

Behavioural Economics of Nostalgia: A Policy Perspective on Various Industries

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The retro packaging of Amul, The re-runs of popular classic Doordarshan TV shows such as Ramayan and Mahabharat during the pandemic, the trendy remixes of old Bollywood songs, the resurgence of the Y2K style in fashion, the 80s and 90s themed cafes and restaurants popping up in major cities, the revival of popular classic franchises such as Jurassic Park and Star Wars, the reboots and reunions of yesteryear sitcoms, even using legendary actors in advertisements and making them repeat their popular dialogues - all these market trends aren't mere coincidences, but a clever way of wielding the tool of nostalgia to drive cultural consumption. As a compelling influence within culture globally, it has become a key driver of demand in various industries. A very recent example that proved to us the power of combining nostalgia with marketing is the Harry Potter x Kinder Joy campaign. Harry Potter is not just a book/movie series for its fans, it's a blast from their past, an emotional nostalgic reminder of their childhoods. All of a sudden, it wasn't just Kinder Joy's targeted audience of children racing to buy the chocolates – convenience stores were filled with lines of college students and adults trying their hand at procuring a Harry Potter figurine. This masterstroke of a strategy was more than just a collaboration - over 8 million units were sold within 3 months, and 3 million of those units were sold in India, generating ₹150 crore in revenue. There was also a 15% increase in the company's annual profits.

How do our feelings for the past shape the choices we make today? What is the economic reasoning behind a sentimental craving for the past? What is its impact on cultural industries? What are some potential policy interventions that can play a role in harnessing its potential? With technological advancements such as Artificial Intelligence, how can businesses and policymakers use it to their advantage? What are the challenges that must be navigated when nostalgia-inducing policies are put into place?

The Cambridge Dictionary defines nostalgia as a feeling of pleasure and also slight sadness when you think about things that happened in the past. Nostalgia knows no bounds—it touches everyone, young and old alike. Since the beginning of time, people have been swept

away by memories, reminiscing about the moments that shaped their lives. Nostalgia as an emotion, while having neurological explanations, is very relevant to consumer behaviour.

The 'Nostalgia Effect' or 'Nostalgia Consumption' refers to the phenomenon whereby the value that we place on reliving past experiences and experiencing comfortable familiarity supersedes the importance of saving money, and it talks about the undeniable influence that nostalgic biases have over our willingness to spend money.

There are multiple behavioural economics theories that can be used to explain this effect, one of them being Loss Aversion, which was proposed by Nobel prize-winning psychologist Daniel Kahneman and his associate Amos Tversky in 1979. Loss aversion is a cognitive bias that explains that often, the psychological impact of a loss overrides the pleasure that is felt from an equivalent gain. It tells us that sometimes, individuals are risky not to gain something, but to avoid unfavourable circumstances - the pain of losing a huge sum of money from your savings is much more than the happiness felt in earning the same amount. Missing out on a social gathering and regretting it later is felt more intensely than the enjoyment experienced while attending it.

Nostalgia often acts as a counter to loss aversion, as it reminds consumers of a past they feel like they must have lost over the years and serves as a coping mechanism. Whether it be indulging in a limited-edition bottle of the 90s-themed Coca-Cola or splurging on vintage clothing, nostalgia can be seen as a sort of emotional response to the 'loss' that might be perceived in a loss aversion situation.

Another such theory is the Status Quo Bias, which talks about how people choose to remain in their current state of affairs rather than welcoming a change, even if said change can have a more positive impact on their lives. We crave familiarity just because it is comfortable, and the innate desire to step out of our boxes and try new things is curbed because of this. It makes us take less and less risks, and this is reflected in our consumption behaviour as well. Companies use the status quo bias and the rose-tinted nature of a nostalgic lens to their advantage by bringing back 'classic' and once-popular versions of products. It also explains the concept of brand loyalty, wherein even in the presence of newer, cheaper, and just

altogether better alternatives in the market, customers choose to continue to buy a particular brand just because of the trust they have in the brand and the positive emotions attached to it.

Bounded Rationality, coined by Nobel prize-winning scholar Herbert A. Simon, is ‘the idea that people make decisions that are satisfactory rather than optimal because of limitations on their rationality’. These limitations can be factors like incomplete information, cognitive limitations, social limitations, time, etc. Instead of spending our time and resources in making sure that we make the ‘right’ or ‘best’ choice, we often aim to be satisfied with the choices that we eventually end up making. For example, we may choose to miss out on a good opportunity just because we do not know a lot about it.

Again, how does nostalgia come into play here? Consumers are bound to pick products that they are familiar with, just because they know that they will for sure be satisfied with it. It can act as a cognitive limitation and discourage them from analyzing other options, and just like what bounded rationality states, they end up with a satisfactory option over what might have been the optimal option.

