



Pricing Surveys That Deliver: Van Westendorp & Gabor-Granger

About Today's Speakers



JEFF MCKENNA

Jeff has 25 years in the market research industry, with direct hands-on experience in all stages of market research, including research design, operations, advanced analytics, business intelligence, and strategic planning. This has enabled him to bring pragmatism and expertise when assisting organizations to drive positive changes through data and analytics. Currently, Jeff is a Data Scientist at Leger, a Canadian-headquartered research firm with offices in the US.



EMILY BOSWORTH

Emily Bosworth is an accomplished Consumer Insights professional with 18 years of experience specializing in Quantitative research. She has deep expertise with CPG and lifestyle brands, particularly in the alcohol and personal care categories. Emily has held senior research roles at Kantar and MarketCast, where she led complex, high-impact studies. She is known for her strategic thinking, cross-functional collaboration, and ability to drive actionable insights.

Session Objectives

1 Understand the key pricing research methodologies

2 Know when and how to apply each methodology

3 Be able to translate findings into actionable pricing insights for clients

The Role of Pricing

Price elasticity

- Demand for a product or service always follows a "Demand Curve"
- Since it's a curve, measuring elasticity depends on the starting and ending points of the price range being studied

Price optimization

- Pricing depends on finding the right price to maximize desired outcome
 - Revenue
 - Profit
 - Market share

Internal Pricing Methods:

Cost-plus pricing

Add a fixed markup to the cost of goods

Target margin analysis

Set prices to hit profitability goals

Break-even analysis

Determine the price needed to cover costs

Historical price analysis

Use past pricing performance to guide future decisions

Strengths:

- Easy to calculate
- Ensures profitability (costs covered)
- Fast and often available in-house



Limitations:

- Doesn't reflect what customers are willing to pay
- Risks underpricing or overpricing compared to competitors
- Ignores customer perceived value



External Market-Based Methods:

Monadic price testing

Presents single price to assess likelihood to purchase

Gabor-Granger

Presents various price points to assess likelihood to purchase

Van Westendorp Price Sensitivity Meter

Asks 4 questions around perceived value and price expectations

Conjoint analysis

Simulates trade-offs customers make, featuring price, features, and brand

Strengths:

- Reflects customer willingness to pay
- Helps identify optimal pricing points and price elasticity
- Informs value-based pricing strategies



Limitations:

- Requires survey design and respondent input
- Can be time-consuming and costly
- Results can be sensitive to survey bias if not well-designed






A hand with red nail polish is moving a white chess piece on a chessboard. The background is a dark blue gradient with a faint image of a chessboard and pieces.

Rule of Thumb:

Use internal methods to define feasibility and market-based methods to define acceptability and desirability.

