

# Novi vidiki v enacbi vrednosti

Slovenska marketinška konferenca

Date: June 2, 2009

***ATKEARNEY***

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# How should we think about the consumer value equation?

## One Big Challenge

- Develop an integrated response to crisis that addresses each level of consumer value

## A Few Key Questions

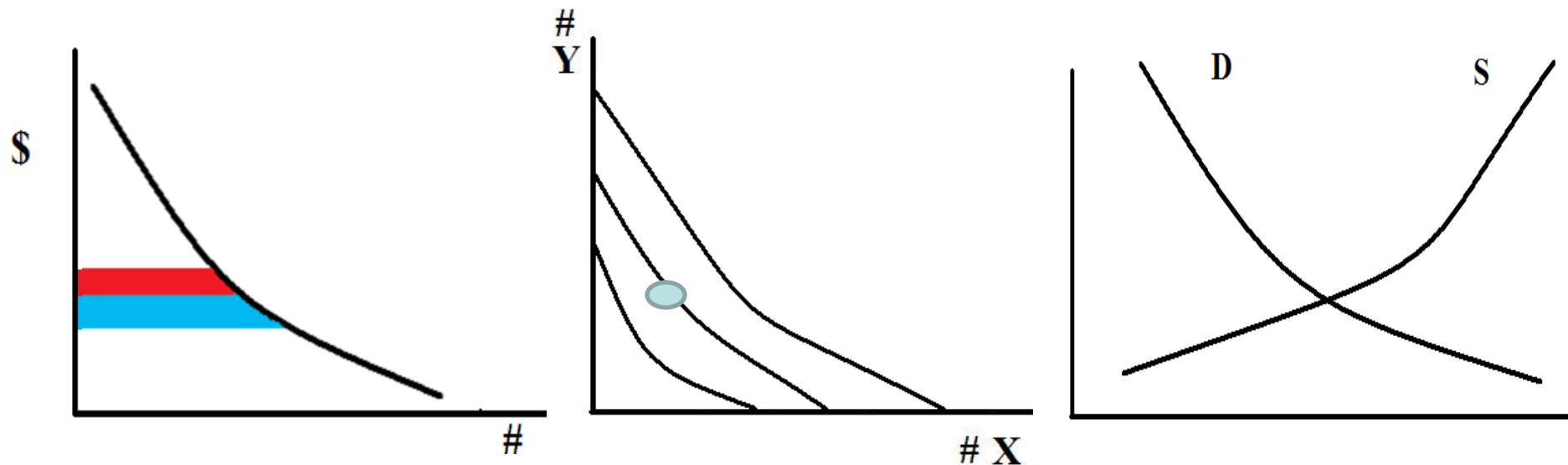
- Product Value: What value does this product offer?
- Opportunity Value: Which other valuable products should I consider?
- Potential Value: When should I redefine my values?

## Many Potential Solutions

- Product model adjustments
- Expenditure model adjustments
- Consumer segment model adjustments

# Challenge: Providing value to consumer requires an complete approach that considers product, opportunity, and potential value

The challenge is to relate each component of consumer value to respond quickly to shocks to the consumer's world view



# Product value is based on real and imagined product attributes

Value equation is the sum of all attribute utilities minus some standardized unit of cost

