

Pricing Analysis When Conjoint Is Not Appropriate: Van Westie Is My Bestie

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When is Conjoint Not Appropriate?

Conjoint Is Not Always The Best Pricing Analysis

Reasons Conjoint May Not Be Appropriate



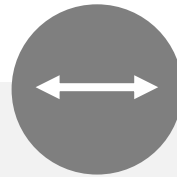
Not feasible for client



Attributes are not yet defined



Attributes are too complex



Attributes are limited



Attributes cannot be changed



Attributes are intangible



No idea what price should be

The background features several golden, semi-transparent geometric shapes, including triangles and trapezoids, scattered across the white space. A large, prominent trapezoidal shape is located in the upper right quadrant. On the left side, a series of smaller, curved golden shapes form a partial arc.

Van Westendorp

Overview and Best Practices





Van Westendorp Overview

- Named after its creator, Dutch economist Peter Van Westendorp
- Goal of the technique is to understand consumer perceptions of a product's value and quality
 - Van Westendorp believed consumers could imagine a pricing landscape based on a product's description and by relating it to similar products
- Basic concept:
 - Respondents enter specific price points
 - Price curves are created & graphed
 1. Too Cheap – inverted cumulative
 2. Bargain – cumulative
 3. Not Expensive – inverted cumulative
 4. Too Expensive –cumulative
 - Optimal Price Point and Acceptable Price Range are determined

Price Curves Table

	Too Cheap	Bargain	Not Expensive	Too Expensive
Less than \$25.00	100.00%	0.00%	100.0%	0.00%
\$25.00 to \$49.99	68.15%	6.90%	97.6%	1.01%
\$50.00 to \$74.99	36.51%	28.80%	89.9%	5.07%
\$75.00 to \$99.99	22.92%	50.71%	74.6%	12.98%
\$100.00 to \$124.99	9.13%	64.10%	58.0%	23.33%
\$125.00 to \$149.99	5.07%	75.05%	46.7%	33.27%
\$150.00 to \$174.99	4.46%	80.53%	38.3%	41.99%
\$175.00 to \$199.99	3.45%	86.61%	29.0%	50.51%
\$200.00 to \$224.99	2.64%	89.45%	23.7%	58.01%
\$225.00 to \$249.99	1.83%	92.29%	19.1%	66.94%
\$250.00 to \$274.99	1.62%	92.70%	17.2%	68.76%
\$275.00 to \$299.99	1.22%	95.13%	12.2%	74.65%
\$300.00 to \$324.99	0.81%	96.15%	9.7%	77.48%
\$325.00 to \$349.99	0.41%	97.77%	7.5%	82.76%
\$350.00 to \$374.99	0.41%	97.97%	6.5%	83.57%
\$375.00 to \$399.99	0.41%	99.39%	5.1%	86.21%
\$400.00 to \$424.99	0.00%	99.39%	4.7%	87.63%
\$425.00 to \$449.99	0.00%	99.80%	3.0%	89.86%
\$450.00 to \$474.99	0.00%	99.80%	3.0%	90.06%
\$475.00 to \$499.99	0.00%	99.80%	2.4%	90.87%
\$500.00 or more	0.00%	99.80%	1.6%	91.68%

Van Westendorp Best Practices

FIELDING		1	PROVIDE LOTS OF PRODUCT INFO Share as much product info as possible so consumers have a sense of what the product is worth
		2	DO NOT USE AS A STAND-ALONE ANALYSIS Use in conjunction with an additional pricing analysis
DATA PREP		3	VALIDATE THE RESPONSES Validate responses either in real-time or by cleaning the data when fielding is complete
		4	MAKE A PLUG 'N' PLAY SPREADSHEET TEMPLATE Create an Excel workbook to cut and paste data columns and use formulas for analysis to be done automatically

Van Westendorp Best Practices

CLIENT COMMUNICATION



5

**EXPLAIN,
EXPLAIN,
EXPLAIN**

Include explanatory slides of the analyses, terms, etc. so client can reference as needed



6

**PROVIDE A
SUMMARY
OF
ANALYSES**

Include summary slide with data from the pricing analyses in the Key Findings



7

**CUSTOMIZE
REPORT FOR
EACH CLIENT**

Customize to the client's level of understanding and ability to socialize the results



8

**USE
AUDIENCE-
SUITABLE
VISUALS**

Create new visualizations – the traditional VW graph can be difficult for some clients to understand

Van Westendorp Example

Methodology

Methodology



OBJECTIVES

The Cocktail Maker is elevating the cocktail experience by offering premium cocktails, without the hassle. The Cocktail Maker creates bar-quality cocktails on demand, providing an effortless way to enjoy and serve premium cocktails at home. The company desires to understand where to begin with pricing their new product.



METHODOLOGY

A 10-minute self-contained online quantitative survey was conducted among 501 U.S. consumers.

Willingness to Purchase and Van Westendorp Pricing Meter are utilized to capture information about price and perceived quality of The Cocktail Maker concept.

Additional metrics captured include comparison to similar products, relevance, and consumers' feelings about the Cocktail Maker concept.



PARTICIPANTS

n = 501
3+ Cocktails per Week, n=210
<3 Cocktails per Week, n=291

Pricing Analyses, n=493*
3+ Cocktails per Week, n=207
<3 Cocktails per Week, n=286

21 years old or older | Not employed in a sensitive industry | Minimum high school education | Minimum HHI of \$50,000 | Not unemployed | Have say in household appliance purchasing | Minimum one person in household drinks cocktails

Methodology

Van Westendorp Pricing Sensitivity Meter



Van Westendorp's Price Sensitivity Meter uses open-ended questions about price. The questions also incorporate the element of quality since price and quality are so closely inter-related.

Questions are Posed

Van Westendorp starts with a survey asking respondents a variation of four simple questions about price:

1. At what price do you perceive the product to be a low price, but still a good value? [*Bargain*]
2. At what price do you begin to perceive the product as so inexpensive that you would question its quality? [*Too Cheap*]
3. At what price do you perceive that the product would be expensive but worth the price? [*Not Expensive*]
4. At what price do you begin to perceive the product as so expensive that you would not consider buying it? [*Too Expensive*]

Responses are Graphed

These questions are used to create a line graph showing the frequency of responses. The vertical axis illustrates the frequency of responses, and the horizontal axis represents the price points.

