

## **THE ANALYSIS OF THE BRAȘOV CONSUMER BEHAVIOR REGARDING THE USE OF THE LEASING SERVICES**

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**ABSTRACT:** *The leasing market is in a constant diversification, the services provided within having the role, on the one hand, to stimulate the sales of high quality goods, and on the other hand, to reduce the flows of cheap and poor quality goods. Thus, if, initially, the use of leasing services had as a main purpose the acquisition of vehicles, now there is a growing demand for the financing of the equipment and buildings. Under the effect of the economic – financial crisis, the Romanian leasing market registered significant decreases across all customer segments. In this context, it appeared the necessity of drawing up some market researches in order to investigate the using behavior of the consumers of leasing services, their results could be using in the development and implementation of the marketing strategies adopted by the companies from the leasing sector.*

**KEYWORDS:** *leasing; the consumer behavior; in-depth semi-directive interview.*

**JEL CLASSIFICATION:** *M31; G21.*

### **1. INTRODUCTION**

The behavior is a set of external reactions through which some individuals respond to stimuli. If from a psychological perspective, the consumer behavior represents what is objectively observable in the global response of the individual, regardless of what he states and independent of his mind and psychological attitudes (Brătucu, 2007, p. 98), in a sociological sense, it represents the *subject's activity in a given social situation* (Mâlcomete et al., 1979, p. 72).

In a narrow sense, the consumer behavior can be defined as *a human behavior in the case of buying and/or consumption of goods and services* (Florescu et al., 1992, p. 156).

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The study of the consumer behavior allows a wider and more complex analysis of the phenomena that occurs within a market and also the development of appropriate strategies and the implementation of marketing actions in conditions of maximum efficiency. For example, the study of the Romanian leasing market shows a preference of the customers for financing the vehicles that *totalized 647.27 million euros, up 51% over the same period last year, while the financing of equipment rose by 30%, reaching the value of 265.5 million euros* (Radu, 2001).

Also, the corporate clients have attracted the largest share of total financings (96%), being followed by the retail component (3%) and public sector (1%). In terms of the financing period, in 2011 the most common period was 4-5 years (24%), followed by 3-4 years (22%), 2-3 years (21%), over 5 years (19%), 1-2 years (9%) and 1 year (5%). (Stanciu, 2012)

Therefore, the study of behavior of purchasing and consumption the leasing services represents, for managers of the leasing companies, an important source of information that can be used to substantiate the market strategies, that managers seek to plan and implement in order to increase the efficiency of the activity of their companies.

The achievement of this study is not possible without drawing up a marketing research that allows outlining the main features that define the customer segments targeted by the organization.

This paper aims on the one hand, to identify the main features of the decision making process of the Brașov customers, users of leasing services, and on the other hand, to draw up a behavioral profile of accessing and using these types of services. The first part presents the main aspects regarding the designing of marketing research, and in the second part the results obtained in this study are analyzed and interpreted.

## **2. ISSUES REGARDING THE DESIGNING OF MARKETING RESEARCH**

In order to know better the behavior of users of leasing services from the City of Brașov, in the period October – November 2011 a marketing research was conducted for *identifying the views of managers of leasing companies regarding the behavior of Brașov consumers of leasing products and services*.

Taking in consideration the main objectives of the study, there was chosen to design a qualitative marketing research, which could provide *certain answers to questions like "why?" and "how?" and also to questions regarding the main causes of the attitudes, motives, behaviors, preferences of the respondents and the subjective, emotional or unconscious elements which lied behind them* (Lefter, 2004, p. 36).

From the many techniques of qualitative research methods it was chosen the *in-depth semi-directive interview*, which required the achievement of several interviews, the respondents *being good connoisseurs of the problem approached and the used sample reflecting the population characteristics* (Brătucu, 2006, p. 49).