$$V_i = \Sigma R + \Sigma I - \$$$

**Opportunity Value is assigned by examining products within a given universe of personal experience**

**Value equation is an optimization of products as utility substitutes and compliments**

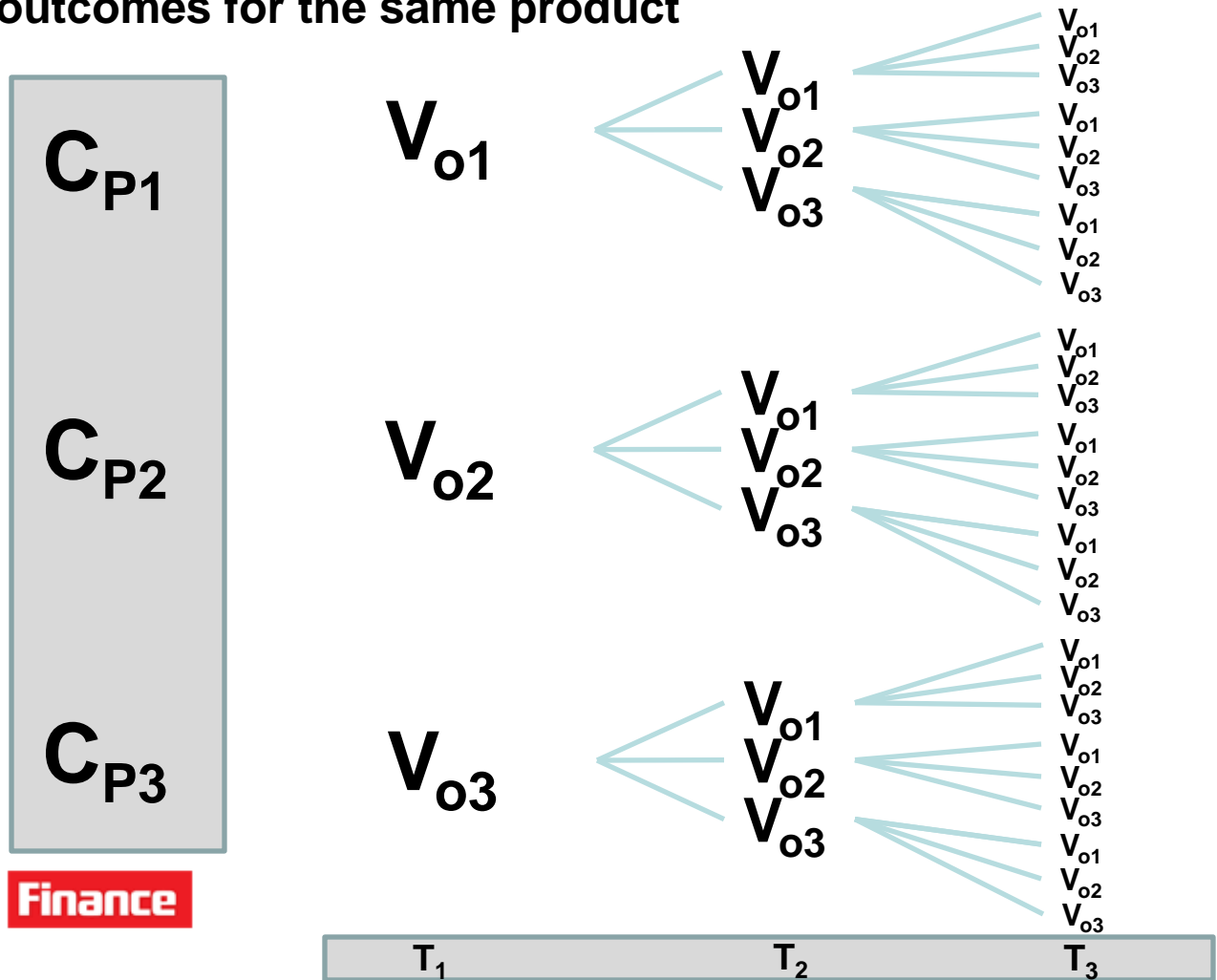
$$V_o = \text{Max}(\sum V_i)$$

**Subject to \$ = c**

**And Given All Cov( $V_i$ )**

# Potential Value is assigned by consumers adjusting their entire utility portfolio in response to major shocks

Value equation is a real option chain as consumers will consider different value outcomes for the same product



