Developing a Deeper Understanding of Scarcity: Contextual and Individual Influences on Demand Scarcity

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Abstract

In this paper, we investigate mechanisms associated with scarcity resulting from public demand not met by supply: demand scarcity. We examine individual and contextual influences on demand scarcity. In four studies we find: 1) Consumers use visual scarcity cues to infer information about products; 2) Consumers’ dependence on demand scarcity as a heuristic is particularly effective in low-involvement choices; 3) “Need for uniqueness” independently influences subjects’ use of scarcity information and their choices about scarce products, and 4) The effect of uniqueness decreases as the ubiquity of demand scarce products is made salient.

Aristotle summarized the underpinnings of scarcity when he stated, “What is rare is a greater good than what is plentiful.” This phrase captures the fundamental elements of commodity theory (Brock 1968) and expresses the robust effect that scarcity has on human behavior. Marketers, having reached the same conclusion (albeit more recently), leverage consumers’ desire for scarce products by implying that access to them is limited. Implications of scarcity embedded in advertising language like “time’s running out,” “limited edition,” or “while supplies last” impel consumer action.

Though well-known and intuitive, scarcity is not a simple construct; research in consumer behavior has highlighted a variety of psychological mechanisms that give rise to scarcity effects (see Lynn 1992). A few examples include reactance, whereby people resist restrictions on their choice (Brehm 1966), social proof (coined “bandwagon reasoning”) in which consumers rely on others’ opinions as a cue for the value of a product or service (Worschel, 1975), and uniqueness, the innate human drive to attain social status by possessing a largely unavailable resource (Veblen 1904).

Though the literature effectively demonstrates types of scarcity and underlying mechanisms, to date there is no overall framework that discusses which mechanisms correlate to specific scarcity appeals. We are initiating the formulation of such a framework with such questions such as: What are the relative effects of reactance and uniqueness for time scarcity appeals (e.g., “time’s running out”)? And, to what extent, if any, does social proof influence supply-generated scarcity (e.g., “limited edition”)? In this paper, we focus our attention on mechanisms associated with scarcity resulting from public demand not met by supply: demand scarcity.

While it has been assumed that people typically use scarcity information as a heuristic cue for value, recent research challenges that assumption (Brannon and Brock 2001). We contend that consumers do use demand scarcity information as a heuristic. We further argue that a social-proof mechanism drives the effect of demand-scarce information, and test Worschel et al. (1975) “bandwagon reasoning” which predicts that scarcity resulting from public demand informs the value of the product. In other words, consumers use relative demand to assess a product’s worth by inferring that fellow consumers’ demand implies value.

We also examine how presumptions of uniqueness influence the effects of demand scarcity. Consumer need for uniqueness is defined as “an individual’s pursuit of ‘different-ness’ relative to others…achieved through the acquisition, utilization, and disposition of consumer goods for the purpose of developing and enhancing one’s personal and social identity” (Tian et al. 2001). Since demand-scarce products endow their possessor with uniqueness, we hypothesize that consumers who desire such personal uniqueness will be more likely to desire products that are highly desired by others (and thus scarce). However, the reality of scarcity is realistically moderated by how much of the product already has been sold in the marketplace. When a product already is owned by many others, those concerned with uniqueness should no longer desire it.

Our initial study establishes that people use visual scarcity cues to infer information about products. We presented participants with a hypothetical shopping scenario in which they were asked to choose between two clocks. One clock (the target) was pictured as either scarce or abundant. The comparison clock was always pictured as abundant. We crossed scarcity with the manner of display. In display conditions, clocks were arranged like a typical display of merchandise; in inventory, clocks were arranged like “backstock” (i.e., inventory a store holds of a product). We found that scarce clocks were preferred to abundant clocks, but only when clocks were shown as “inventory”. We surmised that participants were using inventory information coupled with scarcity as a cue for public demand.

Study 2 supports the idea that people use scarcity information as a heuristic. We used the “scarce inventory” condition from Study 1 and gave participants either information that the clock was selling quickly (demand manipulation) or no information (control). We crossed the manipulation of information with level of involvement, where participants were either highly involved in the choice (they could receive the clock as a prize) or less involved (the choice was hypothetical). We found participants who were highly involved in the choice use demand information significantly less than those who were less involved. In short, we show that consumers’ dependence on scarcity as a heuristic is particularly effective in low-involvement choices.

