



# Testing a New Product Feature

## Acceptance & Pricing Conjoint Analysis Survey Report

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# Cow-Free Milk: Will Consumers Buy It?

A New Innovation:  
**'Cow-Free' Milk**



**Two Critical Unknowns**



How will consumers react, and what is the right price to charge for it?

Client Wants to Know if a  
New Milk Feature Will Be Accepted?

*“‘Cow-free’ milk is now possible. Various technologies have either been developed or are being developed to make milk that is identical to cow milk, except no cows are involved in producing the milk.”*

**How will they react and what price to charge?**

## SOLUTION

*“Conjoint Analysis Survey 180 UHT milk buyers”*

# Results in a Nutshell

## Replacing Real Milk Causes a Drop in Share & Revenue

Swapping cow's milk for synthetic milk did not lead to an increase in sales.



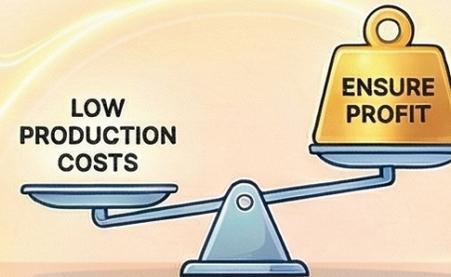
## Price Cuts Don't Fix the Revenue Problem



Lowering the price helps recover market share but fails to recover lost revenue.



## Proceed with Caution



Only launch if production costs are low enough to ensure profit despite lower revenue.

## SUGGESTION

“Consider further analysis - a segmentation and a line extension scenario”

# How conjoint analysis works\*

1

List attributes and levels that define the possible products (mutually exclusive levels)

Brand	Price	Type	Cap material	Pack
Kinder Green	9.99	Cow Milk	Plastic	Recyclable
Clover	13.99	Cow-Free Milk (from cells)	Bioplastic	Not recyclable
Dewfresh	17.99	Cow-Free Milk (from flora)		
First Choice	21.99			
Parmalat				

\*Simplified.

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2

Attributes and levels could result in hundreds or thousands of combinations. So a type of experimental design is used to reduce this to a manageable # of product profiles.

Brand	Price	Type	Cap material	Pack
Clover	9.99	Cow Milk	Plastic	Recyclable
Kinder Green	9.99	Cow-Free Milk (from cells)	Plastic	Recyclable
Parmalat	17.99	Cow-Free Milk (from cells)	Plastic	Recyclable
First Choice	13.99	Cow-Free Milk (from flora)	Plastic	Recyclable
Kinder Green	21.99	Cow-Free Milk (from flora)	Plastic	Recyclable
Parmalat	13.99	Cow Milk	Bioplastic	Recyclable
Dewfresh	21.99	Cow Milk	Bioplastic	Recyclable
First Choice	21.99	Cow-Free Milk (from cells)	Bioplastic	Recyclable
Clover	17.99	Cow-Free Milk (from flora)	Bioplastic	Recyclable
First Choice	17.99	Cow Milk	Plastic	Not recyclable
Clover	21.99	Cow Milk	Plastic	Not recyclable
Dewfresh	13.99	Cow-Free Milk (from cells)	Plastic	Not recyclable
Parmalat	21.99	Cow-Free Milk (from flora)	Plastic	Not recyclable
Kinder Green	17.99	Cow Milk	Bioplastic	Not recyclable
First Choice	9.99	Cow-Free Milk (from cells)	Bioplastic	Not recyclable
Clover	13.99	Cow-Free Milk (from cells)	Bioplastic	Not recyclable
Dewfresh	9.99	Cow-Free Milk (from flora)	Bioplastic	Not recyclable

3

Each row is turned into a profile that a participant would rate in terms of purchase probability. For example...

Desktop

Cell phone

\* 1. If all of the stores stocked the product, with the features and pricing shown below, how likely would you be to buy within the next 3 months?



-----  
 Parmalat  
 -----  
 16.55  
 -----  
 Cow Milk  
 -----  
 Plastic  
 -----  
 Not recyclable  
 -----

- NO CHANCE, ALMOST NO CHANCE (1 IN 100)
- VERY SLIGHT POSSIBILITY (1 IN 10)
- SLIGHT POSSIBILITY (2 IN 10)
- SOME POSSIBILITY (3 IN 10)
- FAIR POSSIBILITY (4 IN 10)
- FAIRLY GOOD POSSIBILITY (5 IN 10)
- GOOD POSSIBILITY (6 IN 10)
- PROBABLE (7 IN 10)
- VERY PROBABLE (8 IN 10)
- ALMOST SURE (9 IN 10)
- CERTAIN, PRACTICALLY CERTAIN (99 IN 100)

UHT milk

\* 1. If all of the stores stocked the product, with the features and pricing shown below, how likely would you be to buy within the next 3 months?



-----  
 Parmalat  
 -----  
 16.55  
 -----  
 Cow Milk  
 -----  
 Plastic  
 -----  
 Not recyclable  
 -----

- NO CHANCE, ALMOST NO CHANCE (1 IN 100)
- VERY SLIGHT POSSIBILITY (1 IN 10)
- SLIGHT POSSIBILITY (2 IN 10)

Show alternative product profiles during survey - like this example - then estimate a statistical model for a market simulator

\* 1. If all of the stores stocked the product, with the features and pricing shown below, how likely would you be to buy within the next 3 months?

