

eCOMMERCE & THE PSYCHOLOGY OF DISCOUNTS

“The life of a Geo Credit”

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In the world of marketing, no two discounts are alike. Or are they? Let's discuss how various discounts impact consumer behavior and their willingness to buy.

Until the advent of Online Commerce, this is how traditionally discounts have been represented:

Quick: *which of the following represents the biggest percentage discount?*¹

- A. \$200 off a \$999 TV - Sale Ends End of Week**
- B. A \$35 pair of sunglasses, marked down from \$50**
- C. Buy one shirt for \$60, get the second for 50% off- Sale Ends Today**

If you *selected B*, congratulations – you’ve successfully maneuvered through some crafty discounts to find the best deal. If you picked another answer, don’t worry, most of your customers are doing the same thing. All of us consistently engage in behavior for which we have no logical or clear-cut explanation. In fact, clever marketers depend on this consumer behavior to increase sales.

So, how are discounts represented? Let's get started by taking a page out of a consumer behavior book.

Understanding the Psychology of Discounts

First, it’s important to note that everyone is attracted to a deal, no matter how large or small. Just think – would you rather pay full price for an item when you could save a few bucks instead?

By incorporating coupons and discounts into your overall marketing and pricing strategies, you’re already appealing to the minds of shoppers. But to take things to the next level, it’s important to realize one common theme: shoppers don’t like to do math. Instead of crunching numbers, they’ll focus on particular figures in a discount promotion and draw their conclusions based on that amount. Moreover, psychologists have concluded that the more shoppers are emotionally excited about something, the greater the chances of their opting for the immediate, if less immediately gratifying, alternative.² Emotions win out.

¹ In case you were wondering, *option A* presents a 20% discount, *option B* presents a 30% discount, and *option C* presents a 25% discount (spend \$90 for two shirts instead of \$120 without a discount)

² Martin Lindstrom, “*Buy.ology: Truth and Lies About Why We Buy*,” © 2008 Random House

Looking at *option C* in the example, most consumers will focus on the 50% off figure, as opposed to doing a basic calculation to see that they're really saving just 25% on the total purchase.

Because of this, shoppers feel that they're getting a better deal than they actually are.

The main takeaway is this: although the primary rule of economics states that consumers will act in the most rational, self-benefiting way, discounts have a big effect on purchase behavior.

An Introduction to Discount Types

Before we talk about discount tactics and the Blockchain, let's know more about the most common discount types, summarized below:

Dollar or Percentage Off: This discount type is the most standard and widely used, simply offering a reduction on the original price, such as \$25 off or 20% off. These discounts can be placed on specific products or applied to an entire order.

BOGO: Short for, "Buy One, Get One," this discount type prompts customers to purchase additional items. Examples of BOGO include, "*Buy One, Get One Free*" or "*Buy One, Get 50% Off the Next Item.*"

Quantity Discounts: Quantity discounts encourage shoppers to increase their order value to a specific threshold to receive a discount. For example, "*Purchase 4 items and get the 5th free,*" or, "*Receive 15% off your \$150 purchase,*" are considered quantity discounts.

Rebates: A rebate is an amount that's returned or refunded to customers after their initial purchase. Often used for large-ticket items, the most common form is a mail-in rebate. An example of this would be listing a price as, "*\$349.99 after rebate.*"

Free Shipping: Increasingly popular among online business owners, free shipping fully removes the shipping cost associated with any order from the customers. Many merchants offer free shipping for a certain order amount, such as "Free shipping when you spend \$49.95."

Buy Back Discount™ (Geopay.me Asset): This amount is stored in a Blockchain asset, offered by the merchant to customers, the asset value is then returned to the merchant, while the customer receives the instant discount.

How Discounts Impact Consumer Behavior

Beyond appealing to the notion of helping shoppers save money on an item, discounts also have an impact on how consumers interact with your products and brand.

Discounts Assume Trust

Consumers overwhelmingly trust that an offered discount is a legitimate reduction from the original price. In other words, you could technically raise the price of an item by 20%, then turn around and offer a 20% discount, but consumers very rarely consider this possibility. This assumed trust in your discount leads to a feeling of excitement towards your offer.

