

**JAIPURIA INSTITUTE OF MANAGEMENT**

**POST GRADUATE DIPLOMA IN MANAGEMENT**

**THIRD TRIMESTER (Batch 2018-20)**

**END TERM EXAMINATIONS**

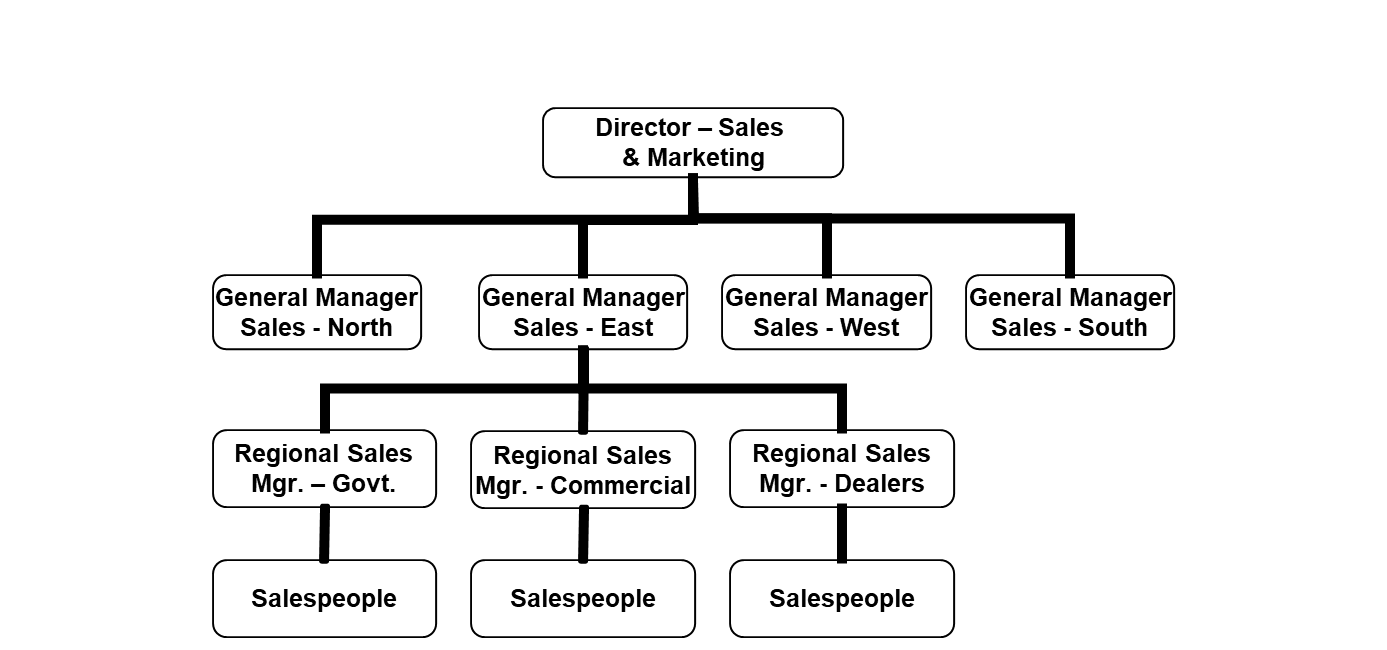
**SET NO.: 2**

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| --- | --- | --- | --- |
| Course Name | Sales Management and Business Development (SMBD) | Course Code | MKT301 |
| Max. Time | 2 hours | Max. Marks | 40 |

Instructions: All the questions are compulsory

Q1. Assume that you are the national sales manager for Replica Inc., a manufacturer and marketer of photocopy equipment and supplies. The firm’s products are sold both nationally and internationally by a salesforce of 5000 employees. Replica sells to accounts of various sizes across several industries. Prepare a proposal that illustrates your recommended sales organization structure. You can make some assumptions and specify the same. Justify your recommended structure. **(10)**

