5 Formulation of Functional Strategy

Basic Concepts

The chapter introduces and explains various functional strategies required for business strategies. It covers marketing, finance, production, logistics and human resource strategies.

1. Introduction

Functional strategies provide details to business strategy & govern as to how key activities of the business will be managed. Functional strategies play two important roles. Firstly, they provide support to the overall business strategy. Secondly, they spell out as to how functional managers will work so as to ensure better performance in their respective functional areas. Functional area strategy such as marketing, financial, production and Human Resource are based on the functional capabilities of an organisation.

2. Marketing Strategy Formulation

The term marketing constitutes different processes, functions, exchanges and activities that are directed towards creating value by satisfying needs of individuals. Marketing induces or helps in moving people closer to making a decision to purchase and facilitate a sale.

Delivering value to Customer

Marketing alone cannot produce superior value for the consumer. It needs to work in coordination with other departments to accomplish this. Marketing acts as part of the organizational chain of activities.

The Marketing Process

The marketing process is the process of analyzing market opportunities, selecting target markets, developing the marketing mix, and managing the marketing effort.

Marketing mix

The marketing mix consists of everything that the firm can do to influence the demand for its product. These variables are often referred to as the "4 Ps." The 4 Ps stands for product, price, place and promotion. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers.

Product stands for the "goods-and-service" combination the company offers to the target market. Strategies are needed for managing existing product over time adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other product features such as warrantees.

Price stands for the amount of money customers have to pay to obtain the product. Necessary strategies pertain to the location of the customers, price flexibility, related items within a product line and terms of sale. The price of a product is composite expression of its value and utility to the customer, its demand, quality, reliability, safety, the competition it faces, the desired profit and so on.

For a new product, an organization may either choose to skim or penetrate the market. In s*kimming* prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive but sensitive to the novelty of the new product.

Place stands for company activities that make the product available to target consumers. One of the most basic marketing decisions is choosing the most appropriate marketing channel.

Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. There are at least four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

Personal Selling: Personal selling is one of the oldest forms of promotion. It involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them.

Advertising: Advertising is a non-personal, highly flexible and dynamic promotional method. The media for advertisings are several such as pamphlets, brochures, newspapers, magazines, hoardings, display boards, radio, television and internet. Choice of appropriate media is important for effectiveness of the message.

Publicity: Publicity is also a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.

Sales promotion: Sales promotion is an omnibus term that includes all activities that are undertaken to promote the sales. Activities like discounts, contests, money refunds, instalments, kiosks, exhibitions and fairs constitute sales promotion.

A few new Ps are as follows:

People: all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.

Physical evidence: the environment in which the market offering is delivered and where the firm and customer interact.

Process: the actual procedures, mechanisms and flow of activities by which the product/service is delivered.

Marketing Analysis

Marketing analysis involves a complete analysis of the company's situation. A company performs analysis by identifying environmental opportunities and threats. It also analyzes its strengths and weaknesses to determine which opportunities the company can best pursue. Marketing Analyses has three components as planning implementation and control.

Marketing Planning

Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A detailed plan is needed for each business, product, or brand. A product or brand plan may contain different sections: executive summary, current marketing situation, threats and opportunity analysis, objectives and issues, marketing strategies, action programs, budgets, and controls.

Dealing with the Marketing Environment

The company must carefully analyze its environment in order to avoid the threats and take advantage of the opportunities. Areas to be analyzed in the environment normally include:

- Forces close to the company such as its ability to serve customers, other company departments, channel members, suppliers, competitors, and publics.
- Broader forces such as demographic and economic forces, political and legal forces, technological and ecological forces, and social and cultural forces.

Marketing strategy techniques

Social Marketing

It refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group.

Augmented Marketing

It is provision of additional customer services and benefits built around the care and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

Direct Marketing
Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response.
Relationship Marketing
The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholder. For example, British Airways offers special lounges with showers at 199 airports for frequent flyers. Thus, providing special benefits to select customers to strengthen bonds. It will go a long way in building relationships.
Services Marketing
It is applying the concepts, tools, and techniques, of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the, banking, savings, retailing, educational or utilities.
Person Marketing
People are also marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes or behavior towards particular people.
Organization Marketing
It consists of activities undertaken to create, maintain, or change attitudes and behavior of target audiences towards an organization. Both profit and non-profit organizations practice organization marketing.
Place Marketing
Place marketing involves activities undertaken to create, maintain, or change attitudes and behavior towards particular places say, business sites marketing, tourism marketing.
Enlightened Marketing
A marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system; its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.
Differential Marketing
A market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each.
Synchro-marketing:
When the demand for the product is irregular due to season, some parts of the day, or on hour basis, causing idle capacity or over-worked capacities, synchro-maketing can be used to find ways to alter the same pattern of demand through flexible pricing, promotion, and other incentives.