Discounts Reduce the Propensity to Search

Studies show that the offering of a coupon or discount can dissuade consumers from searching for other offers³. This is because discounts create a sense of urgency to purchase, which distracts shoppers from looking for other options. This impact on consumer behavior is particularly important for online businesses, in which price comparison shopping is rampant thanks to the wide availability of competitors in the digital space.

Discounts Create a Sense of Urgency

Discounts entice shoppers to purchase sooner. This can be attributed to the idea of scarcity, in that consumers understand that there aren't always discounts available to help save money. Urgency is a critical element in moving customers past the purchase threshold, and can be aided with your marketing communications – for example, including “One day only” or “Last chance!” messaging helps remove any purchase hesitations that may be holding customers back.

Discounts Stimulate “Reward Activation” in the Brain

Neuroscientists have studied how our brains make decisions about what we're willing to spend for a product or service. For example, when subjects view luxury products being sold at full price, both the nucleus accumbens and the anterior cingulate regions of the brain light up, showing the pleasure of anticipatory reward mixed with the conflict about buying such an expensive item. But when consumers are shown the same products priced at a significant discount, the “conflict” signal decreases as the reward activation simultaneously goes up.

³ http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1934762

Consumers Learn to Expect Discounts

One downside to coupons and discounts is that they train consumers to expect them when making a purchase. This expectation often prevents shoppers from purchasing items at regular price, and encourages them to look for competitor discounts. In the realm of ecommerce, this expectation is becoming increasingly true with free shipping promotions. A Blockchain prevents customers from only purchasing with a discount, a Blockchain asset strategy like the Buy Back Discount© plays an important role in a discount campaign.

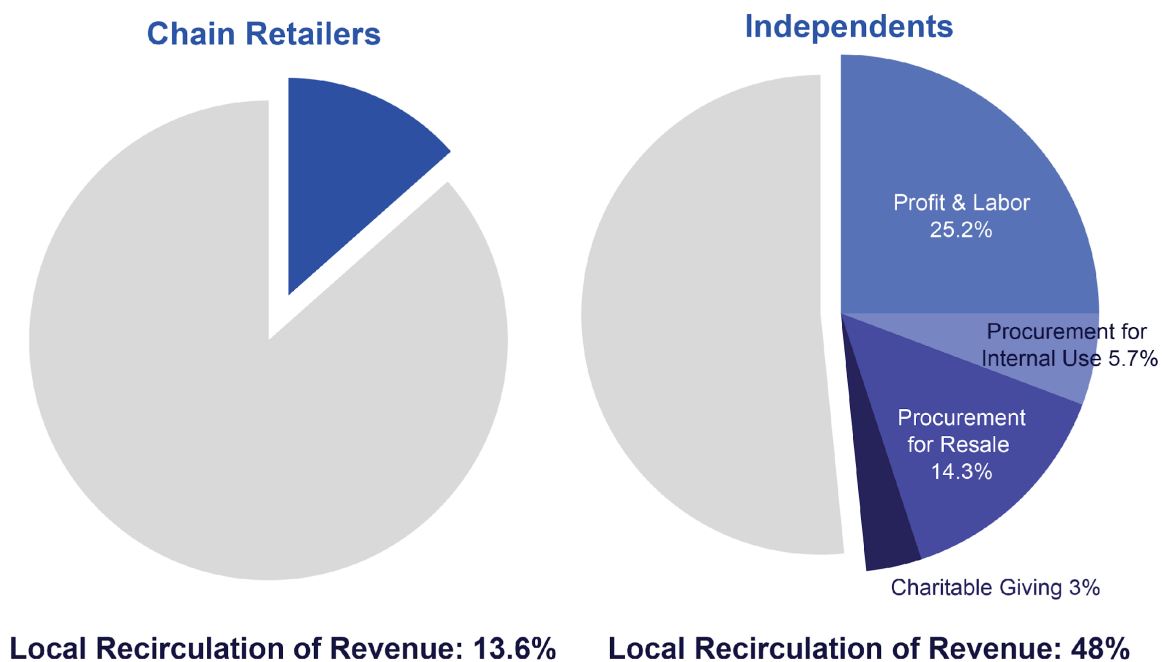
Important: Don't forget that traditional discounts can easily eat into profit margins, so always crunch the numbers internally before launching or testing any type of discount campaign.

