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3 **ASSORTMENT VARIETY: TOO**

5 **MUCH OF A GOOD THING?**

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15 **ABSTRACT**

17 *Purpose – The purpose of this chapter is to examine the connection*

19 *between actual variety (the number of stock-keeping units (SKUs)) and*

21 *amount of useable variety that the consumer perceives. The optimal*

23 *combination for a retailer is to offer an assortment that maximizes the*

25 *perceived assortment variety while minimizing the perceived inter-item*

complexity. Both measures are a function of the actual variety offered in

an assortment but other factors such as attribute structure of the

individual items, assortment organization, and individual differences can

alter the way the actual variety is perceived.

27 *Design/methodology/approach – The main methodology used in the*

chapter is a comprehensive, critical literature review of the empirical

research on the topic.

29 *Findings – We find that while assortments with a large number of SKUs*

31 *are desirable for attracting consumers to the category, too large*

assortments can result in consumer frustration and confusion. On the

1 *other hand, when assortments are small, the perceived variety or attention*
2 *to the category may be limited.*

3 *Value/originality – Our review shows ways a retailer can adapt to*
4 *these challenges. First, we show that assortments are viewed in stages.*
5 *In the first stage, high perceptions of variety are beneficial. When*
6 *assortments are small, increasing perceived variety can be accom-*
7 *plished by increasing the number of subcategories within the*
8 *assortment, adding in packaging cues, or using other emotional*
9 *affective descriptors to further define options within the assortment.*
10 *In the second or choice stage, too much variety can increase perceived*
11 *complexity. Perceived complexity at this stage can be reduced by*
12 *simplifying the complexity of the individual items within the assortment*
13 *by increasing alignability of attributes, using a simplifying external*
14 *organizational structure for the assortment, or helping consumers learn*
15 *their preference.*

16 **Keywords:** Assortment; variety; retailing; consumer perceptions

21 INTRODUCTION

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25 There are few more critical decisions that a retailer must make than
26 determining which items or stock-keeping units (SKUs) to include in their
27 product assortment. Studies of retailing shopping behavior have found that
28 assortment variety is the third most important factor in choosing a physical
29 store (behind location and price) (Arnold, Oum, & Tigert, 1983; Louviere &
30 Gaeth, 1987). In online environments, where location effects can be largely
31 mitigated, price and variety become even more important.

32 The assortment decision is multi-dimensional – affecting most business
33 functions – because it requires trying to optimize consumer benefits while also
34 respecting costs and profitability requirements, space or real estate (either
35 physical or virtual) availability, operational and logistical issues including
36 minimizing stock-outs, and customer service considerations (including policies
37 about returns). The decision gets even more complicated when considering
38 how assortments might vary depending upon whether the options are
39 displayed online, on a mobile phone, or in a brick and mortar environment.
Regional and even global considerations requiring differing cultural values
and perspectives, and social media platforms add yet other dimensions.

Consumers' Perceptions

In this chapter, we focus on the product assortment decision from the consumer's perspective; specifically we look at consumers' perceptions of an assortment and factors that influence those perceptions. We make a distinction between the actual variety of an assortment, that is, the number of distinct SKUs in an assortment, and how those SKUs are processed and perceived by consumers. To understand how perceptions of the assortment differ from the actual variety, we need to recognize that the choice process is staged, and that assortments are likewise evaluated in stages.

Perceived Variety

The first stage, or the orientation stage (Russo & LeClerc, 1994), is where the consumer takes in the assortment as a whole. At this stage, we suggest that a critical component that makes an assortment more attractive is its perceived variety, or the amount of diversity that the consumers believe the assortment offers. Kahn and Wansink (2004) offer a scale that measures this construct that consists of the following four items¹:

1. This assortment gives me a lot of variety for me to enjoy.
2. This assortment gives me at least one option I like.
3. This assortment offers more ways to enjoy it.
4. How much variety do you think there is in this assortment?

All else being equal, assortments that offer more perceived variety are preferred (Ratner & Kahn, 2002). Hoch, Bradlow, and Wansink (1999) point out that perceptions of high variety are particularly important when consumers "tastes are not well-defined or are changing. Higher perceived variety offers consumers an opportunity to learn about the different available options as well as maintain flexibility (Kahn & Lehmann, 1991). If consumers anticipate making choices over time, having more variety in an assortment is beneficial (Kahn, 1995; McAlister, 1982). Finally, as the second scale item reflects, greater perceived variety suggests a higher likelihood of preference matching.

Perceived Complexity

Whereas perceived variety at the assortment level is positive, it can become a liability if it results in confusion or decreased satisfaction due to choice overload when consumers are trying to choose from the assortment (Iyengar & Lepper, 2000). In this second stage of the choice process, where consumers are evaluating options (Henderson & Hollingworth, 1999), too

1 much variety can result in perceived confusion or complexity. Townsend
and Kahn (2012) offer the following scale as a measure of perceived
3 complexity at the item choice level:

- 5 1. This assortment is too complex to consider.
2. It is difficult to keep track of all of the various options in the assortment.
- 7 3. There are too many options in this assortment.

All else being equal, perceived complexity at the item choice level is a
9 negative influence on decision making and can lead to lower overall
satisfaction, delay in choosing or opting not to choose at all (Huffman &
11 Kahn, 1998). In situations in which consumers need to justify their
decisions, larger assortments can be seen as negative (Scheibehenne,
13 Greifeneder, & Todd, 2010). Or similarly if consumers' do not have prior
preferences, rather than seeing variety as an opportunity as mentioned
15 above, they may feel overwhelmed by large assortments (Chernev, 2003).

