PGDM (RM), 2020-22

Sales & Distribution Management

RM-309

Trimester – III, End-Term Examination: April 2021

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: ____________

Instruction: Students are required to write Roll No on every page of the Answer Sheet. All other instructions on the question paper / notifications should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 6 Questions	10 Marks each	3*10 = 30
B	Compulsory Case Study	5,5,10	5+5+10 = 20
		Total Marks	**50**

Section A

Q1.a) Differentiate between Qualitative and Quantitative technique of forecasting ?

OR

b) How are channel of service different from channel of product? Why is this difference pertinent? (CILO1)

Q2.a) How will selling for a non-government organization vary from selling for a profit making organization ? What preparation is necessary to sell scholarship and organize funds for Dhyanchand School of Hockey in Raipur (Chattisgarh) ?

OR

b) What are the channel flows required for a company selling fire extinguishers for non-industrial use? If the company is a new one, what measures can it take to become the channel principal ? Why should a channel principal be very careful in choosing a particular source of power in managing channel members? (CILO2)

Q3. a) Attractive Footwear limited has seen substantial growth in last 10 years. The sales (in 00,000s) are reported in the following table. What method of forecasting will you suggest and why ? Forecast sales for FY 2021 based on the given data.

Year	2020	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales	49.39	39.48	36.47	40.46	39.88	49.54	48.98	46.54	49.56	52.45	53.21

OR

b) . Mr. Hariharan works as Sales manager in Eureka Forbes. He has the following data available with him for sales analysis. Find out about sales effectiveness of the territories.

	(A)	(B) Territory	(C)	(D)
Sales	64	78	70	56
Sales Quota	66	75	67	45
Previous year Sales	60	60	68	40
Industry Sales	250	242	232	133

(CILO 3)

Section B

Answer the questions at the end of the case. (CILO1,2,3)

Plattsburgh Motor Service

Adapting Channel Strategy to a Changing Environment

Plattsburgh Motor Service(PMS) is a major distributor of automotive replacement parts and accessories. Located in the northeastern corner of New York State, it is a family-owned business established in 1924 by Walter H. Church, Sr. The business is currently being managed by a third generation of the Church family.

The Industry and Its Traditional Distribution Channel

PMS is a member of the traditional distribution channel in the automotive aftermarket industry. The traditional automotive aftermarket channel begins with the auto parts manufacturer, moves to warehouse distributors, then to jobbers, to dealers, and finally to consumers (see Exhibit 1).

Warehouse distributors must demonstrate to the manufacturer that they are capable of moving large amounts of product through the distribution channel. In return, they earn an additional discount off jobber prices. Warehouse distributors sell primarily to jobbers. These jobbers are known to most of the public as auto parts stores. Other customers of the warehouse distributor include firms with large fleets of vehicles and high-volume dealers, whose volume places them in a preferred customer category.

The jobber's customers include (1) the dealer group and (2) the do-it-yourself customer group. The dealer group is composed mostly of service stations buying automotive parts to be used in maintaining or repairing consumers' vehicles. The do-it-yourself customer group may comprise up to 50 percent of a jobber's sales.

PMS has six locations in five different localities. Its largest location has warehouse distributor status, with its five other stores having jobber status. The five PMS jobber stores buy from the firm's warehouse distributor store. These jobber stores are known as captive stores because PMS's warehouse distributor store is assured of sales to these five stores. However, most jobbers in the automotive aftermarket industry purchase from independent warehouse distributors. Hence PMS is in the enviable position of not having to "drum up" business from independent jobbers.

