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An Approach to Optimize Conversion Rate using Behavioral
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An Approach to Optimize Conversion Rate using Behavioral Economics

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Abstract

Purpose: This paper explores the integration of behavioral economics into the digital marketing landscape, emphasizing its potential to enhance conversion rates.

Methodology: It highlights the significance of understanding human decision-making, incorporating behavioral elements into user profiles, and implementing a comprehensive conversion rate optimization framework.

Findings: However, ethical considerations are crucial in this context, necessitating transparency, user autonomy, and responsible data handling to build enduring trust.

Unique contributor to theory, policy and practice: As technology evolves, particularly with the rise of AI, establishing and reinforcing ethical guidelines becomes imperative for organizations to navigate the digital landscape with integrity and responsible behavioral economics practices.

Keywords: *Behavioral Economics, Digital Marketing, Conversion Rate Optimization, Ethical Considerations, User Trust*



I. INTRODUCTION TO BEHAVIORAL ECONOMICS IN THE DIGITAL LANDSCAPE

Behavioral economics is understanding of human behavior and their emotions and its impact on human decision making. Behavior economics often deviates from rational economic behavior. Behavioral economics explores deviations from traditional economic models by acknowledging that individuals often make decisions influenced by emotions, impulsivity, and environmental factors, challenging the assumption of perfect rationality, leading to the identification of principles guiding human economic behavior and informing policy frameworks [1]. These areas often explore cognitive behavior and how emotional and social factors alter human decisions. In traditional economic models these factors are often assumed as rational behavior. However certain behaviors are often irrational and have inherent biases and limitations. In [1], the authors illustrate an instance wherein individuals frequently postpone investing in 401k plans despite being aware of the associated benefits. Understanding these limitations and biases help us understand human decision making efficiently.

Behavioral economics can be utilized in multiple areas within the organization and one such area is digital marketing. Integrating behavioral economics with digital marketing helps organizations better understand customer behavior. A study shows that organizations have seen decreasing trend of attention span by customers [2]. Thus, the competition for customer's attention span has increased with rise in digital economy. Due to this rise, customers often face huge dump of information regarding a product.

Behavioral economics can be helpful in such scenarios to understand the customer behavior and organizations can better align with customer needs. Implementing behavioral strategy can help understand how customers use their emotions in the decision making process. This will help organizations better optimize the user experience of their digital landscape. Another factor that affects customers is decision fatigue: they have a diminished decision performance [3]. Behavioral economics often provides insights in understanding fatigue and how to reduce it thus leading to successful outcomes. Increase in fatigue might divert customer attention span or lead to impulsive decisions. Hence it is very important to help customers overcome decision fatigue and build trust and credibility. Building trust and credibility with customers needs an appropriate organizational culture that leads with transparent and honest interaction with customers. Often personalized experiences with customers will help in improving and creating better relationships with the organization. By incorporating insights from this field, marketers can develop strategies that go beyond traditional economic models, creating more effective and resonant campaigns in the ever-evolving landscape of digital marketing.

II. CONVERSION RATE IN THE DIGITAL LANDSCAPE

Conversion rate is often defined as the number of successful outcomes over the total outcomes of an activity. Conversion rate helps in understanding how an event is likely to be successful. In the

digital landscape conversion rate can be defined as the number of successful visitors of the page who successfully perform the activity defined on the website such as purchase, filling form or signing up. Higher conversion rate implies customers are often engaging with the defined activity and the activity is better optimized for successful outcome. Measuring conversion rate on multiple activities within customer journey on website has become an important metrics for organizations. Organizations are relying on this metric to optimize the user experience because it is directly proportional to the return on investment for digital marketing campaigns. According to [4], B2C and B2B conversion rates through SEO stands at 2.1% and 2.6% respectively. However, with increase in technology and understanding users continuously, conversion rates can be further optimized. For example, [5] proposed the idea of chatbot interactions to increase conversions.

