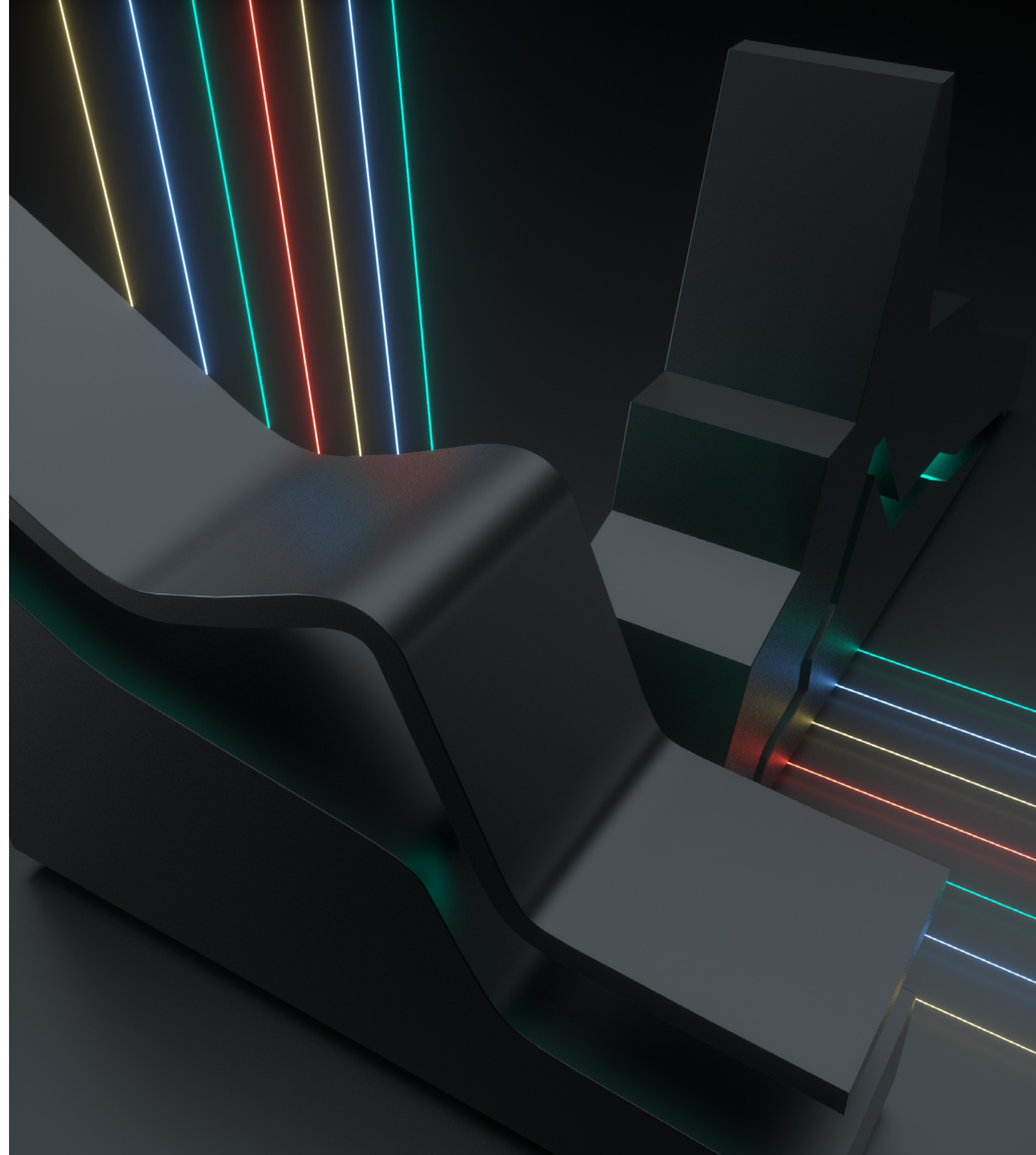


# The Ultimate Guide to Automated Pricing Research



**Brands are likely asking themselves a lot of questions recently, as the economy has roared back to life in recent months and they return to a new state of normalcy for their business. One question that is particularly important is whether or not brands are prioritizing and managing their pricing research. As we've seen with recent soaring prices for raw materials such as lumber, copper, and aluminum, brands now more than ever need to consider their pricing strategy to ensure they continue making a healthy profit despite these rising costs.**

Aside from understanding basic raw material costs, pricing research is incredibly useful for brands considering new innovations or product line extensions. That's because in order to make the appropriate pricing decisions, brands first need to have the research to back it up. They need the answers to questions such as: Can we increase our prices without losing consumers? How high can we increase before losing market share? How much can we charge for different portion sizes? What is the acceptable price range for our new product?

