The Chooser's Curse: How Underestimating the Costs of Choosing Leads to Undesirable Outcomes

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Consumers’ preference for choosing is driven by the belief that choice will make them better off and reveals a tendency to underestimate the cognitive and emotional costs associated with the provision and exercise of choice relative to its benefits. Three studies demonstrate that consumers make systematic mistakes in predicting the effect of choosing on performances and affective experiences. Even when participants were aware that the act of choosing involved costs and its benefits were negligible, they predicted choice to lead to greater performances and more positive affect; on the contrary, results show that choosers performed and felt worse than non-choosers.

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SYMPOSIA SUMMARY
Dazed and Confused by Choice: Antecedents and Consequences of Consumers’ Desire for Choice Freedom
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SESSION OVERVIEW
The objective of this symposium is to shed light on why consumers value freedom of choice, and on how perceived freedom of choice affects consumer decision processes. The research covered in this symposium proposes that the antecedents of consumers’ desire for having freedom of choice are both cognitive and motivational in nature, and that this desire may lead to suboptimal decision outcomes.

The first paper, by Botti and Hsee, shows that consumers prefer making their own choices rather than having these choices externally imposed because they believe that choice leads to better performances and more positive affect. Three studies suggest that this belief is based on consumers’ tendency to underestimate the emotional and cognitive costs of choosing. As a result, participants value the provision of choice even when its costs are higher than its benefits and choosing generates inferior outcomes than not choosing. The second paper, by Usta and Häubl, shows that consumers have a strong reluctance to relinquish their freedom to choose even if it is beneficial for them to do so. Evidence from three studies suggests that consumers’ unwillingness to relinquish the control of their decisions to expert surrogates is based on their motivation to maintain an internal perceived locus of causality for their decisions. Reducing this desire to maintain an internal perceived locus of causality through manipulating motivational orientation eliminates the reluctance to relinquish decision control. The third paper, by Yuan and Dhar, shows that increasing consumers’ perceived choice freedom can make them more susceptible to unsolicited persuasive messages. Results from three studies show that while people in forced choice situations with limited options are not much affected by store recommendation or popularity information, giving people greater choice freedom either by adding a no-choice option or by increasing the choice set size significantly increases the effectiveness of such persuasive information, even when their trustworthiness is questionable.

Prior research showed that consumers resist restrictions to their freedom of choice and engage in behaviors to reassert their feelings of autonomy. The three papers presented in this symposium share the premise that, although choice freedom is associated with both costs and benefits, it is harder for consumers to appreciate the costs of choosing and how they affect decision outcomes. This symposium therefore contributes to prior research by investigating the different psychological processes underlying consumers’ desire for autonomy in decision making. Identifying such processes lays the foundation for developing a general theoretical framework that helps consumer researchers and marketers predict when, why, and how consumers prefer having the freedom to choose. Further, by showing the potentially negative consequences of perceived freedom of choice, this symposium alerts to the possibility that the more provision of an opportunity to choose may increase consumers’ perceived sense of control without increasing their objective welfare.

Consumers’ preference for choosing can be accounted for by various theoretical perspectives. The papers presented in this session build a bridge between cognitive and motivational explanations for the phenomenon under investigation. Indeed, the motivation to feel autonomous in decision making can demonstrate itself through the use of a cognitive heuristic that underestimates the costs of being autonomous. In addition, these three papers build a bridge between the antecedents and the consequences of the phenomenon under study, namely consumers’ quest for decision-making autonomy.

EXTENDED ABSTRACTS
“The Chooser’s Curse: How Underestimating the Costs of Choosing Leads to Undesirable Outcomes”
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Consumers are often willing to undergo extensive searches in order to enjoy the benefits of making optimal choices. For example, travelers shop around to find the most satisfactory tickets, investors wait for the best market conditions before picking their stocks, and singles engage in intensive dating when looking for the perfect spouse. Research has demonstrated that these search processes are associated with costs and benefits. Choosing allows to maximize satisfaction through the matching of personal preferences and available alternatives, and has beneficial psychological effects (Taylor and Brown 1988). Conversely, the cognitive effort required to evaluate the choice-set options and the emotional distress caused by decision conflicts may impair decision-making abilities and lower satisfaction (Iyengar and Lepper 2000; Luce 1998). Although optimal search models predict that rational consumers would stop searching if the costs of choosing outweighed its benefits, recent research has shown that consumers prefer choosing even when the provision of choice makes them worse off (Botti and Iyengar 2006). Consumers seem therefore to use a choice heuristic that causes them to systematically prefer choice in spite of its consequences on well-being. In this paper we examine this choice heuristic and its underlying psychological process. We propose that consumers want to choose because they tend to underestimate the cognitive and emotional costs of searching for the best option relative to its benefits. As a result of this cost underestimation, consumers believe that the exercise of choice will necessarily make them better off, causing them to insist on choosing even in those circumstances in which choice leads to suboptimal outcomes. We tested our theory in three experiments.

