

The van Westendorp Technique

The Business Objective

You have already decided on the features that will be included in your product or service, so you don't need to use Conjoint. However, you want help coming up with a price that will work well in your market.

What is the van Westendorp Technique?

- It measures "Price Sensitivity" (what pricing the market will bear) for products or services
- It is appropriate for both b-to-b and b-to-c
- Respondents are asked 4 key questions related to their price expectations for a product or service:
 - Price at which product/service would be a *bargain*.
 - Price at which it would start to get *expensive*.
 - Price at which it would be so *cheap* that quality would be doubted.
 - Price at which it is *too expensive to consider*.
- These 4 questions are often referred to as: "inexpensive", "expensive", "too inexpensive", "too expensive"
- Additionally, respondents are asked for the price they would expect to pay (perceived price)
- The technique avoids asking the unreliable question of simply "what would you pay"

What is the Output?

A graph (see next page) is created that shows the following:

The *indifference price point (IPP)*

- Represents the "normal" price in the market or the price of the market leader.

The *optimal price point (OPP)*

- The "sweet spot" where the number of people who find the price acceptable is maximized, and resistance to price changes is minimized

The *point of marginal cheapness*

- Marks the low end of the range of acceptable prices

The *point of marginal expensiveness*

- Marks the high end of the range of acceptable prices

Notes of Caution

- Respondents should have current knowledge of competitive pricing in the market
- Respondents must be educated (given a detailed description of the features and functionality of the product or service)
- Further exploration of barriers and incentives to buy from a new/different company is necessary

(See next page for an example output)

Example Output