**ANS:** Students need to develop the organizational structure which would be line and staff structure which is further divided on customer segments, product types and geographies. An indicative structure would be :

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Q2. Your knowledge of selling can help you get started in a sales career. One way to convince the customer is to use the feature-advantage-benefit (FAB) approach. Develop the blueprint of the FAB approach to sell any product (goods or service) of your choice. Your answer should contain detailed discussion on how your product scores above the competition. **(5)**

**ANS:** The features of your product can be compared with competition as follows (for example car). Thereafter it is required to discuss the advantages and benefits of the features over the competition

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Features** | **Your Product** | **Competitor 1** | **Competitor 2** | **Competitor 3** | **Competitor 4** |
| **Radial TubelessTyres** | **Yes** | **Yes** | **Yes** | **No** | **No** |
| **Airbags Front** | **Yes** | **Yes** | **yes** | **Yes** | **Yes** |
| **Airbags rear** | **Yes** | **Yes** | **No** | **No** | **No** |
| **Mileage** | **19Km/l** | **18 km/l** | **20km/l** | **16 Km/l** | **19 Km/l** |
| **Ground Clearance** | **209mm** | **169 mm** | **200mm** | **150mm** | **205mm** |
| **Power Windows** | **Yes (2)** | **Yes (2)** | **Yes (4)** | **Yes (2)** | **Yes (4)** |
| **Free Service** | **5** | **4** | **3** | **2** | **2** |
| **Boot Space** | **339** | **420** | **480** | **400** | **350** |
| **Ex Showroom price** | **6.68** | **7.55** | **7.25** | **9.05** | **7.05** |

Q3 CASE STUDY

Tomas Benedict, the chief marketing officer of Faridabad-based Sundram Pipes Ltd, was totally non-plussed to find a remedy of the awkward situation in sales performance of his two trusted and efficient sale officers. He had the long cherished notion that experience positively reinforces performance. So if experience is any indicator of good sale performance, the results shown by two sales officers would speak otherwise. Astonishingly, the performance of the junior sales persons is quite satisfactory. So this is a sharp contradiction of the hypothesized relationship between years of experience in selling and sales performance.

Before going into the details of the problems, let us collect some useful information about the company. The company is in the manufacturing and marketing of PVC plastic pipes of various diameters to serve domestic and industrial sectors. The company has established its reputation in terms of the quality of its products and cost control in manufacturing, and the prices of its products are competitive.

The company has its marketing network in north and eastern regions. In north India, it has its branch office in New Delhi and in eastern region the branch office is located in Kolkata. Each city is treated as a territory.

The company has two pronged distribution channels to reach target customers. One, industrial and institutional customers consisting of automobile industries, hotel industries, block development offices, etc. that are covered by company salespeople and two distributors to cover domestic customers. Sales officers are in charge of dealing with distribution outlets in addition to overall supervision

The company till 2008-09 financial years was running its business in both the sectors- industrial and domestic quite satisfactorily but the sales results of 2009-10 showed somewhat a rosy picture of the industrial sector and a shadowy picture of the domestic front. Tables A and B clearly demonstrate that there is a steady rise in industrial sales and decline in domestic sales

**Table A Industrial Sector**

Sales (in Rupees) 2007-08 2008-09 2009-10

Target 670 750 820

Actual 635 728 800

**Table B Domestic Sector**

Sales (in Rupees) 2007-08 2008-09 2009-10

Target 345 412 456

Actual 336 389 375

The anomaly in sales brewed a storm in Mr Benedict's cup of tea. He felt pride with the sales results in industrial sector where a narrow variance was being maintained between target and actual sales steadily. But what worried him was the widening gap between the target and actual sales in the domestic sector in the year 2009-10. He convened a meeting with the sales officers and salespeople to discuss the problems. He sat separately with the sales officers. What transpired to Mr Benedict was the low motivation level of the sales officers unlike salespeople. The meeting with the salespeople separately furthermore, revealed lack of right leadership from the sales officers. Mr Benedict apparently believed in it. He knew that a post of a senior marketing officer was lying vacant and both the sales officers were aspiring for it. It might be so that ill competition between the two might sap the spirit of both. But he was not sure of it. Therefore, he made a subtle change by reshuffling the allocation of sales tasks and duties with a risk temporarily. He brought in salespeople to look after the domestic sector and sales officers to handle industrial sector.

