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I. Business II. Marketing III. Management IV. Economy
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FACTORS INFLUENCING CONSUMER BEHAVIOUR MANAGEMENT

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ABSTRACT

Since the early stages of market exchange development, traders learned and could understand their consumers in the process of constant communication with them. Current scale of markets and economy have significantly complicated the interaction between seller and buyer and the only way out is coming from constant and thorough consumer research.

The main task of any commercial enterprise management is to research how consumers react to the different marketing incentives that enterprise can apply. The enterprise, which has figured out how consumers react to different product characteristics, prices and advertising, will have a huge advantage over competitors. That is the reason why both managers and scientists spend so much time researching the dependencies between the motivating factors implied by company’s management and consumer responses.

Keywords: Consumer, consumer behaviour, management, purchase decision

JEL Classification: M11, M21, M30

INTRODUCTION

The study of consumer behaviour is relatively new area of knowledge not only in Ukraine, but also in the USA, at motherland of management and marketing. The first textbooks mentioning consumer behaviour appeared in the USA in the 1960s. Political and economic reforms in Ukraine put the problem not of production, but of selling, as already in 1993 the supply of merchandise began to exceed the effective demand of the population (Pyrog, 2010). Therefore, the survival of enterprises and their prosperity directly depends on the degree of consumers’ satisfaction. Works of such authors as: Zeithaml V.A. (1988), Kotler P. (1997), Baluk N.R. and Basii N.F. (2011), Jack E.P. and Powers T.L. (2013), Grabovska S. (2013), Kuchma I.Z. (2014) are devoted to management of consumer behaviour. And, despite the variety of authors studying
differentiation of instruments managing consumer behaviour in accordance to consumer
characteristics is constituting the research gap. Thus, studying of consumer characteristics and
finding the ways of managing consumer behaviour in correspondence to these characteristics are
forming the goals of current research.

1. ESSENCE OF CONSUMER BEHAVIOUR

Consumer behaviour is an activity aimed on obtaining, consuming and disposing of goods,
including decision-making processes that precede and follow these actions. The scientific and
practical discipline “Consumer behaviour”, which emerged at the interface of economics,
management, marketing and psychology, studies the behaviour of such market subjects as buyers
and consumers of services and products. Deep and comprehensive study of the needs and
requests of the consumer and the patterns of his/her behaviour, which allows establishing stable
mutually beneficial relations between the seller and buyer, is the key to the successful market
activity of the modern enterprise. The starting point of all these efforts is the model of purchasing
behavior (Kotler, 1997) presented in figure 1.

![Stimulus response model](image)

Figure 1. Stimulus response model (Kotler, 1997), Adapted.
The left-hand rectangle shows two types of driving factors. The company’s incentives include four elements: product itself, price, distribution method and marketing instruments. Other stimulus are composed of the main forces and events from the buyer’s environment: economic, scientific, technical, political and cultural environment. Passing through the "black box" of the buyer's mind, all these stimulus trigger a series of observable customer reactions represented in the right rectangle: product selection, brand selection, dealer selection, purchase timing, choice of purchased volume and so on.

The task of the manager is to understand what is happening in the "black box" of the consumer's consciousness between the arrival of stimuli and the manifestation of responses to them. The "black box" consists of two major parts. First contains the characteristics of the buyer, which affect how a person perceives and reacts to stimuli and second part implies the process of making purchase decision, which is directly results on management task.

Consumers are not making their decisions in vacuum. The purchases made by them are greatly influenced by cultural, social, personal and psychological factors, which are presented in figure 2. For the most part, these factors can not be controlled by market actors, nevertheless they should be deeply considered as they make crucial influence on purchase decision.

