

Class Projects Offering **Insights** Deck

US-based Customer Preferences & Willingness-to-Pay

Research Objectives

Audience Research

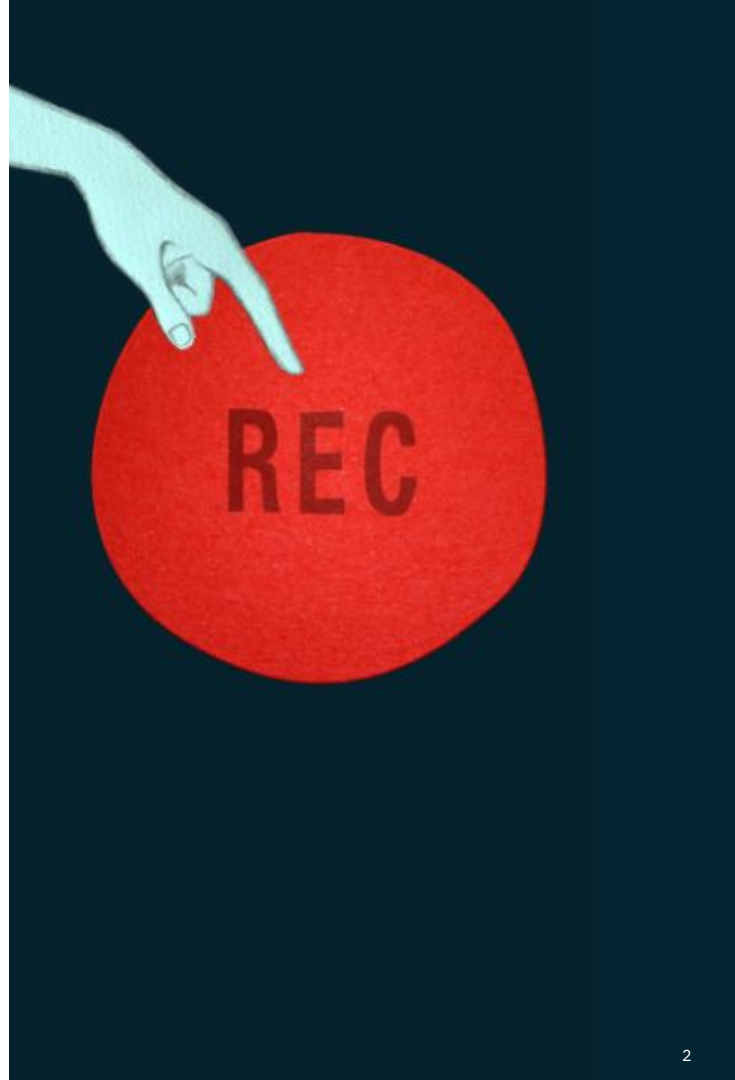
One of Client's greatest assets is its community of creative-minded artists who enjoy sharing their work with others and are firmly dedicated to Client's spirit of collaboration.

A main objective of the study is to explore the demographics, behaviors, and attitudes of Novice Creatives, Casual Creatives, and anyone else who shares a passion for the intersection of collaboration and creative expression.

Class Preferences & Willingness to Pay

Client is launching its private alpha trial of its Class Projects learning offering.

Client would like to understand which bundle of instructor type, source of feedback, and other class offerings are most likely to create value for potential students by measuring willingness to pay.



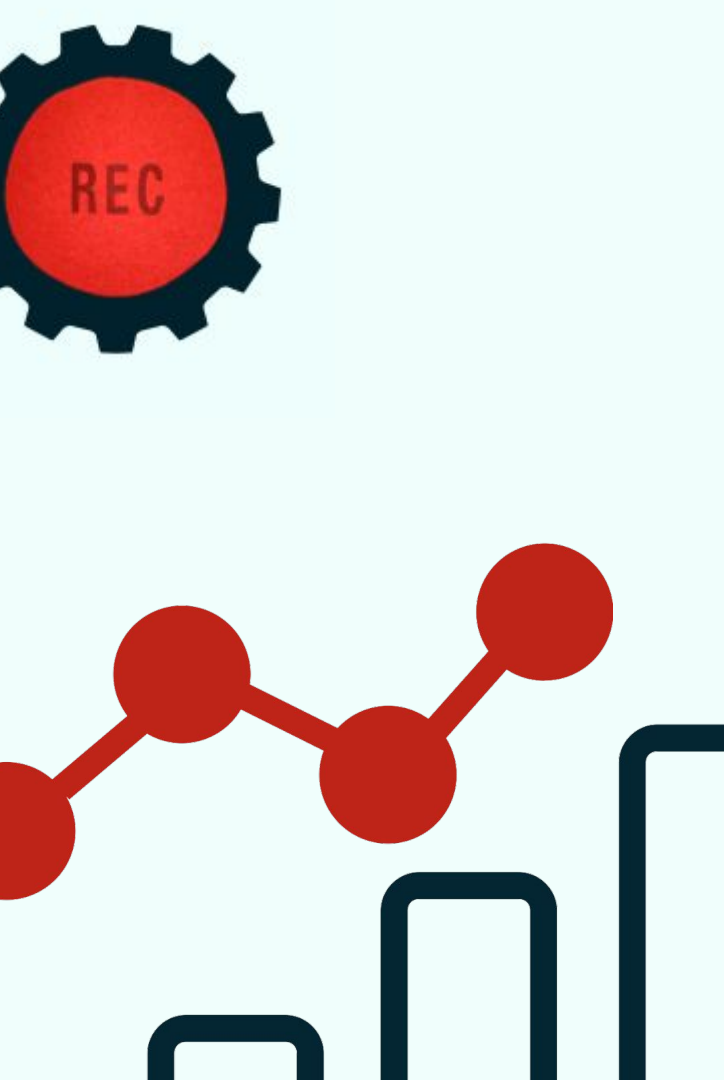


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4. What class offerings do customers prefer?
5. Who should Client target?
 - + What are the demographic, psychographic, and behavioral characteristics of customers with a high willingness to pay?

Methodology



Develop Attribute Map

Developed an attribute map covering the breadth and range of possible components of classes – including instructor experience, feedback source, payment plan, and price.



Design Survey

Designed an instrument to explore the the psychological and behavioral tendencies of the target audience (e.g., Novice & Casual Creatives).



Administer Survey

Launched an online survey to N=1,014 US respondents from February 23 to March 3, 2021. Sample included adults living in the U.S. who spent money on creative pursuits in the past year.



Conjoint Analysis

Specified a model to determine the class offering features that are most attractive to customers.



Willingness-to-Pay

Calculated demand curves for different payment plans (e.g., subscription versus class packages) and price points.



Targeting Analysis

Specified ordinal regression models that identify demographic, psychographic, and behavioral characteristics of customers with a higher willingness to pay.

Conjoint Analysis

What is conjoint analysis?

Choice-based conjoint (CBC) analysis is a methodology that is widely used in the field of market research to illuminate preferences of individuals by forcing respondents to make trade-offs.

Rather than directly asking survey respondents what they prefer or find most important, CBC experiments impose a realistic context in which an individual must make a decision. A conjoint task, or choice task, involves deciding between two choices that include various features of the product being tested.

The result is a full set of preference scores, often called utility scores, for each attribute level included in the decision tasks. That way, marketers can understand the importance of features in driving decision making among customers.

Glossary of Terms

Choice task: respondents are presented with two hypothetical products and are instructed to choose which one they are more likely to purchase

Concept: a hypothetical product with various characteristics (i.e., varying levels of attributes)

Attribute: a characteristic of a product (e.g., payment plan) with varying features

Level: a specific feature of an attribute (e.g., monthly subscription, annual subscription)

Illustrative Example

Each concept includes these six attributes

Each attribute includes a random level

Task 1 of 12

A concept includes varying levels of each attribute

	Option A	Option B
Instructor Experience	A peer	Creative influencer (e.g. 100k-1m followers)
Who's Giving you Feedback	Peer	Company's creative producing staff
How Often You'll See New Classes	New classes added monthly	New classes added weekly
Number of Archived Classes Available	100 classes available for self-paced learning	100 classes available for self-paced learning
Payment Plan	Monthly subscription	Annual subscription
Price	\$11.99 per month	\$314.99 per year

Which of these options would you be more likely to purchase?

☒ Option A ☐ Option B

Would you *actually* purchase this option?

☒ Yes ☐ No

Respondents complete a choice task by evaluating which concept they prefer

A note about the sample

Sampling

- + 1,014 respondents were recruited from a non-probability based commercial panel*, targeting individuals with interests in art, music, and creativity. The incidence rate – the percentage of targeted respondents who met inclusion criteria (see below) for the study – was 36.5%.
- + community members were not intentionally recruited to participate in the survey.

Inclusion criteria

- + To be included in the study, respondents needed to be living in the US and have spent money on a creative pursuit in the past 12 months – e.g., creative classes or workshops, creative software, art supplies, and creative supplies or equipment.
- + Due to the screening criteria, the collected sample does not approximate the US general population.

* Using a non-probability based sample prohibits estimation of margin of error (MOE)

Executive Summary



Executive Summary

Who should Client target?

Demographics

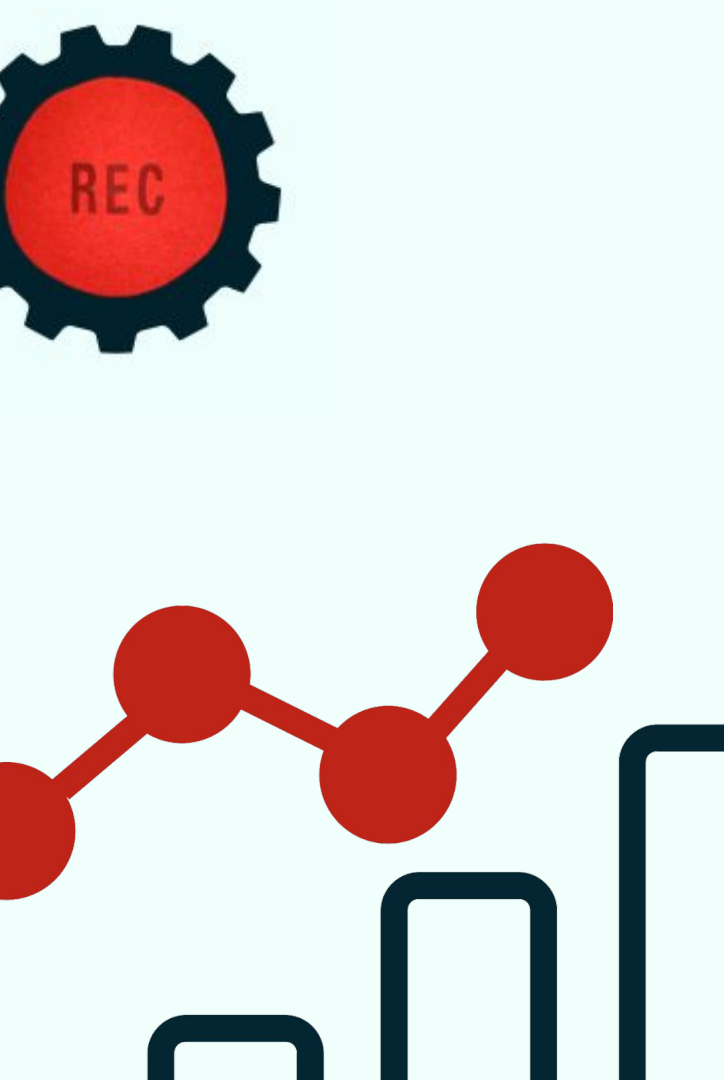
- + Full-time & part-time workers (rather than unemployed, students, retired, etc.)
- + Millennials (rather than Gen X, Boomers, Silent Generation)

Psychographics

- + Motivated to learn new creative skills
- + Enjoy practicing creative skills
- + Enjoy learning about a variety of forms of creative expression
- + Find purpose in contributing to something bigger than themselves

Behaviors

- + Spend between 3-10 hours per week engaging in creative activities
- + Currently collaborating on creative projects with other individuals
- + Have taken a creative class or course in the past year



Executive Summary

What are customers willing to pay?

- + Monthly subscriptions priced from \$26 – \$37 per month both maximize market share and generate significant revenue
- + Monthly subscriptions are the most preferred payment plan option for every price level
- + Aside from payment plans and price, instructor type has the strongest leverage on willingness to pay – professional instructors are more preferred than peer instructors

Executive Summary

What class offerings do customers prefer?

Importance	Attribute	Most Preferred Level
29%	Payment plan	Monthly subscription
28%	Price	\$11.99 per month *
19%	Instructor	Professional instructor
11%	Source of Feedback	Working professional
7%	Catalog Size	100 classes
6%	Cadence of New Classes	New classes added weekly

Importance represents the extent to which the attribute impacts purchase decisions

+ Customers' purchase decisions are most impacted by payment plan options (29%) and price (28%)

* \$11.99 per month is the most *preferred* option, but more expensive monthly subscription prices strike a better balance between attracting customers and generating revenue.



Executive Summary

What class content do customers prefer?

- + Photography is the most popular class content for customers with the highest willingness to pay (22%) and among the overall population (30% are most interested in photography).
- + Graphic design, music (songwriting, vocals, instrumentation), writing (short stories, poetry), and video editing are also popular – the most preferred class content for at least 10% the overall population and among customers with high willingness to pay.
- + Compared to the overall population, customers with a high willingness to pay have more diverse interests in class content.

What are customers willing to pay?



We're

on a

mission

together...

To inspire **creativity**
through **collaboration**.

Willingness to pay

What can you expect to learn from a willingness-to-pay analysis?

Demand Curves

Demand curves illustrate the percent of respondents who prefer a particular payment plan at each price category.

For instance, you will learn at each price category, the percentage of respondents who would purchase a monthly subscription, an annual subscription, a single class, a set of class bundles, and the percentage who would not purchase any of the options.

Market Share vs. Revenue

You will learn about the trade-offs between class offerings that maximize market share – attract the most customers – and revenue – maximize revenue.

