Mr. Kampouris is faced with a major gap between a demand price of $43.09 and an offer price of $51.87. The first thing he will do is figure out how he can save on direct exporting costs and decide how much he can reduce his targeted profit.

By finding a cheaper mode of transportation and better credit terms, he manages to cut his DEC by $1.10. Because he is interested in the transaction, he is also willing to cut his targeted profit to $2.50 per wheelbarrow. As a result, he can reduce the c.i.f. price by $3.60 to $48.27. It is still a long way to go. What is the manufacturer willing to do?

With DEC now at $5.36 and his profit at $2.50 Mr. Kampouris figures that in order to meet the requested c.i.f. prices of $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	$43.09
–	New targeted profit	– 2.50
=	C.i.f., before profit	40.59
–	Revised DEC	– 5.66
=	Maximum f.o.b., ex plant	$34.93

The manufacturer's first offer was $41.72. There is a gap of $6.79. Mr. Kampouris prepares himself for some tough bargaining. He must aim for an f.o.b. of at most $34.93 but would prefer something like $34.00 which would not eat up so much of his profit. He decides to start negotiating at $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 $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 the firmness of his first "no," he agrees to see what he can do to lower his price. He consults his accountant concerning the direct costs of wheelbarrows. Here is a summary of the statement prepared by the accountant: