

# Milford Industries

## Case Study

Prepared by  
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### General

The general questions in this case include both marketing and management issues. The marketing issues included product mix, salesmanship, and salesman territorial allocation. While the management issues include salesmen evaluation and to a minor extent expense control.

In a general sense a salesperson should have three basic character traits. One, he should have empathy toward the customer. That is, he should be able to feel what the customer is feeling. Not that he must necessarily agree with the customers feelings but he must at least acknowledge them. Two, he should have excellent communication skills, that is, he must be able to communicate the products benefits to the customer. Three, the salesperson must have persuading skills. He must be able to persuade the customer to purchase the product.

### Milford Industries Salesperson

To be a good Milford Industries (MI) salesperson the salesperson must have the above general qualifications and be able to help the customer design and place store displays, to provide training sessions for the retail sales personnel, to travel extensively ( each salesperson is required to make five or six calls per day), and to project a professional image appropriate for the clientele.

## Enviornment

Mr. Oates was promoted to the district sales manager's position shortly after the sudden death of the previous sales manager, Mr. Goldberg. Mr. Oates' new district, called the Capital District, included Delaware, Maryland, Virginia, West Virginia, and the District of Columbia. His new responsibilities included recruiting, selecting, training, and evaluating the sales force, calling on major accounts, maintaining control over sales persons expenses, and generally promoting the areas sales growth and profitability.

As the new district sales manager Mr. Oates had several decisions to make. He had been informed by the Eastern Regional Manger, Mr. Falzarano, that the Capital District had several problems relating to profitability and sales growth. Mr. Oates needed to determine if these problems actually existed and what to do about them if they did. Mr. Oates also had eight employees of which some were considered problem employees and Mr. Oates needed to determine how to handle each of them. Finally, he had several minor decisions to make including whether or not to hold the up coming monthly sales meeting.

## Capital District Performance Problems

Mr. Falzarano had identified three Capital District performance problem he considered significant. Mr. Falzarano considered the penetration of the district by MI compared to the districts potential to be an issue. In order to demonstrate his concern Mr. Falzarano compared the buying power index (a weighted index that converts: population, buying income, and retail sales into a measure of a markets's ability to buy) with the percent of U.S. retail sales. Although the exact relationship between these two amounts are not clear a difference of .114 (5.6969 - 5.5832) does not seem overly significant.

Another problem addressed by Mr. Falzarano which does not appear of concern related to profitability. He noted that the gross profit percentages for the U.S.A., region, and Capital District for 1982 were 34.3%, 34.6%, and 34.0%, respectively. A difference of between .3 to .6% should not be a concern. However, a comparison between the product mix for the total U.S. sales and the Capital District sales (see exhibit 1) shows were the Capital District would need to focus on the stationary metalworking and woodworking lines in order to bring its profit margin more in line with the U.S. sales. And in deed they should from a general business approach as those lines are among the more profitable.

Mr. Falzarano suggested that the sales performance per salesperson in the Capital District was below what it should be. In order to demonstrate this he compared the U.S. average sales per salesperson of \$2,040,000 to the Capital District average sales per salesperson of \$1,260,000. On the face of it this could be a serious problem. However, these averages could be deceiving as they depend on the size of an employees area, the size and types of the sales areas accounts, and the product mix of the individual salespeople. It could be that the Capital district has many more small accounts relative to the other districts. The case does not supply enough information for further analysis.

The final problem addressed related to sales growth. The U.S. average growth, the regional growth, and the Capital district growth percentages between 1980 to 1982 are 11.1%, 12.0%, and 6.5%, respectively. A further analysis of the growth rates of the various markets that MI competes in would provide for better evidence but on the surface it appears the Capital District has a serious problem here. Potential solutions would include reassignment of the salesmen districts (see discussion below) and additional salesmen training and motivation.

## Salespeople Evaluation

In order to evaluate the salespeople Mr. Oates should review each persons file, examine their qualifications, personally interview each, and analyze their sales performances. Three key questions should override this analysis: 1) Does the salesperson have the necessary qualifications to be a MI salesperson? 2) Can the salesperson profit and growth performance be improved and if so how? 3) When should any proposed action be taken?

Because it is impossible for the case reviewer to conduct a personal interview with each employee, a review of the salespeople will be based on an examination of their personal file (as given through case comments) and sales performance. Mr. Alderson will be examined first.

