

TNS Value Manager

A new method to predict
consumer choice for
optimal price strategies



Overall, Russian consumers are...

Less happy
about
standards of
living



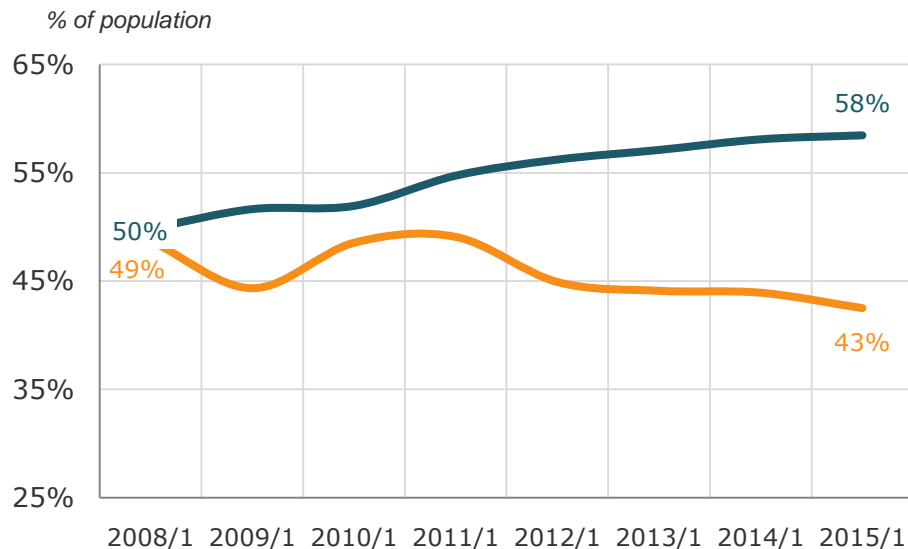
Are worried
about the price
increase



More money
conscious



The shoppers are becoming more money conscious...



