

APPLICATION OF PSYCHOLOGICAL MARKETING IN DIGITAL-BASED BUSINESSES TO IMPROVE MILLENNIALS AND GEN-Z SHOPPING DRIVE IN INDONESIA

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Abstract: Millennials and Gen-Z are the most digitally literate generations, so this is a highlight for online businesses to compete to observe their shopping behaviour and formulate appropriate promotional strategies. Marketing psychology is one of the weapons for online business people in targeting Millennial and Gen-Z consumers. Marketing psychology is divided into five types: (1) priming, (2) reciprocity, (3) social proof, (4) decoy effect, and (5) the principle of scarcity. The implementation of marketing psychology is very interesting to examine regarding the phenomenon of digital shopping which has become a trend since the pandemic. So this study aims to analyse how to implement marketing psychology in online business to increase the shopping desire of Millennials and Gen-Z as a generation that surfs a lot in cyberspace, and what are the challenges. This study uses a qualitative approach by collecting data using interviews with Millennial and Gen-Z marketers and consumers. The results of this study state that digital marketers utilize five types of marketing psychology and the most effective of them is the decoy effect where businesses play prices by bundling, time-limited discounts, and special discounts to influence the psychology of millennial consumers who tend to always not want to miss rare opportunities related to price, and gen-Z who always choose to consider buying a product effectively, and giving a discount is considered effective by gen-Z so that they get good stuff at a price below the normal price. Two different thoughts by these two generations, but have the same behaviours that is buying.

Keywords: Psychology Marketing, Digital Business

1. Introduction

Millennials and Generation Z are the generations that are most often targeted for behavioural research. One of them is in shopping behaviour or in other words buying behaviour. Online business people are also competing to dig into the minds of the generation born in 1990-2012. Given, the millennial and gen Z populations are very large and of course related to their large market share as well. The Hakuhodo Institute in 2020 examines the shopping patterns of millennials to gen-Z consumers and suggests that their shopping motivation is different from the previous generation. For example, millennials to gen-Z when buying a gadget have an emotional purchase motivation that tends to prioritize brand aspects over features.

However, Gen-Z and millennials also have specifications in different shopping patterns when further observed. Millennials (Gen-Y) who act as economic drivers are more likely to be impulsive when buying a product, they tend to want to own an item with only a small push, for

example from an influencer. Meanwhile, Gen-Z values the product more practically and has a higher benefit advantage, even for show-off benefits. The millennial consumer keyword in shopping is experience, all products want to be tried, want to experience using various products without consideration. While the keyword for gen-Z is more personal.

These two generations tend to be more active on social media. However, it is further investigated that in sharing information or experiences these two generations have small differences. Gen-Z tends to be willing to spend more when a product has the appropriate value and benefits according to what they believe, moreover Gen-Z relates to social issues or environmental issues that are currently happening. Items that are "hypes" are the target of Gen-Z even though these items have a fairly expensive price. For example, because it has a unique packaging that can be recycled, a Gen-Z will be interested in buying it because what is attached to the item has a high benefit value. Meanwhile, millennials tend to be more easily attracted to a product without a long thought, for example because of an attractive colour, because a celebrity wears it and other reasons that sometimes override the value of the benefits of the product.

The phenomenon of shopping psychology of the two generations is an important thing for online business owners to pay attention to. Psychological marketing is something that must be mastered by digital-based business owners. Psychological marketing is an effort to approach selling motives that affect psychologically (emotional and feelings) towards a product offered by business people so that potential consumers will increasingly want to immediately have a product, this is done with the hope that consumers who make purchases will increase. (Choiri, 2019). Actually, marketing psychology can not only be applied to online businesses, offline businesses also have their own techniques in implementing marketing psychology. For example, store atmosphere, store layout can be a psychological motivator for people to be comfortable shopping which has an impact on purchases. However, millennials and gen-Z, which are the largest market share in Indonesia, tend to prefer to make transactions through online media, surf digitally on various online shopping platforms and make purchases through gadgets.

Huang et al, 2022 stated that the impact of marketing psychology is quite large in consumer purchases, even just by enlarging or improving product images in online displays, is able to stimulate a consumer to directly buy the product. There are not many previous studies that discuss shopping psychology, so it is a novelty for this research to analyse how the application of shopping psychology is carried out by digital businesses in increasing millennial and Gen-Z shopping transactions in Indonesia.

