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Book excerpt: The Business of Choice: Marketing to Consumers' Instincts

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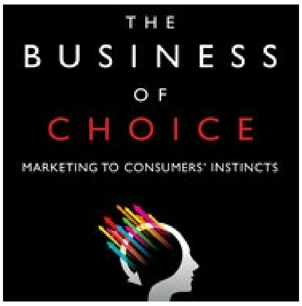

The Business of Choice: Marketing to Consumers' Instincts, by Matthew Willcox, 256pp, March 2015, Pearson FT Press

By Matthew Willcox

This section was excerpted from chapter 8 of "The Business of Choice: Marketing to Consumers' Instincts," written by Matthew Willcox

People's fear of missing out is probably most present when people feel that something may be scarce.

"Whatever is rare, uncommon or dwindling in availabilitythis idea of scarcityconfers value on objects, or even relationships," Robert Cialdini, Regents' Professor Emeritus of Psychology and Marketing at Arizona State University, and author of the international best-seller "Influence: The Psychology of Persuasion." On the telephone, people are less likely to remain on hold if they are told, "someone will be available soon" rather than if they are told that "all agents are busy." The first scenario suggests the service is unpopular; the second makes people wait for hard-to-come-by, or scarce, service.

One of Robert Cialdini's "six rules of influence" is the scarcity principle, according to which people assign more value to opportunities when they are less available. Scarcity, or sense of rarity of some sort, should be implicit in every luxury brand's narrative. Cues of scarcity can come from descriptions of precious materials or from manufacturing processes that clearly can't keep up with demand ("handmade by a dying breed of artisans in ateliers in the Pyrenees"). Or even blatant marketing approaches such as "limited editions" or time-limited offers where we might know rationally that the scarcity is artificial, but our instincts get the better of us. Ferrari's famous approach of making one car less than anticipated demand is a brilliant application of the scarcity principle. Digital environments provide great opportunities to communicate scarcity in real time. If you book flights online, you have probably noticed more and more airlines informing you that there are "only two seats remaining at this price." This is very likely an effective tactic, prompting choosers to be decisive in favor of that airline. But airlines are proof that you have to handle scarcity carefully. In the past they have come under criticism for using the scarcity created by the high demand of peak time traveling periods to ramp up prices. This can lead to inequity aversion, which as we saw in Chapter 5, "Getting Familiar," can lead to people walking away from a brand.

The premium spirits market is reliant on products with built-in appeals to scarcity. A "12 Year Old" whiskey is, by definition, a limited supplyyou can't turn the clock back and make another batch.

Beam Suntory (or Beam Inc. as it was called, before its takeover by Suntory in early 2014), owner of Laphraoig, Courvoisier, Sauza tequila, Jim Beam, Maker's Mark, Knob Creek, and many other fine spirits know this very well. Knob Creek is aged nine years (significantly more than the legally required minimum of two-years aging for bourbons) and their volume forecasts for 2009, which determined their production in 2000, were way below what demand turned out to be. (Personally, I put this down to the launch of the TV series Mad Men in 2007 and the lead character, Don Draper's affection for the bourbon-based cocktail, the Old Fashioned. But this may be a case of a self-serving bias, leading me to see my occupation as more influential than it really is. The growth of export markets is probably a more important factor).

Matthew Willcox is executive director of the Institute of Decision Making at FCB

In 2007 the team at Maker's Mark planned production for their six-year aged brand. Like Knob Creek four years earlier, Maker's Mark didn't have enough inventory to meet drinkers' demand. (I'll continue with my Mad Men hypothesis2007 was the year the first season startedby 2013 it was a global phenomenon, and a tastemaker for anyone likely to be drinking premium spirits.)

