

DIGITAL MARKETING AND BEHAVIORAL ECONOMICS

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ABSTRACT

The use of modern technologies affects all spheres of modern life. Social and economic life becomes impossible without fast, relevant, high-quality and timely information. More recent scientific discovers, as well, talk about new insights in the behavior of homo economicus, as individual who, it is revealed, in his decisions in economic behavior actually is not primarily motivated by utility, but the decision-making process including other mechanisms, except cognitive. However, even these cognitive processes occur in a specific way, such as using heuristics (shortcuts) in decision-making.

Furthermore, "familiarity" of the product, emotions, risk assessment, etc., are relevant factors of the decision-making process in consumer behavior when deciding on a purchase.

What new processes, new aspects and new challenges, these facts set on marketing? Is marketing, in these new circumstances, increasingly important in modern life? In which way marketing processes must innovate to keep up with new marketing age? And, finally, are we now days facing the era of the „new marketing esthetics” and the new marketing paradigm or is a modern digital marketing just a tool used on the platform of the classical marketing paradigm? These are issues that the authors, using a multidisciplinary approach, examine in their paper, with the aim of better understanding of (not only digital) marketing, but also of the new post-industrial era where marketing place a significant role in the lives of individuals, business organizations and other organized entities.

KEYWORDS: behavioral economics, consumer behavior, "aesthetics of marketing", marketing paradigm, post-industrial era.

1 INTRODUCTION

The paper has been based on the thesis how digital marketing and contemporary technology in its application in the marketing management, necessarily change the concept of modern marketing and even its paradigm. In the period of information over load it is crucial to choose carefully information which are going to be transmitted to potential customers for which digital marketing presents key platform. It is about *information economy* which strives to reduce number of information and enhance their effectiveness. Contemporary literature also leads to the conclusion how *homo economicus* has been primarily driven by emotions and less with rationality during his purchasing process what has circumstances not only on the theoretical understanding of the marketing but also on contemporary marketing practice and managing the marketing process. Actually, that is the subject of this paper.

It has been generally accepted trend of focusing on marketing efforts and intensification of the communication process with the emphasize on online marketing and contemporary technology in the last few decades. As a result, it is the necessary to introduce systematic and planned CRM processes in all organizations which needs to be more focused on the customer in a manner to transmit even sharper information to the potential consumer. In the recent past, marketing and marketing experts have made conclusions about consumer preferences from their ordinary behavior and characteristics (age, sex, place of residence, etc.). Today, new technology provides us further step. Conclusions about consumer behavior and their decisions about purchase provides us digital consumer behavior, actually digital consumer activities which contemporary technology and digital marketing have ability to constantly track. Digital marketing affects the formation of a customer needs on a more efficient way but also implies certain ethical implications.

Storytelling as a relevant part of the successful purchasing process has been enabled through digital marketing as far as possible. The aim is to tell the story first, and after the potential customer embrace the story, the desire for the product has been generated as well as purchasing decision.

2 ERA OF BEHAVIORAL ECONOMICS AND THE DIGITAL ECONOMY - PLATFORM OF DIGITAL MARKETING

Marketing is an applied science that tries to explain and influence how firms and consumers behave in markets. Marketing models are usually applications of standard economic theories, which rely on strong assumptions of rationality of consumers and firms. Behavioral economics explores the implications of the limits of rationality, with the goal of making economic theories more plausible by explaining and predicting behavior more accurately while maintaining formal power [Teck et al., 2006].

Behavioral economics is a relatively new scientific discipline and is increasingly attracting the attention of many authors. We can find its primary source in psychology, but is mostly applied for better understanding of the consumers particularly in the area of decision-making, while its basic feature connects these two sciences by explaining how different terms and knowledge of scientific disciplines influence the behavior of consumers and their decision on the choice.

Behavioral economics connects theoretical frameworks of rationality of classical and neoclassical economics and the way on which consumers make decisions, including personal feelings and limitations in a realistic way. At the same time, its contribution to the modern understanding presents departure from rationality and recognition of the existence of "mistakes" of human behavior in the decision making process.

In fact, these errors are not random, but are generated by applying heuristics or intuitive psychological mechanisms that produce bias. Understanding the model of homo economicus provides insight about contradiction in previous interpretation how decisions are made rationally, not emotionally [Jovanović, 2016].

