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The Limits of Rational Choice: How Behavioral Economics Reveals Environment-Specific Strategies to Sales Growth in Offline and Online Retail Markets

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Abstract

This paper critiques the neoclassical model of consumer behavior, which rests on assumptions of rationality, perfect information, and stable preferences, and argues that it fails to account for the realities of modern purchasing. Behavioral economics offers a more robust framework by integrating psychological insights, cognitive biases, and environmental influences that drive decision-making. Drawing on a targeted review of empirical research in behavioral economics and retail marketing, this study compares the application of behavioral principles across offline and online contexts, emphasizing that while both share foundational mechanisms such as loss aversion and the endowment effect, their expression and effectiveness are context-dependent. Offline retail leverages sensory immersion and direct product engagement, whereas online retail depends on trust, personalization, and digital interactivity. These findings highlight the inadequacy of uniform approaches to marketing strategy and demonstrate the need for environment-specific applications of behavioral economics that capitalize on each platform's strengths, mitigate inherent limitations, and enhance consumer engagement, sales performance, and long-term competitive advantage.

Keywords: Behavioral Economics; Consumer Behavior; Offline Retail; Online Retail; Marketing Strategy