The Paradox of Unlimited Choice:
Place Matters More Than You Think in e-Commerce

In the past few years we have learned that no matter the function "there's an app for that." And while mobile applications have brought solutions to a range of day-to-day problems from how to calculate tips to how to recognize songs on the radio, they have created one large problem: "How to find them". According to 2010 Apple estimates, there are more than 140,000 iPhone applications available to consumers. Considering that the average iPhone 2.0 holds only 148 applications, consumers are forced to filter through—and subsequently ignore and discriminate amongst—an enormous amount of material. Consumers of books, DVDs, and mp3s are similarly confronted with a seemingly unlimited pool of selection. Under the traditional 'bricks and mortar' retail system, where customers buy media products at physical stores, the volume of choice is limited by the amount of shelf space available. But thanks to cheap server space coupled with the ability to house products in warehouses, e-commerce sites like Amazon and iTunes offer selections that can never be *fully* browsed.

How do successful entertainment producers connect consumers with their products in an era of overwhelming choice? This is one of the questions that the MPI is considering in its ongoing study of the entertainment economy. Results of a preliminary survey conducted in the Spring of 2010 point to a few early insights.

The survey sought to compare how consumers select mobile applications (a virtually unlimited product) with how they chose films in movie theatres (where selection is more fixed). It captured 85 consumers who had both downloaded mobile applications *and* seen a movie in-theatre in the past year. The survey then asked consumers how they found out about the most-recently down-loaded mobile application, as well as how they learned about the last film they saw in a theatre. In each case, respondents were asked to choose from choices like: learned from print advertisement; learned from face-to-face communication; learned through a search engine; and learned from a post on a social networking site. Respondents were also asked *how they shared information about each product* after consuming it. The results for each media type were then compared.

Early results suggest that **word of mouth advertising is relatively more important in disseminating applications than films**. The number of total advertisements for films was dramatically larger than for applications. The average survey respondent relied on 2.9 different advertising sources when selecting a film in-theatre, compared to only 1 source for phone applications. About 28% of application advertising came from face-to-face interaction, compared to only 15% of all film advertising. While face-to-face advertising was the most popular type for each product, respondents were more likely to learn about films through television, radio, and social networking websites (more virtual media) than applications. Search engines were another important means of advertising applications. 24% of all application advertising came from search while no respondents reported finding their last cinema theater through engines.
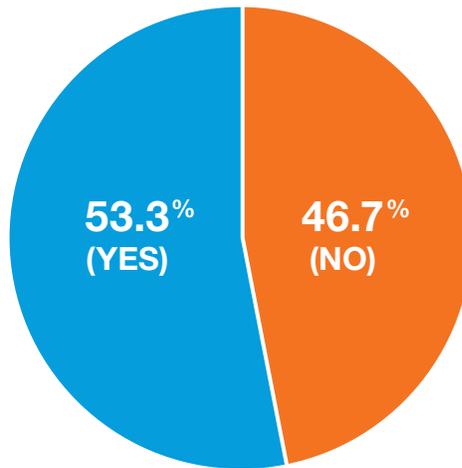
The survey results also suggest that respondents are responsible for re-transmitting information about their applications. Slightly more than half (54%) of all respondents had demonstrated the last application that they downloaded to their friends by the time they completed the survey.

These early findings are counterintuitive, especially for those who are enchanted with the place-defying possibilities of digital media. One might think that because applications can be downloaded from anywhere by a global marketplace, and because contacts from anywhere CAN link their contacts directly to the final product, that virtual advertisement would be more important. This research finds that place-based interactions are relatively more important in electronic retail than they are in traditional "bricks and mortar" settings. Even though you can find applications through your virtual "friends", and trusted websites,, you are more likely to find them through your neighbors. In turn, the applications that you demonstrate to other people are then more likely to be downloaded by your contacts.

Why is this? One possibility is that the sheer volume of available choices forces consumers to filter their applications choices more than their theater choices. That is, a person's contacts act as curators who make the selection digital products manageable. The search engine, which was the second most popular advertising method for apps, is another means of converting "unlimited choice" into a manageable list of top recommendations. The limited choice available at the local theatre makes it much easier for a consumer to make up their own mind about the movies they see. As producers of obscure products and services explore how to connect with consumers, they should recognize the role that word-of mouth and place play in distributing products and services. Targeting advertisement efforts at certain neighborhoods and cities where peers are more likely to live, might leverage the network effects observed here much more than more spatially diffused strategies.

Curation Through Demonstration: Over Half of Survey Respondents Had Demonstrated Their Newest App to a Friend

Exhibit 1

53.3% (YES)

46.7% (NO)