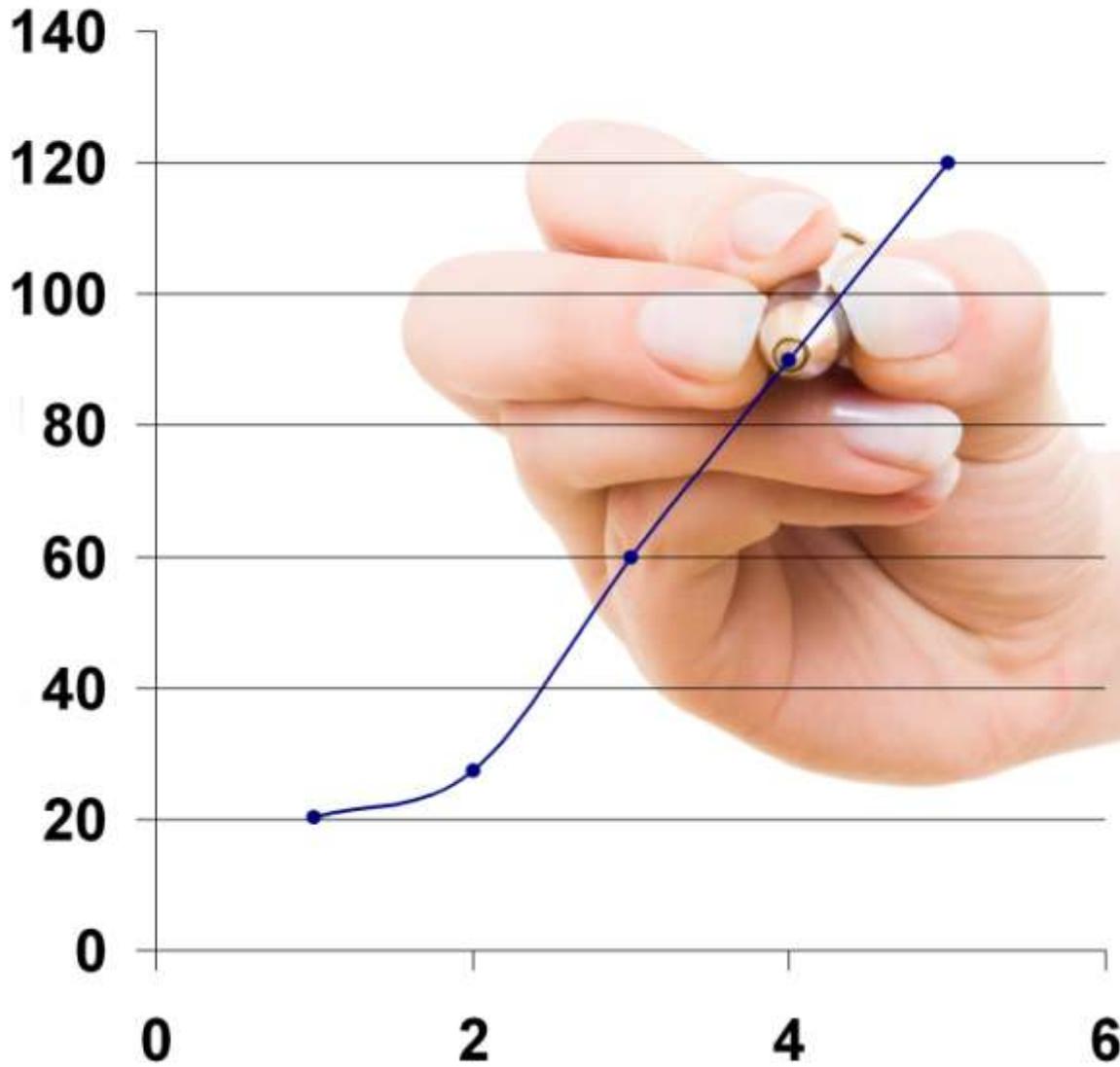


Developing Effective Commercialization Strategies



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Gelb

Conjoint Analysis

Overview

Launching a new product or growing an existing one requires more than gut instincts and guesstimating for sustainable, long-term success. Develop a clear understanding of how customers buy products and services and you will be on your way to crafting an effective strategy.