The neoclassical theory in its simple terms describes the behavior of consumers, given that the model has been perceived in such a way that man behaves like a robot, which will be in decision making process followed by self-interest and rely only on the costs and benefits [Henrich et al., 2001]. Introduction of behavioral economics in the study of human behavior, emphasizes the importance of emotions and their interaction with society [Bakucs et al., 2010].

The digital economy is based on electronic transactions via the Internet or another electronic channel. Its main characteristics are flexibility, cooperation and high speed interaction between individual subject chain value (eg. the interaction of certain corporate with suppliers and consumers). Digital Economy leads to the ability to quickly re-organization of resources companies and creating new value and business models, which meet the needs of more demanding consumers. According to many predictions of the end of the last century The Internet is viewed as a means to introduce a "revolution" in modern business, so that then for the first time appeared the terms "new economy", "digital economy" and "Internet economy". This pointed to the fact that a large part of business operations switched to electronic platform, that is that more companies switch to electronic communication with its partners and customers. With the advent of the first virtual companies (dot.com) and their rapid collapse, many analysts have gone to the extreme and watched it only as a promotional channel. The Internet represents the largest promotional channel, but it can be much more than that - very important for companies whose business is based on knowledge and information. Many well-known companies in the world today perform more than 80% its business activities through the Internet and thus deliver two key advantages: first, reduce costs, and secondly, your customers offer benefits that without this channel would not be possible (eg. Dell allows its customers configure their own computer). Perhaps the most important feature of business in the 21st century will be

moving negotiation power in the value chain from producers to consumers, whose needs and requirements dictate the success or failure of individual companies and their products and services. According to some opinions, the 21st century is more properly called age of the consumer, before century of technology. Modern companies have to understand that their consumers power generating most of the current and future operating revenues and that they create value for the company, not the contemporary technological solutions. The new technology in business is just a tool for the connection of the technological possibilities with what consumers want. Best business technology solutions adjusted technological capabilities with the wishes and needs of the people as consumers, instead of changing consumer behavior in line with new technological solutions (possible but very hard work). Realizing that consumers are a major resource companies, consumers are located in the center of all business activities of the company in order to create superior value for consumers [Đorđević, 2007: 139].

Most empirical models of choice in economics and consumer research assume that the decision maker assesses all alternatives and information in a perfect information-processing sense. The complexity of the choice environment, the ability of the individual to make complex decisions, and the effect of choice context on the decision strategy are generally not considered in statistical model development. One of the reasons for this omission is that theoretical literature on choice complexity and imperfect ability to choose that has developed in psychology and behavioral decision theory (BDT) literatures has not been translated into empirical econometric analysis. Second, the data used in economics and consumer research studies tend to be somewhat different from the data structures used in psychology and BDT literatures [Joffre and Adamowicz, 2001].

3 FROM CONTENT MARKETING TO CONTENT DIGITAL MARKETING

Rolf Jensen stated “In the information society in the last century the best product was winning, this century the best story is winning.” It is well known how previously mentioned paradigm find its sense in designing marketing mix (4P). All of these elements should be communicated to the market through the message in a manner to adopt features of the story. This concept developed content marketing, which is the product / service turned into value for customers and value for customers should have been communicated to the customer in the form of stories about the product / service, or something that has value to the customers and is associated with the product / service. Only with the appearance of digital marketing that process has been fully enabled, especially by the emergence of the Internet, but also the possibility of interactions with customers. This provides dynamic and more flexible process of creating web content in an optimal way.

The web provides an ever-changing, morphing platform for content, which is an ongoing conversation between the company and her customers. We need to keep up, not only with the technology but also the audience — who are they, what do they want, and how can we get their attention and keep it? The answers to all of those questions start with one thing — content strategy. We need to learn about our audience, figure out how to reach them, and enter into a conversation with them so that there is trust and comfort. To do that, we need a solid system that keeps us on track throughout this process. Content marketing is the tactic that will help the companies establish a brand audience who engages consistently with their marketing content and recommends the company brand to others via social networks [Leibtag, 2014].

