Lesson 1 Smart Consumers

The Psychology Behind Shopping

We often want something so badly that we are willing to buy it on the spot. In these moments, we just act without thinking. While we usually believe we have control over our purchasing decisions, sometimes we really don't. Our emotions play a vital role in shaping our financial behavior. Marketers use psychological tactics to influence, convince, and even deceive us, the consumers. To make wiser choices, it's essential to understand these psychological traps that influence our spending habits.

We Fall Prey to Anchoring Bias

Imagine you are in a shopping center, walking by a shoe store. A pair of striking sneakers in the show window attracts you. At that moment, you can hardly believe the shocking price tag: $500. Five hundred dollars for a pair of shoes? You doubt your own eyes and walk into the store. In the store, you find another pair of sneakers that looks similar for $200. After seeing the sneakers for $500, you think the $200 sneakers are a good bargain and buy them even though you don’t need a new pair of sneakers.

In this way, we sometimes rely too much on the first piece of information we receive. We use it as an anchor, or a reference point, to interpret new information. This can lead to a hasty judgment. How can we avoid having an anchoring bias? We should think twice and compare prices. The more information we have about a product and its price range, the less likely we are to fall prey to an anchoring bias.

We Overvalue What We Have

"Start your free 14-day trial."

"Click here and start your free trial now."

"Why wait? Start your trial today."

These are typical phrases used in advertisements. Imagine an OTT (Over the Top) media service provider offers you a free premium service for a month. The advertisement reassures you that you can cancel the service anytime within the month. Marketers do this because after we use a product, we start to feel a sense of ownership, which makes it difficult to give up the product or switch to a different one. In other words, we tend to overvalue items that we already own more than we would if they didn't belong to us.

Then, how can we overcome this psychological ownership bias? Above all, be aware of the "free trial" trap. Once you fall into a trap, it's important to remember that it can be difficult to escape. Before you sign up for a free trial, remind yourself about how marketers use tactics that make you bond with their products. Cancel the product or service if you don't need it.

If It Is Hard to Get, We Want It More

How do you feel when you look at an advertisement that says, "Only one left!" or "Today only: 50% off"? If you don't buy the product, it feels like you are missing out on a great deal. Whatever the product is, consumers are usually influenced by a sense of urgency and scarcity. People think a product or service is more valuable or desirable when they believe the supply is limited. It can be challenging to ignore the temptation of urgency and scarcity while shopping. Still, whenever you feel anxious about missing out on a great deal, you should remember that there are plenty of alternative items that are just as good or better.

We Follow the Crowd

Few people say they enjoy waiting in a long line to buy a ticket or product. In real life, however, people often put up with waiting in line for hours to purchase a popular product. When a particular fashion item, a beauty product, or a brand becomes popular, we may feel pushed to purchase the product to keep up with the trend. In other words, we often choose to do something because everyone else is doing it. The more people do something, the more likely we are to follow the act. How can we prevent others from influencing our shopping decisions? The next time you feel compelled to buy a product in high demand because others do it, first ask yourself if you really need it. Don't be afraid to stand out from the crowd.

Many more psychological triggers besides the examples above will make you send more money while shopping. The best way to spend smarter is to spend after thinking carefully about whether it is a necessary purchase, the best deal, and the right time to buy.