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CONSUMER CHOICE BEYOND RATIONALITY: BEHAVIORAL FACTORS IN THE MODERN MARKET

Abstract

The article examines the behavioral factors of consumer choice in the modern market through an interdisciplinary approach that integrates the provisions of economic theory, behavioral economics, and economic psychology. It is substantiated that the traditional model of the rational consumer, based on assumptions of complete information, logical choice, and utility maximization, does not fully explain the actual mechanisms of decision-making in the process of purchasing goods and services. It is established that under conditions of uncertainty, information overload, and limited time, consumers often make decisions under the influence of psychological, social, and cognitive factors that cause systematic deviations from the rational choice model. The essence of the main behavioral mechanisms affecting the formation of consumer decisions is revealed, including the availability effect, anchoring effect, bandwagon effect, prestige consumption effect, loss aversion, and status quo bias.

It is shown that these factors shape the peculiarities of information perception, evaluation of prices, risks, and product utility, and also determine the degree of consumer loyalty to brands and majority behavior patterns. It is proved that consumers' behavioral characteristics significantly affect the structure of demand, the dynamics of the competitive environment, and the nature of market interaction between enterprises. It is determined that taking behavioral factors into account enables firms to develop more effective price and non-price competitive strategies and to use instruments of marketing communications, branding, visual

positioning, and social influence more efficiently. It is concluded that the study of consumer choice beyond the rational model is an important direction of modern economic science, as it provides a deeper understanding of the mechanisms of demand formation and competitive advantages in the market.

Keywords: consumer choice, behavioral economics, behavioral factors, cognitive biases, competitive market, consumer behavior, market competition.

Problem statement. In the modern market economy, consumer choice is one of the key factors determining the nature of demand, the intensity of competition, and the directions of market environment development. At the same time, the increasing complexity of market functioning, the growing role of information flows, marketing communications, and social influence necessitate a reconsideration of traditional approaches to the analysis of consumer behavior. The classical understanding of rational choice, based on the assumption of full information and an individual's ability to consistently maximize utility, does not always correspond to the actual practice of market decision-making.

Actual consumer behavior demonstrates that market decisions are often formed under conditions of bounded rationality, influenced by the peculiarities of information perception, social reference points, emotional reactions, and established patterns of behavior. This creates the need to study consumer choice not only as an economic phenomenon but also as a behavioral one, shaped at the intersection of economic, psychological, and social processes. Such an approach makes it possible to gain a more comprehensive understanding of the nature of consumer market behavior under modern conditions.

Analysis of recent research and publications. The issues of consumer behavior research have been covered in the works of many foreign and domestic scholars, among the most well-known of whom are F. Kotler (1996), A. Maslow (1998), S. Brown (2005), J.-J. Lambin (1996), O. Yevtushevska (2016), L. Koval

(2010), O. Shafaliuk (2008), M. Oklander (2014), Ya. Larina (2014), O. Neizviestna (2016), Yu. Pachkovskyi (2014), L. Proskurina (2022), and others. Despite the significant contribution of these scholars to the development of theoretical approaches to the analysis of consumer behavior, a number of aspects of this issue require further in-depth study. First of all, this concerns the influence of behavioral factors on the process of consumer decision-making in modern market conditions.

Purpose of the article is to provide a theoretical substantiation of the essence of behavioral factors of consumer choice and to determine their influence on the formation of consumer decisions under modern market conditions.

Presentation of the main material of the study. In classical economic theory, consumer behavior was traditionally viewed through the model of a rational economic agent who seeks to maximize utility under conditions of limited resources. Within this approach, it was assumed that consumers possess complete information about the market, are able to objectively evaluate alternatives, and make decisions on the basis of a logical comparison of costs and benefits. Such an interpretation of consumer behavior was characteristic of neoclassical economic theory, which dominated economic research for a long time.

However, in the second half of the twentieth century, economists and psychologists drew attention to the fact that actual human behavior in the process of economic decision-making is much more complex and does not always correspond to the model of absolutely rational choice. A significant contribution to the development of this field was made by Daniel Kahneman (1974) & Amos Tversky (1979), who laid the foundations of behavioral economics. Their research demonstrated that consumer decisions are influenced by psychological factors, cognitive limitations, and emotional reactions. The further development of this theory is associated with the work of Richard Thaler (1980), who studied the impact of behavioral biases on people’s economic behavior.

In modern economic science, consumer choice is considered as the result of the interaction of economic, psychological, and social factors. It is precisely these factors that shape the behavioral features of consumer decision-making in the market.

Psychological Factors of Consumer Choice

One of the important factors influencing consumer behavior is the psychological peculiarities of information perception and processing. Under real-life conditions, people do not always make decisions on the basis of a complete and rational analysis of all possible alternatives. Instead, they often use so-called heuristics – simplified decision-making rules that allow them to assess a situation quickly and choose one of the available options. Such a mechanism of thinking helps save time and effort; however, at the same time, it may lead to certain systematic deviations from the rational model of behavior.

