



Impact of Psychological Marketing on Consumer Behaviour- A study in Kolkata

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1. BACKGROUND OF THE STUDY:

Psychological marketing is the study of consumer behaviour and decision-making processes. It entails utilising psychological theories, concepts, and procedures to comprehend consumer behaviour and develop marketing plans that have a greater impact on how consumers behave and make decisions. The roots of psychological marketing can be found on the elements that shape consumer behaviour that started in the middle of the 20th century. The development of psychological marketing was significantly influenced by psychology's birth as a discipline of study.

In today's world, psychological marketing is even more crucial due to the growth of digital marketing. To better understand consumer preferences, motives, and behaviours and to create strategies that will better engage and connect with them, marketers are employing a variety of psychological techniques. These fields shed light on how customers view and react to various marketing stimuli, such as advertisements, promotions, and product attributes. In general, psychological marketing has its roots in the goal to comprehend and shape consumer behaviour in order to develop more successful marketing tactics.

This study goes into the details of the psychological methods used by such companies and the impact it has been generating on the buyer of their products. The scalability of psychological marketing has improved significantly over the past few years and in my opinion, it is vital to understand and study the reasons behind it.

1.1 RATIONALE OF THE STUDY:

The rationale behind psychological marketing is based on the idea that consumers' purchasing decisions are influenced by psychological factors, such as their emotions, motivations, and cognitive processes. By understanding these factors, marketers can create more effective marketing strategies that resonate with their target audience.

Marketers can better target their messaging to particular market segments with the aid of psychological marketing. The psychological elements that influence customer behaviour can be understood by marketers, who can then develop messages that are tailored to appeal to particular consumer demographics. By forging strong emotional bonds with their target audience, psychological marketing can also assist marketers in fostering brand loyalty.

Marketers may craft messages that appeal to consumers' emotions and foster brand loyalty by understanding the psychological aspects that influence consumer behaviour. Marketing professionals can better understand how customers react to their goods and services by using psychological marketing. Marketers can develop more potent engagement and sales-boosting methods by comprehending the psychological variables that affect consumer behaviour. By developing more successful marketing efforts, psychological marketing can

assist businesses in boosting their return on investment (ROI). Marketers may boost engagement and increase revenue by utilising psychological concepts to develop communications that connect with their target audience.

Overall, the rationale for psychological marketing is based on the belief that understanding consumer psychology can help marketers create more effective marketing strategies that resonate with their target audience and increase sales.

1.2 BRIEF REVIEW OF LITERATURE:

The psychological basis of marketing (2020): As our understanding of human behaviour and mental processes continues to advance, the future holds great promise for additional uses of psychology in marketing.

When in doubt, follow the crowd? Responsiveness to Social Proof nudges in the absence of clear preferences (2020): In order to improve nudge interventions, we must better understand how people's prior preferences affect how effective they are for particular target groups or particular sorts of choices.

The use of product scarcity in marketing(2020): The use of product scarcity to enhance product's market performance has drawn increasing attention from academics and practitioners as an often observed business phenomena.

Is loss aversion magnitude-dependent? Measuring prospective affective judgements regarding gains and losses (Cambridge, 2023): Prospect theory likely will continue to be one of the most influential theories in decision-making, but growing evidence points to a change in the value function of this theory to account for differences between low and high magnitudes.

Imagining marketing: Art, aesthetics, and the avant garde: Marketing professionals frequently use the phrase "imagination," but marketing academics rarely investigate it.

Finding Reason in Rhyme, Nearly every time(2017): The key rhyming patterns seen in sentences like these well-known aphorisms provide us improved processing fluency, and the speed at which a particular statement is processed correlates with the value it is assigned, according to the Rhyme-as-Reason Effect.

Tracking the decoy: Maximizing the decoy effect through sequential experimentation(2016): We give future researchers the opportunity to quantify this and perhaps other elements of online choice behaviour by showing the impact of the positioning of a decoy offer and by describing a way to "lock into" an ideal decoy position.

The Ikea effect and the production of epistemic goods(2022): The IKEA effect is a theory put out by behavioural economics that claims people place a higher value on items they create for themselves, such as IKEA furniture, than on otherwise indistinguishable goods.

At the roots of product placement: The mere exposure effect (2013): This effect appears to be unrelated to the recognition of the brand in the movie snippet, which is consistent with the literature on the product placement effect.

