Susan Broniarczyk (The University of Texas at Austin)

“Help or Hindrance? The Effect of Best Seller Signage on Consumer Decision-Making from Large Product Assortments”

Consumers are attracted to large assortments but experience negative consequences such as greater decision difficulty and regret when they ultimately must make a choice. Four studies examine whether a common retailer strategy—the use of recommendations such as a “best seller” sign—attenuates or exacerbates these negative consequences. Results show that these signs can backfire and hinder the choice process independent of any choice share effects. Specifically, when choosing from large assortments these signs hinder choice by increasing the size of consumers’ consideration sets, decision difficulty, and regret. Interestingly, best seller signage is shown to increase not only consideration of the signed options but consideration of the non-signed options as well. The third and fourth studies examine a key moderator to the effect of signage on choice from large assortments: the extent to which consumers have developed preferences. For consumers possessing more (less) developed preferences, best seller signage in large assortments exacerbates (attenuates) decision difficulty and regret and increases (decreases) the size of consumer consideration sets.
David R. Bell (University of Pennsylvania)

“Virtual Agglomeration of Physically Distant Types: Similarity Among Users of an Internet Retailing Service”

Information technology breaks down geographically-defined communities and enables distant people to be connected explicitly (e.g., in virtual communities) or implicitly (e.g., through shared usage of, or preference for, a particular product or service). We examine implicit connection among regions that try and use Netgrocer.com, and find evidence of agglomeration of types on the Internet: the probability of trial increases when a focal region shares characteristics with the existing customer pool. This affiliation effect intensifies with repeat; the customer pool becomes increasingly homogenous with repeat, yet remains geographically dispersed.

Following research on information transmission and social capital, we investigate the effects of within-region community structure on repeat. Relatively homogeneous income distributions and higher levels of urbanization increase the probability of repeat, which is consistent with the idea that such environments foster within region information dissemination. The model is estimated using region level purchase and characteristic data for the entire contiguous United States.
Kamel Jedidi (Columbia University)

“A Conjoint Approach to Multi-Part Pricing”

Multi-part pricing is commonly used by providers of such services as car rentals, prescription drug plans, HMOs and wireless telephony. The general structure of these pricing schemes is a fixed access fee, which sometimes entitles users to a certain level of product use; a variable fee for additional use; and still another fee for add-on features that are priced individually and/or as bundles. We propose a method using conjoint analysis for such multi-part pricing. The proposed method estimates individual-level choice probabilities and usage levels as functions of the different price components and the product features. We use these estimates to evaluate the expected profit of alternative plans and pricing schemes. We illustrate the model using data from a conjoint study of wireless services. We compare our results with those obtained using a standard choice-based conjoint model in which self-reported usage rates are used to evaluate alternative pricing schemes. We describe how the model can be used to identify the features included in a base plan for a cellular phone provider; and how prices can be set by a service provider for an optimal base plan and the optional features.
Rajagopal Raghunathan (The University of Texas at Austin)

“Silver Clouds, Dark Linings: The 'More Fun = Less Good' Intuition and Its Implications for Consumer Decision Making”

This research builds on the thesis that people subscribe to a lay brief we term the more fun = less good intuition, which refers to the belief that the higher the hedonic quality of a stimulus (product, service, activity), the lower its functional quality. Results from three experiments demonstrate that consumers (1) infer that products that perform well on hedonic attributes perform poorly on functional attributes, (2) make judgments about actual product experiences that confirm their initial intuition-consistent inferences, (3) choose products that perform poorly on hedonic attributes in situations where functional attributes are deemed more important, even when no information on a product's performance on the functional attributes is provided, and (4) may not be aware of the influence of the intuition on their behavior.