Gabor-Granger & Van Westendorp Comparison

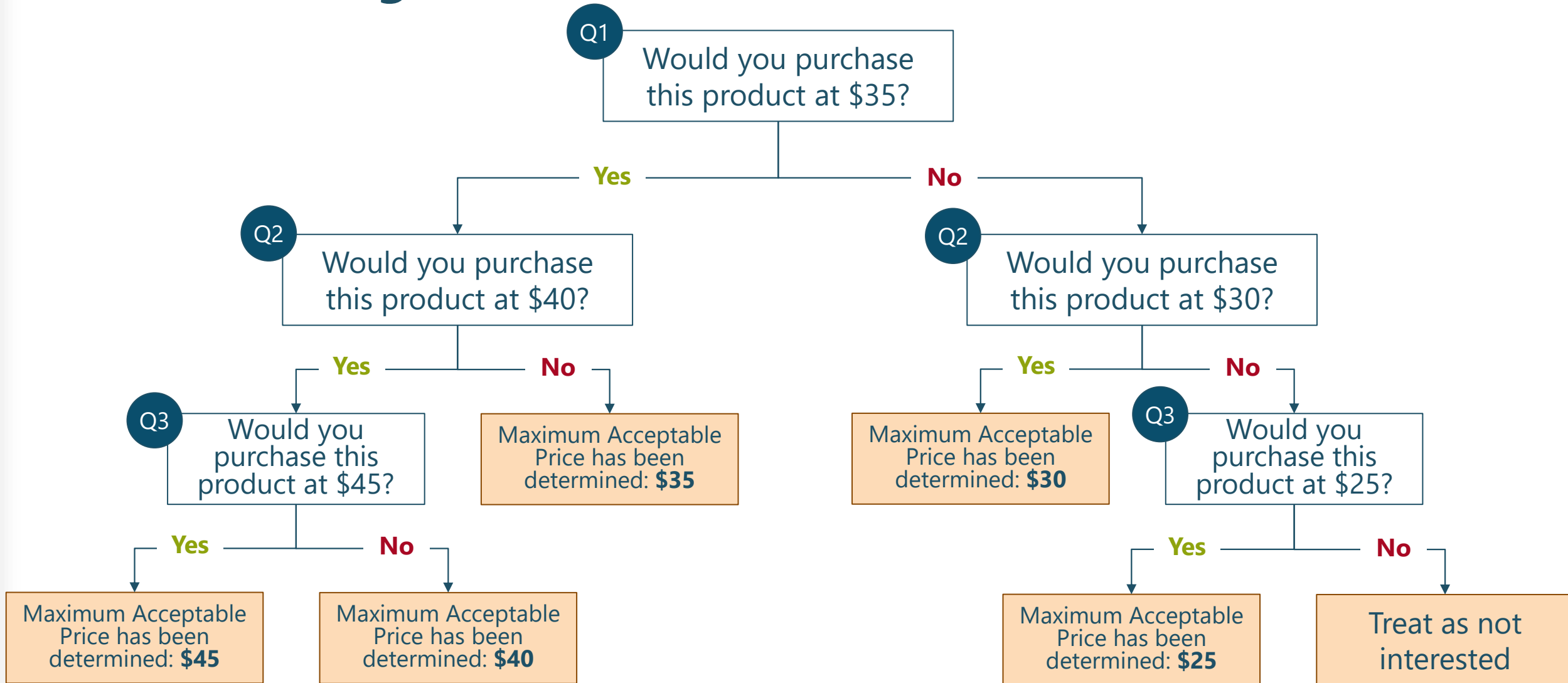
	Gabor-Granger	Van Westendorp PSM
 WHAT	Measures demand at various price points	Identifies acceptable price range based on perception
 How	Sequential pricing questions (Would you buy at \$X?)	Four open-ended questions about price perceptions
 OUTPUT	Demand curve & estimated revenue	Price range with optimal and acceptable price points

Gabor-Granger Method

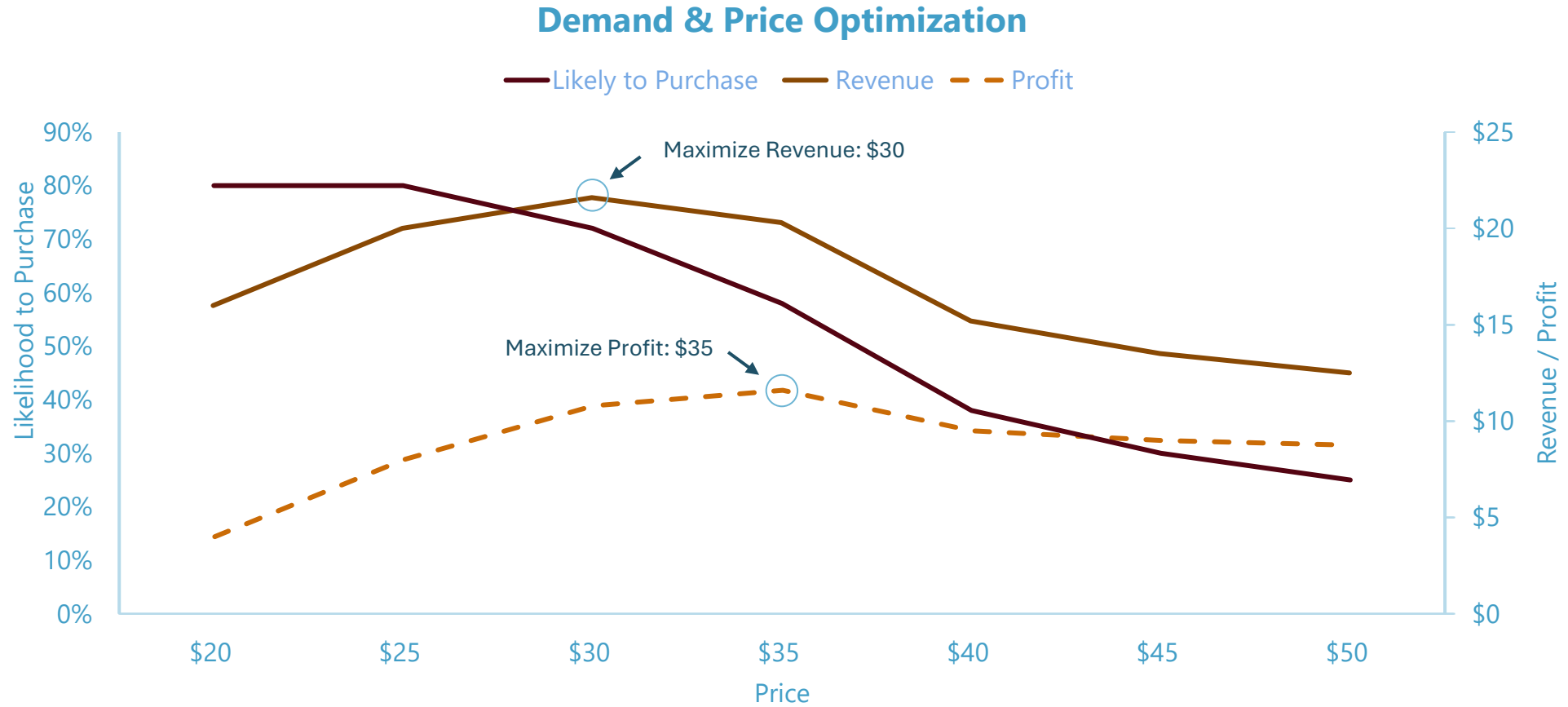
- Developed in the 1960s by economists Clive Granger (2003 Nobel Memorial Prize in Economic Sciences) and André Gabor
- Variant of Monadic Price Testing – Instead of asking respondents to rate purchase likelihood for a product at *just one* random price, Gabor-Granger starts with a price and continues to ask purchase likelihood until the highest price a respondent will “Probably Buy” or “Definitely Buy” is identified
- Benefit: Does not require a large total sample size