Concentrated Marketing:
A market-coverage strategy in which a firm goes after a large share of one or few sub-markets.
Demarketing
Marketing strategies to reduce demand temporarily or permanently-the aim is not to destroy demand, but only to reduce or shift it. This happens when there is overfull demand.
3. Financial Strategy Formulation
The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation. These are: acquiring needed capital/sources of funds, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business.
Acquiring capital to implement strategies / sources of funds
The major factors regarding which strategies have to be made are: capital structure; procurement of capital and working capital borrowings; reserves and surplus as sources of funds; and relationship with lenders, banks and financial institutions. Strategies related to the sources of funds are important since they determine how financial resources will be made available for the implementation of strategies.
Projected financial statements / budgets
Projected (pro forma) financial statement analysis is a central strategy-implementation technique because it allows an organization to examine the expected results of various actions and approaches. This type of analysis can be used to forecast the impact of various implementation decisions. Nearly all financial institutions require a projected financial statements whenever a business seeks capital.
Management / usage of funds
The management of funds is an important area of financial strategies. It basically deals with decisions related to the systemic aspects of financial management. The major factors regarding which plans and policies related to the management of funds have to be made are: the systems of finance, accounting, and budgeting; management control system; cash, credit, and risk management; cost control and reduction; and tax planning and advantages.
Evaluating the worth of a business
Evaluating the worth of a business is central to strategy implementation because integrative, intensive, and diversification strategies are often implemented by acquiring other firms. All the various methods for determining a business's worth can be grouped into three main approaches: The ***first approach*** in evaluating the worth of a business is determining its net worth or stockholders' equity. The ***second approach*** to measuring the value of a firm grows out of the belief that the worth of any business should be based largely on the future benefits its owners may derive through net profits.

The ***third approach***, letting the market determine a business's worth, involves three methods. *First,* base the firm's worth on the selling price of a similar company. The *second* approach is called the price-earnings ratio method. To use this method, divide the market price of the firm's common stock by the annual earnings per share and multiply this number by the firm's average net income for the past five years. The *third* approach can be called the outstanding shares method. To use this method, simply multiply the number of shares outstanding by the market price per share and add a premium. The premium is simply a per-share amount that a person or firm is willing to pay to control (acquire) the company.

Production Strategy Formulation

The strategy for production are related to the production system, operational planning and control, and research and development (R&D). The strategy adopted affects the nature of product/service, the markets to be served, and the manner in which the markets are to be served.

Production System

The production system is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

Operations Planning and Control

Strategies related to operations planning and control are concerned with aggregate production planning; materials supply; inventory, cost, and quality management; and maintenance of plant and equipment. Here, the aim of strategy implementation is to see how efficiently resources are utilized and in what manner the day-to-day operations can be managed in the light of long-term objectives.

5. Logistics Strategy

Management of logistics is a process which integrates the flow of supplies into, through and out of an organization to achieve a level of service which ensures that the right materials are available at the right place, at the right time, of the right quality, and at the right cost. Supply chain management helps in logistics and enables a company to have constant contact with its distribution team.

Supply Chain Management

The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chains involve all activities like sourcing and procurement of material, conversion, and logistics. Planning and control of supply chains are important components of its management.

Is logistic management same as supply chain management
Supply chain management is an extension of logistic management. However, there is difference between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfilment of orders, inventory management, supply/demand planning. Supply chain management includes more aspects apart from the logistics function. It is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price. It reduces costs of logistics to the organizations and enhances customer service.
Implementing Supply Chain Management Systems
Implementing and successfully running supply chain management system will involve:
5.1 Product development
Customers and suppliers must work together in the product development process. Right from the start the partners will have knowledge of all issues related to the product. Involving all partners will help in shortening the life cycles. Products are developed and launched in shorter time and help organizations to remain competitive.
5.2 Procurement
Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.
5.3 Manufacturing
Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle.
5.4 Physical distribution
Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of marketing. Thus supply chain management links a marketing channel with customers.
5.5 Outsourcing
Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.

5.6 Customer services

Organizations through interfaces with the company's production and distribution operations develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers

5.7 Performance measurement

There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm's performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.

6. Research and Development

Research and development (R&D) personnel can play an integral part in strategy implementation.

Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.

There must be effective interactions between R&D departments and other functional departments in implementing different types of generic business strategies. Conflicts between marketing, finance/accounting, R&D, and information systems departments can be minimized with clear policies and objectives.

7. Human Resource Strategy Formulation

Strategic responsibilities of the human resource manager include assessing the staffing needs and costs for alternative strategies proposed during strategy formulation and developing a staffing plan for effectively implementing strategies. A well-designed strategic-management system can fail if insufficient attention is given to the human resource dimension.

The role of human resources in enabling the organization to effectively deal with the external environmental challenges, the human resource management function has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel. An organization's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee competence is very important.