The Endowment effect and beliefs about the market (2020): When people ascribe a higher value to an item they own than to the same item when they do not own it, it is known as the endowment effect, and it is frequently believed to reflect a shift in the inherent value that people attribute to the object as a result of ownership. Recent data, however, suggests that perceptions about markets play a part in valuations made by buyers and sellers and are influenced by market prices offered for specific products.

Eager sellers and stony buyers: understanding the psychology of new product adaption(2016): Consumers frequently choose not to purchase the goods that businesses anticipate they will use. The cause may have more to do with people's minds than with the economic worth of tangible goods.

1.3 OBJECTIVES OF THE STUDY:

1. To reveal the consumer's perception and awareness of psychological marketing.
2. This study tries to reveal how psychological marketing influences the consumer's buying behaviour.
3. To find out the most commonly used method in psychological marketing that has an influence on consumer's buying behaviour.

1.4 LIMITATIONS:

- Data solidity: Data reliability is an uphill task because it will be gathered from a variety of sources, raising questions about its correctness. Validating the accuracy of the data gathering would be a difficult undertaking.
- Unawareness: It was challenging to analyse the topic with accuracy because some people were not familiar with the idea of 'Psychological marketing' and its methods.
- Shortage of time: There was not enough time to conduct a thorough investigation of psychological marketing. The idea of psychological marketing is vast, necessitating much investigation and study. It was extremely constrained by the time frame provided.
- Shortage of budget: My research is limited by the high cost of completing a thorough investigation.
- Vague respondents: In order to gather all the data required for this research study, some respondents provided only imprecise responses.

1.5 RESEARCH METHODOLOGY

The research challenge can be approached methodically using research methodology. It can be viewed as a science that studies how scientific research is conducted.

Primary and secondary data was both used in this study:

- Primary source in this data were 103 individuals based out of Kolkata. The people came from different socioeconomic origins, age ranges and genders.
- Secondary data is gathered from a variety of publications, including books, articles, journals, and online sources.

- The Google Forms software is used to collect the data. This survey is employed as the research tool.
- Tables, pie charts, descriptive statistics, and hypothesis testing techniques have all been used in the data analysis using Spss software.

1.6 CHAPTER PLANNING:

The following chapters have been structured in such a way that: Chapter 2 provides the conceptual framework for the study Chapter 3 provides the findings and analysis of the data collected

Chapter 4 has the conclusions for the study and the recommendations for marketers for the future.

CONCEPTUAL FRAMEWORK

Customer requirements and satisfaction are the foundation of marketing. The study of consumer behaviour is essential when the client is at the centre of everything. Customers in modern marketing have many options to choose from, thus the ability of marketers to persuade them to buy is crucial. Marketers must research consumer behaviour in order to influence consumers. Cultural, social, personal, and psychological aspects are the categories used to classify the elements that influence consumer purchasing behaviour. Psychological marketing is a powerful tool that businesses can use to influence consumer behaviour and drive sales. By understanding the underlying psychological principles that motivate people to make purchases, businesses can create more effective marketing campaigns and drive more revenue.

One key psychological principle that marketers often use is **social proof**. This is the idea that people are more likely to make a purchase if they see that others have made the same purchase and are happy with it. Marketers can use social proof by showcasing customer testimonials or by highlighting the number of people who have purchased the product.

Another important principle is **Scarcity**. People tend to value things more when they are scarce or in a limited supply. Marketers can create a sense of scarcity by emphasizing that a product is only available for a limited time or that there are only a few units left in stock.

Loss aversion is a phenomenon that emphasizes the potential losses that a consumer might face if they do not purchase a product or service. This can be achieved through messages that highlight the benefit of a product, while also pointing out the potential drawbacks of not having it.

Just imagine technique is a phenomenon that aims to influence consumers by asking them to imagine positive future scenarios related to the product or service being marketed. The idea is to create an emotional connection to the product and make it more appealing and desirable to the consumer.

Rhyme as reason principle can be used to create a memorable and persuasive message for the audience. This is because people tend to believe that statements that rhyme are more truthful or persuasive, hence those messages are seen as valuable and credible by the viewers.

The principle **decoy effect** highlights the importance of understanding how people make decisions and the ways in which seemingly small changes in the presentation of options can have a significant impact on choice and behaviour.

Ikea effect refers to a principle where people place a higher value on items that they have partially created or assembled themselves, compared to items that are fully assembled.

Mere exposure effect refers to the phenomenon where people have a tendency to prefer things simply because they are familiar with them. This effect occurs because exposure to a stimulus over time can create a sense of familiarity and comfort, which in turn can lead to increased liking and preference for the stimulus.

