Special Session Summary    Product Assortment and Variety-Seeking in Consumer Choice

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SESSION OVERVIEW

The importance of product assortment and variety-seeking in consumer choice has been underscored by numerous researchers in the field (Broniarczyk, Hoyer, and McAlister 1998; Chernev 2003; Kahn and Wansink 2004). Building on the extant literature, the research presented in this session examined several novel aspects of assortment and variety-seeking processes in choice. Specifically, the session addressed the following issues:

- Research presented by Chernev examined an interesting paradox implied by the extant literature: When choosing among assortments, consumers opt for the variety offered by larger assortments; however, consumers often are less confident in choices made from larger rather than from smaller assortments. Building on prior findings, his research demonstrated that choice among assortments is a function of consumers’ decision focus and, in particular, the degree to which the subsequent task of making a choice from the selected assortment is salient to consumers.

- The work by Berger and Dragniska examined how assortment size may influence the relationship between the consumer and the brand. In a series of three experiments they demonstrated the existence of a positive effect of assortment size on perceived brand quality. They further showed that this effect depends on the product type, such that the positive impact of assortment on brand perceptions is likely to be stronger in low-cost/utilitarian categories than in high-cost/hedonic categories.

- Research presented by Raghunathan examined the conditions under which it is more advantageous to conceal than to reveal the corporate source of variant brands. In particular, he identified product differentiation as a key factor that is likely to moderate the impact of revealing the corporate source of variant brands. Specifically, he argued that companies may benefit from concealing the corporate source of variant brands in categories where products are perceived to be relatively undifferentiated; whereas, in categories where products are perceived to be differentiated, companies are more likely to benefit from revealing the corporate source of branded variants.

- At the end of the session, Barbara Kahn led the discussion to integrate the findings of the individual papers into a broader framework for conceptualizing the psychological mechanisms underlying the impact of assortment on consumer choice. In doing so, she engaged the audience in a discussion aimed at facilitating a broader understanding of product assortment and variety-seeking and their implications for choice.

“Decision Focus and Consumer Choice Among Assortments”
Alexander Chernev, Northwestern University

The findings reported by prior decision research contain an implicit paradox: When choosing among assortments, consumers opt for the variety offered by larger assortments (Broniarczyk, Hoyer, and McAlister 1998); yet they are less confident in choices made from larger rather than smaller assortments (Chernev 2003; Iyengar and Lepper 2000). This preference inconsistency implies that consumers often cannot accurately predict their need for variety and tend to overrate the attractiveness of large assortments. In this context, this research argues that consumers’ tendency to overestimate their future need for variety is moderated by their decision focus and, in particular, by the degree to which the subsequent task of choosing an option from the selected assortment is salient to consumers.

Building on prior research, I propose that a consumer’s decision focus among assortments can be viewed as a hierarchical decision process that comprises two different stages: selecting an assortment and subsequently selecting an option from that assortment (Kahn and Lehmann 1991; Kahn, Moore, and Glazer 1987). Because these two choices are often temporally separated, they tend to be considered in isolation; as a result, when making a choice, consumers attempt to maximize the utility of each decision independently. In this context, making salient the final product-choice task should increase the probability that consumers will view the assortment choice as a single two-stage decision (instead of two independent choices) and will be more likely to select the assortment that allows them to optimize their final selection.

The cornerstone proposition of this research is that varying the decision focus is likely to activate different decision goals. Thus, consumers who are focused only on the choice among assortments will be more likely to display a preference for larger assortments because of uncertainty about future preferences (Kreps 1979) and a desire to put off the effort of making tradeoffs into the future (Simonson 1990). In contrast, consumers who focus on the subsequent task of selecting an option from the chosen assortment will be less likely to display a preference for larger assortments because of the anticipated difficulty of making a choice from such assortments. Therefore, I predict that consumer choice among assortments is a function of the salience of the subsequent product-choice task. In particular, larger assortments will be less preferred when the salience of the subsequent product choice is high rather than when it is low.

I further propose that the influence of the decision focus on the choice among assortments is moderated by the relative attractiveness of options comprising these assortments. In particular, I argue that the increase in the relative share of the smaller assortment associated with the increased salience of the product-choice task will be greater when none of the options in the choice set dominate the others than when a dominant alternative is present. This prediction is based on the notion that the effect of the increased decision complexity associated with larger assortments will be mitigated by the presence of a dominant alternative because it provides consumers with a sufficient reason for choice.

