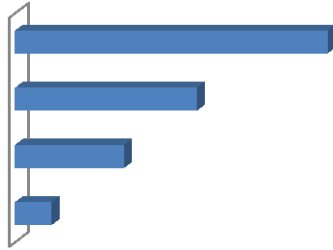


Van Westendorp's Price Sensitivity Meter

Product Camp 2012

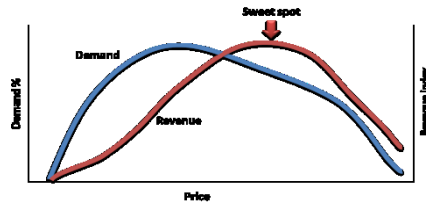
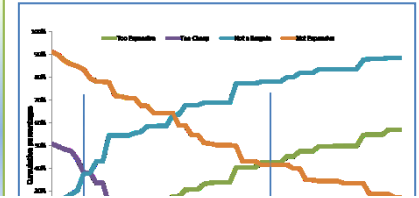


Scientific Pricing: Research is the Key



What features are valued

What the customer is willing to pay



Estimate of demand

Competitive landscape



Competitor p



Expected Price, Willingness to Pay, Purchase Intent

- Expected price is the price that someone would expect to see the product on the market.
 - Although expected price does not mean that someone would buy it, this is still valuable information.
- Willingness to pay. Don't confuse it with expected price
 - *That Mercedes should cost \$50K, but I wouldn't buy one. X*
 - *That Subaru should cost \$30K. I'd buy one, but I'm not in the market right now ✓*
 - Willingness to pay may be higher than expected price too – particularly when scarcity (hot toys at Christmas) or psychological factors are involved.
- Purchase Intent.
 - *I expect to buy a new refrigerator in the next 3 months, and I would definitely buy that model for \$1,900*



Product awareness and research

- All research tools for pricing depend on respondent's awareness of the product.
- This presents a challenge for radically new products



Pricing research methods: Indirect

- Indirect methods acquire information about price perceptions without asking directly
- Conjoint and Discrete choice research
 - Present respondent with set of products with bundled attributes – e.g. car
 - Analysis extracts price from the results
 - Good for products in mature category where product are well understood.
 - Some debate about using these methods for pricing, but generally accepted
 - Complex and expensive



Pricing research methods: Direct

Direct methods involve questioning where price is identified separately

- Direct questioning (*“how much would you pay for this?”*)
 - Generally meaningless, and particularly bad in group settings. Try to avoid using this method – except perhaps just as a final question.
- Monadic questioning
 - Ask *“would you be willing to buy at \$10?”*
 - Can create a demand curve if the sample is big enough, using multiple price points
 - May be hard to choose price points – pilot can help
 - Variations – additional prices asked of each respondent (random or other approach) – tricky and not likely to improve results
- Laddering
 - Ask *“would you buy at \$10”*, then *“would you buy at \$8”* (or \$12)
 - **Don't even think about using this approach.**
- Van Westendorp (aka Price Sensitivity Meter)
 - Series of questions relating price and quality
 - Can be used with small sample (in-depth interviews or individually in focus group)
 - Creates a range of acceptable prices
 - Inherent assumption is that product is not subject to luxury effect



Van Westendorp questions

At what price would you say the new widget would be a **bargain**?

At what price would you say the new widget would be **getting expensive, but you would still consider it?**

At what price would you say the new widget would be **too expensive to consider?**

At what price would you say the new widget would be **too cheap**, such that you would question whether it would work?