Endowment effect is where people place a higher value on items they own compared to similar items that they do not own. This effect occurs because people tend to have a sense of attachment and ownership to their preowned items.

Pro innovation bias refers to the tendency for people to have a preference for new products. Marketers aim to create an image of new products and services as being more innovative, better and more desirable than existing alternatives.

Overall, psychological marketing is a powerful tool that can help businesses connect with customers and drive sales. By understanding the psychological principles that motivate people to make purchases, marketers can create more effective campaigns that drive results by influencing consumer behaviour.

DATA, ANALYSIS AND FINDINGS

3.1 PROCESS OF DATA ANALYSIS:

The process in which the data was designed and analysed were as follows:

Research design:

Descriptive research design, which is focused on particular factors, was employed in this study.

Questionnaire design:

The questionnaire consists of a series of questions where one particular answer in each question was the answer that is chosen by each individual proved the existence of that particular psychological marketing method.

For instance, the following items (in serial number of the questionnaire) having the following responses (in boldface) indicated the presence of the concerned psychological marketing strategy:

7. social proof **option 4**

8. scarcity

yes

9. loss aversion

regret of losing

10. decoy effect

option B

11. Ikea effect

personalised product

12. endowment effect

Option 1

if 2 is selected then pro innovation bias

13. mere exposure

if coca cola is giving preference then mere exposure works

14. just imagine technique

yes

15. rhyme as reason

Tabhi toh badhega India

Participants choosing the above responses from the options in their questionnaire gets score 1 for each of the items. If they choose other options, they get 0 for the item. Thus, their score is derived by adding up the scores they got for the above items and that constituted their total 'psychological marketing' score. (as shown in table 4)

Sample size:

Sample size refers to the number of items that are selected from the world to constitute a sample. My sample size is 103 respondents.

Sampling area:

Kolkata, India.

Period of study:

The period of study was 3 months.

Regression Analysis:

A statistical technique that demonstrates the link between two or more variables is regression analysis.

In my study, the income is an indicator of the buying behaviour, where higher income is usually linked with higher buying behaviour. Hence, income served as the dependent variable in the regression model. The income was predicted by psychological marketing, which was the aggregate score of each of the items

reflecting the different psychological marketing strategies (as shown in table 3)

Correlation Analysis:

Finding out whether there is a relationship between variables and then figuring out its strength and course of action are the main goals of correlation analysis, also known as bivariate.

In this study, Decoy effect as a psychological marketing method showed the highest significance. Thus we used the correlation analysis to see the relation between Decoy effect and other psychological marketing methods. (as shown in table 5)

Reliability test:

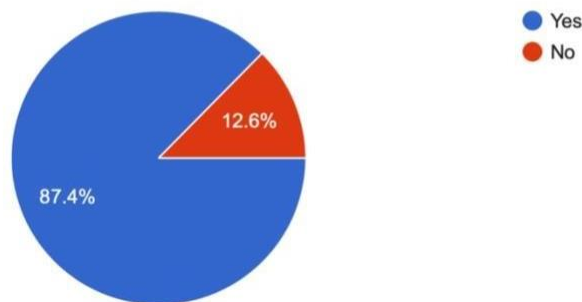
Guttman's Reliability test was used in this study to test the solidity of the data derived.

3.2 ANALYSIS AND FINDINGS:

The findings and inference of the data is as follows:

- **Awareness about Psychological Marketing**

Are you aware of psychological marketing?
103 responses



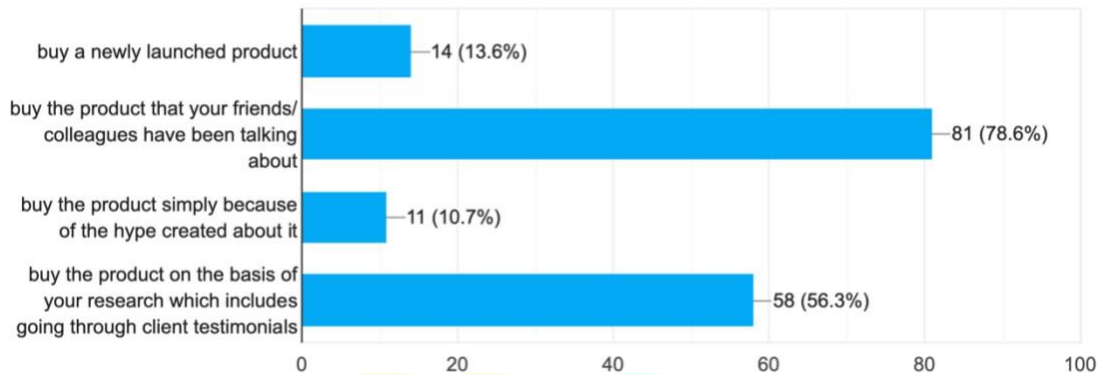
Inference: When asked about psychological marketing, 87.4% of the people said a yes, whereas 12.6% said a no.

