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## A NEWFANGLED UNDERSTANDING OF INTERIOR DESIGN IN MARKETING AND ITS INFLUENCE ON BEHAVIORAL ECONOMICS

*Behavioral Economy is considered to be the most efficient and most updated study in the world of marketing today and is based on different factors affecting buyers' choices. Interior Design can be a new factor in Behavioral Economy that influences people's selections. From this statement, a new definition of Interior Design raises in the Marketing field: the Design of an area is not reflected by its decoration as known in the past, however, it is also revealed in the functionality of the space and the deep study of its circulation targeting an extra motivation in customers' activity and aiming for a deep impact on consumers' behavior to higher the purchase decision. Design studied upon people's need would add an extra value for motivation and make the place more desirable and retain customers to stay longer time.*

**Keywords:** behavioral economics; marketing concept; factors of consumer behavior; retail enterprises; merchandising; internal design; influence on customers; functionality of space; efficiency of functioning.

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## НОВОЕ ПОНИМАНИЕ ФАКТОРА «ДИЗАЙН ИНТЕРЬЕРА» В МАРКЕТИНГЕ И ЕГО ВЛИЯНИЕ НА ПОВЕДЕНЧЕСКУЮ ЭКОНОМИКУ

*Поведенческая экономика сегодня считается прогрессивной основой маркетинга и базируется на различных факторах, влияющих на выбор покупателей. Дизайн интерьера может стать новым фактором в поведенческой экономике, влияющим на выбор потребителей. Из этого утверждения вытекает новое определение дизайна интерьера в маркетинговой сфере: дизайн помещения не ограничивается его оформлением, как это было принято в прошлом, он также раскрывается в функциональности пространства и глубоком изучении его циркуляции, нацеленной на дополнительную мотивацию клиентов и на существенное влияние на поведение потребителей для повышения воздействия на процесс принятия решения о покупке. Дизайн, изученный с учетом потребностей людей, добавит дополнительную ценность для формирования мотивации, сделает посещение торгового центра более желанным и удержит клиентов на более длительное время.*

**Ключевые слова:** поведенческая экономика; концепция маркетинга; факторы потребительского поведения; предприятия розничной торговли; мерчандайзинг; внутренний дизайн; влияние на клиентов; функциональность пространства; эффективность функционирования.

Nowadays, the diversity of brands, the fast services available, the updates in technology and the magnificent designs of shops and malls, let people deal with a variety of choices. Successful retailers are those who know how to attract potential customers to increase their buyers' percentage while preserving their actual clients and consolidating their loyalty. Every business ideally should work to gain profits, earn revenues thus aim to contribute to boost the national economy. Moreover, owing to today's fierce competition, locally and internationally in particular, it is fundamental to achieve a balance between what a product is offering and what a consumer is expecting. Once determined and applied, this issue contri-

butes to reach success in any investment. The differentiating of retail offering are becoming a frustrated decision as well as a challenge due to the competition in retail market.

Interior Design, perceived as a new factor in marketing, can play a major role to fascinate customers and enhance the process of new features based on technology. Interior Design can be a new factor in Behavioral Economy that influences people's selections. Since individual's decisions are not predictable, retailers have to know in what way Interior Design can help to avoid irrational clients' choices.

Behavioral Economy is considered to be the most efficient and most updated study in the world of marketing today. It is based on new different factors affecting buyers' choices. Its importance lies in the direct relationship between shopping activities and consumers. Marketing plans of yesterday can't be 100 % effective with the population new perception, new commercials and the advertisement programs' awareness. Marketers who are not taking into consideration the human side and feelings of the population are not succeeding in their plans. «The knowledge of customers and their sensitivity is another challenge» [1].

