

ClearSounds Harmony - A Breakeven and Pricing Strategy Analysis | Case 6

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1. Analyze the potential market success of the new brand One Day HearClear. Would consumers switch readily from their current options?

	Manufacturing Cost	Cost price for HCP's	Cost Price for End User	Life-Span
HeadClear Pro	\$4.00	\$6.00	\$8.00	4 Weeks
EcoTune	\$3.50	\$5.00	\$7.00	1 Week
One Day HearClear	\$0.50	\$1.15	\$1.58	Daily

Product's Unique Value Proposition:

- Sustainability: One Day HearClear offers daily disposable batteries with biodegradable components, aligning with the growing trend of environmental consciousness.
- Smart-Chip Technology: The inclusion of smart-chip technology optimizes energy use, catering to consumers seeking advanced features in hearing aid batteries.
- Convenience: Daily disposable batteries provide hassle-free usage and eliminate the need for frequent replacements, enhancing user experience.

Alignment with Market Trends and Consumer needs:

- Environmental Awareness: Market trends show a shift towards sustainable products, making One Day HearClear appealing to environmentally conscious consumers.
- Technological Advancements: Smart-chip technology aligns with the increasing demand for innovative solutions in the healthcare industry.
- Convenience and Efficiency: Meeting consumer needs for convenient and efficient battery solutions, One Day HearClear addresses the desire for user-friendly products.

Environment Focus:

- The environmental focus of the case study is on ClearSounds' commitment to sustainability through the introduction of eco-friendly hearing aid batteries, such as the One Day HearClear battery.
- This focus includes the use of biodegradable components, reducing environmental impact, minimizing waste footprint, and meeting the increasing demand for sustainable solutions in the market driven by environmentally conscious consumers, especially those with early-onset hearing issues.

Marketing Strategy Recommendations:

- Educational Campaigns: Highlight the environmental benefits and technological advancements of One Day HearClear to educate consumers and create awareness.
- Trial Programs: Offer trial programs or incentives to encourage consumers to experience the product's unique value proposition firsthand.
- Partnerships: Collaborate with environmental organizations or influencers to amplify the message of sustainability and attract like-minded consumers.

Disposal Challenges:

- Specific Disposal Methods: The specialized biodegradable material used in the battery requires specific disposal methods to ensure environmental benefits are realized.
- Consumer Education: The introduction of smart-chip technology in the battery may pose a learning curve for consumers unfamiliar with such technology in hearing aids.
- Environmental Benefits: Ensuring that consumers understand and follow the disposal practices needed to achieve the green benefits of the biodegradable components used in the battery.
- Consumer Adoption: The challenge of convincing consumers to believe in the sustainability of the product and switch from their current options to the new environmentally friendly battery.

Consumer Switching Behavior:

- Adoption Hurdles: Consumers may face a learning curve with the new technology, impacting their readiness to switch from familiar options.
- Value Perception: Clear communication of the product's benefits, emphasizing sustainability and advanced features, can influence consumer willingness to switch.

- Target Audience: Early adopters and environmentally conscious individuals are likely to be more receptive to switching to One Day HearClear.

Pricing and Value Perception :

- One Day HearClear is priced at \$1.58 per unit for end users, making it a cost-effective option.
- Consumers could find the ecologically friendly features valuable.
- The use of smart chip technology enhances the product and draws in customers looking for cutting-edge and creative solutions.

Competition with Existing Products :

HearClear Pro:

HearClear Pro boasts a longer battery life of 4 weeks, catering to users who highly value extended usage periods and prefer fewer replacements. This longevity factor could be a significant consideration for consumers who prioritize battery lifespan over frequent replacements.

EcoTune:

EcoTune, although positioned at a similar price point, offers a different value proposition. Consumers now face a choice not just based on price but on specific features and benefits. The decision-making process may involve weighing the importance of consistent power output versus longer battery life.

Consumers are likely to make choices based on personal priorities and preferences. Some people could be more concerned with environmental sustainability and reliable performance (loving One Day HearClear), while others might be more interested in HearClear Pro's longer battery life or the unique capabilities EcoTune offers.

By providing a wide range of products, ClearSounds has expanded its customer base in recognition of the fact that various consumers have distinct needs when choosing hearing aid batteries.

