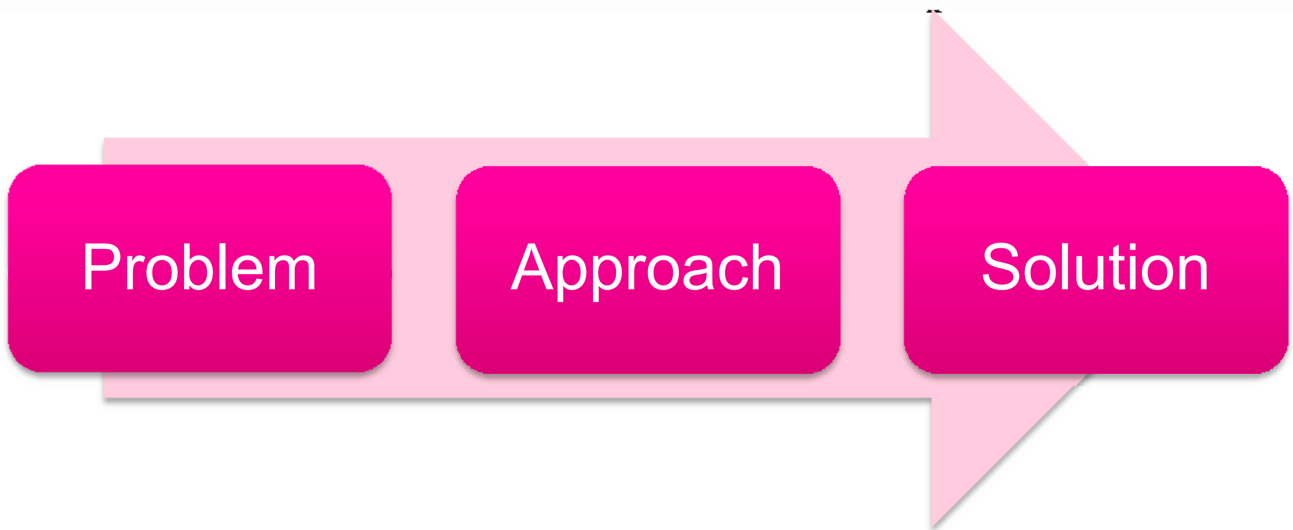
Telecommunication 'Retail Insights' Case Study



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Problem

- A large movie rental chain was facing competitive pressures from a direct competitor who aggressively lowered its prices while extending its rental durations on new releases. To understand how the competitors latest offer would impact switching behaviour among movie renters, a market study was undertaken with customers of both chains.

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Approach

- A mixed sampling methodology was employed by combining online interviews from TNS' online panel with the client's own customer database. In total, 2,395 interviews were conducted across the client's customers, the competitor's customers, independent movie store customers and non-renters. TNS then conducted a conjoint analysis* to determine:

    1. the probable degree of switching which might be expected given the competitor's new offering,

    2. the impact based on the distance between competing stores, and 3) the recommended price-point and bundle which the client should adopt to counter the competitor's offer.

*Conjoint analysis is a statistical technique used in market research to determine how people value different features that make up an individual product or service.

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Solution

- By offering a custom solution through the use of discrete choice modeling*, TNS was able to determine the most effective business response. In addition, valuable insight was gained into the consumer decision-making hierarchy, determining the relative impact of price, location, penalty fees, brand and rental period, on renters’ preferred choice of store.

- This insight not only enabled the client to respond immediately to the competitor’s tactical re-positioning, by adopting TNS’ recommendation, but also furnished them with the tools to build a long-term strategic plan.

- By adopting this recommendation, the client was not only able to introduce a new offer to counter its competitor, and therefore avoid *switching*, but introduce a more cost-effective price structure which would still meet the customer’s needs. By understanding the key drivers behind the consumer’s decision-making process, the most effective measure did not require meeting the competitor’s offer. The outcome was therefore a competitive advantage to the client’s business, borne from an initial aggressive re-positioning from their main competitor.

*Discrete choice models are statistical procedures that describe choices made by people among a finite set of alternatives.