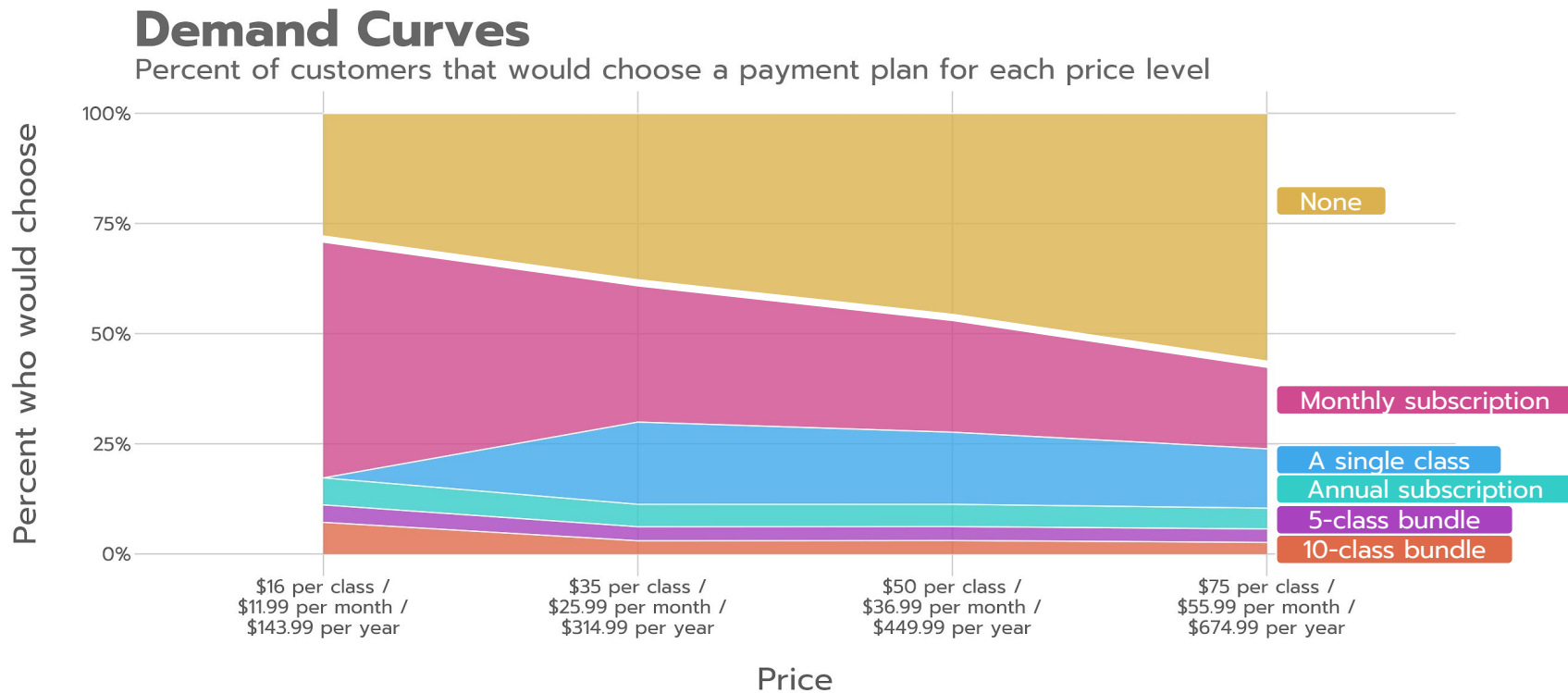
Invariably, payment plans with fewer up-front costs and less expensive options will attract more customers, but maximizing market share comes at the cost of revenue.

Impact of Class Offerings

You will learn about the attributes of class offerings that impact willingness to pay and affect the trade-offs between market share and revenue.

Demand Curves

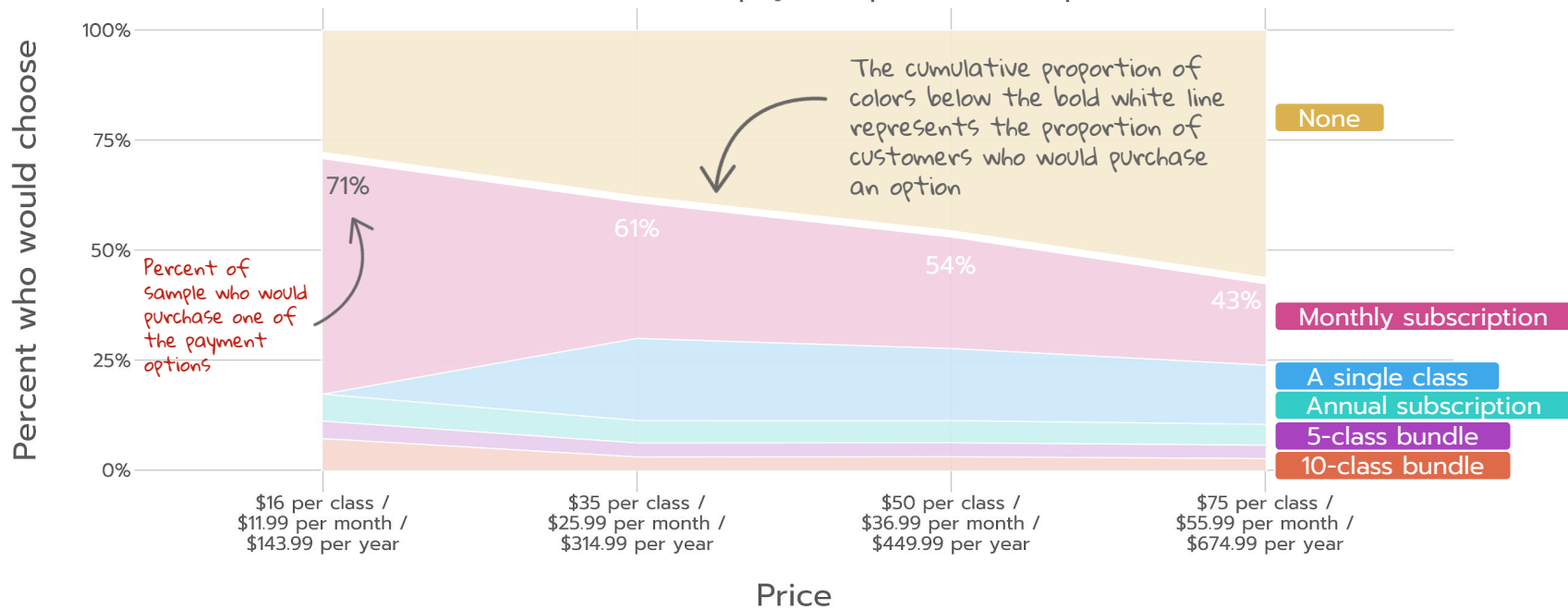
The following plot shows demand curves depicting the percentage of the sample who would choose a payment plan for each price level.



The bold line and cumulative percentages provide information about the overall proportion of respondents who would purchase.

Demand Curves

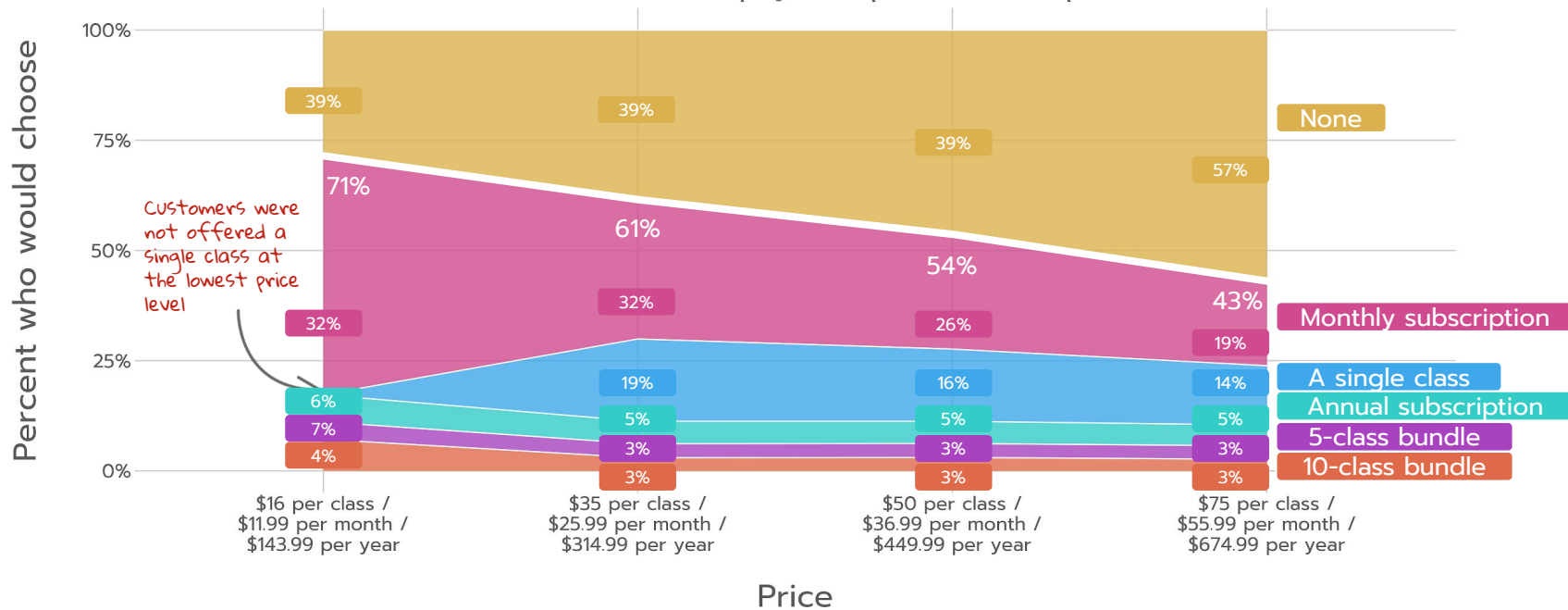
Percent of customers that would choose a payment plan for each price level



For every price point, **monthly subscriptions** are the most popular payment option – among the 61% of respondents who would purchase at the \$16 per class / \$25.99 per month level, roughly half would choose a monthly subscription given the choice.

Demand Curves

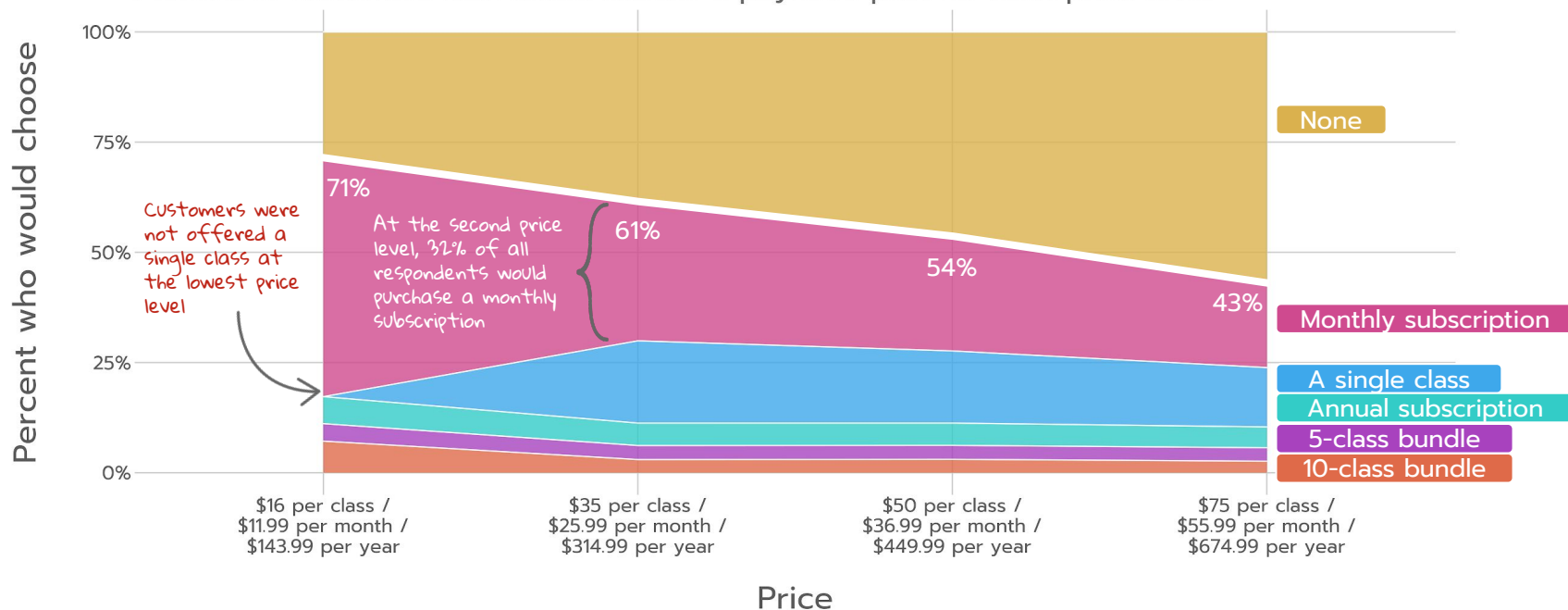
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Demand Curves

Percent of customers that would choose a payment plan for each price level

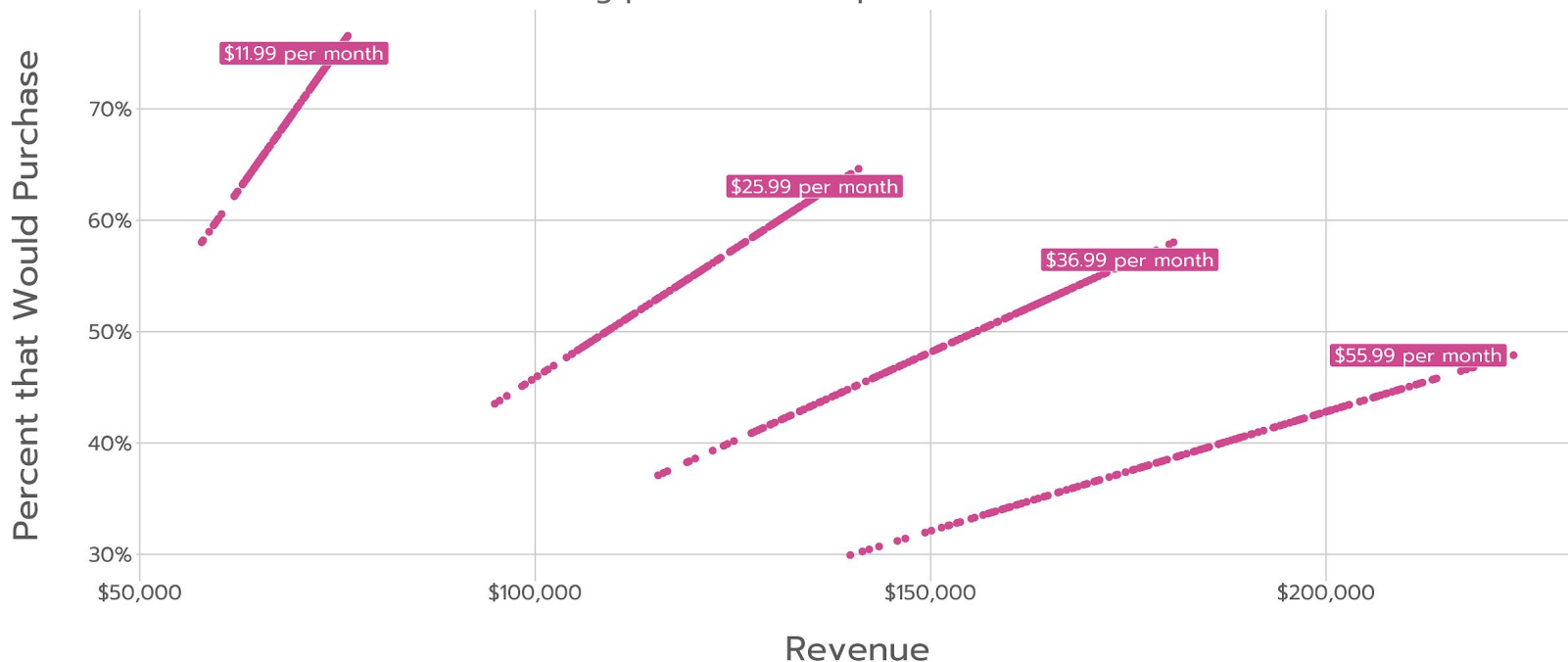


Market Share vs. Revenue

On the next slides, you will learn about the trade-offs between maximizing market share and generating revenue. The following plot will walk you through how to interpret trade-offs for the monthly subscription plan.

