

# *The Impact of Customer and Marketer Psychology on Making Business Decisions*

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**Abstract:** This research uses the literature research method, the case study method, and the qualitative analysis method as research methods to analyze the influence of customer psychology and marketing psychology on business decision-making through four aspects: stock investment selection, necessity purchases, marketing, and discretionary expenditure. Meanwhile, the author chose the specific period of the epidemic because the social background caused people's psychological fluctuations, which have significant implications for business decisions. The delayed investment brought on by the pandemic affects aggregate supply and aggregate demand, and while the impact may take some time to be apparent, the magnitude of the impact depends on the scale and duration of the outbreak. Through analysis, enterprises need to put valuable customers at the center of business decisions as the basis of business decisions, so that businesses can focus on exploring ways to develop in unknown areas.

**Keywords:** customer psychology; marketing; investment; epidemic; business decisions

## 1. Introduction

The impact of the New Economy Movement (NEM) shock is currently generally regarded as a "pause button" for the operation of the economic system, that is, in the short term, the negative impact of the NEM shock on the economy is as important as the division of labour, specialisation, and trade to the modern economy. Given the complexity of economic systems and the lag in statistics data, the current negative impact of the COVID-19 epidemic outbreak can only be roughly estimated. Referring to the impact of the SARS epidemic in 2003 on the economy, although the SARS epidemic caused a significant economic downturn in the short term, almost no negative shock was barely observable during the entire duration [1]. However, from an academic view, it is impossible to simply use the SARS epidemic as a frame of reference to conclude that "the negative impact of the COVID-19 epidemic is limited. The temporary economic shutdown caused by the epidemic and the difficulty in effectively resuming production have led to heavy losses for enterprises, which inevitably accelerated the exit from the market. In addition to this, problems with stock investment choices, necessities purchase, marketing and discretionary spending will also arise.

This research will explore the topic of 'the psychological impact of customers and marketers on business decisions' through a literature research approach, in order to fill the research gap in this area during the COVID-19 outbreak. Four levels of business decision making will be examined in depth,

namely stock investment choices, purchase of necessities, marketing and discretionary spending, with the aim of drawing valid conclusions that will provide value for subsequent research.

## **2. Individual Investment and Consumption Are Influenced by Individual Psychology**

### **2.1. Investment**

The COVID-19 outbreak is an external issue for the economy and is typically viewed as a shock in economics. Shocks can be either positive or negative, and they can occur on either the supply or demand side. The impact of the COVID-19 epidemic on supply and demand is one of its distinctive features. Production will be somewhat impacted on the supply side as some industries and sectors cease operations or alter their working practices. Consumption, investment, and net exports are likely to be impacted by demand. Additionally, the aggregate demand curve and aggregate demand curves will shift simultaneously due to the negative effects on both supply and demand, which means that both supply and demand will decline concurrently, further reducing equilibrium production. Investors are vulnerable to overconfidence, resistance to regret, cognitive components, greed, fear, etc. Therefore, in the context of stock market volatility caused by the epidemic, investors will also refer to psychological considerations when making investment decisions [2].

### **2.2. Consumption**

Daily expenses can also change dramatically for psychological reasons [3]. From the demand side, the epidemic brings downward pressure on the economy on the one hand, a reduction in income sources, a lack of confidence among residents, a greater willingness to save and a lower willingness to consume. This had a greater impact on core optional consumption such as gold, silver and jewellery, home appliances and cars, while consumption of essential goods was relatively less disturbed. On the other hand, the recurring epidemic caused people to travel less and reduced offline consumption scenarios, and consumption focused on offline experiences such as restaurants and hotels, gold and jewellery were also affected by this factor and were under severe pressure. Under the severe epidemic, people's work and living habits and attitudes have changed to some extent, especially in terms of consumption behaviour, with a shift in spending on durable and non-daily goods compared to normal times.

