

MARKETING APPROACHES TO INCREASE OF SALES IN THE CONTEXT OF BEHAVIOUR ECONOMY

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In today's market conditions, competition in the markets and the struggle for the buyer necessitate producers and outlets in places of marketing of products to resort to new ways to promote sales by influencing the behavior of the potential consumer. This influence should affect not only their rational motives, but also irrational ones. It is known that the game in the subconscious and in the psychology of behavior can bring the desired results.

An important role is known to play a merchandising approach: how and where to put the items of products more profitable to attract more attention to them, and so on.

Close enough to these approaches are approaches in understanding the so-called behavioral economics. The latter is a relatively new and interesting marketing phenomenon that requires further development and new proposals.

Behavioral economics studies the irrational behavior of people under the influence of social factors. It postulates allow customers to better understand and make more informed decisions about products and services. Knowing them particularly is useful for start-ups, which more than others are interested in improving their performance.

It represents interest a review and systematization of approaches to improve the performance of sales in the context of behavioral economics. The study of these approaches and their characteristics can give valuable practical advice to producers and traders. That is what this investigation is devoted to.

Questions of behavioral economics are relatively new and not fully explored, although their consideration is represented in the works of many scientists. We can say that this is a problem, located at the junction of several sciences: philosophy, psychology, economics and marketing, that is, something interdisciplinary and aggregated-synergic. Indeed, speaking of the postulates of behavioral economics, should be addressed the works of philosophers and scientists, psychologists, and economists and marketers.

The problem of studying the rational and irrational human behavior was studied by a number of contemporary scholars in these areas of science and other historical personalities (Plato, Hobbes, Kant, Freud, Nassim Taleb, Dan Ariely, B. Gert, Lionel Charles Robbins, Daniel Kahneman, Amos Tversky, Maurice Allais, Suzanne Shu and Ayelet Gnizi, Chris Anderson, Nir Eyal and others). In their works the problems of rational and irrational in man, man's psychology and behavior in life in general and economic conditions in particular was investigated.

It requires a systematization of the existing approaches to the management of human irrational behavior in the conditions of economic decision-making in the context of behavioral economics.

The main purpose of the investigation is an overview of marketing approaches to improve the performance of sales in the context of behavioral economics on the example of the world-known brands and analysis of their effectiveness.

A relatively new concept in economics is *Behavioral Economics* – «economics of behavior» or «behavioral economics». It is believed that its ideological foundations were laid in the article of two American-Israel psychologists – Daniel Kahneman and his collaborator Amos Tversky. Article «Prospect Theory: Decision Making Under Risk» appeared in 1979 in the journal «Econometrica». The authors of this work in a series of experiments demonstrated that real people are not inclined to act in accordance with the requirements of neoclassical economics and often exhibit a tendency to absolutely irrational behavior. Since then, these ideas have gained a lot of followers, occupied the prestigious faculty in American universities. In particular, they found that irrational behavior is not chaotic. It is subject to certain models and therefore quite predictable – at least in statistical terms. This view is shared by Dan Ariely. This is what he does in his book «Predictably Irrational: The Hidden Forces That Shape Our Decisions».

Economics studies the interaction of people in the course of their business activities, or in other words, how people respond to incentives in achieving their business goals. One of the main prerequisites for the economic analysis is a rational human behavior.

Modern economics is focused mainly on rational human behavior, suggesting that individuals always have clear goals, can quickly perform complex calculations, and choose the most appropriate courses of action. In contrast to this approach, psychology, which also examines the interaction of people and decision-making people, focused on the real state of the person. Psychology assumes that human behavior can lead sophisticated subtle reasons that a person can be affected by other people's experiences and emotions. At the end of the XX century, a number of economists have begun to conduct research at the intersection of economics and psychology, setting off a new discipline – *behavioral economics*.

Scientists have conducted many experiments in which different cases of irrational behavior of individuals were established. Consider the most common of them:

- people often do not take into account the opportunity cost of their actions;
- people do not know how to think in terms of limit values;
- people attach importance to a relative, rather than absolute values;
- people are thinking about justice, and therefore cannot behave rationally;
- people are very short-sighted, when dealing with probabilistic values. Most people do not know how to properly deal with probabilities;
- the majority of people is too self-confident in their abilities;
- people only pay attention to the facts that confirm their own views.

It is a review of the main approaches to increasing sales in retail outlets in terms of irrational influence on decision-making by the individual in the context of behavioral economics.

