

SKOPOS
pricing research techniques




Traditional pricing research techniques

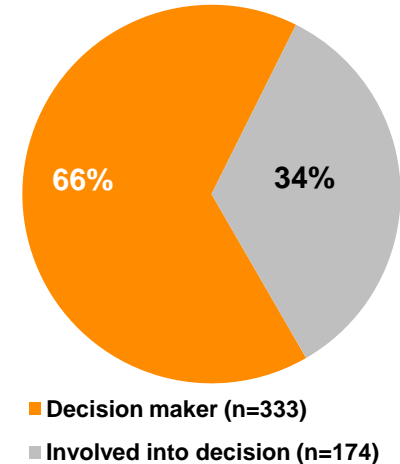
- Van-Westendorp-Approach measuring subjective willingness to pay using a classical set of four standard items (open ended questions)
- Conjoint-Measurement measuring trade-off between price and other product features

Research Questions

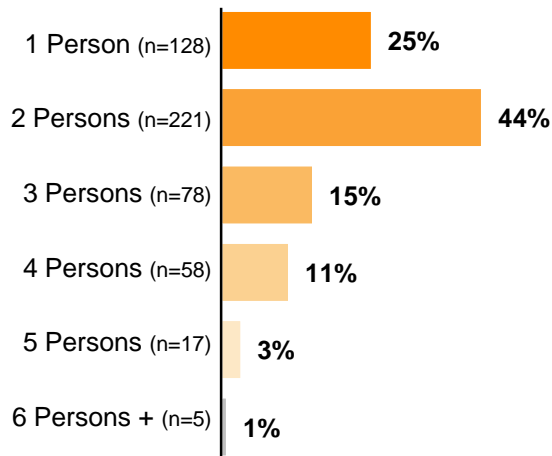
- How does the prior knowledge of the probands about prices influence the results of the pricing research techniques?
- Which role plays the individual reference system?
- How sensitive are research techniques regarding information given to the probands during the test?
- Which role plays uncertainty about prices?
- What are the consequences for the setup of pricing research in the future?

Method	Online-Panel-Survey using the Opinion-People-Panel hosted by ODC Services	
Field time	September 2009	
Sample	Persons, 18 years or older, involved into the decision about the electricity supplier of the household	
Sample size	n=507	

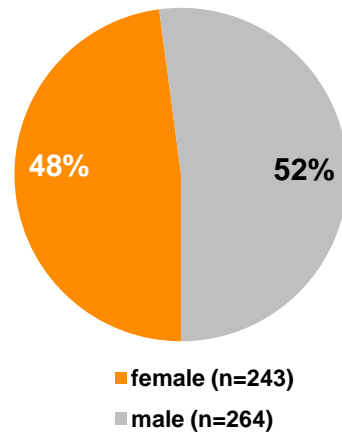
Decision about supplier



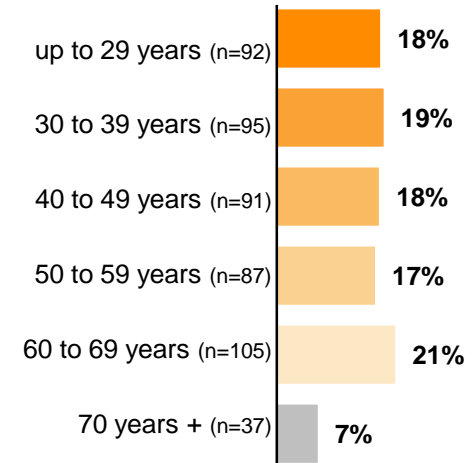
Persons in household



Gender



Age (Ø 47 years)



The study was focussed on questions about the electricity tariff of the own household

Umfrage - Mozilla Firefox
 http://www.skopos1.de/uc/projektleiter/3359/ospe.php?SE5=b690c7b1bf082edf681f57bb895ebd&syid=929

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Strategic Research

2%

Welche Preise zahlen Sie bei Ihrem Stromversorger für folgende Positionen:
 Wenn Sie sich nicht sicher sind, schätzen Sie bitte die Preise.

Grundpreis pro Jahr (in Euro)

Preis pro Kilowattstunde (kWh) (in Cent)

Wie sicher sind Sie sich bei Ihrer Angabe zum Grundpreis?

sehr sicher	eher sicher	eher nicht sicher	überhaupt nicht sicher
(1)	(2)	(3)	(4)
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Wie sicher sind Sie sich bei Ihrer Angabe zum Preis pro Kilowattstunde?

sehr sicher	eher sicher	eher nicht sicher	überhaupt nicht sicher
(1)	(2)	(3)	(4)
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Fertig

How much do you pay for ...?

How certain are you about your specifications above?

In addition to the information about the tariff we asked how certain the probands were about the specifications they gave.

Prices are asked via open ended questions. No price range is given.

Umfrage - Mozilla Firefox

2%

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Strategic Research

Nun folgen ein paar generelle Fragen zum Stromtarif.

Bitte geben Sie auf jeden Fall eine Einschätzung ab, auch wenn Sie sich unsicher sind.

Welchen Preis pro Kilowattstunde (kWh) finden Sie zu teuer?

Preis pro Kilowattstunde (kWh) in Cent

Welchen Preis pro Kilowattstunde (kWh) finden Sie relativ hoch, aber noch akzeptabel?

Preis pro Kilowattstunde (kWh) in Cent

Welchen Preis pro Kilowattstunde (kWh) finden Sie relativ günstig, aber angemessen?

Preis pro Kilowattstunde (kWh) in Cent

Welchen Preis pro Kilowattstunde (kWh) finden Sie so niedrig, dass Sie an der Seriosität des Angebotes zweifeln würden?

Preis pro Kilowattstunde (kWh) in Cent

weiter

Fertig

Which price for one kilowatt-hour is ...

... too expensive?

... quite high but still acceptable?

... quite low but still reasonable?

... so low that you would question its seriousness?

Four standard items.

Conjoint provides discrete price points. Probandns cannot break out of the price range given.

