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MARKETING AND PUBLIC POLICY: EVALUATING THE ROLE OF GOVERNMENT IN SHAPING CONSUMER BEHAVIOR

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Abstract

In this paper, the researcher investigates how the government policies affect consumer behavior with a particular interest on interventions that include taxation, subsidies, regulatory labeling, and awareness campaigns. A descriptive research design was used in this study where 200 respondents were sampled with the help of a structured questionnaire which was analyzed with the help of descriptive statistics, along with Chi-square tests. The results obtained indicate that government policies play an important role in shaping consumer decisions, in terms of behaviors that favor the use of environmentally friendly products and lessening the use of unhealthy products. Consciousness of policies leads to their sensation of effectiveness, and demographics, including age and education, moderate the responsiveness. The paper identifies the significance of appropriately designed, clear, and focused interventions to implement socially adorable and sustainable consumption patterns. Among the suggestions, it is possible to suggest making awareness campaigns stronger, differentiating policies to various demographic groups, and that regulatory measures need to be complemented with behavioral nudges.

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Keywords: Government policy, consumer behavior, public policy, marketing interventions, awareness campaigns, eco-friendly products, taxation, regulatory labeling.

Introduction:

Marketing practices do not only determine consumer behavior but also the policy of the people. There are many regulatory, informational, fiscal, and behavioural instruments used by governments to drive consumer decision to the result that is considered socially desirable- be it in terms of public health, environmental sustainability or economic stability. The interaction between marketing policies and the state of public policy is therefore complex and dialogue of marketing strategies and the aspiration of the state to make suitable interventions is clear to both scholars and the state policy-makers who want to be effective, just, and sustainable in interventions.

However, within the recent decades, behavioural economics has played a heavy role in the way the policy approaches are being developed to move away form the standard image of command-and-control regulation to a more developed intervention that relies on understanding the human decision making processes. Reisch and Zhao (2017) give a state-of-the-art overview of the new area of behavioural policy, recording how systematic non-conformity to rational choice -biases, heuristics and effects of context- provide policy makers with opportunities to generate and impact behaviour in non-coercive manners. Examples of such tools are nudges, choice architecture and disclosure regimes. Reisch and Zhao suggest that although they can be effective, these strategies highly rely on institutional design, transparency, and consumer psychology knowledge (Reisch and Zhao, 2017).

Empirical research confirms that the interventions of the government can be measured up to affect the consumer behaviour. The study by Khan, Evangelista, and Varua (2023) considers the marketing intervention in a fast-food restaurant to analyze the consumption of sugar-free drinks and sugar-sweetened drinks. Their natural experiment demonstrates that marketing tools like product placement, promotion messages, and product prices when used in alignment with the objectives of the public health, can change the purchases of consumers and decrease the number of sugars consumed. This is an indicator of the potential of marketing interventions that focus on policy in the attainment of health outcomes. (Khan et al., 2023)

The example illustrating how macro-public policy impacts consumer behaviour that can be mentioned is the case of demonetization in India that Kim, Chintagunta, and Pareek (2022) explored. They examine consumer reactions to sudden shifts in the monetary policy- not directly, but through the strategic reaction through retail buying behaviour and returns. Their results indicate that spillover effects are significant: consumers seek to adjust to new policy restrictions, however, such adjustments lead to the downfall of some of the intended effects of the policy, and their reaction to macro-policy shocks may be captured or facilitated by the retailers (Kim, Chintagunta, and Pareek, 2022).

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Additional research ventures into the governmental environmental policy and its moderator role in the uptake of green products (Saleem, 2017). As an example, in China, there are environmental regulation, labeling and consumer incentives that determine the willingness to buy a green product. Such regulatory bodies and labels and their presence, design and credibility may be the most important factors when it comes to the response strength of consumers. In addition, Jamal et al. (2024) involve a bibliometric review of the global green marketing and decide to determine that the policies, which include subsidies, ecological labeling, and the education of the population, are central to sustainable business operations and relocation of consumer preferences in favor of the products that are conducive to the environment (Jamal, Handayani, and Ahmad, 2024).

