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Assignment 3

Q1] Which attribute does the conjoint analysis indicate is most important in the overall purchase decision?

A1]

Calculate the range of utility scores for each attribute using the data from the Excel sheet to determine which attribute has the most influence on purchasing decisions.

The ranges of utility scores for each attribute are listed below:

Number of Games: 0.52023

Ticket Price: 1.65903

Ticket Location: 1.74317

Promotional Item: 0.49214

The Importance of attribute:

Number of Games: 0.143230794

Ticket Price: 0.241339056

Ticket Location: 0.479933152

Promotional Item: 0.135496998

The attribute with the biggest range is Ticket Location, which has a range of 1.74317 and an importance of 0.143230794. According to the conjoint research, ticket location is the most critical factor influencing overall purchase decisions. Seat placement differences (for example, 300 level vs. 200 level, midcourt vs. behind the hoops) have a substantial impact on customers' ticket package choices.

This research recommends that Portland Trail Blazers management should prioritize seat position options in their ticket packages to optimize appeal and possible income.

Q2] Are the conjoint results useful in making any pricing decisions? What useful information can be gleaned from the research?

A2]

Trailblazers Pricing Decisions using Conjoint Analysis.

This document explains how the Portland Trailblazers can use conjoint analysis data to make informed season ticket pricing decisions, boosting attendance utility while being profitable.

Understanding Conjoint Analysis Results

Conjoint analysis emerges as a robust tool for pricing decisions, offering insights into the relative importance of various ticket attributes such as the number of games, location, and price to prospective attendees. This aids the Blazers in comprehending the trade-offs fans are willing to make, such as opting for fewer games in exchange for better seats or a reduced price.

Management Preference: The Blazers prioritize offering 6-game packages over 10-game or 3-game options.

Price Constraints:

The minimum price for 200-level midcourt seats should be $60.

The minimum price for 300-level midcourt seats should be $25.

Evaluating Pricing Options Based on Conjoint Data

We'll delve into four attributes: number of games, ticket location, price, and potential promotional items.

i. Number of Games: Given the alignment with management preference and the highest utility score, we'll concentrate on the 6-game package.

ii. Ticket Location and Price: Priority lies with options meeting the price constraints:

Option 1: 6-game package, $60 per seat, 200-level midcourt (meets the minimum price requirement for 200-level seats)

Price Comparison within Same Location: When both options offer 300-level midcourt seats:

iii. Price Comparison within Same Location: If both options offer 300-level midcourt seats:

$25 per seat will be preferred over $35 per seat due to the higher utility associated with a lower price.

iv. Location Trade-off: We'll compare the options above to a potential corner seat option:

We'll calculate a trade-off score that considers the combined utility of price and location for each option.

The option with the higher trade-off score will be preferred.

Let's calculate the total utility for each combination and identify the top 3:

1. **Combination 1:**
   - Number of Games: 3-game create-your-own pack
   - Ticket Price: $15 per seat per game
   - Ticket Location: 200 level, midcourt
   - Promotional Item: Hot dog and soda with each ticket

Total Utility = Utility(Number of Games) + Utility(Ticket Price) + Utility(Ticket Location) + Utility(Promotional Item) = 0.03257 + 0.40316 + 0.27905 + 0.33179 = 1.04657

2. **Combination 2:**
   - Number of Games: 6-game create-your-own pack
   - Ticket Price: $15 per seat per game
   - Ticket Location: 200 level, midcourt
   - Promotional Item: Hot dog and soda with each ticket

Total Utility = Utility(Number of Games) + Utility(Ticket Price) + Utility(Ticket Location) + Utility(Promotional Item) = 0.24383 + 0.40316 + 0.27905 + 0.33179 = 1.25783

3. **Combination 3:**
   - Number of Games: 3-game create-your-own pack
   - Ticket Price: $25 per seat per game
   - Ticket Location: 200 level, midcourt
   - Promotional Item: Hot dog and soda with each ticket

Total Utility = Utility(Number of Games) + Utility(Ticket Price) + Utility(Ticket Location) + Utility(Promotional Item) = 0.03257 + 0.33179 + 0.27905 + 0.40316 = 1.04657

So, the top 3 combinations with the highest total utilities are:

1. Combination 2: 6-game create-your-own pack, $15 per seat per game, 200 level midcourt, Hot dog and soda with each ticket

2. Combination 1: 3-game create-your-own pack, $15 per seat per game, 200 level midcourt, Hot dog and soda with each ticket

3. Combination 3: 3-game create-your-own pack, $25 per seat per game, 200 level midcourt, Hot dog and soda with each ticket

While our initial analysis highlighted Combinations 2 and 3 as potentially favorable based on their utility scores, a closer examination of pricing considerations reveals that these options may not be financially viable due to their high costs. Therefore, to ensure a balanced approach prioritizing both customer satisfaction and profitability, we recommend the following combination:

Combination 1	Cost	Utility
6-game create-your-own pack, including two elite teams and four very good teams		0.24383
$25 per seat per game	25	0.22011
300 level, behind the baskets	-10	–0.73169
Priority for home playoff tickets	0	0.12511
Total	15	0.58905

Combination 2	Cost	Utility
6-game create-your-own pack, including two elite teams and four very good teams		0.24383
$35 per seat per game	35	0.126
300 level, on the corners	-12	–0.43716
Hot dog and soda with each ticket	-3.25	0.17428
Total	19.75	0.54411

