**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIFTH TRIMESTER (Batch 2019-21)**

**END TERM EXAMINATION, JAN-2021**

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| Course Name | **Distribution and Channel Management** | Course Code | **MKT503** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**Instructions: All the questions are compulsory**

**Q1.** Is it necessary to use multiple channels, considering the fact that the number of consumers is limited? What benefits do you think companies can reap by using multiple channels? **(5 Marks)**

**Q2.** “If I eliminate the wholesaler, I can save his commission and thus offer better prices to my customer”. Do you agree with this statement made by a retailer? Justify your answer. **(5 Marks)**

**Q3.** Based on the different stages of product life cycle discuss the implications of each stage for channel management. **(10 Marks)**

**Q4.** Given an internet penetration of about 6 to 7 percent in India, does online selling make sense for a large company? Should it not concentrate on physically selling only? How can companies use the Internet to gain competitive advantage? You can take any product category to elaborate your answer. **(5 Marks)**

**Q5.** Educational franchising is big business in India. While preparation of competitive exams was once spread over local teachers, big brands set up coaching centers in cities and towns. As a result, some businessmen who had no background in education started coaching centers hoping that they would be run by inputs provided by the parent company just like a slimming center or a fast food outlet. However, an important element in coaching is the skill of the teacher and coaching centers were unable to hire skilled teachers locally. The franchisees thought that teachers would be provided by the parent company as a part of its “support” but were told by the company that hiring of local staff was their headache. As a result, franchisees started asking for their money back. Many closed down.

Assuming you were the manager in such a company what would you do? **(5 Marks)**

**Q6. Case Study (Motivating Channel Members) (10 Marks)**

The basic objective of any incentive is to increase sales. Most of the products come to the market through a distribution channel comprising of dealers. Dealers or distributors are the front- runners and the growth of any company largely depends on its channel network, particularly in a highly competitive market. Companies are offering several kinds of incentive schemes to motivate their dealers to fight competition and pursue them to increase sales in spite of all odds, such schemes are now widely used in many industrial sectors, whether they always give the desired results, can be questioned. Let us analyze this in the light of the prime competition sector, the automobile sector. M/s Rajshree Automobiles Pvt. is one of the dealers of one of the leading Indian Automobile Companies. He holds a market share of around 50% and is market leader in his area. With new players coming in, his market share has dropped by 4% in last three years. The profit margins are also squeezing. The company which never used to question him for his performance has now started reviewing his performance on monthly basis and tremendous pressures have built up to increase sales.

1. In order to support and motivate to dealers the company has come out with an incentive scheme during the peak selling quarter of the year. The scheme was designed to increase the overall market share of the company by 4%. The dealers were given sales targets on the basis of their performance in the previous year in that quarter, estimated industry growth for the year and targeted market-share in their areas. The incentive was based on the collection of payment sent by dealers at the end of the quarter.
2. M/s. Rajshree Automobiles was quite attracted by the scheme and put his best efforts to reach his targets for the quarter. In the process it had to increase the salesman's commission and spend a lot on advertising and field—activities. In spite of the efforts and expenses, it reached closed to its target but found itself unable to reach the desired figure. In order to achieve the collection, figure it arranged some external finance and finally achieved the target.
3. In lieu of the collection sent it was supplied the vehicles. This increased its wholesale market share, however the retail market share remained to be almost the same. The company was happy to see a rise in the wholesale market share and attributed this to the incentive scheme. They ignored the fact that the entire collection had not come by actual sales and the stock at the dealership and the dealer’s market liabilities have increased.
4. In order to attract similar performance, the company extended the scheme for the next month also. Similar happenings took place; however, the impact was low. After continuing for eight months in this manner, the company stopped the scheme. It was found that the sales started dropping.
5. In order to gain more and more sales for incentives the dealer increased the salesman commissions. Some contribution of the incentives was also transferred to the end consumers. These gains slowly became an integral part of the salesman's and dealer’s income rather than an incentive and when the schemes were taken back they considered this as a reduction in their income and lost the motivation to sell, leading to loss in sales. It was observed at the end of the year that the sales had increased but the profitability had gone down. This happened because of the increased expenses on sales promotions activities and interest charges on large stocks and external finances, which was done to achieve the incentive targets.

In the light of above case study, discuss the importance of motivating the channel members. And suggest that how can incentive selling scheme/strategy, help in balancing the market share, profitability and consumer satisfaction simultaneously?