

## Positive affect moderates the impact of assortment size on choice satisfaction

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### Abstract

The present research proposes that positive affect mitigates choice overload. Results from four studies show that whereas people in neutral affect feel less satisfied when choosing from a large relative to a small assortment, people in positive affect do not experience a decline in satisfaction and may even feel more satisfied when choosing from a large, relative to a small assortment. It is proposed that positive affect has these effects by shifting people's attention from the difficulty of the choice task to the quality of the assortment, as a basis for judgment of choice satisfaction.

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### Introduction

Many firms nowadays pursue a strategy of product proliferation. For example, Garnier has 34 hair care and 28 hair styling products (not including hair color), Crest and Colgate offer more than 35 types of toothpaste, and Celestial Seasonings offers 55 varieties of tea. Similarly, retailers such as Best Buy, Wegmans, or Toys “R” Us carry hundreds of brands and product varieties in their assortment. Such a strategy benefits both firms and consumers in a number of ways. From the firm's point of view, for example, broad product lines and assortments represent an opportunity to cater to a wider range of consumer tastes (Lancaster 1990), and thus target broader and more diverse consumer segments (Moorthy 1984). From the consumers' point of view, extended product assortments allow for more accurate matching of individual preferences and can even provide a sense of personal freedom (Levav and Zhu 2009).

Pursuing a broad product line or assortment strategy, however, can have serious downsides. For example, managers often find that the better part of their sales is accounted for by only a small fraction of the offerings in their portfolio. At the individual consumer level, extensive assortments have been found to lead to deferred decision making and lower purchase rates, as well as to weaker preferences for the chosen option – a

phenomenon labeled “choice overload.” In recent years a growing number of articles have addressed the choice overload issue (see Scheibehenne, Greifeneder, and Todd 2010 for a review). The focus has shifted from documenting the phenomenon to clarifying the underlying mechanism and identifying potential moderators (see Chernev, Böckenholt, and Goodman 2010).

The present research introduces positive affect as a moderator of the relationship between assortment size and choice satisfaction. We propose that positive affect mitigates the negative consequences of choice overload, thus allowing firms to take advantage of the attractive features of extended product lines. The next section outlines the theoretical reasoning behind these propositions.

### Theory

#### *The assortment size effect*

Product line management and assortment management are important tools of competitive strategy for manufacturers and retailers. Among other things, they involve decisions regarding the number and type of options to offer. Many firms choose to pursue a strategy of product proliferation. Such a strategy allows firms to satisfy a wider range of consumer tastes (Lancaster 1990) which also enhances the firm's ability to keep customers from switching to competitors (Klemperer 1995). It can also deter new firms from entering the market (Brander and Eaton

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1984), enabling the remaining firms to charge higher prices (Putsis 1997). Having a long product line also increases the brand inventory available at retail, thus limiting potential stock-outs. Research has also shown that brands offering more choice are seen as being of higher quality and having greater category expertise (Berger, Draganska, and Simonson 2007).

From the consumers' point of view, extended assortments offer several important benefits. First, they provide an increased likelihood of preference matching: as the number of different product options increases, so does the opportunity for consumers to find an option that satisfies their individual preferences (Baumol and Ide 1956; Lancaster 1990). Along similar lines, large assortments reduce the uncertainty as to whether the assortment on hand adequately represents all potentially available options (Greenleaf and Lehmann 1995) and allow people to maintain flexibility and to hedge against future preference uncertainty (Kahn and Lehmann 1991; Simonson 1990). Another advantage of extended assortments is that they provide variety and stimulation which are inherently satisfying (Berlyne 1960; McAlister and Pessemier 1982; Kahn, Moore, and Glazer 1987). People seek novelty and variety to counter the satiation that occurs with repeated consumption and this need for variety is particularly prominent in product categories in which sensory attributes, such as flavor or taste, are important (Inman 2001; Ratner, Kahn, and Kahneman 1999).