Research Question, the online marketing phenomenon associated with psychology is an interesting thing to research if it is associated with consumers who master technology such as millennials and Gen-Z. This becomes a question. How can a digital business implement marketing psychology for millennials and gen-Z? What is the challenge?

Purpose, the main purpose of this research is to analyse the implement marketing psychology of digital business for millennials and gen-Z and the challenge.

2. Literature Review

Consumer Behaviour Theory

The success or failure of a product in the market is greatly influenced by how the product is accepted by consumers. Of course, the product is in accordance with the needs and goals of consumers who will be purchased and consumed by a consumer. According to Normawati (2013), the notion of consumer behaviour is a process or activity when a person relates to the search, selection, purchase, use, and evaluation of products and services in order to meet needs and desires. Mowen and Minor (2014), define consumer behaviour as the study of buying units

and exchange processes that involve the acquisition, consumption, and disposal of goods, services, experiences, and ideas. So, it can be concluded that consumer behaviour is an individual process in selecting, purchasing, using, and stopping consumption of goods and services, ideas or experiences to satisfy their needs and desires. Consumer behaviour towards goods and services will be influenced by several factors, namely income, consumer tastes, and the price of goods when other conditions do not change (Normawati, 2013). This consumer behaviour is based on a theory that explains that someone who has income, can buy an item or service he wants in order to achieve satisfaction in accordance with what he expects. Based on the above definition, the needs of consumers, where they buy, how to buy, when they buy, the amount they buy and why they make a purchase, should be paid more attention to by the company.

Factors influencing consumer behaviour according to Kotler and Keller (2006), the factors that influence consumer behaviour are cultural, social, personal, and psychological factors. These factors must be considered to find out how far they can influence consumer purchases. The explanation of the factors that influence consumer behaviour are as follows: 1) Cultural Factors (a) Culture, culture is the most basic determinant of behaviour and desires. Children will acquire values, perceptions, preferences, and behaviours from families and other important institutions as they grow. (b) Sub-culture, sub-culture is a group of people who have a common view of value systems based on life experiences and situations that make up the important values of market segments, and often marketers design products and marketing programs to suit their needs. Nationality, religion, racial group, and geographic area are sub-cultures. (c) Social Class All societies has social stratification. This stratification is more often found in the form of class or social level. Such as the division of society that tends to be homogeneous and permanent, which is hierarchically structured and its members share similar values, interests and behaviours. 2) Social Factors (a) Reference Group A person's reference group consists of all groups that have a direct (face-to-face) or indirect influence on the person's attitude or behaviour. (b) Family The family is the most important consumer buying group in society where family members are the most influential primary reference group. (c) Role and Status Role includes activities that are expected to be carried out by a person according to his role. Each role will produce a status. 3) Personal Factors (a) Age and Life Cycle Stage A person throughout his life will buy different goods or services. Same with a person's taste that changes according to his age. (b) Employment and Economic Environment Employment affects a person's consumption patterns. Marketers seek to identify occupational groups that have an above-average interest in their products and services. A person's product choice is influenced by that person's economic situation. (c) Personality and Self-Concept Each individual has different personality characteristics that influence their buying behaviour. Personality is a distinctive human psychological trait and produces relatively consistent and enduring responses to various environmental stimuli. (d) Lifestyle and Values Lifestyle is a person's pattern of life which can be seen in his activities, interests, and opinions. Lifestyle shows the "whole person" who interacts with his environment. 4) Psychological Factors (a) Motivation A person has many needs at a certain time. Some needs are biogenic, these needs arise from biological pressures such as thirst, hunger, discomfort. Other needs are psychogenic, these needs arise due to psychological pressure such as the need for recognition, a sense of group membership or appreciation. The need will become a reason if it is pushed to an adequate level of intensity. A motive is a sufficient body that drives a person to act. (b) Perception, perception is the process used by a person to select, interpret, and organize information input to create a meaningful picture of the world. In marketing, perception is more important than reality, because that perception will affect the actual behaviour of consumers. (c) Learning, learning includes changes in one's behaviour that arise from experience. Most human behaviour is the result of learning. Learning theorists believe that learning is the result of a working combination

of incentives, stimuli, responses, cues to action and reinforcement. (d) Memory All the information and experiences that people face as they go through life can become long-term memory. Cognitive psychologists distinguish short-term memory as a temporary repository of information while long-term memory is a more permanent repository of information.

