To: Sharmin Khan

From: Anthony Chen

Date: October 28, 2023

Subject: EcoBus Pricing Strategy Recommendation

The key issue for ZeeTrans is determining an optimal pricing strategy for their new EcoBus in a diesel-dominated market, ensuring it reflects its value while appealing to potential customers. Transitioning from their traditional diesel and hybrid focus, EcoBus offers benefits like durability, eco-friendliness, and lower maintenance costs.

Therefore Challenges are as follows:

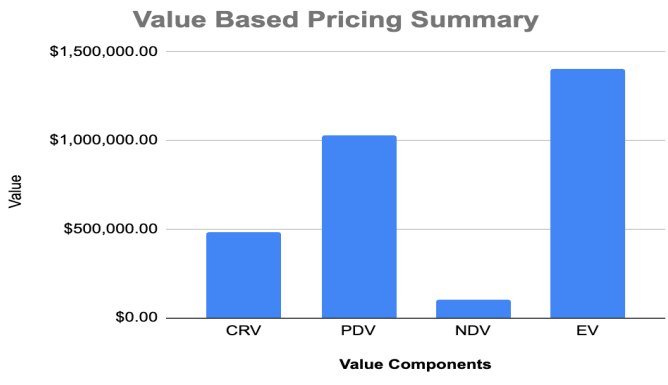
- Budget Constraints: Many eco-conscious customers face financial limitations.
- Cost-Plus Tradition: Industry's prevalent pricing model may not suit EcoBus.
- Market Dynamics: Diesel, competitors like BlueBird (eco-efficiency innovation).
- Lack of Experience: ZeeTrans, as a pioneering price maker for electric buses.
- Government Factors: Federal grants for electric buses can sway pricing.

Market Context Importance:

First Mover Edge:Unique market position with 2.5% as competitive market share.

Long-Term Savings: Highlight budget-sensitive clients. ATC Engagement: Platform for customer interaction, feedback, & price strategy fine tuning.

Eco-Focused Market: As sustainability gains traction, clean energy solutions like EcoBus are primed for growth.



Leveraging the Economic Value to the End-user (EVE) framework. This method quantifies the economic benefits our product offers over competitors. **Value-Based Pricing Breakdown:** Customer Reference Value (CRV): This is the base value or the price at which similar products (like diesel buses) are sold in the market, CRV = $480,000. Positive Differential Value (PDV): This represents the added value or savings our product offers over its diesel counterparts:

Considering the efficiencies and electricity prices, EcoBus offers significant fuel cost savings amounting to $325,296 over a decade. Additionally, its maintenance costs are lower, resulting in savings of $158,400 over 10 years. On top of these savings, each EcoBus is eligible for a federal grant of $25,000. Furthermore, the reduced refueling/recharging hours for EcoBus compared to diesel buses lead to an impressive saving of $599,976 in a decade. Cumulatively, these benefits provide a total Positive Differential Value (PDV) of $1,029,472. Considering the charger installation and electricity costs, the total Negative Differential Value (NDV) for EcoBus is $103,624. This comprises a $25,000 charger cost per bus and a 10-year electricity cost of $78,624. Thus, the EcoBus's total value proposition, calculated as EV=CRV+PDV-NDV, stands at $1,405,848. To ensure market penetration, capturing 50% of the PDV, amounting to $514,736. Therefore, the recommended EcoBus price is set at $891,112.

Key Considerations: The EcoBus, priced at $891,112, not only ensures a substantial value capture in line with value-based pricing but also justifies its premium over diesel and hybrid buses, thanks to its cost savings and environmental advantages. With a notable contribution margin of $394,112, our pricing strategy successfully underscores the unique benefits of the EcoBus, focusing its value-driven proposition to customers.