Fortunately for brands, quantilope makes pricing research simple and accessible through our automation of two pricing methods in particular. This Guide to Automated Pricing Research serves as a resource for brands looking to explore price sensitivity, price perceptions, willingness to pay, and more.

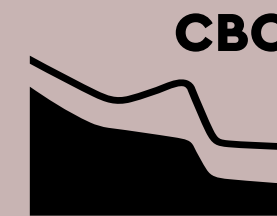
## Two Pricing Research Methods

In this guide we cover the two types of pricing research available through quantilope's Insights Automation platform: **Van Westendorp/ Price Sensitivity Meter (PSM)** and **Choice-Based Conjoint (CBC)**. While there are other commonly used pricing research methods out there, these are the two methods that are fully automated for quantilope users, meaning there is no manual data processing work required to gather results.

Let's start by looking at the first of our two methods used for pricing research: Van Westendorp / Price Sensitivity Meter (PSM).



### Price Sensitivity Meter



### Choice-Based Conjoint

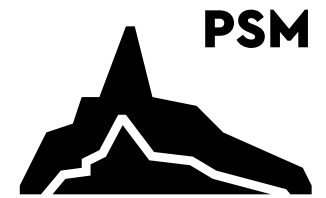
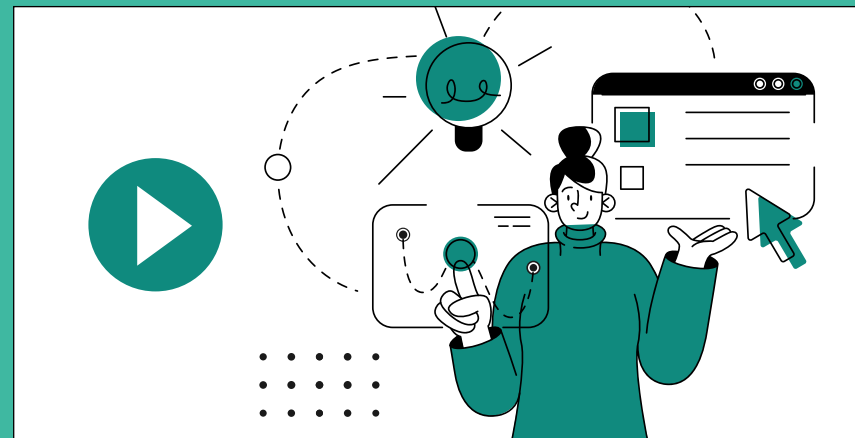
# Van Westendorp / Price Sensitivity Meter (PSM)

The PSM method is used to investigate different **price perceptions** and the **price limits** consumers have in relation to a specific product or service. Here we look at the typical PSM business questions, benefits, and use cases as it relates to pricing research.

## Method Process



Below is a short demo video showing how to set up and analyze a Van Westendorp/PSM on quantilope's platform in just minutes.



## PSM Business Questions

**What price range do consumers perceive to be appropriate and acceptable for my product?**

**What is the optimal price point for a product?**

**How great is willingness to pay for a new product we want to put on the market?**

**How cheap can we offer our product at promotion without its quality being called into question?**

## PSM Key Benefits

PSM is a **great method to leverage in earlier stage research** when a brand is launching a new product or innovation and needs to determine an initial price point.

It can **capture consumers' first impressions** before testing a final concept with a locked-in price.

And, given the method only requires four questions, it's simple to apply yet the **outcome provides very detailed results.**

## PSM Use Cases

Van Westendorp/PSM works best for **price exploration** on product types/categories that the general public is familiar with, since it asks **unaided** pricing questions.

These are products that generally are...

