

Memo 6

To: Pricing Manager, Region 1
From: Regional Manager, Region 1 Cable System
Re: Profits from STARZ

We recently added the STARZ Network to our premium cable tier. Currently, 852 of our basic service subscribers purchase this service at our current price of \$10.50 per month.

As you know, our current contributions from STARZ are not as high as we expected. I would like you to evaluate our current price to see if we might be able to raise or lower it to enhance the contributions of STARZ to our bottom line.

In an earlier study of the feasibility of adding STARZ, the marketing department obtained the attached data on the demand and costs for this channel in our Region 1 service area. Please use these data to provide your recommendation. I am particularly interested in (1) an estimate of our profit-maximizing price, and (2) an estimate of how much our monthly profit will increase if we adjust price to your recommended level.

Attachment: Starz.xls