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## MARKETING MANAGEMENT AND MEASURES TO REDUCE PERCEIVED RISK IN BUSINESS: AN ANALYSIS OF INTERCONNECTION

*The research results on the interrelation between marketing management strategies and measures for reducing perceived business risk have been presented. An analysis of existing scientific literature has revealed a lack of studies concerning theoretical and methodological approaches to reducing perceived business risk. The aim of this article was to investigate the correlation between marketing management strategies and measures aimed at mitigating perceived business risk. The following methods were employed during the research: comparative analysis, synthesis, generalization, graphical representation, and economic-statistical analysis.*

*Considering one of the objectives of marketing provision for risk-mitigation measures, which involves customer-oriented approaches, and taking into account the specific nature of the research subject, the article examines possible attitudes of organizational buyers towards perceived risk based on the expected utility from purchasing industrial goods. The article proposes a general view of the relationship between perceived risk and consumer value, modifying a well-known utility function for expected income and presenting the author's conclusions. It was found that an organization-buyer is inclined towards risk when it gives preference (over risk) to higher product value compared to guaranteed, yet lower consumer value. For risk-neutral organizational buyers, an increase in perceived risk corresponds to an increase in consumer value. Conversely, risk-averse organization-buyers respond strongly to perceived risk and prefer products in which they are confident to avoid risk. The proposed function establishing the relationship between perceived risk and consumer value, modified to incorporate the utility function for expected income, offers strategies for implementing risk-mitigation measures aimed at reducing risk for specific groups of business-to-business (B2B) organizations in the market. For risk-averse organizational buyers, measures such as marketing research, test sales, financing through credit or leasing, which focus on risk identification and control, should be undertaken. Therefore, reinforcing marketing measures should be applied to persuade risk-averse or neutral organizational buyers of the benefits of purchasing.*

*The proposed function depicting the dependency of perceived risk on consumer value, modified to account for the utility function for expected income and conclusions, allows for segmenting organizational buyers based on their level of consumer risk. This will be valuable for forming and implementing risk-mitigation measures within enterprises, as it enables the consideration and reduction of risks for industrial consumer goods. Further scientific investigations will be directed towards developing a methodological approach to evaluating the levels of perceived risks in online purchases.*

**Keywords** – marketing, marketing management, perceived risk, consumer behavior.

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## УПРАВЛІННЯ МАРКЕТИНГОМ ТА ЗАХОДИ ДЛЯ ЗМЕНШЕННЯ СПРИЙМАНОГО РИЗИКУ В БІЗНЕСІ: АНАЛІЗ ВЗАЄМОЗВ'ЯЗКУ

*Представлено результати дослідження взаємозв'язку управління маркетингом та заходів щодо зменшення сприйманого ризику в бізнесі. Аналіз наукових праць виявив брак досліджень щодо теоретично-методичних підходів щодо зменшення сприйманого ризику в бізнесі. Метою статті було дослідити взаємозв'язок управління маркетингом та заходів для зменшення сприйманого ризику в бізнесі. У ході дослідження були використані такі методи: метод компаративного аналізу; синтез; узагальнення; графічний; економіко-статистичний.*

*Розглядаючи однією із цілей маркетингового забезпечення антиризикових заходів їх орієнтування на споживача та зважаючи на специфіку предмету дослідження, в статті розглянуто можливі варіанти ставлення покупців-організацій до сприйманого ризику залежно від очікуваної корисності від придбання товарів промислового призначення. Запропоновано загальний вигляд залежності сприйманого ризику від споживчої цінності на основі модифікації відомого загального вигляду функції корисності очікуваного доходу та зроблених авторами висновків. Виявлено, що організація-покупець вважатиметься схильною до ризику, якщо вона віддає перевагу (за ризиком) більшій цінності товару порівняно з гарантованою, але меншою споживчою цінністю. Для організацій-покупців, які є нейтральними до сприйманого ризику, приріст рівня сприйманого ризику кореспондує зростанню споживчої цінності товару. При цьому організація-покупець, яка виявляє обережність до ризику, сильно реагує на сприйманий ризик і віддає перевагу товарам, в яких впевнена, аби уникнути ризику. Функція, що встановлює залежність між сприйманим ризиком та споживчою цінністю товару, пропонує стратегії впровадження антиризикових заходів, спрямованих на зниження ризику для конкретних груп організацій-покупців на ринку B2B. Для організацій-покупців з обережним ставленням до ризику слід здійснювати заходи, спрямовані на виявлення і*

контроль ризиків, такі як маркетингові дослідження, тестовий продаж, фінансування через кредит чи лізинг. Варто використовувати підкріплюючі маркетингові заходи для організацій-покупців, які утримуються від вираженого ставлення до ризику або ставляться нейтрально з метою переконати їх у вигідності придбання товару.

Запропонована функція залежності сприйманого ризику від споживчої цінності, котра модифікована з урахуванням функції корисності очікуваного доходу, дозволить сегментувати організації-покупців за рівнем споживчого ризику. Подальші наукові розвідки будуть спрямовані на розроблення методичного підходу до оцінювання рівня сприйманих ризиків при покупках онлайн.