Acceptable Price Range Estimated

The lower bound of the acceptable price range is the intersection of *Too Cheap* and *Bargain* (sometimes called the Point of Marginal Cheapness). The upper bound is the intersection of *Too Expensive* and *Not Expensive* (the Point of Marginal Expensiveness).

Optimal Price Point Estimated

The intersection of the *Too Cheap* and *Too Expensive* lines represents an "optimal price point." This is the point at which an equal number of respondents describe the price as exceeding either their upper or lower limits. Optimal in this sense refers to the fact that there is an equal tradeoff in extreme sensitivities to the price at both ends of the price spectrum.

Desired Expensive but Worth It Price

The *Desired Expensive but Worth It* price, a 10% increase above the test price (from the Willingness to Purchase analysis), is a norm used to analyze the median *Too Expensive* price.

Test Price and Median Prices are Analyzed

The test price and median *Bargain*, *Too Cheap*, *Not Expensive* and *Too Expensive* prices are analyzed in relation to the acceptable price range.

IMPORTANT CAVEAT: This pricing model is intended to serve as a 'gut check' of existing pricing strategy, to assess whether current pricing is perceived by the target audience as being within an acceptable range. This self-reported pricing output should not be used as a standalone source for setting actual product pricing.

Methodology

Willingness to Purchase

The Willingness to Purchase analysis looks at price elasticity and the price where most of the audience would be willing to purchase the product. A test price is given to consumers, providing a price anchor so all respondents begin at the same price point as a reference. Closed-ended questions are asked about whether they would purchase the product at different price points originating from the test price.

Questions are Posed

Willingness to Purchase starts with a question asking respondents if they would purchase the product at the test price. Depending on their answer, they are asked the following follow-up questions:

- Answer “Yes” would purchase at test price: “Would you buy The Cocktail Maker if it was available for [5% higher than tested price]?” Each time the respondent answers “Yes,” the price is raised 5% and the respondent is asked again until the respondent answers, “No.”
- Answer “No” would not purchase at test price: “Would you buy The Cocktail Maker if it was available for [5% lower than tested price]?” Each time the respondent answers “No,” the price is lowered 5% and the respondent is asked again until the respondent answers, “Yes.”

Responses are Graphed

The questions are used to create a line graph showing the percentage of respondents that were willing to purchase at each price. The vertical axis illustrates the frequency of responses, and the horizontal axis represents the price points.

IMPORTANT CAVEAT: Willingness to Purchase is typically overstated by respondents in a survey; however, comparing relative values stated can be instructive as to which pricing models may have the most potential to generate revenue.

Methodology

Concept

- Concept is based on a newer product out on the market
- The client normally provides the concept
- Present the concept to respondents without price
- Can do single, against competition, multiple concepts in a monadic design, etc.
- Ask evaluative questions about the concept(s) after viewing



THE COCKTAIL MAKER

With the Cocktail Maker, you can experience the quality ingredients and premium pours you'd expect from a cocktail lounge in your own home - all at the touch of a button!

Fill the Cocktail Maker with your favorite brands of Vodka, Tequila, Whiskey, Gin or Rum, as well as water. Then, insert your desired Cocktail Capsule, which contains all the premium bitters, extracts, juice concentrates, and mixers that would otherwise need to be individually sourced, purchased, and stored. Once the capsule is inserted into your Cocktail Maker, the cocktail is immediately identified via barcode and suggests the proper glassware on the user interface touchscreen.

Customize the pour strength of the drink ranging from mocktail to strong, then simply press 'Mix'!

Now you don't have to be an expert to enjoy an excellent cocktail.

Dimensions: 12.5"x12.75"x12.25"

Care: Wash with damp cloth, materials dishwasher safe

Cocktail capsules come in a multitude of flavors including: Screwdriver, Gimlet, Manhattan, Negroni, Margarita, Cosmopolitan, Martini, Mint Julep, Mai Tai and more.

On demand bar-quality cocktails - an effortless way to serve and enjoy premium cocktails at home.

-  **Fill with Any Brand of Base Spirits**
Vodka • Tequila • Whiskey • Rum • Gin
-  **Insert Cocktail Capsule**
Choose from over 40 cocktails with all the ingredients you need
-  **Select Strength and Press "Mix"**
Mocktail • Light • Regular • Strong



Key Findings













Key Findings

- One-third of consumer households drink 1-2 cocktails per week, another third drink 3-6 cocktails per week, 9% drink cocktails every day, and one-quarter of consumers drink less than one cocktail in any given week.
- 53% of consumers said they would be likely to purchase the Cocktail Maker concept when no price was given.
 - After the price was shown, Willingness to Purchase was 13%, a 75% decrease.
- 8 in 10 consumers rated the concept much or somewhat better than comparable products on the market.
- 73% of respondents agreed that the concept was personally relevant to them.
 - Those who drink less than 3 cocktails per week rate the product significantly lower on all the above measures compared to those who enjoy cocktails more frequently.

Key Findings

Pricing Analyses

- The pricing analyses indicated that neither the total population nor consumers who drink fewer/more cocktails are receptive to the \$369.99 base price.
- The test price of \$369.99 was much higher than the optimal price points found in this study.
 - There were differences in price points when comparing consumers who drink 3 or more cocktails per week to those who drink 2 or fewer cocktails. However, while those who drink more cocktails per week are willing to pay more than respondents who drink fewer, the test price for both groups was substantially lower than their respective acceptable price range.

	All Respondents (n=493)			3+ Cocktails per Week (n=207)			<3 Cocktails per Week (n=286)		
	Data	Analysis Conclusion	Indicator of Price Being Acceptable	Data	Analysis Conclusion	Indicator of Price Being Acceptable	Data	Analysis Conclusion	Indicator of Price Being Acceptable
Test Price	\$369.99 (Slide 21)	Not within acceptable price range		\$369.99 (Slide 26)	Not within acceptable price range		\$369.99 (Slide 26)	Not within acceptable price range	
Desired Expensive but Worth It Price	\$406.99 (Slide 21)	Not within acceptable price range		\$406.99 (Slide 26)	Not within acceptable price range		\$406.99 (Slide 26)	Not within acceptable price range	
Willingness to Purchase at Test Price	13% (Slide 22)	Very low willingness to purchase		19% (Slide 27)	Very low willingness to purchase		12% (Slide 27)	Very low willingness to purchase	
Decline in Willingness to Purchase after 5% Price Increase	6 percentage points, a 45% decrease (Slide 22)	Sharp decline		4 percentage points, a 23% decrease (Slide 27)	Not as sharp decline		6 percentage points, a 52% decrease (Slide 27)	Sharp decline	



