

Benefit Pricing

Optimizing The Price Point for a Product Line Extension

Case History

Category: *Health & Wellness Company*

Methods: *Pricing Research, Market Evaluation, Name Research, Choice Modeling*

Summary

A leading Health & Wellness Company was planning to add a new product to their existing product line and wanted to ensure that the product extension was a good fit and was priced optimally within the line.

Strategic Issues

The company currently has a large line of products that offer a variety of benefits. Before launching the new product, the manufacturer needed to determine the best approach for the launch (including pricing) and to ensure that the product would have a positive impact on market share.

Research Objectives

Objectives included:

- Determining reactions to the new product among health & wellness professionals who currently recommend other products in the line.
- Understanding the appeal, value proposition, and optimal name and pricing for the new product.

Research Design and Methods

Over 300 health & wellness professionals participated in an online survey. The new product was evaluated for appeal and a choice task was used to evaluate brand dispensing trade-offs across a range of price points for the new product, holding current products at constant current market prices. The resulting data was modeled and calibrated to assess the optimal price point for the new product and to understand current product line cannibalization.

Results

The new product was well received by the health & wellness professionals, although the research revealed the benefit of the new product may be difficult to explain to consumers. The research also determined the most preferred name and an optimal price point for the product that increased share for the line with the lowest cannibalization rate.