Roll No. ____________ Enrollment No. ____________

KADI SARVA VISHWAVIDYALAYA, GANDHINAGAR
MBA, Semester- III Examination, December 2013
Sales and Distribution Management (MS312)

Date: 31/12/2013 Total Marks: 40% Duration: 2 Hours 30 Minutes

Instructions:

1. Write precise answer with suitable examples.
2. Make assumptions wherever necessary in your paper and state clearly
3. Figure to the right indicates weightage of question.

Q-1 (A) Answer the following (1 Marks each) 4%

a) "Personal selling has an edge over other integrated marketing communication tools in specific situations."- Justify
b) Distinguish between 'Transactional Selling' and 'Relationship Selling'.
c) Explain the importance of prospecting
d) Differentiate between "order taker" and "order getter"

(B) "Sales and Distribution Management are complementary functions of marketing." Do you agree? Justify your answer with suitable example. 4%

OR

Q-1 (B) "Changing territory constituents pose stern challenges to Area Sales Manager, both in products and services; competition, Change in store type, organized retailing and technology compels the companies for constant up-date in territories."- Elucidate the statements in line with Territory Management and highlight the process of designing territories. 4%

Q-2 (A) "Compensation to the sales person depends on the stage in which they involved– Persuasion – Negotiation – Consultative selling – Strategic Business Selling – Relationship Selling." – Elaborate the Statement and state the elements of compensation structure for products and services with hypothetical example. 4%

(B) What do you understand by Logistics and Supply Chain Management? Discuss the key decision areas in logistics and Supply Chain Management. 4%

OR

Q-2 (A) Determination of sales force size require scrupulous analysis for companies engaged in different sectors. Some of these variables carry significant weightage like: Type of Industry, competitive advantage, Stage in PLC and Diffusion of innovation process."- Justify the statements and critically evaluate the methods of determining the size of sales force for Banking and FMCG sector. 4%

(B) Which are major reasons of channel conflicts? Draw the guidelines for a sales-manager on 'How to manage Channel conflicts.' 4%

Q-3 (A) "In FMCG sector when the company starts its operations, in initial years they target 30% retail sales and 70% wholesale market but as the time lapses they have optimism to reverse the % for wholesale and retail market (70% retail and 30% wholesale)." – Explain the statement in line with the concepts of wholesaling and retailing. Apart from this, also suggest, if Vini Cosmetics would like to do forward Integration, then what are the alternatives available for better distribution and brand Image. 4%

(B) Explain the process of setting sales quota. If you were assigning sales quotas to 4%

your salespersons selling FMCG in the rural markets, what are the attributes of a sales quota plan that you need to keep in mind?

OR

Q-3	(A)	What are the factors to be considered for locating a distribution warehouse? Explain how the concept of Distribution Center (DC) emerged in organized food retail chain with hypothetical examples.	4%
	(B)	How is non-verbal communication relevant to effective personal selling? When structuring a response to convey refusal or bad news, when is a direct approach preferable? Suggest a suitable direct communication that should be made to the client whose order cannot be located in the company.	4%
Q-4	(A)	As a sales trainer, you are supposed to conduct a training session for two teams of sales people. One team is looking after household customers and the other one is looking after business buyers. You need to cover the relative importance of personal selling across different stages of consumer buying process and business buying in your session. Write a speech draft for the training session.	4%
	(B)	FDI in Retail is viewed by many as threat to small retailers in India. If at all, this treat is real and can be true, suggest survival strategies to small retailers in India.	4%
		OR	
Q-4	(A)	Why Multi-Level-Marketing (MLM) is not highly successful in India? What can be done to exploit this channel in India?	4%
	(B)	What are the five discrepancies that the channel members take care of and how do they do it?	4%
Q-5		Read the following book excerpt and answer questions given below it:	8%

Richard Grehalva has written a very thought provoking book called "Unleashing the Power of Consultative Selling: Selling the way your customer wants to buy...Not the way you like to sell!". In the introductory chapter, he has narrated about five myths in sales. They are as following. The text in bracket is clue to what the myth indicates.

