In Or Out of Focus? Subcategories Trigger In-Group Heterogeneity and Out-Group Homogeneity Effects in Product Assortments

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We investigate how the presence of a subcategory influences consumers’ variety perceptions of products in and outside that subcategory. Two experiments show that subcategories trigger in-group heterogeneity and out-group homogeneity: consumers focus on the subcategory of interest, such that perceived variety increases for this but decreases for the alternative subcategory.

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EXTENDED ABSTRACT

Ever since organic, fair trade, and other ‘special’ products have entered the conventional supermarket channel, retailers face “a dilemma as to where such products should be shelved” (Dahm, 2005). The retailer can place, for example, a line of organic products separately from conventional products, and devote part of the total shelf space for a product category to these products. Retail managers often believe that this will attract new consumers by drawing their attention to products they might not otherwise have considered (Lazarus, 2010). However, it also entails the risk that consumers ignore these products when they browse the shelf. Alternatively, the retailer may integrate an organic product line into the mainstream shelf. This may increase the chance that consumers will notice the organic products when browsing through the regular products, but also decreases the visibility of the organic product line as a whole.

Whereas previous studies have focused on how assortment organization affects consumers’ variety perception of the total assortment (Hoch, Bradlow, & Wansink, 1999; Mogilner, Rudnick, & Iyengar, 2008), little is known about how and why the use of a specific subcategory affects the variety perceptions of the products placed inside and outside that subcategory. Whereas the perceived variety of the total assortment might increase as a function of the amount of subcategories available, as suggested by previous studies (Kahn & Wansink, 2004; Mogilner et al. 2008), the perceived variety of the products presented in a specific subcategory may not. We argue that variety perceptions can increase and decrease simultaneously, and that whether consumers perceive less or more variety within a subcategory crucially depends on their intrinsic interest in the subcategory. People have a natural tendency to selectively attend to categories that are important to them, which affects their similarity perceptions (Goldstone 1998). Ample psychological studies have provided evidence for in-group heterogeneity and out-group homogeneity effects in people perception (Boldry & Kashy 1999; Judd, Ryan & Park 1991), and we expect that similar effects are present in product perception. That is, when a subcategory is of interest to consumers, they will focus more on these products and attempt to differentiate between them, while at the same time giving less attention to the products in another subcategory. These other products are perceived as more similar to one another, because they all share a common product attribute. As a result, perceived variety is high for products presented in the category of interest (i.e., in-group heterogeneity) but low for products presented outside this category (i.e., out-group homogeneity).

In two studies we investigate the effects of assortment organization (i.e. product presented in subcategories vs. products presented in a mixed display) and consumers’ intrinsic interest (as an externally induced shopping goal in experiment 1 and as a measured individual difference variable in experiment 2) on perceived variety of products presented in the subcategories. In both experiments, organic products (teas and wines, respectively) are presented either mixed with regular products or in a separate subcategory in a computer-based experiment. Choice is recorded, as well as which products are clicked on for closer examination. The proportion of organic product examined is investigated as a mediator to test whether assortment organization allows consumers to better focus on the products they are interested in, which should drive variety perceptions.

Results for both experiments show that assortment organization can indeed trigger in-group versus out-group effects, such that variety perceptions for one subcategory increase and variety perceptions for another subcategory decrease simultaneously. Hence, we show that the presence of subcategories does not uniformly increase variety perceptions, but that it can even decrease variety perceptions for a specific subcategory. As expected, these effects are moderated by consumers’ intrinsic interest in the subcategory: consumers pay attention to the subcategory of interest, leading to an increase in perceived variety of the subcategory of interest (i.e., an in-group heterogeneity effect), but ignore the subcategory that is not of interest (i.e., an out-group homogeneity effect). Moderated mediation analyses suggest that these effects are indeed mediated by the attention that consumers allocate to the different subcategories. In addition, our effects carry-over to consumers’ product choice.

Our results extend prior research in several ways. In particular, whereas previous studies have shown that the use of subcategories can increase variety perceptions of the total assortment (Hoch et al. 1999; Kahn and Wansink 2008; Mogilner et al. 2008; Morales et al. 2005), we show that subcategories can affect variety perceptions of products presented inside and outside the subcategory of interest differently. These effects cannot be explained by processes proposed in prior research. For instance, whereas prior research has indicated that larger assortments are processed differently from smaller assortments (Iyengar & Lepper 2000; Broniarczyk et al. 1998), this alone cannot explain why two subcategories of equal size receive different variety ratings.

Our results have important implications for retailers who want to promote sustainable (e.g., organic or fair trade) or otherwise ‘special’ products (e.g., private labels). Whereas the use of a separate display might increase the salience of the attribute (e.g., sustainability), it may not necessarily increase the perception of variety and choice for these products. In fact, when many of the store’s customers are not interested in the subcategory, devoting a separate section to these products may decrease sales levels. Contrary to current practices (Dahm 2005), when consumers’ initial interest in the product category is low, retailers may be better off to integrate these products in the existing assortment, instead of presenting them in a separate product category.

REFERENCES


