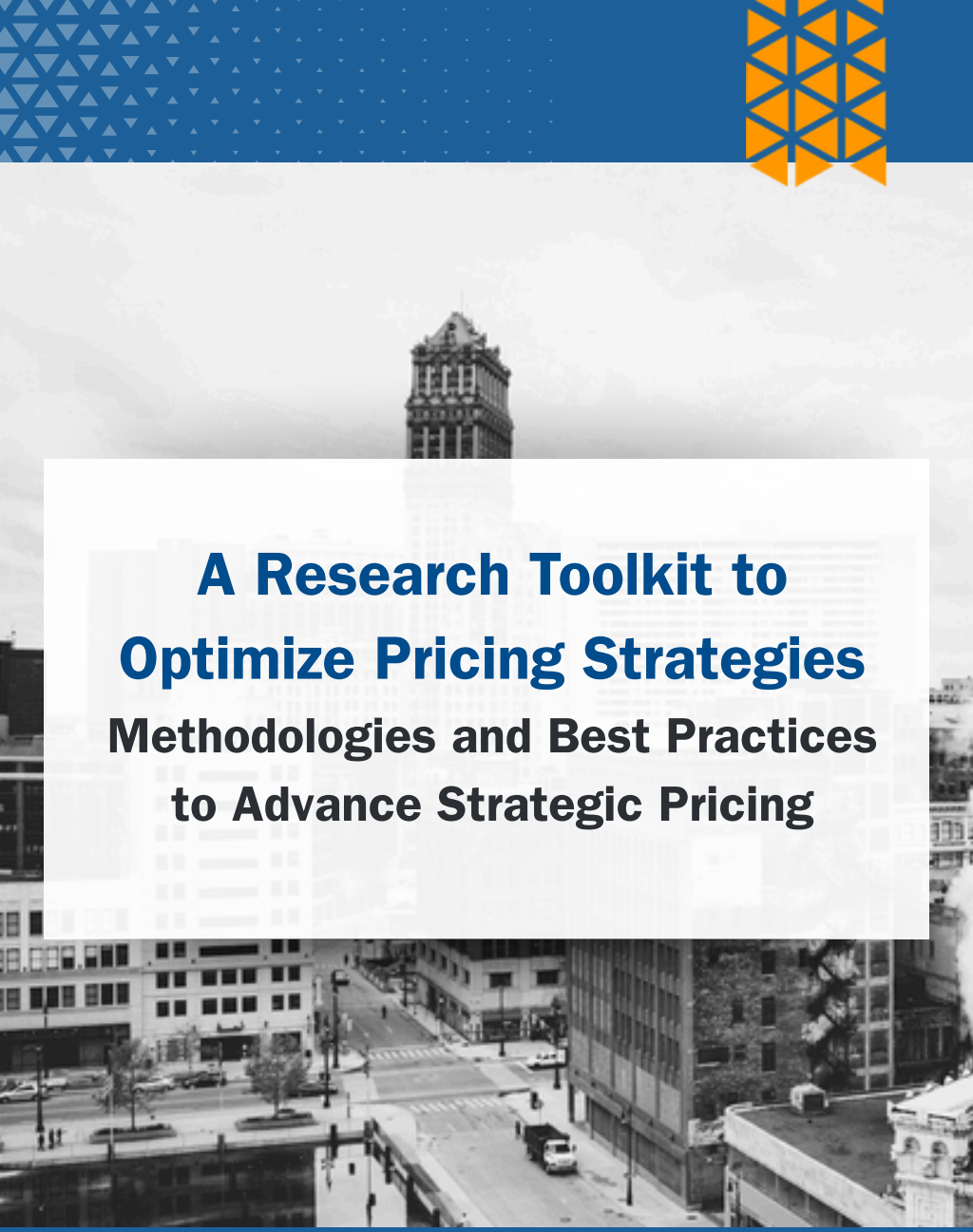

A Research Toolkit to Optimize Pricing Strategies

Methodologies and Best Practices to Advance Strategic Pricing

Martec

INTRODUCTION

Why do you need pricing research?

In uncertain times with volatile economic conditions, prices change rapidly and determining an overarching pricing strategy can be challenging. Over the past several years, Martec has seen an increasing number of clients seeking research to support their pricing strategies. Whether they are looking to determine the optimal price point for new or updated products or need a holistic understanding of how their brand and prices are perceived in the marketplace, Martec has a robust toolbox of pricing methodologies that can simplify the process and provide market-based insights to ground strategic pricing decisions in customer-centric data.

When designed correctly, pricing research can decipher the correlation between customer perceptions and customer behaviors, provide insights into new product pricing and clarify how a price increase (or decrease) may impact revenue, margins, market share, and customer perceptions. Insights gathered through various pricing research methodologies provide the information you need to make informed pricing strategy decisions.

Martec clients consider pricing research study when they are:

- Shifting their pricing strategy
- Developing new products
- Enhancing existing products with new features
- Entering new markets

There are several pricing methodologies that can be used based on your goals and objectives. This e-book will cover three separate and discrete research methodologies which typically are conducted independently based on the insights needed:

- Price-Value Mapping
- Benefit-Value Analysis
- Competitive Price Benchmarking

We also will examine the importance of conducting pricing research through the prism of the customer's or market's "Willingness to Pay," as well as the nuance of understanding "price sensitivity" (not to be confused with "price elasticity") to get a clear picture of how purchase intent changes when price points vary.

Want to Learn More?

Continue reading, or contact Ken Donaven at (248) 327-8021, ken.donaven@martecgroup.com

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Chapter 1: Price Sensitivity

Understanding Customer Price Sensitivity to Validate or Inform Pricing Strategy

Price Sensitivity research explores how customer demand or willingness to purchase shifts in response to changes in price. While the term is often used interchangeably with price elasticity, it's helpful to distinguish the two:

- **Price elasticity** is a strict economic formula: the percentage change in demand divided by the percentage change in price. It is observable data that shows trends and directional movement.

- **Price sensitivity**, as studied in market research, refers more broadly to how customers' purchase intent changes when price points vary.

For most organizations, understanding price sensitivity is less about formulas and more about generating practical, data-driven insights. These insights can help determine acceptable price ranges, evaluate the impact of proposed price changes, guide feature-specific value pricing or unlock competitors' pricing strategies.

Why Measure Price Sensitivity?

To assess the likely impact of price increases or decreases on demand

To identify the maximum price customers are willing to pay while still making a purchase

To evaluate the price potential of new product features or upgraded offerings

To validate proposed price changes before going to market

To ensure pricing decisions optimize not just revenue, but also profit margin

Key Methodologies for Price Sensitivity

A variety of research techniques can be used to assess price sensitivity, many of which will be explored and defined throughout this book. Each has strengths, limitations, and best-use scenarios.

1. Monadic Price Testing

In Monadic testing, survey respondents are shown a single price point and are asked whether they would purchase at that particular price. To test three different prices, researchers must use three discrete samples.

- **Strengths:** Monadic price testing is a straightforward and "pure" way to measure purchase intent at fixed prices.

- **Limitations:** It, by rule, requires large sample sizes to achieve reliable, statistically-significant results, which is often impractical in business-to-business contexts.

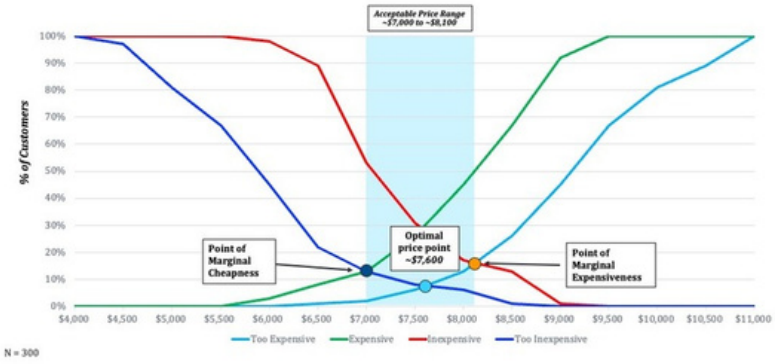
Because of its sample size demands, Monadic testing is less commonly used in commercial due diligence or B2B pricing work, but is often a viable solution to B2C markets with larger available sample sizes.

2. Van Westendorp Price Sensitivity Meter

A staple in pricing research, the Van Westendorp methodology asks respondents four discrete questions to understand the relationship between price and perceived quality:

- At what price is the product so cheap you would doubt its quality?
- At what price is it inexpensive but still acceptable?
- At what price is it expensive but still worth considering?
- At what price is it too expensive to purchase?

Overlaying these responses produces a set of curves that reveal both an optimal price point and an acceptable range of prices.



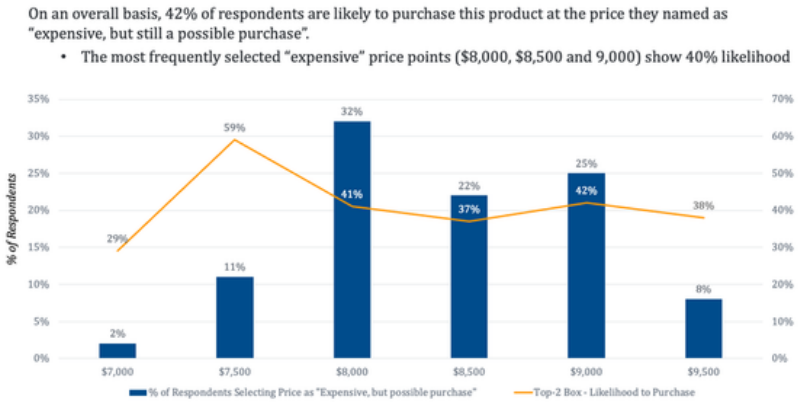
- **Strengths:** Van Westendorp is relatively simple to administer and widely recognized as a tried and true methodology.

- **Limitations:** Respondents have a tendency to overstate what they would pay when being surveyed, which can mean that the results are better understood as aspirational rather than predictive.

