



IC Power-Pricing Price Optimization Through Customer Value

The Benefits of the IC Pricing Tool



Simulation of effects from **price changes** on your **market share**



Conclusion about how much **customers are ready to pay** for specific **product features**



New products can be **tested** even before they are launched



Find the **optimal price** for your product



Based on the **most valid methodology** to determine **the price-sales function**



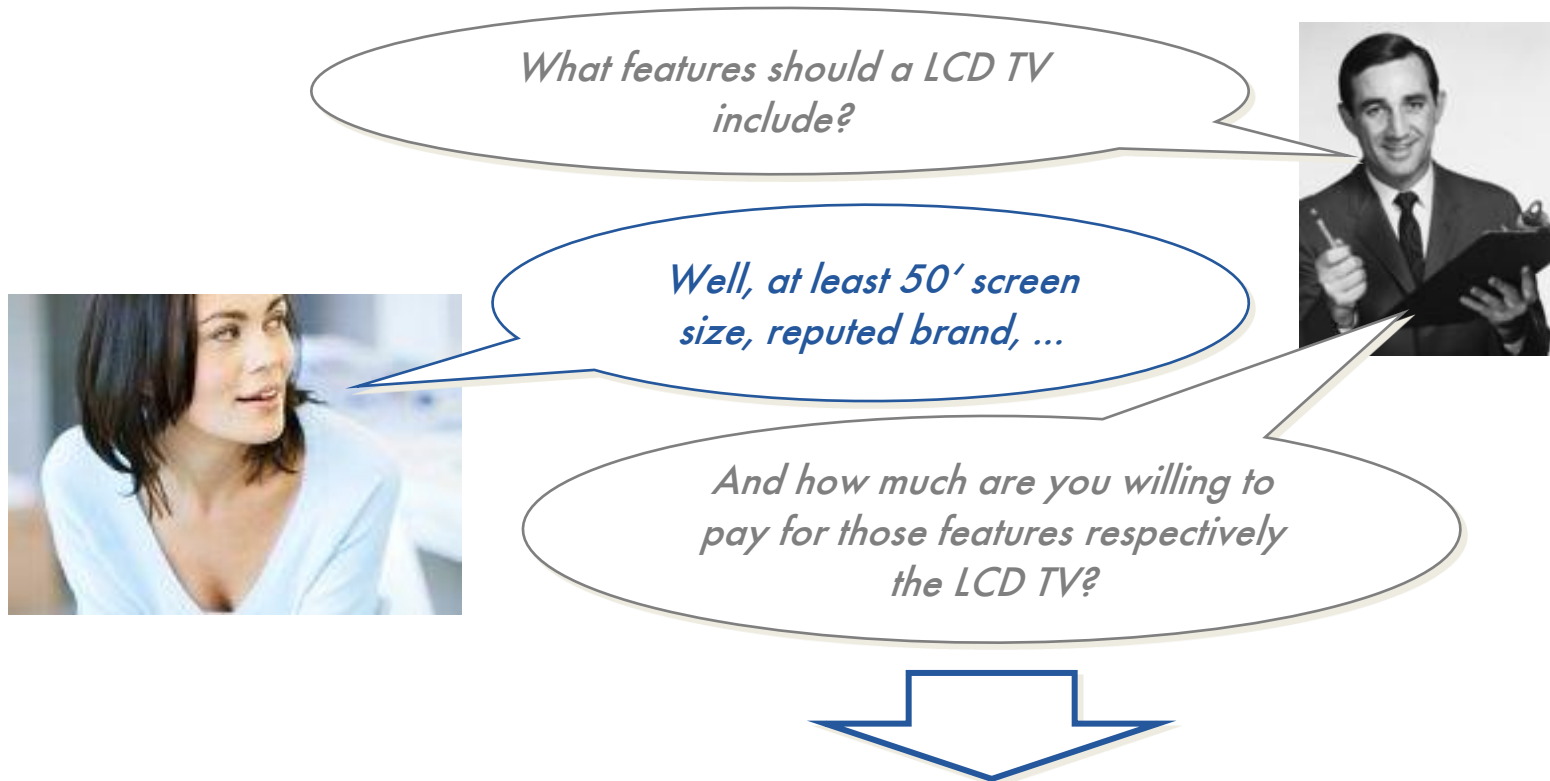
Providing crucial **input for the marketing** (e.g. commercial strategy)