Gabor-Granger Question Path

Assume we're testing for a price range from \$25 to \$45...



Gabor-Granger Output



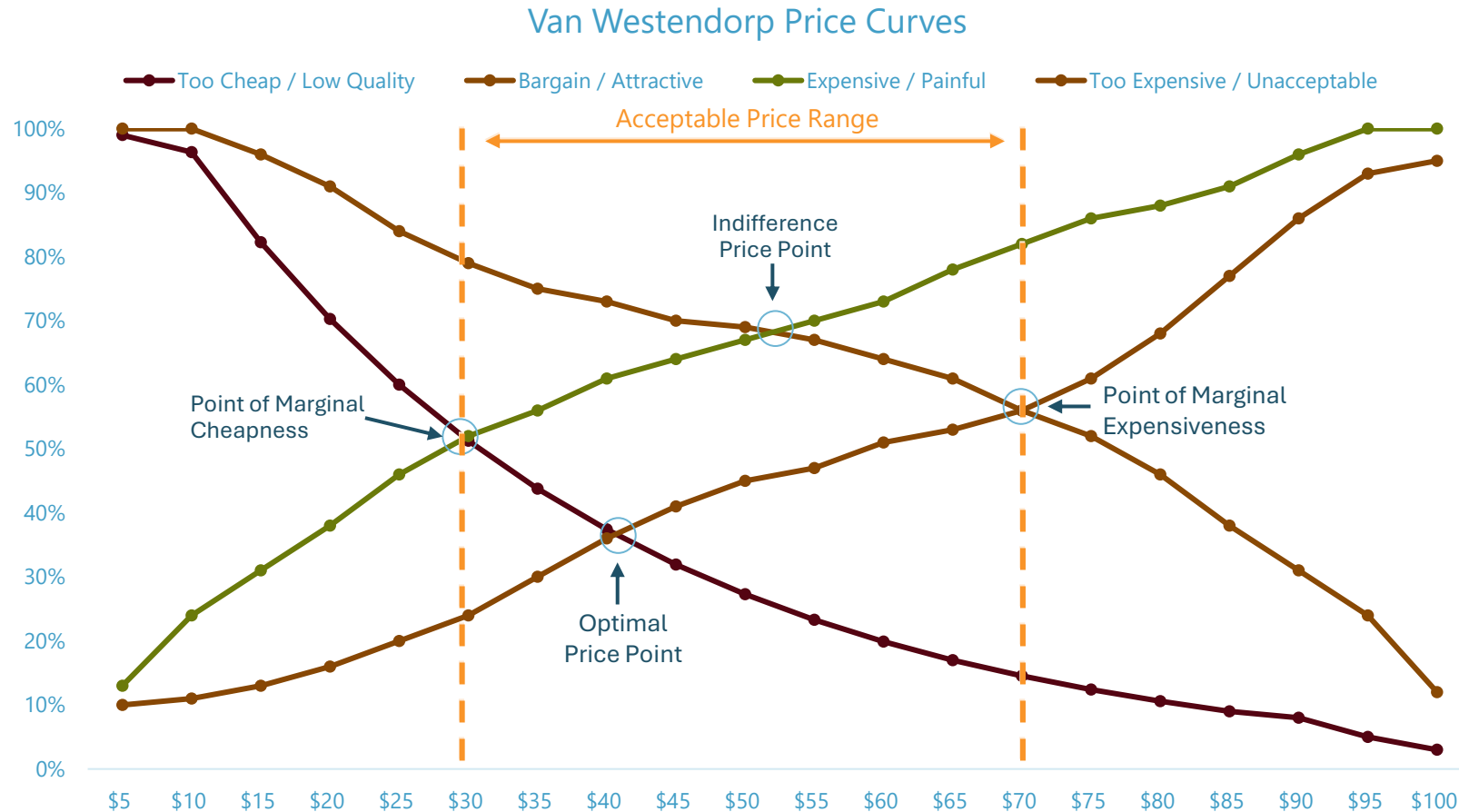
Van Westendorp Price Sensitivity Meter

- Developed by Peter H. Van Westendorp, a Dutch economist and market researcher, in the early 1970s
- The Van Westendorp PSM is a direct questioning technique that asks respondents to identify price points at which they consider a product to be:
 - Too cheap
 - Cheap but still acceptable
 - Expensive but still acceptable
 - Too expensive
- Unlike the Gabor-Granger method, which seeks to find a singular optimal price point by linking price to purchase intention, the Van Westendorp approach provides a range of acceptable prices and identifies price thresholds that signal perceived value or quality concerns

Van Westendorp Question Set

1. Present a full description of the product or service
 2. Ask respondents **four price perception questions**:
 - a) **Too cheap** – “At what price is this product so inexpensive you’d question its quality?”
 - b) **Bargain** – “At what price is it a good deal?”
 - c) **Getting expensive** – “At what point does it start to feel too expensive?”
 - d) **Too expensive** – “At what point is it too costly to consider buying?”
- NOTE: These are open-ended questions, with respondents entering numeric prices.

Van Westendorp Output



Point of Marginal Cheapness (PMC)

Too Cheap = Low Quality at High Price
The **lower bound** of acceptable pricing. Prices below this point negatively affect perceived quality, even among those looking for a deal.

Point of Marginal Expensiveness (PME)

Too Expensive = Good Quality at High Price
The **upper bound** of acceptable pricing. Prices above this point reduces perception of value.

Indifference Price Point (IPP)

Attractive = Painful
Price at which an equal number of people think the product is a bargain or a stretch—a psychological midpoint. Consider it as safe starting benchmark.

Optimal Price Point (OPP)

Too Cheap = Too Expensive
The price with the lowest combined resistance (fewest people reject product as too cheap or too expensive). Consider it the **"sweet spot"** for pricing, balancing affordability and perceived quality

Gabor-Granger & Van Westendorp Comparison

Feature	Gabor-Granger	Van Westendorp PSM
Purpose	Measures demand at various price points	Identifies acceptable price range based on perception
Method	Sequential pricing questions (Would you buy at \$X?)	Four open-ended questions about price perceptions
Data Output	Demand curve & estimated revenue	Price range with optimal and acceptable price points
Best For	Revenue optimization, forecasting, elasticity	Exploratory pricing, value perception, new product pricing
Questions Asked	Varying prices until rejection point	"Too cheap", "Cheap", "Expensive", "Too expensive"
Respondent Load	Low to moderate (1–5 prices tested)	Low (4 questions)
Result Type	Quantitative (purchase likelihood)	Perceptual (price acceptability)
Strengths	<ul style="list-style-type: none"> • Good for modeling • Quantifies demand & revenue • Supports scenario simulation 	<ul style="list-style-type: none"> • Simple & intuitive • Identifies pricing boundaries • Great for early-stage decisions
Limitations	<ul style="list-style-type: none"> • Requires pricing range setup • Not ideal for unanchored products 	<ul style="list-style-type: none"> • No revenue forecast • Assumes rational perceptions • Less granular