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Attraction and superiority effects in the Chilean marketplace: Do they exist with real brands?☆

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ABSTRACT

Consumer researchers show much interest in how the addition of products to a choice set changes the alignment of choice shares of existing products, specifically the attraction and superiority effects. Research in developed countries accounts for the vast majority of studies on these effects. Findings demonstrate that the attraction and superiority effects are robust when brand names are absent from product offerings. Testing whether these effects, with unbranded alternatives, will generalize to a different cultural context, in particular the Chilean market, is important. In addition, this paper extends prior research by further testing the generalizability of these effects in more realistic market scenarios that include brand alternatives. In the absence of brands, these effects generalize to the Chilean market; however, the inclusion of brands moderates these effects such that the results show no evidence of the attraction or superiority effects when the entrant's brand is more familiar than competitors' brands. The explanation for this observation is that consumers prefer more familiar brand alternatives even when these options are inferior with regard to product attribute trade-offs.

1. Introduction

The vast majority of consumer behavior research originates in developed countries. To inform strategic marketing decisions, researchers and managers need to understand when consumer behavior in other countries generalizes to different cultural contexts, in this case the Chilean market. One area in consumer research that marketers express a good deal of interest in is how the addition of products changes relative positions and the alignment of choice shares of existing products (e.g., Huber & Puto, 1983; Pan & Lehmann, 1993; Simonson, 1989; Simonson & Tversky, 1992). The attraction effect is a well-established finding that demonstrates that the addition of a product alternative with inferior attribute trade-offs (dominated) to a choice set can increase the choice probability (attractiveness) of an existing alternative when that alternative is dominant with respect to the attribute trade-offs (e.g., Huber, Payne, & Puto, 1982; Huber & Puto, 1983; Sen, 1998). Additionally, consumers are more likely to prefer product options that are superior with respect to product attribute trade-offs, that is, the superiority effect (Simonson & Tversky, 1992).

While these effects are robust (e.g., Dhar & Simonson, 2003; Heath & Chatterjee, 1995; Huber & Puto, 1983; Huber et al., 1982; Simonson, 1989; Simonson & Tversky, 1992), several studies identify factors that moderate them. Many moderators reflect more realistic scenarios that consumers face in the marketplace, such as time pressure (Dhar, Nowlis, & Sherman, 2000), product category knowledge, stimulus meaningfulness (Mishra, Umesh, & Stem, 1993; Ratneshwar, Shocker, & Stewart, 1987), attribute importance (Malaviya and Sivakumar, 1998), involvement in the task, perceived decoy popularity (Mishra et al., 1993; Simonson, 1989), similarity among alternatives (Huber & Puto, 1983), and the option to defer choice (Dhar & Simonson, 2003).

Although these studies heed the call for more realism, by better reflecting the marketplace and how "consumers typically operate in (real life)" (Houghton, Kardes, Mathieu, & Simonson, 1999, p. 108), ironically, a closer examination of the choice alternatives shows that researchers denote these product options with letters (i.e., Option A, Option B, etc.) rather than by real brand names that consumers would confront in the marketplace (Ha, Park, & Ahn, 2009; Houghton et al., 1999; Huber & Puto, 1983; Huber et al., 1982). Other researchers note this important omission (Lehmann & Pan, 1994) and they agree that if the purpose of a study is to disentangle brand effects from other contextual cues, such as product category effects, the use of fictitious or disguised brands is appropriate. However, to the extent that brand name is likely to be a diagnostic cue, one can argue that brand name should be a consideration in the experimental design (Broniarczyk & Alba, 1994), as otherwise omitting brands is problematic and a threat to the external validity of a research stream (Klink & Smith, 2001). The inclusion of brand names is not just another variable that, if present, can moderate the attraction and superiority effects; brand names are always present in the marketplace and thus, constitute a critical reality.

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In situations where brand names are absent, a comparison of product attribute levels among alternatives should drive consumer choice. In today's marketplace, however, consumers typically can choose from a variety of increasingly similar product offerings. What often differentiates product offerings is the brand. Brands vary with respect to a myriad of dimensions such as familiarity, liking, and image. In addition, brands provide value that goes beyond product attributes. When consumers choose among competing brands, they often look for cues to reduce their risk and researchers find brand name to be a universal signal of quality and risk reduction that is invariant across cultures (Dawar & Parker, 1994). Further, brands play an important role and in some cases are the major determinants of choice (e.g., Bristow, Schneider, & Schuler, 2002; Erdem, Swait, & Valenzuela, 2006; Heilman, Bowman, & Wright, 2000; Hoyer & Brown, 1990). Therefore, the objective of this research is to explicate situations where the attraction and superiority effects occur in more realistic settings that include brand alternatives. In particular, this research examines whether the attraction and superiority effects when brands are absent generalize to Chilean consumers and further tests these effects considering real brands.

To understand the impact of brands, this study varies the level of relative brand familiarity among alternatives in a choice set. Relative brand familiarity refers to a consumer's assessment of familiarity with the product entrant brand relative to his or her familiarity with competitor brands in a choice set. This research investigates brand familiarity as a starting point for several important reasons. First, the value that a brand represents to consumers depends both on their familiarity with the brand and on the favorability, strength and uniqueness of brand associations (Keller, 1993). However, when consumers are unfamiliar with a brand they are unlikely to have many, if any, brand associations.

