



wrong  
choice



good choice,  
*it's maybe  
better*  
but not  
satisfied

Choice brings costs as well as benefits: stress, anxiety, regret. Too much choice is not just a problem for shoppers. It's a real threat to retailers and brands. So what should we do?

## Navigating the paradox of choice

DEBATE

Barry Schwartz  
Philadelphia, USA

Are brands still doing their job? And are retailers still doing their job of making manufacturers' brands available to consumers? At one level, the answer has to be a resounding Yes! Compared to a few decades ago shoppers now face a cornucopia of choice from among a huge range of excellent quality, competitively priced products and services via an apparently ever-increasing spectrum of ever-more convenient distribution channels. As we all know, the number of stock keeping units available in a typical supermarket has risen continuously over the years. Ten years ago, 10,000 SKUs in a store was quite something. Nowadays 40,000 SKUs is commonplace. Shift to the Internet and even that is small fry. Amazon.com boasts that it lets shoppers 'find and discover virtually anything they want to buy online'.

So you would think consumers would

be delighted. They've never had it so good. Yet the evidence seems to suggest they don't feel like they've never had it so good. In fact, customer satisfaction scores remain stuck at the levels they were ten years ago as stress levels - as well as incidences of depression - rise inexorably. If 'the consumer society' was meant to make people happier, it doesn't seem to be delivering the goods. So what's the problem?

There are many answers to this question, and one of these answers revolves around choice.

Now, choice is a wonderful thing bringing significant economic, psychological and political benefits. On the economic front, choice is a powerful mechanism for the efficient allocation of resources. When buyers have free choice between different options for products and services they generate powerful





signals for the market, signals firms are compelled to respond to, if they want to stay in business. The effect of such signals is that firms have a much greater chance of making what shoppers want, and shoppers have a much greater chance of finding the products and services that really address their wants and needs.

The psychological benefits of choice are equally far-reaching. In experiments, animals denied the fruits of exercising choices to avoid pain or seek pleasure sink into a state of passive, miserable apathy - 'learned helplessness'. When people have no choice, life is almost unbearable. When people are given the chance to exercise choice they feel a positive sense of empowerment. In addition, choice also provides people with a means of personal expression. If the choices we make say something about who we are, making a choice becomes a positive assertion of our individual identity. Choice and empowerment and autonomy march hand in hand.

The political overtones of choice are also all-pervading. In western democracies we regard societies whose citizens are denied choices as dictatorial. Freedom to choose lies at the very heart of cherished notions such as liberty and freedom.

So yes, choice is a wonderful thing. But sometimes you can have too much of a wonderful thing. As well as bringing huge benefits choice also imposes costs. And as the number of choices grows, the costs of choice begin to grow faster than the incremental benefits. The negatives begin to escalate. At a certain point, choice no longer liberates and empowers. It debilitates. You might even say it tyrannizes. More is not always better. Sometimes more is less, and less is more.

#### Analyzing the costs of choice

The idea that a store can offer 'too much choice' has long been recognized within the grocery industry. Many ECR category management projects have sought to reduce on-shelf clutter by rationalizing assortments and making choice easier. But a deeper analysis of the psychological costs and benefits of choice may provide us with a better understanding of the value brands and retailers can offer consumers, over and above the specific content of each particular product. And it may provide us with a deeper insight into the challenges both brand manufacturers and retailers now face.

So what sorts of cost does choice impose? First, it imposes operational costs: the costs of gathering and using the information we need to make the right choices. Each step in this process brings its own costs.

This article is based on Barry Schwartz's book *The Paradox of Choice: Why More is Less\** and discussions with the editors of the ECR Journal. Barry Schwartz is the Dorwin Cartwright Professor of Social Theory and Social Action at Swarthmore College.



*Clarifying goals*, for example, requires a good degree of internal reflection and self-knowledge. It is not always easy to know what we want exactly - never mind know what is good for us. One thing we draw upon when clarifying goals is past experience, or remembered utility. Unfortunately, the utility we remember when looking back on previous experiences is often quite different from the utility we actually experienced at the time. But we also have to make a judgement as to expected utility, a prediction as to how one choice will make us feel, when compared to another. Such predictions are very difficult to make accurately. Indeed, all things considered, our degree of self-knowledge is often quite small and hard to increase.

