

Name - Deepti Deshpande
UID - u0872493

1) I would have certainly introduced 5.25-inch drive if I were Seagate because of following reasons:

- Seagate released its product at the right time and took advantage of the beginning of new era of desktop computers. Hard drives were being used in PC where small size, lightweight and low cost unit were highly valued. They started getting used in minicomputers and mainframe markets and hence became the leaders around that time.
- They used the low-end encroachment strategy by introducing less superior product in the market and slowly improvising it over the years and increasing their market share over the time.
- The attached sheet shows these trends where we can see that the product B's (5.25 inch drive) market share has been increasing over the years and where as Product N's (8 inch drive) market share is decreasing over the years.



Encroachment Guts.xls

2) As Quantum, I would have reacted by keeping a continuous watch at the market share and profit of Quantum and its competitors (in this case Seagate) and would have taken following steps:

- Identify the increasing demand of 5.25-inch drives and release a similar product in market with improved features and sell at the same price as of Seagate's so that Quantum can stop Seagate from encroaching its market share.
- Invest in Research labs to look 2-4 years ahead and build products with improved features like small size, more capacity and other features. This will help Quantum to be on pace with the technology and gives them an edge over their competitors to lead the market.
- Instead of catering only to minicomputer's customers, maintain a balance among supply of all product ranges and demand of various market segments.

3) The reservation price of a consumer for a product is his/her maximum price that a customer is willing to pay for a product and it depends on the product's value to the customer. The consumer compares his/her reservation price for each product with its purchase price and chooses the product that maximizes his/her utility.

When a new high-end product is released into the market, it is observed that the high-end customer is willing to pay more for it compared to the low-end customers. This is high-end encroachment.

When a low end product is introduced in the market, it is observed that initially it targets the low end customers but improvises it self over the years and thus

increasing its market share and profit in the coming years. This is called low-end encroachment.

In my opinion, both the perspectives are different when we compare diffusion of products through reservation price and communication because diffusion happens in the former on the basis of highest utility value of the product that it provides to the consumer where as in the latter it depends on new/innovative features, utility value, size etc.

In case of high-end encroachment, I think that the innovators would be the high-end customers as they are enthusiastic about trying new products and services, as they are technology freaks and like experimenting and playing around to find out what they can do with their new products. Laggards will adopt these new products only if becomes so pervasive in the market that they have little choice not to use it.

In case of low-end encroachment, I think that innovators again would be the low-end customers as they are into trying new products and services rather than focusing on the utility value or low cost. Laggards will adopt these new products only if they feel that they can't do without those products.

Both in high-end and low-end encroachment the reservation price is dependent on the value it provides to the customer and how much customer is willing to pay for the core or ancillary attributes of the product, where as, in communication perspective, diffusion happens through the word of mouth strategy. If one segment of users likes the product, then it encourages the next segment and so on.

4) Following are the scenarios when electric car might make inroads into the automotive market through low-end encroachment:

- Increasing fuel prices might force the low-end conventional vehicle users to switch to electric cars to save on fuel costs.
- Decreased maintenance costs of electric car might drive low-end customers to start using electric cars.
- When electric cars become comparable to conventional vehicles across a wide range of attributes like performance, aesthetics, reliability, and other features. This might motivate more and more low-end consumers to shift to electric cars.
- When the battery technology being used in electric vehicles improves significantly, providing increased range at decreased cost.

The first customers to buy would be innovators as they are more into trying out new products and usually the price doesn't matter to them. For example, when tesla released its electric vehicle, quite a lot of people bought those electric cars even though they are pricier than the conventional vehicles in that range. Laggards would be the last to buy as they are usually change-averse and will buy only if the whole market has switched to electric cars.

Following are the scenarios when electric car might make inroads into the automotive market through high-end encroachment:

- When electric cars become better than conventional vehicles across a wide range of attributes like performance, aesthetics, reliability, design and other features and are also environment friendly at the same time then it might motivate more and more high-end consumers to shift to electric cars.
- When electric cars provide features of sports car like instant pick up, high speed and sleek features then it might motivate high-end consumers to shift to electric cars.

If I were a manufacturer, I would have chosen low-end encroachment of electric cars because:

- Firstly, I would have lower production cost as there are fewer parts in electric car compared to conventional vehicles like absence of engine, oil parts, etc. This will reduce the losses incurred incase the electric car is not a hit in the market.
- Secondly, I would not like to come under the radar of my competitors by implementing high-end encroachment because they also might start manufacturing electric cars and encroach my market share. Low-end encroachment would attract them much later in the electric car market, during which I would have build my market share and improvised the electric cars.