Psychology Marketing

Marketing psychology is an understanding of the motives that influence the emotions and actions of the target market (consumers) in viewing a product or service offered by a business person. There are several main principles of psychology that are suitable for business people to know. These principles can be used to help attract, convince and convert more people with a business's content marketing. The principles of human behaviour related to efforts to develop a business are priming, reciprocity, social proof, decoy effect, and the principle of scarcity.

Priming has a principle in line with the term pun, where someone says one word, the respondent will respond with the first word that comes to mind. For example, if someone says the word cloud, someone who hears it will immediately respond with the word white. Bryant and Thompson (2002) state that priming has two perspectives. First, priming can occur when someone reads or watches a story on media that activates thoughts or feelings that have been stored in the minds of the previous minds due to the influence of past learning and experiences. Second, priming is defined as media exposure that affects a person's behaviour so that he or she takes unwanted actions, for example imitating criminal acts. In psychology, this is how priming works. When you are exposed to one stimulus, it affects how you respond to that stimulus. This is implemented so that when consumers see a certain colour, object or thing, the first thing that comes to their mind is your product or service. Subtle priming techniques are usually used to make your website visitors remember key information about the products and services provided. Businesses can influence this by making the information about your products and services repeatedly so that the idea about it is embedded in the minds of consumers. Another way is to make something simple or even flashy so that it is easy for consumers to remember.

Social proof is a theory where people will adopt and put their trust in those they like or trust (Cialdini, 2007). In marketing, this is usually obtained through testimonials. Most people will decide to buy a product or service if they see their closest people or idols have used them before. Testimonials are often found on social media or the website of a brand. Good testimonials can be obtained by improving the quality so that your customers will voluntarily give positive opinions about your products and services. This principle can also be slightly modified by providing attractive offers to consumers when they display uploads related to your product in their respective accounts. And if your business has a large enough capital or profit, you can use a famous influencer or artist.

The decoy effect is a principle that uses a price strategy in which one price point is intentionally included so that consumers are lured to choose a higher price. The decoy effect is also a trick that can lead consumers to buy more goods. The decoy effect is one of the most powerful and effective psychological techniques used by the marketing team. An example of the application, in a coffee shop, the price of coffee with a small glass is IDR 5,000 and a large glass IDR 9,000. With these two options, of course, people will choose a coffee with a price of IDR 5000 because the number 9000 is too expensive for a cup of coffee. But it's a different matter if you add one more option, namely a medium glass of coffee for IDR 8,000. Most people will definitely shift their choice to large glasses of coffee because with a price that is only IDR 1000, they have gotten coffee with a larger size.

Next is the principle of scarcity which is in line with the supply and demand formula, where the rarer the opportunity, content or product, the more valuable it will be. Scarcity will encourage consumers to buy, collect, or obtain something with the perception they will not get

it again in the future. To reach consumers like this you can give the concept of scarcity as if there are 100 products. However, due to the high demand, there are only 3 products left, and people who are fast and lucky are the ones who can get these popular products. But there are also those who consider scarcity as a pride. When able to get these products consumers will feel that they can control the environment. For consumers, this can be done by making exclusive products that are only available in very small quantities.

3. Method

The type of research used is ethnomethodology research. Ethnomethodology is a study whose inductive truth is merely the truth of knowledge; therefore, the study of this methodology is secular. In this study, the researcher is an active instrument that acts as a data collector and collects data in the field. While other data collection instruments other than humans are in the form of documents and other supporting tools and their nature is to support the validity of research results, but the instrument is only as a support. According to Sugiyono (2019), in qualitative research, the researcher acts as a human instrument, which is to select informants as data sources, determine the focus of the research, collect data, assess the quality of the data that has been collected, analyse the data, interpret the data and then make a conclusion based on what was found in the field. Based on the literature review, there are qualitative research stages, including: the pre-field stage, the process stage in the field, the data analysis stage, the conclusion stage and finally the result reporting stage. To determine the validity of the data, several techniques are needed to check the validity of the data. In checking the validity of this research data using the triangulation method. Qualitative method employed to analyse the implementation of psychological marketing in digital business in order to improve millennials and gen-z shopping drive. Four questions designed by the researchers to examine the implementation of psychological marketing strategy used by the digital marketer which means the respondent of this research are the digital marketers who used psychological marketing in market their product. The questions also prepared by the researchers for the millennials to gen-z to understand what the feel and acts when they got some psychological attack in a product. However, the challenge was of choosing the right person as interviewee, since most of people are not aware that they are psychologically attack by marketer who used that kind of strategy. The researcher was able to carry out 6 interviews consist of 2 from marketers and 4 from millennial and gen-Z consumers and asking them five different questions each regarding the online shopping behaviour.