Combination 3	Cost	Utility
6-game create-your-own pack, including two elite teams and four very good teams		0.24383
$60 per seat per game	60	–1.00257
300 level, midcourt	-18	0.15736
Hot dog and soda with each ticket	-3.25	0.17428
Total	38.75	0.57547

Combination 4	Cost	Utility
6-game create-your-own pack, including two elite teams and four very good teams		0.24383
$60 per seat per game	60	–1.00257
300 level, on the corners	-12	–0.43716
Priority for home playoff tickets	0	0.12511
Total	48	0.36894

Trade-Off Analysis for Basketball Game Ticket Packages:

Utility per Dollar Calculation:

The utility per dollar spent for each combination can be calculated using the formula:

Utility per Dollar = Utility / Cost

- Combination 1: Utility per Dollar = 0.03927
- Combination 2: Utility per Dollar = 0.02755
- Combination 3: Utility per Dollar = 0.014851
- Combination 4: Utility per Dollar = 0.00768

Conclusion: Combination 1 offers the highest utility per dollar (0. 03927), indicating it provides the most value relative to its cost among the four options. This makes it the most cost-effective choice. Combinations 3 and 4, despite having the same cost, offer significantly lower utility per dollar, with Combination 4 being the least efficient. Combination 2 presents a reasonable trade-off but is less efficient than Combination 1.

Willingness to Pay:

Baseline Combination We assume Combination 1 as the baseline since it has the lowest cost at $25 per seat per game.

Utility-to-Price Conversion Factor Calculation: Given that Combination 1 costs $25 and has a total utility of 0.58905, we'll use this to establish the baseline utility-to-price ratio. Then, we'll employ this ratio to determine the additional price customers might be willing to pay for the increased utility in other combinations relative to the baseline.

Combination 2: Willingness to pay is approximately $23.09 per seat per game. Combination 3: Willingness to pay is approximately $24.42 per seat per game. Combination 4: Willingness to pay is approximately $15.66 per seat per game.

These values illustrate how much more (or less) a customer might be willing to pay for the utility provided by each combination, relative to the baseline cost and utility of Combination 1 ($25 per seat per game).

Pointers for the Blazers:

- Offer a 6-game season ticket package focusing on 200-level and 300-level midcourt seats.
- Price these tickets competitively, considering the trade-off between price and location based on conjoint analysis data.
- Strategically utilize promotional items, prioritizing those with high utility and low cost (e.g., playoff ticket priority).
- Continuously refine pricing strategies based on ongoing conjoint analysis to optimize attendance and revenue. By adhering to these pointers, the Portland Trail Blazers can leverage conjoint analysis to formulate a pricing strategy that maximizes attendance utility while ensuring financial viability.

Q3] What about the promotional items? Are they worth giving away (free) to season-ticket holders?

A3]

Based on the utility scores obtained from the conjoint analysis, we can assess the viability of providing promotional items to season-ticket holders as a means of augmenting value and bolstering ticket allure. Below is a breakdown of the utility scores associated with each promotional item:

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

Cost vs. Benefit:

Priority for home playoff tickets incurs no direct cost but yields significant perceived value. This option is highly favorable as it enhances value without adding expenses. Hot dog and soda entails a cost of $3.25 per package for the Blazers, which is relatively modest considering its positive utility score. This suggests that it effectively enhances the attractiveness of the tickets. Trail Blazers apparel and restaurant gift certificates exhibit low utility scores, implying minimal perceived value relative to their costs. Apparel costs $12.00 per item, while the restaurant gift certificate costs $10.00 to provide a $20 value.

Evaluation of Promotional Items:

Incremental Value: Promotional items such as playoff ticket priority and hot dog and soda exhibit the highest utility scores among the options, indicating substantial perceived value added to the ticket packages. This implies that their inclusion can heighten the appeal of season tickets and may justify their costs through increased sales or renewal rates.

Analysis of Promotional Item Utility:

The data provided suggests that none of the promotional items detrimentally impact utility. In fact, the "Hot dog and soda with each ticket" promotion contributes positively to utility, with a score of 0.17428, translating to approximately a 3.9% boost in overall utility. Interestingly, the absence of promotional items appears to slightly reduce utility by -0.31786, or roughly 7.2%. Notably, the overall significance of promotional items as an attribute is approximately 11.15%.

Recommendation for Promotional Item:

Based on the data, it is strongly advised to include the "Hot dog and soda with each ticket" promotion in the season ticket package. While the absence of promotional items results in a slight

decline in utility, the potential 7.2% reduction underscores the need for proactive measures. Offering the hot dog and soda promotion addresses this concern at a relatively low cost of $3.5 per ticket.

Cost-Effectiveness Comparison:

Relative to alternative promotional items such as Trail Blazers apparel or a $20 gift certificate, the "Hot dog and soda" promotion presents a compelling value proposition. It yields the highest utility contribution among the options analyzed while maintaining significantly lower costs. This combination of maximizing utility and minimizing expenditure renders it the most strategically advantageous promotional item for season ticket holders.

Conclusion:

Indeed, providing promotional items, especially those with high utility scores like playoff ticket priority and food vouchers, can prove worthwhile for season-ticket holders. They augment ticket value and have the potential to enhance customer satisfaction and loyalty, crucial for fostering long-term customer relationships and ensuring revenue stability. Nonetheless, it is imperative to strike a balance between the cost of these promotions and their benefits, targeting them strategically to maximize their impact.