Market research can diminish the level of risk by providing the insight needed to make strategic, insightful decisions regarding your company's products or services. But in complex industries, insight development should go beyond a series of focus groups with customers. Ultimately, product and service companies need research techniques that will drive their commercialization strategy.

Conjoint analysis, a quantitative research method, measures the trade-offs buyers make regarding brands, pricing and product/service features. Studies like these can be used for market segmentation, pricing strategy, product development, and forecasting share of preference with market participants.

Armed with this information, marketers are able to assess product viability, make strategic decisions regarding product promotion and distribution, and understand the competitive environment.

Not Knowing Your Market Comes at a High Price

Bringing products to market is the most expensive activity of the product development process. Managing the risk of new product failure involves planning, optimizing product/service and price packages, launching, and adapting to responses. Successful new product launches require market insight involving a holistic approach where operations, technology, sales and marketing play a role.

Did you know that:

- 80% of the new product successes gathered and used more market information
 - 75% of the failures knew less than average about the market at project inception and gathered/used less market information during the product development process
- (Source: Ottum and Moore, Journal of Product Innovation Management)

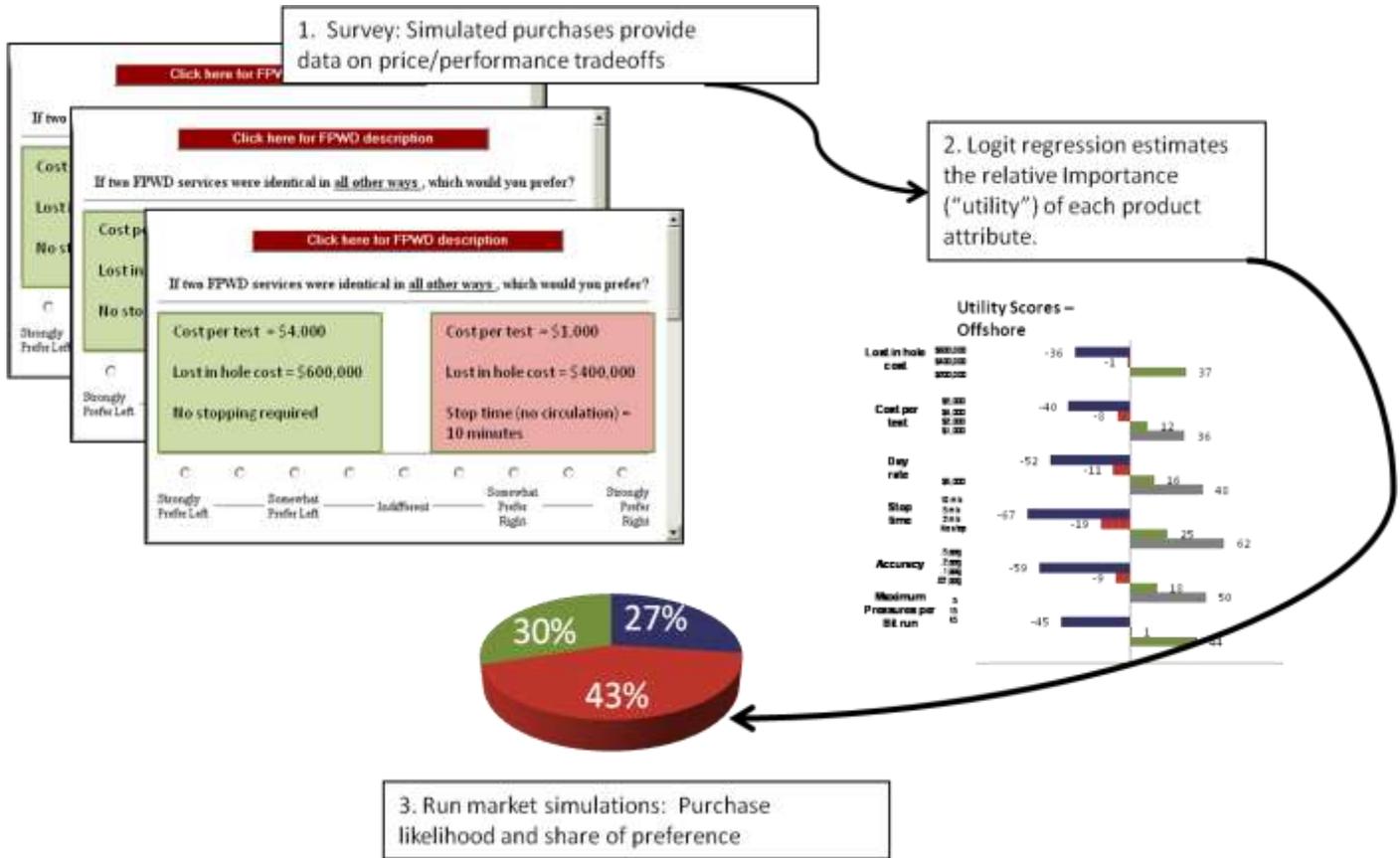
The Technique

Conjoint means to consider jointly. Using conjoint analysis, customers are asked to rate products or choose one of several products. This "conjoint" data is then analyzed to determine preferences and estimate purchase likelihood.

Conjoint data analysis uses a multivariate technique (binary logit, simulation). This technique is preferable as, contrary to univariate methods, it captures the tradeoffs buyers make between attributes and prices.

Gaining Customer Insight

Survey Overview



Benefits of Conjoint Analysis

Conjoint analysis enables companies to forecast price elasticity of demand and sales potential. This research method is the best way to determine (and simulate) the purchase likelihood and estimate volumetrics for competing products under a wide variety of pricing scenarios.

