Turas Pricing

Transparent. Trustworthy. Tangible insights.

> Determines optimal price points and acceptable ranges—what will customers pay? Pricing analyzes how price changes affect purchase behavior and finds the revenue-maximizing price point using Van Westendorp PSM and Gabor-Granger methods.

What This Module Does

Pricing is critical but difficult. What's the highest price customers will accept? How much will sales drop if you raise prices? What price maximizes revenue (not just volume)? This module provides data-driven answers to optimize your pricing strategy.

Using Van Westendorp's Price Sensitivity Meter (four price perception questions) and Gabor-Granger demand curves, you get the full picture: acceptable price range, optimal price point, price elasticity, and revenue projections at different price levels.

What You Get

Van Westendorp Outputs

- **Optimal Price Point (OPP):** Where "too expensive" crosses "too cheap"—revenue-maximizing
- **Acceptable price range:** PMC (Point of Marginal Cheapness) to PME (Point of Marginal Expensiveness)
- **Indifference Price Point (IDP):** Equal resistance to high/low pricing
- **Price sensitivity curves:** Visual representation of price perceptions

Elasticity Analysis

- **Price elasticity coefficient:** -2.0 means 10% price increase → 20% volume decrease
- **Revenue optimization curves:** Expected revenue at each price point
- **Demand forecasting:** Predicted volume at different prices

How It Works

Van Westendorp PSM (Four Questions)

Too Expensive: At what price would you not consider buying? Too Cheap: At what price would you question quality? Expensive: At what price would you hesitate? Bargain: At what price is it a great deal?

Finding Price Points

Plot cumulative distributions for each question. OPP = where "too cheap" crosses "too expensive." PMC = where "too cheap" crosses "not a bargain." PME = where "too expensive" crosses "not expensive." These intersections define your pricing boundaries.

Newton-Miller-Smith Extension

Adds purchase probability at each price to convert PSM into revenue projections. Combines psychological price thresholds with actual purchase intent.

Packages Used

All packages are peer-reviewed, open-source R packages available on CRAN.

Package	Why We Use It
pricesensitivitymeter	Purpose-built for Van Westendorp and Gabor-Granger—implements methods correctly
stats	Logistic regression for demand curves and elasticity estimation
ggplot2	Professional visualization of price sensitivity curves

Strengths

✓ **Multiple methods:** Supports PSM, Gabor-Granger, conjoint-based pricing

✓ **Revenue optimization:** Finds profit-maximizing price, not just willingness-to-pay

✓ **Visual outputs:** Clear graphs showing price-demand relationships

✓ **Segment analysis:** Different pricing insights for different customer segments

✓ **Elasticity estimates:** Quantifies price sensitivity precisely

✓ **Scenario testing:** Model "what if" pricing changes

Limitations

⚠ **Stated vs. actual:** Survey responses may not match real purchase behavior

⚠ **Competitive context:** Doesn't automatically account for competitor pricing

⚠ **Assumes rational decisions:** Real purchases influenced by emotion, context

⚠ **Static analysis:** Doesn't capture dynamic pricing or time-based changes

Sample Size Requirements

Minimum n≥200 for reliable PSM curves. Recommend n≥400 for segment-level pricing analysis. Gabor-Granger requires enough sample at each tested price point (n≥50 per price).

Best Use Cases

Ideal For

✓ New product launch pricing

✓ Pricing strategy optimization for existing products

✓ Understanding price-value perceptions

✓ Competitive pricing analysis

✓ Segment-based pricing strategies

Not Ideal For

⚠ Commodity products with no differentiation

⚠ Highly volatile markets (prices change daily)

⚠ Products with network effects (value depends on # users)

⚠ Luxury goods where higher price signals quality (Veblen goods)

Key Takeaways

✓ OPP (Optimal Price Point) is where fewest people are excluded—maximize this

✓ Acceptable range (PMC to PME) defines your safe pricing zone

✓ Elasticity <-1.0 means demand is sensitive—price increases hurt volume significantly

✓ Revenue optimization ≠ volume optimization—find the balance

✓ Segment-level analysis often reveals different price sensitivity by customer type

The Bottom Line

Pricing takes the guesswork out of pricing decisions with rigorous statistical analysis of price sensitivity. Whether using Van Westendorp's proven method or elasticity modeling, you get clear guidance on optimal price points and acceptable ranges. The module helps you balance volume and margin to maximize revenue—backed by quantitative evidence rather than gut feel.

About The Research LampPost

Turas is developed and delivered by **The Research LampPost**, an organisational member of the Southern African Marketing Research Association (SAMRA). Duncan Brett is a SAMRA accredited researcher with 30+ years of market research experience. If you have questions about whether Turas is right for your project, if there is interest in the statistical documentation or module-specific information, or you would like a copy of our credentials, please get in touch at duncan@researchlamppost.co.za

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