

Gabriele Paolacci

PhD student in Business Management

Advanced School of Economics and Dept. of Business Economics and Management

Ca' Foscari University of Venice

Cannaregio 873, 30121 Venice, Italy

Phone number: +390412348759

E-mail: paolacci@unive.it

There's a new pillow on the marketer's mattress.

A practice-oriented reflection upon inherent preferences

Abstract

A theory of preferences was recently proposed such that consumers' choices, or revealed preferences, depend on both stable "inherent" likings and sensitivity to framing, task, and context effects (Simonson 2008). The present paper rearranges this approach in order to highlight its managerial implications. According to the resulting framework, it is suggested that marketers should accomplish three tasks: discovering inherent preferences, discovering preference responsiveness to constructive influences, and choosing the strategies that maximize revealed preferences in terms of their "inherent" and "constructive" components.

Keywords: *preferences, consumer decision-making, decision theory.*

1 Introduction

The concept of preference is indeed central in economics and connected fields. Nevertheless, only in the last decades preferences received critical attention. As a matter of fact, much of microeconomic theory stems from a set of assumptions regarding the nature of individual preferences: people are conceived as rational decision makers, who choose between options by retrieving immanent preferences for such options from memory. Notwithstanding the importance of preferences in classic theories about consumption, economists were almost tacit about their origin and essence. Preference was arguably placed as the first brick of the economic building, and the issue of its solidity was conveniently avoided for a long time. Indeed, Vilfredo Pareto himself wrote in an 1897

letter about the “great interest [for economists] in relying as little as possible on the domain of psychology”. However, the reported oversimplification of the process of choice has been strongly challenged by researchers in behavioral decision theory. Since the seventies work of Tversky and Kahneman, great effort has been spent to provide economic decision-making with more grounded psychological bases. A number of cognitive heuristics and biases in individuals’ judgments and choices were documented, showing that individual behavior strongly differs from the postulated rationality. In particular, researchers accumulated evidence that choices substantially depend on frames, tasks, and contexts; that is, preferences and decision processes are contingent on the features and the representations of the problem. As a result, preference ceased to be unanimously conceived as a thick brick, and became itself more and more interpreted as a “constructed” architecture: individuals were increasingly believed to build preferences at the time and in the place of choices, rather than assumed to retrieve them from memory.

Marketing practitioners have sometimes implicitly embraced a “rational” approach to preferences, for instance when eliciting preferences and designing products accordingly. On the other hand, the acknowledgement of context-dependence has spawned a number of relevant managerial implications: many marketing categories of decision, such as positioning, pricing, merchandising, and advertising, are intimately related to the processes through which people form judgments about brands and products. Therefore, findings in behavioral decision research have provided several suggestions for marketing practice. Marketers have arguably learnt also “by doing” to conceive and treat consumers’ preferences as constructive. Perhaps naively, they do know that the evaluations of a product depend on what consumers use as basis for comparison, e.g. alternatives in the store. Wine producers indeed strategize over perceived quality-price ratios of bottles of wine, by selling them in a specialty stores rather than in supermarkets.

One of the most authoritative behavioral decision researchers, Itamar Simonson (2008), recently took issue with the constructive view of preferences, starting his argument from a personal experience: having always slept without a pillow, he decided impulsively to try one. After a few nights, he was converted. Simonson explains this change by means of a latent preference for sleeping with a pillow, that was not uncovered until he tested it properly. The revelation of an unknown preference suggested him people have “inherent preferences”: stable dispositions to like or dislike object components (including still unfamiliar or nonexisting objects), which are not determined nor affected

by frames, tasks, or contexts. Thus, Simonson proposes that “inherent” preferences exist before the preference objects are considered, and are logically antecedent to the “constructive” forces that influence the consumer on the spot.

This position cannot be brought back to the “economic” view of choice, nor can it be encompassed by the “constructive” approach. More importantly, it can bear significant insights into marketing management. Consistently with Simonson’s approach, preferences that are “revealed” through choice should be conceived as a result of both “inherent” and “constructive” components. Thus, managers who strive for knowledge regarding the underlying drivers of consumers’ behavior in the marketplace should deal with both the components in a systematic manner. The present reflection extends the “pillow paper” by stressing the managerial relevance of its proposal, and by discussing its implications for marketers. If the goal for a firm is to make the consumer choose its products and not the competitors’, then products must be marketed such that “revealed preferences” are maximized. Accordingly, it is proposed that marketers should engage in three sets of activities: (a) discovering inherent preferences, (b) discovering preference constructibility, and (c) choosing the strategies that maximize revealed preferences.

The paper is organized as follows. Section 2 provides an account of the ongoing dialogue on the nature of preferences. Section 3 rearranges Simonson’s approach in a manner that appears both reasonable and applicable for practitioners. Section 4 broadly discusses the implications for marketers. Section 5 concludes.

2 Different approaches to preferences and choice

2.1 Preferences in rational choice theory

Social sciences, and especially economics, have the concept of preference at their heart. People choose ice-creams, political candidates, and dates according to their preferences. Thus, the problem of understanding what preferences are, and how consumers and individuals form them, is pressing. Mainstream economics assumes that individuals are *rational decision makers*: when facing a choice between some options, the individual retrieves from memory his level of preference for every option, and chooses the option with the highest level of preference. In the economic jargon, choices

are “revealed preferences”. As economics’ interest is naturally devoted to real world choices, tying preferences to choices has arguably reduced, if ever existed, any interest for the nature of the formers. A cornerstone in economic methodology is that theories should be judged by the accuracy of their predictions, not of their assumptions (Friedman 1953); indeed, relying on a set of assumptions, rather than on a fuzzy concept to be developed, allowed economic theory to grow faster. The tools required by economic analysis needed rigid axioms more than psychological depth as building blocks. For the sake of generality and tractability, preferences could not be assumed to be but well-defined, immanent, and not dependent on the setting in which they are revealed, i.e. in which choices are made. This retrospective view is supported by some evidence that early economists were indeed aware of many psychological facts (Bruni and Sugden 2007). Once preferences were assumed to be stable and to reveal themselves through choices, the mutual relation between the two constructs was conveniently left unquestioned; accordingly, when the economic man faces a bunch of alternatives, he symbolically retrieves his master list of preferences and reveals his preferences by selecting the option that maximizes his own utility¹.

