The Effect of Incidental Out-Of-Stock Options on Preferences

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While evaluating options for purchase, consumers often become aware that other, previously unconsidered options are no longer available. In a series of studies we demonstrate that such incidental and de facto irrelevant out-of-stock options significantly increase purchase likelihood of target options consumers are considering for purchase. We further find evidence that this effect occurs because out-of-stock options help justify choice of target options. We test several alternative explanations and report a boundary condition of the effect, showing that increases in purchase likelihood of target options is limited to consumers for whom incidental out-of-stock options make the purchase decision less difficult.

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EXTENDED ABSTRACT

Imagine you are at a restaurant, deciding whether to order chocolate cake for dessert. However, before you place your order, the waiter informs you that the lemon meringue, a dessert item you were not aware of and hence had not considered, is no longer available. This scenario illustrates a common situation in which consumers, in the process of making a decision, become aware that other options, which they previously had not considered, are no longer available.

Prior research has documented the generally negative consequences of out-of-stock (OOS) options, including those related to consumer responses to the OOS options themselves (e.g., Campo, Gijsbrechts, and Nisol 2000), the store (e.g., Schary and Christopher 1979), retailers’ financial outcomes (e.g., Sloot, Verhoef, and Franses 2005), or the shopping experience (e.g., Fitzsimons 2000). For example, Fitzsimons (2000) showed that consumers were less satisfied with the shopping experience and were more likely to switch stores when an attractive option was out of stock. However, extant research on consumer reactions to purchase situations with OOS options has been limited to those in which it is the focal option that is unavailable—that is, the option consumers are considering purchasing and hence are focused on in their purchase decision. Surprisingly, the literature is currently lacking an investigation into the effect of incidental, or previously unconsidered, OOS options on consumer preferences for focal options. That is, in the above scenarios, how will the incidental out-of-stock alternatives that are de facto irrelevant to consumer decisions to purchase the chocolate cake impact consumers’ preferences for these focal options?

A common view in economics proposes that when consumers evaluate an option, they tend to retrieve from memory their stable and coherent preferences, calculate its utility, and then make their purchase decision accordingly (e.g., Slovic 1995). Therefore, purchase likelihood of one option should not be affected by information irrelevant to the choice at hand, such as the presence of incidental OOS options. However, an alternative view of preferences suggests that individuals may not always have well-defined, coherent preferences to retrieve, but instead construct them when required (e.g., Bettman, Luce, and Payne 1998). Since the construction process is sensitive to contextual factors, options added to the decision context often impact preferences and subsequent choice (e.g., Doyle et al. 1999; Highhouse 1996; Huber, Payne, and Puto 1982; Park and Kim 2005). For example, adding an asymmetrically dominated decoy option to a choice set tends to increase the choice share of the dominating alternative (Huber et al. 1982), even when the decoy is a phantom alternative, unavailable at the time of choice (Farquhar and Pratkanis 1987; Pratkanis and Farquhar 1992).

The current research builds on and extends these prior findings in the literature by showing that unavailable options may not only call attention to dominance relationships, giving rise to context effects in choice, but also have a robust influence on consumer judgments. In particular, we propose that OOS options impact purchase likelihood ratings of target options, and that this effect is based on the ease of justification they provide for choice of the target. Specifically, research has shown that when consumers expect to justify choices they are about to make, the focus of their decision process tends to shift from the choice of good options to the choice of good reasons, increasing purchase likelihood of options that are more easily justifiable (e.g., Shafir, Simonson, and Tversky 1993; Simonson 1989; Simonson and Nowlis 2000). Importantly, even irrelevant reasons can influence preferences and choice. For example, Simonson, Nowlis, and Simonson (1993) show that consumers are less likely to choose an option when exposed to other consumers’ idiosyncratic, irrelevant reasons its choice. Further support for the role of justification ease is provided by Park and Kim (2005), who propose that asymmetrically dominated decoys may influence preferences because find they may provide reasons for choice of the target option.

We show in a series of studies with several hundred subjects in a variety of product categories that the presence of an incidental, irrelevant OOS option has a robust effect on consumer preferences and, more specifically, significantly increases purchase likelihood of those options consumers are evaluating for purchase.

We further find that increases in purchase likelihood are not driven by incidental OOS options’ signaling impending scarcity for target options or by consumer reactance (Brehm 1966). Instead, and in line with prior findings on the constructive nature of preferences (e.g., Bettman, Luce, and Payne 1998) and specifically, reason-based choice (e.g., Simonson 1989), our results suggest that changes in purchase likelihood occur because incidental OOS options help justify choices of target options. Additionally, we report a boundary condition of the effect, showing that increases in purchase likelihood of target options is limited to consumers for whom incidental out-of-stock options make the purchase decision less difficult.

The present research therefore makes several key contributions to the marketing literature and practice. Specifically, we show that the impact of unavailable options on preferences is even stronger and may occur in a greater variety of circumstances than previously demonstrated. That is, not only do unavailable options, such as decoys or phantom alternatives, call attention to dominance relationships, but our results suggest that they also have a robust effect on judgment tasks, such as purchase likelihood ratings.

Our findings furthermore propose a relatively easy tool for retailers to increase purchase intentions for consumers who feel ambivalent toward the selection of a particular product and who require additional reasons to justify its purchase. That is, by mentioning the unavailability of another item, even one from an unrelated product category, is likely to increase the likelihood of purchase for the target option. However, future research is needed to investigate the consequences of a purchase based on irrelevant reasons. For example, what would be the impact on performance expectations and satisfaction with the product, both in case of performance success and failure?

References


