

# Krause corporation investigation

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In the given case study, Steve Rothel, the supply manager for the Midwest division of the Krause Corporation has to take a suitable purchasing decision; whether to purchase the pipes from outside and fabricate an extra joint or to fabricate the full HVAC system in house. In my opinion, Steve has to go for the second option because of the following reasons

If Steve opts for the first option, he has to do some additional fabrication works in order to make it suitable for the HVAC system. The supplier who promised Steve to provide the pipe for \$18. 10 per linear foot will never take any responsibility if something goes wrong in the HVAC system in future. They will take responsibility only if the system is installed exactly as per their instructions without any modifications. On the other hand Steve is 100% sure that such an installation may create problems in future. In short, Steve will not get the proper services from the supplier in future if something goes wrong and only the mutual blaming and accusations will take place. Steve's headaches will become doubled under such circumstances.

On the other hand, if Steve fabricates the whole things in his workshop, he will definitely have the better ideas about the functioning of each part and in future also, if some problems arise they can rectify the problems easily. A little pain taken before the installation will reduce larger pains after the installation.

The second thing about the case is about the offered prices. It is somewhat difficult to believe that how can a supplier supply high quality pipes for such low rates when the prices of others are 5 to 10 dollar above per linear foot. It is not evident from the case study that whether this low priced pipe has been

used somewhere for a long time without any problems or not. If this supplier is able to meet all the quality requirements, it is difficult for other suppliers to exist in the market. Such huge differences in price per linear foot are definitely doubtful and Steve should consider that factor also.

In short, in my opinion, Steve should not purchase the cheaper pipe from the above supplier in order to avoid future problems. It is better for Steve to fabricate the whole HVAC system in house using their own equipments in order to avoid future problems.