**Lower-Priced Products:** aka, fast-moving consumer goods.

**Familiar Products:** ones that respondents can easily picture and almost everyone knows.

**Broad-Reaching Products:** products considered or used by many rather than a niche audience.

**PSM is not suitable** for more complicated products, or established products with many competitors. This is because PSM does not factor in competition, which is why it's mainly used for pricing new products to the market. Competitive pricing studies are better suited for a Choice-Based Conjoint (CBC) analysis.



# Method Output



A PSM generates four main data points to reference when considering a pricing strategy. These include an 'Optimal Price', 'Indifference Price Point', 'Lower Price Limit', and 'Upper Price Limit'. In the chart on the right, we'll see how these all come together in one chart.

## Optimal Price

The intersection of "too cheap" and "too expensive" is considered the **"optimal price point"** (shown with a **crowns icon** in the image on the right →).

The optimal price point is the point where you have the minimal number of consumers who find the price point both too expensive and too cheap. If you stray from here, you will alienate more consumers. In other words, this is the price point where you will have the largest number of consumers that would consider buying the product.

## Price Range

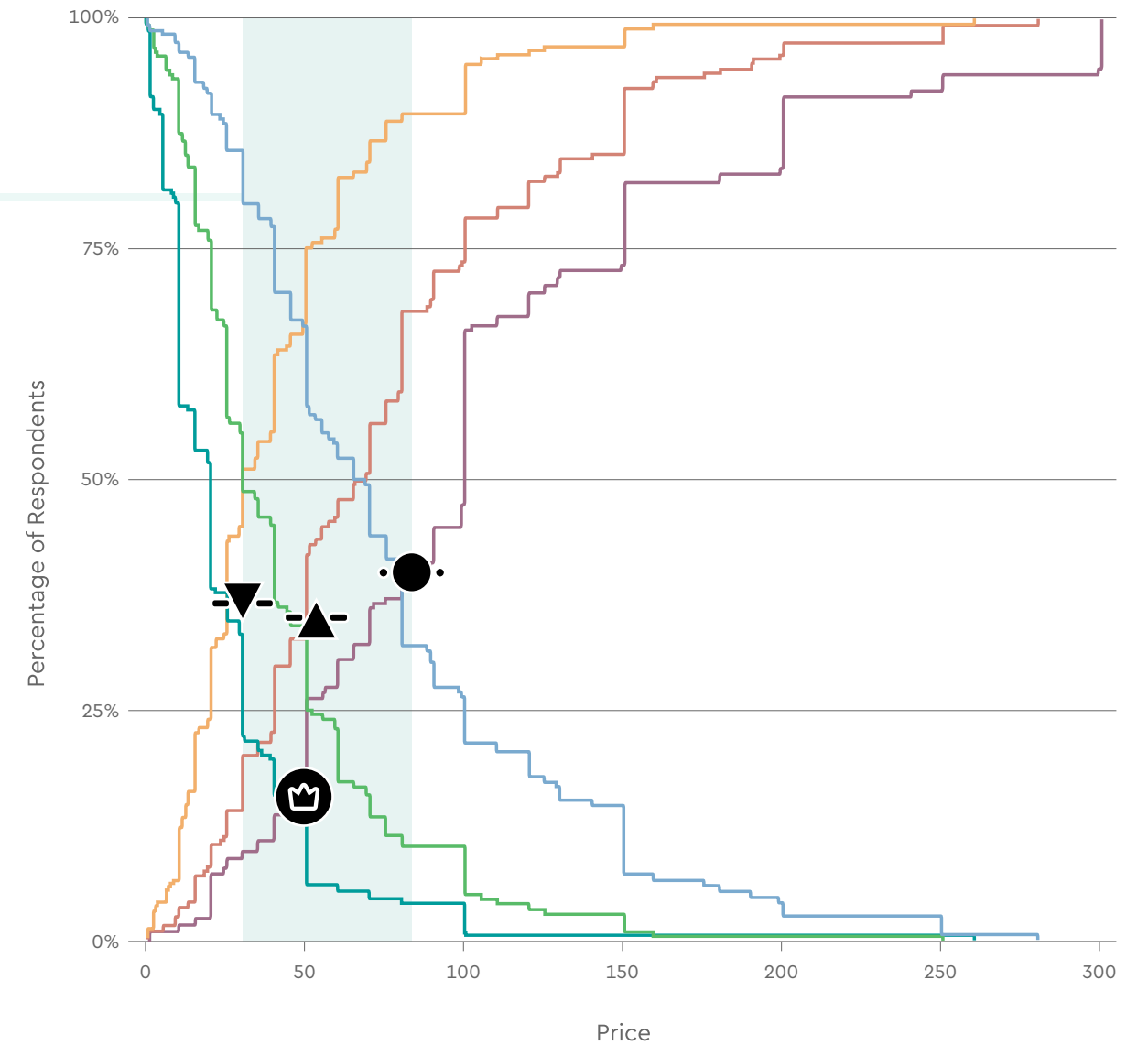
To find a **price range**, the span between the intersection of "too cheap" vs. "not cheap" (**lower price limit**; shown with a **downward-facing arrow icon** in the image on the right →) and the intersection of "too expensive" and "not expensive" (**upper price limit**; shown with a **circle icon** in the image on the right →) can be considered a suitable price range from the consumer's perspective. The upper price limit may be suitable for brands with strong equity. The lower price limit can be used to think about promotional prices.

