

Business Applications

Conjoint Analysis

Why Conjoint Analysis?

Consumers want everything and they want it for free!

How Has the Method Been Applied?



New Card Benefits

Room Configuration



THE RITZ-CARLTON®



Baltimore Ravens Logo



New Hotel Concept for
Business Travelers

New Services



First AT&T cell phones

Alternatively, Directly Asking Can Be Misleading . . .



When people are directly asked, . . .

**“Durability
+ Quality
+ Reliability”**

. . . but from the
conjoint consumers
really care about
Price + Design

It Works with Services Too...

All that is needed is a decomposition of the attributes



Mutual Fund = Past Returns + Fees + Brand Name + Online Access

What about B2B?

If you were Boeing, what are your customers willing to pay for your new aircraft?

Value of Aircraft =

- + Capacity
- + Max Range
- + Fuel Efficiency
- + Price
- + Service Contract + . . .



Choice-Based Conjoint Analysis



Below are several offers for a Kitchen Mixer from different retailers. Each Kitchen Mixer is for the same original price of \$350, but for a different deal or shipping fee. Please indicate which product you would most likely purchase.

Eligible for
amazon.com
Prime

	Price	Shipping	Notes	
	\$280.00 \$350 (Save 20%)	\$39.99 3 Days	30 days return policy Item may be placed on back-order 1-3 days	<input type="radio"/>
	\$315.00 \$350 (Save 10%)	Free 2 Days	No return policy Item may be placed on back-order 1-3 days	<input type="radio"/>
	\$350.00	\$19.99 1 Day	No return policy Item is in stock and ships immediately	<input type="radio"/>
None of these choices				<input type="radio"/>

Next

Embedded Premium Promotion: Why It Works and How to Make It More Effective

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In this paper we define an embedded premium (EP) as an enhancement that involves a social cause added on to a product or service. We characterize EP as a sales promotion strategy and juxtapose it with traditional approaches, such as discounts and rebates. Across three experiments, using a nationwide Internet panel and employing stated measures and model-based inference, we find that at low denominations EP is more effective than an equivalent price discount. We describe how an EP's social association may influence consumer choice quite differently than price promotions and, contrary to the asymmetric price promotion effect documented in the promotions literature, we find that EP benefits an unknown brand more than a known brand. Our hierarchical Bayes approach uncovers heterogeneity in EP effectiveness that can be explained by affinity toward the focal charity, personal motivations, and demographic markers. An identifiable segment of individuals prefer the "other" over "self," suggesting possible EP optimization and segmentation strategies. Two such strategies, customization and coverage, are empirically tested, and the former is shown to be very effective. Our findings have broad implications for brand managers with regard to resource allocation and EP program return on investment (ROI), as well as important social welfare implications.

Key words: embedded premium; sales promotion; consumer choice; hierarchical Bayes; ROI; cause-related marketing

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Choice-Based Conjoint Example

Attribute	Levels
Brand	National Bank, Capital One
Interest rate	9.9% APR, 12.9% APR
Payback percentage	1%, 5%
Payback destination	WHO, WHO & Habitat, charity of choice, cash back

Choice-Based Conjoint

Arora and Henderson 2007

- Respondents indicate their charity preference by selecting one cause from five:
 - American Cancer Society, World Health Organization, Habitat for Humanity, SchoolWise, National Wildlife Federation
- Choice-based conjoint, 16 tasks
- Respondent characteristics
 - Usage, cause affinity, demographics

Example Choice Task

2 *If evaluating a credit card offer with a charitable donation option that lets you decide who receives your money, which one of these five organizations would you choose to support? (click one)

- ☐ American Cancer Society
- ☐ World Health Organization
- ☐ Habitat for Humanity
- ☐ SchoolWise (for local schools)
- ☐ National Wildlife Federation

<ul style="list-style-type: none">➤ Capital One Visa➤ 9.9% Fixed APR➤ 1 % of your monthly charges donated to the World Health Organization and Habitat for Humanity	<ul style="list-style-type: none">➤ Capital One Visa➤ 12.9% Fixed APR➤ 1 % of your monthly charges donated to the charity you selected	<ul style="list-style-type: none">➤ National Bank Visa➤ 9.9% Fixed APR➤ 5% of your monthly charges credited back to you
A	B	C

Embedded Premium Conclusion

- People are willing to trade off cash back % with the choice of giving the cash back to a charity.

What should Portland Trailblazers do?

What is the most important Attribute?

Utility	Number of Games
0.03257	Three-game create-your-own pack, including one elite team and two very good teams
0.24383	Six-game create-your-own pack, including two elite teams and four very good teams
-0.2764	Ten-game create-your-own pack, including any combination of teams

Utility	Ticket Price
0.65646	\$15 per seat per game
0.22011	\$25 per seat per game
0.126	\$35 per seat per game
-1.00257	\$60 per seat per game

Utility	Ticket Location
-0.73169	300 level, behind the baskets
-0.43716	300 level, on the corners
0.15736	300 level, midcourt
1.01148	200 level, midcourt

Utility	Promotional Item
0.12511	Priority for home playoff tickets
0.17428	Hot dog and soda with each ticket
0.00158	Trail Blazer apparel (hat, jersey, etc.)
0.01689	\$20 gift certificate for popular local restaurant
-0.31786	No promotional item

Can Portland Raise Ticket Prices?

What about the promotions?
