

For A Few Rupees More (Case A, B & C)**Gururaj H. Kidiyoor¹****For A Few Rupees More (A)**

Sitting in his Bangalore office, Raman, the owner-manager of Cleantech Pvt Ltd, had agreed on the telephone for a meeting with Mr. Shukla, the purchase manager of Technocast, a Delhi based company. Raman was quite eager to meet this prospective buyer located 2100 km away, as he had a strong hope of closing the sale. A day later, after spending INR 18000 on a two way air ticket and a sleepless night, Raman was getting a feeling that it was not worth it. He had not imagined that he would face a pure price bargaining situation for a machine costing about INR 2.5 million. Now, sitting in front of Shukla, Raman had to quickly make up his mind on the way his product was to be sold; Should it go like a “me too” product or a product with a difference? He had to decide on it now.

A New Business Opportunity

Raman, a Bangalore University civil engineer and an MBA from a premier management institute, had 15 years of work experience, most of which was in the area of marketing of industrial gases in India and abroad. In January 2007, Raman quit his well paying job in Dubai to start a new venture in India. Raman opened an office in Bangalore with a thin support staff. He managed the marketing and administration functions.

While working in the industrial gases industry, Raman had interacted with several chemical process companies . He had noticed in most of these companies, cleaning of the process equipment was a problem area. Various chemicals were used as inputs in

¹ Gururaj H. Kidiyoor, Professor, T A Pai Management Institute, India.

Email: gururaj@tapmi.edu.in

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manufacturing a variety of products and over a period of time, the chemicals got accumulated on the process equipment. This created deep stains on the equipment surfaces necessitating frequent cleaning of the equipment. Companies in India tackled this problem by dismantling the equipment and washing the different parts and components with cleaning agents. This process was normally carried out once in 60 - 90 days and resulted in unwanted downtimes. Manufacturing came to a grinding halt for about 2 to 3 days creating production backlogs especially in factories operating at full capacity. Another problem was realignment of process equipment after the cleaning process. Often it was not possible to achieve a perfect realignment due to which the output quality varied after the each cleaning process. Yet another problem was that the existing process employed strong (acidic) cleaning agents. Repeated use of such agents resulted in the wear and tear of components affecting the output quality.

During his international tenure, Raman had come across a new surface cleaning method known as “Dry Ice Blasting” (DIB). This method involved placing dry ice blocks in a blasting machine with a hand held gun attached to it. The machine broke the ice into very minute pellets and then, using compressed air, fired a continuous jet of these pellets through the gun. The pellets were fired on the stained surfaces at a high pressure resulting in instant removal of stains. The process was quite simple and offered the following advantages over the traditional cleaning method.

- Superior and faster cleaning which ensured that the machine downtime was significantly lower.
- Avoids dissembling of machines while cleaning. This resulted in consistency in output quality.
- No surface wear and tear leading to longer equipment life.
- The new technology offered flexibility as it worked on any surface except glass. Typically process equipments came in all shapes, sizes and were made of different material. Dry Ice Blasting suited most of them.

- It was possible to reach surfaces that were not in the line of sight. The task of reaching out intricate surfaces was easy.
- The process released CO₂ which was non toxic and hence environmentally very safe.

Raman knew that currently no company in India offered dry ice blasting process. However, several firms offered the traditional cleaning services and competition among them was quite intense. DIB method was about thrice costlier than the traditional method but it offered distinct benefits to users. Given its advantages, Raman was confident of converting potential customers to this new method. Raman's business model was to either sell DIB machines to large industrial houses or to offer cleaning services on contract basis to large or small clients.

Raman took up sole distributorship for DIB machines in India from a US based company which was a pioneer in the dry ice blasting technology. By October 2007 he had sold 4 machines but it was not enough. He needed to sell more to keep his business running. Therefore he was pursuing every lead aggressively.

The Purchase Enquiry

In November 2007 Raman received an enquiry from Technocast, a 15 year old die casting company from Delhi having an annual turnover of INR 500 million. The company was a regional player specialized in aluminum castings and enjoyed a reputation as supplier of good quality castings. Aluminum castings were made by pouring molten aluminum in metal dies. The molten metal took the shape of the die and became hard after cooling. To ensure easy removal of the casting, a chemical was applied to the inner surface of the die. This also protected the contact surface from hot molten aluminum. The chemical would wear off after few days and a fresh coat of the same chemical was applied. However, before this process was carried out, it was necessary to clean the die surface thoroughly. At present Technocast used the traditional method for surface

cleaning. As the frequency of cleaning was very high, Technocast was looking out for better methods of cleaning the dies. They had heard about the DIB machine from another company already using it in Delhi. It was in this regard that Technocast had approached Raman for a detailed sales proposal.

Raman immediately sent an offer quoting INR 2.5 million for the machine. It was during the first week of December 2007 that Raman received call from Shukla, asking him to come over to Delhi immediately for a discussion. Raman he could sense that the customer was quite eager to have the machine and agreed for the meeting. He had canceled his other appointments, made immediate travel arrangements and flown to Delhi to be in Technocast office the next day at 11.00 a.m.

While waiting outside Shukla's cabin, Raman thought how important this sale was for him and his company. He had one machine in stock that he was eager to sell. This was purchased 90 days back and Raman had paid for this machine to the principal company in USA. Dry Ice Blasting machines, being high priced and new to the Indian market resulted in an elaborate buying process. Customers interested in buying (companies) would ask for a quotation with techno commercial details. Repeated follow ups with the customer were required to clear their doubts and apprehensions. More than one member was normally involved and senior executives (CEO, CFO, COO etc) often had a major say in the buying decision. Most of the customers wanted a product demonstration. Raman had prepared a video CD for this purpose which showed the DIB machine performing on a variety of surfaces and chemicals. Customers once convinced about the product, normally negotiated on various terms including the price.

