The Use of Rankings in Uncertainty Reduction Efforts: a Basis Paradigm

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Rankings are widely used but little research has examined their influence on consumer decision making. Nevertheless, rankings may play an important role in an uncertain choice situation. Consistent with this speculation, this study shows that rankings inform consumer preferences. Still, their effect depends on several consumer characteristics.

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During the last years there has been a huge increase in available choice options for customers (Schwartz et al. 2002), a phenomenon called hyperchoice (Mick, Broniarczyk, and Haidt 2004). But confrontation with an overload of alternatives makes decision making more difficult (Schwartz 2004), partly because customers feel more responsible for their choices (Iyengar, and Lepper 2000). The result is a decrease in choice confidence (Chernev 2003), leading to greater uncertainty (Anderson 2003). In addition, consumers often face decisions involving unfamiliar goods (Choccarro, Cortiñas, and Etorz 2009). According to Berger and Calabrese (1975) there is a human drive to reduce uncertainty. Consumer will engage in uncertainty reduction efforts by searching information, where especially the opinions of others are often consulted (Weiss, Lurie, and MacInnis 2008). One possible source of information is rankings. Ranking are applied in an increasing number of situations, yet no relevant research has been conducted so far. In this study we will explore the effect of rankings on consumer decisions.

Making a choice in the modern purchasing environment, that is characterized by an ever growing consumption, increasing assortment sizes, and a growing number of brands and products (Mick 2008), requires the access to information. It has repeatedly demonstrated that information search increases systematically with experienced uncertainty (Lanzetta, and Driscoll 1968; Urbany, Dickson, and Wilkie 1989). It enables the decision maker to evaluate alternatives on relevant traits and to make a thoughtful choice, reducing the risk and probability of a non-optimal outcome (Mitchell 1992). Additionally, in situations where the consumer possesses little knowledge about the products, no prior experience is present and it is assumed that consumers depend on information available in the choice itself (Bettman, and Park 1980). One kind of information often consulted for this is the opinion of others. Available in numerous forms, other’s opinion have been shown to influence consumers’ evaluations, when relevant product attribute information was not accessible (Bearden, and Etzel 1982). Information sources in the form of online forums, book recommendations and newspaper columns are therefore of great value for the customer.

While former focused on some of these information sources, we will investigate the effect of rankings. From the New York Times Best Seller list, the Nielsen Ratings and Billboard charts, to the top 10 lists in our local video and music stores, rankings are a part of our everyday life. They structure our ways of thinking about comparisons, contrasts and order and may be another way for consumers to reduce their uncertainty (Hakan 1998). The purpose of this study is to investigate what role rankings play in the preference formation task. We hypothesize that in a situation of uncertainty, consumers will use rankings in order to form their preferences.

In order to test our hypothesis, we administered a questionnaire to eighty-eight respondents, asking them to express their preferences for 10 rather unknown brands of champagne. We randomly divided the respondents into 4 conditions each facing a different ranking. Condition 1 provided a simple top 10 list, while condition 2 additionally included expert scores. Condition 3 also was a simple ranking, but the 2 top brands of condition 1 were ranked as the two “worst” brands, and vice versa. Condition 4 simply was a list, without any ranking implied. Respondents had to indicate their willingness to pay (WTP) for each of the brands. We also included measures concerning the familiarity with the product category and the different brands (showing no familiarity with the brands included), and a scale measuring respondents’ preference for numerical information. In order to test our hypothesis we estimated a multilevel regression model.

