

# Things you need to know about conjoint analysis

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Conjoint analysis is a statistical technique used for marketing research. It is used during marketing analysis to determine what a customer wants.

Conjoint analysis determines how different consumers' value different products based on different attributes.

How does conjoint analysis work?

Conjoint analysis can be referred to as an advanced tool for marketing analysis. It is an advanced technique that is used to get into the minds of the people. So how does it work? The procedure is pretty simple. You give a selected bunch of people some choices to make. In other

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You give a selected bunch of people some choices to make. In other words, you let them choose a product. When they do, you ask them on what basis they picked that certain product. Whether it was because of the price range, the quality, the lack of substitute or other factors. You are basically finding out the criteria on which they chose their products.

What's the purpose?

After you are done with the conjoint analysis, you are left with a result. This result lets you measure the utility of your product. In other words, you can find the value of the said product. The conjoint analysis is perfect for asking questions such as "how is our product doing? What changes should we bring to it? Is the price too high?" Not only that but the conjoint analysis also gives

you an idea of how the consumers are thinking. You can formulate your future marketing strategy based on the analysis.

### Understanding the People

A big part of carrying out a successful business is to know your customers. The better you know them the better your performance will be. If you know what they want and what are their preferences then you can produce goods in that way. You will be more efficient in the market. The business will use its resources in a more orderly manner. For all these reasons, the conjoint analysis is done. Call it a marketing strategy.

Every customer has to choose between different products or services. They chose based on certain factors. This is something called “ trade-off”. Do they want high quality over low price? Is good service more important than outlook and design? Let’s say you are buying a mobile phone. Do you want high-resolution camera or do you want long lasting battery? These are the questions that come into a consumer’s mind. These are all trade-offs in a conjoint analysis.

Understanding your customer is the key issue. Once you get inside their head, you plan out your production or services in that way. If you are in the food industry and the majority of your customers want quality food over great ambience, then you are going to focus more on the food. How did you know about customers wanting better quality over the environment? Simply by the conjoint analysis.

### Utility Concept

Product utility is basically the satisfaction derived from the consumption of a particular product. That is to say how much satisfaction you are getting from consuming the same product over and over again.

Just like any other human reaction, the satisfaction tends to decrease after repeated consumption. The joy you get from riding a plane for the first time won't be the same as the joy you get while riding for the tenth time. Why? Because you are getting used to it.

Similarly when it comes to food or beverages your consumption decreases. Same can be said about certain services. You love your first day at spa. You keep going a few more times. Eventually, you lose the allure you had for it and stop going there altogether.

These things can be and are counted in a conjoint analysis. What does it do? You are getting the information on the utility of the customers. This way your business will know how much marketing you can do for a certain product before the consumers get bored of it. How long you can milk the profit out of that service before you have to introduce something newer and better.

### Drawbacks

Just like any other analysis, conjoint analysis has its own limitations. While it is a very helpful tool, it is a very complex technique. It requires a full understanding of how to use it.

Since it is getting into the minds of the consumers, you need to run the analysis on a huge sector of people. You need to have a wide range of people to give their opinions. Not only that but also this technique requires a <https://assignbuster.com/things-you-need-to-know-about-conjoint-analysis/>

lot of criteria. The set of questions has to be accurate. Are you going to ask about price levels? Or do you prefer performance? Should you include alternatives? All these questions need to be relevant to the product or service you are providing.

Keep in mind that you cannot just ask any questions. If you are in the TV industry then the questions have to be about the type of shows they want to watch and not if they care about price levels.

There are other drawbacks for the conjoint analysis.

For instance, sometimes people buy goods or services based on emotions. They won't be affected by the criteria you are setting. Sometimes they move on their instincts. If you have been going to a restaurant since childhood then it is likely that you won't stop going there even if the alternative is very good. In this case doing a conjoint analysis is almost worthless. The analysis won't give any straight idea as to what the consumer wants.

Marketing your products and services requires patience and strategic thinking. If your company can sustain that level of patience, then conjoint analysis is the best method to go with. However, some companies prefer to go for short term marketing strategies. For them, conjoint analysis may not be the best way to go. Yet, the benefits of a conjoint analysis are a lot and if you can perform it successfully then the business is likely to boom.

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