The importance of digital content to business and society grows it is important seek a holistic perspective on the definition and nature of digital content marketing (DCM). Along the journey it becomes evident that a recurrent theme in DCM is customer value, while is important an exploration of customer value in digital content marketplaces. Digital content is defined as: 'bit-based objects distributed through electronic channels'. The conclusion sums up the unique characteristics of digital content, and associated consequences for digital content marketing [Rowley, 2008].

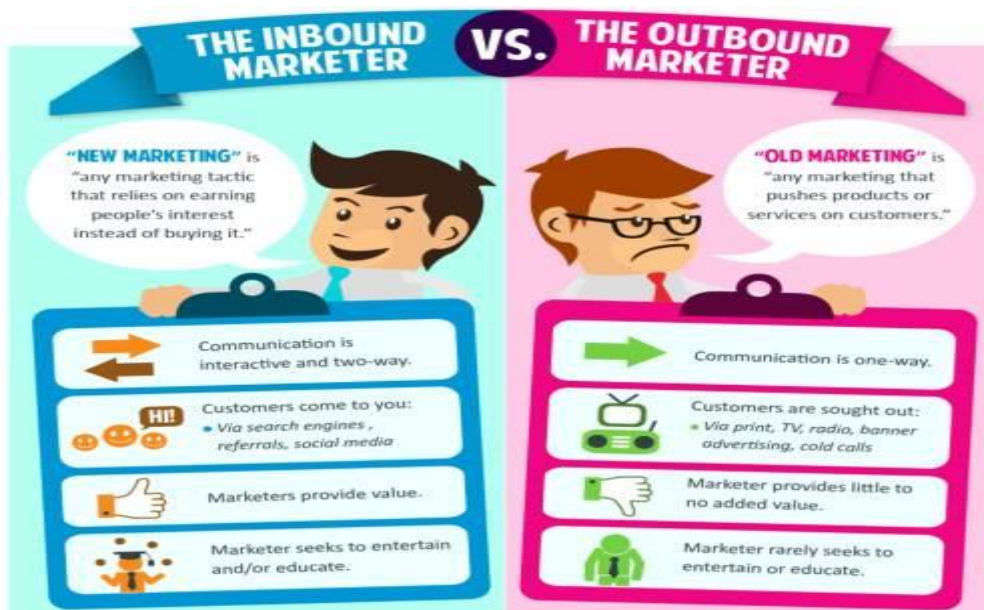
4 INBOUND MARKETING VS. OUTBOUND MARKETING

Classic but also contemporary marketing continued "tradition" of "pushing" a certain aggressiveness to the customer, which is reflected through their own names of strategies and tactics that have dominated in the marketing by the end of the 20th century: „push“ marketing, „offensive marketing tactics“ etc. For that reason, effectiveness of promotional activities systematically began to decline. This is supported also by contribution of the new technology which provided through modern software tools blocking displays of advertising messages on cell phones and computers. Therefore, marketing needed to find out new solutions due to the fact that the old approach to the customer does not work anymore. New marketing stopped to push product/service to the customer and created new tactics which aim is to deserve customer attention.

That kind of new marketing has been often called inbound marketing and tradition marketing as outbound marketing. The most obvious differences between inbound and outbound marketing brings us figure 1.

