

Fedex business strategy formulation marketing essay



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The matching of SWOT matrix with all factors of strength, weakness, opportunity and threat in Figure 19 has formulated five strategies: Market development, Market penetration, Innovative, Product development and Vertical Integration.

Grand strategy Matrix

International express transportation is considered as infrastructure service of international trade. With the booming of investment in Vietnam and deeper integration of Vietnam economy to the global one, international trading between Vietnam and the world is growing very fast in recent years. In past seven years, the average growth for import is 25. 57% and for export is 22. 30%. It brings the express industry an excellent condition for development and in fact the industry has been growing with annual rate of more than 20%. This is typically high in compare to other sectors of the economy

On the other hand, as indicated in Figure 18, FedEx has a strong competition position in express transportation market in Vietnam with CPM at 3. 15.

These two components determine FedEx Grand Strategy Matrix as in Figure 21.

Figure 21: FedEx Grant Strategy Matrix

Rapid Market growth

II

Slow market growth

1. Market penetration

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2. Product development

3. Vertical integration

4. Concentric diversification

5. Market development

Strong competition

position

Weak competition

position

IV

I

III

As a firm in Quadrant 1, FedEx can select intensive strategies like market penetration, Market development, Product development to expand its market share or it can use Vertical integration to provide more value added or customized service to make it self different from competitor. The company can also choose concentric diversification to provide other services that related to transportation to reduce the risk of relying on air express products.

Selection of business strategies

Strategy matching with SWOT and Grand strategy matrixes

As reflect in Appendix A, matching of the two matrices shows that Vertical integration, Market penetration, Market development and Product development are applicable strategies for FedEx in Vietnam.

Selection of alternative strategy for FedEx Vietnam

To check how attractive each of the alternative strategies is in relate to FedEx internal and external factors, the Quantitative Strategic Planning Matrix (QSPM) is used.

In the QSPM, all the internal factors, external factors and its weight are transferred from IFE and EFE matrices. The Attractive Score (AS) is set base on the average score (round up) that members of strategist team assigned for each alternative strategy to each factor.

As indicate in Appendix B, Vertical integration has higher scores for weakness factors as it more attractive in minimise these weak points while Market penetration and Market development is very good in making use of strengths and is rated with high scores for these factors.

The QSPM score at 5. 95 is for Vertical integration and 5. 92 for Market development means these are more attractive strategies for FedEx in Vietnam at this time.

Business Strategies Recommendation

Vertical Integration strategy

FedEx can integrate its agent's operation to be FedEx own operation and change business model from agency to direct served. By doing it the company can improve its competitive advantages by:

Recruit and develop skilful work force: Under agency operation today, all operation employees are from FedEx's partner (GSP). These employees work for FedEx, but they recruited and paid by the partner so it is a big challenge for FedEx to control in both terms on quantity and quality. This directly impacts to service level. With FedEx own human resources, these problems will be solved from root cause.

Apply FedEx standard procedures in operation and manage base on that standard: FedEx has its world-wide standard procedure. But when bring it into Vietnam, the procedure is not fully executed by its partner. Having FedEx own operation the issue will be no longer existed.

Ability to invest more on ground facility and to set up call centre: Under current agency business model, the partner is responsible for ground facilities. However for their own benefit, many cases they do not want to make the investment. This make facility capacity is lower than requirement. With FedEx own capital, FedEx can make decision faster to meet with business demand.

Better control customer debts

However, at this time there is legal barrier and FedEx would not be able to establish 100% foreign own company in air express industry in Vietnam until 2012[1]. Hence, at this time the company can look for some important functions like billing/collection, accounting, and customer service to take over them first. This on one hand helps FedEx to immediately control critical business areas, and on other hand it is preparation for fully take over of the whole business

Beside agent's operation, the company can work for possibility to integrate broker service into FedEx service. At current time the company has to use outside broker service to do customs clearance for customers. But to meet with growing demand for this type of value added service, the company better have its own broker. This will not only create extra revenue for this service but also enable the company to control and ensure of over all service level by:

Reduce the handling of paper work: With outside broker, FedEx have to send shipping documents to broker for clearance. This will not needed if the broker is within the company

Faster and more accurate status update of shipment from broker. As the broker is inside FedEx, broker agent can update any progress of shipment clearance onto FedEx system instead of sending it out and wait for other agent to do it like today

Market Development Strategy

Market development for FedEx can be considered for both dimensions:

geographic expansion and market segment extension

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Geographic expansion

At this time FedEx only has direct pick up and delivery services in big cities. For other cities and provinces the services are provided through domestic courier. It means any customer in non-pick up service has to use domestic courier service to send the shipment to FedEx first and then FedEx will process the exportation to forward it out. For non-delivery area customer, FedEx will send the shipment to customer via domestic express service. This makes transit time for the shipment longer and impact customer satisfaction of the service.