Besides explicitly founding economic theory, this approach is also subtly present in the marketing discipline. One of the most common framework for marketers to predict consumers’ attitudes is the expectancy-value theory (Fishbein and Ajzen 1975). This model allows new information to change existing beliefs of consumers about products, but each option’s utility is still independent from the others’. Put differently, though consumers can revise their masterlist of preferences, they still act as the choice setting does not influence the final revelation of preferences. Standard methods like conjoint analysis (Green and Srinivasan 1978) traditionally neglected any role for the choice setting in shaping preferences. Finally, marketers generally rely on the implicit assumption that preferences elicited in market research correspond to what will be revealed through choice. Though the importance of elements such as the choice set is acknowledged, as will be shown, also marketing practice often treats preferences as *existing* and *well-established* rather than constructed and malleable.

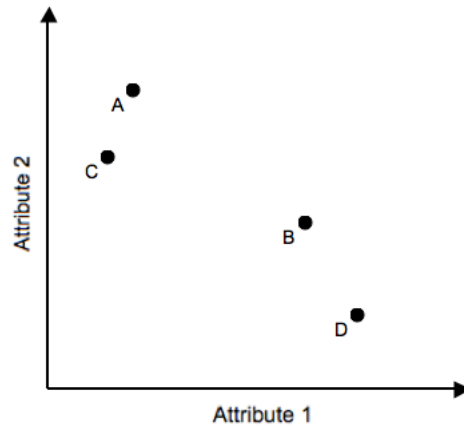
¹According to rational choice theory, decision makers are also assumed to have enough processing ability to calculate their utility for every option. It is beyond the scope of this paper to discuss this further assumption.

2.2 The constructive approach to preferences

In 1971, Lichtenstein and Slovic documented *preference reversals*: there exist situations in which, under one circumstance, A is preferred to B, whereas under another, seemingly equivalent, B is preferred to A (Lichtenstein and Slovic 2006). From that moment on, behavioral decision research devoted strong effort to report situations which do not conform to the normative predictions that are implied by rational choice theory. There is now large evidence that preferences are not immanent and stable, but they are influenced by the description of the options (*framing*), the method of preference elicitation (*task*), and the composition of the set of alternatives (*context*). Inconsistencies of behaviors are robust across settings and usage situations, and are not explainable by variety-seeking.

In a frequently cited study, Levin and Gaeth (1988) framed ground beef as either 25% fat or 75% lean. Participants rated the taste of the beef significantly higher in the positive-“lean” condition than in the negative-“fat” condition, both with framing preceding the tasting and vice versa. Therefore, the *description of the options* has a strong influence on the elicited preferences, and in turn on choices (Kahneman and Tversky 2000). Nowlis and Simonson (1997) showed that a high quality, high price brand is significantly more likely to be chosen when it is presented alone rather than next to lower-quality, lower-price brands. This happens because different *elicitation tasks*, such as joint or separate evaluations, may lead to different choices (Hsee 1996). Researchers have also spent considerable effort to show predictable changes in consumer preferences between two options when the *overall set of alternatives* is changing, e.g. when a third “decoy” option is added (Pettibone and Wedell 2000): for instance, the introduction of an asymmetric dominated option to an existing choice set has been showed to increase the relative preference for the dominating over the non-dominating option (Huber et al. 1982). In Figure 1, option C is dominated by A, but not by B. The introduction of C to the existing set of two options A and B increases the relative preference (and in turn the choice probability) of the asymmetrically dominating alternative A with respect to B. Also nondominated alternatives that are relatively inferior compared to one of the two alternatives in the core set have the same effect (Huber and Puto 1983). In Figure 1, adding the alternative D to the choice set formed by A and B increases the relative attraction for B, which has a clear advantage with respect to D. The report of violations of the rational choice paradigm

Figure 1: Asymmetric Dominance and Asymmetric Advantage effects



has spanned several domains, and preferences have been shown to be contingent on the features of the problem rather than stable and existing in memory. The large evidence on the malleable nature of preferences induced behavioral decision researchers to call them “constructive” (Bettman et al. 1998): according to this view, preferences depend on the framing of the options, on the eliciting task, and on the context, such that decision approaches are developed on the fly, and choices are thereby potentially inconsistent across settings. This position is also echoed by research in social psychology that looks at attitude formation (Schwarz and Bohner 2001, Schwarz 2007).

Behavioral decision research spawned a number of implications for marketing managers. For instance, research on the “compromise effect” (Simonson 1989) suggested that brands can sometimes benefit from being positioned between two alternatives. The reported “asymmetric dominance effect” (Huber et al. 1982) implies that a brand could benefit from the presence of a clearly inferior brand in the marketplace. Studies on framing effects advised marketers to employ negatively framed ad messages when the involvement of the audience is likely to be high, and positively framed messages when the audience is less interested in the ad content (Maheswaran and Meyers-Levy 1990). Practitioners have not ignored this findings: for instance, products that are relatively superior on comparable dimensions (e.g. private labels, which have a lower price) are often strategically placed next to the relatively inferior options. However, the constructive nature of preferences also posits a problem for market research: how to predict preferences, if these depend on a large number of transient factors? The logical solution is “matching” (Bettman et al. 1998): preferences should be assessed using frames, tasks, and contexts for the options that are most similar to those

that buyers actually will face in the marketplace (Nowlis and Simonson 1997). However, if choice environments differ across space and time, such operation is highly difficult. A strict “constructive” view entails that marketers should give up the idea of understanding the consumer’s preferences, because a product that is designed accordingly would be inherently ineffective against the influence of constructive factors.

In general, the managerial approach to preferences seems to be more akin to the “rational” view of preferences for certain aspects, and to the “constructive” view for others. Thus, the problem of “integration” is important both for theory and practice. Marketers would benefit from a framework that gives logical consistence to actions that assume different natures for the consumer’s preference. This paper argues that Simonson’s recent approach, based on the concept of “inherent” preferences, may represent an ideal reference for such needs.