Consumer behavior and consumption habits are key aspects for a prosperous economy and those factors have changed during the past years. Humans' new lifestyle should be taken into consideration and respected. Consequently, Competitive advantage and behavioral economics, great influencer on economy, have as a main role to work on those aspects and ensure the well being of the shopping activities. However, it is impossible to fully understand and predict any decision made by customers. There is no rules, no equation to adapt. People are human with distinctive characters, altered moods, different statuses and mainly different tastes. Tailor made offers is the only way to trigger their interest and to catch their interest, and arouse their purchasing decision. When customers visit a mall, it might exceed their expectations of just purchasing good and services but again to enjoy time as being there [2].

Consumer behavior is influenced by five main factors divided as such psychological, social, cultural, personal, economic. The fig. 1 summarizes the five categories that affect consumer behavior and illustrates how each factor has an impact on people's choice and mind. Every person has it's own perception of things and is motivated differently. It's significant to mention, with all differences in perceptions and thoughts, that trends exist in fashion, in location, in food, practically in everything we do. They might follow our taste or not at all.

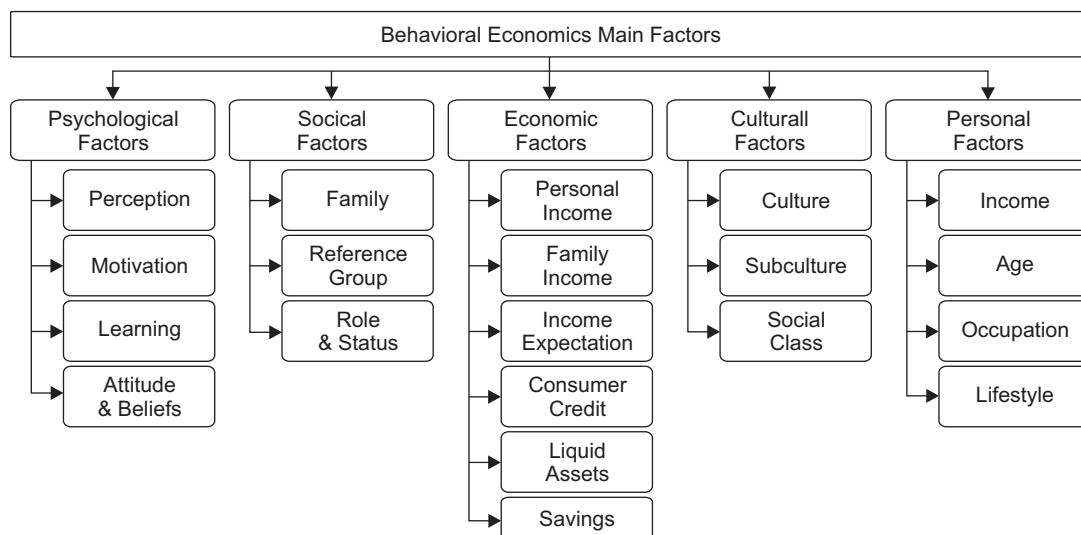


Fig. 1. Behavioral Economics Main Factor

Source: compiled by the authors on the basis of [3].

Moreover, the social status and the socio economical level of people are also of a high level of importance. Luxury, aesthetics and exclusivity lead clients in their choice of location, products and leisure time spending.

Tradition and beliefs, morals and values will always preoccupy marketing campaigns. They have to hit the audience with the right message and work on a positive environment to encourage people to buy unneeded products despite their financial status.

Daniel Kahneman is the first to integrate psychology into the science of economy, mainly when the judgment or choice has to be done under uncertainty. This field of study begins with the collaboration of Amos Tversky who explained and proved the power of defeats over other situations and how to tackle people's feelings. To understand shopping behavior, retailers' concentration should shift from brand centrality to behavior centrality. Consequently, to focus on how people can actually make decisions and be able to understand later on shopper's decision by applying behavioral science and then use it to design behavioral change [4, 5].

In addition, Mehrabian and Russell (1974) research on the stimulus-organism-response (SOR) model, interpreted in his own way, the effect of environmental factors on customer behavior in buying contexts. According to this model, the features of a retail environment (S) have an impact on customers' inner state hindering emotions and feelings or even beliefs (O). This consequently, leads directly to a behavioral response (R) [6].