Market Share vs. Revenue

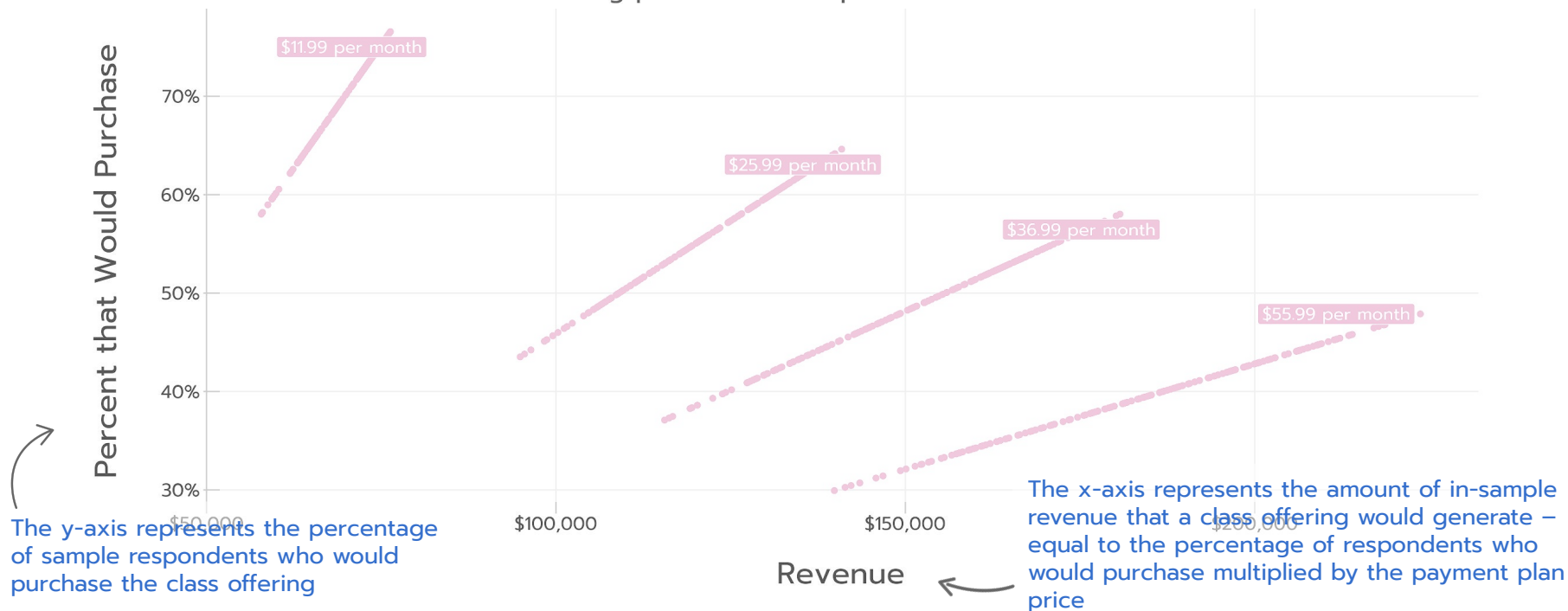
Trade-offs between maximizing purchases and profit



The axes represent market share – how popular a class offering is – and revenue – how much revenue a class offering will generate.

Market Share vs. Revenue

Trade-offs between maximizing purchases and profit



Every point represents a unique class offering – a unique combination of attributes. Every line plots the class offerings for a given price and, on future slides, different colors represent different payment plans (e.g., monthly subscriptions, class bundles).

Market Share vs. Revenue

Trade-offs between maximizing purchases and profit



Points higher on the y-axis represent more popular class offerings – more customers would purchase – and points further right on the x-axis represent class offerings that generate more revenue.

Market Share vs. Revenue

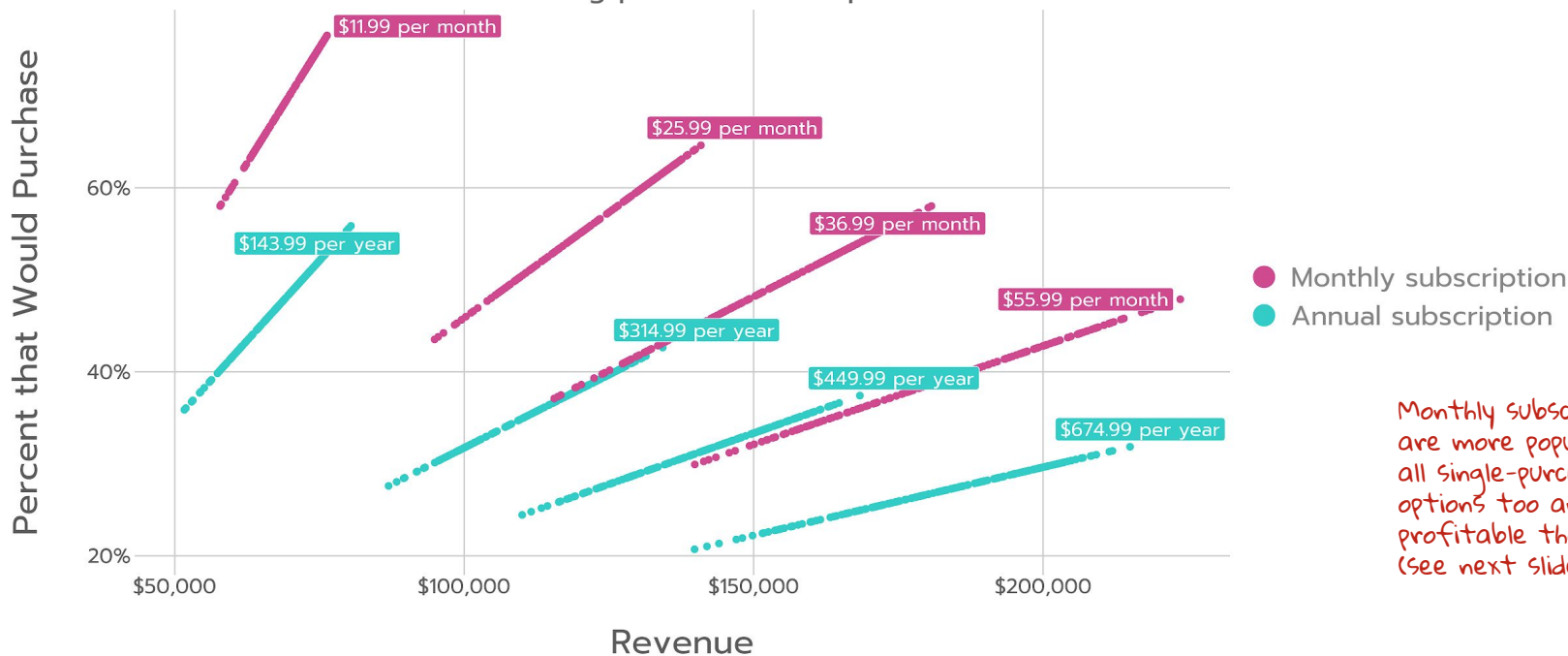
Trade-offs between maximizing purchases and profit



Assuming a monthly churn of 7%, **monthly subscriptions** are more popular and generate more revenue than annual subscriptions.

Market Share vs. Revenue - Subscription Plans

Trade-offs between maximizing purchases and profit

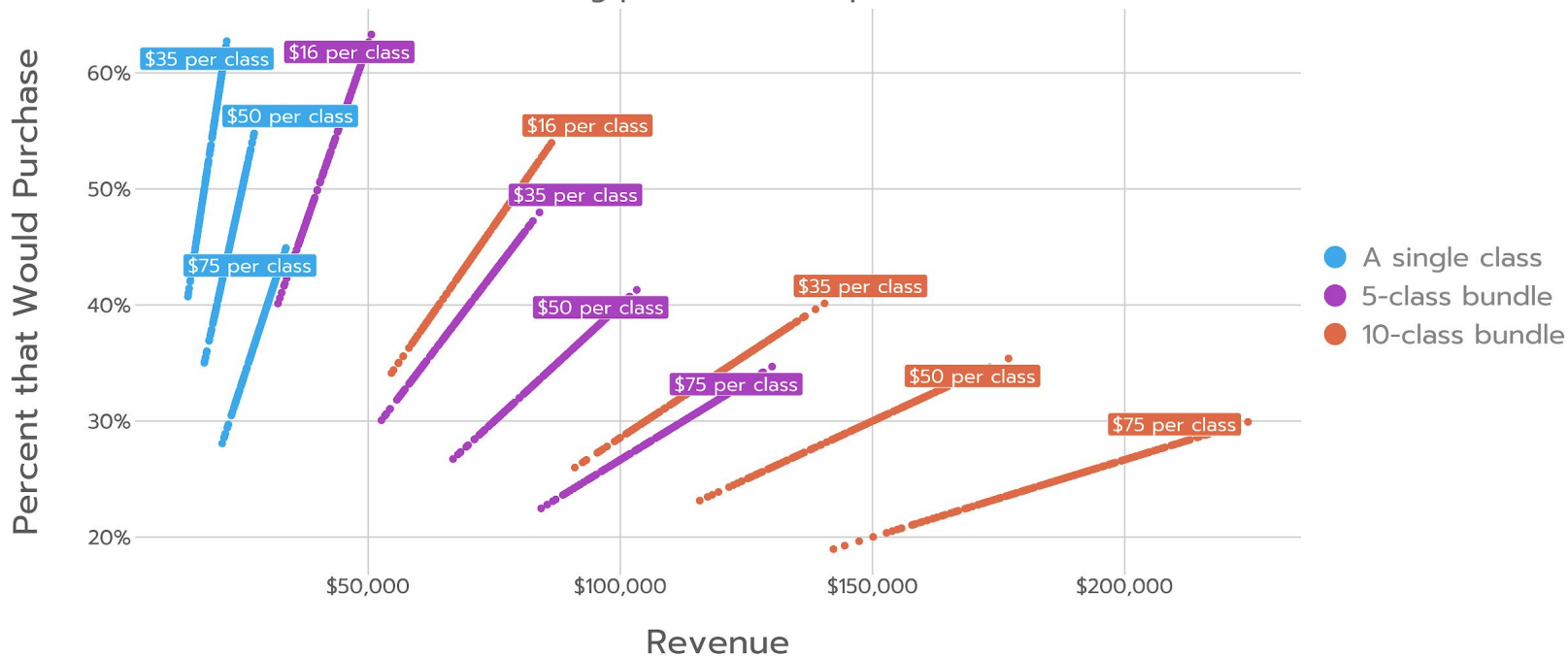


Monthly subscriptions are more popular than all single-purchase options too and more profitable than most (see next slide)

There is an inherent tension between market share and revenue. Despite maximizing market share, **single classes** generate the lowest revenue while **10-class bundles** are the least popular but generate the most in-sample revenue.

Market Share vs. Revenue - Single Purchase

Trade-offs between maximizing purchases and profit

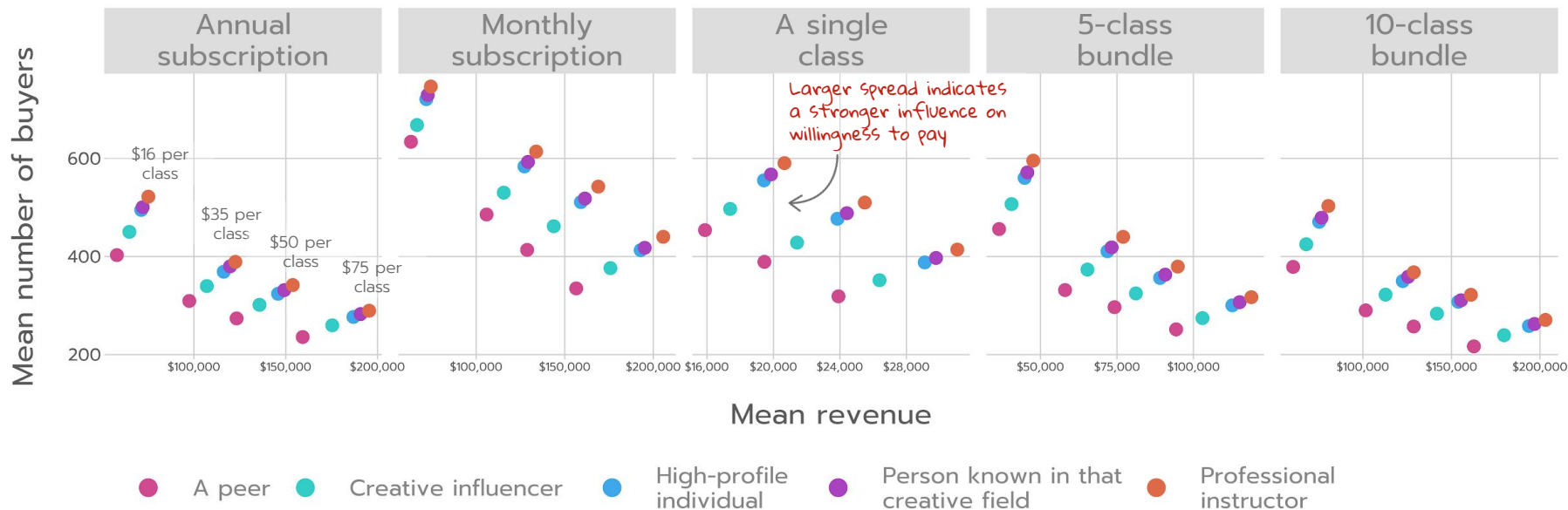


Impact of Class Offerings

Across all payment and price options, instructor type has the strongest relationship with willingness to pay. **Professional instructors** are the most attractive to potential customers – **peers** and **creative influencers** have the lowest willingness to pay.