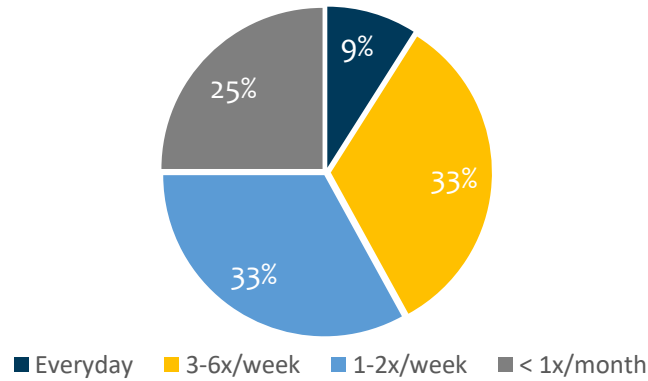
Detailed Data

Total Sample

Cocktail Enjoyment & Product Assessment

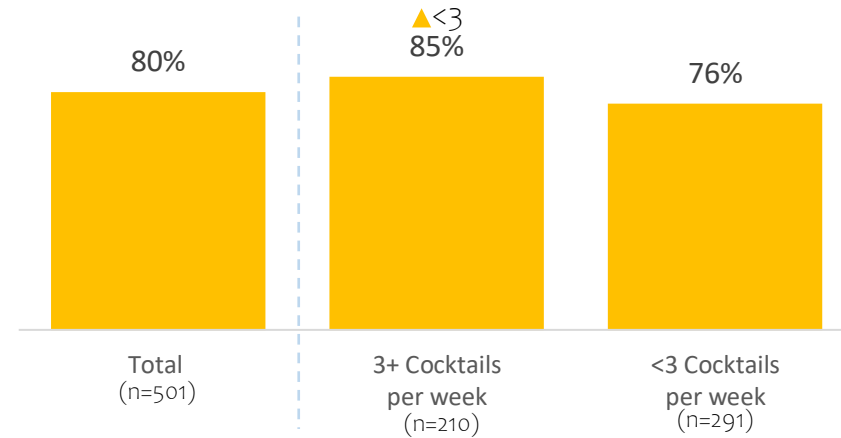
- Those who drink less than 3 cocktails per week rate the product significantly lower than those who enjoy cocktails more frequently on all measures.

How Often Cocktails Are Enjoyed
(n=501)



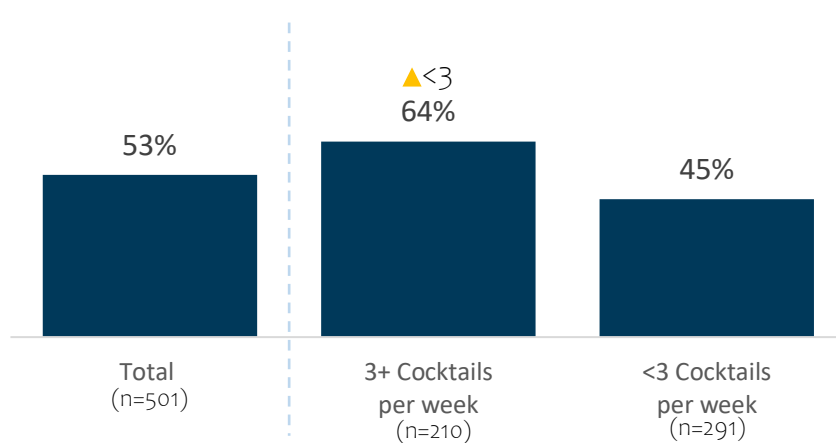
Product Comparison

(Top 2-Box [Much and Somewhat Better than Others], 5-pt. scale)



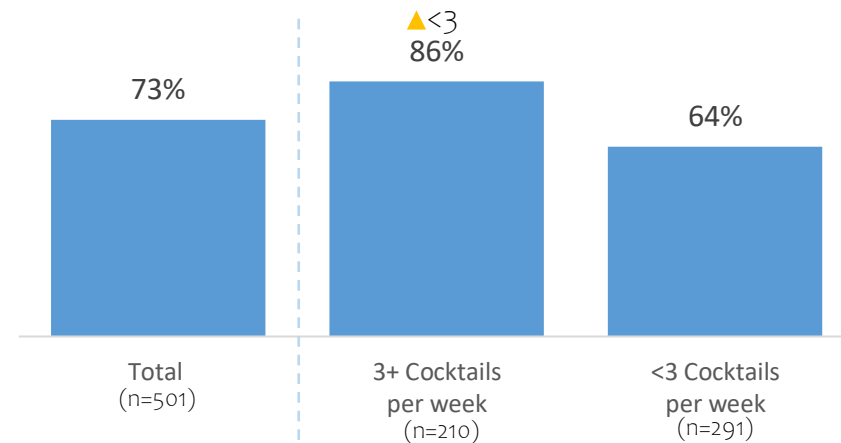
Likelihood to Purchase

(Top 2-Box [Definitely and Probably Would Purchase], 5-pt. scale)



Personal Relevancy

(Top 2-Box [Strongly and Somewhat Agree], 5-pt. scale)



▲ Denotes significantly greater than comparison cut at the 95% Confidence Interval. | Sources: S7. How often do you or someone in your household enjoy cocktails? | Q1. Which statement below best describes how you feel about purchasing this product? | Q2. How does this product compare to other similar products or services on the market? | Q3. How strongly do you agree with the following? This product is relevant to me

Pricing Analysis

Total Sample

Pricing Summary

A much lower price than the tested base price appears optimal

- Among the total population exposed to the Cocktail Maker concept, the optimal price point was around \$95.00.
- Willingness to Purchase was 53% before consumers knew the price of the concept, considerably higher than the 13% of consumers when the test price was shown; this was a drop of 40 percentage points, or a 75% decrease, in Willingness to Purchase.

Willingness to Purchase

The Willingness to Purchase analysis looks at price elasticity and the price where most of the audience would be willing to purchase the product.

	Total (n=493)*
No price shown	Likelihood to Purchase (Top 2-Box): 53%
\$369.99 base price	Would Purchase (Yes): 13%
5% price decrease	14%
5% price increase	7%
< Lowest price shown	50%

Van Westendorp Pricing Sensitivity Meter

The Van Westendorp Price Sensitivity Meter is intended to serve as a 'gut check' of existing pricing strategy – to assess whether current pricing is perceived by the target audience as being within an acceptable range. This self-reported pricing output should not be used as a standalone source for setting actual product pricing.

