

# Increasing product variety in product category



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“ Freedom is the right to choose: the right to create for oneself the alternatives of choice. Without the possibility of choice, and the exercise of choice, a man is not but a member, an instrument, a thing.”

— Thomas Jefferson (See Ref (1))

A General belief is that increasing the product variety in a product category increases the total number of options available to the customers in that category and this in turn increases the overall customer satisfaction.

Inherent to consumerism is the assumption that choice is both desirable and powerful. Psychological theory and research have similarly presumed that choice is invariably beneficial (See Ref (2)). Over the years, it has been a ‘ basic assumption’ for many that increasing variety and options has only a positive impact. Typically, Marketers do so by adding more flavors , packages , formulations , features and options(Fader and Hardie 1996, Kotler , 1991)See Ref (35) There are varying reasons for this belief,

Greater variety can cater to a wider range of tastes ( Lancaster , 1990, Ref (3))

As increasing product variety increases the chances of consumers finding goods that match with their preferences [ other things such as shelf space, cost etc equal]( e. g Kekre and srinivasan 1990 (Ref. 4), payne , Lancaster 1990 (Ref. 3), Bettman(Ref. 6) , Bordley 2003(Ref. 5), Johnson 1993.

Creates a perception of ‘ Freedom of Choice ‘ ( Brehm, 1972, Chernev 2006) (Ref.(7)), Ref (13)

Consumers always buy an assortment of alternatives as they are unaware of their future needs. An increasing variety only helps. ( Simonson 1990 , Walsh, 1995) Ref. (8)

Brands having greater or higher number of Options or choices are considered to be having expertise and high level of commitment in the field, which inturn make the chances of purchase from the brand higher. (Ref.(9))

High Variety, acts like a Quality Cue. Ref (9).

The consumer has ' a greater sense of control' which results in a positive self determination and feelings of intrinsic motivation ( Iyenger and Lepper, 1999)( Ref (10))

More choices can result in Lower prices and better quality, as it promotes competition.

(Loewenstein, 1999), Ref (11)

Even the Economic theory Holds , That More options are Better.( Maxwell, 2005

(See Ref 12)

But, even as many think that Increasing variety is a boon and has a only a positive side to it , there is a growing body of research which believes that ' added options are a mixed blessing ' (Schwartz et al. Pg 1179)Ref (14). ' Too Much choice ' can actually result in frustration and stress for a buyer. The various results of such a situation are : ( See Table 1)

Simply increasing variety does not guarantee an increase in long run profits and can in fact worsen competitiveness (Ramdas and Sawhney 1999)(Ref (15).)

Many researchers have said that offering more options can generate decision conflict, confusion, frustration and decision deferral or no decision at all.

(Chernev 2006 (Ref (13), Dhar 1997 Ref (16); Greenleaf and Lehmann 1995 Ref (17), Tversky and Shafir 1992 Ref. (18)

The relative evaluation of a large variety of alternatives requires more effort, and also increases the need for an individual's cognitive resources.

(Scammon , 1977 ( Ref. 19),)

Customers avoid high variety Brands, as they want they want to reduce their difficulty of choosing from a large set of option. They focus on whether the choice is made or not , rather than which brand is chosen ( Iyenger and Lepper, Ref 10 )

A high product Variety can reduce the overall product demand and also the utility experienced from the consumption of the good[ Iyenger and Lepper 2000(Ref 10) , Schwartz (ref 13) , Norwood (Ref 33)]

“ firms that increase variety to attract consumers with differing tastes could actually lead to lower overall sales ” { Norwood , Ref 21 }

There are many theories , articles , papers , journals etc, which talk about the same problem from different perspectives . There are also several terms given to this situation such as ‘ Excessive choice effect’ , ‘Overchoice’, ‘ Too -

Much Choice ' , ' the Paradox of choice', ' Conflict of choice ' , ' Choice overload ' or ' Information overload ' , ' Sensory-overload', The Term 'Overchoice ' was coined by Alvin Toffler in his book Future Shock in 1970 to describe a world in which there was too much of choice to make an optimal decision ( See Ref (35))

[ See Table 2 , Definitions of Information overload]

The term information overload in short means ' receiving too much information' ( M. J eppler et al. Ref (22))

The central Theme of all these is the same, that:

The more the products, Brands and the cumulative information the consumer perceives, the higher will be the level of Perceived choice overload. In many cases, consumers defer or delay their purchase decisions when faced with such situation. This is not preferable for marketers and they should take appropriate action to plan on this front.

Adapted from M. J Epplar , See ref. 22.

Many empirical Studies (Hoch and Purk 1994 ; Mc Alister 1998 ; Iyenger and Lepper 2000, Boatwright and Nunes 2001 , Schwartz et al 2002 , Chernev 2003 ) have shown that customers can do better by reducing choice options , (Norwood 2009, ref 21)

As Mentioned by Hauser and Wernerfelt ,

' Consumer research suggests that as both the number of options and the information about options increases, people tend to consider fewer choices

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and to process a smaller fraction of the overall information available regarding their choices (Hauser & Wernerfelt, 1990), Ref (23)

The following further emphasizes and makes the above proposition clearer, ' a comparison of the decision strategies of people presented with three, six, or nine alternatives revealed that 21% used an elimination strategy in the case of three options, 31% used an elimination strategy in the case of six options, and 77% used an elimination strategy when there were nine options' (Timmermans, 1993) ,( Ref 24)

Increasing Choice has been said to be the cause of low ' Happiness' of the people, rather than increasing satisfaction. In His paper, Schwartz said,

**“ As the gross domestic product more than doubled in the past 30 years, the proportion of the population describing itself as ‘ very happy’ declined by about 5 percent, or by some 14 million people. . . Of course, no one believes that a single factor explains decreased well-being, but a number of findings indicate that the explosion of choice plays an important role”**

(Pg 71 , See Ref 14.)