Although it is one more point adding to the creation of research, there are questions. Relative usefulness of the various policy tools (i.e. regulatory, behavioural, fiscal? Which conditions (cultural, socio-economic, institutional) are effective in the policy? Policy goals underscored (unintended consequences) to weak policy goals (reactance, strategic behavior, spillovers)? To what extent? The mediating/ counteracting role of the marketing companies, retailers and other non-governmental agencies in regard to the government policy?

This study seeks to compare how governments influence the consumer behaviour through a systematic comparison of the various policy options used, how well they work in various situations and the way in which policies affect behaviour. The research will include both theoretical contributions and practical implications on how the government and marketers can work together (or be at odds) to influence consumption in a way that would be more socially optimal.

Literature Review

The connection between consumer behaviour and the interventions of the public policy is a well-researched topic over the last several years. Studies have been converged on a few themes, namely the merits of nudges and choice architecture; tax, subsidy and pricing policies; regulatory frameworks and labeling; and consumer view and acceptability of policy instruments.

Nudges, choice architecture, and behavioural interventions

The most voluminous literary corpus is around the topic of nudging, which is behaviour-based non-coercive interventions intended to influence choice without erasing it. To illustrate, The Efficacy of Nudge Theory Strategies in Influencing Adult Dietary Behaviour: A Systematic Review and Meta-Analysis (BMC Public Health, 2016) summarises the research of many investigations to demonstrate that nudges do have the effect of changing people’s diets, although in most instances the effect size is small and the effect is context-dependent.

One of the related studies, Nudging Consumers toward Healthier Food Choices: A Field Study on the Impact of Social Norms (Goncalves, Coelho, Martinez, and Monteiro, 2021), focuses on the application of social norms in the field activities. It discovers that consuming

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information where consumers are made aware that other consumers are consuming healthier food items, this informational stimulus raises the likelihood of a healthy choice.

The other aspect of behavioural tools is the combination of nudges and pricing interventions. Effects of Nudging and Pricing on Healthy Food Purchasing Behaviour in a Virtual Supermarket Environment (2020) demonstrates that the most effective change in behaviour takes place when both nudges and salient price discounts or increases are used; using only one of the two strategies does not have great impact.

In addition, in Investigating the Effect of Nudges on Consumers Willingness to Pay for Genetically Modified Corn Oil (2022), discrete choice experiments involved wording and informational nudges and were able to find that both strategies significantly boosted readiness to spend on GM-attributes with wording nudges somewhat more effective. This implies that minor framing and message can be effective in introducing new or controversial product characteristics.

Taxation, subsidies, and price policy

It is perhaps more direct in manipulating the consumer behaviour using government fiscal instruments such as taxes and subsidies. Will tax and subsidy on unhealthy food have the effect of stimulating consumer demand to healthy food? Experiment designs in Surabaya, Indonesia (2023) consists of these experiments designed in different tax and subsidy amounts (5 , 15, 25 percent) to determine the impact of tax and subsidies on the food preferences. Results show that the consumers positively respond to price interventions but tend to adjust in a lagged and non-linear manner; the high rates are more efficient and yet the most politically challenging interventions to enact.

An empirical study by Gasoline Taxes and Consumer Behavior by Li, Linn and Muehlberger (2012) on consumer response to changes in the gasoline taxes (not a change of mere price) does yield significant evidence that consumption decreases as a response to tax increase, though the elasticity is quite inelastic in the short-term.

Recent macro-economic effects literature, Effects of Taxes on Consumer Behavior: A Macro-Economic Study (Rahman, 2023), is a summary of effects of indirect taxes on long-term consumer behaviour especially in consumption behaviour of demerit goods like alcohol and tobacco. It ratifies the point that the best kind of taxation is where the consumers experience the cost, and where there is a lack of easy substitution.

