A photograph of two business women in a modern office setting. They are leaning over a desk, looking at a laptop screen. One woman is pointing at the screen with a yellow pencil, while the other rests her chin on her hand, also holding a yellow pencil. They appear to be in a collaborative meeting. The background shows a large window with a grid pattern.

# 12 business decisions you can optimize with conjoint analysis



# A tale of two car manufacturers

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In the 1990s, Porsche was on the verge of bankruptcy. Executives hoping to save the storied car brand set their sites on the burgeoning SUV market and set out on a mission to understand the market's appetite for a luxury SUV.

After confirming that customers would welcome a Porsche SUV, the product team gathered feedback from consumers on every aspect, finding that they were willing to trade off on manual transmission (a staple in all Porsche cars up to that point) in favor of other iconic features that Porsche had become known for, including sportiness, power and handling.

Harvard Business Review wrote that, "The customer-listening process continued with every proposed feature. If customers valued and were willing to pay for them, they were in. If not, no amount of convincing from Porsche engineers could overrule the end user." The Porsche Cayenne soon hit the market and was an instant success. It later became the most profitable vehicle in the industry.



Around the same time, the CEO of Fiat Chrysler declared, “of all the cars I can get wrong, it ain’t this one.” The car he was referencing was the Dodge Dart, a vehicle for which the company shut down production just a few years after it’s launch, amassing a huge financial loss. So what went wrong? Harvard Business Review shared this valuable lesson: “The underlying cause...was that Fiat Chrysler did not try hard enough to find out what the American compact car customer wanted, valued and was willing to pay for, before turning the Dart over to engineers and designers to build it.”

Product managers and market researchers are frequently faced with critical product development and trade off decisions. Which features should we build into the product? What features should we include today? How much should we charge for the product? These, and other questions, are difficult to answer without listening to customers.

That’s why we developed this e-book on conjoint analysis—the foremost methodology for getting customer insights on product development, pricing, packaging, benefits decision, and so much more. This e-book will cover everything you need to know about conjoint: what it is, how it works and what business questions it can answer.



# What is Conjoint Analysis?

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Conjoint analysis is a set of research tools that help you confidently determine what attributes and features of a product/service are important to your target consumer and helps optimize your chances for success in the market.



# When to use Conjoint Analysis

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Conjoint analysis can be used to:

- Accurately prioritize product development
- Predict price sensitivity
- Uncover competitive advantages

It can also help answer a number of business questions such as:

- What feature or functionality of a product is most important and influential to the market?
- What do customers focus on when making purchase decisions?
- What has the greatest impact on whether customers will purchase or not?
- Are customers willing to sacrifice \_\_\_\_\_ in order to have \_\_\_\_\_ ?
- What role does price play in decision-making and what is the optimal price point?
- How sensitive will customers be to shifts in pricing?
- What is the monetary value of the different product attributes?
- How can we create a benefits package that our employees want that is still cost-effective for the business?
- What does optimal pricing and packaging look like for a software platform to address different types of buyers and maximize revenue?



# How does Conjoint Analysis work?

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Conjoint analysis delivers accurate data because of how questions are structured and presented to respondents. As different configurations are shown to respondents, all they need to do is select the option that they would be most likely to purchase. This is an exercise that all of us face everyday and why the data acquired through conjoint analysis is so actionable. Finally, conjoint analysis will model and predict the market share that can be won when introducing specific product/service combinations.

Conjoint analysis is typically conducted via online questionnaires where respondents are shown different product bundles and are then instructed to evaluate and select those bundles based on which one they would be most likely to purchase. Respondents' selections shed light on the features and combinations that show up more frequently in favorable bundles. The essence of conjoint analysis is predicting and modeling the results of the online questionnaire into what product configuration consumers are most likely to purchase.



# Why use Conjoint Analysis?

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Since conjoint analysis is a market research technique for measuring the preference and importance that respondents (customers) place on the various attributes of a product/service, it can play a critical role in understanding the trade offs that consumers are willing to make when given multiple product/service configurations.

Additionally, the output of conjoint analysis allows researchers to isolate consumer preferences and view each bundle's total utility or combine (conjoin) attributes to compare bundles.



# Important terms

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## **ATTRIBUTES**

Attributes can be thought of as the entire set of product/service variables that will be tested within the conjoint study. The attributes will be the entire structure of factors for the respondent to consider when evaluating bundles. The attributes will be architected in a nested-hierarchy with multiple variables that can range from 2 to  $N$  units.

## **LEVELS**

Levels are the units found within each of the features. They are the base item of the conjoint study and will be interchanged in the bundles presented to the respondent. For example, a feature named “size” might have three levels: small, medium and large units.

## **FEATURES**

Features are the top-level categories of the product/service being tested. Features represent a group of levels that will be interchanged in the bundles shown to respondents. Features could include a brand name, price, size and more. Conjoint analysis seeks to understand the impact and influence of the top-level features.





# Conducting a conjoint study with Qualtrics

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Running a sophisticated conjoint project doesn't have to be scary. With Qualtrics Conjoint, we walk you through each step of the process; from configuration to analysis in just four simple steps:

STEP 1: CONFIGURE

STEP 2: REVIEW

STEP 3: DISTRIBUTE

STEP 4: ANALYZE



## **STEP 1**

# Configure your conjoint





# Your conjoint project at a glance

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## Define

Define the attributes that will be evaluated using conjoint in your project. Each attribute should consist of a feature (e.g., price) and levels (e.g., \$1, \$5, \$10).

[Define Attributes](#)



## Refine

Use the **Survey Editor** to modify the look and feel of your survey, manage advanced settings, or add questions to collect demographics or free-form feedback.



## Distribute

Use **Distributions** to distribute or redistribute your survey via email, personal links, SMS, social media, QR code, or another available method.



## Analyze

View conjoint **Reports** and **Simulator** for different package options.

## RESOURCES



### Conjoint Analysis Demo

Discover the power of conjoint analysis.



### Methodology

Learn how conjoint analysis works.



As we discussed earlier, your product or service is made up of attributes, which are the entire set of variables you'll be testing within the conjoint. In step one, you'll bring those attributes into the conjoint configuration wizard. The conjoint wizard will guide you through structuring your features and levels. The output of this step will be unique bundles of features, which respondents will select based on their likelihood to purchase one of those bundles.

**We recommend adding at least three features, but no more than eight.** Additionally, we suggest including two to six levels under each feature.

**REMEMBER: EACH ADDITIONAL FEATURE AND LEVEL INCREASES THE NUMBER OF QUESTIONS RESPONDENTS MUST ANSWER, AND THAT CAN LEAD TO SURVEY FATIGUE AND WORSE DATA QUALITY.**

Note that with each feature and level you include, Qualtrics automatically calculates the number of possible product configurations and the sample size (the number of respondents) you'll need for a statistically valid study. In other words, you can be assured that you'll get the right number of respondents for your study and can confidently make critical business decisions.

Additionally, in this step you'll be able to exclude specific pairs of features, import and export data, and modify the look-and-feel of the survey.



# Define the Attributes

## Attributes

Display

Exclusions

Advanced

## What are the attributes you are evaluating?

Name

Levels (at least 2)

[+ Add Level](#)

Name

Levels (at least 2)

[+ Add Level](#)

Name

Levels (at least 2)

[+ Add Level](#)

## Your Study

Respondents will see a subset of possible options to choose from based on the number of features and levels defined. We recommend 3-7 features (e.g., Price) each with 2-6 levels (e.g., \$10, \$5, \$1). The more possible options, the more responses needed for accurate results.

18

Possible Options

375

Respondents Needed

Questions about Conjoint? [View Documentation](#)



Most importantly, the output of this step helps researchers identify the configurations and commonalities of the different bundles that respondents like (and the commonalities of the features respondents don't like). We'll discuss how this data is turned into actionable insights in a later step.





## STEP 2

# Review survey





In Step 2, you can define other questions that will preface the study and include demographic questions for segmentation. You'll also have the chance to review the questionnaire that is automatically generated from configuration in Step 1. In some cases, you may want to tweak the survey questions, add custom styling or create triggers to send you alerts when certain bundles are selected.





