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REVIEW OF MARKETING APPROACHES TO INCREASE OF SALES EFFECTIVENESS IN THE CONTEXT OF BEHAVIORAL ECONOMICS

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The author of the article describes the main ideas of behavioral economics as a new direction in economic science. It sets out its postulates concerning the irrational behavior of people in terms of their economic decision-making, particularly in the context of marketing for the purpose of increasing sales efficiency. There were systematized approaches and it was proposed their integral use for the integrated result of these marketing techniques of influence onto the irrational motives of consumers' behavior.

Keywords: *behavioral economics, irrational motives of consumers, social factors, marketing effectiveness, sales, restrictions, deficit, purchasing activity.*

Introduction. In today's market conditions, competition in the markets and the struggle for the buyer necessitate producers and outlets in places of marketing products to resort to new ways to promote sales by influencing the behavior of the potential consumer. This influence should affect not only 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 be played by merchandising approach: how and where to locate more profitable items to attract more attention, 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 is particularly useful for start-ups, which more than others are interested in improving their effectiveness.

Statement of the problem. It represents interest review and systematization of approaches to improve the effectiveness 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.

Analysis of recent researches and publications. Questions of behavioral economics are relatively new and not fully explored, although the work of many scientists is devoted to their consideration. 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 and 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 [2, 4] B. Gert, Lionel Charles Robbins, Daniel Kahneman [3], Amos Tversky [3], Maurice Allais, Suzanne Shu and Ayelet Gnizi, Chris Anderson, Nir Eyal [6] and others). In their works the problems of rational and irrational in man, man's psychology and behavior in life in general and in economic conditions in particular are investigated.

Previously unsettled problem constituent. Require systematization the existing approaches to the management of human rational behavior in the conditions of economic decision-making in the context of behavioral economics and the analysis of the effectiveness of their application in practice, as well as their further development and

supply of new forms and methods of influence on consumer behavior.

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

Results and discussions. Economy is an old and respectable scientific discipline. Two Greek roots are united in its title: «oikos» – a house, and «Nomos» – law. So literally economy rules constitute a reasonable housekeeping management. In textbooks and encyclopedias you can find many definitions of the concept of «economic science» varying degrees of certainty.

Lionel Robbins defined economics as «science which studies human behavior in the context of relations between goals and ways to achieve them with the help of limited resources, allowing many different applications. Keyword is «limited».

This definition is interesting and digs deeper. If the economy is «exploring human behavior», so what does it currently represent? The dominant neoclassical concept of economy considers man as logical thinking machine that accurately takes into account the information available to it and on its basis makes decisions that maximize its own profit and thus minimize risk while achieving the set of goals. This behavior is called «rational». Based on this initial installation neoclassical economists build elegant model of supply and demand, business cycles, of the tax system, inflation and so on.

Of course, there are dissenters from the traditional model. These include, in particular, supporters of a relatively new

concept in economics, known as 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 – Nobel Prize in Economics in 2002, Daniel Kahneman (Daniel Kahneman) and his long-term collaborator Amos Tversky (Amos Tversky). The article "Theory of expectations: Decision-making in risky situations» (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, who took a very prestigious faculty in American universities. In particular, they found that the supposedly irrational behavior is not chaotic. It subjects to certain models and therefore is quite predictable – at least in statistical terms. This view is shared by Dan Ariely (Dan Ariely), a professor of behavioral economics in Cambridge (Massachusetts Institute of Technology). And not just sticks, but also strongly promotes. Anyway, just that he is engaged in his book "Predictably irrational: The hidden forces that influence our decisions" (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 business goals. One of the main prerequisites for the economic analysis is a rational human behavior.

Rational behavior – the ability of an

individual to have clear goals and achieve them in the best way.

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.

Behavioral economics (behavioral economics) – economic analysis of the industry engaged in research of human behavior at the intersection of economics and psychology.

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 limited 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 probability values;
- majority of people are too self-confident in their abilities;
- people only pay attention to the facts

that confirm their own views.

In the context of the ideas of behavioral economics it is interesting to study marketing approaches to increase sales

effectiveness.

Analysis shows that there are the following main ones (Fig. 1).