This implies that majority of the people were aware about psychological marketing.

- **Social proof**

If you need a product to fulfil your basic necessities, you would

103 responses



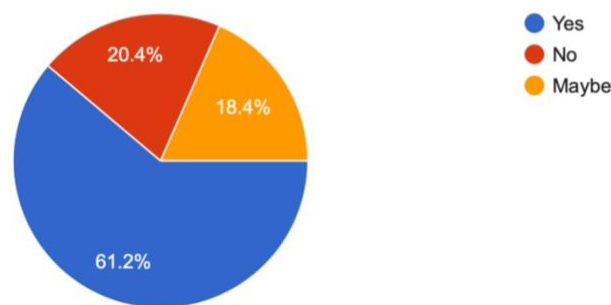
Inference: When asked about respondent's buying behaviour for a product to fulfil their basic necessity, 78.6% said that they would buy the product that their friends/colleagues have been talking about, 56.3% said that they would buy the product on the basis of research which included client testimonials, 13.6% would buy newly launched products and 10.7% would buy the product simply because of the hype created about it.

This implies that social proof bias exists, where people are more likely to buy a product if they realise that other people have already done so and are satisfied with it.

- **Scarcity**

You see an online sale of your favourite brand for a day, would you buy products on that day which you otherwise would not have bought?

103 responses



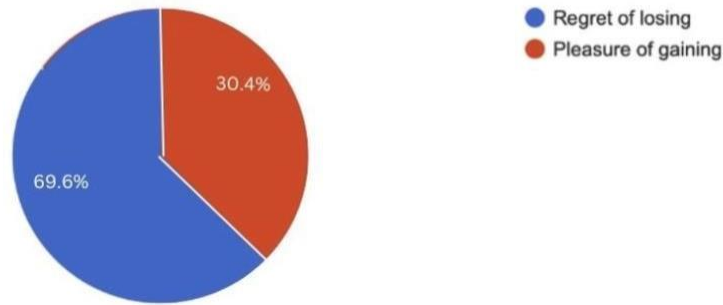
Inference: When asked if respondents would buy a product simply because they were getting it in a lesser price for a limited amount of time which normally

they would not buy, 61.2% said yes, 20.4% said no and 18.4% said they would think about it. This implies that scarcity- when something is rare or in little supply, people tend to value it more highly, exists.

- **Loss Aversion**

Which one of these would hold more weightage in your life?

103 responses



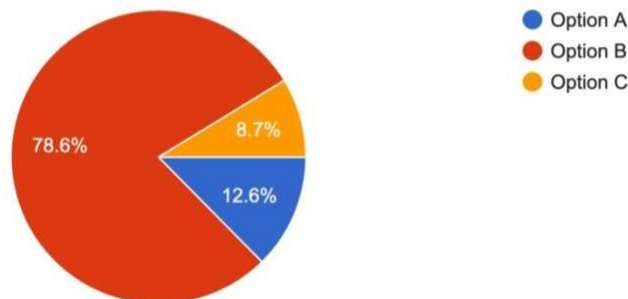
Inference: When asked the respondents whether regret of losing or pleasure of gaining would hold more weightage in their life, 69.6% chose regret of losing whereas 30.4% chose pleasure of gaining.

This implies that Loss aversion method which is the regret of losing affects the consumer's buying behaviour.

- **Decoy effect**

Which option would you prefer?

103 responses



Inference: When asked respondents to choose a coffee from three different sizes, 78.6% chose the mid-sized coffee, 12.6% chose the small-sized coffee and 8.7% chose the largest coffee.

