



Sales and Distribution

IIT delhi



Important Terms for Entrepreneurs

- Customer groups /Markets
- USP / Value propositions
- Customer relationship
- Revenue stream
- Key resources
- Key partnership
- Cost structure
- Key activities
- Business plan
- Financial plan
- Purpose
- Strategic management process
- **Sales**
- **Distribution**
- Channel
- ROI
- Investor

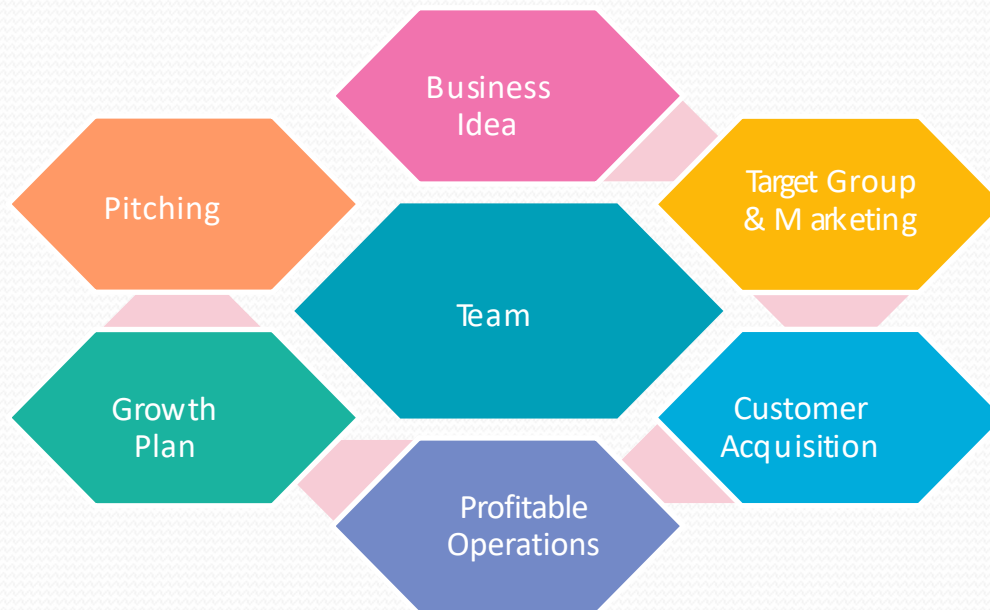


Organizational markets vs Consumer markets

- Three types of organizational markets
 - Industrial markets
 - Reseller market
 - Government markets
- Consumer Markets



How does business works ?



In Today lecture we are going to focus on customer acquisition



What is sales ?

- It occurs when a seller of goods or services transfers ownership of, and title to, a good or service to a buyer in exchange for a specific amount of money



Sales

- Most Important function in any organization
- Most important part of the strategic planning process which is to encash on opportunities and take care of the threats
- Sales plan or sales objective or business plan are most common things heard in the corporate world
- Mostly sales happens on available need however there are various business model where the need is created or made known to customers to do sales



Sample of Business Plan

Function	Current Nos. (Jan 2022)	Current Cost (Jan 2022) Annualized. (Rs. Lacs)	FY 2023 Budgeted Nos.	FY 2023 Budgetted Cost (Rs. Lacs)	FY 2024 Budgetted Nos.	FY 2024 Budgetted Cost (Rs. Lacs)
Corporate Total	17	214.33	24	261.80	24	303.65
Sales Total	36	223.30	51	346.70	73	477.51
Commercial Total	21	48.40	27	68.21	30	88.96
Factory Total	22	107.80	29	135.33	29	145.51
Paints Total	96	593.83	131	812.04	156	1015.63



Business Plan – Financial Numbers

Description	Base Plan (Rs. Lacs)	
	Year 1	Year 2
Total Sales	7,000	11,200
Project Sales Discounts	280	448
Net Sales (NPS)	6,720	10,752
Total Cost of Sales	4,731	7,289
Gross Contribution	1,989	3,463
GC (% of Sales)	29.6%	32.2%
Depot Costs	541	698
Sales Costs	517	694
Nett Contribution	931	2,071
% Sales (% NPS)	13.9%	19.3%
Marketing and A&P Expenses	700	1,120
Corporate Manpower Cost	262	304
Other Fixed Costs	422	478
EBITDA	(453)	169
% Sales (% NPS)	-6.7%	1.6%
Peak Fund Requirement	2,750	4,150

