Achieving the Compromise Effect With Missing Attribute Information: Introducing Shadow Options

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Addition of a third option (Z) to a binary choice set (XY) leads to a compromise effect increasing choice of Y in XYZ. In three studies it is shown that the same effect can be achieved when Z has a missing attribute (only one available attribute). Due to its missing attribute, Z may actually be better or worse than X and Y. While this shadow option is rarely chosen, its presence in the choice set changes the preferences between X and Y. This effect is achieved regardless of missing attribute type or attribute polarization and prompting participants to make inferences about the missing attributes further increases the effect.

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EXTENDED ABSTRACT
Consider the following real life purchase situation:

You go to an auto parts store to purchase a set of four snow tires. The dealer shows you two options. Brand X costs $90 per tire and has a tag on it that indicates that it has a traction rating of 5.1 out of 7. Brand Y costs $125 per tire and the traction rating on its tag is 6.3 out of 7. The tags indicate that the traction ratings are provided by the same well respected auto magazine. Just as you are about ready to choose Brand Y because of its better traction rating, the dealer tells you that the store also carries Brand W that costs only $60 per tire, but that the magazine has not provided a traction rating for it. You consider the idea of buying that tire for a minute. You decide that you are not going to buy it without knowing the traction rating, but even so the total cost is only $240 for a set of 4 tires compared to $500 for a set of the Brand Y. Maybe it is not worth paying so much after all. You ask yourself: what is the difference between a 5.1 vs. 6.3 rating anyhow? As you think more about it, paying $360 for a set of Brand X tires seems like a better choice and you change your initial decision of buying Brand Y.

In the scenario above, introducing a third option, even though this option was missing a crucial piece of information, changed the initial choice in the binary set and increased the choice probability of the middle option in the new choice set. If the marketer had not mentioned the third option, the final decision would have been different. Some reflection suggests that consumers face numerous similar scenarios during their purchases. For instance, the local wine store where the authors live, like many other internet and bricks and mortar wine merchants, regularly reports wine evaluation scores from the Wine Spectator, a respected and apparently unbiased wine magazine. These scores are reported for some wines and not for others for two reasons, first because Wine Spectator cannot possibly rate every wine, and second because the wine merchants may choose not to report the scores.

Brands gain share when they become center options in a choice set (Simonson 1989). This phenomenon, known as the compromise effect, has been shown in past literature when a third option (W or Z) was added to a binary choice set (X, Y). In the vast majority of cases there was a large and significant increase in the choice of the option (X or Y) adjacent to the newly added option as the existing option takes the middle or compromise position in the new X, Y, Z or W, X, Y set. In these studies, all options were described with two attributes each, and all attribute information was provided. The new option (W or Z) was relatively better than X and Y on one attribute and relatively inferior to X and Y on the other attribute.

In this manuscript, we investigate whether the introduction of a third option with a missing attribute also leads to a compromise effect. As one of its attributes is unknown, this new option can have any value for that attribute. Thus, it may actually be much better or worse than X or Y on either dimensions and away from the trade-off line (as defined in Sheng et al. 2005). Due to its missing attribute and its unknown location in the choice set, this alternative will generally achieve a low choice probability. Hence we refer to it as the shadow option. It is important to note that a shadow option is a distinct concept from that of a phantom decoy used in earlier literature (Simonson 1989). More specifically, shadow options have missing attribute information but they may still be chosen by the decision maker, whereas phantom decoys have complete attribute information but they are not available for choice.

In three empirical studies, we investigate the robustness of the compromise effect achieved by the addition of a shadow option to a binary choice set. In the first study, we show that the compromise effect holds for a newly added option when only one attribute is available (one attribute is missing) as well as when both attributes are available (no attributes are missing). There is an important distinction between the two cases, because in the case of missing attribute information the newly added alternative may actually be better or worse than the existing ones, whereas in the case of complete information the new option will be superior to both existing options on one attribute and inferior on the other.

In the second study, we demonstrate that the shadow option (W or Z) alters choice probabilities in favor of the adjacent option whether it is next to X or to Y (i.e. WXY or XYZ). In either case, the choice of the new compromise option is increased. Also in this study, the missing attribute types are reversed, and different types of products are included. It is demonstrated that the effect is independent of attribute or product type. In the third study, we examine three important issues. First we investigate whether the effect occurs due to attribute polarization (extreme attribute values of the shadow option). Second, asking some participants to make explicit inferences about the missing attributes, we also identify where they locate the third (shadow) option in their mental maps relative to the other two options and therefore, we are able to show that the observed effect is in fact a compromise effect rather than another violation of independence of irrelevant alternatives (IIA). Finally, we explore how being prompted to make explicit inferences about missing attribute information affects the choice of compromise option. Parallel to past studies which suggest that choice justification increases the compromise effect, we find an increase in the effect when consumers are prompted to make explicit inferences about the missing attributes.

Our findings have important theoretical implications for defining and understanding the mechanism that underlies the compromise effect. We discuss various practical implications for marketers and sales strategies for manipulating consumer choices.

References