Other conjoint features:

- supplier
- energy mix
- base price (constant)
- price stability

Umfrage - Mozilla Firefox

http://www.skopos1.de/uc/projektleiter/3059/ospe.php?SE5=3106864a1ae0c8efb6c33c77fa92e5d&oyd=9294&ad=929

Umfrage

2%

Welches Angebot sagt Ihnen mehr zu?

Angebot A

Großer Anbieter
(z.B. EON, RWE, Vattenfall, EnBW)

Normaler Strom
25% Kernenergie,
50% Kohle,
15% regenerative
Energien,
10% Erdgas

Grundpreis:
99 Euro/Jahr

**Preis pro kWh:
22 Cent**

Preisstabilität:
6 Monate

Angebot B

Lokaler Anbieter
(z.B. Stadtwerke)

Ökostrom
30% Wasserkraft,
20% Windkraft,
40% Biomasse,
10% Solarenergie

Grundpreis:
99 Euro/Jahr

**Preis pro kWh:
14 Cent**

Preisstabilität:
24 Monate

(1) (2) (3) (4) (5) (6) (7)

weiter

Fertig

Which offer do you prefer more?

Price range from 14 €/Cent 24 €/Cent increased by 2-cent-steps

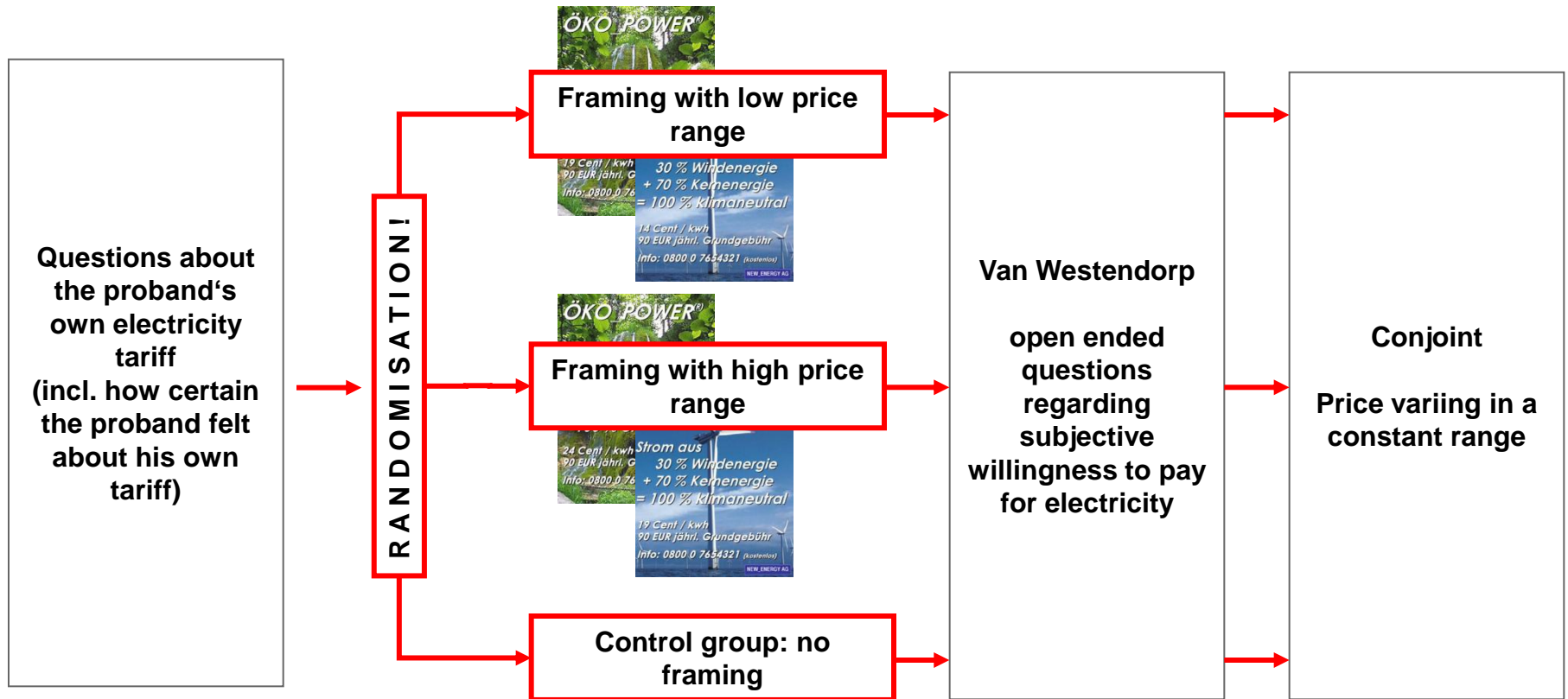
Two experimental groups (cheap and expensive offers), one control group (no ads shown)

RANDOMISATION!



