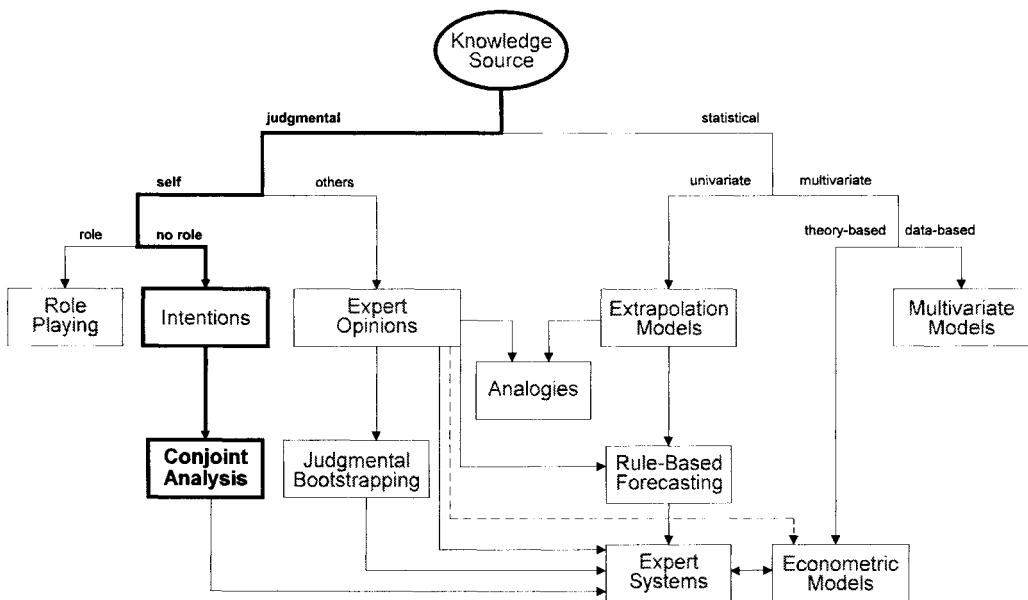


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## CONJOINT ANALYSIS

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One way to learn about the demand for new products before their introduction is to ask customers what they want. Of course, they usually want the highest quality at the lowest prices. Who would not want a new Mercedes for \$1,000? In conjoint analysis, forecasters ask people to make trade-offs among conflicting considerations. They might ask customers to state their interests in purchasing products that vary in their benefits, features, and prices. The methodology covers the design of questions, administration, and analysis

of responses in order to quantify customers' trade-offs.

The origins of conjoint analysis are academic and practical. Researchers in mathematical psychology were interested in determining the conditions under which they could obtain hard output (e.g., willingness to pay) from soft input (e.g., rank order preferences for a set of potential new products). Market researchers confronted problems posed by such firms as Xerox, whose managers wanted to learn about customer interest in variations of prototypes.

Conjoint analysis has been widely accepted in business and other areas. It has been used in every product category and in every continent. Many academics have studied its validity and reliability under various conditions. Academics and practitioners have developed alternative approaches for quantifying trade-offs.

Early work in conjoint analysis centered on determining the importance of product attributes and price. The work

then shifted to simulating customers' choices, then to forecasting market responses to changes in either a firm's products or those of its competitors.

In "Forecasting with Conjoint Analysis," Dick R. Wittink from the Yale School of Management and Trond Bergestuen from American Express outline the principles for obtaining accurate forecasts of customer behavior based on the quantification of trade-offs.

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