The Myth That More Is Better – How Too Much Choice is Hurting Consumer Satisfaction and Corporate Profitability

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ABSTRACT

Until very recently, consumers did most of their shopping at neighborhood stores that carried a small selection of items in a few different product categories. Choosing between a handful of breakfast cereals or deciding to buy a book from a single shelf of best sellers were relatively easy decisions that could be made with minimal effort. However, as the size of retail stores expanded, so did the number of product categories offered and the number of items in each category. Modern "big box" stores regularly stock more than 50,000 unique items, with some supercenters now carrying more than 150,000 items. Yet, even gigantic stores with hundreds of thousands of square feet have selections that are dwarfed by the millions of products being offered over the internet at the click of a mouse.

Historically marketers have believed that the more choice customers have, the better off they will be. With more options, consumers should be able to find products that better match their needs and wants. One of the fundamental tenets of marketing theory is that firms should segment markets and deliver products that are specifically designed to match the preference profiles of target customer segments. Ultimately, this approach implies that the number of available products should increase over time as improvements in technology and manufacturing efficiency allow firms to create products that are targeted at increasingly small segments – possibly even individual customers. The better match between preferences and offered products should increase demand, allowing firms to sell more products
increase demand, allowing firms to sell more products
that consumers are more satisfied with buying.

The problem arises when the consumer goes shopping for the product that is the best match to his or her preferences. Faced with a shelf offering a few alternatives, the decision process is relatively easy. However, confronted by countless variations for even the most basic products, finding those that best match ones' preferences becomes a Herculean task. Given far more information and alternatives than a consumer can even begin to process, the benefits of having a choice give way to the negative consequences of having too much choice. Recent research has indicated that choosing from a large number of products can increase regret, decrease product satisfaction, lower self-esteem, reduce self-control and even decrease overall life satisfaction. In turn, lower levels of consumer satisfaction, driven by too many options being available, decreases corporate profitability.

This is changing the nature of competition. Firms must continue to segment markets and deliver products that are specifically designed to match the preference profiles of target customers. But that is no longer enough. To win in markets defined by product variety, companies need to help their customers sort through the vast array of alternatives and ease the burden of choice. This will require sophisticated market research to generate profiles that allow firms to provide customers with the decision assistance they need when they need it.

At the heart of democratic society is a strong belief that having the freedom to choose is a fundamental right. This belief has deep philosophical roots – Plato and Aristotle argued that individuals cannot be held responsible for their behavior if they are not free to choose their actions. This notion also has received a great deal of empirical support. Specifically, an impressive array of studies in

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both psychology and economics have repeatedly demonstrated that there are substantial benefits to giving individuals the freedom to choose and that restricting free choice has severe consequences. From a psychological perspective, research has shown that people believe they have greater control over their lives, are more motivated to succeed, enjoy their work more and even perform better when they have choice. In addition, studies have shown that the freedom to choose results in enhanced physiological, cognitive and emotional wellbeing. Consumers are more satisfied and more likely to be loyal when they have some choice in the products and services that they buy. In contrast, when the freedom to choose is restricted people tend to be less loyal, less motivated to perform, less satisfied with their lives overall and even their physical health tends to suffer.

From an economic perspective, when consumers are free to choose they are able to match their personal preferences to the products and services that are available, which allows them to make decisions that maximize their subjective utility. Simply put, when consumers are able to select the products and services that best meet their wants and needs they tend to be happier people. Marketers have taken the consumer benefits of having choice very seriously and worked hard to maximize the variety of alternatives available across a broad range of product and service categories. The idea being that even though preferences may vary significantly among consumers, with enough options everyone will be able to find products and services that are closely matched to what they individually want or need. One of the fundamental tenets of marketing theory is that firms should segment markets and deliver products that are specifically designed to match the profiles of target customers. This approach implies that the number of available products should increase over time as improvements in technology and manufacturing efficiency allow firms to create products designed for increasingly small segments – possibly even individual customers. As the match between consumers' preferences and available products increases, demand should also increase. Ultimately, this should allow firms to sell more products to consumers who are more satisfied with their purchases.

