

Marketing Colloquia

Thursday, April 4, 2013

Where: 741 JMHH

When: 3:00 PM to 4:20 PM

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Consumer Learning and Evolution of Consumer Brand Preferences

ABSTRACT: We develop a structural dynamic demand model that examines how brand preferences evolve when consumers are new to a market and their needs change periodically. We allow for strategic sampling behavior of consumers under quality uncertainty. However, we differ from previous work on forward-looking consumer Bayesian learning by allowing for 1) spill-over learning effects across the sizes of each brand, 2) duration-dependence in utility for a brand-size to capture systematic periodic changes in consumer utility for a brand-size, 3) evolution of price sensitivities in markets where there is consumer quality uncertainty that diminishes over time as consumers get more experienced. We estimate our model using scanner data for the disposable diapers category and discuss the consumer behavior and managerial implications of our estimation and policy simulation results.