

# Typical Goal of Private Sector Clients

- Determine the preferred product (taking cost into consideration) of the largest number of people
- Frequently used approach: conjoint analysis, also called trade-off analysis
  - Key benefits of trade-off analysis are:
    - Identifies the preferred package of product features
    - Includes cost
    - Identifies the impact of each feature on preference



# Example of a Trade-off Analysis

- A car can have numerous features: engine size, transmission quality, backup camera, sound system quality, leather seats, etc. Each feature has a cost.
- This could easily result in 300+ possible combinations of features to be tested.
- Trade-off allows researchers to determine the preferred combination by asking each respondent just 8 to 12 mathematically designed questions.



# Objectives of Trade-off Segment of Social Security Study

- Understand the preferred package of Social Security benefits
- Make sure the cost/savings of each feature is taken into account when determining preference
- Understand the impact of each feature on preference



# How It Works

- 12 policy changes were tested (4 revenue increases, 4 benefit reductions, 4 benefit increases)
- Each respondent saw series of 10 questions
- Each question asked respondent to choose between 4 packages, including a no change option (status quo)
  - Each package showed the impact of any changes on the financing gap



# Advantages to Trade-off Method

- **Puts cost into the equation**
  - **Each benefit increase must be paid for**
  - **Each benefit reduction has cost savings**
  - **Each revenue change impacts the financing gap**
- **Allows understanding of the total preferred package, not just each individual feature**
- **Not a wish list, those in favor of closing the financing gap have to make tough choices: the trade-offs required**