NOSTALGIA IN CULTURAL INDUSTRIES

The impact of nostalgia, coupled with such cognitive biases meant that industries could successfully capitalize on this phenomenon, and could use it as a force to drive economic growth. Cultural industries through various platforms such as music, film, television, and advertising have employed elements of the past as a marketing strategy to evoke memories and emotions in their audiences to boost brand loyalty and sales. This is because, amidst economic uncertainties and political instabilities, cultural industries are recycling and revamping existing content as a way of assuring consumer approval without incurring the costs of originality. Let us take a look at some examples of this in recent times:

Fashion

Fashion is perhaps one of the most prominent industries where we can notice the nostalgia effect happening in real-time. Recently, there has been a remarkable resurgence of Y2K style

(clothing trends of the 90s and 2000s) and flared jeans, velour tracksuits, baby tees, and low-rise jeans have all come back with a bang. Brands are jumping on this trend too, and have started reissuing their classic pieces from a few decades earlier due to their increase in demand. In India, an equally exciting revival has been happening, of beautiful traditional textiles and handicrafts, resulting in a resurgence of Chikankari embroidery, Khadi, Bandhani and tie-dye prints, Banarasi and Kanjeevaram sarees, etc. Traditional jewellery such as Kundan, Polki, and temple jewellery is also back in style, as well as retro fashion inspired by 1970s and 1980s Bollywood - they're all being celebrated in today's dynamic fashion landscape.

Film and Television

Just recently in India, we observed the movie-going audience go crazy over the re-release of the coming-of-age Bollywood blockbuster, Yeh Jawaani Hai Deewani, which has earned around 11.6 crore rupees so far. The nostalgia-driven box office successes of re-releases show us that a major part of the population is very much nostalgic for their 'good old days'. There has also been an upward trend of more reboots and sequels of popular classic movies getting released, and this surge in reboots can be attributed to audiences seeking comfort and joy in familiar characters and cinematic universes. A study conducted by GWI has shown that 71% of consumers are nostalgic for movies and 60% for television, which drives home the fact that almost all forms of media are catalysts when it comes to nostalgia.

Music and Gaming

A resurgence of retro trends meant a rise in the popularity of vinyl records as well, because of both listeners and major artists. The evolution in music consumption habits also meant that listeners could now easily access and rediscover music from many decades prior, which furthered the notion of a nostalgic musical experience. Nostalgia was also used by the gaming industry to boost sales. Researchers have recognised video games as a 'potentially powerful elicitor of nostalgia', and game designers sometimes rely on retro gaming aesthetics and historical recreations to attract players and evoke their longing for a simpler, happier past.

The influence of nostalgia on marketing and consumer behaviour is not a negligible one. Policymakers are presented with a unique opportunity to harness its economic potential,

especially since they play such an important role in shaping consumer behaviour and cultural identities.

Let us see how policy design with the help of a nostalgic lens can have significant economic implications in various industries:

Cultural Policies

Media and content regulation policies can be drafted in such a way that they provide encouragement to generate content or continue the telecast of content that celebrates the heritage of culture and diversity while remaining entertaining to viewers of all ages, especially the younger viewership. They should be provided funding and/or grants, which aids in its promotion.

Urban Planning and Development, and Tourism, Restoration of historical monuments and heritage by integrating nostalgic elements in city design, such as reviving old architecture, and preservation of old street designs, gardens, and marketplaces which will foster a sense of community and belonging. Policies should also aim at combining technological and digital solutions with vintage architecture/heritage sites, which will further the development of smart cities as well. Tourism is another industry that benefits a lot from nostalgia, as tourists are always attracted by historical storytelling and cultural heritage.

Emphasis should be placed on the proper preservation and maintenance of these elements of tourist spots, and resources should be allocated towards this cause. Restoration of historic buildings, monuments, forts, and museums should be incentivized, through subsidies, grants, and tax breaks for individuals/businesses undertaking such activities. While doing all this, it is also important to implement policies that prevent overcrowding and environmental damage at tourist attractions, to ensure that it doesn't lead to over-commercialization, and instead promotes sustainability.

Generating Employment and Reviving Industries

As traditional textile and handloom industries are on the rise, policies that support their incubation, such as providing marketing and advertising support, subsidising raw materials, and promoting the revival of traditional business throughout the country should

be implemented. Since such industries rely heavily on a skilled workforce and craftsmanship, these policies can also pave the way for generating employment and ensuring their skill development. Policies should support the digitization and preservation of important and engaging archives, such as old newspapers, documentaries, music, film, and music, to ensure that they always stay accessible to younger generations.

While one on hand, policymakers are presented with opportunities, they have to face challenges on the other - it is a tricky situation. Striking a balance between digitization and tradition is very important, and excessively profiting off of the charm of nostalgia can lead to over-commercialization, which ultimately dilutes the authenticity that made it special in the first place. Policies must also cater to all generations, not just a certain target demographic. While AI-driven analytics and personalization can be used to predict and prepare for emerging nostalgia trends, policymakers should keep in mind to use them wisely and with caution. Too much of anything is not a good thing, and so is the case with nostalgia. Resistance to change and modernization should not be compromised for its sake, rather an integration of traditional and modern elements is what is ideal. Trends are cyclical, even the nostalgia-induced ones. Policies should be aimed at long-term sustainability, and not at short-term fads whose future cannot be accurately predicted. It's all about finding the equilibrium point where progress and nostalgia can coexist, without losing their true essence.

CONCLUSION

The Friends Reunion Special is more than just a reunion, the Harry Potter figurines in your Kinder Joy packet is more than just a figurine. It is more than the bittersweetness of nostalgia, it is an economic force shaping decision-making in various industries and policies. With a thorough understanding of the behavioural economics behind it, and implementation of thoughtful policy measures, we can capitalize on nostalgia's influence in a way that guarantees maximum productivity. As economies try to navigate between rapid urbanization and modernisation, nostalgia-driven initiatives serve as a bridge that connects the past and the present in a meaningful manner, inspiring future generations.

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