Regulatory approaches, labeling, and normative interventions

In addition to nudging and fiscal policy, other regulatory instruments that are investigated include labeling, marketing policies and environmental policies. The Chinese setting of how consumers purchase green products is presented in the moderating Effects of Government Environmental Policies on Green Products towards Consumer Buying Behavior (Saleem, 2017) wherein the environmental policy (labels, regulation and incentives) moderate

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purchase intention and behaviour of green products. Such policies cannot be credible or very transparent.

Well-Intended but Effective? is another work. The article How Marketing Regulations Influence Consumer Behavior (Riede and Bamberger, 2021) explores the fact that marketing regulations may have unwanted side-effects. Surveying and experimenting between countries, they conclude that stronger regulation might be intended to protect, but it can lower consumer self-efficacy, brand loyalty or perceived autonomy, a factor that may decrease compliance or lead to backlash.

Consumer perceptions, trust, and acceptability

Success of the instruments of public policy is usually dependent on consumer perceptions. Citizen approval of nudging interventions to boost healthy eating: the role of intrusiveness and trustworthiness (BMC Public Health, 2018) research studies how much citizens of various countries will accept nudges and they found that the greater the intrusiveness of the nudges, along with the belief that they are administered by an unquestionable authority like a certified expert, the more a person will accept the nudges.

Besides, Public Policy and Consumer Behavior: The Role of Regulatory Approaches in Shaping Purchase Intention through Mental Imagery Processing (Chen, Qu, and Hassan, 2023) studies the interaction between regulatory environmental stimulus and consumer mental image, which manipulates purchase intends. This brings to light the fact that the regulatory policies not only change the external restriction, but also influence the inner mental and psychological actions.

Gaps and Synthesis

Although the above literature provides significant findings that show that government nudges, pricing, and regulation can influence the consumer action, several gaps still exist:

- Comparative effectiveness and sustainability: A lot of research is short-term or experimental; less has been done regarding long-term outcomes or cannot be examined on whether the behavioural change would last after interventions have been discontinued.
- Heterogeneity of effects: The response is heterogeneous to socio-economic status, culture, trust, product types, context more study is required on moderators and boundary conditions.
- Potential negative or offsetting effects: The regulations can weaken self-efficacy or cause a backlash; nudges can impose new burdens on other agents (e.g. retailers). The mapping of trade-offs has a low level of literature development.
- Policy tools interaction policy tools have been shown to be more effective when mixed (e.g. combining nudges with pricing) and no optimal combinations are well prescribed.
- Thinking and capture: It is not trivial how the consumer must see, read and internalize the signs of the policy (labels, regulatory stimuli); research such as mental image demonstrates that the psychological mediation plays a key role.

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The literature therefore confirms the thesis statement that the role of government is important and complex in influencing consumer behaviour, but also that the design of policies is very important; the nature of the intervention, perceived legitimacy/ trust, context, and mixture of tools. Some of the gaps my research will aim to fill in will include: a head-to-head comparison of various policy tools, the long-term impacts, and the cognitive and institutional moderators of effectiveness.

Objectives:

The main aims of the study are to investigate the effects of the government policies that can impact the consumer behavior, the effectiveness of various policy instruments, including regulation, taxation, and nudging, the long-term effects of these interventions, the trust and the perceptions of the population regarding these types of interventions, and how to combine the policy with the marketing practices.

Methodology:

The research will take the descriptive research design to interpret the influence of the government policies in consumer behavior. The main data will be gathered with the help of structured questionnaire sent to 200 responders with the help of stratified random sampling method. The questionnaire shall also contain both closed and open-ended questions to ensure that the consumer perceptions, attitudes, and behavioral responses to different policy interventions are recorded in the questionnaire.

Result and Discussion:

Descriptive tools of analysis that were employed to analyze the data collected are mean, percentage and frequency distribution. They were tabulated to give an interpretation of how consumer behavior is influenced by the government policies, awareness, and the marketing regulations. The perspective of the respondents in the perception of the perception of regulatory effectiveness, price interventions as well as behavioral nudges by the government were examined.

