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**THE IMPACT OF BRAND
SWITCHING ANTECEDENTS ON
CONSIDERATION SET
CONSTRUCTION**

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ABSTRACT

Understanding brand switching is important to marketers because a brand switch has the potential to impact on an organisation's share of a customer's wallet. Therefore, the objective of this research was to determine what the impacts, of the antecedents to a brand switch, will be on the construction of a purchase repertoire and consideration set in a subscription market. This study, into the new area of post-switch consideration set construction, and the position of the previous main brand, shows that the construction of a consumer's consideration set is dependent on the reasons for the brand switch.

Whilst consumers switch brands for a multitude of reasons, the literature shows these reasons can effectively be grouped together into three categories: stochastic reasons, expectation disconfirmation, and utility maximisation. This research confirms that where a switch occurred for stochastic reasons, the previous main brand would remain in the consumer's consideration set with the same purchase probabilities for a brand of its size. On the other hand, where the brand switch occurred for reasons of expectation disconfirmation, the previous main brand was either removed entirely from the consumer's consideration set, or if it remained in the set, had a lower ranking than prior to the switch. While a brand switch that occurred for reasons of utility maximisation resulted in a majority of the previous main brands being removed from the consumer's consideration set, those that remained were ranked one place lower than the current main brand. Overall these results supported the research's general direction that the antecedents to a brand switch will affect the previous main brand's position in a consumer's post-switch purchase repertoire and consideration set. The research concludes, while the previous main brand may be gone, it is certainly not forgotten!

These findings, while being exploratory and inductive, have important implications for marketers in both their recovery marketing campaigns and the need to implement programmes to retain recent acquisitions. Coupled with the findings from Sharp *et al.* (2002) this study shows that subscription markets, in terms of switching, behave in a similar manner to repertoire markets, allowing for stochastic models to be used to benchmark marketing activities.

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1 INTRODUCTION

1.1 Background

Brand switching is of considerable interest to both researchers and academics as it is the key objective of most marketing campaigns. However, research (Ehrenberg, 1972) has shown that consumers, in packaged goods and many other markets, purchase from within their repertoires and consideration sets. That is, purchase choices are made from a selection of brands that the consumer has either already purchased or would consider purchasing. This behaviour, known as 'polygamous loyalty' or 'multi-brand buying', is where consumers are simply shuffling around within their repertoires and are not in fact switching brands or defecting. This phenomenon of polygamous loyalty is not a feature of all markets, some of which are characterised by high levels of sole loyalty. These markets are called subscription markets (Sharp, *et al.*, 2002), where consumers may be aware of a range of brands but have very few brands in their actual consideration set and in fact, devote the vast majority of their share of wallet to one specific brand. In such a market, a brand switch is effectively a defection. These high levels of sole loyalty raise issues regarding brand switching and what happens as a result of a brand switch.

When a brand switch or defection occurs, it leads to the inevitable question as to what happens to the consumer's purchase repertoire and consideration set. Conceptually, it is likely that both the purchase repertoire and consideration set will be revised, but how are they revised and what happens to the previous main brand? Does the previous main brand still remain as a realistic purchase alternative, or has it been removed from the purchase repertoire and consideration set entirely? Is it removed from the purchase repertoire but still retained within the consumer's consideration set? Does the position of a brand in a revised purchase repertoire and consideration set have a direct relationship to the reason why the brand switch occurred?

Conceptually, it can be argued that, if the brand switch occurred for stochastic reasons, the previous main brand will remain in the consumer's purchase repertoire and consideration set and with the repurchase probabilities the same as for a brand of its size. If the brand switch occurred for reasons of dissatisfaction or poor service, the previous main brand will be removed from the consumer's purchase repertoire and consideration set. If the brand switch occurred as a result of a 'better offer', the previous main brand will still remain within the consumer's purchase repertoire and consideration set but as a second preference. How common is each scenario and what are the relationships between the reason for the switch and the previous brand's position in the revised purchase repertoire and consideration set?

The answers to these questions will allow for the development of more realistic models of brand switching, while providing marketers with benchmarks to measure their brand's performance. For a marketer, knowing what happens to a brand as a result of a brand switch can also enable the more effective allocation of scarce marketing resources, and aid in 'recovery' marketing by subscription market providers. It may also mean that marketers should consider the need to implement programmes designed to minimise potential switching and retain recent switchers.

Researching these issues requires an understanding of the two main constructs: the reasons why consumers switch brands, and purchase repertoires and consideration sets.

1.2 Brand Switching Reasons

One of the key constructs in this research is the determinants of the consumer's brand switch. What events, combination of events or series of events can cause a consumer to not only seek out a possible new provider but to actually switch brands? Research over the past twenty years has resulted in the development of numerous brand-switching models. These models can be divided into three major areas: stochastic models, expectation disconfirmation models, and utility maximisation models, and are based on the differing reasons or types of reasons for a brand switch. Researchers, in attempts to

understand the motivations behind switching, have further identified a range of specific reasons or categories of reasons as to why brand switching occurs.

For example, Keaveney (1995), in a review of the literature, identified a variety of reasons why consumers may switch brands. Focussing specifically on service industries, Keaveney (1995) gathered data on events, incidents and reasons that caused people to switch services. These identified events, incidents and reasons included quality issues, overall dissatisfaction, and service encounter failures. While satisfaction issues and expectation disconfirmation explained some of the reasons for brand switching, they do not explain all of them. Cronin and Taylor (1992) believed that price, convenience, and lack of availability can also lead to brand switching. Other reasons identified by Bitner (1990) included time or money restraints, variety seeking, and ease of switching.

On the basis of these studies, Keaveney (1995) classified over 800 critical incidents or reasons for switching into eight general categories, and created a model of customer service switching behaviour. Keaveney's categories are in reality a disaggregation of the alternative and somewhat simpler categories proposed here. Keaveney's eight identified categories have therefore been grouped into the three identified categories of stochastic reasons, expectation disconfirmation, and utility maximisation.

1.3 Purchase Repertoire and Consideration Sets

In 1969, Howard and Sheth introduced the concept of a set of considered brands, which they called an evoked set. The idea was that because consumers were faced with such a large number of possible brands, they screened the brands they were aware of into what Alba and Chattopadhyay (1985) called their consideration sets. The theoretical construct of a consideration set is the group of brands that the consumer considers seriously when making a purchase and/or consumption decision; it is a cognitive measure of consumer behaviour.

Ehrenberg (1972) identified what he called 'multi-brand' buying where consumers purchased from within their personal repertoires. While these personal repertoires

differed from consumer to consumer and household to household, specific purchases occurred from within them in a seemingly irregular or, what Ehrenberg, Uncles and Goodhardt (2003) called an “as-if-by random manner” (p. 3). Purchase repertoires are a behavioural measure of consumers’ actual purchasing actions.

This research involves identifying and measuring both purchase repertoires and consideration sets, as well as developing a ranking of brands within the purchase repertoires and consideration sets. In testing for any relationship between a previous brands position in a purchase repertoire and consideration set, and the reason for a brand switch, this research addresses the question of whether the position of a brand in a revised purchase repertoire and consideration set does have a direct relationship to the reason why the brand switch occurred.

1.4 Summary

The fact that Sharp *et al.* (2002) found stochastic models fit subscription markets raises the question of whether people are more likely to ‘switch-back’ than previously thought. This brings into focus post-switch consideration sets as an area of study, with the expectation that they may vary according to the reason for the switch. Post switch consideration sets are a new area of study and this research has an exploratory and inductive flavour to it.

Therefore, this research proposes to examine firstly the purchase repertoires and consideration sets of the respondents as a whole, and then of both brand switchers and non-switchers. Tests will be carried out for any statistical significance in the differences between the purchase repertoires and consideration sets of the respondents as a whole and both the non-switchers and brand switchers. It is expected that there will be statistical differences in the purchase repertoires and consideration sets that can be linked to the brand switch.

Secondly, the research will then examine the proposition that the different categories for a brand switch, that is stochastic, expectation disconfirmation, and utility maximisation,

will significantly determine and affect the consequential revision of the brand switcher's purchase repertoires and consideration sets. Based on those categories, it is proposed that, there is likely to be a different impact on the previous main brand. For instance if the primary reason for a brand switch is stochastic, that is, the switch occurred 'as-if-by-random', then the previous brand will not only remain in the consumer's consideration set but will also have the same average ranking as would be expected for a brand of its size.

If the primary reason for a brand switch is one of expectation disconfirmation, that is, because of 'poor service', then the previous brand will either be removed from the consumer's consideration set or if it remains in the consideration set will have a lower ranking than prior to the switch. However, if the primary reason for a brand switch is one of utility maximisation, that is, because of a 'better offer', then the previous brand will still remain in the consumer's consideration set but will be ranked one place lower than prior to the switch. That is, the new main brand will be ranked ahead of the previous brand. Again, tests of statistical significance will be carried out testing for differences between those three groups of reasons.

These propositions were tested using data supplied by AC Nielsen from their year 2000 and 2002 financial surveys.

As brand switching is of major concern to both marketers and academics this research will contribute to the development of more effective models of switching behaviour. This will enable the more effective allocation of scarce marketing resources, aid in 'recovery' marketing by subscription market providers, and indicate whether there is a need to implement retention programmes.

2 LITERATURE REVIEW

2.1 Introduction

A brand is a named version of a particular product or service. Brands may be similar in every way except for how they are packaged or presented; they may be functionally different versions of the product still being marketed under the same brand name, or functionally different versions being marketed under an entirely different name. As Ehrenberg, Barnard and Scriven said, “competitive brands seldom differ in any big way from each other. This is because any innovation with selling power tends to be quickly copied. ...Why then do similar brands have very different market shares?” (1997, p. 7). The common factors appear to be the distribution or availability of the brand and the number of people for whom the brand is salient. That is, the number of people who are aware of the brand, have it in their consideration set and buy it from within their repertoire.

Repertoire and consideration sets are normal components of consumer behaviour, although their makeup will be influenced by the consumer’s pre-purchase needs and attitudes, and their previous experience with a product. External influences can also impact on consumer behaviour: influences such as advertising and promotion, product availability, word of mouth effect, packaging and pricing. Consumers also have to make decisions about whether to buy, what to buy, how much to buy, at what cost, and when and where to buy. In addressing these questions, research (Howard and Sheth, 1969; Alba and Chattopadhyay, 1985) shows that consumers make purchase decisions based on brands within what are called their ‘evoked sets’, or ‘consideration sets’, and the final purchase from the brands within their ‘repertoires’.

2.1.1 Brand Switching in Repertoire and Subscription Markets

An understanding of the normal patterns of switching between brands assists in researching a variety of marketing issues including marketing structure, effectiveness of marketing activities, the development of marketing strategies and an understanding of purchase behaviour (Vilcassim and Jain, 1991). It also assists with the study of customer loyalty programs, defection analysis and customer relationship management (Sharp *et al.*, 2002). However, the literature is rather confused as to just what is meant by the term 'brand switching'. Where consumers are purchasing from within their repertoire, Ehrenberg's (2003) term 'multi-brand buying' is probably more appropriate, and where consumers are either adding or deleting a brand from their repertoire, then the term 'brand switching' may be more appropriate. However, consumers may add or delete a brand from their repertoire while still retaining it in their consideration set.

In repertoire markets, people buy from a range of products within their repertoire, regularly choosing different brands, showing 'polygamous loyalty'. However, in a subscription market it appears that consumers show a considerable degree of loyalty to one particular brand and may have a repertoire of just one. A study of subscription markets shows sole loyalty and share of requirements to be in the region of 80 to 90 percent (Sharp *et al.*, 2002). This indicates that, in a subscription market, while consumers may be aware of a range of brands, they may have very few brands in their actual consideration set, and possibly only one brand in their repertoire. They, in fact, devote the vast majority of their expenditure to one specific brand. It is this high sole loyalty and sole expenditure that raises those questions about what happens to a brand in a subscription market when a consumer switches to another brand. But first, consideration needs to be given to subscription markets.

2.2 Subscription Markets

2.2.1 Introduction

Sharp *et al.* observed that competitive markets with repeat purchasing behaviour are effectively polarised into two completely different market structures, with the

distinction between them being “based on differences in consumers’ repeat purchase patterns” (2002, p. 7). The first structure is the well-recognised repertoire market, where brands have very few totally loyal buyers, since consumers purchase their requirements from a selection or repertoire in what is a steady fashion. The second structure Sharp *et al.* called a subscription market. In this type of market, it appears that consumers meet most, if not all, of their requirements from just one brand. The inherent difference in the two structures is the polarisation of loyalty, where a repertoire market shows polygamous loyalty, whilst the subscription market shows a very high level of sole loyalty.

The repertoire market’s polygamous loyalty is reflected in the Dirichlet’s five repeat purchase generalisations. These according to Sharp *et al.* are:

- “Differences in market share are largely due to differences in penetration
- The comparatively small differences between brands in average purchase frequency and other loyalty statistics follow the well known double jeopardy pattern
- A brand’s customers, on average, buy other brands more often
- Solely loyal buying is relatively rare and declines over time
- Brands share their customers with other brands in line with each brand’s penetration” (2002, p. 8).

On the other hand, in what Sharp *et al.* (2002) have called subscription markets, consumers are seen to ‘subscribe’ to one brand, or to apportion almost all of the product category’s requirements to one brand. In this way, those consumers are being seen by the Dirichlet as sole buyers, and thus appear to defy three of the five Dirichlet repeat purchase generalisations. However, there are several types of subscription markets and they may operate in different ways.

2.2.2 Types of Subscription Markets

According to Sharp *et al.* (2002), subscription markets appear to differ from repertoire markets and from each other with the degree of constraints on multi-brand buying. In some cases, the subscription is a literal subscription where the consumer is contracted and prevented from purchasing other brands. In other cases, while a subscription is

involved, there is nothing to constrain the consumer from subscribing to similar brands, and in some cases, there may be no obvious constraint at all. Alternatively, the subscription may run until actively terminated by the consumer.

However, the constraints on multi-brand buying within a subscription market are important because they determine the consumer's behaviour and the subsequent analysis of that behaviour. On the basis of the constraints on multi-brand purchasing, Sharp *et al.* have identified three types of subscription markets. These are:

- *Free choice.* The ability to use competing brands is largely unconstrained and thus repertoire buying is possible, and yet very high levels of sole loyalty are the norm. If a subscription is required to access a brand or service, multiple subscriptions are possible, but atypical; bank credit cards and savings accounts are examples. Subscription market loyalty is exhibited through high share of category requirements and high levels of solely loyal buying. Predicting without repeat purchase data is difficult. Doctors and hairdresser visits are probably free choice subscription markets.
- *Renewal.* One and only one subscription is possible for the product or service, but this subscription is subject to renewal at regular, pre-determined intervals. Home insurance is an example. Loyalty is exhibited through renewal and switching rates, and the pattern of defection – which brands gain/lose from which others – should match the duplication of purchase patterns seen in repertoire markets.
- *Tenure.* The subscription continues until actively terminated. Multiple subscriptions may be possible. The concept of tenure markets may be extended to business-to-business markets (e.g. appointment of advertising agency). Loyalty is exhibited through share of category requirements within a fixed time period or annual churn rates” (2002 p. 16).

2.2.3 Polarisation of Loyalty – Subscription Markets

The major difference between repertoire and subscription markets has been previously identified through the five Dirichlet repeat purchase generalisations and in particular the fact that subscription markets display such high levels of loyalty. Sharp *et al.* state “...the differences in loyalty between the two types of markets are explained by the ‘S’ parameter of the Dirichlet model. This is a time invariant measure of loyalty, and thus is not subject to confusion arising from very short or very long time periods. Thus, we can be assured that the differences in loyalty between repertoire and subscription markets are real” (2002, p. 14).

The Dirichlet’s S parameter covers the range from zero to infinity and is a measure of consumer’s heterogeneity in their choice probabilities. That is, where the consumer always purchases the same brand, they show the greatest heterogeneity and the ‘S’ parameter is zero. As consumers show a greater degree of choice, then their heterogeneity in choice probabilities will decrease, and the S parameter will increase accordingly. Therefore, any increase in consumers’ heterogeneity means their choice probabilities are spread across a range of brands and therefore their repertoire has increased as well. The implication is consumers have small repertoires in subscription markets and larger repertoires in repertoire markets.

In terms of the Dirichlet’s ‘S’ parameter, subscription markets have an ‘S’ parameter of less than 0.2, whereas with repertoire markets, the ‘S’ parameter is almost always greater than 0.8. It is interesting to note that in terms of the ‘S’ parameter, there is no empirical evidence to show that brands have an ‘S’ parameter between 0.2 and 0.6. Thus the Dirichlet shows a clear polarisation of loyalty between repertoire and subscription markets, a distinction that has major implications for brand switching.

As raised previously, a number of empirical generalisations has been developed describing market structures and market behaviour. However, while those generalisations hold true for repertoire markets, Sharp *et al.* (2002) claim that in terms of subscription markets, these generalisations are ‘systematically violated’. As noted earlier, in a subscription market, consumers ‘subscribe’ to a single provider and allocate

almost all of their category requirements to that provider. Therefore, we see what is in effect a high polarisation of loyalty.

However, is this high polarisation of loyalty a commitment to the brand or simply stochastic. Also what happens as result of a brand switch?

