

# Consumption Portfolio Management: Very Good Stuff Is Best Enjoyed by Itself

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**H**ow do people enjoy life? What is the best approach to enjoying a box of incredibly fresh strawberries or a very expensive bottle of whiskey?

When consuming products, people naturally consider how to get the most out of what they buy—how to optimize their consumption experience. One common optimization problem is whether they should enjoy a product on its own or pair it with other products.

This consumption decision greatly resembles the decision people deal with when managing their investment portfolio, so we dub it “consumption portfolio management”. While extant literature largely focuses on variables that affect either the consumption decision of one single product (e.g., Wilson & Gilbert, 2005) or that among multiple products (e.g., Read & Loewenstein, 1995; Novemsky & Ratner, 2003), we examine the critical yet missing connection: **When do people prefer to expand their consumption portfolio from one single product to multiple products?**

## PROPOSITIONS

In most cases, people indeed believe “the more, the better” and prefer to expand their consumption portfolio. However, when the product they start with is very good (e.g., very high quality or very high price), people have a different preference on how to manage their consumption portfolio. Specifically, we propose that people prefer not to expand their consumption portfolio for very good stuff; that is, they believe **VGS is best enjoyed on its own**. We further propose that this preference occurs due to the worry that **adding others into the consumption would ruin the enjoyment of VGS**, rather than based on a cost-benefit analysis.

## STUDY ONE: BASIC EFFECT

### Data:

A total of 1,709 research participants from the U.S., the Netherland, and China took part in each study online in exchange of a nominal payment or course credit.

### Design and Results:

Different Operational Definitions for VGS		DV: % of ps who chose to enjoy this product “on its own”	
		Very Good (VG)	Good (G)
Study 1A VGS = <b>incredibly fresh</b> 🍓	N= 382 AsPredicted #39517	<b>87%</b> <sup>***, ^^^</sup>	27% <sup>^^</sup>
Study 1B VGS = <b>incredibly beautiful rose</b>	N= 443 AsPredicted #47515	<b>82%</b> <sup>***, ^^^</sup>	18% (within-subjects design for VG and G)
Study 1C VGS = <b>very pricy whiskey</b>	N= 315 AsPredicted #49305	<b>81%</b> <sup>***, ^^^</sup>	30% <sup>n.s.</sup>
Study 1D VGS = <b>very pricy necklace</b>	N= 401 AsPredicted #49795	<b>84%</b> <sup>***, ^^^</sup>	37% <sup>^^^</sup>
Study 1E VGS = <b>limited edition sculpture</b>	N= 168 AsPredicted #41194	<b>49%</b> <sup>***, ^^^</sup>	20% <sup>^^^</sup>

Compare VG and G: <sup>\*\*\*</sup>  $p < .001$ , <sup>\*\*</sup>  $p < .01$ , <sup>\*</sup>  $p < .05$

Contrast each % against base rate (1/2 or 1/3 depending on choice set): <sup>^^^</sup>  $p < .001$ , <sup>^^</sup>  $p < .01$ , <sup>^</sup>  $p < .05$

### Conclusions:

- We observed a preference of enjoying VGS on its own. It seems that although people would like to expand their consumption portfolio, when setting up a portfolio with VGS, people prefer to keep the portfolio as it is and not to expand it by adding other items.
- We observed this distinct preference across different product categories, with different operational definitions, and among different populations.