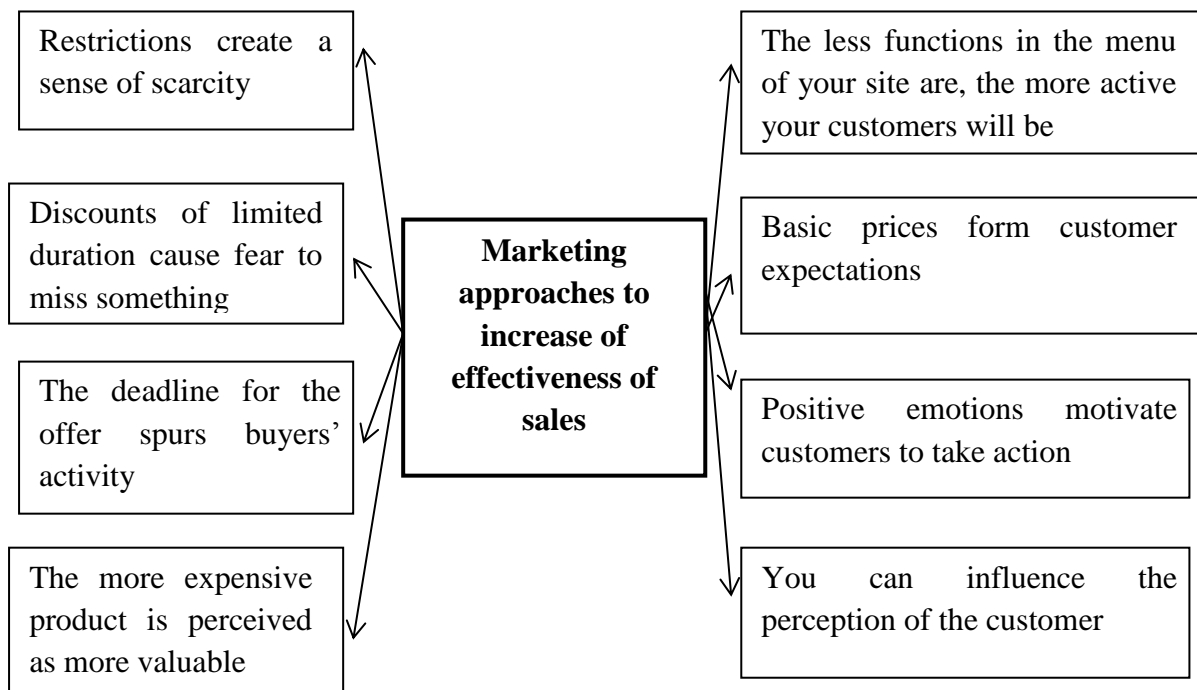


Fig. 1. Marketing approaches to increase of effectiveness of sales [2]

1. Restrictions create a sense of scarcity

In the book "Think slow ... Make up your mind quickly," the Nobel laureate 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 in Iowa made a 10% discount on canned soup "Campbell". Sometimes near the products (cans) appeared a cardboard with the inscription "No more than 12 pieces in one hand". Interestingly, the average number of cans that was purchased were seven pieces in the days when there was restricting plate in front of them, and only three of them when there were no restrictions.

Feeling deficiency causes people to perform certain actions. We unconsciously associate product availability to its quality,

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 we lose access to it.

2. Discounts of limited duration cause fear to miss something

Two professors in the field of marketing – Suzanne Shu and Ayelet Gnizi (University of California at Los Angeles and San Diego) – found that the number of affected gift certificates with a validity period of two months is 6%, while the exact same gift certificates with a validity of three term time were used in 31% of cases.

The key idea of this article 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 create excitement about the return of one or another product. 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 a product is it 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 "The buyer on the hook. Guide to creating products that form habits" (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 in the two bottles was the same wine.

Sometimes it is started to raise rates in order to improve the perception of the brand. Pricing is one of the most important strategic decisions for the company.

5. The smaller functions in the menu of your site are, the more your customers will pay attention to it

American Apparel Information Service has increased the conversion rate at the site by 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.

The lower links in the menu are the easier it is to select the site visitor, click on any of them. To help a person to make a decision, you need to give him the opportunity to focus on.

