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## Unconditional Demand based on Information Networks

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**Abstract:**

*The relevance of the study is namely determined by the need of modern methods of product promotion form special semantic fields in the areas of information systems that anticipate the possible "remorse" of the consumer. In this regard, the article is aimed at modern marketing technologies that affect more and more areas of our lives.*

*The general method of the study is a economic analysis in conjunction with the synthesis on the basis of empirical knowledge obtained from the studies on the related topics. The article reveals the economic situation when economic entities consuming goods and services at the free market are not always satisfied with the results of transactions.*

*The results of the article examine the levels of consumer influence in diverse social and information networks, the formation of the semantic field of network users and the factors affecting the organization of cognitive distortion of consumers. The materials of the article are of practical value for specialists in economic sciences and marketing research.*

**Keywords:** *Public Choice Theories, Buyer's Remorse, Post-Purchase Rationalization, Cognitive Economics, Marketing*

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## 1. Introduction

With the active entry of the Internet into our life the search behavior of consumers has become much more complicated: there are new models of search behavior, with a large number of control points and more branching algorithms. The Internet has become an important part of consumer behaviour and, in particular, the context of social and information networks.

The development of information technology leads to the fact that in the last decade there is a clear trend towards a qualitative change in the way people perceive the world and communicate with each other. In addition to personal pages in social networks, every year more and more public corporate pages appear. For the companies, social platforms are an indispensable tool for building relationships with the audience.

The relevance of the study is namely in need of modern methods of product promotion form special semantic fields in the areas of information systems. Today we see that more and more companies are choosing social networks as a channel of communication with the target audience. Currently, it is expected that the professional community will increase the popularity of social networks as customer support platforms. After all, all business people know that quality customer service can lead to the increased revenue, increased customer satisfaction and brand loyalty. It is also important that social networks allow journalists to draw attention to the growing number of links to brands in the media. According to statistics, more than 67 million people in Russia prefer using social networks – all of them are consumers, including potential consumers of goods and company services (Allen *et al.*, 2018).

Today 47% of the Russian Internet audience prefer to spend time in social networks. Social networks, which began to conquer the virtual space in 1995, in the 2000s acquired a global scale. However, along with transnational networks such as Facebook and Twitter, some countries are developing a local social space. In Russia it is "Vkontakte" and "Odnoklassniki". According to ComScore, Russia ranks first in the amount of time spent in social networks, and more than 88% of Internet users have accounts in social networks. The most popular among them are Vkontakte – 61% of users, Classmates – 42% and Facebook – 35% accordingly.

Also, customers often look for specific information about products, such as consumer reviews and opinions, using social networks (Vinogradova *et al.*, 2016b, p. 286). Marketers use this by publishing useful and attractive content in the networks, stimulating activity in thematic communities and public places as well as holding special promotions for consumers to form a specific brand community. Company marketers use social networks to form cognitive distortions that affect each choice (Nezgovorova, 2011; Stanton *et al.*, 2017). In particular, they form the

effect of rationalization after purchase-the main tool for eradicating regrets after the purchase of goods and services.

## **2. Literature Review**

Research involving decision-making theories is important to consider at the intersection of several scientific paradigms, since the most complete reflection of the phenomenon can be identified only by using multiple points of view with the union of similar features in each paradigm (Creaco *et al.*, 2018). Behavioral economics is closer to economic theory in its specificity. However, it borrows multiple variables from classical psychology. Thus, cognitive distortion being a feature of our brain, for the sake of which we tend to think in a certain way, is not always logical or rational. All people suffer from cognitive distortions, often several at once (Vinogradova *et al.*, 2016a). The effect of rationalization after a purchase is the tendency to convince oneself with rational arguments that the purchase was worth one's money.

In the late sixties of the last century, cognitive psychology began to explore the underlying motives of the subjects, perceiving the brain as a means of information processing. Related processes with proper instruction sets, as Daniel Kahneman, Amos Tversky and Ward Edwards noted, in theories of decision-making under uncertainty, were often not decided by the subjects in favor of a rational outcome. The risk situation, which was generated by the individual himself/herself, influenced the final data.

In the framework of the modern concept of ultimate utility, it is necessary to consider the works of such specialists of behavioral Economics as Matthew Rabin, Ernst Fehr and Armin Falk. On the basis of the data obtained during the field research, they formed a number of statements and concepts that significantly influence the formation of economic activity (Kormishkin *et al.*, 2016).

Remorse after purchase is a very specific representation of emotions associated with the psycho-emotional state of consumers. In behavioral economics there are many experiments associated with this phenomenon. However, in Russia, aggressive types of marketing are still used even today, the result of which is usually a regret. The examples of aggressive product marketing can be found in a great variety, for example, in 2016 in Belgorod, the population purchased goods on credit, which for their budget was absolutely not rational, in the Amur region Russian consumer supervision for 2017 recorded 1500 appeals with similar characteristics of transactions, etc.

Marketing strategies today are at odds with the strategies of marketers such as by Jon Spoelstra, for example. Modern marketing is aimed at creating a permanent customer base, with consumers coming again and again (Maloletko, 2017; Li *et al.*,

2018). However, the question of the effectiveness of these strategies is very philosophical.