WHAT Is The GEO Credit Vision?

Geo Credits' are a local community reward/currency⁴. Federal (Fiat) currency is exchanged for GEO at local and online participating partners and spent at any locally owned participating businesses. The circulation of GEOs encourages capital to remain within a local business community, building a greater affinity between the local business community and its citizens.

⁴ [BerkShares – Money in the Hands of the Local Community – Bristol](#)

Local Economic Return of Indies v. Chains

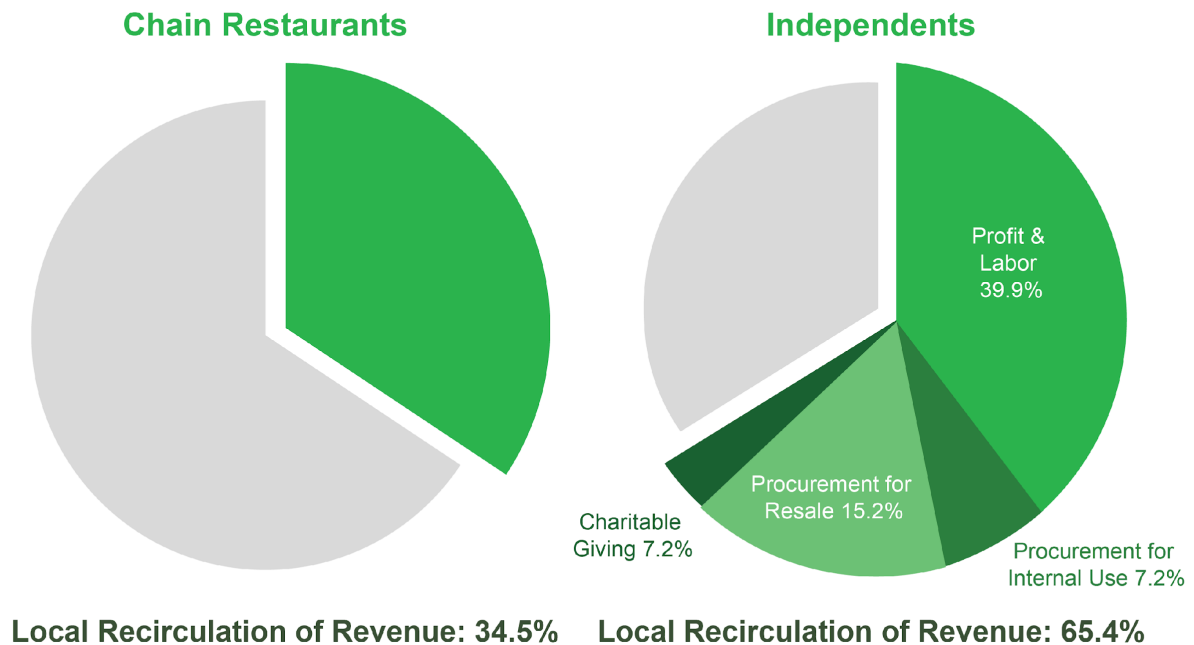


*Compiled results from nine studies by Civic Economics, 2012: www.civiceconomics.com
Graph by American Independent Business Alliance: AMIBA.net

Like the local currencies widely used throughout the early 1900s, GEOs’ can serve as a tool for community economic empowerment, and development toward regional self-reliance. GEOs’ are meant to maximize the circulation of goods, services, and capital online and locally, thus strengthening the local economy. Like local currencies, a common place during the early 1900s, community currencies⁵ like the GEO are being recognized as a tool for sustainable economic development. The GEO Credit distinguishes the local businesses that accept the GEO from those that do not, fostering stronger relationships between the responsible business community and the citizens of the community. The people who choose to use the GEO make a conscious commitment to buy local, and in doing so take a personal interest in the health and well-being of their community by laying the foundation for a truly vibrant, thriving economy.

⁵ [Local Currencies Program ~ Schumacher Center for New Economics](#)

Local Benefit of Indie v. Chain Restaurants



*Compiled results from nine studies by Civic Economics, 2012: www.civiceconomics.com
Graph by American Independent Business Alliance: AMIBA.net

GEO Credits (Wallet)

GEO credits is a Merchant and Consumer internal payment method used to limit transaction costs, payment times and prevent credit card fraud. When using geo credits, minimal transaction costs are added to your order, and your payment is always instant.