III. CONVERSION RATE OPTIMIZATION FRAMEWORK BASED ON BEHAVIORAL ECONOMICS

Optimizing conversion rate yields better digital marketing campaign results for the industry. Behavioral economics can play a key role in improving conversion rates. In this paper we propose a conversion rate optimization framework utilizing behavioral economics, as outlined in Fig. 1. Organizations create user profiles to understand each customer. Objective of this paper is to add behavioral elements to the profile to improve the understanding of the user profile. Marketing teams can utilize these elements to add to the conversion goal and track the progress of the behavioral elements through AB testing. Results of these AB testing can be added to the profile to further understand the user profile in an efficient way and optimize the conversion rate. According to [6], touchpoints are essential in creating optimized conversion rate frameworks. However, inclusion of behavioral touchpoints will be more useful in improving the framework. Below are some of the behavioral touchpoints that can be used to further enhance the conversion goal.

A. *Loss Aversion*

Loss Aversion strategy helps customers tend to prefer avoiding losses as compared to equal gains. Stressing on potential losses if customers did not take required action might drive customers to act on it. Customers in such scenarios prefer loss aversion. According to [7], people's belief in the theory of loss aversion.

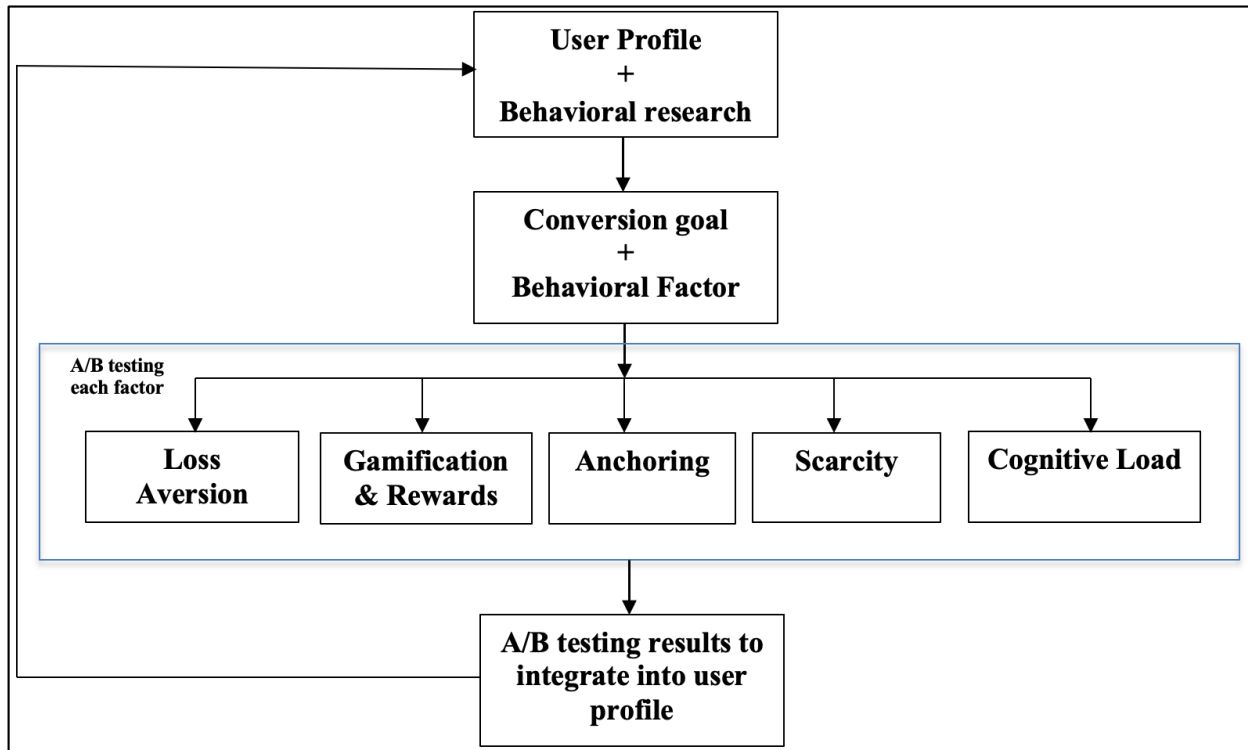


Fig. 1. An approach to integrating behavioral economics to optimize conversion rate using A/B testing.

B. Anchoring

Anchoring is another factor useful in improving conversion rate. Customers tend to weigh more on the initial information gained on a topic, referred to as confirmation bias. It is advisable to create a high pricing product to make further options reasonable. Such strategies can be used in pricing.