The optimal combination for a retailer then is to offer an assortment that
17 maximizes perceived *assortment* variety while minimizing perceived *inter-*
item complexity. Both measures are a function of the actual variety offered
19 in an assortment, but other factors such as the attribute structure of the
individual options (Chernev, 2005; Gourville & Soman, 2005), the way
21 options are organized within an assortment (Hoch et al., 1999; Kahn &
Wansink, 2004), the way product information is organized (Huffman &
23 Kahn, 1998), the relative symmetry in the frequencies of items (entropy)
(Young & Wasserman, 2001), the proximity of similar items to each other
25 (Hoch et al., 1999), or individual differences (Morales, Kahn, McAlister, &
Broniarczyk, 2005) can alter the way the actual variety is perceived at either
27 stage of the choice process.

For retailers, when issues of too much variety or too much choice first
29 surface, an initial logical response is to cut SKUs. We first review several
studies of reduced SKUs where we show that if done strategically, reduction
31 in actual variety can increase sales (Boatwright & Nunes, 2001; Food
Marketing Institute Study, 1993). Although reduction in SKUs is one way
33 to deal with complex assortments, there are many instances where retailers
are reluctant to cut SKUs. In these cases, we argue that the actual variety of
35 an assortment is not as important as the perceived variety of the assortment.
Consequently, we review research that identifies various factors that can
37 optimize consumers' perceptions while holding actual variety constant.
Specifically, we consider situations where: (1) actual variety in the
39 assortment results in large perceived variety but also large perceived
complexity, and (2) actual variety results in too little perceived variety.

1 We therefore consider ways that retailers can maintain the amount of actual
2 variety that they choose to offer while, in the first case minimizing, the
3 perceived complexity of large assortments or, in the second case, maximizing
4 the perceived variety of small assortments.

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REDUCING ACTUAL VARIETY

9 When actual variety becomes overwhelming or too costly to maintain,
10 cutting SKUs may appear to be an obvious solution. An oft-cited example
11 that examined this question is the famous “jam study” conducted by
12 Iyengar and Lepper (2000). Sheena Iyengar, then a doctoral student at
13 Stanford, tells the story of her fascination with Draegers in Palo Alto.
14 Draegers was a gourmet food store that offered dozens of mustards, olive
15 oils, and fancy balsamic vinegars among many other things. Much as she
16 loved the store, she often left empty-handed. She concluded from this that
17 there were too many options, and conducted a study to show the ill effects of
18 too much variety. In her study, she set up a sampling table in the Draegers
19 store and on alternate days stocked it with either 6 or 24 jam jars, each a
20 different flavor. She then had research assistants who were disguised as
21 Draegers employees count the number of people who came to each table to
22 sample a jam, and the number of people who used a \$1-off coupon to
23 purchase one of the jams.

24 She found that more shoppers (60%) approached the table when it had 24
25 options as opposed to when it had only 6 jams (40%). However, only 3% of
26 the shoppers at the 24-jam table used the \$1 coupon, whereas 30% of the
27 shoppers who had approached the table with only 6 jams used the coupon.
28 Therefore, more sales were made at the table with fewer options (30% of
29 40%, or 12%) than at the table with more options (3% of 60% or 1.8%).
30 The authors concluded that too much choice could have negative
31 consequences: people were delaying making a choice or opting out of
32 choice altogether, and were less satisfied with their decisions.

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Cutting SKUs Can Result in Lost Sales

37 In spite of these experimental results, indiscriminant pruning of SKUs can
38 result in lost sales. Borle, Boatwright, Kadane, Nunes, and Shmueli (2005)
39 investigated the impact on customer retention resulting from a large-scale
40 one-time assortment reduction across each and every category of an online

1 grocery/delivery service. The extent of the assortment reduction varied from
24% to 91% of items within a category. The results were disappointing:
3 overall store sales declined. There were decreases in both store visits and
amount purchased per visit, with the former resulting in greater sales losses
5 than the latter. Studying the results more deeply revealed that the less-
frequently purchased categories were more adversely affected by the
7 reduction in assortment than other categories.²

8 In recent years, other retailers have suffered the same consequences from
9 assortment reduction as identified by Borle et al. (2005). In 2009, Walmart
removed thousands of often-marginal SKUs from its shelves to reduce
11 clutter and complexity and to improve supply chain efficiencies. However,
after years of sales declines at U.S. stores, the company announced in 2011
13 that it was bringing back approximately 8,500 items that had been removed.
Walmart was so concerned that it may have lost customers from the
15 assortment cuts that it featured in-store displays noting “It’s Back” on items
that were returned to the shelves.

17 But is it always the case that reducing actual variety reduces sales?
Obviously, not as Iyengar and Lepper’s (2000) “jam study” suggests. In fact,
19 several stores carrying large assortments have been able to strategically
remove SKUs resulting in no change in sales and, in some cases, even a sales
21 increase.

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Cutting SKUs But Increasing Sales

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In 1993, the Food Marketing Institute (FMI) conducted one of the first
27 experiments that showed increases in sales from strategic assortment cuts.
The experimenters found that reducing the number of low-selling SKUs in
29 supermarkets by as much as 54% could result in no loss of sales, or in some
cases actually a sales increase. The intuition behind these results is that
31 removing redundant or unimportant SKUs decreases confusion in the
category.