Too Much of a Good Thing

Until very recently, consumers did most of their shopping at neighborhood stores, which carried a small selection of items in a few different product categories. Choosing between a handful of breakfast cereals or deciding to buy a book from a single shelf of best sellers were relatively easy decisions that could be made with minimal effort. However, a number of advances in manufacturing, transportation, inventory management, merchandizing, and market research have allowed sellers to dramatically increase the number of product categories offered and the number of items in each category. Modern "big box" retail stores regularly stock more than 50,000 unique items, with some supercenters now carrying more than 150,000 different items. Yet, even gigantic stores with hundreds of thousands of square feet have selections that are dwarfed by the millions of products being offered over the internet at the click of a mouse.

Consider, for example, the consumer looking for a product that will relieve her cold symptoms. First, she has to decide where to shop for such a product. Over the counter pharmaceuticals are now commonly available in a variety of locations ranging from hotel gift shops and convenience stores to drug and grocery stores. Once the store choice has been made and the consumer is standing in front of the shelf, she will find a dizzying array of products from a variety of brands with a broad spectrum of ingredients. Even within a particular brand the consumer can choose products that vary in when they should be taken (day, night, every 4 hours, every 8 hours, etc.), how they can be taken (caplet, gel cap, tablet, with food, without food, etc.), and what symptoms they will treat (headache, fever,

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congestion, body aches, etc.). The consumer will also have to decide whether to buy a brand name product or a generic with the same active ingredients. Each version comes with a different price and a different number of pills in the package. All this choice is enough to make a healthy person ill. This is not to suggest that all of the prior work on choice was flawed or incorrect. Most consumers would be quite upset to arrive at the drugstore shelf to find that the store was only selling its own private label 4-hour sinus remedy. Instead, what this emerging body of research is telling us is that while consumers react very negatively to having no choice, they can also be overwhelmed when they are presented with too much choice. The problem stems from the fact that the corporate world's ability to manufacture, deliver and present products has eclipsed the consumer's ability to make sense of it all. How many of us have found ourselves standing in front of a shelf for 15 or 20 minutes unable to make a choice because we were faced with too many different versions of what is actually a simple product? From painkillers to toothpaste to breakfast cereals, there has been an explosion of product variations.

For the consumer, there is a cost to processing information, and that cost rises as the complexity of the decision increases. As a result, making decisions in a world with an ever-growing variety of products and product categories is increasingly taxing. Traditionally, humans have been able to effectively adapt to complex environments by adjusting their decision making strategies to the situation they are faced with, employing heuristics to lighten the cognitive load, or simply doing what they did last time to arrive at a satisfactory, if occasionally suboptimal, decision. The problem arises when the consumer goes shopping for the product that is the best match to his or her preferences. Faced with a shelf offering a few alternatives, the decision process is relatively easy. However, when confronted by countless variations for even the most basic products, finding those that best match ones' preferences becomes a difficult task. Given far more information and alternatives than a consumer can process, the benefits of having a choice give way to the negative consequences of having too much choice. Recent research has indicated that choosing from a large number of products can increase regret, decrease product satisfaction, lower self-esteem, reduce self-control and even decrease overall life satisfaction. In turn, lower levels of consumer satisfaction, driven by too many options being available can decrease corporate profitability.

At the same time, the severity of this problem varies among people and across product categories. In his 2005 book, *The Paradox of Choice*, Barry Schwartz points out that while too much choice can be a severe problem for some people, it has only a limited effect on others. In particular, Schwartz has argued that the more important it is to people to make an accurate and fully informed decision, the more susceptible they are to the detrimental effects of too much choice. People who fall into this category have been labeled maximizers, because they want to make the best decision possible. In contrast, satisficers are less concerned with making the right decision and, instead, focus on making a decision that is good enough. Not surprisingly, satisficers are less likely to suffer the detrimental effects of being faced with a large number of product alternatives. Unfortunately, beyond this one individual difference, very little is known about the prevalence of the problem of too much choice.