*Gathering information* in the modern world is only too easy. In fact, one of our problems is that we have too much information to pay attention to effectively, to take in and digest. And when we do invest time and effort doing so, we can face great difficulty sorting the wheat from the chaff. Solving the problem of how to choose between, say, 5000 different financial investment products may require that we first have to choose between 10,000 web sites, all of them claiming to offer useful information. One best-selling drug - Prilosec - generates in excess of 20,000 hits on a web search. Yet for most

of these web sites we have no means of assessing the quality of the information presented: is it the results of first class scientific research or just hear-say?

*Evaluating the information* we do have is hampered even further by human fallibility. We don't simply remember or access information in order of its importance or value, we tend to remember and recall vivid things more readily than bland things and recent things as opposed to things in the distant past. We also tend to accept given frameworks for comparison: in an electrical store where most items cost €100 something costing €279 seems expensive. But it seems cheap - a bargain, even! - if it is displayed in the context of items costing €400. One of the reasons why advertising is effective, and why many classic retailing merchandizing techniques are so effective, is because human beings are so susceptible to these salience, anchoring and framing influences. They make it even harder for us to arrive at the 'best' decision.

Thus, even at the basic level of information gathering and use, a proliferation of choices creates two related and unfortunate effects: It means decisions require more effort and it makes mistakes more likely. Now let's turn to the emotional and psychological costs of choice.

Proliferation of choice creates two related and unfortunate effects. It means decisions require more effort, and it makes mistakes more likely.

Making choices might liberate and empower us, but it can also create considerable anxiety. Among the psychological costs of choice are:

*Decision regret.* How many times have we spent money on a particular item, only to realize with a sinking feeling (often sooner rather than later) that we have made an unwise purchase?

*Anticipation regret.* How many times do we invest precious time and emotional energy umm-ing and ah-ing because we fear the regret we will feel if we make the wrong choice?

*Opportunity regret.* Often, when making a choice, we are forced to make trade-offs. We can have either this feature or that benefit, but we can't have both. On the surface, that's a good thing. It is what choice is all about. But the either/or decision has generated another form of regret: for lost opportunity. Wouldn't things be so much better if we could have both?

*Post-decision disappointment.* Often, having made a choice, we feel the need to justify it to ourselves or someone else. Research suggests that the more we look back on a decision, the less satisfied we are likely to be with the outcome. There are subtle factors at play here. Many of

the decisions we make are not that 'rational' so when we 'justify' them we end up inventing rational reasons or struggling to articulate reasons which we never had to put into words before. Being forced to make the implicit explicit makes it weigh more heavily in our minds.

*Dashed expectations regret.* There is also evidence from research that the fact of being presented with a range of different choices increases our expectations ... and the higher our expectations become the more likely we are to be disappointed.

*Comparison disappointment.* Every choice involves making comparisons. And the more we compare what we have against what we could have the less satisfied we become.

These many forms of regret crop up in many ways, to many degrees. And feelings may be intensified if the decisions we make are open to public scrutiny, if they are for a friend, or if they seem to have life-affecting implications (such as whether or not we will have an adequate pension). Worse, regret tends to have its own dynamic. If we have made a free choice, there is no one to blame but ourselves. And if we feel bad about the outcome, we may end up regretting that we feel regretful!

Making choices might empower us, but it can also generate anxiety – sometimes so much anxiety we would rather not have to make a decision.

All such factors - the hassle of obtaining the information we need to make the right choice, the fear of making the wrong choice, and mourning for the things we would have liked to have been able to choose - can combine to make decision-making an anxiety-causing process. Often we would rather not have to make a decision. Or, in order to reduce the costs and anxiety of decision-making we adopt some shortcut approach, buying the most convenient, or the cheapest, or the most familiar, or what our friend recommended.

#### **A modern tyranny?**

It could be argued that 'it was ever thus'. The psychological costs and benefits of choice probably haven't changed much, if at all, over the last hundred years. So why should choice suddenly become such an issue? The answer probably lies in a combination of four factors.

First, in today's societies we are having to make more and more choices about more and more increasingly important areas of our lives. A generation ago, utilities such as gas, electricity and phone services were provided by regulated monopolies. Today, they are a battleground of competing brands each with its own 'differentiated' offering. The same goes for the increasing array of health services and insurances, financial services (including pension

provisions), educational options, career options, and so on. Today, we can hardly make a move in life without having to make some choice about it. And the consequences of these choices are becoming increasingly important, as the risks of 'getting it wrong' grow. This is a recipe for stress and anxiety.

Second, within traditional areas of choice such as groceries, the range of available choices has exploded with an increase in the number of brands, variants, line extensions and so on. Once up a time we had Kellogg's Corn Flakes and few competitors. Now we have 275 cereal variants to choose from, along with 285 varieties of biscuit, 175 types of tea bag, and so on. Consider this thought experiment. Imagine a world where the costs of actually assembling a motor car from its constituent parts had been reduced to zero, but where every would-be car user had to learn about, and select, each one of the car's 10,000 components for himself. In such a world, how many cars would be on the roads today?

Third, thanks to the media and information revolution, we have a proliferating range of information sources, offering exponentially more information to consider - plus the extra burden of choice as to which sources of information to choose!



Finally - and perhaps most significantly - the very explosion in the range of options may be having an effect on our attitudes towards choice. Broadly speaking, shoppers have two strategies for dealing with choices: one is to maximize (to seek the best possible outcome) and the other is to satisfice (to seek a 'good enough' outcome and not worry about the possibility that we might have missed something better).

Overall, for individuals, satisficing is a much better strategy. If you satisfice you may do worse but you *will* feel better. And most of the time it won't matter. The difference between what you get as a maximizer and what you get as a satisficer is not all that different, objectively. If you look at the objective qualities of a digital camera for example, a satisficer will get a digital camera that is not as good as a maximizer's. However, most of the time the difference will be small. And because *maximizers* not only invest more in their decisions, they also regret more too, the satisficer will be happier with this digital camera.

Since most of the time individuals are concerned with subjective measures, the strategy they should follow is the one that gets them to a higher utility curve. With a satisficing strategy you look for less and end up more satisfied. That's much better

than the maximizing strategy of doing better but feeling worse. That is very depressing. And that's what many consumers are doing today. Doing better but feeling depressed.

The really frightening prospect, however, is that this tyranny might be self-fuelling. The very process of presenting shoppers with so many choices may have the effect of turning satisficers into maximizers, generating the feeling that "given all these options I really *should* be making the best possible choice". By offering more choice, we may be turning satisficers into maximizers, thereby increasing their dissatisfaction. We may be creating a very depressing vicious circle indeed. This hypothesis still needs further research. But if it is basically correct, the implications are significant.

#### **The role of brands and retail**

Bearing these considerations in mind, it's now possible to revisit the dynamics of branding and retailing. Looking back, we can see just how many aspects of the psychology of choice brands and brand building techniques such as advertising addressed.

As a promise of superior quality, a leading brand could short-circuit the highly expensive and tortuous process of gathering and assessing comparative





information. The brand's reputation for quality provided the answer ... in a second. Besides, persistent advertising meant that the brand was always salient (top of mind in a consideration set), so it tended to be chosen anyway. And in addition - another well researched effect - familiarity bred liking, and liking bred repeat purchase, thereby obviating the need for choice once more.

But the psychological benefits of brands went much further. As public promises of quality they provided reassurance (thereby helping to avoid both anticipation regret and decision regret). And - another effect well understood by advertisers - brand advertising also helped to minimize post-decision disappointment: brand advertising not only attracted new buyers to the brand, it also reassured existing buyers 'you made the right choice!'. And finally, if decision anxiety ever made choosing a problem the existence of the brand provided a convenient heuristic: 'choose the leading brand!'. (Nobody ever got fired for buying IBM.)

