

Knowledgeable consumers more likely to buy when given fewer options

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The degree to which consumers perceive themselves to be knowledgeable about a product influences the likelihood that they will buy a particular product, researchers find in a series of studies published in *Psychological Science*, a journal of the Association for Psychological Science.

"Together, our findings suggest that subjective knowledge may play an important role in determining ideal size for choice sets," explains researcher Liat Hadar of the Arison School of Business at the Interdisciplinary Center Herzliya in Israel. "That is, more options should be provided in domains in which people often feel ignorant (e.g., wine), whereas fewer options should be offered in domains in which people tend to feel knowledgeable (e.g., soft drinks)."

Subjective knowledge—a person's belief about how much he or she knows—differs from actual knowledge, or expertise, yet previous research has shown that people are more inclined to let their subjective knowledge guide their behavior, including financial decision-making.

In a series of three studies, Hadar and colleague Sanjay Sood of the Anderson School of Management at the University of California, Los Angeles told several hundred adult [participants](#) that they would be choosing a product, such as coffee, wine, or a video game. The researchers manipulated their subjective knowledge by making participants think they were more or less knowledgeable than other participants in the study.

For example, in the first study, people who were told that other participants included coffee experts—a more knowledgeable group—reported lower subjective knowledge than participants who believed that they were being compared to teenagers—a less knowledgeable group.

Participants then had to choose a product from an array of either 5 or 25 options. They were told that they might be selected to win either the product they chose or \$5, and that they had to choose which prize they would prefer if they won.

The data revealed that participants with high subjective knowledge were less likely to choose the product over the cash prize when they had many options, just as the researchers expected. Participants with low subjective knowledge, on the other hand, were more likely to choose the product when presented with a wide array of choices.

According to Hadar and Sood, these outcomes are likely due to the fact that knowledgeable consumers are prone to "choice overload"—feeling so overwhelmed that you end up unhappy with a decision or even fail to make a decision—whereas less knowledgeable consumers feel that a wide array of options gives them helpful information about the product.

One of the studies, however, revealed an important caveat to these findings: Consumers with low subjective knowledge are more likely to purchase products from large selections only when the product information is easily understandable.

So, for example, participants with low subjective knowledge preferred having more options when they were asked to choose a bottle of wine but only when the options included helpful information such as notes about the flavor or grape varietal for each wine. They did not prefer having more options when the information provided was less useful,

such as the name of the winery.

Previous research suggests that this phenomenon manifests itself in everyday life in important domains such as financial planning:

"Research shows that most employees feel ignorant about 401(k) retirement saving plans, even when they are exposed to relevant information, because they find such information too complex," explains Hadar. "Our model suggests, and others' empirical data show, that employees are indeed reluctant to join 401(k) as more options become available."

Hadar and Sood believe that the findings of these three studies may offer insight to policy makers tasked with deciding the optimal number of choices to offer consumers in everything from investment and retirement options to health plans.

More information: *Psychological Science* July 18, 2014 [DOI: 10.1177/0956797614539165](https://doi.org/10.1177/0956797614539165)

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