

**Scenario 3 - Revenues When
Consumers Can Only Buy
Any Of Three Units, But Can't Rent Them**

When consumers have a choice of three units to buy, we've seen in Figure 25 that to sell the most units, the price should be as low as possible. For instance, the most people - 37% - buy keypads when the price is the lowest at \$100.

But the \$100 price isn't the best to charge if your goal is making maximum revenues from the sale of keypad units. Revenue is maximized at \$400! How is this determined?

First, we calculate the revenues made through selling keypads by simply multiplying the cost of the unit by the percentage of the market willing to buy it. For instance, in Figure 25, we saw that 37% buy the keypad when it costs \$100. This means out of every 100 homes in the marketplace, 37 will spend \$100 on keypads, generating \$3700 in revenues from keypad sales for every 100 homes in the market. (37 x \$100 = \$3700. Projected to a city of 100,000 homes, \$3,700,000 in revenues will be made.)

Applying this formula to the percentage willing to buy keypads at the various prices tested in NEHST, we compute revenues as follows:

<u>Price of keypad</u>		<u>Percentage Buying</u>		<u>Revenues made per 100 homes</u>
\$100	x	37	=	\$ 3700
\$200	x	31	=	\$ 6200
\$300	x	26	=	\$ 7800
\$400	x	26	=	\$10400
\$500	x	21	=	\$10500

Revenues peak at the \$400 price! Raising the price to \$500 doesn't really increase the total money made, because the drop in demand offsets the price increase. And lowering price to \$300 or less results in less revenues.