Regardless of the content of the brand, then - its product features, performance, attributes and so on - the mere fact of being an advertised, famous brand helped minimize, if not eliminate, the operational, informational and

psychological costs of choice. No matter how 'good' the brand was, *simply being a brand* was a major benefit for the consumer.

But please note my use of the past tense here. Research into individuals' decision-making heuristics suggests that choice is a maximum benefit when limited to a relatively few options: when the benefits of the choice are palpable and the costs of choice-making are kept low.

Over the course of the 20th century however, we seem to have followed a trajectory. In the early days of brands and marketing, marketers were introducing choice into monolithic, commodity markets - thereby unleashing all the positive operational and emotional benefits of choice. We moved from a situation of having too little choice into an optimum zone of having the right amount of choice.

But we didn't stop there. Believing 'more is better' and under continual pressure to perform better, we moved beyond this optimum zone: from too little choice, to the right amount of choice, to too much choice. Our world became cluttered and over-branded. Brands started becoming the new commodity - imposing on consumers a new cost of choosing (this time choosing between



In their early days, brands introduced choice into monolithic markets. But as we move from little choice to too much the benefits of brands erode.

brands and between retail formats). Retailers, having benefited hugely from their own period in the optimum zone, followed the same path. From too little, to just about right, to too much. So while the functional benefits of products may be higher than ever, the emotional benefits of brands vis-à-vis choice are being eroded, by the day.

#### Implications for managers

For marketers and retailers, the underlying lesson from research into the psychology of choice is that the consumer value of brands and of retailing does not lie solely in the content of what is being sold. It also lies in the process of navigation. For shoppers, the potential economic and emotional costs and benefits of this process of navigation is much higher than most sellers recognize. If this is true, it opens up a number of avenues to explore.

*Ease up on the theology.* In many peoples' minds choice is axiomatically 'a good thing'. Choice is equated with 'freedom', which in turn is equated with 'democracy': an inviolable, unquestionable holy trinity. But a pragmatic, empirical approach is needed to evaluate the benefits and costs of more or less choice. For example, in many areas such as health care, education and pension provision, most consumers do not have the expertise

to make informed decisions and need to be protected from the dangers of making the wrong choice. For some markets in other words we need a framework of strong regulation within which perhaps individuals can choose from among a small number of clearly differentiated choices that really matter, and that reflect well-understood personal priority differences. In other markets, such as grocery, perhaps less is more.

*Investigate ways to eliminate unnecessary choices.* Reducing the range of items made and sold not only reduces shopper choice costs, it also reduces supply chain costs. Likewise, when it comes to navigation some web sites have begun to hide many of the available options so that people aren't overwhelmed. Those who know enough or care enough can ferret out all the information they want to. But for most people the streamlined experience is much less stressful and much more satisfying. When Gateway computers did this and started offering a basic medium and high end package, instead of copying Dell and letting people build their computers on the website, it apparently produced \$100 million extra for Gateway (see satisficing products below). Indeed, I would go as far to suggest that some companies - such as Dell and Wal-Mart - are extremely successful not because they offer customers so much choice, but *despite*

A dazzling array of alternatives is an experience in its own right. But research suggests that at some point, the more the choice the fewer the purchases.

the fact that they offer customers too much choice.

My personal epiphany happened about seven years ago when I went shopping for jeans. I just wanted a pair of jeans. But I was asked to choose between an astonishing array of options: slim fit, easy fit, relaxed fit, baggy, extra baggy, button-fly, zipper-fly, faded, regular, and so on. I have no doubt that the quality of the products was as excellent as ever. But for me, the quality of the process had declined dramatically. So there could be some powerful win-wins in actively reducing consumer choices, if implemented in the right way. However, competitive conditions might make such a strategy difficult. So what other options are there?

*Adopt a broader view of value.* If the above analysis is correct, brands and retailing offer at least two dimensions of value: the functional quality and attributes of the product on offer, plus their role as navigational tools for shoppers in their search for value. In a world of increasing product parity and choice overload, there is significant potential for brands and retailers which expand their role as trusted, streamlined navigators to value.

