

Notes of formulation of Functional Strategies

This chapter includes formulation of seven strategies which are explained here as under.

1. Marketing strategy formulation :- It constitutes different processes, functions, activities for satisfying the needs of the individuals and customers. According to Philip kotler , marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others. One of the important concept of marketing strategy is marketing mix which is describing here as under:

A. *Marketing Mix* :- The marketing mix is the set of marketing variables for obtaining good response from the target market. It includes everything that the firm can do for enhancing the demand. These variables are also known as 4PS. The 4PS stand for product, price, place and promotion. The 4PS are from the marketer's angle. But when translated to buyers they may be termed as 4CS. Product may be referred as customer solution, price as customer cost, place as convenience and promotion as communication. The 4PS are here as under:

- ***Products* :-** It stand for the goods or services or both which the company offers in the market. Strategies are needed for managing the existing products and for establishing the new ones. Products and markets are both dynamic in nature. Customer demand of the products is also dynamic some products have consistent customer demand while some have very short life of demand. There are differential products like industrial products, consumer

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products, luxury products, durable or perishable products etc. Products can be differentiated on the basis of size, shape, colour, packaging, brand name, service and so on. Organizations are tried to hammer into customer's mind that their products are different from others. It does not matter whether the differentiate is real or imaginary. Organization done the differentiation through creating brand name of its products because through it customers knows products and organization behind it.

- **Price** :- It stand for the amount of money that the customers have to pay to obtain the products. The price of the products is affect its demand, quality, reliability, safety, competition it faces, the desired profit and so on. In the industry there are two organization one which has low cost products and one which has high cost products. Basically organization are adopting cost plus margin method where the margin is referred as profit. The margin is added into cost for deciding the price of the products. Three matters are kept in mind when organization is decide the price of its products (i) Making the products acceptable to the customers (ii) Producing reasonable margin over the products (iii) Achieving the market that help in developing market share. At the initial stage of the products the price is kept low to attract more customers towards it when the most of the customers are price sensitive.
- **Place** :- It stand for activities that make the products available to customers. One of the most important marketing decision is to choosing the most appropriate marketing channel. Marketing channels are capable to distribute the products within the reasonable time to customers at very low cost to the

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organization. Strategies applicable to middleman like distributors and retailers must be design properly.

- **Promotion** :- It stand for activities that describe the merits and demerits of the products to customers. There are four major methods of promotion which are as follow:

I. Personal Selling :- It is the oldest method of promotion. It involve fact to face interaction with customers and provide high degree of personal attention to them. In it oral communication is made with buyers with the intention of making a sale. It suffers of very high cost as salary of personnel is very high. So in the present era this is not the cost effective method to attract more customers.

II. Advertising :- It is non personal and highly flexible method. The media for advertising are pamphlets, brochures, news papers, hoardings, display boards, radio, television and internet. Choice of appropriate media is very important for effectiveness of the message. The media may be local, regional and national. Advertising is maybe best method of promotion but its effectiveness in respect to the expenditure can't be directly measured.

III. Publicity :- It is also non-personal form of promotion. However no payment is need to be given to media for the advertisement. It is a communication of products, brand or business by giving the information about it in the media without paying for the time. So it is the best way to reaching to the customers at negligible cost.

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IV. Sales Promotions :- All other activities that the organization is done for promotion except above three are covered here in sales promotions. Activities like discount, money refund, instalments, exhibition and fairs are covered in it. Sales promotions are done periodically may help in obtaining large market share.

- **People :-** All human actors who plays a role in market offering and thus influence the perception of the buyers.
- **Physical Evidence :-** The environment in which the products are delivered and where the firms and customers are interact.
- **Process :-** The actual procedures and flow of activities by which the products or services are delivered.

B. Marketing strategy techniques :-

- **Social Marketing :-** It refer to the design, implementation and control of programs to increase the acceptability of a social ideas or practise among customers.
- **Augmented marketing :-** It refers to deliberate efforts to get better marketing returns through additional means. It includes providing additional services and benefits like movies on demand, on line computer repairing service etc. Such type of services attract customers to purchase the products or services.
- **Direct Marketing :-** It refers as marketing through advertising media that interact directly with the customers.

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- **Relationship Marketing** :- It is the process of creating, maintaining and enhancing strong relationship with customers and other stakeholders. So it will go long way in building relationship.
- **Service Marketing** :- It refers applying the concepts, techniques and tools of marketing to service. Service is any activity or benefit that one party can offer to another that is intangible and non perishing.
- **Person Marketing** :- It includes activities undertaken to create, maintain or change attitudes or behaviours towards particular people. E.G. politicians, sport stars, film stars, professionals to get votes or promote their career and income.
- **Organization Marketing** :- It includes activities to create, maintain or change attitudes or behaviours of audience towards an organization.
- **Place Marketing** :- It includes activities to create, maintain or change attitudes or behaviours towards a different places like business site marketing, tourism marketing.
- **Enlightened Marketing** :- It help a company to support the best long term performance of the marketing system. It is based on five principles (i) Customer oriented marketing (ii) innovative marketing (iii) value marketing (iv) sense-of-mission marketing (v) societal marketing.
- **Differential Marketing** :- A strategy in which a firm decide to target certain market segments and design separately for each. It can be achieved through variation in size, shape, colour, brand name and so on.

