

# Business: revenue and target gross margin

[Business](#)



**Additional facts about this case:**

CHP is believed to be close to a long-term contract to supply parts to Medit, a giant construction company with excellent government contracts in southern France and nearby Euro countries.

Mission's price for the coupling in questions (PT40) is \$1.26, FOB, Los Angeles. The target gross margin for exports is 30% FOB\$1.26 (location Los Angeles) COGS\$ .88 (Fixed) GTM \$0.38 CIF\$1.3627= \$1.36 FOB (1.05) (1.03)= 1.0815 Pricing FOB \$1.33- \$.88= \$.45 \$1.54- \$.88=\$.66 Target (Gross Margin for exports 30%)

Mission has a reputation for high prices in the US, and running the factory below capacity limits will raise costs further. International sales missed forecast for 1Q03 by 7%. Q03 forecast is \$4.3 million, but early customer response is not encouraging. International sales are now 20% below target. Key account sales force compensation: 70% salary, 15% bonus on sales quotas, 15% bonus on profitability targets. In 4Q02, Mission's sales to CHP were \$83k – 18% of CHP's flexible couplings purchases.

**Questions to answer: Write a short, one-paragraph summary of the facts in this case.**

Mission RubberTechnologyCorp. is a company that creates an industrial product. The traffic has created trouble with CHP. Shipping has costs \$11,000 for CHP because Mission Rubber Technology error. Damages occur often. The issues need to be addressed by Mission Rubber Technology and CHP is late on their payments. Late payment causes a lack of losing customers and cash, which can also cause a company to fail. Sales

20012002 \$114k\$165 Increased  $165/114= 1.44$  percent growth The American market has become weak domestically and slowing down which businesses tend to lose assets.

Sales and productivity decreases causing the growth of the business to also decrease. One of alternative is toglobalizationseeking for new business. An unsuccessful Cash flow issues can occur because lack of assets or maybe became they okay with paying late. Price

1. Prior to negotiations, what price will you ask for each unit of PT40?
2. What is the highest price you think you can get for PT40 (explained)?
3. What is the lowest price you would accept for PT40 (explained)?
4. What is the highest price you believe CHP will accept (explained)?

There are times when the company receives credit from the company instead of cash refunds.