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PFA

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EMPOWERING YOU

3 Marketing Tricks that Lead to more Spending

by Coach Rose D. Gases, RFP®

Companies study human behavior in order to sell more of their goods and services. To become a smart shopper, one has to spend time educating himself on marketing, advertising, and promotions as well as human psychology.

Half of the battle to fool-proof buying decisions is awareness. The other half lies on the person himself. Here are three of the most common marketing tricks to make people spend more irrationally.

In retailing, there is a concept called “eye level is buy level.” This is one of the most common marketing strategies used in visual merchandising. Storeowners realized that shoppers will more likely pay attention to the eye-level and touch level shelf zones. Hence, retailers will pay premium prices just to get these two levels of the shelf. The store owners will categorically put the cheaper products below or above these shelf zones. This applies to selling products as well to children.

The e-commerce industry paved the way for small businesses to level the playing field as everything is now eye level for the shoppers. Their customers are glued to their smartphones 24/7, allowing small businesses to sell their goods at a low price compared to the brand leaders.

The next marketing strategy is called anchoring. The two best examples of anchoring are anchor pricing and decoy pricing. Retailers will display two different prices; the regular price and the final discounted price. Marketers know that customers are not necessarily in a buying mood every day. That is why they need to create an anchor price for those goods making it a basis of their customers’ buying decisions. The anchor price creates a good bargain that customers tend to not want to pass off. In the example, the discounted price is the anchor price while the regular price is the decoy.

And the last tactic is the scarcity principle. A situation is created wherein the sale offer is for a limited period or the product being sold is in limited supply, inevitably increasing the perceived value of what is being sold. Scarcity creates demand and closes sales fast and easy. You may ask why. For the reason that humans are loss averse. People hate the idea of losing, whether it be an opportunity or a good bargain. And, when something is rare and is a good bargain, individuals will often convince themselves that it is always a good decision to have it now than to regret it later.

These are just some of those tricks used to persuade people to spend more across all industries.

So why do people repeatedly fall prey to these marketing tactics and strategies? It is because the human brain rely too much on heuristics, otherwise known as rules of thumb. It does not want to process information as thinking requires much effort and energy. It just wants to decide quickly with the least effort possible.

Marketers are intensifying their strategies to sell more given the slowdown caused by the pandemic. It is, therefore, best as a shopper to also boost awareness of these marketing tricks. Remember, just by knowing, the battle is already half won.

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Year in and year out, people are motivated to be physically fit, only for such motivation to dwindle before second quarter of the year ends. This trend can also be seen when it comes to New Year's resolutions concerning personal finances.

And while there are several articles on ways to improve personal finances, it is the sustainability of such methods as the months go by that remains the issue.

How then can the pursuit of personal finance resolutions for the New Year be incorporated in the daily routine of people to make the endeavor more sustainable? Well, one way is to frame the resolutions with an increased awareness of the current personal financial situation as the strategy, and committing to small, easy acts as the tactic.

Incorporating awareness means having a deeper understanding of one's personal financial situation, which will serve as a foundation on which financial plans will be built. Sound financial decisions are almost assured if households have a clear idea of where they are and where they want to go to.

Regularly reading up on personal finance is another example of incorporating awareness. Suggested topics not only cover number crunching and various financial products but also on behavioral economics. Another means of incorporating awareness is in creating and regularly reviewing financial statements.

Consulting a financial planner is a great way of hitting all of the given examples with the advice of an expert to boot.

Making Plan Implementation Sustainable in 2021

by Coach John Hero A. Salvador, RFP®

Being committed means having the ability to push through with the plan not just in the short-term, but more importantly in the long run. Breaking down resolutions into frequent and small acts will make the resolutions easier to carry out and more likely to hit success.

James Clear, creator of "The Habits Academy" said, "Success does not rise with the level of goals set but falls to the level of systems put in place". When applied to personal finance, this means that tracking expenses is more doable if each expense (small task) is written down right after each expense was made (system in place). Mobile phone apps make such a system easy to implement. Reading up on personal finance can be carried out by either setting a fixed number of pages or chapters to read on a regular basis during a most conducive time. Reviewing cash flow statements and budget can be done every payday while balance sheets can be reviewed every quarter.

Setting financial New Year's resolutions should be an inspiring activity. And knowing that the activities are completely doable will provide a positive feedback and momentum this coming 2021. Happy New Year to everyone!

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Editor's Note

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Risk-adjusted Return

A lot of people invest in stocks because others say it is a "good" investment. This is what we call the "Daw theory" (i.e. sabi daw maganda) as opposed to the Dow theory.

Others will take pains to review fundamentals and technicals to check whether a stock is a good investment and whether it is undervalued and ripe for the picking.

These two stock investing methods focus on just one side of the story, and that is return. The other side is of course risk.

The riskiness of a stock can be measured by its standard deviation, or how high the ups and downs in its periodic returns are versus its average return.

Another measure of the riskiness of a stock is beta. Beta measures the movement in the return of stock versus the return of a benchmark, say the composite index. This is not a cause and effect situation. It simply means that the return on a stock tends to behave in a certain way with a specific movement in the return of the benchmark.

Whatever the risk measure though, it is always important to match the return and risk traits of an investment with those of the investor. And that is what risk-adjusted returns are all about; computing how much risk is taken for the return that is earned.

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