The benefits of GEO Credits

- Fast transaction times.
- Minimal transaction costs and wait times when ordering.
- Top up your account with GEO Credits and prevent Credit Card fraud. When a merchant uses their credit card to buy GEO Credits, the credit card purchase goes through a 5 step verification process before the transaction is approved and the GEO Credits become available in the member's account.
- GEO credits can't be withdrawn but can be converted to other reward values within the merchant network.
- Each merchant issues their own GEO Credits within the GEO Network thus making it easier to process their Credit Card merchant accounts (i.e Stripe, Paypal, UnionPay).

- The GEO Merchant Network charges a small fee to facilitate the transaction and hosting of the ecommerce infrastructure. The Primary platform is offered to merchants in WordPress and WooCommerce.

GEO Members Network⁶

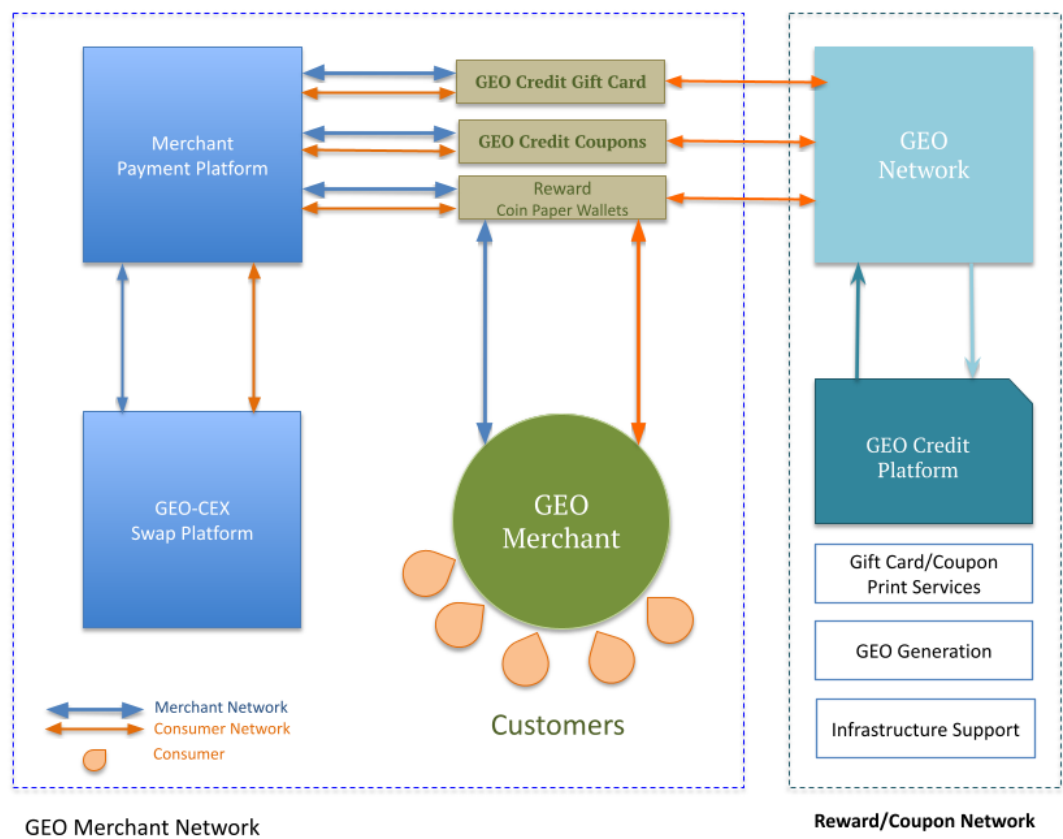


Image 1.0

Sample Coupon/Gift Card

⁶ GEO Credit Letter designation (GEO)

