

MAKE THE CHOICE EASIER

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Abstract:

This paper is about options. We think we are good at making choices; many of us really like to do them. This paper deepens the decision-making process and the surprising discoveries about it. The research focuses on business marketing and consumer goods. The analysis refers to the disadvantages of offering too many options in social assistance programs and to the cultural and geographical basis of choice.

Key words: choices, options, saving.

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Do you know how many choices you make in an ordinary day? Do you know how many choices you make in a regular week?

A recent study, with more than 2,000 respondents, shows that the average number of choices a person reports makes is on a typical day 70.

A study was recently conducted among executives in which they were followed for a week. And these scientists have simply documented all the different tasks that these CEOs were involved in and how much time employees spend in making decisions about those tasks. And they found that a typical CEO is involved in 139 tasks a week.

Each activity was made up of many, many choices, obviously. 50% of their decisions were made in nine minutes or less. Only about 12% of decisions were made more than an hour in advance.

Think about the choices you make. Do you know how many choices fall into the nine-minute versus one-hour category? How well do you think you manage to control these choices? We want to talk to you about one of the biggest choice issues we have, namely the issue of choice / option oversaturation.

We want to address this problem and some potential solutions.

Are you ready to hear about the issue of choice oversaturation?

A case study on choice oversaturation was conducted by a group of students at Stanford University, a private university in California, at a grocery store called Draeger. This store was famous for the fantastic diversity of the types of products it offered to buyers. They had 250 different types of mustards and vinegars and over 500 different types of fruits and vegetables and more than 24 types of bottled water.

They had over 75 kinds of olive oil, including those that were enclosed in boxes that came from thousands of years old olive trees. Therefore being asked, one day the manager if this model works to offer people so many options, he showed the small group of students, buses full

of tourists coming every day with cameras ready. The students decided to do a little experiment, and chose to experiment with the product - jam. Since that store had 348 different kinds of jam. They set up a small tasting stand right near the entrance to the store. They put six different kinds of jam flavors or 24 different kinds of jam, and looked at two things: First, in which cases were people more willing to stop and taste some jam? Most people stopped where there were 24 assortments, almost 60%, compared to the stand where there were six assortments, about 40%. The next thing they looked at was which of the cases, people were more likely to buy a jar of jam. Now we see the opposite effect.

Of the people who stopped where there were 24 assortments, only 3% bought a jar of jam. Of the people who stopped by where there were six assortments, they now noticed that 30% of them actually bought a jar of jam. Now if we do the math, people were six times more likely to buy a jar of jam if they encountered six assortments than if they encountered twenty-four assortments.

It turned out that this surplus of options affects us even in decisions with major consequences. We choose not to choose, even when it is against our interests.

We will describe a study that Sheena Iyengar did with Gur Huberman, Emir Kamenica, Wei Jang in which they looked at the retirement savings decisions of almost one million Americans out of almost 650 plans all in the United States. And what they looked at was whether the number of investment offers available in a retirement savings plan, the 401 (k) plan, influences people's likelihood of saving more for tomorrow. And what they found was that there was indeed a correlation. So in these plans, they had about 657 plans that ranged from offering people between 2 and 59 different offers of funds. And what they found out was that the more funds they offered, the lower the participation rate.

So if we look at the extremes, at those plans that offered two investment funds, the participation rate was almost 75%. In the plans, which offered about 60 investment funds, the participation rate fell to about 60%. Now it seems that even if those who chose to participate where more options are present, even then, there were negative consequences. And so even for those who have decided to participate, the more options available, the more likely it is that people will avoid using investment funds altogether. The more options are presented, the more likely they were to put all their money into simple accounts on the money market.

Well, in the last decade, we've seen three main negative consequences of giving people more options. They are more likely to postpone choices, to delay making a decision even when it is against their best interests.

Decision makers are more likely to make worse choices, worse financial choices, worse medical choices. Decision makers are more likely to make choices that bring them less satisfaction, even when they are more objective. The main reason is that although we like to admire on these gigantic walls of mayonnaise products, mustards, vinegar, jam, but we can not really compare and really choose from this amazing arrangement of products that are offered.

So what we want to propose to you for analysis are four simple techniques, techniques that we have tested in one way or another in different research locations, which you can easily apply in your choices.

First: Reduce. You've heard that before, but it hasn't been true until today, that more means less. People are always upset when we tell them "reduce." They are always worried that they will lose their exposure space. But in reality, what we see more and more often is that if you are willing to reduce the number of assortments, to get rid of those redundant and tiring options, will actually result in an increase in sales, a decrease in costs, an improvement in the experience of choosing. When Procter & Gamble reduced the number of Head & Shoulders shampoos from 26 to 15, they had a 10% increase in sales.

When the Golden Cat Corporation gave up 10 of the least sold cat products, they saw an 87% increase in profits, driven by higher sales and lower costs. Did you know that a typical supermarket today offers you 45,000 products. But the retailer in the 9th place, the 9th-world's largest retailer today is Aldi, which offers just 1,400 products - a type of canned tomatoes.

The second technique for addressing the supersaturation of choices, which is concretization. In order for people to understand the differences between options, they must be able to understand the consequences associated with each choice, and the consequences must be felt in a way that is as real as possible.

Why do people spend an average of 15-30% more when using an ATM or credit card than when using cash?

Because they don't look like real money. And it turns out that making it seem more concrete can be very beneficial in helping people save more money. A study done by Sheena Iyengar together with Shlomo Benartzi and Alessandro Previtro, conducted with ING employees and all these people were in a session in which they had to adopt a 401 (k) plan. And during the sessions they kept the session exactly as it was before, adding one thing. The only thing they added was that they asked people to think about all the positive things that would happen in their lives if they saved more money. Making this simple, a 20% increase in the adoption of a plan and savings could be observed and an increase in the number of people willing to save or the amount they were willing to put in the savings account was identified by 4%.

The third technique: Categorization.

We can deal with more categories than more options.

For example, here is a study conducted in a magazine section. It turns out that in the Wegmans stores on the Northeast Corridor, the magazine districts ranged from 331 different types of magazines to 664.

But you know what? If we show you 600 magazines and divide them into 10 categories, versus if we show you 400 magazines and divide them into 20 categories, you will think that we have given you more choices and a better choice experience if we make it available to you. the 400 than the 600.

The fourth technique: Conditioning complexity.

It seems that we can actually handle a lot more information than we think, but we need to take it gradually. We need to gradually increase the complexity.

All of these techniques described today are designed to help you get better with your options. The key, we believe, is to get as much out of the choice as possible, to be picky about the choices you make. And the more we manage to be pretentious in our choices, the better we will be able to practice the art of choice.

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CONCLUSIONS

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