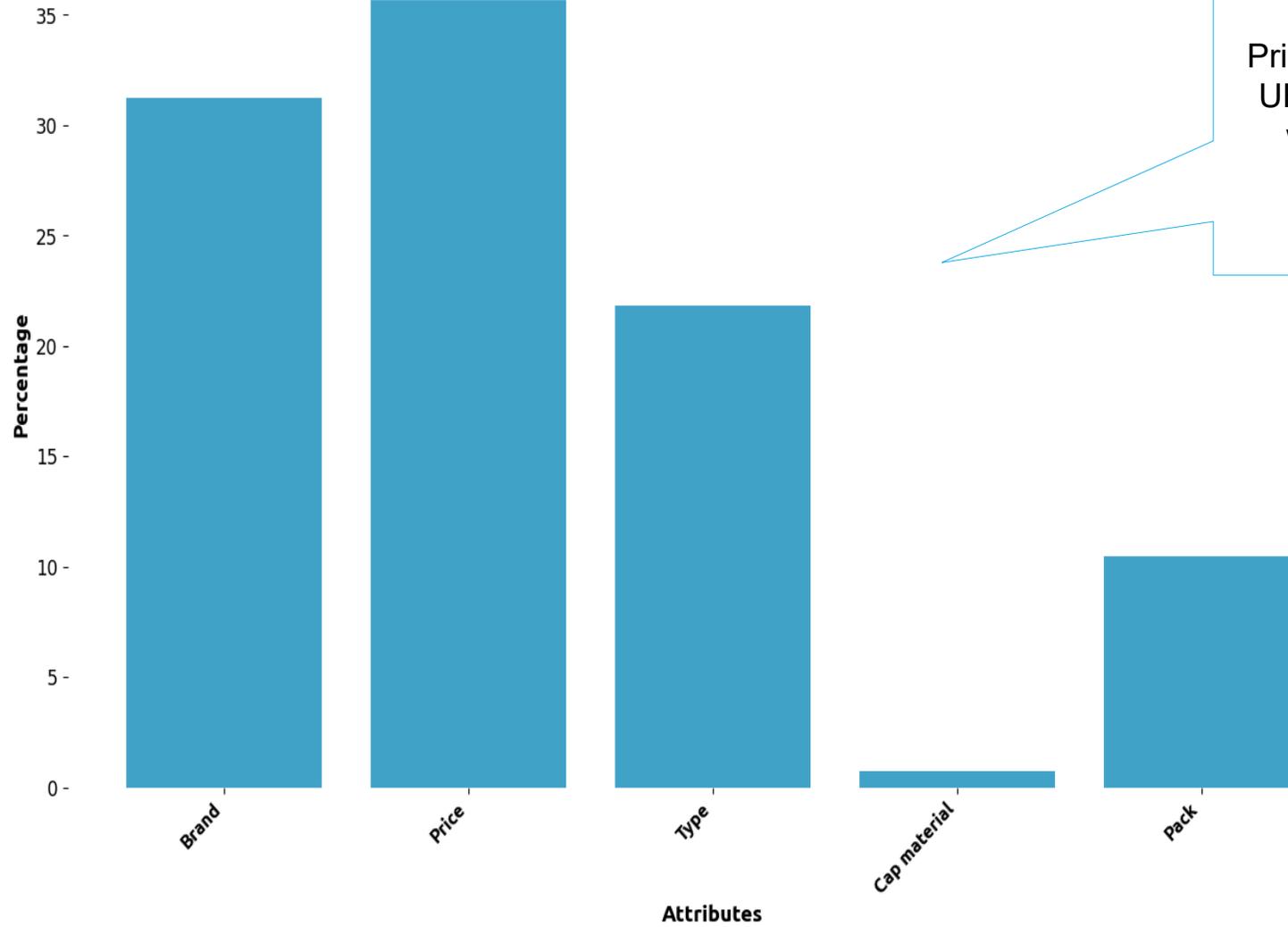


-----  
Parmalat  
-----  
16.55  
-----  
Cow Milk  
-----  
Plastic  
-----  
Not recyclable  
-----

- NO CHANCE, ALMOST NO CHANCE (1 IN 100)
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# RESULTS

### Importance of each attribute



Price and brand most important in UHT milk. Importance is inferred without asking directly, using statistical models.

