

# Price Thresholds and Price Optimisation

## Price Sensor By Konzept & Markt

For numerous brand-name goods, when it comes to pricing there is significant latitude available. The questions that frequently concern marketing management staff include the following:

- Do declining sales in fact owe to the view that a price is too high?
- Can even higher prices prevail in the competitive environment?
- If so, can retailers and manufacturers benefit collectively?

The Price Sensor answers these questions. It also tests pricing alternatives not currently used in the marketplace. This even identifies price thresholds not in existence at the moment.

The Price Sensor tool is based on a conjoint analysis that identifies what are known as 'benefit values'. These are dimensionless values that express respondents' preferences. The higher a benefit value is, the more likely the respondent is to opt for the alternative to which the benefit value is attached.

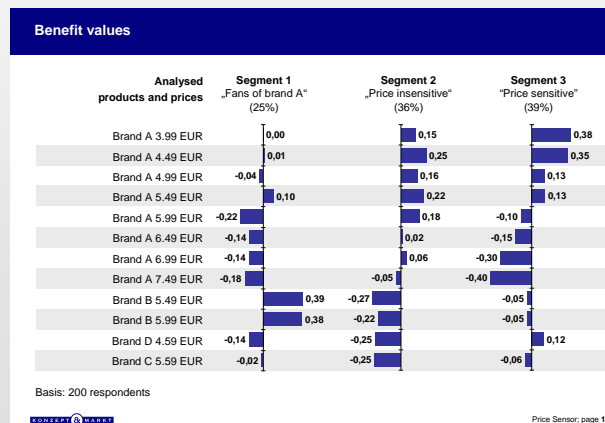
### Main Benefits:

- Determination of price thresholds
- Identification of target groups with differing levels of price sensitivity
- Determination of the best price for optimal sales
- Analysis of prices not yet observed in the marketplace
- Quick project implementation

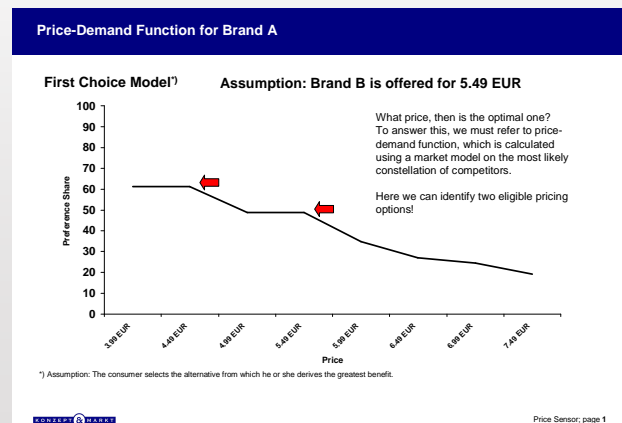
### Particularly helpful for:

- Marketing executives who wish to identify the optimum price
- Sales executives who wish to explore sales potential under various pricing scenarios

### Three Demand Segments



### Two Price Thresholds



# Price Thresholds and Price Optimisation

The Price Sensor is based on what is known as a 'trade-off analysis'. This is a special form of conjoint analysis and is based on a direct comparison between two product and pricing alternatives.

Paired comparisons can be made as follows:

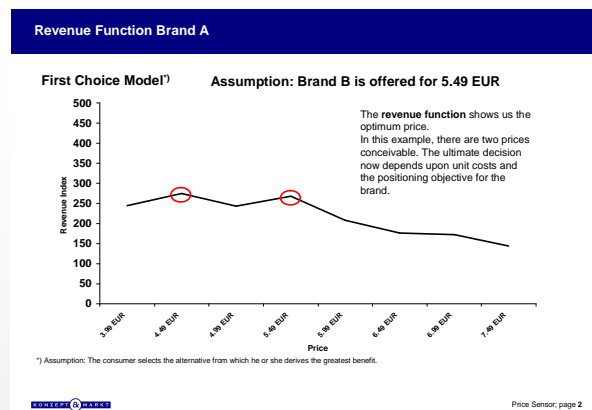
## The Price Sensor Methodology:

- The respondents indicate their opinion of one of the two brands using a scale of 1-4.
- Approx. 20 paired comparisons are made
- Random sampling: 200 or more respondents
- Survey in test studio

Which of these two alternatives do you prefer?											
Brand A for € 3.99						Brand B for € 5.49					
Please indicate a number!											
Prefer left	-4	-3	-2	-1	0	1	2	3	4	Prefer right	

## Sample Result:

### Two good prices for optimal sales



### Our recommendation

Two prices are conceivable for the brand offered: € 4.49 or € 5.49. In this case, there are two arguments that speak in favour of € 5.49:

- To begin with, a price of € 5.49 means higher per-unit revenues. Thus, this price also represents the profit-optimum.
- Brand A is positioned as a premium brand. So it would be inconsistent for Brand A to introduce a price of € 4.49 now.

## Uses:

The Price Sensor by Konzept & Markt is suited for use in a very wide range of product areas:

- Classic branded goods
- Pharmaceuticals
- Durable consumer goods
- Services

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