2.2.4 Brand Switching and Purchase Probabilities in Subscription Markets

When a brand switch occurs, there is the possibility of a realignment of the consumer's purchase possibilities as a consequence of the switch. As mentioned earlier, in repertoire markets, consumers are multi-brand buyers showing polygamous loyalty. This means that when a consumer purchases from within their repertoire, they are not switching between brands, but displaying split loyalties between the brands within their repertoire. This split loyalty does not reflect a change in purchase probabilities, as the purchase probabilities of a brand being chosen on the next purchase occasion remain the same as with the previous purchase occasion. However, if a consumer was to switch or defect from a brand, that is, to either drop a brand from, or downgrade it in their repertoire, there will be a realignment of the consequential purchase probabilities.

In a subscription market, where consumers appear to have a small consideration set or a repertoire of one, a switch of a brand usually involves an actual defection. Such a defection causes a change in the consumer's share of category purchases. However, does this change in category purchase mean a realignment of the purchase probabilities, and is the brand removed entirely from the consumer's consideration set? If the brand remains in the consideration set, is it more likely to have reduced purchase probabilities as a consequence of the switch? This research looks at those questions and addresses them on the basis of what is the cause of the switch.

There have been many models developed to predict brand switching and the consequences of a brand switch. However, those models have mainly focused on what are repertoire markets where polygamous loyalty is the order of the day. There appears to be little research on the impacts of a brand switch in a subscription market. This research is addressing that gap.

2.3 Brand Switching Models and Subscription Markets

2.3.1 Introduction

Models of brand choice and brand switching date back to the late 1950s with Luce's (1959) choice axiom, and continued with the pioneering work of Bass (1974) and Ehrenberg (1972). Many models have been developed to estimate market share gains or losses, retention, and cannibalisation (see Bockenholt and Dillon, 2000, for a review of switching models). In this thesis, brand switching models are divided into three major areas: stochastic models, expectation disconfirmation models, and utility maximisation models. Each of these models has conceptual implications for a brand switch in a subscription market.

2.3.2 Stochastic Modelling

Bass summed up consumer behaviour saying,

“The most fundamental question that can be asked about consumer choice behaviour, ... is whether that behaviour is at least partially stochastic or whether, in some fundamental sense, there may exist causes and explanations for all behaviour. ...At some point, however, the distinction between an explanation based on objective and reproducible evidence and an explanation based on subjective conjecture becomes a distinction between an explanation and no explanation at all. To the extent that there is a stochastic component in behaviour, it is no more possible to provide an explanation for that component than it is to provide an explanation for the outcome of the toss of a coin” (1974, p. 1).

Stochastic models are based on specifying the probability of a consumer making a specific purchase over a given time period. For instance, in stochastic modelling, the consumer's brand choices, from within their repertoire, over a succession of purchases are as if by random, with the probability of brand A being the same as the probability of brand B and brand C. These probabilities are fixed over time and subject to the type of

model (Dirichlet, Bass, Hendry or Markov); the brand choice at successive purchases is either independent or weighted, subject to the last purchase.

If brand choice is basically a stochastic process, when a brand switch occurs then it can be reasonably assumed that there will be no change in the purchase probabilities of the previous brand. Not only will the brand remain in the consumer's consideration set and repertoire, the purchase probabilities will be the same as before the switch occurred. The fact that Sharp *et al* (2002) found stochastic models fit for subscription markets, raises the question of whether people are more likely to 'switch back' than previously thought. This has major implications for brand managers in subscription markets in that they are able to model buyer behaviour and know what the rankings of their brand will be and what the consequential purchase probabilities will be next time a switch occurs. This will allow them to allocate effectively scarce marketing dollars in terms of 'recovery' marketing.

Conceptually, on a stochastic basis, the same assumptions can be made about consumer choices in either a repertoire or subscription market.

2.3.3 Models of Stochastic Choice

There are four main models of stochastic choice: the Theory of Stochastic Preference, Hendry, Markov, and Dirichlet. The purchase probabilities with these models are fixed over time, with the brand choice at successive purchases being either independent or weighted, subject to the last purchase.

2.3.3.1 The Theory of Stochastic Preference

The Theory of Stochastic Preference is based on a modified framework of market segments or groups, and the probability of a brand being selected is derived from the brand's market share on the basis of explicit behavioural premises. It is sufficiently general that it can be applied to a wide range of behaviours and over a wide range of conditions. Its basic premise accounts for behaviours that may be caused by such random activities as stock-outs, mothers-in-law visiting or acts of nature, and that overall, the huge number of variables that can cause a particular behaviour will occur

with an unpredictability, and over time balance themselves out, so that the behaviours, in the aggregate, are in effect stochastic.

In testing the theory of stochastic preference, Bass (1974) conducted an experiment whereby 264 subjects were required to select a 12-ounce can of soft drink four days a week for up to three weeks, from among a range of nominated brands. The attitudes and preferences of the subjects were influenced throughout the experiment. There were six time periods when all the nominated brands were available for selection. It was from these time periods that the market shares for the brands were derived. However, even though the market shares remained relatively constant over the time periods, it was not the same people choosing the same brand each time, as there was a substantial degree of brand switching with more than half the market switching brands during each time period. Bass concluded that since the experiment reflected frequently purchased consumer goods with relatively stable market shares and substantial brand switching that the choice process being made had to be stochastic.

In his conclusion Bass said, "The overwhelming weight of the empirical evidence from empirical studies of individual consumer choice behaviour supports the conclusion that this behaviour is substantially stochastic. The Theory of Stochastic Preference implies that deterministic prediction of individual behaviour would achieve very limited success. Therefore, the ideas presented here reconcile poor predictions of individual consumer choice, which have been the universal result of empirical studies. The fact that choice behaviour of individual consumers is substantially stochastic does not mean it is fruitless to study this behaviour. It is useful to attempt to determine the major influences which determine the structure of stochastic preference" (1974, p. 18).

2.3.3.2 Hendry System

The Hendry System has been developed by the Hendry Corporation, in order to analyse consumer behaviour and then suggest the appropriate marketing strategies in the various circumstances. It is from the study of market structures and market partitioning that a brand-switching constant can be calculated, which is then used to model consumer behaviour. The system is based on a zero-order effect assumption, which claims that each consumer (j) has the probability (p) of buying brand A. Thus each consumer, on

each purchase occasion, chooses among a select number of brands on the basis of a constant probability vector. However, because each consumer is not assumed to have the same purchase probability of buying each brand, the system assumes a homogeneous population of zero order consumers.

It is on the basis of the consumer market being divided into these mutually exclusive and exhaustive partitions that a brand-switching constant can be developed. This brand switching constant is based on the zero-order assumption and that switching is proportional to market share. In other words the Hendry System is based on the assumption that switching is in fact stochastic.

2.3.3.3 Markov Theory

The simple first order Markov model is an example of an *a priori* approach to brand choice. It specifies that the probability of switching between different brands depends on the specific brands as such, that is the probability of switching from brand A to brand B is x , from brand A to brand C y , from brand B to brand C z , and the repeat buying of brand A is a , from brand B is b and brand C is c . The Markov model also assumes that the switching probabilities (P_{ab} , P_{ac} , P_{bc}) remain the same over time. Ehrenberg (1988) summed up the essential Markovian assumption as the values of P_{ab} , P_{ac} , P_{bc} and so on, will remain the same over time, even when market shares, or the probabilities of consumers purchasing a brand in each time period, change with time.

Givon (1984) proposed a modification to the simple first order Markov model by considering the effect of only the most recent purchase on the choice of the current purchase. It was assumed that the probability of switching to one brand from another brand is based on the preference for the brand being switched to, and for the preference for variety seeking. Therefore, the probability of switching to a brand does not depend on the brand switched from. Following on from Givon's research, Lattin and McAlister (1985) changed the analysis from a brand to an attribute level. They proposed a first order Markov model of variety seeking that accounts for similarity of products in terms of their attributes. In doing so, they assumed that the probability of choosing a product is proportional to the value of its want-satisfying attributes. The Lattin and McAlister model considers the impact of a recent choice on the probability of the next choice of

any particular product. It was through the analysis of the choice history of individual variety seekers that they identified those products that share many of the same want-satisfying attributes and products that have different value attributes. This model, like Givon's, assumed that the probability that an individual chooses a particular brand on a particular consumption occasion is proportional to the individual's current preference for that brand or relative to other brands.

One of the underlying assumptions of the Givon, and Lattin and McAlister models is that to understand consumer behaviour and brand switching well enough at the macro level and to construct macro models, we must first understand the micro level behaviour of consumers. According to Bass, "Clearly, this is false. Since there are severe limits to our ability to understand individual behaviour, micro level models and theories are of very limited value in the construction of macro models. Macro models, on the other hand, are far more useful for managerial purposes of selecting values of decision variables and otherwise determining short-run strategy than micro models, since the variables dealt with ...are precisely the variables of managerial relevance. Furthermore, it is far easier to understand macro level behaviour of consumers than micro level behaviour, since the randomness which characterises individual behaviour tends to be washed out by aggregation" (1974, p.19).

Vilcassim and Jain (1991) used a continuous-time semi-Markov approach to analyse in a single framework the purchase-timing and brand-switching decisions of households for a frequently purchased product. They claim to have found that the probability distribution of interpurchase times is not the same for various switching between brands. They claimed that although marketing mix and household demographic variables explained a large part of the variation in brand switching rates, they accounted for only a small part of the variation in the repeat purchase rates. The rates of switching between brands appeared to be due to promotional activities, such as special displays and price reductions, and were in reverse order to the share of purchases of the various brands, displaying a double jeopardy effect.

However, the empirical evidence (Ehrenberg, 1965c; Massy and Montgomery, 1968, as cited in Ehrenberg, 1988) shows that, conceptually, the simple order Markov model may be wrong as buyer behaviour does not depend on the specific brand and their

promotional activities as such, but on the brand's current penetration level and average purchase frequency. It also appears from the empirical evidence that zero-order assumptions, with switching and repeat buying propensities varying with market penetration, provide an adequate explanation of brand switching or multi-brand buying. Therefore, the Markov approach has not been applied in this research.

2.3.3.4 The Dirichlet

The Dirichlet model describes how consumer products are purchased in a stationary and unsegmented market. The model, according to Ehrenberg *et al.* "reflects, when a purchase is made and which brand is then chosen generally appear very irregular and can be thought of 'as if at random' with specified probabilities even though individual consumers have their varying and probably deterministic reasons for doing what they do" (1990, p. 86). As such, it is based on four basic assumptions since purchasing of the product class takes the form of a Poisson process for each purchaser and the mean Poisson purchasing rate for differing consumers will follow a Gamma distribution. Purchasers' brand choices will also follow a Beta or 'Dirichlet' distribution across different consumers (Goodhardt, Ehrenberg and Chatfield, 1984).

A fifth assumption of the Dirichlet (Ehrenberg *et al.*, 2003) is the independence of purchase incidence and brand choice, because the Beta distributions of choosing a particular brand are the same, irrespective of how often a consumer buys from the product class.

What is important with regards to subscription markets and possible brand switching in those markets is the Dirichlet's ability to predict sole buyers, or buyers who buy just one brand in the time period; and, from the perspective of repertoire markets, the duplication of buyers or the proportion of buyers who, within the given time period, buy other brands, noting of course that in a subscription market, the Dirichlet will predict a very low or no level of purchase duplication, thus reflecting the high levels of sole loyalty.

Whilst these models of stochastic choice have their individual differences, they are all based on the underlying assumption that brand switching occurs 'as-if-by-random', and that consumers will choose from a range of products or services within their repertoires.

2.3.4 Expectation Disconfirmation

Expectation disconfirmation has been proffered as a substantial cause of brand switching. Considerable research (Anderson, 1973; Miller, 1977; Olsen and Dover, 1979; Liechty and Churchill, 1979; Oliver, 1980a; Woodroffe, Cadotte and Jenkins, 1981; Churchill and Surprenant, 1982; Tse and Wilton, 1988; Oliver and De Sarbo, 1988; Wirtz, 1993; Boulding, Kalra, Staelin and Zeithaml, 1993; Zeithaml, 2000) has been undertaken, and numerous models (e.g. Servqual and SYSTRA-SQ) have been developed to examine the background to service quality and customer satisfaction, and provide theoretical explanations of customer satisfaction. The majority of research in this area has focused on the confirmation/disconfirmation paradigm.

In this paradigm, consumers evaluate consumption experiences and make satisfaction decisions by comparing perceived performance with some consumption standard. It appears, according to Wirtz (1993), that the level of satisfaction is related to the size and direction of the disconfirmation experienced. Satisfaction occurs when performance matches or exceeds the standard, whereas dissatisfaction occurs when the expected performance is below the expected standard.

However, is that satisfaction/dissatisfaction the result of a transaction-specific (encounter) event or the overall (global) satisfaction? Transaction-specific customer satisfaction is, according to Oliver (1993), an immediate judgment on the most recent service encounter, whereas global satisfaction is based on numerous repetitive encounters. Garabino and Johnson state: "Applied market research tends to measure customer satisfaction as the consumer's general level of satisfaction based on all experiences with the firm. This overall satisfaction is a cumulative construct, summing satisfaction with specific products and services of the organisation and satisfaction with various facets of the firm" (1999, p. 71).

Meanwhile, Bitner and Hubbert (1994) addressed the links between transaction-specific or encounter satisfaction, global or overall satisfaction and quality. They found that overall satisfaction was highly correlated with service quality, whereas encounter satisfaction was separate from the other constructs. From the perspective of this thesis, it seems logical then that the overall level of satisfaction is the appropriate measure, and therefore dissatisfaction occurs when the overall or cumulative level of satisfaction fails to meet the consumer's expectations. This raises the obvious question as to what the standard may be. While addressing that issue is beyond the scope of this research, a short synopsis of research in this area is appropriate.

Disconfirmation models, with expectations as the comparison standard, have received strong empirical support, with theorists agreeing that satisfaction can be conceptualised by the consumer's response to the experienced discrepancy between pre-experience expectations and actual performance (see Oliver, 1980a; Churchill and Suprenant, 1982; Tse and Wilton, 1988). Further research (Miller, 1977; Liechty and Churchill, 1979) also shows that expected product or service performance represents the most likely standard by which consumers judge a performance, with predicted performance (Woodroffe, Cadotte and Jenkins, 1981) being another major standard. However, expectations are also a function of the consumer's frame of reference, which can be determined by their experience with the product or service, the observed experiences of others, and advertising effects.

Recent research recognises that any linkages between customer satisfaction and loyalty are far more complex than initially thought (see Jones, Mothersbaugh and Beatty 2000 and 2002; Burnham, Frels and Mahajan, 2003). However, this research only addresses the issue of customer retention, through the creation of switching barriers as a means of encouraging consumers to remain with their current service provider. The managing of customer switching costs has become a tactical tool that marketers can utilise in their attempts to retain customers. Again, the focus of this recent research is on customer retention and does not address the consequences of a brand switch.

2.3.4.1 Brand Switching in Service Industries

Before considering utility maximisation as a reason for brand switching, consideration has been given to two studies (Keaveney, 1995; Ganesh, Arnold and Reynolds, 2000) into brand switching in service industries, given that service industries are reflective of subscription markets. Ganesh, Arnold and Reynolds (2000) investigated the difference between brand switchers and stayers in a study of 200 respondents and their use of banking services. Their basic assumption was that a bank's customers are comprised of two main groups: those who have switched from other service providers, who they call switchers; and those who have not, being first time adopters or stayers. Ganesh *et al.* break down the switchers into two sub groups – dissatisfied and satisfied switchers. Dissatisfied switchers are switchers who have switched brands because they were dissatisfied with their previous brand. Dissatisfaction was defined in terms of both expectancy – disconfirmation theory, and comparison – level theory. The expectancy - disconfirmation paradigm is based on Oliver (1980a) where the dissatisfaction arises from a consumer's expectations not being met, primarily due to a lower level of service being provided. Meanwhile comparison – level theory is according to Thibaut and Kelley (1959), where dissatisfaction arises from the evaluation of the attractiveness of one offering over another, since another service provider is offering a better service than the current provider.

On the other hand, satisfied switchers are those who have switched for reasons other than dissatisfaction, be that expectation or comparison, where the reasons were beyond the control of both the customer and the service provider. Such reasons are stochastic in nature.

Whilst the primary focus of Ganesh *et al.* (2000) was on how these customer groups differ in their attitudes and behaviour towards their new firm, the converse of those attitudes and behaviours will be their relationship with their previous brand. As part of their study, eight hypotheses were developed. The first two hypotheses are of relevance to this study: "H₁: All else being equal, compared with satisfied switchers and stayers, dissatisfied switchers are more satisfied with their current service providers" and "H₂: Compared with stayers, satisfied switchers are less satisfied with their current service providers" (2000, p. 67). The converse of these hypotheses is that those consumers who switched for stochastic reasons, are still likely to exhibit support, be that behavioural or

attitudinal, towards their previous brand than those who switched for reasons of dissatisfaction. The results of their study showed that dissatisfied switchers are significantly more satisfied with their current bank than satisfied switchers. These findings are supportive of this research's propositions, that the relationship to the previous main brand and its place in the purchase repertoire and consideration set will be determined by the reason for the switch.