Taking this analysis one step further, we can use the "expensive but still a possible purchase" price point as a rudimentary willingness to pay (WTP) analysis. By adding a likelihood-to-purchase question at that identified price point, Martec can estimate potential demand and build revenue curves based on real-world customer insights and preferences:

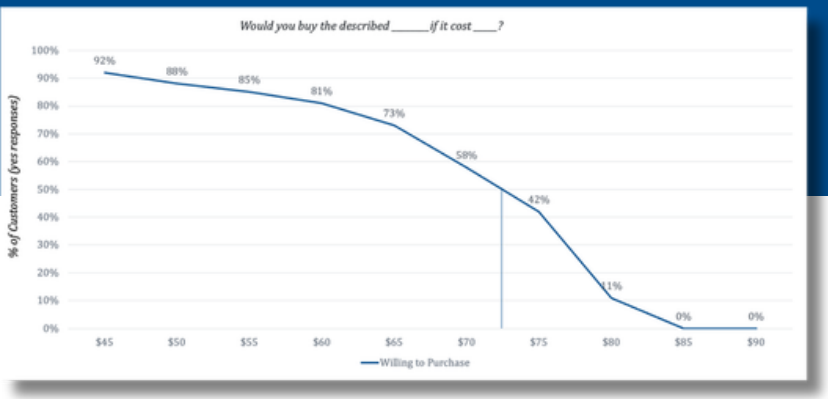
How likely are you to purchase this product at the price you selected as "expensive but still worth considering"?

This additional data context allows researchers to create demand curves that better link perceived value to actual purchase intent.



3. Gabor-Granger Pricing

A Gabor-Granger study builds on the Monadic testing methodology by asking each respondent about multiple prices within a predefined range. If a respondent says "yes" to one price, they are asked about higher prices until they say "no." Conversely, if they say "no," the next lower price is tested, and so on, until the respondent replies "yes." This provides a "willingness to purchase" curve that identifies the maximum price each respondent is willing to pay for a product. Holistically, this methodology helps us understand the "tipping point"—the price that 50% of customers are willing to pay and better understand the impact of price changes on revenue generation.



- **Strengths:** A Gabor-Granger study identifies the maximum price point at which each respondent would purchase a given product. It results in the ability to produce revenue curves that highlight not only where revenue is maximized but, with cost inputs, where profit is maximized.

- **Limitations:** Gabor-Granger is still a survey-based methodology, so stated preference may not always match actual market behavior, as noted above with respect to Van Westendorp studies.

In practice, Gabor-Granger results can be paired with a company's internal cost-to-manufacture and channel margin data to reveal how far companies can push pricing while protecting or enhancing profitability.

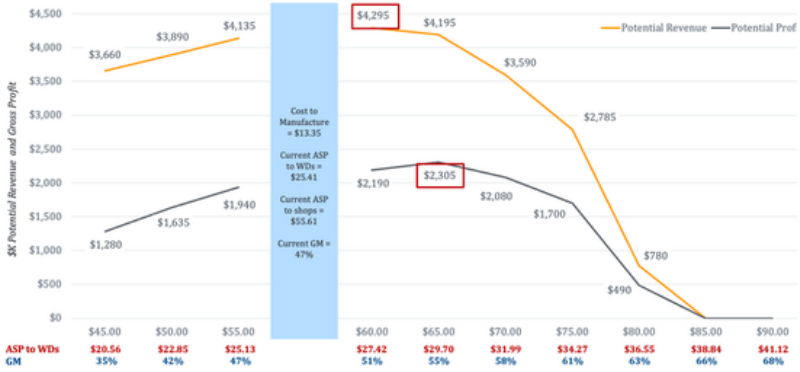
Illustrative Example: Maximizing Profit vs. Revenue

Hypothetical Business Challenge:

Let's say an industrial products manufacturer wants to test a new product that will offer additional features. Leadership needs to know not only what customers would pay, but whether the new pricing strategy would, in fact, increase margins and profitability.

Approach:

- You might start with a Gabor-Granger study (like that shown above) to assess Price Sensitivity for a product across a price range of $45 to $90.
- You would then pair those survey results with cost-to-manufacture and channel pricing data obtained from internal sources.
- You then calculate and model revenue and profit curves at each price point in that range.



Note: Potential Revenue/Profit assumes 200K shops in the appropriate/targeted segments; purchase incidence estimated at ~17% of shops, each purchasing ~2.6 products/year

Findings:

In this case, the research revealed that revenue would be maximized at $60, the price ~80% of purchasers would be willing to pay"

However, profit peaks at $65—a higher price point, with a lower willingness to pay - but one that delivers a higher overall gross margin relative to cost.

Outcome:

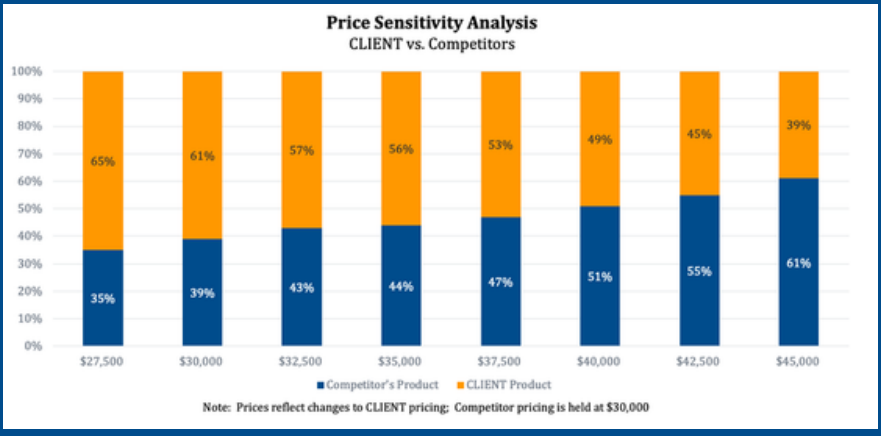
Armed with both perspectives, the manufacturer set pricing at $65. The decision balanced market acceptance with margin growth, resulting in higher total profitability than a revenue-maximization strategy alone.

4. Conjoint Analysis

Conjoint analysis has evolved to become perhaps the most sophisticated way to study price sensitivity, especially in competitive contexts. In a choice-based conjoint exercise, respondents evaluate product options with varying feature and price combinations and provide feedback on their preferences for various combinations of feature and price point.

- **Strengths:**
  - Conjoint captures trade-offs customers evaluate in realistic scenarios and how those considerations impact willingness to pay (or not).
  - It also allows one to run models to illustrate how competitors' pricing moves could affect a customer's or market's "share of preference."
  - Beyond real-world data and insights, Conjoint modeling supports simulations of next-generation products with new features, even if they haven't been introduced into the market, been manufactured for testing, or perhaps even been prototyped. You can actually test pricing sensitivity prior to investing time and resources into prototyping or manufacturing.
- **Limitations:** Conjoint can be more complex to design and analyze than the simpler approaches examined above.

Importantly: By running sensitivity analyses across multiple configurations, Conjoint analysis reveals how demand shifts at different price levels—not just in isolation, but in the context of competition.



Practical Considerations for Pursuing Pricing Sensitivity Analysis

Regardless of the methodology one pursues to inform or validate pricing strategy, several themes emerge:

- **B2B sample constraints:** Many methods that work well in consumer markets (like Monadic testing) are less feasible when audience sizes are limited, as they often are in B2B sectors.

- **Revenue vs. profit trade-offs:** Keep in mind the price point that maximizes revenue may not maximize profit. Sensitivity analysis must account for a host of variable cost structures and influences that impact profit, discrete from how they impact revenue alone.

- **Competitive dynamics:** Price moves rarely happen in a vacuum. Effective research incorporates "what if" scenarios that reflect potential competitor responses.

Practical Applications of Price Sensitivity Research

Organizations use Price Sensitivity studies to:

- Test the market impact of price increases before implementation.
- Assess whether new product features justify premium pricing.
- Align channel pricing with end-customer willingness to pay.
- Understand both “floor” (credibility thresholds) and “ceiling” (drop-off thresholds) price points.

The insights gleaned from Pricing Sensitivity research provide a foundation for making informed decisions, ensuring that pricing strategies optimize profitability while protecting competitive position.

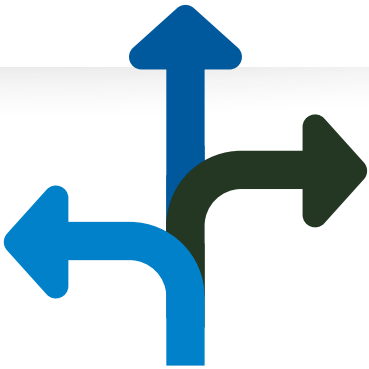
Key Takeaways

Price Sensitivity research equips organizations with the tools to balance customer expectations, competitive dynamics, and financial performance. While methodologies vary in complexity—from simple Van Westendorp surveys to more sophisticated Conjoint simulations—they all serve a common purpose: reducing guesswork and grounding pricing decisions in data-based evidence.

The key insight to absorb is there is no single "right" method.

Instead, the approach prescribed depends on the research question, the available sample, and the strategic objectives. When applied correctly, Price Sensitivity analysis doesn't just identify acceptable ranges; it illuminates the trade-offs between revenue and profit, highlights competitive risks, and validates whether proposed price changes or new features will succeed in the market.

In short, Price Sensitivity research ensures pricing strategies are not only defensible but also optimized for long-term growth.



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Chapter 2: Price-Value Mapping

Price-Value Mapping explores the relationship between what customers value about your brand/product and the price they are willing to pay. Since value can be (and often is) highly subjective, it's not always easy to measure. Yet understanding why (and how much) customers value your products and services, and recognizing the trade-offs they may be willing to make when purchasing, provides actionable knowledge to construct the most optimized pricing strategy.

Price-Value Mapping research involves weighing features and benefits against price and value. It shows the performance-vs.-price choice your customers encounter as they evaluate products. For companies, this type of research can define, document, and validate available premiums for key brands.

Three core inputs are used to develop a market-based price-value map:

- **Value Drivers:** Determine which features are most important and entice customers to pay premium prices.
- **Perceived Brand Performance:** Measure performance of competing brands in the market.
- **Pricing Insights:** Measure willingness to pay among various levels, features, benefits, and brands.

Why Price-Value Mapping?

Price-Value Mapping provides answers to key strategic pricing and positioning questions:

1. What are the value drivers for this product?

2. How does our brand perform versus our competition across those key value drivers and loyalty metrics (e.g., brand awareness, likelihood to repurchase, etc.)?