2.3 A possible path of integration

The problem of the legitimacy of the “rational” and the “constructive” approaches to preferences is essential for consumer theory. Behavioral decision literature has stressed the “non rational” aspects of preferences, but rarely attempted to reconcile the new psychological evidence with the classic economic view of decision making. Moreover, strictly speaking also behavioral decision researchers have not investigated the contents of preferences: by focusing on their “rational” label, and repeatedly showing the violation of the rationality axioms, they may have slowly and illegitimately inferred the fallacy of the “preference existence” assumption (Dhar and Novemsky 2008). The issue of “what is in a preference” is instead far from solved, and the recent debate on the *Journal of Consumer Psychology* (2008) will probably act as a firestarter for attempts to synthesize the two competing views. However, as long as both the “rational” and the “constructive” approaches have spawned several implications for marketing management, the issue of their legitimacy is relevant also for practice. In particular, marketers would benefit from a unique theory which is able to temperate the two views, and in turn validate their past and future managerial implications. Simonson’s “pillow paper” (2008) proposes a simple idea which could serve as guide for preference-related issues in marketing management. Simonson argues that people do have dispositions to like things they have or have not yet experienced. Such “inherent preferences” are

relatively stable, and by definition they are not sensitive to framing, task, or context effects. In turn, these latter forces play a role in constructing consumers' final choices, or "revealed preferences". This approach cannot be brought back to the "economic" view of preferences: before they are discovered, inherent preferences are not stored in memory, and Simonson still acknowledges the role of constructive factors in shaping final consumption choices. On the other hand, as constructive factors do not affect them, "inherent" preferences cannot be interpreted as "stable constructed preferences". The next section summarizes and rearranges Simonson's proposal in order to highlight its potential to serve the marketer's need for a unified, consistent set of guidelines on the consumer's preferences.

3 Inherent, constructed, revealed preferences

3.1 Preference malleability

"For 55 years I slept without a pillow, even in the face of (sometimes) rough hotel mattresses. While at a store a few weeks ago, I decided impulsively to conduct an experiment and give pillows a chance. [...] Then, perhaps influenced by sunk cost, I tested that pillow more thoroughly than any other pillow I had ever tried. After three nights of experimentation, I was sold — (soft) pillows are wonderful and greatly improve the significant portion of my day spent in bed."

The previous quote is the starting anecdotal argument in the case for "inherent preferences" made by Simonson (2008). The author proposes that people have inherent preferences for (or dispositions to like) things they have or have not yet experienced. Simonson's preference for a pillow can be seen as reflecting an inherent preference, because the disposition to like sleeping with a pillow had (arguably) existed before becoming active. Therefore, inherent preferences are stable preference components or dispositions that are not determined by frames, tasks, or contexts. Inherent preferences may be undiscovered, because of the unavailability of options that offer or communicate the preference objects (e.g. an ice-cream taste that still does not exist), or because of improper tests of the preference objects (e.g. a superficial test of a pillow). Moreover, because preference relationships always reveal themselves within certain frames, tasks, and contexts, these transient factors might be an impediment for some inherent preferences to be uncovered. For instance, the

Figure 2: Revealed preference



constant presence of an option in the choice set that benefits A might prevent a “true” preference for B from being uncovered. Construction forces can have a critical influence on the final revelation of preferences, as largely documented in behavioral decision literature. This point seems particularly important for marketing management, and will be extensively discussed later in the paper.

Simonson’s proposal is capable of a partial reconciliation of the concepts of preference in rational choice theory and in behavioral decision theory. Every preference revealed through choice, according to Simonson’s approach, can be located in the continuum from a “purely inherent” preference, which does not depend on framing, task, and context, to a “purely constructed” preference, which is developed on the fly in presence of a specific combination of the constructive factors (Figure 2). A “purely inherent” revealed preference is arguably similar to a preference in rational choice theory: the consumer just acts as if he is retrieving it from the memory and choosing accordingly. A “purely constructed” preference, on the other hand, entails that the choice does not depend on any underlying disposition of the consumer, but originates completely from the relative assessments made in the choice setting. On the left side of the line in Figure 2, the weight of the “inherent” component is greater, and preference relationships tend to consistent across frames, tasks, and contexts. On the right side of the line, the relative weight of the “constructive” component is bigger, resulting in less stable preferences, and higher likelihood of reversals.

To see the argument applied, consider Martha and Rick, who are hanging out at a friend’s place and are being offered an ice-cream. They can choose between a chocolate ice-cream and a lemon ice-cream, and both Martha and Rick choose the chocolate ice-cream with equal conviction and post-choice satisfaction. That is, they reveal a similar preference for chocolate ice-cream over lemon ice-cream. After one week, the same friend offers them to choose between a chocolate ice-cream, a lemon ice-cream, and a strawberry ice-cream. This time, Martha chooses the chocolate ice-cream, while Rick chooses the lemon ice-cream. Therefore, assuming no variance-seeking behaviors, whereas Martha displayed a stable preference for chocolate ice-cream over lemon ice-cream, the presence of the strawberry ice-cream in the choice set reversed Rick’s previously revealed prefer-

ence.

In this stylized scenario, the weight of the “inherent” component in the revealed preference for chocolate ice-cream over lemon ice-cream is probably higher in Martha than it is in Rick. Vice versa, Rick’s preference looks highly susceptible to context effects, because the introduction of a third option was able to reverse his previously revealed preference. This means that the same act of revealing a preference had different underlying antecedents. In Figure 2, Martha’s preference relationship between chocolate ice-cream and lemon ice-cream would be placed on the left with respect to Rick’s, in that it has been proven to be less context-dependent.

Consider again Martha and Rick, who are now looking over the web to find a DVD player to give their friend as a birthday present. They first visit the websites of player A and player B, the two most popular devices, and after a thorough analysis of the respective features they agree with no discussion that player A is better than player B. Later that day, they end up on a website that provides an explicit comparison of the two players’ features. Now Martha prefers B over A, while Rick is still determined to buy A. In this scenario, Martha’s preference looks susceptible to task effects, as she preferred A over B evaluating them independently, while she preferred B over A evaluating them jointly. This implies that the weight of the constructive component in the preferences she reveals is greater than Rick’s, and thus her preference would be placed at the right of Rick’s in Figure 2.

