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## ASPECTS OF MANAGING CONSUMER BEHAVIOUR OF ORGANISATIONAL BUYERS

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**Abstract** — The paper is devoted on investigation the particular qualities of managing consumer behaviour for organisational buyers. Moreover, this paper tries to find underlying aspects of decision-making process of organisational buyers and investigates the methods of managing such behaviour.

**Key Terms** — consumer behaviour, decision making process, organisational buyer, price.

Along with the consumer market, there is a market for purchasing by organizations that acquire products for use during the operation of these organizations. Organizational buyers are commercial structures, governmental institutions and non-profit organizations that buy goods and services in order to reproduce them and/or transfer them to other consumers (paid or free of charge, with or without processing). The specific behaviour of the buyer-organization is different compared to the end user consumer in following aspects:

- demand of organizations is derived from the needs of subsequent consumers;
- number of buyers is usually small, and their purchases are large;
- purchases are made by professionals;
- objective parameters serve as the selection criteria for the purchase (there are practically no impulsive purchases, the influence of emotions is minimal);
- organizational purchasing decisions are more complex and last longer, accompanied by an extensive search for information and greater risk;

- greater the number of people involved in making purchasing decisions;
- purchases imply closer and long-term interaction (negotiations) between the buyer and the seller;
- buyer requires closer and long-term after-purchase contacts with the seller (after-sales service, consultations, training);
- one buyer usually has several suppliers at the same time.

Peculiarities of consumer behaviour can be explained by the market type of organizations (manufacturers, intermediate retailers, government agencies). For enterprises procuring industrial goods, market is characterized by the presence of small number of large buyers, which are rather densely concentrated geographically. The demand of such enterprises for products is inelastic in price, but can change quite quickly and significantly under the influence of non-price factors [1].

The model of purchasing behaviour of organizations includes the following steps [4]: awareness of the need, formation of the procurement centre, development of product specification, supplier search, request for commercial offers, evaluation of offers, supplier selection, making an order, evaluation of supplier's performance.

Awareness of the need. The reasons for the emergence of such needs may include a decrease in stocks and a shortage of certain goods; changes in the range of products; changes in production technology; fluctuations in the overall level of business activity; dissatisfaction with current purchases and more. External factors can also have a significant impact, including the seller's marketing efforts.

Formation of the procurement centre (decision-making centre). The choice of option depends primarily on the type of goods purchased, size of the enterprise, existing management structure. In small enterprises, purchases are usually made by their managers. It may also be fully or partially entrusted to one of the employees of the enterprise. Most medium-sized enterprises, as a rule, have a small purchasing department consisting of two to three employees. Large enterprises have specialized purchasing units. However, in enterprises of any size, final decisions on the purchase of essential goods are usually made on the level of top management.

Decision centre is a group of employees drawn from a wide range of functional areas of an organization to make a purchasing decision [3]. There are five main roles to be considered, distributed among the participants of the procurement centre [4]:

1. users, who will use the product or service (persons, who aware on the need);
2. influencers, who are determining the most important criteria and conditions of purchase (specialists);
3. buyers, who formally charged with choosing a supplier and conducting negotiations;
4. decision makers, persons who have a formal duty or informal right to finally approve the choice of a particular supplier;
5. goalkeepers, who control the flow of information in the purchasing centre (offering sources of information, list of suppliers, etc.).

Search for suppliers. For this purpose, buyers study various sources of information containing data on commercial structures that are directly related to the desired product [5]. According to these sources of information, a list of possible suppliers for each of the required products is compiled.

Request for commercial proposals. On this stage, suppliers are informed that they can submit bids for the supply of relevant products. Suppliers can submit their proposals in writing, make an official presentation of the products, send a salesman or send a catalogue.

Evaluation of proposals. On this stage employees of the enterprise-buyer conduct their

technical and commercial evaluation of the proposals.

Choosing the supplier. As a result of the analysis of suppliers' proposals conducted at the previous stage, a limited number among them are pre-selected, and after rounds of negotiations, contract with one of them is concluded. In most cases, the buyer chooses two or three suppliers of the products it needs and ensures uninterrupted and regular deliveries to the enterprise-buyer.

Making an order (signing the contract). The degree of detailing of contracts depends on the type of product, its quantity, intended services and is largely determined by the level of existing business relationships.

Evaluation of the supplier's performance. Buyer is analysing the actual result of meeting the needs of the enterprise. If the buyer is satisfied with this result, then, as a rule, company makes repeated purchases. Otherwise, necessary adjustments are made to the established supply process or supplier change occurs.

Business communication takes place in two forms: business negotiations and business conversation [2]. Business negotiations are devoted to reaching an agreement between the parties for the transaction. In this case, the objectives of the parties are often the opposite. Business conversation takes place in the initial or final stages of the transaction and is dedicated to solving small specific issues. Stages of business communication are the following [6]: preparation, beginning of communication, formulation of the problem, question and answers, argumentation and counter argumentation, search for and making the decision, end of communication and exit out of contact.

Preparation (development of a plan, composition of participants, appointment of a place and time). On this stage, it is necessary for manager (-s) to formulate goals, arguments, gather the necessary information. Researches [1] are stating that time should not be scheduled on the end of the working day or week, before and immediately after important events. The venue is usually the territory of the stronger side.

Beginning of communication. It is necessary to create a favourable atmosphere for the participants, to make a good impression on the partner. People tend to overestimate the business qualities of interlocutors who are attractive, demonstrate excellence or are known for their good attitude towards a partner.

Problem formulation by one of the parties. Researches [3] are stating that effective use of visual forms of information presentation, repetition of especially difficult moments and their alternation with less complex ones highly influence on the negotiation process. When listening to the interlocutor, it is necessary that opposite party feels feedback. Most common methods of feedback are nodding, asking clarifying questions or expressing the reaction in other ways, choosing more active or passive forms of listening according to the situation.

Questions and answers stage. The following types of questions are distinguished:

- closed – to receive a quick confirmation or refutation;
- open – allows negotiator to get new information, while control of the conversation can go to the listener;
- rhetorical – direct the listener's thinking;
- turning points – used for switching to another topic;
- questions for reflection – creating a favourable atmosphere, encourage the listener to comment on what has been said.

Argumentation and counter argumentation. The optimal number is 3 or 4 logical arguments, depending on the situation, it can be increased to 5-7 [2]. The following sequence of arguments is effective: strong, then medium, then the strongest. The strongest argument may be a reference to an irrefutable fact or to the arguments of a recognized expert.

Search for and making decision. There are two approaches to finding a common solution: positional bargaining (gradual successive reduction of initial requirements by each side, which may be slightly overestimated) and

principled negotiations (when partners make decisions based on jointly selected objective criteria that meet each scope of supply, maximum unit price, delivery deadlines) [6].

Completion of communication and exit out of contact is being the last stage of negotiation process.

Thus, for effective cooperation with the buyer organization, it is necessary to take into account both the specifics and requests of the organization itself, as well as the behavioural factors of its constituent people, especially those who actually make the decision on purchase.

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