Experiment 1 involved three groups of participants: Predictors, choosers, and non-choosers. Predictors were asked to imagine having $10,000 to invest in a 1-year CD. They were informed that there were numerous banks to choose from, each one offering a different interest rate ranging from 3.01% to 4%, and told to choose a bank using one of two online services. The first service initially charged $7 to show the interest rates of three randomly selected banks and allowed customers to decide whether to select one bank from this set or pay additional $7 to peruse other sets. The second service showed only three randomly selected banks for $7 from which customers could make their selection. Predictors were asked to indicate which of these two services they would prefer using and to predict which service would lead to a higher return and more positive affect during the decision process. The majority of predictors preferred the first service and expected this service to generate higher returns and more positive affect. Choosers and non-choosers
were given the same initial information about investing $10,000 in a CD; however, choosers were given the first service, which allowed them to search for the most satisfying rate, whereas non-choosers were given the second service, which provided them with only one set of banks from which to make their choice. Contrary to predictors’ estimates, choosers obtained lower returns and reported lower positive affect than non-choosers.

It may be argued that predictors in Experiment 1 made erroneous forecasts simply because they did not directly make the decision. Hence, in Experiment 2 participants first experienced a decision process and then made their predictions. Participants were instructed to memorize as many randomly generated 7-digit phone numbers as possible within a 5-minute time frame and told that their final performance would depend on their ability to correctly memorize these numbers (they would gain 9 points for each correct number and lose 1 point for each incorrect number). Participants where then randomly assigned to one of the two experimental conditions: Choosers read that they would choose each number to memorize from a set of ten different randomly generated numbers whereas non-choosers were told that they would be presented each time with only one number to memorize. After taking the test, but before knowing their performance, participants were asked how they felt during the test. Next, they were informed of the two experimental conditions and asked in which condition they would prefer being if they had to take the test again, and of which of the two conditions would generate a better performance and more positive affect. Consistent with the first study, the majority of participants preferred being in the choice condition and predicted choosers to experience more positive affect and perform better than non-choosers. In reality, choosers reported lower positive affect and performed worse because they misremembered more numbers and overall attempted fewer trials.

Experiment 3 used a similar paradigm as Experiment 2 but made the costs of choosing even more salient. Participants were asked to memorize three different 10-digit numbers. They were told that their performance depended on how many digits they would correctly and incorrectly remember (they would gain 0.9 points for each correct digit and lose 0.1 points for each incorrect digit) and the time spent taking the test (they would gain 0.5 points for each second saved from the 6-minute allotted time). Choosers were given a set of ten different randomly generated numbers from which to select the one number to memorize whereas non-choosers were told that they would be presented each time with one number to memorize. After taking the test but before knowing their performance participants reported their affective response to the test, were informed of the two experimental conditions, and asked to predict which condition would lead to higher performance and more positive affect. Consistent with previous results, the majority of participants preferred being in the choice condition and predicted higher performance and more positive affect for choosers. In actuality, choosers not only felt worse but also misremembered more digits, resulting in a lower performance than non-choosers.

Overall, these results support the hypothesis that consumers desire decision-making autonomy because they tend to underestimate the cognitive difficulties and emotional discomfort associated with the act of choosing even when these costs are made salient; as a result, they erroneously believe that choice provision will necessarily improve their well-being.

References


“Self-Determination and the Relinquishment of Decision Control: Why Are Consumers Reluctant to Delegate their Decisions to Surrogates?”
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When consumers use an expert as a surrogate to guide, direct, and/or transact marketplace activities on their behalf (e.g., a financial advisor), they relinquish some of the control of the decision process (Solomon 1986). It is remarkable, and also puzzling, that many consumers are reluctant to relinquish control to expert surrogates even when the benefits of doing so are known to be significant. Such reluctance is particularly evident in the domain of financial decision making where, for example, less than half of American equity investors rely on financial advisors for all of their stock market transactions (see ICI 2005). Individuals who make financial decisions without professional advice are more likely to make poor asset allocations (Benartzi and Thaler 2002), which results in tremendous welfare costs. The objective of this research is to investigate what underlies consumers’ persistent reluctance to relinquish their decision making responsibilities to expert surrogates.