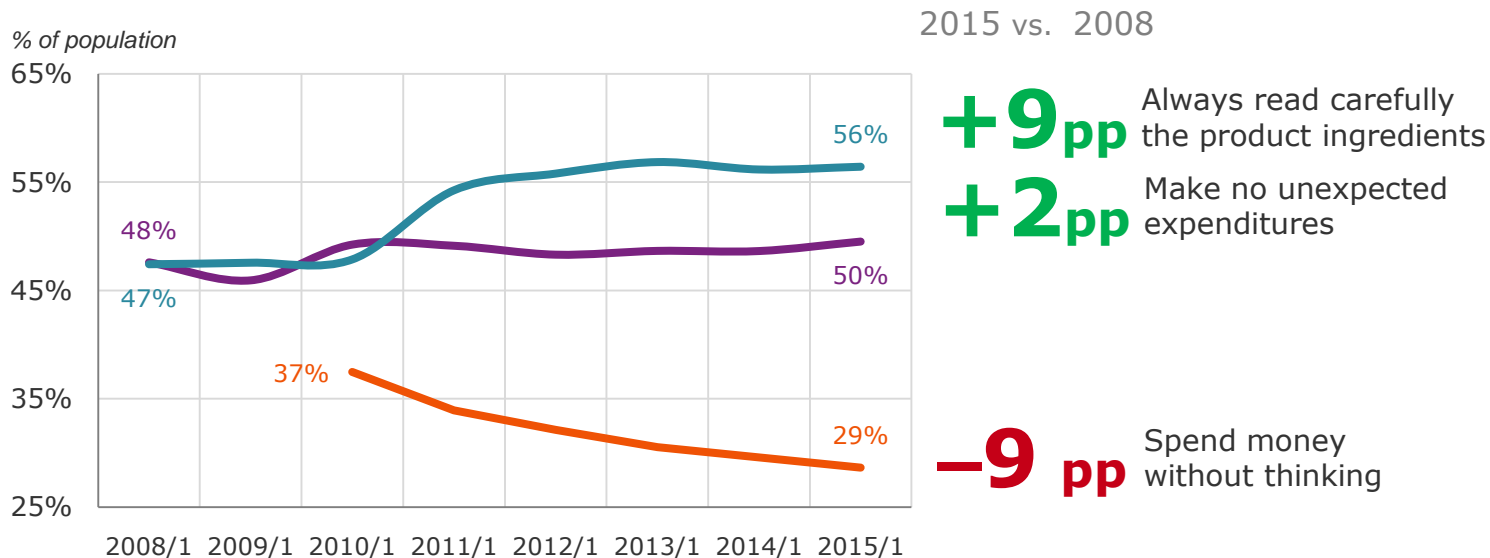
2015 vs. 2008

+8 pp Silly to spend money on luxury goods

-6 pp Do not go to cheap stores

Source: TNS, Marketing Index / TGI, Russia (cities 100+), Base: 18+ y.o.

...and are better planning their purchases



Source: TNS, Marketing Index / TGI, Russia (cities 100+), Base: 18+ y.o.

Claiming changes in consumption people tend to save money in different ways:

reduce budget...

...or leave categories



Focus on promo
and sales



Change price
segment



Switch to DIY

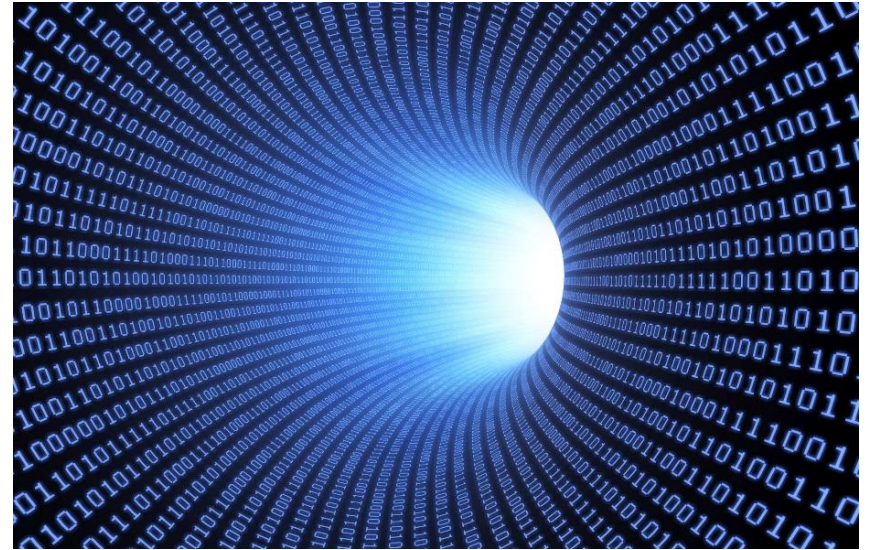


Lapse some
categories

Building a pricing system around better data

"When we started to take pricing seriously, we realized that we needed not only to collect **better data** but to be **more systematic** about using it."

(Petr Partsch – sales chief for Linde Gases, Czech Republic)



Better data with Technology Enabled Research

We're collecting data,
but are we **listening**?

/ 'lɪsn / [verb]

*to hear what someone has
said and understand that
it is serious and important*

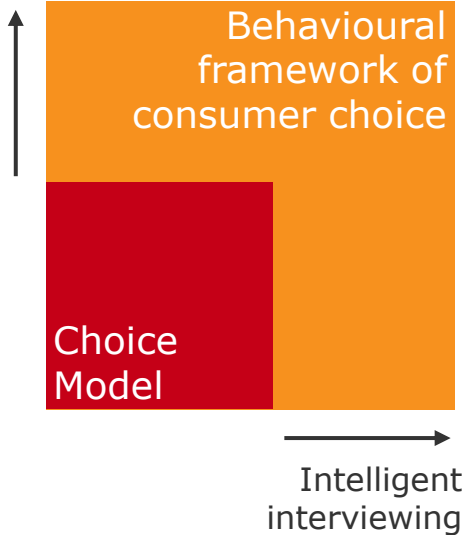
We're listening,
but are we **learning**?