Obtaining a **competitive advantage** as the analysis allows to **understand** how **customers react** on price- and product changes

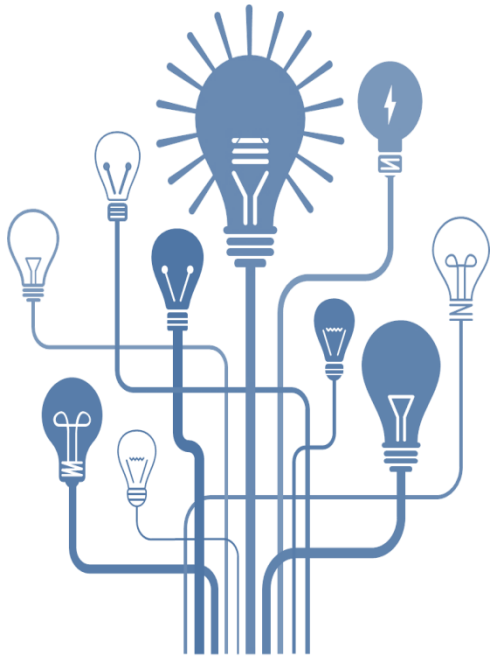
What is that Special about the Approach?

Classic price survey usually use direct questions:



PROBLEM: This will not deliver useful results

Just Asking Questions is Not the Right Way



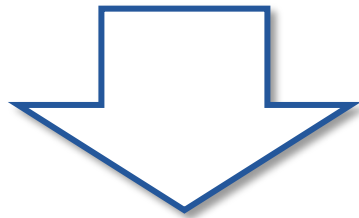
- Direct questions about the price or the willingness to pay a certain price will not deliver useful results
- It is assumed that respondents are aware of all product benefits and prices on the market
- When asking, consumers want to have all extras but are not willing to pay for it
- Some recognize the idea behind the survey and provide tactical answers
- In the end the actual behavior has nothing to do with the results of the survey

SOLUTION: Price-Simulation Approach (Conjoint Analysis)



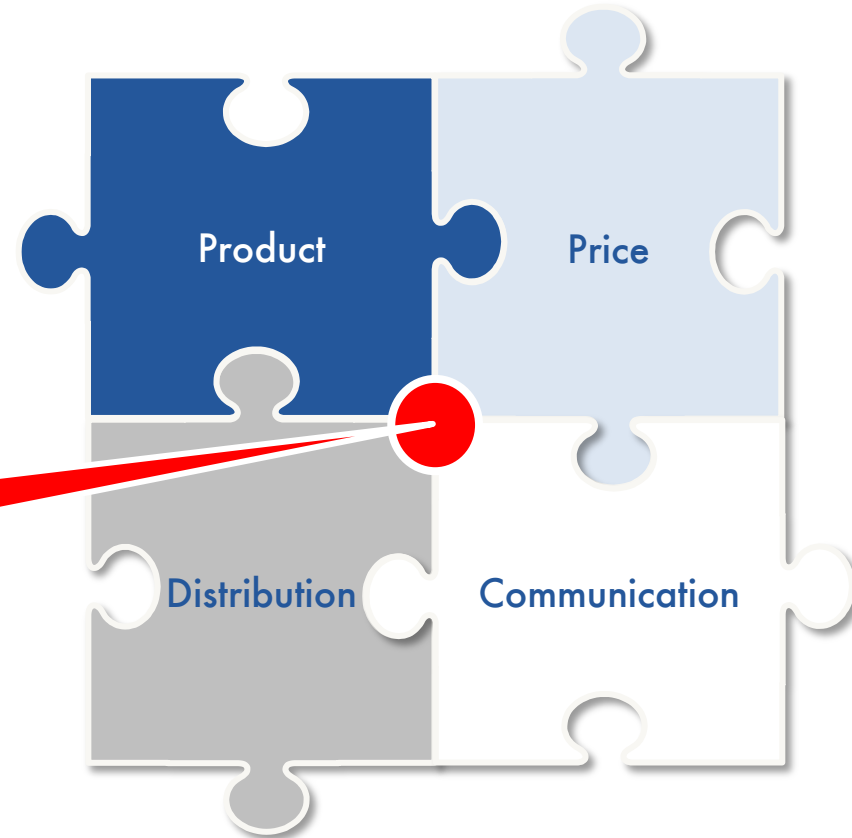
What is the Customer Willing to Pay for – Evaluation of the Product as a Whole

- Customers evaluate products as a whole and not single, diffuse product features.
- In course of the product perception not only the product is relevant, but all measurements in course of the marketing-mix.