Impact of Instructor on Willingness to Pay

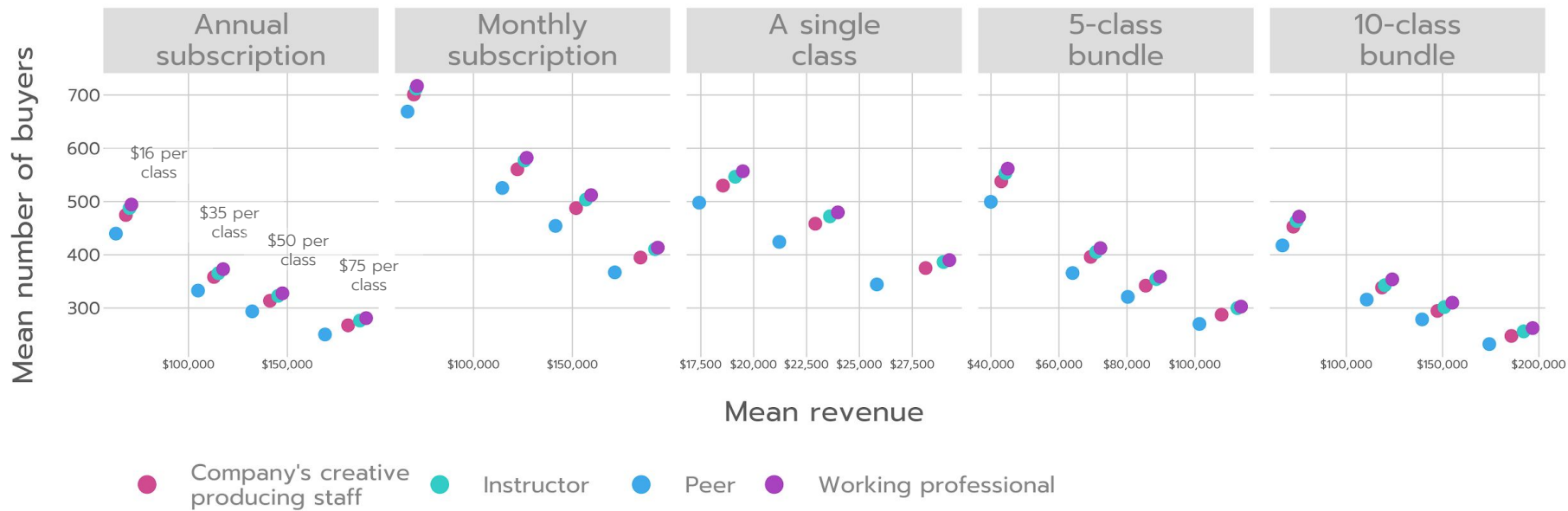
Trade-offs between maximizing purchases and profit



Although less related to willingness to pay, the source of feedback influences customers' purchase decisions. Similar to instructor type, across all payment and price options, respondents are not interested in receiving feedback from **peers**.

Impact of Source of Feedback on Willingness to Pay

Trade-offs between maximizing purchases and profit



Although a larger class repository is more attractive, customers do not tend to discriminate between class offerings on the basis of catalog size.

Impact of Catalog Size on Willingness to Pay

Trade-offs between maximizing purchases and profit



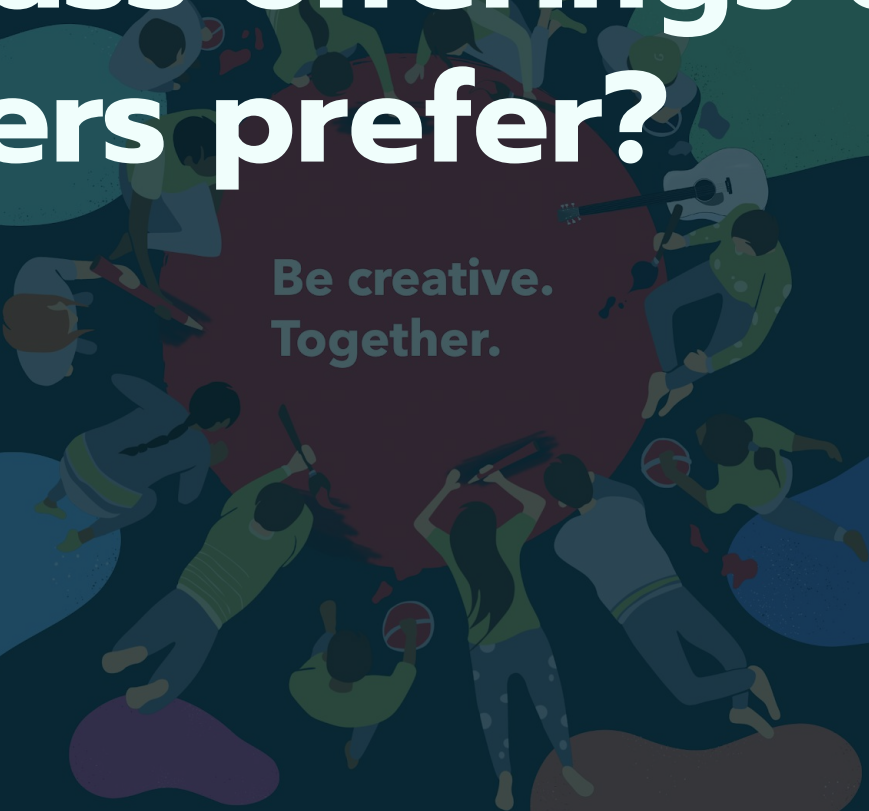
New class frequency has no effect on customers' decision making. That being said, customers slightly prefer a weekly cadence to a less frequent basis.

Impact of Cadence of New Classes on Willingness to Pay

Trade-offs between maximizing purchases and profit

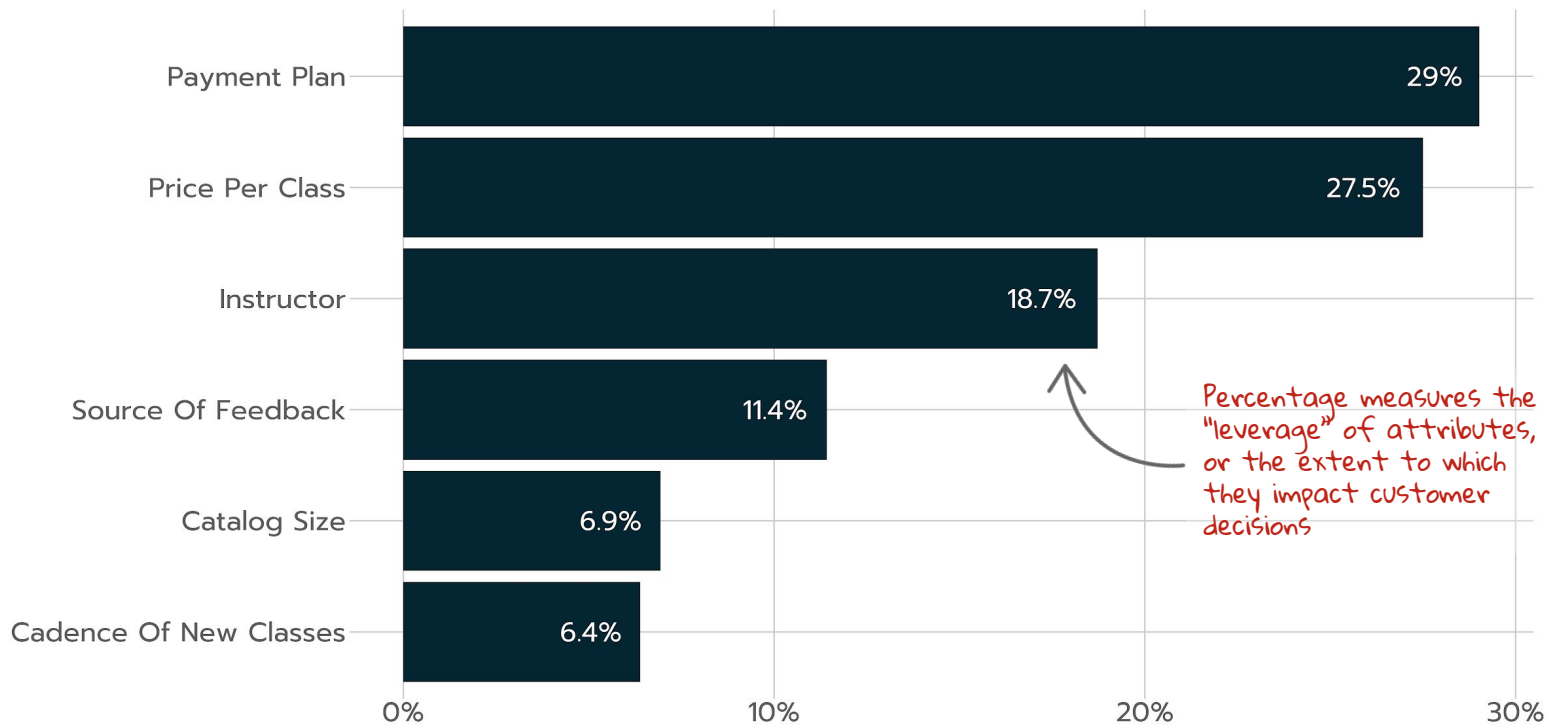


What class offerings do customers prefer?

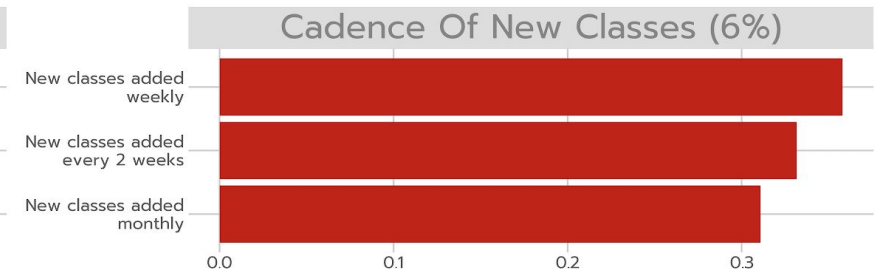
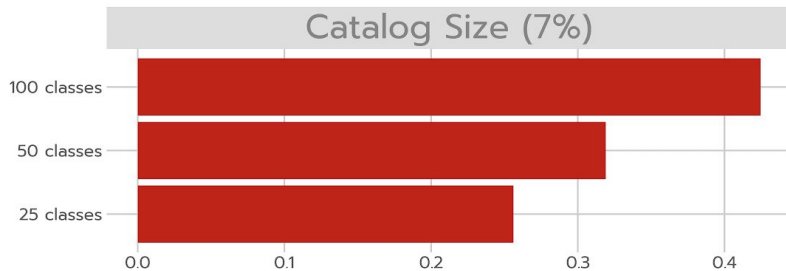
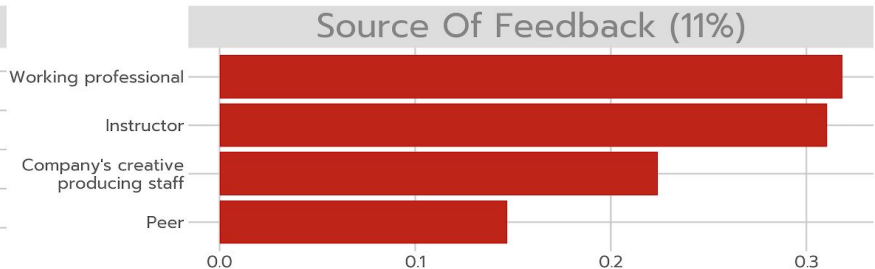
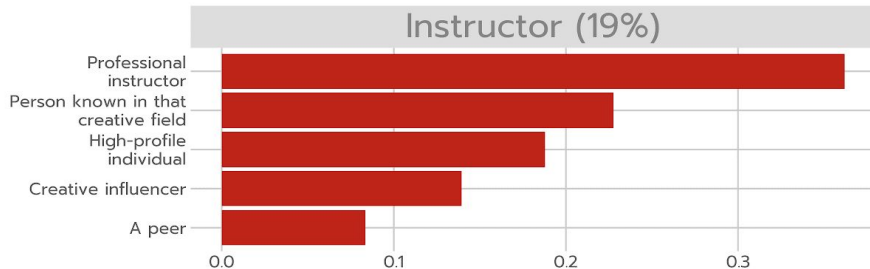
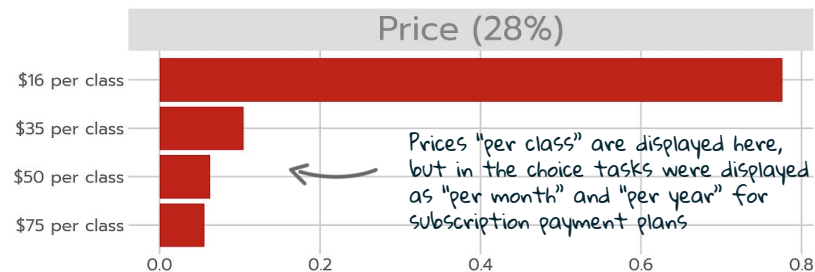


Be creative.
Together.

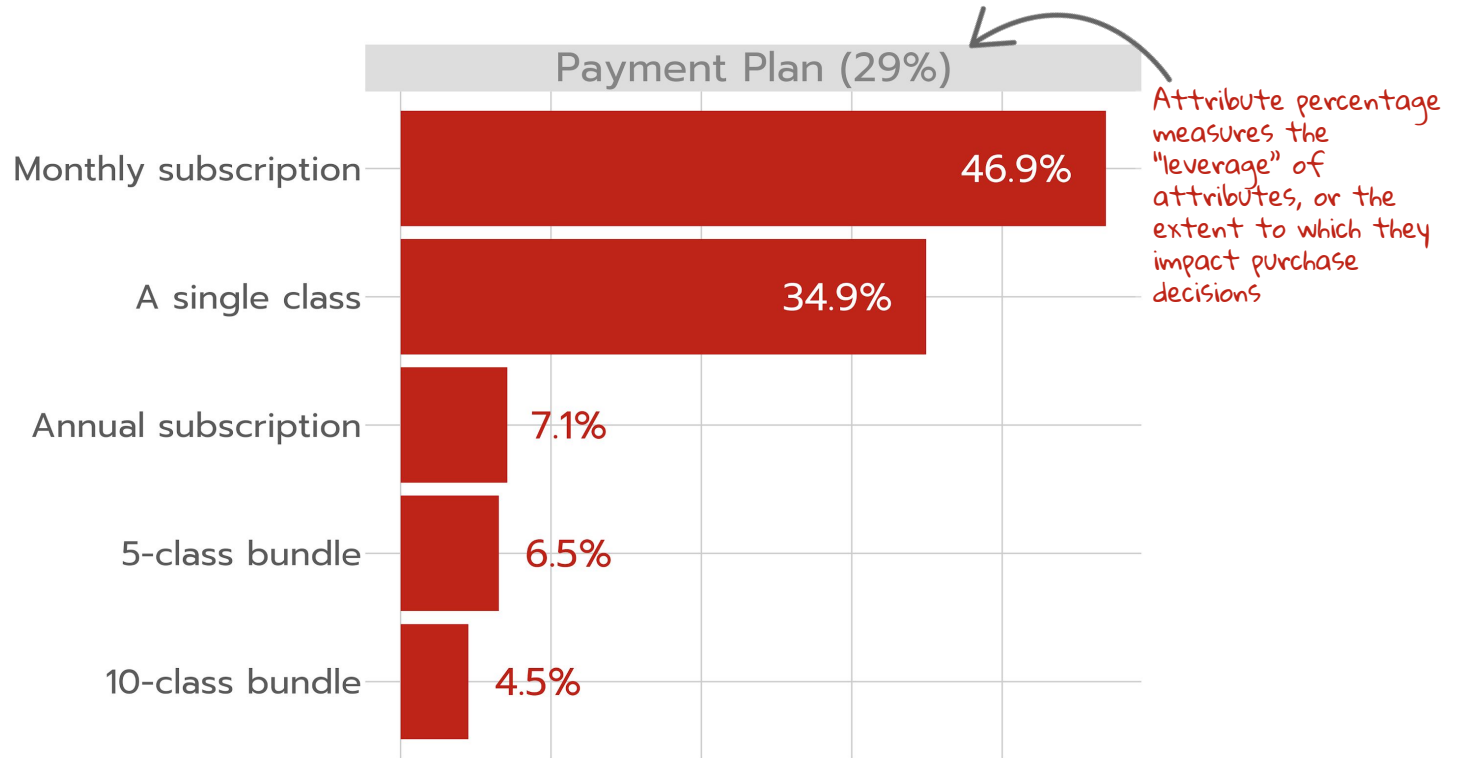
When choosing a class, **payment plan** and **price** are the most important attributes to customers. The background of the **instructor** is also important to customers – though to a lesser extent.