For situations in which you need to determine which combination of packaging options, names, benefit statements and price will result in maximum market acceptance, conjoint analysis is a "best practice" technique.

Conjoint analysis is designed to elicit information on purchase decisions in a hypothetical, yet realistic, purchase setting. Respondents are given a series of choices among hypothetical products and choose the product they would be most likely to purchase - or they may choose no product at all. By analyzing the data, the relative significance of product attributes and critical price points that affect purchase likelihood are identified.

Gaining Customer Insight

It is important to consider the simple fact that customers may not know their true preferences. Purchase decisions are complex; buyers make trade-offs among different product features in ways they may not realize. Someone may think they are brand loyal, but in reality they are more sensitive to price or a specific feature. Conjoint analysis sheds light on all these.

Taking Action

If your team finds themselves asking any of the following, then conjoint analysis will help you gain the market information your company needs:

- What pricing strategy should I use? – Determine the trade-offs your target customers are willing to make at different price levels between the product features that they most desire.
- Do my customers want these product features? – Identify the must-have product features of your product by segment.
- What incentivizes a customer purchase? – Understand which factors drive consumer behavior: brand, price, or features.

About Gelb

Feeling pressure to grow revenues? Gelb Consulting Group, Inc. is a strategic marketing firm that merges analysis, strategy and technology to help clients build and sustain revenue growth.

Gelb is here to help you understand the complexities of your market to develop and implement the right strategies. We use advanced research techniques to understand your market, strategic decision frameworks to determine the best deployment of your resources, and technology to monitor your successes.

For over 40 years, we have worked with marketing leaders on:

- Strategic Marketing
- Brand Building
- Customer Experience Management
- Go to Market
- Product Innovation
- Trademark/Trade Dress Protection