CASE STUDY:

Comparative Willingness-to-pay

Consumer Goods → 1 Product, 1 Market → 25% Revenue Increase → 21% Volume Uplift

BOOK A DEMO

How a major consumer brands company can increase revenue by $250,000 (25% revenue increase) and drive volume up on average by 21%.

CASE

This brand was a category creator back in 2016 and was later acquired by a global company in late 2020. They aimed to replace and make the paper industry more ecofriendly through digitization.

The team had issues with a couple of their retailers dropping the price by nearly 50% from the SRP due to product sell-through being below acceptable levels and have seen more than 100% increase in performance. The team therefore had a need to understand if they would overall perform better with an EDLP strategy or a Hi/Lo strategy by understanding volume impact at specific price points.

There was a need to also understand the consumers' value perception of the brand and products and their willingness-to-pay.

OBJECTIVES

Together with the major consumer brands company we highlighted key objectives for the study.

- Understand elasticity for the products. Up to 2/3 of purchases are as gifts, which would impact price sensitivity.
- Evaluate the everyday price vs. promoted price. Evaluate if the brand would perform better at EDLP or Hi/Lo pricing environment.
- Optimize Pricing Strategy by determining the consumer's willingness to pay, while maximizing sales and profitability.

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METHODOLOGY

The recommended methodology for this client was PriceBeam's Comparative Willingness-to-Pay study which is a combination of 3 methodology which are **Van Westendorp**, **Gabor Granger** and **Newton Miller Smith**.

The study type helped the client understand psychological price points, pricing thresholds and price cliffs as well as channel segmentation and more. There was also the possibility of comparing their offering versus the competitors.

SOLUTIONS

How PriceBeam was able to achieve the objectives for the major brand.

Products were found to be very inelastic at the current price points due to an observed price indifference beyond the price cliff on all our client's products at either $25.00 or $30.00.

The findings corroborated the current dynamic of the market where a significant price cut would yield high volume increase if the products was priced at the price cliff ($25.00 or $30.00) suggesting an EDLP strategy would benefit the brand.

Although it was identified an EDLP strategy would benefit the brand, it was also highlighted that brand awareness was low as only 20% of respondents shopping within the category knew the brand. It was recommended to increase brand awareness as it could in turn lead to a higher WtP. **It is suggested that EDLP would increase revenue by $250,000 (25% revenue increase) and drive volume up on average by 21%.**