33 The FMI studies suggested that it is important to determine which types
of SKUs were detrimental to the overall assortment so that these items
35 could be cut. Boatwright and Nunes (2001) determined that in frequently
purchased categories, reducing the number of low-selling SKUs could
37 increase sales across 42 categories studied. They discovered that purchase
behavior differed by the type of SKU that was cut. Whereas consumers
39 showed divergent reactions to reductions in product size options, they
reacted positively to reductions in SKUs that were perceived to be

1 redundant or not related to their favorite brands and flavors. In other
2 words, whereas it might be perceived as negative to cut an entire brand or an
3 entire size, cutting some combination of sizes or brands helps reduce the
“clutter” on the shelf.

5 Part of the reason for these divergent results in the effectiveness of cutting
SKUs on resulting sales is because of the viability of the specific SKUs that
7 were cut. If SKUs are cut that few people purchase, are redundant, or are
easily substitutable, overall sales should not decline. Further retailers need
9 to be careful not to cut SKUs that will cause customers to leave their store
and shop elsewhere.

11 Broniarczyk, Hoyer, and McAlister (1998) ran a few experiments to help
understand the FMI (1993) results of the effectiveness of cutting SKUs for
13 increasing sales. They suggested that consumers used heuristic cues to judge
assortment variety and as long as these cues remained intact, consumers
15 would not notice the SKU reductions. The heuristic cues that they found
matter are (1) category space needs to remain constant – if the physical
17 space devoted to the category is diminished, then consumers notice, and
(2) if only low-preference items are reduced then consumers do not notice
19 (with the caveat that if someone’s favorite is deleted, even if it is generally a
low-preferred item, then that consumer will see a diminished assortment).

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Perceptions of Variety Can Differ From Actual Variety

27 The Broniarczyk et al. (1998) results suggest that perceptions of variety can
stay the same even if actual variety is reduced. This idea that perceptions of
variety are different than actual variety was very much the point of a series
29 of experiments conducted by Kahn and Wansink (2004).

31 Ironically, at approximately the same time that Iyengar and Lepper were
running their jam studies on the west coast, Kahn and Wansink (2004) were
33 running jelly bean experiments on the east coast using assortments than had
either 6 or 24 flavors. There were several differences between the studies in
spite of the coincidence of number of options offered being the same. In the
35 Kahn and Wansink studies, children and adults were allowed to take as
many jelly beans as they desired (no purchase required). In this setting, the
37 assortment with 24 flavors resulted in far more jelly beans being selected
(14 on average) as opposed to the assortment with 6 flavors where only 5.9
39 jelly beans were selected on average. So, in this case more variety increased
consumption, which is consistent with insights from nutritionists (more

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1 choices make us eat more), economists (variety is preferred to more of the
same), and statisticians (higher likelihood of finding something we like).

3 The jelly bean experiment, though, was not designed to show that more
actual variety increased consumption, but rather to show that perceived
5 variety was the important consideration, not actual variety. The full design
contained four cells. In addition to varying the number of flavors of jelly
7 beans between conditions, the study also varied whether the assortments
were presented in an organized or disorganized fashion. When there were 24
9 options offered, participants chose more when the assortment was organized
(14 as much above) but they chose far fewer (only 8.7 on average) when the
11 assortment of flavors was scrambled. The opposite occurred when there
were only six flavors; more were chosen in the scrambled as opposed to the
13 organized condition. Further analyses proved that the organization
differences affected the perceived variety and that it was not the actual
15 variety, but rather the perceived variety inherent in the assortments that
predicted the quantities chosen.

17 We next consider additional factors that influence assortment variety
perceptions even while holding actual number of SKUs constant. We
19 consider these factors in two contexts: (1) when retailers need to decrease
perceptions of complexity and (2) when retailers need to increase
21 perceptions of variety, in both cases while holding actual variety constant.

23 25 **STRATEGIES FOR DECREASING PERCEPTIONS OF** 27 **COMPLEXITY WHILE HOLDING ACTUAL VARIETY** **CONSTANT**

29 The Iyengar and Lepper (2000) experiment suggests that high variety
assortments are attractive (more participants approached the table with
31 more jams than with fewer jams), but can also result in higher levels of choice
deferral. We suggest that this contradiction in the appeal of high variety
33 assortments results because consumers evaluate the assortment in two
stages: the assortment stage and the choice stage. At the assortment stage,
35 perceived variety is attractive. However, when customers move to the choice
stage, the complexity of the individual items and the difficulty in comparing
37 one item to another becomes a factor. Whereas perceived variety is
addressed at the assortment level, when all of the options are assessed as a
39 whole, measures of perceived similarity or perceived complexity are assessed
at the choice level from comparisons made between items.

1 Large assortments can be perceived negatively for two reasons at the
2 choice stage. First, large assortments can set high expectations about the
3 likelihood of finding the perfect option. Heitmann, Herrmann, and Kaiser
4 (2007) found that large assortments set the stage for higher anticipated
5 regret (about the options not chosen) and higher anticipated evaluation
6 costs. Similarly, Diehl and Poyner (2010) suggest that when an assortment is
7 large, consumers' expectations for meeting their own preferences are
8 increased. However, if the exact right match is not subsequently found
9 then satisfaction is decreased. Further, just the knowledge that an option
10 comes from a large assortment (as opposed to a smaller assortment) can
11 result in decreased satisfaction with the (same) option.