Strategy and Human Resource Management

Strategic human resource management may be defined as the linking of human resource management with strategic goals and objectives to improve business performance and develop organizational culture that fosters innovation and flexibility. The success of an organization depends on its human resources. This means how they are acquired, developed, motivated and retained in the organization play an important role in organizational success. This presupposes an integrated approach towards human resource functions and overall business functions of an organization.

Strategic Role of Human Resource Management
The prominent areas where the human resource manager can play strategic role are as follows:
7.1 Providing purposeful direction
The human resource management must be able to lead people and the organization towards the desired direction involving people right from the beginning.
7.2 Creating competitive atmosphere
There are two important ways of business can achieve a competitive advantages over the others. The first is cost leadership which means the firm aims to become a low cost leader in the industry. The second competitive strategy is differentiation under which the firm seeks to be unique in the industry in terms of dimensions that are highly valued by the customers. Putting these strategies into effect carries a heavy premium on having a highly committed and competent workforce.
7.3 Facilitation of change
The Human resource will be more concerned with substance rather than form, accomplishments rather than activities, and practice rather than theory. The personnel function will be responsible for furthering the organization not just maintaining it. Human resource management will have to devote more time to promote changes than to maintain the status quo.
7.4 Diversion of workforce
In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee, etc.
7.5 Empowerment of human resources
Empowerment means authorizing every member of a society or organization to take care of his/her own destiny realizing his/her full potential. It involves giving more power to those who, at present, have little control what they do and little ability to influence the decisions being made around them.
7.6 Building core competency
The human resource manager has a great role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. This may be in the form of human resources, marketing, capability, or technological capability.
7.7 Development of works ethics and culture
Greater efforts will be needed to achieve cohesiveness because workers will have transient commitment to groups. As changing work ethic requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. Flexible starting and quitting times for employees may be necessary.

Very Short Answer Type Questions

Question 1

Explain the meaning of the following concepts:

(a) Relationship Marketing

(b) Supply Chain Management

(c) Joint Venture

(d) Service Marketing

(e) Enlightened Marketing

(f) Person Marketing

(g) Logistics Strategy

(h) Production System

(i) Differential Marketing

(j) Synchro-marketing

Answer

(a) Relationship marketing is the process of creating, maintaining, and enhancing strong, value-laden relationship with customers and other stakeholders, thus, providing special benefits to select customers to strengthen bonds. It will go a long way in building relationship.

(b) Supply chain management is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price. It reduces costs of logistics of an organisations and enhances customer service by linkages between suppliers, manufacturers and customers. Supply chain management is an extension of logistics management.

(c) A joint venture is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets.

(d) Service Marketing is applying the concepts, tools, and techniques, of marketing to services. Service is any activity or benefit that one party can offer to another that is essentially intangible and non-perishing. These may be from business to consumer and from business to business.

(e) Enlightened Marketing helps a company to support the best long-run performance of the marketing system. It is based on five principles – customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.

(f) Person marketing consists of activities undertaken to create, maintain or change attitudes or behavior towards particular people. For example, politicians, sport stars, film stars, professionals market themselves to get votes or promote their careers and income.

(g) Logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy, it is defining the service levels at which its logistics is smooth and is cost effective.

(h) The production system is concerned with the activities directed towards creation of products and services for customers. It covers factors such as capacity, location, layout, design, work systems, automation, and so on.

(i) A market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each. Differentiation can be achieved through variation in size, shape, colour, brand names and so on.

(j) Synchro-marketing: When the demand for the product is irregular causing idle capacity or over-worked capacities, synchro-marketing can be used to find ways to alter the pattern of demand so that it equates more suitably with the pattern of supply. It can be done through flexible pricing, promotion, and other incentives.

Short Answer Type Questions

Question 2

State with reasons which of the following statements is correct / incorrect:

(a) Functional level constitutes the lowest hierarchical level of strategic management

(b) Market penetration ignores competition.

(c) Skimming means keeping price very low.

(d) PLC is an S shaped curve

(e) Augmented marketing is provision of additional customer services and benefits.

(f) Tele-shopping is an instance of direct marketing.

(g) Supply chain management is conceptually wider than logistic management.

(h) Human resource management aids in strategic management.

(i) Production strategy implements, supports and drives higher strategies.

(j) Marketers alone can deliver superior value to customers.

(k) The role of human resource manager is significant in building up core competency of the firm.

(l) Demarketing strategies may aim to reduce demand temporarily or permanently.

Answer

(a) Correct: Functional-level managers and strategies operate at the lowest hierarchical level of strategic management. Functional level is responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Although they are not responsible for the overall performance of the organisation, functional managers nevertheless have a major strategic role to develop functional strategies in their area that help to fulfil the strategic objectives set by business and corporate-level managers.