Differences Across Consumer Segments

To begin to address potential variations in the effect of too much choice across segments of consumers, we conducted a random survey of U.S. and Canadian consumers over the age of 18. We asked people to respond to a series of questions (see Table 1), which were designed to probe how they felt about having too many choices, where they looked for assistance, and

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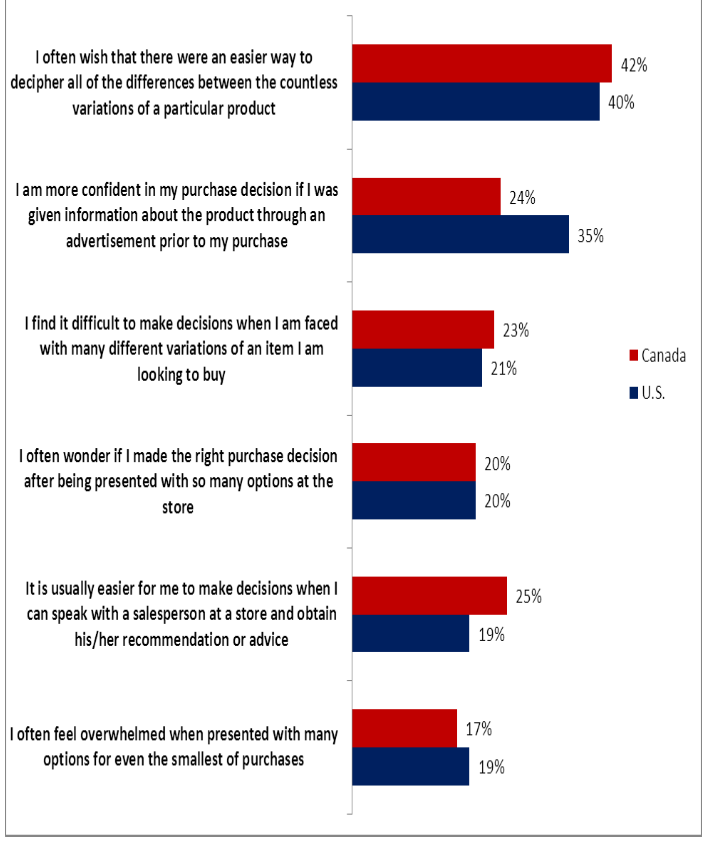
whether or not the number of choices they were given affected how they felt about the purchases they made. We found substantial differences in how too much choice affects different groups of people.

Table 1
Q. Please indicate your level of agreement/disagreement with the following statements related to **general everyday shopping behaviors** using a scale from 1 to 10 where "1" means "completely disagree" and "10" means "completely agree".
I often feel overwhelmed when presented with many options for even the smallest of purchases I find it difficult to make decisions when I am faced with many different variations of an item I am looking to buy It is usually easier for me to make decisions when I can speak with a salesperson at a store and obtain his/her recommendation or advice I often wonder if I made the right purchase decision after being presented with so many options at the store I am more confident in my purchase decision if I was given information about the product through an advertisement prior to my purchase I often wish that there were an easier way to decipher all of the differences between the countless variations of a particular product

Figure 1: U.S. vs. Canada

(strong agreement: 8-10 ratings)



U.S. and Canadian Survey Results

First, the survey revealed that the problem is prevalent among North American consumers (Figure 1). Overall, our results indicate that approximately one-third of both Canadian and U.S. consumers agree or strongly agree that they feel overwhelmed when presented with many options for simple purchases. In addition, 40% of Canadian consumers, and 42% of Americans, wish that there were an easier way to decipher all of the differences between the countless variations of a particular product during their everyday shopping.

