

Pricing Research

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– Monadic Pricing Evaluations –

If the number of price-points being considered is relatively few and a competitive context is not essential, a monadic approach may be best. A monadic design calls for testing concept acceptance at specific price-points using matched independent samples.

The monadic approach ensures that responses are unbiased since only one price-point for the product concept is being shown to each individual respondent, and it represents a realistic exposure to the product since the concept can include all marketing elements in addition to the price.

Price sensitivity is then assessed by comparing concept acceptance across the independent samples, where each sample evaluated a different price-point of interest. This ensures unbiased, clean reads on pricing sensitivity for the price-points of interest to our clients.

Likelihood to Buy Dog Food Online

Monadic Presentation of Concepts*



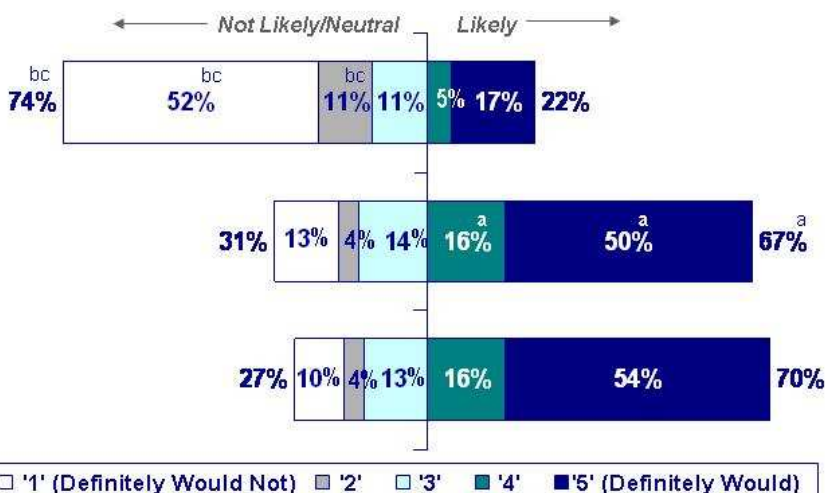
- Given assumptions that the brand and size they normally buy are available and shipping is free, about two in ten (22%) indicate a likelihood to buy dog food online at a promise of 10% savings.
- However, with 25% savings, interest is tripled; two-thirds of the survey participants indicate a positive likelihood, and half (50%) are “Definitely” likely to buy online.
- A savings of 35% does not appear to generate substantively more interest than 25% savings.

Likelihood to buy online if ...

Saving 10%*
(a)

Saving 25%*
(b)

Saving 35%*
(c)



NOTE: Fictional brand and data.

*Savings levels were tested monadically – i.e., each respondent evaluated only one concept.

5-Pt Scale: 5= Definitely Would, 4= Probably Would, 3= Might or Might Not, 2= Probably Would Not, 1= Definitely Would Not

Base: Respondents randomly selected for each savings level evaluated (n=150 each)



Note: Letters next to a percentage indicate it is significantly higher than the corresponding percentage at a 90% confidence level.

Q22 How likely are you to buy dog food online if you could buy the same brand and size you normally buy, shipping is free, and it saves (insert 10%/25%/35%) compared to the dog food you normally buy in the store?

– Gabor-Granger Methodology –

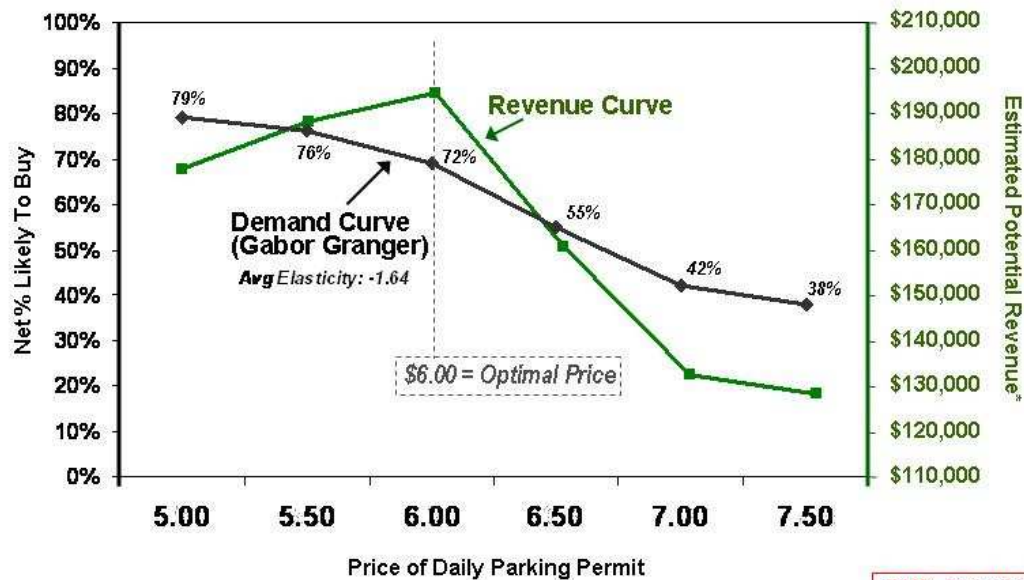
In this method, respondents are presented with a product concept at a specific price and asked if they would buy. The price is changed and the consumer is again asked if they would buy or not. This continues systematically until the consumer indicates they would not buy.