/ lɜ:n / [verb]

*to improve your behaviour as
a result of gaining greater
experience or knowledge of
something*

A behavioural framework of consumer choice

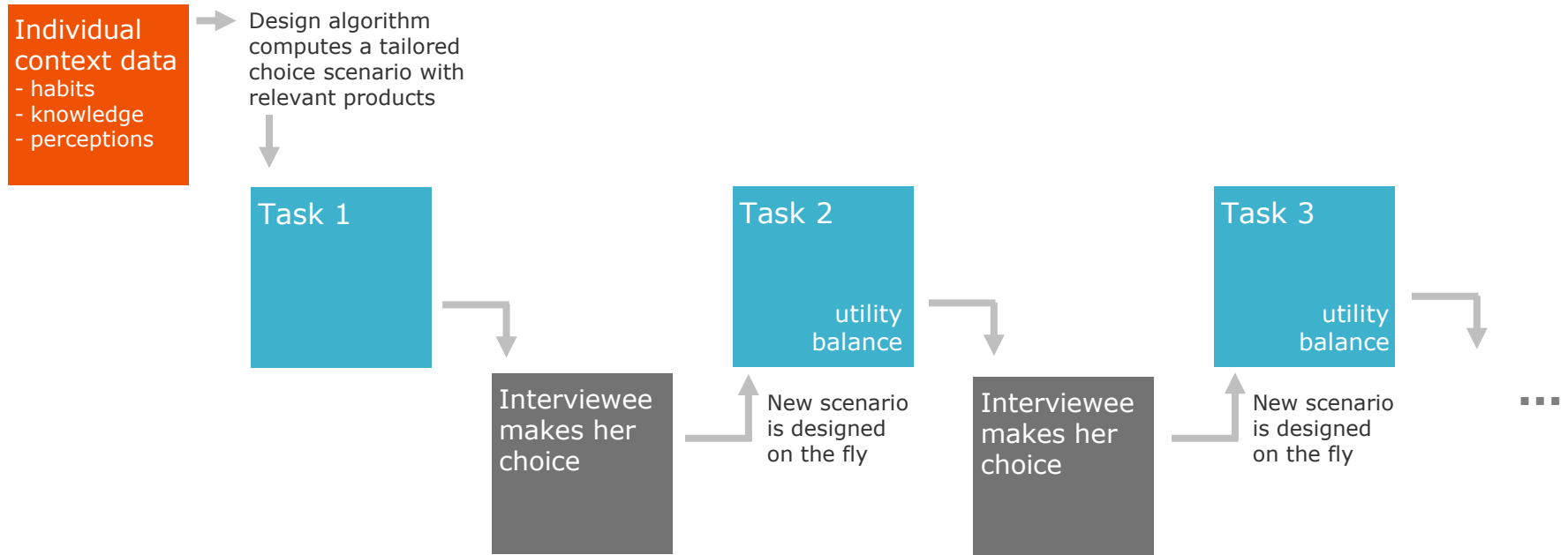
Behavioural
Economics



The expanded model puts buying decisions into **context**:

- Consumers actively “build” their choice sets
- Buying habits, price knowledge and brand images inform sets and choices