(b) Incorrect: Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. Penetration might require greater spending on advertising or personal selling. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.

(c) Incorrect: In skimming, prices of a new product are kept at a very high level. The idea is to take advantage of the initial interest that a new product generates amongst the buyers who are relatively price insensitive.

(d) Correct: Product Life cycle (PLC) which is a graphical depiction of sales over time is an '*S*' shaped curve with four stages – introduction, growth, maturity and decline. The pattern is shared by all product group and families though the duration for each phase is different in each case. Identification of PLC stages for a product/service offers useful insights for marketing management.

(e) Correct: Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision of additional customer services and benefits built around the care and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

(f) Correct: Direct marketing is done through various advertising media that interact directly with customer. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom or postal systems.

(g) Correct: Supply chain management is an extension of logistic management. Logistic management is related to planning, implementing and controlling the storage & movement of goods & services while supply chain management is much more than that. It is a tool of business transformation and involve delivering the right product at the right time to the right place and at the right price.

(h) Correct: The human resource management helps the organization to effectively deal with the external environmental challenges. The function has been accepted as a partner in the

formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel.

(i) Correct: For effective implementation of higher level strategies, strategists need to provide direction to functional managers, including production, regarding the plans and policies to be adopted. Production strategy provides a path for transmitting corporate and business level strategy to the production systems and makes it operational. It may relate to production planning, operational system, control and research & development.

(j) Incorrect: A marketer alone cannot deliver superior value to the customers. It needs to work in coordination with other departments to accomplish this. It is important to be part of organization chain and marketer needs to work in coordination with other departments in the search for competitive advantages. Organisations need to look at the value chain network along with its own chain of activities and the chain of suppliers, distributors and ultimately customers.

(k) Correct: The human resource manager has a significant role to play in developing core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Core-competencies can be generated and maintained only through the effective management of human resources and their skills.

(l) Correct: Demarketing is a marketing strategy to reduce demand temporarily or permanently – the aim is not to destroy demand, but only to reduce or shift it. This happens when the demand is too much to handle. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

Question 3

Briefly answer the following questions:

(a) Explain the term marketing.

(b) Enlist the components of marketing mix.

(c) Define augmented marketing.

(d) Define Demarketing.

(e) Logistics Strategy.

(f) Does HRM function play a role in organizational strategy?

(g) Write short notes on the Elements of Marketing Mix

(h) Successful implementation of any project needs additional funds. What are the different sources of raising funds and their impact on the financial strategy which you as a Financial Manager will consider?

OR

'Determining an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation'. Discuss.

(i) Explain the strategic role of Human Resources Management in the following areas:

(a) Facilitation of Change

(b) Building Core Competency

(c) Development of Work Ethics and Culture

(j) "Evaluating the worth of a business is central to strategy implementation." In the light of this statement, explain the methods that can be used for determining the worth of a business.

(k) Explain any three prominent areas where Human Resource Manager can play a strategic role.

(l) Distinguish between Logistic Management and Supply Chain Management.

OR

"Supply Chain Management is conceptually wider than Logistic Management". Explain.

(m) State the factors of human resource that influence on employees competence.

(n) What do you understand by functional structure?

(o) Distinguish between social marketing and service marketing

(p) Write short note on Production System

(q) How would you argue that Research and Development Personnel are important for effective strategy implementation?

(r) Write short note on expanded marketing mix.

(s) Write short note on Publicity and Sales Promotion.

Answer

(a) In general, marketing is an activity performed by business organizations. In the present day for business, it is considered to be the activities related to identifying the needs of customers and taking such actions to satisfy them in return of some consideration. The term marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals.

(b) Marketing mix is a systematic way of classifying the key decision areas of marketing management. It is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The original framework of marketing mix comprises of 4Ps- product, price, place and promotion. These are subsequently expanded to highlight certain other key decision areas like people, processes, and physical evidence. The elements of original framework are:

- Product: It stands for the "goods-and-service" combination the company offers to the target market.
- Price: It stands for the amount of money customers have to pay to obtain the product.
- Place: It stands for company activities that make the product available to target consumers and include marketing channel, distribution policies and geographical availablity.
- Promotion: It stands for activities that communicate the merits of the product and persuade target consumers to buy it.

(c) Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision of additional customer services and benefits built around the care and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

(d) Demarketing is a marketing strategy to reduce demand temporarily or permanently-the aim is not to destroy demand, but only to reduce or shift it. This happens when the demand is too much to handle. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

(e) Management of logistics is a process which integrates the flow of materials into, through and out of an organization to achieve a level of service that the right materials are available at the right place at the right time, of right quality and at the right cost. For a business organization effective logistics strategy will involve raising and finding solutions to the questions relating to raw material, manufacturing locations, products, transportation and deployment of inventory. Improvement in logistics can result in saving in cost of doing business.