Scientists have argued at the early stages of psychology development that rational thinking is not responsible for many of our actions. For example, Sigmund Freud developed a theory where an important place was given to the suppression of desires and dreams. Many modern scientists argue that our behavior is similar to that which existed at the early stages of evolution. Even when we use the latest advances in science and technology in our practice, then, according to psychologists-evolutionists, our brain works the same way as in the days of primitive society.

### **3. Methodology**

To identify significant characteristics of barriers and factors that counteract the phenomena under study, a number of methods of economic analysis in conjunction with the synthesis on the basis of empirical knowledge obtained from the studies on the related topics were used. The analysis of the data system within the framework of the generally accepted paradigm of behavioral economics in parallel with the methods of practical marketing allowed to answer a number of questions of classical economic theory addressed in the key decision-making theories.

The study uses the method of statistical data analysis. Earlier research work served as the basis for research in the behavioral economy. On the basis of experimental observations and responses received during the surveys, significant criteria for rationalization after the acquisition of goods and services were identified.

In the work there are also dialectical methods, manifested in the ways of dividing the phenomenon into components, primary and secondary factors affecting decision-making. The starting point is the assertion that the consumer shows cognitive dissonance in marketing and behavioral economy characterized as "remorse" after purchase. The purpose of the study is to determine the need in modern methods of product promotion. The objectives of the study are to:

- consider rationalization after purchase as a cognitive distortion;
- analyse social networks;
- study the risk phenomenon of possible remorse.

The objectives helped to achieve the research aim through the sequence of methods and studies.

### **4. Results and Discussion**

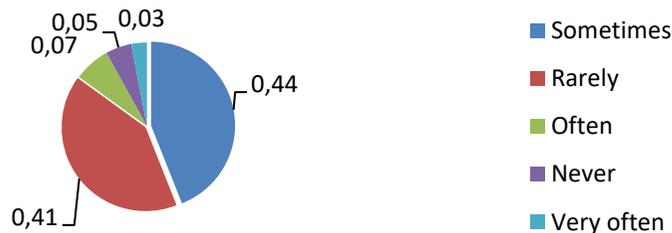
Rationalization is a psychological defense associated with the awareness and use in thinking only that part of the perceived information, through which own behavior looks like a well-controlled and not contrary to objective circumstances. At the same

time, the traumatic, unacceptable part of the situation is removed from consciousness, transformed in a special way, and then implemented in a pre-developed form. Protection is achieved by creating compelling arguments to justify their socially unacceptable desires and actions (Bethmann and Rudolf, 2018). The main feature of rationalization is to try to create harmony between the desired and real situation and thus to prevent the loss of self-esteem.

Rationalization after purchase is a cognitive distortion expressed as follows: someone who buys an expensive product or service ignores the defects and shortcomings of ones purchase in order to justify the purchase. Rationalization after purchase is often called Stockholm Syndrome. Buyers after the decision to purchase are in captivity of their choice, even if they do not like the purchased goods after the start of their use.

Credit card comparison web resource CreditDonkey.com conducted a study that shows that more than 80% of the respondents often or sometimes experience "remorse" about the purchase (Mullin, 2017). The problem is the psychological tendency to reduce consumption. And in the case of a purchase, buyers turn a blind eye to the obvious flaws or defects in the product to justify their purchase decision.

**Figure 1.** How often do you feel buyer's remorse?



**Source:** Adapted from Mannino N., 2013.

Remorse after purchase is associated with rationalization after decision. In order to exclude this deterrent from the economic activity, it is necessary to develop rationalization processes after purchase. The personality tries for himself/herself and later for others to rehabilitate his/her choice, and the semantic field of social and information networks should assist in this. Rationalization after purchase is caused by a number of reasons:

1. Making decisions caused solely by emotional motives (people do not like to think that they make decisions under the influence of any emotions, so actions are adapted through rational justification).
2. Recognition of erro / irrational decision (i.e. failure of cognitive dissonance phenomenon).
3. Giving the purchased goods imaginary significant qualities.

4. Age-related changes affect the process of rationalizing purchases for the worse.
5. Cognitive distortion of experimental data affects the decision-making process.

To justify this particular point of view, we consider each sub-point of the reasons for rationalization after purchase in more detail.

Emotional decision. People tend to make instinctive, emotional decisions and then rationalize them.

Brand loyalty, advertising and social evidence play a significant role in making an emotional decision (Passey *et al.*, 2018). The decision-making process is often due to the adoption of similar decisions by the semantic field of the consumer. For example, you can describe the popularity of the choice of technological solutions from Apple. Many people make a choice in favor of this particular brand, as it is the object of desire of a large number of consumers (Castro and Rollston, 2018).

Brand loyalty, advertising and social evidence play a significant role in emotional decision-making.

Refusal to recognize the irrationality of own decisions. No one likes to admit they were wrong. When you decide to buy, you strive to choose the best. Once the decision is made, you will insist on its adequacy, believing that the option you chose is better than the rejected alternatives: you just don't want to admit that you are wrong.

