ILLUSTRATION

HP Commercial Photo Printer

While working for HP's Commercial Printing division, you have to price a brand new commercial photo printer (Z53123) for the Southern California Area. This new printer represents a significant change from the current market offerings (*assume there is no competition!*). You identified 1,000 possible print shops that could consider purchasing this printer. With in-depth surveys, market research and data analysis[1], your team has estimated the willingness to pay for each consumer.

The raw data are available in a CSV (can download from this link https://www.dropbox.com/s/3cgtl57qtu7f88s/week1exerciserawdata.csv) . You are considering prices between $5,000 and $15,000 in increments of $1000. The histogram of consumers' willingness to pay presented as:

The accounting team at HP estimates that the variable cost to produce each machine is $6,000 and the fixed cost for renting a manufacturing facility in Southern California is $1 million.

Question 1: What price would you recommend?

Question 2: If capacity were limited to producing 500 machines, what price would you recommend? Is the price higher or lower with limited capacity? Are your profits higher or lower with limited capacity?

Question 3: What concerns to do you (if any) if this analysis was used for pricing?

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[1] We will discuss these methods later the pricing course!