In Study 3 we test how a need for uniqueness influences preferences for scarce items. We primed participants with either uniqueness-related or conformity-related information. Then we showed participants the “scarce inventory” condition from Study 2, again mentioning that the clocks were selling quickly, and asked respondents which clock they preferred. We found the uniqueness prime increased preferences for a demand-scarce clock. The results indicate that consumers predisposed to maintain their sense of uniqueness were more susceptible to social proof cues.

Finally, in Study 4 we tested the prediction that the influence of uniqueness found in Study 3 could be attenuated with the ubiquity of product ownership. We replicated Study 3’s effect of uniqueness on the (demand) condition which stated that the clocks were selling quickly. We also added a condition that told participants that the clocks were selling quickly and many have already been sold (demand ubiquity condition). Our results indicated that the preference for the demand scarce clock was diminished when the clock had already been sold to many others. Similarly, participants primed with conformity showed an increase in their preference for the clock that was owned by many.

We present contextual and individual factors that contribute to consumers’ responses to demand scarcity cues. The results corroborate the notion that consumers use visual scarcity to infer product worth and by extension choose scarce products. Moreover, consumers
motivated to maintain their uniqueness are more susceptible to social proof cues. Finally, the results confirm that demand scarcity is moderated (for participants who are motivated to maintain uniqueness) by whether subjects have information confirming that the product is scarce because many have units already been sold thus implying the ubiquity of the product.

How Consumers Are Affected by the Framing of Numerical Information
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Studies on consumer judgments have demonstrated that consumers may consider two options with different attribute levels (e.g., apartments that are 20 minutes versus 15 minutes away from campus) to be vastly different or vastly similar depending on contexts. In particular, research has thus far shown that contextual factors such as the range of the attribute levels (e.g., Gravetter & Lockhead, 1973; Janiszewski & Lichtenstein, 1999; Mellers & Cooke, 1994; Yeung & Soman, 2005), the frequency of the attribute levels (e.g., Niedrich, Sharma, & Wedell, 2001; Parducci, 1965), and their relative spacing (e.g., Cooke & Mellers, 1998; Mellers & Birnbaum, 1982; Wedell, 1994) can influence our perceptions. While these studies noted how the comparisons of two options are altered by changing their peripheral context—that is, what other options are presented in addition to the two target alternatives for comparison—few have attempted to address how our perceptions are shaped by the focal context—that is, the presentation of the two target alternatives themselves.

We proposed that for attribute dimensions that can be described in two equivalent frames (e.g., printing reliability vs. failure rate), the different attribute values associated with each frame (e.g., 97% reliability vs. 3% failure rate) could affect how we compare two options. Our hypothesis is that the presentation format of attribute information can affect the perceived difference between two options. That is, the perceived difference is amplified when the attribute is described in a large ratio frame than when it is described in a small ratio frame.

Two experiments were designed to test our hypothesis. In the experiments, the undergraduate students participated on a voluntary basis and were randomly assigned to one of the two presentation formats (small vs. large ratio). They were given a scenario that described two options differing on two attributes with a trade-off. The scenarios were essentially identical between the two conditions, except that the label and the numerical values of one of the attributes changed according to the presentation manipulations. After reviewing the information, the participants reported their evaluations of each option on each attribute dimension and their preferences for the two options.

In Experiment 1, we showed that when a pair of options are presented in a frame with attribute values in large ratio (e.g., printer A has a failure rate of 3% vs. printer B has a failure rate of 9%), consumers report greater differences in their attribute judgments than when the same pair of options are cast in a frame with attribute values in small ratio (e.g., printer A has printing reliability of 97% vs. printer B has printing reliability of 91%). Moreover, we also found that the preference between two options with trade-offs is altered by the ways the attribute information are presented. Generally speaking, we found that an option is more likely to be chosen when its superior attribute is presented in a large ratio format than when it is presented in a small ratio format.

In Experiment 2, we ruled out an alternative explanation of negativity bias. That is, the effects of presentation format on attribute perceptions are replicated even when positive attribute label is paired with large ratio frame and negative attribute label is paired with small ratio frame. Therefore, our findings cannot be explained by the valence of the attribute label.

In sum, we demonstrated that the same pair of options may appear similar or different depending on how their attribute information is presented. This contextual effect differs from others in that it does not require alternation in the options involved in the evaluation environment.