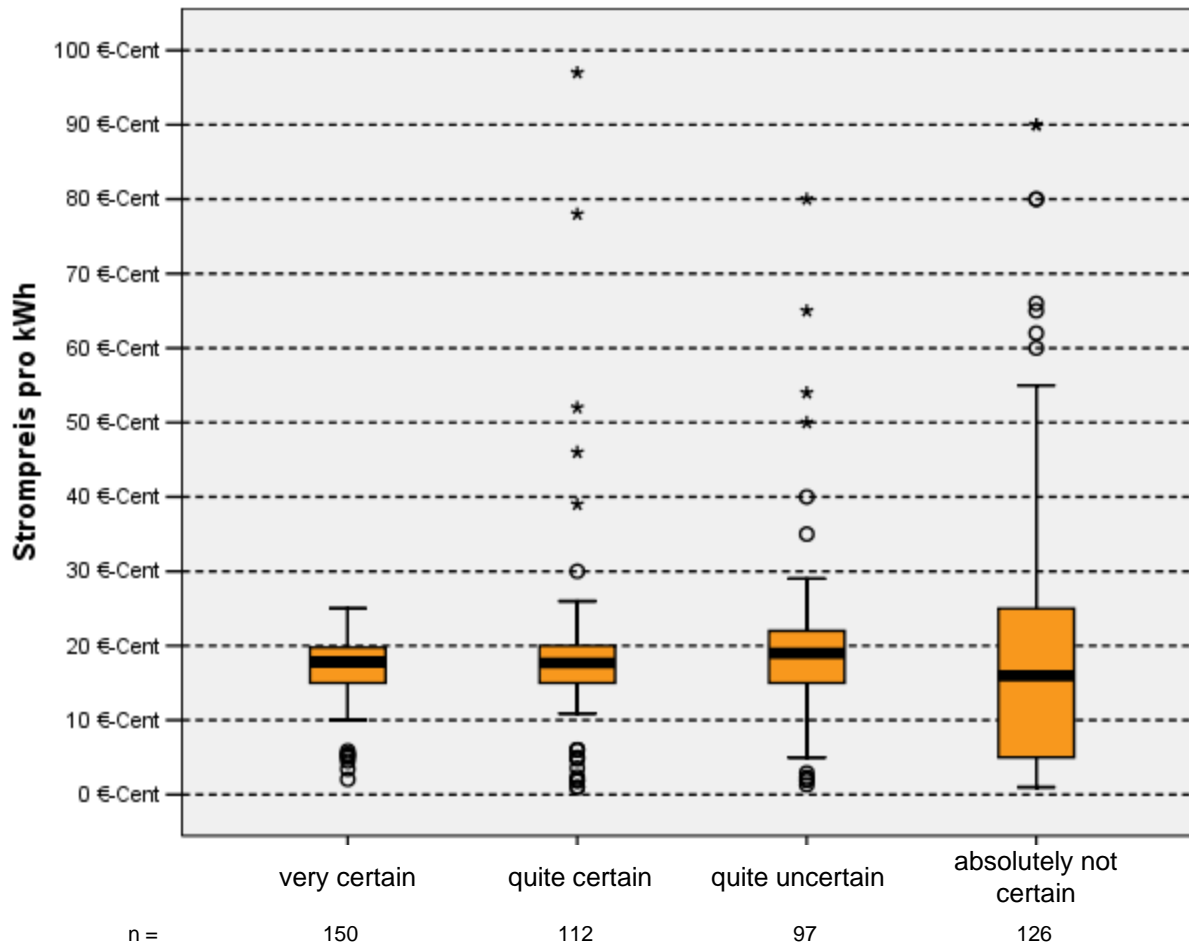
Sample was split into three subsamples by random. One group was confronted with advertisements for cheap offers. One group was confronted with ads for expensive offers. The control group was not confronted with any ads at all.

Experimental stimulus was shown before the pricing questions..



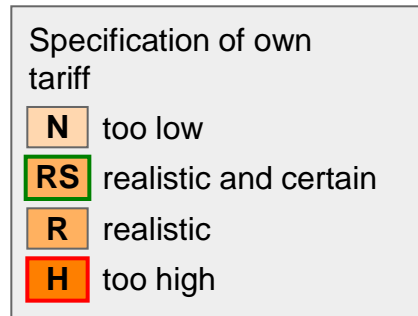
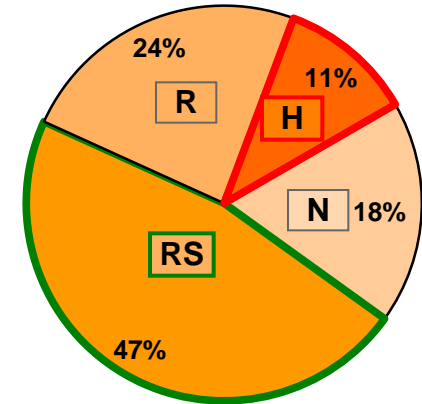
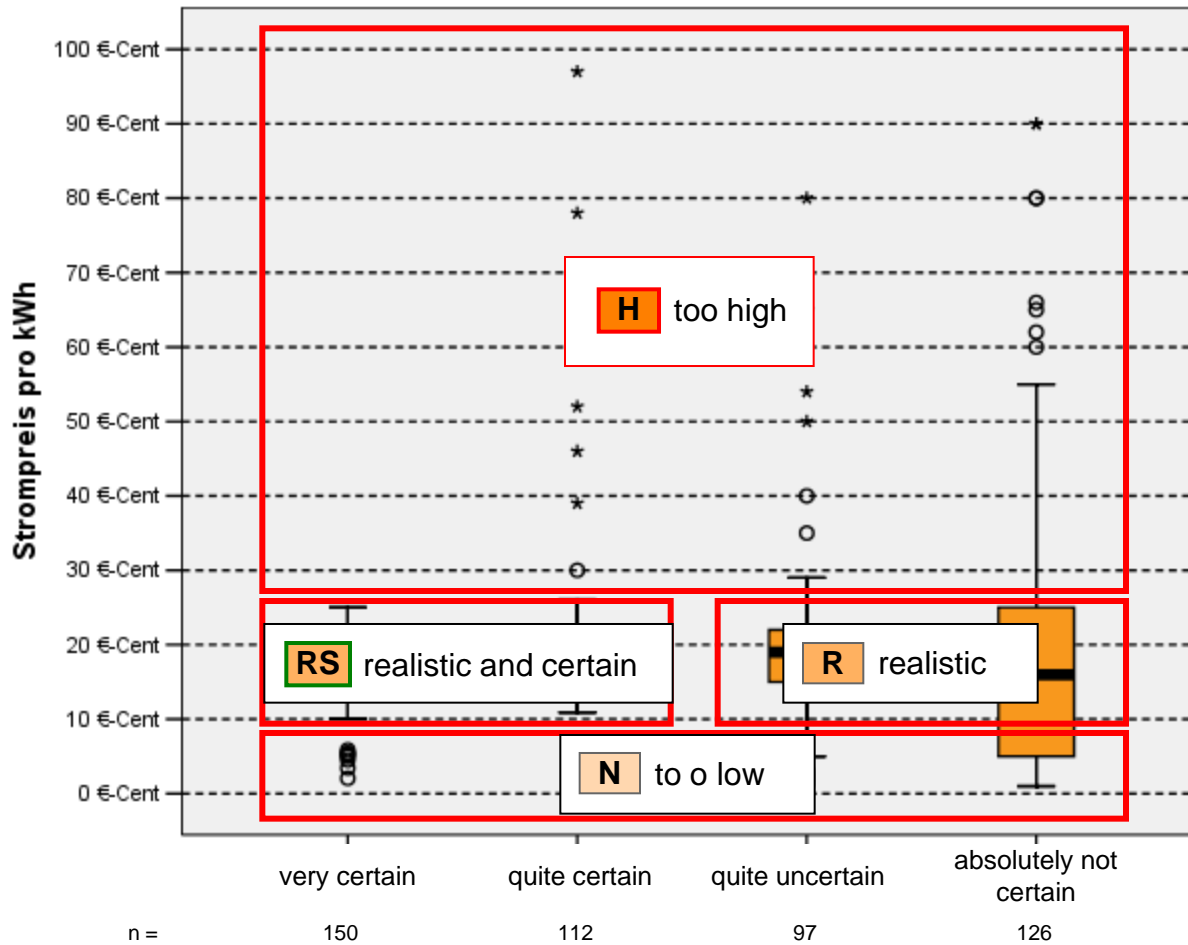
Proband's had to rate the ads to keep their illusion upright that this was just a simple testing of concepts.

