

USING SCARCITY TO CREATE URGENT BUYING NEEDS

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This article explores the psychological and economic impact of scarcity marketing on consumer behavior. It analyzes how perceived limitations in time, quantity, and access trigger cognitive biases such as loss aversion and tunneling, leading to impulsive purchasing decisions. By examining successful case studies from global brands like Apple, Etsy, and Louis Vuitton, the research highlights the effectiveness of scarcity in driving brand loyalty and perceived value. Furthermore, the paper discusses the ethical boundaries and potential drawbacks of this strategy, providing a comprehensive overview for marketing professionals and students.

Introduction

In a world of infinite digital choices, why do we suddenly feel the urge to buy a product the moment we see the words "Only 2 left in stock"? This phenomenon is not accidental; it is a calculated economic strategy known as scarcity marketing. By leveraging the human fear of missing out (FOMO), businesses transform ordinary products into high-demand commodities. This article investigates the fine line between psychological persuasion and economic necessity, exploring how the "Scarcity Effect" dictates the modern marketplace.

What is scarcity marketing?

The Scarcity Effect is a cognitive bias where people place higher value on items or opportunities that are limited or restricted in availability. When something appears scarce, our brains process it as more desirable, often triggering faster decision-making and willingness to pay premium prices.

At its core, scarcity creates a perception of exclusivity. When a service, product, or offer is limited (either by time, quantity, or access), it generates a psychological response that can significantly influence buyer behaviour. The brain essentially says: "If it's hard to get, it must be good."

Scarcity marketing comes from the theory of scarcity. The theory of scarcity is the basic idea that people want more of what is scarce and less of what is abundant. This theory can be applied to a variety of different situations, including the marketing of products. When you use scarcity marketing, you are creating a sense of urgency in your customers by making them think that they need to act fast or they will miss out on the opportunity.

The Scarcity Effect pushes us to buy things out of fear, not purpose. It clouds our judgment and convinces us that a possession is more important than it really is—just because it might not be available later. And in doing so, it creates negative effects on our lives: it empties our wallets and often fills our homes with items we never truly needed in the first place.

Scarcity Marketing Background

It's difficult to pinpoint the first instance of scarcity marketing, but companies have used the technique for many years. One of the most notable examples of scarcity marketing – the Disney Vault – started during the 1980s. Walt Disney Studios Home Entertainment began to reissue limited editions of their films and urge consumers to purchase these films before they went back into the “Disney Vault.” Because each Disney film is only for a limited time before it is put in the vault and not made available for several years until it is released again, consumers are driven to act fast when a new video is released.

Apple is another company that clearly understands and uses scarcity marketing. And the Cabbage Patch Kids craze makes a poignant example of scarcity marketing from my own childhood.

How The Scarcity Effect Works (The Psychology Behind It)

Understanding the psychological mechanisms behind the Scarcity Effect helps marketers apply it effectively, and ethically.

Cognitive Mechanisms

1. Tunneling: When faced with scarcity, our attention narrows dramatically. Research from 2023 shows that people experiencing scarcity develop a hyper-focus on the scarce resource, often at the expense of other important considerations. This explains why countdown timers are so effective – they create a tunnel vision focused on “act now or lose out.”

2. Cognitive Load: Scarcity consumes mental bandwidth. Studies demonstrate that when people perceive something as limited, it occupies significant cognitive resources, making them more likely to make impulsive decisions to secure the scarce item.

3. Loss Aversion: Humans hate losing things more than we enjoy gaining them. When something is scarce, we perceive not acting as a potential loss, which triggers stronger emotional responses than potential gains.

Types of Scarcity Cues (and When to Use Them)

1. Time-Based Scarcity

- “Offer expires Friday at midnight.”

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- Works best in short sales cycles or limited-time campaigns.
 - 2. Quantity-Based Scarcity
 - “Only 7 spots left.”
 - Effective in events, consulting programs, or high-ticket offers where capacity is genuinely limited.
 - 3. Access-Based Scarcity
 - “Available only to subscribers/members.”
 - Taps into the brain’s reward circuitry through exclusivity and perceived insider status.
 - 4. Contextual Scarcity
 - “We only work with 10 clients per quarter.”
 - Signals high demand and creates trust through perceived selectiveness.

Benefits of Scarcity Marketing

The primary benefit of using scarcity marketing in your business is being able to position your products or services as a commodity. This drives up the perceived value of what you’re selling, and the fear that it has limited availability makes people act fast to purchase.

Scarcity can also present an opportunity to engage your audience in a new way. By creating an interesting background that shares the reason for the scarcity (such as a one-of-a-kind product or special edition that has significant meaning), you can capture and keep the customer’s attention.

Lastly, when it’s done effectively, scarcity marketing can also create a cult following. Going back to the example of Cabbage Patch Kids, every kid wanted one and all of the “cool” kids had one. It can create a powerful loyalty among your audience.

Potential Drawbacks

There are a number of ways that scarcity marketing can backfire. Here are some examples of disadvantages to using this marketing technique:

- Using scarcity for products or services with low value can severely hurt your reputation
- Creating an illusion of scarcity can come off as a form of trickery
- Building a sense of exclusivity can actually make you lose potential customers

And of course, there is the possibility that the fear the scarcity creates will turn off and push clients away.

Examples of successful companies that use scarcity marketing

● **Etsy**

Etsy is a website that specializes in handmade or vintage items and supplies. The company was founded in 2005 and has since grown to include over 30 million items from over 1.5 million sellers.

One of the things that makes Etsy so successful is their use of scarcity marketing. Etsy regularly runs out of products, which creates a sense of urgency for their customers. Look at

the example above for a golden sun necklace. When a potential customer clicks on the listing they see "selling fast! only 6 left, and 9 people have it in their baskets". This creates a sense of urgency for the customer. If they don't put the necklace in their basket then they risk not being able to have it.

● **Louis Vuitton and Supreme**

You'll often see the strategy of scarcity marketing in clothing brands. Especially when it comes to collaboration. A great example is Louis Vuitton x Supreme. These two luxury brands collaborated in 2017 and created a mashup of products. The limited-time collection was a huge success and fans of the brands would pay thousands of dollars in order to get their hands on the limited products.

● **McDonalds and the BTS Meal**

In 2021 the biggest fast-food chain in the world collaborated with the extremely popular South Korean pop band BTS. The two groups collaborated to create a meal inspired by popular McDonald's south Korea recipes. Diners were served 10 chicken nuggets, medium fries, medium coke and sweet chilli and cajun dipping sauces plus limited edition BTS packaging.

Conclusion

Scarcity marketing is a powerful economic tool that leverages the human instinct to value what is limited. Whether through time-sensitive sales or exclusive collaborations, creating urgency successfully transforms products into high-demand commodities. However, the strategy requires a delicate balance; while it can build a "cult following" and drive immediate revenue, artificial or dishonest scarcity can permanently damage brand reputation. Ultimately, when used ethically, scarcity does more than just drive impulse buys—it enhances the perceived value of a brand and creates a more engaging, competitive marketplace for the modern consumer.

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