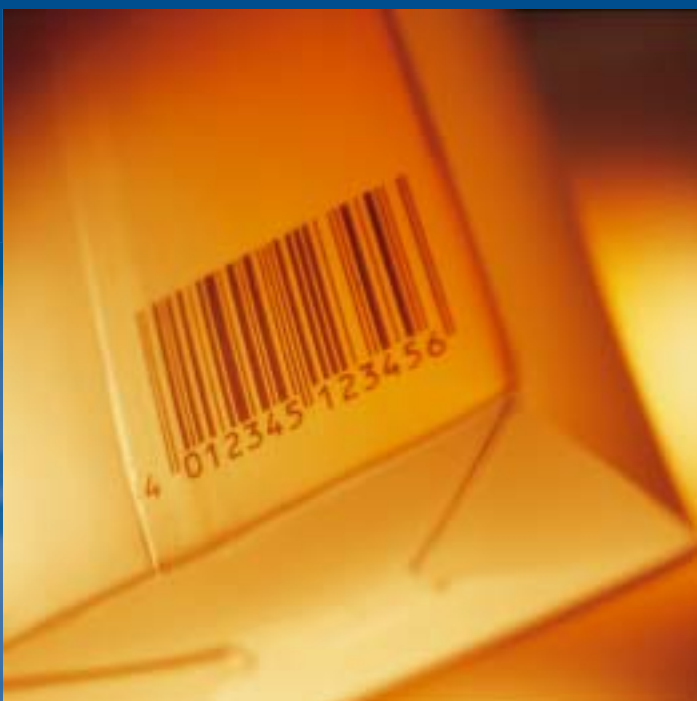


## Some price wars are easily won!

GfK *Price Challenger* – Determines the optimum price for your product in the competitive environment



## The optimum price for your products

Meaningful information	Tests product price acceptance in the competitive environment
Market proximity	No exaggeration of price sensitivity
International	An internationally standardised method
Reliable	Determines the ideal pricing model and revised price thresholds after transition to the Euro
Individual	Do-it-yourself: define your own price scenarios, elasticities, substitution rates and the optimization potential for your product price portfolio using Windows-supported software
Quick	Delivers first class, user-friendly results quickly, thanks to state-of-the-art CAPI technology
Flexible	Gives you the flexibility to test your pricing structure (ten to twelve price stages per product)

[ advantages ]

Despite many national differences, there is one phenomenon which is common to the markets in almost every European country: a growing correlation between purchase decisions and price. The fact is, clever buying is "in".

This means that your prices have to be pitched correctly within their competitive field. Especially since conversion to the Euro will have a massive effect on price thresholds and purchase volumes.

At a time when the market is increasingly dynamic and competition is fiercer, you need an instrument you can rely on for professional price management. You want to test the price acceptance of your brand against rival international brands and determine the optimum price. The GfK *Price Challenger* allows you to do this, and gives you the potential to analyse an entire spectrum of aspects such as:



- What are the price thresholds? What would they be in Euro? What are the price elasticity levels for the different sales outlets?
- To whom would your brand lose a significant share of the market if price changes appeared? (Substitution effects)
- What happens to your product's sales when competitors cut or increase their prices?
- What are the effects and subsequent changes in sales, turnover and earnings?

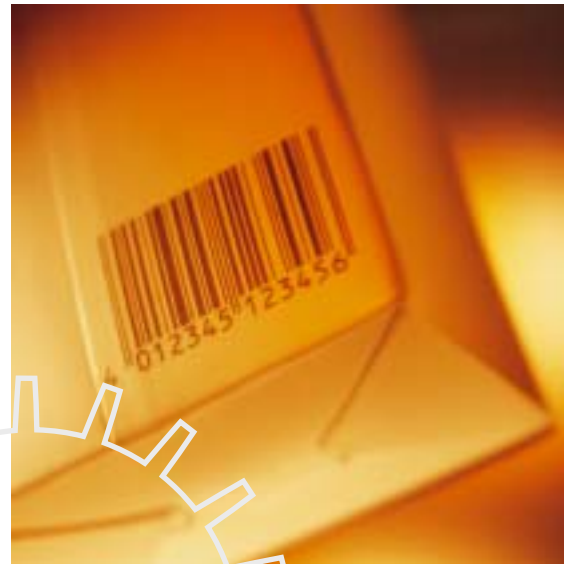
**These results will help to put you ahead:**

- Purchase rates
- Market share
- Turnover considerations
- Profit situation
- Price thresholds
- Substitution effects
- Simulation of buyer flow
- Optimization of pricing policy

accurate

## High quality price simulation which counts!

quality  
[ quality ]



Meaningful information is the key to international market success. This is why GfK *Price Challenger* not only highlights changes in volume, but also their possible causes, such as brand or penetration changes. You can only implement the optimum pricing policy when you know the underlying causes of change.