However, we found that Canadian and U.S. consumers are somewhat different in the extent to which they find it easier to make a purchase decision when they can speak with a salesperson (25% among Canadians versus 19% among Americans). The results of the survey also indicate that purchase decisions among U.S. consumers are more likely to be influenced by advertising. Over one-third (35%) of US consumers responded that they are more confident about their purchase decision when they are given information about the product through advertising prior to making a purchase, whereas only one-quarter (24%) of Canadian consumers expressed the same decisions among U.S. consumers are more likely to be influenced by advertising. Over one-third (35%) of US consumers responded that they are more confident about their purchase decision when they are given information about the product through advertising prior to making a purchase, whereas only one-quarter (24%) of Canadian consumers expressed the same sentiment.

We also found some very interesting differences

We also found some very interesting differences based on the demographic characteristics of consumers in each country. In Canada (Figure 2), there are higher levels of agreement with the shopping behavior statements among the unemployed, homemakers, and those over 65 years old, while in the US (Figure 3), the highest levels of agreement are expressed by students and Hispanics. Specifically, the Canadian unemployed population feel most overwhelmed when presented with many options for even the smallest of purchases (30% strongly agree) and they are the most likely to wonder if they made the right purchase after being presented with many options at a store (38% strongly agree). A substantial proportion of Canadian homemakers find it difficult to make decisions when faced with many different variations of an item (38% strongly agree); however, they are also the most likely to feel more confident in their purchase decision if given information about the product through an advertisement prior to purchasing (35% strongly agree). This finding is especially interesting given the powerful influence that the homemakers segment tends to have on overall consumer behavior and spending.

Finally, the Canadian seniors population (i.e., respondents over the age of 65) is the most likely to wish there was an easier way to decipher all of the differences between the countless variations of a particular product (50% strongly agree) and they are the most likely to indicate it is easier for them to make a decision when they can speak with a salesperson at a store (35% strongly agree).

Given that the seniors' population in Canada is expected to grow significantly over the next decade, this finding suggests that the problem of too much choice is likely to become increasingly important.

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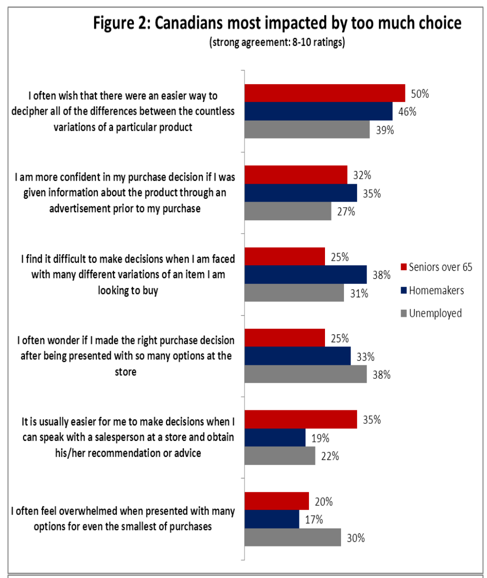
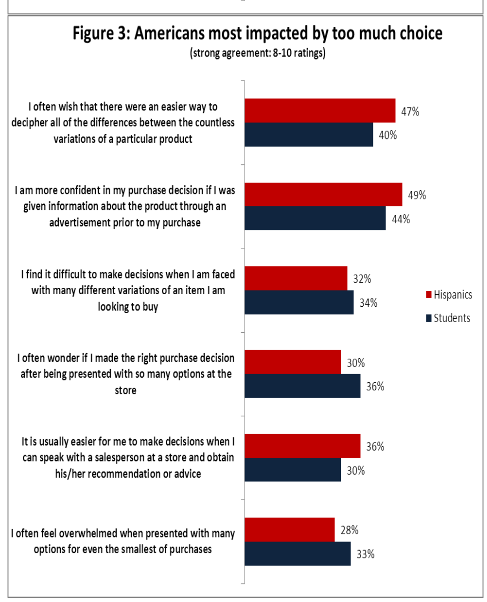
In the U.S., students often wonder if they made the right purchase decision after they have been presented with many product choices (36% strongly agree). In addition, students have the most difficulty
making decisions when presented with several different variations of an item (34% strongly agree) and they are the most overwhelmed by too much choice (33% strongly agree). The American Hispanic population, which has become a critically important segment for marketers in the U.S., indicates the strongest preference for assistance from a salesperson at the store (36% strongly agree). That group is also the most likely to agree that information provided through an advertisement (49% strongly agree) helped to make the purchase decision easier for them.





