

# Sales of baker adhesives

Business



Most of the US companies started to shift their unit outside the US with the purpose of focusing more on economies of scale and increase the market share. As a result, most of the adhesive giants decided to focus on international sourcing and manufacturing capabilities. But unlike these companies, Baker was not that involved in international sales and quite obviously the company was about to see some significant decline in its sales. The problem of the exchange rate was created because of its changing nature. As the exchange rate of US\$ and BRL keeps changing the value of the price of any product would also keep changing. So the value of price per gallon of Baker adhesives also changed when it was converted into the dollar. Again the problem regarding the interest rate charged by the Brazilian bank was much higher than the rate by any US bank. This was because the inflation rate in Brazil was much higher. A higher interest rate was actually set by the government of Brazil in order to control the high inflation rate.

#### Potential Solution

In the adhesives market competition is intense and the profit margin is slim. As a result, most of the company has focused on international sourcing and manufacturing capabilities. Baker adhesives also need to focus on the international market in order to stay ahead in the competition. Focusing on international business would enable the company to focus on scale economies. Furthermore, a flexible production system and good chemist are crucial in the adhesives business. So Baker Adhesives need to focus on these aspects also. Moreover, when deciding upon the price company should effectively analyze the exchange rate factor.

#### Recommendation

Baker Adhesives need to analyze the present market condition and adapt

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strategy accordingly. It needs to take more aggressive strategies in order to increase its customer base. Since the margin is slim in this business volume of sales must be increased in order to be successful for a long time. Top management must be more cautious regarding various factors like exchange rate, interest rate, and finally, they must use their negotiation skills in a more effective and efficient manner. (Analysis of financing Tactics: Leases, Options, and Foreign Currency, Case 37)