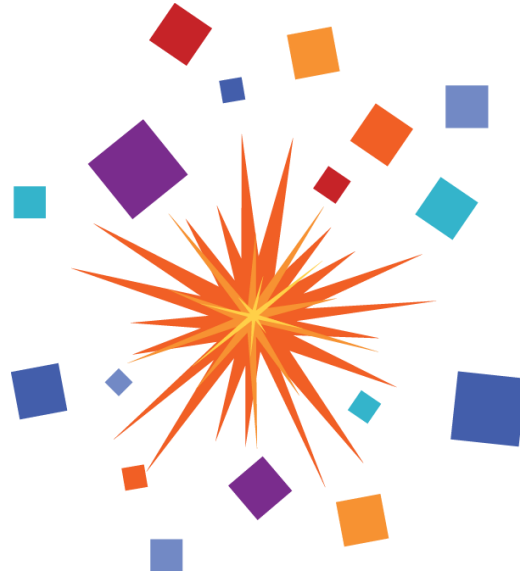
Intelligent communication with active consumers



Two-fold innovation

Behavioural Economics

- Habits, heuristics and cognitive limitations of decision makers inform the design
- Context information is treated as signal, not noise



Intelligent interviewing

- Rather than survey passive respondents, we interact with individual consumers
- We get better data from shorter, simpler interviews

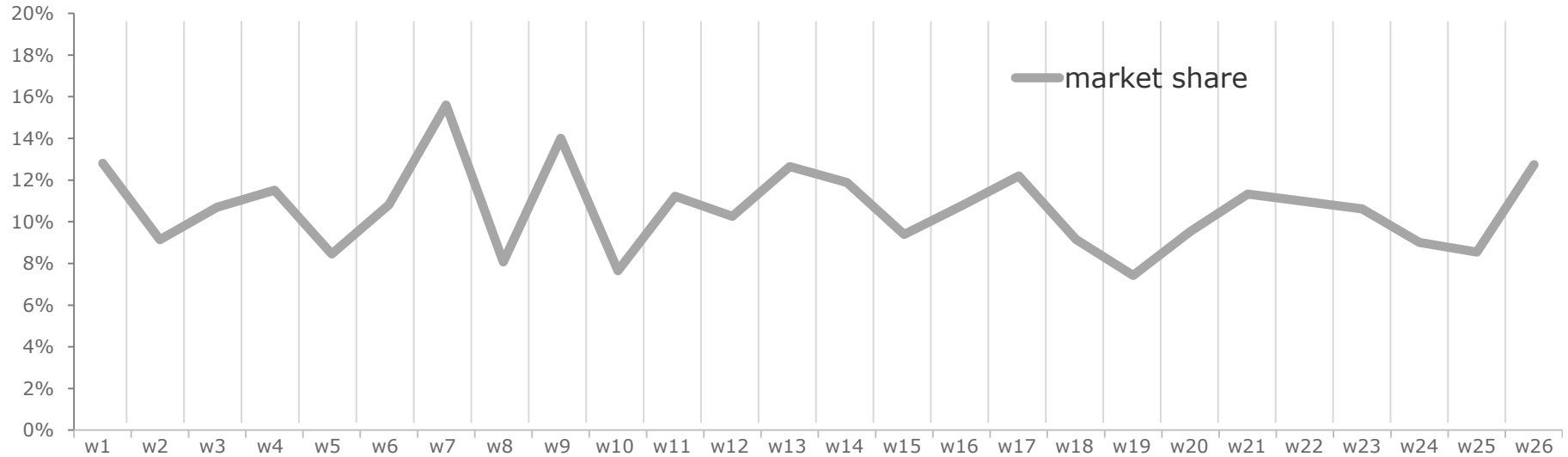
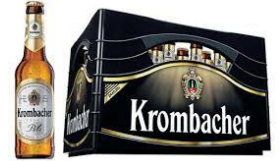
Market simulations

A case study

Market simulations are the key output of our pricing tool:
How strongly will buyers react to **new pricing scenarios**?