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Overall, the results of this survey indicate that many U.S. and Canadian consumers do want an easier way to make sense of the many product variations that are available in even the most basic categories. In addition, some of the most important (e.g., homemakers) and fastest growing market segments (e.g., Canadian seniors and American Hispanics) are the most affected by too much choice. Clearly, there is a need for companies to help many of their customers deal with the ever-increasing variety of available products and services. Importantly, our survey results indicate that not all consumers are equal when it comes to the problem of too much choice. The extent to which consumers report being affected by having too many options available depends on geographic and demographic characteristics. In addition, even among those that could benefit from assistance, there are clear differences between geo-demographic segments in the way that they would like to be helped. For example, when marketing in the US, companies may consider providing decision assistance via advertising (especially when targeting Hispanic consumers). However, in Canada, in-store salespeople appear to have more influence over the decision process. This is especially true within the seniors population, which suggests that higher levels of personal service should be a key component of the value proposition in stores that serve consumers over the age of 65 and during those times of the day when seniors are most likely to shop.

Addressing the Problem of Too Much Choice

Our findings provide some important initial insights into differences between geographic and demographic customer segments when it comes to the problem of too much choice. In doing so, we add to the large literature that highlights the potential pitfalls that companies face when offering a large selection of products to consumers. This is not to say that choice is a bad thing. The reality is that consumers do want choice, just not so much that it is overwhelming. This fact is changing the nature of competition.

Firms must continue to segment markets and deliver products that are specifically designed to match the preference profiles of target customers. However, that is no longer enough. To win in markets defined by product variety, companies need to help many of their customers sort through the vast array of alternatives and ease the burden of choice. This will require sophisticated market research to generate profiles that allow firms to provide customers with the decision assistance they need when they need it [see sidebar: "Market Research & The Problem of Too Much Choice"].

Addressing this problem will likely require retailers to adopt new approaches to store design and in-store merchandizing. Trader Joe's, for example, has used a limited selection as a critical part of its unique appeal. One of the reasons people are avid fans of Joe's stores is that the company has only a small number of products in any one category. As one customer explained, "if they're going to get behind only one jar of Greek olives, then they're sure as heck going to make sure it's the most fabulous jar of Greek olives they Greek olives they can find for the price." Safeway is another example of a grocery retailer that has worked hard to try and personalize its product offering to each store's unique neighborhood and clientele. In the world of big box stores, Walmart, Home Depot and others have announced their plans to focus new store openings on smaller footprint stores with product selections that are increasingly limited, yet more closely tailored to their targeted customer segments. The results of our survey indicate that only a small minority of consumers believes that salespeople can make the decision process easier. This reflects both a challenge and an opportunity for firms that wish to improve customer satisfaction by simplifying the shopping experience. On one hand, in-store salespeople seem like a natural means through which the burden of too much choice can be mitigated. On the other hand, the fact that so few customers believe that salespeople are helpful in the decision

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making process indicates that retailers have work to do in improving the experience and communicating the value of in-store shopping assistance.

Our findings also suggest that the growing trend towards recognizing important differences in shopping behaviors between generations and between ethnic communities is relevant to the problem of too much choice. In fact, the field of shopper marketing – which examines in-store habits and shopping patterns within increasingly small segments of consumers – is likely to play a critical role in the more effective management of product assortments. As our knowledge of navigation paths, shopper density patterns, product labeling, signage and shelf-facing decision making improves, retailers will be better equipped to address the problem of too much choice.