When a company creates a logistics strategy, it is defining the service levels at which its logistics systems are highly effective. A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers to address different categorical requirements.

(f) The role of human resources in enabling the organization to effectively deal with the external environmental challenges, the human resource management function has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel. An organization's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee competence is very important.

(g) Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These are usually referred to as 4Ps - product, price, place and promotion.

Product stands for the "goods-and-service" combination the company offers to the target market. Price stands for the amount of money customers have to pay to obtain the product. Place stands for company activities that make the product available to target consumers. One of the most basic marketing decision is choosing the most appropriate channel to reach target customer. Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. It includes - Personal Selling, Advertising, Publicity and Sales promotion

The traditional concept of 4Ps is also expanded further with more Ps such as, people, physical evidence and process. Under the dynamics of market all the Ps are extremely important so as to build and sustain a competitive advantage over the rivals.

(h) Successful strategy implementation often requires additional capital. Besides net profit from operations and the sale of assets, two basic sources of capital for an organization are debt and equity. Being a financial manager to determine an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation. Fixed debt obligations generally must be met, regardless of circumstances. This does not mean that stock issuances are always better than debt for raising capital. If ordinary stock is issued to finance strategy implementation; ownership and control of the enterprise are diluted. This can be a serious concern in today's business environment of hostile takeovers, mergers, and acquisitions.

The major factors regarding which strategies have to be made by a financial manager are: capital structure; procurement of capital and working capital borrowings; reserves and surplus as sources of funds; and relationship with lenders, banks and financial institutions. Strategies related to the sources of funds are important since they determine how financial resources will be made available for the implementation of strategies. Organizations have a range of alternatives regarding the sources of funds. While one company may rely on external borrowings, another may follow a policy of internal financing.

(i) (a) Facilitation of change: The Human resource will be more concerned with substance rather than form, accomplishments rather than activities, and practice rather than theory. The personnel function will be responsible for furthering the organization not just maintaining it. Human resource management will have to devote more time to promote changes than to maintain the status quo.

(b) Building core competency: The human resource manager has a great role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. If the business is organized on

the basis of core competency, it is likely to generate competitive advantage. Because of this reason, many organizations have restructured their businesses by divesting those businesses which do not match core competence.

(c) Development of works ethics and culture: As changing work ethic requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. Flexible starting and quitting times for employees may be necessary. Focus will shift from extrinsic to intrinsic motivation. A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people. Far reaching changes with the help of technical knowledge will be required for this purpose.

(j) It is true that evaluating the worth of a business is central to strategy implementation. There are circumstances where it is important to evaluate the actual worth of the business. These circumstances can be wide and varied. At a higher level they may include acquisition, merges or diversification. They may also include other situations such as fixing of share price in an issue. Acquisition, merger, retrenchment may require establishing the financial worth or cash value of a business to successfully implement such strategies.

Various methods for determining a business's worth can be grouped into three main approaches.

(i) Net worth or stockholders' equity: Net worth is the total assets minus total outside liabilities of an organisation.

(ii) Future benefits to owners through net profits: These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.

(iii) Market-determined business worth: This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.

(k) The prominent areas where the human resource manager can play strategic role are as follows:

1. Providing purposeful direction: The human resource manager must be able to lead people and the organization towards the desired direction involving people. He has to ensure harmony between organisational objectives and individual objectives. Objectives are specific aims which must be in the line with the goal of the organization and the all actions of each person must be consistent with them.

2. Creating competitive atmosphere: In the present business environment, maintaining competitive position or gains is an important objective of any business. Having a highly committed and competent workforce is very important for getting a competitively advantageous position.
3. Facilitation of change: The human resource manager will be more concerned about furthering the organization not just maintaining it. He has to devote more time to promote acceptance of change rather than maintaining the status quo.
4. Diversion of workforce: In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on. Maintaining a congenial healthy work environment is a challenge for HR Manager. Motivation, maintaining morale and commitment are some of the key task that a HR manager has to perform.
5. Empowerment of human resources: Empowerment involves giving more power to those who, at present, have little control what they do and little ability to influence the decisions being made around them.
6. Building core competency: The human resource manager has an important role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. Organization of business around core competence implies leveraging the limited resources of a firm. It needs creative, courageous and dynamic leadership having faith in organization's human resources.
7. Development of works ethics and culture: A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people. Far reaching changes with the help of technical knowledge will be required for this purpose.

(I) Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as

a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

(m) Human resource management has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. The following points should be kept in mind as they can have a strong influence on employee competence:

i. Recruitment and selection: The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.

ii. Training: The workforce will be more competent if employees are well trained to perform their jobs properly.

iii. Appraisal of performance: The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counselling, coaching or training.

iv. Compensation: A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

(n) Functional structure is widely used because of its simplicity and low cost. A functional structure groups tasks and activities by business function.

