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The Costco Effect: Do Consumers Buy Less Variety at Bigger Stores?

Do consumers make the same choices when products such as beer, soft drinks, or candy bars are sold individually or in bundles? According to a new study in the [Journal of Consumer Research](#), consumers purchase a greater variety of products when they are packaged individually rather than bundled together.



“When consumers choose multiple products, they are influenced by the mere mechanics of choosing, regardless of their product preference. Consumers are more likely to seek variety when choosing from single rather than bundled products,” write authors Mauricio Mittelman (Universidad Torcuato Di Tella), Eduardo B. Andrade (Brazilian School of Public and Business Administration, Fundação Getúlio Vargas), Amitava Chattopadhyay (INSEAD, Singapore), and C. Miguel Brendl (Kellogg School of Management, Northwestern University).

In their experiments, the authors asked consumers to choose multiple items, either individually or from pre-arranged bundles. In one study, consumers selected two soft drinks (either Coke or Sprite). One group made two separate selections (first choosing one can and then the other) while another group chose from four bundled packages (Coke/Sprite, Sprite/Coke, Coke/Coke, Sprite/Sprite), making only one choice.

Results revealed that consumers seek variety more often when choosing items individually rather than from bundles. In the soft drink experiment, consumers who selected one can of soda followed by another were *twice* as likely to seek variety as those who simply chose from a bundled selection. Additionally, the authors found that these participants sought variety even when they admitted preferring one brand of soda more than the other brand.

These findings offer insight for large retailers such as Costco and Sam’s Club as well as smaller companies trying to sell new products in smaller retail outlets. “By reducing variety, bundling can increase sales regardless of pricing since it induces consumers to buy larger quantities of the same item. Meanwhile, new competitors should find it easier to gain a foothold in smaller retail outlets. Consumers who shop at smaller stores are more likely to buy different products than consumers shopping in larger stores with bundled product offerings,” the authors conclude.

Mauricio Mittelman, Eduardo B. Andrade, Amitava Chattopadhyay, and C. Miguel Brendl. “The Offer Framing Effect: Choosing Single Versus Bundled Offerings Affects Variety Seeking.” *Journal of Consumer Research*: December 2014. For more information, contact Mauricio Mittelman (mmittelman@utdt.edu) or visit <http://ejcr.org/>.

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