12 Second, large choice sets can be perceived negatively at the choice stage if
13 making a final choice seems difficult or complex. In this situation, high
14 actual variety, which results in high perceived variety at the assortment level,
15 can result in high perceived complexity at the inter-item level. The degree of
16 perceived complexity can vary depending upon several aspects of the
17 assortment. First, perceived complexity should vary not only as a function
18 of number of options in an assortment (the actual variety of the assortment)
19 but also as a function of the complexity or attribute structure of the items
20 within the assortment. Second, perceived complexity varies as a function of
21 consumers' preference structure and how well it is satisfied by the
22 assortment. If consumers do not have clear preferences, the manner in
23 which a retailer helps them learn their preferences can affect perceptions of
24 complexity. Finally, perceived complexity of an assortment can vary as a
25 function of the external structure imposed on the assortment.

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Item Complexity Within the Assortment

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28 Whether increasing perceptions of variety has a positive (attractive) or
29 negative (overwhelming) effect on consumer behavior largely depends on
30 the size of the assortment and the complexity of the items within the
31 assortment. Hoch et al. (1999) show that perceived variety of an assortment
32 varies as a function of the multiattribute structure of the options within the
33 assortment, the more the options differ from each other (up to a point), the
34 higher the perceived variety of the assortment. The spatial location of these
35 items, whether similar items are close to each other or are far apart, can also
36 affect perceived variety. Greifeneder, Scheibehenne, and Kleber (2010)
37 found these multi-attribute differences among items within the assortment
38 affected perceptions as a function of the size of the overall assortment.
39

1 When choice sets were large, and the alternatives were differentiated on
many attributes, the choice sets could seem complex and overwhelming.
3 However, if the alternatives were differentiated only on a few attributes,
even large choice sets were usually not overwhelming. By offering a large
5 assortment but highlighting differences on only a select number of attributes
retailers can assure they offer enough variety to attract consumers without
7 overwhelming them with complexity.

9 *External Factors Influencing Item Complexity*

11 This conclusion seems to contradict the findings of Iyengar and Lepper
(2000) who found choice overload with jams, a product category differing
13 only on one attribute, that of flavor. However, Greifeneder et al. (2010)
suggest that the complexity found in that experiment might be due to the
15 complexity in the market at the time of the experiment, suggesting more
broadly that other context factors might affect perceptions of variety and
17 complexity. Consistently, Menon and Kahn (1995) found that stimulation
that occurs from the environmental context interacts with the stimulation
19 experienced from the choice process. Boyd and Bahn (2009) offer one more
moderator for how consumers view large assortments. They found that
21 when consumers perceive higher risk inherent in a choice (i.e., a stricter
return policy for example), higher variety assortments were preferred
23 because they offer a greater sense of confidence in choice and because
consumers use more systematic processing to make this choice. Retailers
25 are, therefore, cautioned to consider not just the complexity offered in their
products, but to ensure that the environment is simple and not to add
27 unnecessary interference.

29 *Attribute Properties and Complexity*

Beyond just the number of attributes highlighted or on which the options
31 differ, the structure of these attributes, and ease with which consumers can
compare one item to another, affect the difficulty in making a choice, and
33 hence the perceived difficulty in dealing with the variety. One factor that has
been shown to dramatically affect perceptions of complexity is the
35 alignability of attributes.

Gourville and Soman (2005) define an “alignable” assortment as one in
37 which the options within the assortment differ along a single dimension
where choosing requires only within-attribute tradeoffs, for example, paying
39 more money for a lighter or more powerful product. Size is an alignable
attribute. Nonalignable assortments cannot be placed on a single dimension

1 and are defined as those that demand between-attribute tradeoffs such as
choosing among colors or special features.

3 Since nonalignable attributes require more cognitive effort, as well as
allow for more regret about the non-chosen options, assortments containing
5 those types of items result in more negative reactions including less
satisfaction, lower willingness-to-pay, and more time required to choose
7 (Herrmann, Heitmann, Morgan, Henneberg, & Landwehr, 2009). To
eliminate the negative consequences of the nonalignable assortments,
9 Herrmann et al. (2009) suggest that the information be presented in a
simple fashion, thus helping to align the nonalignable attributes, a difficult
11 but not impossible task. For example, the retailer Gap tries to make a
nonalignable attribute like the cut of a jean more alignable by showing how
13 one relates to the other by exposing the dimensionality underlying the cut.
Another way to make nonalignable attributes, such as flavor, more alignable
15 is by putting them on a similar scale that is alignable, such as healthiness or
calorie count.

17 Another aspect that affects the perceived complexity of assortments that
are comprised of options with nonalignable attributes is whether those
19 attributes are perceived to be complementarity or not (Chernev, 2005).
Attributes are defined as complementary if adding them together would
21 yield a superior product, such as cavity prevention or teeth whitening.
Noncomplementary attributes, such as flavor or color, would not result in a
23 superior combination as one attribute level is a replacement for the other.
Chernev (2005) finds that the degree to which the attributes complement and
25 reinforce each other (vs. those that do not necessarily complement each
other) affects likelihood of choice deferral. He argues that choice is deferred
27 more often when attributes are complementary rather than noncomple-
mentary. The reason is that when attributes are complementary the features
29 are perceived to be equally important, but when the attributes are non
complementary, some of the features are perceived to be more important
31 than others, making it easier to choose.