![Figure 2. Factors influencing purchase decision.](image-url)
Thus, main factors influencing consumer’s decision are cultural, social, personal and psychological. Cultural factors are playing significant role on consumer behavior as human behavior is acquired from the culture where individual was being raised. The child learns the basic set of values, perceptions, preferences, manners and deeds, characteristic of his family and the basic institutions of society. Social factors includes belonging to social class, referent groups, family and people of direct communication. Personal factors are age and lifecycle stage of the consumer, physical and personal characteristics. Psychological factors are mainly influenced by motivation and perception of the consumer.

According to the consumer decision-making model (Engel et al. 1995), presented in figure 3, management of instruments influencing consumer behaviour should be applied long before purchasing process. With the help of commercials and other instruments, companies are stimulating need recognition, raising beneficial perception of their products during alternative evaluation stage, using appropriate marketing mix during purchase and even continuing communication with the customer during after purchase stage in order to make customer loyal.

![Decision-making model](image_url)

Figure 3. Decision-making model (Engel et al. 1995).

At the same time, on some of the markets producer does not have possibility to follow consumer during all stages of purchasing process, as the purchase is made from reseller or distributor. The
best example in this case would be purchasing process in supermarket. Even if producer has built his/her marketing strategy around certain consumer segment, his/her products will be placed near the product of other producer, who can be focused on consumer segment with totally different consumer characteristics. Simultaneously, owner of the supermarket is facing diverse amount of customer segments and is interested in high revenue in total, rather than increase of sales for certain product. In addition, because of the big product assortment and related to it high costs of marketing campaign aimed on all stages of decision making model, owner of the supermarket is focused on usage of instruments managing consumer behaviour only during purchase process.

2. PRICE PERCEPTION

Researchers (Zeithaml, 1988; Kotler P., 1997; Pyrog, 2010) over the years have studied the variables that are influencing the decision-making process of the customers during the purchase situation. Among these variables, perception of price by the customers is one of the most important and is significantly influencing on the purchase decision. Many research studies and experiments (Baluk N.R. and Basii N.F., 2011; Jack E.P. and Powers T.L., 2013) have been devoted to the topic of price perception and the factors that are influencing it. Reaction of the consumers on prices has a greater motivation than simple rational calculations. Firstly, the consumers’ response is determined not only by the valuation of the product and its price, but also by the overall purchase situation. Secondly, even if buyers accurately perceive prices and the situation of purchase, they do not always rationally evaluate them.

Different ways of price presentations, for example price cuts, have different impacts on consumers’ price evaluation, price perception and finally on their buying decisions. The authors understand price presentation as retailers’ way and opportunity to present and communicate price information to their target groups. The fact that consumers react differently towards an objective price stimulus is widely known. It can be explained by the process of consumers’ encoding an objective price to form a subjective price. In this encoding process, consumers integrate not only the price of a good or service but also further price information like other product prices or internal reference prices based on price knowledge and experience. As a result of this encoding process, an objective identical price stimulus can be evaluated differently by different customers.
The fact that consumers respond differently on the same price information is a main focus of behavioural pricing research (Grabovska S., 2013). Behavioural pricing research can be regarded as an extension of the traditionally economic pricing theory, which is based on the assumption of a rational thinking buyer. Due to consumers’ general limitations of price knowledge and cognitive capacity to compare all offered price information, behavioural pricing research reflects how consumers actually perceive, evaluate, and respond to price information. Over the years, researchers have studied essence of psychological tricks of price presentation influencing perception of the price by the consumers. Nevertheless, different empirical studies have shown diverse range of changes in sales after introduce of different pricing technique’s. One of the main and commonly used on the market psychological pricing methods is the odd pricing technique. Tactical method of odd pricing technique is based on setting prices lower than a rounded sum of the purchase. During the history of studying effect of odd pricing technique on the demand of products, scientists have been facing with contradictory results. The main source of the disagreement between researches lies in the problem that outcome of experimental studies of different authors are contradictory to each other. Some experiments in the field of odd pricing technique have shown no effect on the demand of the products, some have shown significant increase of the demand, and others have stated changes in the demand only in specific conditions. Shortcut of the experimental studies is given in the table 1.