While Ganesh *et al.*'s (2000) findings are significant, they differ from this study in two key ways. The first is they focus on the relationship with the current brand as opposed to the previous main brand. Secondly, their research divided the switchers into two groups, dissatisfied and satisfied switchers, whereas this study breaks down the dissatisfied switchers group into both expectation and comparison being the two switching models of expectation disconfirmation and utility maximisation.

In a similar vein to Ganesh *et al.* (2000), Keaveney (1995), in a review of the literature, identified a variety of reasons why consumers may switch brands. Focussing specifically on service industries, Keaveney (1995) stated, "...customer switching has been related to perceptions of quality in the banking industry (Rust and Zahorik, 1993), overall dissatisfaction in the insurance industry (Crosby and Stephens, 1987), and service encounter failures in retail stores (Kelley, Hoffman and Davis, 1993)" (1995, p. 71). However, while quality issues and expectation disconfirmation explain some of the reasons for brand switching, they do not explain all of them. For instance, Bitner (1990) claims that time or money restraints, variety seeking, and ease of switching may assist consumers to switch brands, while Cronin and Taylor (1992) believed that price, convenience and lack of availability can also lead to brand switching. Kahn, Kalawani and Morrison (1986) saw variety seeking as a major cause of brand switching, whereas Gupta (1988), Mazursky, LaBarbera and Aiello (1987), and Guadagni and Little (1983) believed price deals may be a major cause of brand switching.

The Keaveney (1995) study covered service industries as diverse as hairdressers, travel agents, banks and phone companies, collecting data on 468 critical incidents. A critical incident was defined by Keaveney as "any event, combination of events, or series of events between the customer and one or more service firms that caused the customer to switch service providers" (1995, p. 72). Each critical incident was then coded into 838

separate critical behaviours. Some critical incidents involved more than one critical behaviour. The 838 critical behaviours were then sorted into the eight categories of customer switching behaviour. The categories were defined as: pricing, inconvenience, core service failures, service encounter failures, employee responses to service failure, attraction by competitors, ethical problems and involuntary incidents. The results are shown in Table 1.

Table 1: Classification of Services Switching Incidents

Service Switching Category	No of Critical Behaviours	% of Critical Behaviours	% of Critical Incidents*
Pricing	140	16.7	29.9
Inconvenience	97	11.6	20.7
Core Service Failures	208	24.8	44.3
Failed Service Encounters	160	19.1	34.1
Response to Failed Service	81	9.7	17.3
Competition	48	5.7	10.2
Ethical problems	35	4.2	7.5
Involuntary Switching	29	3.5	6.2
Other	40	4.7	8.6
Total Behaviours	838	100.0	

* Percents sum to greater than 100 due to multiple reasons for switching per incident.

(Source: Keaveney, 1995, p. 75)

The 'pricing' category included all switching behaviours related to prices, rates, fees, charges, penalties, price deals and coupons. It was the third largest switching category being mentioned by 30% of all respondents. The 'inconvenience' category included incidents where the customer felt inconvenienced by the service provider because they had to wait, or the hours of operation were unsuitable. More than 20% of the respondents attributed at least one of their reasons for switching to inconvenience. The largest switching category was that of 'core service failures'. This was mentioned by 44% of the respondents, and included mistakes or technical problems with the service itself.

The largest group of categories related to customer service: 'service encounter failures' and 'employee responses to service failures'. Service encounter failures were defined as personal interactions between customers and employees, whereas employee responses to service failures were those incidents where an employee failed to handle the situation

appropriately. These two categories accounted for over 51% of the critical incidents (service encounter failures 34%, and employee responses to service failures 17%).

The last three categories were 'attraction by competitors', which accounted for 10% of switching incidents, 'ethical problems' (7%) and 'involuntary switching' (6%). Attraction by competitors involved a switch to a better service provider rather than a switch from a poor service provider. Ethical problems included reactions to illegal, immoral, unsafe or unhealthy behaviours that deviated widely from social norms. Involuntary switching was that caused by factors beyond the control of either the customer or the service provider.

The results of this study have been accepted by both academics and practitioners, with both the results and the categories being used extensively in academic and practitioner literature. Whilst the levels of critical incidents and critical behaviours identified in this study are not relevant to this particular research project, the categories identified can be used to identify reasons for brand switching and can be easily grouped into the three identified areas. The categories of pricing and competition fit within the area of utility maximisation; inconvenience, ethical problems and involuntary switching are stochastic; while core service failures, failed service encounters and responses to failed service are related to expectation disconfirmation. Thus, for the purposes of this study, it was considered more appropriate to work within the three switching categories of expectation disconfirmation, stochastic reasons and utility maximisation.

Almost all the models and theories on expectation disconfirmation show that where a consumer's expectations are not met, a level of disconfirmation occurs. However, there appears to be a lack of research into at what level of disconfirmation a brand switch occurs. It appears that researchers have assumed that if consumers are dissatisfied with a product or service, then an automatic response may be a brand switch. The research does not appear to cover areas where a brand switch is difficult to achieve due to switching constraints, or what level of dissatisfaction needs to be reached before a consumer makes a switch. On the other hand, as Bass (1974) says, there are severe limits to our ability to understand individual behaviour, and it is far easier to understand the macro level behaviour of consumers, since the randomness, which characterises individual behaviour, tends to be washed out by aggregation. In terms of this research,

it is important to acknowledge that levels of expectation disconfirmation will lead to brand switching, but the key issue remains as to what happens to the previous brand in terms of its inclusion or removal from the consumer's consideration set. If it is shifted from a consideration set to the inert or inept sets, then what are the brand's repurchase probabilities? If the previous brand still remains in the consideration set, does it have significantly reduced repurchase probabilities in the event of a future brand switch?

2.3.5 Utility Maximisation

As with expectation disconfirmation, utility maximisation has also been proffered as a reason for consumers to change brands. Utility maximisation finds its roots in economic theory. Economists use utility as a measure of consumer happiness or satisfaction. It is premised on the belief that consumers consume goods and services because of the utility they provide. Economic theory presumes that consumers are consistently searching for a better utility, and when they find a brand that provides a better utility than their current choice, they will switch brands. Economic theory states that as part of their decision-making process consumers trade off different aspects of a brand's utility to arrive at what will best meet their needs.

It is on the basis of utility maximisation that the concept of conjoint analysis as a marketing tool has been derived.

Over the past thirty years, conjoint analysis has become a favourite methodology for marketers to uncover how consumers make trade-offs among competing products (Green, Krieger and Wind, 2001). Conjoint analysis is based on the principles of utility theory, which derive from the theory of consumer demand, especially the work of Lancaster (1966), who assumed that a consumer's utility for an economic good could be decomposed into separate utilities for characteristics or benefits provided by that good. As such, conjoint analysis helps answer the marketing management question as to why consumers choose one brand over another: what do consumers trade off between brand A and brand B?

Green *et al.* say "conjoint analysis is one of many techniques for handling situations in which a decision maker has to deal with options that simultaneously vary across two or

more attributes. ...Conjoint analysis concerns the day-to-day decisions of consumers – what brand of toothpaste, automobile, or photocopying machine to buy [or lease]? ...Conjoint analysis is a technique for measuring trade-offs for analyzing survey responses concerning preferences and intentions to buy, and it is a method for simulating how consumers might react to changes in current products or to new products and services and for not-for-profit offerings” (2001, p.57).

Whilst most advocates of conjoint analysis (see Louviere, 1995) base their assumptions on the theory of consumer demand, recognition also needs to be given to Thurstone (1927) and random utility theory. Essentially, random utility theory suggests that consumers try to choose those alternatives that they like the best, subject to constraints such as time and income. However, random utility theory notes that at least some of their choices will change over time and purchase occasions, thus bringing a random element to their utility function. This theory foreshadows the Dirichlet as it acknowledges that consumers may well be purchasing from a repertoire and that their purchases are as if by random.

Based on the rationale that consumers treat products and services as bundles of attributes designed to satisfy their wants and needs, it can be expected that a rational consumer will search out those services and products that best meet their individual needs. It was from an economic perspective that Stigler (1961) introduced the concept of search costs, and showed that a rational consumer would not search out all brands in a marketplace. The main concept was that the expected utility or further benefit would decrease as more brands are examined. Because search costs are by and large constant, there will be an optimal number of brands that a consumer will consider. This thinking was further developed by Nelson (1970,) who refined the theory by proposing that some products needed to be evaluated through a consumption process or trial, with Wilde (1981) arguing that consumption may be the least expensive search mechanism (see also Gould, 1980; Schmalensee, 1982; Urbany and Weilbaker, 1987). This research predicts that consumers will only consider a subset of all the brands available and once the search is completed, the best brand will have been identified. The logical conclusion from this thought is that the consumer’s consideration set will ultimately consist of that one brand, rather than a repertoire of brands.

However, marketers, while focusing on similar issues, have tended to concentrate on the information processing components of the search cost. Belonax and Mittelstaedt (1978) showed that the greater the evaluation or search costs, the smaller the consideration set, whilst Shugan (1980) proposed that the cost of thinking led to smaller consideration sets. Alba and Hutchinson (1987) claimed that consideration sets were phenomena of the consumer's simplification process, and that the size and complexity of their sets was related to their experience within a category. Nevertheless, the emphasis from a marketing perspective has been on what brands are considered for choice, rather than what attributes lead to that choice. It is from the perspective of choice that utility maximisation has been further developed. For a greater discussion on consideration sets, see the following section.

Once a consumer has found another product that may be better than their current option, that 'new' product, in a repertoire market, may, after a period of trial, be added to their repertoire. However, in a subscription market, the 'new' product or service may induce a switch in behaviour. Such a switch, conceptually, will then involve the initial brand dropping at least one place; probably to second place behind the new brand, in the consumer's consideration set rankings, but with a relatively high repurchase probability if another brand switch was to occur.

However, the differences, between utility maximisation and random utility, need to be highlighted. Utility maximisation is premised on the belief that consumers will switch for a 'better offer' whereas random utility switching is essentially stochastic.

Having considered the three main areas of brand switching – stochastic, expectation disconfirmation and utility maximisation, it is necessary to consider consideration sets and their construction, before looking at the impact each of those switching areas may have on a consumer's consideration set.

2.4 Consideration Sets

2.4.1 Definitions of Consideration Sets

A review of the literature concerning brand switching shows that consumers' brand selection processes have been studied extensively (see Vilcassim and Jain, 1991, for a review). This is because 'how and why' consumers limit the number of brands in a purchase decision is of major concern to marketing academics and practitioners. Major studies on how and why consumers limit or simplify brands in their decision making processes have been undertaken by Howard (1963), Howard and Sheth (1969), Narayana and Markin (1975), Brisoux and Laroche (1980), Hauser and Wernerfelt (1990), and Shocker, Ben-Akiva, Boccara and Nedungadi (1991).

Howard introduced the term 'evoked' sets as the "subset of brands that a consumer considers buying out of a set of brands that he or she is aware of in a given product class" (1963, p. 306). This initial 'evoked set' concept was incorporated into the Howard & Sheth model of buyer behaviour as part of the routine response stage of consumer problem solving, and is seen as being activated directly from memory.

Narayana and Markin (1975) further developed the concept of evoked or consideration sets, and identified two further subsets of the awareness set. These were identified as the 'inept' and 'inert' sets. The inept set contained brands that had been rejected, while the inert set contained brands that were neither accepted nor rejected, and about which the consumer held no particular attitude.

In another development, Brisoux and Laroche (1980) claimed that from the awareness set, consumers developed a processed set, which contained brands about which they had processed information. This processed set was then further divided into three additional sets – 'evoked' set, 'hold' set and 'reject' set. The 'evoked' set is similar to Howard's (1963) original concept. The 'hold' set contains brands that the consumer has no set opinions or attitudes about, but may consider purchasing under some circumstances. The 'reject' set contains brands which the consumer would not consider purchasing. Brisoux and Laroche's 'hold' and 'reject' sets are very similar to Narayana and Markin's 'inert' and 'inept' sets. However, Brisoux and Laroche also developed the

concept of a 'foggy' set. This set contains brands which the consumer is aware of but about which they hold no specific views. 'Foggy' set brands are considered not to have been processed by the consumer. Brisoux and Laroche claim it is from the 'evoked' set, where consumers hold positive attitudes about the brands, that the vast majority of purchase decisions are made.

In a similar vein, Hauser and Wernerfelt (1990) argue that when faced with a large number of brands consumers use a two stage process: screening, through the use of a simple heuristic; to the creation of a relevant set, called, by Alba and Chattopadhyay (1985), a consideration set. It is from this consideration or relevant set that purchase decisions are made. Hauser and Wernerfelt claim "the theoretical construct of a consideration set is those brands that the consumer considers seriously when making a purchase and/or consumption decision" (1990, p. 393).

On the other hand, Shocker *et al.* (1991) suggested that consumers use a series of stages to simplify their decision-making, particularly where the decision-making process may be more complex. They presented the case that decision-making is made through a range of hierarchical or nested sets, which are processed by the decision-maker, prior to making a choice. The first of these sets is the universal set, which contains the totality of all products or services that could be purchased by a consumer in any situation. This set is merely the starting point from which the decision-maker constructs further sets. The consumer may either accidentally or purposefully include brands in these further sets. The first of these further sets is the awareness or knowledge set, which contains, for whatever reason, brands the consumer is aware of, can access from memory, and which are believed to be appropriate in helping them meet their goals or objectives. As such, the awareness or knowledge set is smaller than the universal set. According to Shocker *et al.* (1991), brands within the awareness set reside in the long-term memory and could at any time be potentially selected. Brands in the awareness set could also include those that are encountered for the first time, at the time of the purchase decision being made.

From a consumer's awareness set, a consideration set evolves. The consideration set has been defined by Shocker *et al.* as "purposefully constructed and can be viewed as consisting of those goal satisfying alternatives salient or accessible on a particular

occasion" (1991, p. 183). While a consumer may well be aware or have knowledge of a range of alternatives, only a few will come to mind when a purchase decision arises. A consumer may not possess the same level of knowledge about each alternative in their consideration set, and may acquire more information once a decision has to be made. However, the purchase decision will be reflective only of the brands in the consideration set, as finally one brand is selected from the consideration set.

This sequential multistage process indicates consumers retrieve a subset of brands from the universal set of all existing brands. If a brand is not retrieved, it cannot be chosen or considered. Consequently, a brand that is not retrieved, either due to a lack of awareness or knowledge on the part of the consumer, is irrelevant to consideration and choice. If a brand is retrieved, it may or may not enter the consumer's consideration set. If the brand is not included in the consumer's consideration set, it cannot be chosen and is thus irrelevant to choice. Finally, one brand from the set of brands included in the consumer's consideration set is chosen.

Thus consumers have a hierarchy of sets: the 'universal set' being all brands available, the 'awareness set' being all brands of which the consumer is aware, the 'consideration set' as the brands a consumer would consider buying, and finally their repertoire from which they buy.

A variety of terms is used for sets of products from which consumers will consider making purchase decisions. The most common terms are evoked sets, relevant sets or consideration sets, and the definitions of these terms are not by any means universal. Brown and Wildt (1992) compared five different operational definitions of concepts or models similar to consideration sets. Some writers do not distinguish between consideration sets and evoked sets and use both terms. Regardless of their definitions, the most commonly used term appears to be consideration sets, based on the belief that irrespective of how a brand enters the consideration set, it is from that group of brands that the ultimate choice will be made.

Since consideration sets are formed for a purpose, they can be affected by variables such as the intended use and any prompting by retrieval cues. Consideration sets are also goal-driven, and brands in the consideration set may not necessarily come from the

same product class but may have characteristics suitable for their intended purpose. As an example, with a goal such as gift-giving, the consideration set may include a diverse range of products; for example watches, pens, books and crystal, as the criteria will be how much the recipient will enjoy them and the price range they fall within.

Consideration sets are dynamic, with brands being able to be added or deleted as necessary. Brands may be encountered during a decision process and added to the consideration set, or a brand with which a consumer has had a bad experience could be removed from the consideration set with little ado. As such, consideration sets may evolve over time and could be created anew on each decision occasion.

2.4.2 Evidence of Consideration Sets

While consideration sets are not directly observable, there are many arguments presented to support the notion that consumers use a range of hierarchical or nested sets through which they make decisions. Both Hauser and Wernerfelt (1990) and Roberts and Lattin (1991) reviewed research outlining the role and rationale of consideration sets. They noted the existence of consideration sets is a logical result of theories in economics and psychology. From an economic perspective, consumers will continue to search for information as long as the expected marginal returns from that search exceed the marginal cost of further searching. Conceptually, this means consumers will be searching for products and ranking them in the order in which they meet predetermined goals. Whereas from a psychological perspective, the differentiation between long and short term memory is consistent with a reduction process similar to the reduction process used in the hierarchy of sets. Such reduction strategies are recognised (Wright and Barbour, 1977) as a characteristic of human decision-making where consumers have to cope with complexity. With the decision-making process, the consumer is seen as first filtering the available alternatives using relatively simple criteria and then undertaking the detailed analysis of the reduced set. Thus conceptually, it can be seen that consideration sets exist through consumers' use of a reduction process in their decision-making.