All costs worked out in granular detail with available information:

- Material Costs based on available BOM and input costs
- Freight Costs projected from recent cost trends (Rs. / kg)
- Factory Costs in line with target volume
- Manpower costs as per proposed Organogram

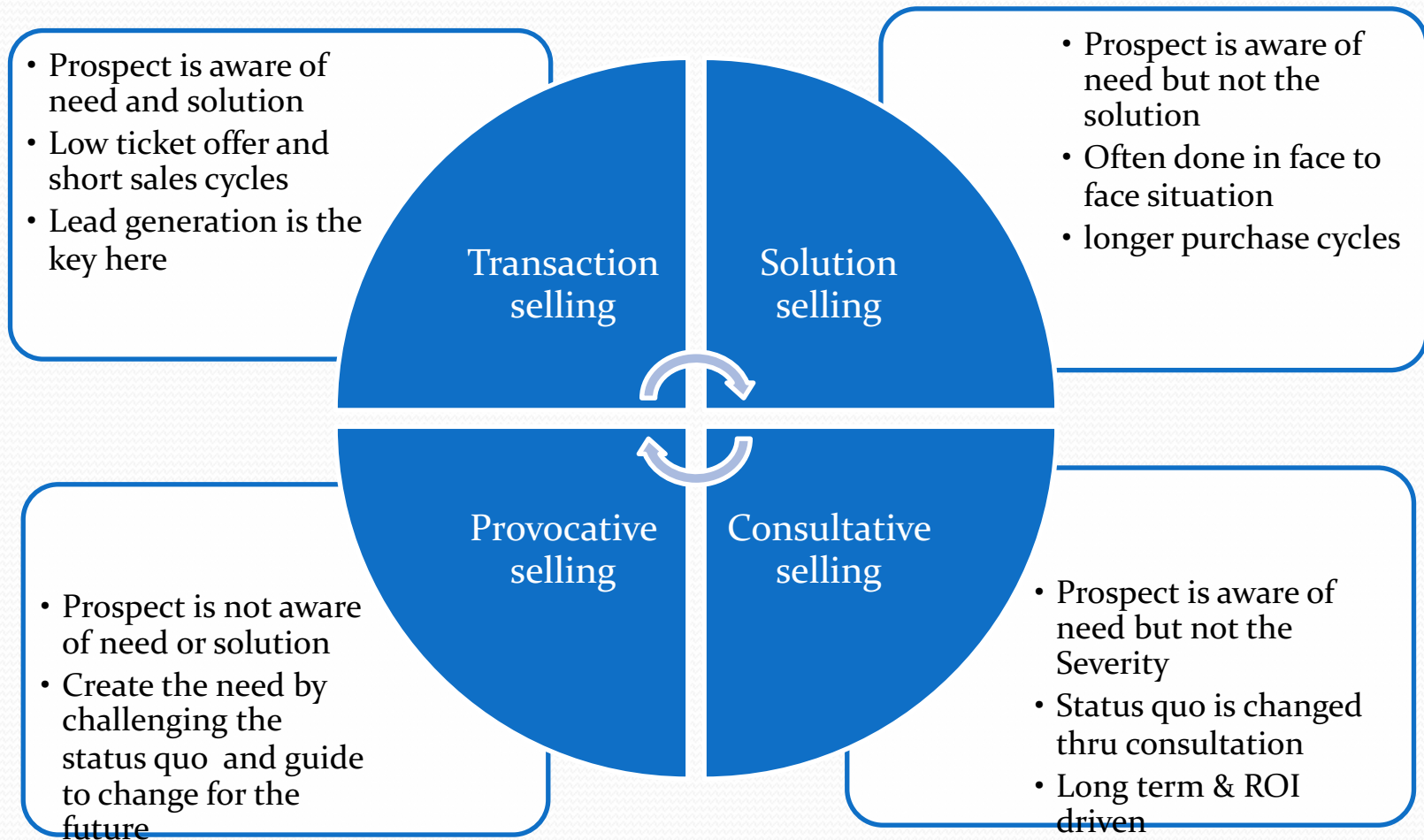
Business projected to breakeven in Q7 (Q3 of Year 2)