- Consequently, price can never be analyzed isolated
- Consistency in the marketing-mix is required

perceived
customer benefit



The Solution in Practice – Choice Based Conjoint Surveys

Survey through the simulation of an actual buying decision situation

Leading approach, as the buying decision is simulated through various possible product choices to make.

For which LCD-TV would you decide?

Survey of complete
product-bundles

Respondents are
evaluating products as a
whole and not specific
single features.

SONY



27 Screen Size
WXGA
3000:1 Contrast
€ 899,-

TOSHIBA



32 Screen Size
WXGA
1000:1 Contrast
€ 699,-

Panasonic



41 Screen Size
WXGA
4500:1 Contrast
€ 799,-

none

Analysis of the price acceptance for specific product features

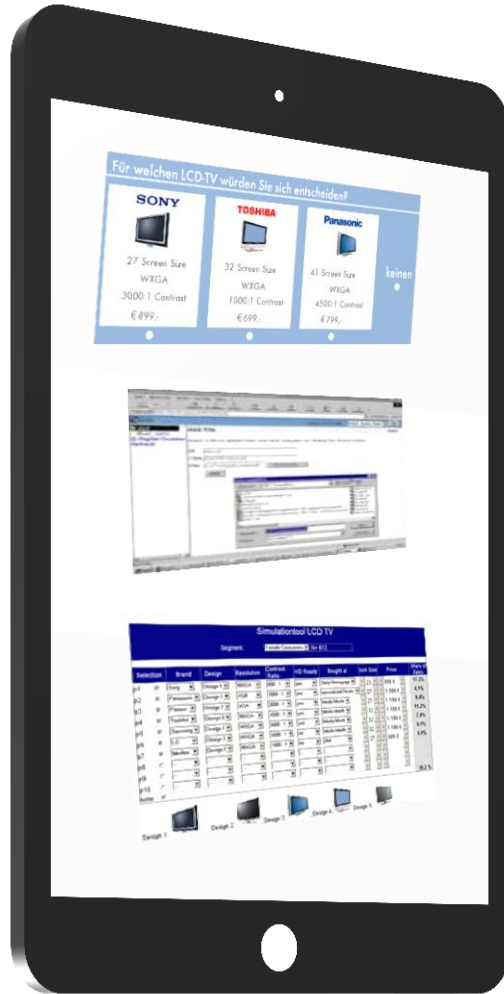
The approach allows to analyze the price acceptance not only for the brand but also for other product features and characteristics.

Finally it can be analyzed, how much customers are willing to pay for specific product features.

Derivation of the price-sales-function to identify the profit
maximizing price

Most valid approach to derive the sales-price function which allows to identify the profit maximizing price taking the competitive landscape into account