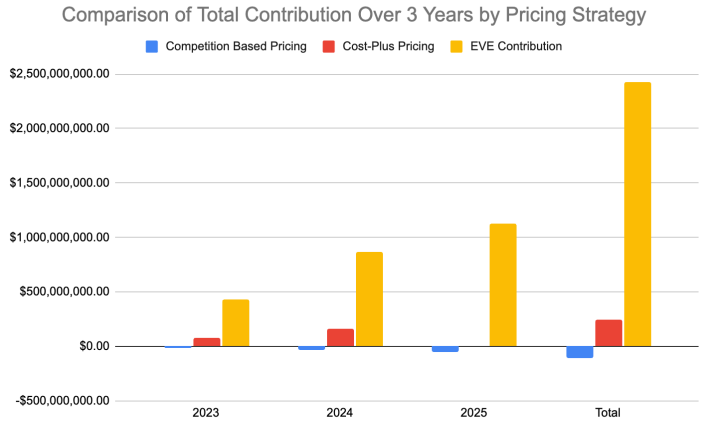
Break-even Sales-change Calculation: Comparing our recommended price with the status quo price (cost-plus), the price change is an increase of 55.91%. This new price, clubbed with a CM of 44.23%, reveals a break-even sales change of -56%.

In simpler terms, ZeeTrans could endure a decrease of up to 56% in sales volume (or lose up to 279 Units based on the 2022 forecast of 500 units) and still break even when compared to the original scenario of selling at the CRV of $480,000. Given the EV Buses forecast for 2022-2026, ZeeTrans can handle sales fluctuations and remain profitable. Now In Competition-Based Pricing, using the Bluebird diesel bus price as a reference, the EcoBus would be priced at $480,000. With the Cost Plus Pricing strategy, considering a 15% markup on the $497,000 production cost, the price is $571,550. Meanwhile, our Economic Value-Based Pricing recommends an EcoBus price of $891,112. Judging the usefulness of pricing strategies, Competition-Based Pricing aligns with market trends but may not fully capture EcoBus's distinct advantages. Cost Plus Pricing secures profits, yet may undervalue EcoBus's potential. Meanwhile, EVE reflects the product's value to customers but may face challenges in consistent customer perception, despite its high revenue potential. Financial impact over the next three years is given below.

	2023	2024	2025	Total
	-$18,700,000.00	-$37,400,000	-48620000	-$104,720,000
Cost-Plus Pricing	$82,005,000.00	$164,010,000	$74,550.00	$246,089,550
EVE Contribution	$433,523,200.00	$867,046,400	$1,127,160,320.0	$2,427,729,920

Pricing Strategy	Money Left
Competition-Based Pricing	$2,532,449,920
Cost Plus Pricing	$1,968,501,920

Competition-based pricing aligns with market standards but incurs notable losses. Cost-plus pricing fares better, only EVE truly capitalizes on EcoBus's value.



For value framing, emphasize the decade-long savings the EcoBus offers, with customers pocketing up to $325,296 on fuel and $79,200 on maintenance. Highlight its eco-friendliness with an impressive efficiency of 1.82 kWh/mi, showcasing an investment in sustainability. Also, underscore the $25,000 federal grant available per bus and its operational efficiency, requiring fewer fueling hours, thus yielding additional indirect savings. ZeeTrans can use value communication tools, such as customer testimonials, incentives demonstrations, roi calculators,value proposition canvas, comparison charts, engagement metrics. To address salesforce concerns, it's vital to provide training highlighting the 10-year fuel ($325,296) and maintenance ($79,200) savings of the EcoBus. With its higher price ($891,112), incentivizing the team with enhanced commissions can drive motivation. Additionally, equipping them with visual aids, such as the graph detailing EV, will effectively underscore the product's value in discussions with potential customers. To address customer concerns, we can highlight the long-term savings, such as the 10-year fuel savings, justifying EcoBus's initial cost. For the eco-conscious, we emphasize its 1.82 kWh/mi efficiency. Highlighting, fewer fueling station attendants increases operational efficiency & mention of federal grant.