



Pricing for Researchers: **Conjoint Analysis: Choice Models**

Background

- Conjoint analysis is typically used to measure consumers' preferences for different brands and brand attributes. Conjoint analysis revolves around one key idea; to understand the purchase decision best.
- This methodology was developed in the early 1970's. It has become one of the most widely used quantitative tools in marketing research.
- It is described in many published journal papers. Green & Rao (1971)¹ first introduced the research concept and Batsell & Elmer (1990)² discuss its application to pricing and demand forecasting.
- There are many different conjoint methods; adaptive conjoint analysis (ACA), full profile conjoint analysis (CVA) and choice based conjoint (CBC).

Description of How it Works

- Respondents in a market research interview are asked to make either choices or rankings of preference regarding hypothetical product profiles.
- A group of products are presented to a respondent. The respondent is asked to select or rank the products.
- This process is repeated several times with the levels of each product attribute (and sometimes price) varying in each scenario.
- The respondent's choice data derived from each scenario enables the analyst to decompose their preferences for the different profiles and individual attributes.

- The conjoint analysis yields two measures: 1) The relative importance of each attribute and 2) the relative importance of each attribute level.
- This analysis produces information that will give strategic direction for marketing managers.

Strengths

- Conjoint testing holds all extraneous real world factors constant. (i.e. advertising, new product entries, stock outs, promotions, distribution, etc.)

Weaknesses

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Source:

¹ Green, P. & Rao, V.R. (1971), Conjoint Measurement for Quantifying Judgmental Data. *Journal of Marketing Research* (August), p. 355.

² Batsell, R.R. & Elmer, J.B. (1990), How to Use Market Based Pricing to Forecast Consumer Purchase Decisions. *Journal of Pricing Management*. (Spring), p.5.