

When scarcity is a good thing

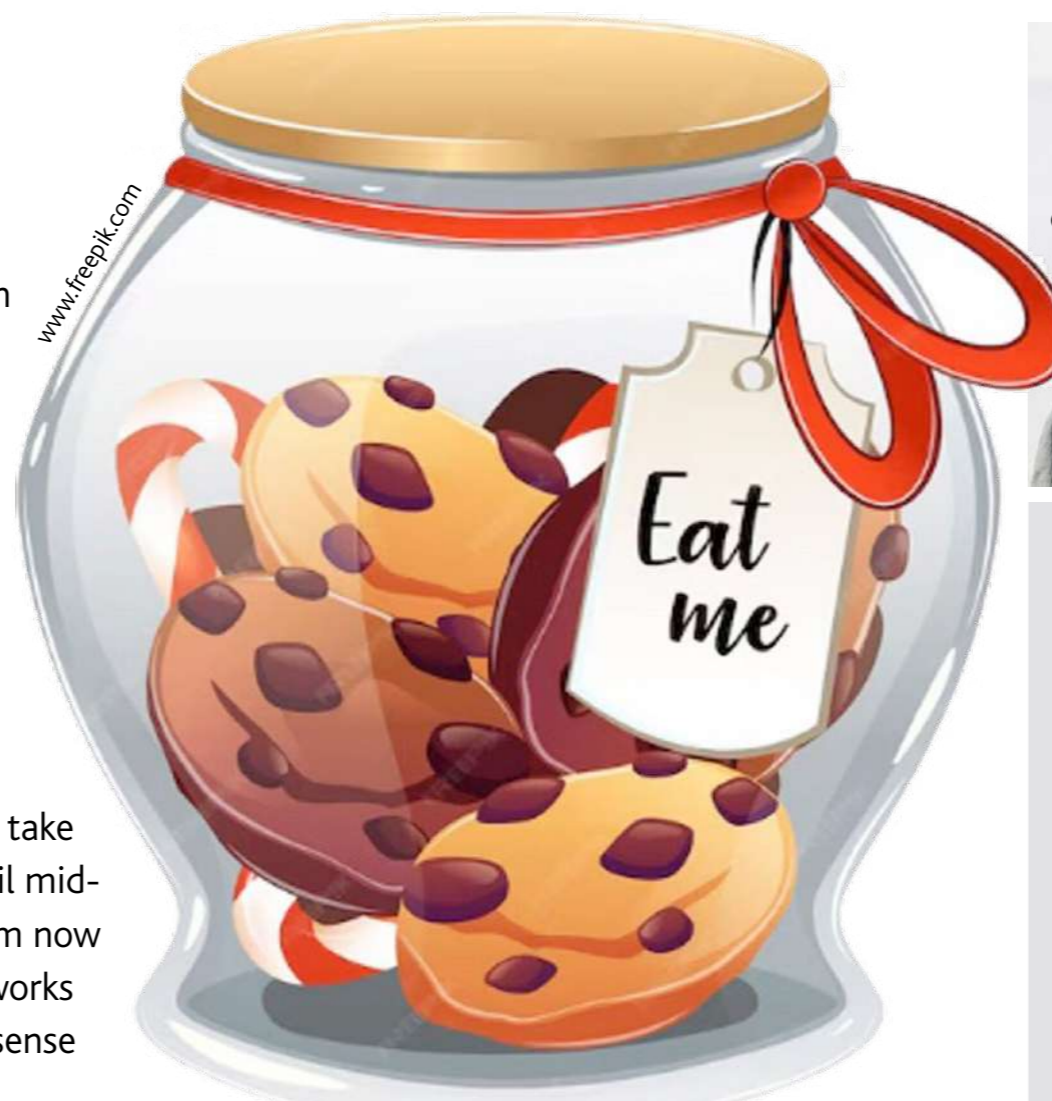
This is a series on how behavioural economics and 'being human' affects your business.

You've just had a really exhausting day when nothing seems to have gone right, and you finally finish off your work and household. Just to distract yourself, you get onto your favourite social platform and start doom-scrolling. Suddenly you see an advert for a productivity app that promises you an extra 90 minutes a day for yourself. "Hmm," you think to yourself, "suspicious timing, but let me look in more detail."

And then there's the clincher that gets you to take out your credit card: "Special Offer 50% off until midnight." Or, "Buy this home entertainment system now and don't start paying until after Easter." It all works very powerfully, and it usually leaves us with a sense of excitement similar to winning at a casino. It gives a small dopamine boost that lasts for a very long time.

