When one desires too much of a good thing: The compromise effect under maximizing tendencies

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Abstract

The maximizing tendency denotes individuals’ predisposition to look for the best option rather than settling for something that passes an internal threshold of acceptability. This research examines how maximizing affects the compromise effect: the preference for an option with relatively intermediate attribute values. Results show that maximizers attempt to maximize gains on all attributes (rather than to rely on a single, most important attribute as satisficers do) and make more compensatory tradeoffs, which leads to more often choosing a compromise option (Studies 2 & 3). Results held whether maximization was measured as an individual difference variable (Studies 1 & 2) or activated as a decision mindset (Study 3). When asked to make decisions for a (fictional) prototypical maximizer, however, people intuited fewer compromise choices (Study 4). This article concludes by discussing relevant theories on cognitive capacity, regulatory focus, and choice context effects, and by offering tangible suggestions for follow-up research.

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The rational man of economics is a maximizer, who settles for nothing less than the best.
Herbert Simon, Rationality as Process and as Product of Choice

Introduction

Utility maximization is at the heart of rational choice theory (Von Newmann & Morgenstern, 1944). An ideal economic man only exists in Econ 101. Recently, however, psychologists began to observe substantive individual differences in the human predisposition to maximize, identifying those whose choice behavior more closely resembles what utility theory prescribes. Unlike “satisficers,” who are willing to accept a “good enough” option, “maximizers” relentlessly seek a better option from every choice they face—a better Christmas gift, a nicer apartment, a higher-paying job, or a more suitable partner to marry (Carrillat, Ladik, & Legoux, 2011; Iyengar, Wells, & Schwartz, 2006; Schwartz et al., 2002).

Can a predisposition to maximize really optimize choice outcomes? In a provocative paper comprising a formidably large sample of undergraduates from representative universities across the United States, Iyengar et al. (2006) showed that maximizing individuals landed jobs with starting salaries 20% higher than their satisficing counterparts. In this particular research, at least, maximizers lived up to their utility-maximizing reputation.

But what happens when available choice alternatives are similarly attractive and no option is easily “the best” by objective standards? For example, it would be difficult to proclaim a particular car model as an objective “best buy”—larger horsepower or greater fuel economy is usually offset by a higher price, let alone other considerations such as brand, safety, and maintenance cost. Examining issues of this sort are particularly important in the consumer domain, because globalization,
industrial competitiveness, and the proliferation of online product comparison tools will all inevitably increase market efficiency; hence the value parity of existing offerings in the global marketplace (Chernev & Carpenter, 2001). Consumers’ intuition of market efficiency could have profound influences on purchase and consumption: When a product is offered at a discount (with no bearing on its objective quality), consumers may still derive less utility from consuming this product based on spontaneous inferences of market norms, such as “you get what you pay for” (Shiv, Carmon, & Ariely, 2005). Would satisficers and maximizers differ in their choice among similarly attractive options? If so, what accounts for this difference? It is to these questions that this research is devoted.

This paper examines the effects of maximizing tendencies on the compromise effect (Simonson, 1989), according to which an option gains more market share when it is a compromise—that is, with intermediate attribute values—than when it is an extreme option with relatively large desirable and undesirable values. This research focuses on the compromise choice phenomenon, because its pragmatic configuration of choice sets (three options, described by two attributes) and the highly predictable choice pattern by normative rules (no shift of relative preferences across choice sets, hence no compromise effect) provide an ideal and well-established platform to examine how consumers resolve decision conflict under diverse cognitive and motivational influences (e.g., Dhar & Simonson, 2003; Levav, Kivetz, & Cho, 2010; Novensky, Dhar, Schwarz, & Simonson, 2007).

