

Go To Market Strategies: Week 9 – Module 2

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- Ease of Comparison

- Private label products, i.e., retailer brands used to be placed in a separate section in the store; placing the private label next to branded products increases the ease of comparison and thereby increases price sensitivity

- Expenditure

- Large volume users tend to be more price sensitive
- Buyers tend to be more price sensitive when the focal component is a large part of total costs

○ Shared Expenses

- A separation of between the user, e.g., an employee and the payer, e.g., an employer can lessen price sensitivity

○ Price / Quality inferences

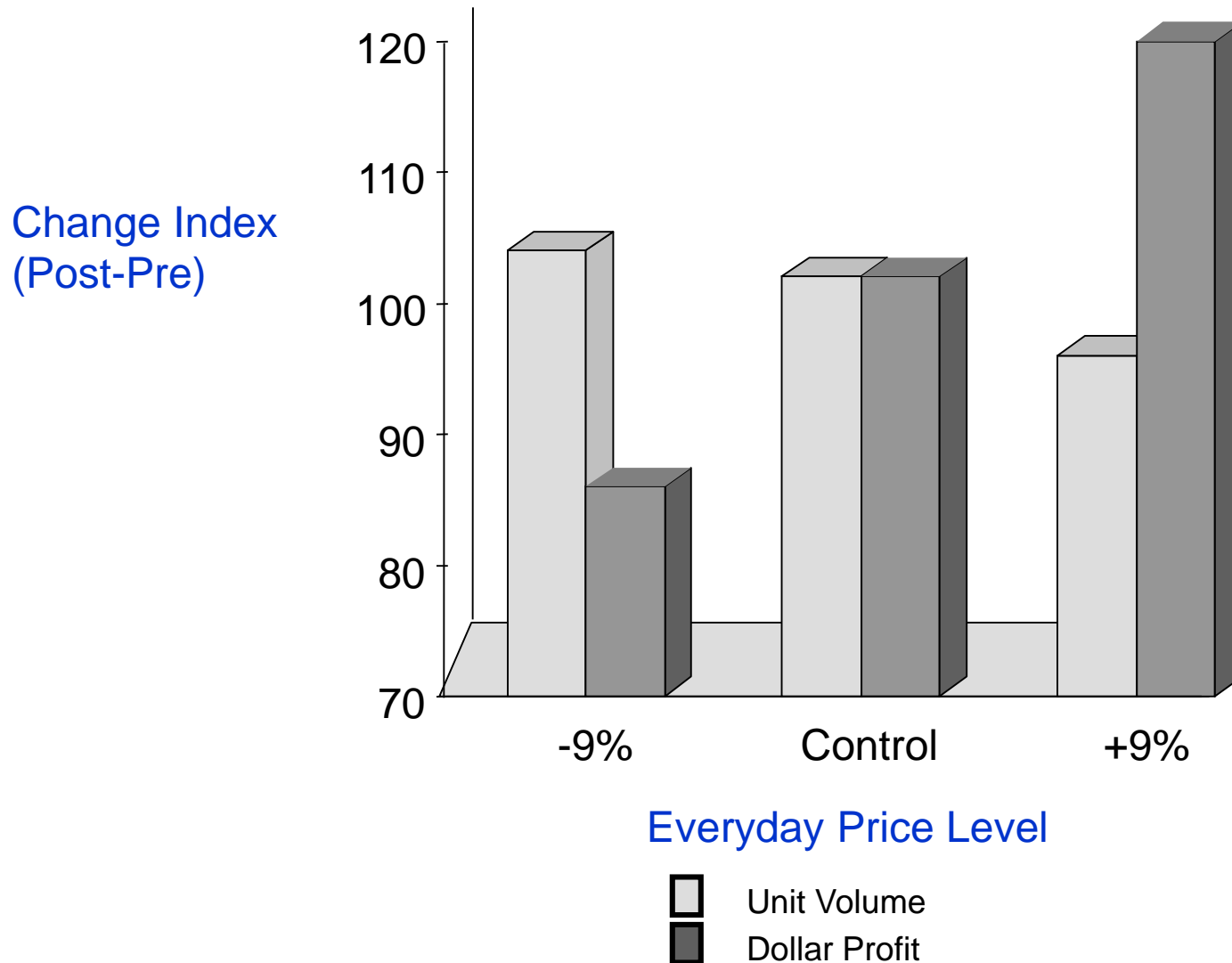
- When quality differences exist between, but the user cannot distinguish them e.g., in the case of complex legal services, price sensitivity will be lessened
- This is especially true when the seller uses branding and other methods to signal quality

Measuring Price Sensitivity

Conditions of Measurement

Variable Measured	Natural	Experimental
Actual Purchase	Sales data	Field experiments Laboratory experiments
Preferences/ Intentions	Surveys	Trade-off analysis (conjoint)

Field Experiment



- **9 endings [e.g., \$3.99, etc.]** Some experiments suggest that charging odd prices results in a substantial effect
- **Experiment:** Effect of advertised price endings on sales of margarine:
 - Regular price \$0.83; Sales = 2817
 - Discount price \$0.63; (+194%)
 - Discount price \$0.59; (+406%)