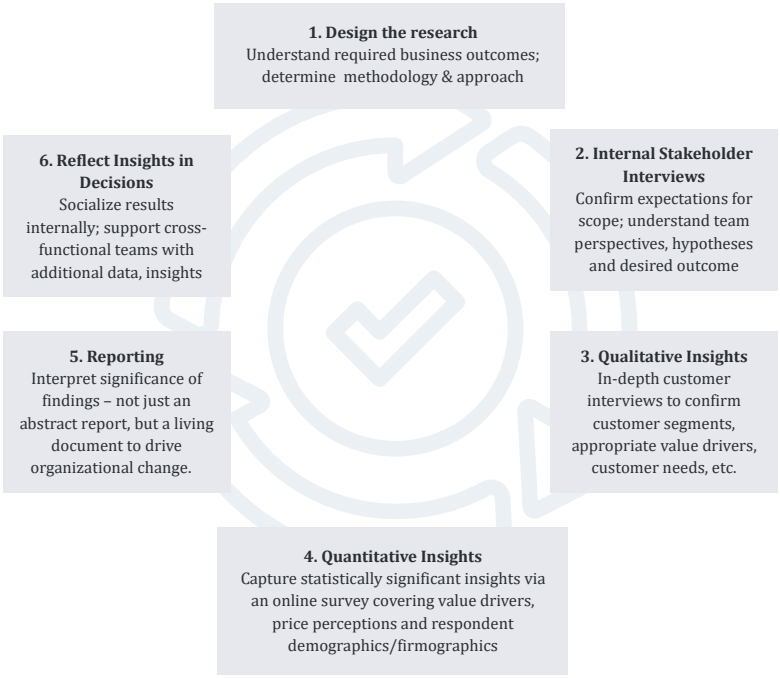
3. What price/premium allowances exist by brand?

4. Where is our brand positioned/perceived vs. competing brands?

5. How should we position our brand in the future to capture the value our customers associate with it?

The Process

Martec employs a multi-step process to ensure full team engagement, robust and relevant quantitative findings, and timely reporting. Each step in the process is highly iterative and allows for plan/scope adjustments based on the findings.



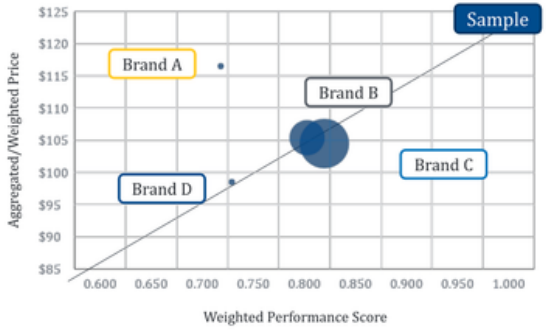
Methodologies

Price-Value Mapping uses a robust set of tools and methodologies to determine where you and your competitors "live" on the price-value map.

- Qualitative insights are captured at both the beginning and end of the research. The initial qualitative interviews help to ensure the right value drivers are measured and the survey is written in the customer's "language". Post-survey qualitative interviews provide answers to any outstanding "why?" questions and provide valuable context to the survey results and Price-Value Mapping analysis.

- The Weighted Performance Score provides a holistic understanding of the Value Drivers. It uses weighted importance and scaled response satisfaction questions to determine customer perceptions of your brand/product versus the competitive set.

- The Aggregated/Weighted Price is determined using a Van Westendorp price elasticity analysis and a Gabor-Granger analysis.



Qualitative Insights

Qualitative research is employed on the front end to provide preliminary insights on customer perceptions/needs and to ensure the right metrics are measured.

Key questions may include:

- How do you decide which products/brands to use?
- Who is responsible for purchasing product X?
- What are the key purchase purchase criteria for product X?
- What are your biggest challenges when purchasing and/or using product X?
- Which brands are you familiar with? What is your preferred brand?
- Who is the market leader? Why?
- What trends are impacting the industry?

On back end of the research, upon completion of the quantitative survey, qualitative research is again employed to clarify any unexpected findings and to better understand the "why" behind market/customer perceptions.

These questions typically are customized based on the results of the quantitative research.

Example questions may include:

Why is _____ important when purchasing/using product X?

How would you define _____? (i.e., quality, innovation, etc.)

What benefits do you get from _____? (i.e., Made in the USA, mid-tier brands, etc…)

Step One: Supplier Performance

Determining Weighted Performance Score

Attribute Importance

To understand the value drivers for any product, we must first understand what is important to customers when purchasing that product. This is accomplished via multiple methodologies and analyses.

First, a MaxDiff methodology is employed to determine what customers **say** is most important when purchasing a given product or service.

MaxDiff (Maximum Difference Scaling) is a survey methodology that asks respondents to repeatedly choose what is most and least important from a subset of attributes among a larger list, allowing researchers to derive a clear preference ranking of the full attribute list. By forcing trade-offs, instead of simple ratings, it produces more discriminating and reliable measures of relative importance.

- Which of the following attributes is most important when purchasing this product?
- Which of the following attributes is least important when purchasing this product?

Next, a derived importance analysis is completed to understand the relationship between satisfaction with each individual attribute and overall satisfaction.

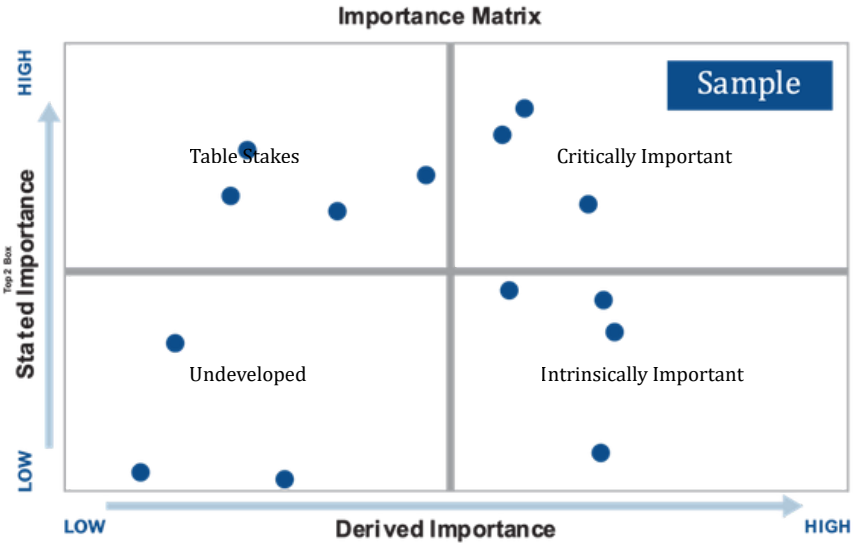
- In this analysis, all satisfaction responses are aggregated by attribute (regardless of brand) and compared to all overall satisfaction responses, again regardless of brand. The output is a decimal between -1 and 1

- For example, to achieve a perfect correlation between overall satisfaction and Value for the Money, every single respondent would have the same answer (for every brand) for both Value for the Money and Overall Satisfaction, resulting in a correlation of 1.000.

Value Drivers

The output of these questions/analyses is plotted on the Importance Matrix, which provides an understanding of critically important drivers, tables stakes, and intrinsically important features and benefits.

This is a key input when calculating the weighted performance score for each supplier, as it identifies the most important attributes and provides weighting multipliers for supplier performance.



Supplier Performance

Once the work has been done to determine the value drivers and map them on the Importance Matrix, we can then evaluate the performance of all suppliers against the various value attributes. Remember, these are identified as:

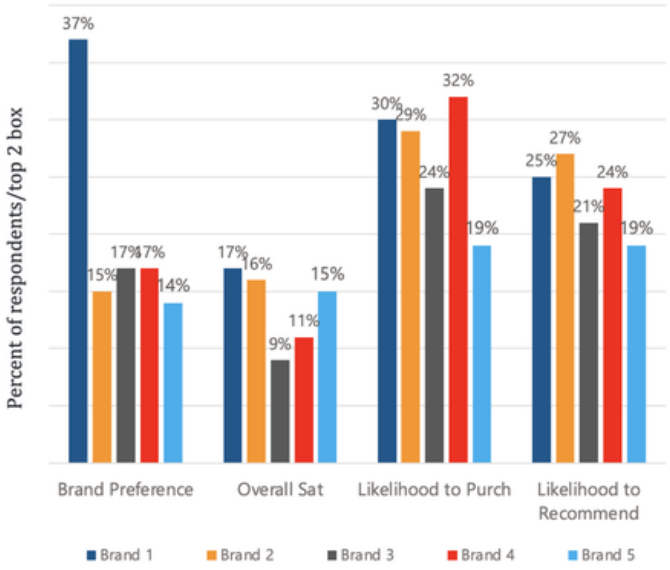
- Critically Important
- Table Stakes
- Intrinsically Important
- Undeveloped

Ultimately, the goal is to arrive at a Weighted Performance Score, which we explore in detail forthcoming. But first, we must plot all suppliers and compare them against each other on each of these specific attributes.

A visualization of these comparisons can begin to illustrate some valuable intelligence as to how our client supplier performs against the competitive set, and whether it is "winning" or "losing" on those attributes identified as "critically important" to customers.

Loyalty Metrics

The next input when calculating Weighted Performance Score is to look at various loyalty metrics, such as brand preference, overall satisfaction, likelihood to repurchase, likelihood to recommend, etc.



Having completed this analysis of customer Value Drivers and the client's positioning relative to those drivers, we have a rich contextual base to understand the next step in the Price-Value Mapping process – understanding the relationship between price, quality and willingness to pay.

Step Two: Price Modeling

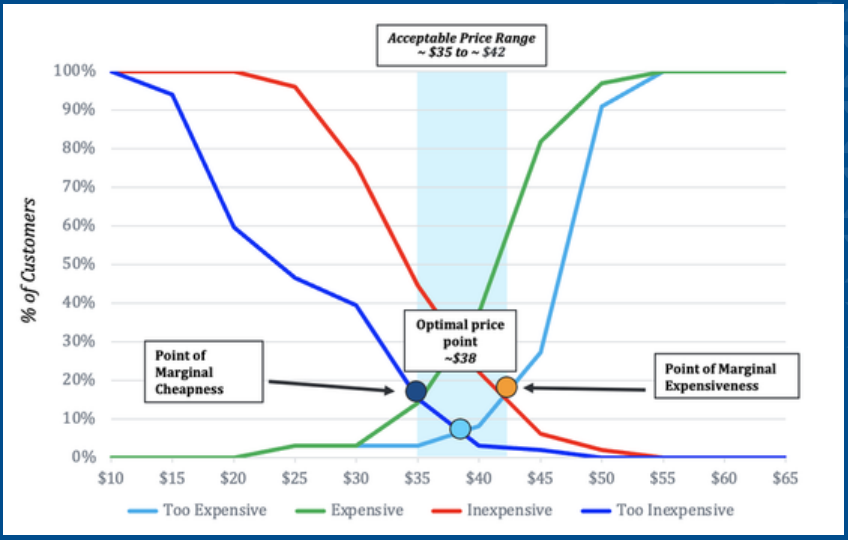
Determining Weighted Pricing

Van Westendorp Price Modeling

The first step in determining a Weighted Price score is to understand customer perceptions regarding the relationship of price and quality. For this, we employ two of the Price Sensitivity tools explored in the previous chapter.

