Understanding and Targeting Consumer Behaviour in the Cosmetics Industry: The Role of Cognitive Decision-Making Styles and Digital Marketing

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Abstract: Consumer behaviour in the cosmetics industry is shaped by a complex interplay of psychological mechanisms that influence purchasing decisions. In this rapidly evolving market, rational decision-makers and emotional decision-makers are more susceptible to dif-ferent digital marketing strategies. Drawing on the Expected Utility Model and Prospect Theo-ry, this analysis explores how consumers assess costs, benefits, and perceived gains or losses when choosing products. Digital marketing strategies, particularly through social media, are examined as tools for aligning with these psychological drivers to foster brand loyalty and stimulate impulse purchases. The study also underscores the need to consider external factors, such as culture, lifestyle, and personality, in addition to cognitive influences, to craft more ef-fective and targeted marketing campaigns. By integrating these psychological insights, makeup brands can better engage both rational and emotional consumers, enhancing their competitive edge in a dynamic market.

1 INTRODUCTION

The modern cosmetics industry is shaped not only by its products but also by the values brands represent. In this rapidly evolving market, consumer behaviour is driven by both brand loyalty and a desire for novelty. While 40% of shoppers remain loyal to trusted brands, 69% are willing to try new products every six months (Ustymenko, 2023), highlighting a balance between familiarity and curiosity. This blend of trust and exploration underscores the complexity of consumer decision-making, making it crucial for beauty brands to build loyalty while continuously innovating for long-term success. Psychological and cognitive biases play a key role in these purchasing decisions, influencing how consumers perceive brands and evaluate products. As technology evolved, traditional marketing strategies adopted and changed towards digital marketing (Jangjarat et al., 2023) and online advertising opportunities grew (Jain et al., 2024). Big data can now provide valuable insights into consumer behaviour, preferences, and trends. This data-driven approach paved the way for personalised marketing, enabling brands to tailor campaigns to individual customer needs and interests (Jain et al., 2024). By analysing data from sources such as social media, website interactions, and purchase history about targeted customers, companies can build a comprehensive profile of their target audience (Jain et al., 2024), including their decision-making styles. This provides insight to creating various strategies to appeal to the style of the targeted customer, promote brand loyalty and advertise new products, ultimately shaping consumer preferences and behaviours, and ensure they stay relevant in a competitive market. This essay will explore the Expected Utility Model and Prospect Theory to analyse their impact on consumer behaviour in the makeup industry. By examining how these theories shape individuals' purchasing decisions, this discussion will highlight the psychological mechanisms that drive consumer choices. Additionally, the essay will examine how digital marketing strategies leverage these decision-making processes to influence and engage customers more effectively and give suggestions for potential marketing techniques.

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2 BACKROUND

2.1 Consumer and Marketing

A consumer is defined as any individual who buys products or services for personal use rather than for resale (Baptista, 2020). Consumer behaviour is the study of how individuals make decisions regarding the purchase and use of products or services. Understanding this behaviour is essential for businesses as it helps them effectively meet customer needs and enhance their offerings. Marketing plays a key role in analysing the motivations, frequency, and reasoning behind consumer purchases, which ultimately guides businesses in creating strategies that align with customer preferences and expectations (Gomes et al., 2020).

It is also a multifaceted concept that looks beyond the act of purchase. It encompasses how people allocate their resources such as time, money, and effort, to buy, use, and eventually dispose of products. This includes the decision-making processes, motivations, and emotional responses that drive consumer choices. Lastly, it also examines the post-purchase stage, where factors like satisfaction, product use, and the potential for future buying behaviour come into play (Baptista, 2020).