From the Survey to the Simulation-Tool



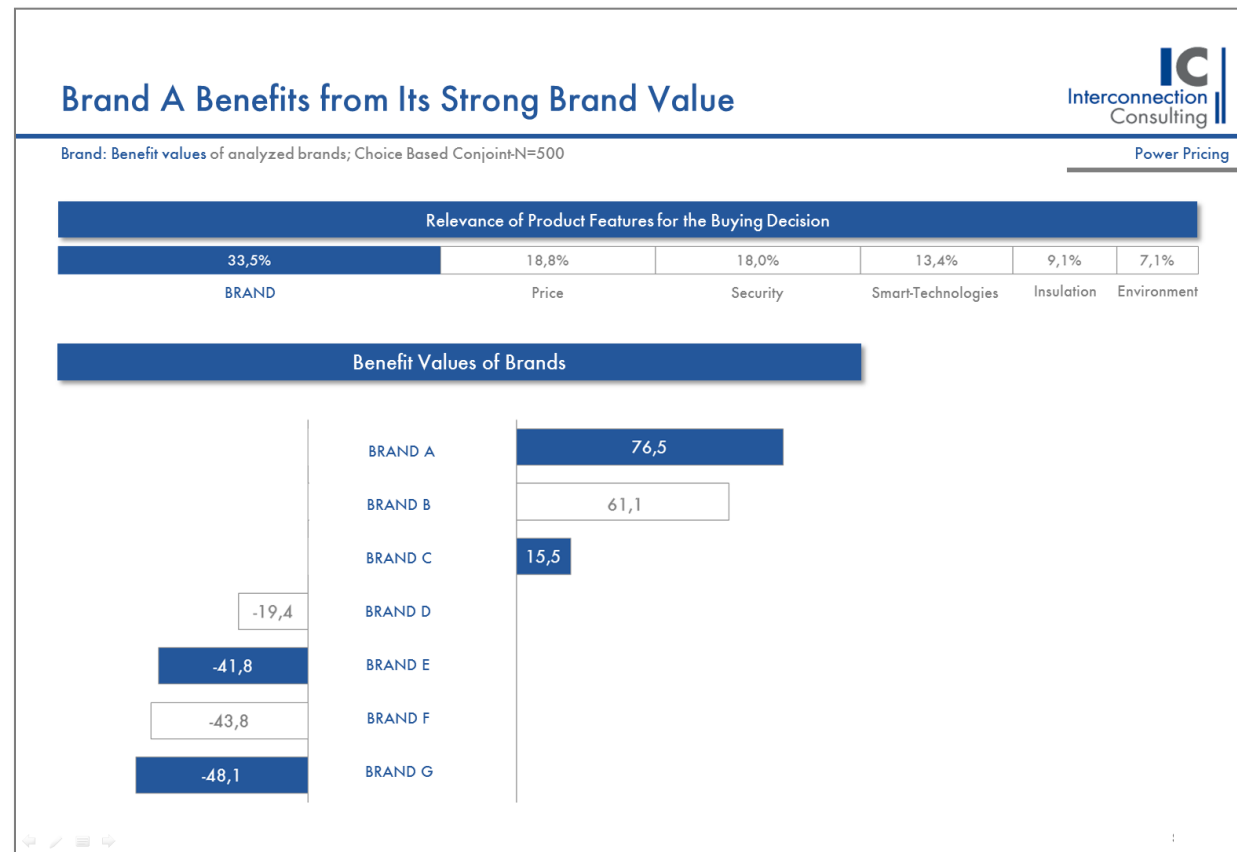
1 Online - Survey

2 Calculation of benefit values for specific product/service features

3 Simulation of price change effects on the buying decision

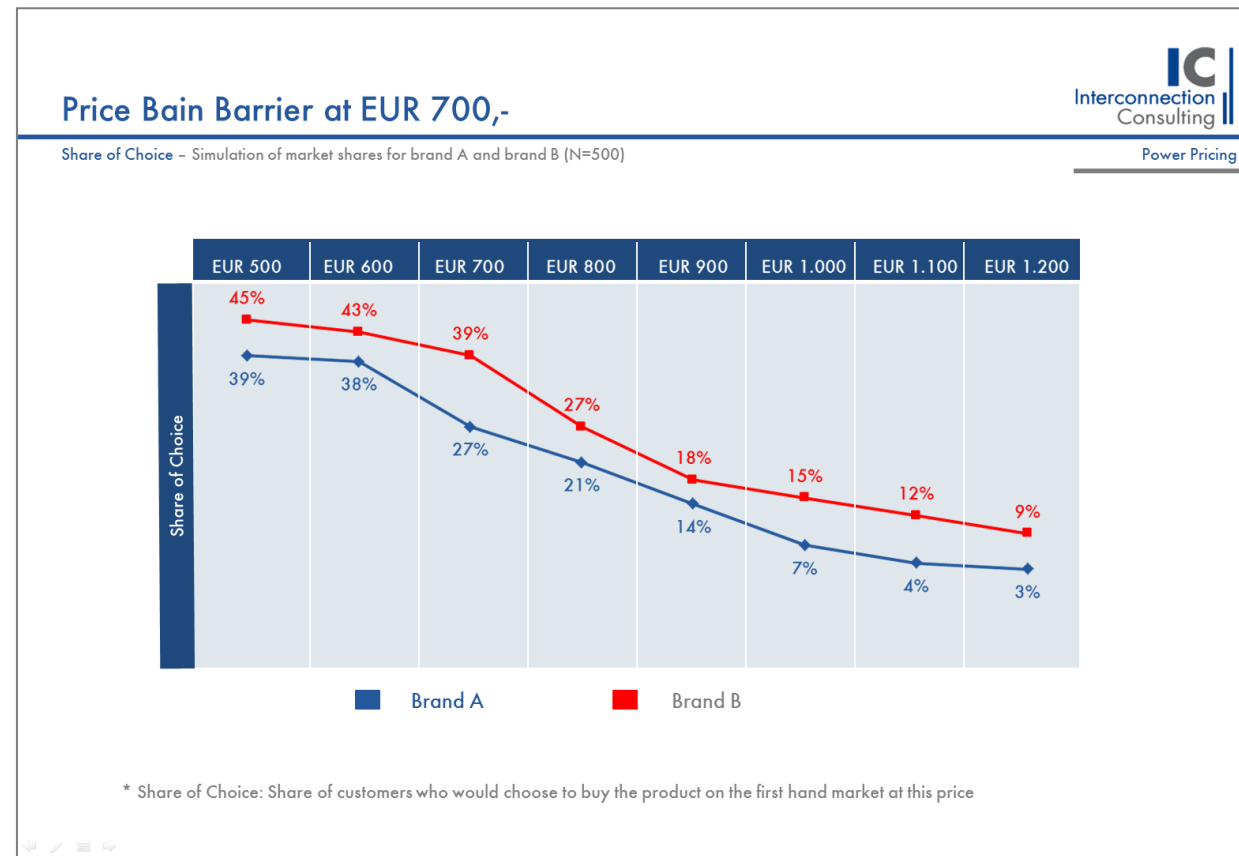
Analysis of the Relevance of Specific Product Features by Customer Segments

