Atlantic computer case study

Business

Atlantic Computer is a large manufacturer for servers and other technology products.

They have seen great success in the last 30 years since they have been competing in the market. While they have previously dominated the high-end server market, they are looking to expand to an emerging market, the basic server market. In order to do so, they have developed Thorn along with the Performance Enhancing Server Accelerator, otherwise known as PEAS.

Because Atlantic is penetrating new market segment than what they are used to, they are faced with competition issues, pacifically against Notation’s Kink server. The most pressing issue involves what pricing strategy to go with. They have four main options: 1.

Status Quo Pricing – Offering Thorn at $2000 with PEAS at no additional charge 2. Competition Based Pricing – Pricing Thorn based on price of competition’s server 3. Cost-Plus Pricing – Including developing costs 4. Value-In-use Pricing – Finding the true value of a certain product Finding the right customer segment was also an issue for lowers.

Atlantic has been focused on high-end segments and has done relatively well for themselves. As previously stated, low-end products are becoming an emerging market that Atlantic wants to get into.

As shown in Exhibit 2, the Thorn with PEAS is most successful in the basic application systems such as web servers and file sharing. In fact, when it comes to high performance workloads and graphic applications, it may be detrimental and actually not work as well. Lowers found that Traditionally.

Com was an exemplary customer that they want to focus on for the trade show and for future sales.

This customer was seeking four basic servers so it was up to Cowers to find a way to show hat they would receive both first order and second order savings by purchasing the iron server with PEAS instead of four servers.

This is the main customer that Cowers must focus their pricing strategy efforts on. Matter and his colleagues were conservative, so it was best to compare two basic servers with PEAS to its competition instead of Just one. In order to determine the most effective pricing strategy, we must look at all of the different options separately in more detail.

Status Quo Pricing Atlantic as a company has always stuck with the tradition of only charging for the actual hardware itself and giving away the accompanying tool away for free. This has been Matter's belief as well. This would be the easiest option because it would not be necessary to calculate any costs and it would be more beneficial to customers.

The problem with this is that Atlantic would experience a sunken cost that was incurred by developing the PEAS tool. This cost would be $2, 000, 000 which does not seem beneficial to forgo as a company.

Although, this is the norm as an industry, it might be more beneficial to use a different option because if the PEAS is given away for ere, it may be perceived as having lower value and Just something to accompany the software itself. If this method were used, the Thorn would be priced at $2, 000. Competition-Based Pricing causes the Thorn software is proven to perform four times faster than the Kink server (The completion of Atlantic), the pricing of the bundle could be set by charging price equal to that to tour Kink servers. Customers may see this as a drastic price increase.

True value may not be perceived because of this. It seems balanced in terms of the beneficial performance increase, but most customers would not take this to consideration when choosing to purchase a server. This could be detrimental to Atlantic as a company because customers are the most important part. On the other hand, if it could sell fine with no issues, then it would prove to be very profitable for Atlantic. In terms of calculations to get a number, the price of the bundle would be set at $3400 ($1700 (price of one Kink) x 2).

This value is shown in Exhibit 3.

Cost-Plus pricing This is a more company and cost focused method, meaning that it does not focus on the customer as much. It is typically a standard approach in the industry itself. It involves the software development costs (which has previously been ignored in the other two options) as well as the other costs related to the production and sale of the product, with a predetermined markup percentage to provide a complete profit margin.