Atlantic computer case essay sample

1. What price should Jowers charge DayTraderJournal. com for the Atlantic Bundle?

Atlantic Computers ahs been a major competitor in the server market for nearly 30 years. The products are considered top of the line, having high quality and reliability. Their brand equity is an important factor to the success of the bundle. Success of the new product launch is in the hands of the server and PESA being sold as a bundle. It is the perception of the consumer, however, that software tools are usually free. The basic server expects sales of 50, 000 in 2001 with 36% growth rate. Daytraderjournal. com is an important customer for Atlantic who has certain buying criteria.

Atlantic Computers must decide on a price to charge daytraderjournal. com for the bundle (server and software tool). There are 4 pricing strategies to be evaluated in this decision: 1) Status Quo Pricing

Price of 1 TRONN server with free software: $2000

Therefore the price of the bundle would be $2000.

2) Competition Based Pricing

Pricing the TRONN server based on the price of the competitor's server (Zink by Ontario) with PESA for free Assumption: 2 TRONN servers with PESA software is equivalent to 4 Zink servers. Price of 1 Zink server= $1700, meaning 2 would be $3400

Two of the Zink being equivalent to 1 TRONN indicates the bundle would be $3400 3) Cost Plus

Software development costs are to be paid of in 3 years, so it is divided by 3 to get the yearly cost: $ 2, 000, 000 Price per server (with 30% markup):

PESA cost per server $ 188. 86 (+ $56. 67) = $ 245. 52

Cost per TRONN server $1538 (+ $461. 4) = $ 1999. 4

Total cost to be charged for one bundle = $2245

4) Value-in-use-pricing (still assuming 2 Zink equals 1 Atlantic)

Savings in Electricity = $500

Software Licenses = $1500

Labor = $4000

Cost of Server = $2800

Total = $8800

Per pricing model of 50/50 = $4400

2 TRONN + 2 PESA = $8400

One bundle = $4200

It is recommended to use Competition Based Pricing ($3400) to charge Daytraderjournal. com for a few reasons. Atlantic should take into consideration competitor’s prices. With competition already have 50% of market share, the price should be initially competitive. However, if prices are too low, or the software is free, consumers may have the perception they are getting less quality. This could also create a price war that Atlantic may not be able to fight. Also, if prices are too high (as with Value In Use Pricing), the consumer may not be persuaded to buy from Atlantic, but from the competitor Ontario with the cheaper price. 2. Approximately how much money over the next three years will be “ left on the table” if the firm were to give away the software tool for free (Status Quo approach)?

Although “ Value in Use” yields more profit, using the “ Competition Based” approach is a better decision as described previously. If Atlantic were to use the Status Quo approach, they would be leaving behind Revenue of $29. 7 million in comparison to the Competition Based, and $ 5. 2 and $ 46. 6 million, respectively, compared to the Cost Plus and Value in Use approaches.