

Vienna University of
Economics and Business Administration



Adaptive Conjoint Analysis for Pricing On-line Music

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Overview

- 1 Current pricing models for music download services.
 - 2 Design of adaptive conjoint analysis study for estimation of willingness-to-pay (WTP) for music downloads.
 - 3 Description of dataset (socio-demographics, reversals).
 - 4 Estimated WTPs vs. real pricing.
 - 5 Estimated WTPs based on different status quo products.
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Current pricing of download services

Biggest European download service provider is OD2.¹

Examples:

- musicload.de
- mycokemusic.at
- aonmusic.at
- chellomusic.at

Pricing scheme: Between 0.99 € and 1.49 € per title, discounts starting at 16 titles (10%). Download of an album usually costs 12.95 €.

Other download services (itunes, msnmusic, one4music, etc.) have similar pricing schemes.

¹ Accessed March 5th, 2006

Design of study

Attributes and levels

Package	Distribution Channel	Sound Quality	Booklet	Price
1 Title	Pick up in Record Store	Radio Quality (64 kbs)	Without Booklet	1,00 €
3 Titles	Postal Delivery	CD Quality (128+ kbs)	With Booklet	5,00 €
6 Titles	Download			10,00 €
12 Titles				15,00 €
1 Album / Compilation				20,00 €

The interview was supervised to minimize comprehension problems.

Original interview:
<http://www.breidert.net/>



Sociodemographic data

- 99 students interviewed
 - 60 female
 - Average age 23.72 years, standard deviation 2.65 years
 - 47 students use a CD-player for listening to music
 - 52 students use their personal computer
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When was a CD (album or compilation) purchased the last time?

Months	1	3	6	12	>12
Participants	10	23	11	15	40



Conjoint data

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Attribute booklet has the lowest importance in conjoint data.
Attribute price is most important attribute.

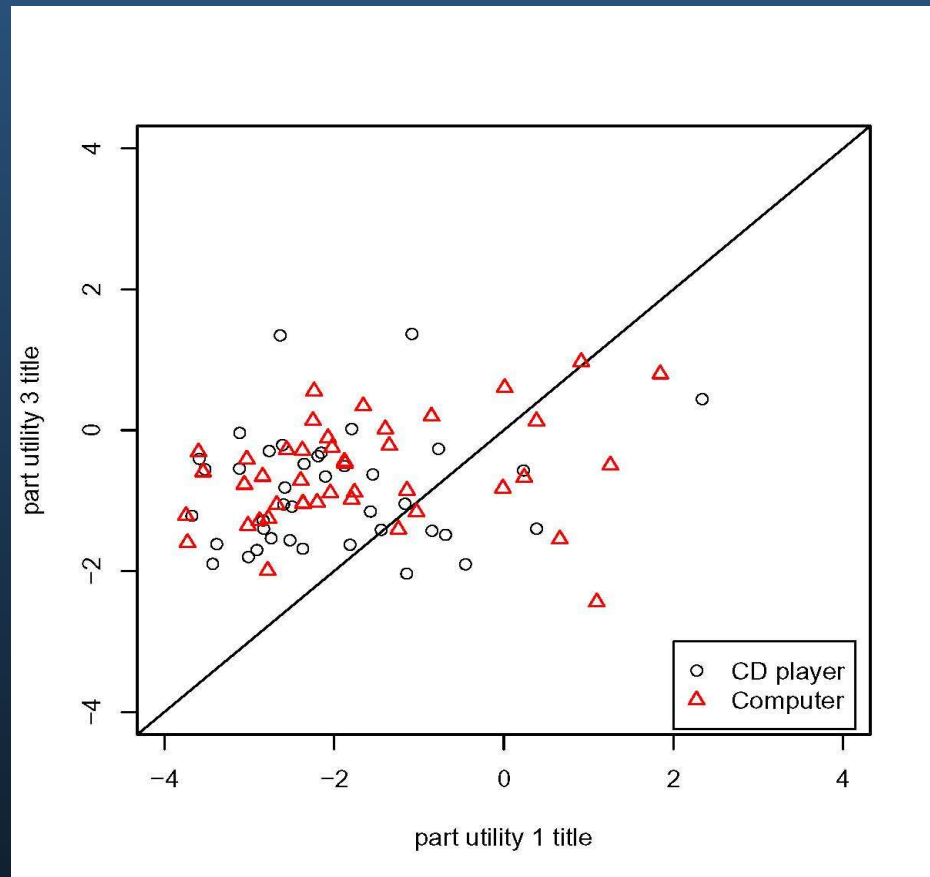
Importances

	Minimum	Media	Maximum
Price	1,727	4,670	7,772
Package	1,378	4,592	7,235
Sound Quality	0,054	2,036	5,020
Distribution	0,083	1,986	5,144
Booklet	0,070	1,163	4,760