- Peak fund requirement of ~ Rs. 42 Cr in Q7

Business has potential to achieve 10% EBITDA in Year 5 with Sales of Rs. 300 Cr. +



Type of sales





Selling requires

- Determine Needs of customer
- Design , develop and make products available to fulfil needs
- Product market expansion Grid
 - Which products
 - Which markets
 - Distribution strategy
- Selling process
& last but not the least the
Sales management process

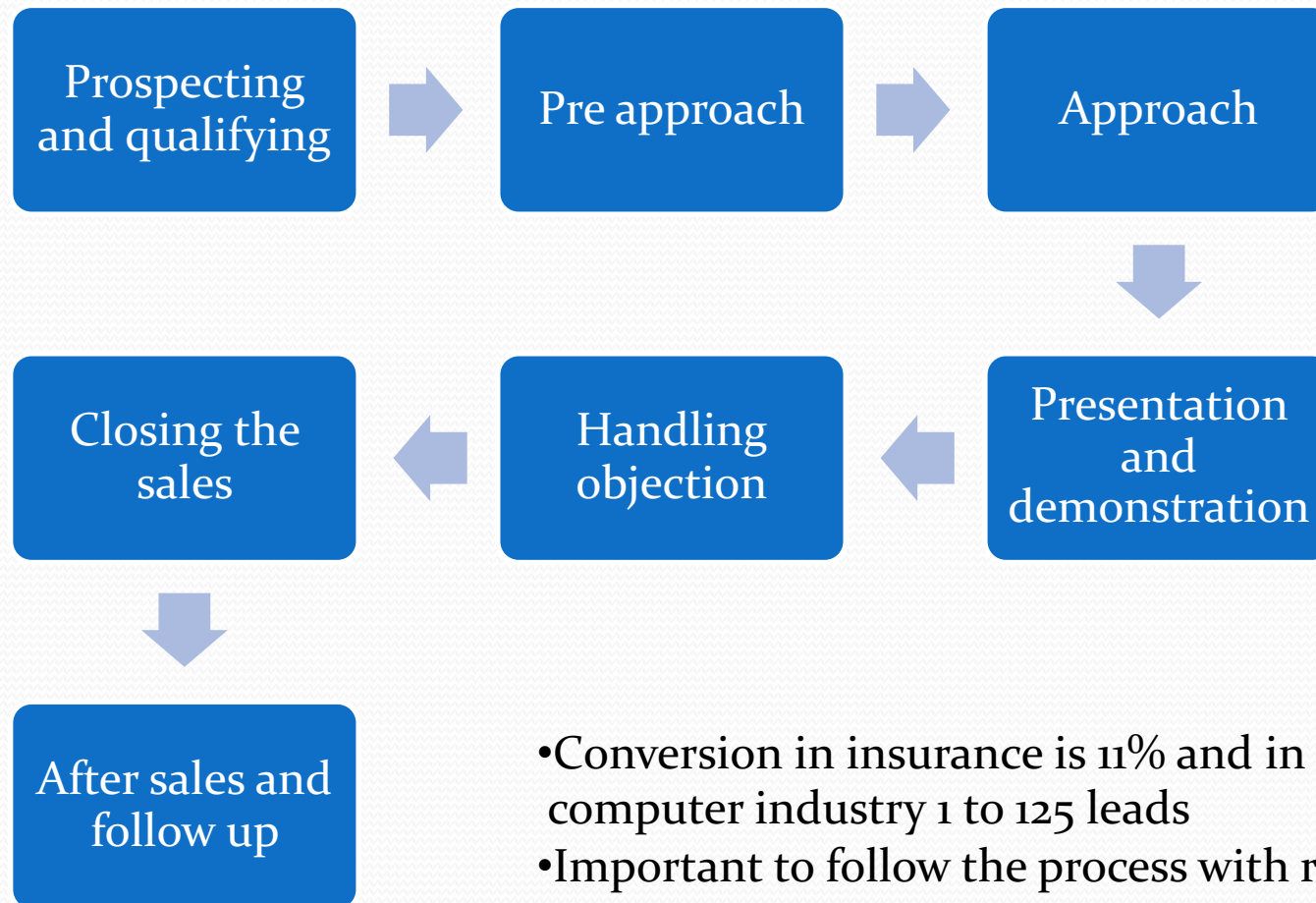


Personal selling

- Two type of sales person
 - Passive order getter .. Polite and assume customer has needs
 - Active order getter ..Influences the customer
 - Sales oriented .. They are trained to put pressure on customer to buy and have high pressure and perseverance ..eg Automobile
 - Customer oriented .. Most often available in today professional selling – train people in customer problem solving or how to identify customer need and find solutions . These people will give suggestions and make customer loyal to them with long term interest of customer at their heart