There are considerable exceptions to this general rule for placing revealed preferences in the continuum between “purely inherent” and “purely constructed”. Although it is reasonable to postulate a high invariance of inherent preferences over time, these also may evolve based on factors such as changes in lifestyle, priorities, and new information (Simonson 2008). Martha may come to prefer lemon ice-cream to chocolate ice-cream with no contextual influence, for instance because she perceives the former as more compatible with her increasing health-consciousness. On the other hand, stability in revealed preferences can be achieved notwithstanding a big weight of the constructive component: choices can keep on happening in settings such that one option is always preferred to the other. For instance, the diffusion of websites that provide explicit comparisons of electronic equipment may favor brands with relatively good alignable features (Nowlis and Simonson 1997); this could in turn decrease the likelihood of preference reversals despite the instability in preferences like Rick’s.

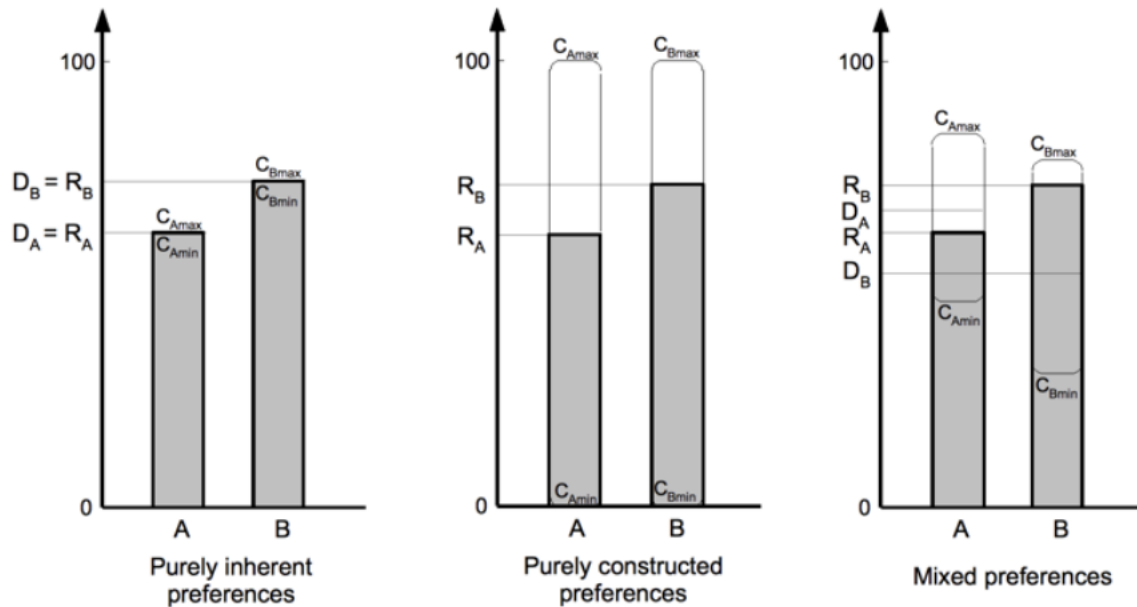
3.2 The shape of preferences

As will be explained, managers should carefully assess the broad spectrum of candidate dynamics that underlie revealed preferences, i.e. actual choices. In order to do this, a link must be provided between the concept of preference as a relationship involving two objects, and the inner determinants of such relationship at the object-level. As well as from the comparison of the objects, revealed preference relationships stem from the interaction between each object and the specific frames, tasks, and contexts. The previously cited behavioral decision literature broadly assessed how certain characteristics of the setting, e.g. the choice context, determine a shift in preference relationships. From the managerial perspective, it is helpful to place these results in a framework that refers to the single objects; that means, to shift the attention from preference as a relationship to the single options' levels of preference, or likings, that in turn determine the relationships. The disposition to like a certain product may have a high or a low degree of malleability, which expresses how much the liking might be influenced by frames, tasks, or contexts. Such degree of malleability is the antecedent, at the single option's level, of the relative weight of the "constructive" component in revealed preferences, and it is fundamental in the determination of the consumer's final choices. Figure 3 shows how a high sensitivity to framing, task, and context effects can dramatically affect the choice implications of the lone "inherent" preferences; moreover, it shows how different configurations of "inherent" and "constructive" components may underlie the same revealed preferences. Consider options A and B, whose levels of preference can vary from 0 to 100.

- D_A and D_B represent the consumer's dispositions to like A and B;
- $[C_{Amin}, C_{Amax}]$ and $[C_{Bmin}, C_{Bmax}]$ represent the ranges in which D_A and D_B can be pulled by constructive influences, and they are marked as slightly rounded rectangles;
- R_A and R_B represent the consumer's "final" preference levels for A and B.

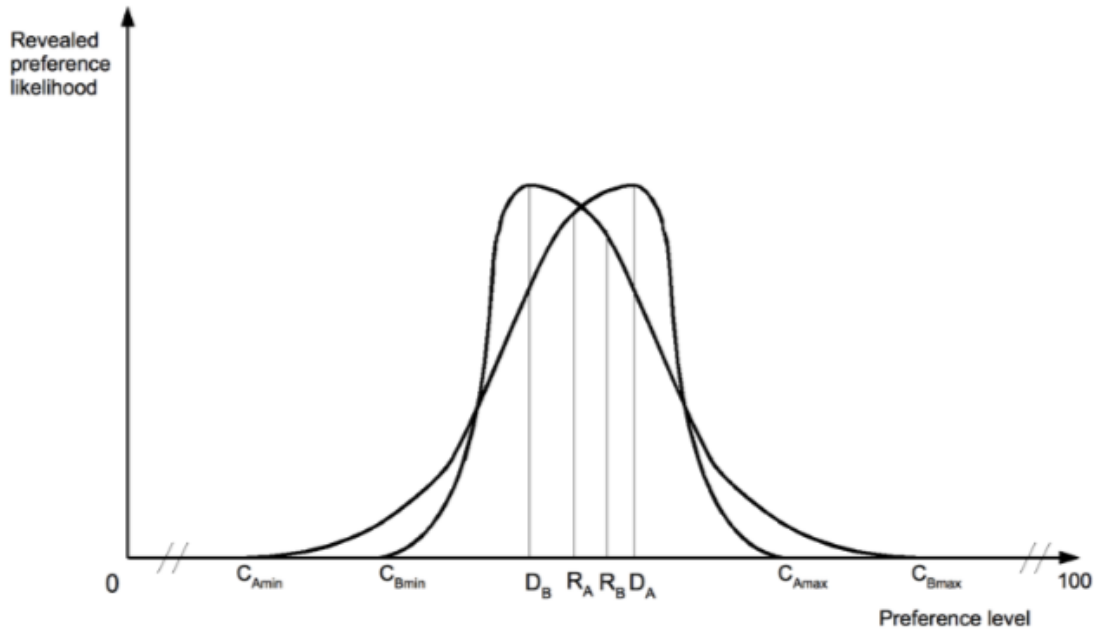
Choice is determined by the relationship between R_A and R_B , such that the consumer will choose the option with the highest final preference level among A and B. In the three represented situations, $R_B > R_A$, and B is therefore the option chosen by the consumer; However, the preference configurations underlying the same choice are different.