Thus, the qualitative research was conducted among the managers leasing of the companies from the City of Brașov in order to identify their opinion regarding the behavior of the Brașov users of leasing services. The selected managers and the companies they represented are found in the following table:

**Table 1. The identification data of the interviewed managers**

	<b>The position in the leasing company</b>	<b>Name of leasing company</b>	<b>Category</b>	<b>Oldness in the Romanian market</b>
<b>Manager 1</b>	Chief Executive Officer	Leasing company no. 1	Leasing companies – subsidiaries of banks	10 years
<b>Manager 2</b>	Chief Executive Officer	Leasing company no. 2	Leasing companies – subsidiaries of banks	6 years
<b>Manager 3</b>	Chief Executive Officer	Leasing company no. 3	Leasing companies – subsidiaries of banks	5 years
<b>Manager 4</b>	Chief Executive Officer	Leasing company no. 4	Leasing companies – subsidiaries of banks	18 years
<b>Manager 5</b>	Chief Executive Officer	Leasing company no. 5	Independent company – large company	15 years
<b>Manager 6</b>	Chief Executive Officer	Leasing company no. 6	Independent company – small company	6 years
<b>Manager 7</b>	Chief Executive Officer	Leasing company no. 7	Leasing companies – subsidiaries of banks	9 years
<b>Manager 8</b>	Chief Executive Officer	Leasing company no. 8	Captive to a car dealer	7 years

\* the names of the interviewed managers and those of the leasing companies were not mentioned in order to maintain the confidentiality of their identity.

Regarding the objectives of the qualitative research, they were set in order to allow a more detailed knowing of the views of the managers of leasing companies about the behavior of the Braşov consumers of leasing products and services.

In this respect, the main objectives considered were the following ones:

- describing the decision making process of the Braşov customers who purchase the leasing products and services;
- identifying the Braşov customers' behavior of purchasing the leasing products and services.

To achieve the objectives of this research, in accordance with the requirements of the specialty theory and practice, there were developed the necessary tools, namely a questionnaire for the selection of potential respondents and a list of the themes and subthemes of in-depth semi-directive interview.

In the process of developing the selection questionnaire there was taken in consideration the use of some questions which could allow the inclusion in research of certain respondents who are representative for the research objectives, namely managers of the leasing companies from the City of Braşov.

In the selection questionnaire, there were also introduced a factual question regarding the oldness in the Romanian market of the leasing companies, and a question about the oldness of the respondent as the manager of the leasing company they represented. A particular importance has also been given to the category of the leasing companies included in the sample. The responses of the interviewees were recorded with a recorder, being stored in electronic files. These files were then transcribed and

the data have undergone a primary qualitative data processing technique called the *content analysis*.

### 3. THE SYNTHESIS OF THE RESULTS OF MARKETING RESEARCH

In this section are summarized the results of the content analysis stemming that were obtained from the in-depth semi-directive interview conducted among the managers of the leasing companies.

**The decision making process of the Brașov customers who purchase leasing products and services.** According to most managers who participated to the in-depth semi-directive interview, the most important source of information used by Brașov customers in order to purchase leasing products and services is the sales representative of the provider or dealer. The sources of information such as acquaintances, magazines, Internet, media, leaflets and street billboard exercise a little influence on buyers regarding the choosing process of the leasing company. The motivation of the sales representative of the dealer or supplier to influence the customers represents a consequence of the fact that they are financially stimulated by the leasing companies in order to promote their offers.

Regarding **the reasons why customers choose to use the leasing financing, most of the managers interviewed believe that the most important are:**

- the fiscal advantages related to the deductibility of some components of the leasing rate, particularly important advantages especially in the process of procurement of vehicles for which leasing is the only way to deduct 50% of the VAT;
- the rapidity of obtaining the financing, compared to the bank credit; this is due to the fewer documents required for the file under review, and to an easier procedure of granting the financing which consists of a relatively short circuit that the financing file of the customer has to go through;
- the lack of the additional guarantees, the guarantee of the financier being the good purchased in the leasing system, the leasing company remaining the owner of the good until the end of the contract;
- greater flexibility, consisting, on the one hand, in the possibility of choosing between several types of financings, and on the other hand, in the options had by the user at the end of the leasing contract;
- the preservation of the working capital and the possibility of planning the cash-flow represent the reasons that make even the customers who have the necessary capital to purchase the good by cash to use the leasing, this offering them the possibility of an effective management of financial resources by transforming the investment costs in a monthly rate;
- the facility of granting financings compared with the traditional lending, leasing specificity consisting of relatively small number of documents required for drawing up the file, due to the fact that the credit risk management in the financial leasing is set by two issues: the progress and the nature of the financed asset; thus, in the case of a credit, the financing is denied to the applicant if he doesn't prove the payment of rates, however, but in the case of

leasing a higher advance is required (up to 50%), so that the financed amount is less than the market value of the good.