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35
Consumers' Preferences for Items within the Assortment

37 Broniarczyk et al. (1998) and Kahn and Lehmann (1991) show that
assortments, regardless of the amount of variety offered, are preferred if
they include consumers' most preferred items. The actual variety is
39 irrelevant if it is easy to just choose one's favorites. In some sense the
variety of the assortment fades into the background and the issue becomes

1 how easy it is to get to the ones you want. This suggests that if the retailer
can help consumers learn their preferences then they will be able to deal
3 more effectively with large variety assortments.

Huffman and Kahn (1998) studied effective ways for retailers to help
5 consumers learn their preferences from high variety assortments. They
found when assortments are large because assortments contain many
7 options that vary on many dimensions, consumers can better appreciate the
variety if information that describes the various options is presented on an
9 attribute basis rather than by alternative. For example, if consumers are
choosing the best customized sofa, they will experience less perceived
11 complexity, more satisfaction with the choice process, and be more willing
to make a choice if the information is broken down by attribute, for
13 example, arm style, number of pillows, covering material, etc. and they are
then shown the various levels per attribute, than if they are shown a
15 complete sofa with various choice options highlighted.

The attribute style of presentation is frequently offered online, where
17 drop-down menus allow consumers to sort through the various attribute
levels and indicate preferences, and then a completed alternative is created.
19 Furniture stores, on the other hand, frequently show a exemplar sample
sofas or living arrangement, and ask consumers to figure out their
21 preferences by indicating changes to the showroom model. One way then
for brick and mortar stores to diminish perceived complexity with these high
23 variety assortments is to offer in-store technology that can be used to
illustrate the options on an attribute basis.

25 In addition, a moderate level of consumer involvement in indicating
preferences is optimal. Huffman and Kahn (1998) examine three levels of
27 customer involvement in the preference formation process. In the first level,
consumers are merely shown the attributes and the various levels available.
29 For example, consumers would be shown the various leg styles that they can
consider. In the second level, consumers are asked to formulate preferences
31 about various attribute levels, that is, which covering do you prefer? In the
third level, consumers are asked not only to indicate preference levels on
33 attributes, but to also make trade-offs as to which attributes are more
important. Then they are asked to make decisions based on the most
35 important attributes. The results show the first level is not involving enough,
whereas the third level, involving trade-offs and more systematic processing,
37 is too taxing.

Even if consumers do not have a particular favorite item, the level of
39 quality of the alternatives in a choice set can influence a consumer's
preference for high-variety versus low-variety assortments. Chernev and

1 Hamilton (2009) show that if consumers do not have a specific favorite but
2 understand that the average quality of the items within an assortment can
3 vary from retailer to retailer, then the size of the assortment matters in a
4 counter-intuitive fashion. If the average quality of the items within the
5 assortment is high, consumers prefer smaller assortments. Thus the
6 relationship between assortment size and option attractiveness is concave,
7 such that the marginal impact of assortment size on choice decreases as the
8 attractiveness of the options increases. This effect is even stronger when the
9 choice task gets harder (e.g., more attributes per alternative, thus making
10 the decision process more complex).

11 Another aspect that affects whether or not large assortments are likely to
12 be seen as complex is how many items a consumer is likely to buy at one
13 purchase occasion. All else being equal, the more items a consumer is likely
14 to purchase at a single purchase occasion or the more likely that a consumer
15 is looking to seek variety over a time horizon, the more likely variety is seen
16 as positive. Simonson and Winer (1992) showed when consumers purchase
17 more at one time, they choose more variety, and thus higher variety
18 assortments have an advantage.

19 Chernev (2008) shows that when consumers are uncertain about their
20 preferences, they prefer assortments in which the number of available
21 options matches the desirable purchase quantity. So, for example, if a
22 consumer had decided to buy five flavors of yogurt, she would have a
23 preference for an assortment that offered five flavors. This preference exists
24 because the match between the number of needed options and the number of
25 alternatives available makes cognitive processing and decision making
26 easier. This is easily true when the number of flavors matches the goal
27 quantity size. However, this idea can be generalized for larger assortments
28 as well if the assortment can be partitioned into groups of equally preferred
29 items. If for example, a consumer has five equally preferred flavors from a
30 large assortment and the goal is to buy five items, then that match makes
31 choice easier and thus presumably the variety offered is positive. On the
32 other hand, if there is a mismatch between the number of options desired
33 and some easy-to assign choice rule, then too much variety can become
34 overwhelming. These purchase quantity goals can be influenced by the
35 retailer through promotion strategies (e.g., buy three get a fourth at half
36 price) or through loyalty programs.

37 Although the results were not tested specifically with regard to
38 assortments, Berger, Draganska, and Simonson (2007) found an interesting
39 result about branded product lines that might be relevant. They found that
40 given a purchase is going to be made, brands that had more variety in their

1 line, were perceived as having great category expertise or core competency,
2 which in turn increased perceived quality and likelihood to purchase. The
3 implication is that if a brand has finer distinctions in their line (as indicated
4 by a wider variety), they have invested in learning the details of the category,
5 which is costly, and thus they have more to lose if buyers are subsequently
6 disappointed by the quality. Thus in this case, it is suggested that variety is a
7 signal for quality. This signal of expertise then would only hold in
8 assortments where all the items are related to each other (e.g., all Thai food)
9 and would not hold for assortments with mixed product types (e.g., mixture
10 of Thai and Chinese food).

