

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077**

Program: PGDM – CORE (Batch 2017-19), Tri-VI

**Subject: Sales & Distribution
(End Term Examination)**

Maximum Marks: 50

Duration: 3 Hours

Date: 16th April 2019

Instructions

- 1. Q 1 is compulsory. Attempt any 3 questions from rest**
- 2. Any reference material is NOT ALLOWED**
- 3. Start every Question from Fresh Page**
- 4. Use of examples, flow charts, tables etc. is recommended wherever applicable.**
- 5. Content and Presentation of content, both are important criteria for assessment.**

QUESTION 1

(20 marks)

Sherazi Automation, a leading System Integrator company in Australia, the company provides Automation services to its end users who mainly deal in industry verticals like Oil & Gas (O&G), Metals & Mining (M&M), Food & Beverage (F&B), etc. The newly appointed CEO David Sherazi was closely monitoring the business growth every quarter. In 2014 the new Australian Government came into power, which resulted into an unstable business market scenario because the new Government levied heavy taxes on the industry verticals such as O&G, M&M and F&B. Buying behaviour and consumption pattern of consumers were affected by the change in taxes. In order to deal with this decline in demand of automation services, David Sherazi planned to restructure Sherazi Automation's pricing strategy. Buying behaviour and consumption pattern of consumers were affected by the change in taxes. This change percolated and affected the B2B business customers. As a result, the business demand of Automation service integrators like Sherazi Automation in Australia was highly skewed. To cater to this uncertain recession and grab the very few floating business opportunities, David Sherazi planned to restructure Sherazi Automation's pricing policy to have consistent business and regular cash flow for the coming quarters. To meet this business objective, he planned to consider a B2B partnership with an Indian company Sherazi Automation, Australia CEO David Sherazi was very satisfied after he had evaluated the financial results of his company Sherazi Automation a leading System Integrator, located in Australia. In 2013 the company had a net income of 28 million AUD, this was the highest in the company's history. Sherazi Automation was founded by Troy Sherazi in 1985. In three decades, the company had done substantial business and was one of the leading and reputed System Integrators in Australia. However, the near future road for Business was not as smooth as

before, in 2013 there was a Government change in Australia and tough market conditions had arisen due to increasing taxes on various industry verticals like O&G, M&M and F&B. As a result business had been under pressure as there were very few engineering projects and customers were not enthusiastic to invest in plant up gradations. The challenge was how to sustain in this situation with higher overheads and less work promised in the near future. The new government norms affected the company business at a rapid rate and the competition seemed stiff as there were few projects opportunities and many aspirants trying to reduce their cost and fetch the business opportunity. This cost sensitive situation made David Sherazi look out for an attractive partnership with Global Service providers in Automation. However to sustain in a quality sensitive Australian business where reputation was at stake and also survival, David was finding it difficult to find and trust a new business partner who would have the same business sensitivity and ethical belief to do business. Considering the background of David, he faced challenges in identifying strategic alliance. David was also unaware about the cultural impact on the business due to transnational alliances. The primary reason for this is Sherazi Automation was a family owned business. and it had not yet felt the need to partner with any other firm for its business requirement. However, David felt the need of strategic partnering to deal with the demanding business requirements in pursuit towards sustenance of his firm. Australian Automation Business Situation in 2013 Following the change of Australian government and rise in taxes in 2013, Sherazi Automation started to feel the heat of its fiercely competitive system integrators. These system integrators were mostly unorganised players who shook hands and came together seeking a symbiotic mindset to survive the business draught which the external environmental and political conditions had to offer. This opportunistic hand shake strategy of small unorganised system integrators allowed them to bid and offer the best competitive prices and win projects from their customers. The Australian business market had become very cost sensitive. This was seconded by the personal experience which David had when he met his long-term customers. As situations changed, project quality and brand identity of the company took a back seat and cost became the most important criteria for them to place an order. It became clear that Sherazi Automation had to offer a more competitive pricing for bidding projects. Sherazi Automation however had a huge problem to address. It had over the years believed in the best quality and that came with a premium price of recruiting and maintaining highly skilled technicians and managers. Once considered to be company assets, these highly skilled and premium salaried employees were now significantly constituting the overhead expenses of Sherazi Automation. Seeing that Sherazi Automation was losing ground, David realized that something dramatic had to be done in order to offer his customers the best market prices.

Earlier David thought that his business relationships build over the years would help him seek business and engineering projects; however, he soon got a hint from his customers that the order will go to the customer with the least price. Observing this situation and thinking about the next step forward, reminded David about his travel to a Automation fair conducted in USA. Amongst the various people whom David met, he could distinctly remember his meeting with Agnello Raymond, the CEO of AutoIndustrial Technologies (India) and had rendered an interesting presentation about the Global Business Delivery Model through which AutoIndustrial Technologies partnered with System Integrators across the world. The presentation gave insights about the various services which