C. Scarcity

Scarcity helps create a sense of urgency in customers. Scarcity can range from mentioning limited quantity, time sensitive to avail the offer, exclusive availability or competitive drive. All these emotions can drive the urgency in customers to act on the conversion goal.

D. Gamification And Rewards

Introducing gamification elements such as badges, points, and rewards to make the learning experience more engaging can also be useful in improving conversion rate. Creating award badges for completing courses or giving points for each achievement within the course can be multiple ways to implement the reward system.

E. Cognitive Load

IV. ETHICAL CONSIDERATIONS WHILE INCORPORATING BEHAVIORAL ECONOMICS IN CONVERSION RATE OPTIMIZATION

Integrating behavioral economics into marketing campaigns presents an exciting opportunity to enhance conversion rates. However, the potential for misuse looms large in the absence of robust ethical guidelines and regulatory frameworks imposed by both organizations and governments. This paper aims to explore the ethical considerations crucial for the responsible utilization of behavioral economics.

Transparency emerges as a foundational principle, where organizations must openly communicate the deployment of behavioral techniques. Users deserve to be cognizant of the fact that their behavior is subject to influence, and any form of covert manipulation must be strictly avoided. Offering users the autonomy to opt in or opt out of behavioral interventions is imperative, respecting their right to control their interaction. Providing comprehensive information consent is non-negotiable when utilizing user data, and clear communication about data usage is essential.

Respecting user privacy should be a paramount concern, demanding responsible handling of any collected data. Intrusive utilization of personal information that breaches privacy norms is strictly prohibited. The use of deceptive tactics or misinformation to manipulate user behavior is unequivocally condemned. Trust, a cornerstone of positive audience relations, can be irreparably damaged by dishonest practices. As [8] suggests, dishonesty tends to flourish in the absence of checks and balances, posing a long-term threat to an organization's reputation despite potential short-term gains in conversion rates.

In the era of escalating AI prominence, fortifying ethical standards surrounding data usage and behavioral economics is imperative. As [9] posits, AI is not solely a technological phenomenon but also a behavioral one. Establishing ethical guidelines, as outlined above, becomes instrumental in reinforcing a framework grounded in transparency, privacy, security, and trust. Only through such conscientious practices can organizations navigate the evolving landscape of technology and human behavior with integrity and responsibility.

V. DISCUSSION

The study recognizes the evolving nature of marketing and consumer behavior and highlights the need for organizations to establish and reinforce ethical guidelines. We have emphasized the importance of understanding human decision-making, incorporating behavioral elements into user profiles, and implementing a robust conversion rate optimization framework. The proposed framework utilizes behavioral economics principles such as loss aversion, anchoring, scarcity, gamification, and cognitive load to enhance the understanding of user behavior and improve conversion rates. Ethical considerations, such as transparency, user autonomy, and responsible data handling, are crucial to build enduring trust in the digital landscape. The study acknowledges the

potential for misuse of behavioral economics and stresses the need for ethical practices to avoid negative consequences. It is also important to maintain transparency in deploying behavioral techniques, giving users the autonomy to opt in or opt out of interventions, and providing clear information consent when utilizing user data. The responsible handling of collected data and the avoidance of deceptive tactics or misinformation are emphasized to maintain user trust. The paper further points out that ethical guidelines become even more critical in the era of AI prominence, as AI is not just a technological phenomenon but also a behavioral one.

VI. CONCLUSION

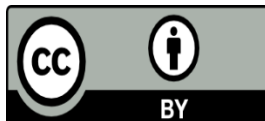
The integration of behavioral economics into the digital marketing landscape offers a promising avenue for understanding and influencing customer behavior, particularly in the realm of conversion rate optimization. Recognizing the inherent biases and limitations in human decision-making, this paper underscores the importance of incorporating behavioral elements into user profiles and employing a comprehensive conversion rate optimization framework. However, it is crucial to tread carefully, as ethical considerations become paramount in this dynamic landscape. Transparency, user autonomy, and responsible data handling are foundational principles that must be upheld to avoid potential misuse and build enduring trust with the audience. As technology, particularly AI, continues to shape the digital landscape, establishing and reinforcing ethical guidelines is imperative for organizations to navigate this terrain with integrity, transparency, and a commitment to responsible behavioral economics practices.

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