The Current State of the Industry

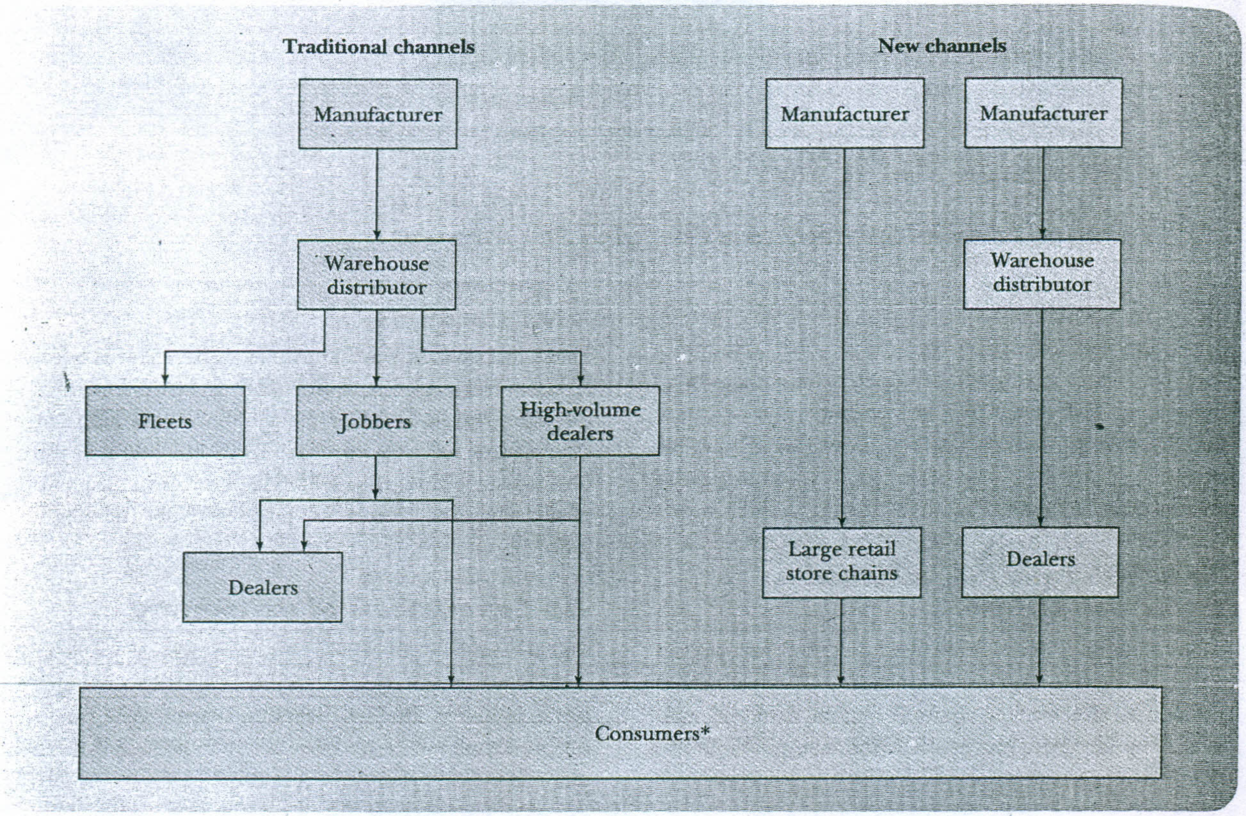
The automotive aftermarket industry has grown steadily over the years and was once considered to be a recession-proof industry. During recessions, when new car sales decline, consumers are more likely to keep and fix their older cars than to buy new automobiles. However, during the recession in the early 1980s, the traditional automotive aftermarket experienced a downturn. The automotive aftermarket industry is now considered to be a mature industry characterized by slow growth.

Several factors may account for the sales decline in the traditional automotive aftermarket industry. First, during the 1980s recession consumers were neither buying new cars in substantial numbers nor having their older cars fixed as frequently. Those in the industry feel that consumers were ignoring the minor rattles and malfunctions in their cars and were waiting until a major breakdown occurred or was imminent to get their vehicles fixed.

Second, more consumers have begun to perform their own maintenance or repair jobs on their cars. The reasons are an increasing number of self-service gas stations, a decreasing number of gas stations that perform service on automobiles, and an increase in labor costs for automobile maintenance or repairs.

Third, manufacturers of automotive replacement parts have begun to use a multiple-channel distribution strategy.

Exhibit 1
Distribution Channels in the Automotive Aftermarket Industry



Note: Includes do-it-yourselfers.