In this chapter we have identified a growing problem that is increasingly relevant to a wide variety of consumer businesses. However, our data also indicate that there is considerable variation between customer segments in terms customer segments in terms of demographic and geographic characteristics. Understanding which of your customers could use additional decision assistance or greater customization or simplification of the choice set, may require a deeper dive into your own data. Strong evidence exists to suggest that the costs of failing to address this problem include decreasing consumer satisfaction and reduced firm profitability. In contrast, to the extent that companies are able to alleviate the problem of too much choice, their customers should experience higher levels of purchase satisfaction, improved overall life satisfaction, greater store and brand loyalty, and an increased propensity to tell their friends about their positive shopping experience. The evidence is equally clear that when a company innovates in a manner that effectively improves life for its customers, the reward is a substantial increase in profitability.

Market Research & The Problem Of Too Much Choice

Prior research and the results of our own survey clearly indicate that although too much choice is a problem for many people, not everyone is equally affected. Therefore, to understand the impact of this issue within any particular business requires a new look at the customers being served. As a starting point, companies should be asking themselves three questions: 1. Is too much choice a problem for our customer base? 2. Is too much choice having a negative affect on customer satisfaction? 3. Are some of our targeted customer segments more affected than others?

Our results indicate that substantial differences exist in terms of how affected different segments of the population are by too much choice and in the responsiveness of customer groups to various solutions (e.g., service from salespeople or advertising). However, our findings are based on a very general survey across a broad range of randomly sampled respondents. They do not provide the level of detail that is necessary to address the problem within a specific company's customer base. provide the level of detail that is necessary to address the problem within a specific company's customer base.

In addition to differences in across geographic and demographic consumer segments, there are likely to be psychographic differences. For example, while automobile enthusiasts may want the ability to spend hours on a manufacturer's website selecting the features of their next vehicle, other shoppers might want an assistive technology that helps filter the large number of options in the marketplace and recommend just a few cars that are closely matched to the individual's preferences. Making the problem more complex, it is reasonable to suspect that the same consumer will be affected by the same problem to varying degrees at different times and depending on the goals of the shopping trip. For example, when rushing to a dinner party a consumer might

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prefer a more convenient limited set of options for a bottle of wine. However, on a relaxed weekend shopping trip that same consumer might appreciate the opportunity to peruse a larger and more complex set of options. In such cases, companies will need to segment not just on geo-demographic characteristics, but also psychographic and behavioral data.

Ultimately, the key to effectively mitigating the negative consequences of too much choice for consumers will require the development of detailed customer profiles and sophisticated segmentation schemes. At times, fewer choices being made available to consumers will be more effective. In other cases, a larger choice set supported by knowledgeable salespeople and/or helpful advertising will be the more successful solution.

Innovations in market research have allowed manufacturers and retailers to better understand consumers' preferences and extend their product lines to meet those needs and wants. This has resulted in an ever-increasing set of choices for consumers to consider. For a substantial proportion of the population, that success has created a new problem – consumers are being overwhelmed by the number of options they have available to them. The next stage in the evolution of consumer-level market research requires a deeper understanding of the customer segments that will respond positively to more choice, as well as those that will have a more negative reaction.

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An experienced and client-oriented research professional, Janet Buczek’s project management experience extends across multiple industries, including consumer and IT research, and even includes academic psychological research. Supported by years of high-level project management experience in both the business and academic research world, Janet’s substantial skill set includes multi-layered project management and coordination, survey construction, data analysis, and reporting. Although Janet’s special talent lies in managing large-scale complex projects, where her organizational and people skills are put to best use, she is also a gifted analyst who brings to bear her multidisciplinary research background in combination with her background in human behavior research. After receiving a Bachelor of Arts and a Master of Arts in Psychology from Iona College, New Rochelle, New York, Janet began her market research career at SMS Research and Marketing Services in Honolulu, Hawaii. SMS is the largest market research company in Hawaii and it was there that Janet was exposed to and gained hands-on experience in all areas of project planning, execution, and analysis within a variety of industries. Upon re-locating back to the continental US, Janet joined TNS as a project director in the IT sector and was promoted to senior project director a year later. In 2005, Janet joined Synovate as a senior study director in the Technology & Telecom sector, advancing to Account Group Manager prior to joining TRiG in 2008.