

Business decisions



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Business decisions Table of Contents Table of Contents 2 Introduction 3 Recommendations 3 References 5 Introduction Larson Ltd. operates in two of the world's major economies namely, Germany and USA. The recent economic downturn has put pressure on every businesses margin that operates in these countries. The company's is engaged in the production and marketing of batteries for all types of electronic goods which also include laptops, cell phones etc. The company follows a cost plus pricing strategy in both the countries.

The company faces the problem of high competition in US. In addition it also faces a problem of operating in a region which is severely affected by recession. The company is also finding it difficult to undertake product differentiation. Moreover with the present global financial crisis, the company is also facing the problem of lower spending by the customer. Finally due to the housing crisis, rising unemployment rate (9.9%) and the steady depreciation of the dollar has led to a huge current account deficit for the country.

In Germany the company does not face issues of high competition but due to the small size of the market. The company also faces the problem of product differentiation and advertisement.

Recommendations

Larsen must conduct proper research to understand the customer. The company should continue with its marketing research programs. This would give knowledge of the customer's needs and wants during these recessionary periods.

The company must continue with its advertising budget. This strategy follows from a popular theory that states that companies who advertise

during recession are the leaders when the economy bounces back. It should prepare ads which tend to focus on family values rather than the extreme fun and humor ads. In order to cut costs the company can resort to reduce the duration of the ads rather than scrapping them as a whole. The company can also put emphasis on direct marketing as a promotional tool.

Larson must also reforecast its demand estimates. These estimates should be made on the basis of actual market conditions. The demand estimates must be made on the basis of scenario planning where different scenarios would be considered while forecasting the demand estimates.

The company can also enter into tie ups with the suppliers. It can enter into real time information sharing with its suppliers to reduce the chances of huge stocks of inventory.

Larson must also change its pricing strategies. Instead of a cost plus pricing strategy it can adopt a marginal cost pricing approach in which the company would charge only the additional amount apart from the total cost coming from labor and materials. The advantage of this strategy is that the company can set up prices of the products near the marginal costs during the periods of poor sale. . (Weinburg College of Arts and Sciences, n. d.)

The company must also undertake suitable hedging strategies in order to meet the challenges of currency exchange rates especially in the US.

Finally the firm must look towards expanding into newer markets like Asia which offer tremendous opportunities. Lastly it can also identify its business units which are unprofitable and downsize or divest those units in order to achieve its business objectives.

References

Weinburg College of Arts and Sciences. No Date. Marginal Cost Pricing.

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