Total (n=493)*

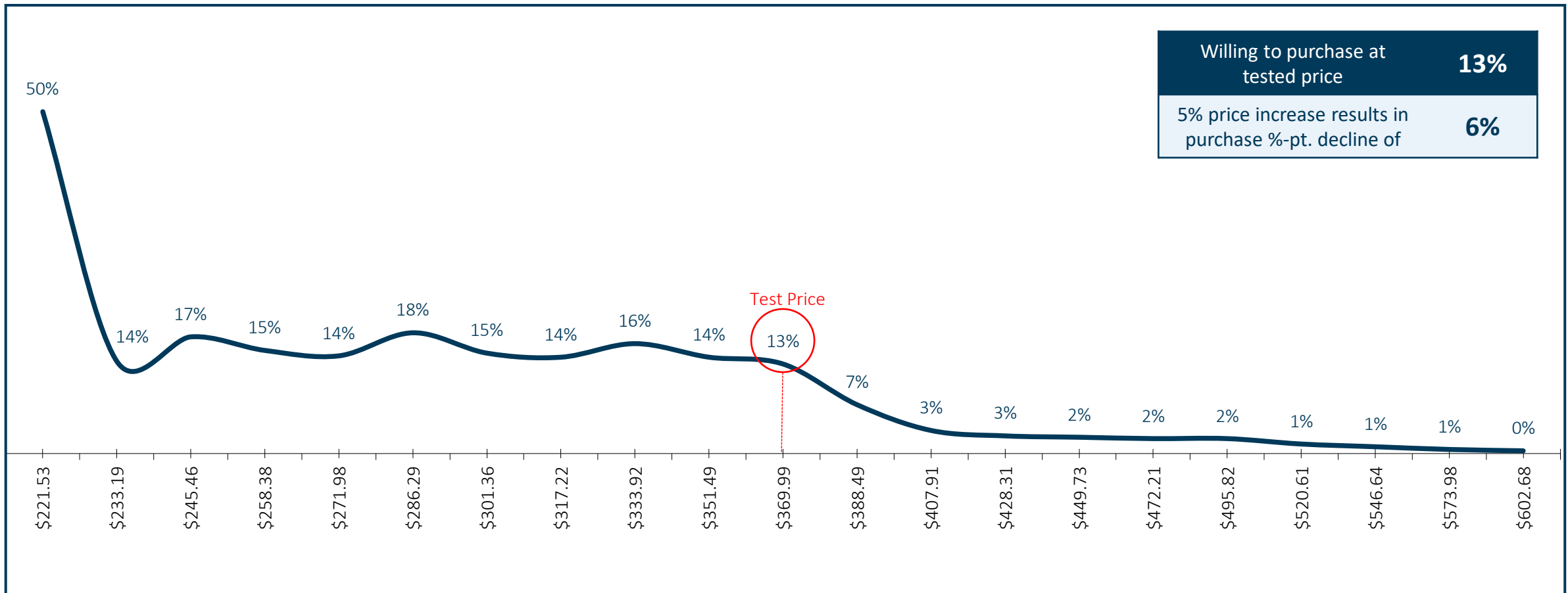
Estimated Range of Acceptable Pricing	Price Point
Lower Boundary	~\$60.00
Optimal Price Point	~\$95.00
Upper Boundary	~\$155.00

Willingness to Purchase at Alternative Price Points

Willingness to Purchase is typically overstated by respondents in a survey; however, comparing relative values stated can be instructive as to which pricing models may have the most potential to generate revenue.

- 13% of the total sample of respondents said they would be willing to purchase at the test price; when the price increased by 5%, those willing to purchase fell by 6 percentage points to 7%, a 45% decrease.

Willingness to Purchase (% of Respondents, n=493)



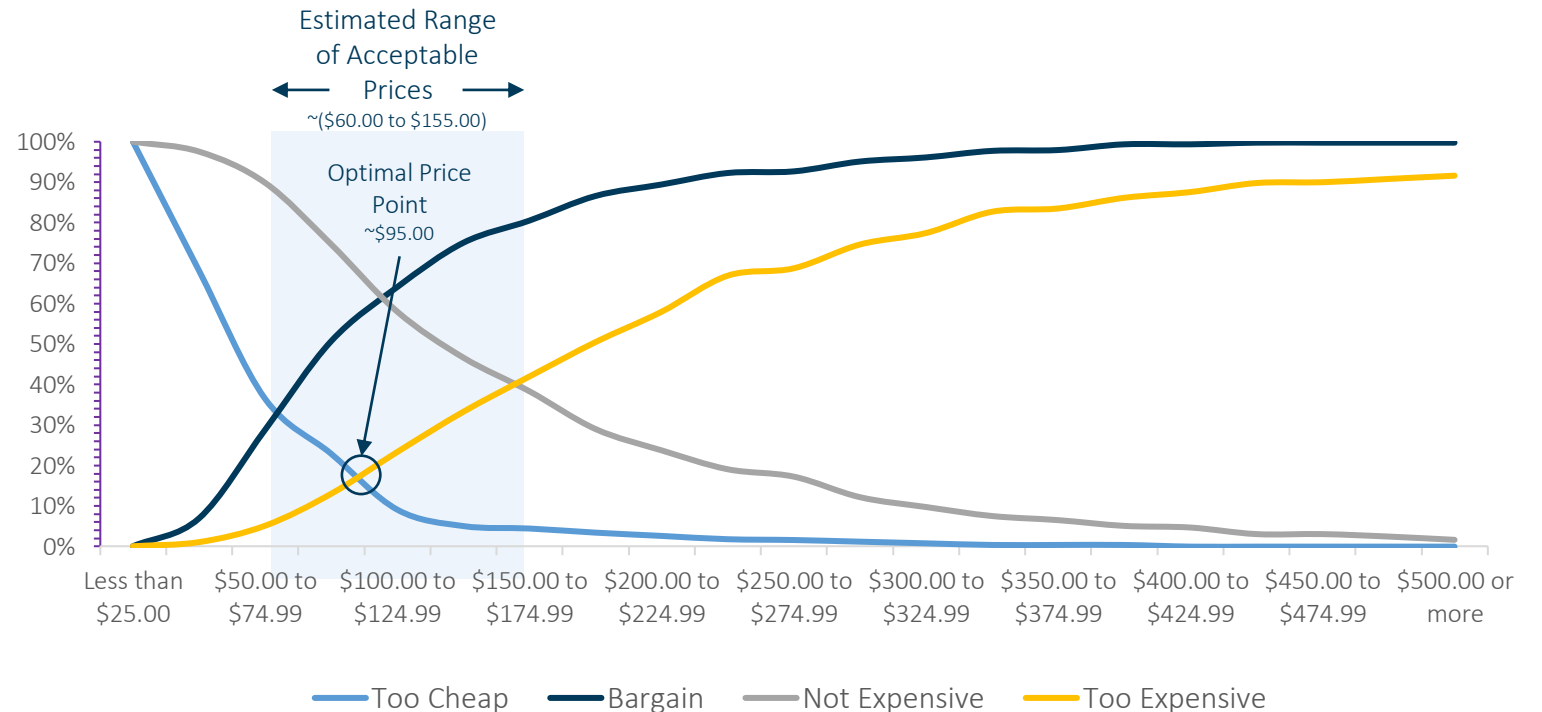
Source: Q7a/b. Would you buy this product if it were available for (INSERT FIRST PRICE BELOW – 5% higher/lower than tested price)? | *Note: Base for the pricing analyses is n=493, lower than the total n = 501, because responses must meet validation criteria for analysis.