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- **Synchro Marketing** :- When the demand of the product is irregular causing idle capacity and over worked capacity, it can be use to find the ways to alter the pattern of demand so that it is equally with pattern of supply.
- **Demarketing** :- It is the strategy to reduce demand temporarily or permanently the aim is not to destroy demand but only to reduce or shift it. This strategy is adopted when demand is too much to handle. Here it can be applied to regulate demand.

2. **Financial Strategy formulation** :- It is related with to take decisions regarding finance or raising capital which is considered in the central position in strategy implementation. The important decisions like acquiring needed capital, developing projected financial statement, usage of fund and evaluating the worth of business. There are various methods for determining the worth of the business which are describe as under:

- **Net worth or shareholder's equity** :- It is calculated as total assets minus total liabilities of the enterprise.
- **Future benefit to owners through net profit** :- In this there is rule of thumb that the business's worth is the five times of the current annual profit.
- **Market determine business worth** :- This involve three methods (i) Firm's worth may be based on the selling price of a similar company. (ii) It is also known as price-earnings ratio method where the market price of the equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for preceding years. (iii) It can be called as outstanding share method where the no. of shares outstanding is multiplied by the market price per share and then add premium.

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3. **Production strategy formulation** :- This strategy is related with the capacity, location, product or service design, degree of automation and such factors. It is one of the important strategy among all other strategies. This strategy affects the nature of products or services, the market to be served, and the manner in which the market are to be served.

4. **Logistics Strategy** :- It is a process to achieve a level of service that a right material are available at right place at the right time, of right quality and at the right cost through managing the flow of material into, through and out of an organization. Improvement in logistics can result in saving of cost of the organization. Logistics strategies are developed for product lines, specific countries or specific customers to address different requirements. There are different areas which the company can examine while developing logistic strategy which are describe as under :

- ***Transportation*** :- In this organization tries to find the answer of the question that does the current transportation strategies help service levels required by the organization.
- ***Outsourcing*** :- Areas of outsourcing are to be identified. The effect of partnership with external service providers on the desired level of organization is also examined.
- ***Competitors*** :- Review the procedure adopted by the competitors. This is may be also help in identifying the areas which are to be avoided.
- ***Availability of Information*** :- The Information of logistic is accurate because if the data is inaccurate then the decisions that are taken on the basis of it are incorrect. It is also collected in proper time. In the present era

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with the use of new technologies movement of information is become very fast and on a real time basis.

- **Strategic Uniformity :-** The objectives of the logistic strategy is in line with overall objectives of the enterprise. It should help in fulfilling the major strategies of the organization.

5. Supply Chain management :- It involve supplying the right products at the right time to the right place and at the right price. It reduces the cost of an organization and also enhance the customer services. In the present era the customers are become more demanding and they desired products according to their needs. Supply chain management is process managing the movement of raw material into and organization and the movement of finished goods outside of the organization toward end consumers. It includes all movement and storage of raw materials, work in progress and finished goods from the point of origin to point of consumption. It is an extension of logistic management. Logistic strategy includes management of inbound and outbound goods, transportation, warehousing, handling of material, fulfilment of orders, inventory management, supply planning. Logistic strategy is one of the part of supply chain management. Supply chain management includes more aspects apart from logistic function. It involve delivering the right products at the right time to the right place at the right price. There are some requirements which are necessary for implementing successfully supply chain management which are explained as below:

- **Product development :-** Customers and suppliers work together for product development process. Products are developed and launched in shorter time and help organization remain competitive.

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- **Procurement** :- It require careful resource planning, quality issues, negotiation, order placement, inbound transportation and storage. Organization have to coordinate with suppliers for making schedule without interruption.
- **Manufacturing** :- Manufacturing process is flexible as it is directly related with market which is itself dynamic. Manufacturing is done within a time and as per the demand for providing products or services within reasonable time and reducing wastage.
- **Physical distribution** :- Availability of the right products at the right time is very important for each supply chain participant. Physical distribution is very important process to delivering the products at the right time.
- **Outsourcing** :- Outsourcing is not limited to procurement of materials and components but also include outsourcing of services. The company has done only that activities in which it is capable everything else will be outsourced.
- **Customer services** :- Organization must develop customer relationship through organization's operations to satisfy them. This would help in producing positive feelings in the organization.
- **Performance measurement** :- There is strong relationship between the supplier, customers and the organization. Performance is measured in different terms such as cost, customer service, productivity and quality.

6. Research and development :- Research and development personnel play an important role in organization. The main task of these personnel is to developing new products and improvements in existing products that will allow effective strategy implementation. R & d employees perform tasks like transferring

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complex technology, adopting process to local market and altering the products as per tastes and preferences of customers.

7. Human resource strategy formulation :- Responsibilities of the human resource manager include assessing the needs of the staff and fulfilling that and create atmosphere in which all the members are doing their work properly and smoothly. The following areas in which the human resource management play an important role:

- ***Providing purposeful direction***
- ***Creating competitive atmosphere***
- ***Facilitation of change***
- ***Diversion of workforce***
- ***Empowerment of human resources***
- ***Building core competency***
- ***Development of work ethics and culture***

I hope that the above notes are useful to you in your exam. If any queries or even if i have done any mistake in the above notes you would contact through my mail id divyeshpithava@rediffmail.com. I hope that you all pass with good marks in May 2016 examination. All the best to all of you. Thank you very much.