Furthermore, Jang & Namkung (2009), Morrison (2011), Hyun & Kang (2014), Loureiro & Roschk (2014) emphasized that there is an emotional element between SOR as if there is a leading connection from one to another [7]. Well circulated and functional spaces that facilitate consumers moves and save their time like open parking spots, and some other services like escalators, elevators and ramps at malls, invite people to come more often and visit any place. Therefore, Exterior and Interior Design are equally important to spread satisfaction and positive vibes to catch customer's attention. Consequently, shops and shopping centers should be planned to have a cozy architectural background for customers to enjoy their activities.

In addition, Kotler discussed the significance of the concept of total product on customers' response; he said, «a customer would respond to the total product in terms of its place and how it is bought. Simply because the place defines the atmosphere and has a bit of influence on the product and on its decision to buy» [8]. Richard Thaler, the father of Behavioral Economics stated: «When an economist says the evidence is "mixed," he or she means that theory says one thing and data says the opposite» [9].

Purchasing power determines the buying capacity of a consumer. If the price is too high and doesn't meet the expectation of the buyers, it will affect its sales irrespective of its good quality. Another quote of Richard Thaler is: «A nudge is some small feature of the environment that attracts our attention and alters our behavior» [9].

Interior Design is also reflected in what marketers forename the visual merchandising. The well-known principles of retail store design rely on [10]: eye-catching visual merchandising, slow down the customer journey in the store, mark out the customer pathway around the store, steer customers to the right of the store, be bold, creative and innovative with store design, aerate the store design and layout, make the most of any shop space. Moreover, visual merchandizing does emphasize on important aspects regarding the visual effects in stores. As known, psychology of retail store Interior Design has a great influence on purchase decision.

Colors are known to enhance visual memory that increases brand recognition. Sally Augustin, Ph.D. in environmental psychology, stated: «the color of wall can actually change how a person perceives the temperature» [11].

Concept that shows of the consequence of colors on human brain can be used to increase purchases and boost the economic situation. Robert Plutchik made his famous diagram on

emotional responses revealed color effects on people's brain [12]. The brain in this case justifies the purchase and is not taking the decision of buying it. Therefore, the target of marketers should be to craft the retail environment so that it crosses the particularities of people's mind. To let their customers be more confident and be eager to spend money regardless if they can afford it or no.

Consequently, surrounding plays an important role in consumers' behavior. What is for sure is that design is always established and maintained for a reason; whether it is to bring joy to people by admiring it or it is intentionally influencing a consumer's behavioral choice and selection of what is needed and expected. Regardless if it is something produced by a market giant or a small start-up brand, the impact this output can have on the overall economy is just extraordinary.

Whatever your sector is, you cannot neglect trends and if you want to survive and follow the community you live with, they should be taken into consideration. Then, the advertising campaigns should intend to influence customers' purchasing decision; this concept of emotional marketing has positive feedback on purchases and can be applied in malls to encourage people to fulfill their needs, all in one place. Something in the campaign should trigger the consumer's insight and curiosity.

Architectural design is one solution to provide consumers' behavior satisfaction in general simply because looking around and exploring the differences of factors of designs at shopping places is by itself an interesting concept. The importance of merging good business management with creativity and unique original designs is fundamental due to the continuous flow of creating and developing technologies.

The table with 14 examples agreed on the impact of Interior and Architectural Design on consumer behavior, customer satisfaction and purchasing decision.

