

CASE STUDY

New Product Launch: Using Discrete Choice Methodology To Maximize Sales and Revenue

Venturing Into New Territory

An established Internet domain name company was expanding into new terrain – the shared web hosting marketplace. This presented both opportunities and challenges:

- The opportunity to leverage an established brand...
- in a fragmented industry with over a dozen major players and thousands of smaller providers...
- with considerable price pressure from low-cost competitors.

Need for Data Prior to Product Launch

The marketing and pricing teams needed to understand which product configurations and price-points would maximize sales and revenues. They turned to Edge for help with:

- Estimating price elasticity of demand for specific features and feature combinations.
- Measuring brand strength and the potential for premium pricing.
- Determining the appropriate number of products and optimal product configurations.
- Identifying need- and feature-based differences between key segments.

A Complex Research Solution

Our sophisticated quantitative techniques, coupled with the power of our online research tools, allowed us to execute a complex discrete choice (conjoint) methodology:

- Attributes identified and tested included price, brand, customer service, and specific product features.
- Respondents performed a series of choice tasks that were randomly generated subsets of all the various product configurations.
- Responses to these choice tasks were aggregated across the entire sample to determine the relative importance of various features.
- Data were used to run a wide variety of market share simulations that included alternative price/product combinations along with existing offerings from key competitors.

Exceeding Expectations

Analyses revealed that our client had more latitude in pricing their products than they originally anticipated, owing in part to a brand advantage over many of its low-cost competitors. Configurations and pricing for three levels of product were determined through market simulations. The client launched the products shortly thereafter, and sales significantly exceeded their initial projections. Moreover, by pricing their products at points consistent with customers' value perceptions, they did not leave money on the table.

Put Edge to work for you!