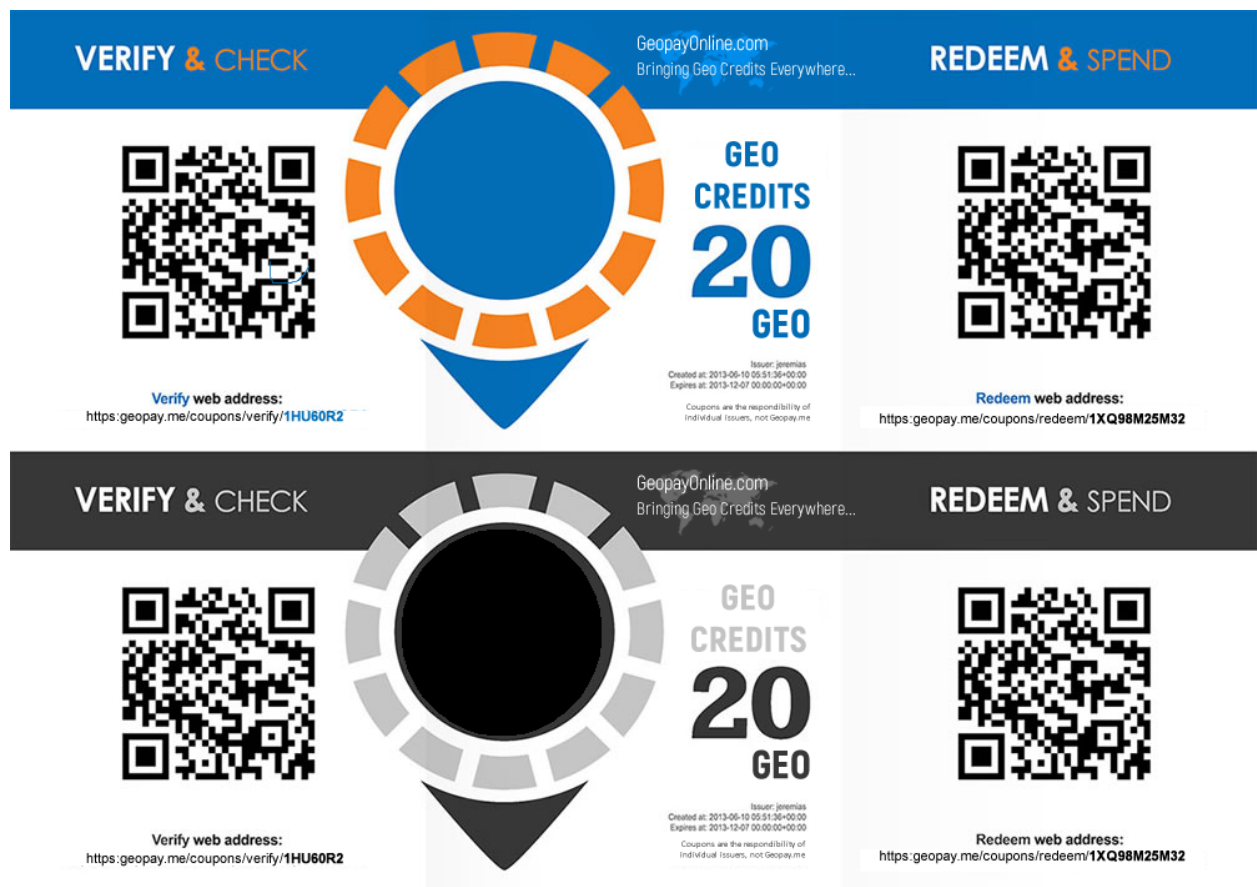


Image 2.0

Conclusion:

Discount rewards affect a corresponding behavioral dynamic and economic outcomes between brand merchants and consumers in any economy. A unified, closed-loop internal credit system and verified coupon/discount/reward clearing function is an integral part of consumer/merchant adaptation. It is also an applied use of blockchain verified discounts in commerce; reducing system-wide fraud, increasing liquidity and speeding transaction times. Multivariate discount type options and machine learning also support optimal merchant offers/performance and can improve individual purchase decisions made by consumers (in light of the fact that 90 percent of buying behavior is unconscious). These system goals are not mutually exclusive. Ultimately, participating brand merchants gain value and loyal customers at a higher rate. The GeoMembers Network fulfills consumer convenience/satisfaction and profitable merchant sales (for merchants of any size) while competitively boosting lifetime value and return on marketing spend.