

Advet Electricals

Navven Singhal is working as a sales manager in Advet Electricals (AE). Advet Electricals is manufacturing submersible pumps. Naveen is approached by Kishan Ramchandani, Sr. Purchase Manager of Indian Submersible Solutions (ISS). Kishan is one of the longest serving employee of ISS. Kishan, based on his experience and expertise in the field, has developed strong negotiation skills. Due to his aggressive bargaining, most of the sales manager do not want to negotiate with him. It has become Kishan's passion to win each and every negotiation as like he is fighting for his survival. Due to this, he tries to get the maximum discounts out of the quoted price and closes the deal only when he feels that he is able to get the maximum benefit from the suppliers.

As the sales managers had to give huge discounts on the quoted price due to hard negotiation by Kishan, they generally tend to increase the profit margin by cutting some corners in terms of product quality or after sales service. But is also not acceptable to ISS and Kishan generally threatens to move to another supplier if the requisite quality and service is not provided. Suppliers become helpless as the sales generated in terms of rupee value from the account of ISS, by AE, is huge and is a major portion of AE's total revenue. The order size is also increasing considerable on year on year basis. AE do not want to lose such a big client. However, due to hard negotiation done by Kishan, AE hardly makes any profit from ISS. On the other side, probability of ISS switching to another supplier is also very high, if they are not satisfied with the quality of supplies and after sales service provided by AE. Due to the above mentioned characteristics of Kishan, the sales managers do not want to negotiate with him. But to the size of order received from ISS, sales managers are left with no option but to deal with Kishan only.

For a fresh requirement, Kishan has come up with a new demand to the suppliers. He is insisting that the supplier should give atleast 20% discount on every orders given by ISS to their suppliers otherwise, ISS will shift to other supplies who are looking forward to have associations with ISS. Kishan has also given the assurance that AE is providing 20% discount, he will assure that majority of the orders of ISS will be given to AE, throughout the year.

Naveen knows that it is not possible to provide discount up to the level of 20% as AE will hardly make any profit at this discount. Naveen also knows that no other supplier will be able to offer such a huge discount. Naveen is under dilemma about what answer to be given to Kishan for his almost unreasonable demand.



Questions:

1. What are your views on the demands raised by Kishan? Do you feel that the demands raised by Kishan is unreasonable and unprofitable? Support your answer with justification.
2. If you were at Naveen's place, what would be your answer to Kishan, keeping in mind the level of orders you will be getting from ISS if you agree for the demand raised?
3. Suppose, Naveen calls his senior manager to discuss the matter about 20% discount asked by Kishan. As the senior authority to Naveen, what would be your reply? What suggestion would you give to Naveen to handle the situation? Explain in detail with justification.

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