

# Marketing Colloquia

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**Thursday, November 1, 2012**

**Where:** 741 JMHH

**When:** 3:00 PM to 4:20 PM

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## **The Impact of Switching Stores on State Dependence in Brand Choice**

*ABSTRACT:* This paper examines the relationship between store switching and state dependence in consumer brand choice. The classic structural state dependence literature models inertia in brand choice by assuming that consumers experience an extra boost in utility from consuming the products they last purchased. We demonstrate that the level of inertia depends on the context in which the purchase was made, which suggests that a richer decision process is driving the state dependence. Specifically, we find that consumers exhibit more state dependence if they shop at the same store that they previously patronized as compared to if they switch to a different store. This result replicates across 18 consumer packaged goods (CPG) supermarket categories. We find that the median consumer's increased state dependence from shopping at the same store vs. a different store translates into an additional 33¢ premium (or 12% of the average price) per purchase. When consumers switch back to a store they previously visited, both the brand purchased on the last shopping occasion (at the different store) and the brand purchased the last time the consumer was at the same store influence the consumer's decisions, but the consumer is more influenced by the last purchase they made at the particular store they are currently patronizing. We also find consumer responsiveness to other elements of the marketing mix depend on which store the consumer shops at: If the consumer changes stores, they exhibit greater sensitivity to price and feature advertising. However, store switching has no consistent influence on the impact of in-store displays on consumer choice. We conclude by discussing possible theories behind the results.