

Virgin mobile's target market (14 to 24 year-olds)?

[Finance](#), [Market](#)



The pricing option that I deem appropriate for the 14-24 year olds category target market of Virgin Mobile will be the third option; " A Whole New Plan. " This option provides no contracts, no hidden fees, prepaid compared to the post paid, and satisfactory off-peak hours. This pricing structure is a welcome offer especially to those below age 18 since they don't have to sign any contracts. Considering the purchasing capacity of those who belong in this age category, an affordable price is appealing. Penetrating a saturated and highly competitive market such as the cellular phone industry could be such a challenge.

Introducing a fresh, unique and affordable pricing structure gives the company the chance to introduce its product and capture its own market. The 14-24 year old category is still a less served market and they prove to be a good niche for new entrants who wish to be a player in this industry.

2. How confident are you that the plan you have designed will be profitable? What evidence can you provide to defend the financial viability of your pricing strategy? I am very confident that this designed plan will be profitable.

This new innovative pricing structure can be a breath of fresh air to the less served market of 14-24 year olds, those who weren't approved by the competitors, as well as to those who experienced extreme dissatisfaction from their current cellular phone service providers. This will attain a considerable quantity in the market share. According to a survey conducted by J. D. Power and Associates, they ranked Virgin Mobile highest in customer satisfaction with prepaid wireless service for four years in a row and 91% of customers would recommend Virgin Mobile to a friend.

Given this scenario, more customers will be attracted and it could mean more profit for the company. Also in the NYSE, Virgin Mobile has shown a quarterly revenue growth of 23.9% and an 18 cents per share expected earnings. These are clear evidences on the financial viability of Virgin Mobile's pricing strategy.

3. What is the major source of customer dissatisfaction with cellular service? How do the various cellular pricing variables affect the customer experience? Why haven't the big carriers responded more aggressively to customer dissatisfaction?

In a survey conducted by the National Regulatory Research Institute, many consumers perceive a lack of quality service from their wireless providers. Billing issues were on top of the list with hidden fees causing customers to distrust and be dissatisfied. Hidden fees incorporated in a client's bill include universal service charges, taxes, and other one time costs. Many providers also have established pricing buckets, but when customers exceed these buckets, they are charged with extremely high penalties.

Majority of cellular providers issue contractual agreements with their clients; normally within a one to two year period with scrupulous credit checks. This oftentimes gives customers the feeling of discomfort. The big carriers in this industry haven't responded more aggressively to customer dissatisfaction because they have already established themselves and they have dominantly acquired a big portion of the market share. Also, according to a new nationwide survey, almost one-fourth of all cellular phone users have stayed with their original providers even though they are dissatisfied with their service.

This gives another reason for providers not to aggressively respond to customer complaints.

4. How do the major carriers make money in this industry? Is there a financial logic underlying their pricing approach? The major carriers in this industry make money through marketing post paid plans. These plans usually cover a period of one to two years. The providers often require a credit check before letting the client sign a contract. Also, these carriers target busy professionals and businessmen; those between 30 - 60 age category, due to the fact that these markets have higher and more consistent cell phone use.

The financial logic underlying their pricing approach is obvious; they wanted to target a sure market that can consistently avail of their products and services thereby guaranteeing the continuous influx of profit without the fear of non payment.

5. Do you agree with Virgin Mobile's target market selection? What are the risks associated with targeting this segment? Why have the major carriers been slow to target this segment? I agree with Virgin Mobile's target market selection although I have to admit that this option is very risky. Read about Skittles target market

Despite the high saturation in this industry, the target market selection proves to be the least penetrated and therefore have the big potential for growth. The risks associated with this segment can be immense loss probably due to low profit and the possibility of non payment considering that most of those who belong in this category have low income or are just depending from their parents. The major carriers in this industry have been

slow in targeting this segment because of that. They are reluctant to offer it to this segment because of low expected income and the absence of “security” when it comes to attaining their target profit.