Van Westendorp Pricing Analysis

- Among the total sample that saw the Cocktail Maker concept, the analysis indicated that the test price of \$369.99 is much higher than the optimal price point and not within the acceptable price range of \$60.00 to \$155.00.
- The median “expensive but worth it” value was \$119.00, \$287.99 below the \$406.99 “desired expensive but worth it” price (the test-price-plus-10% norm).

Medians Table (n=493)

The Cocktail Maker Base Price	\$369.99
Low but still good value (Bargain)	\$70.00
So cheap would question quality (Too Cheap)	\$35.00
Expensive but worth it (Not Expensive)	\$119.00
Desired expensive but worth it	\$406.99+
So expensive would not buy (Too Expensive)	\$161.00

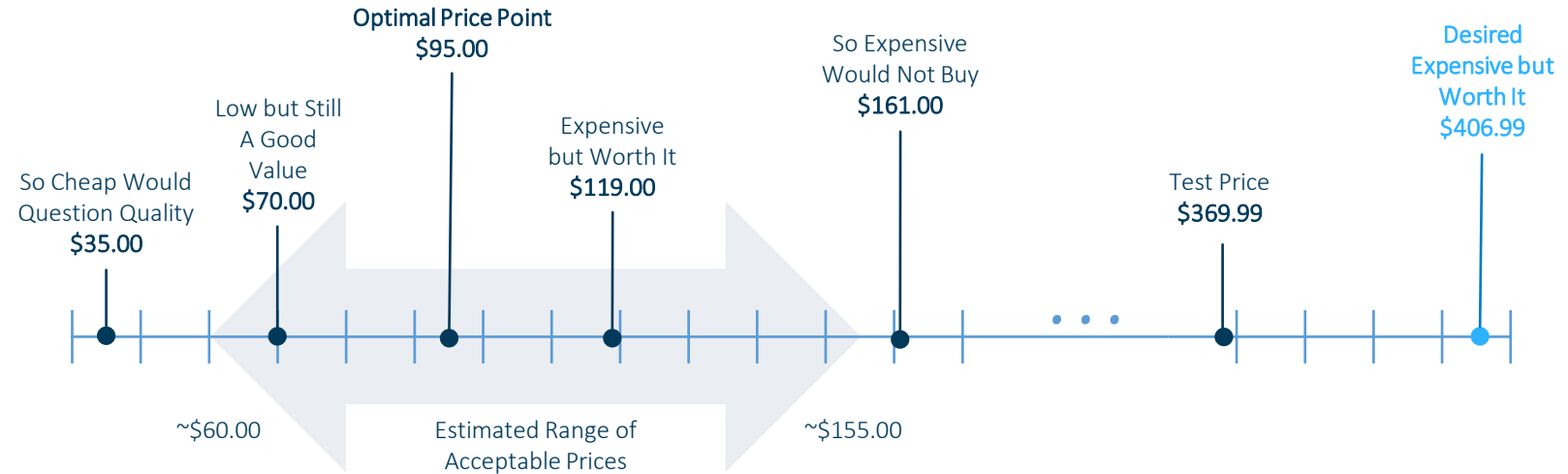


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Desired expensive but worth it	\$406.99+
So expensive would not buy (Too Expensive)	\$161.00



Pricing Analysis

Number of Cocktails per Week

Pricing Summary

Optimal pricing for both groups is much lower than the tested price



- While consumers who drink more cocktails per week had higher price points than those who drink fewer, the optimal price for both groups was well below the tested price.

Willingness to Purchase

The Willingness to Purchase analysis looks at price elasticity and the price where most of the audience would be willing to purchase the product.

	3+ Cocktails/Week (n=207)*	<3 Cocktails/Week (n=286)*
No price shown	Likelihood to Purchase (Top 2-Box): 64%	Likelihood to Purchase (Top 2-Box): 45%
\$369.99 base price	Would Purchase (Yes): 19%	Would Purchase (Yes): 12%
5% price decrease	21%	11%
5% price increase	15%	6%
< Lowest price shown	56%	53%

Van Westendorp Pricing Sensitivity Meter

The Van Westendorp Price Sensitivity Meter is intended to serve as a 'gut check' of existing pricing strategy – to assess whether current pricing is perceived by the target audience as being within an acceptable range. This self-reported pricing output should not be used as a standalone source for setting actual product pricing.