Table 1. Literature review of odd pricing effect

<table>
<thead>
<tr>
<th>Year</th>
<th>Author (-s)</th>
<th>Effect of odd pricing technique on the demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1936</td>
<td>Ginzberg</td>
<td>Positive effect on some types of products and negative on the others</td>
</tr>
<tr>
<td>1985</td>
<td>Dodds and Monroe</td>
<td>No effect</td>
</tr>
<tr>
<td>1986</td>
<td>Schindler and Wiman</td>
<td>Positive effect in specific purchasing situations</td>
</tr>
<tr>
<td>1995</td>
<td>Holdershaw</td>
<td>Positive effect</td>
</tr>
<tr>
<td>1996</td>
<td>Schindler and Kibarian</td>
<td>No effect</td>
</tr>
<tr>
<td>1997</td>
<td>Stiving and Winner</td>
<td>No effect</td>
</tr>
<tr>
<td>2003</td>
<td>Anderson and Simester</td>
<td>Positive effect, which is dependent on purchasing situation</td>
</tr>
<tr>
<td>2005</td>
<td>Manoj and Morwitz</td>
<td>Positive effect, only in specific situations</td>
</tr>
<tr>
<td>2010</td>
<td>Thomas and Morwitz</td>
<td>Positive effect, only if changes of rightmost digit in the price shift leftmost digit.</td>
</tr>
</tbody>
</table>
Despite the great variety of studies aimed on tracking the influence of different psychological techniques on sales, none of the studies did not segmented consumers according to the consumer characteristics.

3. CONSUMER CHARACTERISTICS

3.1. Generation Theory

One of the most important characteristics influencing consumer behaviour is age or belonging to one of the generations. American scientists Neil Hove and William Strauss in 1991 created a theory of generations. They independently from each have noticed that the conflicts between generations are appearing not so much because of age difference, but rather because of the difference in values. Otherwise, people would acquire almost the same values and characteristics as their ancestors when they mature. However, this does not happen and new generations become different. Scientists studied the period of world history from 1584 to 1991, made forecast until 2069 and have determined six generations: GI generation 1901-1924; Silent generation 1925-1942; (baby) Boom generation 1943-1960; Thirteenth (X) generation 1961-1981; Millennial (Y) generation 1982-2004; New silent (Z) generation 2005-…. Due to the small amount of representatives of GI and Silent generations and minority of Z generation, current research is focused only on Boom, Thirteenth and Millennial generations. These generations are composing the main part of purchasing power and differences in their values are presented in table 2 (Rokeach, 1979; Lepeyko and Blyznyuk, 2016; Blyznyuk, 2018). In addition, most of researchers splitting generation Y into two parts – people who were born 1995 and those who were born after. Such division follows by the different values and attitudes caused mainly by two reasons: usage of internet since childhood and lose of job in the beginning of career because of world economic crisis in 2008.

Table 2. Differences in values of generations

<table>
<thead>
<tr>
<th>Generation</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boom</td>
<td>Health, active life, interesting job, love, inner harmony</td>
</tr>
</tbody>
</table>
3.2. Gender Marketing

Nature divides people by sex on male and female. Men and women perceive differently vital values and qualities that they would like to possess. Men, regardless of their social level, prefer boldness, competiveness, influence, self-confidence, danger and self-control. Women in the majority are choosing absolutely other list of qualities: sincere warmth, love, impulsiveness, generosity, sympathy and tenderness. Empirical research done in the UK (Pospisilova 2013) has shown significant differences in the purchasing behaviour of men and women. Thus, it was found that:

- Women are more likely to express positive attitude towards shopping than men, and, accordingly, men are more likely to negatively estimate shopping than women are;
- Women often express strong positive attitude towards shopping, saying that they rather “adore” than simply “like” shopping; men often express a negative attitude - they rather “hate” shopping than they just do not like it;
- Women like to buy goods from a wide range of assortment, whereas men generally value positively the purchase of very few specific products (for example, the purchase of electronical products and their components);
- Women are more often rate shopping above many other forms of leisure activities, such as watching movies or visiting restaurants than men.