Mr. Alderson is in his mid twenties, has been with MI for about one and a half years, and his sales territory is the west part of Virginia. Mr. Alderson is the lowest paid salesperson. Per Mr. Falzarano, Mr. Alderson is eager and hard-working, yet his territory has been a problem and Mr. Falzarano is not sure that Mr. Alderson is the right person to turn it around. From the information provided Mr. Alderson appears to have the necessary qualifications to be a MI salesperson. Mr. Alderson has 458 active accounts of a potential of 933 which represents a 49% penetration (see exhibit 3). Additionally, he is making 1.76 calls per potential accounts which is one of the lowest ratios among the salespeople (see exhibit 2). These figures may indicate that the territory is too large and should be divided. Mr. Alderson's product mix appears adequate but he should be encouraged to improve his percentage of mason tools and measuring instrument sales (see exhibit 4). At this time I suggest taking no action with Mr. Alderson and that consideration be given to dividing up his territory at a later date..

The next employee to be analyzed will be Mr. Burke. Mr. Burke is in his early 40s and has been with MI for 15 years in the same eastern part of Virginia territory. According to Mr. Falzarano, Mr. Burke is a solid performer and appears to have the right qualifications. Mr. Burke is the second highest paid salesperson. He has 59% of the potential customers in his territory and makes 2.57 calls per year per potential account. These facts seem to indicate that Mr. Burke has become comfortable with the status quo and may no longer be challenged. In order to challenge Mr. Burke I suggest increasing his territory and setting solid new account performance objectives. Finally, Mr. Burke seems to have his sales concentrated in the lower profit margin areas (see exhibit 5) and firm objectives should be set to improve his product mix. At this time I suggest taking no action in regards to Mr. Burke other than setting product mix objectives and that consideration be given to changing his territory at a later date.



Mr. Caplan is considered a problem employee. He is in his early 30s and is the salesperson for the West Virginia territory. He has been employed for almost two years and is the second lowest paid employee. Comments by Mr. Goldberg indicate that Mr. Caplan has problems dealing with older clients, that he is neglecting the smaller stores, and that he seems unwilling to work hard. During a tour of Mr. Caplan's territory, Mr. Oates noted that Mr. Caplan's call planning seemed weak and also noted that he was neglecting the smaller stores. Mr. Caplan does not have any personal characteristics that would preclude him from being a good MI salesperson. Of the total potential accounts of 883 in his area Mr. Caplan has captured only 35%. He also only makes 1.37 calls per year per potential accounts. Based on these facts it appears that the territory is too large for Mr. Caplan. I suggest that Mr. Caplan be given additional sales and time management training and that his territory size be reduce. He should also be instructed to increase his stationary metalworking and woodworking product sales (see exhibit 6). These actions should be taken relatively soon. The territory removed from Mr. Caplan should be offered to the better performing salespeople as a bonus (i.e. Mr. Harlow or Ms. Durfee).

Ms. Durfee is in her early 40s and covers the suburbs of Washington D.C. She is the third highest paid salesperson and has been employed by MI for five years. Per Mr. Falzarano, Ms. Durfee is a solid performer. Ms. Durfee is a top performer in the categories of calls per year per potential accounts and in the percentage of active accounts to potential accounts. Additionally, Ms. Harlow has concentrated her sales mix within the most profitable areas (see exhibit 10). She is one of the salespeople I suggest that Mr. Caplan's carved out sales territory be offered to.

Another salesperson considered a problem employee is Mr. Eaton. Mr. Eaton is in his early 60s, has been employed for 30 years, and covers the Metro Baltimore (except for Harford County) territory. Because of his tenure, Mr. Eaton surly has the personal characteristics to be a MI salesman but according to Mr. Falzarano, because of his advanced age, Mr. Eaton may not be able to handle the travel. Yet when ask about reducing his territory Mr. Eaton reacted violently. Mr. Eaton is the highest paid salesperson. He has penetrated only 41% of his potential customers. His calls per year per potential accounts is not outstanding but is not out of line. Mr. Eaton appears willing to teach with comments like "help you learn the ropes," and I ,therefore, suggest that he be persuaded, now that he is getting near the retirement years, to train one of the younger less well performing salespeople in his area (e.g. Mr. Caplan). Mr. Eaton's product mix does not appear unreasonable but he should be asked to increase his portable power tool sales (see exhibit 7).