Van Westendorp analysis

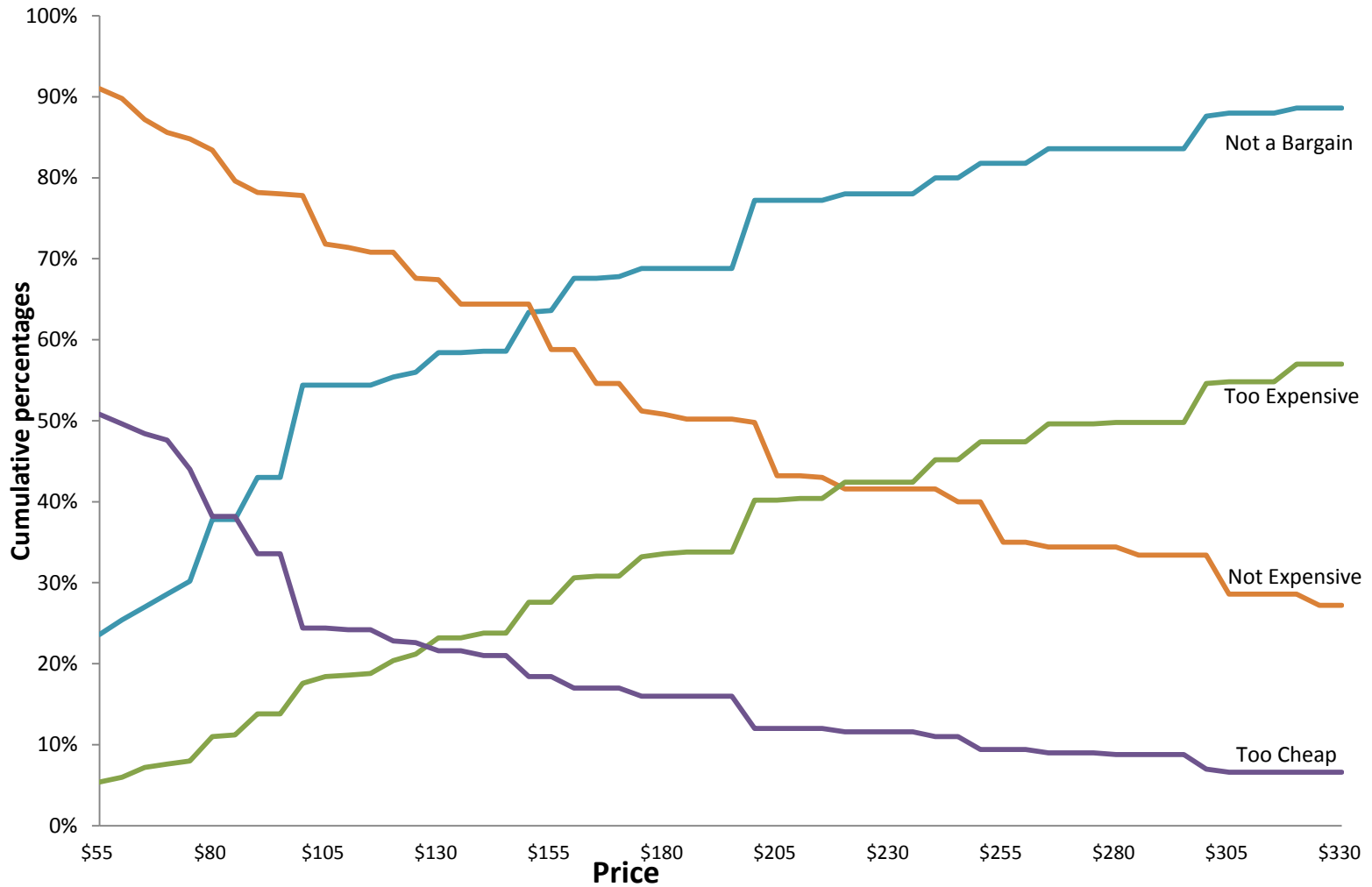
Select price increments based on the data

