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## **The Upshot** **a plainspoken guide to the news**

COMPARISON SHOPPING

# **Amazon.com is learning the hard way that people care more about price than brand loyalty.**

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In states where Amazon, the largest online retailer, has been forced to begin charging sales tax, households decreased their expenditures on Amazon by 9.5 percent and by 24 percent on purchases of more than \$299, according to a new study by Ohio State University researchers. Although bricks-and-mortar retailers and state governments pushed for Amazon to collect sales tax, they did not necessarily benefit. Sales increased only 2 percent at local stores, but rose nearly 20 percent at competing online retailers that do not charge sales tax. For expensive purchases, the rivals saw a 24 percent increase.

At this point, there is little that will bring online shoppers back to bricks-and-mortar stores. Nor is there much that will keep them shopping at Amazon if they can find a price even a few dollars lower on another site. Other surveys have shown that people will gladly leave a site for another that offers free shipping. Last month, Amazon increased the price of its Prime service 25 percent to \$99 a year, which provides free shipping.

But there, Amazon, which announces quarterly earnings Thursday, has a surprising advantage. Once people have paid their \$99, they feel a psychological pull to buy from Amazon to make their investment worth it — even if a lower price is only a

click away. (Economists would say that is irrational behavior because the \$99 is a sunk cost.)

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