Freezing out profits

Freezing out profits Synopsis Freezing out profits is an article that discussing on one company which is Cold Cuts Ltd (CC). The managing director for this company is Mr. Dali. It produces Singapore’s only refrigeration parts and specializing in it. He is the one that is responsible for all the decision making that need to be done in the company. CC was essentially a subcontractor of components for customers who were original equipment manufacturers (OEMs). This company not only faced competition from supplier that supply same product, but it was also on whether the customer should manufacture in-house on their own.

The company developed its own product of refrigeration processtechnologyknown as Fuzzy Frost. Their product of Fuzzy Frost was exported worldwide. Two years ago, the company had a major development related to their product. They upgrade Fuzzy Frost to become Fuzzy Frost Alpha System which will enhance features in the refrigerator. One of the enhancements is, it will enable perishable items to be stored far longer than conventional fridges. At the same time on the FFA product discover, the company open its second factory in China which product old Fuzzy Frost.

CC had main customer in Singapore which known as Secconz which is a local customer and long-time partner. The Supplier Manager of Secconz is Mr. Nelly where in China; the Plant Manager is Mr. Rithisak. The company export their product worldwide include Europe country. There are two major problems that were faced by the company. Firstly, the problem is in term of the pricing in Singapore, with their long-time partner, Secconz. Secondly, it is the investigation on their export activities by United States International Trade Commission on their products in China.

Decision Maker / Protagonist The decision maker or protagonist for this case on ‘ Freezing out profit’ is Mr. Dali. He is the one that is responsible for the decision making done in the company. This is because; he is managing director for Cold Cuts Ltd. He will decide what to be done and what to not be done. Based on thiscase study, he needs to make big decision making. Firstly is related to their major customer in Singapore, Secconz. Secondly is related to their company in China related to the anti-dumping things.

Problem faced by the decision maker / protagonist. The problem faced by the decision maker or protagonist in this case is related to the pricing of the products that were sold whether in Singapore or in China. Mr. Dali need to decide whether to reduce the premium price charged to Secconz or proceed taking the huge amount of profit because they already achieve payback on its investment in the new machinery within two years. He is also faced problem related to the anti-dumping law in China. Major Issue The major issues in this case study is between Cold Cuts Ltd. nd Secconz. Secconz is their major customer in Singapore. Secconz has requesting for the price reduction of FFA product. This is because; CC still charged the same price after 2 years even though the investment in the new machinery on FFA component has already been recover. Despite of better quality FFA components and not burden by any overhead costs, Secconz still experience the huge margin from the sales price impose to them compared to sales price in Europe and USA. The supply manager from Secconz, Mr. Nelly asked for price reduction.

He said that company may produce the technology by themselves if Mr. Dali did not want to reduce the price of FFA. Second major issues are related to the anti-dumping activities by China related to their product that produces over there. It was said that CC pricing products much lower than the fair value. It leads to the investigation made by the United States International Trade Commission whether to find CC was guilty or not. The effects are they might have to close down their business in China or levy with huge anti-dumping tax.