strategy+business

ISSUE 61 WINTER 2010

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BY SHEENA IYENGAR AND KANIKA AGRAWAL

REPRINT 00046

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Illustrations by Andreas Samuelsson

When Baskin-Robbins, now the world's largest ice cream chain, opened in 1953, its line of 31 flavors — one for every day of the month — was a novelty. At the time, such variety was unheard of, and Baskin-Robbins used it to stand out from other chains. Cofounder Irvine Robbins said, "We sell fun, not just ice cream," and part of the fun for customers was the experience of seeing and tasting so many new flavors. The company continues to emphasize variety; it has developed more than 1,000 flavors of ice cream to date, 100 of which are rotated through its stores in a typical year.

Today it seems obvious to offer consumers more choice — but the experience is no longer a novelty, or nearly as much fun. Whereas in 1949 the average grocery store stocked 3,700 products, the average supermarket today has 45,000 products, and the typical Walmart has 100,000 products. There are even more options online, including 27 million books on Amazon and 15 million date possibilities on Match.com. Heinz was long famous for its "57 Varieties," and Burger King for letting you "Have It Your Way," but newer businesses have upped the ante. Starbucks, already known for its 87,000 drink combinations, recently launched the However-You-Want-It Frappuccino, with "thousands of ways to customize your blended beverage." Cold Stone Creamery claims that its menu of mix-ins provides more than 11.5 million ways to "customize your ice cream treat." Long gone are the days when an array of 31 flavors knocked our socks off.

Consumers have grown accustomed to having a lot of choice, and many people still express a strong desire for having more options. But that doesn't make it a good

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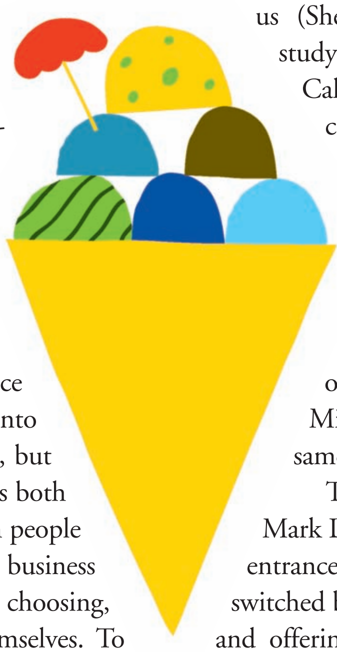
idea. There are neurological limits on humans' ability to process information, and the task of having to choose is often experienced as suffering, not pleasure.

That is why, rather than helping consumers better satisfy their preferences, the explosion of choice has made it more difficult overall for people to identify what they want and how to get it. Thus, if the market for your product is saturated with choice, you can't gain a competitive edge by dumping more choices into the mix. Instead, you can outthink and outperform your competitors by turning the process of choosing into an experience that is more positive and less mind-numbing for your customers. You can design a more helpful form of choice.



The goal of a new approach to choice should not be to manipulate consumers into making choices that aren't right for them, but rather to collaborate in a way that benefits both the consumer and the marketer. Although people tend to be skeptical of any attempts a business makes to "guide" them, when it comes to choosing, you truly can help consumers help themselves. To accomplish this, here are four actions you can take:

1. Cut the number of options.
2. Create confidence with expert or personalized recommendations.
3. Categorize your offerings so that consumers better understand their options.
4. Condition consumers by gradually introducing them to more-complex choices.

Offered together, these actions can distinguish your company. Rather than trapping people in a morass of alternatives, you'll be one of those rare companies whose offerings rise to the top by raising customer spirits.

The Multiple-choice Problem

The peculiarities of consumer choice have been evident for some time. For example, in the mid-1990s, one of us (Sheena Iyengar) conducted a well-known study of shopper selection at the Menlo Park, Calif., location of Draeger's — a specialty grocery store renowned for its huge selection of produce, packaged foods, and wine. Iyengar initiated the experiment after she realized that although she greatly enjoyed visiting the store, she often walked out empty-handed, unable to settle on just one bottle of mustard or olive oil when she had hundreds of options. Might other shoppers be experiencing the same problem, she wondered?

