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MARKETING COMMUNICATIONS OF BUSINESS IN THE CONTEXT OF THE POSTULATES OF BEHAVIORAL ECONOMICS

МАРКЕТИНГОВІ КОМУНІКАЦІЇ БІЗНЕСУ В КОНТЕКСТІ ПОСТУЛАТІВ ПОВЕДІНКОВОЇ ЕКОНОМІКИ

Behavioral economics has made a significant breakthrough in modern economic science and marketing by offering a new perspective on how people make decisions and interact in the market. The fundamental idea of behavioral economics is that people do not always rationally assess and make decisions as classical economic models predict.

An important component of behavioral economics is the study of psychological factors that influence consumer decisions. For example, irrationality, loss aversion, the influence of social factors, and more. All of these factors can significantly impact the choice of a product or service and consumer behavior. The human brain employs various comparison mechanisms to make choices. Behavioral economics studies these mechanisms and seeks to predict how consumers will make decisions. This helps companies and marketers better understand their target audience and develop effective marketing strategies.

Knowledge of behavioral economics is especially important in digital marketing, as this segment of the market offers a vast amount of data and opportunities for analyzing consumer behavior. By using this data, companies can personalize their offerings, capture consumer attention, and improve the effectiveness of their marketing and sales efforts.

Thus, behavioral economics has become a vitally important field for research and application in economics and marketing because it helps us better understand and predict consumer decisions. This, in turn, allows for the optimization of business strategies and the enhancement of effectiveness.

When it comes to the behavior of businesses in the market, Simon G. argues that firms and consumers do not always maximize their needs, do not always choose the optimal option, but instead satisfy basic needs, creating satisfactory results. This is because people lack well-developed cognitive skills, and they often do not have complete information to make the right decisions [1].

The research of D. Kahneman and A. Tversky indicates that people's behavior often deviates significantly from the norms of economic theory. People cannot rationally assess the magnitudes of expected gains or losses, nor their probabilities. In particular, people react differently to equivalent situations (in terms of the ratio of gains and losses) depending on whether they are losing or winning. People are prone to making errors in probability estimation: they underestimate the probability of events that are more likely to occur and overestimate the probability of much less likely events [2].

R. Thaler also challenged the fundamental assertion of economists that consumer behavior is based on rationality. He presents several reasons for the irrationality of consumers. First, people lack self-control, meaning that consumers often forget about long-term plans and prefer decisions that provide short-term benefits. Second, people have distorted social preferences, which can be referred to as a "herd instinct." Third, this is the limited rationality of humans, meaning consumers make decisions partially irrationally due to cognitive, informational, and time limitations. Consumers often create separate mental accounts, which is why they “fall for” various discounts and promotions [3].

In other words, behavioral economics demonstrates that people perceive almost everything in terms of a "reference point," meaning that nominal indicators hold significance (at least psychologically) more than real indicators. Behavioral economics has redefined our approach to the market: individuals make purchases not only based on prices; marketing techniques and information incompleteness can lead to purchases that may do more harm than good.

In modern times, thanks to new theories, approaches, and technologies, behavioral economics is rapidly evolving, and it can provide a deep understanding of business for gaining a competitive advantage. The importance of behavioral economics for marketers is immeasurable. It allows a better understanding of the human mind, helps marketers understand the consumer decision-making process. Brands can develop value propositions that align with consumer needs. Following the tenets of behavioral economics, marketers can model the "big picture" and find answers to important questions, such as how quickly or cautiously a consumer makes decisions, how much information a consumer can process during decision-making, the significance of context for brand perception and behavior, and the emotional and rational aspects of consumer decision-making.

Based on the idea that consumer purchasing decisions are rooted in the theory of irrationality, brands should stop viewing consumers as robots who process information logically. Instead, they must adapt to the subconscious factors influencing purchase decisions.

The results of attracting new customers and retaining existing ones directly depend on how well marketers can clearly define the behavioral response that customers demand and identify potential behavioral barriers. This impacts everything, from communication strategies to distribution and pricing. Organizations can use these tools to "nudge" consumers in the decision-making process.

According to N. Southgate, to maximize the results of their activities, brands need to focus on key principles of behavioral economics, which include [4]:

- Aversion to Loss: People typically exert more effort to avoid losses than to gain something new. This principle underscores the importance of creating marketing strategies that emphasize the avoidance of losses or risks.

- Scarcity Value: When something is considered rare or limited in quantity, it is perceived as more valuable. Brands can use this principle by creating an illusion of scarcity or exclusivity for their product or service.
- Choice Architecture: Important choices depend on what is already available, not necessarily on what the customer would like to have. Marketing can influence consumers by offering limited options and making certain products or services more attractive through choice architecture.

These principles help brands better understand how consumers make decisions and how to utilize this knowledge to enhance the effectiveness of their marketing strategies.

So, marketing communications in the context of the postulates of behavioral economics play an important role in influencing consumers and shaping their behavior. Marketers can use behavioral economics to make better decisions, increase profitability, and be more sensitive to the context. They can integrate ideas from behavioral science, such as user-centered design, consider important details that may go unnoticed or unseen, study which contexts work best with different solutions, and understand when and where to push consumers.

In the context of behavioral economics, marketing communications should consider the following principles:

- Behavioral Analytics: the use of data and analysis of consumer behavior to understand which marketing strategies and communications lead to specific actions and reactions from consumers.
- Emotional Appeal: taking into account the emotional component in communications, marketing messages should evoke emotions that motivate consumers to take desired actions.
- Experiments and Testing: using experiments to determine which marketing strategies work better and to analyze the impact of different factors on consumer decisions.
- Instant Gratification: recognizing that consumers typically prefer immediate satisfaction and instant rewards, so communications should reinforce this concept.
- Social Influence: examining communications in the context of the influence of peers and social networks. Consumers often make decisions under the influence of their social environment.
- Learning and Behavior Change: marketing communications can influence consumers by helping them learn new skills or change negative habits.

All these aspects are important for developing effective marketing strategies and communications in the context of behavioral economics, as they help better understand and interact with consumers based on their actual behavior and motivations.

List of references

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