

CHAPTER

1

The Tyranny of Choice

In the beginning, choice was not a problem. When our earliest ancestor wondered “What’s for dinner?” the answer wasn’t very complicated. It was whatever animal in the neighborhood he could run down, kill, and drag back to the cave.

Today you walk into a cavernous supermarket and gaze out over a sea of different types and cuts of meats that someone else has run down, killed, dressed, and packaged for you.

Your problem is no longer catching it. Your problem is to try to figure out what to buy of the hundreds of different packages staring back at you in the case. Red meat? White meat? The other white meat? Make-believe meat?

But that’s only the beginning. Now you have to figure out what part of the animal you want. Loin? Chops? Ribs? Legs? Rump?

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And what do you bring home for those family members who don't eat meat?

Fishing for Dinner

Catching a fish for that early ancestor was simply a matter of sharpening a stick and hoping to get lucky.

Today it can mean drifting into a Bass Pro Shop or an L.L. Bean or a Cabela's or an Orvis and being dazzled with a mind-boggling array of rods, reels, lures, clothing, boats, you name it.

At Bass Pro's 300,000-square-foot flagship store in Springfield, Missouri, they will give you a haircut and then make you a fishing lure out of the clippings.

Things have come a long way from that pointed stick.

Going to Dinner

Today many people figure it's better to have someone else figure out what's for dinner. But figuring out where to go is no easy decision in a place like New York City.

That's why, in 1979, Nina and Tim Zagat created the first restaurant survey in New York City to help us answer that difficult question of choice.

Today the pocket-size *Zagat Surveys* have become best-sellers, with 100,000 participants rating and reviewing restaurants in more than forty major U.S. and foreign cities.

An Explosion of Choice

What has changed in business over recent decades is the amazing proliferation of product choices in just about every category. It's been estimated that there are 1 million SKUs (standard stocking

units) out there in America. An average supermarket has 40,000 SKUs. Now for the stunner. An average family gets 80 to 85 percent of its needs from 150 SKUs. That means there's a good chance we'll ignore 39,850 items in that store.

Buying a car in the 1950s meant a choice between a model from GM, Ford, Chrysler, or American Motors. Today you have your pick of cars, from GM, Ford, Chrysler, Toyota, Honda, Volkswagen, Fiat, Nissan, Mitsubishi, Renault, Suzuki, Daihatsu, BMW, Mercedes, Hyundai, Daiwa, Mazda, Isuzu, Kia, and Volvo. There were 140 motor vehicle models available in the early 1970s. There are 260 today.

Even in as thin a market as \$175,000 Ferrari-type sports cars there is growing competition. You have Lamborghini, a new Bentley sports car, Aston Martin, and a new Mercedes called the Vision SLR.

And the choice of tires for these cars is even worse. It used to be Goodyear, Firestone, General, and Sears. Today you have the likes of Goodyear, Bridgestone, Cordovan, Michelin, Cooper, Dayton, Firestone, Kelly, Dunlop, Sears, Multi-Mile, Pirelli, General, Armstrong, Sentry, Uniroyal, and twenty-two other brands.

The big difference is that what used to be national markets with local companies competing for business has become a global market with everyone competing for everyone's business everywhere.

Choice in Healthcare

Consider something as basic as healthcare. In the old days you had your doctor, your hospital, Blue Cross and perhaps Aetna/US Healthcare, Medicare, or Medicaid. Now you have to deal with new names like MedPartners, Cigna, Prucare, Columbia, Kaiser, Wellpoint, Quorum, Oxford, Americare, Multiplan, and concepts like Health Maintenance Organizations (HMO), Peer Review Organizations (PRO), Physician Hospital Organizations (PHO), and Preferred Provider Organizations (PPO).

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It's gotten so confusing that magazines like *U.S. News & World Report* have taken to rating hospitals and HMOs so as to make our choice easier.

In New York City, a book titled *How to Find the Best Doctors* fills 1,300 pages with the results of surveys sent to 28,000 doctors, nurses, and hospital administrators.

California is even getting into a healthcare public "report card" arena. It started with several physician groups and health plans publishing "report cards" evaluating the performance of network providers. Then the 2.1-million-member PacifiCare of California published its new "Quality Index" report on its Web site, rating more than 100 physician-based organizations according to clinical outcome measures, as well as member satisfaction, administrative data, and professional/organizational data.

It's gotten so confusing that people aren't worrying about getting sick. They worry more about where you go to get better.

Choice Is Spreading

What we just described is what has happened to the U.S. market, which, of the world's markets, has by far the most choice (because our citizens have the most money and the most marketing people trying to get it from them).

Consider an emerging nation like China. After decades of buying generic food products manufactured by state-owned enterprises, China's consumers now can choose from a growing array of domestic and foreign brand-name products each time they go shopping. According to a recent survey, a national market for brand-name food products has already begun to emerge. Already China has 135 "national" food brands from which to pick. They've got a long way to go but they are on their way to some serious tyranny.

Some markets are far from emerging. Countries like Liberia, Somalia, North Korea, and Tanzania are so poor and chaotic that choice is but a gleam in people's eyes.

The Law of Division

What drives choice is the law of division, which was published in *The Twenty-two Immutable Laws of Marketing*.

Like an amoeba dividing in a petri dish, the marketing arena can be viewed as an ever-expanding sea of categories.

A category starts off as a single entity. Computers, for example. But over time, the category breaks up into other segments. Mainframes, minicomputers, workstations, personal computers, laptops, notebooks, pen computers.

Like the computer, the automobile started off as a single category. Three brands (Chevrolet, Ford, and Plymouth) dominated the market. Then the category divided. Today we have luxury cars, moderately priced cars, and inexpensive cars. Full-size, intermediate, and compacts. Sports cars, four-wheel-drive vehicles, RVs, minivans, and suburbans, which are station wagons on steroids.