In spite of the aforementioned advantages, the strategy of product proliferation carries also a number of negative consequences. For example, long product lines lead to higher design costs, higher inventory holding costs, and increased complexity in assembly (Bordley 2003). For consumers, adding options to a choice set has been shown to make people more likely to defer choice (Dhar 1997; Tversky and Shafir 1992), select the default option (Tversky and Shafir 1992), or switch from the chosen option (Chernev 2003). Large assortments may also make consumers feel less satisfied with the chosen option (Botti and Iyengar 2004; Huffman and Kahn 1998; Iyengar and Lepper 2000; Malhotra 1982). In a well-known demonstration of this choice overload phenomenon, Iyengar and Lepper (2000) showed that people who chose from an extensive array of 24 jams were less satisfied with the selected option compared to people who chose from only six varieties of jam.

Whereas numerous articles have documented the relative advantages and disadvantages of extended assortments, less is known about potential variables that moderate the impact of assortment size on satisfaction (Chernev, Böckenholt, and Goodman 2010). Several authors have proposed strategies for simplifying the decision process in the context of large assortments. These include arranging the choice options in some order (Diehl, Kornish, and Lynch 2003), dividing the options into categories (Mogilner, Rudnick, and Iyengar 2008), presenting product information in an attribute-based rather than alternative-based format (Huffman and Kahn 1998), and asking choosers to articulate their preferences and identify an ideal attribute combination prior to choosing (Chernev 2003). In this research we propose another moderator of the choice overload phenomenon, namely mild positive affect. We propose that positive affect moderates the impact of assortment size on choice satisfaction

by shifting people's focus away from the difficulty of the decision task to a consideration of the quality of the assortment. The next section provides the theoretical background for our proposition.

### *Positive affect and choice*

Positive affect, induced by common every-day events such as the receipt of an unexpected gift, success on an ambiguous task, or exposure to pleasant stimuli such as beautiful pictures or funny cartoons, has been shown to have significant effects on cognition. One such effect is the facilitation of access to positive material in memory (Isen et al. 1978; Nasby and Yando 1982; Teasdale and Fogarty 1979). Individuals in whom positive affect has been induced exhibit a superior recall of positive (but not of neutral or negative) words from memory, relative to individuals in a neutral-affect condition (Isen et al. 1978). Individuals in positive affect also elaborate more on positive material, as manifested in more positive thoughts about owned products (Isen et al. 1978) or future rewards (Pyone and Isen 2011). When asked to think about pleasant stimuli such as TV programs, people in positive affect come up with both more differences and more similarities among these programs (Murray et al. 1990). It has been suggested that positive affect has these properties because it serves as a retrieval cue that activates positive semantic material in memory (Isen et al. 1978), and positive material is more diverse and complex than neutral material (Boucher and Osgood 1969). Recent findings in the neuroscience literature provide evidence for these effects at the neurological level (Chung et al. 1996; Kiefer et al. 2007).

Positive affect has also been found to influence the perceived relationship among items, as well as the strength of association between items and the categories they belong to, and to enhance the extent of relational elaboration (Federmeier et al. 2001; Isen 1993; Lee and Sternthal 1999; Murray et al. 1990). For example, people in positive affect who learned brands from different product categories subsequently recalled more brands from each category and displayed greater clustering of brands by category membership, relative to controls (Lee and Sternthal 1999). Positive affect has also been shown to facilitate access to more distant and unusual category members (Federmeier et al. 2001; Isen et al. 1985). For example, people in positive affect were more likely than controls to include items such as "purse," "ring," or "cane" as members of the category "clothing" (Isen et al. 1985). In a consumer context, flexibility in categorization has been manifested as having a broader product consideration set and being more open to novel, less typical product category members (Kahn and Isen 1993) and moderately similar brand extensions (Barone, Miniard, and Romeo 2000).

We propose that the above described cognitive effects of positive affect have implications for choice from product arrays that differ in size and category representativeness. Specifically, we suggest that when faced with choice in a pleasant product category, people in positive affect, relative to those in neutral affect, will be more likely to elaborate on positive material associated with this category. They will be more likely to go beyond the immediately available alternatives and retrieve from memory

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