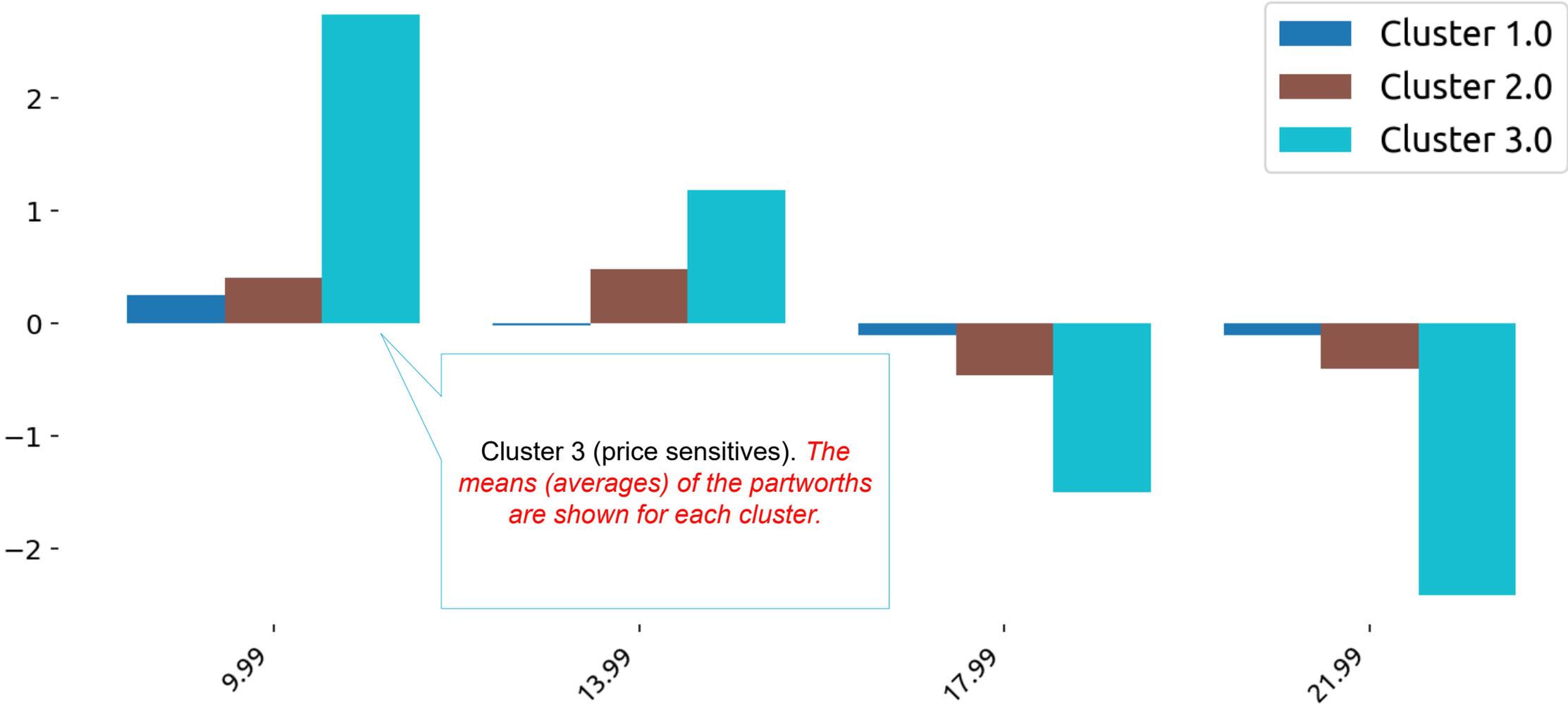


# Cluster analysis revealed 3 clusters:

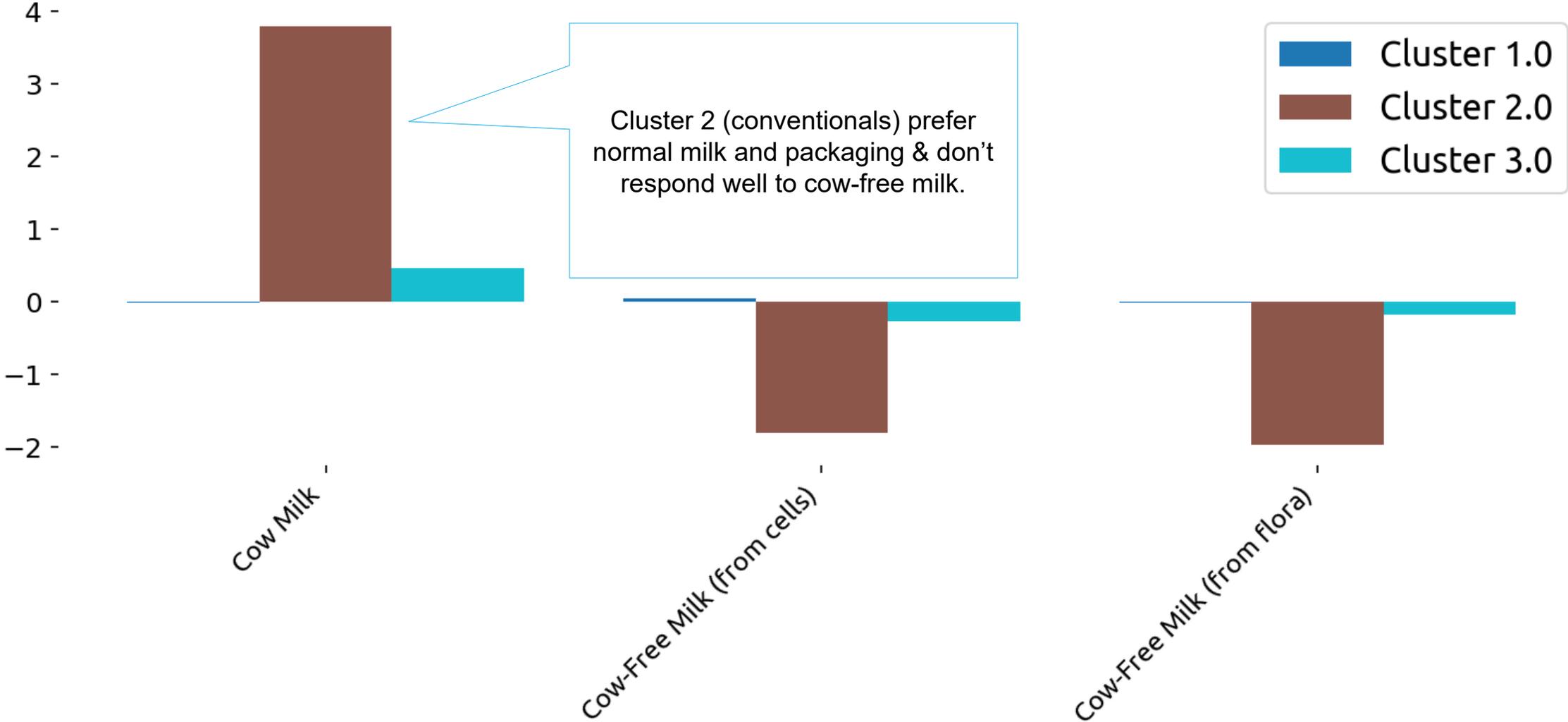
Cluster	Percentage
Cluster 1.0 (Greens)	62.21
Cluster 3.0 (Price sensitives)	23.84
Cluster 2.0 (Conventional)	13.95

Cluster analysis is performed on the partworts. The percentages refer to the percentage of survey respondents falling in each cluster. Sometimes they are given creative names.