Interior Design Definition in Marketing

Author	Definition
1	2
Baker, Grewal, & Levy (1992); Morrison, Gan, Dubelaar & Oppewal (2011)	The <u>environment</u> becomes an alternative concept to empower the market differentiation in succeeding in competition
Kotler (1973, p. 48)	<u>The place defines the atmosphere</u> and has a bit of influence on the product and on its decision to buy
Levy, Weitz & Grewal (2014)	The <u>environment</u> of shopping malls should have a <u>good architectural design</u> in having a positive influence on customers providing them with key success factors
Mehrabian and Russell (1974)	(SOR) model, the effect of <u>environmental factors</u> on customer behavior in buying contexts
Wong et al. (2012)	Convenience, service quality, tenant presence, <u>malls environment</u> lead to customer satisfaction
Yiu C., Yau Y. (2006)	A <u>good environment</u> is very favorable to improve the image and the performance as to differentiate from others
Baker et al. (2000); Turley, & Chebat (2002); Baker, J. & Wakefield (2012)	<u>Wider and clearer side lines, brighter colors</u> inside and outside the stores, <u>reducing crowding, better layout</u> and the more logical <u>grouping of merchandise</u> and others related to <u>architectural designs</u> , influencing consumers' perceptions of the retail environment
Turley L. W. & Milliman R. E. (2000)	Identify five different dimensions, which are <u>exterior ambient design, signs, symbols, artifact</u> and human
Arnold & Reynolds (2016)	Shopping experience in terms of adventure, thrills, stimulation, excitement and entering a different <u>universe of sights, smells and sounds</u>

1	2
Dennis et al. (2002) Berman and Evans (2001)	The <u>architectural features</u> in shopping malls were considered as major characteristics that attached customers for shopping
Bodkin and Lord (1997)	Choosing a mall is its location, <u>variability of facilities</u> , <u>qualities of structures</u> , the <u>designs conveniences</u> , prices and services
Yoon and Kijewski (1997)	Refers to intrinsic cues to quality including the specifications in spending time and the <u>attractiveness of colors</u>
Sekaran U. and Bougie R. (2011)	<u>Lighting and decoration</u> , <u>architectural and interior design</u> encouraging customers, <u>comfortable dinning halls</u> in restaurants, with <u>electric lifts and escalators</u>
Amble B. (May, 2005)	<u>Poor workplace design</u> , by contrast, is linked to lower business performance and higher level of stress experienced by employees

Source: compiled by the authors.

Thus, Interior Design can be added as a sub category to behavioral economics main factors, especially when we deal with motivation, perception, role and status, social class, occupation and even lifestyle. Hence a new version of the same fig. 1 would be as follow (fig. 2). The fig. 2 is a new distribution of behavioral economics factors, including Interior Design in most of the main components, showing Interior Design impact and influence on people’s life in many fields.

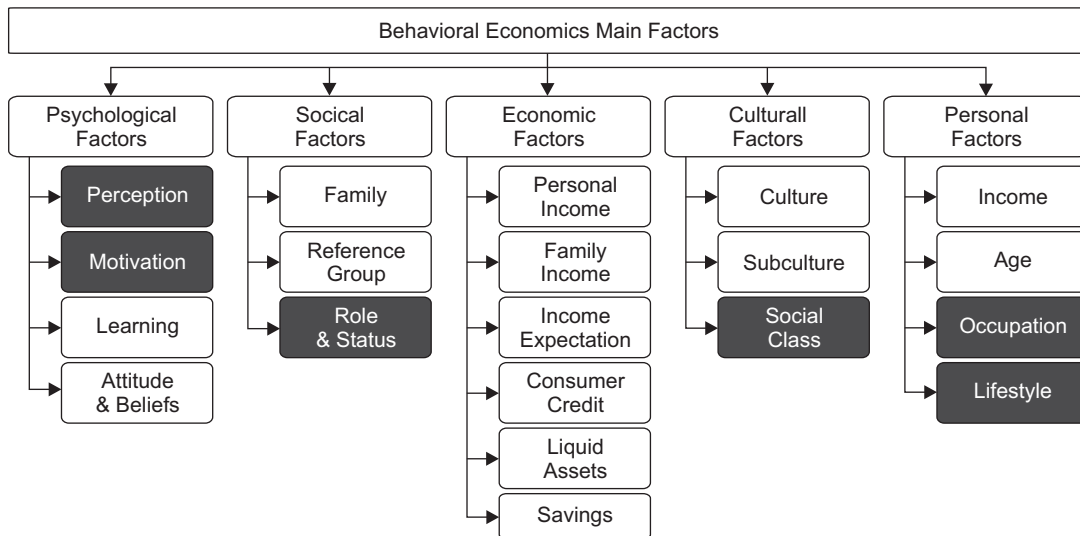


Fig. 2. Impact of Interior Design on the main factors of Behavioral Economics (affected blocks are color coded, created by author)

Source: compiled by the authors.

