possible to determine EVEN the exact number of buyers and Customers**. Consider this. Sourav Ganguly goes to a shop in January and buys Cinthol Original soap (one quantity). He goes in February again and buys the same soap (one quantity). He does this every month till December. Hence

Number of Products sold = 12

Number of Customer = 1 (because the **same person** bought the soaps in **different months**)

Number of Consumers = 1 or more (depending upon **how many people** used the soaps)

Same is in the case of Toothpaste and Food & Beverages.

Customer or Consumer – Who is more important?

Another important point of discussion is that who should the manufacturers and marketers give **greater importance – Customers or Consumers?**

As is evident from **Case 3**, a single product is sold for which there is 1 Customer and 3 Consumers. The obvious question is that **which figure should we consider: 1 or 3?** Or should we take into account **both the Customer and Consumers** which makes the figure **1+3 = 4?**

There is a probability that Sachin Arora **does not himself like** the chocolate but was **compelled to buy** it because of the demand of his son, daughter or wife or all of them. Hence he may **actually never become a True Customer or Consumer** of the product in future. In such a case, is it correct to tag him a "Customer"? Also, who is or are actually **more important** for the manufacturer and marketer: **1 Customer or 3 Consumers?**

Now, if we **consider the figure 3** (i.e. the number of **Consumers**) while calculating the total number of Customers of the product or company then invariably there is a **mismatch between the number of products sold and the number of Customers**. On the other hand, if we **consider 1** (i.e. the **Buyer only**) as the total number of Customers then we are **ignoring 3 consumers who actually used the product** and are or likely to become **Brand Loyal Customers**.

The determining factor is the **decision-maker**. This, in turn, is determined by a number of factors like **age, product and degree of dominance** of the customer and consumer.

(1) Age –For example, in case of **baby products** the **mother is the decision-maker**. Here mother is the customer while baby is the consumer. But the customer is more important in this case. However, in case of **sports accessories or fast food items**, the consumer (**the kid**) is the **decision-maker** and hence more important than the customer (father or mother). In simple words, **till the time a child is able to connect himself or herself with the outside world, mother or father remains the decision-maker**. Hence the manufacturers and marketers should target accordingly.

(2) Product – For example, in case of **garments** (more so in case of **innerwear**), the **consumer is the decision-maker** even if the product is purchased by the customer.

(3) Degree of Dominance – This is another important factor. In cases where a **consensus cannot be reached**, the **most dominating person** (irrespective of whether he or she is the customer or consumer) will be the **decision-maker**. However, if a person is **extremely dominating** then he or she (irrespective of whether he or she is the customer or consumer) will have **maximum influence in most (if not all)** purchase decisions.

Also, the number of consumers may be **equal to, greater than or less than** the number of customers (as already explained).

Hence, the **manufacturers and marketers should give equal importance to both customers and consumers**.

CONCLUSION

(1) There may be a **mismatch between the number of Customers and the number of Consumers**, particularly in the case of non-industrial products. The number of Consumers may be **equal to, greater than or less than** (in case there is no Consumer as illustrated in Case 4) the number of Customers.

(2) It is virtually **impossible to determine the EXACT number of Customers and Consumers** of a product or service.

(3) There may be a **mismatch between the number of Buyers and the number of Consumers**.

(4) Mere purchase or usage of a product or service does **NOT** make the buyer a **True Customer or Consumer** of the product or service.

(5) In my opinion, all the definitions of consumer are **improper or partially correct**. It will be **appropriate** to define Consumer as – **“The Consumer is a person or an entity who is the actual user or end user of a product or service who is not necessarily the customer or buyer and hence may or may not pay for it, do not resell it and who is already or more likely to become a brand loyal customer of that product or service.”**

(6) The **manufacturers and marketers should give equal importance to both customers and consumers**. The determining factor is the **decision-maker**. This, in turn, is determined by a number of factors like **age, product and degree of dominance** of the customer and consumer.

(7) Hence, for simplification of calculation, we should use the following **formula** to determine the **number of Customers and Consumers**.

Number of Products sold

= Number of Buyers

= Number of Customers

= Number of Consumers

Limitations of the Study

Like all other research works, the above-mentioned findings and proposals are also not devoid of limitations and hence need to be extrapolated with care.

(1) Lack of existing researches on this topic to reach a conclusion

(2) Analysing the data from a specific disciplinary perspective

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