In addition, the psychological changes caused by the epidemic will lead to different behavioral and emotional changes that support materialism, and people's attitudes toward money and consumption may change. Psychological factors include media consumption, social isolation, depression, stress and anxiety, and perceived threats [4]. Related studies have something in common, namely personal psychological issues arising from the proliferation of influence on business decisions. These studies are relatively comprehensive and complete results, based on questionnaire surveys and real interviews with people in different fields, genders, and social roles. These findings can be very helpful to people when they are making business decisions again. They can help people to understand the impact of their psychological reasons on business decisions and to become more rational and analytical once they understand themselves. Instead of being driven by psychological reasons to make poor and biased business decisions.

## **3. The Decision to Buy Essential Items Is Influenced by Personal Psychology and Marketing**

Social media has developed with the advancement of computer and internet technology, having a significant impact on the manner and pattern of information distribution as well as, to some extent, consumer behavior. Based on user relationships, social media is a platform for creating and

exchanging content on the web. Social networking sites, microblogs, WeChat, blogs, forums, podcasts, and other platforms are examples of social media at present time. Social media also includes tools and platforms for people to exchange thoughts, insights, experiences, and viewpoints with one another. On the fertile ground of the Internet, social media has exploded with brilliant intensity. The information it disseminates has developed into significant online content, spawning a steady stream of trending social issues that have enticed traditional media to adopt a similar approach [5].

It needs to be clear that there are many psychological reasons for this that are not caused by external conditions but are directly influenced by the media's impact on consumer behaviour. Social media influence consumer decisions in a number of ways and although many people may not be aware of it, they are subconsciously influenced by the messages on social media. Moreover, social media has not only given consumers more information on to base their purchasing decisions on, but has also allowed their 'voice' to be heard. Consumers are no longer one-way receivers of information and are exposed to a wider range of information and choices than ever before, but even so, social media can lead to irrational consumer behaviour.

In the information age, the mass media play an important role in shaping, reshaping and directing public opinion. This relationship becomes even more apparent in crisis situations, as the media has the ability to inform and dispel misinformation through headlines. By highlighting aspects of news stories that attract more attention, the media create disproportionate anxiety, primarily by stirring up fear. This also adds a lot of risk to consumers buying products. What has to be mentioned here is the close connection regarding products and online marketing in the internet age. Marketing and channels must first gain insight into the needs of consumers in order to design the right products and services to meet their needs, which is also a vehicle for communication between companies and consumers as part of marketing [6]. The media therefore also plays an important role in the psychology of marketers. In the eyes of the public, marketers are often seen as untrustworthy or morally abducted. Researchers have long tried to uncover the reasons behind their apparently untrustworthy behaviour [7]. Sellers have attempted to manipulate consumers on an increasing scale through ubiquitous communication platforms such as television, film, print and social media [8]. Therefore, understanding the ways in which media may influence consumer decisions is highly informative in grasping consumer psychology. Whether it is on the scale of behavioural change or simply informing consumer sentiment, it is important to understand the motivations behind certain behaviours. These factors have been explained in the current context and further research is needed to understand the possible causal relationships between them. The presence of panic buying and herding behaviour is likely to show a causal relationship between the two, which may establish the role of the media in directly influencing changes in consumer behaviour associated with panic buying and herding behaviour. Thus, each study contributes to the initial understanding of consumer behaviour and its relationship to the current COVID-19. However, it is necessary to determine and analyse whether these psychological factors influence consumer behaviour in business decisions after the particular business environment has passed.

At the same time, the level of development of business, as an important part of the market economy, can play an important role in the level of development of the market economy. And in the development of business, marketing is an important way for companies to make profits. In order to improve the effectiveness of marketing, it is necessary to use scientific methods to conduct market research and marketing research, improve the quality of decision-making, reduce the probability of decision-making errors, and ensure that enterprises achieve a virtuous cycle of development [9]. Marketing plays a vital role in the development of a business. Marketing is the process by which an individual or organisation creates a product or value that is then exchanged with other entities to meet the needs of the market and achieve its objectives.

