Consumers Undervalue Multi-Option Alternatives in Two-Stage Choice

ABSTRACT:

Initial decisions lead to subsequent decisions. Dominated options in such downstream choices ought to be ignorable in the initial choice for even minimally forward-looking people. Across ten experiments in two domains (consumer goods and risky gambles), we find that adding a less-valuable option (i.e., a less-preferred consumer good or a dominated gamble) decreases the choice share of an otherwise attractive alternative. This difference is moderated by the value difference between the more- and less-valuable options. Mouse-tracking reveals that participants who attend more to the dominated option are less likely to choose the multi-option alternative. This work contributes to our understanding of multi-stage decision-making and how decision makers assess the overall value of choices.