After six months since April 2009, he reviewed the sales results of the two sectors and to his astonishment, the sales in the industrial sector somewhat declined whereas in the domestic sector, a sign of recovery got noticed. So, Mr Benedict became clear that the problems had its root in the mind games of the two sales officers that had adverse impacts on their motivation levels and consequently on the sales performance.

3.1. If you were Mr Benedict, discuss how would you handle this situation with the sales officers? **(5)**

**ANS: The answer should emphasise on the importance of giving clear sales targets to be achieved in order to be eligible for promotion. How Mr. Benedict can reallocate customer segments and territories needs discussion**

3.2. Given the present scenario, where there is only one post for senior marketing officer, discuss how would you get them motivated to perform? **(5)**

**ANS: The motivation can be worked on by allocating some percentage of points to achievement to team goals and organizational goals rather than just individual performance. Further some rewards can be announced on achievement of targets. The criteria for being promoted to next level needs to be clearly stated so that the officers are motivated to achieve targets to fulfil the eligibility criteria.**

3.3. Analyze the situation and come up with the reasons for success of salespeople despite poor leadership qualities of sales officers? **(5)**

**ANS: Sales people are always communicated their targets and their growth is dependent on the achievements of targets. Further salespeople are always under pressure from sales officers to perform. Therefore irrespective of the change in customer segment, the performance of salespersons was good. Also since the number of sales persons is more than sales officers, therefore there is stiff competition to perform for being rated highly during performance appraisal.**

Q4. CASE STUDY

Tuncan Fertilizers is one of the leading fertilizer manufacturers in India. Its production plant is based in Kanpur in Uttar Pradesh. The company's marketing office is located in Lucknow, the capital of Uttar Pradesh. They had a sales network covering mostly eastern Uttar Pradesh, Haryana, and Punjab. During the period of control regime they were permitted to market only in these areas, but post liberalization they are permitted to develop their own sales and distribution network and market throughout the country. Mr Jacob Martin, vice president (sales), and Mr Devanandan Shukla who heads the customer intelligence division were of different opinions related to the current method of quota setting in the organization.

The company marketed different kinds of fertilizers and cattle feed in the Indian market. They include urea, DAP, and other varieties of fertilizer and different kinds of cattle and boiler feed in the market. The cattle boiler feed are the by-products of the fertilizer making process. They have been very successful in the Indian market over the last decade, whereas the last few years have been very difficult for the company due to free territory invasion by big players and reduction in the subsidies by the government. The company's marketing programme was successful as it could achieve the desired results set by the company.

The sales force compensation method followed by the company also had fewer changes as the competition as well as the compensation and motivational methods followed by the competitor also underwent drastic change. There was also pressure from trade unions to adjust the sales force compensation and motivation plan. To find out the advantages of the modern sales compensation plan and to obtain an unbiased view of the system, Tuncan Fertilizers hired professors of Indian Institute of Management (IIM) Lucknow specializing in selection, evaluation, and compensation of the sales force to undertake a study of the existing sales management practices.

The group of professors working on the project found that the current compensation and motivation plans are the result of the reactionary approaches followed by the company to adapt itself to the evolving market situation and the fast changing competitive landscape. The original compensation and motivation plan was made in 1982 and has been modified in bits and parts and no attempt has been made to find out the effect of the modifications on the other components and on the overall ability of the programme in motivating people and achieving the desired corporate objectives. The modern programme was a combination of loosely stitched systems and procedures and was not an integrated programme with long-term goals. This programme was helpful for some salespeople, whereas it had the potential for demotivating and working against certain others in the organization.

