Mapping Consumers’ Context-Dependent Consumption Preferences: A Multidimensional Unfolding Approach

By

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Date: 17 Jul 2017 (MON)
Time: 10:30 am - 12:00 nn
Venue: M802

Abstract

Marketers have long been interested in understanding how, and the extent to which, consumer choices may be influenced by the context in which the product is consumed. In this paper, we develop a parsimonious context-dependent multidimensional unfolding (CDMDU) model that can accommodate consumers’ context-specific ideal points in multi-attribute space along with brand locations in that space. The specification allows for unobserved heterogeneity via a normal distribution on attribute weights and a discrete distribution on brand locations and ideal points. The CDMDU model is flexible and reduces to a factor structure random coefficients brand choice model when there is only one consumption context. We also demonstrate how the CDMDU model can be used to derive a firm’s optimal direction of brand re-positioning given its competitive landscape in the various consumption contexts and provide an empirical illustration using panel data from consumers in the U.S. beer market. A key observation when repositioning a brand is that consumer preferences can be correlated across contexts; so a movement towards the ideal point in one particular context does not necessarily improve the firm’s market competitiveness in other consumption contexts and can therefore hurt its overall performance in the market.

Dr Minki Kim is an Assistant Professor of Marketing at KAIST. He earned his M.A./Ph.D. in Economics from University of Chicago, and a B.A. in Economics from Seoul National University. His research interest is in Quantitative Marketing, New Empirical Industrial Organization (NEIO), and Microeconometrics. He is also interested in interdisciplinary research such as Pharmaceutical Marketing, R&D, Demand for Healthcare Services, Social Media, and Content Marketing. Methodologically, he develops Structural Models for Quantitative Marketing. He has published in journals such as Journal of Marketing Research, Quantitative Marketing & Economics, and International Journal of Research in Marketing.

All interested are welcome.