



Using a Primary Research Study to Conduct Pricing Analysis

In my previous posts expanding on my [primary research study series](#), we covered the [demographic section of a primary research](#) study, how to [discern customer buying preferences](#), and [how to gather competitive insights](#). In this post, I'll discuss another critical element of a primary research study, how to develop pricing questions in a way that provides insight and actionable data.

The pricing section of a primary research study is often considered the most important section for our clients when conducting primary research. In fact, we have developed and launched many surveys with only demographic and pricing sections and with none of the other sections covered. Conducting a rigorous, blinded pricing study of current clients and current prospects allows Kineticos to uncover hidden areas where price may be more sensitive and inelastic than currently perceived by our clients.

Our CRO and CDMO clients are always aware and dealing with the high level of competition in their respective industries, while attempting to meet, and exceed, the ever-evolving needs of their biotech and pharma sponsors. They are keen to understand which of their products and services are currently seen as overpriced, fairly priced, or underpriced. It may come as a surprise that we often find that 30-40% of our client's service offerings and products that we ask about when researching a customer's willingness to pay are actually underpriced by 10% or more!

We work with clients who are developing innovative and disruptive technologies and use the pricing insights we develop during primary research to inform and guide their corporate strategy and financial forecasts. This allows our clients to engage investors and raise money confidently at a justified valuation; a valuation validated by primary research we conduct with their future customers.



Prior to the section dealing with pricing questions, as with other sections of the primary research study, it is critical to ask respondents if they have right experience to offer insights into pricing in this specific market of interest. If you’ve followed along with the other posts in this primary research study series, you’ll remember that in the [demographic section](#), I recommend to fully qualify respondents by asking a series of questions to ensure that they have the knowledge base and experience to provide insights and they must qualify to proceed with the remainder of the primary research study. However, after conducting dozens of surveys at Kineticos, I’ve learned while respondents will have quality insight into other key areas of the survey, competitive trends, buying preferences, and market trends, they will not always have the same experience and quality insights into pricing we need. That is why it’s crucial to include separate and specific questions to discern whether they have appropriate insight into pricing prior to allowing them to proceed.

Similar to other sections of the survey, with each pricing question, you must include an opt out such as “I do not have insight into the pricing for this [service offering]” as each respondent may not have insight into all of the pricing issue questions.

8. Do you have insight into pricing of [product/service offering category]?*

Yes

No

If a respondent selected ‘No’ in this question, then they would not receive any additional questions on pricing

To develop a robust, yet concise, pricing section, it is important that Kineticos work with our client to identify 10-15 current service offerings or products that we want to gather pricing data. If there are more than 15, we’ve found that survey fatigue will accumulate, and respondents will drop out. As mentioned in other posts on this primary research series, monitoring drop-out is one of the top priorities once the survey has launched and you are fielding responses. Once we have identified the products and service offerings that we want to gather pricing data, we look at the client’s current price structure for that product and service. As we develop each question in the survey tool, we take the current price point, subtract 50% from current price, add 50% to current price, and create a sliding scale for a respondent to answer. The question we ask is, “What would you be willing to pay for the follow [Product/Service Offering]? We apply the same process to the remainder of the products/service offerings, with an example below.

32. What would you be willing to pay for the following [Product/Service Offering]?

*



I am not familiar with this product

When the survey is closed, the first step is to conduct an analysis of all respondents answering the pricing questions. We compare the pricing data received from all respondents to the current price for the client's product and/or service offering. When comparing the average and the median to the client data, what stands out? Are there specific segments of products and service offerings that are underpriced or overpriced? Critical for our clients is learning whether the selected products and service offerings are currently priced below their customer's willingness to pay (below an acceptable point) across the board. More often than you would think, we've found that clients are leaving money on the table across the board!

Once we've conducted the initial analysis, if the N value is high enough, it is worthwhile to conduct an analysis of current customers vs. current prospects to understand how different cohorts compare and contrast in pricing data. Many times, we uncover that prospects are willing to pay more than current customers!

Once our analysis of the pricing data is complete, the ultimate question that all of our clients rightly ask of Kineticos is: "So what; and what now? Are we priced too low or too high? How should we adjust to improve performance?" We've developed this one-page takeaway slide (pictured below) that we leverage when presenting to the C-Suite or Board of Directors and discussing viable pricing strategy options.

Primary Research Study Pricing Takeaway

Product/Service Offering	Below Client Willingness to Pay	At Client Willingness to Pay	Above Client Willingness to Pay
Product/Service Offering #1		✓	
Product/Service Offering #2		✓	
Product/Service Offering #3	✓		
Product/Service Offering #4	✓		
Product/Service Offering #5	✓		
Product/Service Offering #6		✓	
Product/Service Offering #7			✓
Product/Service Offering #8	✓		
Product/Service Offering #9			✓
Product/Service Offering #10	✓		
Product/Service Offering #11		✓	
Product/Service Offering #12		✓	
Product/Service Offering #13	✓		
Product/Service Offering #14	✓		
Product/Service Offering #15		✓	

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In the next post on my series covering Primary Research, I'll discuss the View of the Future – how to use Primary Research to identify headwinds and tailwinds that will eventually impact your business. Stay tuned!

Kineticos is a strategy consulting firm serving the life sciences industry focused on helping our clients improve patient outcomes. The firm is focused on identifying opportunities to drive strategic growth for our clients. Through its practice areas – Biopharmaceutical and Precision Medicine – Kineticos has experience working with companies across the life science ecosystem.

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