OPTIMUM PRICE PREMIUM OF EXPERIENCE PRODUCT:
A CATEGORICAL HYBRID CONJOINT APPROACH

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Innovative experiences have been created by designers, architects and artists. These are being combined with foods and services in restaurant industry to deliver a unique experience. However there is no structured approach to find the premium customers want to pay for such experience product. This research adopts categorical hybrid conjoint analysis for pricing such experiences in restaurant industry.

In this emerging economy, as suggested by Pine and Gilmore (1999), experience represents an 'unarticulated, still effective genre of business surpluses. While goods, service are external to the buyers; experience is in buyer's mind who are engaged on an emotional level. Experience is a bundle of sensory memorabilia that engages customers' five senses and delivers a sensory feeling. For example, when we go to restaurant only to take food, we associate utility with some service component like the way it is served, time taken to deliver the food, price and few others. However, when the same restaurant stages an experience in terms of external and internal ambiance, food specialty, and some other attributes that cater to consumers' esteem needs in Maslow's need hierarchy, it becomes a distinct offering from good, product or service.

This research tries to find out customers preference to pay premium for an offering that delivers him a sensory experience. Objective of this study is to find optimum experience bundle and the premium customers want to pay for such bundle. Another objective associated with this research is to test whether there is sufficient move of the consumers for an experience offering. The research considers 13 attributes and 40 attribute levels under four facets. This research considers main effect and two way interaction effects between selected attributes. Interactions between attributes are chosen based on focus group interviews and related literature. Data for this research is collected from those respondents who visit restaurants for dinner at least once in two months. 135 samples are collected through personal interviews. Photographs of several attributes and levels are shown to the respondents to explain the attributes and levels.

Constant sum results of facet importance data are analyzed for comparison between facets. Food is given highest importance (40%) followed by ambience (23%) and service (22.5%). Construction takes relatively low importance (14.5%) while explaining experience attributes. Part-worth results for each facet are derived and interpreted. Optimum utility bundle is derived from maximum desired part-worth and respective price is derived by adding corresponding premium with the base price. The unique finding of the research is that the customer is ready to pay approximately 80% premium on the basic price of restaurant service to buy experience in the restaurant. It is also found that there are sufficient scopes for the marketers to offer experience product. An optimal bundle of experience is obtained and price of the bundle is derived.

Similar research can be done in other services that deliver experiences. Industries like airline, theme park, theatre etc are contemporary for experience research. The method described here may be applied wide varieties of experience industry. Considering the methodological perspective, one can use Stepwise Multinomial Logit Analysis as a fitting procedure to analyze categorical data. Hierarchical Bayes methodology is another methodological perspective. Researchers can model individual level heterogeneity through HB and segment the market based on certain underlying dimension like price sensitivity.