

# Organizing Products with Complements versus Substitutes: Effects on Store Preferences as a Function of Effort and Assortment Perceptions

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## Abstract

Retailers often organize at least part of their assortment by displaying complementary products from different product categories together (e.g., a pair of pants with a shirt) rather than grouping items by product type (e.g., a pair of pants with other pants). However, little is known about how retailers should choose between complement-based and substitute-based organizations. The present paper shows that consumers' preferences for such store organizations are a function of the effort and assortment perceptions cued by these organizational formats. Holding the underlying assortment constant, complement-based organizations are always more effortful than substitute-based organizations. This difference in effort can create downward pressure on complement-based store choice. Moreover, the effects of organization format on assortment perception depend on whether consumers hold a hedonic or utilitarian focus. When consumers have a highly hedonic focus, complement-based based stores create more positive assortment perceptions than substitute-based stores. Such positive assortment perceptions can, in turn, raise complement-based store choice. However, as consumers' utilitarian focus increases, substitute-based assortments are seen as both easier and more attractive, leading to a strong advantage in store choice. Our findings provide actionable guidance for retailers considering various store organizations and suggest opportunities for future research.

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## Introduction

Retailers can organize their products in multiple ways. Traditionally, retailers have tended to arrange products by product category, that is, in terms of substitutes. For example, a furniture store may group all chairs in one section of the store and all tables in another. However, retailers can also place products in complementary sets (also called consumption constellations; [Englis and Solomon 1996](#)), grouping together products from different product categories that share aesthetic features or are

associated with a particular consumer goal or context of use. That is, the same furniture store could instead present chairs and tables together to form dining room sets. Interestingly, there appears to be no consensus among retailers about which organizational format should be used and when: An examination of the top 50 online retailers ([Internet Retailer Magazine 2012](#)), revealed that while all retailers ordered options in terms of substitutes, 85 percent of retailers *also* organized options in complementary sets (see [Appendix 1](#)). Importantly, at present, academic marketing research has little insight to offer on the question of whether and when complement or substitute-based organizational formats increase store preference.

To help managers make informed decisions as to which organizational format to choose, the present paper specifically examines factors that drive consumers' store preference: effort and assortment perceptions. Holding the underlying assortment constant, we find that complement-based organizations are

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always perceived as more effortful than substitute-based organizations, which decreases consumers' preferences for stores that adopt such formats. Interestingly, consumers find complement-based organizations more effortful, not because they actively examine a larger amount of information, but because they become distracted by the sheer presence of complementary products and spend more time in the store.

However, complement-based organizational formats can still be preferred depending on the focus that consumers adopt for their shopping trip. When consumers shop with a hedonic focus, complement-based formats heighten assortment attractiveness, which increases store preference. When the hedonic focus is sufficiently strong, these positive effects on store preference can outweigh the negative effects of effort, such that complementary organizational formats may be preferred to their substitute-based counterparts. However, if consumers shop with a more utilitarian focus, substitute-based organizations tend to be preferred.

Our examination contributes to theory and practice in a number of ways. First, most prior research has focused on different ways in which an assortment can be organized *within a single product category* (e.g., Huffman and Kahn 1998; Lamberton and Diehl 2013; Morales et al. 2005). We, however, investigate the effect for assortment organization when *multiple product categories* are involved. This allows us to speak to a wider range of more complex retail contexts than have been addressed by prior work. Furthermore, complement-based organizations have primarily been studied for their potential in increasing cross-category sales for low ticket, functional complements (Drèze, Hoch, and Purk 1994; Goldsmith and Dhar 2008; Russell et al. 1999). Yet, while toothpaste purchases may trigger toothbrush purchases, consumers still buy toothpaste alone more frequently (Drèze, Hoch, and Purk 1994). Further, previously documented cross-selling effects may not exist or may not exist to the same extent for higher ticket items due to budget constraints. Hence it is important to understand how consumers who buy only a single product are affected when options are organized in complement-based sets. Our study moves beyond examining purchase incidence to examine the effects of assortment organization on consumers' perceptions as drivers of store choice. In taking this approach, we follow a long line of research (e.g., Boyd and Bahn 2009; Hoch, Bradlow, and Wansink 1999; Huffman and Kahn 1998; Kahn and Wansink 2004) that has demonstrated the critical importance of assortment perceptions.

As a whole, this research speaks not only to online retailers, who can offer multiple modes of organization to shoppers, but also to brick and mortar assortments where only one type of organization can be adopted at a time. Importantly, understanding the drivers of store choice allows retailers to strategically choose assortment organizations that will enhance consumer experience and maximize revisit likelihood. While we focus on assortment organization that is purely substitute-based or purely complement-based, our findings also provide a framework for future research that may examine alternate organization types and marketing contexts.

## The Organization of Products

### *Effects of Assortment Organization*

Retailers have long been interested in how store design can affect in-store behavior. One important but under researched design decision is how products are organized. Almost all retailers organize options into product categories. Prior research has established that the way in which products are organized within a product category matters. Specifically, prior research has studied the effect of grouping options by product attributes (Areni, Duhan, and Keicker 1999; Drèze, Hoch, and Purk 1994; Hoch, Bradlow, and Wansink 1999; Huffman and Kahn 1998), benefits (Lamberton and Diehl 2013), brand (Simonson, Nowlis, and Lemon 1993), or consumer goals (Morales et al. 2005). Results have shown that the way in which items in a single product category are organized affects attribute salience, decision difficulty, perceived similarity among items, and overall assortment satisfaction. How products are organized is of particular importance in the context of large assortments. Whereas the majority of work in that area has focused on comparing larger versus smaller unorganized assortments, some authors (e.g., Diehl, Kornish, and Lynch 2003) have argued that organizing assortments can reduce the demands of consumer processing.

However, what remains to be understood is how organizing products from *different* product categories affects consumers. Although Wind (1977) encouraged marketing researchers to take into account the set of different brands and products from *various* categories that consumers use, research heeding his advice has been limited. Since changing assortment organization is costly and difficult, retailers may not experiment much with these decisions themselves, but would welcome greater insight into why different organizational formats affect store preferences. We compare two basic organizational formats: substitute-based and complement-based. Substitute-based assortments group together items that share similar attributes. For example, a clothing retailer might put all pants in one section. Complement-based assortments of products are akin to *consumption constellations*, a term describing sets of products that fit together on the basis of stylistic or goal-based interrelationships spanning merchandise categories (Englis and Solomon 1996). Following this structure, the same retailer might show pants with appropriate shirts. We examine what drives consumers' preferences for these organizational formats.

Note that we do not speak to situations of either "system selling" or functional bundles of products that *only* work with their respective counterparts (e.g., HP ink cartridges only fit HP printers). Rather, we investigate situations where the focal product is generally part of a consumption constellation, but several different products or brands could complement its usage. In those situations, which span a large number of product categories and situations, the question remains whether or not and why complement-based organizations may be preferred.

To understand the effects of these organizational formats on store choice, it is necessary to examine how different formats shape consumers' perceptions of the store. Prior research on product organization in a single category has shown effects on

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