

Selling & Negotiation Skills

29-12-2009

SNS 01

MMS-I

Roll No.:
Total No. of Questions:
Duration: 3 Hours

Total No. of Printed Pages: 13
Maximum Marks: 60

Note: Q.1 is Compulsory (Case Study : 15 Marks)

Solve any 1 Case Study from Q.2 & Q.3 (15 marks)

Solve any 3 Questions from Q.4 to Q.8 (10 Marks Each)

Q.1: Case Study 1: Sales Order Processing of Cielo Cars

Q.2: Case Study 2: Distribution Strategy of M/s Cipla Ltd.

Q.3: Case Study 3: Amway India Limited

Q.4: (A) What do you mean by Negotiation? 5 Marks

Describe in detail different type of Negotiating Styles with examples.

Q.4: (B) Discuss effect of different Personality Traits on Negotiation Skills.

5 Marks

Q.5: What are different types of Sales Theories? Describe any 2 in detail

Giving suitable example.

10 Marks

Q.6: What do you mean by Sales Positions? Describe in detail with all

Sub-Groups, giving suitable examples.

10 Marks

Q.7: Describe different Types of Pricing Techniques with suitable

examples.

10 Marks

Q.8: Describe Sales Potential Method in detail giving suitable example.

10 Marks

Case Study

for Q. No. 1

Sales Order Processing of Cielo Cars

The process in which the dealer/customer sends places the order and receives the car is called Order Processing.

Certain steps are involved in the order processing which are as follows:

(1) SCRUTINY OF ORDERS

Order Placement

Order is placed in two ways:

(a) **Direct Billing:** In this customer gives the order. The name, address and other details are in the name of customer. This type of order is generally 1%. It includes following documents:

- Authority letter on behalf of the customer should be there along with the order so that the dealer can easily take the delivery of the car.
- Address proof of the customer should be duly filled in and the address should be the current address only.
- Photocopy of the instrument with all the details should be there along with the order form.
- The payment should be made in full, i.e., ex-factory prices and freight charges.
- The signature of the customer should match, i.e., in the customer and the authority letter.
- All other details regarding the vehicle, i.e., model, color, transmission etc. should be clearly and specially maintained.

(b) **Dealer Billing:** In this customer places the order through the dealers. The name, address and all other necessary information are in the name of dealer. This type of orders are 99%.

- The order should be complete in all respect.

Model and payment details should be duly and correctly mentioned.

Dealer then send the order to the regional office, which is then sent to the head office. Finally, the cleared orders are sent to the sales admin-

istration department here in Surajpur by the way of fax.

Receipt of Order

Bank sends the following documents to regional office through fax:

- Photocopy of the draft.
- Deposit slip duly signed and stamped.
- Original customer order form

All these documents are then faxed to the Head Office in Delhi. Then the payments are handed over to the accounts department by the marketing department. Finally they fax it to the Sales Administration department in Surajpur.

There are two ways of receiving the order from Head Office:

Shuttle - 10 a.m. - 11 a.m.

Shuttle - 2 p.m. - 3 p.m.

(2) AUTHORISATION OF CUSTOMER ORDER FORM FINANCE

Payment is made along with the order through crossed bank draft only in favour of 'DAEWOO MOTORS INDIA LTD. It is verified, as per the credit policy and price list, by the finance department.

Full payment has to be made in advance to the company by the customer.

Payment by the Customer: The payment is made through the crossed bank draft only in favour of 'DAEWOO MOTORS (I) LTD.' payable at New Delhi, after giving adjustment of the booking advance paid to the company. The interest which accrues on the doing adjustment of the booking advance will not be deducted from the balance payment.

Collection of Payments: Earlier there was a system, that the customer gives the draft to the leader and he used to deposit it in the bank. This system of collecting the payment has been changed.

