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Chapter 11

Problem Solving

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1.1.1 Marketing Decisions and Role of Consumer Choice

Several interdependent decisions are involved in the formulation of a marketing strategy for a brand for a product or service. These include not only decisions about the product's characteristics but also its positioning, communication, distribution, and pricing to chosen sets of targeted customers. The decisions will need to be made in the wake of uncertain competitive reactions and a changing (and often unpredictable) environment. For a business to be successful, the decision process must include a clear understanding of how customers will choose among (and react to) various competing alternatives. It is well accepted in marketing that choice alternatives can be described as profiles on multiple attributes and that individuals consider various attributes while making a choice. While choosing, consumers typically make trade-offs among the attributes of a product or service. Conjoint analysis is a set of techniques ideally suited to studying customers' choice processes and determining trade-offs.

Conjoint analysis is probably the most significant development in marketing research over the last 30 years or so. Since its introduction to marketing research in 1971 (Green and Rao 1971), it has been applied in several thousand applied marketing research projects. The method has been applied successfully for tackling several marketing decisions such as optimal design of new products, target market selection, pricing a new product, and competitive reactions. A significant advantage of the method has been its ability to answer various “what if” questions using market simulations; these simulations are based on the results of an analysis of response data collected on hypothetical and real choice alternatives.