

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Third Year/Second Semester Examination in Business Administration (BBA) – 2012/2013

(Specialization in Marketing Management) -July 2015

(Proper/Repeat)

**MKT 3053 Sales and Retail Management**

**Answer all questions**

**Time: 03 Hours**

Q1) Read the case study and answer the questions given below:

**Star Products**

'Yet another poor year,' reflected the senior executive of Star Products Ltd. 'Profits down by 15 per cent, sales and turnover static in a market that was reckoned to be growing at a rate of 20 per cent per annum. It cannot go on.' These were the thoughts of Fernando, and he contended that the company would be out of business if the next year turned out to be as bad.

Fernando had been senior executive at Star for the past three years. In each of these years he had witnessed a decline in sales and profits. The company produced a range of technically sophisticated electromechanical control devices for industry. The major customers of Star were in the chemical processing industry. The products were fitted to the customer's processing plant in order to provide safety and cut-out mechanisms, when anything untoward happen in the manufacturing process.

The products were sold through a Sri Lankan sales force of 12 people. Each represented a different area of the country and all were technically qualified mechanical or electrical engineers. Although 95 per cent of Star's sales were to the chemical industry, there were many more applications for electromechanical control devices in a wide variety of industries.

The reason that sales were concentrated in just one industry was historical, in that the firm's founder, James Gowtham, had 30 years earlier married the daughter of the owner of a major detergent manufacturer. As an engineer, Gowtham had seen the potential for such devices in this type of manufacture and, with the aid of a small loan from his father-in-law, had commenced manufacture of such devices, initially for his father-in-law's company and later for wider application in the chemical industry. Gowtham had long since resigned from active participation in Star Products, he still held a financial interest. However, the philosophy Gowtham had brought to the business was one that still pervaded business thinking at Star.



The essence of this philosophy was centred on product and production excellence, backed by strong technical sales support. Gowtham had believed that if the product was right, i.e. well designed and manufactured to the highest level of quality, there would be a market. Needless to say, such a product then needed selling (because customers were not necessarily aware that they had a need for such safety mechanisms) and salespeople were encouraged to use what may be described as high-pressure salesmanship, pointing out the consequences of not having such mechanisms in a manufacturing plant. They therefore tended to emphasize the negative aspects (of not having such devices) rather than the positive aspects (of how good they were, how time-saving during a plant breakdown, etc.). This philosophy still pertained, and new salespeople were urged to remember that, unless they were pressed, most customers would not consider updating their control equipment.

Little advertising and sales promotion was carried out by the company, from time to time. Pricing was done on a cost-plus basis, with total costs being calculated and a fixed percentage added to account for profits. Prices were thus fixed by the accounts department, and sales had no say in how they were established. This led to much dissent among the salespeople, who constantly argued that prices were not competitive and that if they were reduced, sales could be increased substantially. Delivery times were slow compared with the industry average, there were few discounts for large order quantities, and all discounts had to be cleared with accounts before the salesperson could agree them with the customer. Again, Gowtham's old philosophy still prevailed: If they want the product badly enough, they will wait for it. And why offer discounts for large quantities? If they did not want that in many, they would not order them. During the previous five years, from being a relatively successful company, market share for Star products dropped substantially. The market became much more competitive with many new entrants, particularly from EU countries coming into the Sri Lankan market, which had traditionally been supplied by Sri Lankan manufacturers. Many of these new entrants had introduced new and updated products to the market, exploiting recent advances in electronics. These new products were seen by the market as being technically innovative, but the view taken by Star management was that they were faddish and once the novelty had worn off, customers would come back to their superior products.

Unlike many of his colleagues, Fernando was worried by developments over the past five years and felt there was a need for many changes. He was aware that the more successful new entrants to the industry had introduced a marketing philosophy into their operations. Compared with ten years ago in this type of business, it was now common practice for companies to appoint marketing managers.

Furthermore, he knew from talking to other people in the industry that such companies considered sales to be an integral part of marketing. At a recent meeting with his senior staff, he mentioned to the sales manager the possibility of appointing a marketing director. The sales manager, who was shortly expecting to be made sales director, was scathing about the idea. His view was that marketing was suitable for a baked bean manufacturer but not for a company engaged in the manufacture and sale of sophisticated control devices for the

chemicals industry. He argued that Star's customers would not be swayed by superficial advertising and marketing ploys.

Although Fernando always took heed of advice from his senior managers, recent sales figures had convinced him that the time had now come to make some changes. He would start, by appointing a marketing manager in the first instance. This person would have marketing experience and would come, most probably, from the chemical industry. The person appointed would have equal status to the sales manager, and ultimately either the new appointee or the existing sales manager would be promoted to the board of directors.

### Questions

- (a) What problems can you anticipate if Fernando appoints a marketing manager?  
(04 Marks)
- (b) Identify the different marketing activities and other departmental activities that had to be coordinating with sales department.  
(05 Marks)
- (c) Give your suggestions for this company to improve the condition in the coming years.  
(06 Marks)
- (d) What are the issues and challenges you can trace by the experience of Fernando who has committed himself for increasing the sales and in turn for profits?  
(06 Marks)
- (e) Critically analyze whether for the Star Ltd approach based on Sales or Marketing would yield more outcomes and state the importance of those two orientation.  
(07 Marks)

**(Total 28 Marks)**

- Q2) a) What do you mean by “**Sales Management**” and explain the functions of Sales Manager?  
(05 Marks)
- b) Modern sales personnel are more concern about what they receive than what they give to the organization. Hence the key challenge is to change this orientation through effective **sales compensation**. Give your interpretation.  
(05 Marks)
- c) What are the **training methods** available for salesman and how would the selection be made for an effective training?  
(05 Marks)



- d) **Classify the retailers** according to the merchandise and services they offer? (05 Marks)

(Total 20 Marks)

- Q3) a) How **motivation** plays an important role in sales management, elaborate this based on the expectancy and equity theories. (06 Marks)
- b) What are the **objectives** and **methods** of setting **sales quotas** and state the **three way test** to judge how well the quotes and objectives are written. (07 Marks)
- c) How do a sales manager progress in **designing** of a **sales territory** and state the **route patterns** available to make a choice. (07 Marks)

(Total 20 Marks)

- Q4) a) What are the major **influences** and **components** of sales **recruitment** and brief out the **steps** involved in the **selection** of salesperson? (06 Marks)
- b) Describe the **leadership styles** based on task and relationship behavior and identify the **activities** through which sales manager could influence salesperson. (05 Marks)
- c) Specify the guidelines for **performance criteria** and explain about the **two roles** played by **performance appraisal**. (05 Marks)

(Total 16 Marks)

- Q5) a) Differentiate the **Marketing audit** from **Salesforce audit** and describe about the categories of **marketing cost**. (06 Marks)
- b) "**Ethical challenges** in retailing fall into three interconnected categories", briefly explain those categories. (05 Marks)
- c) Explain the **strategic retail planning process**. (05 Marks)

(Total 16 Marks)