Uncertainty about the own electricity tariff increases the variance of the specifications given.



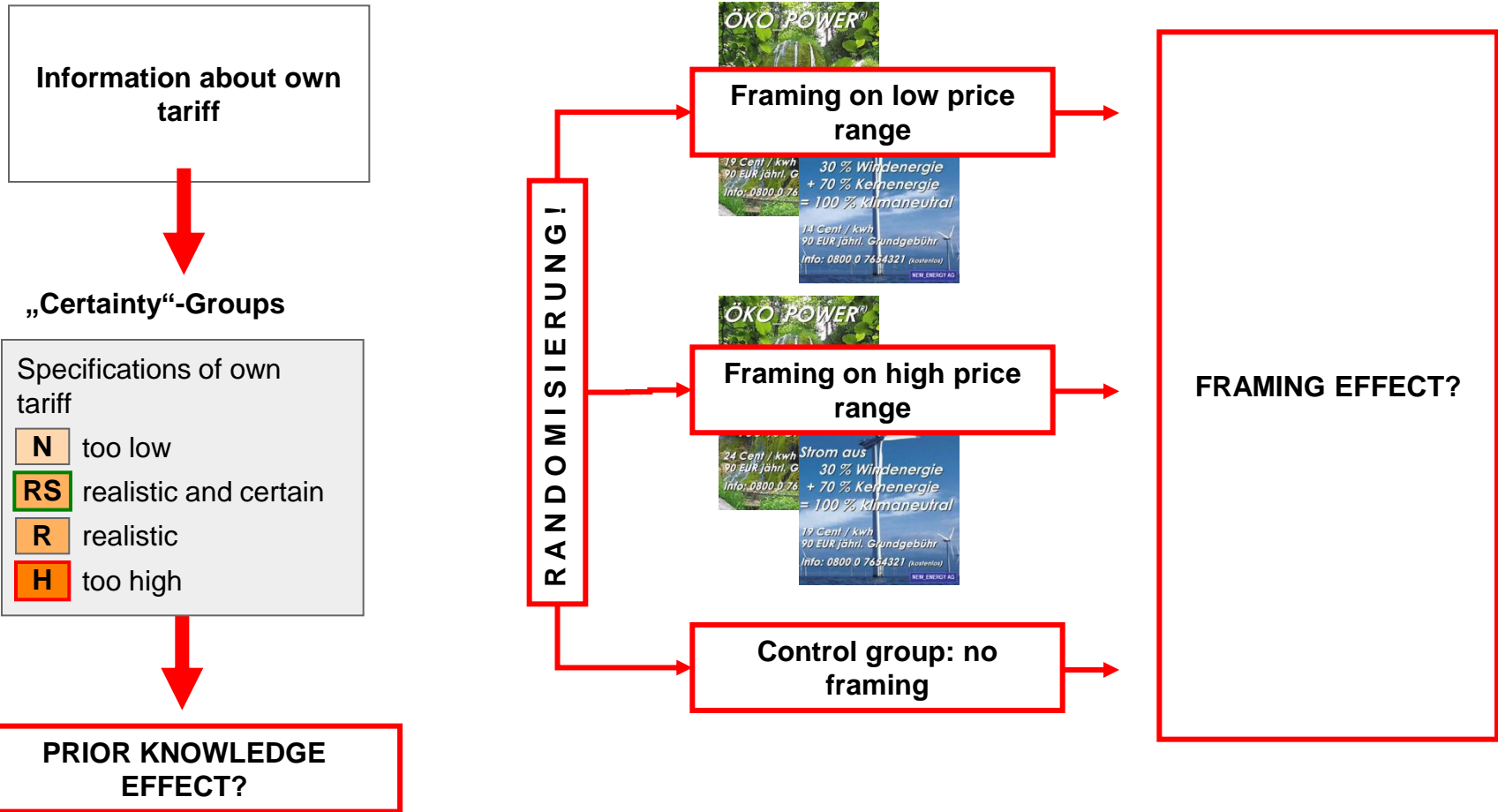
Median tends to be stable whilst uncertainty rises but the variance increases.

