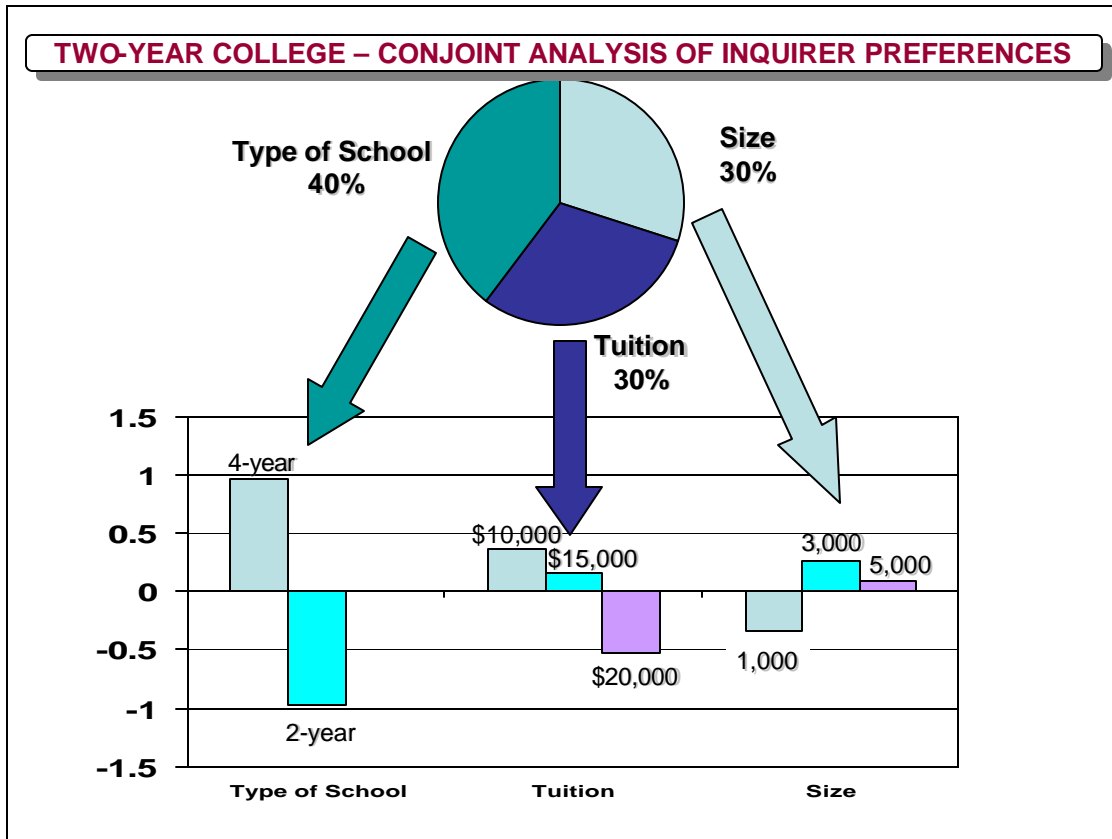


## Conjoint Analysis

Conjoint analysis is a multivariate technique used to understand the dimensions by which respondents' preferences for different services or products are formed. Simply put, it is a tool that allows us to evaluate trade-off scenarios.



### Applying Conjoint Analysis

To conduct conjoint analysis, we first construct a set of real or hypothetical products or services that can be described using a predetermined number of dimensions, each with two or more levels. For example:

- Type of school: 2-year or 4-year
- Annual tuition: \$10,000, \$15,000 or \$20,000
- School size: 1,000, 3,000 or 5,000 students

Research participants are then asked to weigh different combinations of these dimensions, indicating the degree to which they prefer each configuration. Conjoint analysis on the resulting data produces two key pieces of information: 1) which are the most critical dimensions in determining respondents' preferences and 2) to what degree certain options or levels within these dimensions are preferred by respondents.

The graphic above shows the results of a conjoint analysis. The pie chart illustrates that, given these three dimensions, the type of school (4-year or 2-year) accounts for the highest proportion (40%) of inquirers' preferences. The bar graph shows that:

- A 4-year option is vastly preferred over a 2-year;
- The difference between paying \$10,000 and \$15,000 per year is not substantial, but there is considerable fall-off when cost is increased to \$20,000; and
- On average, a school with about 3,000 students is preferred over both the smaller and larger options.

In this example, conjoint analysis helped our client understand that, as a 2-year college with a total enrollment of approximately 1,000 students, it faced many barriers in fostering the interest of students in its own inquiry pool.

Conjoint analysis can also help identify marketing opportunities by exploring the market potential for feature combinations not currently offered. In this example, the conjoint analysis also revealed an opportunity for our client. Having documented the importance attached to out-of-pocket tuition expense and the thresholds for willingness to pay sensitivities, it was clear that a move towards more generous financial aid packages would be influential in attracting greater numbers of students.