Steps in selling process



- Conversion in insurance is 11% and in computer industry 1 to 125 leads
- Important to follow the process with right levers



Selling process ..Contd

- Prospecting
 - Sources are referrals, seminar, Non competing sales person, directories , Socialmedia etc
 - Leads should be filtered based on predefined logic, financials , Potential, Special needs , Possibility for growth and location
- Pre approach
 - Buying process
 - Company policies
 - Well defined call objective ...Quality of prospect , immediate sales or gather information
 - Phone call , Visit , or a letter or message are options to fix and the most effective option should be worked on
 - Timing of the visit and overall sales strategy should be thought of



Selling process ..Contd

- Approach
 - Meet and greet with formal appearance
 - Opening line and follow up remark
 - Questions about customer need
 - Showing display or sample to attract buyer attention
- Presentation and demonstration
 - Focus on product story
 - Product feature with focus on customer benefits
- 3 type of sales presentation
 - Canned .. Scripted and hence standardised for industrial selling
 - Formula .. Identify the buyer need ,attitude and buying style .Presentation is focussed on how to satisfy need
 - Need –satisfaction approach .. Understand the need and provide solution

Tools like product brochures , Flip chart , Slides , Videotape and description and product samples



Selling process ..Contd

- Handling objection
 - Ask for clarification and objection proactively and turn into objections for reasons for buying
- Closing
 - Look at the right moment and close the sales into confidence
 - Judge the right moment for closing sales by recognising signal from buyers including physical actions, comments and questions .
 - Communicate benefit of closing now in terms of offer etc
 - Closing Technique
 - Ask for order
 - Review point of agreement
 - Offer to help write up the order



Type of sales person ..

Classification

- Job is to deliver .. Milk , bread etc
- Job is to take order
- Job is not to take orders but build goodwill or educate buyers .. MR
- Job is to have Technical knowledge and behave like consultant to client companies .. Engineering sales person
- Job is to do creative selling of tangible products .. House , Appliances , Industrial equipments





Selling process ..Contd


- Follow up
 - Necessary for retaining the customer by ensuring customer satisfaction
 - Terms of sales should be respected
 - Follow up call is must to ensure customer satisfaction .It will also assure the buyer about sales person interest in him



Sales management Process

- 
- Establishing Sales force objectives
 - Designing sales force strategy, structure ,size and compensation

- 
- Recruiting and selecting sales people
 - Training sales people

- 
- Supervising sales people
 - Evaluating sales people



Placing products . Distribution Channels and physical distribution

- Distribution is spreading the product in the market place so that a
- large number of customer can buy it
- Channel partners are needed to distribute the products

