

Challenge

Determine the most effective pricing strategy for a new truck powertrain.

A major automotive manufacturer needed to price a new truck powertrain. Historically, their powertrain had been priced substantially below competition.

In order to determine the best pricing strategy, the manufacturer needed to understand their own price elasticity and cross-elasticities with competitive products.

Solution

Morpace brand price trade-off models allow 'war-gaming' of alternative strategies.

Morpace conducted a large sample internet study using our Interactive Choice Modeling data collection tools.

- Data were fed into the Morpace Interactive Modeler which allowed modeling of a broad range of pricing strategies on market share, volume, and powertrain mix rates.
- The Morpace interactive modeler went beyond the typical modeling of share and volume to include modeling of the effects of pricing actions on total revenue and profit.

Outcome

Manufacturer could price on parity with competition revealing a substantial profit opportunity.

- The price elasticity of the new powertrain was essentially flat in the range between current pricing and price parity with competition. The interactive choice modeler indicated that the manufacturer could price on parity with competition with no significant risk to market share. Pricing actions were taken that gained the manufacturer a revenue opportunity in the tens of millions of dollars.

"This research identified a huge profit opportunity that we missed by underestimating the strength of our brand. Pricing was adjusted over a period of months in line with the recommendations."

- Senior Research Manager



Full Size Pickup Engine Simulator

Present?	Engine	Horsepower/Torque	Acceleration (0-60 mph)	Fuel Economy (city / hwy)	Price
Engine 1	V8 Gasoline	350 HP - 360 lbs-ft	8.0 sec.	16 / 23	\$0
Engine 2	V8 Gasoline	380 HP - 420 lbs-ft	7.5 sec.	15 / 22	\$1,500
Engine 3	V6 Gasoline Turbo Direct In	380 HP - 370 lbs-ft	7.5 sec.	18 / 25	\$2,000
Engine 4	V8 Diesel	275 HP - 450 lbs-ft	10.5 sec.	20 / 25	\$3,200
Engine 5	V8 Hybrid-Electric Gasoline	380 HP - 420 lbs-ft	8.5 sec.	23 / 24	\$4,500
None					



For more information contact:

Bryan Krulikowski
 Vice President
 248.539.5277
 bkrulikowski@morpace.com