Figure 3: Actual Choice and Underlying Preferences



In the left setting in Figure 3, both the intervals $[C_{Amin}, C_{Amax}]$ and $[C_{Bmin}, C_{Bmax}]$ are null, such that there are no rounded rectangles; that means, $C_{Amin} = C_{Amax} = D_A$ and $C_{Bmin} = C_{Bmax} = D_B$. This corresponds to the case in which revealed preferences are “purely inherent”, such that $D_A = R_A$ and $D_B = R_B$. Constructive factors do not play any role in the determination of the final preference levels, and in turn the consumer will choose B over A within any frame, task, or context. In the middle setting, there are no D_A and D_B ; C_{Amin} and C_{Amax} are respectively 0 and 100, and so are C_{Bmin} and C_{Bmax} . This corresponds to the case in which revealed preferences are “purely constructed”, such that frames, tasks, and contexts completely determine the consumer’s choice between A and B. Such situation may result in high instability of preferences, because R_A and R_B can assume any value from 0 to 100. The consumer is highly likely to prefer A over B within some conditions, and B over A within some other conditions. Dispositions to like are absent and irrelevant in determining final choices, which completely depend on the specific frame, task, and context. The right setting depicts an instance of the most common situation, in which both the “inherent” and the “constructive” component play a role in determining the final choice. The consumer has an inherent preference for option A over option B; however, the options’ sensitivity to the constructive forces provides uncertainty concerning the actual choice of A over B; in fact, in the specific situation presented, something (e.g. a third option in the choice set) makes B more appealing than

Figure 4: Asymmetry in sensitivity to constructive influences



A to the consumer. The relationship between D_A and D_B is contrasted by the constructive forces, whose influence overwhelms the initial inherent preference for A over B. As a result, the consumer chooses B over A, “revealing” a preference relationship which is not consistent with his “true” inherent dispositions.

In some circumstances, the described “range” might be a good predictor or even approximation of the single options’ sensitivity to the constructive factors. However, there may be situations in which an option asymmetrically responds to constructive influences: for instance, A may be harmed from the introduction of a product which is dominated by B more than it may benefit from the introduction of a product which is dominated by itself. More in general, the shape of an option’s sensitivity to constructive factors plays an important role in determining how inherent preferences will be modified before being revealed through choice.

Figure 4 shows a situation whose nature is similar to the one in the right setting in Figure 3, with both the inherent and the constructive preference components determining the final preference levels for the two options. The horizontal axis is the level of the consumer’s preferences for options A and B. The vertical axis is the likelihood that a certain level of preference will be revealed. In this

setting, the consumer's disposition to like A is greater than his disposition's to like B². The final determinations of preferences for the two options A and B can differ to the same measure from the respective dispositions to like, as $C_{Amax} - C_{Amin} = C_{Bmax} - C_{Bmin}$. However, the probability that the shift from the initial dispositions to like to the final preference level is *positive* is higher for B than for A. This follows from the different skewness of the likelihood distributions of revealed preferences for A and B. A's revealed preferences are negatively skewed, that means A is more likely to suffer from the constructive forces than it is to benefit from them; B's revealed preferences are positively skewed, that means B is more likely to benefit than to suffer from framing, task, or context effects. A typical outcome of such configuration of inherent and constructive preferences is the one depicted in the figure, with option B preferred to A, in that $R_B > R_A$: the constructive forces contrasted the inherent preference relationship to the point of reversing it. It is important to note that a statistical assessment of positive and negative response to constructive forces does not substitute an evaluation of the influence of the specific frames, tasks, and contexts in which consumers make their choice. However, there may be preferences that are "inherently more susceptible" to constructive forces. As the generality of the implications presented in the next section shall make clear, the same arguments can be applied to specific settings rather than to the general characteristics of the options.

4 The managerial relevance of the "inherent preferences" approach

4.1 A new light on the big picture

The implications of Simonson's "pillow" paper for marketing research are already outlined in the article itself, and in related commentaries. The value of the proposed framework lies in its effective conceptualization of the coexistence of stable dispositions to like and transient preferences (Payne et al. 1993; for analytical approaches see also Kivetz et al. 2004; Tversky and Simonson 1993). What is more important for the present purpose is a broad assessment of the managerial relevance

²In this example, both D_A and D_B are the most likely final levels of preference. This assumption is reasonable for several settings, and implies that revealed preferences may often gravitate around "true likings", especially when the consumer has already experienced the option and he is less likely to be pulled afar from his inherent preferences. However other situations can be allowed such that inherent preferences are relatively unlikely to be revealed. One of such situations is related to the concept of "dormant" preferences (see Simonson 2008).

of the “inherent preferences” approach, as rearranged in the previous section. According to this framework, the firm’s objective is the maximization of the favorable revealed preferences, i.e. of the choices of their products over competitors’. These originate from two components: inherent and constructed. A given preference ordering has a certain degree of malleability, which is determined by the magnitude of the constructive influence on the underlying dispositions to like (Figure 2): the bigger the constructive component, the higher the preference variability across contexts. On the other hand, different configurations in terms of inherent likings and constructive influence can lead to the same outcome in terms of choice (Figure 3). Moreover, options can respond asymmetrically to constructive influences, such that frames, tasks and contexts can harm a certain option more than they can benefit it. It follows from this analysis that inherent likings, constructive forces, and their interaction are the primary drivers of choice. Therefore, the marketer’s goal is the maximization of the consumer’s final preference level for the product by means of an optimal leverage of its inherent and constructive component.