Psychology is the study of human psychology, consciousness and behaviour, and how individuals as a whole relate to their natural and social environment. Its object of study is the human being, who is the subject of marketing activities and is one of the objects of marketing research. As psychology and marketing have the same object of study, the relationship between the two is very close and the application of psychology is present throughout the entire process of marketing management. It is generally accepted that successful marketing depends on the quality, performance and price of the product, the popularity and reputation of the company, advertising and the marketing skills of the marketer. But a potentially most important and deep-seated factor, consumer psychology studied through marketing research, is often overlooked [10].

Firstly, market research makes full use of psychological research methods, of which observation, experimentation, questionnaires, deep talk and projection are commonly used. Secondly, psychological theories of cognition and motivation are applied to the analysis of consumer buying behaviour. By analysing consumers' cognitive processes, such as perceptions, attention, attitudes, interests, experiences and memories of products and services, as well as consumers' motivations to buy, it explains why consumers are willing to buy such products and not to shop for others. Successful marketing generally involves market research and analysis to fully understand consumers' psychological needs and their impact on buying behaviour, so that the market for selling the product can be understood and the product can be designed, packaged and marketed. Finally, on the basis of market segmentation, the consumer groups for which the company wants to serve are selected, which is the process of choosing the target market.

From the above discussion, we can know that the application of psychology throughout the whole process of marketing management, any enterprise marketing activities are inseparable from the study and application of consumer psychology [11]. Some people liken consumer psychology to a dark box. Whoever can see through the external appearance of consumers to their inner psychological secrets and apply them to the specific marketing activities of the enterprise according to certain principles, will be able to take the initiative in the market and gain ultimate survival and development on the basis of meeting consumer needs. Whoever follows certain principles and applies them to specific marketing activities will be able to take the initiative in the market and achieve ultimate survival and development on the basis of satisfying consumer needs.

#### **4. Disposable Expenditure Is Influenced by Personal Expectations and Psychology**

The purchasing decision, the actual purchase, and the use of the product are seen as a unified process, and the people involved in each stage of the process can be referred to as consumers. Consumer behaviour refers to all the mental and physical activities that consumers perform in order to find, buy, use and return the goods and services they need. Consumer behaviour is dynamic and includes the interaction of perceptions, cognitions, behaviours, environmental factors and transactional processes [11]. Consumer behaviour changes in response to changes in disposable income. As disposable income increases, people's expectations and willingness to consume increase, influencing consumer behaviour and consumption, while the opposite is true if income falls. At the same time, the expected income also influences consumer behaviour. Changes in expected income will not directly affect consumers' current consumption, but may adjust consumers' choices between current and future consumption. If consumers' expected income increases, consumers will increase their current level of consumer spending, stimulating consumer demand. If income is expected to fall, consumers will increase their savings to support future consumption. There are cyclical fluctuations in the market economy and consumer income levels vary with cyclical fluctuations, making income expectations one of the most important factors in consumption.

The structural changes in US consumer spending after the epidemic are a testament to the fact that the degree of improvement in income has a significant impact on consumption. The US provided

massive financial subsidies to the residential sector, which stabilised its disposable income and thus its purchasing power. However, the epidemic did have a significant impact on the service sector, and policies such as social distance restrictions also hit the sector's service industry. Resident consumption is both the basis for a good life for the people and an important engine for stable economic growth. While the epidemic is certainly a factor in the current relative downturn in residential consumption, a more important reason is the lack of disposable income.

Therefore, raising residents' disposable income and shaping good income expectations are the foundation and key to promoting consumption.

## 5. Conclusion

Poor decisions can be traced back to the way decisions are made, including failure to get a clear definition of a viable option, and failure to gather the right information, failure to accurately weigh up costs and benefits. But sometimes the mistake is not in the decision-making process, but in the thinking of the decision-maker. The way the brain thinks prevents people from making good choices. Except for special periods, what enterprises and managers need to do is focus on valuable customers, return the business to its essence, and focus on how to continuously explore new areas. At the same time, it is also necessary to continuously innovate on the existing process and explore new models, so as to maintain a high degree of competitiveness. However, this article also has some limitations. First of all, the article lacks universality, and there are often individual differences and related particularities under the complex background of the times. Second, the sample size and research data in this article are not large enough to make the article informative.

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