

The Use of Rankings in Uncertainty Reduction Efforts: A Basis Paradigm

Rankings are widely used but little research has examined their influence on consumer decision making. Nevertheless, rankings may play an important role in an uncertain choice situation. Consistent with this speculation, this study shows that rankings inform consumer preferences. Still, their effect depends on several consumer characteristics.

During the last years there has been a huge increase in available choice options for customers (Schwartz et al. 2002), a phenomenon called hyperchoice (Mick, Broniarczyk, and Haidt 2004). But confrontation with an overload of alternatives makes decision making more difficult (Schwartz 2004), partly because customers feel more responsible for their choices (Iyengar, and Lepper 2000). The result is a decrease in choice confidence (Chernev 2003), leading to greater uncertainty (Anderson 2003). In addition, consumers often face decisions involving unfamiliar goods (Chocarro, Cortiñas, and Elorz 2009). According to Berger and Calabrese (1975) there is a human drive to reduce uncertainty. Consumer will engage in uncertainty reduction efforts by searching information, where especially the opinions of others are often consulted (Weiss, Lurie, and MacInnis 2008). One possible source of information is rankings. Ranking are applied in an increasing number of situations, yet no relevant research has been conducted so far. In this study we will explore the effect of rankings on consumer decisions.

Making a choice in the modern purchasing environment, that is characterized by an ever growing consumption, increasing assortment sizes, and a growing number of brands and products (Mick 2008), requires the access to information. It has repeatedly demonstrated that information search increases systematically with experienced uncertainty (Lanzetta, and Driscoll 1968; Urbany, Dickson, and Wilkie 1989). It enables the decision maker to evaluate alternatives on relevant traits and to make a thoughtful choice, reducing the risk and probability of a non-optimal outcome (Mitchell 1992). Additionally, in situations where the consumer possesses little knowledge about the products, no prior experience is present and it is assumed that consumers depend on information available in the choice itself (Bettman, and Park 1980). One kind of information often consulted for this is the opinion of others. Available in numerous forms, other's opinion have been shown to influence consumers' evaluations, when relevant product attribute information was not accessible (Bearden, and Etzel 1982). Information sources in the form of online forums, book recommendations and newspaper columns are therefore of great value for the customer.

While former research focused on some of this information sources, we will investigate the effect of rankings. From the New York Times Best Seller list, the Nielsen Ratings and Billboard charts, to the top 10 lists in our local video and music stores, rankings are a part of our everyday life. They structure our ways of thinking about comparisons, contrasts and order and may be another way for consumers to reduce their uncertainty (Hakanen 1998). The purpose of this study is to investigate what role rankings play in the preference formation task. We

hypothesize that in a situation of uncertainty, consumers will use rankings in order to form their preferences.

In order to test our hypothesis, we administered a questionnaire to eighty-eight respondents, asking them to express their preferences for 10 rather unknown brands of champagne. We randomly divided the respondents into 4 conditions each facing a different ranking. Condition 1 provided a simple top 10 list, while condition 2 additionally included expert scores. Condition 3 also was a simple ranking, but the 2 top brands of condition 1 were ranked as the two “worst” brands, and vice versa. Condition 4 simply was a list, without any ranking implied. Respondents had to indicate their willingness to pay (WTP) for each of the brands. We also included measures concerning the familiarity with the product category and the different brands (showing no familiarity with the brands included), and a scale measuring respondents’ preference for numerical information. In order to test our hypothesis we estimated a multilevel regression model.

Our results indicate that rankings may indeed strongly affect consumer preferences. In particular, we found that our respondents’ evaluation of a given brand (expressed by the WTP) depended on the rank of the brand in the list. Respondents are willing to pay more for brands that are ranked higher (versus lower). In addition, for the 10 brands involved, respondents indicate a higher WTP than for those same brands when the order of presentation reflected no ranking (condition 4). We assume that the ranking itself could offer respondents some indication about the value of the brand. Interestingly, the effect of rank was moderated by preference for numerical information (PNI). A high PNI indicates that respondents have an eye for numerical information and use it in their decision making, especially in settings that require only a minimum level of mathematical ability (Viswanathan 1993). Our results show that individuals with a high PNI are more likely to use rankings, compared to individuals with a low PNI. The effect of rank was also moderated by familiarity with the product category. For respondents not familiar with champagne, rankings show less effect. That is, the slope relating rank position and WTP was less steep for them. Finally, we also observed a main effect of product category familiarity: respondents unfamiliar with champagne indicated a lower WTP for champagne brands.

To conclude, our results show that rankings have an influence on the preference formulation in uncertain situations. Further research must indicate the robustness and generalizability of the current findings. Investigating the potential moderation by other customer characteristics, such as the difference between maximizers and satisficers or the need for closure on the use of specific rankings would also add to the literature.

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