The new system—the company has tied up with CITI BANK and CORPORATION BANK. The branches of these banks are almost in every city. The person from the concerned bank comes to the dealer and collects the draft and deposit it in their respective bank and then it comes to the main branch in Delhi. This facility is available only for the distant regional offices. For the regional offices in Delhi or NCR the dealer has to deposit the draft himself in the bank.

Verification from the Account Department: The draft and other things are cross-checked with the accounts department so as to make sure that payment has been made and other formalities are O.K.

Separation of O.K. Orders: The orders which matches with the

accounts department are said to be the O.K. orders. If the order is not O.K. then information is sent back to the regional office to rectify the order.

Payment deposit in Accounts Department

- Order processing section is responsible for verification and scrutiny of payments is done before depositing the same in accounts department.
- Report is made for the payment to be deposited in the accounts department.
- Finally, the payment is deposited in the accounts department.
- List of replacement payments/punching are made for the accounts department.

(3) FEEDING ORDER ON SALES ORDER CENTRAL SYSTEM

After the approval from the finance department the customer order details are feeded into sales order central system at the SALES ADMINISTRATION.

The CIELO customer order form contains the following details:

- Name and address of the dealer.
- Priority No., Order No.
- Model Configuration
- Colour option
- Payment details
- Quantity

If any discrepancy occurs the order is sent back to the Head Office/Regional Office.

FIFO allocation of the Cars to Dealers and allocation sheet is printed

After the okay orders feeded into the central order system allocation of cars to dealers are made on FIFO (FIRST IN FIRST OUT) basis. The orders, which are received first, are given the first priority. In this process Allocation Sheet is printed out. FIFO is implemented where the orders from different dealers are same, i.e., orders demand same models and same colours.

(4) THE VEHICLES ARE SENT TO Y.M.S.

After the FIFO allocation sheet is printed out the cars are brought to the Y.M.S. At Y.M.S. following activities are performed at this stage of process:

- Identification and retrieval of allocated Car to CSI area from vari-

ous yards.

- CSI inspection and accessory fitment.
- Confirmation of billing.

YARD MANAGEMENT SECTION

The cars are manufactured in the plant and are handed over to the Quality Control Unit for the inspection of the manufacturing defects in the processed cars. After the inspection of the Q.C. the car comes to the Y.M.S.

The Y.M.S. performs the following functions:

1. Inspection
2. Computerised Punching
3. Parking
4. Maintenance
5. Dispatching and Loading
6. C.S.I. Activities

(1) *Inspection*: The cars are inspected for VIN No., Chassis No., Engine No., Model No., Colour try. Outlook defects and other minor defects in the inspection yard.

(2) *Computerised Punching*: Punching means the entry of cars in the salable stock; after the proper match the details of the car with the information provided by Q.C. unit with the M.I.S. department on on-line and the inspection of the cars, punched, it becomes 'Salable Stock'.

(3) *Parking*: The authorised drivers park the cars at the respective place. Two yards are provided for this purpose. The capacity of yards is 250 and 620 cars. In the future about 1,800 cars should be accommodated.

(4) *Maintenance*: Maintenance involves:

- Keeping the cars in good condition.
- Disconnecting battery terminals.
- Maintaining air pressure in tyres.
- Water proof covers of cars.
- Keeping necessitated amount of fuel in the car.

(5) *Dispatching and Loading*:

- Washing and polishing of the cars before dispatching.
- Monitoring loading related activities.
- Handling over of the cars to the dealer's representative.

(6) *C.S.I. Activity*: This involves inspecting car from customer's point

of view. This includes inspecting the various features and accessories of cars before giving the delivery.

- Cars in washed conditions
- Any minor scratch is take care of manually
- Horn, Lights, Mirrors, Plastic Seat Covers
- Remote Fuel/Trunk opener
- Stereo in perfect condition

Problems faced by Y.M.S.

1. Error in punching V.I.N. No., Chassis No., Model Configuration, etc. on-line by M.I.S. department.
2. Non-availability of proper light at evening when loading takes place at New Project Yard.
3. 20-25% of cars sent by Q.C. department to Y.M.S. are found to be defective in some or other manner.