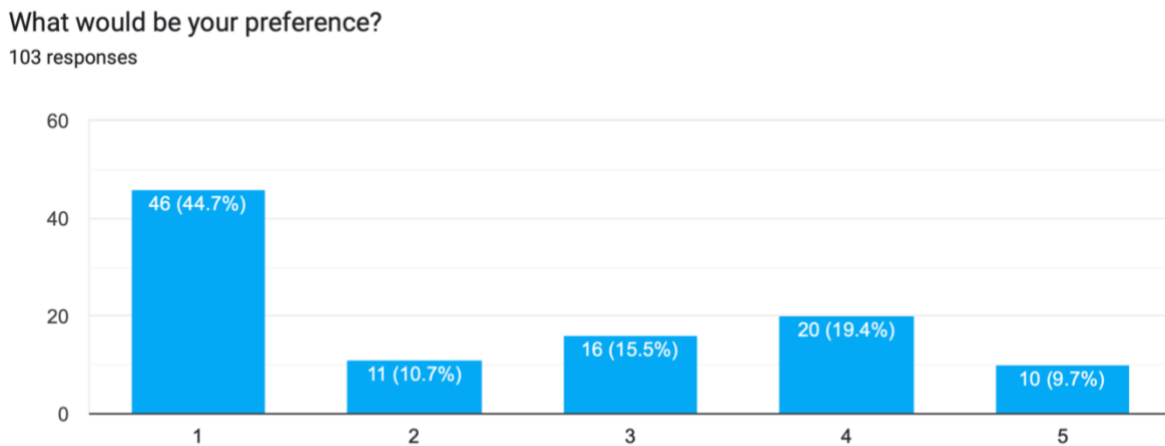
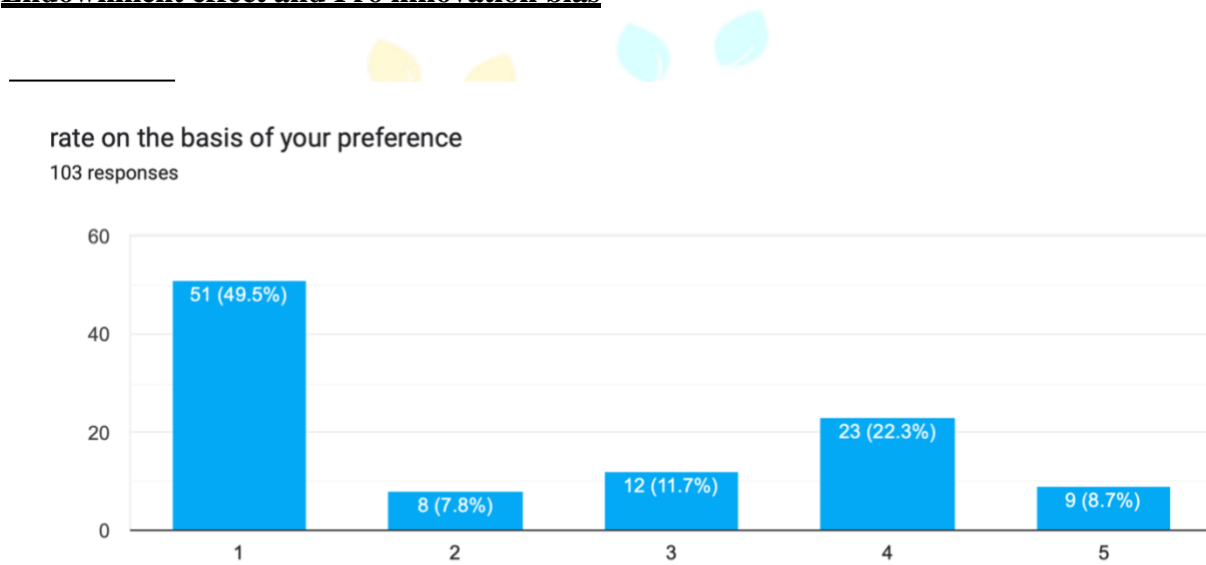
This implies that the decoy effect exists. It proves how seemingly insignificant adjustments, in the way options are presented can have a big impact on behaviour and choice.

- **Ikea effect**

Inference: When asked respondents to rate on a 5 point scale as to whether they want to buy a personalised product or a ready-made product, out of 103 respondents, 59 wanted to buy personalised products, 12 were confused and 32 wanted to buy ready made products.

This implies that the Ikea effect exists where compared to fully assembled things, individuals place a higher value on those that they have partially made or assembled themselves.