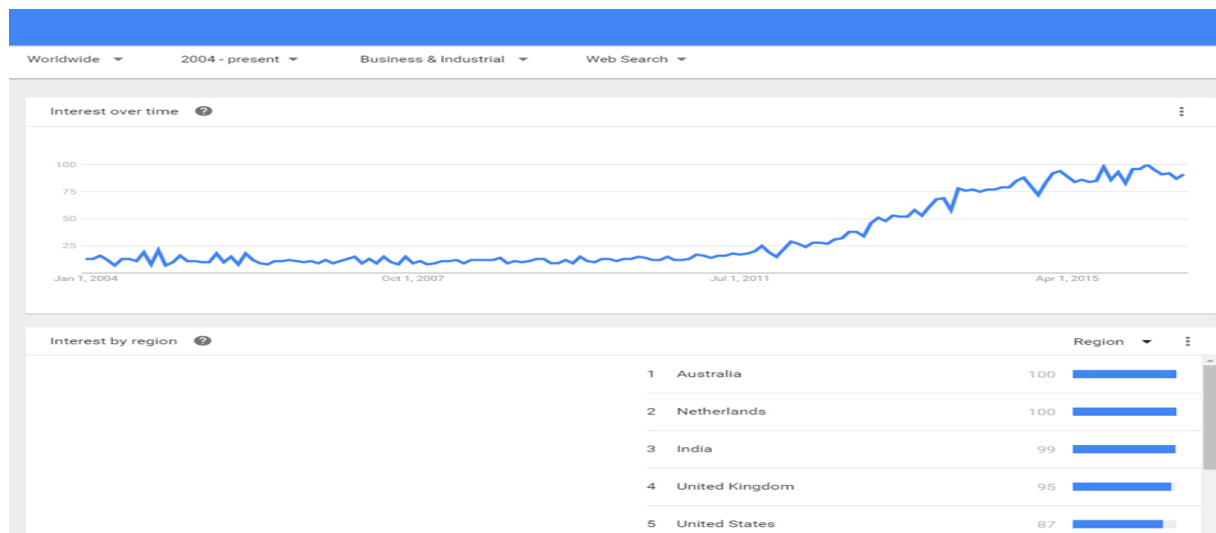
The main tool of the new marketing is content. "Content Marketing" or marketing where "Content is king" shows explosive growth in the last five years. It is just enough to look for the term in "Google Trends" Web application to see how until 2011-12 years the term "content marketing" was relatively uninteresting, until after that happens ascent in recent years. It is also indicative to see the top five countries from which users have searched this concept (Figure 2).

Figure 1. Differences between inbound and outbound marketing



Source: Drell [2011]

Figure 2. Trend of the searching the term "content marketing" from 2004. to 2016.



Source: made by authors

Digital content marketing is actually a solution how to apply inbound rules of the new marketing in contemporary communication with the customers. High-quality and optimized content provides two-way communication with the company and the customers while content allows companies to educate the customers, to entertain them, to bring them message of the value, and finally to transfer the story of the message through content on the way which customer wants. It seems that the bound between marketing and real life constantly fades while

digital marketing becomes integrative part of customers digital lives. That certainly evokes ethical implications and further multidisciplinary research on this subject, which exceeds the bounds of this paper. Digital marketing goes in line with contemporary trends which are reality of the contemporary society.

5 ZERO MOMENT OF TRUTH – ZMOT

Due to the shift from outbound to inbound marketing, marketing experts started to generate more content which spread like a virus across the Internet and social networks. The goal became to earn attention and credibility that results in a large number of followers, better positioning on the search engines and ultimately capitalizing relations with followers in the form of profits. Key question is: When is the precise moment when buyer makes his choice about purchase? That moment actually represents key outcome – goal of the content marketing.

Marketing expert Gary Vaynerhuk depicts content marketing by catchword "Jab Jab Jab, Right hook" in which jabs represent content which prepare customers for the "right hook" – actually, decision and the final purchase. This preparation consists in the aforementioned education, entertainment and value provision to the consumers. Marketing experts should be also aware how the impact on purchase decision depends even on the content generated from the other "stakeholders" – especially medias and previous customers.

Google Company in 2011. presented "Zero Moment of truth" concept which describes a revolution in the way how consumers search for information online and make decisions about brands. Classical concept "moment of truth" has been applied for decades in marketing, but now has been transmitted from the moment of purchase to the moment of making a decision to purchase.

Moments of Truth (MOT) in marketing, is the moment when a customer/user interacts with a brand, product or service to form or change an impression about that particular brand, product or service. In 2005 A.G. Lafley - President and CEO of Procter & Gamble, coined two Moments of Truth i.e. first and second [Lafley, 200]. Third was gradually introduced later [Cohen, 2013].

Types of MOT are following: First moment of truth (FMOT): When a customer is confronted with the product in-store or in real life [Nelson and Allison, 2005]. When a customer purchases a product and experiences its quality as per the promise of the brand refers to the second moment of truth (SMOT). Third moment of truth (TMOT): Consumers feedback or reaction towards a brand, product or service i.e. consumer becomes brand advocate and gives back via word of mouth or social media publishing [Ashby and Miles, 2002].