# Adjustments to the basic conjoint survey

**Frame scenarios for customers other than the current environment to create forward looking datasets**

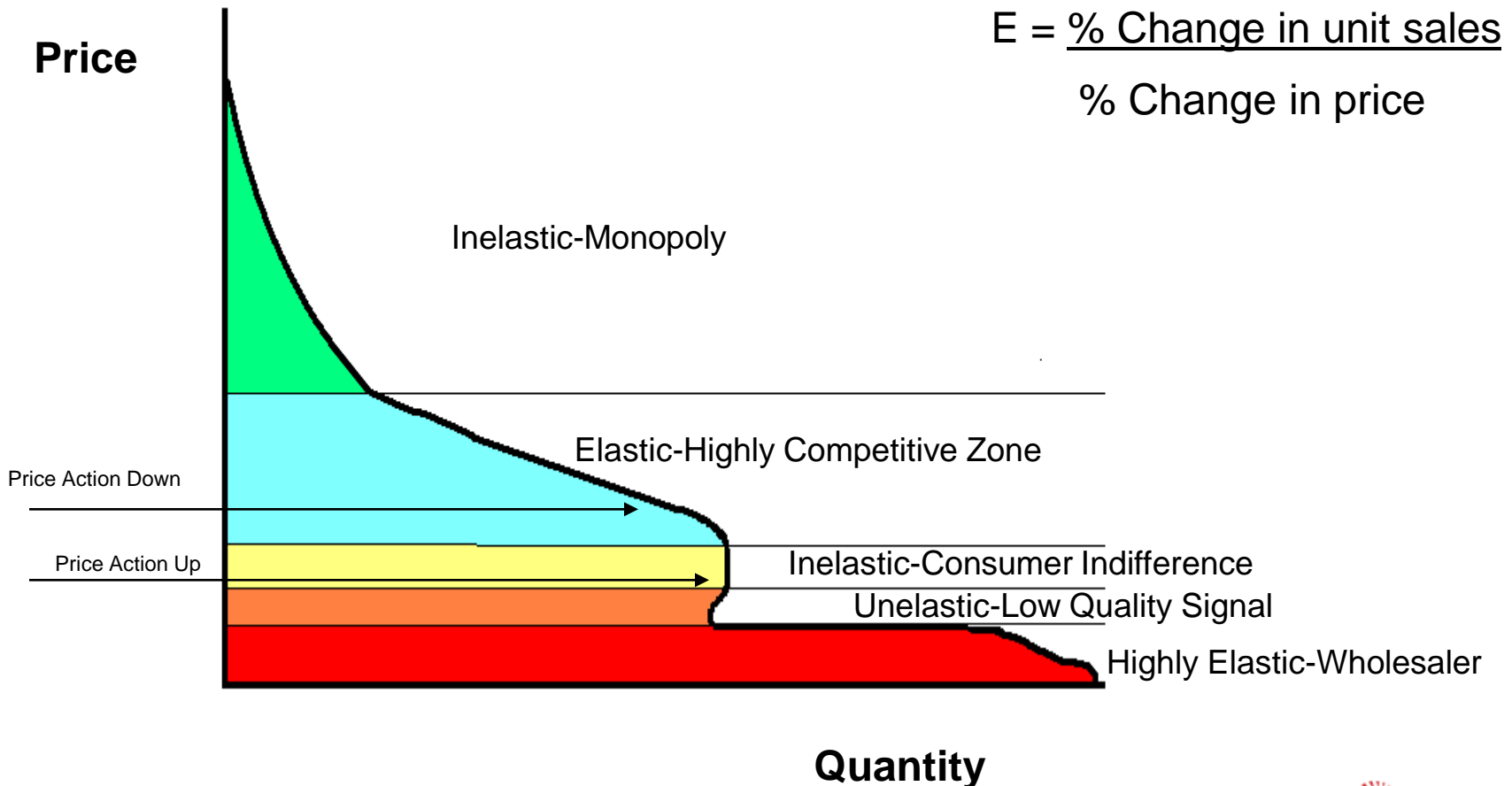
Conjoint Features	Normal	Caution	Crisis
Mountain Bike Options	A	B	C
Suggestion Price	500	450	400
Light Alloy Frame	150	140	130
Extra Wide Wheels	40	40	40
Metallic Finish	60	20	0
16 Gears	40	10	0
Air Pump	40	30	10
10 Year Warranty	20	30	40
Implicit Core Value	150	180	180

<i>Regression Statistics</i>	
Multiple R	0.72714
R Square	0.607021
Adjusted R Square	0.575128
Standard Error	12.37264
Observations	30
<i>Coefficients</i>	
Intercept	30.41096
X Attribute 1	5.136986
X Attribute 2	3.136986
X Attribute 3	2.136986

- A) 600 people are sick with a terrible disease and 400 will die without treatment. You have a new drug that has a 2/3 chance of saving everyone but if it fails all 600 will die.
- B) 600 people are sick with a terrible disease and 200 will live without treatment. You have a new drug that has a 1/3 chance of killing everyone, but if it works all 600 will live.