11 12 *External Structure and Organization Imposed on an Assortment*

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15 External structure, such as whether the assortment is organized or
16 disorganized, whether and how it is split into sub categories, and how the
17 options are aligned has been shown to affect perceptions of variety and
18 complexity. We review this literature and consider how retailers can use this
19 knowledge to decrease complexity perceptions without reducing perceptions
20 of variety.

21 *Organization and Processing*

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23 Hoch et al. (1999) suggest that organizational structure and processing style
24 (either holistically (scanning the display broadly, as a whole) or analytically
25 (assessing pairwise judgments between objects, or considering the under-
26 lying dimensions of an object within the assortment)) can affect perceived
27 variety. They find that if assortments are processed analytically, then
28 organized displays offer more variety, however, if processing is holistic, then
29 random displays are seen to have more variety. The findings by Hoch et al.
30 (1999) provide another reason for the results found in the Kahn and
31 Wansink (2004) study discussed earlier. In that study, when the assortment
32 was small (six flavors) and could be processed holistically, the scrambled
33 condition offered more perceived variety and thus participants chose more.
34 In the larger assortment, 24 flavors, the assortment was likely processed
35 more analytically, and thus the organized assortment offered more perceived
36 variety and participants chose more.

37 *Organization and Structural Congruency*

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39 One easy way to think about organizing the items within an assortment,
40 especially online where assortments can be easily sorted, is to organize the

1 shelf according to the way consumers categorize the products in their own
2 minds. Morales et al. (2005) find that for familiar categories, congruency
3 between a consumer's internal categorization structure and the external
4 store layout leads to higher perceptions of variety and higher satisfaction
5 with product choices. For example, if consumers think about wines by grape
6 varieties and the store organizes wines by brand name, consumers will
7 experience less satisfaction with the choice process and take more time to
8 process. Eye-tracking research has found that when consumers can easily
9 find an item within an assortment they experience positive affect, which
10 makes them more likely to enjoy the shopping process.

11 Morales et al. (2005) suggest a caveat to this matching process however. If
12 consumers are able to sort through an assortment very quickly and get to
13 their desired option, they will be less likely to appreciate the assortment
14 variety. Although they will be able to purchase their desired option, they will
15 show less enthusiasm for the overall assortment, and clearly are less likely to
16 purchase unplanned items. Thus sorting filters that allow consumers to
17 easily get to the objects they want, but that are not a perfect match with
18 shopping goals such that they allow consumers to view some of the
19 assortment are probably better for retailers as they can stimulate more
20 browsing.

21 Poyner and Wood (2010) found similar results to the Morales et al. (2005)
22 findings, but through a different mechanism. Rather than relying on internal
23 categorization structures, Poyner and Wood (2010) show that consumers
24 learn the structure of a category by exposure to it. Then when they are
25 reexposed to the category, if the categorization scheme remains as they
26 expect (congruent), low knowledge consumers are more satisfied than when
27 the scheme is unexpected (incongruent). This is not true, though, for
28 consumers who have high knowledge about the category. In this case, the
29 unexpected categorization knocks them out of complacency and they benefit
30 more from and are more satisfied with the shopping experience.

31

Partitioning

33 Another type of structure that can be imposed on an assortment is a
34 partitioning, or subcategorization, structure. Fox, Ratner, and Lieb (2005)
35 show that partitioning of the choice set can affect choices and satisfaction. If
36 a choice set is partitioned into subcategories this categorization can affect
37 both what is chosen and how much is chosen from each category. People
38 have a tendency to match their choice patterns to the categorization
39 structure. In one of their studies for example, they asked participants to
40 choose five candies from an assortment that offer four different types of

1 candies – however the candies were shown to them in three bowls. Two of
2 the three bowls had just one kind of candy, whereas the third bowl had a
3 mixture of the other two types. Participants' choice sets on average
4 contained more of the candies that were in the uniform flavor bowls than
5 those that were in the mixed bowls suggesting that the way the candies were
6 grouped or partitioned in the choice set affected their final choice. This
7 finding suggests that one way to help diminish the complexity of a large
8 choice set is to partition in it in such a way that helps consumers achieve
9 their own choice goals. Partitions that run counter to consumers' goal may
10 increase complexity. Of course the environment can shape consumers' goals
11 as well, for example, buy three get a fourth free.

13 *Horizontal versus Vertical Alignment*

14 Graphic elements can be used to cause the consumer to scan the assortment
15 either horizontally or vertically. Deng, Kahn, Unnava, and Lee (2012) have
16 found that this factor, whether the consumer scans horizontally or
17 vertically, can affect perceptions of assortment variety and subsequently
18 option preferences and choices. During the first stage of choice, at the
19 assortment level, viewing the assortment horizontally leads to more
20 perceived variety than viewing the assortment vertically. This is true
21 because our eyes are positioned horizontally on our faces and this leads to
22 binocular vision, which results in horizontal fields being processed more
23 easily. This perceptual fluency for horizontal fields allows more information
24 to be gleaned quickly, and that results in greater perceptions of variety and
25 more options deemed acceptable and therefore considered. However, at the
26 inter-item choice level, horizontal alignment leads to equal-quality
27 preferences whereas vertical alignment leads to differential-quality prefer-
28 ences. Therefore, at the item choice level, choosing a single option is easier
29 when the scanning is vertical, but choosing multiple acceptable items is
30 easier when the scanning horizontal.