These research propositions are supported by the data from two experiments. The first experiment empirically tests the prediction that the choice among assortments is a function of consumers’ decision focus, whereby smaller assortments are more preferred when the salience of the subsequent product-choice task is high rather than when it is low. The experimental method entails varying respondents’ decision focus when choosing among assortments. Respondents were offered a choice between a smaller (e.g., 6 options) and a larger (e.g., 36 options) assortment of different snacks (Chernev 2003; Kahn and Lehmann 1991). Decision focus was manipulated by using the need-for-justification paradigm (Simonson 1989) and varying the nature of the justification task. The data were consistent with the research propositions showing that larger assortments were less preferred when respondents were asked to justify their choice of an assortment than when they were asked to justify their choice of an option.
The second experiment tested the prediction that the impact of the decision focus on the choice among assortments is moderated by the relative attractiveness of the options in the set. The relative attractiveness of choice alternatives was manipulated by varying respondents’ familiarity with the alternatives and by varying the dominance of the options on the primary attribute. These two manipulations correspond to the two types of decision contexts in which dominance can be observed: local context, associated with the impact of the alternatives in the available choice set, and background contrast, associated with the impact of alternatives that have been encountered in the past (Simonson and Tversky 1992). In particular, local dominance was varied by featuring one of the options as dominant on the most important attribute—a manipulation consistent with the prominence principle, stating that dominance on the most important attribute offers a compelling reason for choice (Tversky, Sattath, and Slovic 1988). In contrast, the background dominance manipulation varied respondents’ familiarity with the options in the set—a proposition consistent with prior research documenting that familiar objects are more likely to be chosen than unfamiliar objects (Hawkins and Hoch 1992). The dependent variables were the respondents’ choice among assortments and their assortment satisfaction. The data were consistent with the research propositions, indicating that the increase in the relative share of the smaller assortment associated with the increased salience of the product-choice task was greater when none of the options in the choice set dominate the others than when a dominant alternative is present.

“The Influence of Variety on Perceptions of Brand Quality”
Johan Berger, Stanford University
Michaela Draganska, Stanford University

Most of the extant research on assortment and variety-seeking has focused on how the size of the choice set influences the likelihood of purchase (Chernev 2003, Iyengar and Lepper 2000, Huffman and Kahn 1998). We build on the extant literature by examining how assortment size may influence the relationship between the consumer and the brand.

Increased variety may increase consumers’ belief that a brand can serve their needs, but actual experience or frustration due to increased choice difficulty may cancel out or reverse these effects. Moreover, while it is likely that consumers learn heuristics about variety’s influence on quality from the environment, lay theories about quality perceptions may exist in total disregard or even in opposition to actual information about the assortment sizes for high- and low-quality producers. The literature examining the influence of factors like price on quality judgments suggests that consumers use both intrinsic cues (such as quality-related product features) as well as extrinsic cues (price or brand name) to form opinions of product quality. Researchers have examined how factors such as price, advertising expense (Kirmani and Wright 1989) and brand and store name (Rao and Monroe 1988) influence perceptions of product quality and find that consumers often use extrinsic (and possibly non-diagnostic) information to form judgments regarding product quality.

In this context, we suggest that the amount of variety offered by a brand should influence the consumer’s perception of that brand. We propose that increased variety will lead to more positive perceptions of the brand. However, it is also likely that this relationship will be moderated by the type of product category studied, such that variety has a positive influence on quality in low-cost (and more utilitarian) product domains, but a smaller or even reversed effect in high-cost (and more hedonic) domains. This may be due to the fact that while increased variety may signal quality in domains where quality is uncertain, when choosing between very high-end hedonic products, offering too much variety may make the product seem less exclusive or decrease the feeling that the product was carefully handcrafted.

Experiment 1 uses two product categories (dish washing soap and conditioner) and a within-subjects design with two options that differed only in the amount of variety offered (3 vs. 9 options). The results indicate that variety influenced consumers’ perceptions of brand quality, and the influence was in the positive direction, such that greater variety led to more positive perceptions of the brand. In experiment 2 we used the yogurt category and a 2 (type of brand: store vs. national) x 2 (variety: low vs. high) between-subjects design to examine the influence of variety and type of brand on perceived quality. While we again found support for the notion that the amount of variety offered can influence perceptions of brand quality, we also found that this influence is moderated by the type of brand, such that the benefit of increased variety is greater for store (as opposed to national) brands. Additionally, however, this interaction was not found in likelihood of purchase, and an investigation of respondent comments suggests that price may overwhelm all of these effects. While differences in variety led to differences in perceived quality, many respondents suggested that they would only purchase a brand of yogurt if it was one of the cheaper (or the cheapest) brands available.

These two experiments support the notion that variety may be used as a cue for brand quality, and have shown this effect to be positive, such that greater variety leads to the perception of greater quality. The direction of influence, however, may depend on the product category such that it is positive in low-cost/more-utilitarian categories, but reduced (or even reversed) in higher-cost/more-hedonic categories. Therefore, in experiment 3, we examine more high cost/hedonic domains such as wine and fine dishware using a within-subjects design. The results suggest that the offered variety may not influence quality perceptions in low-cost utilitarian product categories. Examination of respondents’ explanations of their ratings suggests that this non-effect may actually be due to two opposing forces, whereby some respondents thought that “focusing on less products makes each better” while others saw increased variety as a sign that others liked the brand and that the brand had more experience in the category.