# Adjustments to basic price elasticity model

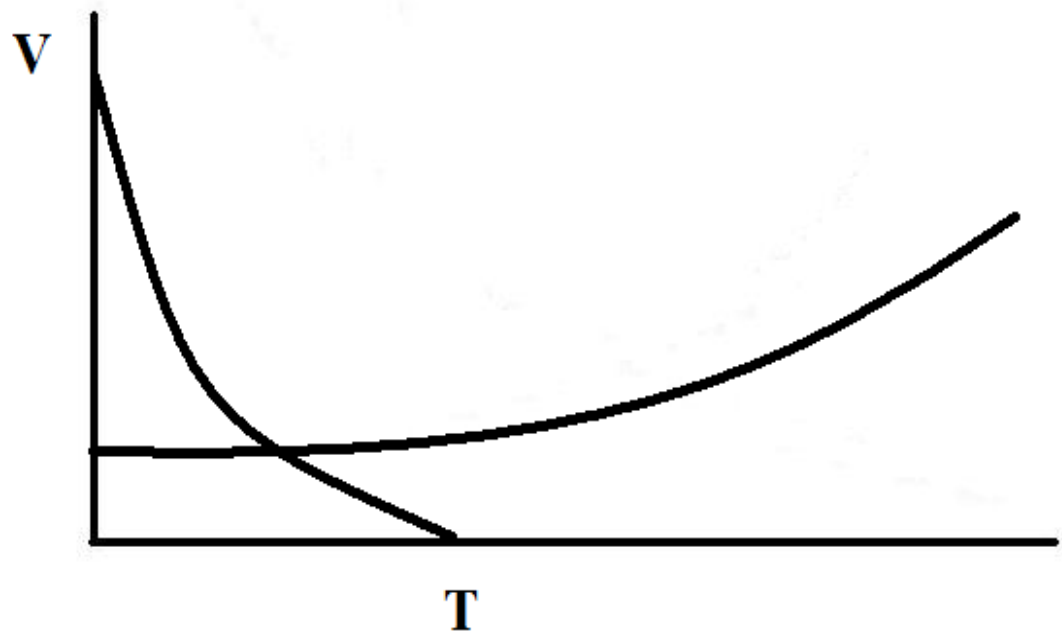
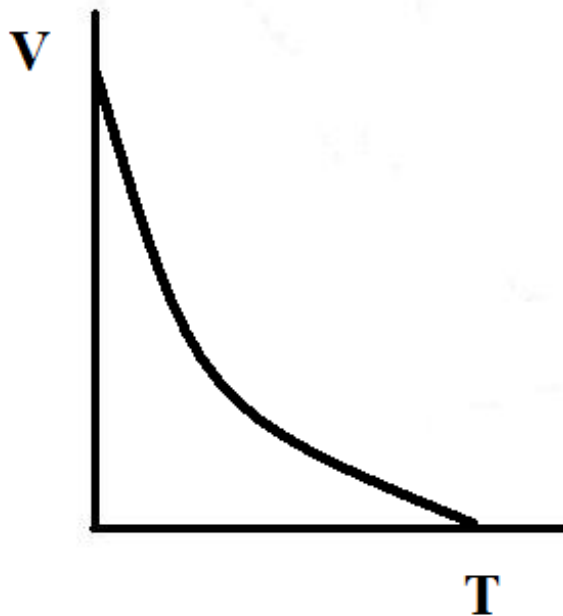
Model should include a shift in the curve and not simply a move along the curve





