

PGDM (International Business), 2012-14
Sales & Distribution Management
IB-332
Trimester – IV, End-Term Examination: September 2013

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Note: There are 3 sections in this paper. Answer briefly and to the point.

Section – A (15 marks)

Answer any 3 Questions (5 marks each)

- Q.1. Using the framework of the 3 stage Marketing process, how would you describe the sales process. Is it an equal transaction at the sales to the consumer? If not what are the responsibilities of a company and its sales force to bring about equality and really service the customer to ensure retention, loyalty and repurchase.
- Q.2 Evaluate the common practice of sales promotions(discount sales). Make an objective analysis giving the pros and the cons for the common practice. In your considered view in what circumstances can this practice be justified?
- Q.3 Write about choices of distribution channels and other aspects of the third P referred to as "Place" in popular marketing parlance. For a new entrant what type of Distributor profile should it look for? Discuss pros and cons of your recommendation.
- Q.4 Discuss the right approach in handling the vexatious issue of non moving/slow moving variants. What is wrong with the conventional approach followed by most companies and what are the implications for the long term in terms of sales, market share and profitability?
- Q.5 Comment on the approach to making and recording sales of most Indian companies. What are the advantages if any of this approach? List and comment on the disadvantages. Are primary and secondary customers affected equally by this approach?

Section B (20 marks)

Answer any 2 Questions (10 marks each)

- Q.1 Write a recommendation on expectations from channel partners. Make specific suggestions for each type of Channel partner. Do you think that each type of. channel partner has unique responsibilities? Or are they linked? Give details to substantiate your submission.

- Q.2 Suggest a framework for evaluation and compensation of a firm's Sales force. What should be the key performance variables identified? What if any should be performance "areas" that should be avoided under all circumstances. Do you think there could be special performance characteristics or priorities for consumer durables? If so mention and justify the critical ones
- Q.3 Explain the concept of merchandising with reference to retailers. Who should take the major responsibility in designing the merchandising system? Should significant input be expected from the retailer? Who should bear the Costs? Should the retailers accept significant accountability for impact and delivery? If so give relevant details

Section – C (15 marks)

Compulsory Case Study

Read the following caselet and answer both questions

ARTISTS AND WIZARDS-ASIAN PAINTS

Starting life in the Indian Paint industry was a lonesome and threatening experience just after *India's Independence*. The dominant company in the field was Imperial Chemical Industries(ICI)who had set up an Indian subsidiary and had the blessings and patronage of the British rulers for several decades and had been able to transfer knowhow and technology from the overseas parent. What is more the company was both into the home decoration segment as well as the Industrial segment thus spanning both the B2B and the B2C market in india. When Asian Paints was started by two Indian business families from Mumbai(then Bombay), headed by Atul Choksi nobody in their right mind would give them a half chance at succeeding in this forbidding competitive environment which had acquired a couple of additional Multi national competitors- Berger Paints and Goodlass Nerolac. While all three of these formidable rivals had decided to have a presence in both the Industrial and Home Decoration segments of the market, the owners of Asian Paints decided to confine themselves to the latter which at that time wasn't a very significant market.

During the next 30 years ICI declined in its dominance of the market and lost a significant part of its market share, while the other two multi nationals could not decide where their true priorities were with the Industrial or the consumer segments. All the while the desi company went from strength to strength bringing out innovative products of superior quality, competitively priced. Their distribution network was assiduously developed to span and penetrate the urban markets in the Metro cities as well as the tier 1 and tier 2 cities and towns.

Asian Paints have proved to be a formidable competitor in the protective and decorative surface Industry holding their own against reputed Multinationals. They have developed and marketed a full and attractive portfolio of products which have addressed the various price and usage segments. These include emulsions, enamels, exteriors coatings, distempers, wood finishes, powder coatings and refinishes. As far as product pricing is concerned, the company has cleverly occupied all the price points in each category, which its competitors have been unable to match. For instance in the Emulsion category, Asian Paints have products in the lowest bracket Rs 70-Rs 90 per litre and go all the way to the highest price offerings of Rs. 350 per litre where none of the competitors have offerings. This comprehensive coverage of the full price spectrum is one of the distinct competitive advantages that the firm enjoys. In Distempers the price range varies from Rs. 30 per litre at the low end to Rs 80 per litre at the top of the high end. Needless to say Asian paints have presence all the way through the pricing band which none of their competitors has been able to match.

