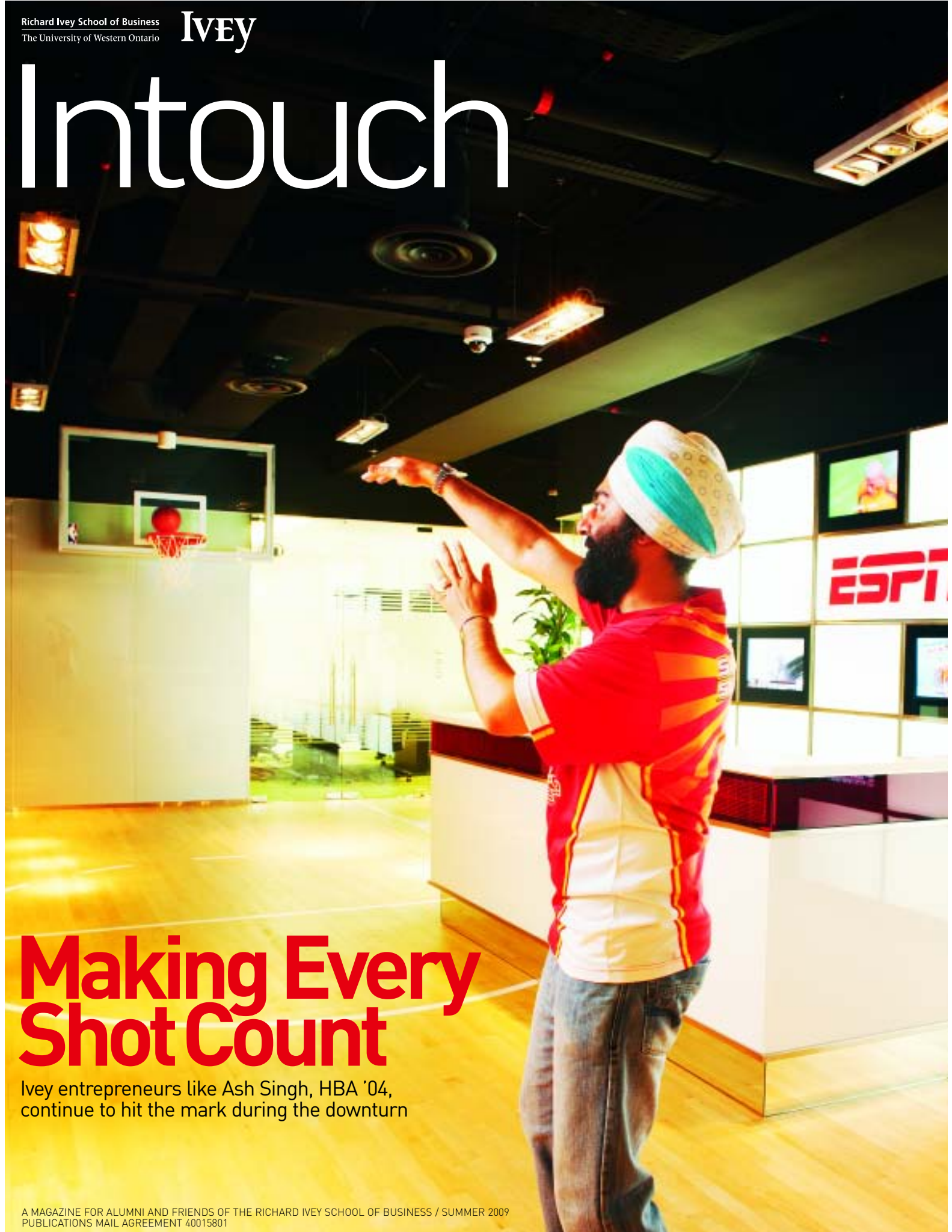


Intouch

Making Every Shot Count

Ivey entrepreneurs like Ash Singh, HBA '04, continue to hit the mark during the downturn



Case Study

In this and future issues of Intouch, we will feature a "mini-case" to test your mettle and stimulate your thinking on management issues. You remember the drill—read and analyze the case, develop your ideas, and then discuss them "in class." To post your comments and read comments from experts and other alumni, visit www.ivey.uwo.ca/alumni/intouch/casestudy

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IVEY

ONE PRODUCT, MANY PRICES IS SEGMENTED PRICING A DECEPTIVE MARKETING TACTIC OR JUST PLAIN SMART?

Glenn Yonemitsu wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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"Golfers are a very attractive market, with strong average income and a quick buying cycle," thought **Emily Garcia, Vice President of Marketing** for Blue Sky Optics Corporation (Blue Sky). Garcia was preparing to present a strategy to the executive committee to market essentially the same product to different market segments, under different model names and with very different retail prices.

Blue Sky was a leading North American manufacturer of quality optical equipment with a special focus on sports and recreation. Laser rangefinder technology was initially developed for military applications in the 1980s but was too expensive for commercial sales. Recently Blue Sky made significant advances and was able to produce LaserScope—their name for this technology—at 25% of the original cost. Finally it could go mainstream.

Blue Sky marketers initially believed the primary use of LaserScope would be to help hunters analyze the distance from the target and estimate the flight degradation of the bullet. But another market—golfers—soon revealed itself and Garcia was smitten with its potential.

Blue Sky's market research provided some interesting insights:

- Golfers had an average household income of C\$99,900 in ^{100,000} Canada, and US\$85,960 in the U.S.
- There were 5.9 million golfers in Canada and 273 million in the U.S., of which 2.7 and 15 million respectively were considered to be avid or core golfers
- Golfers spent nearly C\$13 billion on golf in Canada and US\$40 billion in the U.S.
- Their buying cycle was short

In both countries, the number of golfers continued to grow. While the recession had no doubt impacted the average spend (estimated to be down 3 to 5%), the attractiveness of this segment could not be ignored.

On the other hand:

- Hunters had a median household income of US\$53,700
- There were 12.5 million sport hunters in the U.S., a 10% decline from a decade earlier
- Total expenditures related to hunting totaled US\$23 billion in 2006
- The buying cycle was also short

Both golf and hunting applications required similar features. Accuracy was important but only moderate precision—plus or minus one yard—was acceptable.

At today's meeting, Garcia planned to present a strategy designed to maximize profits. Given the attractiveness of the golf vertical, she believed the LaserScope could earn a solid market share at a retail price of \$300. On the other hand, she believed that hunters would begin to show price sensitivity at the \$200 level.

To create some difference between the applications, Garcia proposed that the hunting LaserScope be clad in camouflage and the golf LaserScope carry a different model name and number.

Garcia knew this strategy had been followed in the past in other industries, but generally there had been visible differences between the products. She wondered what implications, positive and negative, could result if it became widely known that the same product was being marketed at radically different prices, and what lessons she could take from the experience of others. As she prepared her presentation, she asked herself: "Should Blue Sky pursue the segmented pricing strategy?"

Pros	Cons
- MAXIMIZATION	- CONSUMER CONFIDENCE
- PROFITS ↑	- GOODWILL
	- TRUST

This exclusive Intouch case was created by Glenn Yonemitsu, MBA '89, Partner, NEXT Strategic Advisors. gyonemitsu.mba1989@ivey.ca

All characters and locations in this case are fictitious.

1,810 / Hunter

\$300 vs \$200 GROSS P + \$100

