With DEC now at C$5.36 and his profit at C$2.50, Mr. Kampouris calculates than in order to meet the requested c.i.f. price of C$43.09 he has to get the manufacturer to agree to an f.o.b., ex plant offer no higher than:

	C.i.f., including profit	C$43.09
–	New targeted profit	– C$2.50
=	C.i.f., before profit	C$40.59
–	Revised DEC	– C$5.66
=	Maximum f.o.b., ex plant	C$34.93

The manufacturer's first offer was C$41.72. There is a gap of C$6.79. Mr. Kampouris prepares himself for some tough bargaining. He must aim for an f.o.b. of at most C$34.93 but would prefer something like C$34.00 which would not eat up so much of his profit. He decides to start negotiating at C$32.00.

Manufacturer Costing

The manufacturer's response to Mr. Kampouris is at first an unyielding "No." He has never exported and he has certainly never sold his wheelbarrows anywhere for less than C$41.00. On the other hand, he is tempted by the idea of exporting and he has the materials and some seasonal unused production capacity. Despite his initial "No," he agrees to see what he can do to lower his price. He consults his accountant on the direct costs of wheelbarrows. Here is a summary of the statement prepared by the accountant:

Wheelbarrow per Unit Cost

	Materials and labour	C$20.52
+	Factory burden	C$4.20
+	Marketing costs (sales, advertising, etc.)	C$3.82
+	Administration	C$7.73
=	Total costs	C$36.27
+	Average profit on local sales	C$5.45
=	Basic sales price, ex works, net of discounts and federal tax	C$41.72

The accountant makes several observations. First, the marketing costs (C$3.82) do not apply to exporting but only to domestic sales and could thus be shaved from export costing. Second, since plant operations are currently