It must be noted that the inherent and the constructed components of preference have different degree of controllability: inherent preferences are mostly exogenous, as marketers can hardly do something more than evaluating them effectively; on the other hand, there is often large room for influenceability in the constructive component of preferences. It follows that the core of the marketing strategy would be highly dependent on the discovery of the consumer’s inherent preferences; marketers will then try to optimize the consumer’s response to such strategy by means of an active use of the available constructive factors. Such simple rule is able to reconcile theoretically many of the implicit and sometimes contradictory assumptions on preferences entailed by marketing management.

When developing a concept for a new product, or deciding how to position it, firms give big importance to the understanding of the underlying needs and desires of the consumers. The present framework suggests that, at the early stage of the marketing process, managers should in fact try to evaluate the entity of consumers’ inherent preferences; that means, those likings and desires that prescind from any frame, task, and context, and that represent the core preferences the firm should try to comply and interpret through its marketing strategy. Later in the process, many marketing decisions concern the frame and the context in which the product is proposed (e.g. place in the store, promotions); according to the present framework, it follows that the firm is in fact acting in

order to exploit the product's "constructive" potential, trying to increase the likelihood of choice over competitors that is implied by the only basic dispositions to like. Put simply, the goal of the marketer is to identify the product configurations that optimize the consumers' "true" dispositions (given competitive constraints), and market them within frames, tasks, and contexts that maximize the consumer's likelihood to choose the product over its competitors. As shall be clearer, the constructive forces have different degrees of endogeneity with respect to the firm, such that they both place opportunities and constraints to the marketing strategy.

In this sense, Simonson's theory of preferences is useful for marketing managers in that it sheds a new light on the big picture, giving consistency to actions that were sometimes assuming preferences are existing and immanent, and sometimes assuming preferences are created on the spot. However, the application of these general guidelines is not straightforward, for several reasons. First, inherent preferences are still a research issue, and discovering them is far from representing a trivial task for marketers. Second, the inherent and the constructed components of preference are not necessarily independent, because they might interact with each other and/or with outer constraints. For instance, it could be the case that the product configuration that the firm recognizes as optimal can be marketed only in choice contexts that would considerably reduce its final preference level. An ice-cream producer could decide to forgo the launch of a revolutionary chocolate frozen yogurt because the only available channel is partly populated by fat-free brands that would reduce its appeal. Third, the previous discussion showed that many different inherent/constructed preference configurations may underlie the same choice; twisting the argument, firms could achieve the same "revealed" result through different pathways, including strategic exceptions to the "first maximize inherent preferences, then construct at best" two-stage process outlined above. In order to make these points clearer, this section turns into a more thorough analysis of the implications of the "inherent preferences" approach.

4.2 Implications for marketers

Simonson's framework, as rearranged in the present paper, implies three different tasks marketing managers should engage in. Before introducing them, a few premising notes must be made. First, the presentation order of the tasks does not necessarily imply a logical order; tasks and subtasks

can in fact occur at different stages in the marketing process. Second, as the definition of preference entails, consumers like, judge, or choose a certain product with respect to other products; it follows that though the managers will dedicate particular attention to the firm's products, many of the proposed considerations should be declined also to the competitors'. For instance, it is obviously equally important to understand the consumer's dispositions to like the firm's product and the dispositions to like the competitors' products. Finally, being Simonson's framework settled on decision theory literature, it provides selected spotlights rather than a holistic view on the purchase process. There exist important factors that impact on the consumer's choices besides preferences (e.g. information search costs, final users of the products). Thus, the present implications must be considered with caution whenever they address the purchase process as a whole rather than the nature of the underlying preferences. However, the proposed implications are generally compatible with existing principles and procedures in marketing management (e.g. preference segmentation), and therefore they must be interpreted as additional rather than substitutive.

(a) Discovering inherent preferences

Discovering the consumer's inherent preferences arguably represents the most critical task implied by this framework. It is fundamental for the firm to know the consumers' basic dispositions to like: these are likely to be highly stable over time, and have often a major role in determining choices in the marketplace. The identification of inherent preferences spawns fundamental strategic guidelines, e.g. for new product development: marketers should design products as configurations of features that are inherently preferred to most of the other feasible configurations; tying the product to inferior initial likings might imply suboptimal results in terms of revealed preferences. Therefore, the core product strategy should originate from precise assessments of what consumers "truly" like. Unfortunately, discovering inherent preferences is an extremely hard task. Preferences are usually elicited by marketers through certain tasks, using certain frames for the preference objects, and placing the objects in certain choice sets; for instance, respondents to a survey may be asked to rank some product options described with arbitrary terms. This means that marketers usually *reveal* consumers' preferences in some specific setting. But the definition itself of inherent preferences implies that in order to discover them, there must be no constructive influence during the elicitation process. Another problematic issue is that inherent preferences for some product's

components may be “dormant”, that means unknown to the consumer until the experience with a product reveals them. For instance, Simonson’s preference for sleeping with a pillow would have not been discovered without a thorough test of the pillow itself. This suggests the firm should find creative ways to induce people to test properly the objects for which the actual experience required to uncover the consumer’s “dormant” preferences cannot be waived.

