Atlantic computer pricing strategy

Finance

Case Study: Executive Summary

Fierce competition and new economic conditions force Atlantic Computer to search for a new pricing strategy. The problem is to choose the best pricing strategy and convince Atlantic Computer's veterans to follow this new strategy. Jowers, a new product manager, makes a market analysis and find s that Atlantic Computer follows tradition cost-plus pricing strategy typical for this industry. Low pricing could benefit Atlantic Computer but it will require additional changes in customer based and marketing strategies oriented on low-end server model customers. Jowers finds that pricing is significant where the market impact, profit results, or both, of price variations is great, and where firms have considerable discretion over the prices charged. In many instances pricing decisions are severely constrained and are sometimes relatively unimportant. Large purchasers of industrial goods, like Atlantic Computer may specify prices at which they will buy, determine product specifications, and send specifications to suppliers for competitive bids. This, it will prevent the company from effective competition and can lead to decrease in sales.

The alternative solutions are status-quo pricing, competition-based pricing, cost-plus pricing and value-in-use pricing. Analyzing these strategies, Jowers takes into account competitors reaction and market positioning of Atlantic Computer. He supposes that fr other products price may not be a relevant factor. In some technical areas where products require much research and development and involve much uncertainty, a cost-plus scheme may be used. In other situations, sellers may be almost completely free to set prices, while in still others, they may only be able to decide whether or not to sell at a price. Thus, the proposed pricing strategies have a negative or neutral impact on PESA and its strategic position on the market. The main requirements for the product are minimal acquisition cists, minimal possession costs and possibility to process many information requests. Introduction of the PESA is a crucial step for Atlantic Computer to gain market share and attract more clients.

The plan of action will involve analysis of sales force and their ability to introduce the PESA, customers purchasing power and analysis of the first sales. . Buyers are concerned not only with price, in their purchases, but also with service, status, and image. Low price alone does not result in a transaction. Consumers are not mechanical price calculators and price reactors, as so much theory leads one to believe. The company should organize training section for sales force to ensure their ability to change for the PESA> They do not know all the prices, for in reality, discounts, trade-ins, special deals, and premiums cloud the actual price. Prices are limited by direct and indirect competition, costs, and consumer reaction. Markets that may be viewed as systems of information on cost and demand determine the appropriateness of prices. They contain signals that businessmen must decode. But market information is ambiguous, fragmentary, and imperfect; it contains much uncertainty and is interpreted differently by various executives. To those who can read the signals properly, increased profits are the results. It is expected that the proposed pricing strategy combined with training of sales force. The proposed strategy will help Atlantic Computer to improve its brand image and competitive position on the market, but it will not have a great impact on sales and revenue. Pricing policies must be reviewed and changed as basic conditions shift. This means that good pricing practices are research based.

Works Cited

Bharadway, N., Gordon, J. N. Atlantic Computer: A Bundle of Pricing Options.

Harvard

Business school Publishing. May 25, 2007, 2072-2078. Atlantic Computer: A

Bundle of Pricing Options