Reversals with attribute package

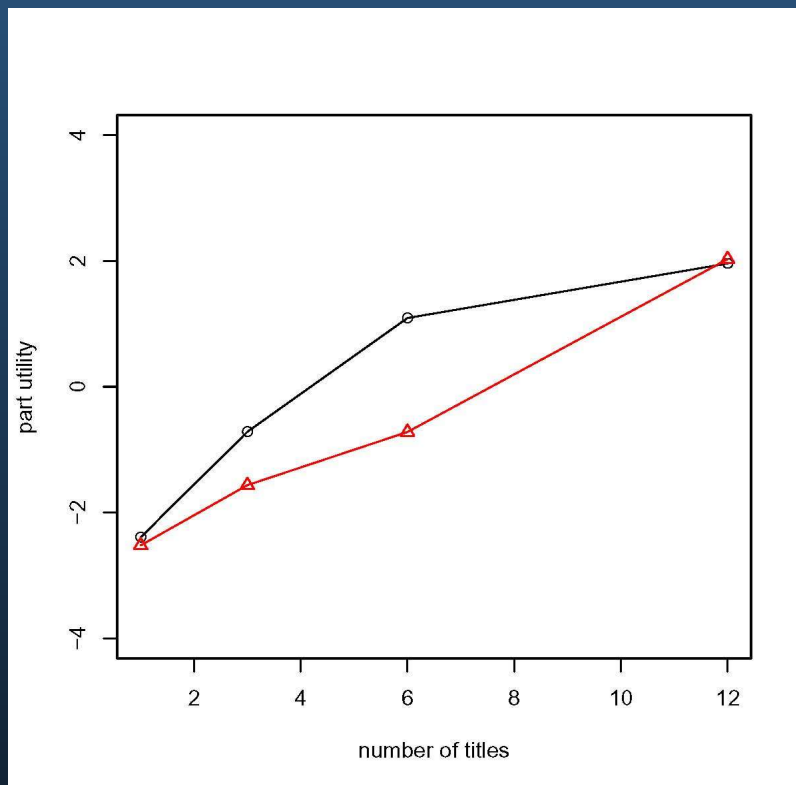
Reversals of quantitative is a known phenomenon.¹

15 users have a reversal, when the utility of 1 title is compared with the utility of 3 titles.

