The Choice Dilemma

Choice Paralysis; why too much of a good thing can be harmful to your brand.

Have you ever walked into a supermarket to buy a new product, something you haven’t consumed before and stood in front of the aisle, caught in a paralysis of knowing which choice to make given the multiple brands and variants you are faced with? Well if you have, you join the millions of consumers who suffer the same ‘shopping’ paralysis daily.

Economists have long taught that freedom equals choices, and that one can never have too many choices. However, research by the psychologist Barry Schwartz in 2004 identified that too much choice can in fact present more problems and create a higher level of anxiety for consumers than not enough choice. He argues that eliminating consumer choice can greatly reduce anxiety for shoppers. An interesting concept.

One of the greatest hurdles to successful decision making where there is a plethora of choice is the idea of missed opportunities. Schwartz discovered during his research that when consumers are faced with having to choose one option from a range of desirable options, they start to create hypothetical trade-offs in their minds.

These hypothetical trade-offs are often subjective and bear no relation to the actual features or benefits of each of the products or services. The options are evaluated in terms of the missed opportunity of not having the product or service versus the actual benefit and potential of the actual product or service. Unfortunately, one of the biggest downsides of these hypothetical trade-offs is the post decision emotion which affects the level of satisfaction we have with our ultimate choice.

Both this missed opportunity syndrome, combined with analysis paralysis (the state of over thinking a decision to the point that an action is never taken), can have a significant impact for some brands’ portfolios.

Consider the idea of buying a new tube of toothpaste. When you walk to the aisle in a supermarket, you are greeted by a wall of multiple variants from each different brand. Within each brand there is often little to distinguish between the variants and skews, and many even share some form of the same sub-brand or descriptor.

With little by the way of navigational help, often consumers will either revert back to a previous choice (the familiar), move to another brand within which they find it easier to navigate, or forego the decision entirely.

The sense of frustration or irritation increases the lower our engagement with the category. 10 minutes of time analysing toilet paper textures is 10 minutes we aren’t getting back!  

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The Choice Dilemma

Less is indeed more when it comes to options and decision making.

The same can be seen in car show-rooms. Many new car showrooms have experienced this choice paralysis of prospective buyers.

Reports of frustration abounds for car sales people who, despite having worked hard to successfully convert a browser into a potential buyer, watch their buyer hesitate and then disengage at the last minute. Particularly when they see that this ‘last-minute moment’ is tied to the number of decisions the buyer has to make before completing their choice.

Gone are the days of Henry Ford’s “you can have any colour so long as it is black” nowadays new car buyers are faced with a plethora of choices. From colour and finish, through to an endless list of optional specifications of the car.

Be it choosing an interior from a range of 20 fabrics and trims, selecting the right steering wheel, accent colours and material of key elements. Not to mention the heated seats, entertainment system and all the other wonderful options open to the buyer.

For this reason, many automotive manufacturers have limited the number of choices one can make for different models.

It should come as no surprise therefore that the speed with which Used Car purchasing decisions are made is far swifter.

The reduction in the amount of choice makes it much easier for consumers to decide between a limited number of options and to settle on a decision they feel happy with.

This idea of reducing the level of choice flies in the face of much we have learned over the years. Economists have long taught us that choice confers on us freedom, personal responsibility, self-determination and autonomy. A sound logical argument; however in many real life environments the reality has proven the exact opposite.

As more and more research is conducted on this choice phenomenon, with human behaviour directly observed, the results indicate that where choice abounds, decisions are slow to follow.
One study cited by Schwartz, the “Jam Study”, revealed an experiment conducted in 2000 by psychologists Sheena Iyengar and Mark Lepper.

They set up a display of premium jams at a gourmet food store with the ability for customers to try each of these luxury jams.

On Day 1, 24 varieties of Jam were on display with this reduced to six on Day 2. All customers who sampled the jams were given a $1 coupon to offset against a purchase.

Whilst the larger display attracted more interest, when it came time to purchasing; 30% of customers presented with the smaller selection of 6 bought a jam after tasting, compared with only 3% of the customers who were presented with the larger selection.

