

HURDLES IN ACHIEVEMENT OF SALES TARGET CASE STUDY

J A B Miranda¹ and B V S Prasad²

Assistant Professor, SRM School of Management, SRM University, Chennai, India

Email: ¹jabmiranda2006@yahoo.co.in, ²bvsprasad129@yahoo.com

ABSTRACT

Achievement of sales target is an important measure of a sales person's performance. This puts a lot of pressure on sales people at all levels to somehow meet the set target. It is not unusual to see, that, in the process, some of the rules are bent to the extent permissible. The stockists and distributors also know the pressure and try to arm twist the sales people. The pressure build up is maximum at the end of the financial year. The present case tries to capture the pressures and arm twisting in a typical pharma industry's retail sales scenario. It also tries to bring out the dilemmas a Regional Sales Manager faces, in deciding upon the orders to be processed.

Keywords: Achievement of sales target, pharmaceutical company, Retail sales, yearend orders

Max (India) Limited is a pharmaceutical company having its head office at Mumbai . They have their all India operations in marketing besides their export of medicines to various countries. They have retail, government and bulk drug divisions with a turnover of around 300 crores per annum. They are the basic manufacturer of penicillin, gentamicin, and cephalosporins. (The marketing hierarchy is given as annexure -1.) Their bulk drug sales division accounts for almost 40 percent of the total turnover. Government business accounts for 25% and the rest 35% by the retail business. In the retail trade it faces tough competition from other players including multinationals and leading Indian Pharma companies.

In the area of government sales, the company bids competitive rates through government tenders, and also enters into annual rate contracts with public sector units like Railways, Port Trust, BHEL, and Indian Army. The collection of outstanding bills seems to be a tough task as the allocation of funds by the government bodies rests purely in the hands of bureaucrats. Thereby, the emphasis for collection of money becomes the priority in the entire company for healthy operations.

In the bulk drug sales, the company does not face any collection problem, as it is mostly cash and carry business.

In the retail trade marketing, the normal collection period is 15 days. The field managers are instructed to choose the right customers who have the capability of pushing their products but also who are financially sound for a healthy growth and penetration. Doctors are grouped

into three, namely, A B and C based on their potential in giving sales. “A” class doctors are called on by the company Medical Sales Representatives (MSRs) / Area Managers three times in a month, B Class doctors two times and the rest every month at least once. The MSRs are given product briefing once in 3 months by the product management team of the company. Apart from the above, the individual area sales managers are giving training to the MSRs on verbatim detailing, product briefing etc so that the field personnel are confident in detailing and that creates lots of business in trade markets in the form of prescriptions and purchases of medicines by the physicians, surgeons and general practitioners. To meet the prescription demand, the distributors are appointed in turn to cater to the demand by chemist and druggist in the markets. The MSRs are instructed to call on the chemists and druggists apart from the distributors appointed by the company.

Every MSR is allocated independent areas for the coverage and are expected to prepare the list of doctors for their areas towards an effective output at least once in 6 months. After calling on doctors, the MSRs are expected to send their daily call reports to their concerned area sales manager which gives the details of doctors who are called on a particular day, the particulars of chemists, the order booked for the products and the collections made in the said area etc. Regarding the sales target, the all India sales target is done using the “build up” method i.e., the sales force composite method. As per this, the sales forecasting is done by all the salesmen for their respective territories and the aggregate of all these forecasts is taken for the corporate forecast. The data collected at the grass root levels- in micro territories. The assessment of grass root people, the salesman, form the basis of forecast. The intimate knowledge of the salesmen about their respective territories is utilized for arriving at the sales forecast. The responsibility of forecasting and the responsibility of achieving the forecast are entrusted with the same set of people. Since, the MSRs have done this forecast, they will automatically accept the sales quotas based on their forecast and try their best to achieve the same. The forecast worked out by this method can be easily broken down- productwise, customer typewise and monthwise.