# Adjustments to product satisfaction (1<sup>st</sup> and 2<sup>nd</sup> Moments of Truth)

As consumption moves down in aggregate, more of the battle for value perception will occur post-consumption rather than pre-purchase



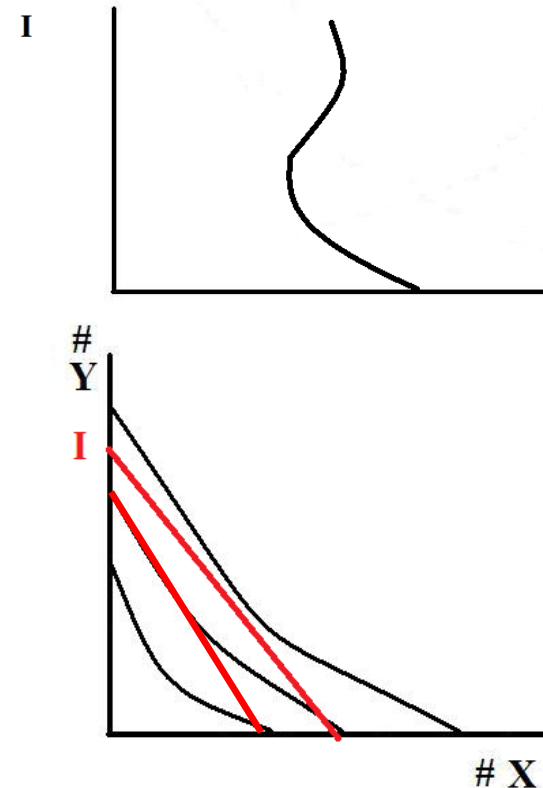
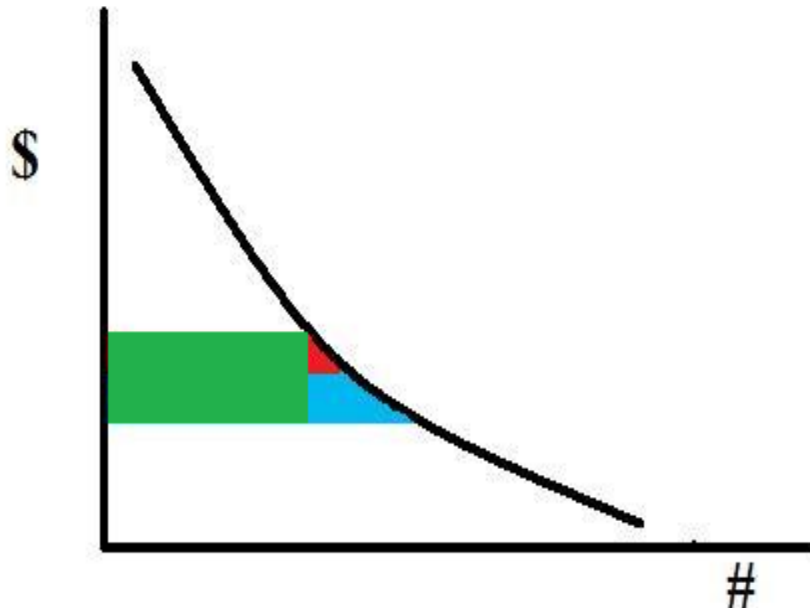
# Adjustments to standard product surveys

Even basic product surveys can shift focus toward the future with questions about product trends that consumers perceive differently in different life roles

	Frame	Frame	Frame
Attributes	Got a Raise	Just Married	Had Triplets
Quality	4	3	3
Service	3	5	5
Price	2	3	4
Convenience	1	2	4
Durability	1	1	4

# Adjustments to income elasticity models

Income elasticity models should include leisure substitution effects because reduction in consumption during crisis is larger than the reduction in income