There are various models describing consumer behaviour, both men and women. The influence of gender on consumer behaviour, in author’s opinion, is worth considering on a complex decision-making model of purchasing (Kotler, 1994), as there is possibility for change in behaviour at each stage, and each stage is matched with certain tools. According to the opinion of Barletta (2011), the cardinal difference between female and male consumer behaviour in the context of the purchasing decision model is most pronounced at the information search and evaluation of alternatives stages. It consists in the fact that women process a much larger amount of
information and, unlike men, tend to return to the already passed stages in the purchase decision model.

At the stage of information search, women inevitably asking the opinion of the reference group (by this term group of people who influence decision-making process is understood). Women ask friends and sellers, while men prefer to search for information on their own. Another behaviour seems for men as sign of incompetence and threatens their male status. For the same reason, men more often refuse the services of sales consultants.

Women are trying to find the ideal variant, and men are looking for acceptable one. Barletta (2011) argues that immediately after awareness of the need stage man makes a list of important parameters of the product or service for himself, which must be matched. The availability and duration of the evaluation phase of alternatives depends on how quickly he stumbles upon a suitable product. Having discovered such commodity often man immediately makes a purchase. Based on this, it can be concluded that advertising aimed at men, especially in the field of durable goods, should contain a similar list of qualities of goods in direct or indirect form. The quality criteria, in turn, should be determined in the result of customer research.

The timeline for completing stages of collecting information and evaluating alternatives for women are usually much longer: women tend to get as much information as possible and do not stop comparing alternatives until they are convinced that the solution found is not just acceptable, but the best possible one. While for men, the fewer alternatives, the better, and while they tend to reduce number of alternatives, women seek to increase it. This is also connected to the fact that the revision of the previously adopted decision is associated for men with uncertainty, which is not peculiar to masculinity. Women can afford to doubt in their previous decision. In most cases, thanks to this, women often return to the passed stages of the model. This means that marketing tools are able to exert a strong influence on a man only during the stages of understanding the need, searching for information and choosing alternatives, while the woman is equally vulnerable to the impact at almost any stage of the purchase. In case of satisfaction with the purchase, women tend to show loyalty in subsequent appeals to the brand more than men.
According to the study conducted by Arsel, Zeynep, and Moisander (2015) men value convenience and prefer shopping near the house and are trying to spend minimal amount of time on the purchasing process. They are not benevolent to communicate with seller-consultants and prefer to make purchasing choice on their own, without someone's help. Women makes purchases with enthusiasm and are spending more time on it. In addition, women are not trying to avoid communication with sellers. After studying various literature on gender differences in consumer behaviour, it is possible to summarize the researchers’ opinions on the gender differences in consumer behaviour:

- Women have more emotional motives, and men have more rational motives;
- As a rule, for men, the involvement in the buying process is lower than that for women. The exception are products for durable usage intended for men;
- Women are more easily forming loyalty to the brand in the case of satisfaction with the purchase.

3.3. Reference Group

External factors influencing consumer behaviour are composed by the social environment of the consumer. Household is the main environment for the formation of the future consumer, or consumer socialization. Consumer socialization is the process of young people to acquire skills, knowledge and attitudes that affect their functioning in the market as consumers. According to Mishina (2016), consumer socialization occurs as the transfer of cultural values from one generation to another in a nuclear or extended family.

Studying family composition and household is important in consumer behaviour studies, since most products are purchased for the whole family. At the same time, family is primary reference group where the decision to purchase depends on its members.