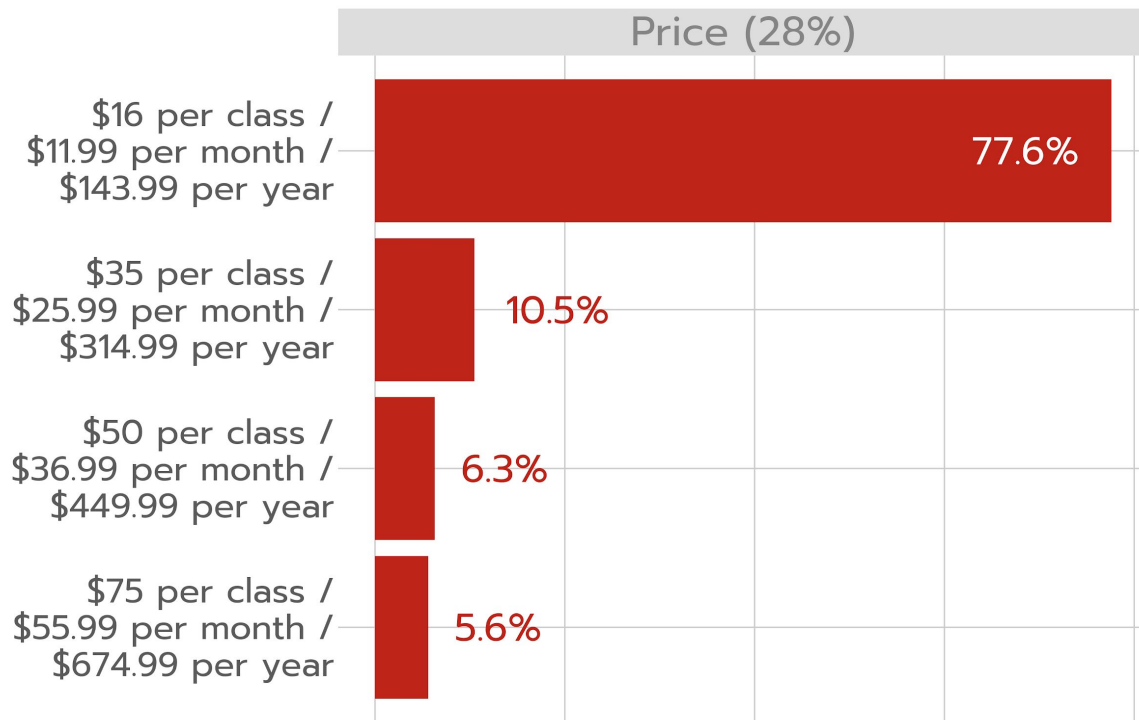
Preference share of each level ordered from highest to lowest attribute importance.



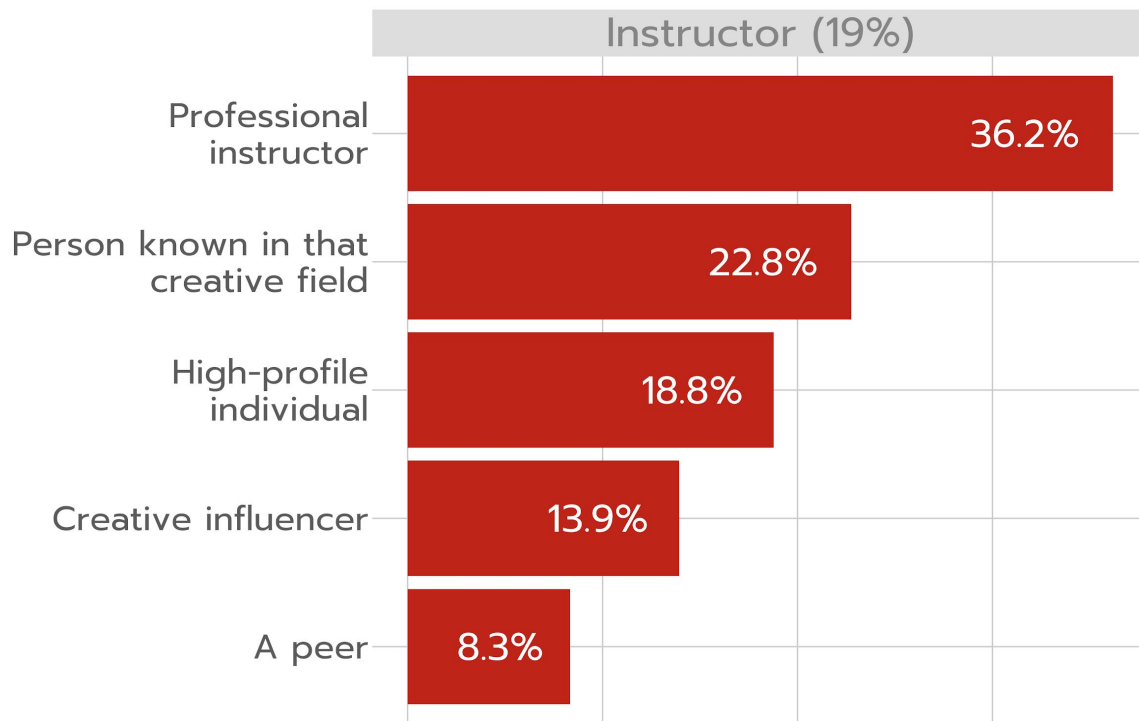
Customers prefer shorter term payment options – **monthly subscriptions** and **single class** options are the most popular. Large class bundles are the least preferred.



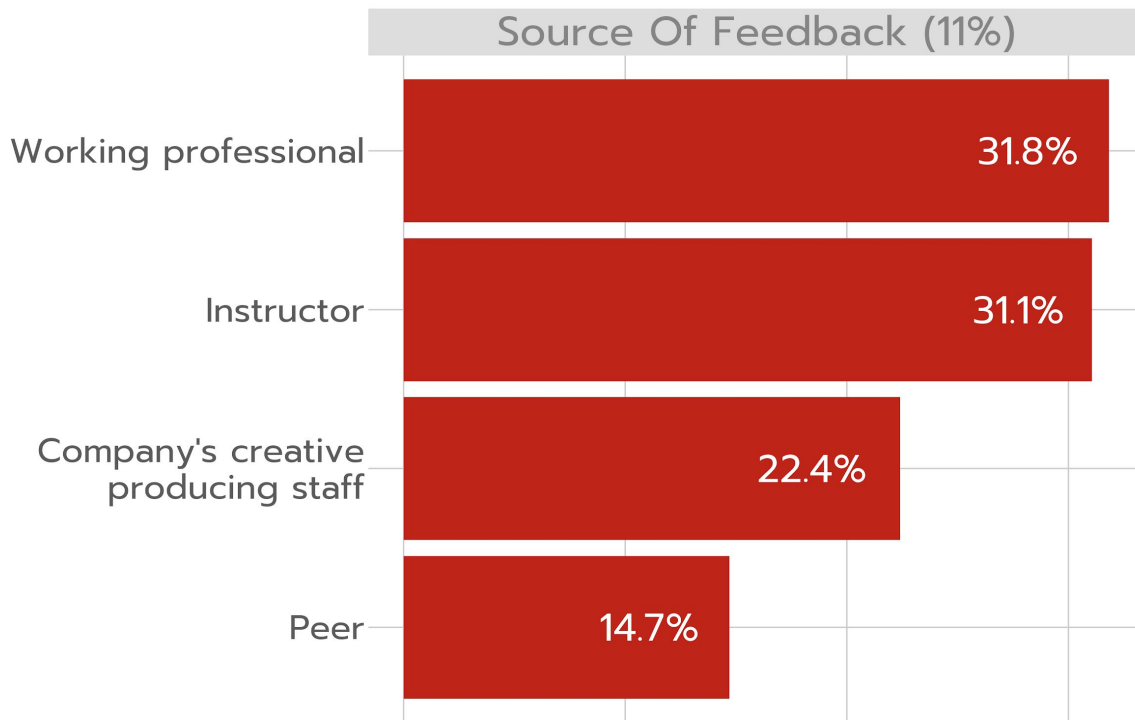
Cheaper class prices are more attractive to potential customers. The least expensive option – **\$16 per class / \$11.99 per month / \$143.99 per year** – is by far the most attractive offer.



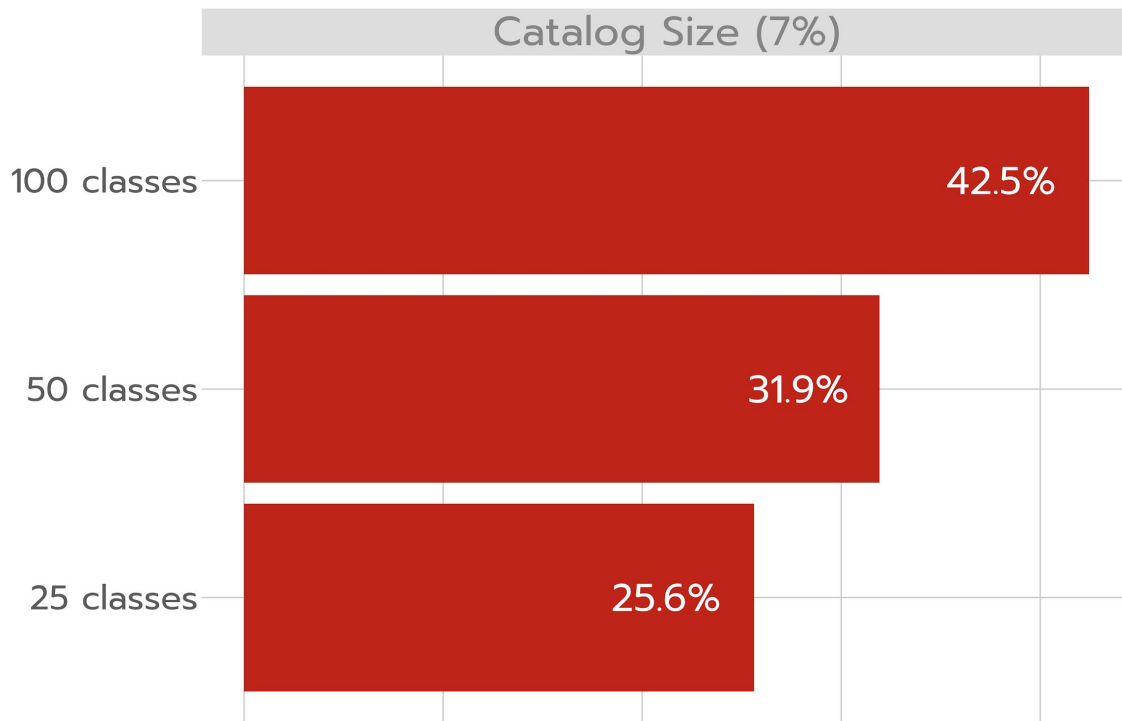
Professional instructors are the most popular instructor – followed by a **person known in that creative field**. Conversely, **creative influencers** and **peers** are less popular.



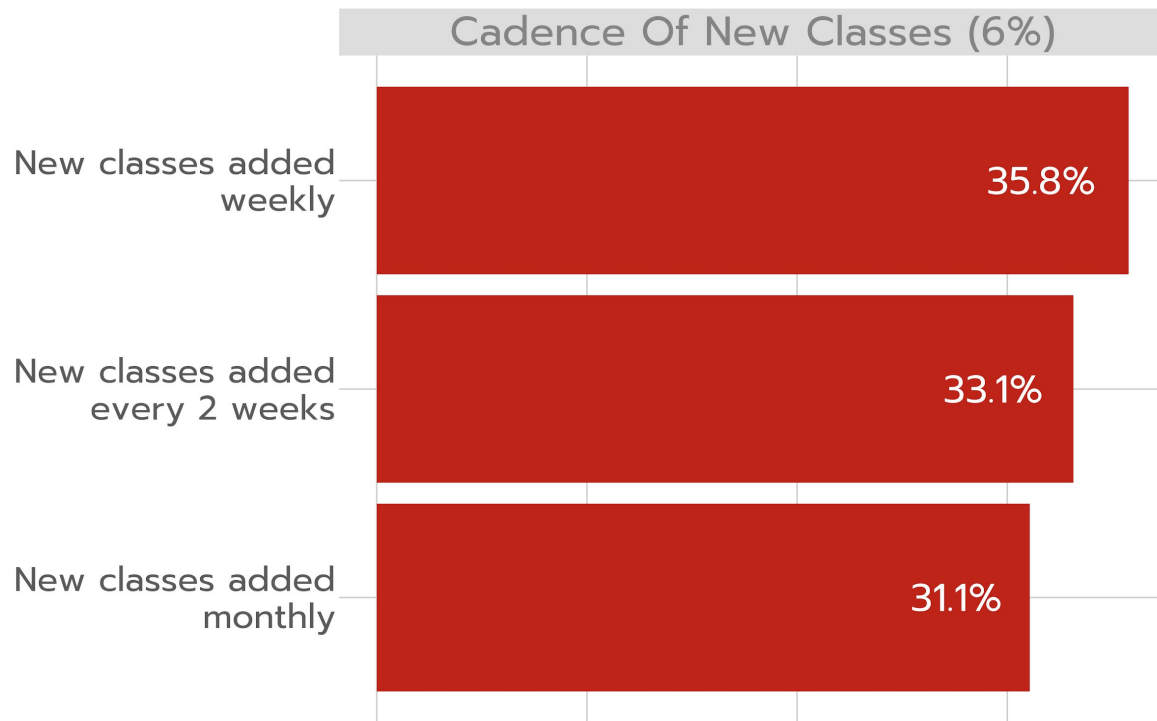
Potential customers are far more likely to purchase a class where they'll receive feedback from a **working professional** or **class instructor**. Feedback from **peers** is not popular.



Though catalog size is not particularly impactful on purchase decisions overall, customers prefer a larger repository of classes for on-demand learning.



Although the overall effect on purchase decision is small, customers far prefer a **weekly new class release**.



Willingness to pay

In the following slides, results are split based on three groups meant to surface the characteristics of **customers with the highest willingness to pay**.

Population

The population includes the full sample of $N=1,014$ who responded to the survey – Americans who have spent money on creative pursuits in the past year. When we refer to the population, we are referring to **all respondents who took the survey**.