2.2 The Framing Effect

The way in which a decision is framed or presented plays a crucial role in shaping people's choices, sometimes causing them to make inconsistent or irrational decisions. This is similar to how a shift in perspective can alter the way a mountain's height is perceived, changes in the framing of information can influence how individuals interpret and evaluate their options (Tversky and Kahneman, 1981). This concept can be applied to the field of marketing, suggesting the way products are advertised, packaged, or described can significantly impact consumer decision-making and purchase intention. Purchase intention is the likelihood of customers buying the marketised product and can also be used to assess the success of the marketing campaign (Boateng, 2021). By carefully creating the presentation of a product, companies can subtly guide consumers toward making favourable choices. Therefore, having a deep understanding of the cognitive processes that underlie decision-making is essential for businesses seeking to influence their target audience. By using this knowledge, companies can strategically shape consumer perceptions, creating a more positive attitude toward their products and overall brand image.

3 RATIONAL DECISION-MAKERS

3.1 The Expected Utility Model

The Expected Utility Model, explained by Tversky and Kahneman (1981) is a framework for understanding decision-making, particularly in uncertain situations. It assumes that people make choices by evaluating potential outcomes and selecting the option that offers the greatest overall satisfaction, or utility. To calculate expected utility, each possible outcome is assigned a value representing its desirability. This value is then multiplied by the probability of that outcome occurring. Summing these weighted values gives the expected utility of a decision, and the option with the highest expected utility is considered the most rational choice. The model serves as a guideline for making logical, consistent decisions by maximising overall satisfaction based on both the likelihood and value of different outcomes. Applying the Expected Utility Model to marketing, consumers are assumed to make purchasing decisions by logically weighing the costs and benefits of different options before choosing the one that provides the greatest overall value. Companies can use this decision-making mechanism to target rational decision-makers by improving the "signals" (Boateng, 2021).

The Signalling theory has been applied across various fields to explain customer decision-making (Boateng, 2019). It consists of three main elements: the signaller (the company), the receiver (the targeted customer), and the signal itself. The signaller aims to influence customer perceptions by sharing information about their brand and product. This information is created into signals to reassure customers of their credibility and trustworthiness and is communicated through different channels to effectively reach the target audience (Boateng, 2019).

Signals or information which could be created, reached out to and focused on to target rational decision-makers include brand identity, brand image, brand trust, product quality and how the products align with the targeted consumers' needs.

3.2 Establishing Brand Identity

According to Aaker (1996), brand identity is a unique set of associations that a company aims to create and maintain, representing the image the company wants to convey to consumers. When consumers decide what to buy, they are often influenced by brand-related visuals such as the brand name, logo, colours, symbols, and packaging (Shi, 2019). However, brand identity extends far beyond these visual cues. It involves the overall perception and associations that consumers form in their minds about the brand (Shi, 2019). To summarise, a brand's identity is not just about its appearance but it reflects how people think, feel, and connect with it. When a brand has a strong, clear identity, it helps consumers connect to it both logically and emotionally, fostering trust and deeper engagement (Aaker, 1996)

Given that makeup is applied directly to the face, cosmetic brands may aim to establish an identity centred on ethics and safety which could be a significant focus of targeted customers. To build a strong brand, a company must clearly define what it stands for and effectively communicate that identity. For example, a company that prioritises ethical sourcing and cruelty-free practices can reinforce its identity through certifications and transparent ingredient lists, ensuring that consumers recognise its commitment to safety and ethics. Similarly, brands that emphasise dermatological testing and clinical results can build trust by providing factual evidence of product safety and effectiveness, such as statistics. This clarity helps build trust with customers, which strengthens differentiation in the market (Aaker, 1996). A consistent and easily understandable brand identity, linked to key attributes, is important for successful communication.

Common communication channels include advertising and the internet. In the context of digital marketing, a strategy could be keeping the content published on the company's social media accounts and official websites consistent, by using a consistent brand voice, visual identity, and core themes. The repeated creative messaging across these channels helps reinforce the brand (Ghodeswar, 2008).

Companies could use various signals to convey brand identity and create a perception of value that aligns with the consumers' expected utility. Consumers make purchase decisions by weighing the costs and benefits of a product, with the brand's identity acting as a significant signal that can influence their expectations of quality, performance, and satisfaction. The clearer and more consistent the brand's identity, the stronger the signal it sends to consumers. For rational buyers, factual information such as dermatological backing, lab test results, and consumer safety certifications plays a significant role in building trust, which could help reduce uncertainty and increase the likelihood of purchase, especially in a competitive market like cosmetics.