User benefits: This method allows you to profit from top quality, meaningful information as well as from our experience with international panels. The Windows simu-

lation program supplied enables you to determine further price thresholds and, by comparing your manufacturing costs accordingly, to calculate actual profits.

### The method:

1. Computer-aided data collection, in-home or in the studio
2. Ten to twelve different price stages
3. Random procedure: random combination of various price stages
4. Injection of real price elasticity levels and distribution
5. Automatic price threshold definition
6. PC program for individual price simulations

[ example ]

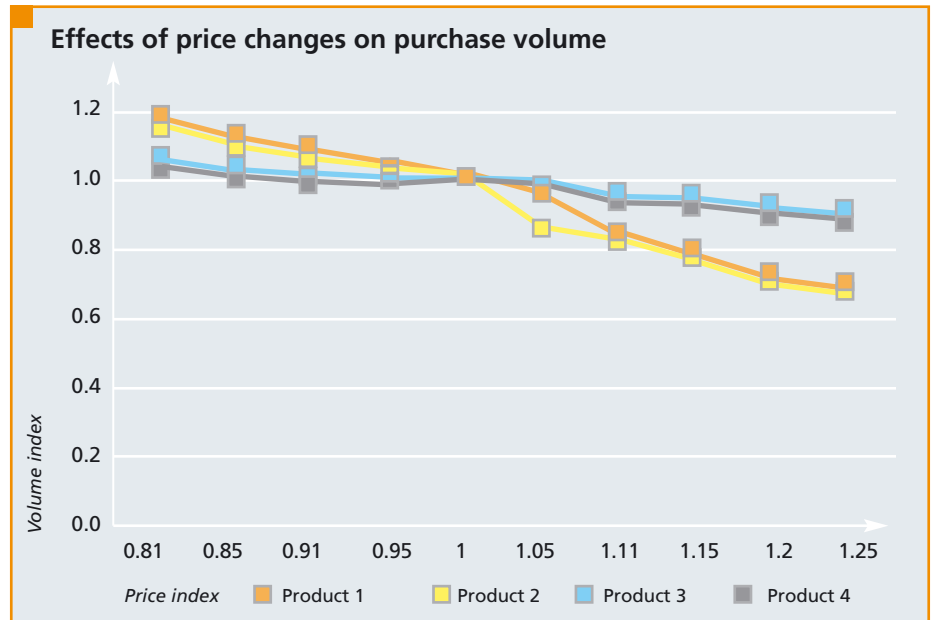


Fig. 2

### The effects of price changes

To optimize the price of a product, GfK *Price Challenger* shall be used to simulate a number of different price increases.

The object is to determine the corresponding effects on major competitors and the possible substitution effects.

Various stages of price increase, which are far above the average price over the past year, will be tested. (Fig.1)

### The impact of price changes on sales volume

In an analysis of the demand in terms of sales volume for the four main products, clear parallels between products 1 and 2, as well as 3 and 4, emerge.

However, a price increase of up to 10 percent is interesting. Whereas even the smallest of price increases (up to 5 percent) triggers a drastic market reaction in product 2, the price threshold is not reached until 5 percent for product 1.

This means that the price of product 1 could be increased by up to 5 percent, without a clear drop in demand caused by consumer reaction. A reduction of up to around 20 percent in the price of products 1 and 2 will be almost exactly mirrored by an equivalent increase in sales volume of approximately 20 percent. Conversely, the same relative price change in products 3 and 4 produces a more attenuated reaction. Similar development can be observed in some product pairs for price increases of over and above 10 percent.

Price increase	
Price increase:	DM 8.80 - DM 9.50
Actual change in market share:	1.066 %-points
Change in market share in test:	1.056 %-points

Fig. 1

# Be confident that the price is right!

[ example ]

