

## What are Choice Models?

Choice Models are an extremely broad and flexible set of tools that provide quantitative insight into how and what decisions individuals and groups will likely make.

Choice Models attempt to model purchasing or choice decisions -- they are a means to identify how different combinations of product attributes and levels affect market penetration / uptake and revenue.

### Assumptions:

- ◆ Products are described in terms of a predefined set of attributes
- ◆ With data on a carefully selected subset of possible product combinations, we can predict results for all possible products, by...:
  - ◆ Quantifying the amount each attribute contributes to the total rating for product options; and
  - ◆ Using these to estimate how each respondent would have rated other combinations

Through simulation, share results for a specific product among a defined set of options can be estimated

### What types of business questions will Choice Modeling answer?

Which product attributes (including price) will contribute most to overall preference for any product / program?

How does preference for a product change as we manipulate its attributes? What are the "must have" performance levels?

How well can I expect my product to compete?

From which competitive options will my product capture share? What portfolio of products can I offer to appeal to different market segments and maximize overall share?

What is the optimal product configuration to maximize share?

What is the optimal pricing to maximize revenues? If I raise my price by 10%, how will it affect my brand? How will it affect competitor's brands?

## When does a client **need** Choice Modeling?

Choice Models have applications across the entire product life cycle.

### Phase I/II

- To validate core concept viability
- To understand fundamental drivers of decision making
- To determine key factors for success

### Phase III

- To optimize pricing
- To understand cannibalization issues

### Phase IV

- To optimize franchise when a second product or line extension is involved

### Reposition

- Refine market positions
- Identify additional market niches

## What **output** do these models provide to answer the research questions?

### Attribute Importances

"What are the drivers of product / brand selection?"



### Sensitivity to Attribute Levels

"What specific product features are more valuable and by how much?"



### Market Simulations

"What is likely uptake for a product with a given profile?"

"How much is one product likely to be preferred over another?"

Brand	Share
A	50%
B	30%
C	20%