3.3 Importance of Brand Image and Trust

Brand image and trust are key factors in convincing rational consumers to make a purchase. A strong brand image, built on consumer experiences and associations, helps a brand stand out from its competitors, making it easier for customers to choose between similar products (Boateng, 2021). When a brand is seen as reliable and trustworthy, it reduces consumer uncertainty and boosts confidence in their buying decisions (Boateng, 2021). The way a brand is perceived by a customer has a direct impact on purchase intent (Lee & Lee, 2018), while trust helps lessen perceived risks and strengthens consumer confidence (Hong & Cha, 2013). This is especially relevant as trust is a crucial factor in the cosmetic industry. Since makeup is applied directly to the skin, consumers are highly concerned about product safety, skin compatibility and often look for assurances that a product is dermatologically tested, hypoallergenic, or free from harmful chemicals. In connection with the Expected Utility Model, a positive brand image and strong brand trust improves the expected utility of choosing the brand's product, leading the customer to choose the specific makeup company over other similar companies.

If the company has a strong brand identity already, rational customers using the Expected Utility Model may not trust it, because it is a company-driven concept. A powerful way for makeup brands to communicate their image and trustworthiness in a more reliable way is through electronic word-of-mouth (eWOM). This concept promotes the company's values and products through existing consumer's mouths and consumers often trust eWOM more than traditional advertising because it feels more unbiased (Boateng, 2021). For example, positive online reviews, ratings, and recommendations on social media about the cosmetic products, created by actual users can improve perceptions of a brand and reinforce its reputation. For rational buyers, especially Gen-Z (Boateng, 2021), the combination of a solid brand image and trust, together with positive eWOM, plays a important role in shaping customers' perception of the brand and driving purchase decisions.

3.4 Quality Is Fundamental

While electronic word-of-mouth (eWOM) can be an effective tool for informing targeted customers about the quality of marketed products (Boateng, 2021), it is equally important to ensure that the product itself meets high standards. This is especially important for post-purchase evaluation. If the consumers are satisfied and the product meets their expected utility, the consumer is likely to buy it again and recommend it to others (Peças, 2023). However, if the product disappoints, the consumer may avoid the brand in the future and share negative feedback (Tan SueLin, 2010, Gomes et al., 2020). So, maintaining product quality is vital to prevent any potential harm to the brand's image and reputation (Mohebbi et al., 2016). For a makeup brand, this is especially crucial because makeup is a consumable product, and consumers tend to stick with their preferred brands unless they encounter a problem, which may prompt them to switch (Gomes et al., 2020). Therefore, while positive eWOM can boost awareness and influence decisions, long-term customer satisfaction and success ultimately depend on consistently delivering high-quality products.

In combination, the Expected Utility Model and the Signalling Theory offer a comprehensive approach to understanding consumer behaviour. By using signals to communicate key product attributes and brand credibility, companies can shape consumers' perceptions of value, influencing their purchase intention. When consumers receive reliable signals that a product aligns with their needs or preferences, their perceived utility of that product increases, making them more likely to choose it over alternatives.

In conclusion, the Expected Utility Model and the Signalling Theory are more suitable for targeting rational decision-makers who are more likely to be heavy long-term consumers who rely on social media for information and are more loyal to brands (Peças, 2023).

4 EMOTIONAL DECISION-MAKERS

4.1 The Prospect Theory

The Prospect Theory (Tversky and Kahneman, 1981) explains that people make decisions based on perceived gains and losses relative to a reference point, rather than absolute value. One key idea is loss aversion, meaning people feel the pain of losing something more strongly than the pleasure of gaining the same amount. Probability distortion is another part of the theory, where people tend to overestimate the likelihood of rare events and underestimate the likelihood of common ones. Also, the value function in this theory shows that people react more strongly to losses than to gains, making them more cautious when faced with potential losses. This helps explain behaviours like avoiding risks, hesitating to switch brands, or responding more to discounts than to added costs in marketing.

