Prelaunch Demand Estimation

Speaker:
Miss Xinyu Cao
Ph.D. Candidate in Marketing
MIT Sloan School of Management
Massachusetts Institute of Technology

Abstract:
Demand estimation is important for new-product strategies, but is challenging in the absence of actual sales data. We develop a cost-effective method to estimate the demand of new products based on choice experiments. Our premise is that there exists a structural relationship between manifested demand and the probability of consumer choice being realized. We illustrate the mechanism using a theory model, in which consumers learn their product valuation through effort and their effort incentive depends on the realization probability. We run a large-scale choice experiment on a mobile game platform, where we randomize the price and realization probability of a new product. We find reduced-form support of the theoretical prediction and the decision effort mechanism. We then estimate a structural model of consumer choice. The structural estimates allow us to infer actual demand from choices of moderate to small realization probabilities.

Date: November 3, 2017 (Friday)
Time: 10:30 a.m. - 12:00 noon
Language: English
Venue: KK1303, 13/F., K.K. Leung Building, The University of Hong Kong

All Interested are Welcome