

ELISABETH HONKA

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EDUCATION

Ph.D. in Marketing, University of Chicago, Booth School of Business, 2010

- *Support Area:* Economics
- *Coordinated Sequence:* Adv. Industrial Organization

- *Dissertation (Job Market Paper):* "Quantifying Search and Switching Costs in the U.S. Auto Insurance Industry"

Lic. oec. (MSc equivalent) in Economics, University of St. Gallen, Switzerland, 2004

HONORS, AWARDS AND SCHOLARSHIPS

Honorable Mention, Fisher IMS & AMA SERVSIG Dissertation Proposal Competition, 2010

Kilts Center Fellow, Booth School of Business, University of Chicago, 2009

AMA-Sheth Doctoral Consortium Fellow, 2009

Doctoral Fellowship, Graduate School of Business, University of Chicago, 2004 – 2008

German Academic Exchange Council Fellowship, 2004 – 2007

Summer Research Grant, Graduate School of Business, University of Chicago, 2005

Erasmus Scholarship, 2002

DISSERTATION

"Quantifying Search and Switching Costs in the U.S. Auto Insurance Industry"

Abstract: Consumers making purchases in service categories such as insurance potentially face search and switching costs. On the one hand, incomplete information about the various alternatives necessitates search behavior which could lead to consumers switching from the current provider to a different provider. On the other hand, brand loyalty, the prospect of dealing with a new provider, and other psychological factors result in switching costs that introduce frictions in the market. Both search and switching have been studied in the empirical literature albeit separately. In this paper, our objective is to distinguish empirically between search and switching costs in the context of consumers' choices in the U.S. auto insurance industry. Our data contain information on respondents' search behavior in terms of their consideration set of insurance providers; the corresponding premia for those providers; the actual

provider chosen; the identity of the previous insurer and the demographic and psychographic characteristics of the consumers and their policies. The unique aspects of this information enable us to identify separately both search and switching costs. To quantify the magnitudes of these costs, we develop an integrated utility-maximizing model of consumers' decisions of how many companies to search; the identities of these companies and from which company to purchase. Our modeling approach rationalizes the observed consideration set as being the outcome of a search process by a consumer. Using this approach we learn about the levels of search and switching costs, and their relative magnitudes. Taking our model to the data, we find that there are substantial search and switching costs in the U.S. auto insurance industry. The cost of collecting a price quote through an online channel are about \$45, the cost of collecting a price quote offline vary from \$70 to \$110. The average switching costs a consumer incurs are about \$85. We find consumer search costs and customer satisfaction to be the two main drivers of the high retention rate observed in the U.S. auto insurance industry. To support managers in their decision making about investments in measures to increase customer satisfaction, we calculate additional profits resulting from a maximization of customer satisfaction. And finally, we study whether insurance companies should increase or decrease insurance premia to new and existing customers. We find insurance companies lose money by offering discounts to new customers and increase their profits by increasing premia to existing customers. Our results are consistent with the “invest-harvest” strategy found in the switching cost literature.

PUBLISHED PAPERS

“The Effects and Role of Direct-to-Physician Marketing in the Pharmaceutical Industry: An Integrative Review” with Puneet Manchanda, *Yale Journal of Health Policy, Law and Economics*, 5(2), 2005, 785 – 822.

CONFERENCE PRESENTATIONS

“Quantifying Search and Switching Costs in the U.S. Auto Insurance Industry”

- 8th Annual International Industrial Organization Conference (IIOC) (May 2010)

INVITED PRESENTATIONS

“Quantifying Search and Switching Costs in the U.S. Auto Insurance Industry”

- Illinois Institute for Technology (IIT), Stuart School of Business (March 2010)

TEACHING EXPERIENCE

Teaching Assistant – Booth School of Business, University of Chicago

Marketing Strategy, MBA, Professor Ronald Goettler, 2009

Business Statistics, MBA, Professor Hedibert Lopes, 2009

Marketing Topics: Bayesian Applications in Marketing and MicroEconometrics, PhD, Professor Peter Rossi, 2009

Adv. Marketing Strategy, MBA, Professor Puneet Manchanda 2006 - 2007

Bayesian Statistics and Marketing, PhD, Professor Peter Rossi, 2006

Marketing Strategy, MBA, Professor Aparna Labroo, 2006

Probability and Statistics, PhD, Professor Nicholas Polson, 2005 - 2006

Statistical Inference, PhD, Professor Nicholas Polson, 2005 - 2006

Business Statistics, MBA, Professor Nicholas Polson, 2005 – 2006

SELECTED COURSEWORK

Area	Course	Instructor
Marketing	Pro-Seminar Adv. Marketing Theory: Behavioral Perspective Adv. Marketing Theory: Quantitative Perspective Bayesian Statistics and Marketing Literature Seminar on Behavioral Economics Literature Seminar on Social Interaction	All Marketing Faculty Christopher Hsee Pradeep Chintagunta Peter Rossi Yesim Orhun/ Oleg Urminsky R. Goettler/ Suresh Ramanathan
Industrial Organization	Adv. Industrial Organization I Adv. Industrial Organization II Adv. Industrial Organization III Topics in Industrial Organization I Topics in Industrial Organization II	Dennis Carlton Chad Syverson Amil Petrin Ali Hortacsu Ali Hortacsu
Other Economics	Price Theory I Price Theory II Economics of Information Numerical Methods in Economics Behavioral Economics	Derek Neal/ Kevin Murphy/ Gary Becker Kevin Murphy/ Gary Becker/ Philip Reny Milton Harris Kenneth Judd Richard Thaler
Econometrics	Empirical Analysis I Empirical Analysis III Applied Econometrics Applied Multivariate Analysis Advanced Econometrics	Susanne Schennach Han Hong Timothy Conley Ruey Tsay Hedibert Lopes
Statistics	Probability and Statistics Statistical Inference	Nicholas Polson Nicholas Polson

REFERENCES

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