Each brand took a very different approach to deal with its respective short-age. The typical reaction of most marketers to having no product to sell would be to reel in marketing and advertising spend to an absolute minimum. In 2009 Knob Creek did the oppositerunning a campaign to celebrate their supply shortage. Ads showing the last drops being poured from an empty bottle ran with a headline saying, "Thanks for nothing." The brand's most loyal drinkers were given T-shirts that said "I survived the drought of 2009" and a letter that thanked them for creating the "situation' here at the distillery" which had led then to running out of Knob Creek. The well-crafted letter went on to reassure them that normal service would return soon without any compromise to quality:

Keep in mind that our next batch will be fully matured and ready to go this November (we'd bottle it now to boost supply, but then it wouldn't be aged a full 9 years, and it wouldn't really be Knob Creek).

The letter closed with a final nod to scarcity to stoke anticipation for the new batch.

Now, hang in there and cherish every drop of Knob Creek like it's the last, because, well, it could be. Until November anyway.

While not having access to sales figures, my guess would be that this approach helped Knob Creek become an even stronger brand when the drought ended and supply and demand were realigned.

Maker's Mark took another route. Realizing that it wouldn't have enough spirit to meet demand, it came up with a strategy to help it boost supply by 6%. Bill Samuels Jr., the son of the brand's founder, announced on February 11, 2013, that they would dilute the spirit from 45% alcohol (90 proof) to 42% alcohol (84 proof). They insisted that drinkers wouldn't notice the change, as "even Maker's Mark's professional taste testers couldn't tell the difference."

One week later, after considerable outcry from their customers, Samuels announced that they were reversing the decision. He noted, in a letter that was posted online:

The unanticipated dramatic growth rate of Maker's Mark is a good problem to have, and we appreciate some of you telling us you'd even put up with occasional shortages.

Even for the brand's loyal drinkers, waiting was a preferable option to dilution.

This apparent discrepancypreferring to not have something instead of having a lesser versionreveals another interesting aspect of scarcity. We talked about our desire for "now" earlier in the book, and we'll see later how we find it difficult to muster the self-control to put off consuming things immediately, even when there are benefits in the delay. When a product is in limited supply and people accept that they have to wait, the result can have a surprising emotional upside.

Anticipation is a powerful force. While the anticipation of bad things is often more stressful and painful than the event itself, the anticipation of something positive often trumps how we feel about the actual experience.

Researchers from the Netherlands looked at this phenomenon by measuring the happiness of a sample of "vacation-takers," and compared them to a control group of people who were not taking a vacation over the period of the research.

The broad finding was that the vacationers appeared no happier than the non-vacationers, but they were happier during the period where they anticipated the vacation. Jeroen Nawijn, who led the research, said in an interview with The New York Times:

The practical lesson for an individual is that you derive most of your happiness from anticipating the holiday trip.... What you can do is try to increase that by taking more trips per year. If you have a two-week holiday you can split it up and have two one-week holidays. You could try to increase the anticipation effect by talking about it more and maybe discussing it online.

While every product experience isn't as much fun to anticipate as a vacation, there are a couple of interesting take-away points for marketers here. As Mr. Nawijn suggests, anticipation is increased by discussion, so encouraging potential choosers to discuss what they will do with your product could be a way to increase emotional engagement. Another point is that breaking an experience down comes with emotional benefits. Two one-week vacations will yield more overall happiness than one two-week trip. How can marketers make one block experience of your product a number of smaller or shorter ones?

I think of scarcity almost as a super food in the world of influence strategies. It does many different things. It makes a product seem superior, because it suggests demand outstrips supply. It carries implied social proofbecause we figure that if something is scarce, demand must have been high. For example, the opening line of the Knob Creek ad I mentioned earlier reads, "You see, because we have so many loyal customers out there, demand for Knob Creek Bourbon has finally outstripped supply." Scarcity has the power to get people to think about future consumption and, through anticipation, experience it in a positive and emotional way. By appealing to our fear of missing out, scarcity drives action. Not bad for something that has its origins in human nature and our intuitions around loss.

Matthew Willcox is executive director of the Institute of Decision Making at FCB, San Francisco. Reach him at matthew.willcox@fcb.com.

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