However, though conceptually consideration sets may exist, Nedungadi (1990) and Ratneshwar and Shocker (1991) provide more direct evidence for their existence.

Nedungadi demonstrated the effect on the probability of choosing a brand by changing the probabilities of a brand being considered, without changing the consumer's evaluations of the brand. This was achieved through two experiments that manipulated the brand's accessibility and then measured the consequent effects on the brand's retrieval, consideration and choice. By reducing accessibility, consumers were forced to choose an alternate product.

Ratneshwar and Shocker (1991), meanwhile, examined the nature of categorisation of products in memory. Their work showed that in context-specific situations, consumers made different choices than those made in 'familiar usage' contexts. They argued that in familiar usage contexts, choices were made from well-established consideration sets, whereas in unusual or context-specific occasions, the consideration sets were subsequently revised.

On the other hand, Srivastava, Alpert and Shocker (1984) found high levels of agreement among consumers in the products they would consider for different (specified) uses, indicating that when usage and awareness are controlled, there may be similarity in the content and structure of consideration sets.

Collectively, these findings suggest that in normal usage situations, consideration sets are likely to be well-established, but in terms of the unusual or in a context-specific situation, not only are consideration sets real but they are dynamic, changing over time and with each new purchase situation. Thus it appears that for habitual purchases, consumers select from within their repertoires; however, for purchases that are not habitual or for a specific purchase occasion, a new consideration set may be formed for that specific purpose. Therefore, these studies have major implications for brand switching in subscription markets where consumers find themselves in a 'normal usage' situation with habitual purchasing. Thus with consideration sets being well established, a brand switch could have significant ramifications for the composition of the consumer's consideration set.

Nedungadi (1990) believes that within a consideration set, brand information retrieval is one factor that exerts a major influence on brand consideration, and that brand information retrieval can be influenced by any variable that influences the encoding of

brand-related information into a consumer's memory. That is, attention, comprehension, level of prior knowledge, processing capacity, processing effort and the ability to process can all influence brand choice. These influences are seen in many ways as consumers are exposed to different brands through advertising, packaging, point of sale displays, and word of mouth. A brand that a consumer has recently become aware of and processed is more likely to be retrieved from memory than a brand encountered a while ago. This is due to a brand that was encountered a while ago being forgotten or placed in long-term memory. Therefore, frequently encountered brands may be more accessible than infrequently encountered brands, and distinctive brands more accessible than non-distinctive brands (Kardes, Kalyanaram, Chandrashekar and Dornoff, 1993). Thus, accessible brands are more likely to be included in a consumer's repertoire and consideration set, whilst less frequently retrieved brands will just be found in the consumer's consideration set and may, due to lack of accessibility, be ultimately dropped from the set or relocated to the inert set. In terms of subscription markets, this raises an interesting point, as consumers are seen to be displaying high sole loyalty, inferring that on the whole, their repertoire and consideration set may contain just one brand, and that other brands, which may in the past have been considered, are, through lack of accessibility, being considered less and less. Therefore, what happens to those brands when the consumer switches brands?

From an economic perspective, the evaluation cost model of consideration set formulation, based on the evaluation costs (thinking costs, search costs and opportunity costs) involved in deciding whether to include a brand in a consideration set, states that the evaluation benefits must exceed the evaluation costs. That is, the promises being attributed to the new brand must be greater than the time being invested in searching out and thinking about the brand (Hauser and Wernerfelt, 1990). However, if a consumer decides that another brand offers a better utility than their current brand, does this mean that the previous brand will remain in their consideration set but at a lower ranking, being ranked second behind the newly preferred brand? Answers to questions such as this require an understanding of how consideration sets may be formed, and how they change over time.

2.4.3 Consideration Set Formation and Change

Both Hauser and Wernerfelt (1990) and Roberts and Lattin (1991) discuss the question of how consideration sets are formed and revised over time. As mentioned earlier, Hauser and Wernerfelt believe the probability of a brand being included in a consideration set is a trade-off between costs and benefits. Whilst the cost-benefit trade-off is dynamic across purchase occasions, because the content of the consideration set can evolve and change over time, it is not dynamic within purchase occasions. Hauser and Wernerfelt do not propose to identify 'the process' consumers use to form consideration sets, but claim they are a "reasonable representation of the results of individual-specific and situation-specific judgments" (1990, p. 398).

Meanwhile, Roberts and Lattin's (1991) research claimed that at the individual level, some processing was necessary for the consumer to make a preliminary 'effort versus gain' calculation, which screened possible brands from entry into a consideration set, such effort being wasted if the brand was not included. They imply that all members of a product class, being the universal set of Shocker *et al.* (1991), are screened for possible entry. This is a claim that is not supported either conceptually or by evidence, in that consumers are both unlikely to be aware of all available brands, and, as Narayana and Markin (1975) reported, consumers also have inert sets that contain brands of which they may be aware but have not screened or processed. It is also important to note that both the Hauser and Wernerfelt, and Roberts and Lattin studies were organised around nominal product classes that did not allow for heterogeneous consideration sets that are created for specific purposes.

On the other hand, Ratneshwar and Shocker (1991) believe that consideration sets are formed from the constraints imposed by an individual's goals and personal circumstances interacting with the available alternative brands. Swait (1984, as cited in Shocker *et al.*, 1991), when considering consideration sets in relation to urban travel, proposed a series of constraints that encompassed household, societal and personal constraints. Household constraints can be physical restraints dependent on location and resource availability, and individual where they relate to lifestyle and the individual's status and role in the household. Societal constraints are those imposed by the

availability of alternatives, whereas personal constraints relate to individual tastes and preferences and objective restrictions.

Consideration sets can also be formed or changed by influences at the time or point of purchase. A real estate agent may show a potential homebuyer a more expensive property, in an attempt to influence the sale of the less expensive house that they expect to sell. Likewise, a retail store may position a national brand at a higher price next to a private brand to communicate greater value, or to include a brand that they wish the consumer to consider, even though the consumer may not have otherwise considered the alternative for inclusion in their consideration set (Lapersonne, Laurent and Le Goff, 1995).

Klenosky and Rethans (1988) claimed consumers' goals are central to the process by which consideration sets are formed. When the consumer's goal is a familiar one, as in many subscription markets, the choice category is likely to be fairly well established in memory, and thus can be retrieved as a set. In these situations, the consideration set is likely to be relatively stable, though over time not totally invariant. In contrast, when the consumer's goal is a novel one, the consumer's consideration set has yet to be established in memory, and hence will have to be constructed for the first time. In these situations, the consumer's consideration set is likely to be relatively unstable for a period of time – that is, the composition of the consideration set is likely to change as the consumer learns more about the alternatives that might be relevant to the particular situation at hand. As the consumer gains experience with a particular choice situation, this category will tend to become more firmly established in memory, and hence more likely to be retrieved, as opposed to constructed.

In a cross cultural study of both American and Norwegian automobile buyers, Maddox, Grønhaug, Homans and May (1978) hypothesised that information seeking would have a positive relationship to the size of an evoked set. They also believed the level of information seeking and the size of the evoked set would be associated with the complexity of the decision process. Thus it appears routine decision-making involving little information gathering would result in a small-evoked set, as is the case with subscription markets. On the other hand, problem-solving would be associated with more active attempts to acquire information and a larger evoked set.

Hauser and Wernerfelt (1990), Roberts and Lattin (1991), Ratneshwar and Shocker (1991), Klenosky and Rethans (1988), Maddox, Grønhaug, Homans and May (1978), and Lapersonne *et al.* (1995) all claim individual consideration sets may be formed as a consequence of individual actions, be they economic or psychological. However, on an aggregate basis, it appears that consideration set formation may be, at the very least, partially stochastic, because it is no more possible to totally provide an explanation for their formation, than it is to explain as Bass (1974) said “the results of a toss of a coin.” No matter how consideration sets are formed, the issue of consideration set size is important as is the question of how can consideration sets be measured?

2.4.4 Consideration Set Size

In general, no matter how the consideration set is created, several studies (Brown and Wildt, 1992; Hauser and Wernerfelt, 1990; and Narayana and Markin, 1975) show the size of the consideration set tends to be small in relation to the total number of brands that could be evaluated.

Narayana and Markin (1975) reported average evoked set sizes of 2.0 for toothpaste, 1.3 for mouthwash, 1.6 for deodorant and 3.5 for beer. Brown and Wildt (1992) reported mean consideration set sizes of 5.39 for fast food, 5.06 for soft drink and 2.98 for gasoline. It is also worth noting the comparison to the awareness set size in each of those studies. In the case of Narayana and Markin (1975), the average awareness set sizes were 6.5 for toothpaste, 3.5 for mouthwash, 6.0 for deodorant and 10.6 for beer. Brown and Wildt (1992) reported mean awareness set sizes of 11.79 for fast food, 14.32 for soft drink and 6.72 for gasoline.

Meanwhile, Hauser and Wernerfelt (1990) summarised the evidence regarding the size of consideration sets for a range of product categories, indicating a range in mean from 2.0 to 8.1, with all but two product categories having a consideration set size in the range of 2 to 6. The two exceptions were beer (7.0) and motor vehicles (8.1). These studies show that most people consider far fewer brands than the total number of brands available, or the number of brands that they may be aware of. It also appears the evoked or consideration set is roughly a third the size of the awareness set, although

there are variations depending on the product class. However, these studies are all reflective of products found in repertoire markets, and the results may not be applicable to subscription markets where the size of the consideration set is expected to be closer to one. However, if a switch was to occur in a subscription market, the actual act of switching implies the construction of a consideration set greater than one.

2.4.5 Consideration Set Measurement

As mentioned previously, due to its closeness to a final choice, the consideration set is of particular interest to marketers. The idea that consumers actively consider for purchase only a subset of the brands that they are aware of, is of both intuitive appeal and practical use. As shown above, further research has developed the construct of the evoked set, and investigated it as an important component of the consumer buying process. Research focusing on choice modelling has further developed the concept, and labelled it as a consideration set, making it an integral component specifying the pool of brands from which the choice is made.

Research into consideration sets has included: conceptual frameworks for portioning brands into a variety of sets (e.g. Narayana and Markin, 1975; Brisoux and Laroche, 1980); characteristics of consideration sets (e.g. Brisoux and Cheron, 1990; Crowley and Williams, 1991) and characteristics of brands in the sets (e.g. Abougomaah, Schlacter, and Gardis, 1987; Roberts, 1989; Nedungadi, 1990). However, these studies have primarily assessed consideration sets through unaided self-report measures. Other techniques are possible including aided self-report measures, behaviour-based measures and market structure-related measures. Whilst there appears to be no uniform definition or operational measure of consideration set size and composition, the most common method to determine size and composition has been the unaided self-report.

Researchers have used a variety of wordings and orientations in unaided self-report measures to define the construct. Belonax (1979), when using microwave ovens as a product to study evoked set sizes, asked respondents which brands were 'acceptable for purchase'. Meanwhile, Narayana and Markin, in considering the composition and reasons for the composition of evoked and inept sets, asked their respondents "the following three questions...

1. List the names of all brands that you are aware of.
2. (a) List the names of brands that *you consider* buying.
(b) What are the reasons for this?
3. (a) List the names of all brands that you *do not* consider buying at *anytime at all*.
(b) What are the reasons for this?" (1975, p. 3).

The responses to the first question provided an indication of the respondent's awareness set. However, it is recognised that not all respondents will be able to recall all brands in their awareness set. Any omissions, however, are unlikely to be of concern, as those brands not recalled would not be in either the respondent's inept or evoked sets. The second question provided information on the respondent's evoked or consideration sets and any associated beliefs and attitudes. Likewise, the third question provided information on the respondent's inept set and the associated beliefs and attitudes.

Brown and Wildt (1992) report two further studies, where Brisoux and Laroche (1980) asked respondents:

"Which brands the subject would consider for a specified consumption situation",

and Church, Laroche, and Rosenblatt, asked:

"Which brand the subject would buy if buying today, and other brands the subject is willing to buy if the first choice is not available" (1985, p. 236).

However, the questions being used and their definitions of a consideration set all differ. Some are situation specific since they ask about a specific purchase situation – the 'last purchase occasion' or 'buying today'. Other questions are situation neutral and do not refer to any purchase occasion, and those seeking information on the next purchase occasion are essentially situation neutral since the purchase occasion is unspecified. Research, as previously mentioned, has shown that since consideration sets may be dynamic and changing, the context in which the purchase decision is being made will have an influence on that decision. If the purchase decision situation influences consumer purchase decisions, and if that purchase is being made from a range of brands within a consideration set, then it is reasonable to expect the situation to influence the make-up of the consideration set. Therefore, questions that are situation specific or

situation neutral could have different impacts. However, Brown and Wildt (1992), in conducting research into issues surrounding measuring both consideration set composition and size, concluded that, while situation specific definitions resulted in smaller consideration sets, measurement using that type of definition will most likely be appropriate and useful for many research applications.

Whilst research may be undertaken that can ascertain the composition of consideration sets, the question also needs to be addressed as to whether consumers rank the brands within their consideration sets. Pras and Summers (1975), when comparing linear and non-linear evaluation process models, needed to provide a basis for the comparison of each model. They asked each subject to:

“Rank his set of nine alternatives in terms of how much consideration he would give to purchasing each model” (1975, p. 278).

This ranking was called the preferential rank order. Then, when the subjects had to divide the alternative options into either ‘acceptable’ or ‘unacceptable’, Pras and Summers asked each subject to “assign a subjective purchase probability to each alternative” (1975, p. 279). Whilst the results were designed for a different purpose, the net effect has been the ranking, by the respondents, of the various brands within their consideration sets.

2.4.6 Consideration Sets and Choice Modelling

As has been shown, much of the literature shows consideration set formation as the first step in a two-step process. The second step is the random choice of a brand from within the consideration set. This two-step process infers that only those brands that have been considered as possible alternatives may be randomly chosen. Roberts and Lattin (1991) and Hauser and Wernerfelt (1990) both claim that the use of consideration sets in choice modelling provides a more realistic representation of the choice process, leading to improved forecasting and explanations of consumer behaviour. However, Horowitz and Louviere believe these claims are unsubstantiated and that “modelling choice using a consideration stage may lead to a misspecified model that would provide erroneous forecasts” (1995, p. 40). Their belief is that consideration sets are indicators of an individual’s preferences from amongst the alternatives available. Horowitz and

Louviere state, "The consideration set provides information about preferences and, therefore, utility. ...the formation of the set does not represent a choice-modelling stage that is distinct from the final choice. Moreover, the consideration set provides no information that is not available from the utility function. In particular, knowledge of the consideration set provides no additional information for forecasting choice if the utility function is known" (1995, pp. 40 -41). Therefore, researchers undertaking choice modelling do not need to seek from respondents either aided or unaided recall of all the brands they would consider buying, as answers to such questions, if required, can be derived from the utility function.

However, Horowitz and Louviere (1995) also commented on a third alternative as suggested by Roberts. This third way proposes that the alternatives in the consideration set are preferred to the alternatives not in the consideration set. It is premised on the belief that the random component of utility for generating the consideration set is different from the random component of utility for choosing an alternative from the consideration set. Unlike Horowitz and Louviere's model, this third way involves a two-stage process where, during the first stage, a consideration set of alternatives is chosen, and then during a separate stage, a final choice is made.

As covered previously in this review, choice modelling and conjoint analysis are based on the economic theory of utility maximisation, and that consumers consistently evaluate brands prior to either including them in their consideration set or purchasing them. However, the debate over the role of consideration sets in choice modelling, while it needs to be noted, is not particularly relevant to the approach taken in this research.

2.4.7 Other Recent Research into Consideration Sets

Chiang, Chib and Narasimhan (1999) undertook studies into consumer heterogeneity in consideration sets and the parameters of brand choice. Using Markov-based models and a combinational approach to consideration sets, they ignored any behavioural motivations. They claimed that their framework allowed for consumer heterogeneity in consideration sets, and claimed, therefore, that individual consideration sets will remain stable throughout the consumer's consumption history. This claim runs contrary to the

empirical evidence that suggests consideration sets are not stable and are influenced by situational factors.

Recent research (Mehta, Rajiv and Srinivasan, 2003) into consideration set formation has focused on an economic framework based on the cost of information search behaviour. Mehta *et al.* (2003) claimed that consumers are uncertain about the prevailing prices of brands, although they are aware of price distributions, and therefore they will engage in price searching to reduce this uncertainty. The cost of such searching forms the basis of their modelling. While this research is important and has implications for the composition and formulation of consideration sets, it is beyond the scope of this research project, which is focusing on the revision of probabilities in a consideration set after a brand switch.

This review focuses primarily on consideration sets, their formation and size, and acknowledges that consumers appear to behave differently in repertoire and subscription markets. As mentioned previously, in repertoire markets people buy from the range of products within their repertoire, regularly choosing different brands showing 'polygamous loyalty'; however, in a subscription market it appears that consumers show a considerable degree of loyalty to one particular brand. This indicates that, in a subscription market, while consumers may be aware of a range of brands, they may have very few brands in their actual consideration set and only one brand in their repertoire. This leads to the question, what are the likely impacts of a brand switch on consideration sets within a subscription market?