*Ключові слова:* маркетинг, управління маркетингом, сприйманий ризик, поведінка споживача.

### **Statement of the problem in a general form and its connection with important scientific or practical tasks**

The essence of the principle of orientation of anti-risk measures on the consumer is that the business entity should strive for the formation and implementation of anti-risk measures that would not only reduce the level of risk of the enterprise, but also would not increase the level of risk of consumers (perceived risks). A personalized approach to customers allows you to clearly identify the needs and perceived risks of target consumers and reduce them accordingly. Investigating the relationship between marketing management and measures to reduce perceived risk in business has become the task of the research.

### **Analysis of recent research and publications**

The analysis of scientific sources revealed that research on marketing management issues and measures to reduce perceived risk in business are relevant and partially revealed in the scientific works of domestic scientists Starostina A., Kravchenko V., Borysova T. and others.

### **Highlighting previously unresolved parts of the general problem, to which the article is devoted**

Despite the significant contribution of scientists and practitioners, the degree of development of the listed scientific discourses is different. Studying literary sources allows us to draw a conclusion about the expediency of considering the issue of marketing support of anti-risk measures not only in the context of risk management at the enterprise, but also reducing the level of perceived risk. For these reasons, it is logical, along with reducing the level of enterprise risk, to reduce the level of consumer risks (in the industrial market and the market of final consumers), which may be caused by the actions of an economic entity.

### **Formulation of the goals of the article**

The purpose of the work was to investigate the relationship between marketing management and measures to reduce perceived risk in the B2B market. The following methods were used during the research: the method of comparative analysis; synthesis; generalization; graphic; economic and statistical.

### **Presentation of the main research material**

The theory of perceived risk as a direction of consumer research is aimed at understanding the behavior of consumers who seek to avoid mistakes when making purchases and, accordingly, accept risk. This concept appeared in 1960 [5, p. 94]. Its main idea is to understand the threats that arise for consumers as a result of actions or inaction of an economic entity. The application of the theory of perceived risk in the provision of anti-risk measures has the potential to take into account the interests and risks of target consumers in the development and implementation of the company's anti-risk measures; finding new ways of carrying out the main activity and production of anti-risk measures, which does not increase the level of risks of target consumers; development and implementation of measures to reduce the level of consumer risk, if this does not violate the goals of the enterprise.

Obviously, the relationship to risk varies for each individual buyer and B2B. For each risk subject, the appropriate level of risk is acceptable, for example, enterprises can have strategies with high, medium and low levels of risk depending on the enterprise's risk appetite and the level of economic risk. Depending on the chosen strategy, the buying organization will choose purchases with different levels of perceived risk. The differentiation of enterprises according to these criteria is productive in a methodological context, as it will help to reveal the specifics of perceived risk by buyer organizations, not end consumers, and to reveal the specifics of the strategic behavior of economic entities in the market based on the level of risk. This theory also includes the differentiation of risk levels for economic subjects from the point of view of expected utility proposed by Bernoulli. According to this approach, the decision of the person making the choice is determined by the desire to maximize expected utility. In our opinion, the approach, according to which the overall perceived risk of the buyer consists of a number of components: functional (operational), social, financial, time and physical, is fully justified. Thus, the approach of the authors [5, p.11] is productive from a methodological point of view: it follows from the theory of perceived risk that buyers will prefer the product brand that will be associated with a lower risk, therefore it is very important for marketers to determine which in this way, buyers reduce the risk, because it makes it possible to develop a marketing complex taking into account the actions of the consumer. Since our attention is focused on industrial enterprises, which are the object of research, this determines the rationality of a detailed analysis of the perceived risks of participants in the means of production market. Taking into account the factors of the external environment,

Consumers get value when they make a purchase. This consumer value is considered as the difference between the total value of the product, service, staff service and brand image that the consumer receives at the time of purchase and the total cost of purchasing this product. In this context, utility is a subjective category that reflects the conformity of the consumer's expectations to the value obtained from the purchase of the product. In particular, in the structure of the total costs for the purchase of goods, an important element is a stochastic variable - the amount of probable losses that arise as a result of the realization of the perceived risk. In the structure of the overall consumer value of the product, it is worth highlighting the amount of probable additional benefits obtained as a result of the realization of the perceived risk. Thus, the resulting consumer value will have the following formal form:

$$V_o = V_t - C + R, \tag{1}$$

where  $V_o$  is the received consumer value;  
 $V_t$  – total consumer value of the product;  
 $C$  – total costs for the purchase of the product;  
 $R$  – the perceived risk.

We will consider the level of perceived risk as the sum of mathematical expectations of additional costs and additional benefits from the purchase of the product:

$$R = M(V_{ad}) - M(C_{ad}); V_o = V_t - C + M(V_{ad}) - M(S_{ad}), \tag{2}$$

where  $R$  is the level of perceived risk;  
 $V_{ad}$  - probable additional value due to the purchase of the product;  
 $M(V_{ad})$  – mathematical expectation of additional value from the purchase of the product;  
 $M(S_{ad})$  – mathematical expectation of additional costs for the purchase of the product.