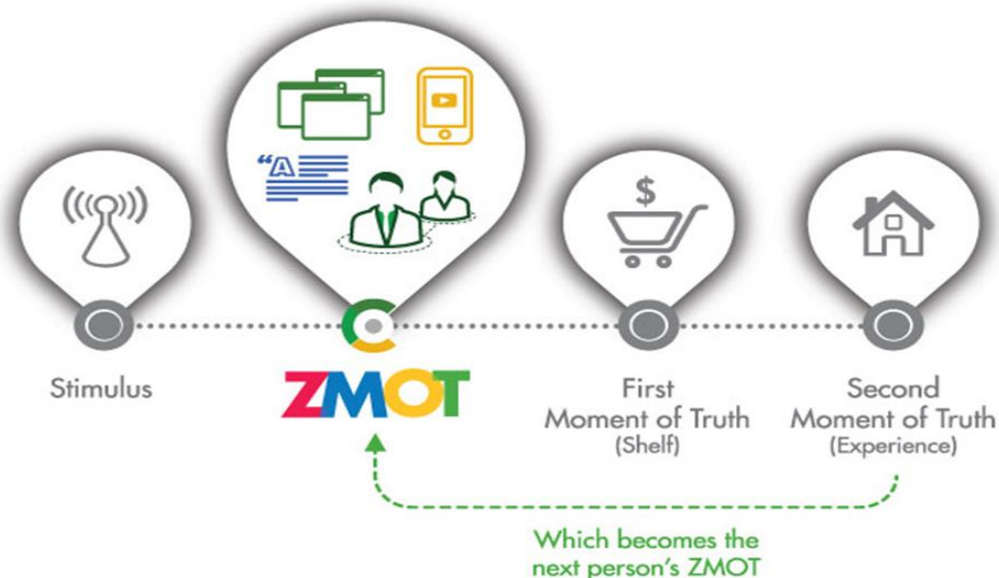
Zero Moment of truth (ZMOT) is a term coined by Google in 2011 which actually refers to the research which is conducted by a user online about a product or service before taking any action i.e. searching for mobile reviews before making a purchase. The internet has changed altogether the way consumers are interacting with brands, products or services this online decision-making moment is termed as ZMOT. According to research conducted by Google in 2011, 88% of US customers are researching online before actually buying the product.

The less than Zero Moment of truth (<ZMOT) is a term started by Eventricity Ltd in 2014 referring to the time between an Event in a Customer's life happening and the point at which they decide to research a purchase (ZMOT).

In the context of digital marketing, the most interesting and crucial is to comprehensively describe Zero Moment of Truth.

"We saw that people are increasingly making these decisions at the Zero Moment - the precise moment when they have a need, intent or question they want answered online. These questions can be anything from "Which brand of diapers will help my baby sleep through the night?" to "What toothpaste is going to make my smile brighter?" or "What will remove crayon marks from my wood dining table?" A brand that answers these questions at just the right time scores a double win: It helps improve a consumer's life and stands to gain a competitive advantage over brands that do not" [Google Research, 2011].

Figure 3. Zero Moment of Truth model



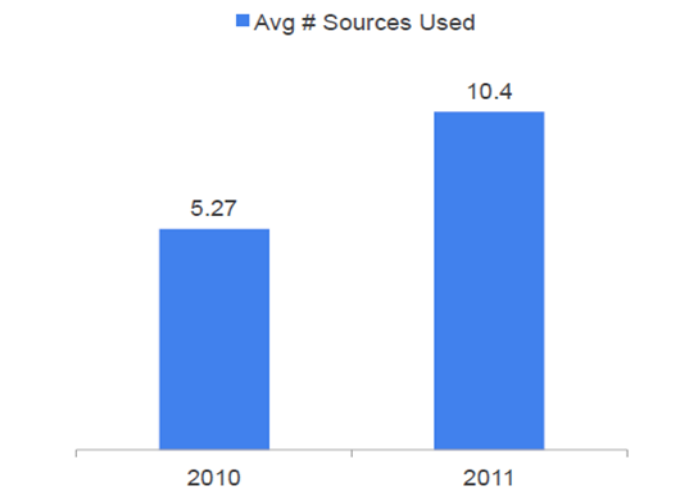
Source: Google Research (2011)

Traditional 3 step Mental Model of Marketing did not involve ZMOT but only Stimulus, First moment of truth (at shelf in store) and Second moment of truth (experience).

