

# New consumer research shows that Obama stands to gain from 'Hillary effect'

August 11 2008

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U.S. Senator Hillary Clinton may do more for U.S. Senator Barack Obama than Ralph Nader did for Al Gore: she could give him an unintended boost. Clinton sought the presidency and then, unlike Nader, exited the race. New research from the University of Minnesota's Carlson School of Management demonstrates that when an option enters and then leaves a market, the most similar remaining option -- in this case Obama -- stands to benefit. Whether it is political candidates or beer, health care plans or automobiles, when one attractive option becomes unavailable, people gravitate toward the most similar remaining option.

In their paper "Could Ralph Nader's Entrance and Exit have helped Al Gore? The Impact of Decoy Dynamics on Consumer Choice," forthcoming in the *Journal of Marketing Research*, the University of Minnesota's Akshay Rao and co-authors William Hedgcock and Haipeng (Allan) Chen (both Carlson School alumni) show that the disappearance of an option from a choice set can increase the appeal of the remaining selection that is most similar to the now-absent option. This happens, they write, because consumers and voters attach greater importance to those issues or attributes on which the two similar options competed.

"We found that the entrance and exit of a third option -- the 'Nader effect' -- can profoundly impact consumers' preference," said Rao. "The presence of the third alternative shifts the focus of the customer. If you have two automobiles extolling their fuel efficiency, while a third promotes style, purchasers pay more attention to the fuel efficiency

criterion. Then, when one of the high fuel efficiency cars leaves the market, the other fuel efficient car draws consumers. In the case of automobiles it might be fuel efficiency, and in the case of political candidates it might be health care. When the third choice exits, the remaining candidate with the most similar attributes becomes the favorite - even if they weren't before." Rao goes on to say, "We also call this effect the 'phantom decoy' effect because, like pre-announced software that is never released, these desirable options that become 'unavailable' may never actually exist."

Rao illustrates phantom decoys by pointing to on-line vacation options. A consumer may search on the Internet and see three vacation options. One is a four star hotel far from the beach, a second is a lower quality hotel closer to the beach, while a third alternative is a five star hotel, also near the beach. If the buyer tries to book the five star hotel and it turns out to no longer be available, things get interesting. The research shows that the phantom decoy, the five-star hotel, causes a shift in the consumer's preference. When the five star hotel cannot be selected, the buyer now looks to the next closest option, the four star hotel, even though it was not initially preferred. The same, Rao observes, happens in political choice.

When making decisions, consumers need to pay close attention to their options. The presence of a third choice could be accidental, or it may be the consequence of smart ad execs influencing customer choice with a phantom decoy.

The researchers advise marketers and pundits to pay careful attention to this "Nader effect." "The increase in affinity that a product may receive when a decoy option, real or not, is removed can mark a significant change in consumer choice," says Rao. "In terms of elections, even a 5 percent increase in preference makes a huge difference at the ballot box."

Source: University of Minnesota

Citation: New consumer research shows that Obama stands to gain from 'Hillary effect' (2008, August 11) retrieved 26 April 2024 from <https://phys.org/news/2008-08-consumer-obama-gain-hillary-effect.html>

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