Contribution of the Concept of Identity to the Understanding of Responsible Consumer Behavior: Application to the Consumption of Fair Trade Products
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The responsible consumption is not easy to understand: it is a complex phenomenon and characterized by a large diversity of practices (Shaw, 2000; Newholm, 1999). Thus, I find it necessary to propose my own definition of responsible consumption as being ‘the set of voluntary acts, situated in the sphere of consumption, achieved from the awareness of consequences judged as negatives of consumption on the outside world to oneself, these consequences raising therefore not from the functionality of the purchases nor from immediate personal interest’ (Ozcaglar-Toulouse, 2005). The originality of responsible consumption as a research area, besides being various and sometimes surprising, is that it assigns to the consumption a significance that passes the only utilitarian aspects of the purchase. Yet, little research has been given in depth to understand the meaning consumers who declare themselves to be ‘responsible’ give to their consumption (Cherrier, 2005; Connolly and Prothero, 2003; Moisander and Pesonen, 2002).

Fair trade consumption can provide a rich analysis land. According to Foucauldian approach, fair trade products purchase associated with a political project (changing the current economic system) is a ‘politics of self’ (Foucault, 1978, 1980). It becomes therefore a way to affirm one’s own ideas and engagements but also a means to re-construct one’s identity. Instead of postulating a ‘fair trade purchase’ based on self-expression, the responsible consumption may be viewed as an existential choice. Focusing on the purchase of fair trade products as an illustration, this research studies how current social and environmental concerns about consumption are reviving the topic of meaning in consumption practices, through their contribution to identity construction processes among consumers who declare themselves to be responsible.

The notion of identity is considered in this research broader than the classic features used in traditional studies of segmentation—gender, age, social category, incomes…; it allows to touch the way the consumer interprets himself/herself and on the role that his/her
ethical consumption plays (or his/her/ voluntary no consumption). For a good part of two decades, the term of ‘identity’ has occupied a fundamental place in the social sciences and humanities. Its uses-in-vogue also refer to the actual feeling for numerous people to find it difficult to carry through their own identity research, as suggested by the literature on the ‘post-modern individual’. The Modernity used to possess the capacity ‘to evacuate’ easily some individuals’ anguish-exit of the micro and macro social risks-and to assure the continuity of a philosophy turned to the future (Giddens, 1990). But the present context is characterized by the end of the ‘meta-narrations’ and by a process of ‘individuation of the social risks’ (Beck, 1986). Generally called a ‘crisis of meanings’, this phenomenon is felt by some individuals as the necessity of a sense research and it seems to encourage the emergency of new behaviors in everyday life, such as responsible consumption.

An interpretative research method and a hermeneutic approach have been chosen in this research. The generation of data from a qualitative approach is based on the propensity of people to talk about their social experiences in their daily lives and the significance of their consumption. Consumers are not used in general to wonder about the meaning of consumption or the existing links between their acts of purchase and their life trajectory. It seems necessary to ‘provoke’ consumers to make an in-depth look at their consumption story. Such a way of gathering information is known as the method of ‘narratives’.

Fourteen narratives of highly practicing responsible consumers, based on individual interviews, have then been studied using a semantic analysis. The individual and comparative results enable us to enter into the details of the meanings these consumers grant to their consumption and the way the concept of identity can be helpful. A responsible consumption typology, based on the meanings given by the narrators to their acts of purchase, is suggested; it distinguishes the acts of ‘moral conformity’ from the deep critical postures, the latter of which derive either from political intention or from a wish to get free from the actual consumption ‘system’. Moreover, a set of common features has been observed among the ‘critical consumers’ interviewed. Three of them have already been identified by Cherrier (2005): the quest for ‘authenticity’, the ‘social integration’ and the ‘control’; they are confirmed and deepened here. Two other features appear: the ‘suffering’ (related to the upstream feelings of the consumer) and the ‘compromise’ (related to his practices downstream).

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It Doesn’t Happen to Mine: A Study of the My-Own-Product Positivity Bias for a Defective Product Management
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Abstract
This paper suggests that self-positivity bias also can occur at product-level and explores how the bias will be reduced. As a follow up study of previous research on self-positivity bias, this study assumes that consumers perceive those products they possesses to be better than those possessed by others or than other same product. Also we demonstrated that this bias which highly cost both consumers and companies is moderated by familiarity with a product. Two experiments were employed to demonstrate the bias and to find the effective moderators which increase my-own-product risk perception. Future study and its applications are discussed.