Although there is virtually no research on how to elicit inherent preferences, two potentially fruitful methods are advanced besides an actual test of the preference objects. If the firm is interested in understanding the consumer’s inherent preferences for some aesthetic features of a product, using online product configurators might be an effective technique. Product configurators allow the consumer to customize products by changing its components, and are often provided online by companies to customers, e.g. in apparel industry, as self-designing tools to tie the product to the single customer’s requirements and tastes. Deng and Hutchinson (2008) argue that online configurators provide “revealing experiences” that are prior to purchase, “by allowing consumers to explore the design space in search of inherent preferences, experiencing their personal aesthetic reactions to each potential design”. Whenever feasible, product configurators could supplement more traditional techniques in market research such as surveys, focus groups, etc., by offering unique insights about what consumers would inherently prefer. Firms should strive to create tools that allow the consumer to fully explore the range of feasible (and even non feasible) possibilities for a product, and then consider the result as evidence of the consumer’s inherent liking. Because even brainstorming is constrained by existing knowledge, product configurators could be the only efficient substitute for the actual experience of a novel product, and help marketers discover dormant preferences. Creating such tools and frequently asking selected consumers to use it (either online or in the company’s properties) might be a good strategy for eliciting inherent preferences.

More in general, and specifically for inherent preference components which are not aesthetic in nature, another possible elicitation technique is based on the Implicit Association Test (IAT; Greenwald et al. 1998). IAT is a task developed to study the strength of *automatic* associations between concepts (e.g. races) and attributes (e.g. good or bad), which are supposed to reveal *implicit* associations (e.g. racial prejudices). Participants to IAT are given two sets of images representing concepts, and two lists of words: one with positive attributes and the other with negative attributes. The images and words are randomly appearing on a computer screen, and the computer records the

time participants use in order to assign concepts to attributes. When people are asked to associate a concept and an attribute that are not paired in their attitudes (e.g. “black people” and “good”), they use more time to make the link, because they have to overcome an existing attitude (e.g. black people are bad). In this way, one can estimate participants’ implicit attitudes towards the concepts. IAT-based techniques might be useful for firms in order to discover inherent preferences that are normally overcome by constructive influences. Indeed, one of the mistakes that could be done by managers is inferring inherent preferences by looking at currently revealed preferences; in some cases, the same choices may be perpetuated also because of the recurrence of the same context (e.g. the constant favorable presence of a certain option in the choice set), thereby inducing an “illusion of preference stability”, and undue inferences regarding preference inherence. Relying on tools that are more focused on what by definition is free of constructive influences (such as implicit attitudes) might help avoid such mistakes. Such kind of software is already used extensively for research, is free to acquire, and is fully modifiable. Marketers should address concepts that might originate relevant features for the product, and test the implicit attitudes of different segments of consumers towards these concepts. The set of concepts is not constrained in any specific way, and can be stretched to include shapes, famous persons, or places. It must be noted that this methodology could nicely complement product configurators: as respective results are supposed to reflect the same inherent preferences, marketers can try to match the general insights resulting from IATs with the aesthetic features elicited through product configurators.

(b) Discovering preference constructibility

Inherent preferences are likely be assessed in parallel with their constructibility, i.e. with their degree of sensitivity to constructive influences. A low sensitivity to frames, tasks, and contexts entails that these factors cannot alter significantly the preference relationships determined by the consumer’s dispositions to like; a high sensitivity, on the other hand, implies that the inherent preferences between two products, e.g. between the firm’s product and the competitor’s, might be reversed in certain settings. For marketing managers, it is important to achieve early in the marketing process a rough sense of the malleability of the preference relationships in the marketplace: for instance, managers may reasonably infer that though the inherent liking for a certain product configuration is lower than the inherent liking for the competitor’s product, some constructive factors,

being under the firm's control or not, might allow the product to reverse the preference relationship in the marketplace; on the other hand, marketers could be warned about the actual safety of the inherent advantage of the firm's product. In general, this task complements the study of inherent preferences in the goal of determining the scope of the strategic opportunities and threats that the firm's product will face. Managers should try to predict the influence of each combination of frame, task, and context on the consumer's basic dispositions to like.

As well as being inherently costly, the described task is made difficult by the nature of the constructive factors. A distinction must be drawn between preferences' sensitivity to framing, task, and context effects. Put simply, the sensitivity to framing is a feature of single products, i.e. it does not depend on the interaction between products in a choice set. If a single product is highly sensitive to framing effects, its preference level is likely to benefit from a certain frame of the product and being harmed by another one, regardless of the other products in the choice set. Therefore, given a context and a task, a certain preference order results because of the inherent dispositions to like such products, and because of the *single* products' response to a certain framing. Preference reversals across frames might stem from a single product's high responsiveness, or from moderate responsiveness by more than one product. With respect to this constructive factor, in order to understand the range and the shape of the constructible component of the liking for a single product, marketers can observe how likings vary across different frames, and estimate how preferences depend on such conditions. The benefits of testing, e.g. whether it is better to frame the extra-length of a new edition of a book in absolute or in relative number of pages, might be often worth the costs.

The responsiveness to task effects, and especially to context effects, is better conceivable as a property of preference relationships rather than as a feature of the single products, in that it depends on the interactions inside the set of alternatives faced by the consumer at the moment of choice. This introduces more complexity in the problem of predicting how preferences between products depend on different eliciting tasks and contexts; and this complexity is arguably the reason that induce many consumer researchers to advance "context-matching" as the only safe solution to preference prediction (Bettman et al. 1998). It might be hard for a firm to elicit the preferences within all the feasible choice sets, and even harder to estimate the shape of the products' context-dependence according to the frequency of such sets. More in general, the benefit of a thorough

assessment of the sensitivity to these constructive factors might not be worth its cost. A rough potential solution is to estimate the number of the options whose presence would significantly shift in some direction the inherent liking for the product to be developed; this would result in a proxy for the possibility of a strategic use of different tasks and contexts later in the marketing process. Another efficient solution is to test how different product configurations, tied to the consumer's inherent preferences through the previously described methods, are perceived and judged within certain stereotypical contexts; for instance, testing the preference level for a pair of shoes within choice sets that comprise some alternative pairs of shoes but not others. Finally, as well as engaging in systematic assessments of preferences, it is required for marketers that they pay continuous attention to seemingly irrelevant shifts in choices, which might reveal significant patterns in the product's task and context dependence.