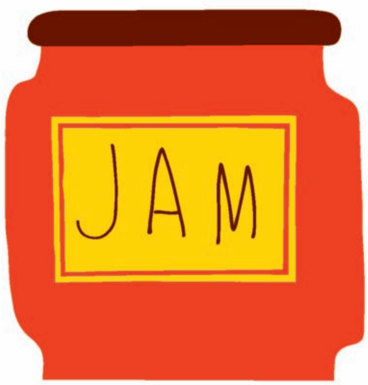
To find out, Iyengar and her collaborator, Mark Lepper, set up a jam-tasting booth near the entrance of the store. Every few hours, the booth switched between offering an assortment of 24 jams and offering an assortment of six. The researchers wanted to know which assortment would attract more people and which one would lead to higher sales. They observed the shoppers as they moved from the booth to the jam aisle, which boasted 348 varieties.

As might be expected, 60 percent of the incoming shoppers stopped when 24 jams were displayed, but only 40 percent stopped when six jams were displayed. Clearly, people found the larger assortment more attractive. However, when these same shoppers went to the jam aisle to pick up a jar, the shoppers

People like the idea of choice. But they overestimate their own capacity for managing those choices.

who had seen only six jams had a much easier time deciding what to purchase.

By observing the shoppers and eavesdropping on their conversations, the researchers discovered that the small assortment helped narrow down choices, whereas the large assortment left people confused and unsure of their own preferences. Of those who stopped by the large assortment, only 3 percent ended up buying a jar of jam — far fewer than the 30 percent who bought jam after stopping by the small assortment. Taking into account the fact that the larger display was more popular, Iyengar and Lepper calculated that people were more than six times as likely to buy jam if they saw the smaller display.



These observations may seem to contradict what you already know about consumers. People like the idea of choice. It's exciting to hear a list of exotic flavors and to see a wide wall of colorful jars, any of which can be yours. Having a larger number of choices makes people feel that they can exercise more control over what they buy. And consumers like the promise of choice: the greater the number of options, the greater the likelihood of finding something that's perfect for them. In short, they *believe* that having more choice gives them more power and satisfaction.

But they overestimate their own capacity for managing these choices. Psychological studies have consistently shown that it's very difficult to compare and contrast the attributes of more than about seven different things. When faced with the cognitive demands of choosing, people often become overwhelmed and frustrated. As a result, they may forgo the choice altogether, reach for the most familiar option, or make a decision that ultimately leaves them far less satisfied than they had expected to be.

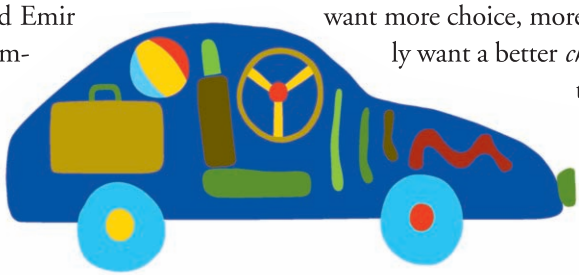
We see this frustrated response to "choice overload" even when the decision has serious consequences. For example, in 2001, at the request of Steve Utkus, the director of the Center for Retirement Research at the Vanguard Group, Iyengar and her collaborators, Wei Jiang and Gur Huberman, tried to determine why so few of the 900,000 employees covered by Vanguard were participating in their defined-contribution retirement savings plans — also known as 401(k) plans. Analysis of the data revealed that participation fell significantly as the average number of funds in a plan rose. By controlling for individual-level variables such as age and income, as well as plan-level variables such as the size of the company and the extent of employer matching contributions, Iyengar and her collaborators showed that the decline in average participation rates was due to an increase in choice. When plans offered only two funds, 75 percent of the relevant employees participated; when plans offered 59 funds, the percentage of participants fell to 61 percent.