Ownership adds additional value to the product. Once the product becomes your property, you find it more valuable than before the purchase. In behavioral psychology and, as a consequence, in behavioral economics, this paradox is called the "ownership effect" (Kröger *et al.*, 2018).

You can perceive your property in two ways: in the valuation paradigm and in the exchange paradigm. Even in the absence of emotional attachment to the property, people are usually willing to pay more to keep what they own than to get what they don't have. This effect is observed even in connection with goods that were donated. The essence of the "ownership effect" explains the reluctance to part with the of gift or exchangeit for the equivalent value (Shetty and Rodriguez, 2017).

Memory feature. Regardless of age, our brain stores memories in such a way as to maintain in us the belief that we are always making the right choice. The main conclusion of the well-known study of psychologists Mara Mater and Marcia K. Johnson "Tracking the root causes of support choices" (Monitoring support sources): When we make decisions, our results are predictably distorted (Mather *et al.*, 2016). The following example is given in the work of Mullin S. "You choose a new car

from the three available options - Ford Focus, Honda Civic and Mazda 3. One day you test all three "candidates" and eventually choose Ford Focus. When you think about your purchase later, you will put all the positive aspects - found on all three cars - to the Ford you bought, even if in fact those benefits were rejected from Honda Civic or Mazda 3. Similarly, you will pass the actual Ford Focus "Honda" and "Mazda" faults detected. If the user describes these solutions, he develops the semantic field surrounding him also within the framework of the choice of this economic benefit" (Mullin, 2018).

For the completeness of the study of the phenomenon of demand and rationalization after a purchase, it is also necessary to mention the effect of pseudo-confidence, which is the tendency to make decisions to avoid risk, if the expected result is positive, but take risky decisions to avoid a negative outcome.

Thus, rationalization after purchase is one of the cognitive distortions, expressed in the fact that the buyer of an expensive product or service after purchase tends to look for rational arguments and convinces himself that the purchase costs him/her money. This is a special case of distortion of perception of the made choice.

Marketers can optimize post-purchase rationalization by using semantic fields of information networks and reduce the risk of possible remorse:

- Identify the most common root causes of customer remorse through surveys and problem solving based on the psychotypes of the studied group.
- Using e-mail newsletters to establish waiting periods and to convince customers that they have made the right choice-an invitation to the social network community on the basis of ownership or desire to own the goods.
- Application of the words of persuasion/confirmation in sensitive points of marketing sequence to strengthen the customer's self-assertion in the need to make a transaction.
- Pilot evaluation of the economic benefits offered. Through advertising from the users of goods to form a subjective perception of the goods` semantic field.
- Marketers can use "advocates" of the brand. One is guided by the principle of brand commitment and the desire to feel consistent. It makes adherents of certain brands "advocates" for the brand.

## **5. Conclusion**

Post-purchase rationalization is also known as Stockholm buyer syndrome - one of the cognitive distortions expressed in the fact that the buyer of an expensive product or service after the purchase is inclined to look for rational arguments and convince himself/herself that the purchase was worth the money. It is a special case of distortion in the perception of the choice made. Expensive purchases often involve a long process of selection and evaluation of purchased goods or services, and customers often refuse to admit that their purchase decision was impulsive or under

the influence of emotions. By purchasing something unnecessary, the consumer creates a conflict between the desired and the actual. To remove the psychological discomfort, the actual should be perceived as desired for a long time.

Social psychology explains the effect of rationalization in a simple way: a person is ready to do anything to avoid cognitive dissonance. Psychologists who study the problem of "completion of choice" found that encouraging a certain type of customer behavior after purchase can minimize the remorse of the buyer and maximize the satisfaction of the decision.

Social networks have a great influence on rationalization after purchase. Every day the Internet is increasingly embracing human activity. In increasingly "smart" things, it is able to communicate with services on the Internet. The Internet appears where it seemed impossible to exist before. People on the Internet are united in thematic communities called social networks. Today, there are tens of thousands of social networks of different scales, they have different thematic focus. Simultaneously with the development and popularization of the Internet, companies and enterprises from the smallest to the industrial giants create a representative office in the global network with the aim of organizing an electronic brand.

Recently, social networks deserve special attention. Today, the audience of social networks has hundreds of millions of users, in addition, they are very conveniently scattered across different thematic platforms, which simplifies the search for potential customers.

Increased interest in social networks has led to the emergence of a new direction in marketing - marketing in social networks. Every day there are hundreds of companies offering marketing services in social networks, tools and marketing strategies in social networks. Not all advertising campaigns in social networks end with a positive result. The quality of marketing activities in social networks primarily depends on the well-formed composition of the enterprise for marketing in social networks with the distribution of the activity areas and functional responsibilities.

The buyer will tell his/her friends about his purchase in social networks - the story of a third party about the transaction helps to feel the completeness of the action. By demonstrating their acquisition in social networks and getting "likes" the buyer is convinced of the correctness of his/her choice. The effect of rationalization after purchase suppresses the possible "remorse" after purchase.

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