AutoIndustrial Technologies offered and the important insights about how they successfully partnered and executed on site and off site business worldwide. During his MBA at Dukes, David had learnt about various out sourcing models and their advantage. Even though he had never tried such a outsourcing business model, he believed in the economic benefits and management flexibility which it had to offer. AutoIndustrial Technologies was operating in USA, UK and UAE. The case studies presented by Agnello at a global automation fair in USA had worked its charm on David. However, David had apprehensions and was a bit sceptical about the level of technological competency which resources of AutoIndustrial Technologies offered, the way in which their resources behaved, their company cultures and ethical values. David was hard pressed against time and also wondered would it be right on his part to move forward and downsize his current staff and bring in AutoIndustrial Technologies as his partner. A walk through AutoIndustrial Technologies history demonstrated their competency in various industry verticals such as Chemicals, Pharmaceuticals, O&G, M&M and F&B. Over the years not only had AutoIndustrial Technologies executed several projects across the world but also acted as a hidden partner which delivered cheaper and flexible engineering services. The business opportunity which AutoIndustrial Technologies had tapped and converted from a small phone call had helped them start their services 8 years ago. Over the years they had served many system integrators like Sherazi Automation and had improved their engineering services by standardizing them through ISO certification, Csi Certification and ANAB, UKAS Certifications. The strategy which AutoIndustrial Technologies followed was to offer value based engineering services at a profitable price for their abroad customers. The sales tactics used by AutoIndustrial Technologies was to make System Integrators like Sherazi Automation understand how they could free their in house talent for priority jobs, provide globally flexible resources and reduce cost, increase business volume without investment in engineering resources. They always offered services outside India to foreign customers as most of these customers never doubted or lacked trust in what AutoIndustrial Technologies offered. The abroad customers had a mindset of hire and fire policy, thus their evaluation criteria's were not very stringent, secondly they gave importance to the relationship and thus did not doubt what their business partners said. This abroad mind set of giving a fair first chance was what AutoIndustrial Technologies always needed to break the ice. There were some customers of AutoIndustrial Technologies who were satisfied and there were some who were once bitten and twice shy. The customers who were satisfied were less vocal about their partnership with AutoIndustrial Technologies as they would like it to be less known to their competitors who were practicing in a competitive environment. The customers who had a bad experience from AutoIndustrial Technologies had withdrawn themselves from any abroad partnerships and believed that working in house and with their own staff was the best option, as compared to getting foreign resources join their engineering team.

The satisfaction which certain set of abroad customers had been from the kind of engineer allocated to them during their project requirement. Human beings so unique in their own offerings always had a spectrum of varied competencies, from extrovert introvert nature, to listing ability, to communication skills, to technical skills, etc. In the pool of engineers which AutoIndustrial Technologies recruited some were exceptionally good on all these fronts and some lacked considerably in one or the other aspects. This

led to an unpredictable and inconsistent feedback from its customers. AutoIndustrial Technologies never trained its employees in technology; it was an aggressive market player with a strong Customer Focus and Can Do Attitude. It was opportunistic and recruited engineers from various automation companies and the local resource pool in India at a premium price when a Global opportunities would arise. As such recruited engineers had necessarily not gone through a global experience or exposure, thus some engineers lacked the maturity and mind set required to successfully execute a Global engineering project. Even though AutoIndustrial Technologies knew about these pitfalls they were more focussed on winning new customers and churning more revenue. Secondly they couldn't do much about the engineers as most of them came from varied family background, were new to their company and its culture. AutoIndustrial Technologies was very clear in its focus of encroaching the abroad market based on its competitive pricing and helping companies like Sherazi Automation with cost effective and liability free resources. Despite these dynamics some abroad customers opted for AutoIndustrial Technologies as their projects were long term and not that critical, secondly they also were lucky to get the right set of resources from AutoIndustrial Technologies and had taken pains to align their behaviour and technicalities in line with their project requirements. The onshore and off shore prices which AutoIndustrial Technologies quoted per hour for a skilled engineer were 75% cheaper than the rates in Australia. This pricing allured the customers to take the plunge and earn profits through this partnership. Even though all things seemed to be just right, David learnt that the employees of AutoIndustrial Technologies travelled on Business Visa and not on Work Permit. The procedures for a work permit were long and stringent as compared to a business visa which just needed an invitation letter from the abroad customer. David considered this to be totally unethical as per Australian country norms. If the immigration would sniff this it would be a suicidal attempt for Sherazi Automation as its fame and reputation would be at stake.

How can Sherazi Automation survive and improve its business in the current situation and save themselves from the competition of the unorganized players in Australia?

Assignment Questions

- A. Describe the challenges faced by Sherazi Automation and David Sherazi.
- B. What kind of dilemma was David Sherazi facing?
- C. Would it be beneficial for Sherazi Automation to join hands with Auto Industrial India?

QUESTION 2

(10 marks)

- i. Which P is most important amongst the 4 Ps (Product, Price, Place and Promotion) in marketing and why? Please Justify?
- ii. Explain the terms BATNA, WATNA and ZOPA with examples.
- iii. What is Servitization?
- iv. What is bulk breaking? Explain the benefits of a distribution channel ?

QUESTION 3 **(10 marks)**

- i. Explain the difference between New Task Buying, Straight Rebuy and Modified Rebuy in B2B Marketing?
- ii. Why do some companies prefer Sales Force as a CRM , what kind of advantage does the top management get by implementation of such a tool ?

QUESTION 4 **10 marks)**

- i. Hilti is a hand tool company, you are the sales manager, you need to develop a new product (a drilling machine) in the hand tool machine segment. Black and Decker is one of the competitors in the same segment.
- ii. Explain Point of Parity, Point Of Difference and Customer Value Proposition with example? How will you set up a marketing channel for reaching the customer ?
- iii. As a sales manager which departments in Hilti will you closely work with to execute this task?

QUESTION 5 **(10 marks)**

- iv. Explain with diagram the different types of Sales Organization structures. For a sales personnel why is it important to know the organization type ?
- v. Line Sales Organization
- vi. Line & Staff Sales Organization
- vii. What is the difference in between red, purple and blue negotiators ?

QUESTION 6 **(10 marks)**

- i. Explain elastic demand and inelastic demand with example and graph ?
- ii. How is sales forecasting done in companies, state and explain two methods for Forecasting?
- iii. What is Sales potential and on what basis does the company set sales quota for sales personnel? Give example and explain?

QUESTION 7 **(10 marks)**

- i. What is Sales conflict, explain with diagram and give relevant examples for the same?
- ii. Explain the difference and reasons between distribution channel conflict and sales conflict with examples?

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