Case of the pricing predicament

This case study represents loyalty and integrity issue beyond fixed or variable prices. Scott, the salesman at Standard Machines has made a bid based upon the fix price established by his company at $429K. In this case, the company of Occidental Aerospace is taking bid from companies to earn the rights to their contract. Since Standard Machines was a loyal long time standing customer, Joan from Occidental Aerospace noticed that Scott's bid was not in the ball park of what they were looking for.

She then told Scott how much to lower his bid by to be competitive. Of course, since Scott had already established a fixed price with his company he has to readdress the fixed price with his boss. I look at this case study and noted a couple of interesting facts. One can view the inside track of letting Scott know how and what the competition is bidding but yet it offers him to make a lower bid than what he originally proposed. This bid could be a lost for his company depending on the work being performed.

However, Joan advised Scott that there could be work in the future with new facilities being built but not guaranteeing the contract for his company. I have noticed that bid that Scott has proposed at $429K was over $29K more than the next bid but Joan wanted him to cut his price by another $22K. For some reason this seems a little strange to me maybe they like Scott's business and wanted him to work certain price or they were pencil whipping the bids at a number to which they wanted to accept. After all, Scott doesn't know how accurate the " inside" information is.

A couple of things has changed for Standard Machine and Occidental Aerospace businesses. You can look at the conversation as a contract from

Joan to Scott by saying he could win the contract by lowering his bid. Joan could be referencing that by lowering your bid and taking this contract it will give you future business because of the two new facilities being built in the next four years. All these factors mentioned in the conversation gives Scott reason and justification to talk to his boss in order to change his original price.

However, if Scott’s boss feel as though the price is fixed and not variable due to cost analysis of taking the job he won’t budge from his original bid and possibly losing the job. In a case like this depending on the relationship I have with Occidental Aerospace, the reliability of the source, and the cost analysis of lowering my bid I would have to re-evaluate the terms. I would need some guarantee of getting the bid before even addressing my boss about changing our bid. If it was a sure thing with strong possible contracts in the future then the sacrifice of lowering our bid today could be a plus in the future.

On the other end I would have to look at the numbers based upon other contracts or jobs and see how the prices ranges as to not be taken advantage of by Occidental Aerospace. Who says that Joan could be playing a numbers game trying to get the cheapest and best service for her company and knowing the work that Scott’s company conduct she could be playing with numbers in order to get his bid cheaper. All these factors have a bearing on how I would proceed forward. In this case based upon the information provided I would take the risks of lowering our bid building a work relationship to obtain future business from Occidental Aerospace.