Our results indicate that rankings may indeed strongly affect consumer preferences. In particular, we found that our respondents’ evaluation of a given brand (expressed by the WTP) depended on the rank of the brand in the list. Respondents are willing to pay more for brands that are ranked higher (versus lower). In addition, for the 10 brands involved, respondents indicate a higher WTP than for those same brands when the order of presentation reflected no ranking (condition 4). We assume that the ranking itself could offer respondents some indication about the value of the brand. Interestingly, the effect of rank was moderated by preference for numerical information (PNI). A high PNI indicates that respondents have an eye for numerical information and use it in their decision making, especially in settings that require only a minimum level of mathematical ability (Viswanathan 1993). Our results show that individuals with a high PNI are more likely to use rankings, compared to individuals with a low PNI. The effect of rank was also moderated by familiarity with the product category. For respondents not familiar with champagne, rankings show less effect. That is, the slope relating rank position and WTP was less steep for them. Finally, we also observed a main effect of product category familiarity: respondents unfamiliar with champagne indicated a lower WTP for champagne brands.

To conclude, our results show that rankings have an influence on the preference formulation in uncertain situations. Further research must indicate the robustness and generalizability of the current findings. Investigating the potential moderation by other customer characteristics, such as the difference between maximizers and satisficers or the need for closure on the use of specific rankings would also add to the literature.

References


**Citations and Herding: Why One Article Makes It and Another Doesn’t**

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The information era has brought with it the well-known problem of ‘information explosion’ (Hanani, and Frank 2000): researchers face an ever-increasing amount of information and with the arrival of the internet and search engines they have more options in seeking and obtaining information than ever before (Junni 2007). At the same time, the number of marketing-related journals has increased rapidly in recent years (Baumgartner, and Pieters 2003) and journals expand into broader fields of research. This proliferation of information comes with greater uncertainty (Anderson 2003) and increases the difficulty to select an option (Schwartz et al. 2002). According to the uncertainty reduction theory (Berger, and Calabrese 1975), people will engage in uncertainty reduction efforts to alleviate and eliminate the risk caused by uncertainty and to maximize outcome value. One kind of information often used in these efforts is the number of citations. While the number of citations may not be a perfect indicator of quality (Walter et al. 2003) it does play an important role in the evaluation of academics and papers (Stremersch, Venners, and Verhoef 2007). In this study we will explore the role of herding in citing behavior.

In order to select sources for their research, one has to make a choice out of a seemingly endless amount of articles. In such a context of uncertainty, Parker and Prechter (2005) have seen a default to a herding impulse: people may imitate each other out of a desire to be safe. They may believe that persons before them had better information on the quality of articles than they themselves do, and therefore may include the articles in their own research (Bonabeau 2004). We assume that the number of citations serves as a quality cue for a given paper. As individuals follow the previous citing behavior of others without taking their own information into account, they will concentrate on a limited amount of articles with an established citation record. When this imitation occurs in large numbers, informational cascades can be formed (Banerjee 1992; Bikchandani Hirshleifer, and Welch 1992). The limited number of papers that is already cited tends to accumulate citations increasingly rapidly while a larger set of initially uncited papers tends to be (virtually) ignored.

While former research (Stremersch et al. 2007) focused on static determinants of citations (e.g. quality and domain of the article, visibility and personal promotion), we focus on herding behavior of researchers, a dynamic determinant. In order to investigate our hypothesis, our study will be divided into two parts, the demand and the supply side: On the one hand, we will examine the herding effect of citations by the means of citation counts. On the other hand, we will look at the possible increase in the supply of journals and its articles.

For the first part of our study we collected citation data via Web of Science. We sampled six major marketing journals: *JCR, JRM, JM, MKS, JCP and IJRM*. We inventoried all articles published in these journals in 1985, 1990, 1995, 2000 and 2005. For each article we tallied the number of citations made in each of the 5 years following its year of publication. The herding effect will be examined by means of a mixed model approach, where the number an article got cited each year is the dependent variable and the year of publication, the year after publication, the journal and the number of citations in the first year serve as independent variables. In the absence of herding, the cites that a paper receives in the first five years after publication should be distributed uniformly over those five years. In case of herding, on the other hand, a steady increase of the number of cites that a paper attracts should be observed. Moreover, this increase should be more pronounced for papers that are already heavily cited in the first year after publication.