One of the best-known heuristics is the *availability heuristic*, which was thoroughly examined in the works of Daniel Kahneman & Amos Tversky (1974; 1979). The essence of this phenomenon lies in the fact that people assess the significance of information or the probability of certain events depending on how easily they can recall relevant examples or how often they encounter them in the everyday information environment.

In the process of consumer choice, this means that consumers tend to prefer those products or brands whose information is the most noticeable, frequently repeated, or easily accessible in memory. Under such conditions, the purchase decision may be made not on the basis of a detailed comparison of the characteristics of different products, but under the influence of information most frequently encountered in the media space or in the consumer's own experience. For example, if a certain brand is actively advertised in the mass media, on social networks, or is frequently mentioned in the public sphere, consumers may perceive it as more reliable or of higher quality compared to lesser-known brands.

Even in the absence of objective evidence of superior quality, such products often receive preference in the choice process. A similar mechanism can also be observed in the financial services market, where clients often prefer banks or insurance companies whose names are the most well-known or regularly appear in advertising messages or news materials.

The availability heuristic also affects risk perception. If the mass media widely report cases of technical problems with a particular car model or electronic device, consumers may overestimate the likelihood of such problems even when their actual frequency is insignificant. As a result, demand for such a product may decline despite the fact that its objective technical characteristics remain unchanged.

For enterprises, understanding the availability heuristic is of important strategic significance. That is why modern companies actively use advertising, marketing communications, social media, and other information channels to increase brand visibility in consumers' minds. The more often a person encounters a particular trademark, the more familiar and reliable it appears, which increases the likelihood of its selection at the time of purchase.

Another important behavioral factor influencing the process of consumer choice is the *anchoring effect*. This phenomenon consists in the fact that the first piece of information received by a consumer about a certain indicator, in particular about the price of a product, becomes a kind of reference point or "anchor" for the further evaluation of value. Even if this initial information is conditional or not entirely objective, it significantly determines the subsequent perception of price and influences the purchase decision.

The mechanism of the anchoring effect lies in the fact that consumers often evaluate the attractiveness of a product not in absolute terms, but by comparing it with the initially offered price. If a consumer first encounters a high price, its subsequent reduction is perceived as a significant benefit even when the actual

savings are insignificant. For example, in retail trade, the strategy of displaying the original price and the discounted price is often used. If a product is marked as originally costing UAH 5,000 and is later offered at UAH 3,500, consumers tend to perceive this as a very good deal. In this case, the initial price serves as an "anchor" against which the buyer evaluates the attractiveness of the new price. Even if a similar product in other stores is sold for approximately the same amount or even less, the presence of the initial "anchor" creates an impression of substantial savings.

A similar mechanism is widely used in other areas of market activity as well. For example, in the real estate market, the initial price of housing set by the seller often influences further negotiations between the parties. Even if the price is reduced during bargaining, the buyer evaluates the final amount relative to the initially announced price, which may create a feeling of a favorable deal. The anchoring effect is also actively applied in enterprises' marketing strategies. Companies may deliberately show consumers more expensive products in order to form a certain price reference point in their minds. After that, more affordable product models are perceived as more economically advantageous, increasing the likelihood of their purchase.

Social Factors of Consumer Choice

Consumer behavior also largely depends on the social environment in which individuals operate. People often orient themselves toward the behavior of other members of society, seeking to conform to certain social norms or status expectations.

The *bandwagon effect* is one of the manifestations of social influence on consumer choice. Its essence lies in the fact that consumers tend to purchase certain goods or services not only because of their objective characteristics, but also because these goods are popular among other people. In such cases, the purchase decision is formed under the influence of the desire to correspond to

social trends, fashion, or the behavior of the majority.

The mechanism of the bandwagon effect is related to the fact that people often regard the behavior of others as a kind of informational signal concerning the quality or prestige of a product. If a significant number of consumers choose a certain product, other buyers may perceive this as confirmation of its reliability or high consumer value. For example, in the digital technology market, the spread of new smartphone models is often accompanied by rapid growth in demand precisely due to social influence. When a particular model becomes popular among a wide range of users or is actively discussed on social media, other consumers also begin to incline toward purchasing it, even if there are other products with similar characteristics. A similar effect can also be observed in the fashion industry, where demand for certain types of clothing or accessories is largely determined by fashion trends and the behavior of other consumers.

Another manifestation of social influence on consumer choice is the *prestige consumption effect*, which is sometimes referred to as the *conspicuous consumption effect*. Its essence lies in the fact that consumers purchase expensive goods in order to demonstrate their social status, income level, or belonging to a particular social group. In this case, the product performs a symbolic function, acting as a kind of signal of prestige.

A classical example of this phenomenon is the luxury goods market, where the high price of a product itself becomes an important factor of its attractiveness. For example, expensive cars, designer clothing, jewelry, or prestigious watches are often purchased not only because of their technical characteristics or quality, but also because of their ability to emphasize the social status of their owner. In such cases, an increase in price may even enhance the attractiveness of the product for certain groups of consumers, since high cost serves as a symbol of exclusivity and prestige.