Max Revenue

The Max Revenue group includes the top 20% of respondents with the highest willingness to pay for the class offering that maximizes revenue.

In other words, they are the 20% of customers who are **most likely to pay for the most expensive option**.

Most Popular

The Most Popular group includes the top 20% of respondents with the highest willingness to pay for the class offering that maximizes market share.

In other words, they are the 20% of customers who are **most likely to pay for the most popular option**.

Population

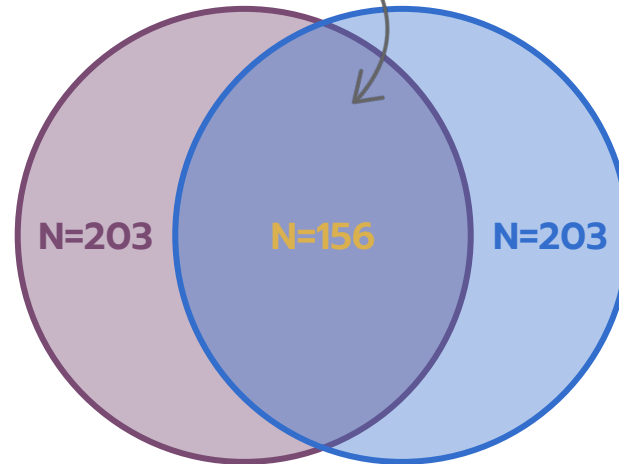
The population includes the full sample of $N=1,014$ who responded to the survey – Americans who have spent money on creative pursuits in the past year.

$1,014 \times 20\%$ top
willing to pay = 203

Max Revenue

The Max Revenue group includes the top 20% of respondents with the highest willingness to pay for the class offering that maximizes revenue.

There is 77% of
overlap between
the Max Revenue
and Most Popular
groups.



$1,014 \times 20\%$ top
willing to pay = 203



Most Popular

The Most Popular group includes the top 20% of respondents with the highest willingness to pay for the class offering that maximizes market share.

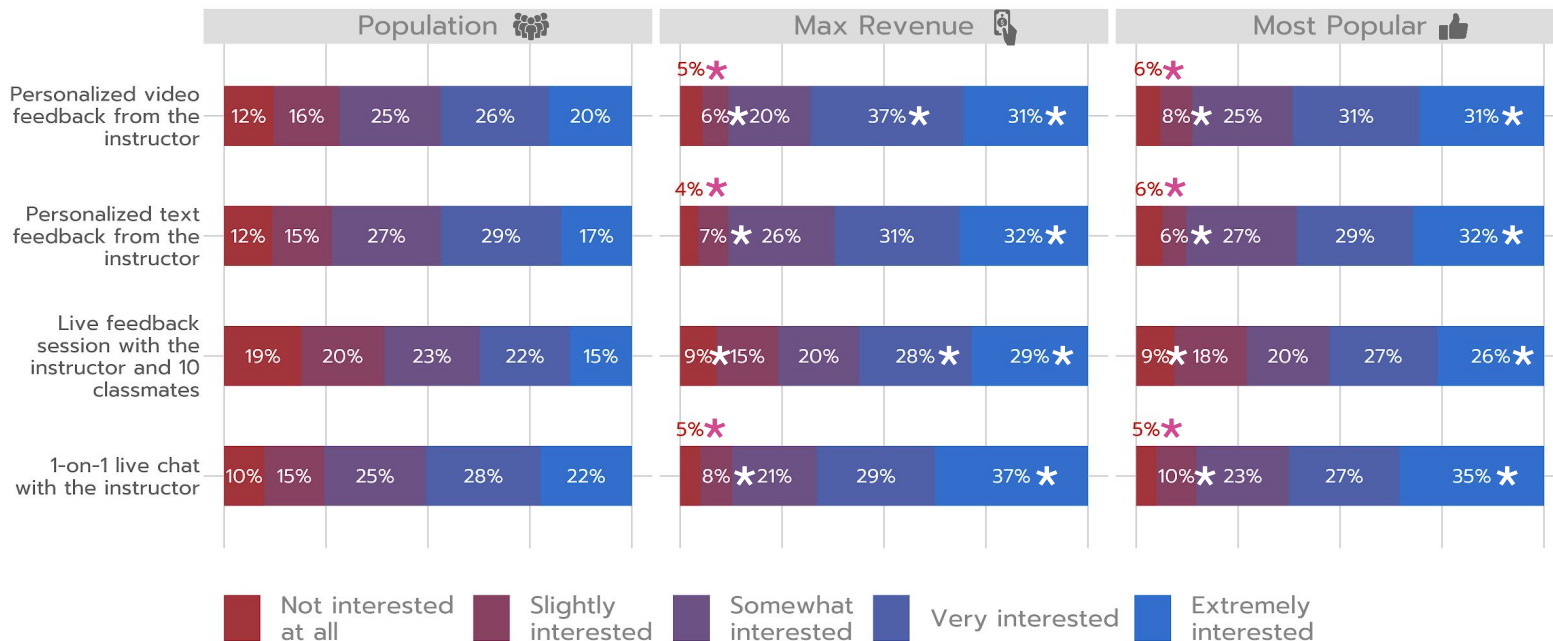
With the exception of payment plan and price, the combination of levels to maximize **revenue** and **market share** are identical.

	Max Revenue 	Most Popular 
Instructor	Professional instructor	Professional instructor
Source of Feedback	Working professional	Working professional
Catalog Size	100 classes	100 classes
Cadence of New Classes	New classes added weekly	New classes added weekly
Payment Plan	10-class bundle	Monthly subscription
Price	\$74.99 per class	\$11.99 per month

Additional Offering Preferences

Respondents who have a high willingness to pay are more interested in optional add-ons for an additional cost. Personalized instructor involvement, including **personalized video** and **live 1-on-1 chats** are the most popular add-ons.

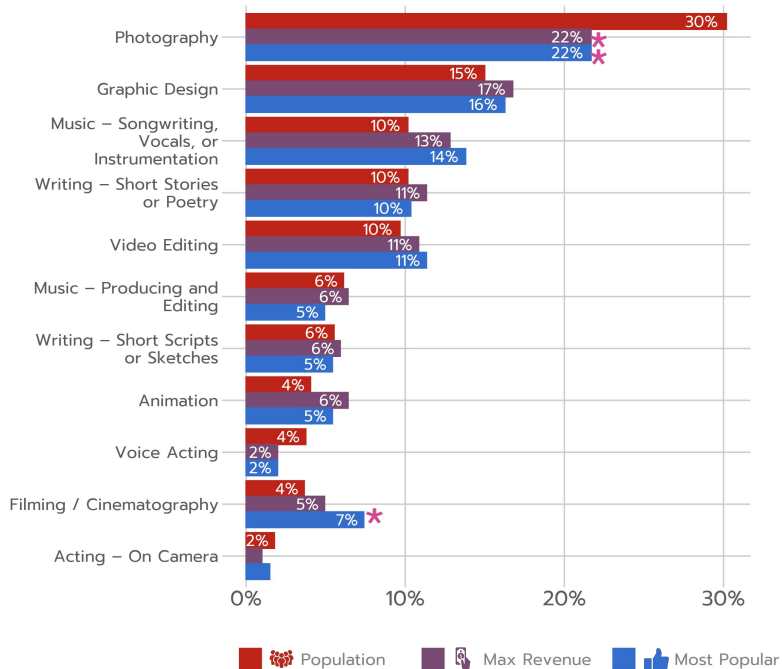
To what extent would you be interested in the following optional add-on for an additional cost?



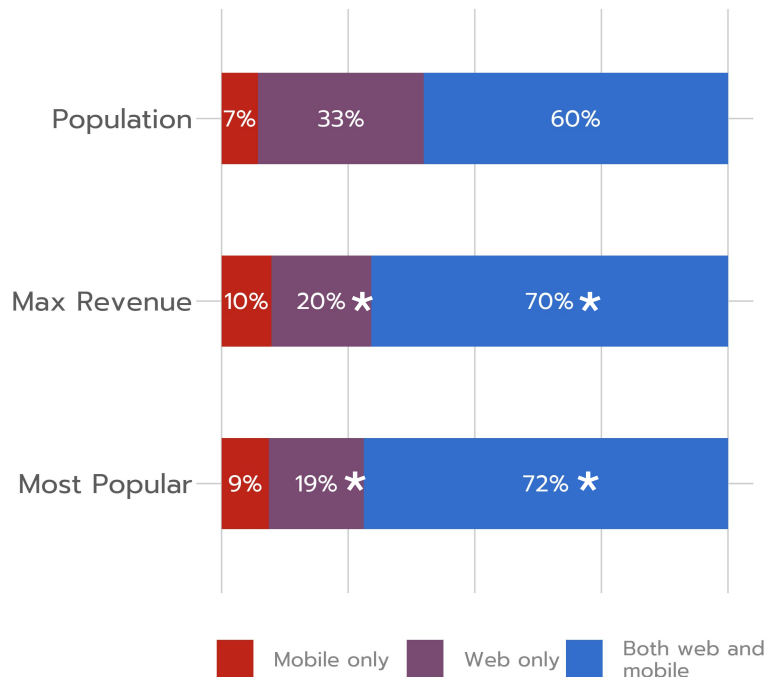
* = significantly different from population

Compared to the overall population, respondents with a high willingness to pay have **more diverse interests in class content** and are significantly more likely to prefer classes that are offered **both on web and mobile platforms**.

Preferred Class Content

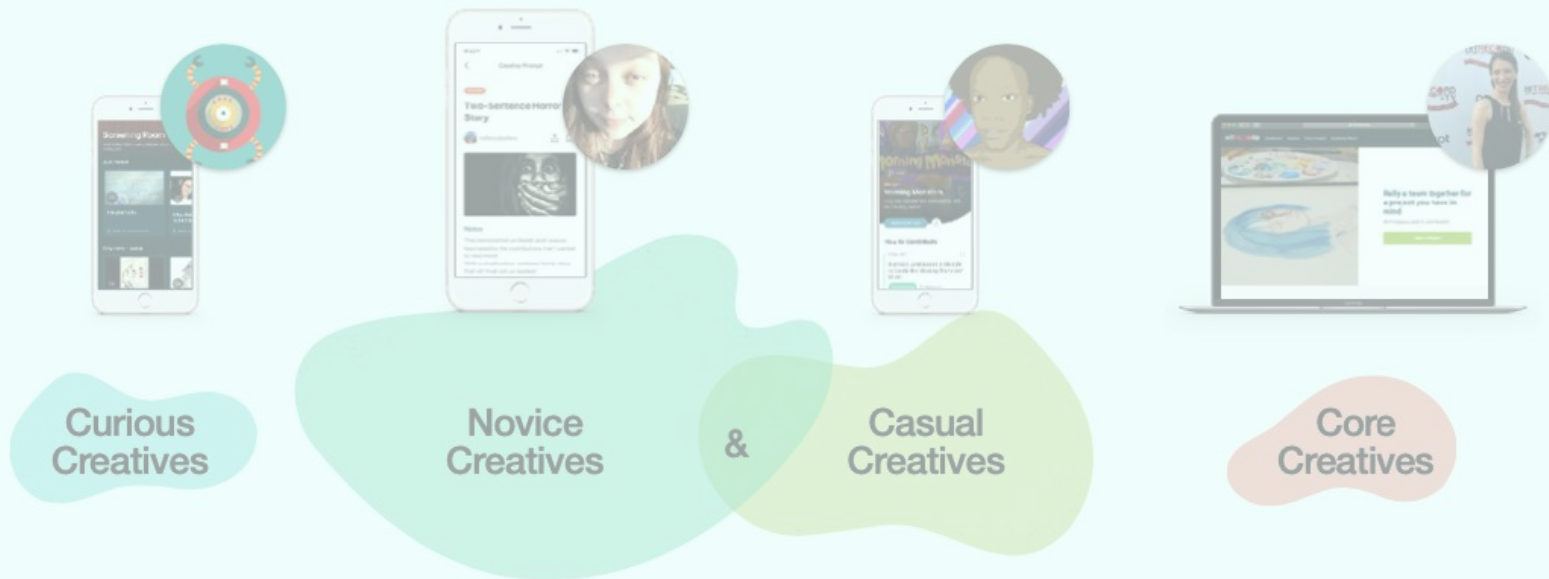


What platform would you prefer?



* = significantly different from population

Who should you target?



Regression model

To identify the demographic, psychographic, and behavioral characteristics of customers that predict willingness to pay, we conducted ordinal regression analyses.

- + Overall, demographic, psychographic, and behavioral characteristics were **not** strong predictors of willingness to pay.
- + The table below summarizes the strongest predictors of willingness to pay:

Type	Variable	R-squared *
Demographic	Employment status	3.6%
Demographic	Generation (i.e., age category)	3.5%
Psychographic	"I am motivated to improve my creative skills"	3.4%
Psychographic	"I like learning about different forms of creativity (e.g., music, writing, film)"	3.1%
Behavioral	Average monthly spend on creative pursuits	3.0%

* R-squared measures the variance in willingness to pay explained by individual characteristics – values of ~3% are considered small, meaning they are not particularly predictive of willingness to pay.

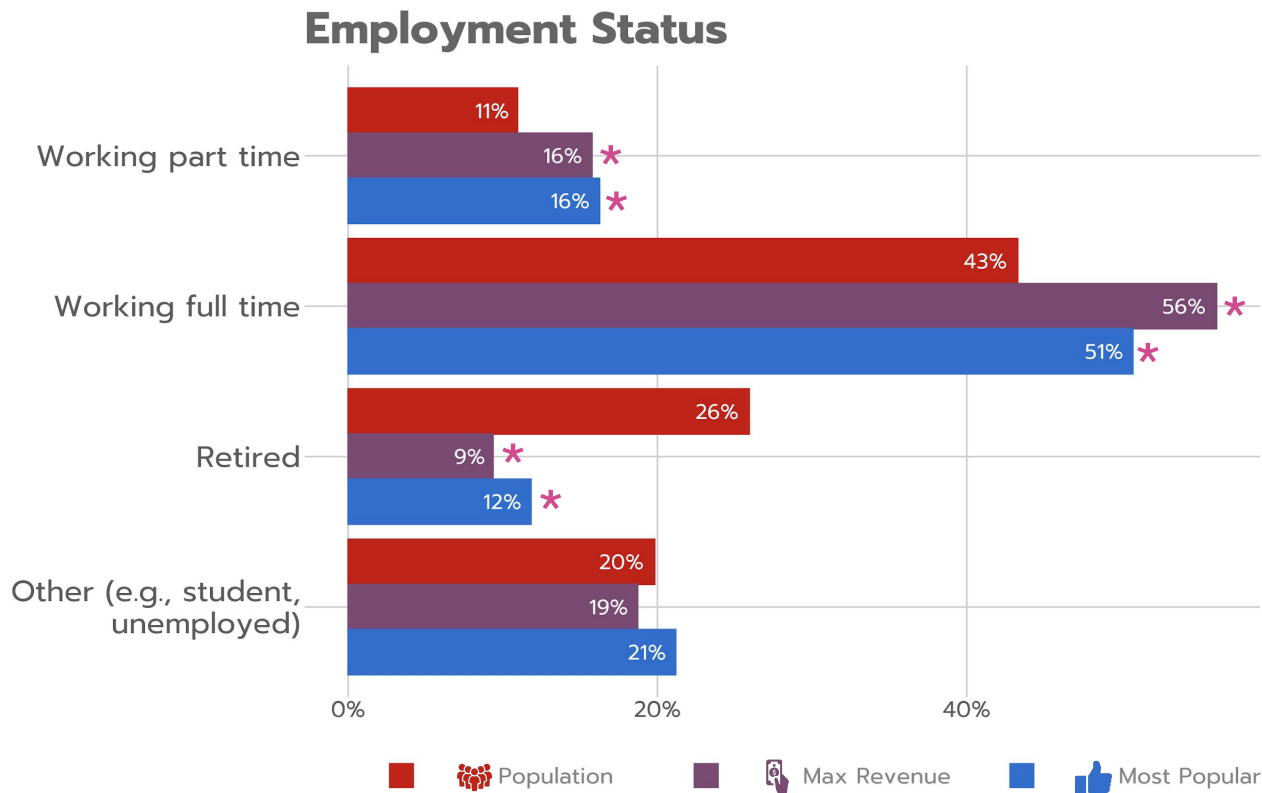
Customer Demographics



Employment status is the strongest demographic predictor of willingness to pay.