- Analysis of the effects of relevant product features on the final buying decision.
- Segmentation of customers in course of the relevance for specific buying criteria.
- This chart shows dummy figures.



Where are the Price Barriers from Customers Point of View

- Analysis of the price-sales function based on the share of choice – meaning the share of customers who would buy for a certain price.
- This chart shows dummy figures.





Simulation of the Competition According to Price Variations


- Simulation-Tool in order to analyze the market structure at certain price – product mixes of your own products as well as your competitors ones.
- This chart shows dummy figures.


IC
Interconnection
Consulting


Simulationtool LCD TV										
Segment: Female Consumers N= 612										
Selection	Brand	Design	Resolution	Contrast Ratio	HD Ready	Bought at	Inch Size	Price	Share of Sales	
p1	<input checked="" type="checkbox"/> Sony	Design 1	WXGA	600 : 1	yes	Sony Homepage	< 23 >	< 999 € >	17,2%	
p2	<input checked="" type="checkbox"/> Panasonic	Design 1	XGA	1000 : 1	yes	specialized Dealer	< 27 >	< 1.099 € >	4,1%	
p3	<input checked="" type="checkbox"/> Pioneer	Design 2	XGA	3000 : 1	yes	Media Markt	< 27 >	< 1.199 € >	9,4%	
p4	<input checked="" type="checkbox"/> Toshiba	Design 3	WXGA	4500 : 1	yes	Media Markt	< 32 >	< 1.199 € >	11,2%	
p5	<input checked="" type="checkbox"/> Samsung	Design 1	WXGA	3000 : 1	yes	Media Markt	< 32 >	< 1.199 € >	7,8%	
p6	<input checked="" type="checkbox"/> LG	Design 3	WXGA	3000 : 1	no	Media Markt	< 32 >	< 1.199 € >	6,1%	
p7	<input checked="" type="checkbox"/> Medion	Design 2	WXGA	1000 : 1	no	Aldi	< 27 >	< 999 € >	5,0%	
p8	<input type="checkbox"/> --	--	--	--	--	--	< >	< >	>	
p9	<input type="checkbox"/> --	--	--	--	--	--	< >	< >	>	
p10	<input type="checkbox"/> --	--	--	--	--	--	< >	< >	>	
none	<input checked="" type="checkbox"/>								39,2 %	

Design 1: 

Design 2: 