A small number of respondents consider that the possibility of replacing the good and the specialty counseling offered by the specialized staff of the leasing company to the user, in the moment of purchasing the equipment, are the key factors in choosing leasing as a form of financing.

Among **the reasons why the Braşov consumers don't choose the financing in leasing system**, preferring the bank credit, most managers have indicated: that users don't have the ownership of the good by the end of the leasing contract, the obligation of insuring the goods purchased, this representing the guarantee of the leasing company, the period of financing which doesn't exceed 5 years, the impossibility of paying leasing rates in other currency than the national one, and the fact that some customers want to buy different goods without paying an advance (the advance is zero), which is possible only in the case of credit, in certain conditions. Last but not least, the users invoke the apparently higher financing costs in the leasing system. This is because, currently, individuals don't have enough information about the leasing system, which is a cheaper form of financing than credit, regardless of the value of goods for which the financing is requested. Thus, if the asset value is below €10,000, the interest of the loan is higher because it is assimilated to the personal loan, and if the asset value is above this limit, the loan interest is lower, but there are required additional guarantees which significantly increase the cost of financing. Only one of the managers mentioned that the real estate leasing is discouraged by the fact that the user is obliged to pay VAT and notary fees twice, while another manager believed that the lack of the financing products in leasing system with no advance made some customers to prefer the bank credit.

Most of the managers interviewed highlighted the fact that the sales representative of the dealer or provider has a great influence on buyers regarding the choosing process of the financier, recommending that financier who offers him the greatest financial reward. Only one quarter of the respondents believed that, in the decision making process of purchasing goods in leasing system, customers are influenced by the companies' accountants or by the managers of the financial departments of the companies that they represent.

However, some managers have expressed their concern about the fact that only a few customers appreciate the leasing companies in terms of communication and flexibility, issues that the independent companies have improved during the subsequent period of the crisis, unlike the leasing companies – subsidiaries of banks that during this period focused more on the portfolio management and less on the increasing of the sales.

**The Braşov customers' behavior of purchasing the leasing products and services.** The goods for which the financing is requested most often in the leasing system are the cars, followed by the industrial machinery and equipment. In most cases, users choose the financial leasing. Operational leasing is preferred mainly by the fleet customers because of the additional benefits regarding the provision of maintenance that leasing company is obliged to offer. Regarding the buildings, they often are only the object of the lease-back contracts, because in the case of the new

buildings the banks have better offers than the leasing companies, which makes the banking groups that have affiliated a leasing company to be not interested in promoting the real estate leasing in order to avoid the overlap between the products of the bank and those of the leasing company. The largest independent leasing companies have also diversified their portfolio, including in their other credit products such as credit and mortgage loans.

With regard to the particular acquisition process of products and services offered by the leasing companies in relation to the offer of the credit institutions, all managers interviewed pointed out two aspects: the first concerns the way in which the consumers compare the offers of the leasing companies with those of the credit institutions, and the second aims to outline some features of the customers behavior, before or after signing the leasing contract.

Regarding the first aspect, most of managers believed that, in general, customers who are on the first purchase for which they request the financing make several compares of the offers, but follow the recommendations of the sales representatives of the dealers or suppliers. Instead, those customers who are familiar with this area require the offers of several financial institutions (leasing companies or banks) mainly comparing the interest, the possible management fees and the fees for the anticipated reimbursement, but rarely taking into account the costs implied by the warranties requested additional to loans. This leads to a wrong opinion that leasing is more expensive than credit. Only those customers who carefully compare the cost of financing in the leasing system with the cost of the financing through credit, taking into account that the evaluation of the property, that is the cost of the mortgage required as a guarantee to the credit, exceeds most of the times, the difference between the higher interest practiced by the leasing company and the lower interest loan applied by the bank, understand that leasing is a financing technique more cheaper than the credit loan.