The notion of "reference group" was introduced into scientific circulation by Herbert Hyman (1942) in his work “Archives of Psychology”. By reference, he understood the group that an individual uses to compare his own position or behaviour. Hyman distinguished the group to which the individual belongs and the reference or reference group that serves as a comparison criterion. Family is a group of two or more people who live together and are related by blood or
The influence of spouses and children varies depending on the resources they possess, type of product that is purchased, stage of the family in life cycle model and the stage of the purchasing decision process. From the point of view of consumer behaviour in the life cycle of the family, four main phases are distinguished (Kruger D. and Byker D., 2015):

- Phase I - stage of unmarried life. Interest in fashion, entertainment, buying clothes, furniture, cars, holiday vouchers;
- Phase II – newlyweds without children. The highest intensity of purchases, including products for long-term use;
- Phase III – “full nest”. The appearance of children leads to an increase in costs, purchase of additional expensive products, products for children's, intention in buying behaviour is made in the direction of goods in large packages. With the growth of economic situation, family buys more non-essential goods;
- Phase IV – “empty nest”. Children live separately. Most families are satisfied with their financial situation. There is growing interest in buying luxury goods. After retirement, family incomes fall sharply, demand for medical goods and services is growing.

3.4. Social Stratification

An important factor in the behaviour of a person as a consumer is his/her belonging to one of the social groups. Groups develop their subculture, which is imposed to the individuals entering it. To live in a society means to belong to a social group. Each group has written and unwritten rules, which are imposed on the members of the group. Standards represent consumption standards adopted in this group. Any group consists of status positions that prescribe certain obligations, give certain rights. A style of behaviour, a woman's clothing in the role of a young wife, mother, grandmother or head of a company can vary very significantly, since the status position occupies a style. Members of the group learn to behave in accordance with the norms and values of the group in the process of socialization or resocialization. During the entire stay in the group, people are gently or rigidly trained to consume as “decent member of this group” (Ghosh, 2004). These norms are initially external and compulsory, but gradually norms are internalizing and turn into internal norms, which appear as the result of own free choice.
Differences in the behaviour between the consumers who are living in cities and in villages is widely spread in scientific literature (Gupta and Srivastava, 2003; Nabi and Pant, 2005). Main explanation of the behaviour differences lies not just in taste differences, rather in such external factors as electrification, distance to the places, water availability, etc. Most of the authors are proposing usage of different marketing strategies in rural regions. Gupta and Srivastava (2003) in their work have mentioned: “Even the most sincere endeavour for penetration in rural markets would be doomed if it is fashioned on urban lines”. Bhatia and Bawa (2012) have identified the following features of rural market:

- Rural market uses a large variety of brands.
- In the rural market also there are multi brand user households.
- Local brands are used in the urban as well as rural market, but they manage to obtain very tiny market share.
- Promotion schemes are popular.
- Here is high exposure to television advertisements.
- Retail shops are the most popular distribution outlet.
- Loyalty to distribution outlet is less than loyalty to brand.
- A large number of households are brand loyal.

The social occupation of people is of great importance in consumer behaviour. The existence of a social-class structure presupposes the existence of various ways of behaviour of representatives of classes. Investigation of the structure of social classes is important for economics, as class representatives differ in consumer behaviour while making decision of purchasing products, using them and communicating their (un-)satisfaction. Belonging to the social class has a strong influence on the adherence of consumers to brands, styles, shopping. Social stratification is used as a variable for segmenting the market and positioning the products. Positioning is carried out on the basis of the association of goods with the social class to which the consumer belongs or seeks to belong. Consumers use the status characteristics of goods in the decision to purchase (Kaul, 2007). Today, in almost all countries of the world, societies are stratified, that is have formal systems of inequality. Such systems of inequality are social classes, castes and estates. Given the uneven distribution of financial, material, intellectual and other resources in the society,
stratification ensures the social identification of members of society and establishes the boundaries of relationships between people and groups with different social status.

Belonging to the social class is determined by such variables as occupation, income, education, material well-being and other characteristics. Strictly and rigidly defined system of social classes in most developed countries does not exist. Social class systems are ranked by family classes whose members share common characteristics: living in the same house, income, common values (Kotler, 1997). These characteristics determine the similarity of the purchasing behaviour of family members.