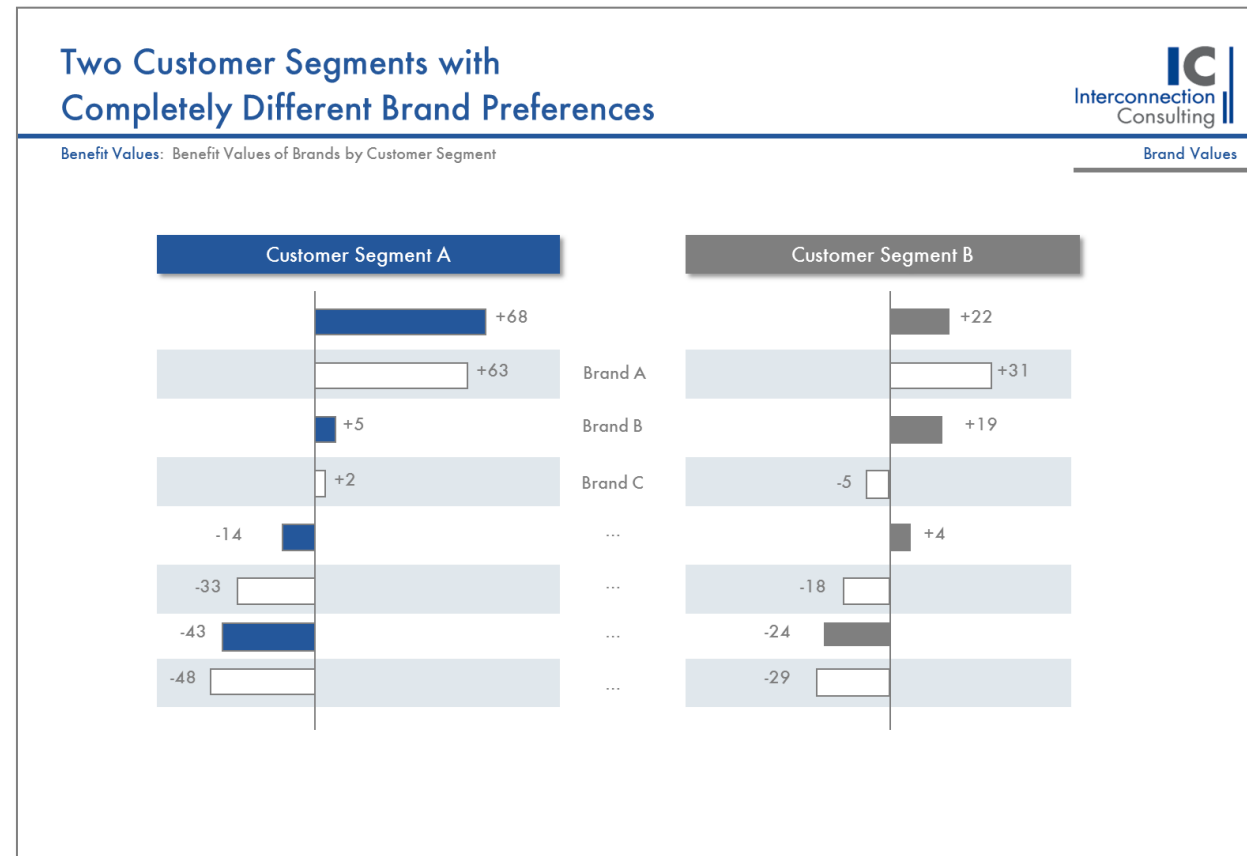
Design 3: 

Design 4: 

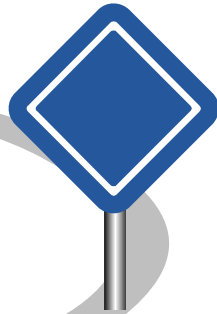
Design 5: 

Learn What Benefits Customers Gain from Certain Product Features

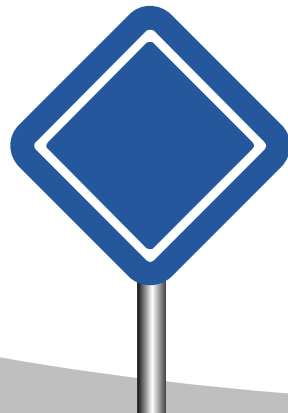
- Analysis of benefit values for analyzed brands and product features (such as brand, energy consumption, etc.) in general as well as for certain customer segments.
- This chart shows dummy figures.



