

Indulgent parsimony: an enduring marketing approach

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Indulgent parsimony was originally proposed as a marketing strategy for selling to recession-shocked consumers shopping for less costly goods and services that would still give them comfort, relief from stress, and a feeling of money well spent.[1] Given that recession spread to many nations and lingers painfully, and that the disposable income of the middle class in America and some other developed countries is likely to be stagnant for years to come, there is ample reason to consider applying this marketing approach for the longer term. By learning to incorporate the indulgent-parsimony concept into their value proposition executives can address how they implement marketing strategies that will have traction with this very large segment of consumers whose behavior has been changed by the Great Recession.[2]

Indulgent parsimony – the strategy that keeps on giving

In the wake of the plunge in consumer confidence during the Great Recession of 2009, we are now seeing the emergence of a bifurcated market[3] divided between the haves who can afford to spend again and the haves who still are feeling the painful consequences of the recession. Studies show that many consumers, even the well to do, continue to be very careful about how they spend their disposable income. So indulgent parsimony (IP), a frugal but emotionally supportive standard of value, remains a timely and appropriate approach to encouraging buying among the many who have now convinced themselves that they need less than they did three years ago, or refuse to buy unless they can get substantial discounts on their purchases.[4]

The IP concept consists of both practical and emotional elements that jointly influence the buyer's decision to purchase - this dual appeal is what makes it so powerful. You are persuading and encouraging the consumer to purchase not just on the rational basis of frugality or parsimony, but also by using emotional appeals that add to the value proposition. In the current economic environment, IP gives marketers a useful tool to help them design strategies and forecast what types of offerings can succeed.

The variety of IP appeals is illustrated by the key concepts and phrases shown in Exhibit 1, which is based on my own consulting experience and observation of how recessionary environments affect buyer psychology and behavior. The chart divides the value proposition concepts on the basis of whether the appeal is rational or emotional. While some of them are hard to separate perfectly and a few of them (like the shopping "treasure hunt" idea) can shift from a practical to an emotional motivation for the buyer, they remain valuable building blocks in designing an offering for the cautious consumer. A well-conceived IP strategy will actually incorporate the ambiguity of its appeal to stimulate purchase motivation. The important thing about IP strategies is that they must appeal to both the practical/rational and emotional needs of the consumer simultaneously to be truly effective.

Exhibit 1 Indulgent parsimony concepts

<i>Practical/rational</i>	<i>Emotional</i>
Cheap	Helps me appear smart & thrifty
Attractive pricing	Worth my buying
Good value	I'm worth it
Affordable	Delighting
Useful	Not a waste of money
An opportunity	A pleasurable experience.
Seize the chance to save a few dollars	Seize the chance to feel good
Time constrained offer	A timely reward for me
Status-supporting purchase	Ego-supporting purchase
Planned purchase	Satisfying impulse purchase
Treasure hunt	Treasure hunt

The practical/rational and emotionally-driven motivators in Exhibit 1 are components of almost any purchase one can imagine; what makes indulgent parsimony an effective marketing strategy is that it triggers motivators in both columns. To do so in practice requires product development effort, market knowledge and analysis. However, once developed, such a marketing approach can retain its relevance for a long period of time – even after economic conditions improve to the point where consumers are no longer hesitant to make impulse purchases.

Indulgent parsimony concepts – the checklist

The following pairs of motivating concepts are linked in IP strategy because they appeal to the practical and the emotional aspects of the same driver of consumer behavior.

Cheap/helps me appear smart and thrifty. This pair of concepts describes perhaps the core motivation for indulgent parsimony. Something that is cheap in itself offers a rational, practical benefit, but then if the consumer buys such an item she or he will feel good emotionally because of appearing clever for having saved money.

Attractive pricing/worth my buying. This pair goes together because the two concepts reinforce each other: an attractive price need not be the lowest price, just one that is low enough to afford, yet still high enough to convey the sense of well-being that comes from buying something of quality. And the emotional boost comes from having bought something of real worth. This enhances the simple appeals of “cheap” and “thrifty” to a higher level – making for a more effective marketing strategy. Department stores TJMaxx and Marshall's used this dual appeal to survive the Great Recession and continue to thrive because of the consistency with which they pursue their IP strategy.

Good value/I'm worth it. Getting good value strengthens the sense of satisfaction to the purchaser who has bought something cheap enough to afford. Pairing it with the “I'm worth it” appeal is building on a historically effective approach that has been exploited by marketers of cosmetics and products with a self-pampering component like spa treatments and hair care. But the good value/I'm worth it principle can be applied to far broader product and service offerings as different as automobiles (stylish/exceptional resale value), furnishings (elegant/well made), real estate (exceptional amenities and neighborhood),

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foods (tasty/life enhancing), travel (pleasant/stimulating experience) and entertainment (enjoyable/mentally enriching).

Affordable/delighting – stirs emotions. Merchandise that is affordable can also give one an emotional high. For example, some men get very excited over buying special tools or gadgets in a hardware store. This is an opportunity for a knowledgeable marketer to design a program that responds to just such desires by pricing an offering at an “affordable” level. Much of the success of Black Friday deals stems from this explicit linkage.[5]

Useful/not a waste of money. One can often persuade oneself to make an impulse purchase if the item bought is “useful”, that is, it serves a utilitarian purpose. But it is much more effective to market the product as “more than useful”, because in addition to being of utility, it does not waste your money. This adds an emotional support to a practical purchase decision.

An opportunity/a pleasurable experience. Seeing a bargain in a store or a catalogue or on a website stimulates the buying impulse, but to really spark a purchase the appeal should be pleasurable – that is, emotional – as well as just rational or practical. Low-cost food and wine chain store Trader Joe’s has consistently used this type of IP strategy to boost sales. The companies that have developed the best sites for online selling also understand this, and can make the buyer feel happy and not just satisfied by their purchase. The fact that the internet allows for customer feedback and reviews can create a positive feedback loop between previous and new customers by their favorable recommendations of items offered for sale, and an IP strategy should take into consideration how to bring this about for the benefit of your own specific product or service. This is an area where opportunities exist for utilizing social networking sites like Facebook, Twitter, Foursquare and others to promote an IP offering.

Seize the chance to save a few dollars/seize the chance to feel good. An appeal to consumers’ desire to save money “if they act quickly” or by placing special deals on the Web exclusively can be strengthened by also persuading the target market that this is a golden opportunity to feel good as well. Genuine offers of “limited time only” travel bargains are one example of such a dual appeal.[6]

Time constrained offer/a timely reward for me. If an offer looks as if it will not be available for long, there is a rational motivation to seek closure by making the purchase. The emotional component of this rational urge is the feeling that the buyer deserves the product/service and does not want to miss the opportunity by not acting swiftly enough to take advantage of it. The pull of self-indulgence can be used to overcome consumer fatigue.

Status-supporting purchase/ego-supporting purchase. Although status can also have an emotional component, there are some purchases which unequivocally connote high status by their very nature – like a luxury car or a magnificent home. An IP marketing program should endeavor to induce this feeling of psychic reward and emotional self-esteem – in addition to supporting the real-life status that the consumer wants to achieve.

Planned purchase/satisfying impulse purchase. A planned purchase can be rational or emotional – depending on the nature of what is being bought – but the very process of planning introduces a practical element into the consumer’s decision-making process. An impulse purchase, on the other hand, even if it is for something mundane and pragmatic, contributes the added emotional rush that comes from a sudden move to indulge one’s material desires. Some marketing appeals consciously attempt to structure a purchase as an impulse buy because of this added power, and both stores and websites often position merchandise to attract the eye of the consumer who had only intended to buy a specific item but ends up by being distracted sufficiently to impulsively buy other merchandise as well.

Treasure hunt. Who has not gone to a jumble sale in a department store or a “going-out-of-business” sale thinking that one might find something of real value at a very reasonable price? So the treasure hunt can be part of a practical appeal or an emotional one, depending on the circumstances.

Analysis-based indulgent parsimony

To operationalize the concept of indulgent parsimony, a way to detect the potential effectiveness of such a strategy needs to be articulated. One way is to probe members of the chosen target market to see what makes them actually buy something. Multiple drivers of buyer behavior usually exist, and the questions listed in Exhibit 2 could be used to discover what those drivers might be.

To construct a strategy that evokes the desired indulgent parsimony response from a target market, as with building any marketing strategy, the four Ps of the marketing mix—product, price, place and promotion—must be considered so that they all complement and reinforce each other in encouraging target-market members to buy your offering. Here's how the four dimensions of a marketing strategy relate to the consumer's predisposition towards indulgent parsimony.

Product

Almost any product or service can benefit from an IP approach in times of recession, austerity, or a sluggish economy. Boom times are probably the least congenial environments for the IP approach because people feel less constrained in their purchasing, but the IP appeal is still universal. Obviously, the more expensive a product, the harder it will be to justify purchasing it in terms of IP values, but this also depends on the amount of discretionary income a buyer has available. IP can even be applied in the case of a multimillion-dollar mansion or estate being sold for a deep discount – if the buyer is very wealthy, then the appeal still works.[7]

Impulse-purchase items like sweets and other food treats, restaurant meals, a new wristwatch or handbag, cell phone or other digital device, and special travel deals are obviously very susceptible to IP treatment – so the marketer should try to position them as gratifying indulgences that offer emotional rewards but do not wreak havoc on a consumer's budget. But what about big-ticket items like homes, cars, refrigerators and flat-screen TVs that are aimed not at the super-rich but rather at the ordinary middle-class customer? These, too, can be marketed with an IP strategy. The Japanese “Eco-point” campaign of 2010 is an example of how the Japanese government tried to stimulate sales of home appliances by 1) providing monetary incentives and, simultaneously, 2) trying to persuade consumers that they deserve that new, more energy-efficient “green” washer/dryer or air conditioner, while also helping the environment. The consumer could thus save money and feel altruistic at the same time.[8]