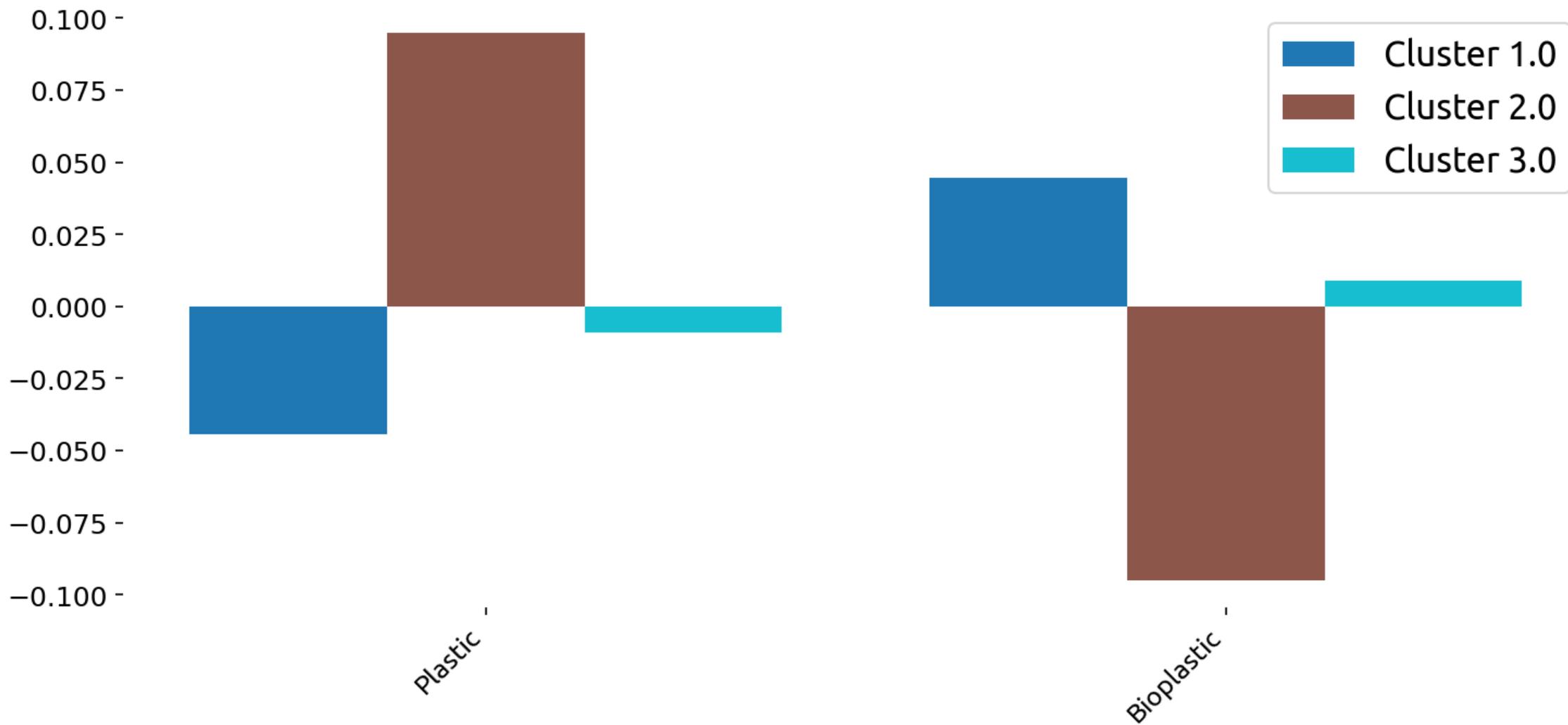
# Cluster Means - Price



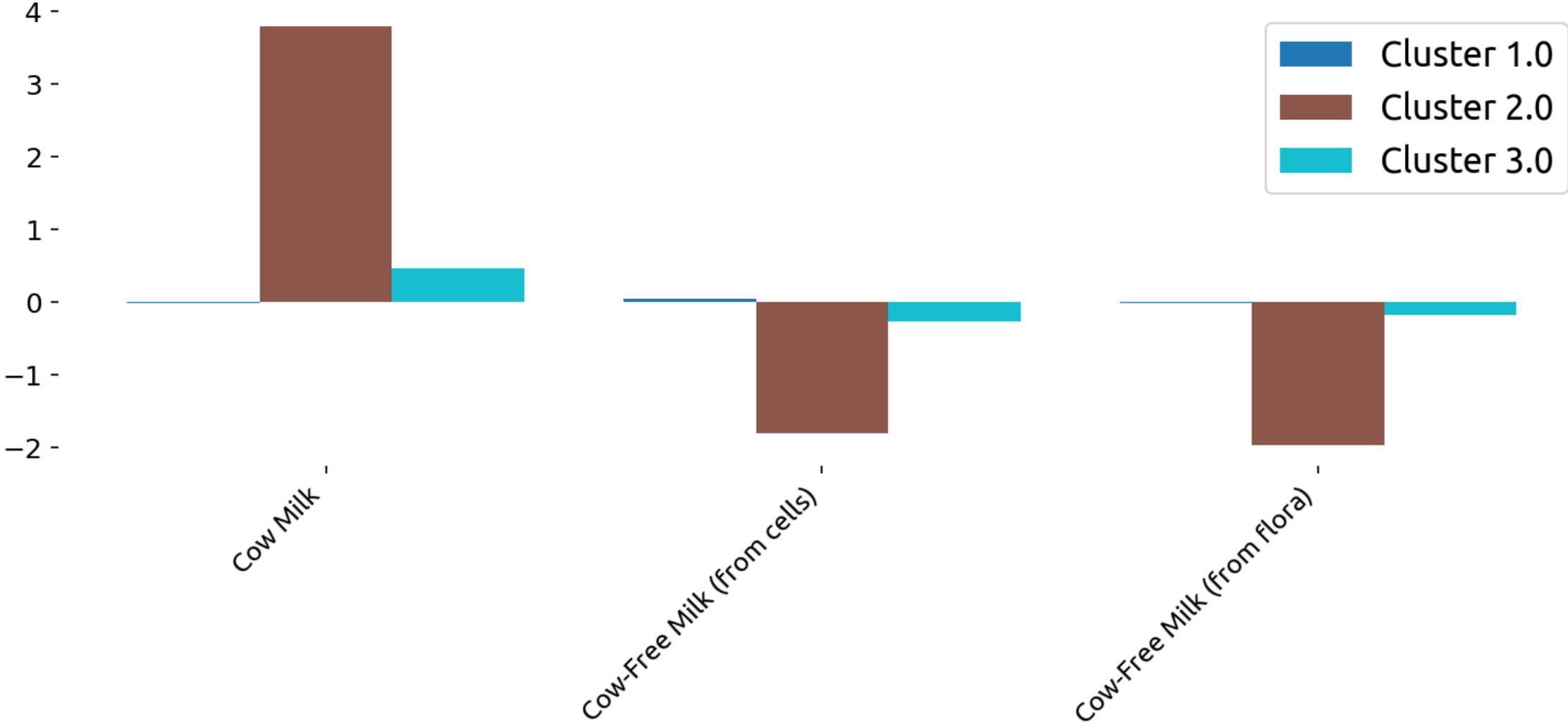
# Cluster Means - Type



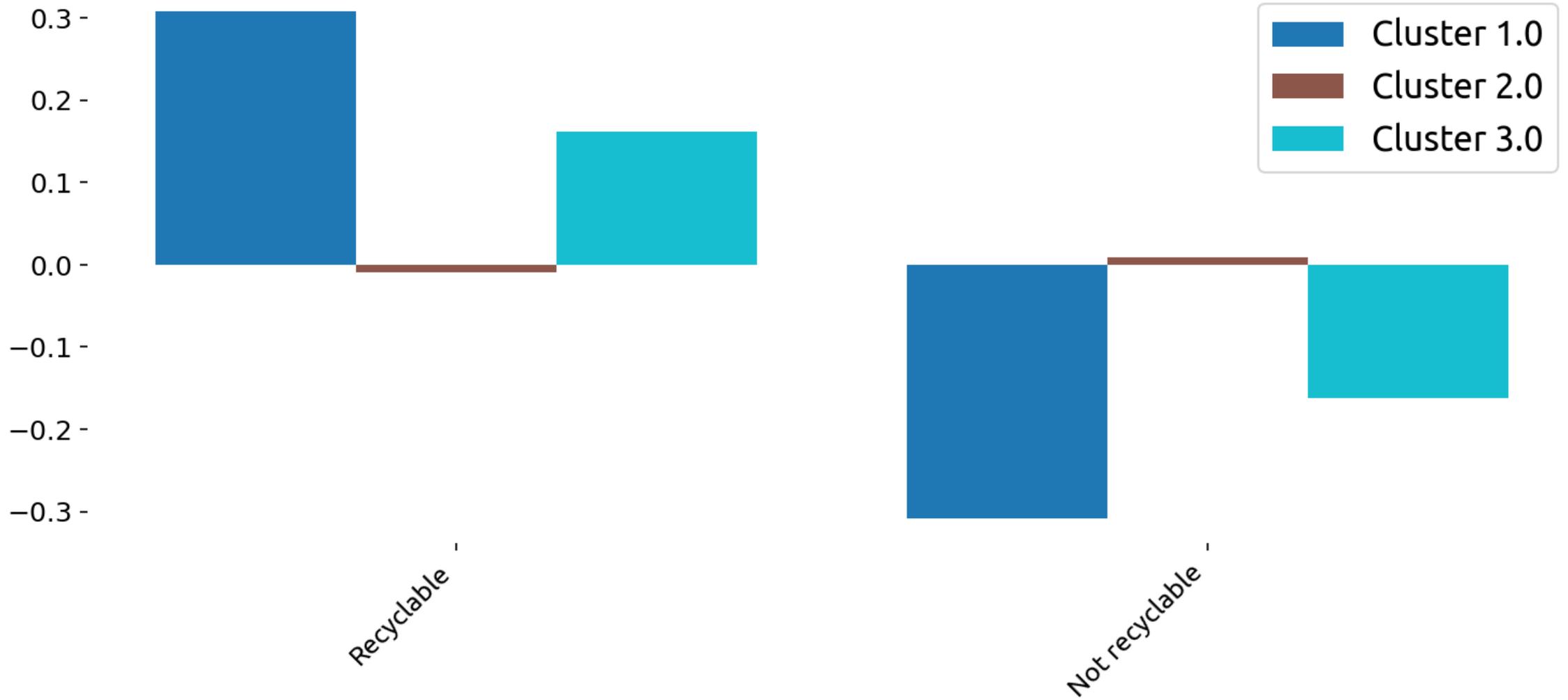
### Cluster Means - Cap material



# Cluster Means - Type



## Cluster Means - Pack



# Scenario: Reformulation + compensation price?

- Will share drop if Clover\* switches to **cow-free** milk (cells in bioreactor)?
- If so, would a **lower** price compensate, and how much to get back to a similar share?



\*Survey not sponsored by Clover.

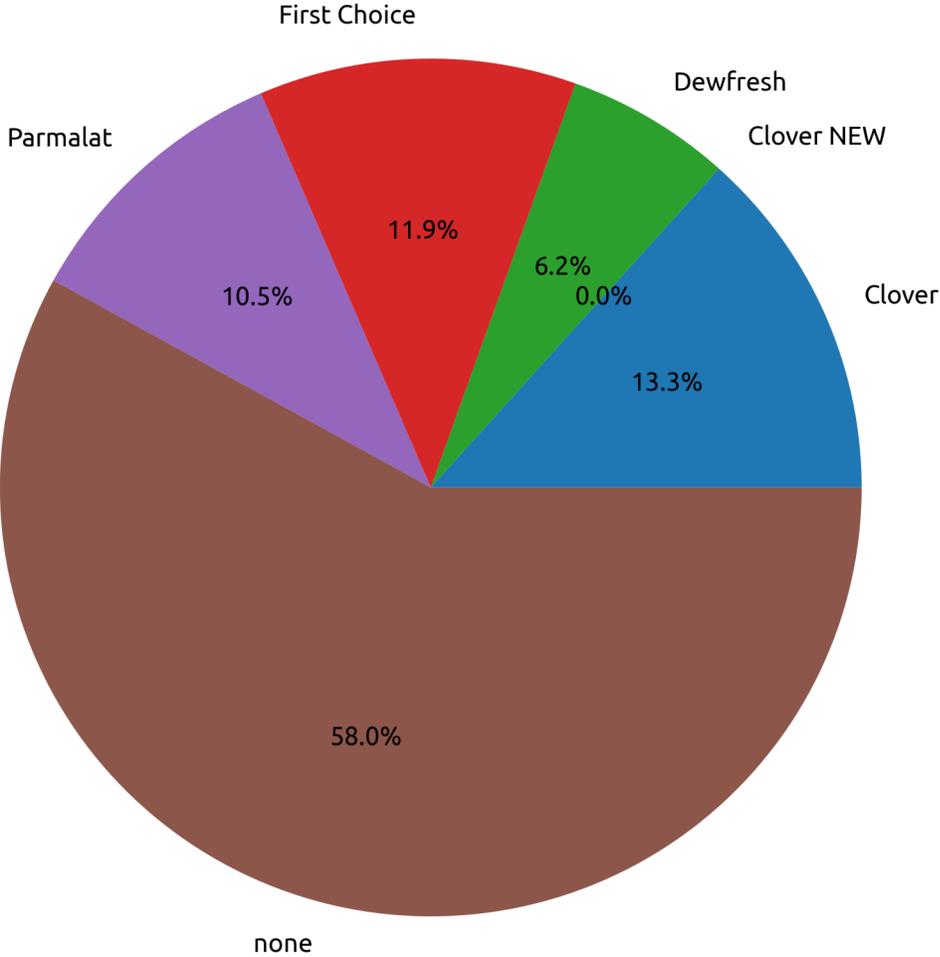
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## Scenario 1: baseline (the current market)