In addition to using the traditional auto parts channel (manufacturer to warehouse distributor to jobber to dealer to consumer), manufacturers have more aggressively marketed their products directly to large retail chains. Consumers can find automotive replacement parts and accessories (such as oil, spark plugs, air filters, and batteries) in national mass merchandising chains, discount department stores, supermarkets, and even drugstores. Advertising of branded auto parts by manufacturers has become more common. Furthermore, the consumer often finds these products being used as loss leaders by retail stores.

Finally, technological improvements in auto parts design, manufacture, and materials have led to a longer life for some products. Hence new forms of competition from outside the traditional channel as well as increased competition within the traditional channel have created new pressures in the automotive aftermarket industry.

Industry Pricing and Inventory Practices

Pricing Practices

Manufacturers of automotive parts customarily provide members of their distribution channels with price sheets. These price sheets are printed on different colored stock, and the color indicates the member(s) of the distribution channel for which the price is intended.

For example, *yellow* price sheets show three prices:

- *List price:* the highest price, but rarely charged
- *User/net price:* the price charged to nondealer customers such as do-it-yourselfers
- *Dealer price:* the lowest price on the yellow sheet

Green price sheets show list price and stocking dealer price. Stocking dealers earn a larger discount than regular dealers because they carry larger amounts of inventory. The *blue* price sheet is used by warehouse distributors for

Part Letter	1995 Sales	2000 Sales
A	$1,800,000	$1,500,000
B	1,080,000	825,000
C	324,000	675,000
D	252,000	450,000
W	144,000	300,000
	$3,600,000	$3,750,000

Exhibit 2
Comparison of Sales by Letter Ranking

two purposes. First, they use it to "price out" sales made to their jobber customers. Second, the warehouse distributor buys merchandise at a discount off the blue price sheet (jobber prices). As is the case in most distribution channel relationships, the greater the intermediary's responsibility and risk, the larger the discount on merchandise purchased or the greater the markup on merchandise sold.

Inventory Practices

In addition to providing distribution channel members with price sheets, manufacturers use standardized national rankings, which indicate how popular certain auto parts are. Automotive parts are ranked A, B, C, D, or W.

Parts ranked A are extremely popular and are the fastest-moving parts industrywide. They should be stocked by all members of the traditional distribution channel. Parts ranked B are not as popular as those ranked A, but should also be stocked by all levels of the traditional aftermarket channel. Parts ranked C are less popular. They should be carried by warehouse distributors and jobbers, but it is suggested that dealers stock these parts with caution. Parts ranked D should be stocked by warehouse distributors, while jobbers should stock them with caution. Finally, parts ranked W are suggested for warehouse distributors' stock only.

These letters (A, B, C, D, and W) signify only *which* level(s) of the distribution channel should carry *which* automotive parts. The letters are not related to, and have nothing to do with, the pricing practices for each type of part. For example, the jobber would charge the same markup percentage on a fast-moving A part as on a slower-moving C part.

Inventory Investment Requirements

Inventory investment requirements in the traditional automotive aftermarket industry have grown at a very rapid rate in recent years due to the problem of "parts proliferation." The number of automotive parts being made has proliferated as a result of (1) a larger number of different automobile models (both American and foreign) being produced for highly segmented markets and (2) government-mandated safety and emission control equipment. Government regulations have created entirely new categories of automotive parts. And because many people are keeping their automobiles longer, auto parts distributors not only are forced to stock a larger number of parts for each model year, but they must also carry a larger number of model years in inventory.

When a firm must increase its investment in inventory, this increases overhead and reduces profitability. However, not all sellers of automobile replacement parts have increased their investment in inventory. Some have found their niche by selling only the most popular and fastest-moving parts. By stocking only parts with high turnover, these distributors can afford to sell them at prices lower than those suggested by the manufacturer.

The Major Problem at Plattsburgh

The top-level executives at PMS were concerned because their sales had been somewhat stagnant over a period of two to three years while total industry volume had increased modestly. More important, PMS profits had declined slightly over the same period. A comparison of company sales for 1995 and 2000 and a breakdown of total sales by letter ranking are presented in Exhibit 2.

Discussion Questions

1. Identify the possible sources of Plattsburgh Motor Service's dual problem of stagnant sales and declining profits.
2. Evaluate the current industry and company inventory and pricing practices.
3. Develop alternative marketing mix strategies to present to PMS management that might solve their current problems.