These findings are particularly significant when you consider the benefits of defined-contribution plans: compound interest, tax-exempt contributions, and employer matching in many cases. Even randomly picking funds is still a better financial move than not participat-

When Procter & Gamble winnowed its 26 varieties of Head & Shoulders anti-dandruff shampoo down to 15, sales jumped by 10 percent.

ing at all. At the time of the study, a 25-year-old median salary earner who chose to postpone participating in his or her 401(k) plan for just one year would have ended up with US$18,540 less in his or her retirement savings account at age 60 than an identical peer who chose to participate immediately and save 5 percent of his or her income (assuming a 9 percent total annual return on a mix of stocks and bonds). And yet many of the employees, overcome by too much choice, kept putting off the decision or just skipped it.

In another study, Iyengar and Emir Kamenica discovered that the employees who participated made *worse* investment decisions, on average, when they chose from plans with more options. For every 10 additional funds offered in a plan, employees allocated 3.28 percent less of their contributions to equity funds (as opposed to bond or money market funds), and they were also more likely to avoid allocating any of their contributions to equities at all. Unfortunately for them, equities are virtually guaranteed to outperform bonds and money markets in long-term investments. Even employees in their 20s, who should have been allocating 80 to 90 percent of their contributions to equities (based on the accepted wisdom of financial advisors), became more likely to entirely avoid equities as the number of options rose, undermining their long-term financial well-being.



The deleterious effects of too much choice have been observed in situations as varied as buying chocolate, applying for jobs, and making healthcare decisions. This presents a considerable opportunity for marketers, but it requires looking in a different way at one of the essential contradictions of consumer choice: People keep expressing a desire for more choices, and businesses keep expanding product and service options in order to fulfill this desire — but it often does more harm than good.

Confidence, Trust, and Fun

Don't marketers have to give consumers what they want? Yes and no. We should give them what they really want, not what they *say* they want. When consumers say they want more choice, more often than not, they actually want a better *choosing experience.* They want to feel confident of their preferences and competent during the choosing process; they want to trust and enjoy their choices, not question them. As Irvine Robbins of Baskin-Robbins might have said, "They want fun." And it's your challenge to give it to them. The following four approaches will help you meet that challenge.

1. Cut their alternatives. You've heard it said that "less is more," but rarely in the context of consumer choice. Most companies avoid reducing the number of products they offer because they're afraid of losing shelf space to their competitors. But careful trimming can lower costs, increase sales, and improve the choosing experience for consumers. In the mid-1990s, when Procter & Gamble Company winnowed its 26 varieties of Head & Shoulders anti-dandruff shampoo down to 15, eliminating the least popular, sales jumped by 10 percent. In a similar case, the Golden Cat Corporation got rid of its 10 worst-selling offerings in the small-bag cat litter category. This led to a 12 percent increase in sales and slashed distribution costs by half; the end result was an 87 percent profit hike. Another example comes from a 2001 study that tracked an online grocer that had made substantial cuts in the number of products it offered, across 94 percent of all the product categories. Not only did sales rise an average of 11 percent across 42 categories, but 75 percent of its customer households increased their overall expenditures.

If you're working hard to explain to your customers — and perhaps even to your employees — the differences among the variations you offer, then it's time to think about making a few cuts. If the poor performers aren't evident from sales figures, focus groups and online networks can help you separate the wheat from the chaff. Potential consumers should be able to zero in on a product's defining characteristics and explain why it is (or is not) appealing to them. If people respond vaguely or inattentively, that's a signal that the choices you offer are not distinct enough and should be consolidated.

2. Create confidence through recommendations. Reducing options works well when the variations among products are relatively small. But for highly differentiated goods — books, prerecorded music and video, clothes, and many housewares — you can't get away with offering a small selection. (Even if you could, you probably wouldn't want to, because niche purchases can cumulatively contribute heavily to sales.) Instead, you have to offer a wide variety while helping consumers navigate the complexity so they still have a positive choosing experience. How do you give consumers enough confidence to overcome the complexity of a large choice set? By turning to the people who already have that confidence: experts.

