

CONSUMER CHOICE

WHEN MORE
BECOMES LESS

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Freedom of choice is understood as something that is intrinsically good, but is it really liberating to have to choose between 200 yogurts when you are in a hurry? Research suggests that consumers have a choice threshold, beyond which they tend to shun further options.

In Western societies choice is usually seen as an expression of freedom itself. When people choose one item over another, they see this as an expression of themselves. However, there is a point where freedom becomes a burden, where more becomes less. Overwhelmed by choice, the consumer retreats and, faced with so many options, makes fewer choices and spends less. We call this choice overload, because although people want freedom of choice, there is an optimum point beyond which choice ceases to be a liberating experience. Choice overload is stressful for the consumer and bad news for the retailer as consumers either postpone their decisions, make worse choices or purchase less when overwhelmed by choice.

Consumer choice has risen exponentially during the past few decades and until recently more has automatically been assumed to mean better. Choice was associated not only with the expression of freedom, but also was thought of as satisfying more diverse consumer needs. However, people have begun to question whether choice is always positive, because it also imposes costs on people's well-being. For example, a typical American supermarket carries 40,000 different products, far more choices than anyone could make, even if time were not a factor. When you are confronted with 200 yogurts and you don't know which one you want, you be-

come confused. It imposes a time cost and also a cognitive cost, because you have to assess the different products and make comparisons between them. Our time is limited and our processing abilities are also limited, which makes it hard for us to evaluate large sets of alternatives. In addition to time and cognitive costs, there is the psychological cost; you start to feel stressed because you don't know what to choose and then when you've made your choice you are uncertain if you've made the right one, so you start to feel regret.

LESS CAN BE BETTER

- Some supermarkets, such as the
- German chains ALDI and Lidl are partly popular because for many people they provide a friendlier choice environment. Small supermarkets are more user-friendly and reduce the stress caused by choice overload. ALDI carries 35 times fewer products than traditional supermarkets but sells more of each product than its competitors.

Retailers have a wealth of information they can analyze about what consumers choose, based on data from till receipts and loyalty cards. What market researchers do is look at what has been purchased and how much of it. That is, retailers usually analyze the "results" or "outcomes" of shopping. What they usually don't analyze is how people choose. What strategies do consumers employ? At what point do they decide that they have enough or too much in-



formation? The research I carried out with colleagues that was published in the paper “Search Dynamics in Consumer Choice under Time Pressure: An Eye-Tracking Study”^{*} allowed us to look at the decision-making process of consumers as they make a decision.

In our research we used a device called an eye tracker which tells us what someone is looking at and for how long during the decision-making process. We can also trace the search paths. We set up an experimental version of the consumer’s supermarket problem. Hungry subjects were presented with a selection of well-known snacks, both sweet and savory, such as Snickers bars and Pringle’s chips. We presented them with sets of 4, 9 and 16 items and gave them three seconds to make their choice, which they had to consume at the end of the experiment.

To our surprise, most people didn’t even need three seconds to reach a decision. The good news is that people can make relatively good decisions quickly. The bad news is that what we select depends heavily on what we have looked at. Our study shows that people do not look at everything, even though they

have time to. Out of 4 choice options, people look at 3,3 options; out of 9 items people look at 4,9 alternatives, while out of 16 items people look only at 5,5 items on average. That means that when retailers increase the choice offering, consumers will see more items on average, but the increase in the number of options they see is not proportional to the increase in the number of choices in the set, and more items are ignored and unnoticed in the larger choices sets in comparison to the small ones.

In addition, our research shows there are no pop-out effects. That is, consumers cannot locate easily the items they like and people cannot know up front which alternative in the set is good or bad, or in other words, people cannot determine “the value” of each alternative without “fixating” on it (or looking at it for a while). Therefore, people have to examine choices one by one in order to determine how good each option is. We estimate that it takes around 370 ms to assess an item in the small set. That is, it takes a consumer 1,5 seconds to see 4 items. When consumers assess items in the large sets, they dedicate less time to each item. When a choice set consists

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CONSUMERS ARE MORE SKEPTICAL ABOUT ADVERTISERS' CLAIMS. WORD OF MOUTH IS ONCE AGAIN THE PRE-EMINENT MARKETING TOOL.

of 16 alternatives, people look at each alternative for 310 ms. So, during the same 1.5 seconds they can see 5 items, not 4. Though it seems that people can speed up their search process when they examine large sets, they cannot do it *ad infinitum*. There seems to be a biological limitation to how fast the brain can fixate on an item and extract its value.

After examining a set, people find it relatively easy to select an option that they like most. On average consumers are able to make good choices when they see a lot of items, but not when they see only a few. However, as mentioned before, examining each option and then comparing options among themselves takes time, which is a cost for the decision-maker. And time, as we know, is limited. It appears that the cost of getting more information is weighed against opting for a desirable enough item and not investing more time seeking one that is perhaps more desirable. So, and this is more bad news, people prefer to examine a rather small subset of the entire offering, and many good alternatives remain unappraised. Therefore, for retailers it is crucial that their products get into "subsets" that people notice among hundreds of other products. And here marketing and merchandising come into play.

NUDGING THE CONSUMER

- Marketers use different tools to
- influence purchasing behavior of people, or to "nudge" consumers to make some type of choice. One of the "nudges" that is used in the store is a "choice architecture" of the display, or location of the items. Some parts of the display, for example, are seen more often than other parts, and placing a product there increases its chances of being seen, and therefore, also of being purchased. Moreover, we also found that items that are looked at first are chosen more often than the alternatives seen later in the search phase. Therefore, if a consumer looked at your product first, the chances are high that your product will be selected, especially if the choice set is large. Therefore, the sellers can manipulate the display and influence what customers select.

For example, promotional or other signs are designed to attract the shopper's attention to a product. However, as with choice, too many signs will have a negative effect and the consumer will ignore them and buy fewer items.

Finally, I would like to note that large sets are not always necessarily bad. Our research shows that people are able to make rather good choices when they select from large sets under the extreme time pressure of 3 seconds and when they see only a subset of the items. The reason for this is that large sets usually carry several relatively good options. This is sufficient to offset the failure to see and select the very best item in large sets as consumers can select an option that is "close enough" to the best.

A question for future research is therefore the extent to which consumers can train themselves to deploy better fixations (or the time spent looking at the items), especially in situations (such as the supermarket aisle) in which sellers might be trying to influence their decisions.

Consumers do learn, and they are becoming more discerning and less gullible. They know that \$4.99 is really \$5.00 and that when an ad promises "flights from \$399," it is understood that there are no flights at that price. The same goes for "100% natural ingredients" and "washes whiter." While advertising still wields considerable influence in Eastern Europe, in the West consumers have become more skeptical about advertisers' claims. Word of mouth, via the social networks, is once again the pre-eminent marketing tool, although business is only just beginning to learn how to exploit these networks without alienating the people who use them.

Finally, everything can be used ethically and unethically. The same applies to marketing tools. There are good tools and they can be used for the benefit of retailers and consumers. They can also be used to hoodwink the consumer but, if they make people happier by making it easier to select something they want and by saving them time, and at the same time they give retailers more profit, then that's all for the good.