Similar results have been seen in practice across multiple categories. As the ranges and variety of options in snacking, soft drink and beer categories expands, actual sales volume and customer satisfaction have been seen to contract significantly.

And the issue is not just dwindling purchases (impacting revenue growth) an almost bigger challenge is the impact it is having on the reduced level of satisfaction consumers have with their purchases.

Reduced satisfaction harms a brand in both the short and long term. The customer experience with a brand moves from easy, effortless and enjoyable to the exact opposite. This means their perception of the brand declines, permission to fail reduces, and rather than experiencing a wave of positive emotion post purchase, the memory remains of frustration, and an effortful decision.

The impact on a brand in commercial terms can be significant. Reduced propensity to re-purchase or sample the larger portfolio can hurt revenue stability and impede growth.

One of the industries being hit hardest through this choice dilemma is Financial Services, making decisions regarding financial futures and in particular pension plans.

Whilst already battling the bias that has us focusing on the now and not the future (why we are unable to resist overspending in the present and find it very hard to save for an undefined day in the future – the principle that has credit card providers rubbing their hands with glee) the idea of trying to choose between 100 different pension plans has many of us deferring the decision indefinitely.

Research into the area of retirement investment options has shown that as more investment options are available to employees, the chance that any will actually be chosen decreases.

Extrapolate this out to all areas of consumer retail and you can see how taxing this decision making becomes and how potentially damaging this is for a business in terms of sales and projecting revenue growth.

In the hurry to innovate, to ensure market penetration is at an optimum, many brands are making the mistake of more is more, when in fact all they are doing is creating a scenario where their customers literally cannot see the wood for the trees.
Thankfully this dilemma is starting to be addressed, one example is UK retailer TESCO, who, in 2015, decided to remove 30,000 of the 90,000 products from their shelves. At its heart, the decision was made to help enable choices to be made effectively and swiftly.

This principle of reduced choice improving the likelihood of customer satisfaction was at the heart of e-Harmony’s ethos. In contrast to Tinder’s 3.5 million options, e-Harmony tried to strike the balance between offering their members the choice they wanted whilst limiting the pool of options enough for them to thoughtfully consider who they selected.

This ultimately made it more likely that action was taken to communicate with a match, leading to a satisfying long term relationship, rather than dismissing options on the smallest of criteria.

As we can see from the examples above, there is significant merit in Schwartz’s view that at a certain point, choice shifts from having a positive relationship with happiness to a negative one, and brands that want to ensure they have a happy relationship with their consumers need to work hard to achieve a balance of choice and, within the choice options, a system of clear navigation to get to the right choice that they are happy with.

So can brands learn to circumnavigate this psychological barrier prevented by too much choice? If we learn anything from Schwartz, the answer must be to reduce the number of options available to customers. But how?

Rather than a unilateral and subjective culling of options, we believe true success rests with knowing customers on a deeper level than simple segmentation. Understanding what matters today, and tomorrow. Understanding the impact the current portfolio has on customer choice, and speed of choice, and what levers can be utilised to ensure the customers act in favour of a particular brand.

Our history of helping great brands run strong, focused Customer Experience Management (CEM) programs has shown that a strong CEM programme can enable a brand to understand customers’ needs, wants and frustrations at an absolute micro level, and in real time.

Asking the right questions, rather than just seeking generic feedback, enables a level of understanding that means the final choice selection matches the customers’ desires. And because the dialogue is continuous, it means the brand can constantly shape and reshape its limited offering to fit with their ideal customer’s needs.

Great CEM programs that utilise this information throughout the business bypass the traditional research 6-9-month window; they enable engagement in a consistent two-way dialogue, seeking both customer experience (and as a result, business transforming) feedback that doesn’t tick a box, it quickly informs everything from portfolio design and product positioning through to the innovation pipeline.

Products, services and messaging resonates with their ideal customer base and most importantly, customers are able to make decisions with ease and little effort.
To learn more about the art of consumer decision making, and the role of emotions in understanding human decision making, we’ve put together a brief webinar, you can view it [HERE](#).

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