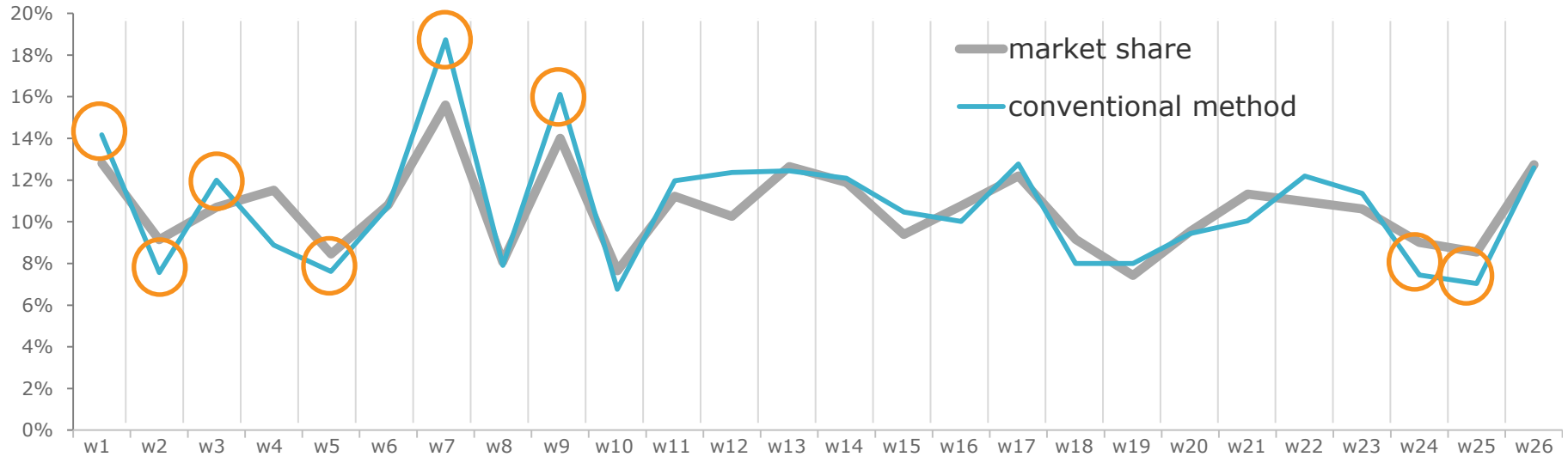
In our case study we look at the **German beer market** in
the first 26 weeks of 2015.

Weekly market simulations for Krombacher 20x0.5 ltr



Weekly market simulations for Krombacher 20x0.5 ltr

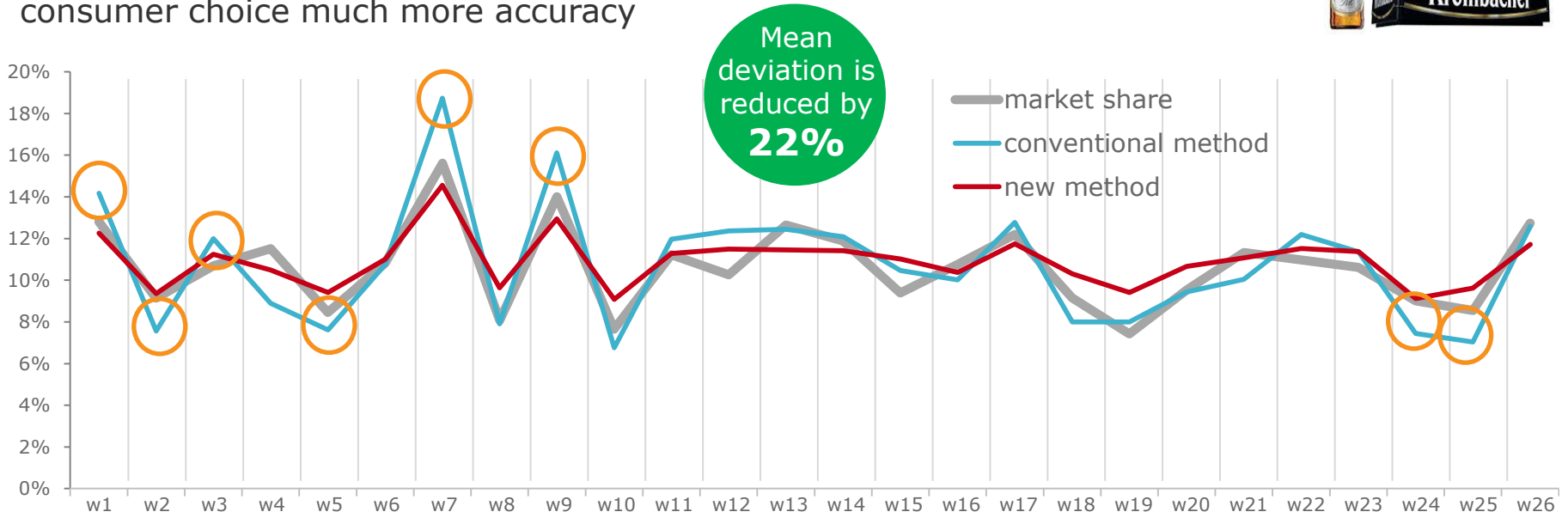
Conventional choice models tend to overestimate the impact of price changes



