

MARKETING COLLOQUIA

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HABITS IN CONSUMER PURCHASES: EVIDENCE FROM STORE CLOSURES

ABSTRACT:

In-store shopping involves recurring behaviors often happening in a familiar environment, potentially facilitating habit formation. Habit formation in retail purchases is broadly consistent with the finding that consumers' choices exhibit inertia. However, much prior work has left open the question of whether much of this inertia should be attributed to habits. Here, using panel data on households' purchases across many product categories, we use store closures as a shock that partially disrupts households' shopping to identify the role of formed habits in repeated brand purchases. Closures cause people to purchase products elsewhere, where we posit they are more likely to engage in deliberative decision-making processes — driving them to explore some options that are normally ignored in a familiar store because of learned habits. Following a closure at which they frequently purchased products in a given category, households are more likely to purchase something other than their modal brand in that product category. This effect persists even after accounting for reduced availability of their modal brand. Over time, households return to higher levels of repetitive choices of a single brand, consistent with the formation of new habits. Indeed, this temporary decrease in repeated choice of a modal brand results in a lasting impact on households' brand choices, leading to lower rates of purchase of their baseline modal brands in the long run. The work sheds light on how habit formation, while advantageous for consumers in other ways, can lead to persistence of sub-optimal choices, with implications for brands and retailers.