Roman, single spaced.

4. Result and Discussion

We have carried out six interviews who is divided into two criteria: first two of them are the digital marketers who implementing psychological marketing and four others are from millennial and gen-Z who purchase in the store. The researcher created five different questions concerning the implementation of psychological marketing. Since the respondents are not English speaking, so the original interview text will be on Bahasa but translated to English. According to the interview questions and answers, the following results have been found:

First questions to marketer: Which and what kind of psychology marketing strategy you used as digital marketer to attract millennials and gen-Z in buying product?

Our online business always uses the main thing, namely price psychology, I always make package bundling, for example if I buy one product at a price of IDR 30,000 then I will sell 3 products at a price of IDR 100,000 so that young consumers are more interested in buying

because usually young people prefer products in the form of a low-cost package. I also use influencers to encourage young people to be interested in the products we sell because usually young people like to follow their favourite influencers

“I sell products with attractive yet unique, re-usable packaging and give free gifts with certain purchases so that my consumers who are mostly young people are more interested in buying my products, they usually aim for gifts and discounts, so these gifts and discounts are an attraction for them to buy compared to the need for the product itself”)

Second questions to marketer: Are those implementations of psychology marketing strategy have a good impact to your business, especially in increasing amount of transaction?

“by touching on the psychological aspect in carrying out promotional activities, especially on the crucial aspect, namely price, making the number of sales of goods increase rapidly. Consumers tend to increase transactions when there is a time-limited discount promo or usually when there is a bundling promo, where my shop has very busy transactions and the increase is almost 10 times higher than transactions without promos.”

“I have often done research on packaging, and after I made packaging that has character, is unique and can be reused, my product sales have increased, many consumers have given testimonials that they like the packaging that I design so that it makes them lured to buy my product.”

Third Second questions to marketer: What make you believe that its effective to implement the psychology marketing to promote products to Millennials and Gen-Z as target market and what are the challenges?

“When I study the behavior of my consumers who are mostly young people who are digitally literate, what is displayed on a digital buying and selling platform must meet the psychological aspects of the target consumer's impulse, the aspect of buying I mean. Now, I tried to use the science of decoy effect, namely the price I played with, I created a time pressure so that young consumers who tend to like not to miss the opportunity, immediately decided to buy and those who didn't need me would insist that one day they would need it. so I buy it now while it's on discount, that's the implementation that makes me believe in this promotion, because I've already researched my consumer behaviour. In terms of challenges, there aren't many, sometimes to attract young people, it must be stimulated first with promotions because there are many competitors who use similar techniques, giveaway frills, or price promotions are carried out by influencers, now this makes it even more effective”

"Because young people like being anti-mainstream, so I think that when it comes to packaging it's unique, psychologically my consumers, mostly young people, are interested in buying, let alone reusable, they feel that if they buy my products, they will get even more benefits, so I became convinced that this promotional technique would work and it did. Indeed, sometimes it takes more budget to make packaging with good quality and must continue to innovate so that it is not monotonous, must display various editions of packaging so that it can continue to meet the psychological aspects of young people who like things that are always updated.”

First question to consumers: Are you often doing impulse buying when surfing on any digital platform and accidentally saw a promo sponsor then decided to buy?