Mr. Furness is a problem employee. He is in his early 30s, is the fourth highest paid sales person, and his territory covers the portions of Maryland not covered by Mr. Eaton or Mr. Gibson. Mr. Furness has been employed for eight years. Mr. Furness has captured a fairly strong 61% of the potential customers in his territory and makes a good 3.00 calls per year per potential customer. Additionally, Mr. Furness's product mix is compatible with the average Capital District's mix and somewhat concentrated in the higher margin areas. The main problem with Mr. Furness is his personal style which may not qualify him to be an MI salesperson. Mr. Furness is a well known womanizer and potential heavy drinker which maybe putting some of the customers off. During a ride along with Mr. Furness, Mr. Oates noted that some accounts seemed understocked and the displays seemed haphazard. Mr. Furness is currently having marital problems and during a conversation with Mr. Oates requested some time to "pull his life together." Mr. Oates should grant Mr. Furness one month in which to "pull his life together." At the end of the month Mr. Oates should set specific instructions on how many new accounts Mr. Furness will open, how store maintenance is to be handled, and finally how Mr. Furness will improve his corporate image. As Mr. Furness' product mix appears appropriate no goals need be set in this area at this time (see exhibit 8). If Mr. Furness does not comply than he should be put on probation and ultimately terminated.

Mr. Gibson is in his early 50s and is the sixth highest paid salesperson. He has been employed for 20 years and currently has the Harford County, and Delmarva Peninsula territory. He is considered a problem employee. As both Mr. Falzarano and Mr. Oates noted, Mr. Gibson, because of the financial security provided by his real estate investments, seems to be losing interest in MI. Mr. Gibson is well known for working four-day weeks and taking long vacations. He knows his customers, the product line, and his territory well. Mr. Gibson appears concerned with his customers, many of whom are good friends, to the extent that he does not seek new customers for fear of offending older ones. These perceptions are borne out by his low active to potential account ratio of 30% and his low calls per year per potential accounts. Mr. Gibson's product mix appears appropriate (see exhibit 9) The key here is to increase the penetration in this territory. I would be concerned about probationary and termination steps as Mr. Gibson is good friends with many customers and MI may suffer bad publicity if Mr. Gibson were terminated. Although this may be a risk worth taking, I suggest that Mr. Gibson be allowed to retain his current customers and asked to share his territory with another of the salespeople. Thus Mr. Gibson could increase his personal time and MI could increase penetration in this territory. In any case action should be taken relatively soon.

The final salesperson to be evaluated is Mr. Harlow. Mr. Harlow is in his late 30s and covers the District of Columbia territory. He has been employed for 12 years and is the forth highest paid salesperson. Mr. Harlow is described by Mr. Falzarano as a "plugger." Because of his tenure Mr. Harlow appears to have the necessary qualifications to be a MI salesman. Mr. Harlows' penetration in his territory is high at 86% and he makes the highest calls per year per potential accounts. I would suggest that Mr. Harlow be given the opportunity to take on additional territories.

## Territory Assignment Evaluation

In order to optimize growth and profitability the hardest working and most productive salespeople should be assigned the territories with the largest buying power and greatest potential accounts. Per review of exhibit 2 and exhibit 12 the optimum assignments, given the current territorial structure would be as follows:

<u>Territory</u>	<u>Salesperson</u>
Metro Baltimore (except Harford County)	Harlow
Eastern part of Virginia	Durfee
Western part of Virginia	Furness
Rest of Maryland	Burke
West Virginia	Eaton
Suburbs of Washington, D.C.	Gibson
Harford County and Delmarva Peninsula	Alderson
District of Columbia	Caplan

Reassignment should be made after consideration of this optimization analysis and the comments made under the salespeople evaluation section and the employee responses to suggestions made.

## Minor Decisions

Two minor items need to be addressed by Mr. Oates. The first, relates to the holding of the monthly sales meeting and the other to expense control.

In regards to the monthly sales meeting I would suggest that Mr. Oates not hold the meeting indicating that he would be willing to discuss any business matters with the salespeople individually but that he feels the meeting time should be devoted to the memory of Mr. Goldberg.

The table in exhibit 14 indicates that some explaining should be forth coming from Mr. Furness and Mr. Eaton. I would leave the high expenses of Ms. Durfee and Mr. Harlow unquestioned as they are top performers. The other salespeople's expenses appear appropriate for their territorial size.



