



Advanced Quant Techniques

July 14, 2011



Improved BPTO

Ray Poynter, The Future Place

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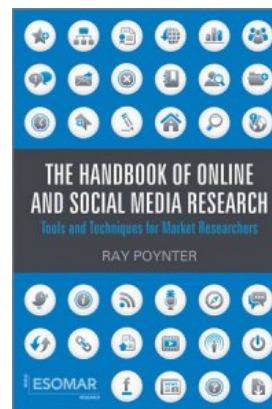
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Improved BPTO

Ray Poynter
The Future Place



Speaker Ray Poynter, The Future Place, UK
NewMR Advanced Quant Techniques, July 14, 2011

BPTO

Brand Price Trade-Off



Developed in the 1970s

Original version does not work!

But it can be modified



BPTO example



Disguised data



Prices to be tested



Douwe Egberts
Continental
Freeze
Dried 200g
£5.29

Market	£5.29
-40%	£3.17
-30%	£3.70
-20%	£4.23
-10%	£4.76
0%	£5.29
10%	£5.82
20%	£6.35
30%	£6.88
40%	£7.41

Traditional BPTO



Douwe Egberts
Continental Freeze
Dried 200g
£3.17



Cafe Direct
Fairtrade
Original 200g
£3.20



Carte
Noire
Coffee 200g
£2.98



Kenco
Rich Dark
Roast 200g
£2.81



Nescafe
Alta Rica
200g
£3.57



Nescafe Blend 37
Freeze Dried
200g
£3.03



Nescafe
Coffee
Granules 200g
£2.27



Sainsbury's
Gold Roast
200g
£1.61

Traditional BPTO



Douwe Egberts
Continental Freeze
Dried 200g
£3.17/ **£3.70**



Cafe Direct
Fairtrade
Original 200g
£3.20



Carte
Noire
Coffee 200g
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Kenco
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Nescafe
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200g
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Traditional BPTO - Limitations



Limited number of products

Start prices well below market prices

Many steps required to fill decision matrix

Many respondents **can't** do the tasks

The task is repetitive, too obvious, and annoying!

Do not use traditional BPTO



Modified BPTO

Based on 'real' starting prices

Evoked set chosen by respondent from longer list

(20-30 products are typical)

Fewer tasks

Tasks more engaging for respondent

Published 1997, Sawtooth Conference, USA

"An Alternative Approach to Brand Price Trade-Off" ,1997, Ray Poynter

Modified BPTO



Douwe Egberts
Continental Freeze
Dried 200g
£5.29



Cafe Direct
Fairtrade
Original 200g
£5.34



Carte
Noire
Coffee 200g
£4.97



Kenco
Rich Dark
Roast 200g
£4.68



Nescafe
Alta Rica
200g
£5.95



Nescafe Blend 37
Freeze Dried
200g
£5.05



Nescafe
Coffee
Granules 200g
£3.78



Sainsbury's
Gold Roast
200g
£2.69

Modified BPTO



Douwe Egberts
Continental Freeze
Dried 200g
£5.29/£5.82



Cafe Direct
Fairtrade
Original 200g
£5.34/£5.13



Carte
Noire
Coffee 200g
£4.97/£4.77



Kenco
Rich Dark
Roast 200g
£4.68/£4.49



Nescafe
Alta Rica
200g
£5.95/£5.71



Nescafe Blend 37
Freeze Dried
200g
£5.05/£4.85



Nescafe
Coffee
Granules 200g
£3.78/£3.63



Sainsbury's
Gold Roast
200g
£2.69/£2.58

Modified BPTO



Douwe Egberts
Continental Freeze
Dried 200g
£5.29/£5.82
£5.70



Cafe Direct
Fairtrade
Original 200g
£5.34/£5.13
£4.92



Carte
Noire
Coffee 200g
£4.97/£4.77
£4.58



Kenco
Rich Dark
Roast 200g
£4.68/£4.49
£3.83



Nescafe
Alta Rica
200g
£5.95/£5.71
£5.83



Nescafe Blend 37
Freeze Dried
200g
£5.05/£4.85
£4.65



Nescafe
Coffee
Granules 200g
£3.78/£3.63
£3.48



Sainsbury's
Gold Roast
200g
£2.69/£2.58
£2.48

What have we collected?



For each respondent

- The price value for each product
- For any given set of prices, which would they choose

For each product

- The value that each respondent has for it
- The number who value it most
- The number who would 'never' buy it



