

Value-in-use pricing is a method of setting prices in which an attempt is made to capture a portion of what a customer would save by buying a firm’s product. For this case, we assume a 50-50 sharing of the savings gain with the customer. In addition, the average life of an Atlantic basic server is estimated to be three years, so we use the conservative per annum estimate.

**Pros:**

1. The customers will pay less for the same performance against four Zink servers.
2. This method will bring high profit, and also can attract customers by showing the benefits on the savings.
3. Avoid the price war that the Atlantic Computer is likely to be put in a bad situation. The cost per server of Tronn is $1,538 and the price per server of Zink is $1,700.
4. This price associated with the cost of operating the product such as electricity costs and cos of application software licenses.

**Cons:**

1. The price is higher than the Option 1, Option 3 and the opponent’s price.
2. This method may need more cost on integrated marketing communications and training with sales force.
3. The special price will break the original market rules and facing potential risks.

**Recommendation option 4**

**Reasons:**

1. Pros of option 4
2. Second highest revenue and profits
3. Provide a clear sales strategy that focus on the customer comprehensive
4. Likely to be achieved by customers who are seeking to utilize the basic servers for running websites or file sharing would experience

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**Ontario Zink’s senior management team reaction**

1. At first, they may not respond because of the market share of Atlantic is just 4% but they will pay close attention to this new competitor.
2. When the market share goes up, they will probably reduce the price, but even if they do not earn a point, the price is $1214x4 = $4856, still higher than Atlantic’s price.
3. In the long term, Ontario Zink may develop the basic server in a better performance and sell it in a better price