Self-determination theory (Deci and Ryan 2000) suggests that humans possess a basic need for autonomy, the desire to feel as the origin of one’s actions. Individuals feel autonomous, as opposed to controlled, to the extent that they perceive an internal, as opposed to external, locus of causality for their actions. Some contextual factors are “autonomy supportive” (e.g., the opportunity to choose one’s actions), while others are “controlling” in the sense that they undermine the need for autonomy (e.g., extrinsic rewards or surveillance). Autonomy-supportive contexts improve human functioning and well-being by bolstering an internal perceived locus of causality (Vansteenkiste et al. 2004). Based on self-determination theory, we propose that relinquishing the control of a decision shifts the perceived locus of causality (PLOC) for the decision from internal to external, which thwarts the need for autonomy. As a consequence, consumers’ reluctance to relinquish the control of their decisions to expert surrogates is driven by their need to maintain an internal PLOC for their decisions.

In this paper, we report the results of three experiments that involved consequential investment decisions. For each investment decision, participants were first presented with ambiguous information about two stocks. They were then given a choice between making the investment decision on their own and obtaining the services of a financial advisor in connection with this decision. The nature of the advisor’s service was manipulated such that it either (a) revealed a prediction as to which of the two stocks would yield a higher rate of return (“recommendation”) or (b) made the decision on behalf of the participant (“delegation”). Decision makers who acquire a recommendation can retain an internal PLOC, because they are free to either comply with or reject the recommendation. By contrast, delegating a decision implies completely relinquishing the freedom to choose and induces an external PLOC. The results of a pretest also confirmed that delegating a decision results in an
external PLOC while obtaining a recommendation allows consumers to retain an internal PLOC.

Experiment 1 aimed to demonstrate consumers’ reluctance to delegate their decisions to expert surrogates. The services of a financial advisor were either offered at a cost or for free. Normatively, reducing the cost of the advisor’s services should increase consumers’ likelihood of obtaining them. The results of this study show that providing the services for free rendered consumers significantly more likely to acquire the expert’s recommendation about which option to choose. However, consumers’ willingness to delegate their investment decision to the expert was low regardless of the cost of the expert’s service.

The objective of Experiment 2 was to identify the motivational process that underlies this reluctance to delegate. To do so, we manipulated participants’ motivational orientation. Prior to the investment decision, participants engaged in either a self-directed (i.e., autonomous motivation) or an other-directed (i.e., controlled motivation) card sorting task adapted from Nix et al. (1999). Autonomous motivated consumers who were acting with an internal PLOC were significantly less willing to delegate their decisions to the expert surrogate than they were to acquire the same surrogate’s recommendation. On the contrary, consumers in controlled motivation who were acting with an external PLOC did not show such a tendency. Furthermore, consumers in controlled motivation were significantly more likely to delegate their decisions than those in autonomous motivation. Autonomous motivated participants approached the decision to retain or relinquish the control of their investment decision with an internal PLOC: They were threatened by a shift in their PLOC from internal to external caused by delegating their investment decisions. Thus, consumers’ reluctance to relinquish their freedom to choose is based on their desire to maintain an internal PLOC for their decisions.

Experiment 3 aimed to investigate the influence of consumers’ motivational orientation on their response to negative feedback about their competence in decision making. Receiving negative feedback made autonomy-oriented consumers (i.e., those predisposed to experience an internal PLOC) more likely to obtain the surrogate’s recommendation, but not to delegate their decisions. By contrast, upon receiving negative feedback, controlled-oriented consumers (i.e., those predisposed to experience an external PLOC) became more likely to delegate their decisions, but not to take a recommendation. Receiving negative feedback about their competence in decision making made controlled oriented consumers more likely to relinquish their freedom to choose while it did not have such an effect on autonomy oriented consumers.

These results suggest that the unwillingness to relinquish the freedom to choose is based on the desire to experience an internal PLOC for one’s decisions (i.e., one’s reason to make the decision in a particular way should originate from one’s self). This strong motivation inherent in consumers persists even in domains that require expertise, such as financial investments, and causes them to be reluctant to relinquish the control of their decisions to experts. Motivational orientation (autonomy or controlled) proves to be a predictor of whether or not consumers relinquish their freedom to choose (Experiment 2) and of whether or not consumers’ likelihood to relinquish their freedom to choose increases upon receiving negative feedback about their competence in decision making (Experiment 3).