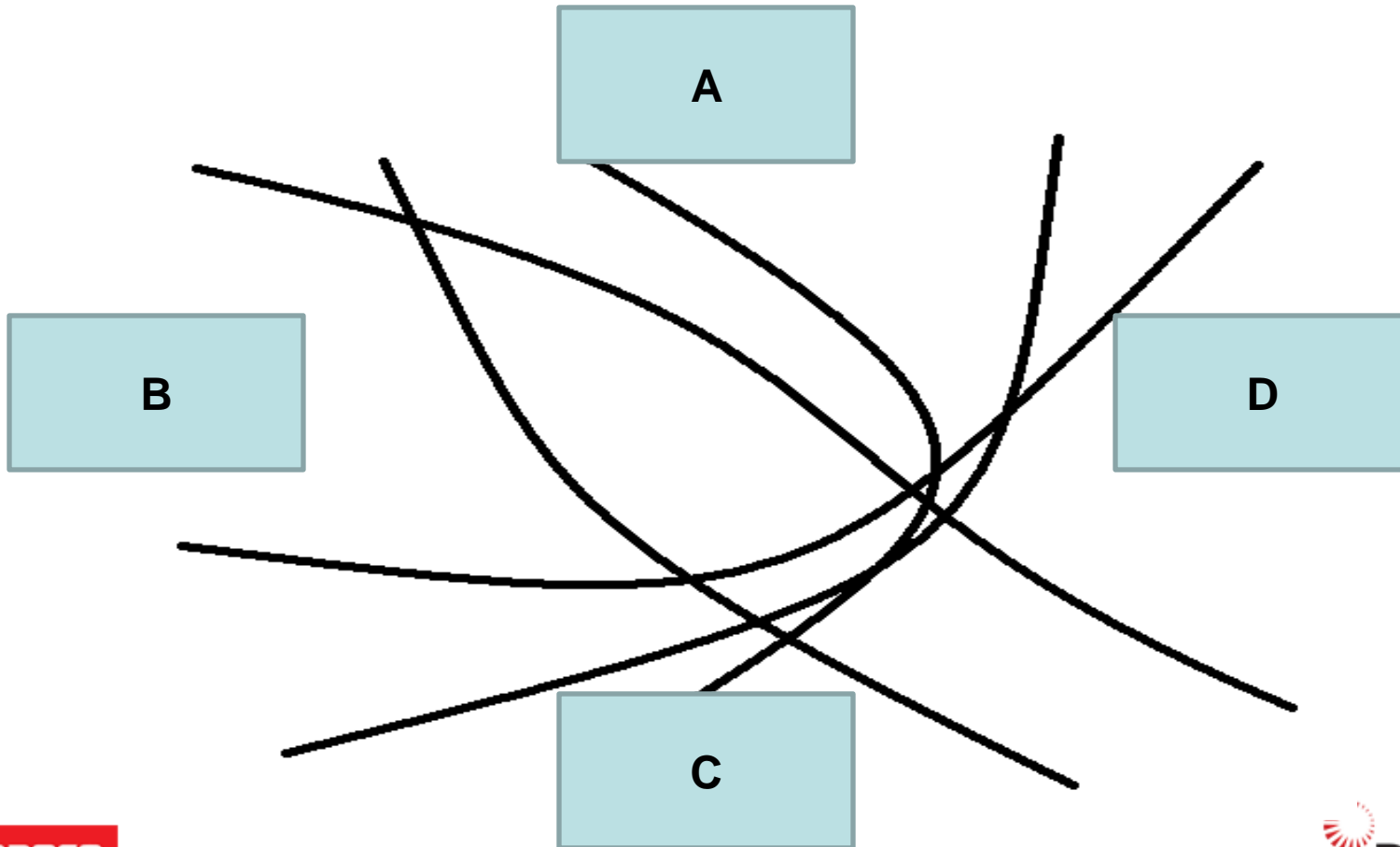
# Adjustments to basket analysis

**Basket analysis should contemplate equivalent utility substitutes as consumer might shift to private label, but not generics as they want to preserve total basket utility**

	Utility	Utility	Utility
Basket	A	B	C
Premium	6	4	3
Branded	10	6	5
Quality Private Label	2	6	8
Generic	0	2	2
TOTAL	18	18	18