Plot the results as cumulative percentages for each price point

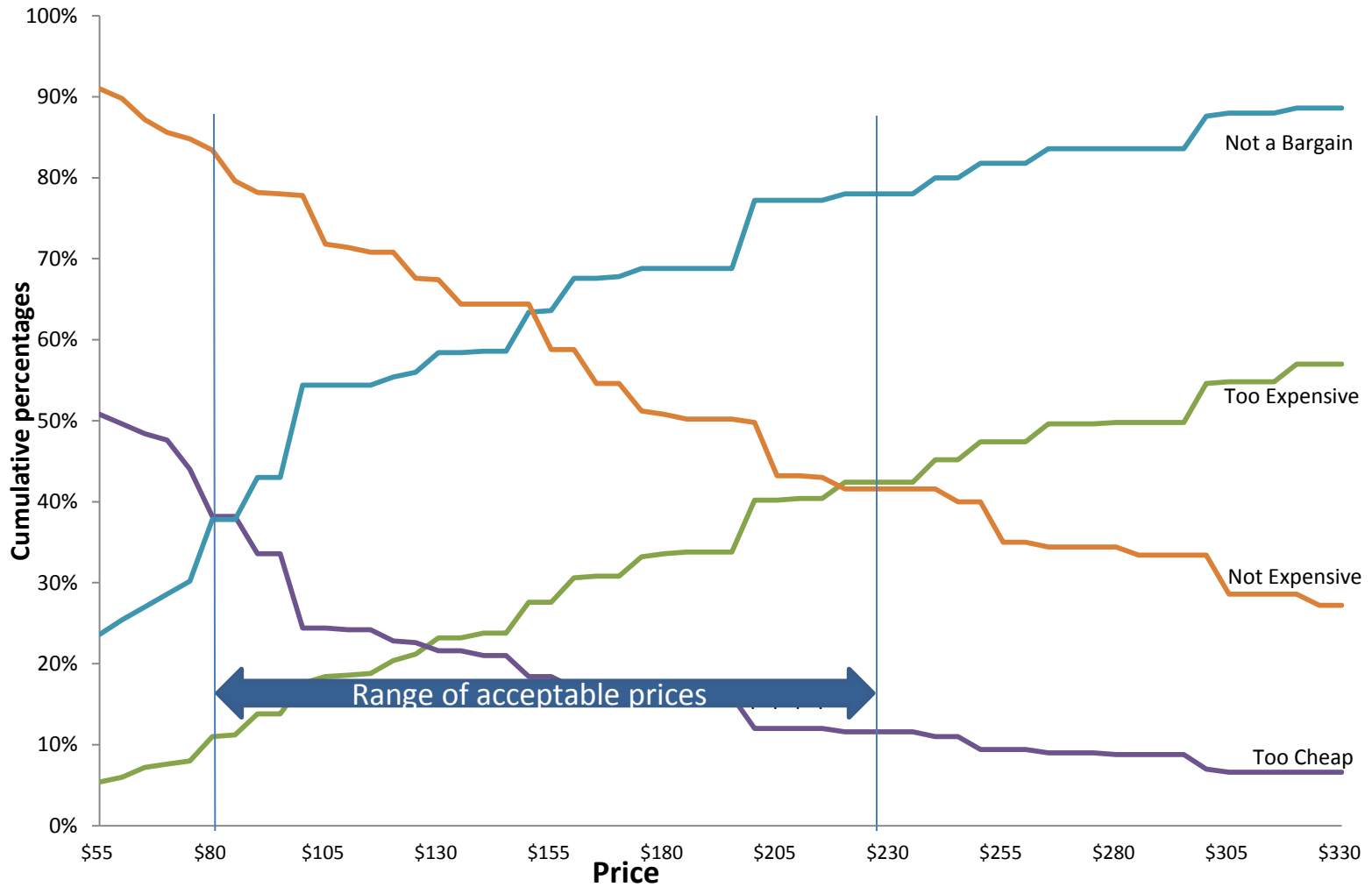
- Percentage stating “Too Expensive” directly
- Percentage stating “Too Cheap” directly
- Percentage stating “Getting Expensive” flipped => “Not Expensive”
- Percentage stating “Bargain” flipped => “Not a Bargain”



