Pricing for Researchers:

STEP Pricing Research

Background

• The Strategy Evaluation Program (STEP) was developed by Eric Marder (1).

• The STEP research tool has been used in practice since 1960.

• STEP was developed to test concepts for new products and pricing or selling strategies for existing products.

• Field research employing the STEP method can be conducted through the mail, web or personal intercepts/interviews.

Description of How it Works

• The competitive set to be tested is defined.

• Respondents are recruited from the target market.

• The sample of respondents is divided into equivalent groups.

• Each group will be exposed to the identical aspects of the test, except the price presented for a specific product or the group of products will be different in each group.

• Respondents are presented with a brand concept, image or the actual product.

• Respondents are then asked to allocate 10 stickers across the various product offerings.

• The respondent can allocate their stickers in any manner that best represents their likelihood to purchase the available products.

• The share of stickers given to a brand is calculated for each respondent group.

Strengths

• This method has been proven to be very predictive of future demand.

• It is applicable to new product pricing research.

• It works equally well with big ticket items worth hundreds of thousands of dollars to relatively low priced items under a dollar.

Weaknesses

• Similar to monadic testing, each respondent group needs to be controlled to minimize sample variations.

• A relatively large respondent sample is required.

• Limited ability to dynamically model the competitive set and simulate competitive price changes.

Our Assessment

• A discrete choice methodology is usually preferable because it is generally more cost effective and provides powerful competitive insight.

• However, we would strongly recommend using STEP tests under the following specific conditions;

  • When the product attributes are fixed.

  • When an understanding of the likelihood of repeat purchasing is desired.

NOTES:

(1) Marder, Eric. (1997). The Laws of Choice: Predicting Customer Behavior.