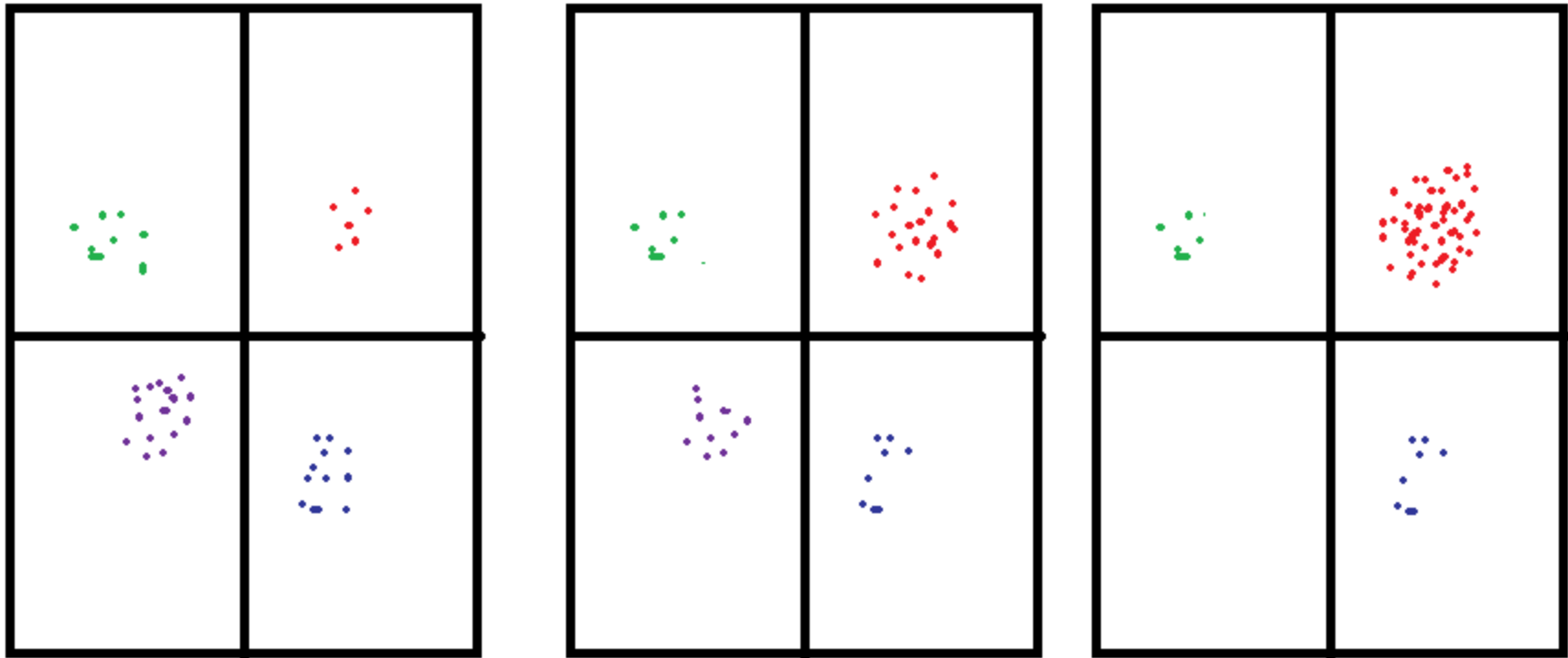
# Adjustments to real estate gravity models

Crisis tends to change habits and traffic patterns can move very quickly to create opportunities for new store or new formats



# Adjustments to customer clustering

Customer clustering should show consumers clusters by probabilities of belonging to a particular cluster such that changes in external conditions will automatically shuffle customers to new segments