In the phase of Zero Moment of truth, consumers are informed about the product, its alternatives, read the reviews, the experience of other users, look for coupons and discounts, and this is all before the first moment of truth or departure in the real or virtual stores.

Research on 5000 customers in 12 different product categories showed that consumers use more than 10.4 different sources before buying in 2011 while the number of sources in 2010. was 5.3. It is also important to note that the second moment of truth, and the experience of our users become ZMOT - zero moment of truth for another user.

Figure 4. Number of information sources before the purchase

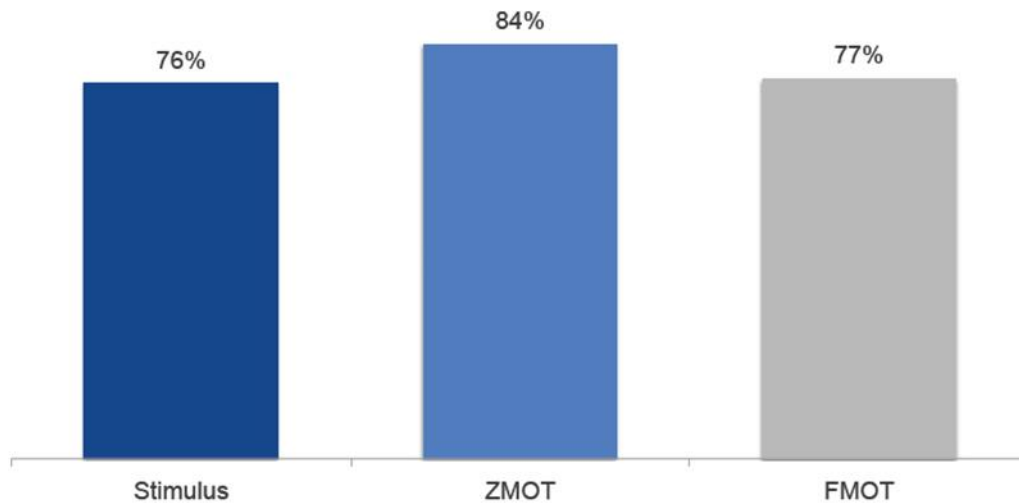


Source: Google Research, 2011.

The same research showed how ZMOT is the most important phase during the process of making decision to purchase product/service.

Due to the fact how the decision to purchase is a key moment in marketing, it is extremely important to master the skills necessary for success in this new - "zero moment of truth". For success in this moment of truth, it is necessary to adapt the training and skills of the personnel that will equally include understanding of technology and marketing.

Figure 5. The impact of individual phases on the decision to purchase product/service



Source: Google Research, 2011.

6 INTIMATE AUTOMATION FOR THE ONGOING RELATIONSHIP WITH (POTENTIAL) CUSTOMERS

Second moment of the truth for one user in ZMOT model (Figure 3) becomes ZMOT for the other user. That goes in favor for the need of establishing ongoing relationship with customers, not only before buying (in stages to stimulate the purchase and MOT stage) but also later. Today, it has been provided by process of marketing automation which literally connects multiple touch points and marketing channels including social media, email marketing, content marketing, and they automate and measure in order to achieve long-term relationships with customers. Due to the fact how technology is increasingly becoming a part of man, the process is easier to achieve. Also, it is crucial to synchronize all data from the current communication channels in a manner to provide each user personalized multi-channel experience without delay.

Today is no longer a problem to have information about the customer, but is to synchronize this information from his cell phone and computer. The ultimate goal is to achieve "an intimate automation" with individual follower (one to one) which is similar to the original concept focused on attempts to adapt the marketing mix (then the only possible) to the small focus groups.

Figure 6 shows us the example of automation in which first step is to provoke potential customer by various previously mentioned channels and tools of marketing content (blog, youtube videos, facebook posts, forum, chat, podcast, etc.) in a manner to turn this interest into the purchase.

Figure 6. The example of marketing automation



Source: AWD, 2014.

7 DIGITAL MARKETING, NEW “MARKETING AESTHETICS” AND “UNBEARABLE LIGHTNESS OF PURCHASE”

CRM and digital marketing as its main tool can be put in the context of quality and understood as "something good, something beautiful". That kind of hedonistic view of quality [Avelini, 2007] gets its meaning in the age of digital marketing, so the authors of this paper argue for questioning the concept of aesthetics in marketing, trying to figure out how marketing as a link between company and customer, facilitates and enhances the life of the customers, and thus improves quality of life. Marketing encourages the purchase and consumption that becomes not only an individual but also a social act, which needs to be shared in real and virtual world.