In recent years, with booming of Industrial Parks and Export processing Zones in Vietnam, demand of international express service increased sharply in many non-direct service provinces. Many customers in these parks and zones are FedEx global customer and the dissatisfaction of customer in Vietnam will impact to the whole global account.

The expansion can be made from the most potential ones. They include Bac Ninh, Bac Giang, Nam Dinh, Hai Duong, Hung Yen, Vinh Phuc, Dong Nai, Binh Duong, Can Tho, Vung Tau etc

With customer in Processing Zones, beside the direct pick up/delivery, FedEx need to provide its own broker service as import procedure for shipment into these zones are complicated and customers usually want to use package service, including logistic activities.

As FedEx direct competitors are also interested in these customers and already took some initial steps on this plan, it requires FedEx to be quick on

this movement to maintain its competitive advantages at the new service areas.

Setting up another station in central of Vietnam is also another priority that FedEx should take to expand its market to this important part of the country. At this time FedEx only has 2 stations, 1 in Hanoi to serve the north and 1 in Ho Chi Minh to cover the south, all shipment from central provinces/cities must be sent to either Hanoi or Ho Chi Minh city first to connect outbound flight. Having that station in Da nang to serve the country's central part will enable the company to bring its direct service to this potential market.

Market segment extension

FedEx core service is International priority (express service for small parcel and packages). With the operation of its own aircraft, the International Economy (economy service for small package) and International Freight (express service for heavy shipment) have been introduced. However there is still some potential market segment that the company can explore:

International Economic Freight: Vietnam in recent years emerges to be a big exporter for furniture. The demand for sending these products at economy price is large. Though yield per kg for shipping these shipments are not high, but in consider to economic downturn, FedEx should accept these shipments to improve load factors.

Special handling shipment: The demand to send temperature control shipments (seafood, cut flowers) via express service from Vietnam is growing at more than 20% in past few years. FedEx can take this opportunity to sell

its high profitability service – the International priority service for these shipments if it can set up temperature controlled room in its warehouse.

Implementation

To implement strategic strategy above, each department in FedEx need to have its own functional strategy:

Human resource development strategy

The vertical integration and market development strategies can not be implemented successfully in a service provider company like FedEx if there is lack of professional and customer oriented work forces.

At this time the employees are not FedEx personnel, but the company still need to develop them by training program to provide them with necessary skills and knowledge for current business. It is also a preparation for future as once the taking over of GSP can be done this will be source for FedEx to recruit qualified employees to its team.

FedEx Training: This training need to provide to all frontline employees like couriers, customer service agents, clearance agents, revenue operation agents. The training package includes:

Basic level and on job training for new hired employees

Advance level for employee who work for more than 3 months

Communication skills for customer contacted employees

Re-currency training and testing. This test is designed separately for each operation teams

Outside training: Selected employees can be sent for training outside of FedEx Vietnam:

English language training for customer service agents

Customs clearance operation courses by customs office for clearance agents

Management skill for managers

Reward policy: FedEx can set up goal for each team from the partner and motivate them by reward if they beat the target.

To prepare for integration strategy, the company also should recruit some key persons to work with partner at finance, customer service and operation. These key persons will get familiar with process and will ensure smooth operation when FedEx fully run the business.

Operation strategy

To expand the market share, the operation strategy is improvement of service quality. This can be done through:

Introduce and implement Best Practice Method (FedEx world-wide standard process in each function that helps operation reach highest productivity/quality)

Separate station operation (for pick up/delivery activities) and gateway operation (for customs clearance), relocate gateway to the airport to take advantage of early arrival time of aircraft.

Setup call centre to improve customer service operation. This should be considered as priority for FedEx at this time to immediately improve customer experience with the service.

Introduce One-call service for key customers. With this service customer needs to contact with only one person for all their inquiries.

Expand current station facilities for relocate stations to bigger sites to meet with increase shipment volume.

Organize more pick up and delivery routes so each courier will cover a smaller territory to ensure on time pick up and delivery

Marketing strategy

FedEx marketing in Vietnam in past few years focused on earned media through its sponsoring activities. The paid media was not budgeted.

To support for market development strategy, beside the earned media activities that company is doing, marketing strategy should include:

Direct marketing to potential customer for newly launched services such as International Economy, International Priority Freight, International Distribution.

Direct marketing to current customer for value added services like broker service as well as service improvement in Hanoi after aircraft launch to this city.

Promote FedEx website to customer and provide more functions on the website. Provide Automation Solution through website to give customer more convenience to ship with FedEx.

Organize recurrent meeting with customer or recurrent survey with customer to get the feedback on service issue. This will help the company to formulate action plan to better satisfy customer.

Use paid media on combination with earned media to better explore the image through sponsoring activities.