The targeted consumers who use this decision-making theory are more likely to be emotional and make decisions based on their subjective feelings, and are medium or light consumers who are more price-sensitive (Peças, 2023). Some strategies used to target the main aspect of loss aversion could be limited-time offers, Fear of missing out (FOMO) strategies and User-generated content (UGC).

4.2 Creating Urgency

Time scarcity marketing taps into the psychological concept of loss aversion by encouraging quick action to avoid missing out on opportunities. By presenting limited-time deals, it triggers an instinctive drive to grab the moment rather than carefully consider the decision, creating a sense of urgency (Lahoti, 2021). A temporary price reduction creates a new reference point, making the original price seem like a loss once the sale ends. This encourages impulse purchases and could target emotional decision-makers, especially for trending makeup products where consumers may feel pressured to buy before prices go back up. A digital marketing strategy could be to display a countdown timer on their website and social media pages, signalling that the sale is ending soon.

Product restocks with limited availability could be a FOMO strategy. When a highly popular product or iconic product is sold out, brands could tease customers with announcements that the product will be restocked for a limited time. The exclusivity of the restock, along with the anticipation of its return, could make the product even more desirable. Once it is available again, it sells out quickly, pushing customers to buy immediately rather than wait and risk missing out again. Urgency tactics, such as "Only a few left!" or "Sale ends in 2 hours!", increase fear of missing out (FOMO), making consumers more likely to act quickly to avoid regret or loss.

4.3 Creating Exclusivity

User-generated content (UGC), such as influencer reviews and social media recommendations, reinforces a social reference point. When consumers see others benefiting from a makeup product, they may feel like they are missing out on the experience, increasing their likelihood of purchasing. This could also be used to advertise limited edition products or collections, such as special eyeshadow palettes or lipstick sets, that are only available for a short period. When influencers or beauty enthusiasts on platforms like Instagram or TikTok post about the limited products, their followers who may not have been aware of the limited-time nature of the collection, are now exposed to it. Consumers may worry that they are missing out on the unique experience or the opportunity to own something exclusive, particularly when UGC highlights how others are enjoying these products.

By combining these strategies, makeup brands create a sense of urgency, social proof, and perceived loss aversion, driving higher sales and brand engagement with emotional decision-makers in short-term sales.

4.4 Other Factors to Consider

While cognitive and psychological decision-making styles are key influences on purchase intention, other factors also play a significant role and should be considered when developing a marketing campaign.

External influences, such as culture, strongly impact consumer behaviour and purchasing habits, shaping preferences and brand perceptions. Additionally, personal factors like lifestyle and personality affect consumer choices by influencing what individuals favour and how they allocate their spending (Gajjar, 2013).

Understanding these broader influences, together with cognitive aspects, allows marketers to create more targeted and effective strategies that align with diverse consumer needs. Therefore, these aspects will also need to be examined before making marketing campaigns.

5 CONCLUSIION

In conclusion, understanding consumer behaviour in the makeup industry requires a nuanced approach that combines psychological theories, such as the Expected Utility Model and Prospect Theory, with strategic marketing techniques. These frameworks offer valuable insights into how consumers make purchasing decisions particularly when it comes to the balance between brand loyalty and the desire for novelty. While rational decision-makers rely on signals of brand trust, quality, and consistency, emotional decision-makers are influenced by urgency tactics, limited-time offers, and the power of social proof through User-Generated Content (UGC). Rational decision-makers can be targeted for long-term loyalty and emotional decision-makers can be targeted for new limited products and short-term sales. These strategies can be achieved through various digital marketing strategies such as social media marketing. Additionally, only considering psychological factors is not enough, other factors such as culture, lifestyle, and personality must also be considered to develop a holistic marketing strategy that resonates with diverse audiences. By leveraging these psychological and cognitive insights, beauty brands can better understand, connect, and target different customers.

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