(c) Choosing the strategies that maximize revealed preferences

A careful evaluation of the determinants of the revelation of preferences in the marketplace, i.e. of choice, is necessary for an optimal marketing plan. It follows from the previous discussion that there are several generic strategies to achieve a high level in the consumer's final preference for the firm's product. A manager could choose to design a product that maximizes the inherent component of the preference, and then try to market it in the optimal way, e.g. in the most favorable context; but the same result may be achieved by deliberately configuring a product such that the inherent liking is suboptimal, but that would largely and stably benefit from the influence of some constructive factors, e.g. a competing product whose constant presence in the choice set highlights the benefits of the firm's product. In general, the manager may enjoy more or less discretion, according to the results of the analysis of preferences. To configure the product according to certain inherent preferences, managers will rely on the usual "needs-to-attributes" paradigm in new product development; to optimize the influence of the constructive factors (when these are in some way controllable), managers will refer to the robust body of literature on the effects of frames, tasks, and contexts on choice (Lichtenstein and Slovic 2006).

4.3 Further issues

Simonson's approach to preferences provides useful guidelines for management. Besides entailing advices that are "ready to apply", the framework provides a number of secondary implications that should be considered. Managers who decide to strategically use the constructive factors in their marketing strategies should carefully consider the strength and the stability of the resulting revealed preferences (Yoon and Simonson 2008). Favorable preferences that benefit from the context might be weak, and without a strong "true" underlying liking, the context might be decreasingly effective in a repeated choice setting. Second, managers should pay attention to possible evolutions of the inherent and constructive components over time. Simonson's approach does not imply that basic likings and sensitivities to constructive factors are perpetuating to infinity. Moreover, there may be interactions between the two components such that, for instance, a dormant preference that is discovered reduces the preference object's sensitivity to the context. Therefore, managers should consider the concepts of inherent, constructed, and revealed preferences as fluid and dynamic rather than static. Finally, although the present paper applied these concepts to the stylized relationship between the firm's product and the competitors', the same approach is likely to be useful for studying the composition of the firm's product portfolio.

5 Conclusions

Simonson's recent approach to consumer preferences attempted to synthesize the views of rational choice theory and behavioral decision theory. Whether the resulting proposal will stand the test of time or not, the present paper argues that the concept of "inherent preferences" is capable of reconciling some activities in marketing management that implicitly build upon contrasting assumptions on consumer preferences. Choices in the marketplace may result from various combinations and interactions of "stable" likings and "on-the-spot" reactions to different frames, tasks, and contexts. Managers should acquire the capabilities to strategically handle these two different components, in order to maximize the products' likelihood to be chosen by the consumer.

References

- Bettman, J., Luce, M., and Payne, J. (1998). Constructive consumer choice processes. *Journal of Consumer Research*, 25(3):187–217.
- Bruni, L. and Sugden, R. (2007). The road not taken: how psychology was removed from economics, and how it might be brought back. *Economic Journal*, 117(516):146–173.
- Deng, X. and Hutchinson, J. (2008). Aesthetic Self-Design: Just Do It Yourself. *Working Paper*.
- Dhar, R. and Novemsky, N. (2008). Beyond rationality: The content of preferences. *Journal of Consumer Psychology*, 18(3):175–178.
- Fishbein, M. and Ajzen, I. (1975). *Belief, attitude, intention and behavior: An introduction to theory and research*. Addison-Wesley Reading, MA.
- Friedman, M. (1953). *Essays in positive economics*. University of Chicago Press.
- Green, P. and Srinivasan, V. (1978). Conjoint analysis in consumer research: issues and outlook. *Journal of Consumer Research*, 5(2):103–123.
- Greenwald, A., McGhee, D., and Schwartz, J. (1998). Measuring individual differences in implicit cognition: The implicit association test. *Journal of Personality and Social Psychology*, 74(6):1464–1480.
- Hsee, C. (1996). The evaluability hypothesis: An explanation for preference reversals between joint and separate evaluations of alternatives. *Organizational Behavior and Human Decision Processes*, 67(3):247–257.
- Huber, J., Payne, J., and Puto, C. (1982). Adding asymmetrically dominated alternatives: Violations of regularity and the similarity hypothesis. *Journal of Consumer Research*, 9(1):90–98.
- Huber, J. and Puto, C. (1983). Market boundaries and product choice: Illustrating attraction and substitution effects. *Journal of Consumer Research*, pages 31–44.
- Kahneman, D. and Tversky, A. (2000). *Choices, values, and frames*. Cambridge: Cambridge University Press.

- Kivetz, R., Netzer, O., and Srinivasan, V. (2004). Alternative models for capturing the compromise effect. *Journal of Marketing Research*, 41(3):237–257.
- Levin, I. and Gaeth, G. (1988). How consumers are affected by the framing of attribute information before and after consuming the product. *Journal of Consumer Research*, 15:374–378.
- Lichtenstein, S. and Slovic, P. (2006). *The construction of preference*. Cambridge University Press.
- Maheswaran, D. and Meyers-Levy, J. (1990). The influence of message framing and issue involvement. *Journal of Marketing Research*, 27:361–367.
- Nowlis, S. and Simonson, I. (1997). Attribute-task compatibility as a determinant of consumer preference reversals. *Journal of Marketing Research*, 34:205–218.
- Payne, J., Bettman, J., and Johnson, E. (1993). *The Adaptive Decision Maker*. Cambridge: Cambridge University Press.
- Pettibone, J. and Wedell, D. (2000). Examining models of nondominated decoy effects across judgment and choice. *Organizational Behavior and Human Decision Processes*, 81(2):300–328.
- Schwarz, N. (2007). Attitude construction: Evaluation in context. *Social Cognition*, 25(5):638–656.
- Schwarz, N. and Bohner, G. (2001). The construction of attitudes. In Tesser, A. and Schwarz, N., editors, *Blackwell handbook of social psychology: Intraindividual processes*, volume 1, pages 436–457. Oxford, UK: Blackwell.
- Simonson, I. (1989). Choice based on reasons: The case of attraction and compromise effects. *Journal of Consumer Research*, 16(2):158–174.
- Simonson, I. (2008). Will i like a "medium" pillow? another look at constructed and inherent preferences. *Journal of Consumer Psychology*, 18(3):155–169.
- Tversky, A. and Simonson, I. (1993). Context-dependent preferences. *Management Science*, 39(10):1179–1189.

Yoon, S. and Simonson, I. (2008). Choice set configuration as a determinant of preference attribution and strength. *Journal of Consumer Research*, 35(2):324–336.