The functional structure consists of a chief executive officer or a managing director and limited corporate staff with functional line managers in dominant functions such as production, accounting, marketing, R&D, engineering and human resources. Disadvantages of a functional structure are that it forces accountability to the top, minimizes career development opportunities, etc.

(o) Social marketing and service marketing are marketing strategies primarily with different orientations. Social Marketing refers to the design, implementation and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group. For instance, the publicity campaign for prohibition of smoking or encouraging girl child, etc.

On the other hand, service marketing is applying the concepts, tools, and techniques, of marketing to services. Service is any activity or benefit that one party can offer to another that is essentially intangible and non-perishing. These may be from business to consumer and from business to business.

(p) Production System is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

Strategy implementation would have to take into account the production system factors as they involve decisions which are long-term in nature and influence not only the operations capability of an organisation but also its ability to implement strategies and achieve objectives.

(q) Research and Development (R&D) personnel can play an integral part in strategy implementation. These individuals are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation. R&D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.

Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.

(r) Expanded Marketing Mix: Typically, all organizations use a combination of 4 Ps in some form or the other. However, the above elements of marketing mix are not exhaustive. There are a few more elements that may form part of an organizational marketing mix strategy as follows:

People: all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.

Physical evidence: the environment in which the market offering is delivered and where the firm and customer interact.

Process: the actual procedures, mechanisms and flow of activities by which the product / service is delivered.

(s) Publicity and Sales promotion are adopted by organizations when they are undertaking promotion in the overall marketing mix.

Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.

Thus it is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are

meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

Questions with Descriptive Answers

Question 4

What is meant by Functional strategies? In term of level where will you put them? Are functional strategies really important for business?

Answer

Once higher level corporate and business strategies are developed, management need to formulate and implement strategies for each functional area. For effective implementation, strategists have to provide direction to functional managers regarding the plans and policies to be adopted. In fact, the effectiveness of strategic management depends critically on the manner in which strategies are implemented. Strategy of one functional area can not be looked at in isolation, because it is the extent to which all the functional tasks are interwoven that determines the effectiveness of the major strategy.

Functional area strategy such as marketing, financial, production and human resource are based on the functional capabilities of an organisation. For each functional area, first the major sub areas are identified and then for each of these sub functional areas, contents of functional strategies, important factors, and their importance in the process of strategy implementation is identified.

In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies. Within functional strategies there might be several sub-functional areas. Functional strategies are made within the higher level strategies and guidelines therein that are set at higher levels of an organisation. Functional managers need guidance from the business strategy in order to make decisions. Operational plans tell the functional managers what has to be done while policies state how the plans are to be implemented.

Major strategies need to be translated to lower levels to give holistic strategic direction to an organisation. Functional strategies provide details to business strategy & govern as to how key activities of the business will be managed. Functional strategies play two important roles. Firstly, they provide support to the overall business strategy. Secondly, they spell out as to how functional managers will work so as to ensure better performance in their respective functional areas. The reasons why functional strategies are really important and needed for business can be enumerated as follows:

- The development of functional strategies is aimed at making the strategies-formulated at the top management level-practically feasible at the functional level.
- Functional strategies facilitate flow of strategic decisions to the different parts of an organisation.
- They act as basis for controlling activities in the different functional areas of business.

- The time spent by functional managers in decision-making is reduced as plans lay down clearly what is to be done and policies provide the discretionary framework within which decisions need to be taken.
- Functional strategies help in bringing harmony and coordination as they remain part of major strategies.
- Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Question 5

What do you mean by financial strategy of an organization? How the worth of a business is evaluated?

Answer

The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation. These are: acquiring needed capital/sources of fund, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business.

Various methods for determining a business's worth can be grouped into three main approaches which are as follows:

(i) Net worth or stockholders' equity: Net worth is the total assets minus total outside liabilities of an organisation.

(ii) Future benefits to owners through net profits: These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.

(iii) Market-determined business worth: This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.

Question 6

What do you understand by the term marketing mix? Discuss its various constituents.

Answer

Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the

demand for its product. These variables are often referred to as the "4 Ps." The 4 Ps stand for product, price, place and promotion. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers. The 4 Ps are from a marketer's angle. When translated to buyers angle they may be termed as 4 Cs. Product may be referred as customer solution, price as customer cost, place as convenience and promotion as communication.

- Product stands for the "goods-and-service" combination the company offers to the target market. Strategies are needed for managing existing product over time adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other product features such as warrantees.

  Products and markets are infinitely dynamic. An organization has to capture such dynamics through a set of policies and strategies. Some products have consistent customer demand over long period of time while others have short and fleeting life spans. There are products that have wide range of quality and workmanship and these also change over time. There are industrial or consumer products, essentials or luxury products, durables or perishables.