Analysis of these results yields market projection for product demand across price-points. This demand curve can be used to estimate expected revenue and discern profitability at selected price-points in order to arrive at an overall optimal price. Gabor-Granger may have limitations in some instances and should be considered for one product in isolation, when learning about the competitive context is unnecessary.

Daily Parking Permit -- Demand & Revenue Curves
Results Shown By County Building Visitors



- At a price of \$6.00, the daily parking permit optimizes revenue potential and satisfies demand for the vast majority of visitors who would consider parking in the garage. By comparison, while a price of \$5.50 appears to achieve slightly higher demand, it will yield less revenue and create a need for coin currency with transactions.



NOTE: Fictional brand and data.

* Explanation of assumptions to revenue calculations provided in the appendix to this report. Base: Total Respondents (n=225)
 Note: Net % Likely To Buy estimates are derived from Gabor Granger technique; the application of this technique is fully explained in the appendix. Q5 When visiting the county building, how likely are you to buy the daily parking permit to the attached parking garage at this price?
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– van Westendorp Model –

Also referred to as the Price Sensivity Meter, this pricing model has been widely used to both understand new price positioning for novel products (when no benchmark exists) and to gauge optimal pricing with existing products. Developed in the 1970s by Dutch economist Peter van Westendorp, the model calls for consumers to be asked four specific questions about the price of a product (what price is: a good bargain, getting expensive, so cheap you'd doubt its quality, and so expensive you would not consider).

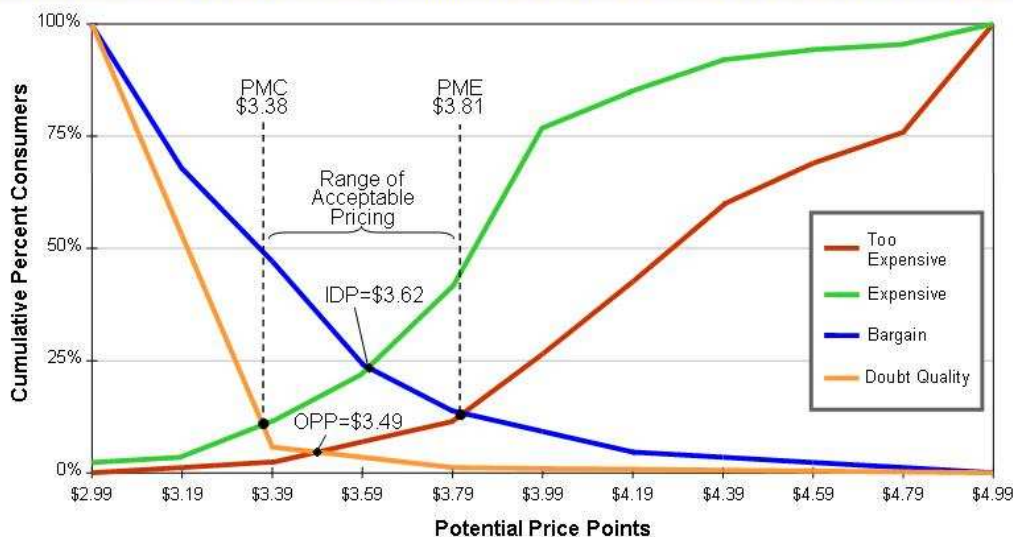
Responses to these questions lead to a graphical plotting, then points of intersection -- each with particular pricing implications (e.g., Point of Marginal Expensiveness and Optimal Price Point). This model can also be extended to include two additional questions to assist in projecting revenue, should that be desired. These four (or six) questions are very easy to incorporate into any survey.

TexMex BBQ Sandwich Pricing

van Westendorp Price Sensivity Meter



Applying tenets of the van Westendorp model, the range of acceptable prices for the *TexMex BBQ Sandwich* is determined to be \$3.38 to \$3.81. An aggressive price point indicated by this model is \$3.49 (OPP), where the purchase interest and penetration would likely be maximized. A price of \$3.59 is apt to be considered more of a median market price by consumers, as it locates near the IDP.