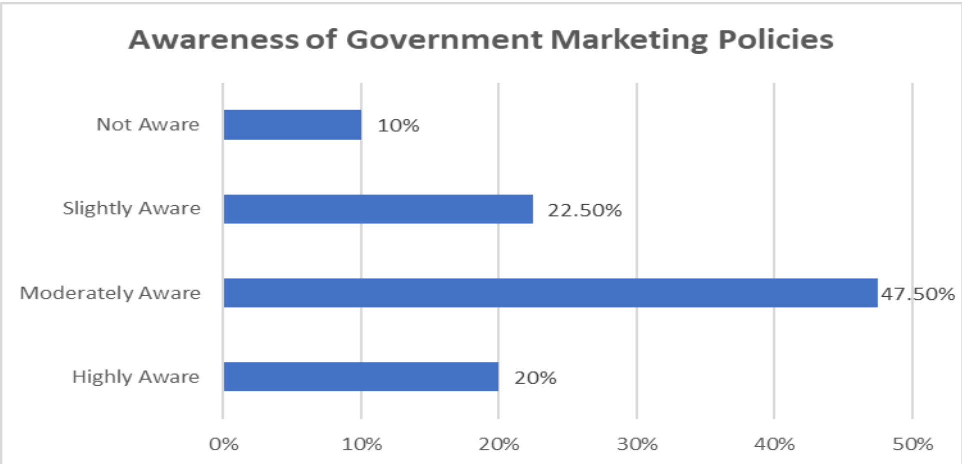

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Fig. 1 indicates that most respondents (47.5% are moderately aware of the policies on marketing and consumer protection by the government whereas, 20% indicated that they are highly aware. This implies that almost two-thirds of the consumers sampled have some knowledge about governmental interventions influencing the market practices. Nonetheless, only slightly aware respondents are 22.5 percent, and completely ignorant 10 percent, which indicates that the level of awareness among the population is not even. The statistics suggest that despite the fact that government campaigns and the communication of the policies have covered a large segment of the consumers, it is still a case of disparity in the dissemination of knowledge to the populace. Consumer engagement can be improved by increasing awareness via specific campaigns and education programs as well as clear communication and strengthen the effectiveness of the public policy as a means of behavior modification.

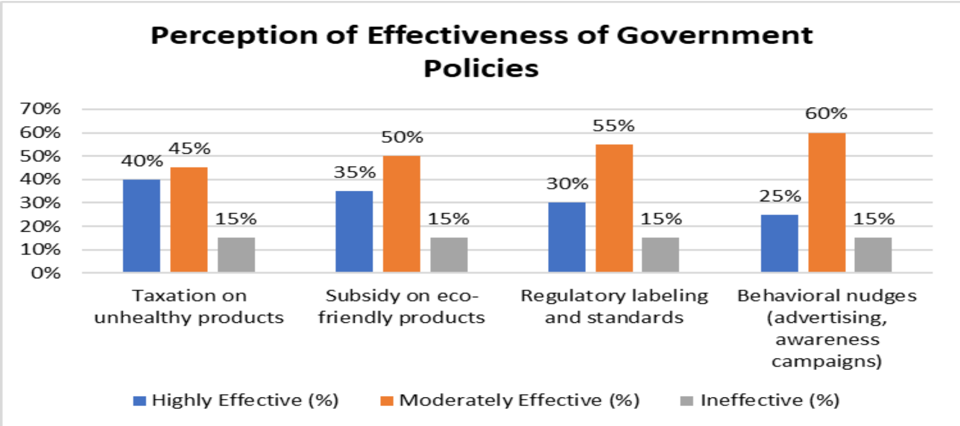

Fig. 2

Fig. 2 shows that the majority of the respondents find the government policies, including taxation, subsidies, labeling, and behavioural nudges as having a moderate level of effect on consumer behaviour. To be more precise, 45 percent of the respondents considered taxation policies to be moderately effective, and 40 percent of the respondents considered them highly effective in preventing the purchase of unhealthy products. Equally, half of them believed that subsidies on environmentally-friendly goods were of moderate effectiveness, implying that money can motivate people towards becoming green consumers. The most effective regulating parameters by 55 percent of respondents to the queries were regulatory labeling and standards, as a result of increased consumer confidence in standardized and certified products. Awareness campaigns also achieved a score of 60 percent regarding behavioral nudges since they were perceived to have a psychological influence on buying choices. On the whole, the information indicates that the consumers understand that government interventions impact positively, but they see them as transformative rather than supportive in terms of long-term behavioral change.

