

Case. I (25%)

Please carefully analyze this case and answer the questions below:

When International Buyers and Sellers Disagree

No matter what line of business you're in, you can't escape sex. That may have been one conclusion drawn by an American exporter of meat products after a dispute with a West German customer over a shipment of pork livers. Here's how the disagreement came about:

The American exporter was contracted to ship "30,000 lbs. of freshly frozen U.S. port livers, customary merchandisable quality, first rate brands." As the shipment that was prepared met the exacting standards of the American market, the exporter expected the transaction to be completed without any problem.

But when the livers arrived in West Germany, the purchaser raised an objection: "We ordered pork livers of customary merchantable quality - what you sent us consisted of 40 percent sow livers."

"Who cares about the sex of the pig the liver came from?" the exporter asked.

"We do," the German replied. "Here in Germany we don't pass off spongy sow livers as the firmer livers of male pigs. This shipment wasn't merchantable at the price we expected to charge. The only way we were able to dispose of the meat without a total loss was to reduce the price. You owe us a price allowance of \$1,000."

The American refused to reduce the price. The determined resistance may have been partly in reaction to the implied insult to the taste of the American consumer. "If pork livers, whatever the sex of the animal, are palatable to Americans, they ought to be good enough for anyone," the American thought.

It looked as if the buyer and seller could never agree on eating habits.

Questions:

1. In this dispute which country's law would apply, that of the United States or of West Germany?
2. What is the problem of this dispute in terms of marketing?
3. What do you suggest for both sides?

Case II (25%)

Please read this case and answer the questions for the following two situations:

You are supposed to be a top executive of a company which is now competing with another one that has equal competing strength. Both you and your competitor agreed unofficially not to compete directly in the market place. However, the market is so saturated and the competition is becoming a nightmare for both sides that the profitability may have to rest on taking the advantage from the counterpart. You are under pressure from the board of directors to increase the profit either in the short run or in the long run. You know that your counterpart will do anything possible to get you down at any time, and you have two strategies: to honor or to betray the agreement.

1. Situation I.

If you and your competitor honor the agreement, both sides will have a profit of 3 million dollars respectively. If you honor the agreement while your counterpart betray, you will have a profit of 2 million dollars while your competitor will have a profit of 4 million dollars. The reverse is also true. If you and your competitor decide not to honor the agreement, both sides will have a profit of 1 million dollars. (See the matrix below)

|     |        | Your Competitor |        |
|-----|--------|-----------------|--------|
|     |        | Honor           | Betray |
| You | Honor  | 3, 3            | 2, 4   |
|     | Betray | 4, 2            | 1, 1   |

Questions:

- 1) What should you do? Honor the agreement or betray? (Explain why.)
- 2) What should you do, when the competitor leads to betray? Honor or betray? (Explain why.)

## 2. Situation II.

If you and your competitor honor the agreement, both sides will have a profit of 2 million dollars respectively. If you honor the agreement while your counterpart betrays, you will have a profit of 4 million dollars while your competitor will have a profit of 3 million dollars. The reverse is also true. If you and your competitor decide not to honor the agreement, both sides will have a profit of 1 million dollars. (See the matrix below)

|     |        | Your Competitor |        |
|-----|--------|-----------------|--------|
|     |        | Honor           | Betray |
| You | Honor  | 2, 2            | 4, 3   |
|     | Betray | 3, 4            | 1, 1   |

## Question:

1. What should you do in this situation? (Explain why.)
2. What are the key factors affecting your decision in this situation?

## Case III (50%)

Please analyze this case by following the format listed below:

1. Situation assessment.
2. Defining problem/decision area.
3. Identification of alternatives or course of actions. (At least 8 alternatives) — For future actions.

## Prudential Real Estate, Inc.

In the late 1940s a northern industrialist came to the shores of southeast Florida and recognized what he believed to be an area for future growth and investment in real estate. Subsequently, he formed Prudential Real Estate, Inc. (PREI). From wealth accumulated in his worldwide business interests, he purchased \$700 million worth of Florida property. Through this massive land investment strategy, Prudential Real Estate Investors, Inc., became the largest single property owner in the state.