Through study and practice, experts in any field learn to simplify, categorize, and prioritize information, and to recognize patterns. This allows them to create order out of seeming chaos. For example, a chess player thinking eight moves ahead is presented with as many possible games as there are stars in the galaxy. He or she can't possibly consider every option. The critical difference between novice and master is the ability to quickly eliminate the vast majority of moves and concentrate only on the most promising ones. The novice suffers under the pressure of choice, but the master knows how to relieve that pressure.

In high-choice conditions, the ideal consumer is the most expert consumer. That doesn't mean someone with in-depth expertise in any one type of product. Most people don't need to become specialists in jam or mutual funds to make decisions expertly. In fact, even if they did become experts, their knowledge would be limited to a specific domain and would not allow them to make better overall choices. However, novice consumers can become expert general consumers by learning to rank and structure their choice sets the way that experts do.

Marketers can thus help novices make more educated guesses and create confidence in their choices by giving them easy access to expert reviews and recommendations. In other words, you can attract consumers by allowing them to skip over much of the information-processing component of choosing, thereby minimizing their cognitive stress and enabling them to make good choices. Even non-expert advice can prove useful when there is consensus among a large number of reviewers or when the consumer trusts the source. This is one reason for the popularity of shopping websites with user reviews (such as Amazon), and also for the growing popularity of retailers that post recommendations for some of the products they carry (such as Whole Foods or New York's Fairway grocery chain).

Another way to give consumers access to recommendations, especially when tastes vary or ratings aren't easily available, is to set up automated systems that generate suggestions based on consumers' expressed preferences. These systems, also known as "electronic agents," are software programs that guide people by analyzing their prior purchases or their answers to survey questions. If consumers are willing to invest a little time teaching a well-designed system about their preferences, then the system can serve as a personalized expert for them. People don't usually trust programs as much as they trust other people, but trust in well-performing electronic agents tends to develop over time.

For example, the Internet radio service Pandora has acquired 50 million users who tune in for an average of 12 hours a month, even though (or perhaps because) they cannot directly choose what they'll hear. Pandora's "mission" is to "play only music you'll love," and it accomplishes this by combining human expertise with an automated system. First, trained analysts determine the musical attributes of every song in the database.

(Pandora calls this the Music Genome Project.) Then, when users tell the system what music they like, it searches for other music with similar attributes. As they listen to their personalized music streams, users can let the system know how well it matched their preferences. Eventually, the system comes to "know" the users so well that they no longer have to provide feedback. They can just sit back and enjoy.

3. Categorize their options. You can also help novices by teaching them to emulate expert judgment. For an expert, there is no completely unique product or service; rather, each offering is a distinctive combination of attributes that the expert has seen before. Thus, where the novice sees 100 different items, the expert sees maybe seven or eight relevant qualities interacting in novel ways, with one or two important features that immediately stand out. The trick is to get the novice to see things as the expert sees them.

The easiest way to do this is to categorize. For example, Best Cellars, *Wine Enthusiast's* Retailer of the Year in 2009, makes the choosing process a breeze for its customers by consulting with oenophiles in advance. It draws on their advice to limit its variety to 100 high-quality, reasonably priced wines. Since 100 wines could still be an overwhelming number for novices, Best Cellars divides the wines into eight simple categories, such as "fizzy," "juicy," and "sweet." The novice has to deal with only eight units of information now, which can be managed fairly easily. Once the novice has chosen a category, he or she can choose a wine within that category by reading the detailed labels that accompany all the bottles.

To be sure, wine experts may not use the same categories that Best Cellars uses, but they apply the same principle when they make their choices. By pre-sorting the wines into categories, the retailer helps novices look at the world through expert lenses. Best Cellars cofounder Joshua Wesson says, "We all want simplicity when it comes to these types of decisions…. We try to make wine shopping as much fun as wine drinking." Note that this is the flip side of what Baskin-Robbins did in its heyday. Both retailers thrived by creating a better choosing experience. Back then, this meant giving customers more choice; now, it means giving them less.

