

Creating a Demand: Can You Say “Limited Supply”?

Have you ever wondered why some “in” restaurants continue to have waiting lines outside? Long lines seem to make the restaurants even more fashionable, increasing the length of the line by an even greater degree. Why don’t restaurants eliminate the waiting line by increasing their prices? They don’t because removing the lines would eliminate the scarcity factor, and demand would collapse.

Consider the Beanie Baby phenomenon. Created by Ty Warner, the Law of Scarcity made the Beanie Babies’ popularity soar. When Ty Warner would take them off the shelf and limit the availability of certain Beanie Babies, prices skyrocketed for the discontinued and suddenly rare and valuable Beanies. Spurred on by the threat of losing out, collectors began hoarding the stuffed animals and speculating as to which ones would be retired next.

The Law of Scarcity was also used to create demand for diamonds. In spite of a dramatic leap in production from 15 million carats to a whopping 100 million carats, DeBeers®, the company maintaining a monopoly over diamond supply, still managed to render the diamonds scarce. Running only ten diamond sales per year and inviting only a select number of dealers, DeBeers could easily control the supply and pricing. Not only this, but each invited dealer got only a limited amount of diamonds DeBeers selected for them, and if they complained, they were not invited back!

An owner of a successful beef-importing company decided to conduct a study among his staff. The staff members were assigned to call the company’s customers and ask them to purchase beef in one of three ways. One group of customers just heard the usual sales pitch before giving their orders. Another group was given the usual sales pitch, but they were also presented with evidence that imported beef was expected to be in short supply in the coming months. A third group was given the usual sales pitch as well as the information about the beef’s upcoming scarcity, but they were *also* told that this news

was not available to the general public, and that the information provided was exclusive to the company. Not surprisingly, the sudden demand for beef created by these phone calls exceeded the supply on hand, and the company had to scramble to fill the orders. Customers alerted to the coming scarcity of the beef bought double the amount of those receiving only the standard sales pitch, and those learning not only of the coming scarcity but also that this was “secret information” bought *six times* the amount as those hearing only the standard sales pitch!

How about when you take your child to be photographed? They take ten different shots and then send you a proof for each. You’re told to select the shots you like best and how many copies of each you’d like. *Then*, you’re told the negatives will be destroyed within a certain number of months. Of course, you feel like you’d better get all the copies of all the shots you want *now*, or you won’t be able to later!

Creating Allure

Think about when a woman wants to come across as more attractive to a certain man. If she can set things up so she will just happen to meet this guy while on a date with some other successful, attractive man, then she will come across as more desirable than if she were merely to meet him alone at some club or bar. Or what if you were selling real estate? You’d be smart to have several interested people along for the tour, since the interest of one person will heighten the interest of another. Instead of your buyer thinking, “Okay, I’m going to try to wheel-and-deal here,” they will think, “I’d better jump or this other guy’s going to get it before I do!”

In one experiment, students were given a written description of a particular novel. Half of the students’ copies included the description, “a book for adults only, restricted to those 21 years and over,” while the other half contained no such restriction. When polled about their feelings toward the novel, students reading about the restriction indicated that

they thought they would like the book and wanted to read it, while students who had not read about the restriction expressed significantly less interest.

Restricting access to information or material often makes it that much more appealing. This topic typically brings to mind material of a sexually explicit nature. Scarcity can apply to anything, however. Consider a form of censorship at the University of North Carolina: When students learned that a speech in favor of coed dorms was banned, they became more smitten with the idea of coed dorms. It is of great significance to realize that, without ever having heard the actual speech, the *censorship* alone heightened the students' interest. The students didn't even need to hear the speech to be persuaded to support or become more committed to the notion of coed dorms.

Think again about the study conducted by the University of Chicago Law School that was discussed in the chapter on the Law of Obligation. The Law of Scarcity was also at work in this scenario. When the judge ruled that evidence on the defendant's insurance was inadmissible, and therefore had to be disregarded, the jurors actually increased the award amount. The censored information was actually embraced even more, jumping the damage payment by \$13,000!