EXHIBIT 1  
PRODUCT MIX & GROSS PROFIT ANALYSIS

	U.S. SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. GROSS PROFIT %	U.S. GROSS PROFIT % TOTAL*
STATIONARY METALWORKING	5.7%	4.2%	-1.5%	40.0%	7%
STATIONARY WOODWORKING	16.2%	14.0%	-2.2%	36.0%	17%
PORTABLE POWER	30.5%	33.8%	3.3%	33.0%	29%
HAND TOOLS	34.3%	35.2%	0.9%	30.0%	30%
MASONS' ETC	4.8%	4.5%	-0.2%	50.0%	7%
MEASURING INSTRU	8.6%	8.3%	-0.2%	40.0%	10%
	100.0%	100.0%	0.0%	34.3%	100%

\*BASED ON A TOTAL '82 GROSS PROFIT OF 72 MILLION

EXHIBIT 2  
NUMBER OF CALLS PER YEAR  
NUMBER OF ACTIVE ACCOUNTS  
1982 ANALYSIS

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EMPLOYEE	CALLS PER YEAR	POTENTIAL ACCTS	CALLS PER YEAR PER POTENTIAL ACCTS
HARLOW	1525	139	10.97
DURFEE	1470	185	7.95
FURNESS	1075	358	3.00
BURKE	1350	525	2.57
EATON	1120	504	2.22
GIBSON	940	427	2.20
ALDERSON	1640	933	1.76
CAPLAN	1210	883	1.37
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	10330	3954	
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EXHIBIT 3  
NUMBER OF ACTIVE ACCOUNTS  
1982 ANALYSIS

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EMPLOYEE	ACTIVE ACCTS	POTENTIAL ACCTS	%
ALDERSON	458	933	49%
BURKE	310	525	59%
CAPLAN	307	883	35%
FURNESS	220	358	61%
EATON	205	504	41%
DURFEE	160	185	86%
GIBSON	130	427	30%
HARLOW	120	139	86%
	1910	3954	48%

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EXHIBIT 4  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	ALDERSON SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALES G.P. %
STATIONARY METALWORKING	3%	4%	-1%	40%
STATIONARY WOODWORKING	14%	14%	0%	36%
PORTABLE POWER	35%	34%	1%	33%
HAND TOOLS	41%	35%	6%	30%
MASONS' ETC	2%	5%	-3%	50%
MEASURING INSTRU	5%	8%	-3%	40%
	100%	100%	0%	

EXHIBIT 5  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	BURKE SALES (%)	CAPTIAL SALES (%)	DIFF	U. S. SALES G. P. %
STATIONARY METALWORKING	1%	4%	-3%	40%
STATIONARY WOODWORKING	4%	14%	-10%	36%
PORTABLE POWER	45%	34%	11%	33%
HAND TOOLS	45%	35%	10%	30%
MASONS' ETC	0%	5%	-5%	50%
MEASURING INSTRU	5%	8%	-3%	40%
	100%	100%	0%	



EXHIBIT 6  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	CAPLAN SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALE G.P. %
STATIONARY METALWORKING	0%	4%	-4%	40%
STATIONARY WOODWORKING	10%	14%	-4%	36%
PORTABLE POWER	32%	34%	-2%	33%
HAND TOOLS	40%	35%	5%	30%
MASONS' ETC	8%	5%	3%	50%
MEASURING INSTRU	10%	8%	2%	40%
	100%	100%	0%	

EXHIBIT 7  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	EATON SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALES G.P. %
STATIONARY METALWORKING	3%	4%	-1%	40%
STATIONARY WOODWORKING	16%	14%	2%	36%
PORTABLE POWER	29%	34%	-5%	33%
HAND TOOLS	39%	35%	4%	30%
MASONS' ETC	3%	5%	-2%	50%
MEASURING INSTRU	10%	8%	2%	40%
	100%	100%	0%	

EXHIBIT B  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	FURNESS SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALES G.P. %
STATIONARY METALWORKING	7%	4%	3%	40%
STATIONARY WOODWORKING	17%	14%	3%	35%
PORTABLE POWER	34%	34%	0%	33%
HAND TOOLS	31%	35%	-4%	30%
MASONS' ETC	3%	5%	-2%	50%
MEASURING INSTRU	8%	8%	0%	40%
	100%	100%	0%	

EXHIBIT 9  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	GIBSON SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALES G.P. %
STATIONARY METALWORKING	3%	4%	-1%	40%
STATIONARY WOODWORKING	12%	14%	-2%	36%
PORTABLE POWER	34%	34%	0%	33%
HAND TOOLS	37%	35%	2%	30%
MASONS' ETC	6%	5%	1%	50%
MEASURING INSTRU	8%	8%	0%	40%
	100%	100%	0%	