To simplify the choice process, limit your categories to no more than 20, with 10 or fewer options in each. When you hold to these limits, consumers are likely to feel empowered by the number of choices, and are unlikely to miss any offerings that weren't included. Iyengar and her collaborators, Cassie Mogilner and Tamar Rudnick, discovered this when studying the magazine aisles in several Wegmans supermarkets. The number of magazines available at various branches ranged from 331 to 664, but this number had no effect on buyer satisfaction. What mattered was the number of categories, such as "Health & Fitness" and "Home & Garden," that each display provided. Arranging the magazines under a wider range of subheadings created the perception that the store offered more choice, even when the number of magazine titles was comparatively small. Customers in these stores also reported greater enjoyment of their overall shopping experience.

For novices, who may not be able to create categories on their own, the categories established by a marketer or retailer provide a framework for making sense of a large assortment, thus keeping consumers from being discouraged by the daunting task of choosing. Because these categories often make the same distinctions between products that experts make, they also provide a general overview of the field, which catalyzes consumers' understanding of it and the development of their preferences within it.

4. Condition them for complexity. For certain kinds of decisions, you can set consumers up for success by encouraging them to learn from, and build upon, their own previous choices. This is especially valuable if your product is customizable.

For example, Iyengar and her collaborators, Jonathan Levav, Mark Heitmann, and Andreas Herrmann, conducted a study with a major German car manufacturer. This automaker allows its customers to design

Consumers *can* handle a large number of options, if they start off in the shallows and slowly move toward the deep, all the while building skill and nerve.

their new cars from a long list of options, choosing everything from the engine to the rearview mirror. In the study, researchers presented the first eight design choices in different sequences to different groups of car buyers. One group had to first choose interior and exterior color, with 56 and 26 options, respectively. From there, they chose features in descending order by number of options, ending with interior decor style and gearshift style (which were each limited to four options). A second group of buyers encountered the same choices in reverse order, starting with the design elements that offered the fewest options and ending with the ones that offered the most. Although both groups eventually saw 144 total options across eight categories, the buyers who moved from high choice to low choice had a much harder time. They began by carefully considering every option, but they soon grew tired and settled for the default. In the end, they wound up less satisfied with their cars than the buyers who had progressed from low choice to high choice.

This research shows that consumers *can* handle a large number of options, if they start off in the shallows and then slowly move toward the deep, all the while building skill and nerve. Beginning with fewer options not only warms consumers up, it helps them better figure out their own preferences, which in turn enhances their choosing experience. Over time, practicing this choosing technique will condition consumers to cope with increasing complexity.

An Open Invitation

Each of these forms of customer engagement can be technologically enabled, for example, through online networks or social media. But the heart of this method lies in better design of the shopping experience, fueled by better awareness of human capabilities. When you take this approach, the goal of your marketing is no longer to give people what they say they want. Instead, your goal is to invite consumers to enter into a collaborative, mutually beneficial relationship with you.

From the outset, your design shows them that you understand how they think and respect their desire for both control and simplicity. The message is clear: In the short run, you are helping them navigate a bewildering and even debilitating world of options. In the long run, you are inviting them to choose you. +

Reprint No. 00046

Resources

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Bridget Finn and Michal Lev-ram, "Recent Research: The Downside of Choice," *s+b,* Summer 2009, www.strategy-business.com/article/09216: Corroborating research about the consumer dissatisfaction that stems from too many choices.

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Sheena Iyengar, *The Art of Choosing* (Twelve, 2010): By describing the psychological impact of having too much choice, too little choice, and varying levels of autonomy, Iyengar shows how the conditions of choice influence business, society, and personal fulfillment.

Barry Schwartz, *The Paradox of Choice: Why More Is Less* (Harper Perennial, 2005): Another leading work on the "darker side of freedom": the limits of the human mind in managing a surfeit of options.

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