

RECOMMENDATIONS FOR LOCAL BUSINESSES BASED ON THE “NUDGE” APPROACH

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Abstract. The “Nudge” strategy, which analyzes the effectiveness of local businesses, directs human behavior through soft nudges, while maintaining freedom of choice, urging customers to make the right decisions. For local businesses (small shops, cafes, service centers), this approach is important as a low-cost marketing and sales growth tool. The article presents the principles of “nudge”[1], international experience, social cues and visual nudges, as well as recommendations for their implementation in the context of local business. As a result of the study, the choice architecture, standard options and social proof significantly change customer behavior, increase sales and strengthen customer loyalty.

Keywords: Nudge, choice architecture, local business, soft nudges, customer behavior, marketing strategy.

Introduction:

In today's competitive and rapidly changing market conditions, improving the efficiency of local businesses has become an important issue. Local businesses, namely small and medium-sized shops, cafes, service centers, regional manufacturers and other local entities, often operate under limited resources, small marketing budgets and competitive pressure. Therefore, it is urgent for them to solve the tasks of attracting customers, increasing sales and forming a loyal customer base through low-cost and effective means.

One of the approaches that has been studied in the fields of economic psychology and behavioral economics in recent decades is “Nudge” (soft motivation) — it is very suitable in such situations. The “Nudge” approach, developed by Richard Thaler and Cass Sunstein [2], is based on the concept of directing human behavior in a positive direction through gentle motivation, without forcing it. Based on this approach, while maintaining the freedom of choice of buyers, their decisions and behavior can be significantly controlled. In the context of local businesses, the effectiveness of “Nudge” is manifested in several aspects. First, it helps to increase sales. For example, the appearance of a product or service in the window, “most selected” or “recommended” signs significantly affect the choice of buyers. Second, with the help of nudge, customer loyalty can be strengthened. Incentives to return customers through a bonus system, points, discounts or limited offers, long-term forms loyalty. Thirdly, the “Nudge” approach allows you to improve the shopping experience. With the help of a choice architecture, visual nudges and intuitive navigation, the process is made convenient and easy for the customer. At the same time, this approach increases the effectiveness of the marketing strategy - with a small budget, you can increase the number of customers and improve the brand image.

In recent decades, the “Nudge” approach has been implemented in different countries, in businesses of different levels, including local ones, and has shown positive results. Studies show that directing customer behavior through soft nudges, without forcing them, is effective in increasing sales and strengthening customer loyalty. In small stores and cafes, placing



products based on a choice architecture - placing the most popular or recommended products at eye level, distinguishing them with bright signs - has a significant impact on customer decisions. International studies show that such visual nudges increase product sales by 10–30% [3]. (McKinsey & Company, 2023) Nudges such as bonus systems, discounts, and points accumulation encourage customers to come back. For example, when a reward points system is introduced in small cafes and restaurants, the customer return rate increases by 15–25% increased. At the same time, research shows that nudges have a long-term impact on shaping positive customer behavior, if they are used regularly and the results are analyzed. (Harvard Business Review, 2024). With the help of choice architecture and intuitive visual nudges, the shopping process becomes convenient for customers. For example, in online stores, step-by-step guidance and recommendations during the ordering process increase the speed of shopping and customer satisfaction. This, in turn, strengthens customer loyalty and brand image. (PMC, 2021)

For local businesses, nudge is a low-budget yet highly effective marketing tool. By presenting products, services, and discounts in a psychologically tailored way, it increases customer engagement and builds brand trust.

There is currently some interesting work being done based on nudge theory. This allows us, as a local business or other organization, to consider ideas that we can adapt to our own industry, for example, one study showed that personalized nudges using Large Language Models (LLMs) can increase voluntary carbon offsetting in air travel — a percentage increase of 3-7% and an estimated annual additional ~2.3 million [4] tons of CO₂. Another study: Using LLM-based nudges to reduce daily water and energy Intentions to reduce consumption have been found to increase by up to 18%. At the state and policy level: “soft” nudges and “boost” approaches — such as avoiding impulse purchases by ordering food in advance — encourage environmentally friendly behavior. Why is this useful? Resource conservation and increased “green” behavior are also an opportunity for businesses, which means we can reduce costs, create an image of sustainability, and have a positive image among consumers. Nowadays, nudges are also widely used in the medical field, for example, it is not new that clinical systems have achieved better results by making generic prescribing the default choice, and in educational and healthy lifestyle programs, participation and behavior are increasingly being implemented using nudges, and this is increasingly effective. One of the most important aspects of it is that in local businesses, especially in the health, beauty, fitness, and food industries, nudges are used to guide customers, for example, “sign up for a check-up today,” “choose healthy food.” This has a positive impact not only for business, but also for the health of society.

Social services and public policy are also bearing fruit, for example, the Behavioural Insights Team (UK) sent a message to encourage tax payment that “90% of people around you pay their taxes on time” – simple but effective. Ministry of Health (Saudi Arabia) The Ministry of Health has also released a “Behavioural Toolkit for Health” document, in which nudges are being actively used in areas such as antibiotic prescription, vaccinations, and child health checks. Importantly, such national-level examples show that the nudge approach can also be adapted for use in small businesses or local organizations.

Another interesting aspect is that in online shopping, customers are being nudged with social trust and scarcity signals such as “only 5 left” and “someone else is looking at it now” to buy products, and this is also effective. These examples show you how you can turn a product or service into a “simpler choice”. For example, you can put the most useful or most popular



product in your store at the top and display it with the inscription “many people chose this product”, which is also one of the nudge methods.

In conclusion and suggestion, it can be said that today the nudge approach is actively used in various fields, including the environment, health, digital business, public services. As a local business, we can also change the choice architecture and make it easier for customers to act in a good way.

List of used literature:

1. Nudge: Improving Decisions About Health, Wealth, and Happiness by Richard H. Thaler and CassR. Sunstein.
2. Misbehaving: The Making of Behavioral Economics by Richard Thaler.
3. "Nudge Theory in Action: Behavioral Design in Policy and Markets" by Sherzod Abdukadirov (editor).
4. Nudging by Rhys Jones and Mark Whitehead. (2024).