Total (n=493)*

Estimated Range of Acceptable Pricing	3+ Cocktails/Week	< 3 Cocktails/Week
	Price Point	Price Point
Lower Boundary	~\$75.00	~\$60.00
Recommended Optimal Pricing	~\$105.00	~\$85.00
Upper Boundary	~\$175.00	~\$140.00

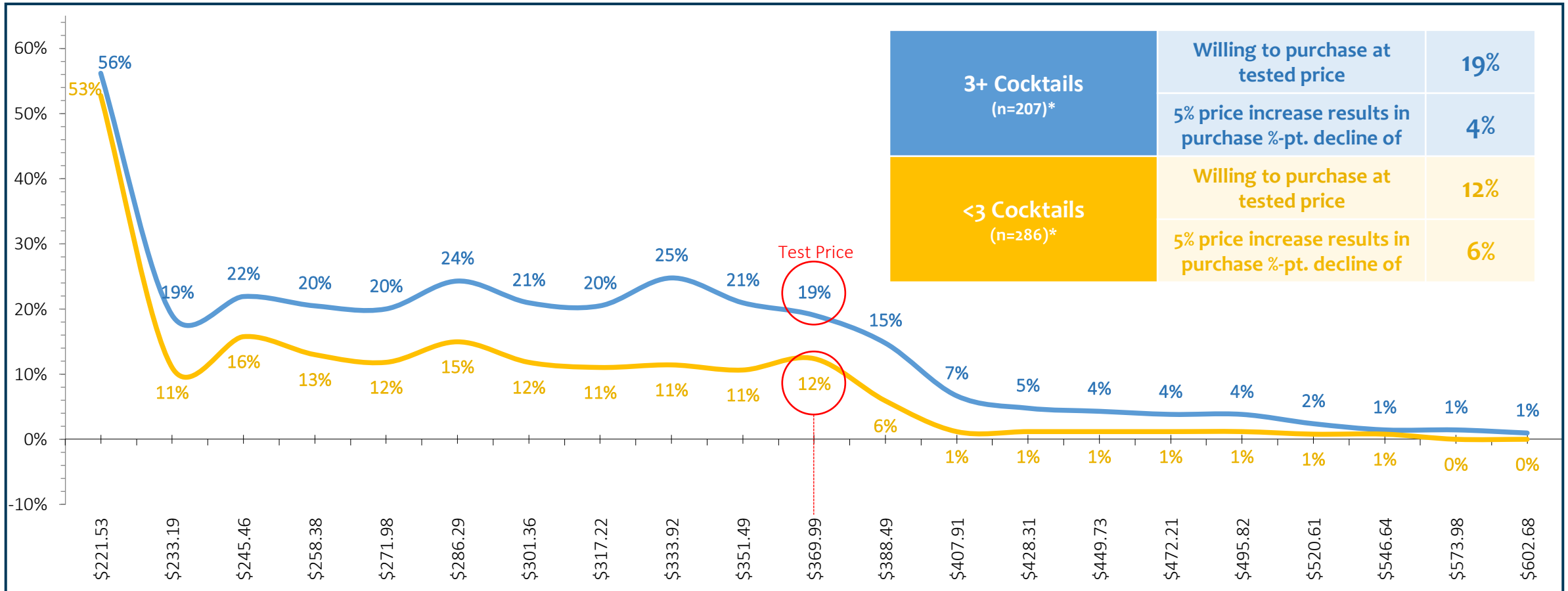
Sources: Likelihood to Purchase Q1 | Willingness to Purchase Q7a/b | Van Westendorp pricing series Q6a-d | *Note: Base for the pricing analyses is n=493; 3+ n=207, <3 n=286, lower than the total n = 501, 3+ n=210, <3 n=291, because responses must meet validation criteria for analysis.

Willingness to Purchase at Alternative Price Points

Willingness to Purchase is typically overstated by respondents in a survey; however, comparing relative values stated can be instructive as to which pricing models may have the most potential to generate revenue.

- Willingness to Purchase did not differ greatly between the groups of cocktail drinkers: 19% of consumers who drink 3 or more cocktails per week and 12% of those who drink 2 or fewer cocktails per week said they were willing to purchase at the tested price of \$369.99.

Willingness to Purchase (% of Respondents)



Source: Q7a/b. Would you buy this product if it were available for (INSERT FIRST PRICE BELOW – 5% higher/lower than tested price)? | *Note: Base for the pricing analyses is n=493, 3+ n=207, <3 n=286, lower than the total n = 501, 3+ n=210, <3 n=291, because responses must meet validation criteria for analysis.

Van Westendorp Pricing Analysis

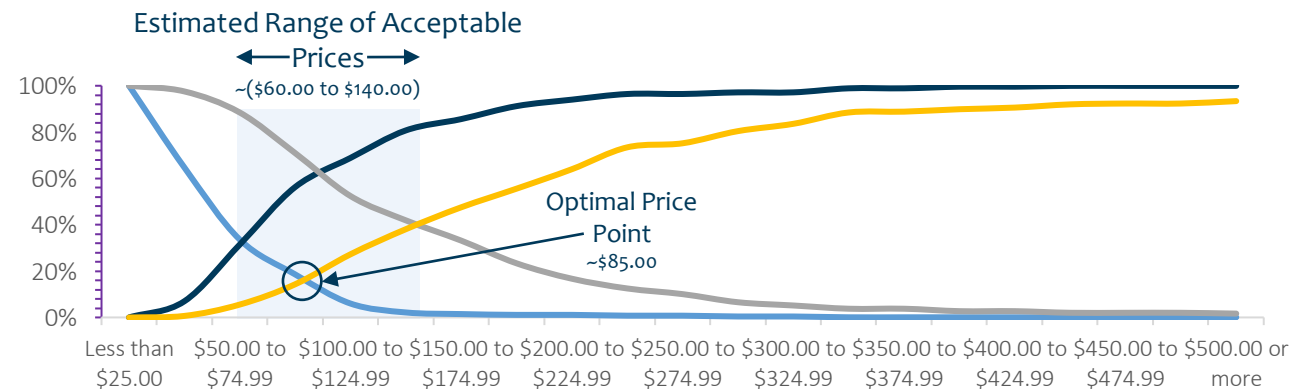
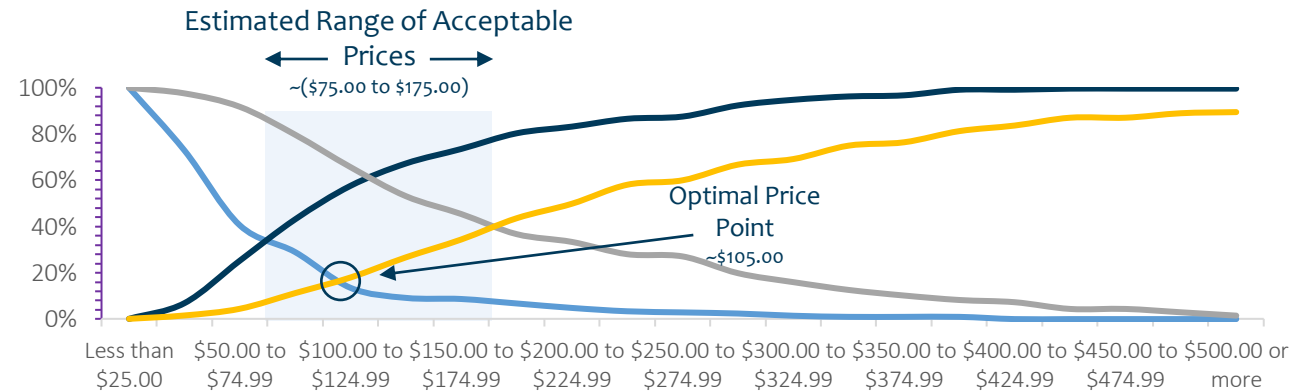
- Among consumers who drink more cocktails per week, the range of acceptable prices was greater than for than who drink fewer cocktails.
- The median “expensive but worth it” value was \$125.00 for consumers drinking 3+ cocktails and \$100.00 for consumers drinking <3 cocktails per week; both were considerably lower than the desired “expensive but worth it” price of \$406.99.