6. Reference prices form the customer expectations

Company Zumper every month publishes a report on the state of affairs in the rental business. It gives people a basic understanding about the price of rental property: leafing through the pages of the site, 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.

Often, the monthly publication of the report Zumper provokes debate over the last rent fluctuations. Perhaps someone it will help to select the city or neighborhood where you can rent a house cheaper.

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. Virgin Galactic sends future astronauts various reminders and creates a community for them to communicate with each other.

The company packaged Birchbox mailings every month sends e-mails to customers with the most beautiful specimens. These letters do not specify the names of the products, and readers try to guess them using social media, thus creating excitement around the future premises.

8. You can influence the perception of the customer

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 it and after the event (unless, of course, no one will convince him otherwise).

Often people act irrationally because they count on a certain effect or too concerned about how others perceive them. People want to do the right thing. If their environment formed a definite opinion about something, many will be adjusted to that opinion.

We suggest that integral usage of all of the approaches (or a certain combination of them) will be advisable to get increase of

sales and income.

We suppose that it is possible to conduct integral assessment of influence of all of the approaches given above in a formula which we propose:

$$E_{int} = \sum_{i=1}^n E_i, \quad (1)$$

where E_{int} – integral effect of usage of combination of approaches,

E_i – effect of usage of certain approach n ;

n – number of used approaches.

$$E_i = (S_a - S_b) \cdot \beta_i - C_i, \quad (2)$$

where E_i – effect of usage of certain approach i ;

S_a – sales after implementation of approach i ;

S_b – sales before implementation of approach i ;

C_i – costs connected with implementation of approach i ;

β_i – weight of approach i (is defined by experts of trade point).

So these are our proposals for conducting integral assessment of influence of a list of approaches.

Conclusions and further researches directions. Knowing tenets of behavioral economics economic actor can significantly affect the business and sales efficiency in terms of marketing activities. Not by chance, 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 your products, manage customer expectations, encourage them to make decisions that affect their perception and

consequently – on your own income.

The author analyzed the main approaches to increase sales effectiveness using behavior economy. It was also proposed to conduct integral assessment of influence of all of the approaches given above in a corresponding formula.

An integrated approach to the use of the

tools of behavioral economics will allow to achieve even greater results in the context of sales management and marketing tools in the tools section of behavioral economics.

Further development of these ideas suggests assessment on the example of certain trade point.

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**ОГЛЯД МАРКЕТИНГОВИХ ПІДХОДІВ ДО ПІДВИЩЕННЯ ЕФЕКТИВНОСТІ
ПРОДАЖІВ В КОНТЕКСТІ ПОВЕДІНКОВОЇ ЕКОНОМІКИ**

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У статті автором розглянуті основні ідеї поведінкової економіки як нового напрямку в економічній науці. Викладено її постулати, що стосуються ірраціональної поведінки людей в умовах прийняття ними господарських рішень, зокрема в контексті маркетингу для цілей підвищення ефективності продажів. Систематизовано підходи і запропоновано їх інтегральне використання для отримання інтегрованого результату від цих маркетингових технологій впливу на ірраціональні мотиви поведінки покупців.

Ключові слова: *поведінкова економіка, ірраціональні мотиви покупців, соціальні чинники, маркетинг, ефективність, продажі, обмеження, дефіцит, купівельна активність.*

**ОБЗОР МАРКЕТИНГОВЫХ ПОДХОДОВ К ПОВЫШЕНИЮ ЭФФЕКТИВНОСТИ
ПРОДАЖ В КОНТЕКСТЕ ПОВЕДЕНЧЕСКОЙ ЭКОНОМИКИ**

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В статье автором рассмотрены основные идеи поведенческой экономики как нового направления в экономической науке. Изложены её постулаты, касающиеся иррационального поведения людей в условиях принятия ими хозяйственных решений, в частности в контексте маркетинга для целей повышения эффективности продаж. Систематизированы подходы и предложено их интегральное использование для получения интегрированного результата от этих маркетинговых технологий влияния на иррациональные мотивы поведения покупателей.

Ключевые слова: *поведенческая экономика, иррациональные мотивы покупателей, социальные факторы, маркетинг, эффективность, продажи, ограничения, дефицит, покупательская активность.*