Probands were split up into 4 „certainty“-groups



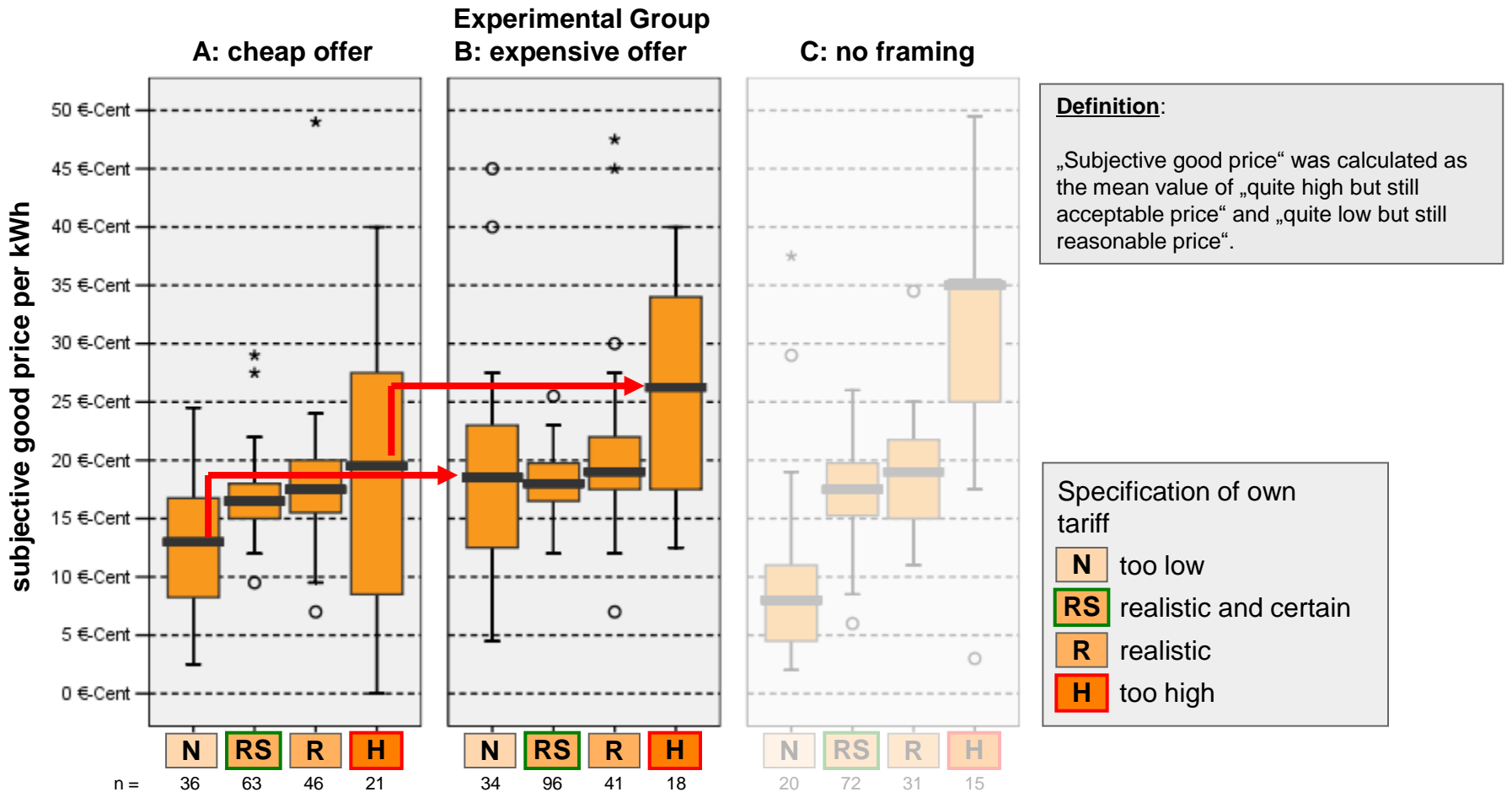
By definition a price between 10€-Cent and 25€-Cent has been declared as „realistic“.

To different effects to be explored



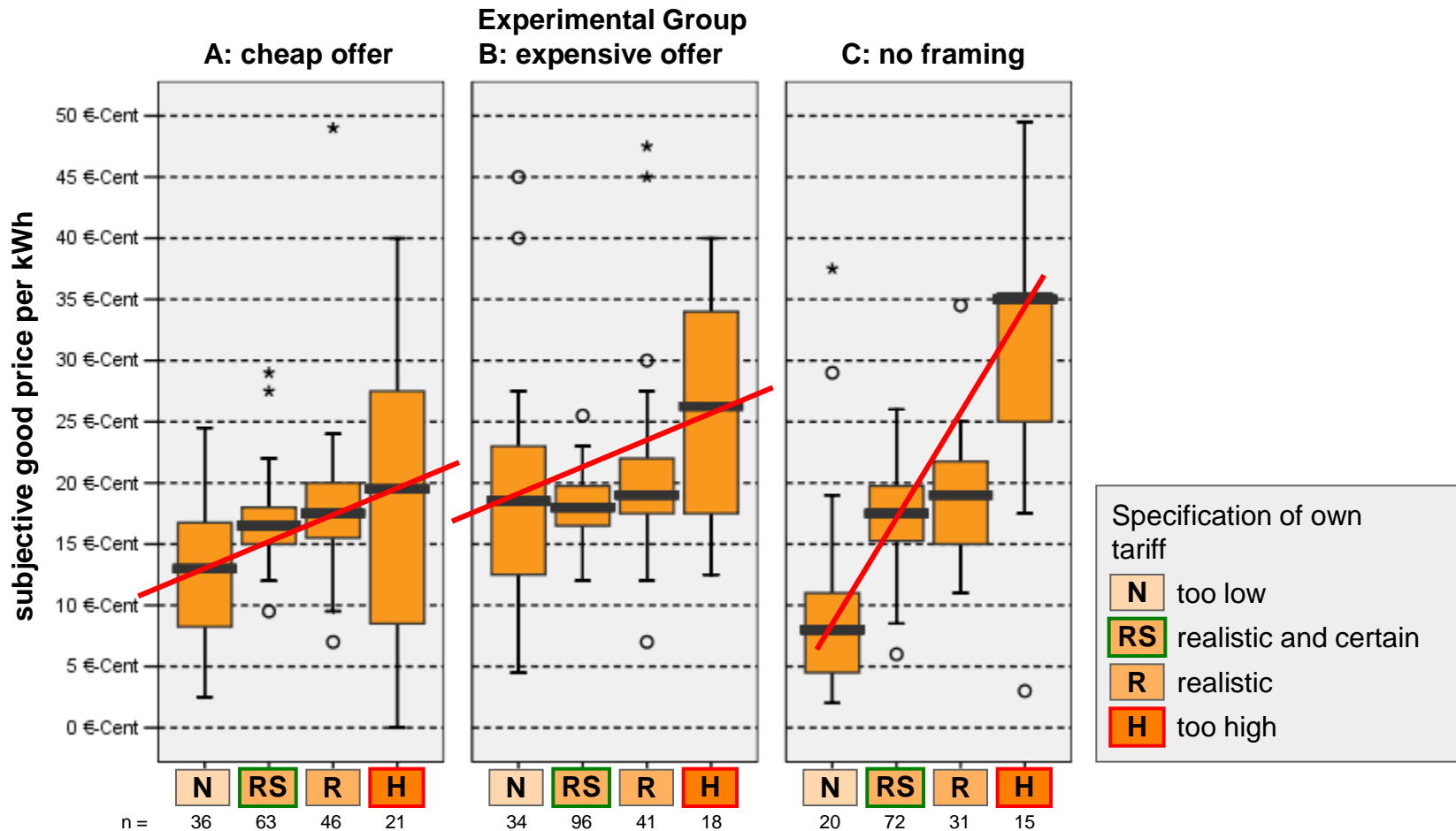
Prior knowledge effects refer to the long term memory while framing affects the short term memory.