## Indifference Price

Within the price range, we can also consider the **'indifference price point'**, which is the intersection of "cheap" and "expensive" (shown with an **upward-facing arrow icon** in the image on the right →). The indifference price is also often referred to as the expected 'normal' price of the product or service category. On the chart to the right, you'll notice this price is slightly above what would be considered as 'optimal'.

# Price Sensitivity Meter Output

PSM



- OPTIMAL PRICE POINT
- LOWER PRICE LIMIT
- INDIFFERENCE PRICE POINT
- UPPER PRICE LIMIT
- TOO CHEAP
- CHEAP
- NOT EXPENSIVE
- EXPENSIVE
- TOO EXPENSIVE
- NOT CHEAP

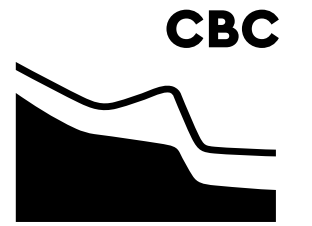


# Choice-Based Conjoint Analysis (CBC)

The second pricing method available through quantilope's Insights Automation platform is Choice-Based Conjoint (CBC).

This method is used to measure preferences (e.g. attribute importance), and the willingness to pay for products and services. Unlike PSM, a CBC analysis is measured through trade-off decisions between different products in a competitive environment.

These trade-off decisions can be used to find out how purchase likelihood is indirectly influenced by various aspects of the product, including price. For example, a brand that wants to change its product packaging material can test the potential impact this change would have on their consumers' likelihood to purchase. Another example could be brands who use this analysis to optimize their product offerings to minimize production costs while maintaining or increasing potential sales.



## CBC Business Questions

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**What price point should I set for my product in order to maximize sales?**

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**Which product attributes or features do consumers show the highest willingness to pay a premium for?**

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**How much would consumers pay for new or modified products?**

## CBC Key Benefits

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CBC is considered one of the **more sophisticated methods** in pricing research, with the ability to test multiple attributes at once and **closely mimic a real-world environment**.

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Additionally, CBC **considers actual choices rather than just overall ratings or rankings**. So instead of directly asking which price consumers would pay for a product, brands can indirectly determine which specific product features / benefits are most influential to purchase by observing the trade-off decisions made by the consumer.

## CBC Use Cases

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CBC works well to understand how different product attributes/features (including price) interact with each other and which combination of features creates the optimal product.





## Method Outcome

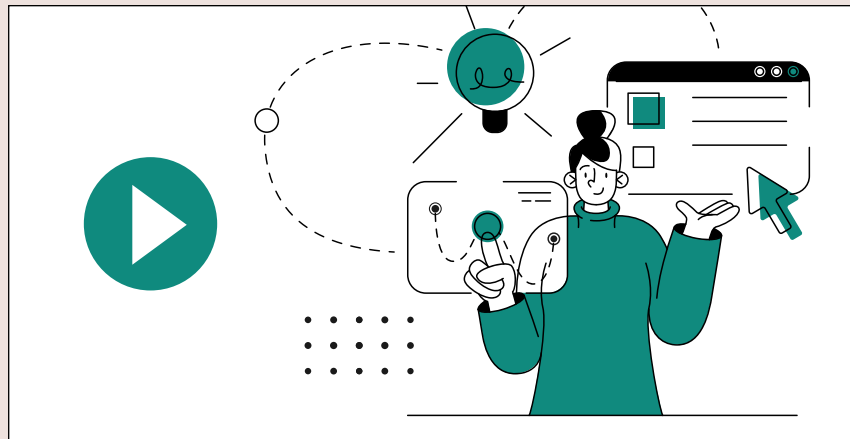


See the example outputs on the right from an Energy Drink study.

