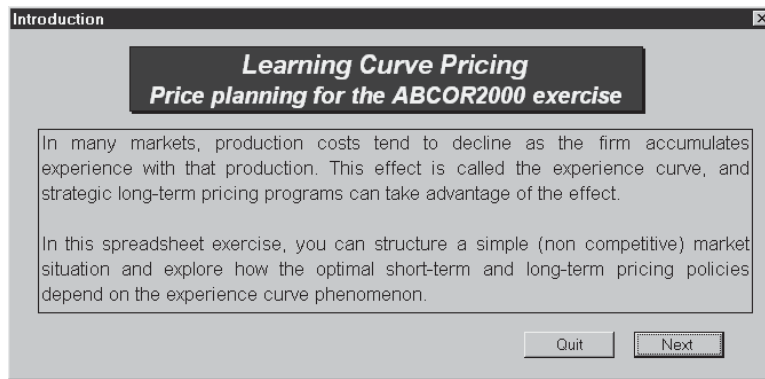


23. TUTORIAL FOR LEARNING CURVE PRICING (learner.xls)

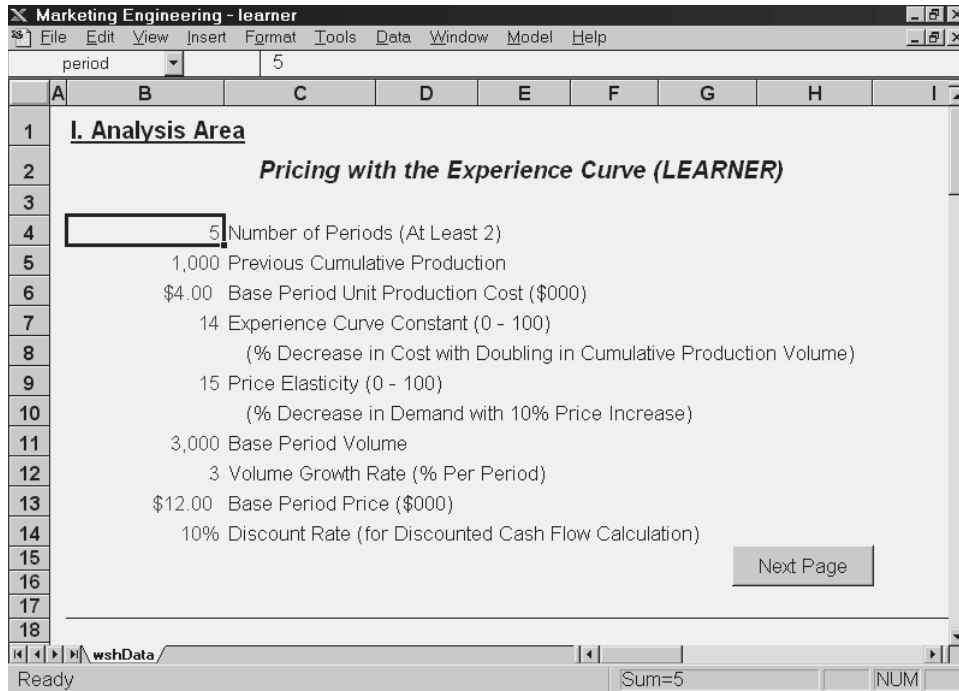
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The Learning Curve Pricing spreadsheet helps firms to price strategically in markets with experience-curve cost effects. It simulates a simple (noncompetitive) market situation and explores how the optimal short-term and long-term pricing policies depend on the experience-curve phenomenon.

From the **Model** menu, select **Learning Curve Pricing** to see the **Introduction** screen.



Click **Next** to get to the Analysis Area.



Here you should provide estimates of the main characteristics of the market (cumulative production, current cost, experience-curve constant, and the like) and the other parameters needed to produce the analysis.

Click **Next Page** to go to the Optimization Area.

The screenshot shows a spreadsheet application window titled "Marketing Engineering - learner". The window displays a table with the following data:

Period	Cumulative Production	Unit Cost (\$000)	Price (\$000)	Sales Volume	Profit (\$m)	Cumulative Profit(\$m)	Discounted Cumulative Profit (\$m)
BASE	1,000	\$ 4.00	\$ 12.00	3,000	\$ 24	\$ 24	\$ 24
1	4,000	\$ 3.29	\$ 12.00	3,090	\$ 27	\$ 27	\$ 27
2	7,090	\$ 3.04	\$ 12.00	3,183	\$ 29	\$ 55	\$ 50
3	10,273	\$ 2.89	\$ 12.00	3,278	\$ 30	\$ 85	\$ 69
4	13,551	\$ 2.78	\$ 12.00	3,377	\$ 31	\$ 116	\$ 85
5	16,927	\$ 2.69	\$ 12.00	3,478	\$ 32	\$ 149	\$ 98

The interface also includes a menu bar (File, Edit, View, Insert, Format, Tools, Data, Window, Model, Help), a toolbar, and a status bar at the bottom showing "Ready" and "Sum=\$ 12.00".

Here you can enter prices to indicate a pricing policy and examine the effect of that policy on profit.

Click **Optimization** to invoke Solver. Set the Target Cell (e.g., profit in a certain period, cumulative profit, discounted profit), indicate which prices in which periods are subject to optimization, and set any appropriate constraints on those prices.

The screenshot shows the "Solver Parameters" dialog box with the following settings:

- Set Target Cell:
- Equal to: Max Min Value of:
- By Changing Cells:
- Subject to the Constraints:
 -
 -
-

On the **Model** menu, click **Main Menu**, and choose among three graphing options. For example, here the graph of the Unit Cost as a function of Cumulative Production shows the experience-curve effect.