Framing influences response especially if prior knowledge is unrealistic.



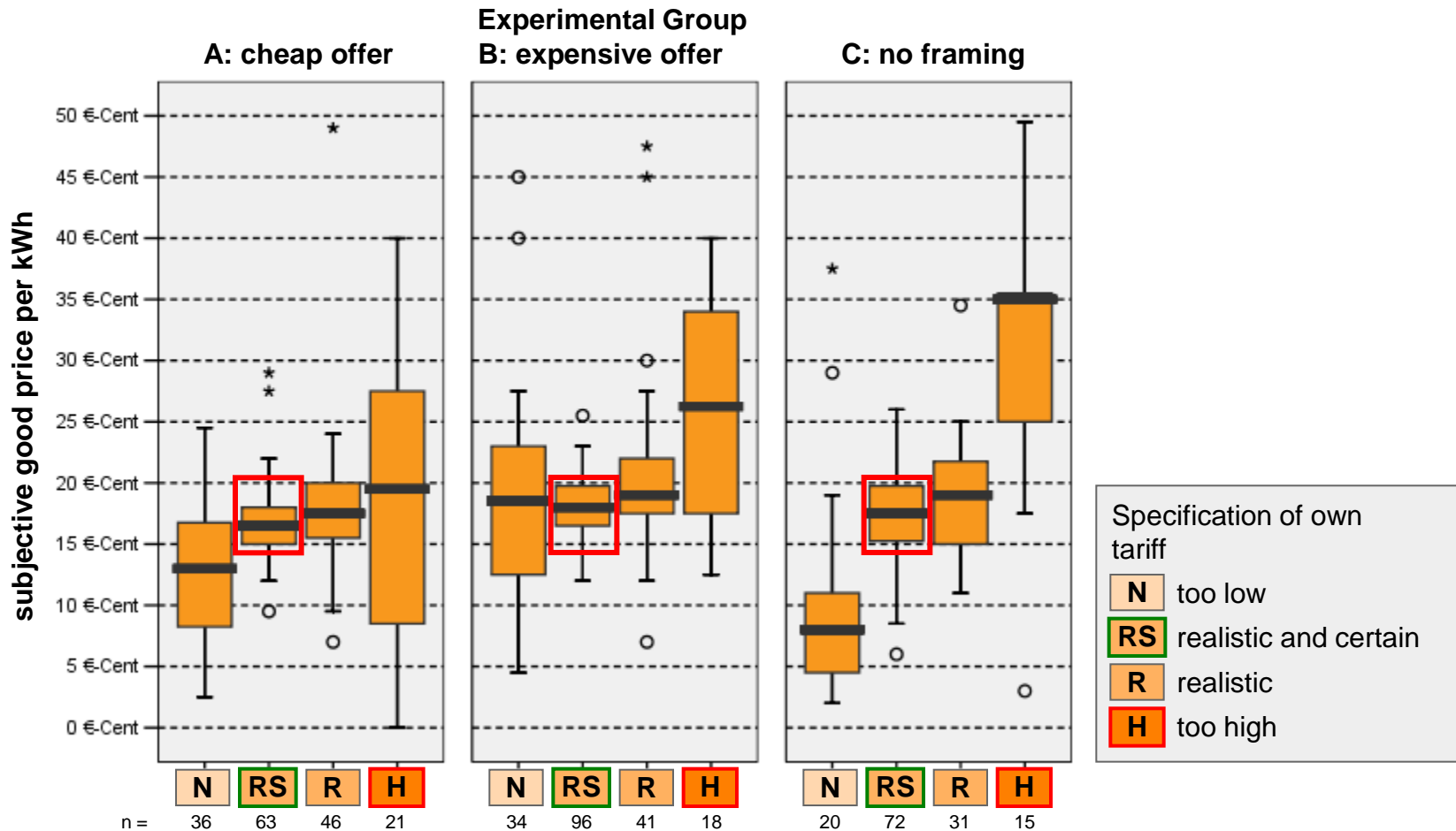
Groups N and H react clearly according to different frames. (Median increased by 6 €-Cent.)

Framing reduces the variance of the subjective willingness to pay if prior knowledge is unrealistic.



The price range between N and H in both experimental groups is clearly smaller compared to the price range measured in the control group (no framing)

Framing has no effect if prior knowledge is realistic and certain.



The medians do not differ very much for group RS. Furthermore the variances for this group are the smallest.

Analysis of variance: All effects are significant, but effect sizes differ.