The Price Expectation

After what seemed like a long wait, Raman was ushered into Shukla's cabin, who shook hands and asked him to take a seat. And then without any formalities, Shukla said, "Mr.Raman, we would want to have your machine, but you have quoted a very high price. We simply cannot afford it. Imagine, two and a half million rupees for a cleaning equipment! You must be kidding. You have to do better than that Mr.Raman"

Though Raman was a little taken aback by this aggression, he kept his cool and asked “What exactly is the price you are looking at Mr.Shukla?”

Pat came the reply “I must tell you, I cannot pay a penny more than one and a half million. Take it or leave it.”

For A Few Rupees More (B)

Raman felt like laughing out loud. "Is this some kind of a joke?" he asked himself. There was silence in the room. An office boy brought a cup of coffee and kept it in front of him. Raman thought for a while and then bracing himself, replied very politely

"Mr.Shukla, I would like to tell you that there is a place called Burma Bazaar in Bangalore. It is a street full of shops where vendors sell all types of goods. Every sale there is a hard bargain and customers going there are advised to start their bargaining at half the price quoted by the vendor. Your price request makes me feel that I am selling my product in Burma Bazaar".

Shukla stared at Raman in disbelief. It was the first time any vendor had spoken to him like this and for a moment he did not know how to react. Then he said angrily "Mr.Raman, how can you compare our company to bargain hunters at cheap bazaars? We are a 15 year old company and we are talking about a machine costing two and a half million rupees. How can you talk to us like this? It is an insult and now I am not sure whether I should do any business with you at all!"

The last line was often used by Shukla with vendors to make them yield to his demands and it had worked most of the times. He now expected Raman to apologize and start discussion on the price.

Raman could see that Shukla was visibly upset. He was a little tentative now and wondered whether he had gone too far with this customer. Raman deliberated on the stand he should take now. He thought for a while and then replied firmly,

"Sir, if you feel insulted over what I have said, I am also feeling very hurt. Your price request is like a slap on my face, my product and the benefit it offers to your company. Agreed, I have some negotiating margin, but asking a machine worth two and a half million rupees for almost half its price is worse than any form of insult. If you feel the

deal is off, it is fine with me as well. I have flown all the way from Bangalore and I will consider INR 18000 I spent on this trip as the price I have paid for the coffee you gave me. Thank you very much sir”

Raman rose from his seat and started walking slowly towards the door. His mind was filled with thoughts on the machine he had in stock and the appointments he had cancelled to travel to Delhi.

Meanwhile, Shukla was in a state of mild shock. He felt like telling Raman that he can leave by all means and Shukla would never want to see him again. But then, considering the importance of this meeting for his company, Shukla stopped Raman and said “I think you should speak to our Vice President. Please wait. I will speak to him and fix up a meeting”

Raman nodded, and waited outside Shukla’s cabin. Five minutes later Shukla came out and said “Our VP, Mr. Gupta will see you right away. I have apprised him of the situation. I will call the office boy and he will take you to Mr. Gupta’s cabin”. Raman was quite pleased to have got an opportunity to interact with someone ranked above Shukla. He thought, may be cancelling the Bangalore appointments was worth it after all.

Within two minutes Raman was in Gupta’s cabin. Once the introductions and initial pleasantries were over, Gupta asked – “Mr. Raman, Shukla has told me everything. why are you not relenting on the price? And moreover, we are all professionals and there is no need to get worked up. Please be reasonable”

For A Few Rupees More (C)

“Sir, I am not being unreasonable at all”. Raman said assertively, “Mr. Shukla asked an imported product worth INR 2.5 million for a million rupees less and pardon me sir, this according to me is unreasonable. I have sold quite a few DIB machines and no one asked for such a ridiculously low price. I am offering a unique product which offers tremendous benefits to you in terms of time and money. Products such as these obviously do not come cheap. I am still prepared to re-look at my price but it has to be within reasonable limits. I hope you understand”

“But Mr. Raman” said Gupta “We have a reason to ask for a lower price. You know in our industry prices quoted by vendors is not a secret. It seems recently you sold the same machine at a lesser price to our competitor, Lakshmi Castings in Delhi itself. Shukla has a good source from there who told him the price was less than INR 2.5 million. How is that you quote different prices to different customers for the same product? This is not professional at all”.

“Yes. Mr.Gupta, I have sold to Lakshmi Castings” Raman said “but do you know for how much?”

“I do not know and I am not much bothered about it. The point is, you gave a price to our competitor which is much less than what you are quoting here and that is not acceptable to us. Anyway just wait, I will call Shukla here” said Gupta. He picked up the phone and asked his purchase manager to come to his cabin immediately. When Shukla walked into his cabin, Gupta asked him about the DIB machine price to Lakshmi Castings.

“I do not know the exact price sir, but I know it is less than what has been quoted to us. I have a friend in Lakshmi castings. When I mentioned about the price quoted by Mr.Raman to us, my friend said they have bought the DIB machine for a lesser price.

However, he was not in a position to reveal the exact price at which they bought it. But sir, how can Mr.Raman quote a higher price to us and sell cheap to our competition?" Shukla replied angrily.

Raman turned to Gupta and said "For your information, I have sold the machine to Lakshmi Castings for INR 2.15 million. This price was based on their requirement of 2 units. Moreover, there is an additional service component built into the contract. Under the same circumstances I will give you the same price. Would you take it sir?"

Both Gupta and Shukla were taken aback. They looked at each other and there was a long silence. And then Gupta spoke.

"Mr.Raman, please be seated. We shall talk it out in detail right away" Gupta offered a seat to Raman.

"Good" thought Raman, "Now there can be some meaningful dialogue" and sat down with a smile.