

**DEC 2013 EXAMINATION**  
**MM02/eMM02**  
**SALES AND DISTRIBUTION MANAGEMENT**

**Time: Three hours**

**Maximum Marks : 100**

**Note :**

The paper is divided into three sections: Section A, Section B, Section C. There are seven questions in section A of 10 marks each. Attempt any four. Section B has 5 questions of 15 marks each. Attempt any three. All the questions of Section C (Case Study) are compulsory. This section is of 15 marks

**Section A (10 Marks each)**

1. What key decisions a sales manager has to take at different stages of the sales management process?  
(10)
2. Distinguish between product features and customer benefits?  
(10)
3. Distinguish between a sales forecast and a market forecast?  
(10)
4. What are the advantages of designing a sales organization based on geographic territory?  
(10)
5. What are the three approaches followed for deciding the sales force size ?  
(10)
6. Why do we use targets in the management of sales force? What problems will you face when you find the target is improper?  
(10)
7. Write short notes on:  
a) Sales volume quota  
b) Regression analysis method of sales forecasting  
(2x5)

**Section B (15 Marks each)**

8. What procedure should a sales manager follow to select manpower for his organisation ?  
(15)

9. What is motivation? Why is it important to study motivation in the context of sales management? (15)
10. What are the various methods of non-financial compensation plan? (15)
11. What is the difference between an activity report and a call report ? In your opinion which one should be used for more appropriate evaluation of the sales force ? (15)
12. Write short notes on the following :-(5 marks each)
- a) Dealer network and distributor network
  - b) ABC method of inventory management
  - c) Order processing
- (15)

**Section C (15 Marks)**  
**Case Study (Compulsory)**

Heliflex Cables Ltd is a manufacturer of electrical cables based in Chennai . The company manufactures good quality cables that are used for electrification of houses and other buildings . The market for such cables is very competitive with more than 10 well-established players vying for greater market share . Heliflex cables distributes through a network of electrical distributors and electrical shops. In south India , its main market , the company has 20 distributors who service about 500 electrical shops . Most of the distributors are multi-product distributors with affiliations not just limited to Heliflex but to several other companies in the electrical equipment sector.

Presently , the distributors roughly receive a margin of 5% . Actually , the company bills the distributors at 15% less than the list price of the products . A distributor is given the freedom to sell the products to the retailers at whatever price he considers appropriate . All the products of course have the list price printed on them as per government specifications . A distributor is not offered any credit facility and has to send the signed cheques along with the purchase orders.

Due to severe competition , several companies in this sector have started the policy of giving the retailers credit for periods ranging from one week to one month. This was an outcome of the realization that a retailer has a significant influence on the purchase decision of the consumers . In response , Heliflex was also forced to devise a scheme for the retailers . Due to working capital constraints , Heliflex was also forced to devise a scheme for the retailers . Due to working capital constraints , Heliflex was not in a position to offer direct credit to the distributors. After a careful thought , the marketing manager in charge of dealer relations , devised the following scheme . The distributors would be billed at two rates . The first would be billed at the existing rate, while the

second at the new rate of 16% less than the list price. If a dealer availed of a greater margin , he would be responsible for offering a credit to the retailer to the tune of at least two weeks . In order to implement this plan the company would need to evolve its own mechanism to monitor whether the retailers were receiving the credit facility or not.

. The next step for the marketing manager was to sell this scheme to the distributors . While discussing this scheme with a group of distributors, the marketing manager visualized a pattern in the responses . Roughly , the following types of opinions and the resulting behaviour patterns were revealed . The marketing manager was thinking of what type of influence strategy should be used (especially during face to face contact) with each type of distributors so that they participate in this scheme ?

### **Response Patterns**

*Pattern type 1-* One set of distributors expressed total acceptance to this scheme . They were of the opinion that this scheme was much awaited and would be the best counter to what most the competitors were doing . They also gave a reasonably large purchase order at the new rate

*Pattern type 2 –* The second set of distributors was not really very confident of the effectiveness of the programme . Though they expressed the hope that this programme might succeed, they also felt that credit facilities to retailers were not the only reason that competitors were gaining market share. There were several other reasons . However, they gave a purchase order (PO) under the new scheme .

*Pattern type 3 –* The third set of distributors was totally pessimistic about the new scheme. They felt that just by giving credit facilities to the retailers market share could not be taken back from the competitors . The competitors were also offering good quality products . They , however , gave a purchase order under the new scheme .

*Pattern type 4-* The fourth set of distributors was quite supportive of the scheme . They agreed that non-availability of the credit was the main reason why sales were not picking up . However , they still issued the purchase order under the old scheme citing that finance constraints in the short run prevented them from giving credit to the retailers .

*Pattern type 5 –* The fifth set could not still reach any decision about the scheme. They felt that though the scheme had certain positive points, there were some inadequacies too. They therefore did not issue the purchase order under the new scheme.

*Pattern type 6-* The sixth set was totally opposed to the scheme. It felt that simply giving credit to the retailers would not be sufficient, the product also needed to be improved .

It also did not agree to participate in the scheme and continued with the old purchase order.

### **Possible strategies**

1. Discuss general business issues with the distributor principal which touches upon the issue concerned and the scheme is presented in the following way :
  - Opinions are presented about its inherent desirability.
  - Objective results from some other organization supporting the scheme is presented or manipulated.
  - Informs the distributor about other distributors who have accepted it.
2. The need for participating in the programme is stressed as such a participation is bound to get a favourable reaction from the retailers and hence would lead to the goal attainment of the distributor.
3. It is made clear to the distributor that non-participation in the programme could lead to non-attainment of its goals as reaction of the retailers would not be very favourable.
4. The distributor is informed in a straight forward manner that he has to cooperate in the scheme .
5. State that the participation in the programme is a channel norm .
6. State that non-participation in the programme is against the channel norm.
7. A form of financial reward is given to the channel member for participating in the programme.
8. The channel member is sent a letter of thanks from the marketing director.
9. A form of financial penalty is imposed on the channel member for non-participation.
10. The marketing manager makes a personal plea stating that his job will be at stake and for the sake of personal friendship please make use of the scheme.
11. A promise is made for a favour in the future if the distributor abides by this scheme.
12. The distributor is threatened with dire consequences if he does not abide by the company.
13. The distributor is reminded of his legal obligation to be part of this scheme.

### **Questions:**

- 13 a. What type of influence strategy should be used for each pattern of reaction ?  
(7)
- b. Analyse each pattern of reaction on the basis of attitude behaviour framework?  
(8)