- **Endowment effect and Pro innovation bias**

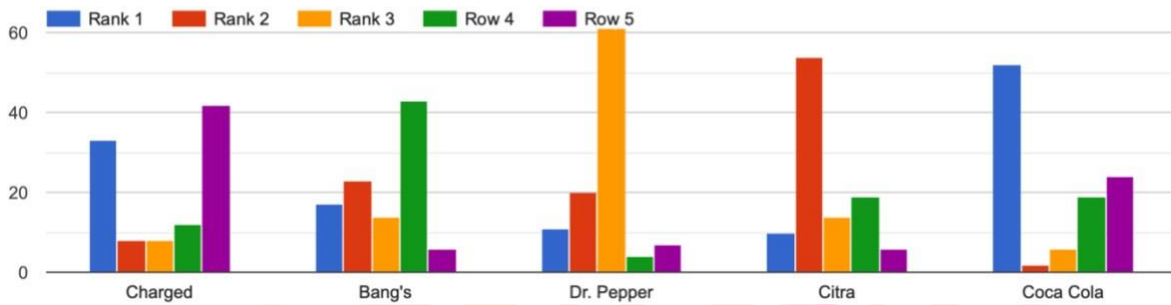


Inference: When respondents were asked to rate on a 5 point scale whether they would prefer a new product from an existing brand or an existing product from a newly launched brand, 57 preferred the latter, 16 were confused and 30 preferred new products from existing brand.

This implies that if we compare whether endowment effect or pro invasion bias holds more weightage as a psychological method, it proves that endowment effect is more useful. This effect proves that people give their own possessions a higher value than similar ones that they do not own.

- **Mere exposure**

If you were to buy a soft drink from a local store, what would be your preference? (Rank 1 being your first preference, Rank 2 second, Rank 3 third and so on)



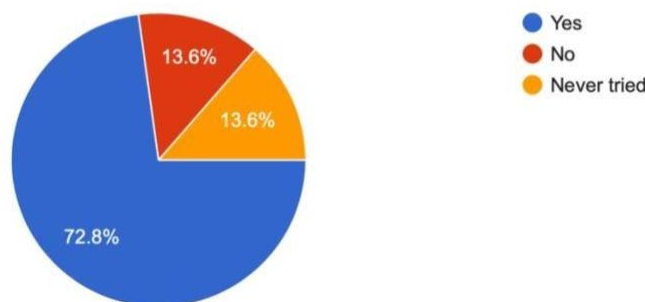
Inference: When respondents were asked to rank their preference from 1-5, Coca Cola was ranked 1 followed by Citra. Dr. Pepper was ranked third after which was Bang's followed by Charged.

This implies that Mere exposure influences consumer's buying behaviour. Which says that people tend to purchase things that they are familiar with.

- **Just imagine technique**

Do you think Red Bull, a soft drink gives you energy?

103 responses



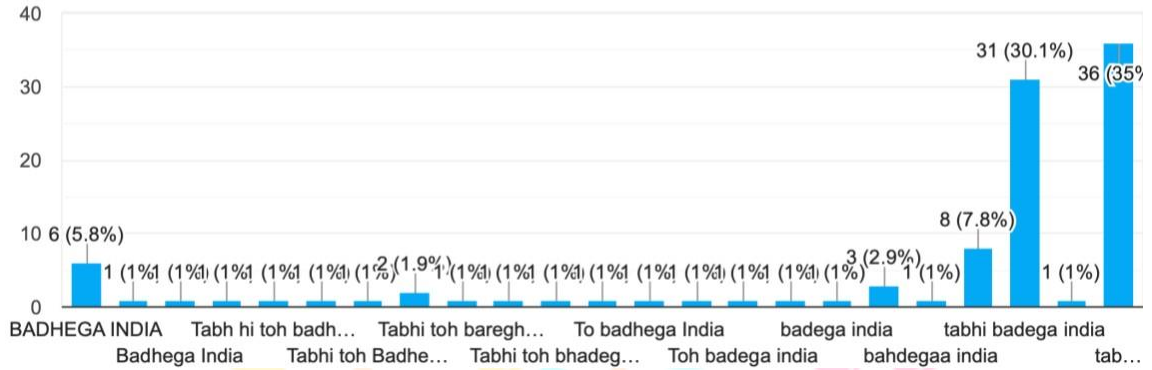
Inference: When asked if respondents thought Red bull gives them energy, 72.8% thought it did whereas 13.6% thought that it did not. 13.6% had never tried it.

This implies that the just imagine technique works in order to instil certain perceptions in the minds of the consumer about a specific product.

• **Rhyme as reason**

Do you remember the famous tagline that was used by the Indian government to educate the youth? Please complete the following if you do! "Padhega India....."