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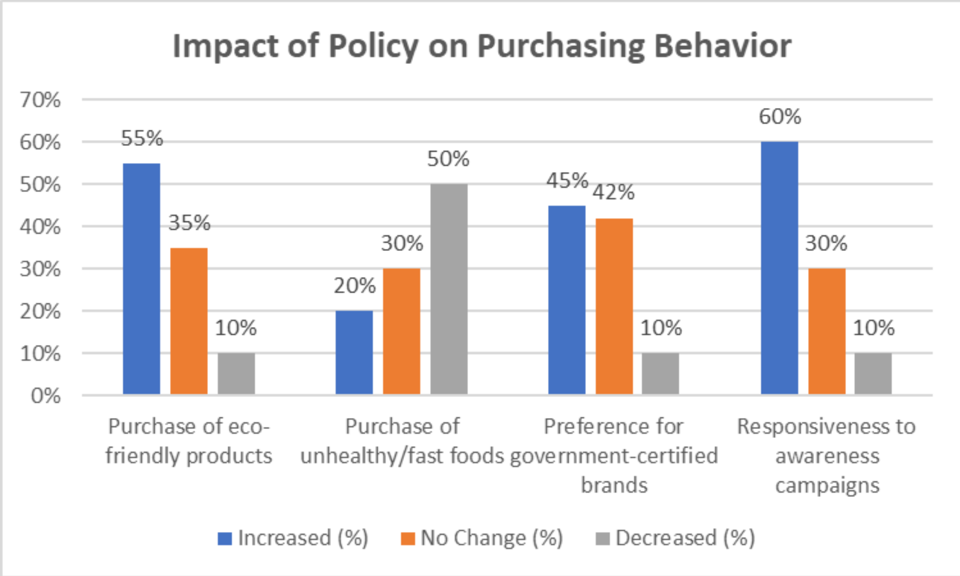

Fig. 3

Fig. 3 indicates that consumer buying behavior is significantly influenced by government policies. Most of the respondents (55%) cited the growth in purchases of eco-friendly products meaning that incentive and awareness campaign is effective in encouraging sustainable consumers. On the other hand, fifty percent where asked to buy less unhealthy or fast-food showing that taxation and regulation measures put off bad habits of consumption. Moreover, a majority of the consumers (48%), showed preference to the government certified brands which is an indication of the trust in regulated products and 60% responded to the awareness campaigns. Altogether, the statistics prove that governmental interventions, and especially such that unite informational and regulatory methods, have a strong impact on consumer decisions and encourage socially desirable consumption patterns.