31

Visual/verbal

32 A final external structural factor that affects both perceived variety and
33 perceived complexity is whether the assortment is depicted visually or
34 verbally. This factor is particularly relevant for viewing online assortments.
35 Townsend and Kahn (2012) find, holding all product information constant,
36 that assortments that are described using images are perceived to have more
37 variety than assortments that are described verbally. This higher perceived
38 variety at the assortment level makes visual assortments more attractive and
39 more preferred. However, at the inter-item choice level, visual depiction

1 leads to higher levels of perceived complexity than verbal depiction when
2 assortments are large. This higher level of perceived complexity results due
3 to several reasons. First, visual depictions allow for interactions to be easily
4 recognized (Veryzer & Hutchinson, 1998) which increases complexity.
5 Verbal depictions of items are processed in a piecemeal fashion that does not
6 lend itself easily to considering interactions. Second, verbal depictions
7 require more time to process than visual depictions. When assortments are
8 large and complex, this additional time spent lowers the perceived
9 complexity. Finally, Townsend and Kahn (2012) use an eye tracking study
10 to show that verbal assortments are processed more systematically, more
11 like reading, than are visual assortments, which are viewed in a scattershot
12 way. The more systematically the assortment is processed, the more
13 information can be gathered and fewer options are skipped over. This
14 lessens the perceived complexity.

15 All of these methods discussed are tools that the retailer can use to reduce
16 the perceived complexity that might result from large assortments. Another
17 problem that retailers may face though is that smaller assortments may not
18 attract enough attention because they do not seem to offer enough choice.
19 In this case, retailers may want tools to increase the perceived variety of the
20 smaller assortments. We consider these strategies in this final section.

21

23

HOLDING ACTUAL VARIETY CONSTANT AND 25 INCREASING PERCEIVED VARIETY

27 While smaller assortments are usually less complex than larger assortments,
28 thus making decision making easier, they may not offer enough variety to
29 attract the consumer. In this case, the retailer may want to consider strategies
30 that increase the stimulation, attention, and excitement that a larger
31 assortment can generate. One increasingly popular way to attract attention
32 to small assortments is to offer an expert or highly curated collection. Steve
33 Jobs with Apple stores and Mickey Drexler with J.Crew have famously
34 simplified their assortments, while upping the design and “cool” factor.
35 Similarly, One Kings Lane, an online retailer specializing in home furnishing,
36 attracts consumers through their curated assortments. Although this method
37 can be effective, it does depend on the creativity of the designing merchant, and
38 the match between the designer’s taste and the consumers’ preferences.

39 Other strategies that increase the perceived variety of an assortment and
40 that do not depend on a specific merchant’s magic include the mere

1 categorization effect, the effect of packaging cues, display “tricks,” and
creative labeling. Each of these is described below.

3

5

Mere Categorization Effect

7 Mogilner et al. (2008) show that the mere presence of categories can
positively increase satisfaction with an assortment for consumers who are
9 unfamiliar with a category. They show that the more categories that are
present, the higher the perceived variety of the assortment, which in turns
11 allows for the perception that there are more likely to be options that meet
one’s needs. These categories can even be vague or not particularly
13 descriptive and the effect will still hold. They label this the “mere
categorization effect.” This effect does not hold for consumers who are
15 familiar with the assortment.

Similarly to the mere categorization effect, priming categorization
17 mindsets can also affect the perceived variety of a subsequently viewed
assortment. Ülkümen, Chakravarti, and Morwitz (2010) show that when
19 consumers are exposed to assortments that are either broadly or narrowly
categorized, those categorizations can influence subsequent perceptions of
21 other assortments. Ülkümen et al. (2010) explain that a broad categorization
includes fewer groups, say red and white for wine, while a narrow
23 categorization includes more groups such as White Italian, White French,
etc. When consumers are primed with broad categorization they base their
25 subsequent judgments on fewer pieces of information whereas consumers
exposed to narrow assortments employ multiple pieces of information.
27 Although not explicitly tested in the research, their results seem to indicate
that priming narrow categorization would result in consumers seeing more
29 but smaller item groupings and thus perceiving more variety in the
assortment.

31

33

Changing Perceived Variety Through Packaging Cues

35 Packaging design is not only able to change perceptions of the product
within the package, but if designed as a collection of items within an
37 assortment, it can also affect assortment perceptions. Roehm and Roehm
(2009) show that when packages within an assortment have less uniformity
39 (different label color, shape, and font) as opposed to more uniform
packaging (only different label colors), consumers rate the packages as more

1 novel, more complex, and more arousing. In their studies, these more
arousing packaging cues result in less variety seeking behavior. In other
3 words, consumers are more likely to pick a favorite and stick with it across
purchase occasions. These results suggest that more arousing, differentiated
5 packaging should increase the perceived variety of an assortment, but also
limits the perceived acceptability of other options. Although not tested in
7 this research, packaging cues are also likely to be very effective at creating
categories within the assortment. As mentioned above, the mere presence of
9 categories can also increase perceived variety.