Mr Jacob Martin knew that there is some level of dissatisfaction among the salespeople with the current sales policy and compensation system. He was not sure about the intensity and direction of the dissatisfaction and its negative contribution to the sales performance of the sales force in the organization. He had a strong belief that if a new system is developed in consultation with the sales force, it will improve the performance of the salespeople. He is of the opinion that the company should not announce very drastic changes.

The sales force took this initiative in a positive note. The sales team members brought various issues to discuss with the professors after undertaking a lot of deliberations among themselves. The salespeople are of the opinion that they are happy with the company policy; the prices of the fertilizer have now become competitive and the product they sell is of good quality. The commissions given to the dealers and distributors are also comparable to industry averages. The salespeople in the distant territories and in non-irrigated markets operate on a straight commission based model. They have to operate on such a model because the customers have a seasonal preoccupation. Their sale goes high during the season, whereas in offseason they have no sales, and that puts pressure on their sales performance; hence the company prefers a straight commission method than a salary structure. The staff members who are serving in the irrigated area with the salary plus commission model have no complaints on this issue. These are the salespeople with less than three years of work experience.

The team of experts found out that 33 per cent of the sales force in the company is in a straight commission mode receiving roughly 10 per cent of the sales commission. They have to take care of their selling expenses also. These are the salespeople who have spent a long time with the company and their average age runs around 45 years. The other salespeople were in the alternate model of salary and a certain percentage of commission for their targets. The new salespeople were getting a salary of 12,000 and received annual increments. The average salary was 17,000 in the organization. Every salaried salesperson had to complete an annual quota and receive a commission of 5 per cent above the sales quota. The company also took care of the selling expenses incurred by the salaried salespeople. The expenses were around 1000 per month per salesperson.

The commission-based salespeople were the longest serving employees of the organization and their sales were directly linked to their productivity; the organization never fixed quota for this category of salespeople in the past. The quota for the salaried salespeople were based on the two year average of each salesperson's past sales with that of the incremental sales target of the company. The target for the new recruits was decided on the basis of the sales supervisor's report and some arbitrary method of quota setting. The quota represented a compromise between the experience of the salespeople and the performance of the previous salesperson. Mr Jacob Martin, vice president (sales), believes that the basis used for fixing the quota was a satisfactory method followed over the years in the company. During the last decade, most of the salaried salespeople have been able to exceed the quota and have earned higher than the fixed salary. This means that the motivation for the salespeople was up to the level of satisfaction for achieving maximum selling.

Mr Devanandan Shukla, who heads the customer intelligence division, is not happy with the existing system of quota setting in Tuncan Fertilizers. He is of the opinion that any salesperson can achieve the quota in his own territory because of the high demand of the product and supply restrictions by the government. Again, the support prices and subsidies provided by government for fertilizer are enough for a good amount of sale in the Indian market. He is of the opinion that the quota system based on past sales actually covers up the weaknesses of the salespeople and does not pose a challenge to the salespeople to increase their performance. He is of the opinion that the future quota should be set up by looking at the forecasted annual target and then allocating quotas to different territories based on the potential of the territory rather than the past sales performance.

Mr Martin is in favour of the existing system because he believes that past sales is an adequate basis for determining quota. He is of the opinion that a new method of fixing quota should not be imposed upon the salespeople; rather it should be based on the build up of the sales estimates of the individual salespersons for the forthcoming year.

**Question**

Q4.1. If you were in the consulting team of IIM Lucknow, what recommendations will you make with respect to the fixing of quota in each salesperson's territory? **(5)**

**ANS: The arguments should be based on what are the best methods of setting sales quotas. Various methods of quota setting can be discussed and based upon that recommendations can be made.**

Q4.2. How should the team of consultants evaluate the arguments put forward by Mr Martin and Mr Shukla? **(5)**

**ANS The drawbacks of various methods of quota setting can be discussed while answering this question and a recommendation should be based on the arguments made. Then the student can relate to the arguments made by Mr. martin and Mr. Sukla and evaluate both the options**

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