“Strategic Issues in Concealing versus Revealing Corporate Source of Variant Brands”
Rajagopal Raghunathan, University of Texas at Austin

What are the conditions under which it is more advantageous to conceal vs. reveal the corporate source of variant brands? Extant literature on branding (Aaker and Keller 1990) suggests some potential reasons for following each strategy. Companies may wish to conceal the corporate source of variant brands when doing so carries the risk of: 1) diluting equity of the corporate brand and/or the variant brand, or 2) confusing the consumer. Revealing the corporate source of variant brands makes sense if doing so is likely to: 1) enhance the equity of either the corporate brand or the variant or both, or 2) generate economies of scale.

Building on prior research, we identify product differentiation as a key factor that is likely to moderate the impact of revealing the corporate source of variant brands. Specifically, we argue that: 1) in categories where products are perceived to be relatively undifferentiated, companies may benefit from concealing the corporate source of variant brands, and 2) in categories where products are perceived to be differentiated, companies may benefit from revealing the corporate source of branded variants. Our first prediction stems from the thesis that people are inherently variety-seeking (Loewenstein 1994). As a result, they may want try out a different brand within a product category every so often—Tide now, Cheer
next time, etc. To the extent that two brands are perceived to be more similar to each other when they share (vs. do not share) a corporate source, companies stand a better chance of taking advantage of the variety-seeking instinct by concealing the corporate source of their variant brands. This prediction, however, is only posited for product categories perceived to be relatively undifferentiated; in product categories perceived to be relatively differentiated, the number of variant brands a company offers is likely to serve as a signal of product categories perceived to be relatively differentiated, the number of variant brands of cereal may lead a consumer to conclude that the company is proficient in the art of making cereals, leading, in turn, to more favorable impressions of the variant brands of that company. Therefore we propose that in undifferentiated product categories, it is advantageous to conceal the corporate source of variant brands, whereas in differentiated product categories, it is advantageous to reveal the corporate source of variant brands.

The above proposition was tested in a series of three experiments. Participants in experiment 1 were asked to provide reasons why some companies choose to conceal the corporate source of variant brands of detergent (such as Tide, Cheer, and Era) while other companies choose to reveal themselves as the corporate source of variants brands of cereal (e.g., Krispies, Raisin Bran, and Total K). Consistent with our predictions, a large proportion of the subjects (53%) felt that manufacturers may conceal the corporate source of variant brands to take advantage of consumer’s desire to seek variety in the category of detergent. Likewise, a large proportion of subjects (40%) felt that manufacturers may want to signal expertise by revealing the corporate source of variant brands.

In experiment 2, participants were asked to: 1) choose one detergent brand from a set of six and, 2) choose one cereal brand from a set of six. Depending on condition, participants were led to believe that the six brands (named Brand A through Brand F) were manufactured by six different companies (6-company condition)—P&G, Lever Bros., Arm & Hammer, Clorox, Johnson & Johnson, and Hankel Group, respectively, in the case of detergent—or by two different companies (2-company condition)—P & G and Lever Bros. Those in the 2-company condition were led to believe that brands A–E were all manufactured by one company (P&G), and that the sixth was manufactured by a second (Lever Bros.). For cereal, the corresponding companies were Kellogg, Post, General Mills, Pillsbury, Quaker, and Nabisco in the 6-company condition, and Kellogg’s and Post in the 2-company condition. The dependent variable of interest was the choice probability of “Brand F.” Results revealed support for the research propositions: participants penalized a company for offering several undifferentiated products and rewarded it for offering several differentiated ones.

In experiment 3, we assessed whether the pattern of results obtained in experiment 2 could be reversed by manipulating the extent of perceived differentiation among the brands. The attribute levels of the detergent and cereal brands were manipulated to make them appear undifferentiated [differentiated]. The research propositions were supported in the undifferentiated condition of detergent and differentiated condition of cereal, respectively, thus underscoring the robustness of results obtained in experiments 1 and 2. Further, consistent with the idea that it is the lack of differentiation that consumers find objectionable when a company offers several brands, participants: 1) did not penalize a detergent company for offering several brands when the brands were perceived to differ in meaningful ways from one another, 2) penalized a cereal company for offering several undifferentiated brands.

Our findings suggest that, in undifferentiated product categories companies stand to gain from concealing the corporate source of variant brands, unless they explicitly highlight real or perceived differences among them. In categories where products are perceived to be differentiated, companies benefit from revealing corporate source of variant brands.

REFERENCES