If so, then brand managers may be making a big mistake when they focus

their efforts on new marketing and product development programmes (such as 'greater differentiation') designed to influence choice, because the really strong incremental shopper benefit may lie in the very different direction of reducing the costs of choice. So, perhaps we need to focus less on the consumer benefits of 'the product' in other words, and more on the potential benefits of 'the process'. Likewise, retailers could offer a lot more value not by offering shoppers more choice, but by helping shoppers minimize the hassle of making choices: to work their way back towards that optimum zone.

(There is a complication here. People are positively attracted to the spectacle of choice. A dazzling array of different alternatives creates a stimulating experience in its own right. So offering increased choice seems to be an effective sales strategy. However, research into consumer decision-making processes shows that, past an optimum point, the greater the available choice the fewer the purchases. Retailers that offer a huge array of choices tend to be very good at attracting footfall, but not so good at turning this footfall into sales. Retailers with more restricted choices are less 'exciting', but more effective in sales terms.)

A further implication is that as well as offering quality products retailers and

Maximizers who want the best suffer more anxiety than satisficers who opt for 'good enough'. But proliferating choice encourages people to maximize.

brand marketers need to see themselves as providing *quality information* : i.e. information that is easy to access and use, meeting the shopper's need and fit for purpose, trustworthy etc; information that helps shoppers reduce the costs of choice, in other words.

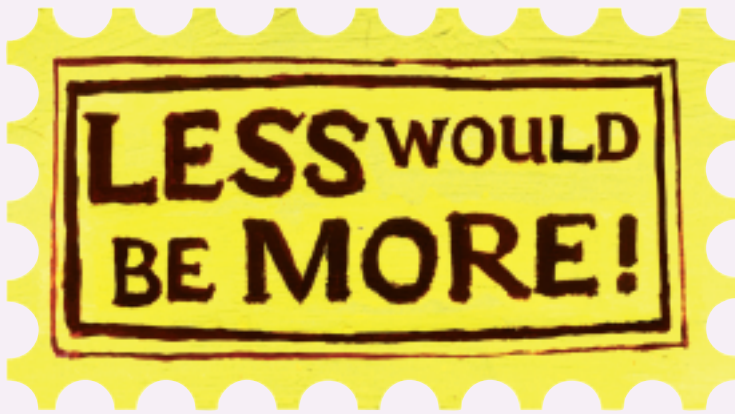
*Investigate the potential for 'satisficing' products and retail formats* that offer shoppers trustworthy solutions: 'everything you need to solve this problem, with nothing missing, but no confusing extra frills either'. Such satisficing options may not provide the absolute best available, but they would help shoppers minimize the cost of choice - and their very existence may ease the counter-productive pressure to maximize. Over recent years, limited range hard discounters such as Aldi have proved extremely popular with shoppers. Perhaps their popularity is not only due to their low prices. Perhaps their role as choice editors and satisficing enablers also has a role too. Likewise, in fashion, limited range boutiques have been very successful in competing against department stores with large and confusing ranges.

*Create an ROI filter for marketing and merchandizing initiatives.* When considering a marketing initiative marketers and retailers need to assess shopper as well as corporate return on investment. Is this

new initiative worth the time and effort the shopper needs to invest to understand and assess it? The acid test of every new choice should be 'does it really matter to the shopper, and is it really worth bothering to find out about it?'. 'New choice introduction' (i.e. variant or marketing initiative) policies should be introduced and balanced with 'old choice deletion' policies. There is a real benefit for both sides of the equation in keeping things simple.

*Outlaw confusion marketing from your organization.* Confusion marketing happens when a brand manufacturer or retailer deliberately makes choosing between his and other options more difficult, say, by making it hard to compare like with like, or by blinding consumers with science. Look at telecoms tariffs, for example. In recent years these practices have become much more prevalent. Confusion marketing deliberately imposes greater choice costs on buyers in order to reap greater revenue benefits for sellers. But if we accept the premise that an increasingly important role for brands and retailers is to act as trustworthy navigators to value, companies that indulge in confusion marketing are effectively abdicating their right to brand. Instead of making friends with their customers, they are making enemies.