Generally, authors are off opinion that the issue of aesthetics has been moved forward due to transition from the aesthetics of product design to the aesthetics and design of marketing. Therefore, aesthetics become crucial in the brand – customer relationship while purchase in the era of digital marketing is no longer the most important act. Drucker catchword “make sales superfluous” in digital marketing takes on its full meaning. Moreover, an essential is long-term relationship with customers, which in essence means repeated purchase.

Many companies have been sold for huge amounts of money due to the established customer relationships, power of brand and potentially usable database of customers. One of the newest example is Facebook’s acquisition of the Whatsapp - free messaging app which does not have any revenues, for incredible 19 billion dollars. Facebook actually paid more than 1 billion currently active Whatsapp users.

Although the sale is no longer necessary, it is also incredibly simplified, leading to a reflection on the concept of “The Unbearable Lightness of purchase”. The emphasize is therefore on continuous relationship, the moment of truth is no longer moment - it becomes a long-lasting experience while the purchase itself is simply the end of a thought process which represents a multi-channel experience. Therefore, the final goal of the CRM system is not purchase but customer, which was the unfulfilled dream of every classical marketing expert. This dream has been realized due to the new technology.

8 CONCLUDING REMARKS

The purpose of this paper was to examine on which way digital marketing, through interactive communication with the customers on the global level, brings new insights and opens new questions, not only for the science and marketing practice, but also the issues of the economy in general, including the role and way of functioning individuals (*homo economicus*) in contemporary information and technological oversaturated society.

Authors find key starting point in the thesis of behavioral economics, which is that the modern customer actually purchases guided by emotions and less according to its utility what reveals numerous options and challenges to digital marketing. There is a possibility of two-way communication, storytelling, creating and optimizing marketing content which has been spread through the channels of the digital world. In that sense, paper deals with the issue of digital marketing content, especially considering the concept “zero moment of truth” (ZMOT).

That fact is certainly a challenge for experts from the field of digital marketing. Information, technique and technology should be carefully screened and focus - do not overdo with content, information channels, but the same dose. Content should be intelligent, informative, funny, useful, in accordance with ethical values and based on ethical principles.

Ethical considerations that have been generally extended through the issue of the use of modern technology have been emphasized also in the sphere of digital marketing. Research in that field may be connected with the empirical researches of luck perception, which is known to be partially related to the level of an individual income, and has been achieved at a certain point of household income.

People literally enjoy new technology which has enabled marketing to become specific life video game while line between marketing and the "rest of life" becomes thinner. Marketing is more than ever become a multidisciplinary and transdisciplinary phenomenon, which raises questions not only for informatics, but also for psychology, sociology, anthropology, communication, philosophy, and especially ethics.

An interesting area for further research could be, according to Stephen (2016) consumer digital culture, responses to digital advertising, effects of digital environments on consumer behavior, mobile environments, and online word of mouth (WOM). Much is still to be understood, and existing knowledge tends to be disproportionately focused on WOM, which is only part of the digital consumer experience [Stephen, 2016].

From the point of digital marketing application and looking at marketing as a management process, it has been examined digital marketing content optimization, as well as associated consequences for digital marketing content. Central issue is the impact of developing a notion of 'value' in the context of digital content, and its consequences for value chain structures, pricing strategies, marketing communications and branding, and licensing and digital rights management. In addition, the customer's experience of digital content is influenced by all stakeholders in the value chain as well as requiring the customer to participate in learning and co-creation of the experience. The potential of the 'value-in-use' notion of customer value as a basis for ensuring that consumers are fully engaged as stakeholders in the content economy has to be discussed [Rowley, 2008].

Marketing, at least one of his key part definitely moved into the virtual space. It seems that we should all get used to spend an increasing part of life in virtual world, where the companies, products, brands and we our self are different. Definitely, difference between real person and its virtual identity constantly decreases. Marketing becomes successful if one of its key segments include digital marketing what does not change classical view on marketing. Marketing mix and value chain under the pressure of new technology have been expanded and complemented.

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