

A conjoint analysis example to explain how it works

[Business](#)



Conjoint analysis is a statistical tool used to understand the consumers better. It is used during a marketing research to determine what a customer wants in their products. It determines what things which a customer from buying their goods or services. Conjoint analysis is concerned with how a customer makes their choice when buying things.

Based on this analysis, a company will formulate their marketing strategy. They will see what majority of their customers seek in their products and try to improve that. The analysis helps the companies to understand what aspects of their products are most desirable. They will act upon that certain aspect to ensure higher profitability. It is like getting into the customers' mind and catering them to their specific needs. This ensures smooth running of the business as well as optimum performance levels.

Setting the criteria of your product

In order to start a conjoint analysis, you have to set a number of features which define your product. You have to ask the consumers the correct questions as to what makes them buy your product.

A conjoint analysis example of a mobile phone company would be setting criteria's like;

- battery life;
- camera quality;
- outlook and design;
- affordability.

Some people would buy mobile phones based on looks only. Some would prefer that their phones have a long lasting battery. Others would prefer good quality camera at a reasonable price. All these are giving us an inside look at the buyers mind.

Rating the criteria

So what happens after the criteria are set?

Once they are set we ask the people to choose their preferences. Then we ask them to rate each criterion.

Using the same conjoint analysis example, we ask the people how much they would rate those four criterions based on their needs.

For instance, one particular buyer might find the design more important than the rest. But he or she may also prefer having a long lasting battery. So he or she will rate design as number one priority while battery comes at second.

Similarly, other customers will do the same. Some will rate affordability higher than the rest. Others will prefer camera quality first then affordability.

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Ranking the results

After rating the set of criteria, we move on to ranking the results. Once again, we are going to use the same conjoint analysis example of mobile phones.

The ratings were given by the customers. They rated based on their priority. Gave higher ratings to things which they were looking for in their products. Also rated lower to those things which they felt were irrelevant. Now we have a raw set of data.

Using this data from the conjoint analysis example, we start ranking them. Now it's our turn, as in the companies' turn to rank the data. We assign weights to each category and find out which criteria stood out among them.

Rankings are given from a level of one to sixteen. One being the highest and sixteen being the lowest. Although in some cases it is vice versa. This ranking gives the company an idea as to what most of the customers prefer. Using the criterion of the conjoint analysis example we have four factors. Affordability, design, battery life and the quality of the camera. Now you have our own set of rankings. You found out that the majority of the people rated the battery life as a big priority. So you have ranked the battery as level one in your own rankings.

End Results

With the ratings done by the customers, the company have ranked their criteria as well. Now you are left with concrete information as to how a buyer thinks. You have essentially looked into the customers' mind to find out what factors make their decisions. Once again sticking with the conjoint analysis

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example given before, mobile phones with high battery life are more preferred than design, good quality of the camera or even price range.

So what does the company do now?

They re-strategize their marketing plan. They start making phones with bigger and better batteries. They will look to capture that huge customer base that all preferred longer battery lives. In this way, they can capture a major share in the market. Offshore they will look to improve other sectors of the mobile phone as well. They need to do that too otherwise they will lose the other sector of the customers who preferred designs and camera quality. However, their main focus will be on the battery life.

This was only one conjoint analysis example. There can be tons of other things. For instance food industries can provide a lot of conjoint analysis examples. Do people go to restaurants for the quality of food? Do they only seek better ambiance? Or are they looking for good food at cheap price?

On the other hand, a conjoint analysis example would be from the garments industry. You cannot pinpoint a trend when it comes to clothes. Lots of people will prefer casual wear while a huge chunk will want formals clothes. Women will want tradition clothes while teens will want something fashionable. This is when the conjoint analysis becomes tricky. You cannot find a specific set of criteria. Even if you do, it becomes hard to give ratings on those as the consumer rankings are almost neck to neck. This can be considered as a drawback for conjoint analysis.

The conjoint analysis itself is a very lengthy process. You need customer's input then you need to analyze it and then get an idea of the buyers' mind. Sometimes emotional attachments to products or services also end up giving difficult results. However if it is done right then the business can bloom and run smoothly.

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