Cognitive Limitations and Behavioral Biases

Research in the field of behavioral economics shows that the process of consumers' economic decision-making does not always correspond to the assumptions of the traditional theory of rational choice. Under real conditions, human behavior is often shaped by cognitive biases – systematic deviations from the rational model of behavior. Such biases arise because consumers are forced to make decisions under conditions of uncertainty, incomplete information, and limited time. As a result, consumer decisions may be made under the influence of emotions, previous experience, the way information is presented, or the social environment. That is why modern studies in behavioral economics devote considerable attention to the analysis of psychological mechanisms that determine the process of consumer choice formation.

One of the most well-known manifestations of such influence is *loss aversion*, which was described in detail in prospect theory by Daniel Kahneman & Amos Tversky (1979). The essence of loss aversion lies in the fact that people perceive losses much more strongly than gains of an equivalent size. In other words, the psychological discomfort caused by losing a certain sum of money or another resource is significantly greater than the satisfaction gained from receiving the same benefit. As a result, consumers often prefer safer options, even when other alternatives may potentially provide a greater economic return. For example, when choosing between two financial investments, a consumer may prefer an option with a lower but guaranteed return instead of an investment with a higher expected profit but a greater level of risk. Such behavior is explained by the desire to avoid possible losses. Loss aversion is also actively used in marketing strategies. For instance, the wording of an advertising message in the form of "do not miss the opportunity to get a discount" often affects consumers more strongly than a message about the possibility of obtaining a certain benefit.

Another common behavioral phenomenon is *status quo bias*, which consists in people's tendency to preserve already made decisions and avoid change, even

when new alternatives may be economically more advantageous. Such behavior is associated with the desire to minimize uncertainty and avoid possible risks that may arise when changing familiar conditions. For example, consumers often continue using the services of the same mobile operator or bank for a long time, even when more favorable tariff plans or financial offers appear on the market. A similar situation can also be observed in the insurance services market or when choosing utility service providers, where consumers are reluctant to change providers despite the possibility of obtaining economic benefits.

Status quo bias is also actively used by enterprises in shaping marketing strategies. For example, many companies apply automatic subscription renewal for certain services or offer standard service packages from which consumers must specifically opt out. Since most people are inclined to leave the existing option unchanged, such strategies allow enterprises to retain customers for a long period of time.

The examined psychological, social, and cognitive factors indicate that consumer choice in the modern economy is shaped, first, by the influence of the economic parameters of a product and, second, by the peculiarities of information perception, social norms, and behavioral biases. For this reason, consumer behavior becomes an important element in the functioning of the competitive environment, since it directly affects the structure of demand, market dynamics, and the nature of competitive rivalry among enterprises.

In a competitive economy, enterprises are forced to take into account the behavioral characteristics of consumers when shaping their competitive strategies. For example, the use of the availability effect or the anchoring effect is directly related to methods of non-price competition, when enterprises seek to influence consumer perception of a product through advertising, marketing communications, product design, and other promotional tools.

Knowledge of consumers' behavioral characteristics is also actively used in

product competition. Enterprises develop new product models and improve their design and functional characteristics, taking into account not only the objective technical parameters of products but also the emotional perception of the product by consumers.

Behavioral factors also play an important role in price competition. The use of the anchoring effect, discount systems, or special offers allows enterprises to influence consumers' perception of a product's price. For example, displaying the original price alongside the discounted price may create in consumers a sense of a beneficial purchase, even when the actual difference in value is insignificant. Thus, consumers' behavioral characteristics become an important instrument for the formation of enterprises' competitive advantages.

Social effects, such as the bandwagon effect or the prestige consumption effect, are also closely connected with market competition. In the modern economy, the popularity of a particular product or brand may significantly strengthen its competitive position, since the growth of demand caused by social influence stimulates the further spread of products among consumers. That is why enterprises actively use social media, recommendations from opinion leaders, and other marketing tools to build a positive image of their products.

In addition, behavioral factors may significantly affect market structure and the nature of competitive relations among enterprises. In particular, strong consumer loyalty to a certain brand or the action of status quo bias may reduce demand mobility and make market entry more difficult for new enterprises. Under such conditions, companies that already occupy stable market positions gain additional competitive advantages and strengthen their market power. For this reason, the study of the behavioral factors of consumer choice is an important area of modern economic science. This approach combines economic, psychological, and sociological aspects of the analysis of market processes and makes it possible to examine more deeply the mechanisms of demand formation, as well as to

understand how enterprises build and strengthen their competitive positions in the modern market environment.

Conclusions. In summary, it should be noted that consumer choice in the modern market economy is shaped not only by the objective economic characteristics of goods and services, but also by a wide range of psychological, social, and cognitive factors. This indicates the limitations of the classical model of rational choice in explaining actual consumer behavior and confirms the appropriateness of applying the behavioral approach to the analysis of market processes. Thus, the study of the behavioral factors of consumer choice makes it possible to deepen the understanding of the nature of modern consumer behavior and to reveal the mechanisms through which enterprises form competitive advantages in the market. Prospects for further research should be associated with a more detailed study of the influence of the digital environment, social media, personalized marketing communications, and emerging technologies on the transformation of consumer choice under modern conditions.

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