(5) TRACING SHEETS AS PER DESPATCH PLAN

A Tracing Sheet is prepared as per the despatch plan. Tracing Sheet is a sheet, which match the record of vehicle's details, such as VIN No., Chassis No., and Engine No., with the physical car.

If any type of discrepancy is found in the physical car then it is properly taken care of as per the records available. If any type of discrepancy is found in the records than the car is withdrawn.

(6) BILLING DOCUMENTATION

In billing documentation there are:

- Invoice
- Sale Letter
- Form 21 & 22
- T.R.I. (Temporary Registration)
- Transport Document

Invoice. Usually three copies of Invoice-cum-Delivery Challan are prepared:

- (a) Original for Buyer
- (b) Duplicate for Transporter

Invoice copies are signed by Authenticated person before handling it to transporters or dealer representatives.

Sale Letter. Sale letter is a certificate which certifies the purchase of the car for the transporters at dealer's representatives.

SALE LETTER is also called FORM 21.

Form 22: FORM 22 initially certifies:

- Compliance of Pollution standards
- Safety Standards of components
- Road worthiness
- Chassis no., Engine no.

T.R.I. (Temporary Certificate of Registration): T.R.I. allots a temporary car number.

Transport Document: Transport document shows all the details of the transport mode on which car is dispatched.

After the billing documents are ready documents are handed over to the dealer's representatives and the transporters.

(7) LINING UP OF CARS AT NEW PROJECT YARD

Cars are lined up at New Project Yard at their allotted SLOTS as per the allocation chart.

(8) TRACING OF VIN PLATE & INSPECTION OF CAR BY TRANSPORTERS/DEALER REPRESENTATIVE

The transporters and dealer's representative inspects the car carefully before taking the delivery of the car. If any type of discrepancy is found the car is returned to Yard A.

(9) DELIVERY

Two modes of delivery:

(a) *Self:* The dealers having their showroom at nearby places to the SURAJPUR PLANT send their representative to take the self-delivery in order to save their transportation costs.

(b) *Transportation:* The dealers having showroom at far off places from SURAJPUR PLANT takes the delivery by transportation mode. The cars are loaded on Truck Trailer with the help of RAMPS at the New Project Yard in presence of transport representative and the loading supervisor.

QUESTIONS

1. Discuss the strengths and weaknesses of logistics system adopted by CIELO Cars.
2. How is it different than other car manufacturers ?

Case Study

for Q. No. 2

Distribution Strategy of M/s Cipla Ltd.

The Indian pharmaceutical market size is Rs. 14,000 crore, for Rs. 50,000 brands from 20,000 companies. But there is a still 10 big companies account for 30 per cent of the market. There is a strong competition among these companies.

Today, Cipla emerged one of the largest companies in the pharma market.

Profile of Cipla

During 1935, when the country was bearing with Civil Disobedience called by Mahatma Gandhi, Dr. K.A. Hamied incorporated a public limited company to manufacture of essential drugs. His main objective was to put the latest medicines within the reach of every Indian.

During the 2nd World War, there was acute scarcity of drugs in India. At that time the company took it as a challenge and develop its own process to manufacture several life saving drugs.

Now Cipla is producing 300 molecules with large segments from antibiotics to anti AIDS of standard quality at an affordable price.

The R&D division of Cipla was established in the year 1952, when there was the need for indigenous capability in developing technologies for active drug substances.

Distribution Channel in Pharma Industry

Pharmaceutical Industry differs, there are only existence of 3 intermediaries (Distributors, Wholesalers & Retailers).

But in Pharma industry the distribution channel is concentric in pattern in which the patient at the centre of circle whereas the manufacture lies in the outer circle. Here each ring represents a link in the chain.

Closely looking the figure 1.1 some rings prefer by passing the next one. Some companies, for instance, deal directly with stockists and some high and products those required lightly sensitive servicing (for severe illness) are distributed; the arrows indicate the interaction between different hierarchies.