Over the history, scientists have suggested different methods of dividing society into classes. Weber, a well-known German sociologist, philosopher, historian and political economist of the late nineteenth and early twentieth centuries, interpreted social stratification as a structured division of society based on three aspects: relations to property, prestige and power. Attitude to property is the criterion for dividing society into classes. Max Weber developed the following system of classes in capitalist society: the bourgeoisie (the class of owners of capital), professionals (the class of intellectuals, managers), the petty bourgeoisie (the class of small entrepreneurs and traders) and the working class. Accordingly, the higher the position of the individual in the class system, the higher the position of this individual in society in relation to the labour market and goods.

Another, more modern social stratification is described by Sandal (2016) in his work “The new social class system”. According to Sandal, today there are three social classes presented all over the world: Starving class, Desperate class and Elite class. People who belong to starving class are starving, have limited access to water and other life-important resources. Desperate class is represented by global workforce. Representatives of Elite class are belonging to highest social ranking, those people are living dynamic lives and not dependent from others.

Still, the most common class scheme in use up to our time is the neoclassical capitalistic class hierarchy of nine distinct social classes (Sandal, 2016). Neoclassical capitalistic class hierarchy divides people into 9 classes according to the access and owning resources, power and
occupation. The classes in this hierarchy are Upper-upper class, Middle-upper class, Lower-upper class, Upper-middle class, Middle-middle class, Lower-middle class, Upper-lower class, Middle-lower class and Lower-lower class.

CONCLUSION

Different psychological techniques influencing consumer behaviour during purchase process are widely used by sellers. Basing on the aims of present research, the following techniques, studied by scholars (Thomas and Morwitz, 2010; Manning and Sprott, 2012) all over the world are investigated:

- Odd pricing technique. The essence of this technique lies in decreasing left digit of the prices by 1 and increasing all other digit to maximum.
- Indication of old, higher price on the price label. The essence of this technique lies in anchoring higher reference price to the mind of the customer.
- Specifying sale on set of products. This technique is creating illusion of reasonable purchase, forcing customers purchase products they did not have intension to buy.
- Indication of “Sale” or “Discount” on price label. Such way of price presentation is attracting consumer’s attention and appealing as right choice to buy.
- Sound of rhythmic music in the place of sale. Reason of the effect of this technique lies in fact, that consumers are partly allocating their conscious mental resources on listening the music and the influence of other psychological techniques on unconscious mind increases.

On the basis of relation between the consumer characteristics and impact of psychological techniques on purchase decision from one side and variety of techniques managing consumer behaviour and different degree of impact of this techniques in empirical studies from other side management of the company should differentiate its marketing incentives and techniques managing consumer behaviour according to consumer characteristics. Thus in order to decrease management risk during the process of applying instruments influencing consumer behaviour these techniques should be differentiated according to the consumers’ characteristics. Main consumer characteristics influencing the effectiveness of psychological techniques are belonging to certain generation, gender of the consumer, type of settlement where consumer is living and partly social class to which consumer associate himself or herself and amount of family members,
with whom consumer is living. In addition, the effectivity of applying psychological techniques is also dependent from the appearing frequency of these techniques. Finally, management practice of influencing consumer behaviour during purchase stage should be differentiated according to the characteristics of the consumers. Thus, same technique influencing consumer behaviour will significantly improve sales among one consumer segment and will have no positive effect among other segments.
REFERENCES


The purpose of the Congress is to bring scientists and researchers working in the field of business and marketing together at the international arena in order that they benefit from each other’s knowledge and experience and share scientific outputs of their academic studies and researches, and thus, follow current developments in the field.

The papers presented at the Congress include not only the theoretical field but also the developments that can be applied in practice. It is important for the participants to follow the level of scientific and technological progress in the other countries of the world if they aim to expend their vision of international business and marketing.