Further, it has been noted by many that there is a notable difference in the way the consumers now relate to a product. Consumers increasingly tend to reject the brands which offer over extensive lines in favor of those which are able to offer ideas, Creativity, meanings and a lifestyle. (See Ref (29))

A recognizable brand becomes a guarantor of effectiveness, simplifying the choice process for a consumer ( See ref (30))

They expect Big brands to play the role of rationalizing, regulating and making choices simpler and more clearer, but this is becoming increasingly intrusive, abundant and opaque.

( See ref (29))

**‘ A brand is like a piece of elastic, there is a limit beyond which it cannot be stretched without breaking.’**

( See Ref ( 29)

### **Examples, Companies reducing Variety for varied reasons,**

1). when Procter & Gamble reduced the number of versions of their ‘ Head & Shoulders’ shampoo from 26 to 15 they experienced an increase in sales of 10 percent. ( Drolet, See Ref 27)

2). In2000, Unilever’s chairman announced that the company was going to radically reduce the amount of brands it offered to consumers from 1600 to 400 because it could not reach its target audience anymore because of the scattered image Unilever had created by offering this large amount of brands

(Economist, 2000)See Ref (32)

3) In 1993 Apple reduced the number of Macintosh PC sub-brands. By doing this, Apple was “ hoping to increase sales by decreasing buyer confusion”

(Dhar, 1997, p. 230). Ref. (16)

4) Sixty percent of retailers indicated they downsized to alleviate shopper confusion (AC Nielsen survey), (See Ref. (28))

Therefore, a marketer must accurately predict the choice strategy the consumer will use in order to come to a decision (Wright, 1975). Adapted from Ref . 1

### **With relation to CSD's or Carbonated soft drinks,**

From research conducted by Bauer, Sauer and Becker (2006) it is derived that consumers are least likely to be overloaded when choosing a low involvement product.

See Ref (31)

### **= CSD's being a low involvement product therefore should not cause an information overload.**

Consumers are more likely to switch between sensory attributes ( eg flavor) than non sensory attributes ( eg brand ) ( Inman J. J , 2001. See Ref. (25))

= Therefore, consumers are likely to switch between flavors , if a brand can provide an adequate bundle of flavor options.

### **Demand for varied flavors**

McAlister (1982) has documented that individuals seek variety by switching their consumption of CSDs between several alternative flavors over time.

Plus, the intensity of color and the flavor are the key drivers behind consumer acceptance of beverages, is what a recent research from the French research company Adriant found.

Packaging and labeling are not as important for winning over consumers, according to findings published in the journal Food Quality and Preference



When the market is overloaded the challenge consists in creating innovative products able to attract and satisfy consumers..(See Ref 34)

= This means that to cater to the demands of varied customers, companies would, introduce more flavors, increasing the variety and number of options.

**Different flavored products cater to different segments.**

**In the case of CSD's experts feel that different flavored products cater to different segments.**

**For example, ( see REF (26)**

households with a female head under 35 years old tend to have higher preferences for diet products

Diet Pepsi was reintroduced in Europe with double caffeine as Pepsi Max to overcome its feminine image.

Households with kids place a higher weight on products with caffeine than that with-out.

## **Retail perspective**

- More than half of those retailers surveyed in the 2010 Nielsen Retail Assortment Survey claim to have, or plan reductions of up to 10% of all SKUs on the shelf

See Ref (28)

he biggest losers were the cookie (-8%), water (-6%) and shampoo (-4%) categories, which saw the highest number of items removed from the shelf.

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The biggest winner categories expanding SKU count included carbonated soft drinks (up 3%), shower gel and yogurt, each growing its product roster by 6%

Over half of the respondents (in our 2010 Consumer Shopping Survey) said they are less likely to shop a retailer if they perceive a decrease in assortment.[ see table (3)]

= This shows that in that the total SKU count (for soft drinks) and product availability at retailer's shelf space is going to increase.

= Another point to be seen here is the last statement, relating to the customer perception of decreasing assortments at the retailers counter. If they perceive a decrease in the assortment, they might not shop at the specific retailer again.

**Competition in the branded industry is forcing the players to renovate the terms of design , Packaging , color and even packaging techniques...**

**This implies that variety in branded goods is slated to increase in the near future ...**

**Theoretical model on Choice overload**

**Adopted from ' Art of choosing ' , Pamela Bons , See Ref (1)**

Table 1

Effects of Information overload . Adapted from M. J epler et al. , See ref 22

Table 2

Definitions of Information overload , Adopted from M. J Lepper et al. , see Ref.(22)

Table (3) , no purchase as consumer could not find what he/she needed,; effect of low , inadequate assortment. Ref (28).

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BENJAMIN SCHEIBEHENNE , RAINER GREIFENEDER, PETER M. TODD

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