Weekly market simulations for Krombacher 20x0.5 ltr



The new method predicts the impact of price changes on consumer choice much more accurately



Listen to each respondent and learn

Our behavioural framework implies that the **individual context** of choice matters:

- Does the individual respondent **know prices**?
- Which brands are in her **purchase repertoire**?

The role of price knowledge

We expect that **buyers with little or no awareness** of prices in the category **are less price-sensitive**.

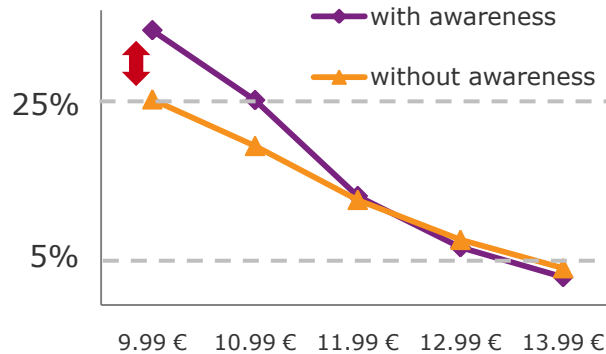
Do we find that in our market simulations?

The role of price knowledge

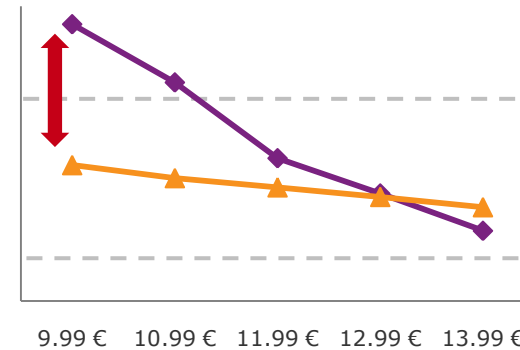
Krombacher changes in price, all others remain constant



Conventional method



New individually adaptive method



Differential impact leads to realistic predictions of price elasticity

The role of brand repertoires

We expect that consumers do not change their habits easily.

They will be price-sensitive if a particular brand is in their purchase repertoire. If they **never bought a brand** in the past, they will **ignore price changes** of that brand.

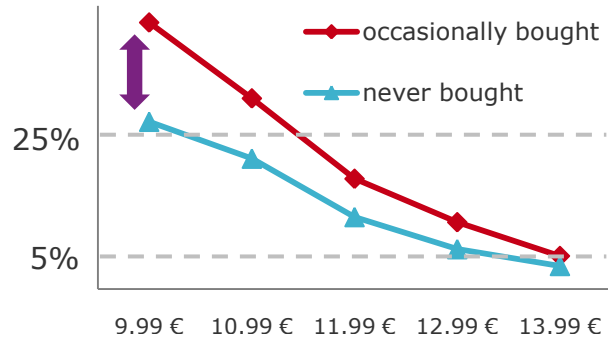
Do we find that in our market simulations?