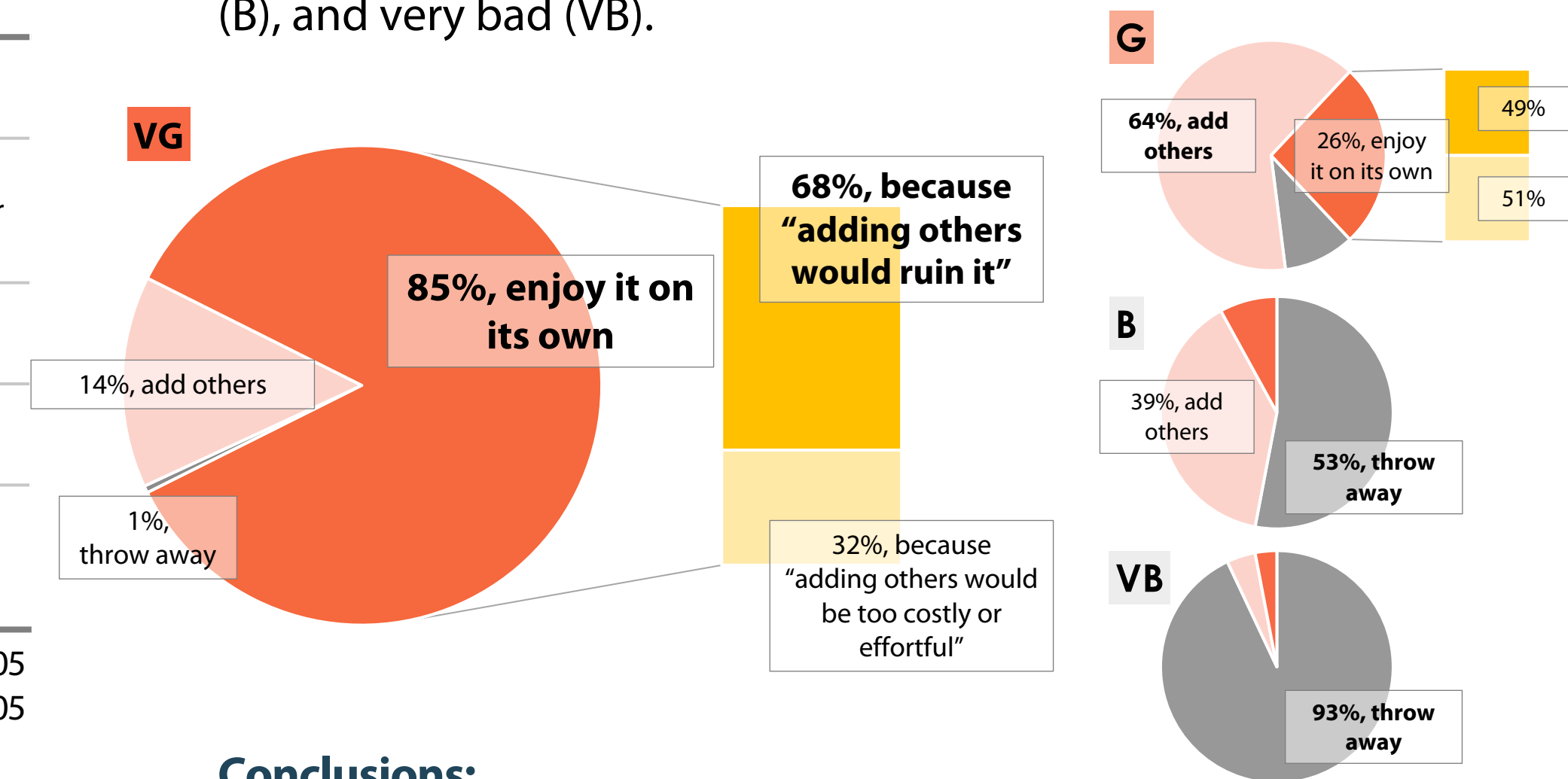
## STUDY TWO: WHY

### Data:

1,656 Amazon’s MTurk workers in the U.S. completed the online survey in exchange of a nominal payment. Data collection and analyses are pre-registered as AsPredicted #50124.

### Design and Results:

We adopted the context in Study 1A 🍓 and employed four between-subjects conditions: very good (VG), good (G), bad (B), and very bad (VB).



### Conclusions:

- We observed the “enjoying on its own” preference for VG only, not for G, B, or VB. It seems that in general, people prefer to expand a consumption portfolio unless they can derive very high enjoyment (utility) from the first product.
- We also found that people anticipate adding others to VGS would decrease, rather than increase, the total enjoyment they derive from the consumption portfolio.

• Novemsky, N., & Ratner, R. K. (2003). The time course and impact of consumers’ erroneous beliefs about hedonic contrast effects. *Journal of Consumer Research*, 29(4), 507-516.  
 • Read, D., & Loewenstein, G. (1995). Diversification bias: Explaining the discrepancy in variety seeking between combined and separated choices. *Journal of Experimental Psychology: Applied*, 1(1), 34-49.  
 • Wilson, T. D., & Gilbert, D. T. (2005). Affective forecasting: Knowing what to want. *Current Directions in Psychological Science*, 14(3), 131-134.