Furthermore, design of a place doesn’t only rely on architectural decoration, but also on structures quality, materials luxury and on the way and place, products are displayed. Thus, Interior Design, unconsciously, directs consumers to choose a specific product and in-

crease purchase percentage. Consequently, to gain the utmost of human capital value, retailers should pay full attention to their workplace design.

Moreover, designs of today are in direct relation with technology and Artificial Intelligence to suit people's need and demand. Thus, all new designs comprise a certain novelty with a mechanism. Robots to serve customers, smart mirrors as fitting rooms, screens as shelves display, all those new appliances should fit in a nicely designed space with an appropriate circulation. Cafes and restaurants should also be planned upon clients' convenience with all new high tech facilities. The world of Interior Design is full of impressive details in which marketers should invest to charm all types of consumers they might gather.

On the other hand, a lot of studies approved on the fact that consumers' attitude and choices, as well as Employees' performance are all affected by Interior Design. Therefore, companies that can manage to find a balance between quality, market share, sales growth, satisfaction of employees, with an innovation in design and creativity, are definitely more proficient to attain a better performance and achieve their goals. Architectural designs play a main role in gaining competitive advantage and sell more in any commercial space.

Essentially, authors described Interior Design of a space without mentioning the influence of its good circulation and the importance of its functionality. A design should be reliable enough, nice and accessible to reach most customers. Visual memory of a smart circulation attracts potential customers' attention. This first glance defines client's first impression.

In the field of marketing, a different interpretation of the term «interior design» should be used. It is proposed by the author to consider interior design as a process of planning the circulation of space by creating a functional area designed to catch the attention of the client, influence consumer behavior and achieve its understanding [13]. Interior Design has its place in Behavioral Economics factors especially in counties where people care about what they see and where they live. Marketers should use and organize the interior design of malls to direct their customers to spend more and come back as often as possible, and to retain them to stay longer time [13]. From here, the importance of Interior Design and its impact on consumers' behavior.

This new vision of Interior Design is revealed in the functionality of the space and in the planning of its circulation. The target moved from the decoration of a space following a certain style, to the influence on consumers' purchase decision. For that extra, motivation in customers' activity is requested along with an impact on consumers' behavior. Design studied upon people's need would add an extra value for motivation and make the place more desirable and retain customers to stay longer time. Therefore, well-considered Interior Design operates as a bridge between consumers' behavior and marketers, facilitating the systematic integration of economical, social, psychological and environmental parameters.

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## STRATEGY OF SCIENCE, TECHNOLOGY AND INNOVATION IN ASEAN

*The main strategic documents, roadmaps and action plans of ASEAN are considered, which reflect the goals, tasks, priorities, mechanisms, methods, and tools for the development of cooperation in the field of science, technologies and innovations and implementing policy of innovation development. Science, technology and innovation are a priority for the development of the ASEAN Economic Community, which will contribute to: increased competitiveness, innovation and development dynamics; sustainable productivity growth, including through the creation and practical application of knowledge, political support for innovation, a scientific approach to «green» technologies and development, the introduction of evolving digital technology; promoting good governance, transparency and «responsive» regulation (responding to the needs of various stakeholders); effective dispute resolution increase participation in global value chains.*

**Keywords:** science; technology; innovation; intellectual property; innovation policy; strategy; mechanism; institute; competitiveness; Association of Southeast Asian Nations.