  Products can be differentiated on the basis of size, shape, colour, packaging, brand names, after-sales service and so on. Organizations seek to hammer into customers' minds that their products are different from others. It does not matter whether the differentiation is real or imaginary. Quite often the differentiation is psychological rather than physical. It is enough if customers are persuaded to believe that the marketer's product is different from others.

  Organizations formalize product differentiation through christening 'brand names' to their respective products. These are generally reinforced with legal sanction and protection. Brands enable customers to identify the product and the organization behind it. The products' and even firms' image is built around brand through advertising and other promotional strategies. Customers tend to develop strong brand loyalty for a particular product over a period of time.

- Price stands for the amount of money customers have to pay to obtain the product. Necessary strategies pertain to the location of the customers, price flexibility, related items within a product line and terms of sale. The price of a product is its composite expression of its value and utility to the customer, its demand, quality, reliability, safety, the competition it faces, the desired profit and so on.

  In an industry there would be organizations with low cost products and other organizations with high costs. The low cost organizations may adopt aggressive pricing strategy as they enjoy more freedom of action in respect of their prices. They may also afford selective increase in costs to push their sales.

  Theoretically, organizations may also adopt cost plus pricing wherein a margin is added to the cost of the product to determine its price. However, in the competitive environment such an approach may not be feasible. More and more companies of today have to

accept the market price with minor deviations and work towards their costs. They reduce their costs in order to maintain their profitability.

For a new product pricing strategies for entering a market needs to be designed. In pricing a really new product at least three objectives must be kept in mind.

(a) Making the product acceptable to the customers.

(b) Producing a reasonable margin over cost.

(c) Achieving a market that helps in developing market share.

For a new product an organization may either choose to skim or penetrate the market. In s*kimming* prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive but sensitive to the novelty of the new product. For example call rates of mobile telephony were set very high initially. Even the incoming calls were charged. Since the initial offtake of the product is low, high price, in a way, helps in rationing of supply in favour of those who can afford it. In *penetration* firm keeps a temptingly low price for a new product which itself is selling point. A very large number of the potential consumer may be able to afford and willing to try the product.

- Place stands for company activities that make the product available to target consumers. One of the most basic marketing decision is choosing the most appropriate marketing channel. Strategies should be taken for the management of channel(s) by which ownership of product is transferred from producers to customers and in many cases, the system(s) by which goods are moved from where they are produced to where they are purchased by the final customers. Strategies applicable to the middleman such as wholesalers and retails must be designed.

  The distribution policies of a company are important determinants of the functions of marketing. The decision to utilize a particular marketing channel or channels sets the pattern of operations of sales force.

- Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. In addition promotional strategies must be adjusted as a product move from an earlier stages from a later stage of its life.

  Modern marketing is highly promotional oriented. Organizations strive to push their sales and market standing on a sustained basis and in a profitable manner under conditions of complex direct and indirect competitive situations. Promotion also acts as an impetus to marketing. It is simultaneously a communication, persuasion and conditioning process. There are at least four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

  (i) *Personal Selling:* Personal selling is one of the oldest forms of promotion. It involves face-to-face interaction of sales force with the prospective customers and provides

a high degree of personal attention to them. In personal selling, oral communication is made with potential buyers of a product with the intention of making a sale. It may initially focus on developing a relationship with the potential buyer, but end up with efforts for making a sale. Personal selling suffers from a very high costs as sales personnel are expensive. They can physically attend only one customer at a time. Thus it is not a cost-effective way of reaching a large number of people.

(ii) *Advertising:* Advertising is a non-personal, highly flexible and dynamic promotional method. The media for advertisings are several such as pamphlets, brochures, newspapers, magazines, hoardings, display boards, radio, television and internet. Choice of appropriate media is important for effectiveness of the message. The media may be local, regional, or national. The type of the message, copy, illustration are a matter of choice and creativity. Advertising may be directed towards consumers, middlemen or opinion leaders. Advertising is likely to succeed in promoting the sales of an organization but its effectiveness in respect to the expenditure can not be directly measured. Sales is a function of several variables out of which advertising is only one.

(iii) *Publicity:* Publicity is also a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly. Thus it is a way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

(iv) *Sales promotion:* Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

Expanded Marketing Mix: Typically, all organizations use a combination of 4 Ps in some form or the other. However, the above elements of marketing mix are not exhaustive. It is pertinent to discuss a few more elements that may form part of an organizational marketing mix strategy. They have got more currency in recent years. Growth of services has its own share for the inclusion of newer elements in marketing. A few new Ps are as follows:

- People: all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.
- Physical evidence: the environment in which the market offering is delivered and where the firm and customer interact.

- Process: the actual procedures, mechanisms and flow of activities by which the product / service is delivered.

Question 7

What is supply chain management? Is it same as logistics management? Discuss.