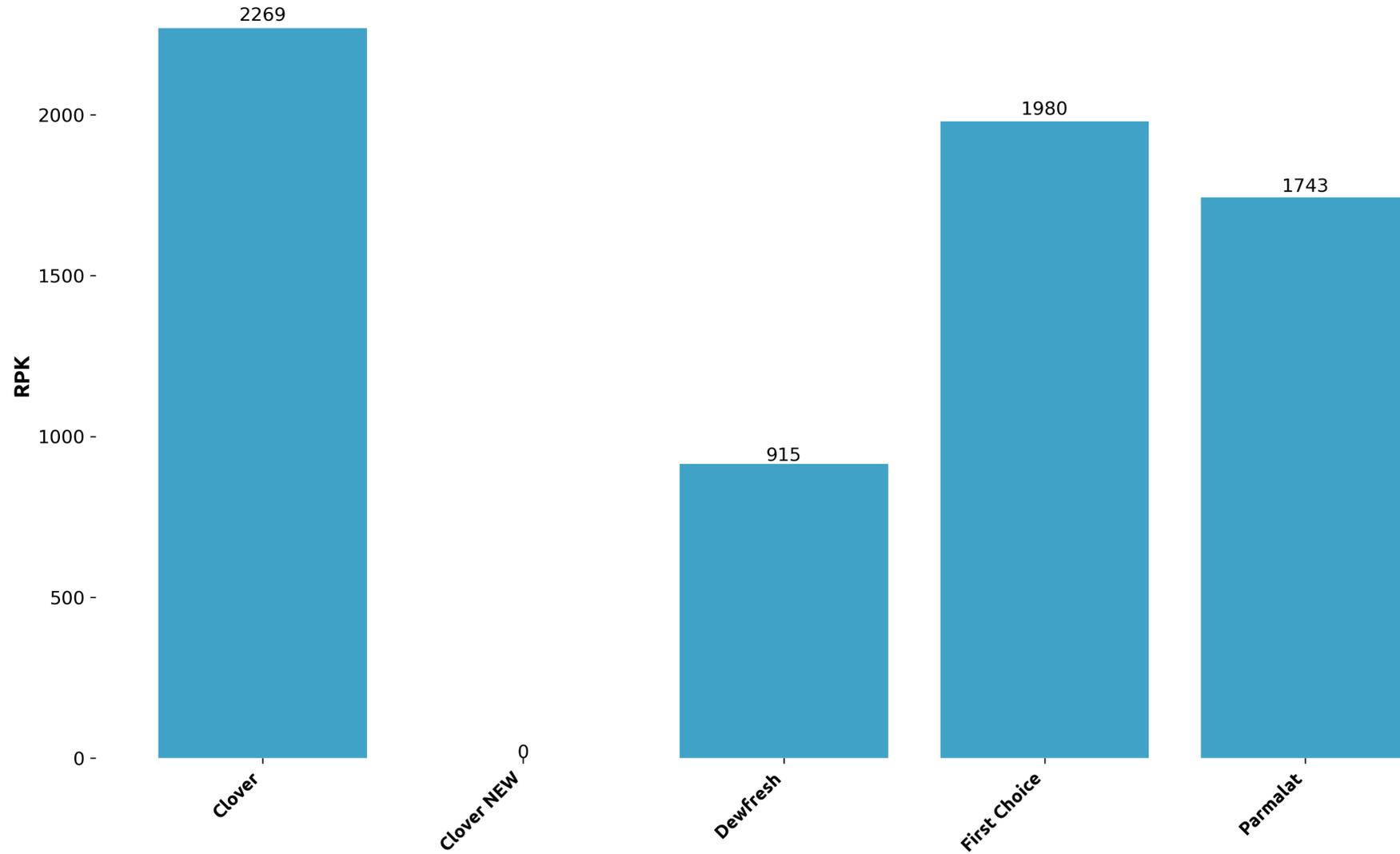
Attributes	Clover	Dewfresh	First Choice	Parmalat
Inclusion	Yes	Yes	Yes	Yes
Brand of mil...	Clover	Dewfresh	First Choice	Parmalat
Price	17.01	14.74	16.64	16.55
Type	Cow Milk	Cow Milk	Cow Milk	Cow Milk
Cap material	Plastic	Plastic	Bioplastic	Plastic
Pack	Not recyclab...	Not recyclab...	Recyclable	Not recyclab...
Share %	13.34	6.21	11.9	10.53
RPK	2269	915	1980	1743

Total share % Total RPK  
41.98 6907

# Share %



### Estimated revenue per 1,000 customers



\*Price x share/100 x 1000 = RPK. Translates to revenue if each customer purchased 1 unit on one purchase occasion. Therefore use as indicator not forecast.