**STEP 3**

Distribute survey





When you're ready to distribute your conjoint survey to respondents, you can take advantage of Qualtrics' full set of omni-channel distribution methods. Your conjoint license will include:

- **Anonymous survey links**, which are great for distribution on the web and do not collect any identifiable information.
- **Email distribution** that allows users to customize email messages to a panel of respondents, send reminders and closely track progress toward response goals.
- **Social media distribution** connects directly to your social accounts to send out public posts that link directly to your conjoint study.
- **SMS (text messaging)** is one of the best ways to reach respondents. Using short codes, you can send text messages to respondents and link directly to your conjoint survey via text.
- **Qualtrics offline app** allows users without internet access to administer the survey to respondents and record responses via the application.
- **Purchase respondents** helps you connect your survey with qualifying respondents so you can collect data even when you don't have your own mailing list. You can target a general sampling of the United States population, or a general sampling of select other countries. You can also target a specific age range, gender, US state or ethnicity.



# How do you want to distribute your survey?

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Email



Web



Social



Mobile



**Purchase**

Purchase respondents that meet  
specific demographic criteria



**Purchase Respondents**



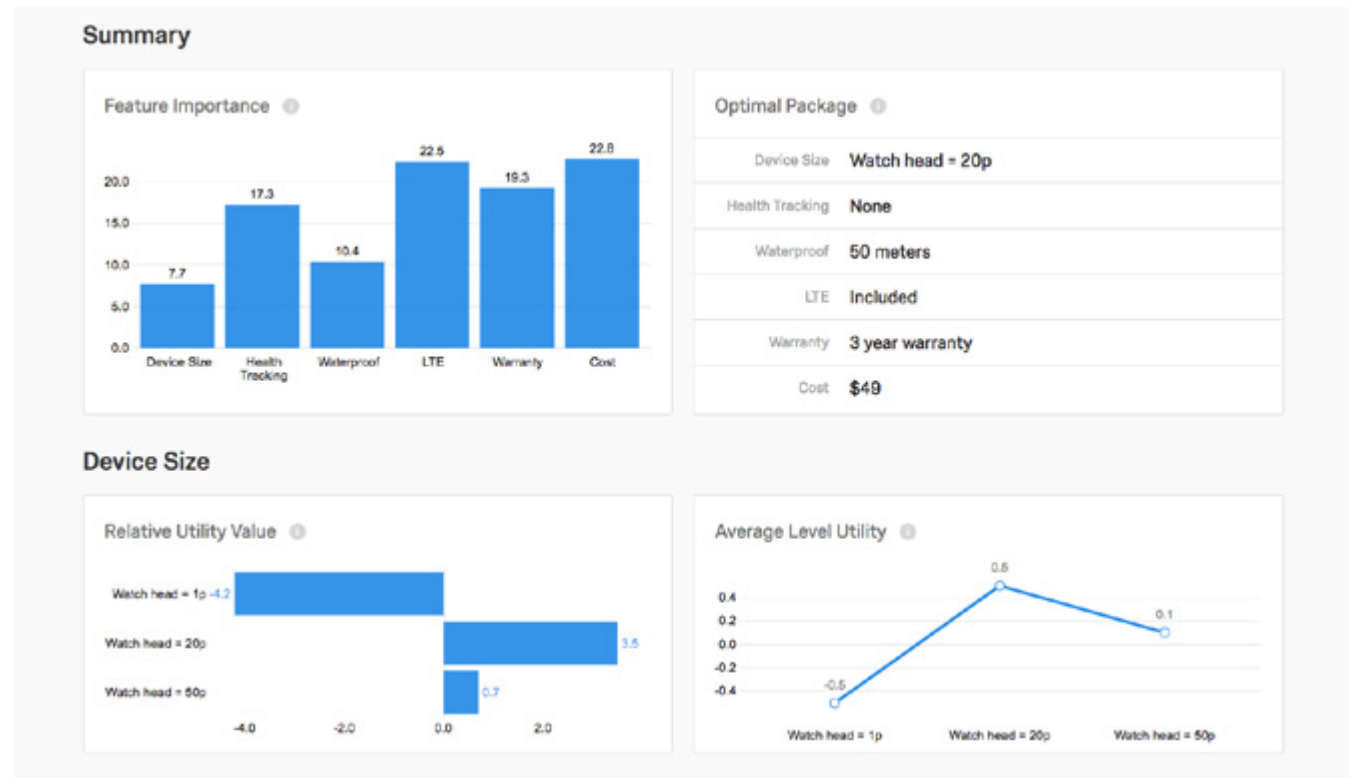
#### **STEP 4**

# Analyze results





Once the minimum number of survey responses needed to create statistically-significant data is reached, Qualtrics Conjoint automatically identifies the optimal package based on consumer preference, including price, features and levels. Armed with this data, you can go to market with a product that you know customers want.

