Pricing optimisation

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Find out what customers are willing to pay in order to understand how to set prices to optimise revenue, sales or profitability.

What business problem does it solve?

Is the business getting best return from the products and services it sells? How can price be used to improve profitability or sales? Does the business have the optimum mix of prices and products to maximise its return against competitors in the market?

How does it work?

Customers are asked either for their reaction to different prices or what they would buy when shown products at different prices. Analysis looks at the demand curve (how many would pay at each price point) to model the optimum price points.

Types and versions

Simple Gabor-Granger direct pricing, van Westendorp price monitor, conjoint analysis, brand-price trade-off (BPTO), discrete choice modelling, real market tests.

Challenges

Getting people to say what they would really pay while avoiding psychological effects like anchoring, over-sensitising and negotiation. The aim is to find the optimum price (e.g. most revenue, most profits). Qualitative research is not appropriate.

Potential business impact	★★★★
Sophistication	★★★★
Use in forecasting	★★★★★
Ease of design	★★
Expertise required	★★★★