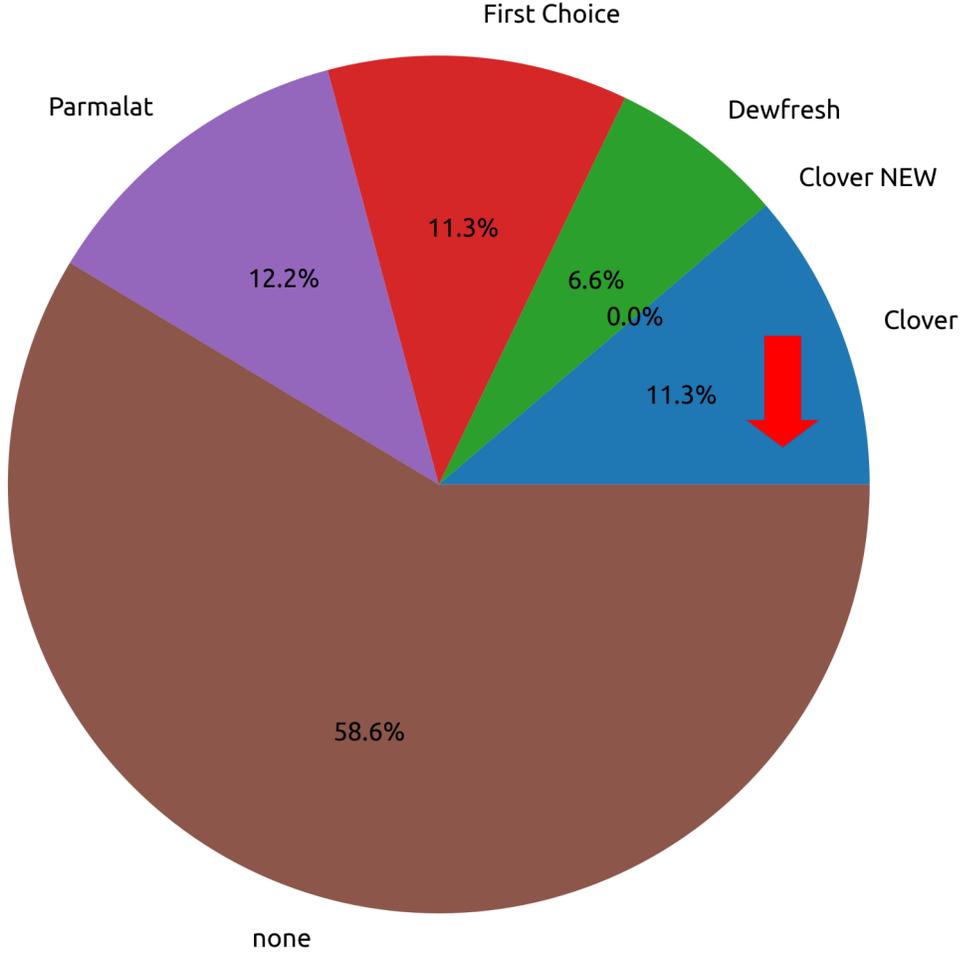


## Scenario 2: Clover switches to cow-free milk

Attributes	Clover	Dewfresh	First Choice	Parmalat
Inclusion	Yes	Yes	Yes	Yes
Brand of mil...	Clover	Dewfresh	First Choice	Parmalat
Price	17.01	14.74	16.64	16.55
Type	Cow-Free Mil...	Cow Milk	Cow Milk	Cow Milk
Cap material	Plastic	Plastic	Bioplastic	Plastic
Pack	Not recyclab...	Not recyclab...	Recyclable	Not recyclab...
Share %	11.27	6.61	11.27	12.2
RPK	1917	974	1875	2019

Total share % Total RPK  
41.36 6785

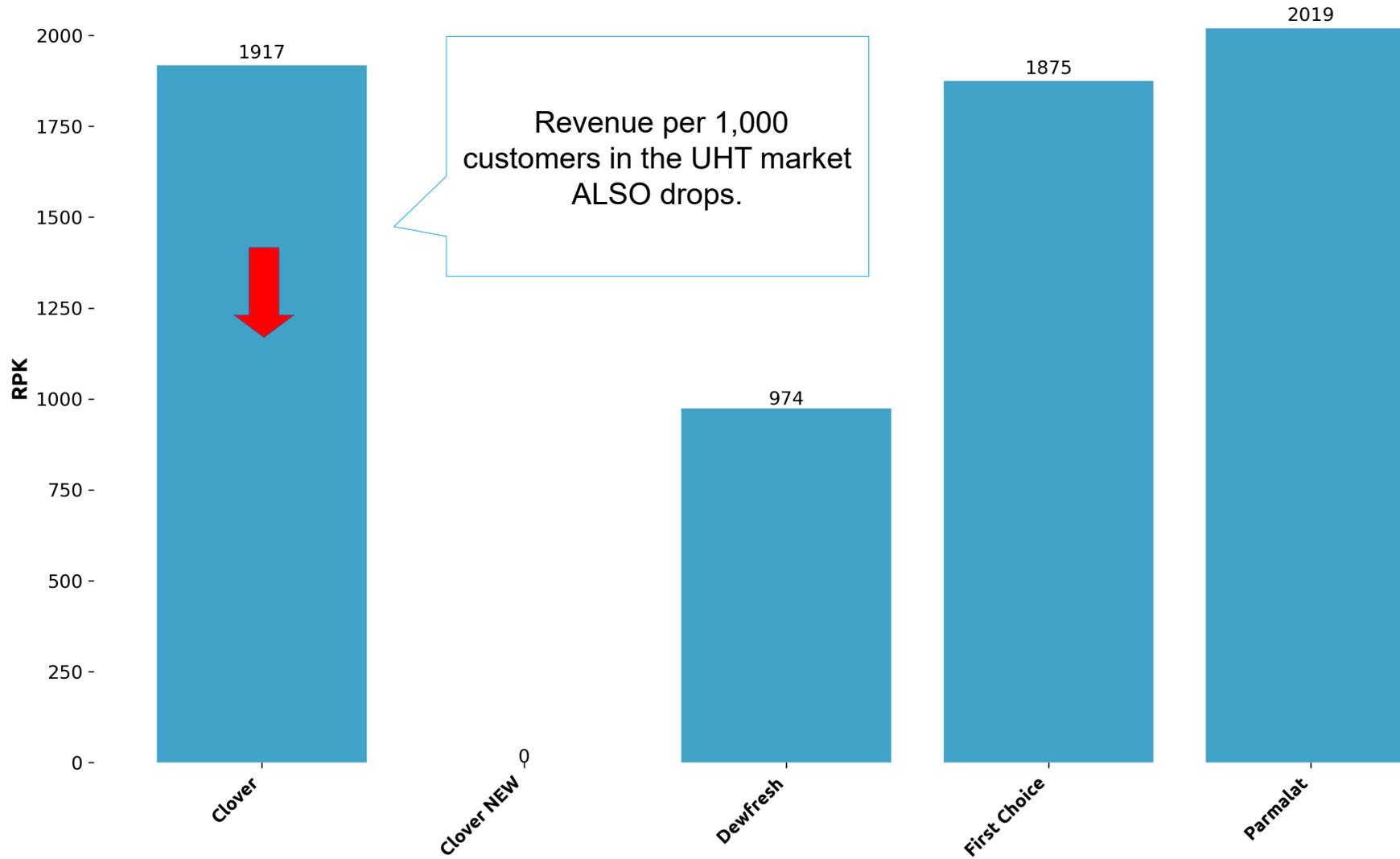
Share %



Share\* drops around 2% in response to switch to 'cow-free milk'.