2.5 Impact of Brand Switching on Consideration Sets

In a subscription market, the consideration set is a useful proxy for purchase probability. In a repertoire market purchase probabilities can be inferred from consumer's purchase repertoires, however, in a subscription market this is not so as the purchase repertoire is too small. Therefore the impact of a brand switch can be inferred from the position of a brand within the consumer's consideration set.

2.5.1 Stochastic

As Bass (1974) said, even though behaviour is caused, the reasons for that behaviour are many and they may occur with an unpredictable frequency. Therefore, in practice, the process is effectively stochastic. As such, if the reason for a brand switch is stochastic, or effectively random, occurring as if the market were a repertoire market, then there will be no realignment of the previous brand's purchase probabilities if and when a subsequent brand switch were to occur. The previous brand will still be just as likely to be considered for purchase as any other brands.

2.5.2 Expectation Disconfirmation

According to Wirtz (1993), the level of dissatisfaction is related to the size and direction of the disconfirmation experienced. Dissatisfaction occurs when the product or service's performance fails to match the standard, whereas satisfaction occurs when the expected performance either exceeds or matches the expected standard. While this raises the obvious question as to what that standard may be, the net effect of an expectation disconfirmation experience may be a brand switch. In the case of expectation disconfirmation, the brand may be removed from the consumer's repertoire, probably their consideration set, and may be placed in their inept set. In the event of a brand switch occurring due to expectation disconfirmation, then the probability of the initial brand being repurchased will be greatly reduced, and the brand is likely to be removed from the consideration set.

2.5.3 Utility Maximisation

On the basis that consumers search out products and services to meet their needs and wants, and on the basis of trade-offs selecting those products that best meet those needs and wants, a brand switch based on utility maximisation will only have a minor effect on the consideration of the previous brand. If the reason for the brand switch, in a subscription market, is utility maximisation, or the acceptance of a better offer, then the brand that has been switched from will still remain in the consumer's consideration set, but will now be ranked second behind the newly preferred brand. The rationale being that the new brand has a better utility than the previous brand, but the previous brand

has better utility than others in the marketplace. The previous brand will then still remain in the consumer's consideration set, but at that slightly lower ranking.

Therefore, the probability of a brand, having once been switched from, being selected when the next switch occurs, could well depend upon the reason for the first switch occurring. It can be on the basis of the previous brand's new rankings and repurchase probabilities that the real reason for a brand switch can be inferred.

Thus, the issues to be determined are the rankings and position of the previous main brand, in a purchase repertoire and consideration set, after a brand switch, in each of the three switching categories.

2.6 Summary

As the literature review shows, the concept of brand switching and how consideration sets are constructed, is of considerable interest to both academics and practitioners. From a theoretical perspective, brand switching and consideration set construction represent an important opportunity for the better understanding and ultimate prediction of consumer behaviour. Whereas from a practitioner perspective, this understanding and predictability can provide an important component of customer retention and recovery campaigns.

Whilst there has been a considerable amount of research on both brand switching and consideration set construction, this has focused primarily on either the antecedents to the brand switch and how they can be ameliorated, or how to encourage a brand switch by encouraging potential switchers to include the new brand in their consideration set. However, there is another important issue that needs to be addressed in terms of a brand switch and consideration set construction. That is, in terms of the previous main brand, what are the impacts or consequences of a brand switch on consideration set construction, and are those impacts and consequences directly related to the antecedents or reason for the brand switch?

It has already been shown that there are three main categories or types of reasons for a brand switch occurring: stochastic, expectation disconfirmation, and utility maximisation. If brand choice is basically a stochastic process (see Bass, 1974; Ehrenberg, 1988), when a brand switch occurs, then it can be reasonably assumed that it has occurred within those brands already existing within the consumer's repertoire. If this is the case, then there will be no change in the rankings of the brands within the repertoire, and the purchase probabilities of the previous brand will remain the same for a brand of that size. However, in a subscription market, research (Sharp *et al.*, 2002) shows it is likely that consumers will have a consideration set of only one brand. Therefore, if a brand switch is about to occur or has just occurred, for stochastic reasons, the consideration set size could include both the previous brand and the new brand. Thus, the key issue is does the previous brand not only remain in the consumer's purchase repertoire and consideration set, but also does it have the same rankings as previously?

When a brand switch occurs, the literature (see Hauser and Wernerfelt, 1990; Shocker *et al.*, 1991; Roberts and Lattin, 1991) shows that the consumer's consideration set is revised. However, what are not shown are the consequences of such a revision. How is the consideration set revised, and can that revision be directly related to the reasons or antecedents for the switch? Does the consideration set remain the same size with the previous brand being deleted and a new brand chosen, or does the consideration set increase in size? Are the existing brands in the consideration set merely re-arranged to reflect a new order or ranking? Or do the repurchase probabilities of the previous brand remain the same, relative to the brand's market share? Are the brands re-arranged to reflect the new rankings? Does the revision of the consideration set depend upon the antecedent for the brand switch? Therefore, based on the revision of the consideration set, can the reason for a brand switch be inferred from the position or ranking of the previous brand in a consumer's consideration set?

In addressing the question of what happens when, as a consequence of a brand switch, a consumer revises their purchase repertoire and consideration set, the issue arises as to whether there is a difference in that revision, based on the reason for the brand switch.

If, as a result of this research, it can be seen that consumers revise their purchase repertoires and consideration sets based on the reason for a brand switch, then an empirical generalisation may be established that will allow for the development of more realistic models of brand switching, while providing marketers with benchmarks against which they can measure their brand's performance. The benchmarks will also be of great practical significance for 'recovery' marketing by subscription market providers and for the implementation of retention programmes.

This research then looks at the impacts of the reasons for a brand switch on the construction of a purchase repertoire and consideration set. Its objectives are to address and evaluate the differences in the impacts of the antecedents to a brand switch on a consideration set construction.

3 RESEARCH OBJECTIVES

This research's overall objective is to determine what the impact of the antecedents of a brand switch will be on the construction of a purchase repertoire and consideration set in a subscription market. The two main research questions to be addressed are:

- 1 Of the three main categories of reasons for brand switching - stochastic, expectation disconfirmation, and utility maximisation - what is the frequency of a switch occurring for each of those reasons?
- 2 What are the relationships between the rankings of the consumer's previous main brand in their purchase repertoire and consideration set and the reason for a brand switch?

Therefore, three propositions have been developed:

- 1 If the primary reason for a brand switch is stochastic, then the previous brand will remain in the consumer's consideration set and will have the same average ranking as would be expected for a brand of its size.
- 2 If the primary reason for a brand switch is one of expectation disconfirmation, then the previous brand will either be removed from the consumer's consideration set or if it remains in the consideration set will have a lower ranking than prior to the switch.
- 3 If the primary reason for a brand switch is one of utility maximisation, then the previous brand will still remain in the consumer's consideration set, but will be ranked one place lower than prior to the switch. That is, the new main brand will be ranked ahead of the previous brand.

4 METHODOLOGY AND DATA

4.1 Overview

This study investigates the impact of brand switching antecedents on consideration set composition in subscription markets and in particular the position of the previous main brand. Whilst the literature review has addressed the understanding of the constructs, this methodology section outlines the data used and the approach taken to measurement of the variables involved.

4.2 Research Data

The data being used in this research was supplied by AC Nielsen from their 2000 and 2002 New Zealand financial services surveys. The 2000 data was used to test the propositions and the 2002 data to confirm the findings.

The data consisted of 10,075 (2000) and 10,080 (2002) respondents. Their breakdown by gender, age and household income compared with the Census 2001 is shown in Table 2, Table 3, and Table 4.

Table 2: Breakdown By Gender

Gender	2000	2002	Census 2001
Male	42%	43%	48%
Female	58%	57%	52%

Whilst there is a slight bias towards females, this is indicative of the fact that females tend to be over-represented in survey research.

Table 3: Breakdown By Age Group

Age Group	2000*	2002*	Census 2001*
15 to 19 years	7%	7%	9%
20 to 29 years	15%	15%	17%
30 to 39 years	21%	20%	20%
40 to 49 years	17%	18%	19%
50 to 59 years	13%	14%	14%
60 to 74 years	18%	17%	14%
Over 75 years	10%	9%	7%

* Figures may add to over 100% due to rounding

The comparison shows there is a slight under-representation of the 15 to 19 year olds and the 20 to 29 year olds. Conversely, there is an over-representation of the 60 to 74 year olds and the over 75 year olds.

Table 4: Breakdown by Household Income

Household Income	2000*	2002	Census 2001*
Less than \$20,000	29%	24%	27%
\$20,001 to \$40,000	29%	29%	29%
\$40,001 to \$100,000	34%	37%	37%
Over \$100,000	7%	9%	8%

* Figures may add to over 100% due to rounding

Whilst there are some small differences between both the two samples and the 2001 Census, overall the gender, age and household income breakdowns closely match each other and the Census 2001. Any variations are small and are of no concern.

Before considering the reasons why some of the respondents switched brands, required the identification of the actual brand switchers. This was achieved by asking respondents who their current main financial provider was, and how long that provider had been fulfilling the role.

4.3 Brand Switchers

Of all the respondents, 93.1% (2000) and 92.4% (2002) had been with their current supplier for longer than twelve months, whilst 5.5% (2000 and 2002) of the respondents had been with their current main provider less than twelve months. The balance of the respondents 1.4% (2000) and 2.1 (2002) were either new to the banking industry or had changed banks due to a merger. This level of switching is comparable to expected annual churn rates in the banking industry of 4% to 6% (Garland and Gendall, 2002).

Tests were undertaken for any statistically significant differences between the brand switchers and non-switchers in terms of their sex, age, occupation and household income. While there was no discernable difference in the gender balances between the brand switchers and the non-switchers, statistically significant differences, in terms of the Chi-squared tests, were found with the ages, occupation, employment and household income between the brand switchers and non-switchers. The results of the Chi-squared tests are attached as *Appendix A*.

In considering those demographic variables, some clear patterns as to who is and is not likely to be a brand switcher emerge. In terms of age, those in the 20 to 39 age bracket were significantly over-represented with 60% (2000) and 55% (2002) of all switchers, compared with just 7% (2000) and 8% (2002) for the over 60s. At the 2001 census, the 20-39 year olds comprised 36.7% of the general population while the over 60s comprised 20.9%. A similar pattern was shown with employment where those who were retired or on age benefits were under-represented as switchers, whereas those in paid employment, and particularly the technical and semi-skilled categories, were over-represented. These employment patterns are reflective of the age breakdowns mentioned previously. When household income is considered, the brand switchers tended to be on higher incomes, whilst the lower paid, (less than \$20,000 per annum) were less likely to switch brands. Further analysis of demographic aspects of brand switchers is beyond the scope of this study.

Having identified the brand switchers, it was necessary to identify and measure the constructs of the reason for a brand switch, and purchase repertoires and consideration sets.

4.4 Reasons for a Brand Switch

The first construct in this research is the identification of the determinants of a consumer's brand switch. What events, combination of events or series of events can cause a consumer to not only seek out a possible new provider, but to actually switch brands? This issue was addressed by asking respondents:

“Why did you change your main provider of financial services?”

The respondents identified their reasons for a brand switch from a list of 36 predetermined reasons. These responses were recoded to reflect both Keaveney's (1995) service switching categories and the three main brand-switching areas of stochastic reasons, expectation disconfirmation, and utility maximisation. The recoding classifications are shown in *Appendix B*.

4.5 Purchase Repertoire and Consideration Set Measurement

As mentioned in the literature review, composition of purchase repertoires and consideration sets can be measured by respondents' responses to unaided self-report questions. Following this tradition, the respondents were asked:

“With what financial institutions do you have any current banking relationship?”, and

“Which financial institution would you consider to be your main provider of financial services?”

Responses to those questions identified the respondent's purchase repertoire. To identify the respondent's consideration set involved asking them:

"To identify all institutions where they would consider having a banking relationship".

The answers to the above question provided an indication of the respondent's intended purchase repertoire and consideration sets, which were measured by a count of the brands mentioned.

The research also asked respondents to rank the brands within their consideration set. To achieve this aim, respondents were given a list of statements and asked:

"Imagine if you did not have a bank or other financial provider and you were deciding who to give your business to, which of these statements best describes how much of your business you would give to....."

The statements used were:

- I would like to use them for all my requirements
- I would like to use them as my main one
- I would like to use them, but not as my main one
- I would think about using them
- I would not use them at all.

These questions not only revealed the respondent's future consideration set, their main brand, but also revealed their inept set. The answers also revealed a ranking of brands within a consideration set. Since the first two options are almost identical they have been effectively combined for the purposes of this research so any brand that would be 'used for all my requirements and used as my main brand' would be ranked first. Any brand that 'would be used but not as a main brand' would be ranked second whilst any brand that they 'would think about using' would be ranked third. Obviously, any brand that 'would not be used' is not included in the consumer's consideration set.

It is argued that any brand ranked first or second will be in the consumer's intended (as opposed to behavioural) purchase repertoire, while any brand ranked fourth, would just be in their consideration set.

However, these questions did not reveal the respondent's previous brand, which may, due to the brand switch, have been removed from the respondent's repertoire and consideration set, and placed in their inept set.

4.6 Previous Main Brand

While the purpose of this research is to empirically investigate the impact of brand switching antecedents on consideration set composition in subscription markets, it needs to take cognisance of the timing of a brand switch, as this will identify the previous main brand. Since one of the main constructs in this research is consideration set construction, and that in subscription markets there is likely to be only one main provider, it is appropriate to only ask respondents how long they have been with their current main provider. Therefore, the respondents were asked:

“Was your current main provider also your main provider of financial services 12 months ago?”

This time period of 'Less than 1 year' enables a cross-check with reported annual churn rates within the financial services industry.

Respondents who replied that their current main provider was not their main provider 12 months ago were then asked:

“Which company was your main provider of financial services 12 months ago?”

This latter question revealed the respondent's previous main brand.

However, for some respondents, their current main brand had not been their current main brand for the previous twelve months, since it was their first financial provider. Therefore the data needed to be transformed to ensure that only those respondents who had actually switched brands were considered. Details of the data transformation are shown in *Appendix C*.

4.7 Summary

The identification of a respondent's purchase repertoire and consideration set enabled a comparison to be made between those constructs, the repertoire being a measure of behavioural loyalty, and the consideration set a measure of cognitive loyalty. It also provided empirical evidence either supporting or refuting claims of high degrees of sole loyalty in subscription markets. If subscription markets do show high degrees of sole loyalty, then it can be expected that repertoire and consideration set sizes will both be small, and the means should be close to one, although the consideration set is expected to be slightly larger.

The identification of a previous main brand, a future consideration set and the rankings within that set enables the relationships between the previous main brand and its position within that set to be investigated. It was on that basis that the research propositions were tested to see if the reason for the brand switch has an impact on the position of the previous main brand within the consideration set.

5 REASONS FOR A BRAND SWITCH

While most of the current literature (Zeithaml, 2000; Ganesh *et al.*, 2000; Keaveney, 1995; Wirtz, 1993; and Boulding *et al.*, 1993) has focused on service quality and customer satisfaction as primary reasons for a brand switch, other researchers (Green *et al.*, 2001) have focused on how consumers make trade-offs, choosing the best offer available. Still further research (Ehrenberg, 1972; and Bass, 1969) has focused on the random or stochastic nature of brand switching. This stochastic switching has been defined by Keaveney (1995) as switching behaviour that is, in general, beyond the direct control of the service provider or the customer.

With the AC Nielsen research, the respondents who claimed to have switched financial service providers within the last 12 months were asked 'Why did you change your main provider of financial services?' The respondents were probed to provide all possible reasons. The results for both years 2000 and 2002 are shown in Table 5 below.

Firstly, the percentages add to more than 100% (124% in 2000 and 117% in 2002). This is due to some respondents identifying more than one reason for a brand switch. However, this result only partly reflects Keaveney's (1995) study, where it was found that respondents identified a series of critical behaviours that were required before a brand switch occurred. In fact, the percentages in Keaveney's study totalled 179%.

In considering the reasons given for a brand switch, there are some significant differences between the years 2000 and 2002. In the first instance, it can be seen that the percentage of respondents who cited account or transaction fees as a reason for a switch has dropped from 30% in 2000 to 26% in 2002. Likewise, those respondents citing service (non specific) as a reason for switching has also dropped from 15% in 2000 to 9% in 2002. These changes indicate that the financial service sector has, in general, improved its customer service, and that bank charges or fees are becoming more uniform across the sector.

Table 5: Reasons for a Brand Switch

Reason For Switch	2000*	2002*
High account/transaction charges at old bank	30%	26%
Other specific service related reason	20%	20%
Service (Non specific)	15%	9%
New to country/not in the country	9%	9%
Better mortgage offered at new bank	8%	9%
Personal (other)	6%	5%
Previous bank would not give a loan/cheque account/overdraft	4%	3%
Other account related reason	4%	4%
Slow inefficient services/queues	3%	1%
Location of branch is more convenient	3%	3%
New bank offers higher interest	3%	2%
Other bank loan/overdraft facilities at new bank	2%	1%
Branch closed down	2%	0%
Dissatisfied with old bank	2%	1%
Misc. some other reason	2%	4%
Bank merged/taken over by another bank	2%	1%
Bank Manager was no good/inefficient	1%	0%
Convenient (other)	1%	1%
Friend/relative/self work at new bank	1%	2%
Previous bank would not give a mortgage	1%	4%
Better student overdraft/loan facilities	1%	4%
Marital status change	1%	1%
Moved within the country	1%	3%
Old account/is frozen/closed by old bank	0%	0%
Any bank image related reason	0%	2%
None	2%	2%
Totals	124%	117%

*Figures add to over 100% due to multiple responses

However, one area of change that is worth noting is the area of 'Better student overdraft/loan facilities', where the number of respondents who cited this reason has increased from 1% in 2000 to 4% in 2002. This is reflective of recent market activity, and has long-term implications for the longer-term share of those customers' wallets.