Van Westendorp (VW) price sensitivity modeling explores the relationship between a product's perceived quality and its price. Van Westendorp provides insights into both the perceived acceptable price range and the optimal price point through a series of questions:

- At what price would you consider this product so expensive that you would not purchase it, regardless of the features and quality?
- At what price would you consider this product expensive but still a possible purchase, based on the features and quality?
- At what price would you consider this product inexpensive but probably of acceptable quality, based on the features and quality?
- At what price would you consider this product so inexpensive that you would question whether the features and quality could be trusted?



Gabor-Granger Price Sensitivity

Next, Gabor-Granger Price Sensitivity is used to understand the maximum price a respondent is willing to pay for a specific product.

In this exercise, respondents are asked a series of nearly identical questions: **"Would you buy the described product at $X?"**

- Respondents are randomly assigned to starting price.
- The price is changed (up or down) depending on the response to the previous answer.

- If they are willing to pay price X, they are offered a higher price.
- If they are not willing to pay price X, they are offered a lower price.
- The algorithm repeats until the highest price each respondent is willing to pay is determined.

Output from the Gabor-Granger model includes price elasticity and predicted revenue at each price point.

Outputs from the Gabor-Grainger model include price elasticity and predicted revenue.

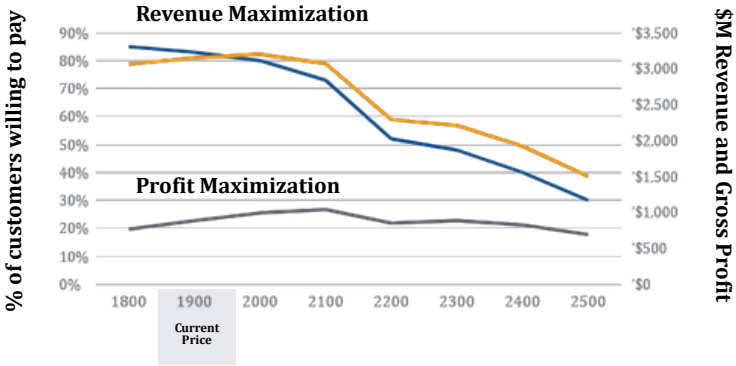
Gabor-Granger also can be used to determine profit maximizing price points. To determine revenue and gross profit available at each price point, we calculate the following for each potential price:

- Revenue at Point-of-Sale
- Manufacturer Revenue
- Manufacturer Gross Profit

The price to distribution and gross profit dollars are adjusted up/down based on the % change in price to the end customer.

- e.g. price increases 5% from $2,000 to $2,100; manufacturer price also increases 5%

Gross Margin is calculated for each price increase /decrease to reflect actual cost to produce and the revised price to the channel.



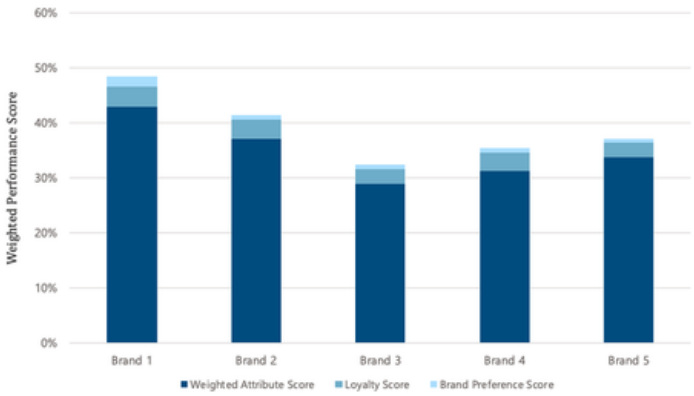
Final Step: Price-Value Mapping

Creating a Price-Value Map

Weighted Performance Score

To determine Weighted Performance for the price-value map, we apply a series of weightings (based on attribute importance), across supplier performance, loyalty metrics and brand preference. Supplier performance scores are weighted by relative importance (to ensure the most important attributes carry heavier weight than the least important attributes). Then the cumulative supplier performance score is weighted against loyalty scores and brand preference.

The resulting analysis provides a comprehensive picture of overall brand performance. In this example, we see that Brand 1 is perceived as performing much better than other competing brands measured.

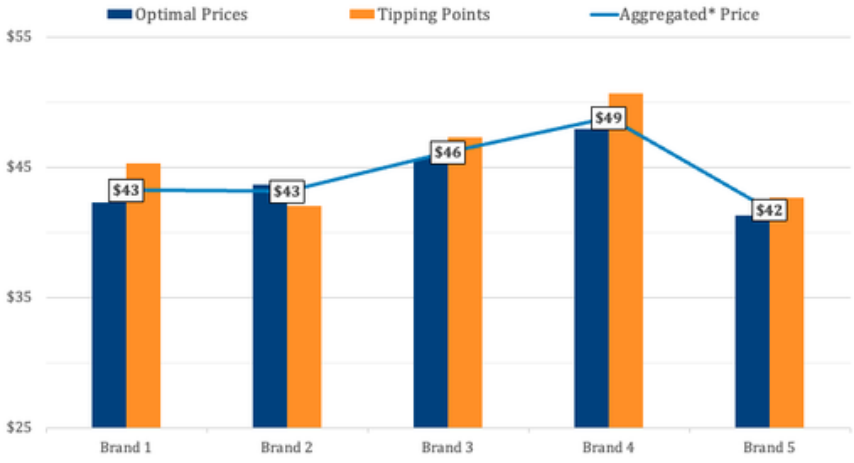


This Weighted Performance Score becomes the X axis on a Price Value Map

Weighted Price Score

Finally, to determine the Weighted Price score for the price-value map, we apply the pricing data gathered using Gabor-Granger and Van Westendorp in Step 2. As with the weighted performance score, the pricing data collected is weighted to ensure an appropriate mix of both Van Westendorp and Gabor-Granger insights.

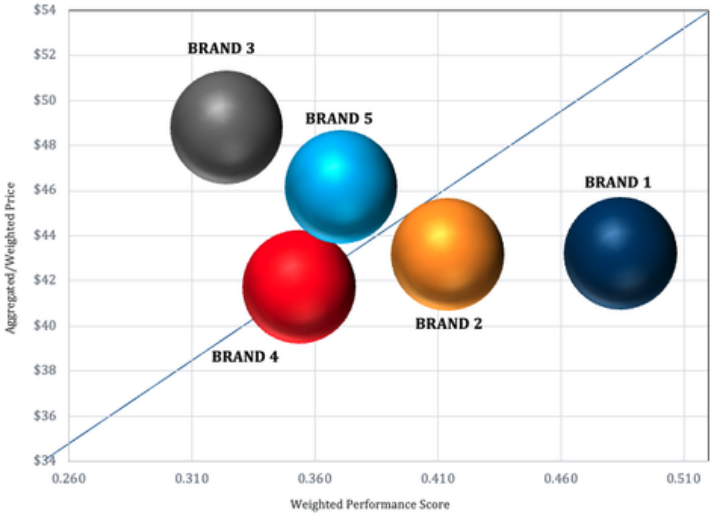
This analysis provides a comprehensive understanding of price positioning across multiple analyses. In this example, we see Brand 1 price position is approximately 6% to 12% lower than two other leading competitors.



The resulting Weighted Price becomes the Y axis on a Price-Value Map.

Price-Value Mapping Results

The end-result of the Price-Value Mapping Exercise shows where your brand is positioned versus your primary competitors from both a price and performance perspective.



When it is available, market share also can be shown by changing the bubble size for each brand/competitor based on its relative share of the market.

Ultimately, the insights from Price-Value Mapping research will identify which specific brand/product attributes to focus on to help you position your brand versus the competition.

Price-Value Mapping helps...

- Identify the key value drivers and what stands out in the market
- Uncover brand perceptions
- Determine your brand's position in the market
- Deepen your understanding of your brand's price-value position
- Optimize your pricing strategy to gain share

Price-value mapping is a critical step in your company's journey to achieving and maintaining optimal positions in relation to the value your brands deliver to customers.

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PVM Case Study: Automotive Aftermarket Manufacturer Makes Difficult Decision with Confidence

Outcome Sought and Delivered

A category-leading automotive aftermarket parts manufacturer was faced with a crossroads: should it continue to support multiple sub-brands that competed in the same market and at similar price points, or make the difficult decision to discontinue one of the brands?

There was significant risk in making the decision to essentially kill a product offering and all of its market share; and such a weighty consideration brought with it an understandable amount of hesitance.

Using a series of research studies in the **Price-Value Mapping** methodology, the conclusions were clear, and the decision was made with confidence. What resulted, perhaps initially thought to be counterintuitive, was increased market share, all while reducing costs and administrative burden.

What Is Price-Value Mapping?

As explored at length in the previous chapter, Price-Value Mapping analyzes the relationship between what customers value about your brand or product and the price they are willing to pay. Since "value" can be subjective, it's not always easy to measure. Yet understanding why and how much customers value your products and services – and recognizing trade-offs they may be willing to make – provides an abundance of knowledge that helps construct the most optimized offerings.

To review, three core inputs are used to develop a market-based price-value map:

1. **Value Drivers:** Determining which features are most important and entice customers to pay premium prices

2. **Perceived Brand Performance:** Measuring performance of competing brands in the market

3. **Pricing Insights:** Measuring customers' willingness to pay among various levels, features, benefits, and brands

Price-Value Mapping provides answers to key strategic pricing and positioning questions:

- What are the value drivers for your product/solution?
- How does your brand perform versus competition across key value drivers and loyalty metrics (e.g., awareness)?
- How should you position your brand to capture the value customers associate with it?

The end-result of the Price-Value Mapping exercise shows where a brand is positioned versus its primary competitors in specific categories and end markets.

In the case of this automotive aftermarket brand, a qual >> quant >> qual approach was used to determine whether the brand's two sub-brands were in, essence, redundant in the market or distinct enough in the market's perception of value to support both brands - even though they would compete for the same customer segment at similar price points.