### Estimated revenue per 1,000 customers



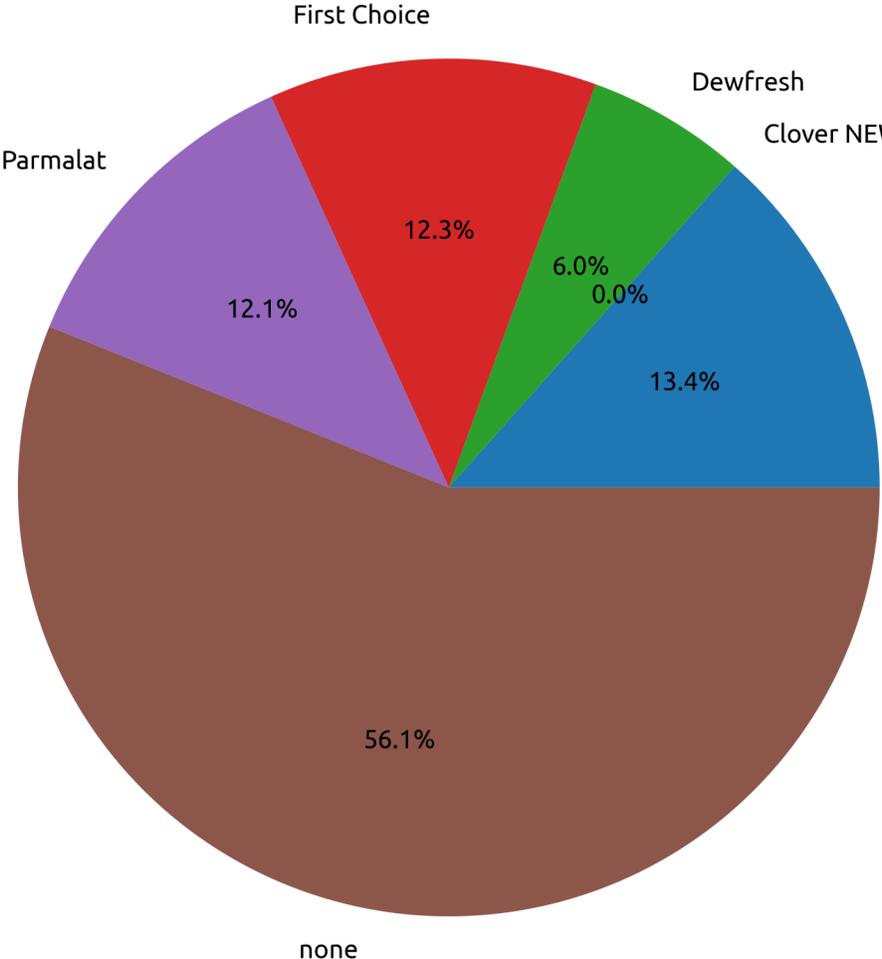
\*Price x share/100 x 1000 = RPK. Translates to revenue if each customer purchased 1 unit on one purchase occasion. Therefore use as indicator not forecast.

## Scenario 3: Compensatory Clover price decrease to 15.3

Attributes	Clover	Dewfresh	First Choice	Parmalat
Inclusion	Yes	Yes	Yes	Yes
Brand of mil...	Clover	Dewfresh	First Choice	Parmalat
Price	15.3	14.74	16.64	16.55
Type	Cow-Free Mil...	Cow Milk	Cow Milk	Cow Milk
Cap material	Plastic	Plastic	Bioplastic	Plastic
Pack	Not recyclab...	Not recyclab...	Recyclable	Not recyclab...
Share %	13.45	6.01	12.31	12.12
RPK	2058	886	2048	2006