According to previous studies, people are often poor estimators of risk(Slovic, Fishhoff and Lichtenstein 1981) and tend to believe that negative events are less likely to happen to themselves than to other people(Perloff and Fetzer, 1986; Weinstein, 1980). The self-positivity bias which results from “unrealistic optimism”(Weinstein, 1980) was well documented in many areas including car accident and various health problems like AIDS, heart attack, cancer, etc(e.g. Raghubir and Menon, 1998; Perloff and Fetzer, 1986; Kemeny and Hamm, 1991).

At the one end of the continuum, this bias often misleads consumers into nonoptimal decisions like ignoring a likelihood of defective in a product or neglecting a recall alarm which often results from disregarding little notices or policies. For example, consumers believe
that their new notebook has no bad pixel, or their chances of defective sheet of paper in a new textbook are lower than those of others. These phenomena can be widely observed from trivial goods to costly service such as lasik or plastic surgery.

However this bias causes many problems for both companies and consumers. Despite companies’ efforts to make consumers’ attention to possible risks associated with the products, consumers seldom think a problem ever happens to themselves. Because of this bias, the cost which both consumers and companies should pay increases. Consumers may have to visit a store again. Or they may face a fatal accident without replacing a defective product with new one(e.g. ignoring expiration date in daily products). Automakers may lose their chance of early recall and even face a fatal lawsuit together with bad brand image.

As a follow up study of previous research on self-positivity bias, this study assumes that consumers perceive those products they possesses to be better than those possessed by others, and other same products. They think that the chance of negative outcome associated with their possessions will be less likely than that associated with products owned by others.

Because self-positivity bias originated from the wrong perception of self-risk, we can seemingly assume that this kind of bias will be related to products we have. In addition previous studies on the cause of self-positivity bias show that the bias also occurs in case of products. That is, the product-level bias can also make people deny possible risk(Raghuir and Menon, 1998), reduce anxiety associated with uncertainty of outcome(Taylor and Brown, 1988) and make self-esteem maintenance(Weinstein, 1980). Moreover many studies of both psychological and qualitative studies in consumer behavior indicated that much of our psychological mechanism has carryover to our product by possession. McClelland(1951) suggested that external object become viewed as part of self when we are able to control over them. And Belk(1988) argued that possessions give us magical psychological identification. With Weinstein’s view, self-conception theory and identity theory can also be applied to our hypothesis that the more people own familiarity with self-allied product, the more they may have a psychological bias associated with their products. Therefore we can also hypothesize that the more familiar or self-closer product which satisfies higher self-esteem maintenance has more bias similar to ours. If consumers consider their own product is more familiar, they believe their possessions will not be associated with negative events.

Experiments were employed to demonstrate the bias and to find the effective moderators of this increasing my-own-product risk perception. In the first experiment which was disguised as a blinded test, we used 3(target owner)*3(products by familiarity rating) design to test that people judge (a) their possessions as being at lower risk than other’s and (b) possessions they consider to be more familiar to them to be at lower risk than those less familiar to them. Our new familiarity rating was designed by scales used in previous studies of familiarity scale, self score and intimacy scale, including expected use time and perceived closeness, etc. After offering a newspaper article of a rare but critical error about a product, we gave them a sample and asked them to write down the chance of error of their own. Other groups were offered the same article but asked to write down the chance of error before getting product.

The results of this study indicated that people who had his own product estimate the chance of defectives to be lower than those who didn’t. A product highly scored in familiarity rating was perceived to have lower risk. These results supported our hypothesis that consumers project some biases to their owned product.

The subsequent experiment in progress focuses on how to develop an effective “notice” for reducing the product positivity bias. In a pilot study using a new textbook(“Consumer Behavior”) in our class, we found that noticing a negative event which occurred to a similar group member reduced the bias and eventually increase risk-perception.

From the view of Lin and his colleagues(2003), perceived controllability will be considered to be designed. By showing the notice which says that the end of refund period is coming soon, controllability condition will be manipulated. The effects of some moderators, framing message cue(Chandran and Menon, 2004), information accessibility(Raghuir and Menon, 1998) -will be examined in the experiments.

This paper suggests that self-positivity bias can also occur in case of products and explores how the bias will be reduced. Future study will focus on what and how biases of consumer are carried over to product and its effective method to reduce it.