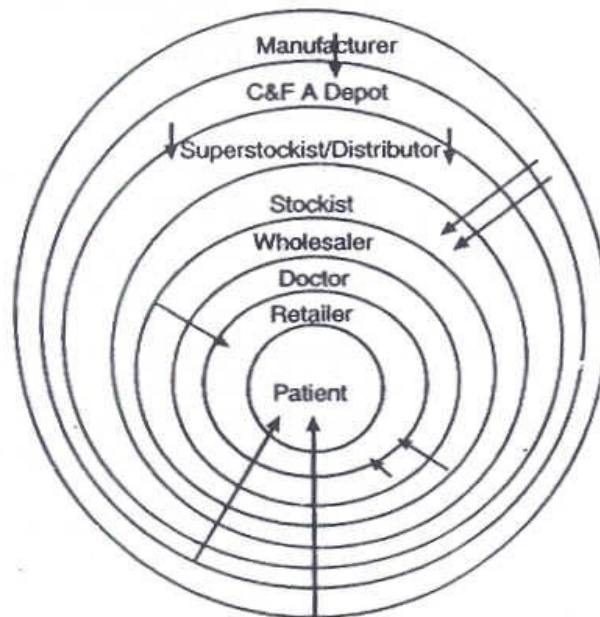
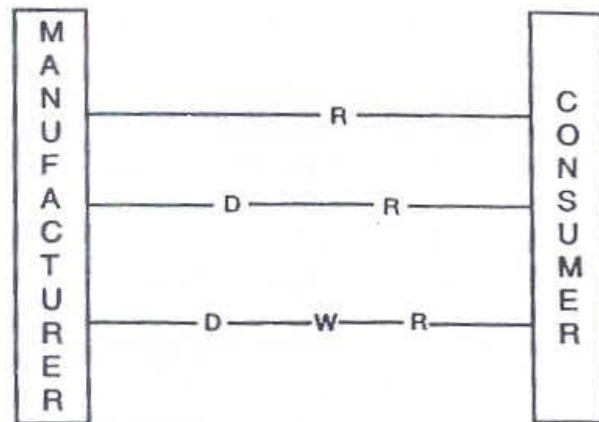


Fig. 1.1: Distribution Channel in Pharmaceutical Industry

To have a free flow distribution system at low cost every company should think sharply on these four points:

1. Availability of Products
 2. Working, Capital Management
 3. The chains cost
 4. Value chain satisfaction
1. **Availability of Products** : While working on a network, it is important to look at business turnover at each level of hierarchy. If it is too little, then reducing one or two tiers could make the chain more effective. Too many stocking points could lead to diminishing

interest among stockists because of too little and hence less return on investment.

2. **Working Capital Management:** If company has low sales but if carries a high level of inventory, then interest burden is very high. That is a reason to streamline distribution and ensure that pipeline does not get choked.
3. **The Chain's Cost:** To make the chain more effective it is necessary to develop parameters to evaluate hierarchical effectiveness. Unless a company has a large sales turnover which would absorb rising overheads easily in that case C&F Agents are recommended.

For a very small company C&F Agents are not recommended. Instead a distributor or superstockists is recommended. Also companies not operating on national level, C&F Agents are not recommended.