Research Executed with Precision. Decision Made with Confidence.

The first objective in the study was to understand which features and benefits that were most important (i.e., those that drive value) for brand selection in the studied market.

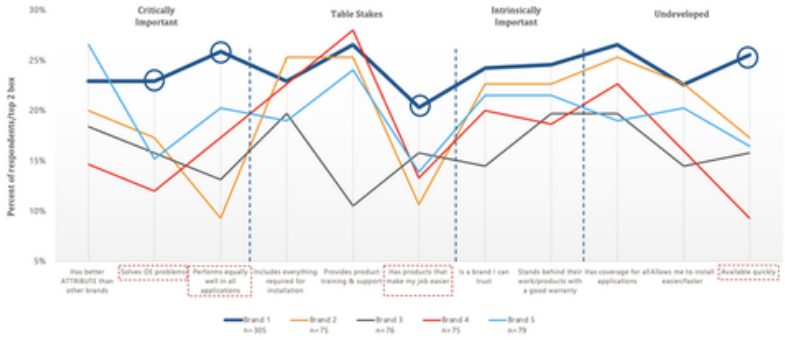
Two dimensions were analyzed:

1. **Stated Importance** – respondents' ratings for specific features/benefits
2. **Derived Importance** – the correlation of stated importance to overall satisfaction with the brand (e.g., what drives satisfaction)

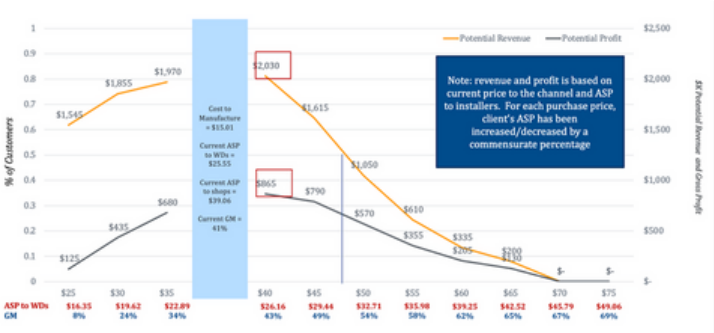
The comparison of these two dimensions resulted in an importance weighting and prioritization scheme that helped our client isolate the most important drivers for generating and holding value in the minds of its customers.

Table Stakes Attributes with above average stated/relative importance, but below average derived importance. These often drive purchase behaviors *("I've told you it's important*), but don't necessarily drive satisfaction.	**Critically Important Attributes** Attributes with both above average stated/relative importance and above average derived importance. These are key satisfaction drivers; brands that perform well here often are market leaders.
Undeveloped Attributes Attributes with both below average stated/relative importance and below average derived importance. These attributes are not unimportant, but they do not appear to drive purchase decisions at this time.	**Intrinsically Important Attributes** Attributes with both below average stated/relative importance and above average derived importance. These attributes correlate strongly with overall satisfaction, but respondents don't necessarily recognize they are important. Often a *"value-add"* opportunity for brands that perform well in these attributes.

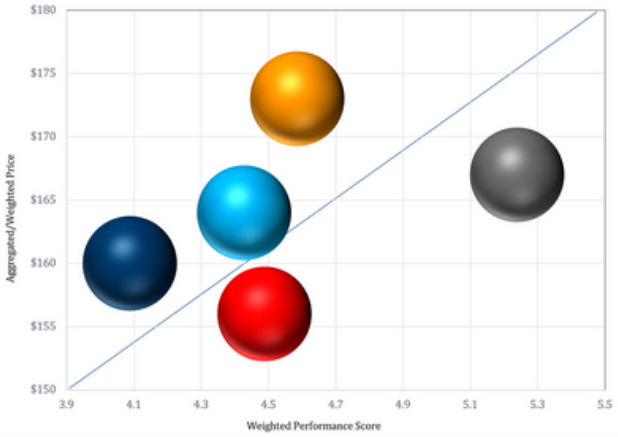
Once the key value drivers were understood, we measured the perceived performance of the client's brands versus competing brands. This generated a scorecard by which we could evaluate the relative strength of each brand in the competitive market.



The final piece of the puzzle was to understand what customers were willing to pay for the brands' products versus its competing brands. To do so, we utilized a Van Westendorp Price Sensitivity analysis, along with a Gabor Granger analysis, to understand the relative price position (perceived) of each brand. This perceptual pricing data was compared to actual pricing data, resulting in a detailed price positioning picture for our client vis-a-vis its competition.



The result of this Price-Value Mapping study materially clarified the market position of the various brands in the competitive landscape, revealing the market's perception (and current reality) that the parent brands' two sub-brands were in direct competition with each other, essentially "sharing" market share — or competing against itself.



Decision Time

A final qualitative phase of research brought further validation of the decision the parent brand had to make. As a validation exercise, the research team drew upon preliminary conclusions drawn from the previous phases. This phase consisted of in-depth discussions conducted via telephone to better understand the "rationale behind the data" — one-to-one conversations with actual respondents and customers to hear them explain in their own words and reveal the **why** behind their **what** and **how**.

In delivering the research team's analysis to the client, a consultative story was presented explaining more than just the research results, and shining a light on what the data truly reveals and what actions should be taken. These insights were presented to the parent brand's senior management and C-suite, and what began as hesitation and even confusion was transformed into clarity, confidence and conviction.

Results

The conclusion: It made more strategic, financial and competitive sense to eliminate the lesser of the two competing sub-brands and focus resources and investments on supporting and growing the market share of the better-performing products in the market — better, as expressed by the market itself.

In the end, the manufacturer was able to de-risk their decision and move forward decisively with confidence — even if there existed initial apprehension as to the ultimate outcome and despite what may have otherwise felt counterintuitive.

By going the extra mile to do the hard work of studying the market, and its stated and unexpressed preferences, costs were saved and market share was gained — the ultimate win-win.

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Chapter 4: Benefit-Value Analysis

Benefit-Value Analysis (BVA) is a proprietary methodology developed by Martec to gain insights and inputs from an intended market to determine appropriate and acceptable pricing strategies on products before they are released into the marketplace.

The goal of Benefit-Value Analysis studies is to understand what features and benefits customers are willing to pay for and to quantify that willingness into a recommended pricing strategy:

- Is the customer willing to pay more for a given feature/benefit based on the value they perceive the product or feature enhancement provides?
- If the customer is willing to pay more for a specific feature/benefit, how much more will they pay?
- Are customers willing to pay for a product with the aggregated features/benefits?

Conceptual Iteration

One of the many benefits of Benefit-Value Analysis is that it allows a manufacturer to understand market willingness to pay value premiums on new features… often before those product enhancements are commercialized. In some cases, this methodology can be applied prior to the development phase, enabling manufacturers to quantify and qualify pricing strategies before product development investments are made.

Going further, in one application of Martec's Benefit-Value Analysis methodology, a product manufacturer was able to perform a Benefit-Value Analysis study without revealing the actual product. This was critically important to an early adopter of this methodology and provided pricing insights without alerting the market to a potentially game-changing product enhancement.

It is important to note (as was explained to this client), that employing the BVA pricing methodology while revealing the actual product, rather than on the proposed benefits, may return a different premium calculation.

The reasons manufacturers find this process innovation so valuable are manifold:

Benefit-Value Analysis allows manufacturers to establish market-tested pricing for new-to-the-world products, even if they don't technically exist yet.

The methodology can provide theoretical pricing for an undefined product, based on benefits alone.

Since BVA combines both qualitative and quantitative approaches and integrates feedback on the specific benefits/value statements, this process provides valuable, real-world, customer-based insights that help to define the value proposition and future marketing strategies.

Benefit-Value Analysis can allow product developers the opportunity to iterate new products conceptually, saving money on research, development, and prototyping costs.

Importance via MaxDiff

While a comprehensive Benefit-Value Analysis study could incorporate some or all of the methodologies discussed in the prior chapter, its purpose is to help determine an appropriate price for a specific product, rather than a holistic understanding of a brand's value.

This multi-step process almost always begins with a Max-Diff exercise. Such a study would ask respondents to prioritize the importance they place on various proposed benefits:

- Which of the following product benefits is most important when purchasing or upgrading this type of product?
- Which of the following product benefits is least important when purchasing or upgrading this type of product?

Willingness to Pay

The next step is to determine market willingness to pay a premium for the various prioritized benefits:

First, respondents are asked a simple yes/no question: "Are you willing to pay a higher price for a product that delivers this specific benefit?"

If/then: If the response is yes, a follow-up question is presented, "How much more are you willing to pay to have this benefit included in such a product?" This is most commonly shown as a percent premium customers are willing to pay.

Optional open-ended question: In some studies, we may include a open-ended question that allows respondents to clarify, qualify, or elaborate their earlier responses: "Why are you willing to pay more for this feature?" Or, "Why are you not willing to pay more for such a benefit?"

How Benefit-Value Analysis Helps

It is important to then apply some number-crunching and data analysis techniques to truly mine the data for intelligence. There is a nuance to calculating the ultimate price premium a market will bear for product enhancements and additional features/benefits. Assuming the value of these product enhancements and adding a pre-supposed premium to the baseline price can potentially return errant results.

Our methodology for calculating premium pricing thresholds has proven exceptionally accurate and reliable when rolling out new features and products. Typically, it goes like this:

1 - Prioritizing benefits:

- Which proposed benefits are deemed most important by the customer?

2 - Quantifying perceived benefits:

- What percentage of respondents are willing to pay more?
- How much more are they willing to pay?
- How many of the proposed benefits are customers willing to pay for?

Martec Calculus of Benefit-Value Analysis

1. Start with the baseline product cost of X.

2. Next, weight each benefit by prioritization rank (from the MaxDiff analysis).

3. Then multiply the most preferred benefits by the percentage of people willing to pay for them.

4. Then multiply that by the percentage increase customers are willing to pay over the baseline product cost of X.

5. Finally, multiply the calculated premium by the percent of benefits customers are willing to pay for. (i.e. if customers are willing to pay for 33% of the proposed benefits, a potential $1,500 premium may be only $500)

Outcomes and Insights

Once the study is complete, the data analyzed, and the formulas applied, the manufacturer gets a clear, data-backed picture of which specific benefits customers are looking for.

More importantly, they now understand which benefits customers are willing to pay for over others…how much more…and to what specific extent (or upper pricing threshold).