With Black Friday now just a distant memory for most, but with Christmas and 'back-to-school' imminent, it's a good idea to take a look again at the power of incentives for customers, and one of these is the principle of scarcity.

In fact, famous psychologist Bob Cialdini, who wrote the definite work on the seven most impor-



tant principles of persuasion, highlights the principle of scarcity as one of the most formidable behaviours. The main reason? When an item is limited, or there is a time deadline, the perceived value increases. One of the most famous studies was the 'Cookie Jar Experiment' where people were asked to rate cookies for their quality and desirability. They discovered that the jars where there were only a few cookies left inside were rated higher than those with plenty of cookies.



Bob Cialdini

7 principles of persuasion

How do you apply scarcity ?

Scarcity is applied to prevent procrastination, this can be done by working with daily/weekly deals, limited time, limited stock, exclusivity or a limited number of places.

How do you apply authority ?

Show that you have authority by associating with famous people, labels, awards, claims, titles, experience and/or knowledge.

How do you apply social proof ?

Show reviews and ratings, show how often a certain action has been done or create a top 5 of popular products.

How do you apply likability ?

Have a good about-us page, be vulnerable, use humour, create positive brand associations, emphasise similarities or make sincere compliments for example.

How do you apply reciprocity ?

You can apply reciprocity by doing something of value for the other person or giving them something. Think of giving a gift, e-book, training, checklist, free trial, etc.

How do you apply consistency?

You can capitalise on consistency by, for example, showing an exit-intent or welcome-back pop-up, placing a trigger on the thank-you page to get a new conversion or perhaps adding an option to save something as a favourite.

How do you apply unity ?

Unity can be applied by constantly reminding your target audience that they are part of a community.

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Most retail brands entice customers to buy with variations of exclusive promo codes, and most of these relate to some form of scarcity. But scarcity is usually a rather negative thing: The fear of losing something is a very powerful motivator for us humans.

But what if there was a positive side to scarcity? Can you frame the traditional view of scarcity in a positive light, and take away the fear and possible regret, in order to boost sales? How can you turn loss aversion into excitement?

www.youtube.com/@Bokamamba



Some form of engagement with your customers, where they feel more involved, makes it irresistible. How can you do that? Preview days for loyal customers help. Giving them insider access to a special mini launch can make a difference.

For example, if you can draw in your customers with a sense that they are now in a special and exclusive club (think about what you do with your loyalty card). That can give them a positive boost. But it's not enough to just end there. If you continue the process by having some form of engagement with your customers, where they feel more involved, that makes it irresistible.

How can you do that? Preview days for loyal customers help. Giving them insider access for example to a special mini launch can make a difference. Reminding them about how much they have saved in total on every slip they get after every transaction is huge. I see it on my own slip every time I shop at my local supermarket, and it says, "Since joining you have saved R6 364 with XXX savings."

Another variation of this is when it comes to seasonal products, such as the autumn pumpkin spice flavour that a large American coffee franchise offers in the USA. Everyone knows it will only be there for a few weeks and takes advantage of that.



The result? Coffee sales dramatically boosted. By the way, since seasons are reversed here in the southern hemisphere, why aren't we doing something similar? I'd love to see a peppermint crisp or ginger flavoured coffee in July when it's freezing cold in Joburg.



Scarcity: The Second Universal Principle of Persuasion
Simply put, people want more of those things they can have less of. When British Airways announced in 2003 that they would no longer be operating the twice daily London–New York Concorde flight because it had become uneconomical to run, sales the very next day took off.

Notice that nothing had changed about the Concorde itself. It certainly didn't fly any faster, the service didn't suddenly get better, and the airfare didn't drop. It had simply become a scarce resource. And as a result, people wanted it more.

So when it comes to effectively persuading others using the Scarcity Principle, the science is clear. It's not enough simply to tell people about the benefits they'll gain if they choose your products and services. You'll also need to point out what is unique about your proposition and what they stand to lose if they fail to consider your proposal.

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Another possibility is to give special customers access to 'rare' or desirable products and services. This sounds expensive, but it doesn't have to be. You can imagine my surprise and delight when the cashier at another branch said to me, "I see you are a pensioner. Today we are giving every pensioner a free cappuccino and a muffin." And she handed me a voucher which I took to the coffee stand at the entrance.

