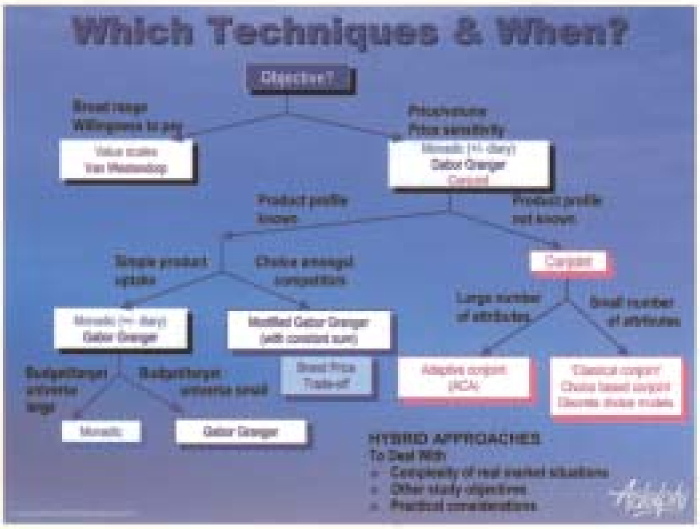
Reflections on the appropriateness of various research techniques

In four past editions of the Newsletter I reflected on aspects of pricing research. This fifth article in the series attempts to help with the frequently asked question of "which technique should I use?". Occasionally the question is phrased as "which question is the best?" This latter question is rather like asking a physician to nominate the best drug within a class. Whilst the most frequently used can be nominated as being such, the response will often (should) be qualified with "it depends on the patient". I am sure that we all can nominate the pricing research technique we find ourselves using most frequently. However this is not because it is "the best" but because it is the most appropriate for the type of pricing research we find ourselves involved in most often. Like all research the choice of technique depends on the objectives of the research and, if a product is involved, the stage it is at in the product development process.

The following chart summarises where each of a number of techniques relates to this 'objectives/product development process' logic in so far as the latter can be expressed in terms of the extent to which the product profile is known and fixed. (A more detailed review of pricing research techniques, incorporating the product life cycle, written by David Hanlon and David Leury of TNS, may be found in the Q4, 2002 of the International Journal of Market Research).



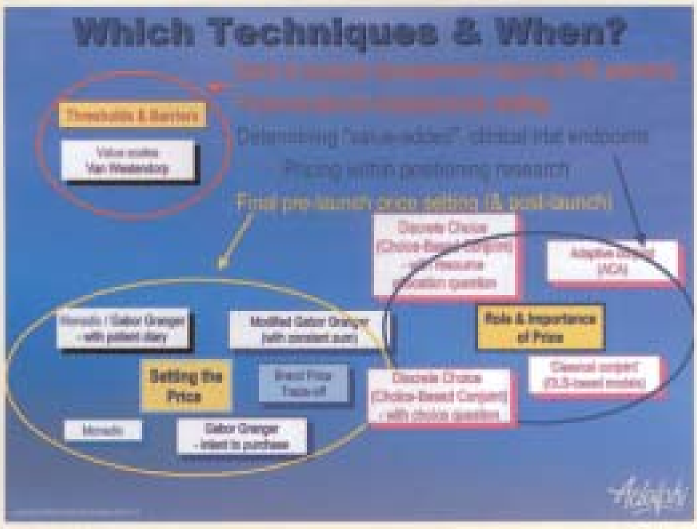
Early on (or well before launch for other reasons) the objectives are often to understand the impact of price, to determine the presence and nature of price "barriers" and to understand the value analysis/pricing process. In these situations the objectives do not include determining a price-volume relationship. Therefore, this is where techniques that have no volume measures but focus on the determinants of value assessment and the nature of price hurdles have a role.

As we move towards needing to understand the price-volume relationship in quantitative terms, other techniques are appropriate. The main determinant of the technique selection is whether or not the product profile is known and then, if it is not, the number of attributes that need to be varied. This latter consideration is not necessarily determined by the number of unknown product attributes (i.e. at this stage, variables within the product profile). It should reflect the number that are, as yet, unknown and are also important in that variation from a target product profile is likely to have a real impact on eventual uptake. The need to include competitive products whether existing (source of business) or new, not yet launched (impact on business, value evaluation and price-volume-revenue relationship) must also impact the research design.

After this the debate then moves on to "conjoint versus non-conjoint" considerations. My own view is that each of these broad approaches has its place. Conjoint, and other trade off methods (e.g. discrete choice models) should be used when there are unknowns in the product profile and the need is to understand the role of price relative to these. Whether the resulting data can then be used to develop a price-volume relationship that can be used in revenue modelling is debatable. Again, personal experience suggests that care should be used. Typically, these methods will produce steeper price-volume curves than monadic or Gabor Granger methods. Many consumer researchers report favouring the relationships resulting from conjoint methods.

However, I am not aware of any theoretical basis being reported for this and assume it is based on personal experience of market behaviour. Conversely compared to this, my own feeling is that this finding does not apply in pharmaceutical markets - or, at least, not yet. However, given the theoretical basis of choice-based methods with a choice (as opposed to a resource allocation) question that finds favour with health economists, I have placed these approaches in the price role and understanding sector but overlapping into the price setting technique group. Academic health economists have questioned the theoretical validity (as they tend to do until it is proven) of choice models with the resource allocation question, although to the market researcher the thought that the physician is "thinking across all his/her patients" has obvious appeal.

Brand-Price Trade Off (BPTO) is an interesting particular example of a choice-based technique. It is a two-attribute conjoint or discrete choice model (according to the question asked and how the data are analysed). Its role must be at the price-setting end of our continuum, yet the same concerns that we have with any conjoint (or related) method must apply. Certainly, if BPTO is indicated, I would advocate the use of random combinations of brand and price levels rather than the unidirectional nature of price change used in the earlier versions of BPTO.



The conclusion has to be that the selection of and reliance on a single pricing research technique for a particular study (as well as in general) has to be questioned. Increasingly I am drawn to the view that more than one approach should be used and the results integrated in an interpretative manner - this probably means the inclusion of qualitative questions alongside the quantitative ones of the selected pricing research technique. This is certainly the case when the research has to incorporate the views of other (often small) groups such as payers and access decision makers (e.g. NICE and formulary committees). Integrating the findings from those who can influence (over-ride) the inclinations of physicians, should they be operating in isolation, is an issue that will be addressed in my next article.

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