Task #3 Final Research Report

Report due date: Thursday, April 29th 2010, in class.
Deliverable: Typewritten report with a suggested length of 14 double-spaced pages.
Distribution: One copy of this project to be submitted to the instructor.

Introduction

Your objective for task #3 is two-fold. First, based on the estimation results of the demand curve of your focal product/service, use Excel Solver to find (1) the optimal single price and (2) a price schedule that consists of two prices: a high (“regular”) and a low (“discount”) price, to be offered to customers with low and high price sensitivities respectively. Limit your search of optimal price(s) to the linear price format (i.e., the unit price is the same regardless of the number of units sold). Second, you will synthesize the work in the previous two tasks into an integrated research report. Remember that your final project grade will be assessed based on the quality of this report, so please make every possible effort to ensure every facet of its quality (organization, analyses writing, and so on).

Format and Content

Title Page

MKTG 4825 - Pricing Strategies and Channel Management
Spring semester, 2010
Group Project Task # 3 – Final Research Report

(Name of the focal product or service)
(Section and team number)
(Names and email addresses of the team members)
(Date in which the report is handed in)

Executive Summary

Provide a non-technical summary that summarize the structure and the major findings and insights discussed in the rest of the report. Be succinct yet comprehensive.
Analyses from Research Report #1 and #2

In this section, provide include the analyses that you have done for the substantive areas required for task #1. (The list of topics are reproduced and attached above for your reference). Understand that one important difference of this part from your preliminary task #1 is that, this part is going to become an integrated part of the final report; not a stand alone report. Keep the big picture in mind in order to better re-write and re-organize.

- Product/Service Analysis
- Literature Review
- Market Analysis
- Customer Analysis
- Competitor Analysis
- Buyer Segmentation
- Price Customization and Promotion
- Price Levels and Formats
- Empirical Analysis
Design of Optimal Prices

Step 1 Identify the best-fitting model.

Compare the Adjusted R-squared (which is part of the standard regression output) of the two demand models (definitions given below) estimated in task #2.

#1: Linear demand model (LM), where sales is the dependent variable; and the explanatory variables include the price and all control variables (competitor price and non-price promotion).

#2: Quadratic demand model (QM), where sales is the dependent variable; and the explanatory variables include the price, the squared price and all control variables (competitor price and non-price promotion).

Select the model with the higher adjusted R-squared, which is your best-fitting model. Do not confuse the R-squared and the adjusted R-square! It is very likely that one model has higher adjusted R-square but has a lower R-squared. Also, briefly discuss why intuitively the chosen model performs better than the other.

Step 2 Make a best estimate the unit cost of your focal and product. Note that you do not need to estimate the fixed cost. Try to base your estimate on facts; in the event that you have to resort to reasonable guess, make every possible effort to try to justify such a guess.

Step 3 Use Excel Worksheet to set up the cost, revenue and profit of your focal product/service as a function of (1) number of units sold and (2) the price(s) you choose. Note that you should use the demand curve identified in step 1 to generate the revenue and profit functions.

Step 4 Use Excel Solver to find the single optimal price under the linear price format.

Step 5 Use Excel Solver to find the two optimal prices under the linear price format.

We will go through the procedure of step 3 – step 5 in Tuesday (April 20th) class.

Conclusions

This part briefly summarizes the full report. Feel free to use bullet points if this helps to increase the clarity of the writing.

Format Issues

- Make sure that the format of the title page conforms to the requirements.
• Try to eliminate typos and grammar errors from the report; also make sure the use of fonts is consistent.

• Use the consistent person in narration: since this is a group report, use “we” instead of “I”.

• Avoid using “they” or “we” to refer to the focal product/service, instead, use name of the product/service; for example, “Tide (the product) has enjoyed dominance of market share in the market of premium detergent…”

• Use graphs and tables if as they are more effective for organizing and conveying information. Meanwhile label the graphs and tables; and don’t forget to make references to them in the text.

• Cite your work in a way that strictly follows the Modern Language Association (MLA) standards. A detailed description of the standards can be found at: http://owl.english.purdue.edu/owl/resource/557/01/