Medians Table

The Cocktail Maker Base Price	3+ Cocktails (n=207)*	<3 Cocktails (n=286)*
		\$369.99
Low but still good value (Bargain)	\$79.00	\$60.00
So cheap would question quality (Too Cheap)	\$39.99	\$30.00
Expensive but worth it (Not Expensive)	\$125.00	\$100.00
Desired expensive but worth it	\$406.99+	\$406.99+
So expensive would not buy (Too Expensive)	\$200.00	\$150.00

3+ Cocktails

<3 Cocktails



Van Westendorp Pricing Analysis

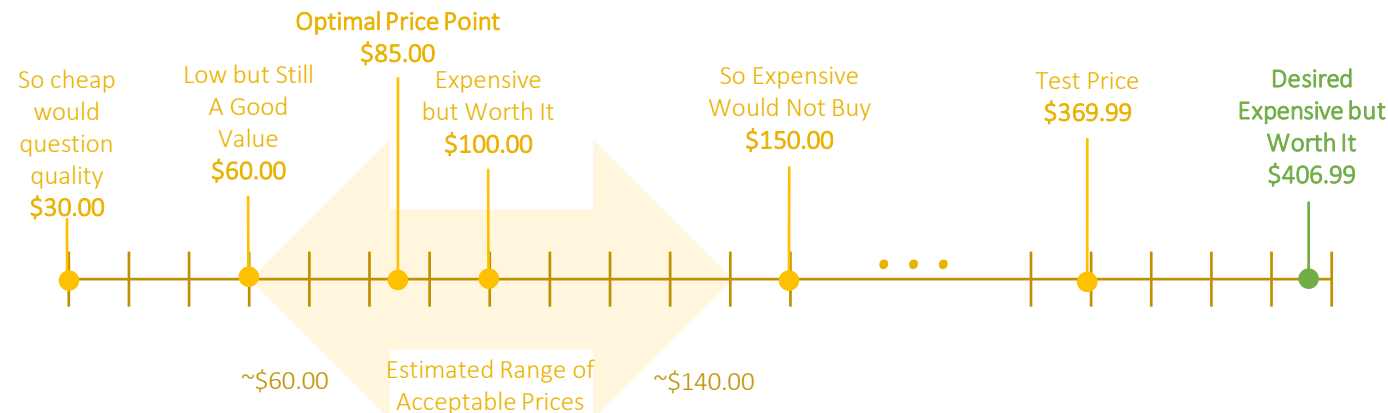
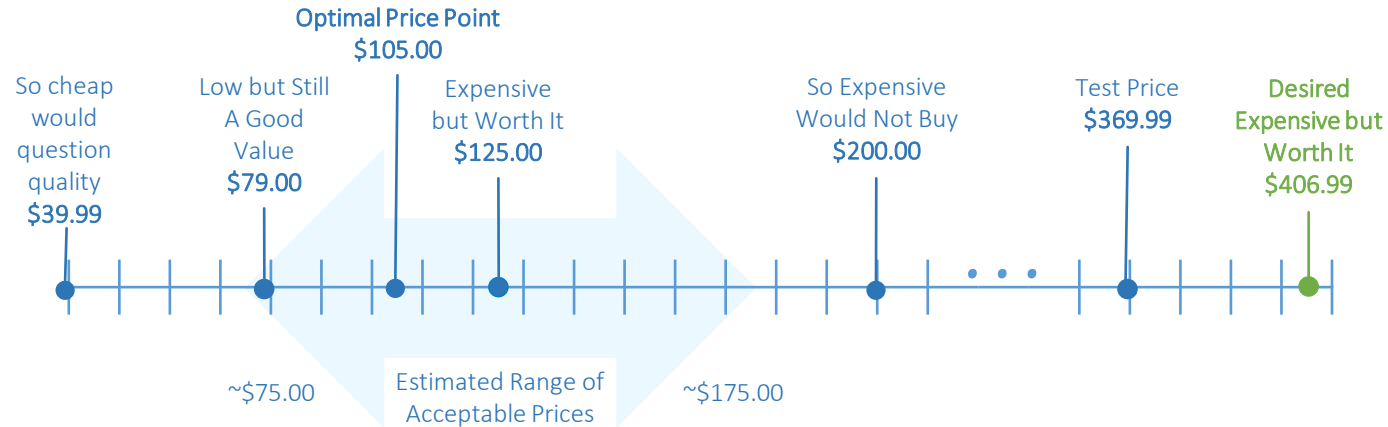
- Among consumers who drink more cocktails per week, the range of acceptable prices was greater than for than who drink fewer cocktails.
- The median “expensive but worth it” value was \$125.00 for consumer drinking 3+ cocktails and \$100.00 for consumers drinking <3 cocktails per week; both are considerably lower than the “desired expensive but worth it” price of \$406.99.

Medians Table

The Cocktail Maker Base Price	3+ Cocktails (n=207)	<3 Cocktails (n=286)
	Low but still good value (Bargain)	\$79.00
So cheap would question quality (Too Cheap)	\$39.99	\$30.00
Expensive but worth it (Not Expensive)	\$125.00	\$100.00
Desired expensive but worth it	\$406.99+	\$406.99+
So expensive would not buy (Too Expensive)	\$200.00	\$150.00

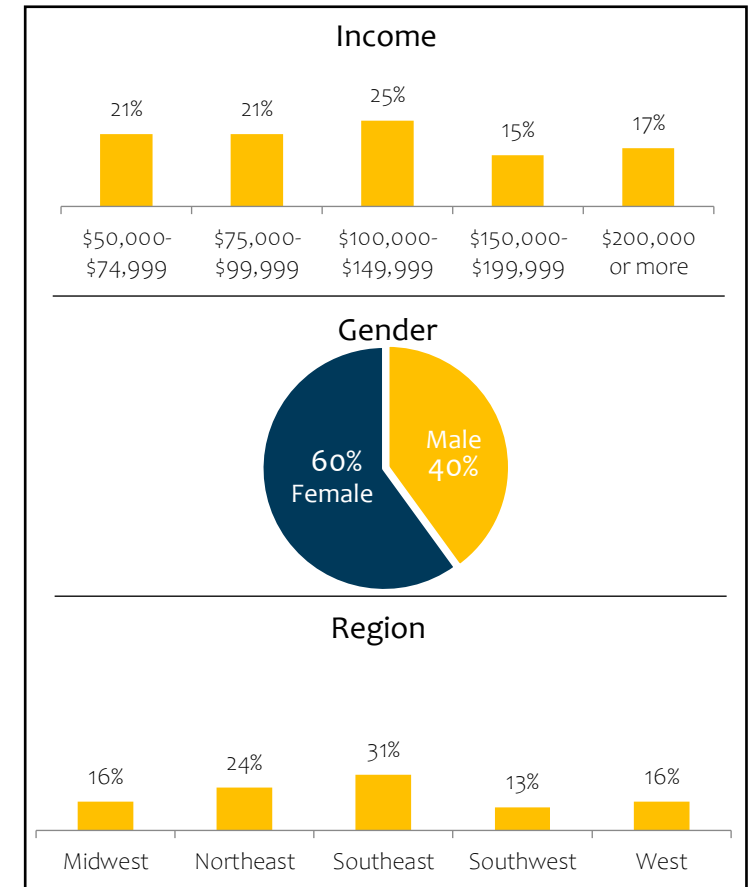
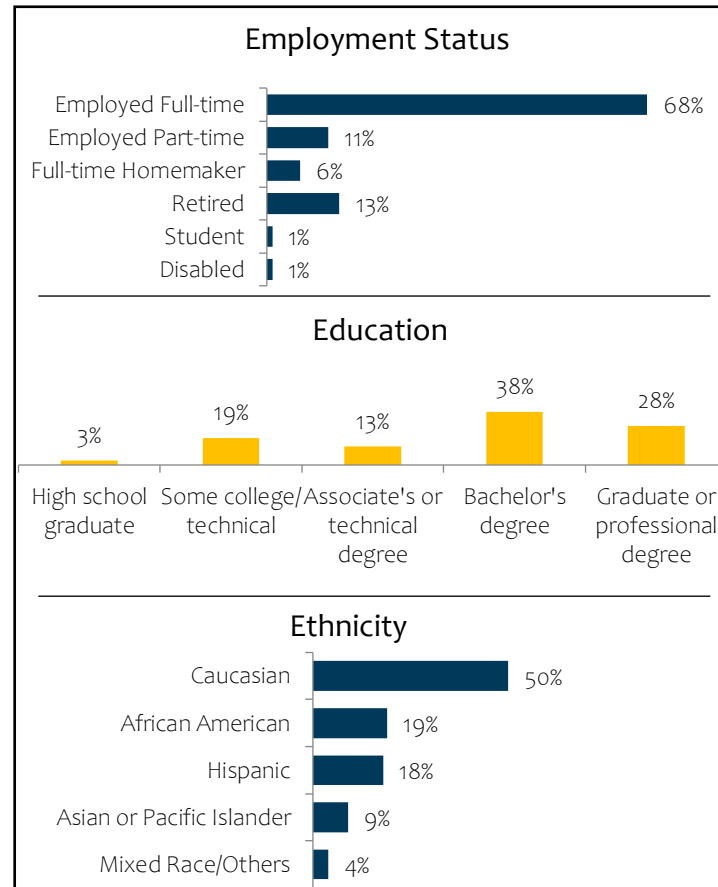
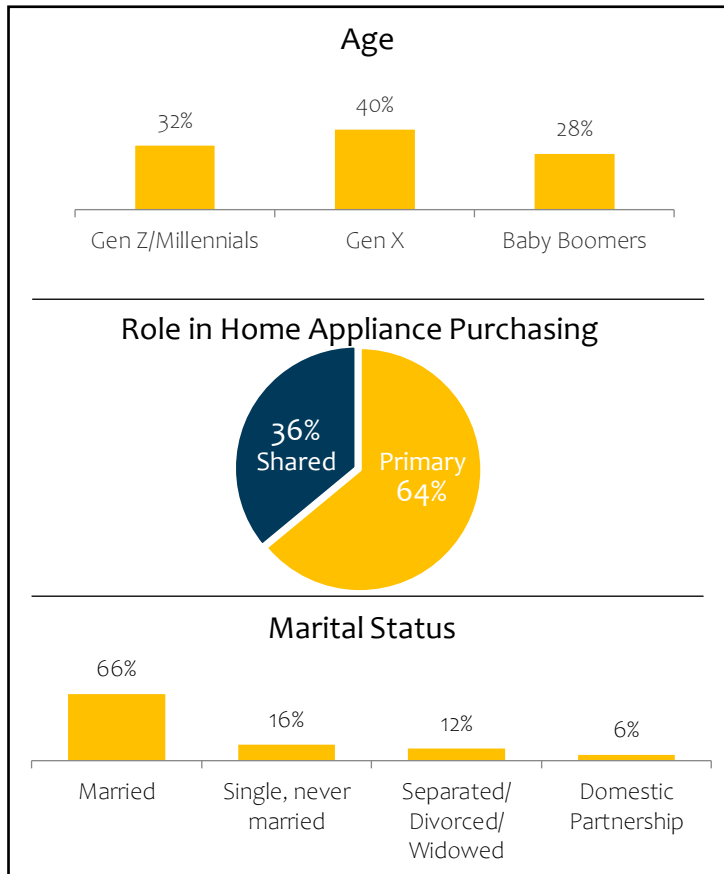
3+ Cocktails

<3 Cocktails



Appendix

Demographics



(n=501)

Contact Information

Courtney N. Thabet

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 <https://www.accelerantresearch.com/>

 <https://www.linkedin.com/company/accelerant-research/>