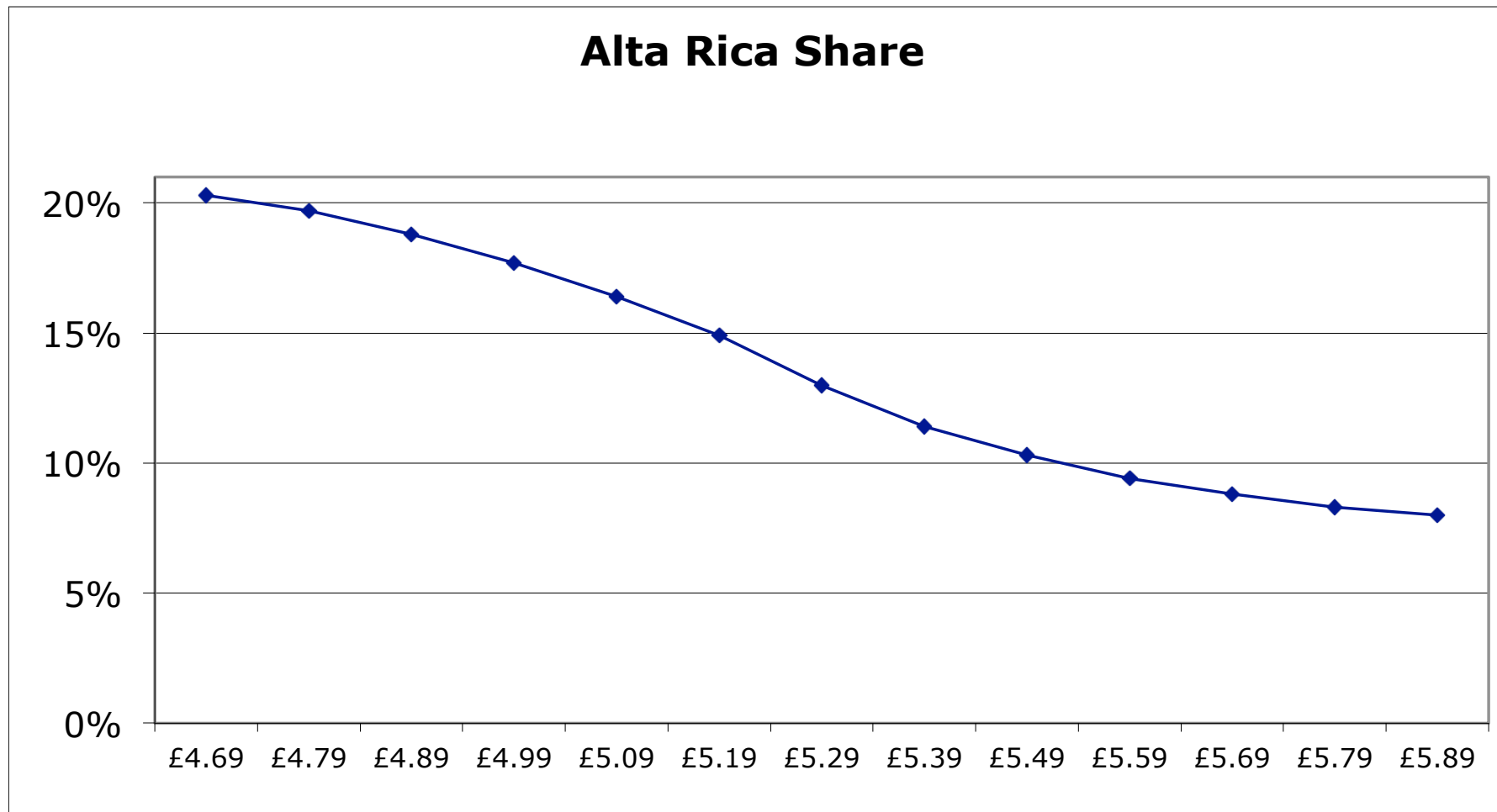
Modelling Price

Demonstration model

Use	Product	Base Price	Change	Base Share	Model Share	Change
1	Douwe Egberts	£5.29	+£0.60	13%	8%	-5.0%
1	Café Direct	£5.34		11%	12%	1.1%
1	Carte Noire	£4.97		5%	5%	0.2%
1	Kenco	£4.68		15%	16%	0.8%
1	Alta Rica	£5.95		9%	10%	1.4%
1	Blend 37	£5.05		12%	13%	0.9%
1	Nescafe Granules	£3.78		26%	26%	0.4%
1	Sainsbury's	£2.69		9%	9%	0.2%

N.B All data generated randomly

Modelling Price - output



Constraints and limitations



Based on 100% awareness and distribution

Assumes the competitive array is correct

Does not deal with discounting, e.g. BOGOF

Zero sum model

Consumption does not increase or decrease

No standard software

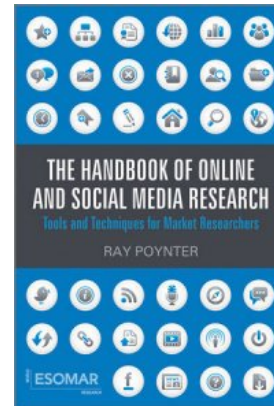
Join the Dots (nee Virtual Surveys) have library routines

Modified BPTO Summary



Diagnostics	Some
Price Reversals	No
Takes other products into account	Yes
Typical sample size	150-250
Analysis level	Respondent level
Market size	Zero-sum market
What-if Modelling	Yes

Thank you



Ray Poynter
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Q & A



Ray Poynter
The Future Place



Sue York
The Future Place

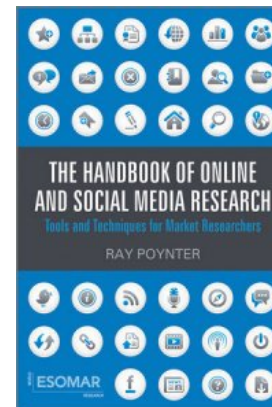
Ray Poynter

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