The company has their marketing depots in various state head quarters like Chennai, Bangalore, Hyderabad, Trivandrum, Ahmadabad, Calcutta, Delhi etc. Mr. Charles, Manager, is incharge of Chennai Depot operations and is designated as marketing officer(accounts). Mr. Charles, being an accounts man, is responsible for monitoring timely collection of bills. Mr. Swaminathan is the Regional Sales Manager, and is responsible for the achievement of sales targets. He has five area sales managers in important towns of Tamilnadu as given below. They have their field medical representatives based at the following places for generating demand for the products.

Mr. Michael – Chennai- Headquarters

Mr. Ranganathan- Trichy- Headquarters

Mr. Pandian- Madurai- Headquaeters

Mr. Nellaiappan- Tirunulveli – Headquarters

Mr. Cheran- Coimbatore- Headquarters

These MSRs earn their sales incentives on yearly basis besides their monthly salary and perks etc. The sales incentives are awarded on the basis of achievement of sales targets

assigned and the realization of the invoice amount from the stockiest. The following are the particulars of the distributors in this respect :

Mahaveer Agencies – Chennai

Rajan Medical Agencies- Trichy

Muthu Medical Agencies- Madurai.

Murugan Medical Agencies- Tirunelveli

Coimbatore Drug Stores- Coimbatore

The Regional Sales Manager in consultation with the depot in charge decides upon the dispatch of goods. The distributors usually draw their requirements through placing of orders along with their post dated cheques or demand drafts in advance to the sales depot at Chennai. The distributors are also rewarded suitably for achieving the targeted sales for the area. In general, if any distributor fails in their payment to the company, the further supplies from the company will be stopped and the defaulter will be blacklisted subsequently. If anyone wants to be a new distributor under the company, one has to normally obtain the prior permission from their head office at Mumbai. In exceptional cases, the Regional Sales Manager is empowered to add new distributors. M/s Rajan Medical Agencies, Trichy, defaulted in payment once to the company and his services were renewed with the recommendation of the local area manager- Mr. Subramaniam , Trichy. In this ambit, the other distributors in Tamil Nadu are prompt in following the payment norms of the company in general.

In March 2013, the distributors were rushing the orders to the Chennai depot in order to achieve their sales targets. The particulars of the financial year end orders are as follows :

1. Mr. Pandiyan , Madurai, forwarded an order from the local distributor and an additional order from M/s Kalaivani agencies, Dindugal , thereby he is in a position to just complete his annual target of 2012-13.
2. Mr. Ranganathan, Trichy, forwarded an order from Rajan Medical Agencies with the request of extending his distributor cheque facility credit limit to 30 days instead of usual 15 days. In general, every distributor is allowed a credit period of 15 days from the date of the invoice raised by the company
3. Mr. Nellaippan, Tirunelveli, forwarded an order from M/s Ayyappa agencies, Tirunelveli enclosing an advanced DD towards the value of the order.
4. The local Mahaveer Agency, Chennai has forwarded an order asking for a credit limit of 45 days; enclosing a letter of recommendation from the secretary of Chennai Pharmaceutical distributors Associations, Chennai- the pharmaceutical Distributors have an association at Chennai for addressing all the demands and grievances of the local distributors.
5. Coimbatore Drug Stores, Coimbatore, financially very strong and prompt in payment, but always fails to give feedback about their “stock and sales statement” to Max (India) Chennai depot (A statement which is prepared by any distributor at the end of the month to give a clear picture about the stock holding, sales and

stock out product of a company which they deal in any given month).It is also observed that they never passed on any free bees extended by the company to the retailers. They had asked for an extension counter at Tirupur for Max products, to be opened on 1st April 2013. Further, the distributor keeps always the local MSR in dark about these matters by directly dealing with the regional office.

Question:

Which orders should Mr Swaminathan approve and give clearance for dispatch?

Annexure -1

Organization Structure of Marketing Departments