In the television industry, ABC, CBS, and NBC once accounted for 90 percent of the viewing audience. Now we have network, independent, cable, satellite, and public television. Today a wired household has over 150 channels from which to choose. And they are threatening us with "streaming video" that promises to make the cable industry's dream of a 500-channel universe look pathetically unambitious. With all that, if you flip through the channels and try to find something to watch, by the time you find it the show will be over.

"Division" is a process that is unstoppable. If you have any doubts, consider the table on the explosion of choice.¹

The Explosion of Choice

Item	Early 1970s	Late 1990s
Vehicle models	140	260
KFC menu items	7	14
Vehicle styles	654	1,212
Frito-Lay chip varieties	10	78
SUV styles	8	38
Breakfast cereals	160	340
PC models	0	400
Pop-Tarts	3	29
Software titles	0	250,000
Soft drink brands	20	87
Web sites	0	4,757,894
Bottled water brands	16	50
Movie releases	267	458
Milk types	4	19
Airports	11,261	18,202
Colgate toothpastes	2	17
Magazine titles	339	790
Mouthwashes	15	66
New book titles	40,530	77,446
Dental flosses	12	64
Community colleges	886	1,742
Prescription drugs	6,131	7,563
Amusement parks	362	1,174
OTC pain relievers	17	141
TV screen sizes	5	15
Levi's jean styles	41	70
Houston TV channels	5	185
Running shoe styles	5	285
Radio stations	7,038	12,458
Women's hosiery styles	5	90
McDonald's items	13	43
Contact lens types	1	36

The “Choice Industry”

All this has led to an entire industry dedicated to helping people with their choices. We’ve already talked about Zagat’s restaurant guides and healthcare report cards.

Everywhere you turn, someone is offering advice on things like which of the 8,000 mutual funds to buy. Or how to find the right dentist in St. Louis. Or the right M.B.A. program from among hundreds of business schools. (Will that help me get a Wall Street job?)

The Internet is fast filling up with dot coms that can help you find and select anything you can imagine, all promised at rock-bottom prices.

Magazines like *Consumer Reports* and *Consumers Digest* deal with the onslaught of products and choices by rotating the categories on which they report. The only problem is that they go into so much detail that you’re more confused than when you started.

Consumer psychologists say this sea of choices is driving us bonkers. Consider what Carol Moog, Ph.D., has to say on the subject: “Too many choices, all of which can be fulfilled instantly, indulged immediately, keeps children—and adults—infantile. From a marketing perspective, people stop caring, get as fat and fatigued as foie gras geese, and lose their decision-making capabilities. They withdraw and protect against the overstimulation; they get ‘bored.’”²

Choice Can Be Cruel

The dictionary defines *tyranny* as absolute power that often is harsh or cruel.

So it is with choice. With the enormous competition, markets today are driven by choice. The customer has so many good alternatives that you pay dearly for your mistakes. Your competitors get your business and you don’t get it back very easily. Companies that don’t understand this will not survive. (Now that’s cruel.)

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Just look at some of the names on the headstones in the brand graveyard: American Motors, Burger Chef, Carte Blanche, Eastern Airlines, Gainesburgers, Gimbel's, Hathaway shirts, Horn & Hardart, Mr. Salty pretzels, Philco, Trump Shuttle, VisiCalc, Woolworth's.

And this is only a short list of names that are no longer with us.

You Have to Be Careful

If you ignore your uniqueness and try to be everything for everybody, you quickly undermine what makes you different. Consider Chevrolet. Once the dominant good-value family car, Chevrolet tried to add "expensive," "sporty," "small," and "truck" to their identity. Their "differentness" melted away as did their business. The brand is now behind Honda, Ford, and Toyota (Honda, 735,633 cars; Toyota, 679,626 cars; Ford, 591,010 cars; Chevrolet, 479,802 cars; total sales in 1998).

If you ignore changes in the market, your difference can become less important. Consider DEC (Digital Equipment Corporation). Once America's premier minicomputer manufacturer, they ignored changing technology that was making desktop computing the driving force in the office. Their "differentness" became less important. DEC is now deceased, having been absorbed by Compaq, one of the biggies in desktop computing.

If you stay in the shadow of your larger competitors and never establish your differentness, you will always be weak. Consider Westinghouse. They never emerged from the shadow of General Electric. Today Westinghouse is no longer with us. Or consider Goodrich. Over the years, Goodrich could reinvent the wheel and Goodyear would get all the credit. Because of the name confusion with their larger competitor, it was all but impossible to separate themselves in the minds of their prospects. Today Goodrich is on life-support systems.

It's an unforgiving world out there.

And It Will Only Get Worse

Don't bet that all this will calm down. We feel that it will get worse for the simple reason that choice appears to beget more choice.

In a book entitled *Faster*, author James Gleick outlines what can only be called a bewildering future which he describes as, "The acceleration of just about everything." Consider the following scenario that he describes:

This proliferation of choice represents yet another positive feedback loop—a whole menagerie of such loops. The more information glut bears down on you, the more Internet "portals" and search engines and infobots arise to help by pouring information your way. The more telephone lines you have, the more you need. The more patents, the more patent lawyers and patent search services. The more cookbooks you buy or browse, the more you feel the need to serve your guests something new; the more cookbooks you need. The complications beget choice; the choices inspire technology; the technologies create complication. Without the distribution and manufacturing efficiencies of the modern age, without toll-free numbers and express delivery and bar codes and scanners and, above all, computers, the choices would not be multiplying like this.

Ladies and gentlemen, we haven't seen anything yet.

