

PGDM 2016-18
Sales & Distribution Management
DM-332
Trimester – III, End-Term Examination: March 2017

Time allowed: 2 Hrs30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write their 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. In terms of choice between Distributors and Wholesalers what should be the right approach for a company? Does it make sense to have both of these associate types in one Sales area? If so why? If not why not?

Q.2 What according to you would be the reason for most companies facing an enduring problem of Imbalanced Sales inventories? What are the major consequences? How should the problem be tackled and where?

Q.3 Establish the criteria for choosing Sales Associates including Carrying and Forwarding Agents, Distributors and Retailers? Would you prefer candidate organisations/groups with prior experience in the industry and/or business function, or newcomers. Provide pros and cons for your recommendation.

Q.4 What should be the ideal approach of a company towards its Product portfolio in terms of either maximizing, minimizing or taking a Goldilocks approach for the number of products it should plan to have at any point of time? Why is it that many companies tend to take the sub optimal approach?

Q.5 Clarify the concept of Segmentation for an Industry and its products. What can be seen as the major causal factor for the evolution of segments? Provide an example to substantiate your explanation

Section B (20 marks), Answer any 2 Questions (10 marks each)

Q.1 What is your assessment of E Retailing as it is currently practiced in our country? Do you feel that in the future it has to be an "either or" choice between Brick and Mortar retail and Online retail? If the answer is that both can and will be valid, what changes have to take place in the respective options?

Q.2 Describe the sequence of the 4 Ps of Marketing and the ranking in terms of importance for best chances of Competitive success? Which of the Ps could be considered the least independent/most dependent and why? What should this element reflect to maximize its contribution to Sales and Market share?

Q.3 Discuss the advantages and disadvantages of being a Franchisee, a Committed Dealer/Retailer or a multi-brand retailer for a branded Player. What should be the main performance variable to be optimized in every one of these Associates? Provide an illustrative support for your submission.

Section – C (15 marks), Compulsory Case Study

Read the following Case and answer both the questions given below

NANZ --- A LESSON TO LEARN FROM:

It was hyped as India's first supermarket chain. Barely seven years later, the Nanz chain of food stores was in cold storage. Formed by a reputed group of Foreign and Indian entrepreneurs and executives, the group had projected a turnover of Rs. 100 crores by 1997. However two years later, the sales figure had barely reached Rs. 20 Crores. Of profit there has never been a sign.

The problems started right from the groundwork- literally. Nanz chose to start its chain in Delhi where the Indian promoters the Nandas of the Escorts business group are based. But this proved to be a bad business decision because of the crippling real estate prices. For one of its retail outlets in South Delhi, the firm was paying rent of Rs. 5 lakh per month on its 10,000 sq. feet of space in 1993. Rent accounted for 4 to 5% of its total revenues a prohibitive figure for a retailer. A further 4% went to power bills and 4% for manpower all of which were too high by Indian retailing standards given that retail margins are low(not more than 14% at best). A major jolt to the company came when its flagship outlet in Delhi's posh South Extension was razed to the ground by the Delhi Municipal Corporation for violating residential property rules.

Nanz failed to lure middle and lower middle class customers who found that they got better bargains and better service from the neighbourhood Kirana (mom and pop) stores who enjoyed much lower overheads and therefore could provide credit terms as well as personalized service to this class of customer. The Nanz stores in South Delhi had footfalls of 300 to 500 per day and an average customer "basket" of Rs. 600 to Rs.700 which was substantial. However conversions were low. It was opined by experts that if the footfalls went up to 800 per day, even with the low conversion and lower basket size the outlet would earn significantly more revenue. Nanz did try to compete with the Kirana menace by opening LOBILL Stores which were smaller(1000 to 2000 sq.feet) no frill outlets in middle class catchment areas like Noida, and Karolbagh. However these had to be shut down because they did not offer adequate price differentials from the Kirana stores and the firm was not consistent in its promotional activity, nor well stocked to satisfy customers who wanted specific brands such as Priya for Pickles or Mohan Corn flakes to quote just two examples.

Nanz did little to strengthen customer relationships in a durable manner. Where for instance a major rival in Organised retail at that time Shoppers Stop had an energetic Customer loyalty programme, Nanz launched special promos and went in for aggressive and costly advertising. The problem was that these efforts were rarely consistent. Nanz would step up its media presence during the fag end of one month and the beginning of another(from the 25th of one month to the 10th of the following month). However such measures only brought temporary relief.

Partnerships were a major source of failure. The firm was trying to fight the general perception that a supermarket or a branded store need not necessarily charge higher prices. Retail chains and supermarkets are successful abroad because People associate them with economy. Apart from stringent cost controls per square foot of Commercial Space, a crucial element of success lies in cost efficiencies in supply management and bulk sourcing.

A related area of concern was sourcing from Distributors rather than the major manufacturers thus depriving the firm of lower cost sourcing which all organized retailers do in Western countries.

Even where sourcing was done with a couple of biggies such as Colgate and Nestle the firm was unable to avail of better pricing because of low volume of offtake.

Nanz did not have adequately trained and vigilant staff manning its retail outlets though they were well paid by industry standards and were "presentable. However their attention to Customer servicing, good housekeeping and inventory management was woefully inadequate. The supervisory cadre as well as the management was not focused adequately in terms of their specific responsibilities as well as directing and improving efficiency and effectiveness in the lower levels.

A basic lack of vigilance added to the management's woes. One major problem was a high degree of pilferage. The Shrinkage losses were as high as 6%. According to the executive Director B.K. Kapoor. "We had to depend on manual supervision. We did not have close circuit TVs in the stores". Though efforts were made, according to the managements own admission, the losses due to Shrinkage could not be brought to acceptable levels.

The lax standards at the store level were a direct reflection of the management which was constantly in a state of flux. In a short span of eight years, Nanz Food Products had six C.E.O.s. The first C.E.O. was a German, Andreas Blankenhorn. After a two year tenure, Daljit Walia succeeded him. Both Walia and his successor General S. Mehra were superannuated. V.T. Bajaj took over for a short period. In mid-99m Sarabjit Ghose succeeded him. In mid 2000, S.K. Manchanda, then head of merchandising, took over as the acting C.E.O. when Ghose resigned. To summarise a woeful tale of heads, the firm had six C.E.O's in a span of six years resulting in a total lack of management continuity.

Despite numerous troubles, Nanz continued to open new outlets and appoint new franchisees at an alarming rate. By Nov 1997, it had 22 outlets in Delhi and Punjab including 10 franchised outlets. However by the end of that year, the company had decided to discontinue franchisee operations and go it on its own attributing this move to franchisees inability to get supplies from distributors. Also earlier plans of opening 50 additional stores and achieving a turnover of Rs.100 Crores proved to be a pipe dream. The total turnover never exceeded Rs. 20 Crores. Most of the stores had not even reached break even. In the end Nanz had to accept that it did not have a proper plan and a business model.

Q.1 What in your opinion were the major problems experienced by the group in terms of its Marketing and Sales strategy? To what extent was poor leadership a contributor to the firm's lack of focus and direction? 8 marks

Q.2 If you were appointed as a Consultant, what would be the priorities that you would recommend in terms of Sales and Distribution strategy and filling gaps and plugging leaks in the Nanz business? 7 marks