

This "magic" price level of about \$24 is a mental roadblock in consumers' minds. Charging more results in the laws of diminishing returns, reducing the potential for videotex revenues.

The Best Marketing Strategy

We've seen that revenue is maximized by getting about \$24 per household. But this can't be done by offering a fixed package of services. Too many potential subscribers won't purchase a fixed bundle, because there's no combination of services appealing to the majority.

To give consumers the opportunity to choose their own combinations of services, yet insure the provider of about \$24 a month, the best strategy may be to offer consumers a number of low-priced services to choose from - perhaps at \$12 each - with the provision that in order to get any, they must choose at least two.

"We've got six different services to choose from," the pitch might go. "They're each \$12 a month. Which two or three would you like to have?"

Of course, this strategy applies only to videotex providers looking to maximize revenues from subscription fees. Others may have a different goal, such as gaining maximum advertising revenues as well as subscription fees. Some industry participants estimate they can receive \$20-\$30 per month in advertising revenues for each subscriber on the system. In that case, it may be wiser to lower subscription fees to entice more consumers to subscribe, and therefore make the system a more efficient advertising medium. The extra ad revenue gained may offset the loss in subscription fees. (See page 54 for a discussion of advertising revenues versus subscription fees for a news information service.)