Among respondents with the highest willingness to pay, a majority are **working full time** or **part time**.

Compared to the overall population, significantly fewer **retired** individuals are willing to pay.

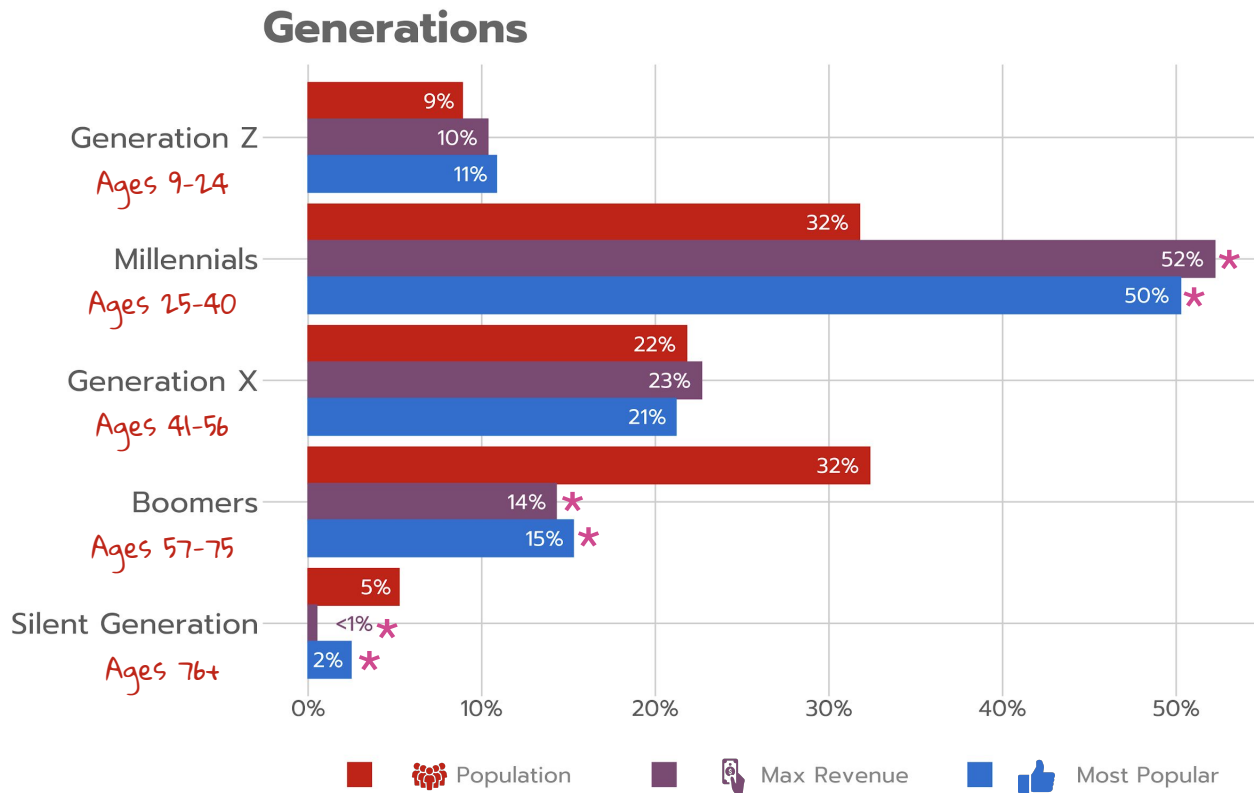


* = significantly different from population

Age is the second strongest predictor of willingness to pay.

Compared to the overall population, significantly more **Millennials** are likely to have a high willingness to pay – making up the majority of likely customers.

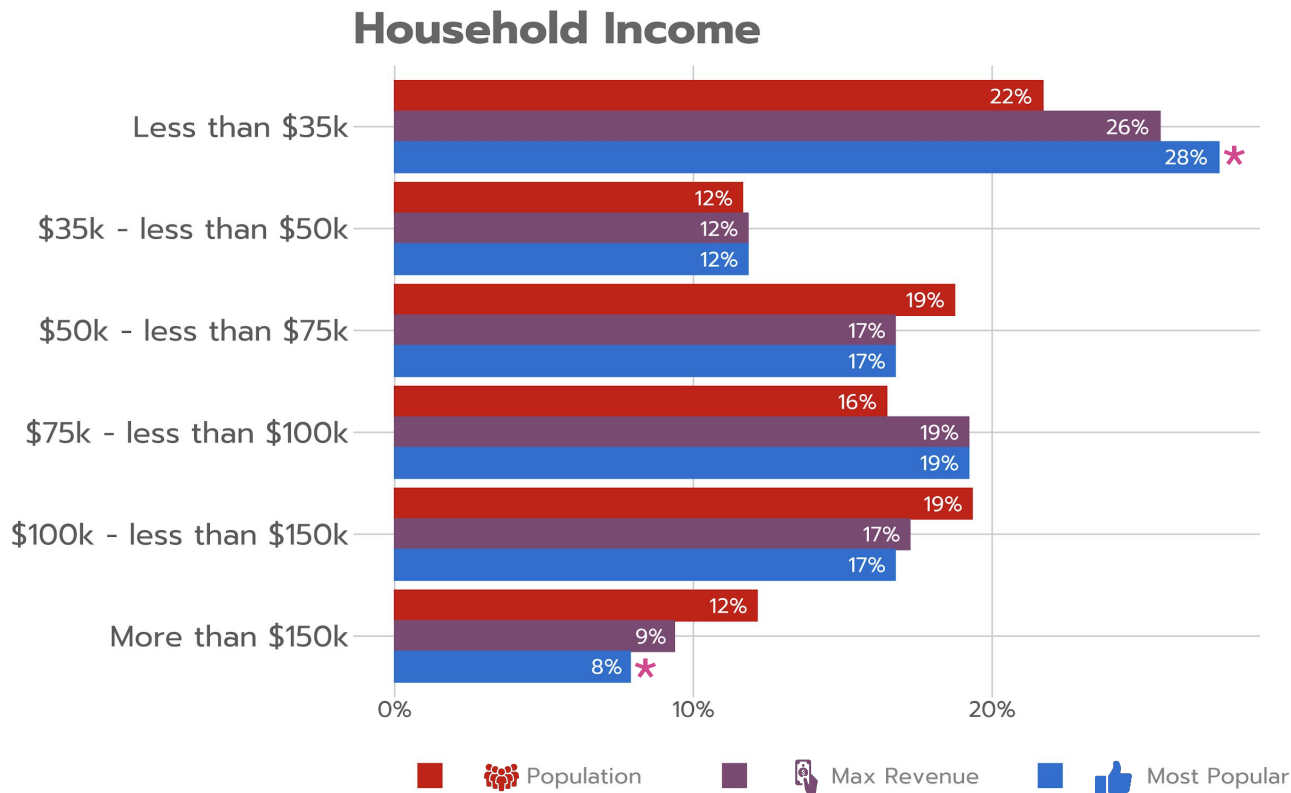
Significantly fewer **Boomer** and **Silent Generation** customers have a high willingness to pay.



* = significantly different from population

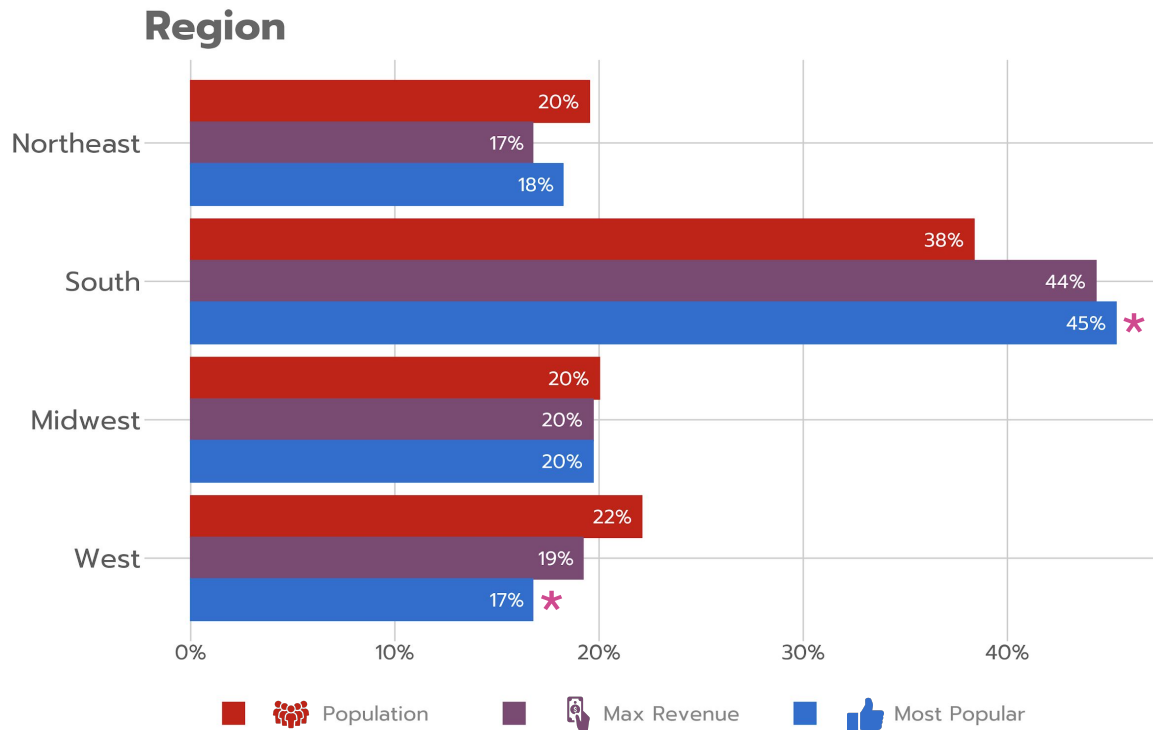
On the other hand, household income is not a particularly strong predictor of willingness to pay.

However, one point of deviation compared to the overall population is that lower income respondents (earning **less than \$35k**) are *more* likely to be willing to pay for the most popular class offering.



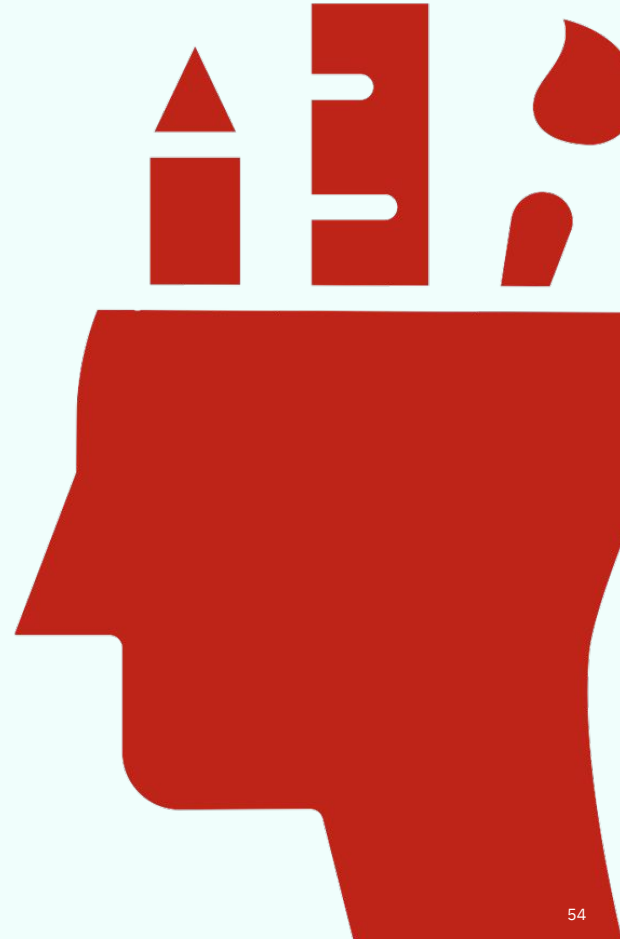
* = significantly different from population

Region was not a strong predictor of willingness to pay. Compared to the overall population, respondents with a high willingness to pay for the most popular option are disproportionately represented by those living in the **South** region.