*Research further!* There is an awful lot we



still do not know about the costs of choice, how different consumers and shoppers react to these costs, and how best to help them minimize these costs. I have already mentioned one question: does the simple fact of offering more choice pressurize individuals to become maximizers rather than satisficers thereby increasing dissatisfaction rather than satisfaction? And how can brands and retailers expand on their role as trustworthy navigators - as providers of quality processes and information as well as purveyors of quality products?

Other research considerations lie closer to home. For example, peoples' experience of the purchasing process doesn't end there. It affects their evaluation of the items they buy even after they start using them. Every time I say this, eyes get big. It means that traditional customer satisfaction research may be missing a major point. Instead of doing one line of research on the selection process and another independent line on 'pure product' satisfaction, research needs to be done on selection and consumption, taken as a whole.

But overall, as a psychologist, I cannot tell marketers or retailers what they should be doing. All I can say is that the problem appears to be pervasive. I have yet to give a talk where people don't

acknowledge that they face a problem. No industry has disagreed with my argument. They know I have put my finger on something that is a significant problem. And at the moment they don't know how to solve it.

#### **Further reading**

Barry Schwartz, *The Paradox of Choice*, Harper Collins, 2004

Barry Schwartz, *The Costs of Living*, XLibris, 2000



Senior Executive Education

# Progressive Management Programme (PMP)



## Building Leadership

in the Consumer Goods Industry

In cooperation with

---

INSEAD, France •

---

The Wharton School, University of Pennsylvania, USA •

---

Otto Beisheim School of Management, WHU, Germany •

---

London Business School, United Kingdom •

---



*“Improved understanding of our partners and industry”* Managing Director Retail, Germany

*“Stretched my imagination”* Business Unit Director Retail Sales, UK

*“Stimulated out of the box thinking”* Key Account Director France and Europe, France

*“Engaged, focused and enthusiastic speakers”* Customer Finance Director, Switzerland

*“Jump in! You’re going to be surrounded by very good people, you’re going to learn very important things about the industry and you’re going to be equipped with very valuable skills in your career development going forward.”* Sir Terry Leahy, CEO Tesco Plc

*“The focus here is on next generation leaders of both retailers and manufacturers, this is the life blood of our industry, it’s our future, it’s our legacy.”* Ed Lonergan, President Gillette Europe

### What is the PMP?

The Progressive Management Programme “Building Leadership in the Consumer Goods Industry” is:

- A unique 20 day (4x5) executive education programme
- For retailers and manufacturers
- Taught by senior professors and industry leaders
- Developed with 4 leading business schools: INSEAD (France), The Wharton School, University of Pennsylvania (USA), Otto Beisheim School of Management WHU (Germany) and London Business School (UK)

### Why is the PMP different from other executive programmes?

- Previous participants confirm that the PMP is a source of inspiration and growth that affects 4 levels: business relations, company, industry and personal
- This programme enjoys the commitment and involvement of industry leaders, who meet participants during each module
- It creates a tight-knit international network that fosters intensive exchanges and cross-functional business relations among representatives of retailers and manufacturers
- It consists of 4 modules over 6 months in 4 different markets each including 1 day of site visits, shared time with industry leaders, games and role-plays, real-life cases by executive contributors

### What are participants' benefits?

By attending this programme, Executives will be able to:

- Create innovative strategies for industry leadership
- Share the experience of senior industry executives
- Learn the latest concepts of leading business schools
- Network with current and future business leaders
- Visit key markets and best practice companies

### Who should join?

This programme is dedicated to:

- Senior managers with 5-10 years of leadership experience
- The next generation of business leaders of retailers, manufacturers and service providers

Past participants from 9 nationalities were:

- Movers and shapers
- Active across multiple markets
- Working in sales, marketing, purchasing, logistics/supply chains, as well as customer relationship/knowledge and finance departments

### Interested ?

Please contact:

Bernard Karli, Managing Director or  
Francine Dambach, Programme Manager at  
[ici@ecreurope.com](mailto:ici@ecreurope.com)

The International Commerce Institute  
of ECR Europe  
9 Avenue des Gaulois, B-1040 Brussels