To get these answers, while maintaining the ability to withhold potentially sensitive product concept information, Benefit-Value Analysis provides a cost-effective solution to deliver enhanced value to your customers and brand.

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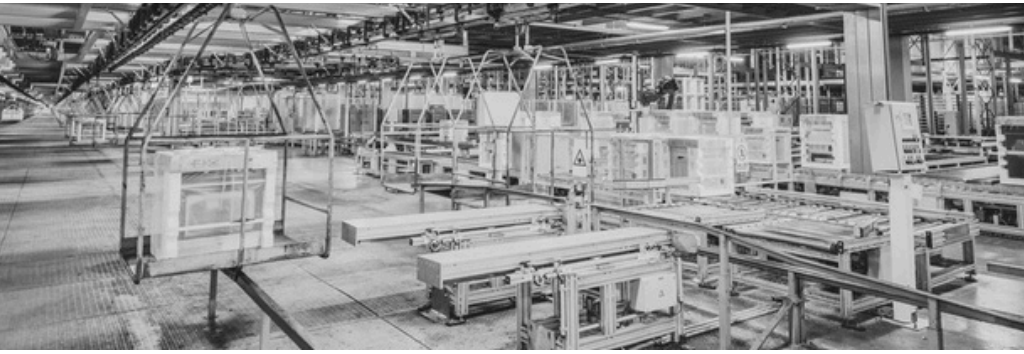
BVA Case Study: Using Benefit-Value Analysis to Ascertain "Premium" Stature

Outcome Sought and Delivered

A Martec client is a category-leading manufacturer in North America. However, it sensed that its core product offering wasn't capturing a large enough market share in its core industrial markets. Under consideration was a product development proposal that would position a new solution at a premium price point and gain significant market share. But would the market agree that the premium product was, in fact, worth the premium price point?

The difficulty of answering this question was compounded by the client's desire to **not specifically name or describe the proposed solution.** This was critically important to the client, as they did not want to influence prospective customer buy-in (either positively or negatively), as the provider of this solution (the client) would be readily apparent based on the product features. This led to an interesting (and often confounding) dilemma…how can we determine a price for a product without describing the product itself? The solution…Benefit Value Analysis. This methodology described in the previous chapter examined customers' interest in, and willingness to pay for, the benefits of the solution instead of the solution itself.

In the end, leadership was rewarded with the confidence that the solution they were considering was worth a premium, based on the market's perception of the intrinsic value of the **benefits** of the solution in question. This intelligence was acquired while putting nothing at stake nor risking costly missteps — little investment had been made and no costs had yet been incurred, nor were competitors able to catch wind of the manufacturer's innovation.



Review: What Is Benefit-Value Analysis?

As explored at length in the previous chapter, Benefit-Value Analysis is a proprietary methodology developed by Martec to gain insights from an intended market to determine appropriate and acceptable pricing strategies on products before they are introduced and released into the marketplace.

As a recap, the goal of BVA studies is to understand what features and/or benefits customers are willing to pay for and to quantify that willingness to pay into a recommended pricing strategy. This type of study includes assessing questions like:

- Is the customer willing to pay more for a given product based on the value they perceive the benefits provide?
- If the customer is willing to pay more for a particular benefit, how much more will they pay?

One of the many benefits of BVA is that it allows manufacturers to understand market willingness to pay value premiums on new features or benefits...often before those product enhancements are commercialized. In some cases, this methodology can be applied prior to the development phase, enabling manufacturers to quantify and qualify pricing strategies before significant product development investments are made.

The reasons manufacturers find this process innovation valuable are manifold:

- Benefit-Value Analysis allows manufacturers to establish market-tested pricing for new-to-the-world products, even if they don't technically exist yet.

- The methodology can provide theoretical pricing for an undefined product, based on benefits alone.

- Since BVA combines both qualitative and quantitative approaches and integrates feedback on specific benefits/value statements, this process provides valuable, real-world, customer insights that help to define the value proposition and future marketing strategies.

- BVA can provide product developers the opportunity to iterate new products conceptually, saving money on research, development, and prototyping costs.

Research Executed. Truth Revealed.

Prior to launching the product to its customer base, this global manufacturing company required an understanding of customer interest in purchasing repair parts as a fully assembled "cartridge" versus individually, by understanding:

- Current pain points with replacing individual parts
- The importance of potential benefits inherent in the proposed solution
- Likelihood to pay for each proposed benefit
- Premium associated with each proposed benefit

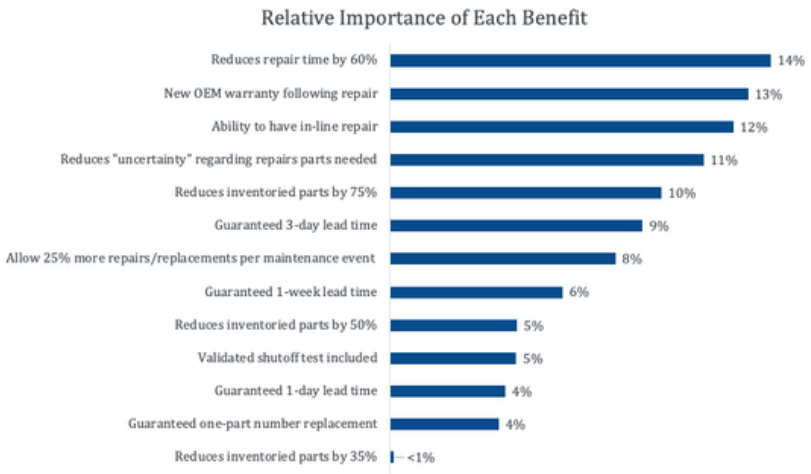
Martec's proscribed study included elements of both quantitative and qualitative research, using our preferred **qual >> quant >> qual approach.**

Qualitative:

The project began with 12 in-depth interviews to gain a deep understanding of the market, the target customer's need/pain points, and the market–share opportunities that exist.

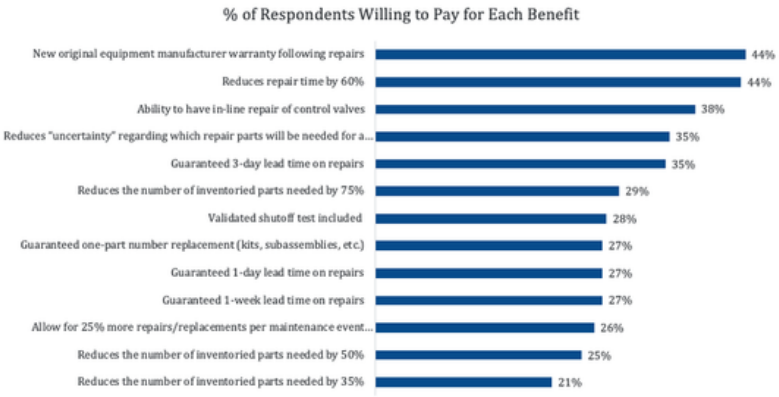
Quantitative:

Leveraging deep insights gleaned during the initial qual phase, we then conducted 300 online surveys using MaxDiff analysis to prioritize the solution's benefits. Respondents were asked to rank the importance of approximately fifteen benefit statements.



Following the MaxDiff prioritization exercise, a simple roadmap led the researchers to a quantifiable measurement of benefit-value:

1. **Yes/no:** "Are you willing to pay a higher price for a product that delivers a given specific benefit?"



2. **If/then:** If the response is yes, a follow-up question is presented, "How much more are you willing to pay to have this benefit included in such a product?" This is asked most commonly as a percent premium customers are willing to pay.

3. **Optional open-ended question:** In some studies, we may include an open-ended but specific question that allows respondents to clarify, qualify, or elaborate their earlier responses: "Why are you willing to pay more for this feature?" Or, "Why are you not willing to pay more for such a benefit?"

Doing the Math

It was important to apply some number-crunching and analysis techniques to truly mine the data for business intelligence. There is a nuance to calculating the ultimate pricing premium a market will bear for product enhancements and benefits that isn't merely additive to the baseline product price (which can potentially return errant results).

Our methodology for calculating premium pricing thresholds has proven exceptionally accurate and reliable when rolling out new products. Typically, it goes like this:

Prioritizing benefits:

- Which proposed benefits are deemed most important by the customer?

Quantifying perceived benefits:

- What percentage of respondents are willing to pay more for a particular benefit?
- How much more are they willing to pay for that benefit?
- How many of the proposed benefits are customers willing to pay for?

Martec Calculus of Benefit-Value Analysis

1. Start with the baseline product cost of X.

2. Weight each benefit by prioritization rank (from the MaxDiff analysis).

3. Multiply the most important benefits by the percentage of people willing to pay for them. In the example above, there were some proposed benefits with different specified levels (i.e. 1-day lead time, 3-day lead time, 1-week lead time), the MaxDiff analysis helped to identify which level was most preferred.

4. Then, multiply that by the percentage increase customers are willing to pay over the baseline product cost of X.

5. Finally, multiply the calculated premium by the percent of benefits customers are willing to pay for (i.e., if customers are willing to pay for 33% of the proposed benefits, a potential $1,500 premium may be only $500).

Right on Target

For this particular client, such calculus revealed, with significant confidence, that the market would bear a 25% premium for the conceived premium product iteration using the "cartridge" approach. Coincidentally (without prior knowledge), that 25% number was the exact figure the clients was targeting and aspiring to attain. But no longer was leadership playing a hunch…they now were armed with the intelligence, confidence and clarity to move forward with product development and ultimate market rollout.

It is important to note (as was explained to the client) that employing pricing analysis while revealing the actual product, rather than on the proposed benefits, may return a different premium calculation.

Results

In their own words...

"Martec's research provided valuable insights into how best to message and market the unique benefits of the concept we were exploring.

It was a very interesting process and project. For multiple reasons, we were unable to describe the actual product in the survey, so we needed to think outside the box to determine an appropriate price.

Martec worked with us to develop a new methodology designed to help us understand the individual and cumulative value of the concept benefits.

We had an idea of what the price-point might be for our new product; with Martec's help, we turned that idea into intelligence that could be applied to both product development and marketing as we solidified our launch plans and introduced the product."

— Business Development Manager; Industrial Equipment Manufacturer

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Chapter 6: Competitive Price Benchmarking

Competitive Price Benchmarking is a specific type of Competitive Intelligence methodology; these are research initiatives designed to reduce strategic risk through the ethical collection of benchmark data and information.