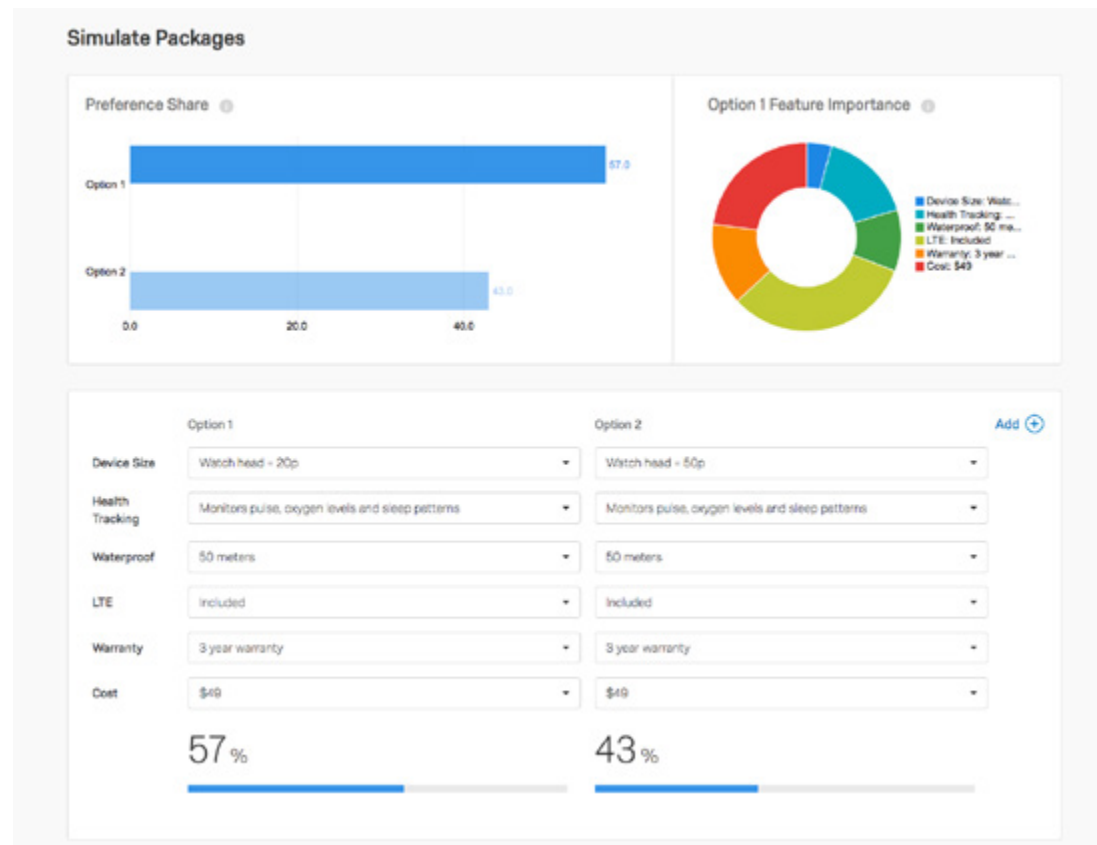




Additionally, Qualtrics Conjoint assigns a feature importance score, which describes how much weight and focus is attached to each feature. This metric tells us how important each feature is in the purchase decision. Additional widgets dive into each of the individual levels of each feature and how they stack up against each other. The report also displays within each feature which levels will most enhance a product bundle, as well as which levels are detracting to a bundle. You can use this data to identify which levels add to or subtract most from the desirability of the product.



Finally, you can use the Qualtrics Conjoint simulator to customize and compare different product configurations, compare against competitors' products and determine sensitivity to price, feature and level changes. You can even use the Qualtrics custom segmentation tool to zoom into specific segment attitudes to different product configurations.







# Conclusion

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In order to develop compelling products, businesses need predictive data that simulates the product configuration and price point that customers want. However, in the past, getting that data required years of experience, an advanced degree, difficult-to-use software programs and days of programming. Qualtrics Conjoint changes all of that: it gives every researcher, analyst and insights manager the ability to quickly and easily run sophisticated conjoint projects and automatically uncover the optimal product and pricing configuration. And you can do it all in minutes—not days or weeks.

Qualtrics Conjoint helps companies build products customers want, and gives researchers peace of mind before they launch a new product.