

– 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).

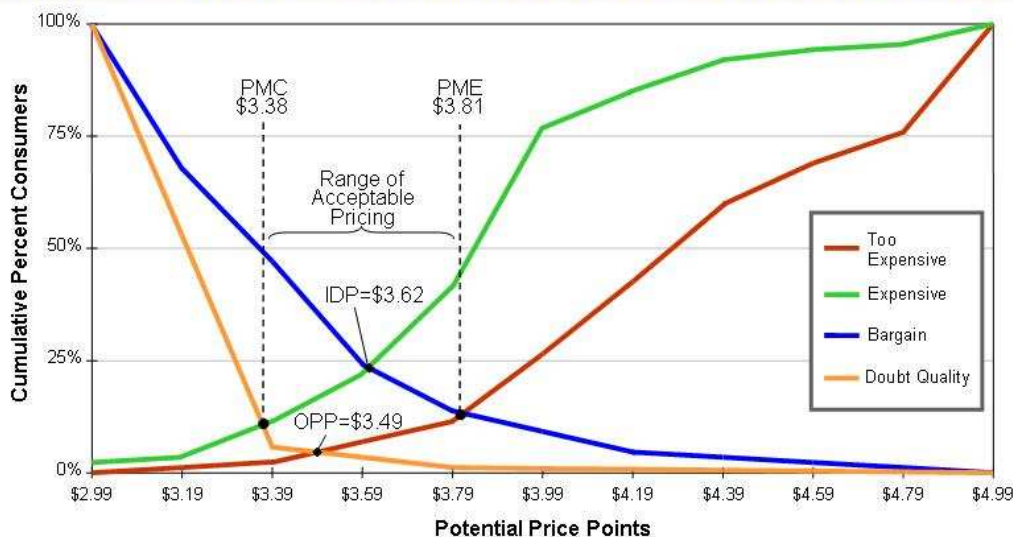
Responses to these questions lead to a graphical plotting, then points of intersection -- each with particular pricing implications (e.g., Point of Marginal Expensiveness and Optimal Price Point). This model can also be extended to include two additional questions to assist in projecting revenue, should 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.