As a point of comparison, Price Value Mapping is based (in large part) on customer perceptions of value, while Competitive Price Benchmarking evaluates ***actual*** pricing data in the real world, in real time. Price Value Mapping, it is important to note, studies perceived pricing as well as perceived value, as expressed and/or experienced by the customer. Competitive Price Benchmarking provides insights into specific pricing actions of your competitors, which allow you to create a strategic response to competitive realities and pricing changes.

The need for Competitive Price Benchmarking can be driven by a number of proactive and reactive strategies. In some cases, a manufacturer or service provider may embark on a Competitive Price Benchmarking study due to a competitor's pricing move, either up or down. In other instances, a company may more proactively engage in Competitive Price Benchmarking to better understand their own pricing strategies relative to competitors in their same marketplace, to benchmark pricing against new and unfamiliar competitors in ancillary markets, or to understand the overall pricing landscape when entering new markets.

Specific applications of these studies may include:

1. How to stay price-competitive in a saturated or commodity market

2. How to drive market share growth with new, innovative products

3. How to allocate resources toward promoting the most profitable product lines and SKUs

4. How to defend a market position against existing, new or emerging competitive threats or dynamics

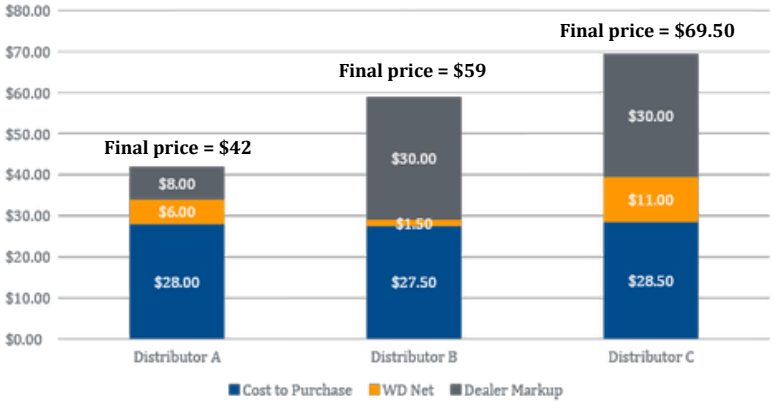
5. How to successfully grow into new, adjacent, or ancillary markets, based on pricing positions of competitors with potentially acquirable market share

How competitive price benchmarking helps

Companies often consider Competitive Price Benchmarking as a way to gain market share or to increase profitability. Specifically, a margin analysis of competitive products and product lines may reveal opportunities to "double down" on product sets or SKUs that yield more profit margin versus competitors' products.

Given that final product pricing is marked up at many points in the value chain — from supply to distribution to vendor partners and retail — companies can gain a competitive advantage by investing resources in product lines with greater margins, in part to account for fluctuations in pricing along that entire value chain.

In the example below, we see a marked difference in final price based on appreciably higher dealer markup at two competitors.



Confidential and Proprietary

In many industries, price can be a significant — if not the most important — criterion customers use when evaluating a purchase decision. This is especially true in particularly crowded marketplaces. However, that doesn't necessarily mean that companies should reflexively attempt to win "a race to the bottom," as that often results in a decrease in profit margin and can diminish the value perception of the overall brand and product or service. A company's competitive response to pricing requires key business intelligence, as well as a strategic application of what that intelligence yields.

In "the old days," when product pricing was published in print and easily accessible to anyone wishing to purchase a green book or blue book, the need for extensive research into competitor's pricing positions may not have been as prevalent. But no longer. Today, product pricing is all online, often stored behind firewalls, and very cumbersome to access. If you don't require a username and password to gain access, you might have to resort to unreliable "web scraping," which can return imprecise and out-of-date information. In order to obtain an accurate and complete pricing picture, companies rely on extensive and confidential Competitive Price Benchmarking studies.

At Martec, Competitive Price Benchmarking is achieved through strategic and ethical Competitive Intelligence (CI) studies. Enabling leadership teams to more fully understand how top competitors in a given market are pricing their products or services — and how that pricing might impact customers' expectations or buying behaviors — provides an informed foundation for optimizing a pricing strategy.

Ethics and Experience

Martec adheres to the Code of Ethics of the Society of Competitive Intelligence Professionals. Our approach to qualitative competitive intelligence pricing analysis is to collaborate with industry experts with whom we have established relationships, often with decades of experience in the target industry.

Work with industry experts. We use your stated objectives to inform our discussions with subject matter experts who have direct knowledge of the target market throughout the value chain.

Conduct in-depth interviews. We conduct in-depth interviews in a dynamic, iterative fashion, with flexibility that allows us to fully engage respondents and explore as much information as possible, as well as to flush out other, often unforeseen, topics that may be raised and incorporated into the ongoing process.

Triangulation, vetting and validation. Competitive Price Benchmarking research is much more than looking up and reporting obvious, publicly available data. We go beyond this by completing in-depth analysis to vet, validate and confidently report real-world data that is market-tested and "live" in the real world. Our process triangulates any data our research yields, using multiple sources and methodologies, so companies can consider the resulting analysis with confidence.

Simply put, we not only get the answers we go looking for, we often make new discoveries we or our clients weren't expecting going in. When we find out new or unknown information, we make sure it can be used as a part of a pricing decision-making process.

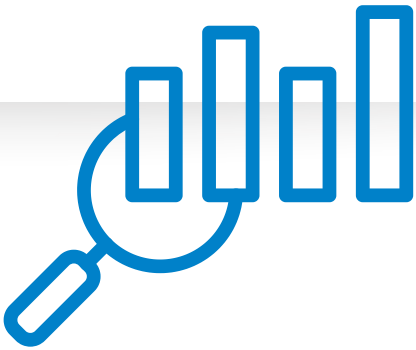
How competitive price benchmarking helps

Competitive price benchmarking from this process can:

- Embolden strategy planning
- Create greater certainty around pricing strategies
- Present previously unconsidered pricing strategies, as unknowns soon become knowns.

The key to successfully implementing Competitive Price Benchmarking studies is to:

- Gather information quickly
- Filter out “noise”
- Organize competitive data efficiently
- Extract meaningful insights in a timely manner



Insights Applied

Companies that engage in Competitive Price Benchmarking studies report one of two primary benefits: either confidence gained through the validation of existing pricing strategy or new and innovative strategic initiatives that are uncovered through the study of what were previously "hidden" data points and intelligence.

As the beneficiary of the Price Benchmarking CI, you are able to more clearly and confidently:

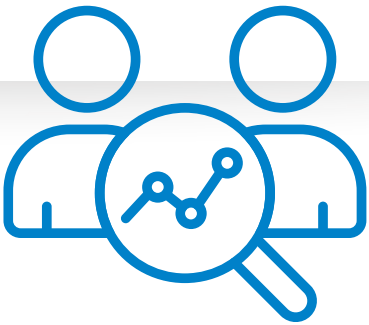
- Assess, compare, and adjust key pricing metrics across the value chain
- Outline your various competitors' pricing positions, including unknown or little-understood competitive forces, such as those in new or ancillary markets
- Study granular data, even down to the SKU level, for large product sets with multiple competitors
- Drive bottom-line results by achieving a deeper understanding of your competitive position in the market, such as opportunities to increase margin, enter new markets, or price based on value proposition, rather than merely in cost-competitive ways
- Increase revenue opportunities by allowing third-party analysts to get the difficult questions answered that you cannot ask or find about your competitive space

Why Competitive Price Benchmarking?

When you understand how top competitors in your market are pricing their products or services and how that pricing might impact customers' expectations, you have a foundation for optimizing your own pricing strategy, with purpose, precision, and confidence.

Martec utilizes a full-spectrum approach to competitive analyses, interviewing participants at all appropriate levels of the value chain to arrive at substantiated, thoroughly cross-checked information.

Competitive Price Benchmarking analysis has been used to evaluate a company's select competitors' and the company's own pricing as products or solutions flow through the entire value-chain, highlighting differences in margins through secondary sellers.



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Chapter 7: Willingness to Pay

Understanding Customer Intent to Maximize Profitability

Willingness to Pay (WTP) research identifies the maximum price a customer is prepared to spend for a product, service, or specific feature before the perceived value no longer justifies the cost in the minds of the intended customer base.

While simple in concept, accurately measuring WTP requires a thoughtful combination of methodology, context, and interpretation. Done well, WTP research equips pricing strategists with data-backed thresholds, incremental value insights, and the means to prioritize features in a way that aligns customer perception with revenue goals.

Over the years, WTP approaches have evolved from broad, product-level tools into more modern, sophisticated simulations that can isolate the value of individual features, quantify competitive implications, and model "real-world" market outcomes.

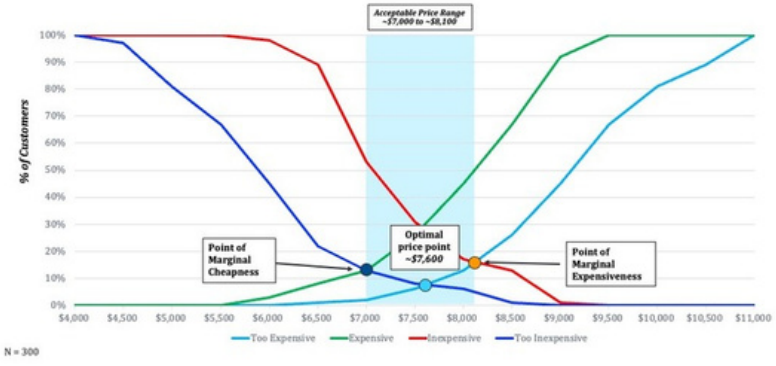
Traditional Product-Level Approaches

Historically, WTP insights were often embedded in standard price sensitivity studies. A common example is Van Westendorp Price Sensitivity Modeling.

In this framework, respondents identify four price points:

1. Too inexpensive to be credible
2. Inexpensive but acceptable
3. Expensive but still a possible purchase
4. Too expensive to consider

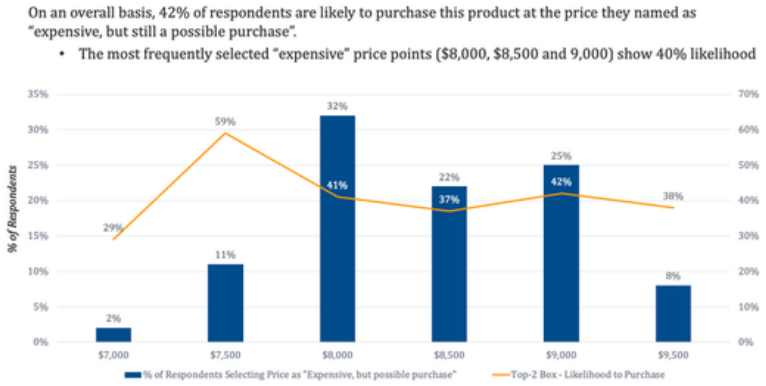
This yields a traditional price sensitivity chart that identifies the Optimal Price Point and the Range of Acceptable Prices.