The main approaches are:

1. Restrictions create a sense of scarcity

In the book «Think Fast and Decide Slow» Daniel Kahneman gives an example of how the deficit affects our assessment of facilities and our desire to possess them. One of the grocery stores did 10% discount on certain items. Sometimes next to the item of goods appeared a cardboard with the inscription «No more than 12 pieces in one hand». Interestingly, the average number of purchased units is seven pieces in the days when there was restricting cardboard in front of them, and only three of them when there were no restrictions. That is the feeling of scarcity that forces people to perform certain actions. We unconsciously associate the product with its quality, availability, and limit gives the impression that it is a scarce commodity. The fact that the goods are difficult to acquire increase its value in our eyes, and we buy more and more, because we are afraid that lose access to it.

2. Discounts of limited duration cause a fear to miss something

Marketing professors – Suzanne Shu and Ayelet Gnizi – found that the number of affected gift certificates with a validity period of two months is 6%, while the exact same gift certificates valid for three weeks are used in 31% of cases. The core idea of this experiment is that the desire to save is not always strong enough to encourage the person to make a purchase. Rather, there is valid fear to lose something (in this case – to miss a bargain and an opportunity to save money). Knowing this, you can affect the feelings of customers. Many people love to get something for free, or «save», but that the date of the end of discounts motivates people to take concrete steps to avoid losing it.

3. The deadline for the offer spurs buyers' activity

«McDonald's» company for 30 years from time to time removes sandwich «MakRib» from its menu, while pork supply does not stop for a day. Periodic updating menu helps to create excitement about the return of one or another product. It pegged the deficit sensation encourages customers to order their favorite dishes as soon as they appear in the menu until they were gone again. Similarly, a lack of a single product makes people more likely to return to a shop or a restaurant, and on the way they can buy something else. Thus, the deficit increases profits. Some start-ups specifically limit the time of release of products or services, to increase the number of customers.

4. The more expensive product is perceived as more valuable

If you're into something you believe, you will force the brain to look for confirmation of this. Author of the book «Hooked: How to Build Habit-Forming Products» Nir Eyal mentions one interesting study. The subjects tried the wine at \$ 5 per bottle, and then move on to the tasting of wine, a bottle of which cost \$ 90. It is clear that a more expensive wine tastes thin. But the experiment confirmed that the statements of the participants really reflect what they feel: the more expensive tasting beverage areas of the brain associated with pleasure, showed higher peaks. This is despite the fact that the two bottles was the same wine. Sometimes it is started to raise rates in order to improve the perception of the brand.

5. The smaller functions in the menu of your site, the more your customers will

Director of the American Apparel Information Service told what action online has helped him increase conversion. And now, he said, the conversion rose to 12% when the number of buttons on the home page dropped from 9 to 4. A large number of buttons on the main page complicates site navigation. Limit the number, and your visitors will be less distracted and more likely to click on links.

6. Reference prices form the customer expectations

Many companies publish a monthly report on the status of their business. It gives people a basic understanding of commodity prices: leafing through the pages, they roughly know what to expect in different cities of the country. People like to compare prices and monthly reports add value to the usual services.

7. Positive emotions motivate customers to take action

Causing positive emotions, you are helping clients to plan the purchase, brighten their expectations and create the basis for the pleasant memories after making a purchase. In the end, you can strengthen the good impression, reminding customers about past events. Virgin Galactic company provides its clients with a six-minute flight into space for \$ 250 000. And what is the best part of this purchase? Naturally, the anticipation of the flight.

8. You can influence the perception of the customer

In the book «Happy Money» there are described several experiments similar to each other. People were showed a cartoon, and those participants who spoke before seeing that it was very funny, really laugh more than others. If listeners have reported that some politician will perform well in future debates, then later they assessed his performance more highly than those who warned that he's not feeling well. The perception of people is highly dependent on how they are presented certain things. If someone has formed a definite opinion about the upcoming event, then most likely, it will not change and after the event (unless, of course, no one will convince a person otherwise).

9. You will achieve a lot by choosing the right time

People are becoming more compliant after eating. People behave differently before and after meals. When we are hungry, it is difficult to effectively think about something else. But after eating many feel much more satisfied. Therefore it is better to ask people to make decisions when they have eaten.

Thus, knowledge of the basis of behavioral economics can significantly affect the business. More and more companies are taking in its staff specialists in behavioral economics. You can use it to maintain an artificial shortage, use the reluctance of people to miss out on something important, to create the impression of uniqueness of products, manage customer expectations, and encourage them to make decisions that affect their perception and consequently – your own income.