

Analysis for computron case essay sample

[Technology](#), [Computer](#)



The following internal and external factors should be taken into consideration before decide what price to submit the bid to sell a Computron 1000X digital computer to Konig. (If Computron follow its normal price (\$1, 244, 800), there will be about 43% higher than one of its competitors).

Internal factors:

1, Computron has core competencies in terms of product quality, reliability, reputation and rigorous services.

2, Computron has policy limitations to cut down price below 33. 3%, since the top management is clearly against cutting the markup to obtain sales, for it will not only reduce profit, but also compromise its brand image.

However, there are few isolated instances of markup cutting, and one even cut to 20%.

3, Prompted primarily by a desire to reduce this import duty, Computron is constructing a manufacturing plant in Frankfurt, the new manufacturing plant in Frankurt plant might have to sit idle for a couple of months if it couldn't win this bid.

External factors:

1, Konig, Germany's largest chemical company, had stated that it was primarily interested in dependability and a reasonable price. Machine flexibility and pinpoint accuracy were of very minor importance, because the machine was not to be used for on-line process control. In conversations with König's vice president in charge of purchasing, Zimmermann was led to

believe that Computron would have a chance of winning the contract only if its bid was no more than 20% higher than the lowest bid.

2, Competitors, Computron has four major competitors in the sale of medium-priced digital process control computers in Germany; and some of their estimated bidding price will be: Ruhr Maschinenfabrik, AG: \$872, 000; Digitex, GmbH: \$622, 400 (Digitex often engaged in price-cutting tactics, and in the past the price of its computer had sometimes been as much as 50% lower than that of Computron's 1000X)

3, Market, German market is expected to have an annual increase of 25% for the next several years. Other markets are also expected to grow based on their current sales contributions: England (22% sales), Sweden (18%), other European country (36%).

Options:

1, Submit the normal price \$1, 244, 800, which may lose this business, but maintain high brand image and profit, and it does not mean losing this customer. Efforts can be put into develop other customers and markets, which also could keep the new plant busy.

2, Submit the price that cut down the 33. 3% markup price, which will be (factory cost +import duty+ transportation and installation)

$768000+153600+67200= 988800$, however, we still not sure whether we could win this business even since Digitex, GMBH may submit 622400 or even less, which still will be 50% higher than the lowest price.

Recommendation:

Based on above analysis, I suggest Computron maintain its normal price. If lower price by cutting the markup, it will be very hard for Computron to win future business from this customer with a higher profit margin, because this customer already knew you can lower your price for this business, so will future's. On the other hand, through submitting normal price, Computron can maintain the image of its company and prove that quality is the most important factor when it comes to auction