When anchovy paste was discontinued by the manufacturer a couple of years back, I had a conversation with Jaco, the branch manager at my local. He was very diplomatic, but there was no denying that it was just because the manufacturer

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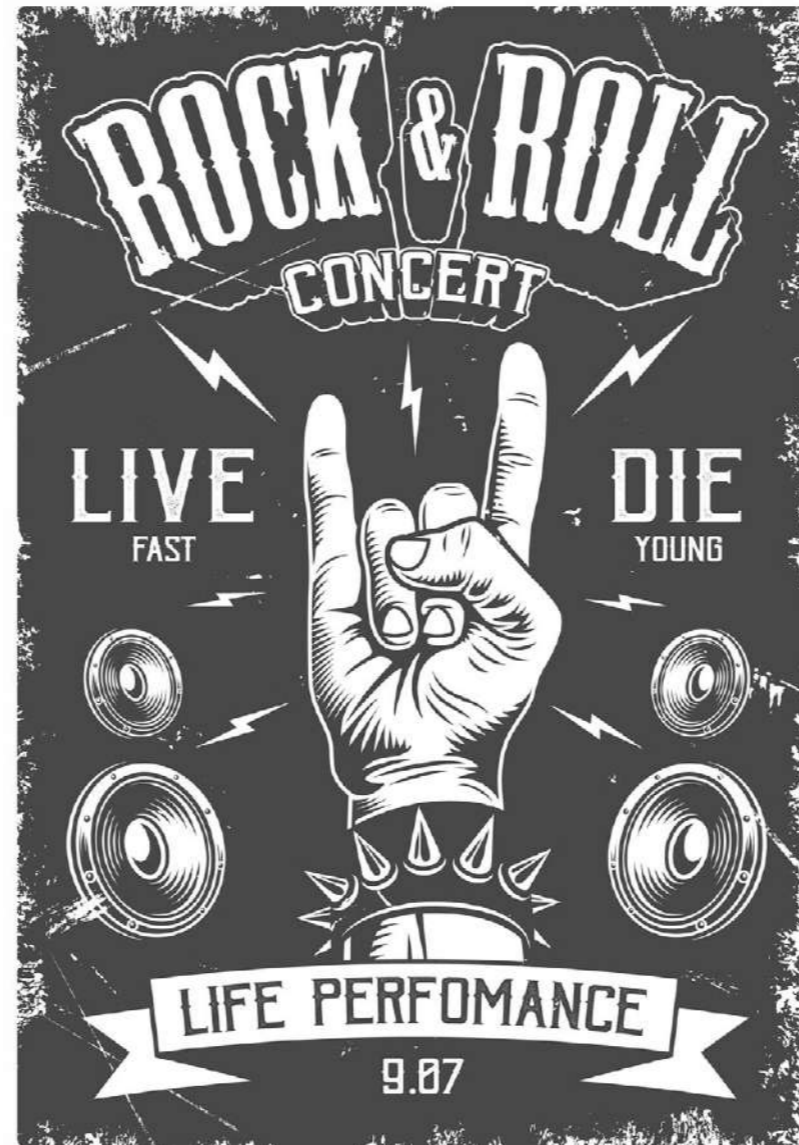
was greedy. Once again, I don't know how or when, but next time I popped in he offered me three of the last bottles and said I could hoard them. Thankfully, the company relented, and I see the stinky fishpaste is back again.



Jeremy Maggs and his precious loot. www.dailymaverick.co.za/

I've also previously written about the power of nostalgia, and if you can combine that with exclusivity and scarcity, you are bound to win.

At some point a few years ago, a butchery chain that is more than 100 years old itself, a true legacy brand, used Tuesdays, pensioners' day, to not only



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offer a 5% discount, but to also bring in other cues to make their business more attractive. The music was rock and roll from the 1960s, and the announcer was dressed in suitable fashion. (Did we really dress so badly when I was young?!) They played themes and adverts from those days, and there were even old posters from movies from those days, and copies of newspapers with the prices we used to pay then. A hamburger from my favourite joint was 15c, and the upside down ice-cream called "Chico the Clown" was 6c!

Not only did it encourage immediate increased purchases, but it also helped you remember back to happier times in your life when you were young and handsome and having the time of your life.



A final example: Not sure about you, but I'm sometimes a bit resentful when retailers start advertising Christmas in mid-October. It just sounds greedy to me. But a small

jeweller in my neighbourhood strip mall changed my perception of this. She put up a notice saying something like, "You know how things just before Christmas are a huge rush? Let me help you check off your gift list early, and I'll also give you a great deal while you are at t." Completely changed my perception.

So I'm not disparaging or demeaning the conventional scarcity principles that retailers use to boost sales. You can and should use it ethically. But if you can also include some elements of excitement, adventure, nostalgia, gratitude and other positive emotions, your customers will feel that and reward your business. **SR**



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