Having identified the reasons for a brand switch, they were then recoded to reflect both Keaveney's (1995) service switching categories and the three main brand-switching areas of stochastic reasons, expectation disconfirmation, and utility maximisation. The recoding to reflect Keaveney's service switching categories was undertaken on the basis of Keaveney's definitions of her switching categories.

The percentage of each 'Reason for the Brand Switch' by Keaveney's (1995) study are shown in Table 6. The percentages again add to more than 100, due to the multiple responses.

Table 6: Reason for the Brand Switch by Keaveney's Service Switching Categories

Switching Category	Reasons for a Brand Switch (2000)*	Reasons for a Brand Switch (2002)*
Pricing	41%	40%
Inconvenience	4%	4%
Core Service Failure	10%	9%
Failed Service Encounter	35%	35%
Response to Failed Service	6%	6%
Competition	7%	6%
Ethical Problems	0%	0%
Involuntary Switching	7%	6%
Other	13%	13%
Total	123%	119%

*Figures add to over 100% due to multiple responses

There is little difference between the 2000 and 2002 reasons. Whilst there were some changes in the specific reasons as identified earlier, for example, account/transaction fees and student loans/overdrafts, these balanced each other out in terms of Keaveney's switching categories.

The reasons for a brand switch were also recoded (Table 7) to reflect the three main switching areas of stochastic reasons, expectation disconfirmation, and utility maximisation.

Table 7: Reason for the Brand Switch by Switching Category

Switching Area	2000*	2002*
Stochastic	24%	31%
Expectation Disconfirmation	37%	33%
Utility Maximisation	39%	37%

*Figures may not add to 100% due to rounding

Of the three categories, Table 7 shows that in both years, utility maximisation (39%, 2000; and 37%, 2002) and expectation disconfirmation (37%, 2000; and 33% 2002), were the main reasons given for a brand switch. The predominance of those two categories confirms the rationale seen in the literature, which has focused on service, satisfaction and a 'better offer', as the prime reasons for a brand switch. However, the stochastic reasons are still an influential component in terms of a brand switch, and have increased between the two years, with 24% in 2000 and 31% in 2002. As mentioned earlier, it appears that the New Zealand financial services industry is maturing after a period of rationalisation, and that issues involving service or satisfaction are no longer as prevalent. This means that a greater focus on external or stochastic reasons and the implications of those reasons will play an increasingly more important role in brand switching.

In comparison to the actual reasons given, Table 8, below, shows the percentage of the respondents who gave either only one reason for a brand switch or a combination of reasons. Clearly, both expectation disconfirmation and utility maximisation are the main categories for a brand switch.

Table 8: Percentage of Respondents and Reason for a Brand Switch

Reason for the Brand Switch	2000*	2002*
Stochastic	16%	27%
Expectation Disconfirmation	34%	28%
Utility Maximisation	33%	32%
Combinations of Reasons	17%	14%

*Figures may not add to 100% due to rounding

This predominance is further reinforced when the breakdown of the combinations of reasons is considered, as 83% (2000) and 94% (2002) of those respondents gave a combination of two reasons for a brand switch. In 2000, 64% of those were a combination of an expectation disconfirmation and utility maximisation reason, whilst in 2002, that figure had dropped to 47%.

Again, it is important to note that stochastic reasons have grown as both a sole reason (16%, 2000 to 27%, 2002), and as one of the combination of reasons, be that with either an expectation disconfirmation or utility maximisation reason. These findings again reinforce the view that, with the maturing of the New Zealand banking sector, stochastic reasons are becoming more prevalent and growing in importance.

The data also allowed for a comparison to be made between the two years, in terms of brand switchers from the 'Top 5' banks. These banks have between them some 85% of the New Zealand banking business. Table 9, below, shows a comparison between the brand switchers from the 'Top 5' banks, and the switchers from the 'Other' banks.

**Table 9: Reason for the Brand Switch by Switching Area –
Comparison of 'Top 5' and 'Others'**

Switching Category	2000*		2002*	
	% 'Top 5'	% 'Other'	% 'Top 5'	% 'Other'
Expectation Disconfirmation	42%	11%	37%	12%
Stochastic	15%	71%	20%	70%
Utility Maximisation	43%	18%	42%	18%

*Figures may not add to 100% due to rounding

As far as the 'Top 5' banks are concerned, while stochastic reasons are becoming a more important reason for a brand switch, utility maximisation is still the primary reason. This is reflective of the fact that, in 2000, 30% of the reasons given for a brand switch involved account or transaction fees. While this figure dropped to 26% in 2002, other reasons such as 'Student loans and overdrafts' increased (1%, 2000; 4%, 2002).

Expectation disconfirmation has dropped from 42% in 2000 to 37% in 2002, and this reflects the decrease in reasons such as 'Service (Non specific)' and 'Slow Inefficient Services/queues'. A decrease between the years in service-related reasons can be expected, as the banking industry has been focusing on this area of their operation. As competitive pressures are maintained, less switching for reasons of expectation disconfirmation and utility maximisation can be expected, and therefore the level of stochastic reasons will increase.

However, with the 'Other' banks, it can be seen that stochastic reasons are by far the major reason for a brand switch. This can in part be explained by the regional focus, or lack of a national network of those financial institutions, and, as consumers change locations, a switch occurs due to the need to find a new supplier.

Overall, these findings support the literature in terms of utility maximisation and stochastic reasons. Guadagni and Little (1983) and Green *et al.* (2000) saw consumers switching brands because of trade-offs and, in particular, pricing while Ehrenberg (1990) saw the switching for stochastic reasons. This does not diminish the work of Keaveney (1995), Zeithaml (2000), and Ganesh *et al.* (2000), but indicates that, as the levels of service quality become the same between competitors, switching due to expectation disconfirmation decreases. This study, therefore, is building on the previous research, and extending our knowledge of brand switching and its implications. Another key difference between this study and previous research is the focus of the research itself. Those previous studies have focused on the relationship between the current brand and the consumer, whereas this study is focusing on the relationship between the previous brand and the consumer. It is this focus that now leads to an investigation of consumers' purchase repertoires and consideration sets.

6 PURCHASE REPERTOIRES AND CONSIDERATION SETS

Consideration sets have been defined by Shocker *et al.* as “purposefully constructed and can be viewed as consisting of those goal satisfying alternatives salient or accessible on a particular occasion” (1991, p. 183). As such, they are a cognitive measure of what consumers may consider purchasing should a particular situation arise. On the other hand, purchase repertoires are a behavioural measure as they reflect the actual purchases that consumers make, and reflect what Ehrenberg (1990) called multi-brand buying.

6.1 Purchase Repertoires and Consideration Sets of all Respondents

The purchase repertoires were calculated on the basis of a simple count of the number of banks the respondents identified as having an account or a current banking relationship with. In considering all respondents, purchase repertoire sizes ranged from one to 8 with a mean of 1.49 (2000) and 1.69 (2002) as shown in Table 10. A breakdown of the percentages in each repertoire size is included in *Appendix D*.

Table 10: Mean Purchase Repertoire and Consideration Set Sizes

Mean Purchase Repertoires		Mean Consideration Set Sizes	
2000	2002	2000	2002
1.49	1.69	3.04	3.16

These mean purchase repertoire sizes are relatively small, and compare with other studies, such as Garland and Gendall’s (2002) repertoire of 1.69 for personal retail banking, and Sharp *et al.*’s (2002) repertoire of 1.10 for credit cards. However, it needs

to be noted that the above purchase repertoires are reflective of any current banking relationship – whether that is a credit card, cheque account, home loan or personal loan.

As with the purchase repertoires, the consideration sets were calculated on the basis of a count of the number of brands that the respondents would consider using. Results are also shown above in Table 10. The consideration set sizes ranged from one to 7 with a mean of 3.04 (2000) and 3.16 (2002). These means fit within Hauser and Wernerfelt's (1990) study, where they showed that, for most product categories, consumers will have a consideration set size of between 2 and 6.

However, it is worth noting the differences between the number of respondents who have indicated what number of brands would be in their purchase repertoire and consideration set. The consideration set sizes are larger than the repertoire sizes, with, for example, almost three times as many respondents having a consideration set size of three, compared to a similar purchase repertoire. Whilst it was initially thought that both the purchase repertoires and consideration sets would be small reflecting the loyalty shown in subscription markets (see Sharp *et al.*, 2002), this has not been the case. The actual repertoire sizes reflect this loyalty, whereas the consideration set sizes reflect the Hauser and Wernerfelt's (1990) study. These findings are reflective of the differences between behavioural and cognitive measures, and have implications for both research into brand loyalty and switching constraints. These results indicate that loyalty may be a reflection of behaviour, and not one of positive attitudes. Further discussion on this point is beyond the scope of this research.

The difference between the repertoire and consideration set ranges can be explained within the context of the questions being asked. In determining the consideration set, the respondents were first asked which bank was their favourite bank and which bank they would recommend to a friend. They were then asked "Imagine you did not have a bank or other financial provider and you were deciding who to give your business to, which of these statements best describes how much of your business you would like to give to...." and then the respondents were provided with the names of the top five New Zealand banks, as well as any bank they may have previously identified as either a favourite bank, or one they would recommend to a friend. This form of questioning both

limited the potential consideration set size to seven and provided the opportunity for respondents to consider a bank they might have otherwise omitted.

6.2 Purchase Repertoires for Brand Switchers and Non-Switchers

While consideration has been given to the repertoires and consideration sets of all respondents, the main focus of this study is on those respondents who have switched brands within the previous 12 months. Therefore, a comparison has been made between the brand switchers and non-switchers. The brand switchers' purchase repertoire sizes ranged from one to 8 with a mean of 1.62 (2000) and 1.80 (2002). These repertoire sizes contrast with the non-switchers who, while also having a range from one to 8, had mean repertoire sizes of 1.49 (2000) and 1.69 (2002). The comparisons of the means can be seen in Table 11. A breakdown of the percentages in each repertoire size is included in *Appendix E*.

Table 11: Comparison of the Purchase Repertoires of Brand Switchers and Non-Switchers

	Purchase Repertoires			
	Brand Switchers		Non-Switchers	
	2000	2002	2000	2002
Mean Repertoire Size	1.62	1.80	1.49	1.69

A *t* test was undertaken to test for significant differences between the purchase repertoires of the two groups. Based on a 95% confidence level, the results were as follows: 2000 purchase repertoires $t=3.14$, $df=437$, $p<0.01$; and 2002 $t=2.23$, $df=348$, $p<0.02$. These results indicate that the data strongly supports the proposition that a brand switcher is likely to have a larger purchase repertoire than non-switchers. This is also reflected when consideration is given to the actual sizes of the purchase repertoires. For example, in 2002, 56% of switchers have a repertoire of two or greater, while only

45% of non-switchers had a similar size repertoire. This has two possible implications; the first being when a brand switch happens, the consumer may, in fact, not remove the previous main brand from their repertoire, but shift their business to the new main brand, which already existed in their purchaser repertoire. The second implication is that consumers may also add a new brand to their repertoire. However, it appears the previous main brand could still have a share of that consumer's wallet, although at a lower level than previously.

These findings meet the research's initial objective, that a brand switch will have an impact on the construction of a purchase repertoire. This is happens, with either the addition of a new brand, or the realignment of the existing brands, within the purchase repertoire.

6.3 Consideration Sets for Brand Switchers and Non-Switchers

When the consideration sets of the switchers and non-switchers are compared, the results are different. Both the brand switchers' and non-switchers' consideration sets ranged in size from one to seven. As shown in Table 12, below, brand switchers in 2000 had a mean of 3.30, compared with the non-switchers with a mean of 3.16. However, in 2002, the means were reversed, and the brand switchers had a lower mean consideration set (3.10) than non-switchers (3.14). A breakdown of the percentages in each consideration set is included in *Appendix F*.

Table 12: Comparison of the Consideration Sets of Brand Switchers and Non-Switchers

	Consideration Sets			
	Brand Switchers		Non-Switchers	
	2000	2002	2000	2002
Mean Consideration Set	3.30	3.10	3.16	3.14

A *t* test was undertaken to test for significant differences between the consideration sets of the two groups. Based on a 95% confidence level, the results were as follows: for 2000, $t=3.14$, $df=437$, $p<0.01$; and 2002, $t=0.55$, $df=349$, $p<0.25$. While the result from 2000 supports the proposition that the brand switchers' consideration sets are significantly larger than non-switchers', the result from 2002 supports the null hypothesis. However, the overall differences in the consideration sets are small for both brand switchers and non-switchers.

This result was, for two reasons, not completely surprising. Firstly, brand switchers, by the nature of the switching process, initially consider brands from within their consideration set, before considering any additional or new brands. Stigler (1961), Belonax and Mittelstaedt (1978), Shugan (1980), and Alba and Hutchinson (1987) all showed that search costs played an important role in the size of a consideration set, and that switching occurred initially, from within the consideration set. This has implications for marketers, in that, they need to ensure their brand is included in a consumer's consideration set so that it may be considered in the event of a switch occurring.

Secondly, during 1999 and 2000 the New Zealand banking market was undergoing a period of re-alignment with several mergers and acquisitions. Thus, the 2000 result could be a consequence of a dynamic market. The 2002 result may well reflect, then, the maturing of the New Zealand banking market into what is, in effect, a stable market. Such a contention is supported by Kardes *et al.* (1993), who claimed that, during a period of intense market activity, consumers are more likely to become aware of a greater range of brands, and thus include them in their consideration sets. The fact that the mean consideration set sizes for both switchers and non-switchers alike were greater in 2000 than in 2002 also lends weight to this proposition.

The overall objective of this research was to determine the impact of a brand switch on the construction of a purchase repertoire and a consideration set, within a subscription market. Clearly a brand switch has a major impact on the consumer's purchase repertoire. As a consequence of the brand switch there has been a rearrangement within

the purchase repertoire. The new current main brand could have been either, an existing brand with which the consumer already had a relationship, or it may have been a new brand that has been added to the purchase repertoire.

On the other hand the consideration set sizes remained relatively stable. Compared to purchase repertoires, a brand switch may not have a similar impact on the consideration set in that no new brands are added to the set. However, a realignment of the brands in the consideration set does take place, and this is dependent on the reason for the switch occurring. This issue is addressed in the following section.

7 THE IMPACTS OF A BRAND SWITCH

7.1 Rankings of Brands within a Consideration Set

As mentioned earlier, consideration sets are a useful proxy for purchase probabilities, and the higher a brand is ranked within a consideration set, the greater its purchase probability. But what happens to those rankings, when a brand switch occurs, and how are they revised? This research's prime focus is on the construction of the post-switch consideration set, and the ranking of the previous main brand. Before considering the impacts of a brand switch, on a post-switch consideration set, it is necessary to consider both the non-switchers and switchers rankings of their current brand and 'other brands' in their consideration sets. 'Other brands' includes all brands except the current main brand, and may include the previous main brand, if it is still within the consideration set. This comparison will provide a benchmark against which the switchers' rankings of their previous main brand can be measured.

Table 13, below, shows the non-switcher's rankings of their current, and 'other brands' in their consideration sets.

Table 13: Ranking of the Non-Switchers' Current and 'Other Brands' in their Consideration Set

	Current Main Brand		Other Brands	
	2000*	2002*	2000*	2002*
Would use for all requirements/ as main financial provider	66%	69%	16%	18%
Would use but not as main financial provider	8%	7%	8%	7%
Would think about using them	19%	17%	37%	33%
Would not use them	7%	6%	38%	42%

*Figures may not add to 100% due to rounding

There is a clear contrast between the ranking of the current main brand, and the 'other brands'. Between 74% (2000) and 76% (2002) of the current main brands have been ranked in the consumer's intended purchase repertoire (the top two rankings of 'would use for all requirements/as main financial provider', and 'would use as main financial provider'). This contrasts with 24% (2000) and 25% (2002) of the 'other brands'. On the other hand around 38% (2000) and 42% (2002) of 'other brands' would not be considered at all, compared with the current main brand of 7% (2000) and 6% (2002).

A similar pattern emerges when consideration is given to the ranking of the brand switchers' current and 'other brands', as shown in Table 14.

Table 14: Ranking of the Brand Switchers' Current, and 'Other Brands' in their Consideration Set

	Current Main Brand		Other Brands	
	2000*	2002*	2000*	2002*
Would use for all requirements/ as main financial provider	64%	75%	16%	18%
Would use but not as main financial provider	10%	5%	8%	7%
Would think about using them	21%	13%	34%	31%
Would not use them	5%	6%	42%	44%

*Figures may not add to 100% due to rounding

The current main brand features prominently in the brand switchers' intended purchase repertoire and consideration set, with 74% (2000) and 80% (2002) ranked in the top categories. Conversely, 21% (2000) and 13% (2002) of the current main brand would only be considered for use, and a further 5% to 6% would be rejected compared with 42% and 44% of the 'other brands'.