Second, research provides compelling evidence that brand familiarity is a powerful risk reducing cue that influences consumer preferences among competitor brands (Heilman et al., 2000; Hoyer & Brown, 1990). Third, brand credibility and consideration are dependent on familiarity (Erdem & Swait, 2004). Finally, pairing a brand with more or less familiar competitors in a product assortment moderates a brand's attractiveness (Chernev, 2006). Therefore, as a first step in examining brands as moderators of the attraction and superiority effects, this study includes product entrant brands that consumers perceive to be relatively more or less familiar than the competitor brands in a choice set. This paper concludes by addressing the implications of the findings as they relate to the boundaries and ecological validity of earlier studies.

2. Theoretical development and hypotheses

A principle researchers suggest underlies the attraction and superiority effects is called trade-off contrast (Simonson & Tversky, 1992). When consumers make trade-offs between attributes, products appear more attractive when the trade-offs are superior to other choice options (Simonson & Tversky, 1992). Therefore, when an alternative with inferior attribute trade-offs enters (decoy), in a position closer to a dominant alternative (target), the decoy increases perceptions of the attractiveness of the target alternative relative to the other existing options that are farther from the entrant (competitors). In this situation, the choice shares for the alternative that is closer to an inferior entrant (target) increase because some consumers switch from the existing competitors to the target. Researchers refer to this finding as the attraction effect (Huber & Puto, 1983; Huber et al., 1982). An important issue to recognize is that researchers find these results when brand names are absent from the product alternatives and, therefore, a comparison of product attribute levels among alternatives in a choice set most likely drives choices. Further, when brands are absent, studies show that the attraction effect is most evident when an inferior entrant is very weak (highly inferior with respect to attribute trade-offs) and does not obtain significant choice share. However, when an inferior entrant is strong enough to attract significant share, the entrant diminishes the attraction effect because the entrant is likely to gain share from the alternative that is most similar (substitution effect) (Huber & Puto, 1983).

The question arises as to whether the inclusion of brands that may provide extrinsic information will affect consumers' reliance on attribute trade-offs to guide their choices. Previous findings demonstrate that brands and their familiarity strongly influence consumers' preferences. More specifically, research indicates that brand familiarity and other brand associations are extremely powerful risk-reducing cues that consumers use to form inferences about product performance, to determine value, and to make choices (e.g., Erdem & Swait, 1998, 2004; Milberg, Sinn, & Goodstein, 2010; Smith & Park, 1992). For example, a dominant choice strategy for inexperienced buyers in a product category is to choose the most familiar brand (Heilman et al., 2000; Hoyer & Brown, 1990). Therefore, as familiar brands reduce risk and consumers value them beyond product attributes, a relatively more familiar (well-liked) brand entrant with inferior attribute trade-offs should strengthen the entrant's appeal. If the brand familiarity of an inferior entrant increases attractiveness then the entrant is likely to gain significant choice share, which in turn will weaken any attraction effect (Huber & Puto, 1983).

On the other hand, a relatively less familiar brand entrant with inferior attribute trade-offs is less likely to reduce risk and attract significant share (limited substitution effect). Thus, the dominant competitive alternative (target) should appear more attractive and gain share at the expense of the other existing competitor brands (attraction effect). This finding leads to the following hypotheses:

H1a. Choice shares (CS) of a no brand alternative (target) increase when that alternative's attribute trade-offs dominate an entrant (decoy) in a choice set (replication of the attraction effect).

H1b. Choice shares of a brand alternative (target) increase when that alternative's attribute trade-offs dominate a relatively less familiar brand entrant (decoy) in a choice set (relatively less familiar brand condition).

H1c. Choice shares of a brand alternative (target) do *not* increase when that alternative's attribute trade-offs dominate a relatively more familiar brand entrant (decoy) in a choice set (relatively more familiar brand condition).

Consumers' preferences for alternatives with superior attribute trade-offs (superiority effect) are related phenomena. In situations where alternatives lack brand names it is logical for consumers to prefer alternatives with superior attribute trade-offs (Simonson & Tversky, 1992). However, a brand's familiarity relative to other brands in a product category strongly influences consumers' decisions to purchase products (Heilman et al., 2000; Hoyer & Brown, 1990; Milberg et al., 2010; Sinn, Milberg, Epstein, & Goodstein, 2007). For example, Heilman et al. (2000) find that consumers new to a market tend to choose well-known, national brands rather than lesser-known national or store brands because consumers' familiarity with a brand name reduces perceived risk. Thus, when consumers face real brands, a brand's familiarity and associations provide additional cues to reduce risk (e.g., Erdem et al., 2006; Keller, 1993; Miyazaki, Grewal, & Goodstein, 2005). Consumers perceive a brand entrant with inferior attribute trade-offs to be less risky when the brand is more familiar than competitor brands.

Additionally, a more familiar brand may also evoke important associations that the consumer values, such as after-sales service and status (Erdem & Swait, 1998, 2004; Erdem et al., 2006). In fact, consumers' willingness to pay more for a brand with similar or equivalent product attribute levels could be a reflection of differences in brand equities, due, in part, to brand associations and familiarity among the choice alternatives (Keller, 1993). Further, consistent with diagnosticity theory, the inclusion of a brand cue, such as brand familiarity, should decrease the predictive validity of any single cue or information (Miyazaki et al., 2005; Purohit & Srivastava, 2001). If this is the case, one would expect that the addition of the brand name familiarity cue will reduce consumers' reliance on