THE GROWING INTEREST IN BEHAVIORAL ECONOMICS AND ITS RELEVANCE TO CONSUMER BEHAVIOR

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Abstract: *The rising interest in behavioral economics stems from its relevance in understanding consumer behavior. It explores the psychological and emotional aspects that impact decision-making, revealing insights into why individuals choose as they do and their reactions to incentives and feedback. This comprehension is vital for crafting successful strategies across diverse domains such as marketing, public policy, and environmental preservation.*

Keywords: *Behavioral Economics, Consumer Behavior, Decision-making, Incentive, Human Cognition, Social Psychology, Social Media, Brand Equity*

In the past few years, there has been a growing focus on behavioural economics, a field that combines the principles of both economics and psychology. The use of the behavioural approach in empirical studies offers the potential to enhance economic behaviour models by incorporating insights from other social science fields[1]. Behavioural economics does not rely on a theory, but rather on a collection of evidence that reveals the flaws in human decision-making in different situations, often within a controlled laboratory environment[2]. In addition, it is worth considering that all investors may have a certain level of speculative preference and face cognitive deficiencies, but it is more reasonable to assume that the extent of these impacts differs[3]. If behavioural economics is thoroughly considered, it suggests the importance of implementing merit-based regulation[4].

At its broadest level, behavioural economics leverages knowledge from the social sciences, including sociology and psychology, to enhance economic analysis and theory. It incorporates findings from studies on judgment and decision-making to establish practical assumptions regarding human cognition, emotions, and behaviour, with a significant contribution from social psychology as well. It formulates hypotheses that are empirically verifiable through experimentation, which can be conducted either in controlled laboratory settings with experimental manipulations or in real-world environments through observational or experimental studies. Behavioural economics formulates theories, creates hypotheses, predicts outcomes, and validates them through real-world decision-making scenarios[5]. Consumers utilize social media platforms to acquire and disseminate information about brands. Within the virtual realm, consumers encounter diverse online reviews of brands, which imprint lasting impressions on their perceptions of those brands[6]. Online brand reviews play a significant role in shaping consumers' purchase decisions[7]. Consumers actively engage in various social networks, where they exchange their experiences and brand recommendations with fellow participants[8]. Robust brands can create a competitive edge for organisations by driving consumers' purchasing choices, enhancing the effectiveness of marketing initiatives, and enabling firms to command higher prices for their products[9]. In a broad context, brand equity refers to the supplementary value that a brand contributes to a product[10]. Consumer-based brand equity is commonly understood as the value that a brand holds for consumers[11]. Brands do not possess inherent uniqueness beyond other intangible assets, and despite being commonly distinguished from tangible assets, they share characteristics that enable them to be managed similarly to both tangible and intangible assets[12]. Brand equity represents a significant intangible asset that originates from prior brand development endeavours and includes the additional value attributed to the product by the brand[13]. Establishing resilient brands and comprehending their impact on consumer behavior is one of the most formidable challenges businesses encounter amidst the contemporary dynamic global context[14]. The brand's effectiveness in one or more national markets is assessed through its brand equity, indicating its overall strength[15]. For international businesses aspiring to develop a global brand architecture for their products, identifying the most efficient strategy to enhance brand equity across countries is a strategic imperative[16]. Brand equity manifests when consumers possess a level of familiarity with the brand, maintain favorable and robust attitudes, and retain distinct brand associations in their memory[17]. Positive or negative customer-based brand equity is attributed to a brand when consumers respond more or less favorably to a product and its marketing when the brand is identified, compared to when it is not. Consequently, a brand with positive customer-based equity may lead consumers to exhibit increased acceptance of new brand extensions, reduced sensitivity to price hikes and advertising cuts, or enhanced willingness to seek the brand through new distribution channels[18].

Moreover, emotional factors such as brand trust, brand love, and brand attachment play a pivotal role in fostering repeat purchases and promoting brand advocacy[19]. Integrating insights from behavioral economics into the analysis of brand equity and sales volume enriches our comprehension of consumer decision-making processes. For instance, examining how cognitive biases influence brand perception can assist companies in formulating more impactful branding strategies and pricing tactics. Furthermore, grasping the emotional drivers of brand loyalty can result in targeted marketing campaigns that align with consumers' values and preferences. Brand equity is a critical concept in marketing that refers to the value a brand adds to a product or service. It encompasses various dimensions such as brand awareness, brand loyalty, perceived quality, and brand associations. Understanding brand equity is essential for marketers as it influences consumer behavior, market share, and profitability.

Various theoretical models exist to elucidate the concept of brand equity. For instance, Aaker's Brand Equity Model highlights brand awareness, perceived quality, brand loyalty, and brand associations as fundamental components. On the other hand, Keller's Customer-Based Brand Equity Model emphasizes the significance of brand resonance and customer engagement in building robust brand equity.

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