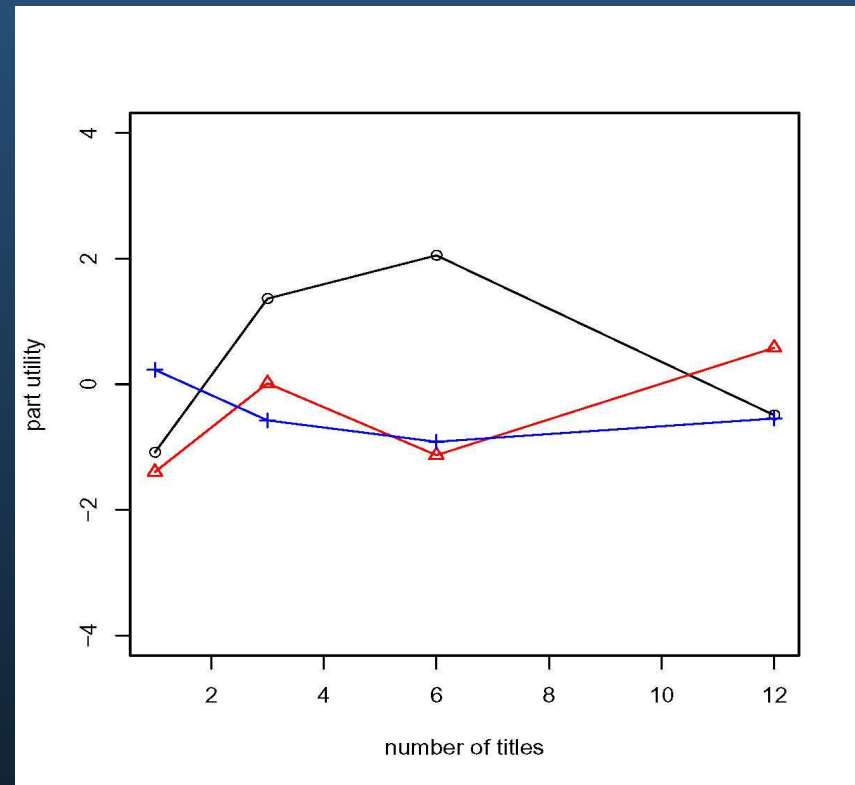


¹ Compare Orme, B. (2002). Formulating Attributes and Levels in Conjoint Analysis. Technical report, Sawtooth Software Inc.

Individuals without reversals



Individuals with reversals



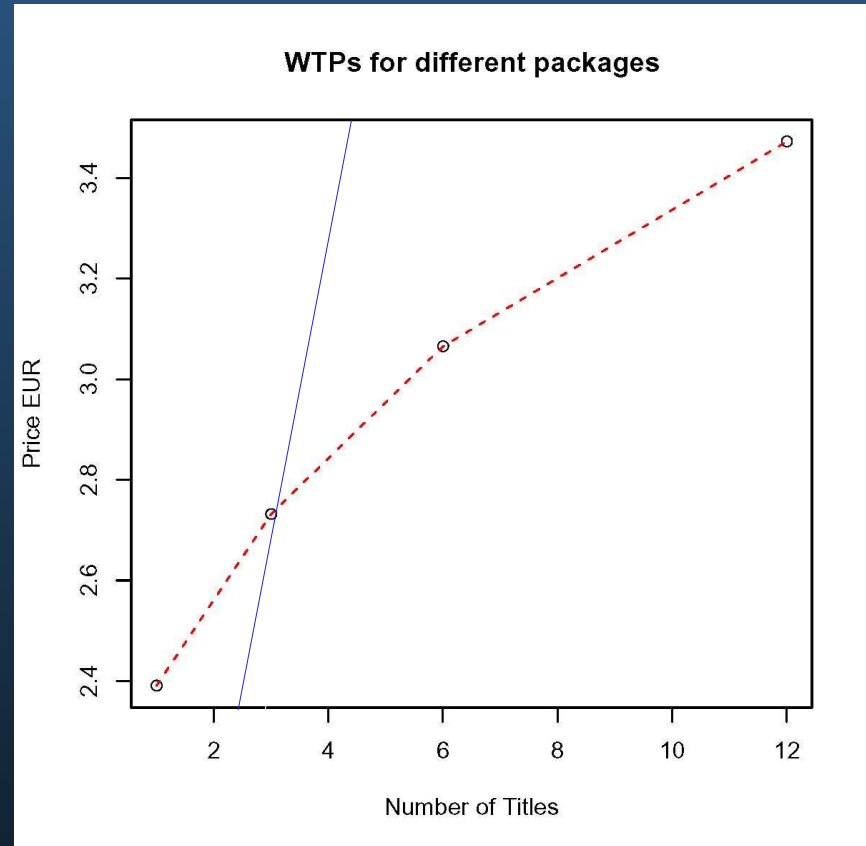
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Comparing current pricing practice with estimated WTPs



