PGDM-RM 2013-15

Sales & Distribution Management

RM-302

Trimester – III, End-Term Examination: April 2014

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.

Sections	**No. of Questions to attempt**	**Marks**	**Marks**
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

Section A

Q1. Explain the concept of systematic selling? What steps a sales manager has to take for training his people in systematic training?

Q2. What are the channel flows required for a company selling electric motors and pumps and identify the channel intermediaries who can best perform these flows?

Q3. Which is more important to consider in inventory planning- variations in lead time or variation in demand? List the possible difficulties induced by both types of variations in inventory planning process.

Q4. Non financial incentives are for exceptional people and it leads average people to expect nothing beyond salary or desired commission level. Do you agree with this statement?

Q5. How effective is the measurement of the effectiveness of the training programme in monetary terms? Why is it important to evaluate the effectiveness of the training programme?

Section B

Q6. How do we develop a performance measurement mechanism to measure the performance of wholesalers? What should be the typical component of such a measurement mechanism?

Q7. 'Our objective is to increase the sales in all territories next three months by making aggressive sales calls through improved relationship with customers and better communication with potential customers.' Is this a good quota? What will you do to improve the quota definition?

Q8. As a measure to cut the costs, in order to improve dwindling profits, the head of sales and marketing sends a communication to all sales managers at all levels to cut the selling costs by ten percent without affecting the sales volume quotas. As an example he says if a sales manager wants to visit a territory outside the home- town, he should take an overnight train instead of going by flight. This measure is temporary, till the company's profitability improves. How would you convey this measure to your sales people and make them accept it?

Section C

Study the case and answer the questions at the end. (5+5+5=15)

CASE STUDY . . .

Global Agro Products

Global Agro Products is a Chennai-based manufacturer of instant speciality foods. Most of its products are based on typical South Indian recipes such as *dosa/idli* batter, instant *idiappams,* and *appam* batter. Altogether the firm sells about eight different product and has about 20 stock keeping units (SKUs). The company has been in operation for the past ten years and has developed these products with technical help from the Food Research Institute. It sources the raw materials for all its products from farmers in Tamil Nadu and has a factory located in the suburbs of Chennai to manufacture these products. The manufactured products are carefully packaged in vacuum sealed polypacks that have a short shelf life. Many of the products, such as *dosa/idli* batter, have a shelf life of not more than two days and have to be stored in refrigerated units. Other products, such as instant *idiappam* and instant *upuma* have a longer shelf life and can be stored in normal temperature. Roughly, the company produces 10 SKUs that need special refrigerated storage and have a very short shelf life.

In the year 2009–2010, the company had a sales turnover of ₹20 crore with net profit of about 3 crore. Roughly, half of this came from the perishable products, and the other half from non-perishable products. Due to shorter shelf life, the company sells its perishable products in and around Chennai. The non-perishable products are sold across Tamil Nadu and Kerala. The products are sold under an umbrella brand name. The brand name is promoted through television and outdoor advertising, as well as through point of purchase materials such as posters. Over the last 10 years, the company has build up a good brand image and has a loyal following. The products are typically bought by middle income families. The products are considered to be very convenient in families where both the husband and wife are working. The brand is known for its quality and taste.

The products are sold through a variety of retail outlets. They are available in most of the major supermarkets, as well as through small *kirana* stores with refrigeration facilities. The products are also sold through milk booths which typically will have refrigeration facilities. Supermarkets account for roughly 30 per cent of all the sales for perishable products. The retailers are given a margin on 10 per cent over the maximum retail price. To reach such a large retail network the company relies on three different types of distributors. The supermarkets buy these products directly from the company at a much reduced rate but in bulk quantities. Typically, the supermarkets demand roughly 20 per cent commission from the retail price. For other *kirana* outlets in and around Chennai, the company relies on 15 independent distributors who have expertise in selling perishable products. Chennai is a large city with around 10 million inhabitants and a lucrative market with the company's products being sold through more than a thousand small outlets and milk booths. These retail outlets in Chennai are covered by the 15 wholesalers.

The wholesalers provide a variety of services for the company. Most of these wholesalers are truck jobbers who cover about 50 to 100 retailers every day. They sell a variety of perishable items, such as ice cream and cooked food, along with the instant food products manufactured by Global Agro Products. Most of these players are just small operators with no more than two to three employees. The company gives a commission of 10 per cent to these wholesalers. For most of these wholesalers, Global Agro Products is their largest supplier. Each wholesaler has a well designated territory and does not encroach on any other. The wholesalers take the stock from the factory every day at around 1.00 p.m. and travel through their designated route, covering about 50 to 60 retailers between 1.00 p.m. and 6 p.m. The distributors supply the products to the retailers based on the retailer's request and take back any unsold items. The retailers are billed every Saturday and payments are collected for the week. The retailer therefore gets a week's credit. The wholesalers also sell other products, along with the *dosa/idli* batter to these retailers. These products (such as flavoured milk and cooked sweets) are sourced from other manufacturers. The wholesalers thus share their overheads from these products.

The non-perishable items are sold (sometimes to the very same shops in Chennai) through another set of large distributors. These distributors cover both Tamil Nadu and Kerala and cover a larger set of retailers.

They are large food distributors who handle several other products, including those from other larger FMCG companies. These distributors have large warehouses and transportation infrastructure. The company employs roughly one distributor per district and deal with about 50 distributors of this category. While the company insists on a maximum retail price for these products and give 20 per cent commission for these products to large distributors, the company has hardly any control over the rate at which the products are sold to the retailers, nor the coverage achieved by distributors. The distributors also pay only one month after the purchase. These products are ordered by the distributors as and when they face a demand from the retailers. They are supplied by the company within two days. The company supplies the products through transporters to the warehouses of the distributors. Some of the distributors are located in Kerala, hundreds of miles away from Chennai. The company deducts the transportation costs from the distributor's commission on a monthly basis.

Presently, the factory is working to 70 per cent capacity and lack of capacity utilization is affecting its profits. The company wants to achieve 100 per cent capacity and feels that there is demand for its products in the market. While the wholesalers cover several small shops in Chennai, it is believed that there is scope for increasing the coverage by at least 50 per cent. Several neighbourhoods are still not covered. With the city expanding to several more suburbs, there is scope to expand the market further. However, the company feels that expanding the distribution beyond Chennai is not probably that easy. It is also considering appointing large wholesalers instead of dealing with several small wholesalers. However, it will be difficult to find such a large wholesaler who has good local contacts, and further, such a wholesaler may ask for more commission. Initial enquiries reveal that large food wholesalers would demand about 10 to 15 per cent commission, although they cannot guarantee the existing level of coverage.

As far as non-perishable items are concerned, the company feels there is potential for more coverage in a state like Kerala, where the distributors are not very effective in promoting the company's products, as there is intense competition from several Kerala based producers of similar products. The company is seriously thinking of appointing a commissioning agent in Kerala, with warehousing facility in order to cater to the distributors there.

Questions

1. What do you think about the present distribution structure of Global Agro Foods? Is there scope for improvement?
2. Devise a detailed performance measurement scheme for measuring the performance of the wholesalers and distributors?
3. Which do you think is the best way to expand the distribution network? Why?