Tests of Between-Subjects Effects

Dependent Variable: subjective good price

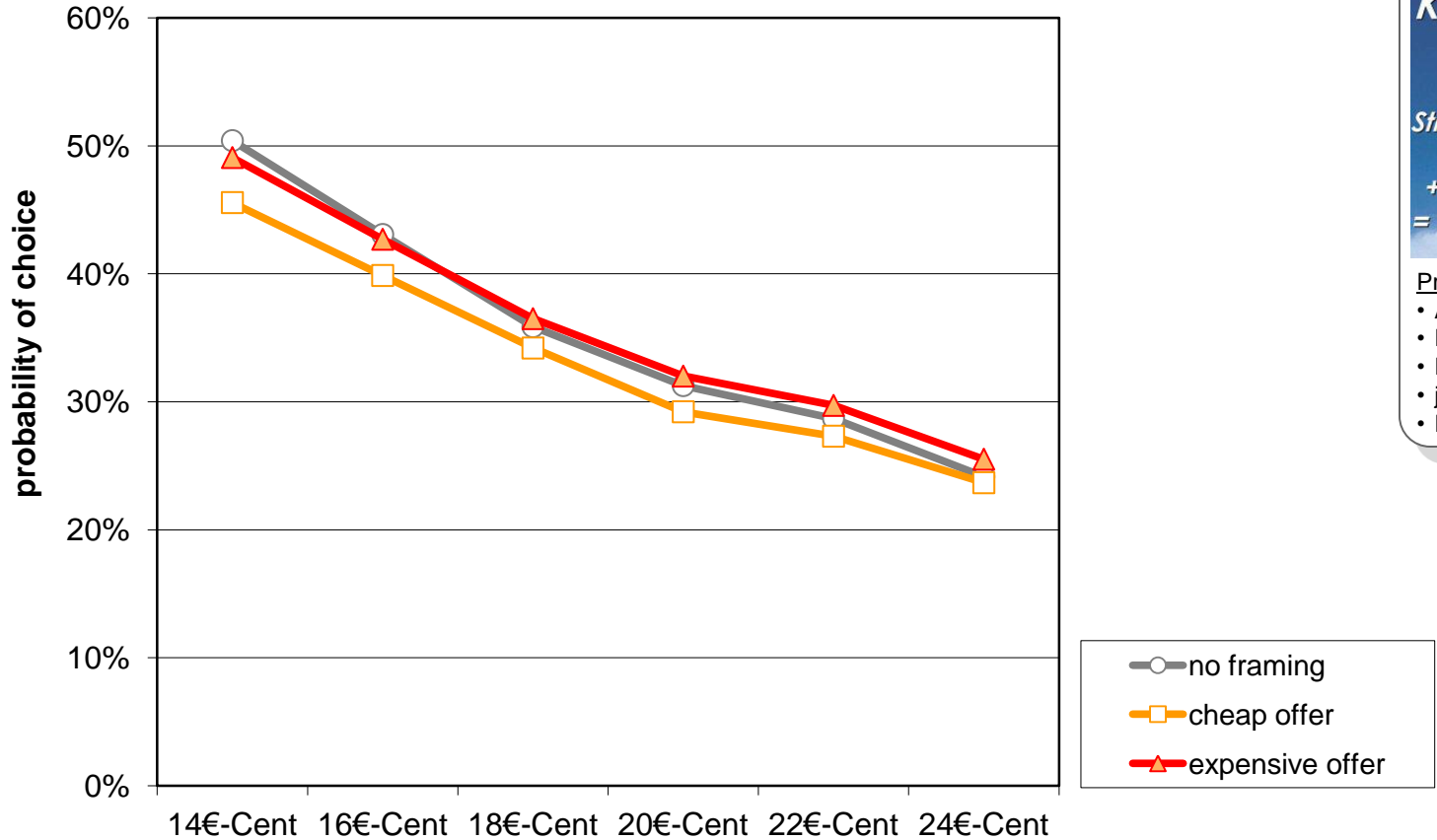
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	8101,284 ^a	11	736,480	10,690	,000
Intercept	145198,835	1	145198,835	2107,539	,000
framing_group	1266,743	2	633,371	9,193	,000
certainty_group	6076,891	3	2025,630	29,402	,000
framing_group * certainty_group	1843,162	6	307,194	4,459	,000
Error	33138,482	481	68,895		
Total	214382,000	493			
Corrected Total	41239,767	492			

a. R Squared = ,196 (Adjusted R Squared = ,178)

Effect of prior knowledge (certainty group) is larger than framing effect. Interaction effect is smallest but still very significant.

Framing reduces price sensitivity only slightly.

Experimental Group A vs. Experimental Group B vs. Control Group



KLIMA_POWER[®]

*Strom aus
30 % Windenergie
+ 70 % Kernenergie
= 100 % klimaneutral*

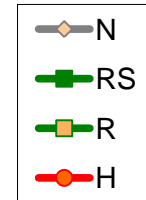
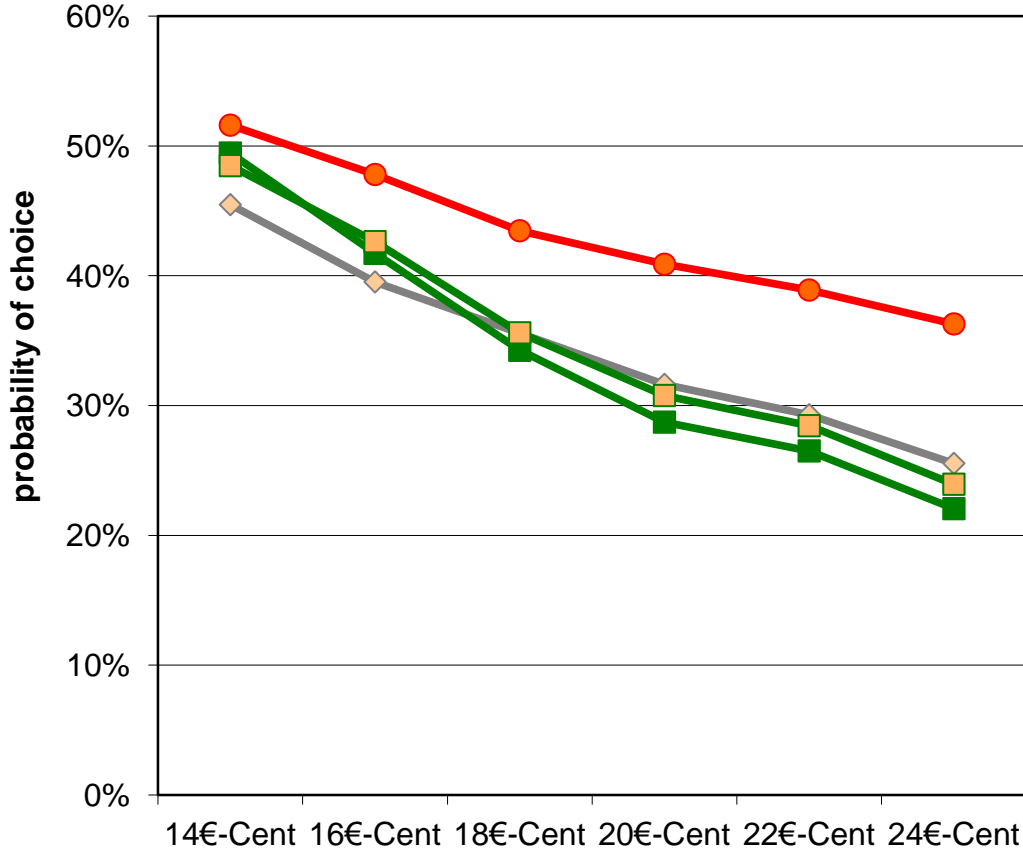
Produktkonfiguration:

- Anbieter: New Energy
- Energie-Mix: klimaneutral
- Preisstabilität: 12 Monate
- jährl. Grundpreis: 90 E
- Preis pro kWh. variabel

Control group shows a slightly stronger reaction on increased prices then framed groups.

Probands with unrealistic high specifications about own tariff react less orice sensitive.

Comparison of „certainty“-groups



Specification of own tariff

- N** too low
- RS** realistic and certain
- R** realistic
- H** too high

KLIMA_POWER[®]

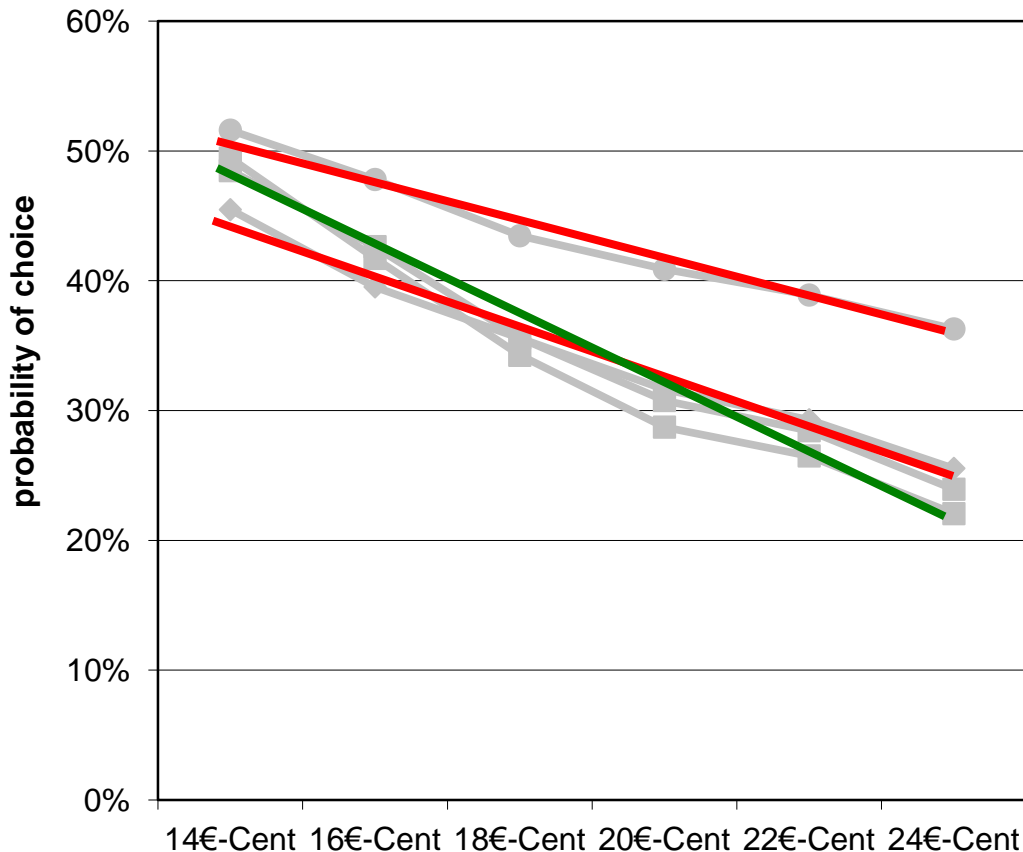
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Probands with unrealistic high specifications of own tariff react less price sensitive.

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Specification of own tariff

- N** too low
- RS** realistic and certain
- R** realistic
- H** too high

Probands with unrealistic high specifications of own tariff react less price sensitive. Same tendency can be observed for probands with very low specifications. Question: Is this a matter of involvement?

Results

1. Strong effects of prior knowledge

Prior knowledge of the price plays a central role regarding the results of classical pricing research techniques. Especially open ended questions react very sensitive. But also conjoint measures can be effected, too.

2. Noticeable framing effects!

Probands react on pricing information given during the test. Framing effects the absolute level of willingness to pay as well as the variance of responses.

Conclusion: Pricing research might lead to unrealistic results, at least when prior knowledge and framing is not considered!

Consequences for the setup of pricing research

1. Take care of (=measure!) prior knowledge of probands!

Measure prior knowledge and the certainty of probands about it. Both might and should serve as a control variable when analyzing your data.

2. Consider framing!

A moderate framing can be helpful to reduce the variance of answers to a (market-)realistic range. Framing can be applied by using closed answering categories instead of open ended questions.

SKOPOS

Institut für Markt- und
Kommunikationsforschung GmbH & Co. KG
Hans- Böckler- Straße 163
50354 Hürth
Phone: +49 (0) 2233 9988-0
Fax: +49 (0) 2233 9988-111
mail@skopos.de
www.skopos.de



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