

Business Applications

Conjoint Analysis, Part 1

Why Conjoint Analysis?

Asking direct questions about preferences often leads to unenlightening answers.

- What load would you like to pay on your mutual fund?
- What annual fee would you like?
- Would you like online access to your funds?

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

Why Do Firms Use It?

Firms want to increase profits by providing the product features that consumers value.



*What
happened
to “free”
airline
meals?*

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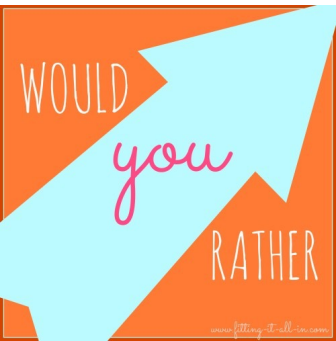
**Fly to SFO for
\$499
(includes meal)**



**Fly to SFO for
\$489
(without meal)**



*What
happened
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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 + . . .



What about Clothing?