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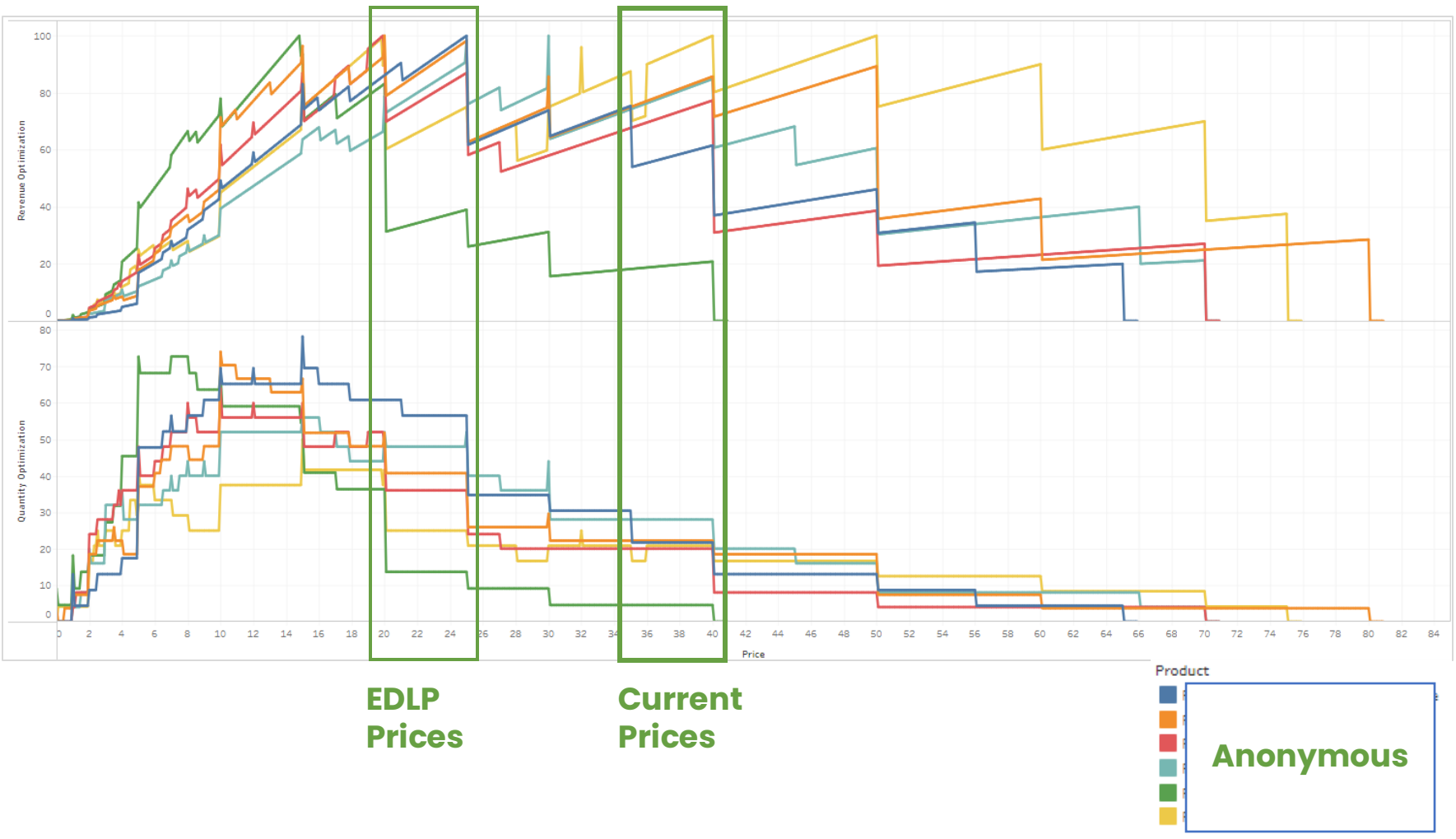
RESULT



EXECUTIVE SUMMARY

Psychological price points observed mostly at every $5.00 up to $25.00 on most SKUs, with some going to up $30.00 and at every $10.00 afterwards.

Psychological price cliff observed at $20.00, $25.00 and $30.00 on that brand SKUs

48% of respondents purchase notebooks less than once a month.

Only 20% of respondents have heard of the brand suggesting a potential need to increase brand awareness.

Significant volume optimization gains observed at lower prices due to price cliffs at $20.00; $25.00 and $30.00 suggesting that brand would perform better at EDLP than Hi/Lo.

Between 33% and 86% volume optimization increase with EDLP strategy

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ABOUT PRICEBEAM

Access to independent, statistically representative respondents in 127 markets

Cloud-based market research software for pricing operating in 127 countries worldwide and industry-agnostic. PriceBeam enables brands to make more informed decisions around pricing on subjects such as consumers' willingness-to-pay, competitive pricing position, new market pricing and much more by our combination of scientific methods and precise insights based on the market.

PRICEBEAM PRODUCTS

01 Willingness-to-Pay	02 Comparative Willingness-to-Pay	03 Value Attributes (CBC)	04 RGM Study (VA+CWtP)	05 Promotion Lab
06 Assortment Lab	07 Ranking Lab (MaxDiff)	08 Menu-Based Conjoint (MBC)	09 Basic Survey	10 Product Variant Test
11 Concept Test	12 Claims Test	13 Promotion Lab Enhanced	14 RGM Promotion (CWtP+PL)	15 RGM Ultra (CWtP + VA + PL)

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