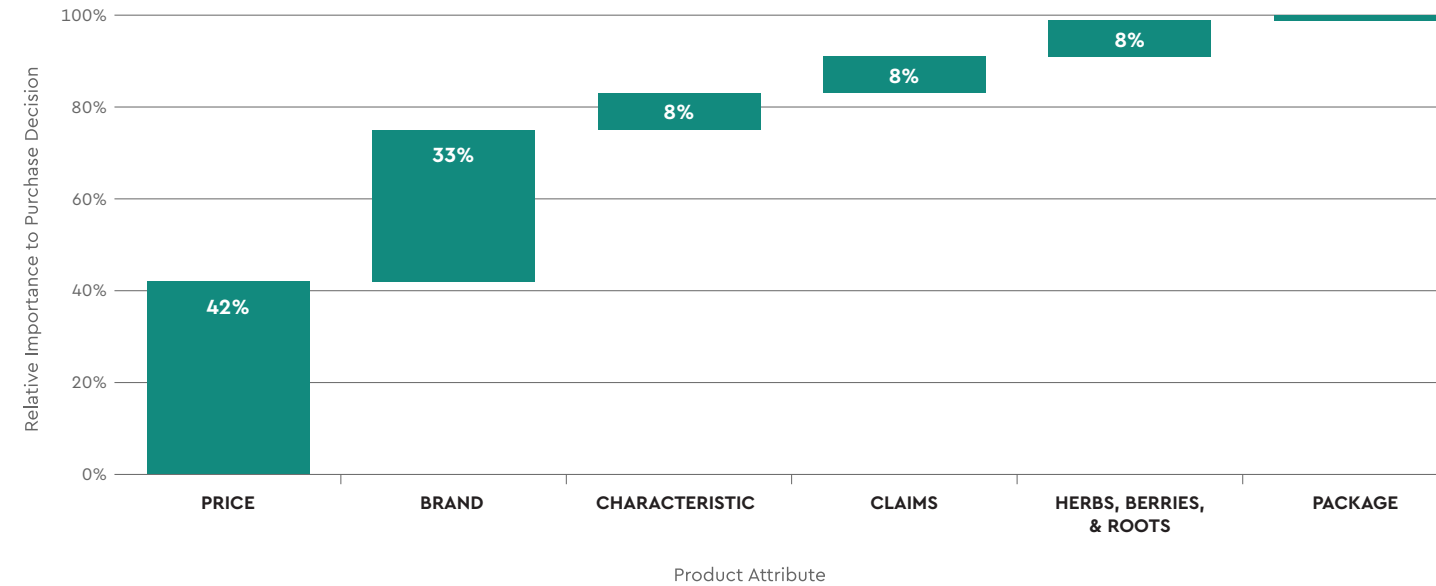
## Method Process



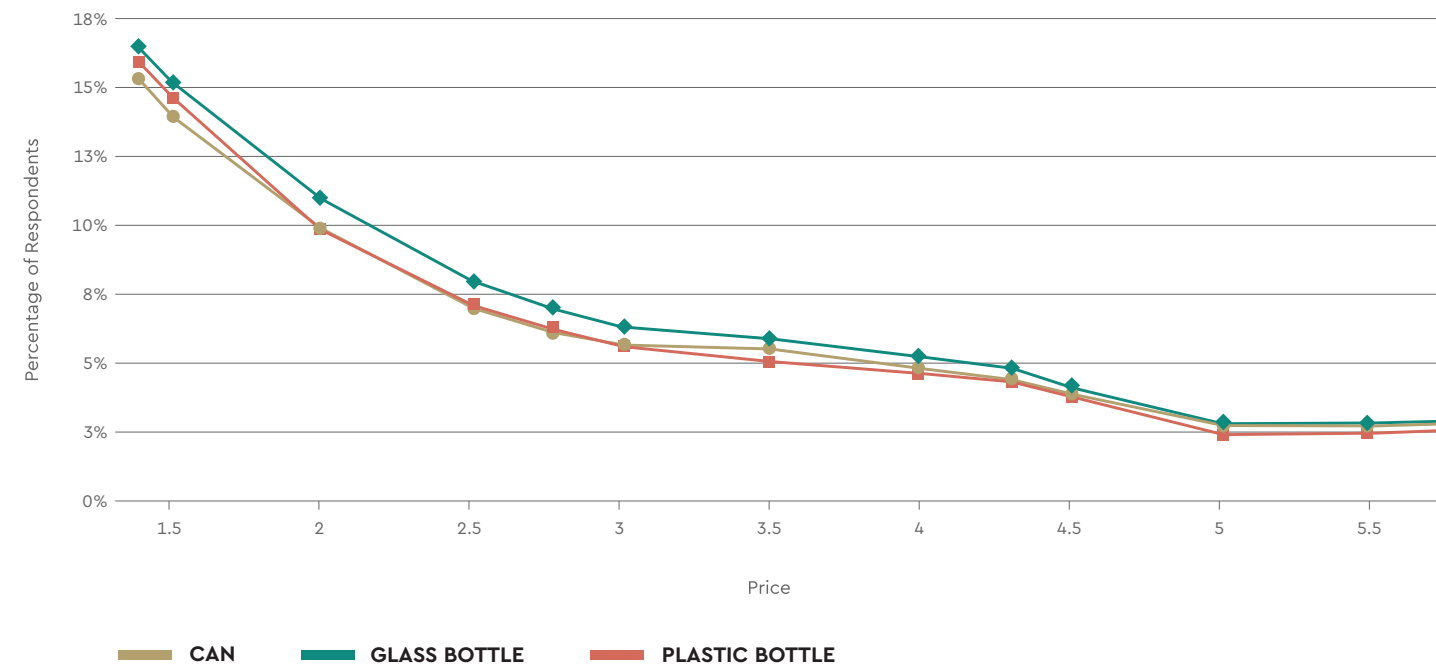
Below is a short demo video showing how to quickly set up and analyze a Choice-Based Conjoint on quantilope's platform:



## Attribute Importance



## Purchase Likelihood



In the left example, you can see how price and brand name account for 75% of a consumer's purchasing decision. Product claims, ingredients, and packaging are less important overall, however (as we'll see in the chart below) a direct comparison on different packaging materials may have subtle effects on pricing perceptions. This is the beauty of a conjoint analysis - it takes into consideration all the factors of a product, not just price alone.

In this CBC chart on the left, we see the comparison of different packaging materials and their effects on purchase likelihood. Consumers are willing to pay more for an Energy Drink in a glass bottle than one in a can or in a plastic bottle. So before brands go ahead and change their raw materials to plastic in hopes of cutting costs, this is something to consider.



# Summary

**quantilope's Guide to Automated Pricing Research** is valuable for any brand considering their pricing strategy – new or existing. Each of our automated pricing methods are valuable in unique ways for particular pricing scenarios; PSM is better for brands looking to do exploratory research on product concepts that are generally familiar to most consumers, while CBC is typically better suited for brands who have concrete prices in mind as part of an overall new product strategy, or for evaluating prices in a competitive environment.

Whether you choose to leverage either of the two automated pricing research methods showcased in this guide, or any other pricing research method on the market, all prove the same point: it is imperative to do your research before making important pricing decisions.

With raw material costs on the rise, supply chain delays, and new competitors during an upswing in consumption, brands need advanced, high-quality pricing information. More importantly, they'll need this information fast or else they risk losing consumers to a more suitably priced product in the market.

## Get in touch

with your customer success lab team member or reach us at [sales.us@quantilope.com](mailto:sales.us@quantilope.com) to learn more about how we can help solve your pricing needs with our automated solutions.

**quantilope** is an insights automation platform empowering brands to do high-quality research better, faster, and more efficiently. Our technology automates advanced research methodologies on an end-to-end platform connecting the entire research process from the creation of your project to advanced analyses and reporting. Supported by a team of certified research consultants, quantilope provides insights teams with the expertise and tools to conduct seamless research and unlock robust insights in as little as 1 – 5 days.

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