

Gabor-Granger: What It Can, and Cannot, Tell You About Pricing

A one-page guide for the pricing meeting

What the method does

Gabor-Granger asks respondents whether they would purchase a specified offering at a sequence of hypothetical prices. Answers are used to estimate stated price-acceptance thresholds and construct a survey-derived demand curve and revenue curve. The price at the revenue curve's peak maximizes modeled revenue under the study's assumptions—not necessarily revenue in the marketplace.

What the results can support

Exploratory price sensitivity, a preliminary range of plausible prices, comparisons of stated acceptance at tested prices, and hypotheses for further investigation. These are useful applications when the decision does not require a validated forecast of competitive market behavior.

What the results do not establish on their own

- **Competitive substitution.** Whether a customer chooses this offering rather than a lower-priced rival, another configuration, or no purchase.
- **Actual purchasing.** Whether hypothetical yes/no responses translate into transactions at comparable prices.
- **Portfolio effects.** How changing one price affects sales of the company's other products.
- **Economic optimization.** Whether the recommended price improves realized contribution or profit after costs and market responses.

Four questions to bring to the meeting

1. What does this “demand curve” actually measure—survey acceptance or validated market demand?
2. Which competing products, prices, and no-purchase options were represented?
3. What evidence connects stated purchase intentions to real purchasing behavior?
4. Which assumptions must hold before we call the modeled peak an “optimal price”?

The decision standard *You need a method that ties to the income statement, not just survey charts.*