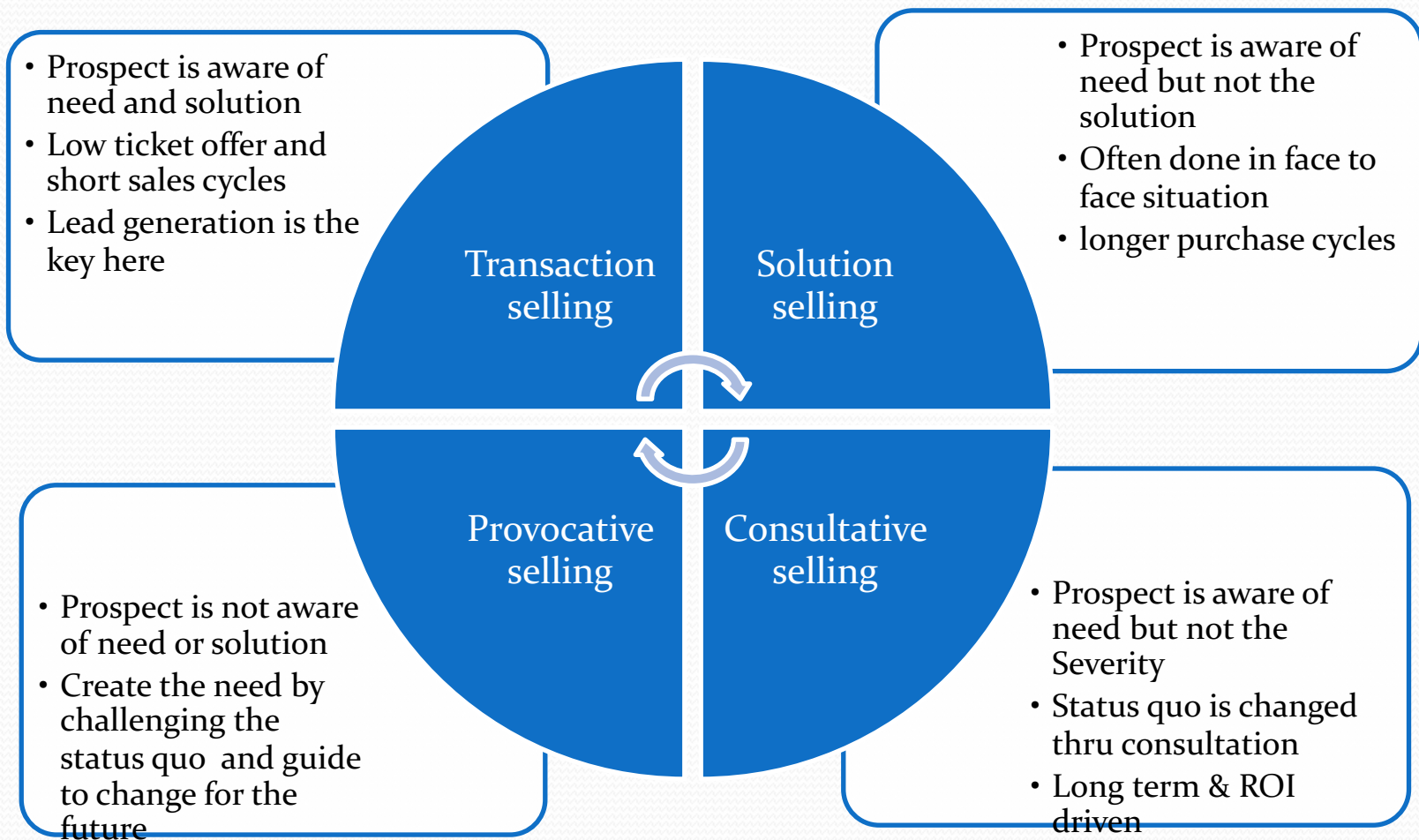


Distribution strategy

- Direct
- Indirect
 - Few Questions
 - How does the average client buy goods?
 - How could you, as a producer, make the purchasing process easier? I
 - Is it an extensive purchase where buying the item directly from the manufacturer could be worth the potential hassle, or is it a routine item where the customer would rather receive the product quickly and on-demand through a retailer?
 - The role that an item will play in a client's life and the type of purchase decision associated with a product are important aspects to consider when determining a strategy.

In the above there are other nuances ..intensive, selective and exclusive distribution.

Type of sales





Few common Data which you should get accustomed to ?

- No of states and UT.. 28 states and 8 UT
- No of districts... 766
- No of villages .. 597483
- No of households .. **299,727,860**
- Urban /Rurban population .. 31/69
- MPV .. Market potential value
- SEC .. Socio economic classes
- Metro/Mini metro.. 46 big cities with one million plus population however Delhi , Mumbai , Kolkata, Chennai ,Bangalore, Hyderabad, Surat and Ahmadabad are Mega Cities



Few common terms

- B₂ B
- B₂C
- D₂C
- R_x
- MT
- GT
- GTM
- OTC
- FMCG /Durable / White goods and Brown goods
- Channel



Distribution decisions

- Analyze customer service needs ,setting the channel objective and constraint ,identifying the major channel alternative and evaluating them
 - Customer needs
 - What time of service ?
 - Proximity of channel
 - Lot size .. Smaller or bigger lot size ??
 - Product variety .. Do customer need assortment or specialization
 - Service back up .. Do customer need add on services ? (finance ,delivery , installation etc) eg laptop or personal computer
 - What is the desired service level
 - Channel objectives
 - Type of product eg perishable products .. Not many layers required
 - Company characteristic ..Size and finance of company to deliver



