Context Effects on Consumer Choice: Do Brands Matter?
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A great deal of research has documented that consumers’ judgments and choices are affected by the context, in particular, the relative positions of alternatives under consideration (e.g., Huber and Puto 1983; Pan and Lehmann 1993; Simonson 1989; Simonson and Tversky 1992). For example, researchers have found that consumers prefer alternatives that are in superior or compromise positions in the choice set. A superior position is one in which an alternative dominates other alternatives on one or more product attributes, whereas a compromise alternative is one that is positioned between other non-dominated alternatives (e.g., Simonson 1989).

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EXTENDED ABSTRACT

A great deal of research has documented that consumers’ judgments and choices are affected by the context, in particular, the relative positions of alternatives under consideration (e.g., Huber and Puto 1983; Pan and Lehmann 1993; Simonson 1989; Simonson and Tversky 1992). For example, researchers have found that consumers prefer alternatives that are in superior or compromise positions in the choice set. A superior position is one in which an alternative dominates other alternatives on one or more product attributes, whereas a compromise alternative is one that is positioned between other non-dominated alternatives (e.g., Simonson 1989).

While the studies establishing these context effects and its moderators have certainly contributed to our understanding of consumer choice, their generalizability to more realistic market settings may be limited because these effects have been tested almost exclusively in choice situations where alternatives are presented without brand names. It is rarely the case in the marketplace where an option in a choice set would be introduced as Brand X or Y, rather with a real brand name. Brands play an important role and in some cases are the major determinant of choice (e.g., Heilman, Bowman, and Wright 2000; Hoyer and Brown 1990). For example, consumers often use their familiarity with a brand as a risk-reducing cue in determining the value of an alternative (e.g., Erdem and Swait 1998; Heilman, Bowman, and Wright 2000; Hoyer and Brown 1990; Keller 1993).

Thus, it is not clear how pervasive these context effects would be in a more realistic setting that includes different brands within a choice set. We address this issue by conducting two studies that examine whether preferences for compromise and superior brands in a choice set are moderated by the inclusion of real brands that vary with respect to consumers’ familiarity with each of these brands.

We predict that preferences for compromise alternatives will be moderated by the relative brand familiarity of the choice alternatives, such that compromise brands that are more familiar than extreme brands are going to be preferred, whereas, compromise brands that are less familiar than extreme brands are less preferred. Additionally, we expect that preferences for superior alternatives will not be moderated by the relative brand familiarity of the alternatives. In the first study, to test whether the compromise effect is moderated by brand familiarity, participants are presented with a choice set containing three non-dominated, branded alternatives that vary with respect to their familiarity and price. No other attribute information is provided. Therefore, there is no possibility of making tradeoffs between attributes. To test our prediction we use a 2x2x3 between-subjects factorial design. The three factors are parent brand of the product entrant (used as replicates with varying levels of quality), competitor brand familiarity (less/ more familiar), and entrant positioning (extreme/ assimilated compromise/ equidistant compromise). Competitor brand familiarity represents situations in which competitor brands are relatively less familiar than the entrant brand in that choice set. We find that consumers prefer extreme brands when compromise brands are relatively less familiar and compromise brands when they are relatively more familiar in that choice set.

In a second study we test whether the findings of the first study, i.e., brand familiarity moderates the compromise effect, generalize to situations where consumers are provided with quality and attribute information in addition to price. Moreover, in the second study, we test whether brand familiarity moderates preferences for superior alternatives in a choice set. More specifically, we investigate whether brand familiarity is a stronger influence than objective attribute information on choice when consumers are able to assess tradeoffs between attributes and determine that some alternatives are superior in terms of the attributes. We predict that superior alternatives in a choice set will be preferred to relatively inferior alternatives, independent of the relative familiarity of the brands. To test this prediction and retest findings from study one with expanded information we use a 2x4 between-subjects factorial design. The two factors are the relative level of familiarity of the competitors compared to the entrant (less/ more familiar) and entrant position (extreme/ assimilated compromise/ superior / inferior). The extreme and assimilated compromise positions are the same, non-dominated, positions used in study one. The relatively superior entrant position dominates the high quality competitor (HQC) and the relatively inferior entrant position is dominated by the HQC. Since the pattern of results in study one is the same for both parent brands we use only one parent brand.

We find that the moderating effect of brand familiarity on the preferences for compromise alternatives generalizes to situations where consumers are provided with expanded information. Further, in situations where a choice alternative is superior, we find no moderation due to brand familiarity, i.e., preferences for superior alternatives are independent of the relative familiarity of the available brand alternatives.

In summary, our research suggests that the inclusion of branded choice alternatives somewhat limits the generalizability of previous compromise effect findings. In particular, preferences for relatively more familiar brands in extreme positions than for less familiar brands in compromise positions, establishes a boundary on prior findings on the compromise effect. In situations where consumers look for cues to reduce risk, it appears that brand name familiarity is more diagnostic than the relative position of non-dominated alternatives in a choice set. The inclusion of brand names is not just another moderating variable, it goes beyond that as it represents a variable that is rarely, if ever, absent in any realistic choice situation. However, the results of study two indicate that when one alternative is clearly better than another, the diagnosticity and reliance on cues, such as brand familiarity is diminished. These findings are consistent with diagnosticity theory (e.g., Miyazaki et al. 2005; Purohit and Srivastava 2001) and suggest that superiority effects are robust to brand familiarity cues. Finally, we discuss several strategic implications of our findings for decisions concerning positioning, and line extensions, as well as, assessments of a brand’s vulnerability to the entry or repositioning of competitors.

REFERENCES


Pan, Yigang, Donald R. Lehmann (1993), "The Influence of New Brand Entry on Subjective Brans Judgments", *Journal of Consumer Research*, 20 (June), 76-86.