Another manner in which the design of the packaging for an assortment
11 may influence perceptions of variety is through the relative use of images
versus text. As mentioned above, presenting information in images rather
13 than words allows for more easy identification of attribute interactions
(Veryzer & Hutchinson, 1998). When consumers are able to recognize not
15 just the various attributes on which options vary, but also the interactions of
these attributes, this increases perceptions of variety (Townsend & Kahn,
17 2012. While their studies did not speak to this issue directly, the studies by
Townsend and Kahn (2012) suggest that packaging that is more visual and
19 less verbal in describing the products will help a small assortment appear to
have greater variety.

21 Related to packaging cues but not quite the same thing is the use of
display “tricks” to increase perceptions of variety. For example, sometimes
23 retailers, gyms, or restaurants give the illusion of more variety by using
mirrors effectively or by using display cases with false bottoms (Schwartz,
25 2004). As mentioned earlier, along this lines, Broniarczyk et al. (1998) found
that perceived variety was a function of the total space devoted to the
27 category. Thus perceived variety of an assortment can be increased without
changing the number of alternatives offered by just increasing the physical
29 space allotted to the category.

31

Color Names/Labels

33

Another way to increase the perceived variety of small assortments is to
35 describe the options within the assortment with interesting-sounding colors
and flavor names. There are numerous ways to do this. Recently, several
37 paint companies have experimented with increasing the attention to their
paints by upping the emotional content of the paint names. The Valspar
39 paint company has tried to capture consumers’ attention by distinguishing
their color names with a story, or by using names that evoke a memory or an

1 emotion. For example, rather than name a paint brown, they have anointed
it as a “weekend in the country.” Benjamin Moore has a color called “Old
3 World Romance.”

4 Ace Hardware has taken this naming convention to a new level by
5 associating their paint colors not only with fanciful names, but also with a
“soul paint.” Each color in Ace premium line of paints is associated with a
7 specific human model who embodies the paint color both in clothing and in
flesh tone.

9 Miller and Kahn (2005) show that consumers respond to fanciful color or
flavor names for several reasons. For ambiguous names that do not provide
11 any descriptive value, such as the flavor “frost,” or the nail polish color
“dork,” consumers respond positively because they expect marketing
13 messages to convey useful information. If the message is not informative
or does not conform to expectations, consumers search for the reason for
15 the deviation. This additional search and processing results in additional
positive attributions about the product, increases the perceived variety of
17 the assortment and can yield positive purchase intentions.

18 If the name is not obvious at first, such as “weekend in the country,” but
19 the puzzle can be resolved with further thought, “Ah, a weekend in the
country may involve mud, hence the color brown,” the consumer
21 experiences a positive feeling for solving the incongruity. This positive
feeling leads to positive assessments of the assortment variety. Hence,
23 embellishing product descriptors is another way to add perceived variety to
small assortments.

25

27

CONCLUSION

29 Creating attractive product assortments is a key strategic goal for most
retailers. However, managing customers’ perceptions about an assortment
31 can be tricky. While assortments with a large number of SKUs may be
desirable for attracting consumers to the category, and may result in higher
33 perceptions of variety, they may also become frustrating and confusing
when consumers are trying to choose a single item. On the other hand, when
35 assortments are small, and it is not confusing or difficult to choose among
the limited selection, the perceived variety or attention to the category may
37 be limited and less enticing.

39 In this chapter we have shown ways a retailer can adapt to these
challenges. First, we have postulated that assortments are viewed in stages.
In the first stage, the assortment is viewed as a whole, and here it is desirable

1 to have high perceptions of variety. Once attracted to the category,
consumers soon proceed to the second stage and it is here they compare
3 alternatives within the category. At this level, too much actual variety may
increase perceptions of complexity.

5 The obvious first strategy for large assortments is to consider cutting
SKUs. Cutting SKUs can be effective if done strategically. The key is to cut
7 low preference items, cut redundancy, and eliminate clutter. However,
sometimes, reducing SKUs results in loss sales. In this case, it is preferable
9 to reduce perceived complexity due to a large number of SKUs by managing
other aspects of the assortment.

11 Holding actual variety constant, perceived complexity can be reduced
through several options. One way to reduce perceived complexity is to deal
13 with the complexity of the individual items within the assortment. For
example, nonalignable attributes can be more difficult to process. Attempts
15 to increase the alignability of alternatives within an assortment, for example
by lining them up on a single dimension – put different flavors of soup on a
17 single healthy, nutrition or calorie scale – can help consumers deal with the
complexity. Other ways to reduce perceived complexity is by helping
19 consumers learn their preferences, or by using external structural
considerations on the assortment.

21 On the other side, small assortments can be less exciting and consumers
may not be attracted at all. Here the goal is to increase perceived variety.
23 Increasing the number of categories or subcategories within the assortment
can increase perceived variety of assortments. Or, it is possible to alter
25 packaging cues, which can heighten the associations between items and
increase overall variety. Finally, embellishing color names or other
27 descriptors can also increase perceived variety.

AU :5

29

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33 Allenby, Arora, and Ginter (1998); Boatwright, Borle, and Kadane (2003).

35

37 **NOTES**

37

39 1. Most researchers use at least a subset of these measures for their construct of
perceived variety with the exception of Mogilner, Rudnick, and Iyengar (2008) who
add an item that measures similarity of the options within the assortment (reverse
scored).

1 2. The authors observed though that sales did not decline in every category and in
 fact, in some categories, purchase frequency increased.

3

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