What Else You Should Know

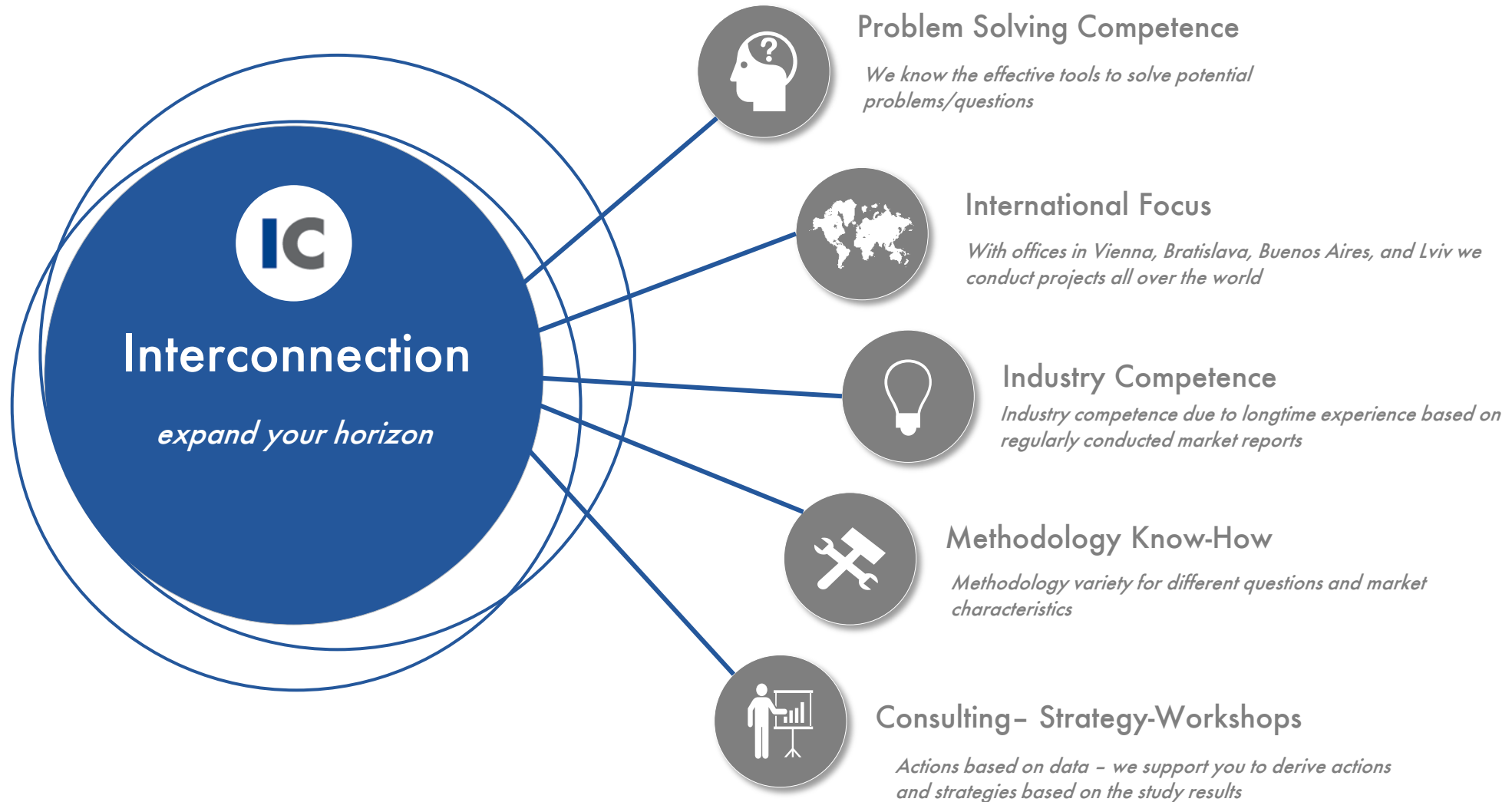


Interconnection has successfully implemented the Power-Pricing tool for various industries in order to analyze statistically the effects of price changes on buying decisions.



Our Power Pricing tool enabled our clients optimize their price strategy based on the product portfolio and consequently to gain market shares.

Our Goals is to Support You Recording Substantial Market Growth



For further questions,
please do not hesitate to contact us!

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