“Choosing Here and Now vs. There and Later: The Moderating Role of Psychological Distance on Assortment Size Preferences”

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CONSUMERS MAY BE SUFFERING FROM product variety overload and actually would prefer fewer choices under certain conditions, according to new research from professors Joseph Goodman and Selin Malkoc.

They found that “psychological distance” plays a critical role in consumer preference for assortment size. Psychological distance refers to the proximity (temporal, geographical, interpersonal, etc.) of the consumer to a purchase decision. Psychologically distant decisions are either far off in terms of time (i.e., six months from now versus today), or space (a nearby store versus one far away).

Goodman and Malkoc found that when decisions are psychologically distant, consumer preference for product variety changes. Consumers prefer a smaller assortment of products when decisions will be made in the distant future, and they are more likely to prefer a larger assortment when decisions will be made in the present.

The research team investigated the role of psychological distance through a series of experiments where consumers were given a choice between retailers offering a large or small product assortment at different points in time. Experiments were conducted with a number of products and services including restaurants, ice cream shops, chocolates, home appliances, and vacation packages. In each case, participants indicated a similar shift towards a smaller assortment of offerings for psychologically distant choices.

In one experiment, participants were asked to imagine that they were planning a vacation in the coming month or in the next year. In a meeting with a travel agent, the participants define their budget and logistical constraints. The travel agent asks whether they would prefer to see a small list (six options) or a large list (18 options) of vacation packages. Participants did prefer the larger list of vacations, but only when planning for a vacation in the coming month. When planning a vacation for the next year, they preferred the shorter list of vacation options.

What makes consumers change their preference for variety based on the psychological proximity of the decision? The researchers suggest consumers think about the bigger picture when making choices for events in the more distant future.

Such a “big picture” approach makes multiple options seem more similar, decreasing the need for a large assortment. However, the research also shows that consumers may also prefer a smaller assortment when making decisions in the present, but only if they are focused on the difficulty of making such a decision.

These research results have immediate strategic applications for a variety of firms. First, firms working in product categories psychologically more distant, such as insurance or retirement planning, should consider a limited assortment of products with no negative outcome to consumer demand. For these types of products, consumers are likely to be psychologically distant and therefore prefer a smaller product assortment that facilitates the choice decision.

“Retailers need to take a second look and ask, are consumers really asking for more choices all the time?”— Joseph Goodman

Retailers should strategically evaluate their product assortment through the lens of choice. Big box stores such as Costco offer a smaller assortment of products and therefore should highlight distant planning, such as stockpiling, perhaps at the point of purchase. Large assortment retailers, such as Best Buy or Bed Bath & Beyond, should implement an alternative strategy to promote variety with the combination of immediate decision-making. This strategy might involve a focus on short-term sales and/or convenient locations.

Key Takeaways for Managers

• Large assortments of products and services are not always best for the consumer. Smaller variety of offerings might be preferred in certain situations.

• Psychological distance is important to consider as a part of consumer choice. When the decision is geographically or temporally distant, consumers prefer a smaller assortment of product choices for evaluation.

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