

## Case 1 for Internal Assessment Centre for 'Sales Function'

"Cities were great to live in but not exciting anymore to do business" wondered Rajeev Mehta. Every company was following the same mantra. In fact every business magazine he picked up these days, talked about India and China as the potential future markets of all companies world wide. And invariably every article that talked about India as future consumer market for all kinds of products, it also talked about the semi-urban / rural potential of India as a country. The huge population living in semi-urban / rural side of the country, the increase in buying power, the increasing aspirations (regarding brands and better life style) of people living in semi-urban / rural parts made India a great destination to open shop in.

Rajeev wondered aloud this time. Did he miss the bus? He looked around and found that every other soap / shampoo / cold drink company is reaching the semi-urban / rural India and consumers are welcoming them with open hands.

He was also hearing his company talking about tapping this huge potential. His company "**John & Sons**" has been a great leader in the business of baby care products. However, there was a catch. His company was a leader in the urban part of the country but since till recently all the business used to come from urban India that made his company an overall undisputed leader. The times were changing now though. All the companies were moving to semi-urban / rural part where "**John & Sons**" were not having a strong presence currently. This might become a threat to its leadership position. Something was to be done and Rajeev knew at once that sooner or later the company will have to think about tapping these new markets especially in the state like Gujarat which was being handled by him.

Being one of the best Area Sales Managers in his company, he decided to take some action regarding this issue. He decided to go to the top management with some strategies to tap the new markets even before the management comes to him for the same.

He decided to call his team of trusted Sales Officers in his office in the evening. He sent a SOS call to his team members and all of them gathered in his office in the evening.

He tossed the idea of semi-urban / rural servicing to them and asked them to come up with issues / problems / opportunities in doing so. Of course, he can discuss this new business idea only when he knows about all the intricacies of doing so.

The team sat together and then they came up with various discussion points on which decision needed to be taken. Rajeev will have to walk a thin line to make decisions best suitable for the team and the business both.

The points / issues that the team came up with could be written as below:

### **WHAT?**

**1) What kind of semi-urban / rural markets to tap? Is it only district-headquarter towns or villages also that can be tapped? What levels of population one needs to go to?**

### **WHEN?**

2) How to divide the entire exercise in phases? (Rome was not built in a day). Should one start tapping the semi-urban / rural markets in the order of geographical proximity (first closer areas and then to far-off areas) or in the order of population potential (first large population and then to small population areas)?

### **WHO?**

3) Who will don the mantle of doing this exercise of converting this dream into reality? Everyone in the team has been living in cities for long. (The company's business model has been like that). Who will leave this settled life to put in effort to tap not so urban parts of the territory? How to handle the dissent that will come if some members are selected randomly to do the job while others continue with the coveted urban servicing?

### **HOW?**

4) Now the most important question that comes is how to do this? Do we make a new distribution structure altogether (for servicing these semi-urban / rural markets) that will be directly serviced by the C & F agent? Or do we think about making a sub-distributor / hub & spoke model where the current distributors service the small sub-distributors sitting in semi-urban / rural areas? What would be the margin structure for these new distributors / sub-distributors (more, less or same) so that they get the returns to sustain with viability?

### **HELP**

5) Should the team ask for some support from the company in terms of financing the vehicles for these new distributors or sub-distributors? Should some kind of diesel subsidy be asked for servicing the new markets? How to convince the management that this investment will produce results?

The points were lying in front of Rajeev.

Whoooooooooooo....., Rajeev always knew it would be a great thinking exercise before any action is taken. The team was now looking at Rajeev to start the discussion based on the points that had been put forward.

Can you help Rajeev in starting the discussion on all the points that the team has put forward? You can put forward any other issue that you think has been missed by the team and is worth discussing.