Sales Myth Number 1: "You Think You Sell?" (When was the last time you bought something because the salesperson sold you?)

Sales Myth Number 2: "Selling is an Art" (Ask a salesperson to follow a procedure, write a report, or update the sales system, and they will tell you they do not have time. They'll tell you, "Sales is an art.")

Sales Myth Number 3: "Salespeople who are 'Good Talkers' with a 'Great Pitch' win the most" (Place a salesperson in a selling situation and they are set to give you their "Pitch". In fact, I have heard prospects tell a salesperson, "Go ahead, give me your best "Pitch". The reality is that the "Pitch" works sometimes, and sometimes it doesn't.)

Sales Myth Number 4: "Selling is Close, Close, and Close" (Selling has changed...have you changed the way you sell?)

Sales Myth Number 5: "You can actually sell Business-to-Business B2B and Business-to-Consumer B2C" (Salespeople do not sell to an industry, the marketplace, buyers, customers, clients and prospects, or to titles like CEO. Businesses do not sell to businesses. Businesses do not sell to consumers. People sell to People.)

1. Critically evaluate the above mentioned myths? Are they myths or realities? Explain.
2. What sorts of misunderstandings are prevailing about a career in sales among the would-be sales people? How are your counter arguments for each of them?

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Kadi Sarva VishwaVidyalaya, Gandhinagar

MBA – Semester – III – December 2014 Examination

Sales and Distribution Management (MS-312)

Date: 27/12/2014 **Weightage: 40%** **Duration:2½ Hours**

Instructions:

1 Make assumptions wherever necessary and state them clearly
2 Working notes must form part of your answers
3. Figures to the right indicate weightage

Q-1			
	(A)	How is 'Order Taker' sales position different from 'Order Getter' position? Discuss with examples.	4%
	(B)	What are the important quantitative and qualitative measures used to evaluate salespersons? What should be the components of a sales report for the salespersons involved in the task of servicing distributors for Durable goods?	4%
		OR	
	(B)	What are the frequently utilized recruitment sources of salespersons? You are in the business of selling pharmaceuticals and are looking for young dynamic salespersons. What are the pros and cons of recruiting salespersons from your closest competitors?	4%
Q-2	(A)	How are the product and market situations conducive to the use of personal selling? What kind of allocation of sales and distribution between the company's sales personnel and channel members would you suggest in case of (i) High value products intended for a small number of consumers (ii) Frequently bought low margin highly competitive products?	4%
	(B)	Elaborate qualitative and quantitative sale-forecasting methods with pros and cons of both with appropriate examples.	4%
		OR	
Q-2	(A)	How are sales volume quotas set? If you were assigning sales quotas to your salespersons selling fertilizers in the rural markets, what are the attributes of a sales quota plan that you need to keep in mind?	4%
	(B)	How does the relative importance of advertising and personal selling vary across the different stages of the purchase process? Explain.	4%
Q-3	(A)	Discuss the process of identifying training needs of salespersons. What kind of training program would you suggest in the following situations and why?	4%

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		a. Training new recruits to a company selling pollution checking equipment. b. Training senior salespersons identified for taking senior management positions in the company.	
	(B)	"It is difficult to correctly gauge and determine the size of their sales force accurately and timely. Again, the methods which are widely accepted across the Nations seem to be complementary rather than substitute at the implementation phase." - Comment	4%
		OR	
Q-3	(A)	List different compensation plans. Evaluate these compensation plans with suitable examples. How relevant these plans are for both employees (Salespeople) and employer?	4%
	(B)	Assume that you are a sales manager managing a large sales force of salespersons. How would you develop the job description for your salespersons? 1. A computer software 2.A speciality store selling musical instruments 3. An advertisement company	4%
Q-4	(A)	Suggest and justify any three best prospecting methods each for (a) Life Insurance Business and (b) ERP Systems Business	4%
	(B)	What are different methods available to companies to motivate their channel partners?	4%
		OR	
Q-4	(A)	What are the main areas that give rise to channel conflicts? Explain them in brief?	4%
	(B)	"Sales and Distribution Management are complementary functions of marketing." Do you agree? Why?	4%
Q-5		<u>Excerpt with Respect to -"Oiling The Chain-Emami Way!!":</u> You can't fault Emami Director Aditya Agarwal when he says: "Our strength lies in marketing." With 16 percent of its turnover reserved for marketing, the Kolkata-headquartered Emami, maker of FMCG and over-the-counter health products, is undoubtedly a marketing-led company. It has brands like Himani BoroPlus (Rs 250 crore in size) and Navratna (Rs 300 crore) in its portfolio and wants to launch eight to ten products every year. From a little over Rs 1,000 crore in 2011-12, it wants to become Rs 2,000 crore in size within two years. In the days to come, it is betting big on products like soap, talcum powder and shampoo - the bastion of multinational corporations like Hindustan Unilever, Procter & Gamble, Reckitt Benckiser and Johnson & Johnson and homespun	8%

