Behavioral Economics and Consumer Decision Making

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Abstract. This paper delves into the principles of behavioral economics and their application to understanding consumer decision making. We explore how cognitive biases and heuristics influence purchasing behavior and the implications for marketing strategies. By analyzing various case studies, we offer insights into how businesses can leverage behavioral economic theories to enhance consumer engagement and improve decision-making processes.

Keywords: Behavioral Economics, Consumer Decision Making, Cognitive Biases, Marketing Strategies, Public Policy

Introduction

Behavioral economics has emerged as a crucial field of study, bridging the gap between psychology and economics to better understand how individuals make decisions. This paper focuses on the application of behavioral economics principles to consumer decision making. We examine how cognitive biases, such as anchoring and loss aversion, affect consumer behavior and purchasing decisions. Through an analysis of diverse case studies, we highlight the ways in which businesses can utilize these insights to refine marketing strategies and improve customer engagement. Additionally, the paper discusses the broader implications of behavioral economics for public policy, particularly in areas related to consumer protection and financial literacy. By providing a comprehensive overview of the interplay between human behavior and economic decision making, this paper aims to contribute to more effective business practices and policy development.

References

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