Overall, there is very little difference between the rankings of the current main brand and 'other brands' by both the non-switchers and switchers. The only major difference is in 2002 where the brand switchers have ranked their current main brand higher (75%) than the non-switchers (69%). This difference is not considered important.

However, it is also interesting to note that the 5% to 7% of both non-switchers and switchers would not use their current main brand. These figures are comparable to expected annual churn rates in the banking industry of 4% to 6% (Garland and Gendall, 2002; Colgate, 1997). It could be that that these figures are a leading indicator of likely brand switching. This is an area that could be studied further.

Having established that there is very little difference between the non-switchers and brand switchers, in terms of their rankings of both their current main brand and ‘other brands’, it is important to consider how brand switchers rank their previous main brand. Table 15 shows the ranking of the previous main brand within the brand switchers post-switch consideration set.

Table 15: Ranking of the Brand Switchers’ Previous Main Brand in their Consideration Set

	Previous Main Brands	
	2000*	2002*
Would use for all requirements/ as main financial provider	8%	11%
Would use but not as main financial provider	12%	12%
Would think about using them	21%	24%
Would not use them	59%	53%

*Figures may not add to 100% due to rounding

In 2000, a majority of respondents (59%) have removed their previous main brand from both their intended purchase repertoire and consideration set, whereas in 2002 this figure has dropped to 53%. In 2002, 47% of the respondents have still kept their previous main brand within their consideration set, and almost half of those respondents (23%) have the brand in their intended purchase repertoire. These changes are indicative of the increased level of stochastic switching, as discussed in previous sections.

In fact, in 2000, 8% and in 2002, 11%, of the previous main brands have been ranked in the top two categories. This is an important finding that has major implications and will be discussed later in this section.

There also appears to be some similarities between the rankings of the previous main brand and the rankings of the 'other brands', particularly in terms of the intended purchase repertoire. These similarities could also highlight the increasing stochastic nature of brand switching. This point will also be covered later in this section.

The vast majority of the literature covering switching for reasons of dissatisfaction rests on the presumption, that as a consequence of a switch a brand will be rejected. This appears to be the case with only around half the respondents. With utility maximisation, the literature shows that the previous main brand will drop one ranking below the current main brand. In this case it would be expected that these previous main brands would be ranked 'would use but not as main financial provider. Table 15 shows that 12% (2000 and 2002), of the brand switchers have ranked their previous main brand in that category. On the other hand, the literature on stochastic models indicates that a brand that has been switched from has a repurchase probability of a brand of its size. Again this can be seen with about half the respondents where the brand is still salient.

Table 15, also, clearly shows that while consumers switch brands, there is still the opportunity to attract over 40% of them back, as their previous main brand is still salient, that is, it is still in their consideration set. This finding has important implications for recovery marketing. Conversely this also means that those brands that have recently acquired a switcher, have the problem that recent acquisitions may leave their new brand, unless a retention programme is implemented.

However, these findings lead to the question as to whether the antecedents for the brand switch have an impact on the previous brand's subsequent ranking or position within a consumer's post-switch consideration set.

7.2 Rankings of the Previous Main Brand and Switching Areas

This research's overall objective was to determine what the impact of the antecedents of a brand switch (stochastic, expectation disconfirmation and utility maximisation) would be, on the construction of a post-switch consideration set, in a subscription market. Relevant results are shown clearly in Tables 16 and 17, below.

Table 16: Previous Brands by Ranking and Reason for Brand Switch within the Consideration Set (2000)

Ranking in Consideration Set	Stochastic Reasons*		Expectation Disconfirmation*		Utility Maximisation*		Totals	
	n	%	n	%	n	%	n	%
Would use for all/as main financial provider	13	17%	9	5%	8	5%	30	7%
Would use but not as main financial provider	9	12%	17	10%	22	14%	48	12%
Would think about using them	22	29%	28	17%	36	23%	86	21%
Would not use them	31	41%	114	68%	93	59%	238	59%
Totals	75	100%	168	100%	159	100%	402	100%

*Figures may not add to 100% due to rounding

Table 17: Previous Brands by Ranking and Reason for Brand Switch within the Consideration Set (2002)

Ranking in Consideration Set	Stochastic Reasons*		Expectation Disconfirmation*		Utility Maximisation*		Totals	
	n	%	n	%	n	%	n	%
Would use for all/as main financial provider	12	18%	10	8%	15	10%	37	11%
Would use but not as main financial provider	12	18%	13	11%	15	10%	40	12%
Would think about using them	14	21%	23	19%	41	29%	78	24%
Would not use them	28	42%	75	62%	72	50%	175	53%
Totals	66	100%	121	100%	143	100%	330	100%

*Figures may not add to 100% due to rounding

Both tables show that the antecedents to a brand switch do have an impact on the 'post-switch' consideration set's construction. There are clear distinctions between the ranking of the previous main brand and the reason for the brand switch. For instance, where the previous main brand was switched from for stochastic reasons, there is a 29% (2000) and 36% (2002) probability of the brand remaining in the respondent's intended purchase repertoire, than for either expectation disconfirmation (15%, 2000; 19%, 2002)

or utility maximisation (19%, 2000; 20%, 2002). Whereas, a brand switch for reasons of expectation disconfirmation will, in two thirds of the cases, result in the brand being rejected.

Chi-squared tests for statistical significances between the rankings and the reasons for the switch were undertaken. The results for 2000 (Table 16) were statistically significant: $\chi^2=23.26$, $df=6$, $p<0.01$. Likewise the results for 2002 (Table 17) were also statistically significant: $\chi^2=25.20$, $df=6$, $p<0.01$. These tests show that the null hypothesis of 'no relationship' between the ranking of a previous brand in a consideration set and the reason for the brand switch can be rejected. However, it is a weak measure of the relationship. Also, the test has only assessed whether the observed association is statistically significant. That is, the previous brand ranking/reason for the switch relationship is only sufficiently strong enough for a conclusion to be drawn that there is a relationship between those two variables, and the results are not merely left to chance.

Whilst there is clear evidence of a relationship between the reason for a switch and the ranking of the previous main brand, the direction and nature of this relationship can be ascertained from an examination of each reason for a brand switch.

7.2.1 Brand Switching for Stochastic Reasons

The research proposed that if the primary reason for a brand switch was stochastic, then not only would the brand remain in the consumer's consideration set, but it would have the same average ranking for a brand of its size. In considering Tables 16 and 17, above, it can be seen that 58% (2000), and 57% (2002), of the switchers have kept their previous main brand within their consideration set. The tables also show that in 2000, 29% of the switchers would use their previous main brand, that is have it in their intended purchase repertoire; a figure that increased to 36% in 2002.

This increase reflects the point raised previously, that with the maturing of the financial markets there has been an increase in stochastic reasons for a brand switch. Such a shift is consistent with Sharp *et al.*'s (2002) contention that in terms of switching a subscription market will behave in a similar manner to a repertoire market.

Testing of the proposition, that if a brand switch occurred for stochastic reasons then it would retain a ranking similar to a brand of its size, can be undertaken by comparing the rankings of the stochastic switchers' previous main brand and 'other brands'. If the proposition holds true, then, it would be expected that the rankings between the two groups would be similar.

Table 18, below, shows a comparison of the rankings of the stochastic switchers' current main brand, 'other brands', and previous main brand. Allowing for the small sample sizes (75 in 2000, and 66 in 2002), the results, between the 'other brands', and previous main brand, are very similar. For instance, it can be seen that between the two years, an average of 42% of both the 'other brands' and previous main brand have been ranked in the 'would not use' category. Likewise 17% to 18% of the 'other brands' and previous main brand have been ranked in the top category.

Table 18: Brand Switchers (Stochastic Reasons) Ranking of Brands

Ranking in Consideration Set	Current Brand		Other Brands		Previous Brand	
	2000*	2002*	2000*	2002*	2000*	2002*
Would use for all/as main financial provider	56%	70%	18%	12%	17%	18%
Would use but not as main financial provider	12%	8%	9%	8%	12%	18%
Would think about using them	20%	14%	36%	33%	29%	21%
Would not use them	12%	7%	37%	47%	41%	42%

*Figures may not add to 100% due to rounding

Chi-squared tests for any significance between the rankings of the 'other brands' and the previous main brand were carried out. The results for both 2000 and 2002 were not statistically significant: $\chi^2=0.94$, $df=3$, $p>0.01$, (2000) and of $\chi^2=5.61$, $df=3$, $p>0.01$ (2002). These tests showed that there is no difference in the rankings of the previous main brand and the 'other brands'. However, with sample sizes of 75 (2000) and 66 (2002) some of the cell counts were small.

These results support the original proposition that the previous main brand has the same average ranking as would be expected for a brand of its size.

The major implications arising from this study, in terms of stochastic switching, focus on two major areas. The first is the increase in stochastic reasons for a brand switch. This implies that subscription markets, as they mature, are behaving more and more like repertoire markets, and that brand switching is occurring ‘as-if-by-random’. The second follows naturally, and indicates that marketers need to be aware that consumers will, in the event of a switch, select brands from within their purchase repertoire, and therefore their brand needs to be salient and included, at the very least, in a potential switcher’s consideration set.

7.2.2 Brand Switching for Reasons of Expectation Disconfirmation

If a brand switch was to occur for reasons of expectation disconfirmation, then this study (Table 19 below), shows that 68% in 2000 and 65% in 2002 of the previous main brand will be removed from the switcher’s consideration set. However, 15% (2000) and 17% (2002) of the previous main brands were still ranked in the top categories, indicating that the brand was still salient to some of the switchers. This has an important implication for marketers, as they are able to undertake promotional activities to either attract back the switchers or ensure that their brand remains salient in the event of another switch taking place.

Table 19: Brand Switchers (Expectation Disconfirmation) Ranking of Brands

Ranking in Consideration Set	Current Brand		Other Brands		Previous Brand	
	2000*	2002*	2000*	2002*	2000*	2002*
Would use for all/as main financial provider	68%	78%	17%	12%	5%	6%
Would use but not as main financial provider	7%	6%	8%	9%	10%	11%
Would think about using them	18%	9%	32%	29%	17%	18%
Would not use them	7%	6%	43%	49%	68%	65%

*Figures may not add to 100% due to rounding

The original proposition is further supported, when a comparison is made with rankings of the previous main brand with both the current brand and ‘other brands’. Firstly, there is a clear difference in all the rankings between the current brand and previous brand with an almost inverse proportion. This shows a clear rejection of the previous main brand. Secondly, when a comparison between the previous main brand and the ‘other

brands' is made the same rejection, although at a lower level, can be seen. This is as expected.

These differences, between the 'other brands' and previous main brand, are confirmed when chi-squared tests were undertaken. The chi-squared test results were as follows: $x^2=23.30$, $df=3$, $p<0.01$ (2000), and $x^2=9.91$, $df=3$, $p<0.02$ (2002). These tests show that there is a difference in the rankings of the 'other brands' and the previous main brand and they can be directly attributed to the reason for the brand switch. However, as with the stochastic switching category, the sample sizes of, 168 (2000) and 121 (2002), meant that some of the cell counts were small.

These findings are not surprising and support the initial proposition claiming that the brand will be removed from the consumer's consideration set. They are also well supported by the literature (see Parasuraman, Berry and Zeithaml, 1991), which has focused on the consumer's 'Zone of Tolerance', and the addressing of service related issues.

One important finding from this study, in terms of the financial services market, was the reduction in the number of switches happening for reasons of expectation disconfirmation. Switching for reasons of expectation disconfirmation was 42% in 2000, reducing to 37% in 2002. This finding was not surprising, considering the emphasis the financial service sector has devoted to customer service, over the past five years, but does indicate the ongoing need for further improvements.

7.2.3 Brand Switching for Reasons of Utility Maximisation

If the primary reason for a brand switch is one of utility maximisation, then it was expected that the previous brand will still remain in the consumer's consideration set, but will be ranked one place lower than prior to the switch. That is, the new main brand will be ranked ahead of the previous brand, and that the previous main brand will be ranked ahead of the 'other brands'.

Table 20, below, looks at those brand switchers, who switched for reasons of utility maximisation, and where they have ranked, within their post-switch consideration set, their current brand, 'other brands' and their previous main brand.

Table 20: Brand Switchers (Utility Maximisation) Ranking of Brands

Ranking in Consideration Set	Current Brand		Other Brands		Previous Brand	
	2000*	2002*	2000*	2002*	2000*	2002*
Would use for all/as main financial provider	64%	81%	14%	12%	5%	10%
Would use but not as main financial provider	10%	7%	7%	8%	14%	10%
Would think about using them	21%	5%	34%	30%	23%	29%
Would not use them	5%	7%	44%	50%	59%	50%

*Figures may not add to 100% due to rounding

It can be seen that the vast majority (64%, 2000, and 81%, 2002) of the utility maximisation switchers have ranked their current brand in the 'would use/as main financial provider' category, compared with 5% (2000) and 10% (2002) for the previous main brand. This is as expected because over 80% of utility maximisation switchers (see *Appendix G*) have a purchase repertoire of either one or two brands. Given these small purchase repertoires it is expected that if a brand switch occurs then the previous main brand is more than likely to be removed from the intended purchase repertoire.

What is important to note, is the trend that appears with the ranking 'would use but not as main financial provider'. Here it can be seen that the previous main brand, (14% in 2000 and 10% in 2002), is ranked higher than both the current brand and the 'other brands'. This indicates that whilst the previous main brand is no longer the main brand it is still salient, and one that could still be expected to meet a share of the consumer's category requirements. This ranking is indicative of the brand being ranked one place lower than the current brand.

However, it is also important to note that 59% (2000) and 50% (2002) of the previous main brand have been removed from the respondents' consideration sets. This is reflective of cognitive dissonance, and means that while consumers may have switched brands for reasons of utility maximisation, the existence of dissonance has led to an increased level of dissatisfaction, and consequentially the complete rejection of the

previous main brand. This area is an important limitation of this study and is covered in the following section.

The rankings given to 'other brands' are also of interest. Switchers have ranked the 'other brands' higher in the top category than their previous main brand. This can be accounted for with the cognitive nature of the original questions. Consumers having had an experience of their previous main brand could rank it lower than a brand which they are aware of, and may be favourably disposed towards, but do not have any actual experience of. However, it is noted that these rankings are surrogates for actual purchase behaviour, which could differ if this study was based on actual purchases.

As with switching for stochastic reasons and reasons of expectation disconfirmation, there are important implications for marketers. The research shows 19% to 20% of the switchers have their previous main brand ranked in the 'would use/main financial provider' and 'use but not as main financial provider' categories, indicating that in the event of another switch, that brand has an increased probability of being chosen as the new brand. This, again, means that marketers need to ensure their brand remains salient, and implement programmes to retain their recent acquisitions.

8 CONCLUSIONS AND FUTURE RESEARCH

In terms of brand switching, the literature has primarily focused on the actual reasons for a brand switch, whether they are as a result of poor service, a better offer, or beyond the control of either the provider or the consumer. However, there has been a gap in the literature with regards to the previous main brand, and what happens to that brand as a consequence of a brand switch.

Sharp *et al.* (2002), showed that stochastic models fit subscription markets, which raises the question of whether switchers are more likely to 'switch-back' than previously thought. This possible 'switching-back' brings into focus post-switch consideration sets, and the expectation that they will vary according to the reason for the switch.

In considering post-switch consideration sets, this research enters a new area of study, and has an exploratory and inductive flavour. Its primary purpose was to address the question of post-switch consideration sets, by investigating whether the reason for a brand switch had any impact on the previous main brand, and its position within that consideration set. In addressing that question, consideration was given to the reasons for a brand switch, consumers' purchase repertoires and consideration sets, and the impact of a brand switch on the post-switch intended purchase repertoires and consideration sets.

8.1 Purchase Repertoires and Consideration Sets

As Sharp *et al.* state: "in subscription markets customers do not usually make regular purchases from a repertoire of competing offerings; rather they typically subscribe to a single provider for long periods of time or tend to allocate most or all of their category requirements to one provider (and have very few others)" (2002, p.9). Financial service markets are subscription markets and, whilst there is a range of financial products

available, the results showed small purchase repertoires supporting their contention of sole brand loyalty.

However, the results also showed brand switchers had a larger purchase repertoire than non-switchers. Switchers, in the main, only switched part of their financial portfolio and, therefore, had a larger purchase repertoire than non-switchers, or in switching added a new brand to their purchase repertoire. This was confirmed by both the mean purchase repertoires and the statistical analysis. The implications of this finding are covered later in this section.

In terms of consideration sets, the literature (see Hauser and Wernerfelt, 1990), indicates that most consumers will have a consideration set of between 2 and 6. This study supported the previous results in the literature. However, whilst there was statistically a significant difference in the consideration sets' size of the brand switchers and non-switchers in 2000, there was no such difference in 2002. It was argued, that in 2000, the New Zealand financial market was dynamic, and that, by 2002, it had matured and become more stationary. As Kardes *et al.* (1993) claimed, in a dynamic market consumers become aware of a greater range of offerings and would therefore include them in their consideration sets. The results supported this proposition when they showed that the consideration set sizes were smaller in 2002, although the differences were not statistically different.