Van Westendorp Analysis



Van Westendorp Analysis



Purchase Likelihood => Demand Model

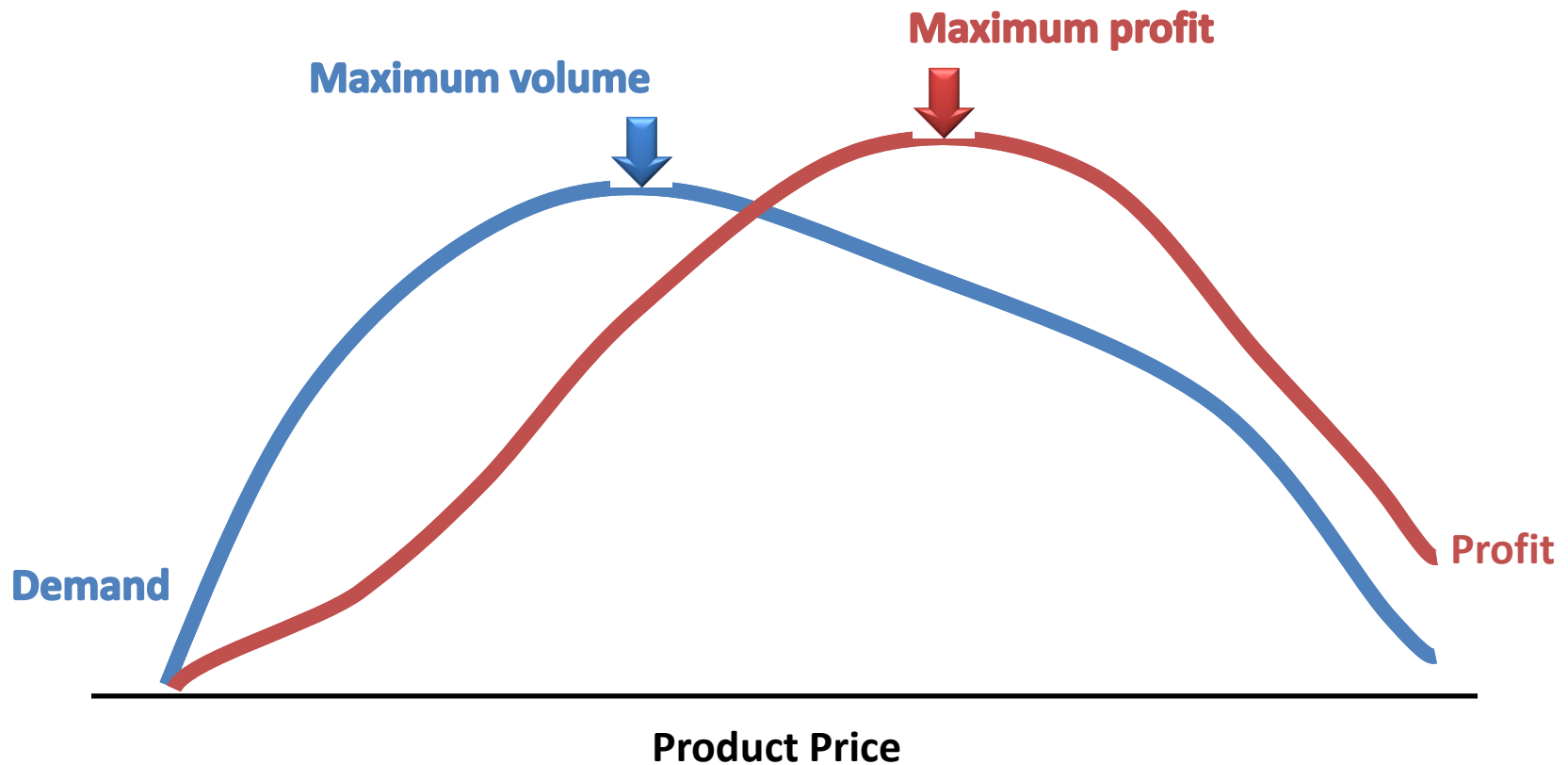
At a price between **[bargain]** and **[getting expensive]** how likely are you to buy *the new product* within the next six months? Would you say you are:

- Very likely
- Somewhat likely
- Neither likely nor unlikely
- Somewhat unlikely
- Very unlikely



Purchase Likelihood => Demand Model

Higher volume isn't necessarily higher profitability



More information

To evaluate the presentation visit <http://sgiz.mobi/s3/1d4bf19abd2f>

To help us plan other DIY survey training events, visit <http://sgiz.mobi/s3/19e480367de5>

For more information about 5 Circles Research visit www.5circles.com . For more information about Pricing Gurus visit www.pricinggurus.com

<http://www.5circles.com/van-westendorp-pricing-the-price-sensitivity-meter/>