Regarding the second point, half of the managers have pointed out the tendency that exists among the buyers to negotiate the financing offers with the leasing companies. If by 2008, this happened only to customers who purchased vehicle fleet or high value equipment, once the first effects of the economic – financial crisis made their presence felt, this desire of negotiating became also a feature of small customers.

Regarding the difficulties encountered by the customers of the leasing companies in obtaining the needed financing, most respondents considered that, in general, clients meet the criteria for granting the financings. There are, however, certain situations in which, after further checks made by the leasing company in various databases, there are identified some irregularities in the clients' activity, such as delays in CRR (Central Credit Risk Register), which change the conditions of granting the financing or stop the granting of financing.

#### 4. CONCLUSIONS

Taking in consideration the results of the qualitative research, it appears that managers from the leasing sector consider that the decision of the Braşov consumer to proceed with financing in the leasing system is influenced by certain reasons, among

which the most important are: the tax advantages, the rapidity of obtaining the financing, the lack of the additional guarantees, greater flexibility in terms of financing options and the preservation of the working capital and the possibility of planning the cash-flow.

The analysis of the awareness of the decision making process of the Braşov customers who purchased leasing products and services pointed out the fact that the managers interviewed had a nearly unanimous opinion about the *sources of information used by the buyers* and the factors influencing the decision making process, highlighting the important role of the sales representative of the supplier or the dealer.

It can be appreciated that in future those leasing companies that will focus on visits to the clients' headquarter, made by the sales representatives of the financiers in order to present the offer in detail, will have a competitive advantage.

The vertical analysis of the information provided and especially the horizontal synthesis reveal some differences between the opinions of managers in terms of the perception of relevant variables that define **the Braşov customers' behavior of purchasing the leasing products and services**. These differences are the result of the fact that each of the eight managers has a specific way of perceiving the customer behavior, and this is reflected in the marketing strategies used by the leasing companies. These different approaches of the managers are explained by the fact that although 5 of the 8 leasing companies are subsidiaries of banks, they are in different stages of integration in the banking group:

- two of the five companies were integrated from the beginning in the general strategy of the bank;
- other 2 companies started as independent companies, the integration process beginning after a certain period of time, and being completed in the present;
- one company has started as an independent one, competing with the bank from the group in which it is included, the integration process between the two entities having been started but not yet completed.

The main issues highlighted by the managers regarding **the Braşov customers' behavior of purchasing the leasing products and services** are:

- in most cases, the users opt for the financial leasing, the operational one being preferred mainly by the fleet customers;
- in general, the customers who are on the first purchase for which they request the financing make several compares of the offers, but follow the recommendations of the sales representatives of the dealers or suppliers;
- the customers who are familiar with this area require the offers of several financial institutions mainly comparing the interest, the possible management fees and the fees for the anticipated reimbursement, but rarely taking into account the costs implied by the warranties requested additional to loans;
- there is a tendency that exists among the buyers to negotiate the financing offers with the leasing companies;
- the most important difficulties encountered by the customers of the leasing companies in obtaining the needed financing arise from the additional checks, which points out certain irregularities in their activity.

Regarding **the way in which the three types of leasing companies are operating on the Romanian market**, the managers interviewed pointed out that:

- **the leasing companies – subsidiaries of banks** have the supremacy, with the largest market share;
- **the leasing companies captive to the producers** have, in general, a portfolio formed of the customers of the supplier or dealer from the group to which they belong;
- **the independent leasing companies** are generally small companies, more flexible in providing the financings, having the possibility of taking greater risks because their work is not very strictly regulated by the legislation in force.

Although this qualitative research involved a certain number of limitations such as the small number of interviews, their relatively short duration, the frequent interruptions of the interviews, the unrepresentative character of the results at the level of the population studied, the conclusions drawn from the answers provided by managers represented a reference point in the process of approaching the quantitative research. Consequently, the information obtained through the in-depth semi-directive interviews conducted among the managers of the leasing companies from City of Brașov, in correlation with the results of the ongoing quantitative marketing research, among the potential and actual customers, provide an optimal context for developing and implementing effective marketing policies and strategies, in order to create a competitive advantage in the context of permanent changes in the leasing market, due to economic – financial crisis.

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