

3M3017

Roll No. \_\_\_\_\_

Total No of Pages: **4**

**3M3017**

**M. B. A. III Sem. (Main) Exam., Jan. 2016**

**Marketing**

**M-322 Sales Distribution and Logistics Management**

**Time: 3 Hours**

**Maximum Marks: 70**

**Min. Passing Marks: 28**

*Instructions to Candidates:*

- (i) *The question paper is divided in two sections.*
- (ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is compulsory.*
- (iii) *All questions carry equal marks.*

1. NIL

2. NIL

**SECTION-A**

- Q.1 What are the emerging sales management trends and how are they affecting the role and functions of a salesperson ? [6+8 = 14]
- Q.2 Explain the selling process. What precautions a sales person has to take at each of these levels in order to achieve sales ? [7+7 =14]
- Q.3 Examine the different channels of distribution presently operative in India, explaining their merits and demerits. [14]
- Q.4 Write short notes on the following : (any two)
- (a) Designing sales territories
  - (b) Analyzing market demand
  - (c) Motivating the sales force [7+7 =14]

[3M3017]

Page 1 of 4

[700]



- Q.5 What advice regarding distribution channel would you give to an American Company that makes agricultural equipment and desires to distribute the product line in the Indian rural market ? [14]
- Q.6 "A well – organized and developed sales – force is the envy of your competitors." Elucidate with examples. [14]

## **SECTION-B**

### **CASE Study**

Global Agro product is a Chennai-based manufacturer of instant speciality foods. Most of its products are based on typical South Indian recipes such as dosa/idli batter, instant idiappams, and appam batter. Altogether the firm sells about eight different product and has about 20 stock keeping units (SKUs). The company has been in operation for the past ten years and has developed these products with technical help from the Food Research Institute. It sources the raw materials for all its products from farmers in Tamil Nadu and has a factory located in the suburbs of Chennai to manufacture these products. The manufactured products are carefully packaged in vacuum sealed polypacks that have a short shelf life. Many of the products, such as dosa/idli batter, have a shelf life of not more than two days and have to be stored in refrigerated units. Other products, such as instant idiappam and instant upuma have a longer shelf life and can be stored in normal temperature. Roughly, the company products 10 SKUs that need special refrigerated storage and have a very short shelf life.

In the year 2009-2010, the company had a sales turnover of Rs. 20 crore with net profit of about 3 crore. Roughly, half of this came from the perishable products, and the other half from non-perishable products. Due to shorter shelf life, the company sells its perishable products in and around Chennai. The non-preishable products are sold across Tamil Nadu and Kerala. The products are sold across Tamil Nadu and Kerala. The products are sold under an umbrella brand name. The brand name is promoted through television and outdoor advertising, as well as through point of purchase material such as posters. Over the last 10 years, the company has build up a good brand image and has a loyal following. The products are typically bought by middle income families. The products are considered to be very convenient in families where both the husband and wife are working. The brand is known for its quality and taste.

The products are sold through a variety of retail outlets. They are available in most of the major super markets, as well as through small kirana stores with



refrigeration facilities. The products are also sold through milk booths which typically will have refrigeration facilities. Supermarkets account for roughly 30 percent of all the sales for perishable products. The retailers are given a margin on 10 percent over the maximum retail price. To reach such a large retail network the company relies on three different types of distributors. The supermarkets buy these products directly from the company at a much reduced rate but in bulk quantities. Typically, the supermarkets demand roughly 20 percent commission from the retail price. For other Kirana outlets in and around Chennai, the company relies on 15 independent distributors who have expertise in selling perishable products. Chennai is a large city with around 10 million inhabitants and a lucrative market with the company's products being sold through more than a thousand small outlets and milk booths. These retail outlets in Chennai are covered by the 15 wholesalers.

The wholesalers provide a variety of services for the company. Most of these wholesalers are truck jobbers who cover about 50 to 100 retailers every day. They sell a variety of perishable items, such as ice cream and cooked food, along with the instant food products manufactured by Global Agro Products. Most of these players are just small operators with no more than two to three employees. The company gives a commission of 10 percent to these wholesalers. For most of these wholesalers, Global Agro Products is their largest supplier. Each wholesaler has a well designated territory and does not encroach on any other. The wholesaler take the stock from the factory every day at around 1.00 p.m. and travel through their designated route, covering about 50 to 60 retailers between 1.00 p.m. and 6 p.m. the distributors supply the products to the retailers based on the retailer's request and take back any unsold items. The retailers are billed every Saturday and payments are collected for the week. The retailer therefore gets a week's credit. The wholesalers also sell other products, along with the dosa/idli batter to these retailers. These products (such as flavoured milk and cooked sweets) are sourced from other manufacturers. The wholesalers thus share their overheads from these products.

The non-perishable items are sold (sometimes to the very same shops in Chennai) through another set of large distributors. These distributors cover both Tamil Nadu and Kerala and cover a larger set of retailers.

They are large food distributors who handle several other products, including those from other larger FMCG companies. These distributors have large ware houses and transportation infrastructure. The company employs roughly one distributor per district and deal with about 50 distributors of this category. While the company insists



on a maximum retail price for these products and give percent commission for these products to large distributors, the company has hardly any control over the rate at which the products are sold to the retailers, nor the coverage achieved by distributors. The distributors also pay only one month after the purchase. These products are ordered by the distributors as and when they face a demand from the retailers. They are supplied by the company within two days. The company supplies the products through transporters to the warehouses of the distributors. Some of the distributors are located in Kerala, hundreds of miles away from Chennai. The company deducts the transportation costs from the distributor's commission on a monthly basis.

Presently, the factory is working to 70 per cent capacity and lack of capacity utilization is affecting its profits. The company wants to achieve 100 per cent capacity and feels that there is demand for its products in the market. While the wholesalers cover several small shops in Chennai, it is believed that there is scope for increasing the coverage by at least 50 percent. Several neighborhoods are still not covered. With the city expanding to several more suburbs, there is scope to expand the market further. However, the company feels that expanding the distribution beyond Chennai is not probably that easy. It is also considering appointing large wholesalers instead of dealing with several small wholesalers. However, it will be difficult to find such a large wholesaler who has good local contacts, and further, such a wholesaler may ask for more commission. Initial enquiries reveal that large food wholesalers would demand about 10 to 15 percent commission, although they cannot guarantee the existing level of coverage.

As far as non-perishable items are concerned, the company feels there is potential for more coverage in a state like Kerala, where the distributors are not very effective in promoting the company's products, as there is intense competition from several Kerala based producers of similar products. The company is seriously thinking of appointing a commissioning agent in Kerala, with warehousing facility in order to cater to the distributors there.

**Questions –**

- Q.1 Which do you think is the best way for Global Agro Foods to expand the distribution network ? why ? [7]
- Q.2 Devise a detailed performance measurement scheme for Global Agro Foods for measuring the performance of the wholesalers and distributors ? [7]