EXHIBIT 10  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	DURFEE SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALES G.P. %
STATIONARY METALWORKING	7%	4%	3%	40%
STATIONARY WOODWORKING	20%	14%	6%	35%
PORTABLE POWER	33%	34%	-1%	33%
HAND TOOLS	20%	35%	-15%	30%
MASONS' ETC	10%	5%	5%	50%
MEASURING INSTRU	10%	8%	2%	40%
	100%	100%	0%	



EXHIBIT 11  
PRODUCT MIX ANALYSIS BY EMPLOYEE

	HARLOW SALES (%)	CAPTIAL SALES (%)	DIFF	U.S. SALES G.P. %
STATIONARY METALWORKING	8%	4%	4%	40%
STATIONARY WOODWORKING	18%	14%	4%	36%
PORTABLE POWER	28%	34%	-6%	33%
HAND TOOLS	32%	35%	-3%	30%
MASONS' ETC	5%	5%	0%	50%
MEASURING INSTRU	9%	8%	1%	40%
	100%	100%	0%	

EXHIBIT 12  
EXPENSES PER TERRITORY AREA AND  
NUMBER OF CALLS DURING 1982  
ANALYSIS

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EMPLOYEE	EXPENSES	LAND AREA SQ. MILES	RATIO
ALDERSON	14,600	28,738	0.5
CAPLAN	17,800	24,070	0.7
GIBSON	7,000	6,524	1.1
BURKE	13,600	9,045	1.5
FURNESS	14,800	4,239	3.5
EATON	8,200	1,806	4.5
DURFEE	8,600	1,301	6.6
HARLOW	7,800	61	127.9
	<hr/> \$92,400	<hr/> 75,784	<hr/> 1.2
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EXHIBIT 13  
TERRITORY RATING BY POTENTIAL ACCOUNTS  
AND BUYING POWER INDEX

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TERRITORY	POTENTIAL ACCOUNTS	BUYING POWER
G	504	0.8891
E	525	0.8730
B	933	0.8513
C	358	0.8498
A	883	0.7694
D	185	0.6697
H	427	0.4990
F	139	0.2956
	<hr/> 3954 <hr/>	<hr/> 5.6969 <hr/>

ROUGH DRAFT OF TERRITORIES

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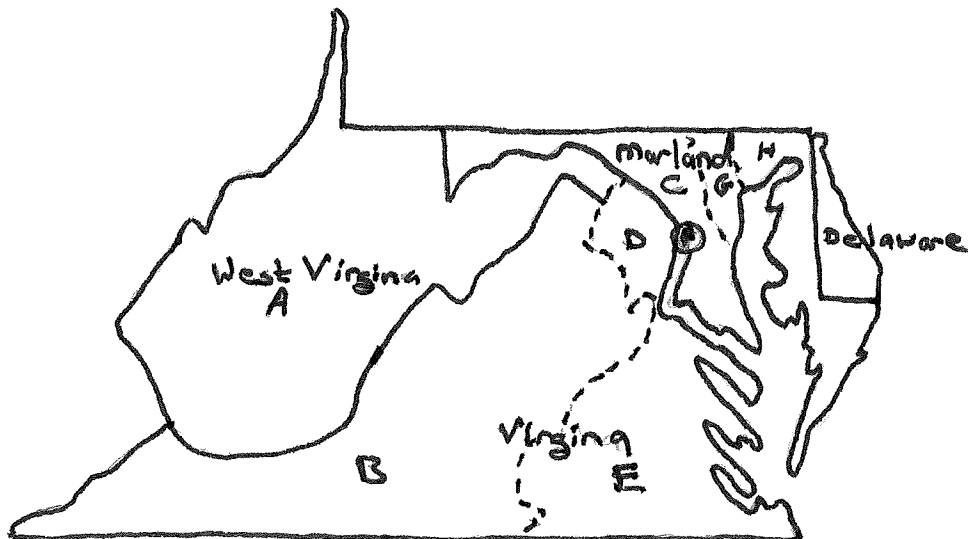


EXHIBIT 14  
EXPENSES PER TERRITORY AREA AND  
DURING 1982  
ANALYSIS

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EMPLOYEE	EXPENSES	LAND AREA SQ MILES	RATIO
ALDERSON	14,600	28,738	0.5
CAPLAN	17,800	24,070	0.7
GIBSON	7,000	6,524	1.1
BURKE	13,600	9,045	1.5
FURNESS	14,800	4,239	3.5
EATON	8,200	1,806	4.5
DURFEE	8,600	1,301	6.6
HARLOW	7,800	61	127.9
	<hr/> \$92,400	<hr/> 75,784	<hr/> 1.2
	<hr/>	<hr/>	<hr/>