“Almost every day I make online purchases, even though the items are small and cheap, because there are so many promotions that make me a hedon for shopping, especially when there is a flash sale, I definitely want to rush to buy”

I like shopping online, and mostly because I'm impulsively affected by promos that accidentally appear on the Shopee platform or on the Instagram feed, I finally opened an online store

account, it turned out that there were a lot of items that I liked, and it turned out that it wasn't just the promos that I bought, but the ones didn't I also even bought"

"I often buy without thinking about my needs, usually because I think the product is cute, unique, and very happy to have the product. I ended up without thinking about it, even though I didn't need it. I still wanted to buy it as ownership."

"I often buy products, especially if it's an influencer that I adore, if they are updating a product review story, I feel I should have the product they use so that I have product that is same with them"

Second questions to consumers: What kind of promo that affect you as a customer to buy a product impulsively?

"price promotions, especially flashsales that make me do a lot of impulsive shopping, because flashsales have a fast time limit so I have to rush to make decisions, and usually end up deciding to buy because the flashsale prices that are displayed make me think that there will be no more opportunities for me get this cheap price"

"I am more often attracted to something that is attractive in appearance, for example packaging, I am very happy when I get a package that arrives at my house and when I open it I am treated to good, unique packaging, or reusable packaging, so I get other benefits besides the benefits of the product itself"

"I usually like to see influencers' Instagram feeds, well... that's where I'm usually interested in buying items reviewed by influencers, especially if the influencer shares a promo code, I'm immediately interested in buying it without thinking"

"I'm usually interested in buying items that have bonuses, for example buying clothes and then the seller is given a pin if I buy more than one, there I'm usually interested in buying two products at once to get a gift, also if there is a flash sale I'm always on standby to be ready to buy"

The main aim of this study is to examine the implementation of psychological marketing used by digital businessman to improve millennials and gen-Z shopping drive. The researcher carried out ten interviews with different interviewee, to measure the relationship between online marketing and customer behaviour. Three main research questions were addressed for the purpose of measuring the implementation of psychological marketing used by digital businessman or marketers, they stated that they using five main aspects of marketing psychology, and choosing one of the types of marketing psychology as a superior marketing weapon to target the largest digital market share, namely millennials and gen-Z. The most widely used decoy effect strategy by marketers is the price bundling strategy, which combines two or more products and applies special prices. Furthermore, the bait effect is implemented in flash sales, namely time-limited discounts that encourage consumers to decide quickly to buy because of time pressure. Also, the most trending social proof strategy is used to target millennial and gen-Z psychologically. Influencers become parties who are trusted, have confidence and are always followed, being the best consideration as conveying information about products. Millennials and gen-Z tend to follow influencers who become figures they embrace, so when influencers recommend a product, they tend to have the desire to immediately have the product. Packaging is also a consideration for business people in marketing their products. Making packaging that is unique and attractive and has more value, for example reusable, tends to make someone more interested, especially with regard to Gen-Z who according to studies are very happy with products that have many useful values.

Furthermore, interviews were conducted with consumers from the millennials and gen-Z groups and they stated that they very often did impulse buying or sudden purchases when there were certain promotions such as flash sales and the role of influencers also took part in their purchasing decisions. In addition, the uniqueness of product packaging also makes them

interested in making purchases, psychologically makes them feel happy when they receive packages with attractive packaging as if it were a gift for themselves with unique packaging. What is different from these two generations is that in deciding to buy, millennials are more likely to make purchases because of trends and the pressure of social recognition so they tend not to miss any kind of promotions, especially the rare ones they get such as flash sales. Meanwhile, Gen-Z tends to prefer to buy products that have more benefits for themselves, for example good and unique packaging and are reusable. And this is a concern for marketers to determine strategies to influence the two different psychology of these two generations.

5. Conclusions

The researcher concludes that the five aspects of marketing psychology have their respective advantages in influencing the psychology of millennials and gen-Z generations. According to the researcher's analysis through the answers of respondents who have been interviewed from both marketers and target consumers, namely millennials and gen-Z, it can be concluded that although there are challenges in marketing the products of these two digitally literate generations, namely fierce competition between business people, but with the art of psychology in Marketing can help marketers in influencing millennials and gen-Z to buy their products such as time pressure, attractive packaging and collaborating with influencers. And it is evident that millennials and gen-Z admit that they are very psychologically affected by various promos that contain elements of urgency and urgency to buy such as scarcity, including scarcity of packing, pressure on promo prices and the desire to follow role models, namely influencers.

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