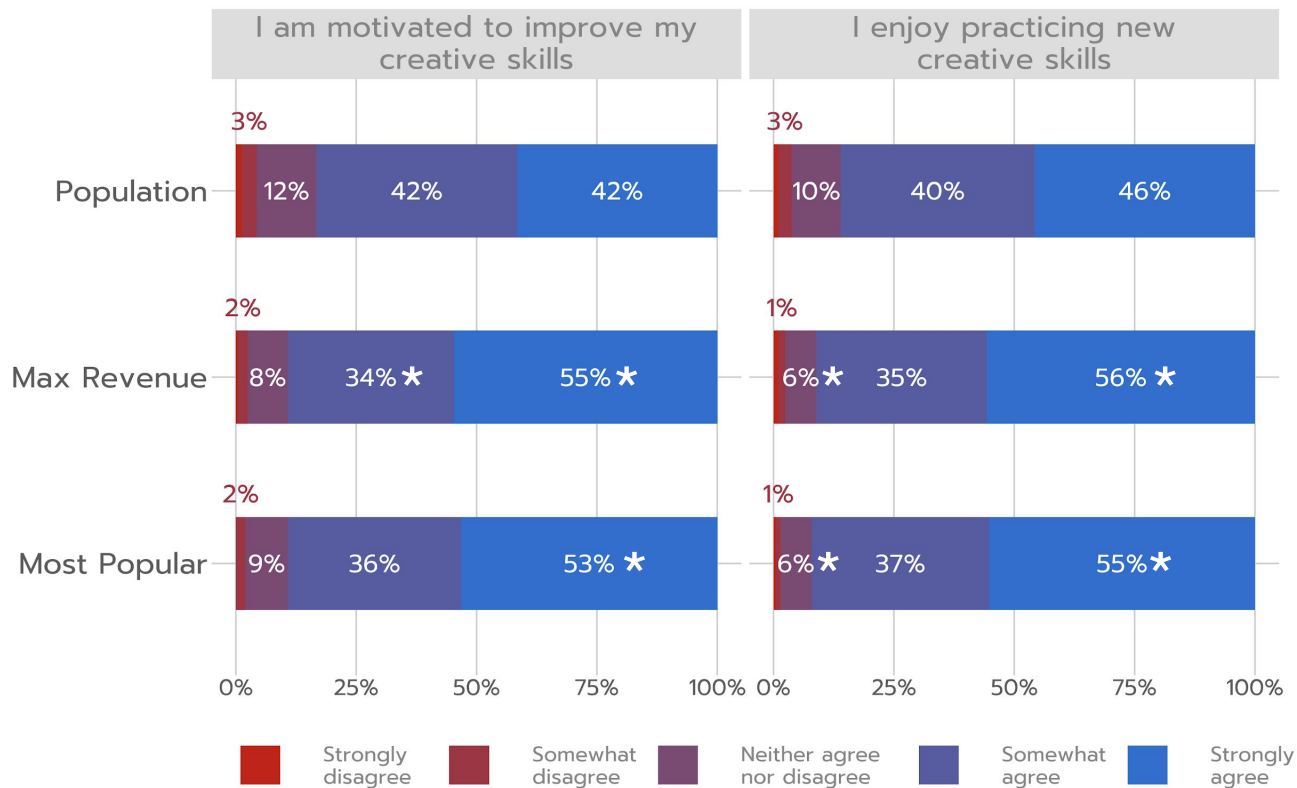


* = significantly different from population

Customer Psychographics



Compared to the overall population, customers with a high willingness to pay are significantly more likely to **strongly agree** they are motivated to improve their creative skills and enjoy practicing new creative skills.

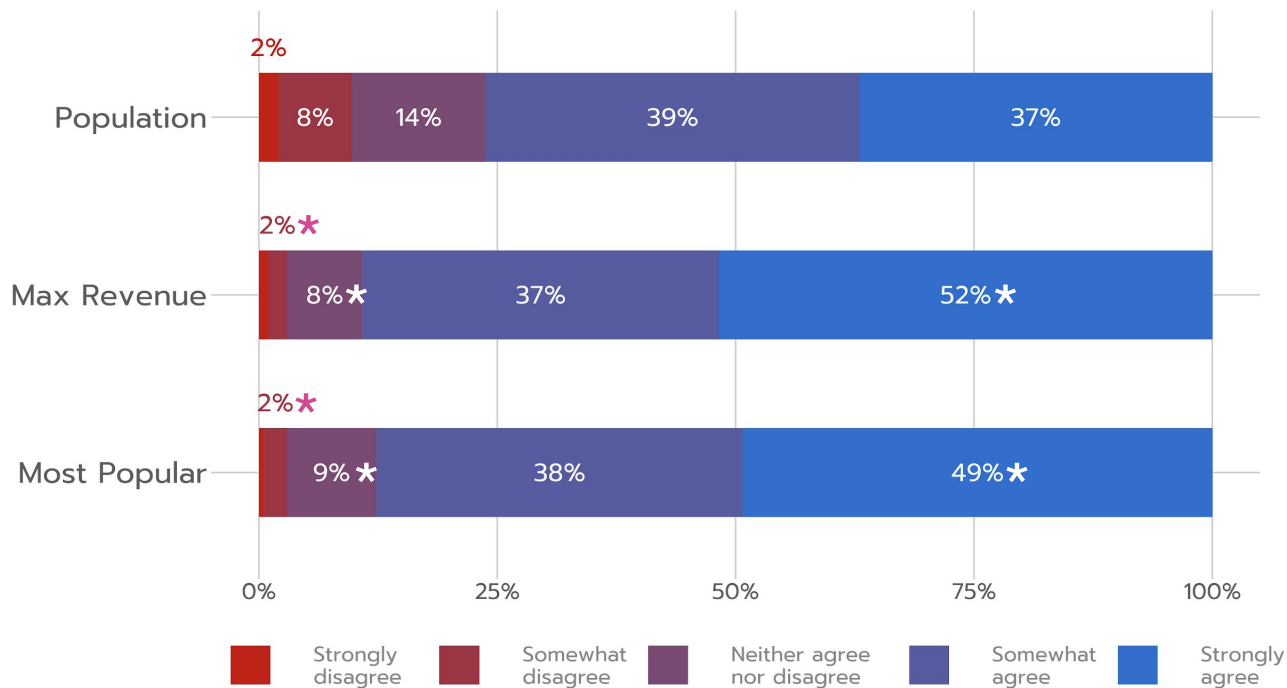


* = significantly different from population

Client community members experiment with different creative mediums, and potential customers appear to hold those same attitudes.

Customers with a high willingness to pay are significantly more likely to **strongly agree** they are like learning about different forms of creativity.

I like learning about different forms of creativity (e.g., music, writing, film)

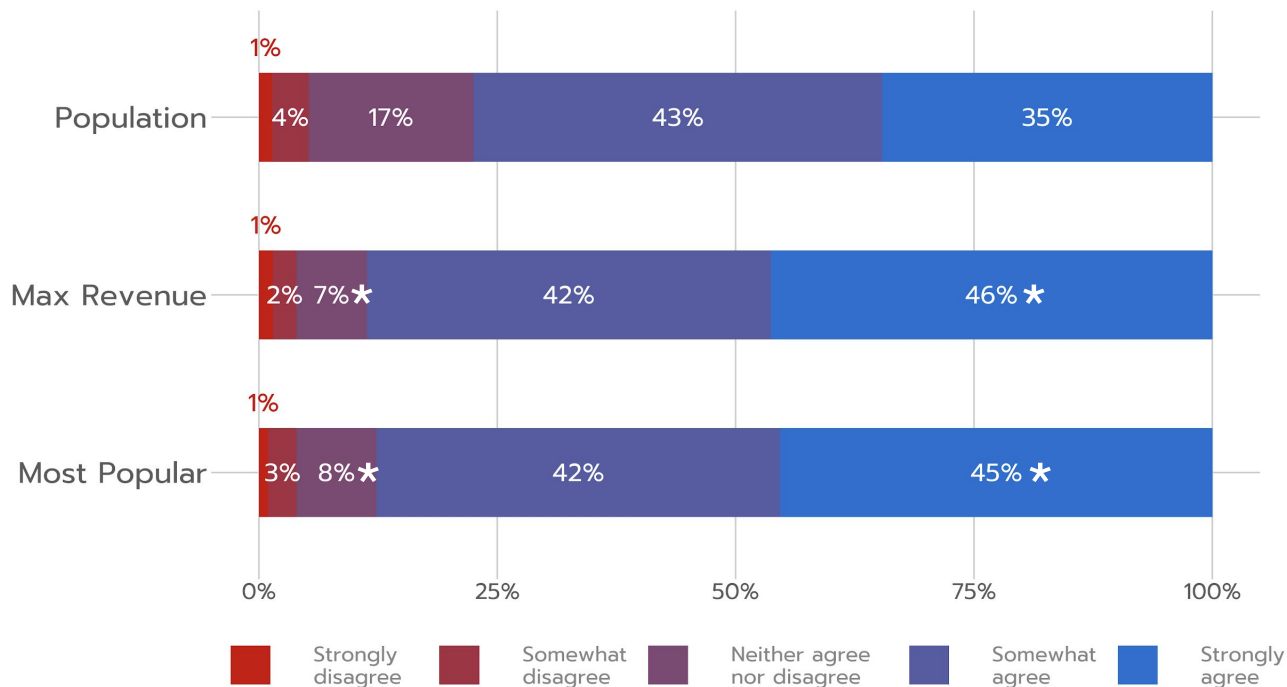


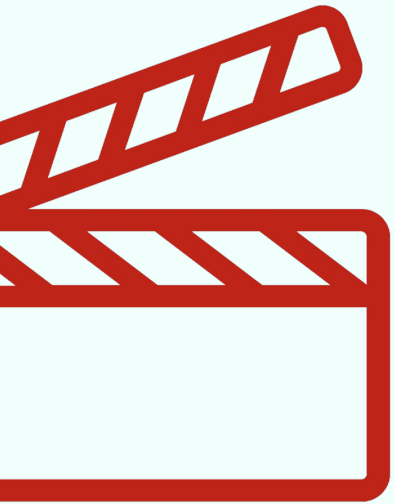
* = significantly different from population

A core tenet of Client is that individuals contribute to a creative project they couldn't do on their own.

Customers with a high willingness to pay are significantly more likely to **strongly agree** they find a sense of purpose from contributing to something "bigger" than themselves.

I find a sense of purpose from contributing to something "bigger than me"





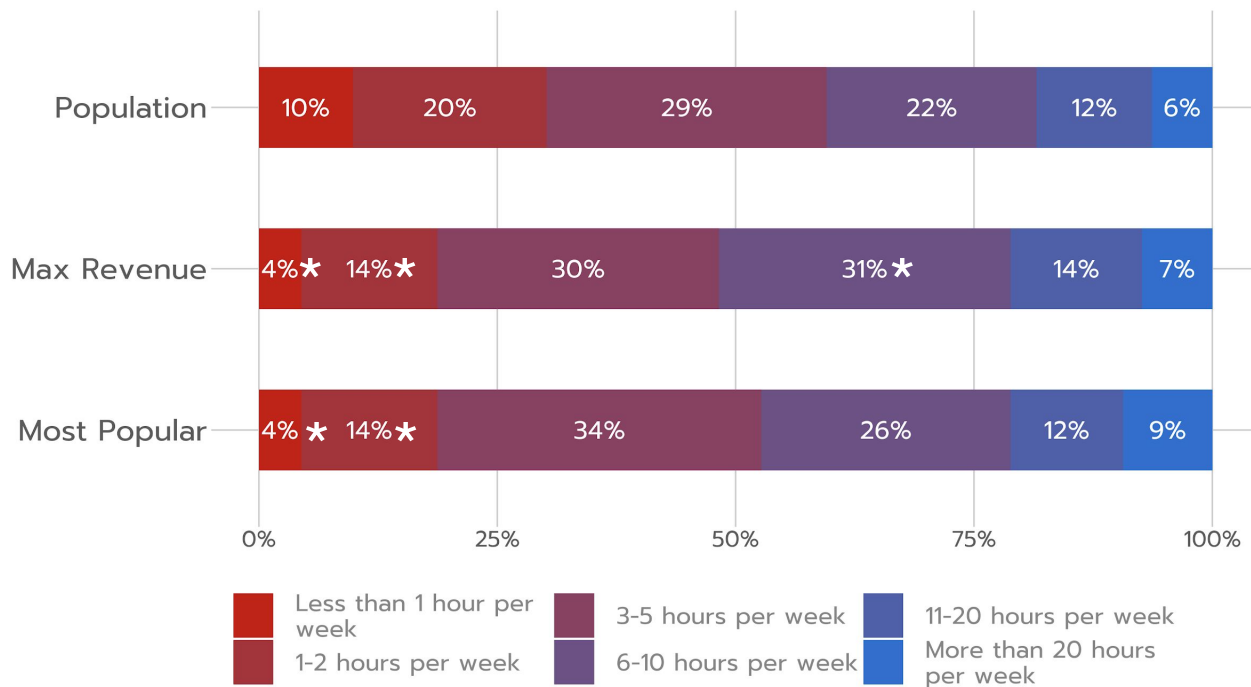
Customer Behaviors



Compared to the overall population, customers with a high willingness to pay tend to dedicate more time engaging in creative activities on a weekly basis.

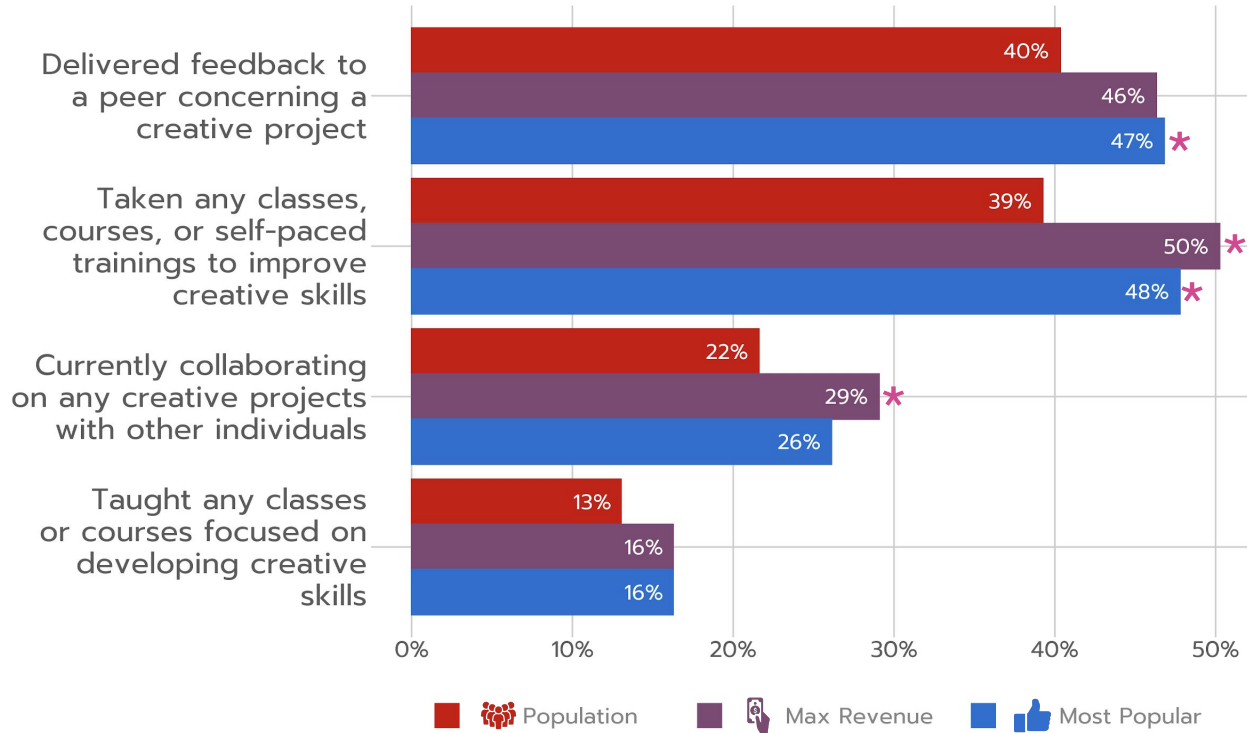
High willingness-to-pay customers are significantly less likely to spend **fewer than 3 hours per week** on creative activities compared to the overall population.

In a typical week, how often do you engage in creative activities?



* = significantly different from population

Engagement in Creative Behaviors



* = significantly different from population

Compared to the overall population, customers with a high willingness to pay are significantly more likely to have **taken a class or course in the past year to improve their creative skills.**

Of those who have taken classes in the past year, the median number of classes is three.



GRADIENT

Thank you!

Contact: team@gradientmetrics.com