How do maximizing tendencies affect preferences for a compromise option? Two lines of reasoning lead to opposite predictions. A first argument—call it the “single dimension” hypothesis—suggests that a compromise option is moderate on all attributes, so maximizers, who “never settle for second best” (Schwartz et al., 2002), should dislike a mediocre option and prefer an extreme one, which at least has an outstanding value on a single, particular attribute. This argument is intuitively compelling, because people perceive compromise choices as conventional and “wishy-washy” (Simonson, 1989, p. 171), and those who initially selected a compromise alternative opt not to choose any option when they are allowed to defer the choice (Dhar & Simonson, 2003). After all, the compromise effect violates the independence axiom subsumed by rational choice theory (Von Newmann & Morgenstern, 1944); the proposition that maximizers are less susceptible to the compromise effect would be consistent with a prototypical utility maximizer.

A counterargument is that maximizers should dislike an option superior on just a single attribute dimension: they want an option best on all attributes. But such an option is nonexistent in a compromise choice set, because each option has its uniquely desirable and undesirable aspects. Conflicts between attribute values require one to make tradeoffs, yet the discomfort of forfeiting desirable features outweighs the pleasure from receiving them as gains (Dhar, Nowlis, & Sherman, 2000; Tversky & Kahneman, 1991), ultimately motivating a maximizer to settle for a compromise option with relatively neutral product features. We shall call this the “overall value” hypothesis.

A useful empirical approach to test these two competing hypotheses is to examine the types of decision strategy satisficers and maximizers respectively use. “Single dimension” suggests preference for an extreme option with an objectively best value on a single attribute, and tradeoffs are not allowed (i.e. a low value on an attribute cannot be made up by a high value on another attribute). In contrast, “overall value” suggests preference for an option with the largest summed utility across attributes, and necessarily involves consideration of tradeoffs (i.e. a high value on an attribute can make up a low value on another attribute).

The rest of the article is organized as follows. The conceptualization section reviews relevant literature on choice goal, decision strategy, and the compromise effect, arguing that a maximizing decision goal should result in more attribute tradeoffs and hence greater preference for a compromise option. Four studies are then reported. Results show that maximizers are indeed more susceptible to the compromise effect (Studies 1 & 2), because they engage in more compensatory thinking to maximize summed utility across attributes, as opposed to maximizing utility on a single attribute as “single dimension” suggests (Study 2). Study 3 replicates the main finding by directly activating a maximizing mindset via a priming procedure. Study 4 shows that, contrary to their own choices, people erroneously intuit fewer compromise choices from greater maximizing tendencies.

This research is the first to examine how maximizing tendencies affect consumers’ decision strategies (cf. Patalano, Juhasz, & Dicke, 2010) and preferences for a compromise option. It also invokes utility maximization as an alternative explanation of the compromise effect, rather than an account based on justification ease (Shafir, Simonson, & Tversky, 1993; Simonson, 1989) or attribute (un)familiarity (Sheng, Parker, & Nakamoto, 2005). Prior to making a final decision, maximizers spend more time and seek a wider range of options, using the aid of smart online agents (e.g., the Amazon recommendation system). Therefore, from a managerial perspective, sellers on the web may gain a competitive edge by identifying consumers’ maximizing tendencies and tailoring their products as a compromise alternative to better satisfy maximizers’ choice goals.

Conceptualization

Choice goal and decision strategy

Choices are made to accomplish goals (Bettman, 1979). In their choice-goal framework, Bettman, Luce, and Payne (1998) analyzed a plethora of representative decision strategies and categorized them as either aiming (1) to maximize the accuracy of choice, (2) to minimize the experience of negative emotion, (3) to minimize cognitive effort, or (4) to maximize the ease of justifying the choice to others. This research focuses on the choice accuracy goal, which bears directly on the concept of utility maximization.

In decision science, choice accuracy is usually assessed by comparing individuals’ actual choices with one prescribed by utility theory—the less the observed choice deviates from its normative kin, the more rational or accurate the choice. All decision strategies, based on their accuracy and the cognitive effort they impose on human decision-makers, can be classified as either compensatory or noncompensatory (Payne, 1976;
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