The results also showed that brand switchers selected their new main brand from within their existing consideration set. This has implications for marketers, as they need to ensure their brand remains salient, and in the consumer's consideration set, in the event of a brand switch. However, whilst the new brand was chosen from within the then current consideration set, the post-switch consideration set has a completely different construction, which is due to the reason for the switch occurring.

8.2 Impacts of a Brand Switch

Overall, the results quite clearly revealed support for the general thrust of this research's propositions, that the reason for a brand switch does affect the previous main brand's position in a consumer's purchase repertoire and consideration set. However, as this study of post-switch consideration sets is new, the research is both evaluative and inductive.

Firstly the results showed there was no difference between the non-switchers and switchers rankings of their current main brand and the 'other brands' within their consideration set. This result established a benchmark against which the position of the previous main brand could be measured.

Secondly, when considering the brand switcher's previous main brand, it was shown that while a clear majority of switchers had removed their previous main brand from their consideration set, around 20% still retained the brand in their intended purchase repertoire. A further 20% still had the previous main brand within their consideration set. This finding is important because it shows that, while the previous main brand is gone, it is certainly not forgotten.

In terms of the specific brand switching areas, the study shows that there is a noticeable difference between the rankings of the previous main brand, and the reason for the brand switch. This research proposed that if the primary reason for a brand switch was stochastic, then the previous main brand would both remain in the consumer's consideration set, and have a ranking of a brand of its size. The results showed that for those switchers who switched for stochastic reasons, there was no difference between the rankings of the 'other brands' in their consideration set and the previous main brand. This result confirmed the first proposition. The finding was also very important as it reinforces the Sharp *et al.* (2002) study showing that stochastic models of brand switching can apply to subscription markets. This finding will allow marketers to benchmark their brand against expected industry performances.

The second proposition claimed, that where a brand switch occurred for reasons of expectation disconfirmation, the previous main brand would either be removed from the consideration set or have a lower ranking than prior to the switch. Firstly, the results showed that over 65% of the previous main brands had been removed from the switchers' consideration sets. Secondly, the previous main brand was ranked considerably lower than the rankings of the 'other brands' in the expectation disconfirmation switchers' post-switch consideration sets. These results confirmed the second proposition. However, it is important to note that a small proportion (5%) of the previous main brands were ranked in the top category showing that, for some switchers, the previous main brand still remained salient, and that it will be considered in the event of another switch.

The third proposition stated, that if the primary reason for a brand switch was one of utility maximisation then, the previous main brand will still remain in the consumer's consideration set but will be ranked one place lower than prior to the switch. However, the results showed only limited support for that proposition. A majority of switchers, who switched for reasons of utility maximisation, had removed their previous main brand from their consideration set. One reason given for that rejection was cognitive dissonance. On the other hand, when comparing the rankings of, the current main brand, 'other brands' and the previous main brand, a trend appeared where the previous main brand was ranked the highest in the 'would use but not as main financial provider' category. Ranked second was the current main brand followed by the 'other brands'. This indicated that the previous main brand was being ranked one place lower than the current main brand. This finding supported the thrust of the original proposition.

Overall the results supported the research's general direction that the antecedents to a brand switch will affect the previous main brand's position in a consumer's post-switch purchase repertoire and consideration set. However, it is noted that this study of post-switch consideration sets is new, and the research is both evaluative and inductive.

8.3 Limitations

While this research has a number of limitations, the most important is one of cognitive dissonance. Cognitive dissonance, according to Festinger (1957), is a state that arises when people's behaviours, and the attitudes developed from these, do not fit their pre-existing beliefs. As a consequence, people may attempt to reconcile their prior beliefs with their more recent behaviour. This means that, while they may have switched brands for reasons of expectation disconfirmation, utility maximisation or stochastic reasons, the existence of dissonance has led to an increased level of dissatisfaction, and consequentially, the rejection of the previous main brand. As Festinger (1957) says, "The existence of dissonance, being psychologically uncomfortable, will motivate the person to try to reduce the dissonance and achieve consonance... cognitive dissonance can be seen as an antecedent condition which leads to activity orientated toward dissonance reduction just as hunger leads to activity toward hunger reduction" (1957, p.3).

However, there are issues in identifying cognitive dissonance, and the impact it has in terms of brand switching. This study, as an explorative study, has only recognised the impact of cognitive dissonance, but not undertaken any treatments to ascertain its specific impact, particularly as it applies to both expectation disconfirmation and utility maximisation.

On the other hand, while a switch for stochastic reasons may also lead to cognitive dissonance, as shown by Ganesh *et al.* (2000), it is unlikely to do so to the same level as a switch for reasons of expectation disconfirmation or utility maximisation. This underlying variable of cognitive dissonance may well be impacting on the other variables, and as such, is a limitation of this research's findings.

Another limitation is that some of the results have been based on probable rankings, which are a surrogate for the actual purchase behaviour. Differing results may have occurred if the study had been based on actual purchases, assuming control could have been maintained over the influencing factors such as competition, promotions and so on.

Whilst the initial samples were over 10,000, the number of brand switchers reduced each sample to approximately 500. With the removal of the merged/previous bank confusion, each sample was reduced to approximately 400, and by focusing only on the 'Top 5' banks, final samples were just over 300. A larger sample size may have been able to detect greater differences between expectation disconfirmation and utility maximisation, in terms of the previous brands' ranking in the consideration set, although those differences could have been clouded by cognitive dissonance.

This study is also limited to financial service providers and it is not discernable whether the results could be generalised to other subscription markets.

8.4 Future Research

Considerable work still needs to be undertaken in this area. This study covers the new area of post-switch consideration sets. As such it is both exploratory and inductive. Therefore, it is important that before the findings are accepted with any degree of certainty, the study needs to be, firstly, replicated, and secondly, extended to see if its findings are both reliable and generalisable.

While this study has shown that the reasons for a brand switch do have an impact on post-switch consideration set construction, further replications need to be undertaken in all three types of subscription markets. This extension work should not only be undertaken into those subscription market areas, but extended to repertoire markets as well. This additional research will help provide post-switch benchmarks.

In fact, further analysis of the financial services market is required to determine, if the impacts of a brand switch on specific financial products (cheque accounts, credit cards, investment accounts), are the same as for the financial services market as a whole. It would also be helpful if the ongoing research into the reasons for a brand switch, in the New Zealand financial services market, was maintained. This study claims that as the market has matured, it expects that the levels of stochastic switching will increase.

Given that further changes and re-alignments are happening in the marketplace this additional research has become imperative.

The results of this study indicate that stochastic reasons for a brand switch have a greater probability, of the previous main brand remaining in the consumer's consideration set, than either expectation disconfirmation or utility maximisation. However, as indicated cognitive dissonance could arise as a result of a switch due to expectation disconfirmation and utility maximisation. Further research needs to be undertaken to test both the consumers' 'Zone of Tolerance' and whether increased levels of dissatisfaction have arisen, due to switching arising from expectation disconfirmation and utility maximisation.

8.5 Managerial Implications

There are several important managerial implications that have arisen from this study. While most apply to the specific area of brand switching one important implication arising from both this study and Sharp *et al.* (2002), applies to the market as a whole.

The results showed that as the financial markets matured, customer service levels became consistent across all providers, and the relative costs of doing business became equal, there was an increase in the stochastic reasons for a brand switch. Whilst stochastic reasons were still the smallest of the three areas, the increase in this area was noteworthy. Therefore, it was proposed, that as the markets further matured, an increase in switching for stochastic reasons would be seen. This means that, in terms of switching behaviour, subscription markets would act in a similar fashion to repertoire markets, although still showing high degrees of sole loyalty. This means that stochastic models of buyer behaviour can apply equally to both repertoire and subscription markets. The application of stochastic models, in particular the Dirichlet, will enable marketers to establish benchmarks against which they can measure their performances.

Secondly, this study showed, that when it came to a brand switch, irrespective of the reason, consumers selected a brand that was already in their consideration set. It

appeared that few switchers chose a completely new brand, or undertook any extensive searching. From a managerial perspective this means that brands must be salient to the prospective consumer, and at the very least included in their consideration set. A brand not included in a current consideration set has a very low likelihood of being selected.

While marketers may not be able to quickly identify the specific reasons for a brand switch, they are now able to ascertain the impacts of brand switching. As mentioned above, with the maturing of the financial services market, there has been an increase in stochastic switching. This means marketers need to recognise that, not only may switchers shift from their brand, but they are equally as likely to 'switch back'. Whilst this provides opportunities for recovery marketing, it also means that activities need to be undertaken to retain recent acquisitions. For instance, intelligent and effective relationships need to be established with those new customers who want them. Such relationship strategies should be handled with care as they can have a positive or negative impact on levels of satisfaction (Colgate, 1997).

As with stochastic reasons, switching for reasons of expectation disconfirmation and utility maximisation also have practical implications for managers. The first implication is to ensure that service standards are, at the very least, the same as the competition, and that the cost of doing business is no more expensive for one brand over another. The second implication arises from the fact that a significant proportion of switchers who have left still rate their previous main brand highly. This means that, while they may have gone, the brand is not forgotten. As with the implications for stochastic reasons marketers have opportunities for recovery marketing and the need to retain recent switchers.

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APPENDICES

Appendix A – Chi-Squared Test of Brand Switchers and Non-Switchers

Table 21: Chi Squared Tests

Demographic Variable	Chi-Squared	DF	Pr>Chi Sq.	Chi-Squared	DF	Pr>Chi Sq.
	2000			2002		
Age	158.13	6	<0.01	106.48	6	<0.01
Occupation	96.14	13	<0.01	72.78	13	<0.01
Employment	47.34	1	<0.01	33.40	1	<0.01
Household Income	35.71	7	<0.01	9.65	7	<0.20

Appendix B - Recoding of Reasons for a Brand Switch

The recoding was initially undertaken by two postgraduate students based on Keaveney's service switching categories and the three main brand switching areas as identified in the literature review. Agreement was reached on over 90% of the categories, with only one switching reason (Other account related reason) being in dispute.

A third postgraduate student was asked to confirm the recoding and again there was agreement on all the categories except for 'Other account related reason'. Since agreement was reached between two of the coders on the classifications for 'Other account related reason', the recoding of 'Pricing' and 'Utility Maximisation' was accepted.

The final recoding is shown in Table 21 below.

Table 22: Recoding of Reasons for a Brand Switch

Reason For Switch	Keaveney's (1995) Service Switching Categories	Brand Switching Areas
Bank Manager was no good/inefficient	Response to Failed Service	Expectation Disconfirmation
Slow inefficient services/queues	Failed Service Encounter	Expectation Disconfirmation
Other specific service related reason	Failed Service Encounter	Expectation Disconfirmation
Service (Non specific)	Failed Service Encounter	Expectation Disconfirmation
Location of branch is more convenient	Inconvenience	Stochastic
Convenient (other)	Inconvenience	Stochastic
Personal problems with the bank manager	Failed Service Encounter	Stochastic
Friend/relative/self work at new bank	Other	Stochastic
Personal (other)	Response to Failed Service	Stochastic
High account/transaction charges at old bank	Pricing	Utility Maximisation
New bank offers higher interest	Pricing	Utility Maximisation
Old account/is frozen/closed by old bank	Competition	Utility Maximisation
Previous bank would not give a mortgage	Failed Service Encounter	Expectation Disconfirmation
Previous bank would not give a loan/cheque account/overdraft	Failed Service Encounter	Expectation Disconfirmation
Better student overdraft/loan facilities	Competition	Utility Maximisation
Other bank loan/overdraft facilities at new bank	Competition	Utility Maximisation
Other account related reason	Pricing	Utility Maximisation
Any bank image related reason	Involuntary Switching	Stochastic
New to country/not in the country	Other	Stochastic
Marital status change	Involuntary Switching	Stochastic
Branch closed down	Involuntary Switching	Stochastic
Dissatisfied with old bank	Failed Service Encounter	Expectation Disconfirmation
Moved within the country	Involuntary Switching	Stochastic
Did not have a previous main bank	Other	Stochastic
Misc. some other reason	Involuntary Switching	Stochastic
Better mortgage offered at new bank	Pricing	Utility Maximisation
Bank merged/taken over by another bank	Involuntary Switching	Stochastic
Don't know	Other	Stochastic

Appendix C - Data Transformation

In preparing the data for analysis, some of the variables needed to be transformed. In the main, this involved either recoding the existing data to create new variables, or deleting respondents from the data set. The two main areas where the data was transformed were: 'Brand Switchers' and 'Reasons for a Switch'.

Brand Switchers

The respondents were asked "Was your current main provider also your main provider of financial services 12 months ago?" Whilst this question effectively identified the brand switchers, it also included respondents who didn't know if they had the same main financial provider, or refused to answer. These respondents had to be deleted from the new brand switcher variable.

When considering the reason for the switch, some respondents stated that they did not have a previous main bank or were new to the country. These respondents were not true switchers and were also deleted from the data base.

When checking the respondents who claimed to have switched banks due to a merger, it was discovered that some respondents had effectively identified both their current main financial institution and previous main financial as the same financial institution. These respondents were not true switchers and were also deleted from the data base. These transformations resulted in an effective sample size of the 2000 and 2002 brand switchers.

Reason for a Switch

Based on the recoding of the reasons for a brand switch, three new variables, being the three brand switching areas of stochastic reasons, expectation disconfirmation and utility maximisation, were created. It was from these three new variables that further analysis was undertaken.

Appendix D – Purchase Repertoires and Consideration Sets – All Respondents

Table 23: Purchase Repertoire and Consideration Set Sizes (2000 All Respondents)

Purchase Repertoire/Consideration Size	Set	% of Respondents by Repertoire Size*	% of Respondents by Consideration Set Size*
One		65%	23%
Two		25%	19%
Three		8%	16%
Four		2%	15%
Five		1%	26%
Six +		0%	2%
Mean Repertoire/Consideration Size		1.49	3.04

* Counts may not add to 100 due to rounding

Table 24: Purchase Repertoire and Consideration Set Sizes (2002 All Respondents)

Purchase Repertoire/Consideration Size	Set	% of Respondents by Repertoire Size*	% of Respondents by Consideration Set Size*
One		56%	21%
Two		27%	21%
Three		11%	17%
Four		4%	14%
Five		1%	17%
Six +		1%	9%
Mean Repertoire/Consideration Size		1.69	3.16

*Counts may not add to 100 due to rounding

Appendix E – Purchase Repertoires – Brand Switchers and Non-Switchers

Table 25: Purchase Repertoires of Brand Switchers

Purchase Repertoire Size	% of Respondents by Repertoire Size	% of Respondents by Repertoire Size
	2000*	2002*
One	56%	44%
Two	30%	39%
Three	9%	10%
Four	3%	6%
Five	1%	1%
Six +	0%	0%
Mean Repertoire Size	1.62	1.80

* Counts may not add to 100% due to rounding

Table 26: Purchase Repertoires of Non-Switchers

Purchase Repertoire Size	% of Respondents by Repertoire Size	% of Respondents by Repertoire Size
	2000*	2002*
One	65%	55%
Two	25%	27%
Three	8%	11%
Four	2%	4%
Five	0%	1%
Six +	0%	1%
Mean Repertoire Size	1.49	1.69

* Counts may not add to 100% due to rounding

Appendix F – Consideration Sets– Brand Switchers and Non-Switchers

Table 27: Consideration Set Sizes of Brand Switchers

Consideration Set Size	% of Respondents by Consideration Set Size 2000*	% of Respondents by Consideration Set Size 2002*
One	14%	17%
Two	21%	25%
Three	19%	19%
Four	19%	17%
Five	21%	14%
Six +	6%	8%
Mean Consideration Set Size	3.30	3.10

* Counts may not add to 100% due to rounding

Table 28: Consideration Set Sizes of Non-Switchers

Consideration Set Size	% of Respondents by Consideration Set Size 2000*	% of Respondents by Consideration Set Size 2002*
One	21%	21%
Two	19%	21%
Three	16%	17%
Four	15%	14%
Five	26%	17%
Six +	3%	9%
Mean Consideration Set Size	3.16	3.14

* Counts may not add to 100% due to rounding

Appendix G – Brand Switchers Purchase Repertoires and Consideration Sets – by Switching Reason

Table 29: Brand Switchers Purchase Repertoire Set Sizes by Switching Reason

Purchase Repertoire Size	Stochastic*	Expectation Disconfirmation*	Utility Maximisation*
One	57%	38%	39%
Two	32%	41%	41%
Three	4%	14%	10%
Four	6%	6%	10%
Five	1%	1%	0%
Six +	1%	0%	1%

* Counts may not add to 100% due to rounding

Table 30: Brand Switchers Consideration Set Sizes by Switching Reason

Consideration Set Size	Stochastic*	Expectation Disconfirmation*	Utility Maximisation*
One	23%	16%	13%
Two	28%	23%	27%
Three	8%	27%	19%
Four	18%	18%	16%
Five	15%	11%	16%
Six +	8%	5%	10%

* Counts may not add to 100% due to rounding