February 2014

Bachelor of Business Administration (BBA) Examination

V Semester

Sales and Distribution Management

Time 3 Hours] [Max. Marks 80

Note : Attempt any four questions from Section A. Section B is compulsory. Each question of Section A carries 15 marks and of Section B a case for 20 marks.

Section A

Q.1. Explain in what way do the 'Sales' and 'Distribution' functions complement each other ?

Q.2. Personal Selling is a two-way communication best suited to a company marketing consumer products with a poor brand loyalty. Discuss.

Q.3. Discuss the process of developing a sales organisation. Which factors affect the size of the sales organisation.

Q.4. What information does a hiring organisation seek when evaluating recruit candidates in sales force ?

Q.5. Explain the terms Extensive, Selective and Exclusive Distribution. What considerations would you keep in mind in deciding whether to have extensive or selective distribution ?

Q.6. Describe the factors that determine the decisions about the locations of warehouses for a consumer durable products.

Q.7. What is Sales Territory ? Why do firms establish sales territories ? Can you think of a reason why a firm might not want to have sales territories?

Section B

Q.8. Read the case and answer the questions at the end :

In 1976 the concept of merchandising was gradually picking up. Merchandisers were big players with substantial capital backup and with sound business acumen. Their strategy was to buy in bulk directly from manufacturers as the middlemen. Merchandisers thus posed a threat to the existence of wholesalers especially in the consumer goods industry, which had its impact on all the wholesalers including those of the CWBM and MHA.

The CWBM management immediately prepared a contingency plan to gear itself up to meet the ensuing situation. The strategy adopted by CWBM included following steps :

A. Growth in the existing lines;

B. Diversification into unrelated lines;

C. Takeover, mergers;

D. Growth in areas where Company's core strength could be utilised.

Growth in Existing Business

The suboptions were :

1. Globalisation;
2. Changing product mix;
3. Adding new facilities to cater efficiently to all the regions;
4. Setting up an assembling facility abroad to export computers to other countries.

Globalisation : In the backdrop of volatile conditions in the Indian market and CWBM's plans to maintain its growth rate it was felt by the management that the company must venture into global markets. The comnanv had immense scone of increasing its exports to European countries. The CMD strongly felt that the realisation of their growth rate with a target of doubling their sales every two years was impossible to achieve without significant global presence.

Product Mix : From wristwatches and calculators the company decided to venture into assembling the computers, telephone instruments and other telecom products such as walkie- talkies and selling computer hardware peripherals. There was an estimated demand of Rs. 30 crore p. a. On the export front there was a demand for computer peripherals, wrist watches and packet calculators.

Adding new facilities to cater efficiently to all the regions : Some managers were of the view that setting up new distribution centres in West, North and East India and making franchises all over the country could give a boost to their sales. In view of this, the company acquired several distribution facilities and gave away franchises to all those interested in company's products.

Setting up distribution centres abroad : Some managers were of the view that the larger global demand could be satisfied by establishing distribution centres abroad especially in the Gulf to service the middle East.

Another option was to get into a joint venture with a Saudi Arabian company, which had sent a preliminary inquiry in view of the rapid industrial growth in the region. An advantage in collaborating with this company was that their government was encouraging local entrepreneurs, thus importing the latest technology and sophisticated computer hardware with cheap Indian labour would make the production very cheap and ready for exports in Europe and USA.

Thus Gulf was a unanimous choice as it was closer home making controlling operations easier. This move was also accepted because this would give the company the MNC status. Earning foreign exchange through this plant would also benefit the country.

In view of the above, the company set up an Import House in partnership with a Saudi based import house, the idea was to import peripherals from the overseas markets and using cheap Indian labour to assemble the computers and export them to the lucrative European and American markets.

A. Diversification into unrelated areas : Especially in the growing computer and peripheral market abroad. This helped spread risk on account of business fluctuations and take advantage of the growth in the industry in which CWBM dealt.

B. Takeovers / Mergers : The company pursued an ambitious plan of takeover and merger by taking over certain sick or potentially sick units and turning them around and merging with good performers. This increased and expanded the sales of the company with bare minimum investment.

C. Growth in areas of core strength : Using the existing and expanding distribution network established to market wrist watches, pocket and desk calculators etc. company could use the same to sell its telecom computer related products in the future. Further importing peripherals from abroad and assembling in India to export abroad increased the business of the company manifold.

Beside the above, the CWBM drastically cut down its stocks and kept the bare minimum, thus releasing the precious money and used it for working capital. This made the company enjoy liquidity status and meet up all its recurring expenses.

All the above measures helped the company cope with and compete successfully with the giant merchandisers or discounters. By the end of 1995 the company was an entity to reckon with in the wrist watch, calculators, telecom and computer products segment.

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The MHA Failure Story

MHA did not bother much with entry of big merchandisers. The management of MHA did not perceive any threat from merchandisers even when profits were falling, anticipating the trend to reverse. The management was very upbeat about the reputation they enjoyed in the North Indian market and hoped to maintain their growth rate without even considering the changes that were marking the business environment.

The emphasis of the MHA was on procuring more and more appliances in different varieties and increasing quantities. This added up the cost of maintaining such huge inventory and the overheads. Besides, the MHA management did not pursue any Major overhead to cut down on rising costs, but rather recruited a gaint sales force of one hundred people to take care of the rising selling inventory levels. The conservative management retained the old employees who had even crossed. the retirement.

Throughout the 80s the management continued with its traditional management and service policies. While most household appliance, companies had begun to examine their merchandise assortment to help in controlling inventory MHA continued to offer some 75 different appliances to its retailers - double that of its competitors.

By the end of the 80s its retailers had already joined the mass merchandisers and some had defected to the new cooperative groups. As a result, its market share declined, operating costs increased and profits squeezed. This time Mr. Ravi Malhotra, the Chairman cum Managing Director who was allready 79 years old, expired leaving the management with no choice but to appoint a new CMD. The management appointed an outsider Mr. Krishnamurthy as the new CMD of the company. The new CMD had new ideas to cope with the situation. These were not welcomed by the employees and the management since they were used to the traditional and old practices of the company.

This resulted in the company becoming a likely takeover candidates. The company was eventually taken over by the Manchanda Group who tried to restructure the company. The new management cut down on inventory from 75 to 26 and reduced the stocks. This meant closing down two out of three distribution facilities. This eroded the customer

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confidence in the company. In addition to his, suppliers to the company started to ask for advance payment to supply the goods to MHA.

In a bid to cut down costs the company retrenched some 125 employees and converted its distribution facilities into retail outlets. By this time, the merchandisers had already overtaken the market, so the company had no choice but to lose its giant status that it enjoyed back in the mid 70s.

By the early 90s there were five big players in the market including CWBM while MHA was nowhere even in the first twenty.

Questions :

1. Critically anlayse the distribution pattern of these two wholesalers.
2. What are the reasons of success or failure of these two wholesalers ?

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