In the given formula (2), the costs for the purchase of product  $C$  and  $S_{ad}$  according to their elemental composition are the same. However, the main difference between them is in the probabilistic aspect of their occurrence:  $C$  expenses can be determined by the buyer as necessary and undeniable, while  $S_{ad}$  expenses can appear with a certain probability. Given the fact that in a risk situation, in addition to the possibility of losses, the possibility of obtaining benefits is assumed, it is advisable to highlight in the structure of the received consumer value a component that indicates the probable additional value that arises as a result of the purchase of the product. In the case of making a purchase decision under conditions of uncertainty, perceived risk can be viewed as latent.

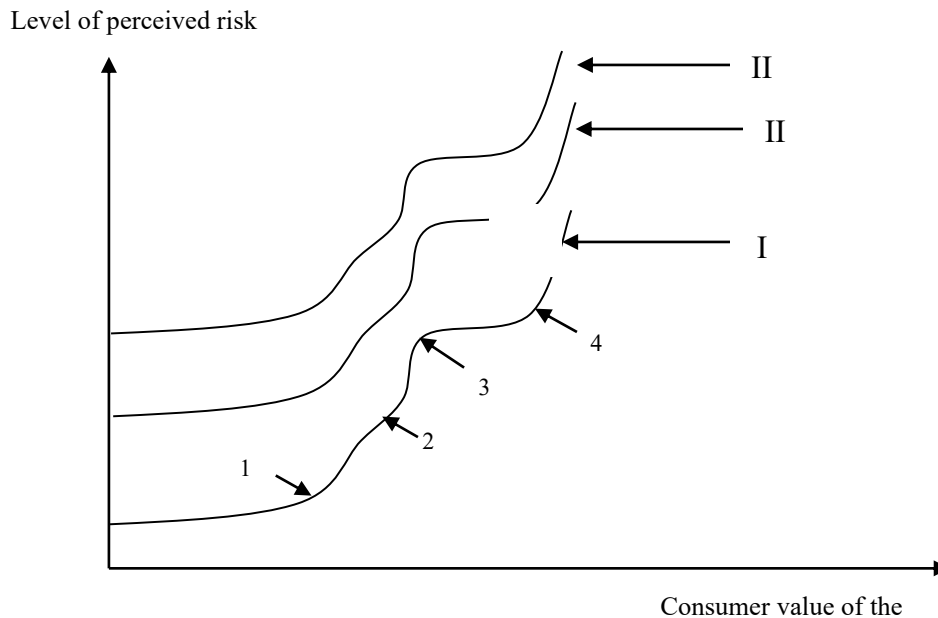


Fig. 1. The general view of the dependence of perceived risk on the consumer value of an industrial product: I - when making a repeat purchase; II - when making a purchase with modification; III – when making a new purchase

On the basis of the above, we formed a general view of the dependence of the perceived risk on the consumer value of industrial goods, based on changes in the known general view of the utility function of expected income. This modification reflects the graphical relationship between perceived risk and consumer value (Fig. 1). Areas 1 and 4 represent the areas of buyer organizations that are cautious about perceived risk, which affects the increase in the consumer value of the product, compared to the increase in the level of perceived risk. These buying

organizations are reluctant to buy when the risk is perceived to be low. This is especially true for enterprises that are highly dependent on the quality and price of the purchased means of production, as these factors affect the quality and cost of their products. Area 2 reflects buyer organizations that refrain from expressing risk perception. For them, an increase in the level of perceived risk is consistent with an increase in consumer value. Such firms either do not pay adequate attention to the risks, or the impact of the purchased industrial product on the quality of their products is limited, or they have other competitive advantages, such as price or service. Area 3 describes buyer organizations that actively prefer risk. They observe a significant increase in the consumer value of the product compared to an increase in the level of perceived risk. Such buying organizations are willing to take risks if it can lead to increased consumer value. They may conduct risk analysis and prefer high-risk strategies, especially in highly competitive markets, during market entry, or in dynamic environments.

### Conclusions from this study and prospects for further research in this direction

Therefore, the conducted theoretical investigations allow us to state that B2B will be considered risk-averse if it prefers (in terms of risk) a higher product value to a guaranteed but lower consumer value. For buyer organizations that are neutral to perceived risk, an increase in the level of perceived risk corresponds to an increase in the consumer value of the product. At the same time, a risk-averse buyer organization reacts strongly to perceived risk and prefers products in which it is confident in order to avoid risk. The function that establishes the relationship between the perceived risk and the consumer value of the product offers strategies for the implementation of anti-risk measures aimed at reducing the risk for specific groups of buyer organizations in the B2B market. For buyer organizations with a cautious attitude to risk, measures should be taken to identify and control risks, such as marketing research, test selling, financing through credit or leasing. Our proposed function of the dependence of perceived risk on consumer value, modified taking into account the utility function of expected income and our conclusions, will allow us to segment buyer organizations according to the level of consumer risk. Further research will be aimed at developing a methodical approach to assessing the level of perceived risks when shopping online.

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