Total share % Total RPK  
43.88 6998

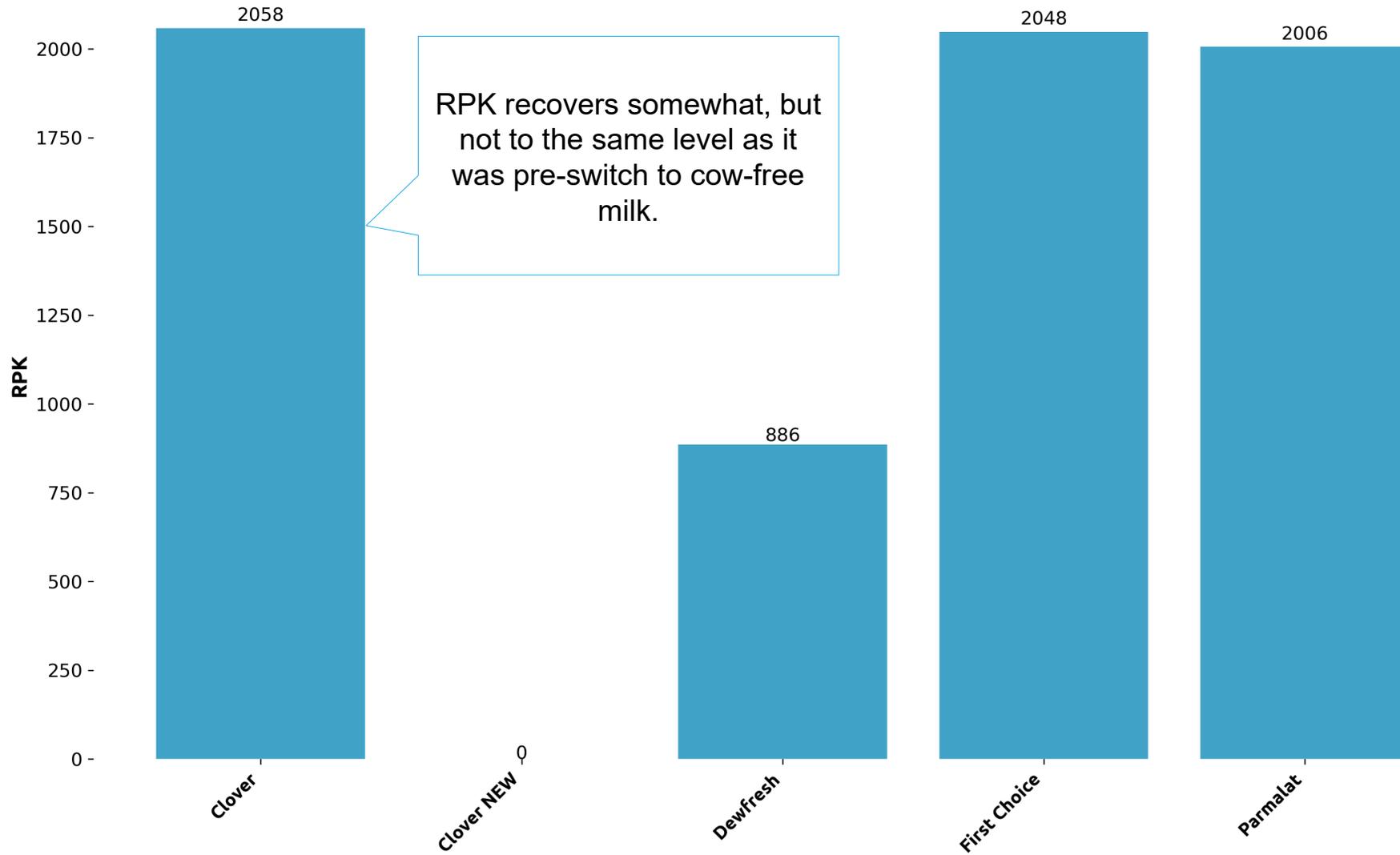
Share %



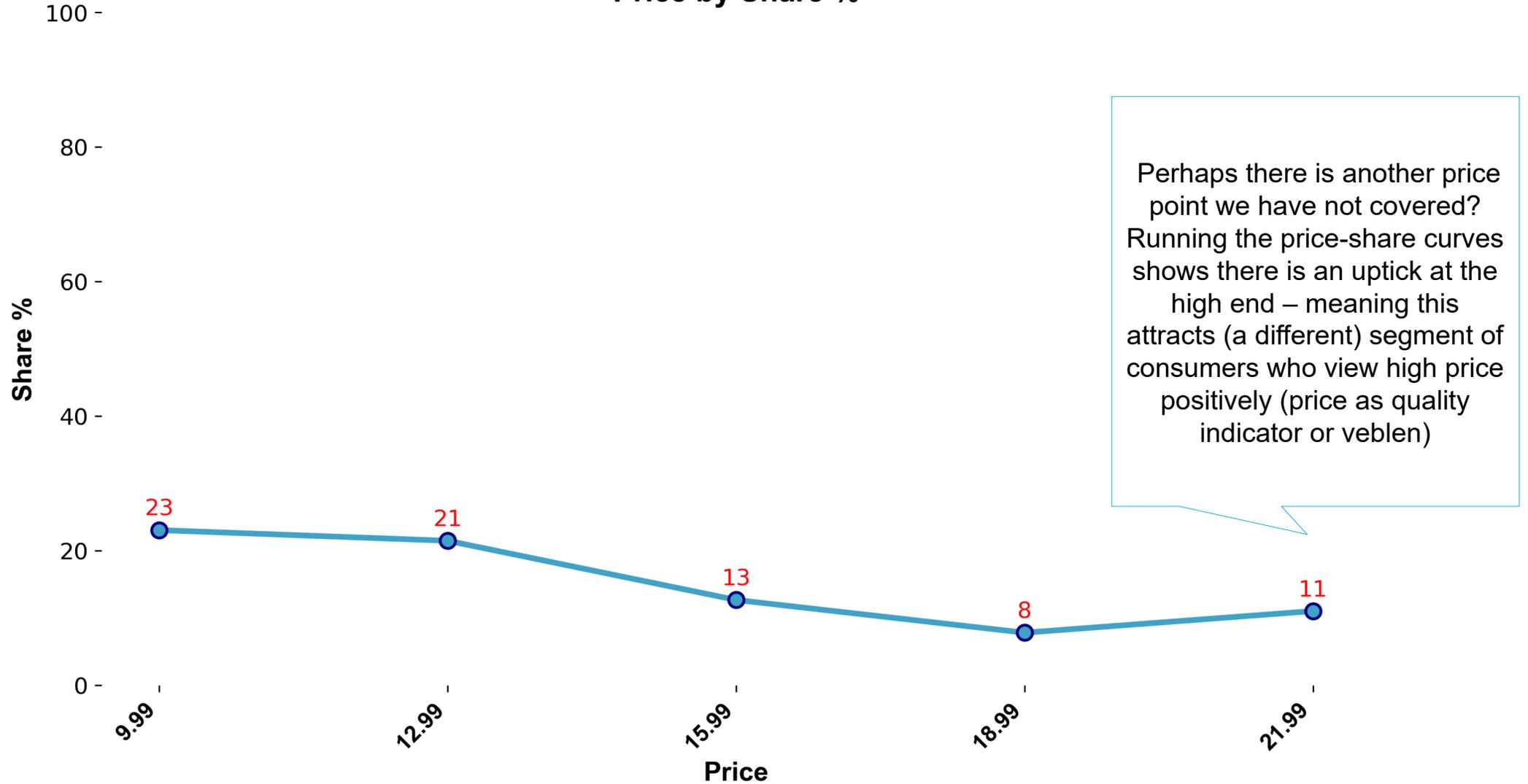
Share recovers after price reduction back to a similar share level.



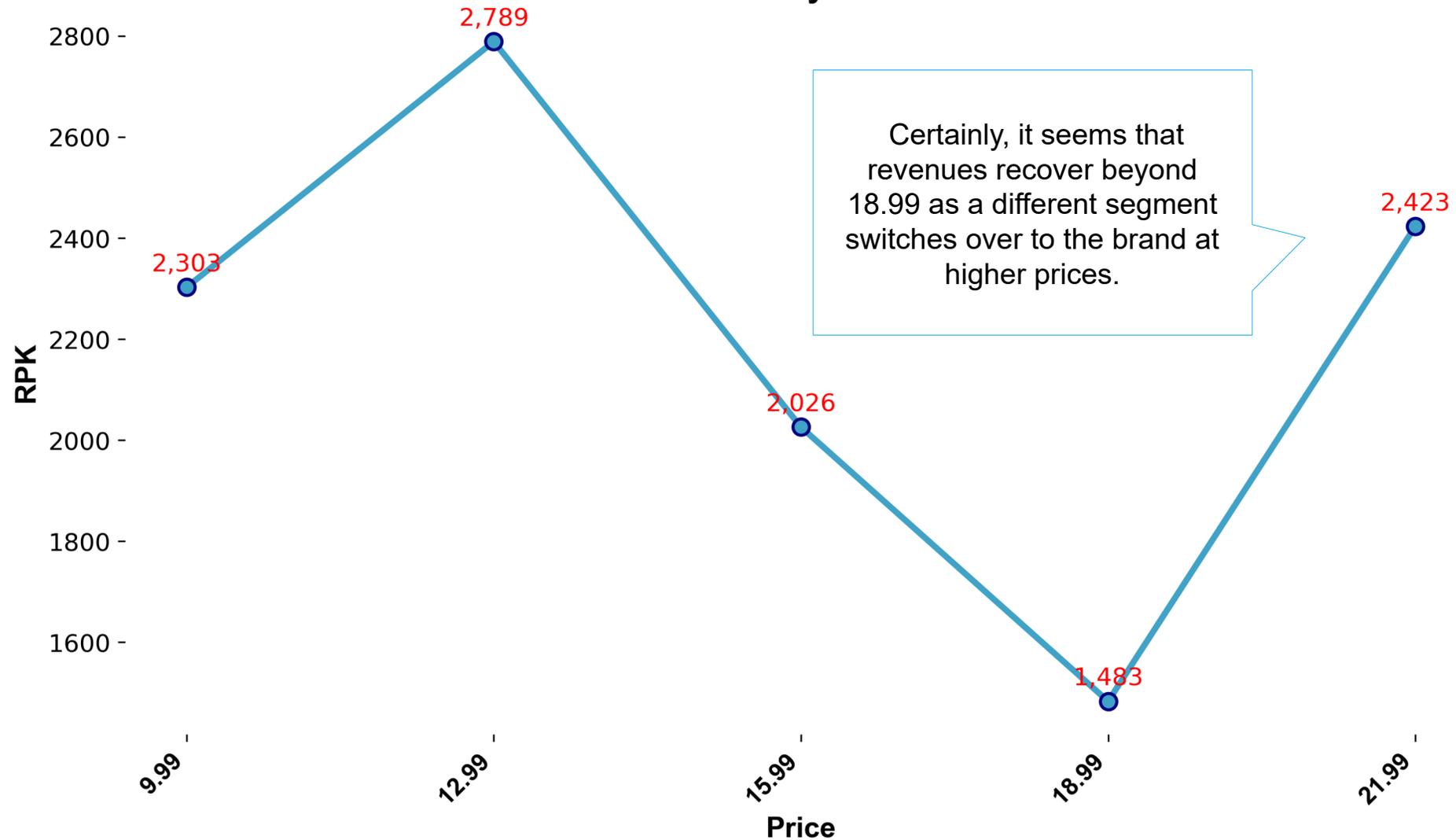
### Estimated revenue per 1,000 customers



## Price by Share %



## Price by RPK



\*RPK = Revenue per 1000 customers purchasing any brand of UHT milk (simplified to 1L per customer in period defined by question wording)

Prices	Shares %: Clover	RPK: Clover
9.99	23.05	2302.69
12.99	21.47	2788.95
15.99	12.67	2025.93
18.99	7.81	1483.12
21.99	11.02	2423.3

# Conclusions

- 1) Replacing real cow milk with synthetic causes a share and revenue drop, not an increase.**
- 2) Lowering price recovers share, but not revenue. Perhaps a higher price might make sense.**
- 3) Only proceed at lower price if gross profits sufficient due to sufficiently lower production costs OR alternatively try raising, or conduct further analysis – segmentation and explore a line extension scenario.**