

Memo



INTEROFFICE MEMORANDUM

TO: ROSA DONAHUE, SALES MANAGER
FROM: MICHELLE ABBOTT & CARINA ABERNATHY *ma CA*
SUBJECT: TAYLOR NURSERY BID
DATE: 1/30/2007
CC:

Initials of senders added in ink

Opening paragraph provides background and states purpose

As you know, Taylor Nursery has requested bids on a 25,000-pound order of private-label fertilizer. Taylor Nursery is one of the largest distributors of our Fertikil product. The following is our analysis of Jenco's costs to fill this special order and a recommendation for the bidding price.

Paragraphs not indented

Most important information emphasized

The total cost for manufacturing 25,000 pounds of the private-label brand for Taylor Nursery is \$44,075. This cost includes direct material, direct labor, and variable manufacturing overhead. Although our current equipment and facilities provide adequate capacity for processing this special order, the job will involve an excess in labor hours. The overtime labor rate has been factored into our costs.

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Options presented

The absolute minimum price that Jenco could bid for this product without losing money is \$44,075 (our cost). Applying our standard markup of 40% results in a price of \$61,705. Thus, you could reasonably establish a price anywhere within that range.

Relevant factors explained

In making the final assessment, we advise you to consider factors relevant to this decision. Taylor Nursery has stated that this is a one-time order. Therefore, the effort to fill this special order will not bring long-term benefits.

Final recommendation

Finally, Taylor Nursery has requested bids from several competitors. One rival, Eclipse Fertilizers, is submitting a bid of \$60,000 on this order. Therefore, our recommendation is to slightly underbid Eclipse with a price of \$58,000, representing a markup of approximately 32%.

Closing builds goodwill by offering further help

Please let us know if we can be of further assistance in your decision on the Taylor Nursery bid.