

Own It 101

The interrelationship between exclusivity, scarcity and relevance.

By Jon M. Garon'

The aphorism, “build a better mousetrap and the world will beat a path to your door,” reflects the dual requirements of exclusivity and relevance. If the mousetrap can be reproduced in each home, then there is no need to seek out the inventor’s door or buy mousetraps. If the homes have no mice, then no one will seek out even the best mousetraps.

The importance of relevance cannot be overstated. Relevance is closely tied to demand. If the new product or service is something that everyone needs, then it is much more valuable than a mere luxury item. Popular luxuries – such as tickets to a “hot” music concert or playoff event in sports – are successful because they are perceived as highly relevant. Just listen to the rhetoric used by teenagers: “I’ll die if I can’t go see that new band with all my friends.” The teenager perceives the performance as highly relevant. The teen’s perception is further shaped by her social context. While attending a concert may not have any objective relevance to a person’s health or well being, participating in the social activity can have a direct and immediate impact on the person’s self-image, emotions, or social status.

Relevance is based on the consumer’s objective and subjective assessment of the product or service. Basic necessities are the most objectively relevant items. Air, water, food, shelter and clothing are highly relevant to one’s survival. While most Americans are fortunate enough to be able to take these items for granted, that does not make them any less relevant. The items remain highly relevant, but at the same time, these items are readily obtainable. For those living in poverty, however, these necessities can never be taken for granted and all aspects of their lives are shaped by these needs.

If a relevant item becomes scarce, then its value increases tremendously to the consumers. For example, in the West, droughts and increased population have made fresh water increasingly scarce and valuable. For farmers, ownership of water rights – the exclusive access to the fresh water – is a prized possession because water is highly relevant to the success of one’s crops and livestock.

Subjective relevance may be understood in the same fashion. Perrier created an international, cultural phenomenon by encouraging a social norm of purchasing bottled water instead of drinking free, fresh tap-water. Increasingly, college students purchase bottled water stored at room temperature (while water fountains go unused). The campus culture that encourages the purchase of bottled water has made this activity socially relevant.

In this simple example of bottled water, the concepts of exclusivity, scarcity and relevance can all be seen.

- **Exclusivity** – Some legal right that gives the seller control over the good or service. There is no exclusivity if the tap water is available to everyone. If the tap water is not potable or is unavailable, then the bottlers would have exclusivity. Theoretically, different

¹ This is part of a series of book excerpts from *OWN IT, The Law & Business Guide™ to Launching a New Business through Innovation, Exclusivity and Relevance*, which provides a step-by-step guide to developing successful start-up companies using concepts of intellectual property in all aspects of business planning and financing (lawbizbooks.com).

formulations that affect the water's taste create exclusivity for that taste. Such exclusivity could be based on a patented formula or an unpatented trade secret. Perrier, for example would be more exclusive than bottled water.

- **Scarcity** – The market conditions that make a product more or less available. If safe, quality tap water exists, then there is no scarcity. If there are problems with the tap water, or the public perceives such problems, then fresh water becomes increasingly scarce. Scarcity may also be particularized to a location. Bars and sports venues may not provide free water, but instead require that water drinkers purchase premium bottled water.
- **Relevance** – The objective and subjective need for the product. Water is essential for life and therefore always relevant. Consumers must have water, only the packaging and purification can be adjusted to change consumer purchasing. The subjective relevance of bottled water is the perception that it is “better” than tap water because of taste, convenience, or social norms. Although there generally is no exclusivity between brands of bottled water, there is subjective social relevance because of the perceived lifestyle that each brand promotes.

Bottled water companies do not need to invest in creating objective relevance for their products since water is essential for life. Instead, they invest in creating a subjective preference for bottled water over tap water. They also invest in making the subjective preference specific to a particular brand.

Public concerns about the quality of tap water (possibly fueled by bottled water advertising and marketing) suggest that fresh water is scarce. As the scarcity increases (at least in consumers' minds) the bottled water becomes more relevant. Brand names provide an exclusive difference between the competing bottlers, so that the most well respected name in water will become the most successful.

Bottled water serves as a prime example of the interaction between these concepts because water is essentially a commodity throughout the United States, not significantly superior in quality or taste to most of the free tap water available. Nonetheless, the market continues to grow as the public becomes increasingly willing to buy the product.

As bottled water becomes more and more relevant in the minds of the consumers, some retailers have stopped providing free paper cups of water. Bars, movie theaters and concession stands have increasingly stopped providing free water because the public is no longer offended at being forced to purchase something that should be free.

Relevancy can transform market practices and public perception. Just as the producers of bottled water have changed the social relevance of an unnecessary commodity into a prized symbol of status, other commercial vendors, politicians, and community activists seek to shape public norms and create relevance in their message or merchandise.