



Elementary methods of demand evaluation

2

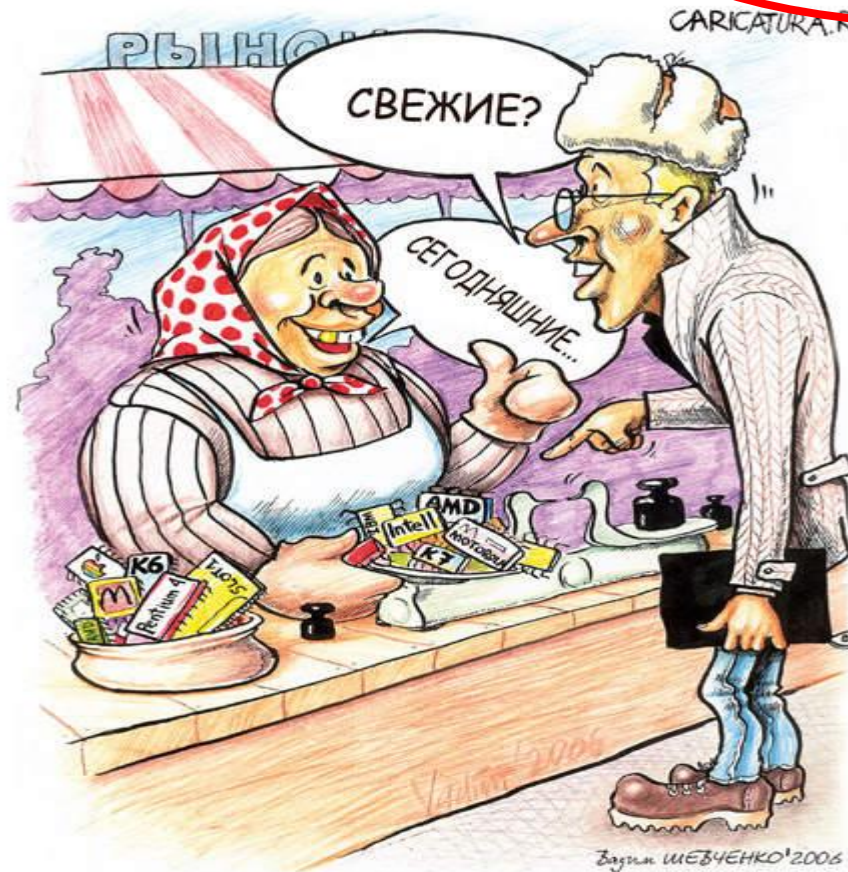


1

2 directions in demand assessment:

statistical analysis

market intelligence



It is advisable to conduct a market survey in the following cases:

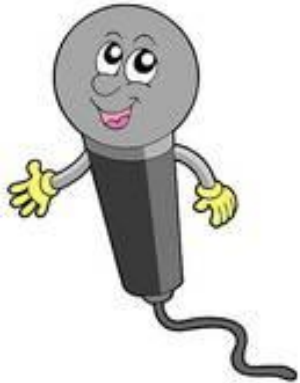
- 1) a new product is introduced;**
- 2) It is expected that such qualitative variables, as tastes, preferences, or expectations of consumers will change**



Consumer survey

Questioning *(of the group of existing and potential customers)*

How do you respond to change of such variables as demand, price, income, prices of other products and so on?



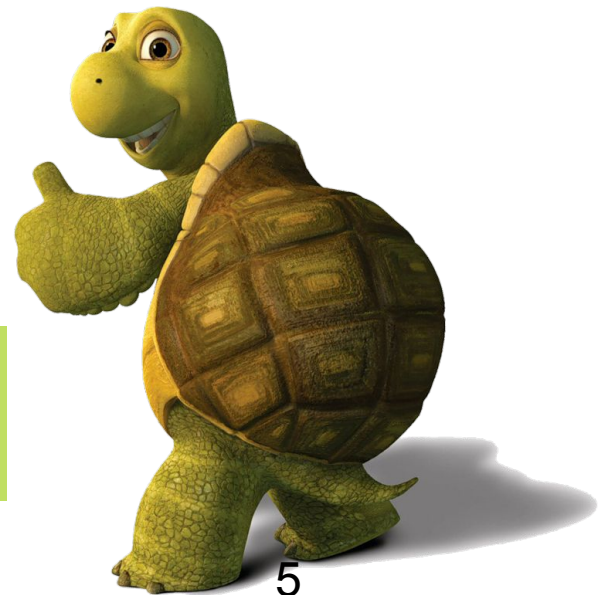
Conclusions based on direct responses may be unreliable!

Useful information from the surveys is not obtained directly, but indirectly!

EX: If people seem to be ignorant of the difference of the prices of competing products, it can serve as a good indication that prices for this type of product are inelastic



The effectiveness of the advertising campaign can also be evaluated on consumer awareness



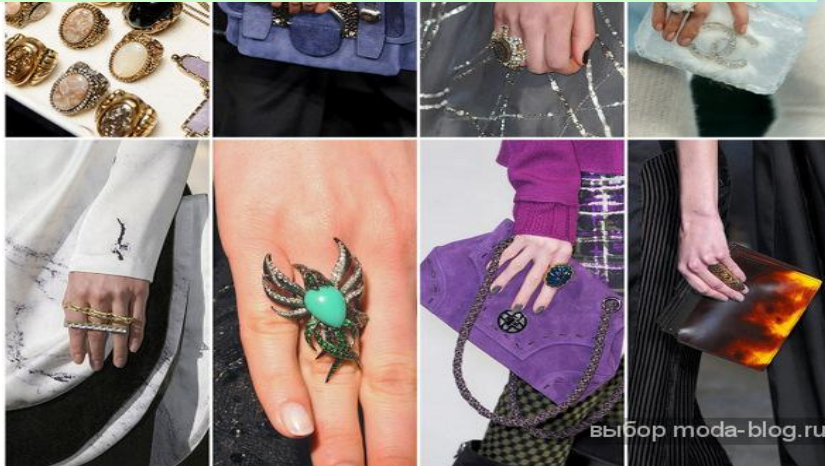
Controlability of the experiment in the classic experiment: a list of ready-made consumers (in different geographical areas)

Identifying consumer preferences

(Artificial conditions)



And study the reaction of consumers to changes made in the price of competing goods items from the list



Identifying consumer preferences:

Market experiments

(Actual market)

EX: the company may change the prices on the same goods in different markets and compare the results

Consumers should not know that they are objects of the experiment

Otherwise they will change their behavior

Using demographic statistics firms can experiment on multiple markets in order to determine the impact on demand of such characteristics as age, profession, education, family size

RISK: CONSUMERS MAY NEVER RETURN!



Price elasticity and cross-elasticity of the three groups of oranges

	FL, Florida	California, CA	Michigan, MI
FL, Florida	-3,07	+1,56	+0,01
California, CA	+1,16	-3,01	+0,14
Michigan, MI	+0,18	+0,09	-2,76