In order to meet consumer desire for sustainability, ClearSounds must overcome obstacles pertaining to consumer behavior, brand loyalty, and appropriate disposal technique education. One Day HearClear's market adoption may be aided by direct and honest marketing campaigns that emphasize its special qualities and advantages. Continuous monitoring of consumer feedback and preferences will be essential for adapting strategies and ensuring long-term success in the competitive hearing aid battery market.

2. Identify which brand achieves the highest annual profitability per unit sold. Which brand has the highest annual profitability per customer? Answer these questions from the perspective of ClearSounds and HCPs separately and comment on any differences.

(Assume 52 weeks/year and full compliance on recommended replacement frequency for all brands for your calculations)

All calculations are on 52 weeks and 360 days.

	HearClear Pro	HearClear EcoTune	One Day HearClear
Cost of Manufacturing for ClearSounds	\$4.00	\$3.50	\$0.50
Annual Profit per unit for ClearSounds	\$2.00	\$1.50	\$0.65
Annual Profit per customer for ClearSounds	\$26.00	\$78.00	\$234.00
Cost to HCPs	\$6.00	\$5.00	\$1.15
Annual Profit per unit for HCPs	\$2.00	\$2.00	\$0.43
Annual Profit per customer for HCPs	\$26.00	\$104.00	\$154.80
Cost to Customers/Consumers	\$8.00	\$7.00	\$1.58
Annual cost to customer	\$104.00	\$364.00	\$568.80
Break even point after investing \$2,000,000 for ClearSounds	\$30,76,923.08		

As shown in the above table, Annual Profit per customer for Clear Sound is highest from OneClear Hear. Since the product is sold every day, even though the margin of profit is lower, we observe a higher annual profit due to frequency/quantity sold.

Highest Annual Profit per unit sold is Hear Clear Pro.

Annual Profit for HCP per customer is in the order of Hear Clear Pro < Hear Clear Eco Tune < OneDay Hear Clear. Even though per unit profit is much higher in Hear Clear Pro and Eco Tune, the quantity bought supersedes the overall profit for OneDay Hear Clear.

3. Evaluate the merits of investing an additional \$2 million to enhance sales of the One Day HearClear brand. How many new customers are needed for breakeven?

In this case, ClearSound's break-even analysis for the One Day Hear Clear, priced at \$154.8, with an initial investment of \$2,000,000, indicates a need for approximately 12,920 new customers to achieve profitability. This number came from $\$2,000,000 / 154.8 = 12920$ New Customers. However, considering the entire product range including HearClear Pro, HearClear EcoTune, and One Day HearClear, with an average price of \$112.67, the break-even point rises to about 17,751 new customers. Considering that the product mix extends beyond a single item, we can examine the average outcome as well. Calculating the average price across HearClear Pro, HearClear EcoTune, and One Day HearClear, which amounts to $(26+78+234)/3 = \$112.67$, we determine the break-even point for the \$2,000,000 initial investment to be approximately $2,000,000 / 112.67 = 17751$ new customers. To analyze the price elasticity of demand (PED), we can explore scenarios where each product's price is increased by 10%.

For HearClear Pro, with an original price of \$8.00 per unit, a 10% price increase to \$8.80 resulted in a 5% decrease in demand from 100,000 units/year to 95,000 units/year, yielding a price elasticity of demand (PED) of -0.5.

In the case of HearClear EcoTune, initially priced at \$7.00 per unit, a 10% price decrease to \$6.30 led to a 10% increase in demand from 150,000 units/year to 165,000 units/year, resulting in a PED of -1.0.

Finally, for One Day HearClear, with an original price of \$1.58 per unit, a 5% price decrease to \$1.50 caused a 10% increase in demand from 500,000 units/year to 550,000 units/year, resulting in a PED of -2.0.

One Day HearClear demonstrates high elasticity, indicating that small price reductions could significantly increase demand. This product might cater to more discretionary needs, offer more substitutes, or target price-sensitive market segments. For HearClear Pro, the relatively inelastic demand suggests that ClearSounds could potentially increase prices without facing a substantial decline in sales volume. This product may be perceived as a necessity with limited close substitutes, or its customers may be less sensitive to price changes. The HearClear EcoTune shows unit elasticity, implying that alterations in price directly influence demand. Strategic pricing strategies could allow for the management of sales volume without significant impacts on total revenue. Implementing promotional pricing and discounts could effectively drive up sales volumes for this particular product.