References


“Perceived Choice Freedom and Consumers’ Receptiveness to Persuasive Information” Wentao Yuan, New School for Social Research Ravi Dhar, Yale University

People in modern societies have a strong preference for choice freedom and autonomy. They usually prefer more to less choice options even though more options do not always lead to better decisions and greater happiness (Schwartz 2005). In this paper, we demonstrate that when consumers are given the impression of having greater choice freedom, they become less suspicious of potentially unreliable information. For example, they become more likely to follow, sometimes unwisely, store recommendations without convincing reasons. Ironically, the comfortable feeling of self control can make people more susceptible to external manipulations.

When consumers are shopping for products, a lot of information they learn is provided by the retail stores. Not only do stores routinely supply core product attributes such as price, features, and technical details, they sometimes also offer more normative information such as product popularity and subjective information such as expert recommendations and consumer reviews. On one hand, store-provided information, if accurate, can reduce decision difficulty and facilitate consumers in making sound choices. On the other hand, stores may provide selective or misleading information trying to sway consumers’ decisions for the stores’ own benefits. Generally consumers are aware of these possibilities. According to the Persuasion Knowledge Model (Friestad and Wright 1994), once consumers recognize an action as a tactic to influence their behaviors, they use their persuasion knowledge to cope with such an attempt. More intrusive persuasion attempts such as unsolicited recommendation may also induce psychological reactance (Brehm 1966) and result in negative consumer reactions (Fitzsimons and Lehmann 2003).

Reactance is usually considered as a response to threatened choice freedom. When a choice option is removed or threatened to be removed, people often try to reassert their freedom by increasing their liking for the threatened option. We argue that people would be most suspicious with store-provided information when they have limited choice freedom. If people’s choice freedom is increased, the same persuasive information would have less impact on their perceived choice freedom. For example, if people have to choose between Products A and B, and they are told that A is
recommended by experts, their freedom to choose B over A will be threatened by this recommendation. However, if people also have the option to choose neither A nor B and explore other products instead, a recommendation for A may still threaten people’s freedom to choose B over A, but it will not threaten people’s freedom to choose neither product and explore other options. Therefore, we propose that when choice freedom is expanded by adding a no-choice option or by adding an extra product option, people will be less cautious with, and be more likely to be influenced by, store-provided information.

Study 1 examined how people responded to store recommendation in presence or absence of a no-choice option. Participants chose between two unfamiliar foreign DVD titles, one of which was described as being recommended by the rental store. In fact, the recommended alternative was manipulated and counterbalanced between participants. Half of the participants were also told that they had the option to rent neither DVD and search for other titles. The results showed that while participants who did not have the no-choice option were unaffected by the recommendation information, participants who had the no-choice option were significantly more likely to choose the recommended alternative. We ruled out the alternative explanation that people who preferred the non-recommended alternative were more likely to switch to the no-choice option. We also replicated the finding in Study 1 with a more familiar product (chocolate) and in a choice with potential real consequences (1/30 chance of winning the chosen chocolate box).

Like adding the no-choice option, increasing the number of available product options will also increase perceived choice freedom. Study 2 examined how people responded to popularity information when the size of choice set varied. Participants were provided with either two or three mixers to choose from. Of the two common alternatives that all participants saw, one was described by the store as being more popular than the other. The results showed that while participants who chose from only two alternatives were not significantly affected by popularity information, participants who chose from three alternatives were significantly more likely to choose the alternative that was claimed to be popular.

In Study 3, we showed a boundary condition of the choice freedom effect. Many consumers have the intuition that stores have higher incentive to sell expensive, as opposed to cheap, products. Therefore, store-provided information favoring a high-price product may elicit more suspicion, whereas information favoring a low-price product may be regarded as relatively reliable even when choice freedom is low. In Study 3, participants were asked to choose between two car tire models. Some were told the high-price model was more popular, some were told the low-price model was more popular, and the others were not given any popularity information. The results showed that if the low-price model was described as being popular, adding the no-choice option did not increase the effect of popularity information. On the contrary, if the high-price model was described as being popular, adding the no-choice option significantly increased the share of the high-price model.

Consumers cherish the freedom to choose, as well as the freedom to not choose. However, oftentimes they do not realize the costs associated with such freedom. The current research shows that possessing extra choice freedom could make consumers more susceptible to potentially unreliable information. In the studies we reported, recommendation and popularity information were not empirically derived but rather experimentally manipulated, and they were not accompanied by any supporting reasons. Therefore, by complying with such information, the participants in the high-freedom conditions may not have made the optimal choices. On the other hand, suspicion and reactance can be destructive in some situations. When persuasive information is reliable and unbiased, high choice freedom may also make consumers more receptive to valuable information. In either case, it is important for researchers to understand how choice freedom can influence consumer behaviors.

References