**(Annexure Enclosed)**

## Annexure regarding information about other companies that are operating in Gujarat state

### I - Distribution Structure, Margins & Organization Structure

#### **Competitor 1 “Indian Care”:**

The distribution structure is that the company deals with 1 C & F agent and there are 4 super stockists in the state. These super stockists supply stock to sub-distributors across small towns and rural parts of the state who in turn distribute it in their areas either directly or through wholesalers. However, to cater to the rural areas where sub-distributors can't reach, the super-stockists either directly supply to the wholesaler or do the retail distribution themselves using their own distribution vans. Also the stocks reach 5 distributors through C & F agent to cater to main 4 cities of the state. The largest city has 2 distributors and other 3 main cities have 1 distributor each.

The margins are as given below:

Co. to super-stockists – 8.0%

Super-stockists to sub-distributors (super-stockists keep 3.0%) – 5.0%

Sub-distributor to wholesale dealers (wherever applicable) – 2% to 2.5%

Co. to super-stockists (wherever applicable) – van diesel subsidy for directly supplying to wholesalers / directly doing distribution in rural areas in the vans. Company also gives PSRs for doing market working in these areas.

Co. to distributor – 5%

The organizational structure is:

'ASM' handles the state. 'Sales Executive' reports into him. 'Territory-Sales-Incharge' reports into SE. Senior / good TSIs become SEs. Below SEs, the PSRs (Pilot Sales Representatives) complete the structure.

#### **Competitor 2 “Skin Glow”:**

The distribution structure is that the company deals with 1 C & F agent and there are 4 super stockists in the state. These super stockists supply stock to sub-distributors across small towns and rural parts of the state who in turn distribute it in their areas either directly or through wholesalers. Also the stocks reach distributors through C & F agent to cater to main 4 cities of the state. There are 4 distributors for 4 main cities (1 in each of the cities).

The margins are as given below:

Co. to super-stockists – 7.5%

Super-stockists to sub-distributors (super-stockists keep 2.5%) – 5.0%

Sub-distributor to wholesale dealers (wherever applicable) – 2% to 2.5%

Co. to distributor – 5%

The organizational structure is:

'ASM' handles the state. 'Sales Executive' reports into him. 'Territory-Sales-Incharge' reports directly into ASM too but SE is little higher than TSI in terms of business handling and responsibilities. Senior / good TSIs become SEs. Below them the PSRs (Pilot Sales Representatives) complete the structure.

## II Business Value Town wise

S. No.	Town	Population	Business (including adj. rural areas)		
			John & Sons	Indian Care	Skin Glow
1	Ahmedabad	4,519,280	180,000,000	630,000,000	200,000,000
2	Surat	2,811,470	101,531,977	355,361,918	112,813,307
3	Vadodara	1,492,400	64,500,748	225,752,618	71,667,498
4	Rajkot	1,002,160	35,815,619	125,354,666	39,795,132
5	Jamnagar	558,460	20,812,220	72,842,768	23,124,688
6	Bhavnagar	517,580	18,992,884	66,475,094	21,103,204
7	Navsari	232,420	Not Present	29,154,240	9,255,314
8	Junagadh	252,140	7,538,413	26,384,445	8,376,014
9	Anand	218,060	7,065,222	24,728,278	7,850,247
10	Wadhwan	219,830	Not Present	23,443,321	7,442,324
11	Bhuj	184,480	Not Present	22,443,911	7,125,051
12	Nadiad	196,680	Not Present	22,186,919	7,043,466
13	Porbandar	197,410	6,127,000	21,444,500	6,807,778
14	Gandhinagar	195,890	6,053,574	21,187,508	6,726,193
15	Morvi	189,750	Not Present	20,130,989	6,390,790
16	Bharuch	176,530	5,572,225	19,502,787	Not Present
17	Gandhidham	170,890	5,506,957	19,274,351	6,118,841
18	Valsad	145,650	Not Present	16,704,437	5,302,996
19	Veraval	157,870	Not Present	14,876,943	Not Present
20	Mahesana	141,370	Not Present	14,848,389	Not Present