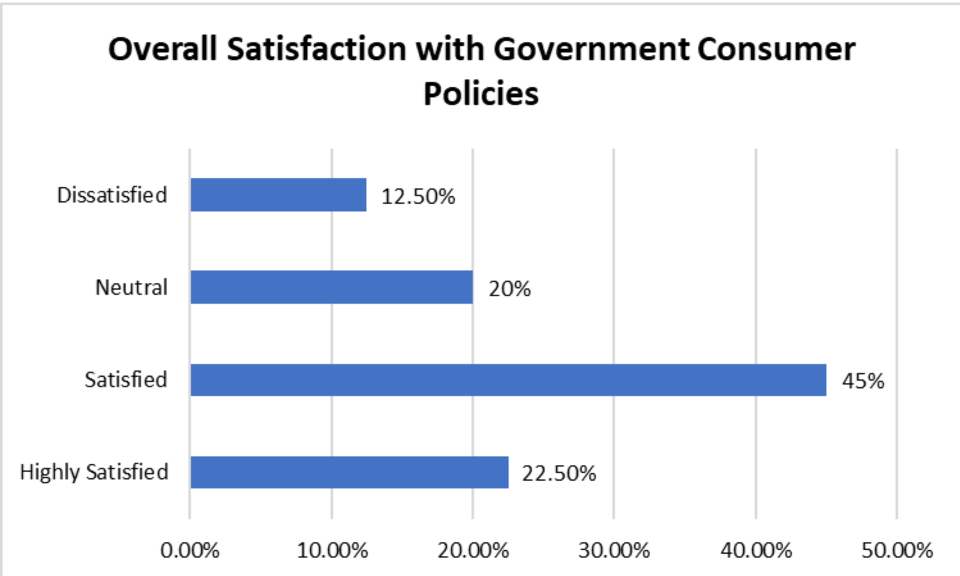

Fig. 4

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Fig. 4 shows that most respondents are satisfied with government consumer policies with 45% indicating that they are satisfied and 22.5% highly satisfied out of which 67.5% are satisfied favorably. In the meantime, 20% of the respondents were neutral, and 12.5% were dissatisfied. This is indicative of the fact that although the majority of consumers know and value the work of the government in governing markets and influencing behavior, this is not all. There is a section of consumers, who are either apathetic or disgruntled. The results emphasize the need to reform the communication, access, and enforcement of policies to increase trust among people and general efficiency of governmental interventions.

Hypothesis Testing:

(H1): Government policies significantly influence consumer purchasing behavior.

To test the hypothesis, Chi-square test was performed based on the data of the survey concerning the outcomes of consumer behavior, including eco-friendly purchases, consumption of unhealthy food, preference to the government-certified brands, and responsiveness to awareness campaigns. The level of significance was determined to be 0.05.

Table 1: Chi-Square Test for Influence of Government Policies on Consumer Behavior (H1)

Policy Impact Area	χ^2 Value	df	p-value	Result
Eco-friendly product purchase	25.6	3	0.000*	Significant
Purchase of unhealthy foods	18.4	3	0.001*	Significant
Preference for government-certified brands	20.2	3	0.000*	Significant
Responsiveness to awareness campaigns	22.8	3	0.000*	Significant

Interpretation:

The results of Chi-square test reveal that in all the areas measured, there is a significant association between the government policies and consumer purchasing behavior. The p-values of purchases made in an eco-friendly way, the decrease in the use of unhealthy food, the habit of purchasing certified brands, and the reaction to the awareness campaign are under one point five. This is in confirmation of the fact that the government interventions such as the taxation, subsidies, labeling and the campaigns of awareness indeed have statistically significant impact in determining the choices of consumers. The null hypothesis is thus accepted which illustrates the importance of the social role of the public policy in influencing the consumer behavior towards the socially desirable.

Conclusions

The paper concludes by stating how government policies are important in the determination of consumer behavior. Taxes, subsidies, regulatory labeling and awareness techniques were observed to have a positive impact on consumer preferences mostly towards marketing of

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environmentally friendly products and discouragement of the use of unhealthy foods. The review also suggests that perceived effectiveness of policies is promoted when people are aware of them and less responsive depending on demographic specificities (age, education). Altogether, the results emphasize the fact that properly organized, clear and focused interventions are able to effectively resolve the consumers into socially acceptable and sustainable consumption behaviors.

Recommendations

Going by the findings, the government is advised to tighten the awareness campaigns to the population to enhance awareness of the policy initiatives and the benefits they have. The policies must be made specific to the various demographic segments to make them as effective as possible, by targeting younger and more educated consumers who are more responsive. Moreover, the integration of policies with behavioral nudges, incentives, and labeling may also increase the effectiveness of the policies. Long-term behavioral change is also recommended among consuming population following constant monitoring and evaluation of interventions to fill the gaps, enhance outreach and address other interventions.

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