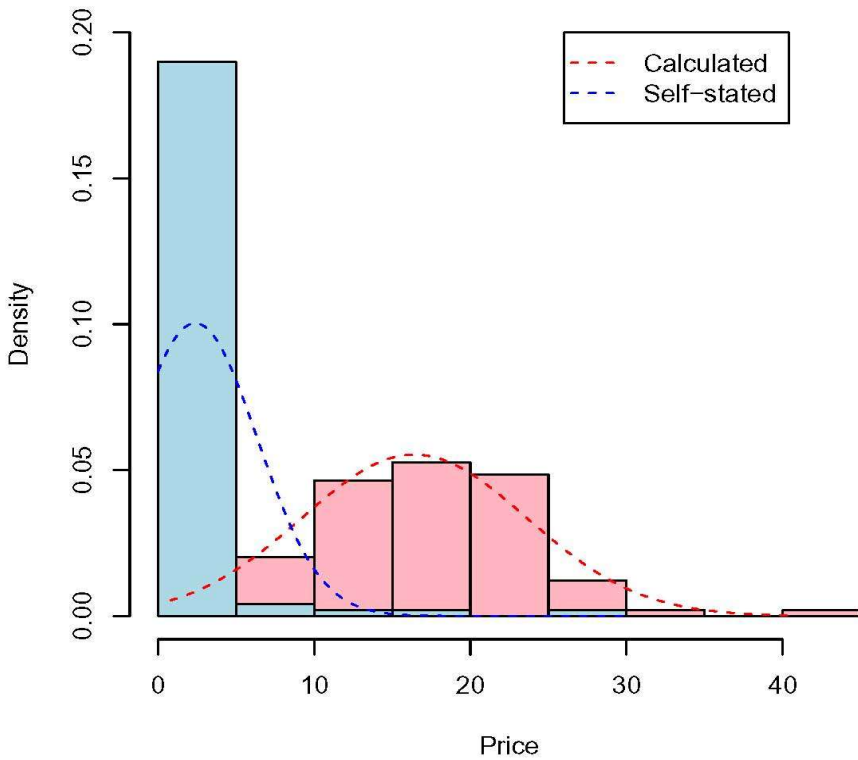
Comparing current pricing practice with estimated WTPs

	Mean WTP
1 Title (self-stated)	2,25 €
3 Titles	2,73 €
6 Titles	3,07 €
12 Titles	3,47 €

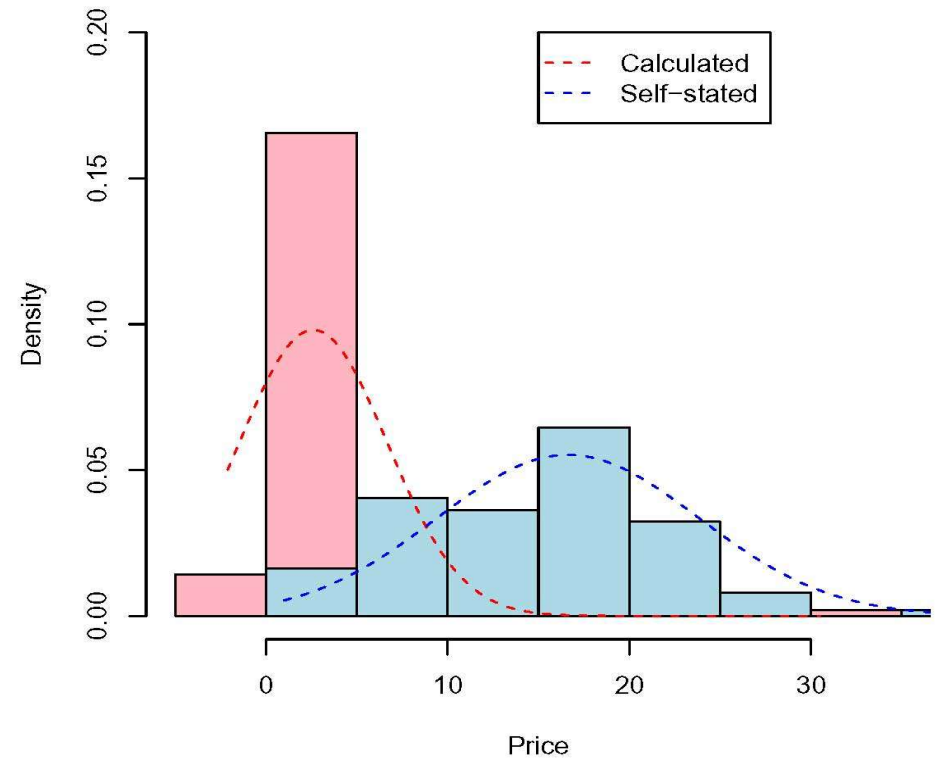


WTPs estimated based on different status-quo products

Combined WTPs for Title



Combined WTPs for Album



Possible Explanations

1 Students self-stated valuations of CD (Album / Compilation) does not reflect their utility structure.

=> Using the current CD pricing (~12.99 €) or self-stated CD pricing (~16.63 €), leads to false estimations of WTPs.

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Thank you for your attention !