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Consumers Tripping Over Their Roots
Dale Russell, INSEAD, France

“I really did the tour as a ‘roots’ exercise and to fit many parts of the jigsaw puzzle that is my heritage, the considerable reading and conceptual development of a lifetime of being New Zealand / British in outlook, and to enjoy the ‘green, green grass of my ancestral home’ so to speak.” (Male, 60, New Zealand)

The growth in global tourism is fueled in part by retirees, primarily from developed countries, born immediately following World War II and now entering retirement age. The premise of this research is that these consumers are using their savings to not only explore
the world, but also to seek a sense of self by returning to the lands of their ancestors, a phenomenon we call ancestral tourism. Where hedonic tourism has been deemed a “nonrational” expenditure as it provides only pleasure to the tourist, ancestral tourism can provide a sense of self by glimpsing at one’s ancestral past (MacCannell 2002, 150).

This research documents the phenomenon of ancestral tourism using a multi-method approach and tests a conceptual model that integrates the extant research on aging, the consumption of authenticity and satisfaction. As consumers grow older, they become reflective on life and develop a need of personal fulfillment that cannot be satisfied by tangible goods. Older consumers often enter a phase whereby they look to dispose of their possessions, which have both sentimental and monetary value, while seeking satisfaction from intangibles (Price, Arnould and Curasi 2000), a process likely to be reflected in the consumption of ancestral touristic experiences. Previous research has attributed a consumer’s search for authenticity as a trek for fulfillment, comparable to that of a religious pilgrim seeking enlightenment (Goulding 2000). This is even more salient for cultural tourists, especially those from western cultures, whose desire to partake in authentic cultural experiences is often the primary objective of their trip (Grayson and Martinec 2004; MacCannell 2002; 1999).

The research was conducted in the context of a 25-day guided bus tour of the United Kingdom (UK) and Ireland; a tour selected because nearly all customers who bought this package in the past were of British or Irish descent and generally resided in former colonies. Therefore, this group of consumers would most likely seek ancestral cultural experiences. The methodological approach was threefold, comprising interviews, observations, and surveys. The triangulation of data served as a validity check while also adding a better understanding to the social behaviors and meanings invoked from the experience (Grayson and Martinec 2005; Hammersley and Atkinson 1995; Arnould and Wallendorf 1994). In an effort to better observe the tour phenomenon, the author actively partook in the tour and optional excursions. The researcher’s direct participation in the tour allowed for better understanding and appreciation of the ancestral tourism phenomenon, as well as detailed observations (Belk, Wallendorf and Sherry 1989).

The tour was designed to expose participants to as much of the UK and Ireland as possible in a short period of time. It was led by a professional tour guide with nearly 20 years of experience. The group consisted of 39 people (18 males / 21 females, mean age of 59), all of them from former British colonies, namely Australia, Canada, New Zealand and the US. The interviews were conducted individually, at the onset of the tour. Exploratory in nature, they sought information regarding the pre-trip planning process, tour expectations, and general background and demographic data. The contents of interviews were then assessed to identify themes to develop a survey instrument. Participant observation was conducted throughout the tour with the researcher maintaining an unobtrusive profile as not to detract from the natural tour experience or bias later survey responses and to maintain the ability to observe from the distance (Palmer 2001; Arnould and Wallendorf 1994). The researcher was able to take detailed notes and pictures of events without drawing attention as such activities are normal for tourists. The survey was administered on the final day of the tour to all participants. The constructs captured the themes identified during the interviews and items to measure them were intermixed. The constructs in the model included: pre-trip expectations, perception of tour as ancestral pilgrimage, perception of tour experience as authentic, cultural experience satisfaction, overall tour satisfaction and likelihood to recommend tour. The last series of questions captured the number of optional tours, the number of souvenirs bought for oneself and the number of those bought for someone else. Finally, demographic information was collected, including age, gender, country-of-origin, country-of-residence, and whether the ancestors emanated from the UK or Ireland.

The survey data along with the qualitative interviews and observations provided rich insights into the phenomenon of ancestral tourism. All participants whose ancestors hailed from the UK or Ireland reported that they considered the trip as a pilgrimage, as the opening quote illustrates. Correlational analysis supported the relationships proposed in the conceptual model. For instance, age was significantly and positively related to the overall number of tours options purchased but negatively related to the number of souvenirs purchased for oneself while positively related to the number of souvenirs purchased for other people. Many participants’ comments reflected a detachment from material possessions at the approach of death, some with a humorous view, others with a more pragmatic one. In turn, the consumption of intangible experiences, such as the optional tours, positively affected perceptions of authenticity and, in turn, overall cultural satisfaction. Among the most important findings was the crucial role that perceptions of authenticity and cultural experiences play in assessing the value of the ancestral tourism experience. Albeit limited by the relatively small size of the group studied, this research provides insights into consumers in search of authentic ancestral experiences.

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