Consumer Marketing: A Flawed Strategy

By Ira Smolowitz, Ph.D.

In a recent issue of the Western Massachusetts newspaper – The Republican – the columnist D.C. Stewart indicates that he and his wife were discussing the option of buying a new television. They were confused by the current television options. Their confusing choices were HDTV, plasma HDTV, LCD, LCD HDTV digital cable ready, HDTV capable, HDTV digital or EDTV. 1 Is this a serious problem?

Is this a pervasive problem? The answer is yes, to both questions.

Barry Schwartz, is professor of psychology at Swarthmore College and the author of **The Paradox of Choice: Why More Is Less** (Harper Collins 2004). He states:

> About 10 years ago, I went to the Gap to buy a pair of jeans. I tend to wear my jeans until they are falling apart, so it had been a while since my last purchase. A nice young saleswoman greeted me.
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> > "I want a pair of jeans – 32-28," I said. "Do you want them slim fit, easy fit, relaxed fit, baggy or extra baggy?" she replied. "Do you want them stone-washed, acid-washed or distressed?" "Do you want them button-fly or zipper-fly? Faded or regular?" I was stunned. I sputtered out something like, "I just want regular jeans. You know, the kind that used to be the only kind."
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> The trouble was that there was no such thing as "regular" jeans anymore. Besides, with all these options before me, I was no longer sure that I wanted "regular" jeans. Perhaps the easy fit or the relaxed fit would be more comfortable. So I decided to try them all.
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> The jeans I ended up with turned out just fine, but what occurred to me on that day is that buying a pair of pants should not be a daylong project. By creating all these options, the industry undoubtedly had done a favor for customers with varied tastes and body types. However, it had also created a new problem. In the past a buyer like me might have had to settle for an imperfect fit, but at least purchasing jeans was a five-minute affair. Now it had become a complex decision in which I was forced to invest time, energy and no small amount of self-doubt, anxiety and dread over the ordeal.2

Social psychologists Sheena Iyengar, PhD, a management professor at Columbia University Business School, and Mark Lepper, PhD, a psychology professor at Stanford University, were the first to empirically demonstrate the downside of excessive choice. In a 2000 paper in the Journal of Personality and Social Psychology (JPSP, Vol. 79, No. 6), the team showed that when shoppers are given the option of choosing among smaller and larger assortments of jam, they show more interest in the larger assortment. But when it comes time to pick just one, they're 10 times more likely to make a purchase if they choose among six rather than among 24 flavors of jam.

Next, Iyengar sought to examine consumer choices with higher stakes to see if a greater investment in the outcome meant people would make different or better choices. In a study under review at JPSP, she and Wei Jiang, PhD, a finance professor at Columbia Business School, analyzed retirement-fund choices -- ranging from packages of two to 59 choices -- among some 800,000 employees at 647 companies. Iyengar comments:

> With 401(k)s, people are given enormous incentives to participate through tax shelters and employer matches. So, essentially, if you choose not to participate, you're throwing away free money.

Instead of leading to more thoughtful choosing, however, more options led people to act like the jam buyers: When given two choices, 75 percent participated, but when given 59 choices, only 60 percent did. In addition, the greater the number of options, the more cautious people were with their investment strategies, the team found.

Relatedly, too much choice also can lead people to make simple, snap judgments just to avoid the hassle of wading through confusing options -- which ironically can sabotage a company's marketing plan, finds psychologist Alexander Chervev, PhD, of Northwestern University's Kellogg School of Management. In a paper in press in the Journal of Consumer Research, Chernev found that when people were offered variants of the same brand of toothpaste -- cavity-prevention, tartar-control and teeth-whitening types, for instance -- they tended to switch to another brand that offered a single option.
Chernev says:

> If you introduce a product just for the sake of introducing a new product, you can end up with several products that target the same customer. The customer has no idea how to decide and may therefore switch to another brand that doesn't require making tradeoffs.3
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> ...As businesses rapidly increase their portfolios of products and services - either in response to consumer demand or through mergers and acquisitions - - they run the risk of adding too much complexity, which can eat away at scarce resources and ultimately harm returns.4

Why then is the following condition so prevalent:

"Attention, shoppers: Welcome to today's marketplace, where consumers face a bewildering variety of choices. In grocery, we have 24 different bagged lettuces, 100 cheeses – 20 of them cheddar – plus 30 kinds of muffins, 24 flavors of coffee sold in bulk and 80 varieties of cereal in just the first 10 feet of the breakfast aisle. Looking for something to read? Visit Amazon.com to browse among tens of millions of titles." 5

In my opinion, corporations erroneously operate under the following assumptions: (a) the more shelf-space our products occupy, in comparison to the competition, the better off we will be. (b) the more product choices we offer the consumer – the greater is the probability that the consumer will buy at least one of our products.

In addition, corporations may fall into a thought-process that in game theory is known as the prisoner's dilemma. Corporation A may believe that ideally if it reduced its product portfolio and competitor B also prunes its product portfolio –- no competitor gains at the expense of the other. However, the fear of being double-crossed prevails. If corporation A reduces its product portfolio, and competitor B, at the last minute does not – corporation A perceives itself to be at a disadvantage. Likewise, corporation B runs the risk of being betrayed by competitor A. The product proliferation 'arms-race', in my opinion, continues. The ensuing product proliferation is detrimental to the competing corporations and their associated current/future customers. A proliferation of products or brand extension has the following potential detrimental corporate impact: (a) brand proliferation may cause cannibalization of sales; b) disturbs the basic thrust of consumer marketing. By point (b) I mean that a corporation wants the consumer to buy its product routinely, without hesitation. Exposing the consumer to new choices causes hesitation on the part of the consumer. In that confusing, destabilizing, period of hesitation -- the consumer may abandon a routine purchase practice and switch to a competitor's product.

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