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street fighters like Godrej and Dabur. Just marketing skills won't be good enough, Emami has realized. It has thus undertaken an exercise to make its supply chain efficient. With seven factories, five departments, around 120 stock keeping units (SKUs), many of which are seasonal, 35 warehouses, 2,500 stockists and 4,25,000 retailers, it was a long chain. The acquisition of Zandu added to it.

Emami went to work with Ernst & Young's business advisory arm to stem supply chain efficiencies in late-2010. The professional services firm positioned its team at the Emami headquarters to help the company achieve a leaner supply chain, among other things. Till then, Emami's products were not able to move quickly on the supply chain to meet the change in consumer demand. Either there would be a lot of inventory languishing along the chain or there would be too little to take care of a surge in demand at the retail stores. The former hiked operational costs (in occupied warehouse space, cost of buying raw materials, dead stocks and so on), while the latter led to lost opportunities to sell to consumers who were looking for its products. "There would also be a delay of two to three months for a new product to reach the stores," points out Emami CEO N Venkat.

It's not that the company did not make demand forecasts. The problem was the five departments entrusted with the job - sourcing, production, planning & logistics, sales and marketing – were not working as one team. Each worked in its own silo. Any change in customer preference got lost in the lack of communication between the various departments. Says Emami Supply Chain General Manager Samir Chaturvedi: "This led to high variations in the amount that was forecast, produced, distributed and got sold." This was at the heart of the overhaul that Ernst & Young suggested to the company.

Silo breaking: Emami opted for unified planning, as Ernst & Young had suggested. The consolidated sales forecast that comes in now from the area sales managers, in the first week of the month, is first run through the marketing and branding teams. Both the teams arrive at a forecast that also takes into account any surge expected after new brand campaigns or launches. The planning team then converts it into a production plan, in tandem with production and sourcing teams. On the next day, there is meeting of all the five departments to freeze the sale and production plan for the month.

Each brand with its different SKUs is assessed on the previous month's leftover stocks, the current month's forecast and the next month's buffer stock forecast. Since Emami, like many other companies, has a rolling system of forecasts spanning three months, minor surges in demand in the current month often square off against the buffer stocks of the previous month. However, what can set off an inventory pile-up, and hence lock up operating capital, would be an awry forecast for the next month. One of the metrics that Emami has evolved is forecasting fidelity which measures the accuracy for forecast. It has gone up from 50 per cent to 70 per cent of the stocks, which shows that Emami is increasingly getting the forecast for the next month right. Accurate forecasting is even more critical for Emami because it has a large portfolio of seasonal products like Himani BoroPlus prickly heat powder and sun protection lotion

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for the summers and Himani BoroPlus cold cream for the winters. Of its 110 SKUs of FMCGs, around 22 are for winter, 33 are for summer and 55 are all-season. It has to take stock of the sudden spikes in demand for one set of products, while the other set slackens. A bad forecast can leave Emami with old stocks which could become redundant the next season. Emami now forecasts for its seasonal products four to five months in advance, with in-built flexibility closer to the season. This is also why it wants to up its production capacity by as much as 40 per cent and automate its factories by next year. Some products like Boroplus Talc and Navratna Talc had faced a supply crunch due to low capacity at Emami's third-party manufacturers. The leaner supply chain has brought down Emami's own internal estimates of loss of sale. Amidst an industry average of 0.8-1.3 per cent loss of sale of stocks, Emami brought its own 4 per cent down to 1-1.5 per cent. After all, 94 per cent of the demand is being met by available stocks as opposed to 80 per cent stock availability earlier. The most tangible result of the tighter supply chain has been the cutting down the time inventory spends in the chain, or lead time, from 37 days to 31 days. It has, consequently, unlocked an estimated Rs 1 crore in working capital on an average every month.