PMC – Point of Marginal Cheapness (greater concern for lost sales due to perceptions of poor quality)
 PME – Point of Marginal Expensiveness (greater concern for lost sales due to perceptions of being over-priced)
 OPP – Optimum Price Point (equal numbers view the price to be too high as too low)
 IDP – Indifference Price Point (equal numbers view price to be a good bargain vs. getting expensive)

NOTE: Fictional brand and data.



Base: Total Respondents (n=301)

Note: The two purchase intent questions which enable a revenue forecast were not deemed necessary for this study.

Q 14/15/16/17: Four questions were asked in sequence to obtain input data for the van Westendorp model. Wording of the questions can be found in the survey located in the appendix to this report.

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– Pricing and Conjoint Analysis –

When price is one of many variables being considered at the product development stage (i.e., final make-up of the product is still evolving), a conjoint analysis design may be best. The key tool resulting from a conjoint model is a simulator, which allows for numerous product configurations to be assessed and the ability to conduct sensitivity analysis in gauging the impact of differing price levels.

Additionally, conjoint modeling will identify optimal levels within all features evaluated and provide insight as to whether new features or lower prices is more compelling to consumers. In using conjoint, price is being assessed in the context of developing the overall product. Note that conjoint results are derived from consumer ratings of intent as opposed to the more realistic tasks of consumer choice offered in a discrete choice design.

Importance of Attribute Levels (Utilities*)

Total Category Shoppers



Utility scores characterize the desirability of the various levels within any given attribute.

The focus when examining utility levels is to understand the importance of the levels within each attribute.* In other words, the higher the utility for a given level of an attribute, the more important that level is, relative to the other levels within that attribute.

Analyzing these results, there is a direct relationship between perceptions of greater quantity (number of sheets and size of sheets) and higher utilities, while an inverse relationship is evident with regard to price levels.

Thresholds are evident – sheet counts of 90 or more; sheet lengths of 12.5-inches or greater; and price-points of \$12.99 or less. In addition, a quilted towel design offers some appeal as well.

As could be expected given its tenure in the category, the CleanAway brand name has considerably higher utility than BestChoice or Greenwise.

12 Rolls/Pack, Perforated, 1-Ply Paper Towel Product



NOTE: Fictional brand and data.



* Utilities have been scaled so that the least preferred level within each attribute is set to zero (--). More details on the computation of utilities are provided in the appendix to this report.

Base: Total Respondents (815)

– Pricing and Discrete Choice –

A discrete choice design is ideal for examining price sensitivity when other product features are largely decided and the primary need is determination of market share in various competitive pricing scenarios.

Discrete choice presents consumers with choice tasks that more closely resemble an actual purchase situation. Consumers are presented several sets of products (or services) and asked to choose between the offerings in each set, where each set differs in term of competitors and price levels offered.

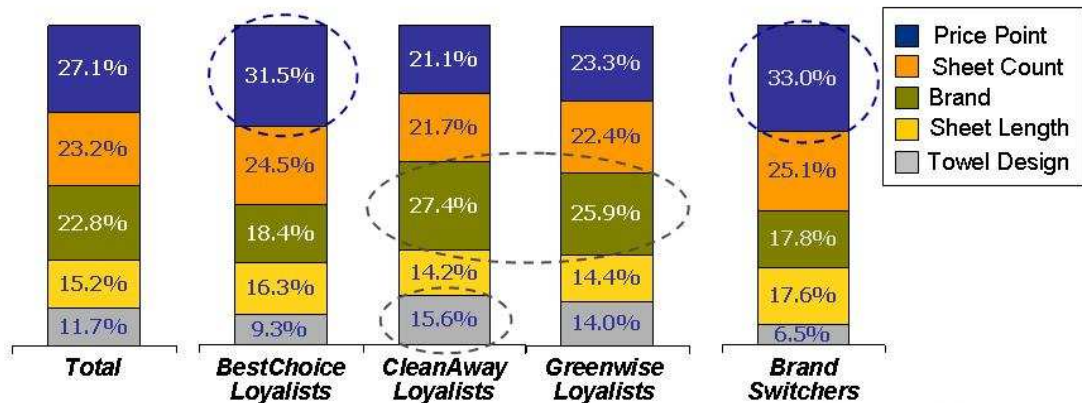
The offerings presented to consumers in each set are determined via experimental design to enable development of a choice model representing the market, though simplified to a degree since it is not possible to completely account for all market forces. Note that variables external to those in the study can be built into the model to address some presumed market forces.

