

**Scenario 4 - Revenues When
Consumers Can Only Rent
Any Of Three Units, But Can't Buy Them**

Figure 26 shows demand for various controls when consumers can only rent one of the three, and can't buy them. Obviously, it shows that to rent the most units, the price should be as low as possible. For instance, the most people - 34% - rent keypads when the price is the lowest, at \$4 per month.

But \$4 per month isn't the price to charge if your goal is making maximum revenues from the rental of keypad units. Revenues are maximized by charging \$16 per month. Here's why.

<u>Price of keypad</u>		<u>Percentage Renting</u>		<u>Revenues made per 100 homes</u>
\$ 4	x	34	=	\$ 136
\$ 8	x	26	=	\$ 208
\$12	x	23	=	\$ 276
\$16	x	25	=	\$ 400
\$20	x	20	=	\$ 400

Revenues peak at the \$16 price! Raising the price to \$20 doesn't increase the total money made, because the drop in demand offsets the price increase. The same revenue is made, but since only 20% rent compared to 25% at \$16, most videotex providers will benefit by charging \$16 and gaining more subscribers to their services.

What about revenues from renting the keyboard unit without screen? The \$24 per month price creates the most revenue, because there's little increase in demand even when the price is lowered all the way to \$12 per month.

<u>Price of keyboard without sceen</u>		<u>Percentage Renting</u>		<u>Revenues made per 100 homes</u>
\$ 8	x	23	=	\$ 184
\$12	x	15	=	\$ 180
\$16	x	14	=	\$ 224
\$20	x	12	=	\$ 240
\$24	x	11	=	\$ 264