The role of brand repertoires

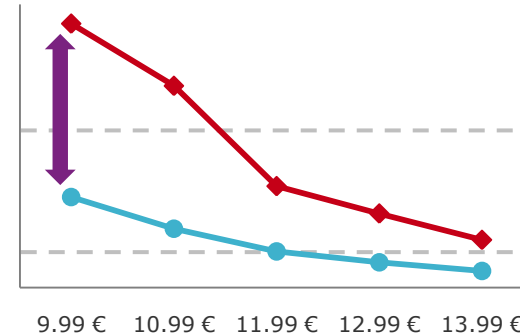
Krombacher changes in price, all others remain constant



Conventional method

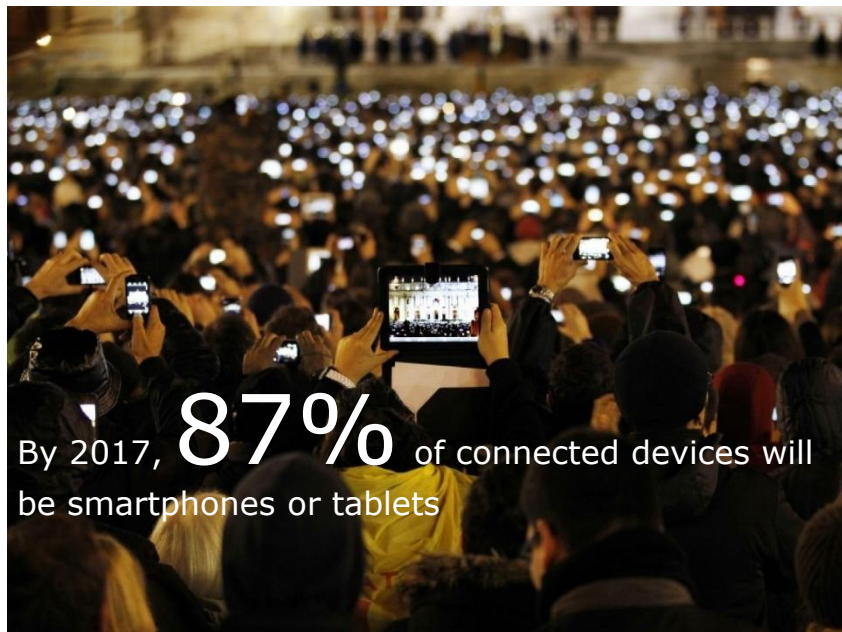


New individually adaptive method



Differential impact leads to realistic predictions of switching behaviour

Better data in a mobile world



Mobile devices need **shorter, smarter** communication.

When interviewed on mobile devices

50%

interrupt the interview at least once.

After 10 minutes on a smartphone

40%

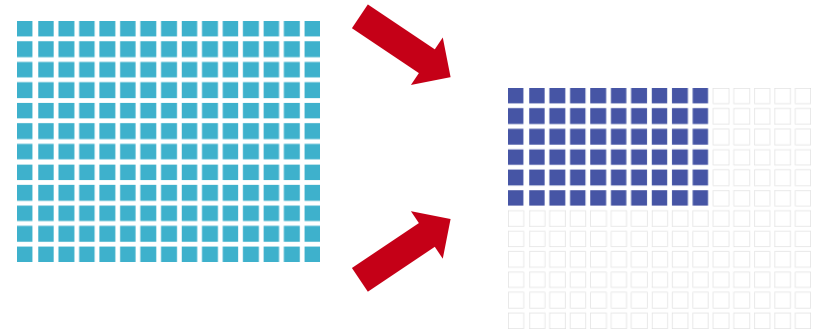
drop out.

Fewer data in a mobile world

Smaller displays,
shorter attention spans



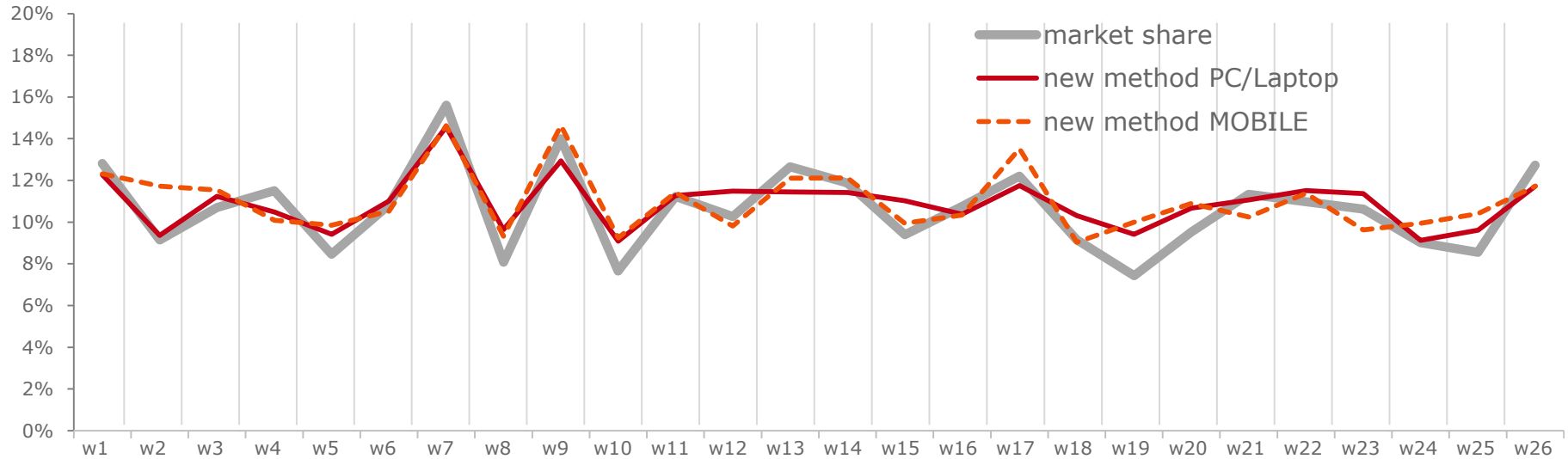
Fewer questions,
fewer data per respondent



Weekly simulations for Krombacher 20x0.5 Itr



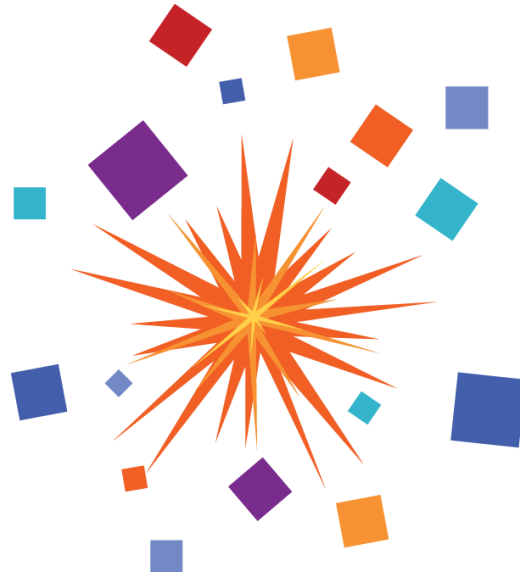
Simulations from mobile data are slightly less accurate, but still very close to real market shares



Building a pricing system around better data

Behavioural Economics

- teaches us that context matters: Habits and heuristics inform buying decisions
- helped us to build a behavioural framework around our choice models



Intelligent interviewing

- Saves time and gives us better data
- enables mobile surveys even for demanding prediction tools