103 responses



Inference: When asked about the famous tagline used by the government of India to test the ‘Rhyme as reason’ principle, 94 out of 103 respondents remembered what the tagline was.

This implies that the rhyme as reason principle is effective. It proves that people often remember statements that contain a rhyme.

The analysis of the data is as follows:

Table 1: The demographic distribution of the sample

Variables		N	%
Gender	Female	53	50.48
	Male	52	49.52
Age	18-25	40	38.10
	26-35	28	26.67
	36-45	18	17.14
	Above 45	8	7.62
	Below 18	11	10.48
Occupation	Business	34	32.38

	Employee	19	18.10
	Housewife	1	0.95
	Professional	20	19.05
	Student	31	29.52
	21-30 lakhs	21	20.00
	31-40 lakhs	21	20.00
Income per annum	5-20 lakhs	14	13.33
	Above 40 lakh	20	19.05
	Below 5 lakhs	29	27.62

The participants in this study were mostly equal with 53 female participants and 52 male participants. Most of the participants belonged to the age group of 18 to 25 years (38.1%). However, the least number was seen for the 'above 45 years' age group (7.6%). Most of them were found to be occupied as businesspersons (32.4%). Just one participant reported that she is a housewife. The second most frequent occupation in the sample was that of 'student' (31%). The 'below 5 lakhs' income group was found to be the most frequent income group among the sample (27.6%). The least amount of participants claimed their income to be 5 to 20 lakhs per annum (14%).

Table 2: The extent of perception and awareness of psychological marketing

	N	%
Not Aware	13	12.38
Aware	92	87.62

As indicated in Table 2, the most number of participants (87.62%) were aware of psychological marketing. 12.38% of the participants were not aware of the same.

Thus, the first objective of this study has been fulfilled, whereby the extent of perception and awareness of psychological marketing has been explored.

Table 3: Regression Analysis involving psychological marketing and consumer's buyingbehaviour

H₀₁: Psychological Marketing does not have significant impact on consumer's buyingbehaviour

H₁1: Psychological Marketing has a significant impact on consumer's buying behaviour

Predictor	b	SE	β	t	p
Psychological Marketing	0.12	0.06	0.19	1.93	0.05*

* $p < 0.05$

Table 3 shows the regression of consumer's buying behaviour on the psychological marketing strategies. Analysis of variance reflected a significant model fit ($F_p < 0.05$), which enabled us to proceed to further estimates of regression. The above table indicates that psychological marketing has a significant impact on the consumer's buying behaviour ($p < 0.05$). Since the probability of the null hypothesis being true was too less, i.e. around 5%, the null hypothesis could not be accepted and thus, resulting in the acceptance of the alternate hypothesis. However, it should be noted that the p-value lies at the threshold of 0.05, which indicates a barely significant regression coefficient in this model. The β and the other regression estimates are provided in the above table.

Thus, H₁1 is said to be accepted.

Table 4: The frequencies of psychological marketing strategies impacting the participants

Marketing Technique	N	%
Social Proof	10	9.52
Scarcity	63	60.00
Loss Aversion	63	60.00
Decoy Effect	82	78.10
Ikea Effect	51	48.57
Endowment Effect	46	43.81
Mere Exposure	53	50.48
Just Imagine Technique	75	71.43
Rhyme as a reason	54	51.43

Table 4 shows that 82 out of the 105 total number of participants (78.1%) showed Decoy effect, which is the highest of all the strategies. With only 9.52% of the participants being affected by it, Social proof is the strategy that least affected them. The second highest was noted for Just Imagine technique (71.43%). Scarcity and loss aversion ties at 60% each. Mere exposure, Ikea effect and Endowment effect was shown by 50.48%, 48.57% and 43.81% of the participants, respectively.

Table 5: Correlation between Decoy Effect scores and the scores of the other strategies

H₀₂: There exists no significant correlation between the most frequent psychological marketing strategy and the other strategies

H₁₂: There exists significant correlation between the most frequent psychological marketing strategy and the other strategies

Marketing Strategies	Social Proof	Scarcity	Loss Aversion	Ikea Effect	Endowment Effect	Mere Exposure	Just Imagine Technique	Rhyme as a reason
Pearson Correlation	-0.142	.273**	.320**	.423**	.375**	0.166	.379**	-0.054
p	0.149	0.005	0.001	0.000	0.000	0.090	0.000	0.585