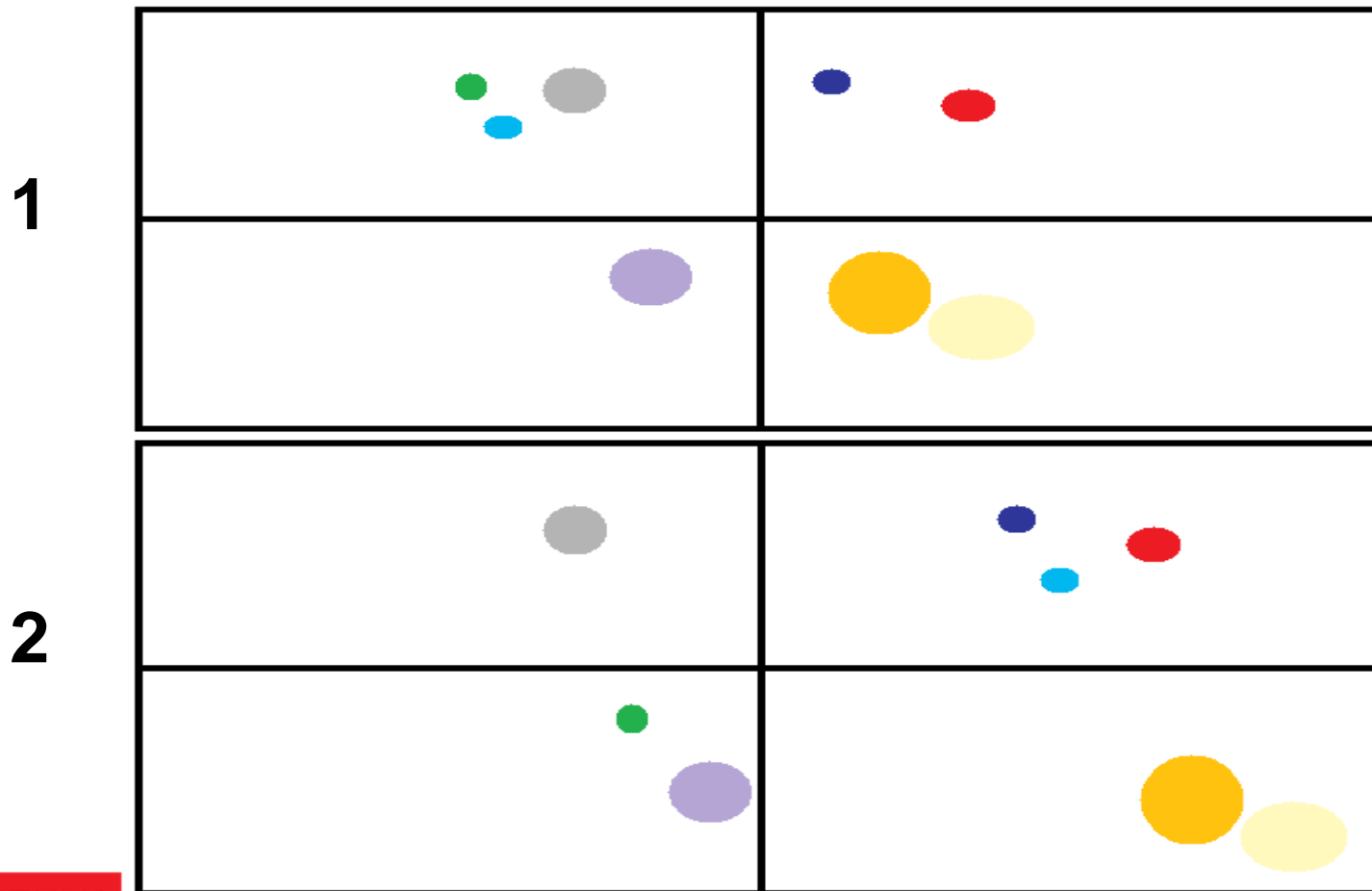
# Adjustments to shopping occasions

Create equivalent shopping occasions in which customers could buy all of the same products as their current basket but in different trip combinations

	Item Count	Item Count	Item Count
Occasion Scenario	A	B	C
Quick Trip	4	3	2
Fill In	11	7	6
Monthly Shop	40	47	52
Problem Solving	5	3	0

# Adjustments to perceptual maps

Changing the two axes of perception for different customer shock scenarios can reveal new competitors and opportunities





# Conclusion: Alignment of the organization to enhance integrated analytics on customer value prepares a firm for crisis

Many parts of your organization perform “what if” scenarios, but those rarely are linked into operational elements to enable rapid response to real crisis