## Conflicts over Growth

As the years passed the reputation of Florida as a retirement area flourished and the population of the state grew astronomically, especially along the Atlantic coast. The obvious result of the land rush was soaring property values. Such rapid growth caused a backlash against feared overbuilding by developers. In 1973, the residents of San Remo, gem of the gold coast, enacted a Growth cap ordinance, which severely restricted the rights of property owners in the use of their land. As adopted, this law uses municipal zoning regulations to reduce the density (number of dwelling units per acre) allowed in the development of land. fully implemented, the regulations would allow the city of San Remo to reach a maximum population of 105,000 persons.

The initiative for the growth cap grew out of a severe water shortage three years before, when water had to be rationed, that caused severe economic and personal hardships throughout the southern part of the state. Fears that such a catastrophe could happen more easily with uncontrolled growth led citizens groups to circulate petitions that forced the issue of the growth cap - first with the city council and ultimately on the ballot.

Opponents of the move to limit growth included land developers (including the most vocal opponent, PREI.), the Chamber of Commerce (representing local businesses), the building

and construction trades, and other related groups. Their arguments were centered on the proposition that growth in a desirable region such as San Remo is inevitable. Orderly growth is desirable but an outright limit on growth within the city itself would have the effect of "building a wall" around San Remo. This in turn would force the overflow population into the surrounding county and result in exactly the kind of undesirable overcrowded sprawl the anti-growth forces sought to prevent. Prudential Real Estate Investors pointed out in a well-financed publicity campaign that such actions by the community would result in economic and social strangulation.

#### Strategies and Tactics Used by PREI

Prudential Real Estate Investors' land development, in the opinion of most unbiased observers, are noted for low density and high property values. An outstanding example exists within the city limits of San Remo itself. The San Remo Yacht and Country Club features very low-density, single-family housing. The most prestigious section of town, it is the home of most of the community's social, political, and business leaders.

The company's officers acted as informal speakers for the pro-growth, anti-cap forces. They were aided in their opinion by Jim Donner, a local attorney, an eloquent speaker and former minority leader in the Florida House of Representatives.

Current and former members of the city council received complimentary memberships in San Remo's internationally known resort. Some also were owners in PREI. In addition, the company's community activities and involvement in local affairs were well known, with the company supporting financially and in other ways several community charities and projects of various local organizations.

The situation in San Remo came to a dramatic head the night of the city council debate over putting the growth-cap question to a vote of the people. On one side with PREI was an impressive array of business, political, and legal talent. Arrayed against these forces was a coalition of the Audubon Society, local environmentalists and ecology buffs, citizens fearful to the disadvantages of higher density, and a large number of interested citizens and citizen groups.

Prudential Real Estate Investors was careful, in the heated debate, to align itself not only with the interests of big business, but also to show that the small, individual landowner could be hurt most by adoption of the growth cap. The company spokesperson pointed out that if the cap were adopted the city would, in effect, be able to destroy the small investor's land values by refusing to permit the land to be used to its fullest extent.

Emotional arguments intimated that these landowners would not be permitted even to build a home for themselves on their small lots (if the 40,000-unit limit had already been reached). Supporters of the growth cap replied that this was sheer emotional fantasy, a smokescreen to hide profiteering by large landowners and developers; that their proposal would achieve the 40,000-unit ceiling through remedial zoning, so that at least one dwelling unit would be permitted on each standard building lot within the city, as then defined.

#### Polarization of the Community

In that council meeting, and in the weeks before the referendum, the community became polarized, with each side accusing the other of political subterfuge; charges and countercharges went far beyond the actual issues under consideration. Prudential Real Estate Investors spent thousands of dollars in an expensive publicity campaign, while citizen donations financed a strong (although more limited) pro-cap effort. San Remo became the rallying point for environmentalists from across the country, who made personal appearances and gained much publicity for the "brave efforts of the citizens' groups." San Remo was billed nationwide as the test case, the forerunner for other efforts to restrict local growth.

#### The Outcome

In the election the growth cap proposal was victorious, with 60 percent of the vote. The city council began actions to implement the cap, and PREI filed suit in Federal District Court to overturn the cap as unconstitutional, claiming it deprived the company and other individuals of their right to dispose of their land as they see fit.

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