Role of Channel

- Convert narrow assortment and large quantities by manufacturer to broad assortment in small quantity for the customer
- MIS and information back to the company
- Promotion .. Developing and spreading persuasive communication about customer offers
- Contact the prospective buyer
- Shaping and fitting the offer to the buyer need
- Reaching an agreement on price and other terms so that ownership can be transferred
- Physically distributing goods by storing and transporting
- Financing the cost of the channel work
- Taking the risk to do the channel work

ALL FUNCTIONS HAVE THREE THINGS IN COMMON ..REQUIRE RESOURCES ,NEED SPECIALIZATION AND CAN BE SHIFTED AMONG CHANNEL MEMBERS



Sample of Macro distribution Planning

	Values						
POP STRATA	No of outlet	Cntrs per lac	Norm	Sales Contribution %	Gapcntrs(potential)	% Gaps	TSI/ISR Req'd
Super Metro	15573	58	60	14.5%	4009	9.3%	10
Metro	15396	54	65	11.7%	5281	12.2%	13
15-30 LAKH	12219	71	70	8.7%	1700	3.9%	4
10-15 LAKH	9839	75	75	7.0%	1188	2.8%	3
5-10 LAKH	25823	79	80	14.7%	4819	11.2%	12
3-5 LAKH	15138	81	85	7.2%	3566	8.3%	9
1-3 LAKH	38025	103	110	19.0%	11905	27.6%	30
< 1 LAKH	35920	152	150	17.2%	10647	24.7%	27
Grand Total	167933	84.0		100.0%	43114	100.0%	108



Sample of Route planning

Route Name	A Class outlets	B Class outlets	C Class outlets	Total Outlets	Avg Business p/m	Covered by TSI/ISR/PT	Joint working route(y/n)	Count of TSI Outlets	Coverage Frequency in Numbers (Weekly (4)/ Fortnightly (2) / Monthly (1))	Shared route between ISR and TSI ..Only wholesaling (y/n)	If shared route than TSI frequen	If shared route than ISR frequen	TSI Frequency	ISR/PT Frequency
GANDHI ROAD	9	20	13	42	0.68	TSI	N	42	2	N			FORTNIGHTLY	
DELHI CHAKLA DARIYAPUR		31	9	40	0.29	ISR	N		2	N				FORTNIGHTLY
GEETA MANDIR BEHRAMPURA	2	24	26	52	0.35	ISR	N		2	N				FORTNIGHTLY
GHEEKANTA	7	22	8	37	0.49	ISR	N		4	N				WEEKLY
JAMALPUR ASTODIYA	1	11	33	45	0.21	ISR	N		2	N				FORTNIGHTLY
MANINAGAR	2	22	19	43	0.40	ISR	Y		1	N	1	4	MONTHLY	WEEKLY
MANINAGAR CROSSING		25	19	44	0.32	ISR	N		2	N				FORTNIGHTLY
MIRZAPUR	2	39	17	58	0.54	ISR	N		2	N				FORTNIGHTLY
RELIF ROAD	23	18		41	1.65	TSI	N	41	4	N			WEEKLY	
SARANGPUR RAIPUR KHADIYA	3	15	21	39	0.27	ISR	N		2	N				FORTNIGHTLY
SHAHPUR KHANPUR	4	18	32	54	0.40	ISR	N		2	N				FORTNIGHTLY
TANSHAL 1	28	13		41	1.61	TSI	N	41	4	N			WEEKLY	



Type of Channel organizations

- Conventional marketing system .. M-Wh-RTL-CUST
 - Generally no control and more conflicts
- Vertical marketing system .. 3 Types Corporate ,Contractual and Administrative
 - Corporate ..Single company owning all levels of channel
 - Contractual ..Pizza hut franchise operations
 - Administered .. Size and power of the channel member decide the level of cooperation.. Eg P&G
- Horizontal marketing System
 - Two or more companies join hands to follow a new market opportunity.. ATMs

MULTICHANNEL DISTRIBUTION IS IMPORTANT WITH THE PROLIFERATION OF CUSTOMER MARKETS AND CHANNEL POSSIBILITIES



- For any business query please contact as follows

Navneet Kumar Gupta

navneetg@intin.co

9818779931