



Science Innovation Term Paper



It is necessary to analyze the proposal from the Marketing Department. The specialists of the department suggest a significant demand for a hand held dermatological scanner. Moreover, they propose to develop two versions of the device. The first is a consumer product that will inform users about the high probability of cancer and necessity for visiting their dermatologist. The expected price is \$250. Another version of the device is a clinical model that is able to determine cancerous skin lesions. Its price is about \$15,000.

However, in order to analyze the reasonability of such a proposal, it is necessary to clarify some issues. The possible questions are the following.

1. What are the estimated expenses and profitability of this project?

This question may be asked because it is important to understand the expected financial results of its implementation. The information about prices is insufficient as it is necessary to compare market prices with the average costs of production. Then, it is possible to calculate the expected profitability and rate of return. The response will affect the decision on approving the program in the following way. If the expected rate of return is less than the average market interest rate, then it is unreasonable to implement this project. If the expected rate of return is higher than the average market interest rate, then this project may be realized. It is also possible to calculate the return on assets and investments.

2. What are the estimated expenses and profitability of this project?

This question may be asked because it would be a significant comparative advantage for the product if a user may select the most appropriate level of cancer threat. For example, some people may want to visit their dermatologist if their probability of cancer is 20%. The response will affect the decision on approving the program in the following way. If such a modification of the product is possible, then the potential consumer market may be much larger, and the profits may be higher. Moreover, the project may be realized for a longer perspective.

3. What are the alternative options for investments?

This question may be asked because the company's strategy should include different options for investments and development. Moreover, current instability in the global markets creates an additional stimulus for efficient diversification of the company's operations. The question does not mean that the project under consideration is unreasonable or unprofitable; it merely addresses the problem of diversification and more complex investment analysis. The response will affect the decision on approving the program in the following way. If there are other alternatives, they will be closely examined. If there are no other alternatives, they should be developed. Consequently, it will allow increasing the company's stability and profitability in the long run.

4. What is the expected demand for both versions of the product?

This question may be asked because in order to organize the production process, it is important to know not only the expected price and estimated profits but the quantity demanded, as well. The long-term profitability of the company also depends on the quantity of products. The company's profit may be calculated as a difference between the market price and average costs of production multiplied by the quantity demanded. The response will affect the decision on approving the program in the following way. If the expected quantity demanded is sufficient, then the project may be implemented. If the expected quantity demanded is insufficient, then the project should be modified, which may include decreasing the company's price, optimizing its costs of production, additional advertising, etc.

5. What marketing strategies are supposed to be introduced for both versions of the product?

This question may be asked for a number of reasons. First of all, different tastes and preferences of customers should be taken into account and satisfied in the best possible way. Thus, it seems that different strategies may be introduced for different versions of the product. Moreover, they should be adequately integrated in order to contribute to the company's overall performance. It seems that different structures of the company's costs associated with advertising, brand promotion, etc. should be introduced for the consumer and clinical models. The response will affect the decision on approving the program in the following way. If both

strategies are well-developed and integrated, then the project may be realized immediately. If they are not well-integrated, then additional planning may be reasonable.

6. What is the basis for the proposed market prices?

This question may be asked because the price should allow maximizing the company's profits in the long run. Therefore, it is important how the final price is calculated. It may be calculated either on the basis of the expected market demand or taking into account the actual costs of production. Moreover, the elasticity of demand is also significant in this respect. The price formation of the company should also be dependent on the actual level of competition within the industry. Both macro- and microeconomic indicators may be used for determining this level. The response will affect the decision on approving the program in the following way. If the levels of price elasticity and industry competition are taken into account, then the project may be implemented. If all factors are not properly analyzed, then it is reasonable to examine them and develop a rational strategy.

7. Why the price for a clinical model is 60 times higher in comparison with that of a consumer model?

This question may be asked because both versions of the product are supposed to be introduced simultaneously. Therefore, the difference between their market prices should be optimal. It is necessary to clarify whether this difference is based on their technological qualities or is

mostly determined by different elasticity of market demand. Moreover, the prices for these versions should allow maximizing the company's total profits. Some new methodologies of profit maximization may be used (Anderson & Ross n.pag.). The response will affect the decision on approving the program in the following way. If the difference between market prices is well-supported by correct calculations, then the project may be immediately implemented. If the difference between market prices is arbitrary, then the structure of market demand should be closely analyzed.

8. What key innovations and modifications are supposed to be introduced in the middle- and long-run perspectives?

This question may be asked because in order to maintain strong market positions, innovations and effective modifications should be constantly introduced. The product should be relevant and useful from the point of view of the final consumers, i.e. consumer preferences should be understood and properly satisfied. The intensity of consumer preferences may be effectively measured and calculated (Hauser & Schugan n.pag.). In this way, it is possible to maintain and strengthen the company's market positions. At the same time, the company should develop some basic principles in order to meet potential consumer needs. The response will affect the decision on approving the program in the following way. If there is a strategy for subsequent modifications and innovations, both versions of the product may be introduced in the market. If there is no such a strategy, then it seems reasonable to continue the planning process and clarify all details.