Answer

The way businesses were conducted in the yesteryears is entirely different as they are conducted now. Today, organisations work in highly turbulent environment. There are several changes in business environment that have contributed to the development of supply chain networks. The technology has made impact on all spheres of business activities. Organisational systems have improved. Even the available infrastructure is improving. Technological changes and reduction in information communication costs with increase in its speed has led to changes in coordination among the members of the supply chain network. Availability of newer technologies have resulted in creation of innovative products with shorter product life cycles.

Traditionally companies have been managing themselves by taking orders, buying supplies, manufacturing products and shipping them from their warehouses. Such organisations may lose out the businesses that strongly lay their focus on key areas of marketing, branding and delivering value to the customer and outsourcing the rest. Today organisations and individual customers have become more demanding. They desire customised products that are made according to their needs. They also aspire that these should be available at lower costs.

The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chains involve all activities like sourcing and procurement of material, conversion, and logistics. Planning and control of supply chains are important components of its management. Naturally, management of supply chains include closely working with channel partners – suppliers, intermediaries, other service providers and customers.

Supply chain management is defined as the process of planning, implementing, and controlling the supply chain operations. It is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer who are to be satisfied as efficiently as possible. It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption. Organizations are finding that they must rely on the chain to successfully compete in the global market.

Modern organizations are striving to focus on core competencies and reduce their ownership of sources of raw materials and distribution channels. These functions can be outsourced to other business organizations that specialize in those activities and can perform in better and cost effective manner. In a way organizations in the supply chain do tasks according to their core-competencies. Working in the supply chain improve trust and collaboration amongst partners and thus improve flow and management of inventory.

Is logistic management same as supply chain management?

Supply chain management is an extension of logistic management. However, there is difference between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfilment of orders, inventory management, supply/demand planning. Although these activities also form part of Supply chain management, the latter has different components. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management includes more aspects apart from the logistics function. It is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price. It reduces costs of organizations and enhances customer service.

Question 8

Discuss major steps in implementing supply chain management systems in a business organization.

OR

What are the requirements for the successful implementation of supply chain management system? Discuss.

Answer

Successful implementing supply management systems requires a change from managing individual functions to integrating activities into key supply chain processes. It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information. A key requirement for successfully implementing supply chain will be network of information sharing and management. The partners need to link together to share information through electronic data interchange and take decisions in timely manner.

Implementing and successfully running supply chain management system will involve:

1. Product development: Customers and suppliers must work together in the product development process. Right from the start the partners will have knowledge of all. Involving all partners will help in shortening the life cycles. Products are developed and launched in shorter time and help organizations to remain competitive.
2. Procurement: Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.
3. Manufacturing: Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the

taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle.

4. Physical distribution: Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of marketing. Thus supply chain management links a marketing channel with customers.
5. Outsourcing: Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.
6. Customer services: Organizations, through interfaces with the company's production and distribution operations, develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers.
7. Performance measurement: There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.

Questions with Hints

Question 9

What is marketing mix? A company launches a new brand of ice creams. It keeps prices much below the prices of similar ice creams that are already in the market. Choose the pricing strategy that is probably being used by the company.

Answer

Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These variables are often referred to as the “4 Ps.” The 4 Ps stands for product, price, place and promotion. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company’s marketing objectives by delivering value to consumers.

A company trying to keep the prices of new brand of ice creams too low is trying to penetrate the market. In penetration prices are initially kept at relatively low levels. This is done to attract customers. It is expected that the price sensitive customers will switch to the new brand because of the lower price. The strategy helps in increasing market share or sales volume.

Question 10

What is logistics strategy? What are the areas to examine while developing a logistics strategy?

Answer

Management of logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy it is defining the service levels at which its logistics is smooth and is cost effective.

A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers because of constant changes in supply chains. There are different areas that should be examined for each company that should be considered and should include:

- Transportation: Does the current transportation strategies help service levels required by the organisation?
- Outsourcing: Areas of outsourcing of logistics function are to be identified. The effect of partnership with external service providers on the desired service level of organisation is also to be examined.
- Competitors: Review the procedures adopted by competitors. It is also to be judged whether adopting the procedures followed by the competitors will be overall beneficial to the organisation. This will also help in identifying the areas that may be avoided.
- Availability of information: The information regarding logistics should be timely and accurate. If the data is inaccurate then the decisions that are made will be incorrect. With the newer technologies it is possible to maintain information on movement of fleets and materials on real time basis.
- Strategic uniformity: The objectives of the logistics should be in line with overall objectives and strategies of the organisation. They should aid in the accomplishment of major strategies of the business organisation.

Questions for Practice

1. *What strategies a company can adopt if they want to launch a new product?*
2. *What is financial strategy? How worth of a business can be evaluated?*
3. *Discuss the concept of production strategy formulation.*
4. *What are the major research and development approaches for implementing strategies?*

Activity

- Prepare a Marketing Plan for a Company providing financial services.