Importance of Attributes -- Share of Importance*
Total and Key Buyer Segments



- > Relative importance is determined by the range of utility scores for a given attribute or feature, and reflects how much difference each attribute will make to the total utility of a product.* Price has the greatest impact on paper towel choice among *Total Category Shoppers*, followed closely by sheet count, brand name, and more distantly by sheet length and towel design.
- > Comparing across key buyer segments, price is more important to *BestChoice Loyalists* and *Switchers*, while brand name tends to be a stronger driver among *CleanAway* and *Greenwise Loyalist* segments. Also, though not a strong driver, note that *CleanAway Loyalists* tend to value towel design (quilting) more so than the other buyer segments.

12 Rolls/Pack, Perforated, 1-Ply Paper Towel Product:



NOTE: Fictional brands and data.



* Chart reflects relative importance of each attribute/feature in choice of paper towel product. More details on the calculation of attribute importance are provided in the appendix to this report.

Base: Total Respondents (815); BestChoice (202); CleanAway (185); Greenwise (176); Brand Switchers (155)



The model and resulting simulator allow for anticipated future market pricing scenarios to be easily constructed and evaluated (sensitivity analysis), enabling a better understanding of market behavior in response to product and price level decisions.

Simulation Results – Share of Preference* Optimal Product Configurations



- > The simulator provided with this report is using conjoint utilities to gauge potential market appeal for product configurations. The conjoint utilities are estimated at the respondent level using Hierarchical Bayesian analysis, and each respondent's share of preference is assigned to the product configuration garnering that respondent's highest total utility. The model has been calibrated utilizing actual market share information and other external effects, as detailed in the appendix to this report.*
- > This section of the report displays summary results for several requested simulations, though the simulator allows management to easily test any other desired product configurations within the parameters of the model. The requested simulations assume both the "future" new *CleanAway* and *Greenwise* configurations anticipated, and evaluate results with twelve different potential responses regarding "future" *BestChoice* product configurations.
- > Of the twelve *BestChoice* profiles evaluated, the three shown below consistently rank in the top five across *Total Category Shoppers* and in each of the key buyer segments, with *BC#3* consistently achieving the highest share of preference among these three profiles:

	Optimal BestChoice Configurations		
	BC #3	BC #9	BC #7
Price	\$12.39	\$12.39	\$12.99
Sheet Count	90	90	85
Sheet Length	14-inch	12.5-inch	12.5-inch
Towel Design	Not Quilted	Not Quilted	Quilted

An example of simulation results for Total Shoppers appears on the following page. Simulation results for key buyer segments are not shown in the example.



* NOTE: Please see appendix to this report for details relating to the computation and calibration of simulated share results.

BC = BestChoice

NOTE: Fictional brands and data.

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Simulation Results – Share of Preference Total Category Shoppers -- 12 Rolls/Pack, Perforated, 1-Ply Paper Towel Product



○ = Top 5 BestChoice Outcomes Among Total Shoppers

BC = BestChoice

		BestChoice OPTIONS							
		Future CleanAway	Future Greenwise	BC #1	BC #2	BC #3	BC #4	BC #5	BC #6
Price		\$14.49	\$13.49	\$12.99	\$12.79	\$12.39	\$12.39	\$12.99	\$12.99
Sheet Count		85	90	90	85	90	75	75	80
Sheet Length		14-inch	12.5-inch	14-inch	14-inch	14-inch	14-inch	14-inch	12.5-inch
Towel Design		Quilted	Not Quilted	Not Quilted	Not Quilted	Not Quilted	Not Quilted	Quilted	Quilted
BestChoice SHARE OF PREFERENCE >>				23%	26%	35%	25%	21%	28%
CleanAway SHARE OF PREFERENCE >>				31%	28%	22%	29%	32%	26%
Greenwise SHARE OF PREFERENCE >>				46%	46%	43%	46%	47%	46%

		BestChoice OPTIONS -- continued							
		Future CleanAway	Future Greenwise	BC #7	BC #8	BC #9	BC #10	BC #11	BC #12
Price		\$13.99	\$13.49	\$12.99	\$12.79	\$12.39	\$12.99	\$12.99	\$12.39
Sheet Count		85	90	85	95	90	95	90	85
Sheet Length		14-inch	12.5-inch	12.5-inch	12.5-inch	12.5-inch	11-inch	11-inch	11-inch
Towel Design		Quilted	Not Quilted	Quilted	Not Quilted	Not Quilted	Not Quilted	Quilted	Quilted
BestChoice SHARE OF PREFERENCE >>				32%	28%	33%	19%	21%	22%
CleanAway SHARE OF PREFERENCE >>				22%	27%	22%	35%	33%	32%
Greenwise SHARE OF PREFERENCE >>				46%	45%	45%	46%	46%	46%

○ Ranked in the top five across Total Shoppers and in each of the key buyer segments.



NOTE: Please see appendix to this report for details relating to the computation and calibration of these simulated share results.

Base: Total Shoppers (815)

NOTE: Fictional brands and data.

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