Exhibit 2 Questions to assess the potential effectiveness of an IP-based strategy

<i>Question</i>	<i>Area to be analyzed</i>
<i>Why did you purchase that (product/service)?</i>	(REASON for buying it)
<i>Where did you purchase that (product/service)?</i>	(ARENA where it is bought)
<i>How often do you buy it?</i>	(PURCHASE FREQUENCY)
<i>Why buy there?</i>	(REASON for purchase VENUE)
<i>Purpose of visit (window shop, real shopping, etc.)</i>	(REASON for being at that VENUE)
<i>Which websites do you use for online purchases?</i>	(ONLINE VENUES)
<i>Purchase occasion</i>	(SPECIAL CIRCUMSTANCES)
<i>Was it “regular price” or “discounted”?</i>	(PRICING motivation)
<i>Maximum acceptable price for the specific item</i> e.g., chocolate, designer jeans, etc.	(PRICE sensitivity)
Classify respondents by:	(TARGET MARKET SEGMENTATION)
a) WHAT do they like to buy?	
b) WHERE do they like to buy?	
c) WHEN do they like to buy?	
d) HOW do they like to buy (cash, credit/debit card, cell phone)?	

Price

As the marketing-mix component easiest to change quickly, pricing lends itself to short-term, non-strategic types of movements. But for an IP approach, it is best to find a price for your product or service that stimulates the “penny-pinching” motivation in your customers – even if a bargain price is not the only part of your appeal. You want customers to think, “That’s pretty reasonable” when they see the price tag. Sometimes the lowest price is not the best one for IP purposes, but rather the price that connotes real value for money. In the current post-recessionary environment, the “affordable luxury” branded-leather-goods-maker Coach introduced items with lower price points to encourage non-guilty buying,[9] and even in the languishing American economy, Coach was one of only a few high-end retailers to post an increase in sales from fiscal 2008 to fiscal 2009. Coach’s strong sales were primarily the result of higher sales at factory stores (consumers who want to spend less would be more attracted to discounted merchandise) as well as an especially strong product offering: the Madison line of handbags – which combined a popular design with a lower price point than previous handbags in an effort to provide more value. Net sales for the first quarter of fiscal 2009 were \$753 million, an 11 percent increase from the same period the previous year.[10]

Place

E-commerce and selling via the Internet has been a value-adding solution for both consumers and merchants, since the old “bricks and mortar” costs of actual retail outlets can be bypassed in favor of sales booked directly out of a warehouse or factory. However, some Internet retailers are using disintermediation in the supply chain to maximize profits rather than passing along savings to customers. For firms employing the indulgent parsimony approach, instituting free delivery on certain purchases if the order is of a certain value is effective.

Some retailers, such as Don Quixote in Tokyo, try to create the atmosphere of a treasure hunt in their outlets to stimulate the IP reaction from consumers. Impulse purchase items peek out from every corner in the store. An IP approach based on the customers’ conscious knowledge that you will try to place temptation in their path could be very successful if price points and merchandise on offer are within the parameters that have been established (via market research) as desired by the target market. The 100-yen shops in Japan used this tactic to great advantage during the past decade.

Because the importance of “virtual locations” such as the social networking site Facebook is growing, they cannot be ignored in a firm’s IP strategy. Taking the idea of user reviews to the next level, a feature called Groups launched by Facebook allows users and their friends to place each other in a variety of social circles. This allows the user to choose which types of information to share with each group of friends.[11] For example, a user might not want to brag to all his or her friends about purchasing a bargain or a knockoff, only to some of them.



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Promotion

An important part of a successful IP approach is the way an offering is promoted to the target market. Kmart made its “blue light special” a famous part of its promotional strategy to stimulate enthusiasm and curiosity surrounding items on the sales floor that were suddenly marked down for a limited period of time. Target recruited and promoted famous designers like Michael Graves and Philippe Starck to create fashionable but budget-priced (and therefore IP-appropriate) product offerings.[12] Even while American retail sales have risen in the past year, the increase has come at the cost of “an extremely promotional environment” with consumers remaining “highly value-centric” purchasing largely “with coupon in hand or because of special offers.”[13]

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Implementing the IP approach

To implement a successful IP approach that attracts the desired target market requires blending all four Ps of the marketing mix in such a way that they establish a practical and emotional appeal simultaneously. To do otherwise can lead to a situation like the one emerging among urban consumers in China, where they trade off spending in one product category with spending reductions in others.[14] To prevent becoming one of those categories that are “nickel and dimed” and devalued by the consumer, the emotional pull of the product (and its brand) must be strong enough to sustain enthusiasm and provide a sense of well-being. Once that is accomplished, an IP-based marketing strategy can be used for a reasonably long time and can provide stable earnings for the organization utilizing it.

Notes

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3. Karen Talley, “Tiffany expects strong holiday sales,” *The Wall Street Journal*, November 25, 2010.
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5. Janet Morrissey, “Big discounts help fuel strong holiday shopping,” *TIME*, November 29, 2010.
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