Preference Gap Matters: When Scarcity Polarizes Versus Converges Preferences

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We explore when and why scarcity converges versus polarizes consumer preferences. Results show scarcity narrows attention on primary (vs. secondary) attribute, leading to preference convergence (vs. polarization) when prior preference gap is small (vs. large). Furthermore, preference convergence arising from scarcity leads to increased decision difficulty and decreased decision satisfaction.

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EXTENDED ABSTRACT

Previous research suggests that scarcity polarizes preference (Zhu and Ratner 2015), consequently increasing consumers’ liking of the already more-preferred alternative and decreasing the liking of the less-preferred alternative. But, what if a priori the customer does not have a strong preference for one option over the other? Will scarcity polarize, or alternatively converge, the consumer’s preference towards the two similarly preferred options?

The goal of the present research is to examine when and why scarcity might converge versus polarize consumer preferences.

Scarcity has become a widespread marketing strategy. Extant literature on scarcity has focused on scarce supply of a single item and how object-specific scarcity increases desirability of the particular item (Arnoldoss and Jain 2005). Yet, our understanding of how consumers make choices among a set of items which are all scarce or abundant remains limited. In a notable exception, Zhu and Ratner (2015) show that overall scarcity of items increases the attractiveness of the a priori most-preferred item but decreases the attractiveness of the less-preferred items, leading consumers to choose more of the favorite item. However, Zhu and Ratner employed choice sets in which consumers have rather strong preferences for one option over the others. In the current work, we extend our investigation to situations where individual do not have a priori more-preferred choice alternative.

Consumers are faced with numerous choices. Sometimes they have a strong preference for one option over the other, but other times their prior preference gap among the choice alternatives is small. The primary objective of this research is to examine whether the impact of scarcity on preference within a choice set is affected by the extent to which consumers prefer one choice alternative over another. Building on several streams of research suggesting a possible connection between scarcity and attention narrowing (Cialdini 2009; Mullainathan and Shafir 2013), we predict that while scarcity polarizes preferences when consumers’ prior preference gap is large, scarcity converges preferences when consumers’ prior preference gap is small. Further, we explore whether the preference convergence arising from scarcity leads to negative downstream consequences, such as increased decision difficulty and decreased decision satisfaction.

We also explore the underlying process from scarcity to preference polarization and preference convergence. Prior research has theorized a connection between scarcity and attention narrowing (Cialdini 2009; Mullainathan and Shafir 2013). Building on findings that consumers have the propensity to reduce the processing strain by basing their choice on the most important attributes (Tversky, Sattath, and Slovic 1988), we suggest that consumers faced with narrowed attentional focus induced by scarcity are even more likely to selectively attend to cues that have high information value at the expense of cues that have limited information value when making decisions (Mandler 1975; Mano 1992, 1994; Paulhus and Lim 1994). The disproportionate attention given to primary (vs. secondary) attributes subsequently leads to either preference polarization or preference convergence, depending on the size of prior preference gap.

Study 1 supports our hypothesis that scarcity converges preference when the initial preference gap for options is small. Participants were asked to choose between two similarly liked candies that were customized for each participant based on their initial likings towards six types of candies. Participants were told that we had either limited quantities (scarcity condition) or large quantities (abundance condition) of each type of candy. As expected, when consumers have close prior preferences towards the options, scarce versus abundant supply of each alternative reduces the discrepancy between the likings of the choice alternatives, subsequently increasing perceived decision difficulty.

In study 2, we employed an incentive-compatible test to investigate whether scarcity leads to preference convergence and preference polarization respectively, when the prior preference gap is small versus large. Participants were presented with four pairs of gift cards with four different levels of initial preference gaps. Each pair of gift cards was customized for each participant based on their initial likings towards gift cards from eight different apparel retailers. Participants were told only a few (scarcity) or many (abundance) gift cards from each store are remaining. After choosing a gift card from each of the four pairs, participants were asked to rate their likings towards the gift cards again. The results show that compared to abundance, scarcity leads to preference polarization when the initial preference gap is large; more importantly, we find that with the initial preference gap declining, preference polarization attenuates and ultimately reversed. As preference convergence emerges, consumers experience lower satisfaction when making the decision.

Study 3 directly tests the premise that scarcity leads to a narrowed attentional focus on primary versus secondary attributes. Participants were asked to imagine that they were looking for a new apartment and had narrowed down to two options. After the scarcity manipulation, participants were informed that they had access to information of the two apartments on two attributes and they could check on the information only when they hover their mouse on the attribute of interest. As predicted, we find consumers under the constraint of scarcity devoted a larger share of their time checking on information of the primary (vs. secondary) attribute.

Study 4 further examines the attention-narrowing process, demonstrating that preference convergence triggered by scarcity can be attenuated by experimentally expanding participants’ attention on other attributes. Attention expansion was manipulated by presenting the participants with unrelated examples of how people compare multiple attributes to make a decision. Adopting similar protocol of study 2, participants were presented with two customized pairs of gift cards with large and small initial preference gaps. Results show that when participants are primed to allocate their attention more evenly on primary vs. secondary attributes when making choices, preference convergence effect attenuates, which in turn leads to lower decision difficulty.

To summarize, we find scarcity polarizes or converges preferences, depending on the size of prior preference gap towards options. Preference convergence arising from scarcity consequently increases decision difficulty and decreases decision satisfaction. Process evidence show that scarcity narrows consumers’ attention on primary (vs. secondary) attribute, leading to these effects.

Hypothesis 1A: When consumers have small prior preference gap towards the options in the choice set, scarcity converges preferences, decreasing the discrepancy between the liking of the choice alternatives.

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Hypothesis 1B: When consumers have large prior preference gap towards the options in the choice set, scarcity polarizes preferences, broadening the discrepancy between the liking of the choice alternatives.

Hypothesis 2: Overall scarcity versus overall abundance of options contained in a choice set narrows consumers’ attention on primary versus secondary attributes of the choice alternatives.

Hypothesis 3: The impact of scarcity on preference within a choice set will be attenuated when consumers broaden their attention to secondary attributes of the choice alternatives.

REFERENCES