** $p < 0.01$

Table 5 shows that the most frequent psychological marketing strategy i.e. Decoy Effect has positive significant correlation with Scarcity, Loss Aversion, Ikea Effect, Endowment effect and Just Imagine Technique ($p < 0.01$). Since the probability of the null hypothesis being true was too less, i.e. below 5%, the null hypothesis could not be accepted and thus, resulting in the acceptance of the alternate hypothesis. All the significant correlations were below average and positive in nature, indicating that with Decoy Effect, the Scarcity, Loss Aversion, Ikea Effect, Endowment effect and Just Imagine Techniques are also likely to coexist. The highest correlation was noted for Ikea effect ($r = .42$) and the least was noted for Scarcity ($r = .27$).

Thus, it indicates that Ikea effect is most likely to coexist with Decoy effect, and Scarcity, the least.

Since most but not all strategies correlate significantly with Decoy effect, H₁₂ is said to be partially accepted.

Reliability test:

Guttman's λ_4 was found to be .730. This indicates that the test was reliable.

CONCLUSION AND RECOMMENDATIONS:

4.1 CONCLUSION:

In conclusion, psychological marketing is a powerful tool for marketers to understand and influence consumer behavior. By using psychological principles, marketers can create more effective marketing strategies that resonate with their target audience, increase engagement, and drive more sales.

Marketers customize their communications, foster brand loyalty, attract more customers and gain a competitive edge by utilizing psychological strategies combined with marketing theories. As marketing has grown in popularity, psychological marketing has taken on even greater significance as businesses try to understand how customers interact with their goods and services online as well as offline.

Psychological marketing, as a whole, is a dynamic, developing field that will continue to be a crucial component of contemporary marketing. Marketers may develop more compelling and successful campaigns that connect with their target audience and promote business success by continuing to research and incorporate psychological principles into their marketing strategy.

We can therefore draw the following conclusions regarding the sample under study based on the analyses and findings of the current study:

The consumers are aware of psychological marketing (as shown in table 2) consciously but unconsciously still fall into the trap, when used by marketers. This happens because as the marketer's create a bias in the minds of the consumers to influence the consumer's behaviors in such a way that they do not realize that they are being tricked into the marketer's trap. Psychological marketing has an influence in the buying behavior of individuals as well (as shown by the regression analysis in Table 3). It further concludes that Decoy effect as a psychological marketing method has the most influence on consumer's as compared to other methods (as shown in table 4). Table 5 concludes the correlation between Decoy effect and other psychological marketing methods.

4.2 RECOMMENDATION:

Recommendations for marketers who want to leverage psychological marketing:

- **Social Proof:**
Marketers should monitor and manage social proof to ensure that it is authentic and relevant to their brand.
- **Scarcity:**
Marketers can capitalise on FOMO (Fear Of Missing Out) by emphasising the advantages of the good or service while also stressing that it could not be offered in the future. This might instil a sense of urgency in customers and encourage them to buy.
- **Loss Aversion:**
By providing money-back guarantees or risk-free trials, marketers can lower the perceived risk of losing. Customers may feel more confident in the good or service as a result, which may encourage them to act.

- **Decoy effect:**
Marketers should establish a clear hierarchy of goods or services, positioning the decoy choice as a less alluring substitute for the primary good or service.
- **Ikea effect:**
Consumer involvement in the design or customization of a company's product or service should be encouraged by marketers. Options for customising, adaptation, or co-creation may be available. Consumer participation increases the likelihood that they will experience a sense of ownership and commitment to the finished product.
- **Endowment effect:**
By emphasising the emotional benefits of the good or service, marketers can engage customers on an emotional level. This may foster a feeling of kinship and ownership.
- **Pro Innovation Bias:**
Marketers should emphasise the unique qualities or advantages of the good or service. This can be done by stressing special or innovative qualities or by emphasising the advantages of the good or service over more well-known or conventional counterparts.
- **Mere exposure:**
Marketing professionals should make use of visual tools like logos and graphics to raise brand recognition and familiarity. This can contribute to the development of a recognisable and memorable visual brand for consumers.
- **Just Imagine technique:**
In order to make the experience more palpable and alluring, marketers should concentrate on the emotional benefits of the good or service. This can be accomplished by emphasising the pleasant feelings the customer will have, including enjoyment, satisfaction, or relief.
- **Rhyme as reason :**
Marketers should come up with a memorable phrase or tagline that rhymes. This can help to build favourable associations with the good or service and raise brand awareness and recognition.

