**Case: Iceberg**

Eight weeks ago Iceberg Limited opened its newly built food retail store on a prestige site it acquired at a premium price from Papete Investments Plc. It has invested a great deal in marketing its frozen food operations around the theme of ‘customer confidence’. The refrigerator system was manufactured and installed by Keep–it–Cold Limited for £250 000, who also have the maintenance contract costed at 7.5% of the contract value per year – £18 750 – (though for the next 12 months the equipment remains under warranty) with a 2 hour call-out commitment. Keep–it–Cold is sited in a nearby city, 130 miles to the north of Iceberg's new store and it services clients up to a radius of 150 miles from its depot.

On Friday of last week at 2 p.m., the visual alarm on one of the refrigerated display cabinets in the delicatessen section became active, indicating that the temperature had risen slightly above the regulation 3 to 5 degrees range. A member of staff called Keep–it–Cold to request a visit by their service engineer. She agreed that the alarm was not of sufficient seriousness to require an immediate response and also agreed that the service visit could be postponed until the next day. This suited Keep–it–Cold because that afternoon all of their service engineers had been assigned to calls to the north of their depot and were furthest away from Iceberg's store.

When the store was opened by the deputy manager next morning at 8 a.m., he discovered that the entire refrigeration system for the whole store had gone down during the night and that all of the display cabinets and the storage rooms were close to room temperature. There was no way that any of the contents of the store could be saved and every unit had to be emptied and their contents disposed of in sealed bins. This represented a stock loss of £40 000.

To compound the problem, the service engineer arrived at 11 a.m. instead of 8 a.m. when she was expected. She explained that she had been working up to 2 a.m. that morning on a major emergency 200 miles away. She had ‘signed on’ for duty at 9.00 a.m. and had gotten to Iceberg as fast as she could.

Meanwhile, at Iceberg, the deputy manager had been on the telephone several times to Keep–it–Cold, exhibiting various degrees of rage about what had happened on Friday and had become increasingly angry about the non-appearance of an engineer. He was told that on the basis of the conversation with his colleague on the previous day it had been agreed that the alarm did not indicate a major emergency and that they had not received any calls between 2 p.m. and when the store had closed at 8 p.m. to indicate that the alarm had gone from an initial indicator warning through the subsequent warning levels to ‘critical’. As far as they understood, the initial warning stage had remained static and they had no reason to revise their non-emergency grading of the problem.

The deputy manager stated that his member of staff did not have the authority to agree

anything with Keep–it–Cold about service responses and that she had clearly been

‘persuaded’ (later described as ‘intimidated’) by whoever had answered her call to accept a lower and ‘wholly unacceptable’ response. His case was weakened by being unable to explain why she had not reported to him or another manager their response to her call. That week the Store Manager was on holiday and his deputy had taken his ‘half day’ that Friday afternoon.

When Iceberg's security monitoring service had rung Iceberg's Regional Office to report the initial alarm in one of the stores, they were told that Iceberg ‘was aware of the situation’ (because the employee had reported to them at 2.30 p.m. that she had requested a service 3 call from Keep–it–Cold – though not, unfortunately that the engineer was not coming until the next day). They had received the same response when, throughout the night, their electronic monitors picked up the other alarms. Iceberg's Night Unit assumed that Keep–it–Cold engineers were on the premises dealing with the problem. They had not rung the store nor Keep–it–Cold to check their assumption.

The initial phone calls between Iceberg and Keep–it–Cold were argumentative and blame seeking. Whatever had happened the previous day, Iceberg insisted that Keep–it–Cold's engineers should have been on their premises at 8 a.m. Keep–it–Cold insisted that they were in no way responsible as they were not informed of the worsening situation either by Iceberg's local staff, or its Regional Office, and they had no direct link to Iceberg's monitoring service.

Iceberg calculated that it had lost £56 000 as a result (£40 000 stock, £14 000 net profit and £2000 in labour costs) on what would normally have been a busy week-end. This was apart from the inestimable damage to their reputation with their customers, especially as the store was brand new in the area and the equipment was only eight weeks old. They demanded compensation from Keep–it–Cold and warned them that their reputation was at risk too because, once this incident was reported to Iceberg's head office, it could put in jeopardy their maintenance contracts and their role as a major supplier of refrigeration equipment to the whole group (256 stores across the country, with one new store a month scheduled for the next two years).

How serious the implications were for Keep–it–Cold is a matter of conjecture but the

business relationship was at risk to some extent. They had a good reputation generally but were convinced that they were not solely to blame and that the local store management had much to answer for because of their absence that afternoon, as did Iceberg's regional office for how they had responded to the calls from their monitoring service that night.

A meeting has been called to discuss the problem.

1. What is the main common interest of Iceberg and Keep–it–Cold in this dispute?

**(8 marks)**

2. How far should Iceberg push for compensation?

**(8 marks)**

3. Should Keep–it–Cold resist or pay compensation?

**(8 marks)**

4. What proposal might Iceberg make to resolve the dispute?

**(8 marks)**

5. What would jeopardize Iceberg's and Keep–it–Cold's chances of resolving the

immediate problem?

**(8 marks)**

4

**Essay Question 1**

In what circumstances is negotiation an appropriate method for making decisions and why

does persuasion work well and coercion not work well in conjunction with negotiation?