Taking this analysis one step further, we can use the "expensive but still a possible purchase" price point as a rudimentary WTP analysis. By adding a likelihood-to-purchase question at that identified price point, Martec can estimate potential demand and build revenue curves based on real-world customer insights and preferences.

Example:

If $500 is identified as "expensive but still a possible purchase" and 20% of respondents report a high likelihood of buying at that price, revenue and profitability can be modeled accordingly.



This method is particularly useful when the goal is to understand holistic willingness to pay for an entire product. However, it does not isolate the incremental value of specific attributes, as may be the case with proposed product improvements or new feature additions.

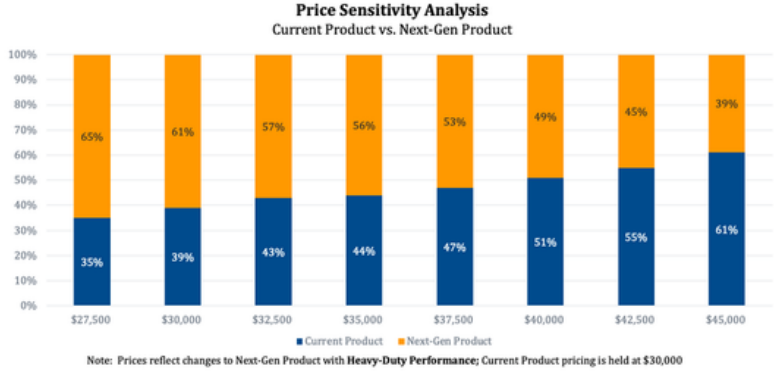
Feature-Level WTP: Early Proxies

When clients wanted to understand the value of individual enhancements, early-stage approaches often included binary trade-off exercises through the use of choice-based conjoint analysis. In these, simulations can be designed to understand how changing an attribute impacts "share of preference" between two products from the same brand—for example, a current model versus a next-generation version with an additional feature. By capturing the shift in share of preference and linking it to known price differences, researchers could infer what those features were "worth."

	Current Product	Next-Gen Product
Vent Required?	No	No
Energy Recovery	No	No
Automatic Cleaning	Yes	Yes
Filtration	Standard	Standard
Performance	**Standard**	**Heavy-Duty**
Price	$30,000	$35,000
Share of Preference	**44%**	**56%**

In addition, a price sensitivity analysis can be completed to understand how share of preference changes between the two products at all price options in the conjoint exercise. This analysis provides further insight into willingness to pay for the next-generation features.

In this instance, the most potential customers are willing to pay for the next-generation feature is between $7,500 and $10,000.



It is important to note that while useful, this approach could potentially overstate willingness to pay, because it does not:

- account for competitive market responses
- include a "none of the above" option for respondents, or
- reflect real-world purchase hesitation that might not be
- captured without additional qualitative insights

While a useful proxy in its time, this method often yielded insights that are more directional than definitive. **However, there is now a better approach to capture willingness to pay insights.**

Modern Solutions: Conjoint Analysis with WTP Simulation

Modern conjoint platforms include WTP simulators capable of modeling hundreds of potential purchase scenarios based on raw survey data.

Here's how it works:

Respondents complete a choice-based exercise, comparing different combinations of product features and price points.

The platform's algorithm analyzes patterns in these choices to determine the relative importance of each feature and the premium customers will pay for each level of that particular product feature.

By running simulated "what-if" scenarios—changing only one variable at a time—researchers can isolate the incremental value of that specific feature variable.

Example:

A roofing manufacturer offers 20-year, 30-year, and 50-year shingles. Simulation results might reveal that customers are willing to pay $2,000 more to upgrade from a 20-year to a 30-year shingle, but are not likely to spend an additional $5,000 to upgrade all the way to the 50-year shingle. Because the model controls for other external factors and variables, this figure and subsequent analysis is grounded in observed trade-offs, rather than speculation. It also provides a much deeper understanding of where maximum profitability can be specifically identified in developing pricing strategy.

	Attribute A	Attribute B	Attribute C	Attribute D	Attribute E	Attribute F	Attribute G	Attribute H	Attribute I
All Vehicles	3.8%	12.0%	5.2%	12.8%	8.4%	7.1%	6.0%	9.7%	9.8%
Light-duty Truck	2.6%	13.3%	3.7%	13.8%	9.4%	6.5%	4.0%	7.4%	8.3%
Passenger Car	3.5%	10.7%	3.4%	11.4%	8.4%	8.1%	4.0%	9.2%	10.1%
Sports Car	4.4%	11.5%	5.6%	11.6%	6.8%	6.4%	8.7%	11.7%	10.6%
EV	5.1%	12.2%	8.2%	16.3%	8.4%	7.7%	9.3%	11.8%	8.4%
Luxury Vehicle	5.1%	12.6%	8.8%	11.7%	7.9%	6.7%	8.6%	11.7%	12.2%

In this example, respondents are clearly willing to pay more for Attributes B and D.

Interpreting WTP Outputs

The value of conjoint-based WTP simulation lies in its ability to:

- Quantify the price premium customers will pay for specific features
- Predict shifts in market share under different pricing and feature configurations
- Test scenarios before launching a product, new product features, or price changes

However, it's critical to interpret results with the appropriate expectations:

- Willingness to Pay values represent average market response, not guarantees for every customer.
- Market context matters. Competitive moves in response, macroeconomic shifts, and channel dynamics can alter actual results.
- Extremely low or high simulated prices can produce "unbelievable" scenarios, at which point respondents disengage.

Avoiding the "Additive" Fallacy

One of the most common missteps in WTP research is assuming that individual feature premiums can simply be added together. From the example above, respondents are willing to pay ~12.0% more for Attribute B and ~12.8% more for Attribute D.

Such a scenario does not automatically mean customers will pay 24.8% more if a new product includes both attributes. Customer valuation is not linear. Interest in one feature may diminish the perceived value of another, and budget ceilings often cap total spend at some point…perhaps somewhere in between the 12% more they are willing to pay for one attribute and the cumulative premium of 24.8%.

When pricing products with multiple enhancements, it's important to use a methodology that accounts for cumulative effects, such as Martec's Benefit-Value Analysis.

When to Use Benefit-Value Analysis (BVA)

If the goal is to measure cumulative Willingness to Pay for a bundle of features or benefits—such as a next-generation product launch—Benefit-Value Analysis is the more appropriate tool. BVA accounts for:

- The percentage of respondents willing to pay for each benefit
- The degree to which multiple benefits influence each other's value
- A realistic total premium customers will accept

This approach is particularly effective for solutions that are "outside the norm," where benefits extend beyond the product itself (e.g., reduced installation time, eliminated redundant or thereby obsoleted equipment, etc.). When understanding willingness to pay with such added complexity, BVA is often the preferred solution. In fact, we were even to conduct BVA studies when the client wished to not specifically name or describe the proposed solution at all to respondents!

Choosing the Right WTP Approach

Objective	Recommended Method
Understand overall product-level WTP	Van Westendorp + likelihood-to-purchase questions
Isolate WTP for individual features	Conjoint analysis with WTP simulation
Determine cumulative WTP for multiple new features	Benefit-Value Analysis

Selecting the right tool—or combination of tools—ensures that Willingness to Pay insights are both accurate and actionable.

Applying WTP Insights to Business Strategy

When done correctly, WTP research provides:

- Clear thresholds for acceptable price points
- Quantified value of specific product enhancements
- Data-driven guidance for feature prioritization and bundling
- A foundation for both marketing and product development strategies

By combining traditional product-level assessments with advanced conjoint simulations and cumulative-effect modeling, organizations can precisely align pricing with customer value perception, maximizing revenue potential while maintaining market competitiveness.

TABLE OF CONTENTS

Chapter 8: Concluding Thoughts

Where to begin?

Each of the methodologies covered in this book has discrete use cases and benefits. Determining where and when to apply each methodology will depend on the specific problem to be solved or range of insights desired.

Methodology	Purpose & Benefit	Sample Use Case
Price-Value Mapping	Determine the value of a brand for a given product or service as perceived by the market.	• Understand key purchase considerations • Determine perceived performance/ price delta vs. competitors • Improve messaging • Facilitate growth
Benefit-Value Analysis	Understand customer-perceived value of a given product, as measured by a specific set of product features/ benefits, either real or proposed (i.e. next generation products).	• New product development • Product enhancements • New concept/product testing • Evaluate a proposed product enhancement prior to development
Competitive Price Benchmarking	Identify real-world, market-based pricing data for a product or product set against its competitive field.	• Understand competitors' pricing strategies • Asses your own pricing strategy • Identify products, channels, etc. needing updated or new pricing strategy • Investigate pricing strategies in a new market or vertical

Methodology	Purpose & Benefit	Sample Use Case
Price Sensitivity	Ascertain how customer demand or willingness to purchase shifts in response to changes in price.	• Assess the likely impact of price increases or decreases on demand • Identify the maximum price customers are willing to pay while still making a purchase • Evaluate the price potential of new product features or upgraded offerings • Validate proposed price changes before going to market • Ensure pricing decisions optimize not just revenue, but also profit margin
Willingness to Pay	Identify the maximum price a customer is prepared to spend for a product, service, or specific feature before the perceived value no longer justifies the cost in the minds of the intended customer base.	• Identify clear thresholds for acceptable price points • Calculate quantified value of specific product enhancements • Obtain data-driven guidance for feature prioritization and bundling • Develop a foundation for both marketing and product development strategies

Power Up What's Next

In uncertain times, determining the optimal price for your products or updating your pricing strategy can be challenging.

As continued volatility has persisted even beyond the Pandemic era — from supply chain issues to inflation and from global unrest to market dynamism — now is an optimal time to assess and refresh your pricing strategy.

Let's talk pricing
Need help with your next pricing study? Tell us about your pricing challenges and learn how to optimize your strategy.

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