As far as promotional strategy, the company offers lessons for all from students of management to large companies targeting the continuously growing urban and rural markets of a swiftly developing economy. Starting in the 1960's with a focus on rural and low price markets with

their mascot Gattu conveying the message of simplicity and affordability, Asian Paints moved into the premium positioning space with their "Spectrum of Excellence" ad campaigns. In the 1990's the positioning changed to "Celebrating Occasions and Improving Prosperity with the "Celebrate with Asian Paints" campaign that encouraged customer involvement in what had hitherto been considered a low involvement product choice. The brilliantly conceived "har ghar kuch kehta hai" ad initiative launched in the late 1990s, spoke to the increasing involvement of home owners with interiors and décor and to the preference for specific colour schemes. This communication had both a rational as well as emotional connect with the increasingly affluent and well informed middle class. With "har rang kuch kehta hai" the brand took ownership of the Colour variable and supported it with the largest variety of decorative color and shade in the industry. The subsequent campaign "Sample laaney ki kya zaroorat hai" reinforced the domination of color and shade and was supported by a comprehensive catalogue and the provision of computer mixing at the retail outlet. This in addition to providing vast variety also made it convenient to both retailer and customer to provide and get specific choices on the spot (something which most customers could not avail of in the traditional paint retail setup. The re emphasis of superior variety was through the 'Rang badal de' campaign with the sub title "For all the colour nature has to offer, contact our colour world." Most recently the campaign slogan "yeh sirf dikhta mehnga hai" has a mass market appeal to affordability which is a universal expectation. Thus we see how well Asian Paints has understood its market segments while also accepting that over time, any product category including their own would move to a commoditization where price is paramount and the other critical P of the 4 Ps of marketing come into play and that is Distribution and Sales.

Emphasizing its focus on the individual customer, rather than cooperates, Asian Paints boldly went for national coverage targeting the rural areas in addition to the urban centres which its industry rivals exclusively concentrated on. In pursuit of an open door inclusive policy, it welcomed distributors and retailers in all of the regions. Its current retailer base is 15,000 more than double the figure of 7,000 in 1990. The areas specially targeted were semi urban and rural centres. The firm thus had an advantage over its large multi national rivals as well as the smaller ones who adopted a region specific strategy.

The company faced at least three challenges. Firstly the wide coverage necessitated good logistics capability and exceptional inventory management. It also had to cope with an inherent conflict between managing costs and providing superior service to both its primary customers and the consumers. Finally it had to develop and maintain an optimum product portfolio through providing desired variety with a minimum no. of SKUs. It is a tribute to Asian Paints that they have addressed all three challenges adroitly and purposefully serving all the relevant customer segments with attractive products at extremely competitive prices.

The number of service depots are 60 in number with each having a reach of 300 retailers, a close to ideal figure. As the retailer base has expanded, additional depots have been commissioned, ensuring adequate servicing of the retail outlets. Special care is always taken to give the retailers what they need and in proportion to what they can realistically sell. As a result, the firm has been able to avoid discount selling and to maintain tight control on its credit to its associates. Early payment against receivables is incentivized by nominal discounts which reach a maximum of 3.5% which is set off against subsequent payments so that these incentives are delivered against actual payment performance rather than as a pre set arrangement with the associates. What is really impressive is the company's relentless pursuit of up to date and accurate information through its contemporary SAP e.r.p computerized information systems. This helps not only in knowing the inventory status quality wise as well as quantity wise, but serves as an invaluable aid in progressively improving the sales forecast overall as well as by category and by individual sku.

These efforts have resulted in enviable competitive performance in several key result areas of Sales and Distribution. Asian has an average inventory of 28 days compared to the industry average of 51 days. Equally impressive is its record of outstanding credit at 25 days versus the claimed industry average of 40 days (which in all likelihood could be significantly higher). The average forecast efficiency of the industry champion is 90% which is enviable and at least 40%

more accurate than its competitors judging from the Inventory and credit figures which have to be considered as reflective of forecasting accuracy. The regularity of company salespersons and distributor visits to retailers as well as the compliance for the right product in the right quantity are reflective of Service Efficiency. Here too Asian scores over its rivals with figures of 85% as compared to their 50-60%.

As mentioned earlier in this study, Asian Paints have recently entered the industrial coatings market. The firm has emphatically demonstrated its excellent understanding and superior servicing of the consumer customer. Will it be able to replicate its impressive performance in this fiercely competitive market?

Q.1 Several factors have been identified to explain the success of Asian Paints in the Sales and Distribution arena of the paints market. In your view which are the most significant of these? If you had to choose one factor more than any other that contributes to the firms competitive advantage which one would it be and why? **7 marks**

Q.2 in what ways would the successful penetration of the Industrial paints market be different from the home decoration market? Specifically in terms of the number and quality of the Sales persons would there be differences especially in terms of product and process knowledge? Would the following be easier a) Credit management b) Inventory management? **8 marks**