MGS 607: Demand and Differentiation Assignment

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The growth of the personal training market has prompted Bob O'Malley to launch a software company to assist in personal training for different sports and for overall fitness. His product is called FitnessAce[1]. O'Malley has done some marketing research and subsequently identified a series of price and demand points for selling his software each month in.

Table 1 Demand for Fitness Software

Point	Price	Quantity
1	$45.00	2,200.00
2	$30.00	5,800.00
3	$25.00	12,500.00
4	$20.00	14,500.00
5	$10.00	23,000.00

Use the Demand Dashboard and Differentiation Dashboard provided earlier for Joan's Jewelry to answer the following questions. Remember to put in Fitness Ace's values for demand and price above to arrive at the correct solution.

1. In this section you will learn how to identify a demand curve by calculating the slope and Y intercept (the price where demand is zero). You will use the five data points in Table 1. Use the **Demand Dashboard** sheet and enter the following:
    a. Enter Fitness Ace for the **Product Name.**
    b. Enter a 5 in the Number of Points cell.
    c. Enter the five points in Table 1 into the **Price** and **Quantity** cells.
    d. Copy the green cell labeled Demand Slope in column I with a value of 0.0015 to the Orange **Demand Slope** cell.
    e. Copy the green cell labeled Price where there is zero demand in column I to the Orange **Price where there is zero demand** cell.

What is the maximum Revenue (in column D)?	$ 320,909
What is the Optimal Price (in column D)?	$ 21.94
What is the Optimal Quantity (in column D)?	14,627

2. In this section you will enter the price and the variable cost for three versions of the of the fitness software into the Differentiation Dashboard. The purpose is to illustrate how three different versions of personal training software could be offered at the same time? Use the **Differentiation Dashboard** and enter the following information
    a. Enter Fitness Ace for the **Product Name**
    b. Enter -.0025 for the **Demand Slope. (This is a different value from the Demand Dashboard)**
    c. Enter $50 for the **Price where demand is zero**. **(This is a different value from the Demand Dashboard)**
    d. For the **Midas Product**
        i. Enter $40 for the price.
        ii. Enter $20 for the variable costs.
    e. For the **Atlas Product**
        i. Enter $25 for the price
        ii. Enter $14 for the variable costs.

f. For the **Hermes Product**
    i. Enter $15 for the price.
    ii. Enter $8 for the variable costs.
g. Enter $100,000 for the **Fixed Costs**.

What is the Profit for the Midas product?	$ 80,000
What is the Profit for the Atlas product?	$ 66,000
What is the Profit for the Hermes product?	$ 28,000
What is the Net Profit with 3 versions?	$ 74,000
What is the Optimal price with 1 version)?	$ 32.00
What is the Optimal quantity 1 version)?	7,200
What is the optimal net profit with 1 version?	$ 29,600

3. How could you differentiate the personal training software and offer 3 products at the same time? **Be creative and try to determine the exact features that could be used to attract the different types of buyers. Don't say "Add high features."**

Midas differentiation would be accomplished by:

1. Fully-featured workout suite and schedule maker for unlimited weeks.
2. Premium and on-demand support over email, phone and/or mobile app chat.
3. First preference over dietician visits at a discounted rate of say 10%

Atlas differentiation would be accomplished by:

1. Fully-featured workout suite and schedule maker for only a week.
2. Support over email only with a turn-around time of 6 hours.
3. Dietician visits sent out 2 days after Midas customers and a lower discount rate of say 5%

Hermes differentiation would be accomplished by:

1. Fully-featured workout suite only.
2. Support over email only with a turn-around time of at least 2 working days.
3. Dietician visits sent out 2 days after Atlas customers and a lower discount rate of say 1%

4. Print out the Differentiation Dashboard sheet. Just select and print the inputs for the 3 products and the graph and hand it in with your name and the date with this sheet.

5. To do some sensitivity analysis, see if you can change prices for each version to raise the Net Profit above $100,000.

Midas Price	Atlas Price	Hermes Price	Net Profit
$ 42.00	$ 32.50	$ 20.00	$ 100,700

[1] The FitnessAce name was generated from: http://www.naming.net/