

Case 4A

Type: Pricing



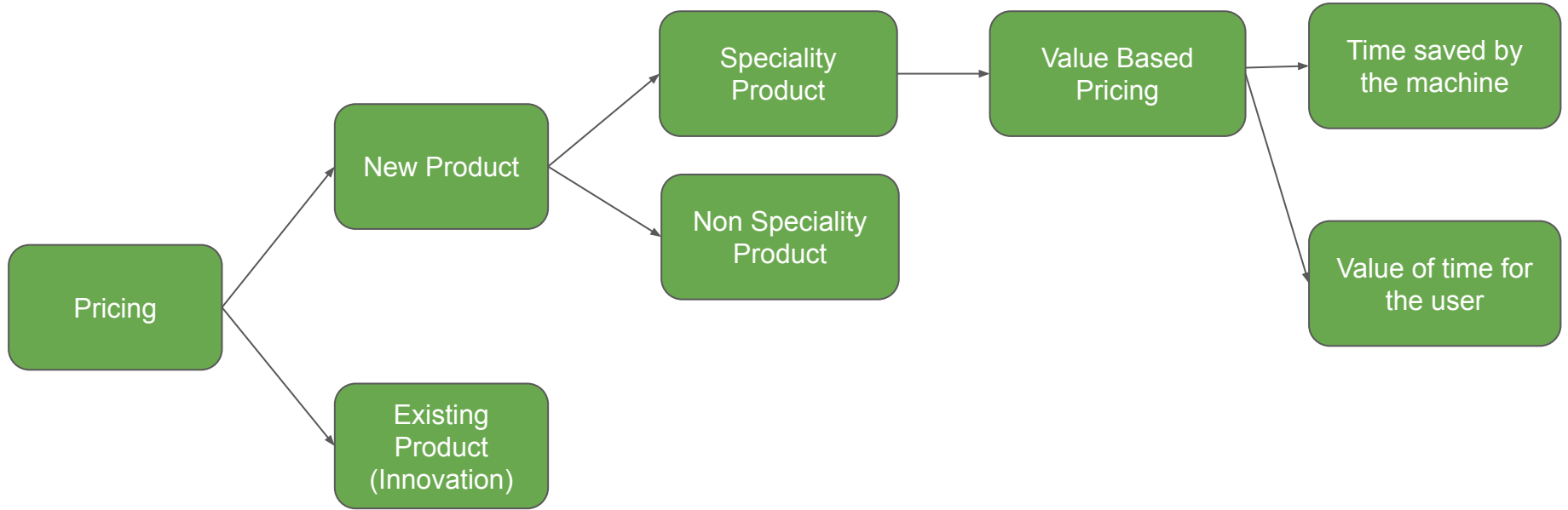
Problem Statement:

Your Client has created great innovation, a teleporting machine. They have approached you to price the product.

SCRIPT KEY	
Interviewee/Candidate	
Interviewer	

<p>Your Client has created great innovation, a teleporting Machine. They have approached you to price the product.</p>	<p>Alright. I'd consider the average yearly salary for CXOs to be approximately INR 10 crores, which means the hourly earnings are somewhat around INR 40k, assuming he/she works 10 hours a day for 250 days in a year.</p>
<p>Can I assume the significant feature of the teleporting machine is to transfer to any part of the world? Is there any specific feature for this?</p>	<p>Seems like a fair assumption. Go ahead.</p>
<p>Yes, you can make that assumption.</p>	<p>A typical international trip takes 15 hours on an average. Using the teleporting machine, it can be completed in 1/2 hour, which indicates a time saving of 14.5 hours. Now, assuming the CXO can use 70 to 80% of the time saved in doing other essential work, the actual time benefit for the CXO is around 10- 12 hours. Taking a conservative assumption, I'd assume a total benefit of around 10 hours. Using the hourly salary of CXO calculated earlier, this translates to a price of ~INR 4 lacs per use.</p>
<p>Alright. I have a few preliminary questions – Is there any competition for the client? Where is the machine located? Can that be considered as the starting point? How much time does it take to teleport someone?</p>	<p>Fair logic. Anything else you would like to add to justify your costs?</p>
<p>There are no direct competitors. The machine is located in Mumbai – you can consider that as the starting point. It takes approximately 30 mins to transfer you to any place.</p>	<p>Yes. We can use a business-class ticket price to justify this price. On an average, a typical business class international trip costs around INR 2 lacs. Our price is a 100% premium over this, which seems fair to me. We can certainly tinker with the price on the basis of the destination of the person using our machine.</p>
<p>Great. Pricing can be done in 3 ways – 1) Cost-based Pricing; 2) Competitor Based Pricing and 3) Value-based Pricing. Since it is specialty product/service, cost-based pricing can be ruled out. Since there are no competitors, we can rule out competitor-based pricing as well. I'd use value-based pricing here.</p>	<p>Makes sense. Thank you. We can close the case here.</p>
<p>Sure. Go ahead.</p>	
<p>The pricing can be done by using the value of time saved as a proxy. The target customers can be three major segments – 1) CXOs who lose a lot of valuable time during international travels, 2) Diplomats who have to travel abroad for urgent matters, 3) Travels related to medical emergencies. I'd like to price the product for the first segment to begin with.</p>	
<p>Seems okay. Let's focus on the first segment only.</p>	

APPROACH



GROWTH CASE STRUCTURE

Your Client has created great innovation, a teleporting Machine. They have approached you to price the product.

QUALITATIVE INFORMATION

Case background:

Client wants to price a teleporting machine

Case facts:

- Teleporting machine is a great innovation
- Average yearly salary for CXOs to be approximately INR 10 crores
- A typical international trip takes 15 hours on an average
- Pricing can be done by using the value of time saved as a proxy.

CLARIFYING ANSWERS TO BE PROVIDED ONLY WHEN ASKED BY THE INTERVIEWEE

<u>Interviewee</u>	<u>Interviewer</u>
Can I assume the significant feature of the teleporting machine is to transfer to any part of the world? Is there any specific feature for this?	Yes, you can make that assumption.
Is there any competition for the client?	There are no direct competitors.
Where is the machine located? Can that be considered as the starting point?	The machine is located in Mumbai – you can consider that as the starting point.
How much time does it take to teleport someone?	It takes approximately 30 mins to transfer you to any place.