

Justifying Price Increases

Topic: Marketing Research

Characters: Sam, Marketing research manager at a television station
John, General manager of a television station

Last year Sam was promoted to manager of marketing research for the sole television station in a small metropolitan market. Sam had earned a bachelor's degree in marketing research three years earlier and immediately accepted an entry-level marketing research position at the television station because its management had a reputation for honesty and helping small businesses gain access to the mass media. The television station was sold six months ago to an international conglomerate. At that time, the general manager was replaced by John. John has developed a reputation in the industry of raising revenues and cutting costs.

John just finished reviewing the policies of the former general manager and noted that, although the cost of servicing the numerous small business accounts was high, the profit margin on these accounts was about the same as for large business accounts. John decided that revenues and profits could be increased by 20 percent simply by charging small business accounts proportionately more for television air time. John calls Sam and wants him to conduct a survey that would guarantee data that would justify his price increase.

Sam is dismayed at the prospect of conducting such research. In his college coursework, Sam had learned the importance of conducting objective, unbiased research studies. Furthermore, Sam had won a national competition with his senior marketing research project. Through the first two years with the television station, Sam was consistently complimented by the small business owners that he worked with for his integrity in conducting research studies. It was this work and these compliments that led to his promotion to manager of marketing research.

After Sam got off the telephone with John, he stared into space and pondered his dilemma. Jobs were not readily available in the town, and he did not wish to relocate elsewhere. Yet if he produced the data that John wanted, it would go against his training and pride in conducting proper research studies. And what about all of those small businesses that have come to rely on the television station for their access to the mass media? How many would be able to pay the higher price for television air time?

Author: Craig A. Kelley, Professor of Marketing, California State University, Sacramento.