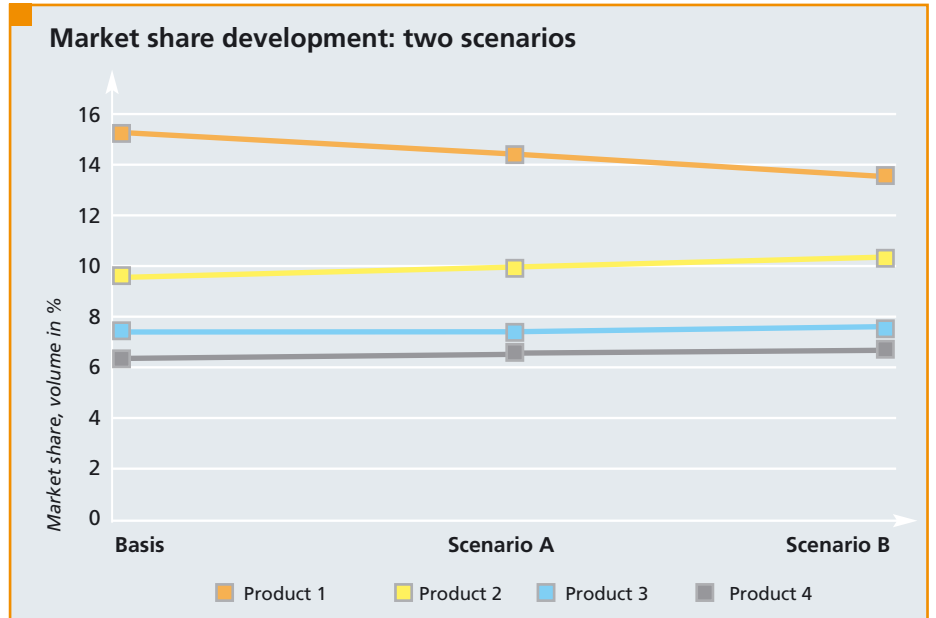


Fig. 3

## Market share development

Market share development (Fig.3) is also very telling. Here are two scenarios, where in scenario A, the price is slightly above and in scenario B, considerably above the threshold level of 5 per cent. In

scenario A, the market share for product 1 drops by 2.1 per cent from more than 15 per cent to below 14 per cent. As the substitution effects in the market extend to the entire product group, main competitors 2, 3 and 4 are only able to take up some of the

demand for product 1. (Fig.4) With only 11 per cent of product 1 losses going to products from the same company, (O, P, Q and R), it can be said that products from the same company will not benefit to any significant degree.

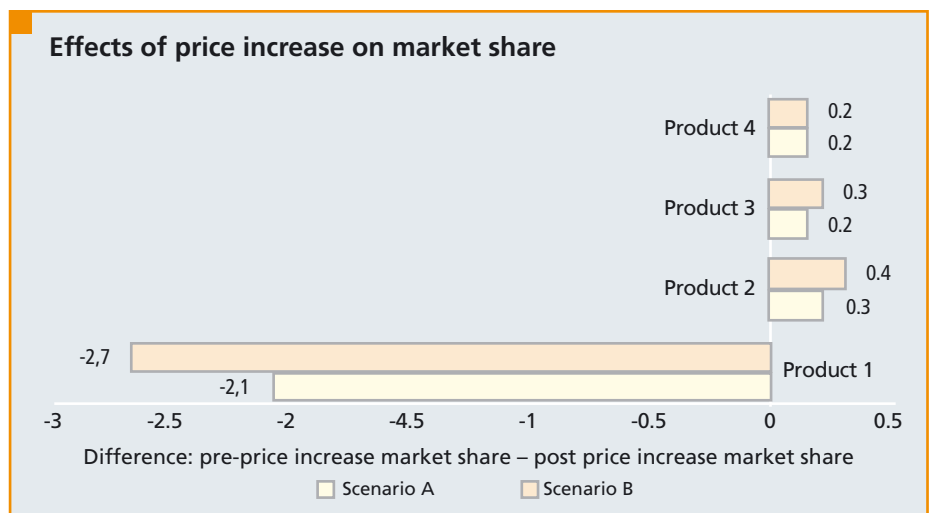


Fig. 4



example

[ example ]

**Conclusion**

In comparison with major competitors, product 1 is well entrenched in the market. The price can be in-

creased by 5 per cent without any misgivings or significant losses. The benefit to competitors from this price increase is marginal.

	Price Product 1						
	DM 8.90	DM 9.90	DM 10.50	DM 10.90	DM 11.90	DM 12.90	DM 13.90
Product 1 losses going to/coming from...	0.21%	-0.14%	-1.45%	-1.81%	-2.02%	-2.42%	-2.81%
Product O	3.1%	-3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Product P	3.0%	-3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Product Q	1.3%	-1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Product R	2.4%	-2.9%	2.9%	2.9%	2.9%	2.9%	2.9%

Fig. 5



# Eight steps to controlled market success



The Objectives of Marketing	GfK Instruments
<b>Step 1</b> Market segmentation and identification of market opportunities and success factors	GfK*NAVIGATOR®- Strategic U & A
<b>Step 2</b> Brand positioning	GfK TARGET®POSITIONING
<b>Step 3</b> Concept development	Genius
<b>Step 4</b> Concept screening	Concept Test: Criterion®, GfK*OPTIMIZER®, ConsumerSCOPE®
<b>Step 5</b> Product engineering	Product test, ConsumerSCOPE®
<b>Step 6</b> Pricing	GfK Price Challenger
<b>Step 7</b> Advertising optimization	GfK Digi*base®, AD*VANTAGE®
<b>Step 8</b> Test market, sales forecast, marketing mix optimization	TeSi®, GfK-BehaviorScan®
<b>M a r k e t   l a u n c h</b>	
Brand and campaign audit	GfK Advertising Indicator/ATS*® Loyalty <sup>Plus</sup> (Customer satisfaction research) GfK consumer panels

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