Stochastic Models Applied In Consumer Behaviour and The Analysis
Of Brand Switching Data Via Latent Class Analysis

Anastasiou Panagiotiota

Abstract

The use of stochastic models as representing a purchasing process has been
growing in importance during the last decades. The contribution of these models in the
investigation can be characterized as significant because they provide structural insight
into the ways in which consumers regulate their choice of brands and decisions as far as
purchase timing and amounts for frequently purchased products are concerned. Usually,
market researchers deal with consumer panel data. This type of data is a huge source of
information regarding the products that are bought by consumers. It is obvious, that the
use of these models is compulsory in marketing science and especially in the market
research, because the complexity of panel data make their interpretation difficult. This
paper focuses on the construction of the most important stochastic models as applied to
buying behaviour of frequently purchased products. A description is attempted of the
main assumptions of such models and their implications in purchasing behaviour. Brand
switching models and especially the analysis of this kind of data via latent class are
examined.