Lean logistics: Costs have been drastically cut down in transport, a vital part of logistics in supply chain. While a year back (2011-2012) it was 2.59 per cent of the turnover, it is now 2.3 per cent. Analysts estimate some of the big multinational FMCG companies to have transportation costs of 4.7 per cent, even though these have advantages of scale over Emami. Using express modes (transport in less time for a premium) for just 10 per cent of the stocks instead of 30 per cent, enabled by less last-minute surprise fluctuations in demand (better forecast and adherence to the universal plan), has helped. Instead of hiring two or three large transporters for its pan-India operations, as it had done earlier, Emami has enlisted 16 transporters. This has reduced monopolistic pricing and got Emami lower prices and better servicing. The higher number of transporters has also given the company the flexibility to move its stock according to its forecasts or when replenishment is needed. In transport, and in sourcing, Emami conducts reverse auctions now, where it sets a cut-off rate and transporters and vendors have to bid online.

Emami has also realigned its distribution chain. It has put up "mother" warehouses where all SKUs first reach from the plants before these are redistributed to smaller warehouses and stockists. Ernst & Young Business Advisory Services Partner Ashish Nanda says: "A mother warehouses was required to consolidate demand." It allowed better visibility of movement of stocks and more flexible transfers. "Earlier, we would have kept buffer SKUs in different warehouses according to discrete forecasts. So, if there was any change elsewhere, stocks would be stuck in other places." says Chaturvedi. Emami is trying out a more extensive version of immediate replenishment of stocks in its southern markets, as opposed to the forecasting it does in the other zones. Taking advantage of the fact that it had a depot in Hyderabad, which became its mother warehouse for the south, Emami now keeps just 10 days of buffer stock there. If those get pulled by smaller warehouses, only then does it refill the main warehouse. There is less of dead inventory, yet the demand is always met. The

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west and east zones would be next on its replenishment model map.

However, the quest for tighter forecasts to lower loss of sale and operating cost would only end with making sales easier to track. Emami's sales team had been manually filling out forms for forecasting, based on their targets and stocks left behind at the depot. Emami is now bringing its big distributors online with the help of information technology, leaving little room for assumptions. It will be able to track sales that distributors make to retailers. "Sale from the stockist to the retailer cannot be manipulated. The stockist might hoard up on stocks if there is a good trade scheme going on for he will have space to store, but the retailer will often buy stocks that he can sell off," points out Chaturvedi. With Zandu's biggest brand being brought under Emami's core consumer division and a new factory in Uttaranchal, the supply chain integration has become easier for the acquisition as well. The Ayurveda products under Zandu are planned separately to take into account their 15 to 30 days of production process (fermentation mainly). Chaturvedi claims it got easier when Emami infused rigour into planning products that would get made once in 4 months, once in three months and once every month on the existing capacity.

Still, there are challenges that remain. Emami's plants are located only in the tax-free zones of the north and in the North-East; the company therefore has to work with higher lead times for a pan-India distribution. Players who have factories more liberally distributed boast of turnaround time of 15 to 18 days because of faster transport and bigger scale of operations. That is why Emami's move becomes significant in the light of the opportunity at hand. Branding differentiation alone would not suffice. The full-blown benefits of the supply chain changes should be felt in the coming years.

Questions:

1. Outline forecast of Emami in terms of Sales and Revenue in line with competitors for next 3 to 4 years.(You can take assumptions for market share and growth rate)
2. Comment on coverage of Emami with respect to Length and Breadth of products and SKU with reference to FMCG sector
3. Critically evaluate existing logistic and supply chain of Emami

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