

Pricing for Researchers

A review of Qualitative Pricing Research

BACKGROUND

- Qualitative pricing research is primarily focused on understanding a customers' *willingness to pay* or *perception of value*.
- Qualitative pricing research is not used nearly as frequently as quantitative. However, it has an important role in the domain of pricing research.
- It is much more frequently used in B2B research, and appropriately so. However, it is often misused in the B2C environment e.g. focus groups using the Van Westendorp methodology.
- Unique tools such as; Value Maps, Value Hierarchies and Financial Value Calculators can be developed from the results of a B2B qualitative study.
- This review focuses on the execution of depth interviews as a means to collecting qualitative pricing data.

DESCRIPTION OF HOW IT WORKS

- Depth interviews or focus groups with customers are the typical methods used to collect qualitative data.
- In conducting qualitative depth interviews several steps in the research process must be carefully designed to maximize the quality of the customer interview:
 1. Develop an interview guide that is primarily based on open ended questions but still focused on the research objectives. The interview guide should allow for lines of questioning that test specific price and value hypotheses or concepts that are relevant. Probing questions need to be developed, articulated and rehearsed before the interviewee approaches a prospective respondent. Probing questions need to drill down into the customer's most basic level of needs and their desired end state with respect to the product or service.
 2. A customer contact list should be developed from the organization's own customer database. All relevant customer segments should be defined and an appropriate sample size determined.
 3. Interviews should be recorded, so the interviewer is not hindered by note taking.
 4. Lastly, the coding, analyzing and interpretation of the collected information is completed.

STRENGTHS

- This method is very useful in complex B2B environments.
- It can be very useful in new product pricing research applications.
- It typically requires much smaller sample sizes than quantitative studies.
- A greater depth and breadth of customer insight can be observed versus a structured survey method.
- Greater flexibility in observing and understanding the differing needs of buyers, influencers and users.
- Generates data that provides a deep understanding of Economic Value (e.g. impact on time, productivity, cost savings, revenue generation, customer satisfaction, etc.)

WEAKNESSES

- This method has occasional application in B2C industries but is generally not a strong method.
- The Van Westendorp methodology is a frequently used method that has proven to provide questionable results. This method lacks the statistical rigour of quantitative research and hence cannot be used as effectively for forecasting purposes.
- Interpreting and describing customer behaviour based on qualitative data typically is more time consuming than other data collection methods.
- Qualitative research is inherently less structured and subject to interpretation versus quantitative data.
- The quality of the interviewer can create variability in the data.

OUR ASSESSMENT

- In the initial stages of the project a significant amount of time should be allocated to determining which customers should be interviewed. The customer target list should be based on the expectation that the selected customers will provide the greatest insight or the most valued customers.
- In our experience, we have found that qualitative research is worth exploring as a pricing research methodology under the following conditions;
 - Complex product configurations,
 - B2B environments,
 - When multiple decision makers are involved in the purchase decision.
- We have found that this pricing research methodology is not effective when;
 - The purchase is an impulse decision,
 - The product or service is a commodity,
 - It is a simple decision making process for the buyer.