

# Memo 7

To: Pricing Manager, District 6SW  
From: Vice President, Marketing  
Re: Strategic Pricing Decision

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Our only competitor in District 6SW currently provides bundled services at \$84.95. We are currently charging a 10% premium over their price, but there are unsubstantiated rumors that they are contemplating a 10% price increase. We don't know their cost structure, so we don't know whether their potential price increase is driven by cost increases or is merely a strategic move on their part.

Historically, when we both charge the same price, our market share is about 65%. When we charge a 10 percent premium over their price, our market share declines to about 60%. It appears that in those instances where they have charged a 10% premium over our price, our market share is about 70%.

Please provide a recommendation regarding whether we should maintain our current price or reduce our price to \$84.95. Please factor into your recommendation that we pay programming fees to providers that amount to \$32.50 for each subscriber. In addition, maintenance, service and billing costs are about \$7.60 per subscriber. At present, there are about 110,000 households in the relevant area.