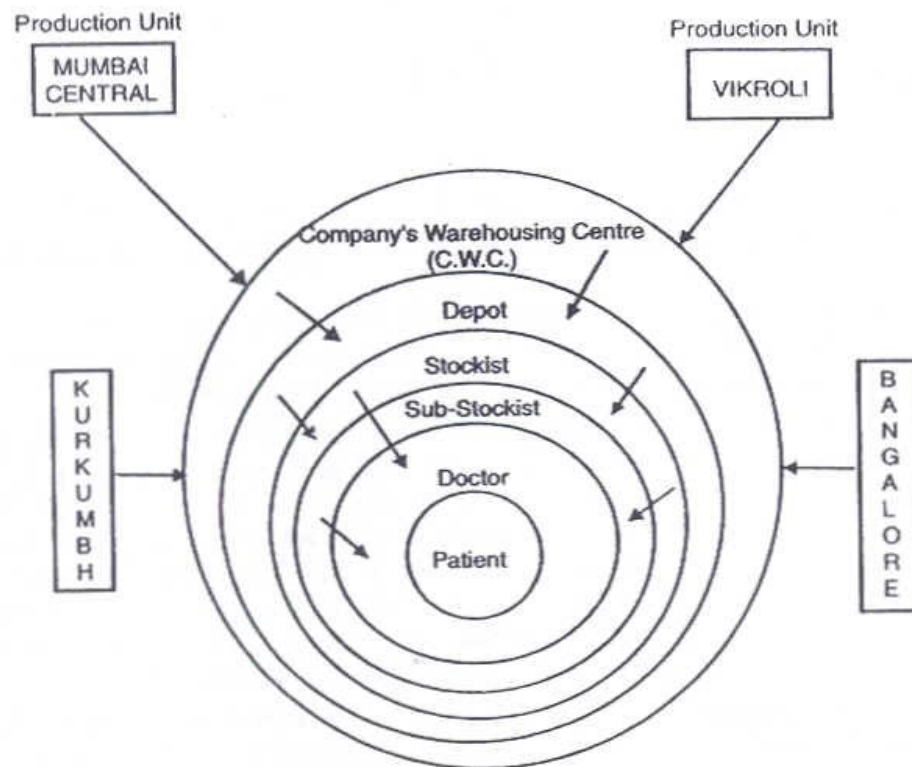
Selective or collective use of one system or all the system can be recommended. There is no need to follow one traditional method. For example, one company can follow C&F Agents in West Bengal and Kerala, dealers in Madhya Pradesh superstockists in Delhi.

4. **Value Chain Satisfaction:** Pharma products passes through a few more stages than other typical products. They start from factory and reach the final consumer (the patient) through the doctor. However, marketers are advised to deliver satisfaction all through the chain. The benefits are generally two ways: (1) Fewer C&F Agents handling larger volumes, for instance, could save the companies cost of truck transportation and (2) Agents will be satisfied with their case so long as orders keep coming in.

Distribution Channel of Cipla Ltd.

To minimise the cost in this distribution channel Cipla has skipped several hierarchy. The distribution channel that Cipla has adopted is given below:

Cipla has 5 manufacturing unit located at Mumbai Central, Vikroli, bangalore, Patalganga (Near Mumbai) and Krkumbh (near Pune). First of all products are taken from production unit to company's warehousing centre (C.W.C.) which is located at central Mumbai. From the company's warehousing centre the druge are transported to the depots which are located in each region. Cipla has 21 such depot throughout the country (in Delhi Cipla's depot is located at Patparganj). From the depot, the drugs move to stockist. Then the stockist distributes to the chemist shop. If stockist is bigger in size then drugs move to the chemist through sub-stockists. In the distribution network Cipla actually skips the hierarchy of superstockists/distributors and in some cases wholesaler also.



For drugs of several illness, Cipla is distributing directly to the hospitals from depots. Anti-Cancer drugs are supplied to RAJIV GANDHI CANCER RESEARCH INSTITUTE & APOLO HOSPITAL directly from depots. Similarly ant-AIDS drugs are distributed directly to the AIDS department of AIMS.

QUESTIONS

1. Evaluate the multichannel distribution system of M/s Cipla Ltd.
2. What are the strengths and weaknesses of the channel organisation of the company?

Amway India Limited

AMWAY INDIA ENTERPRISES (AIE), the wholly owned subsidiary of the 7 billion (Rs. 28,000 crores) U.S. based Amway Corporation, has nationally launched its range of home-care and personal care products.

Initially, AIE has introduced four household products, LOC high suds (a liquid organic multipurpose cleaner) priced at Rs. 322/- for a litre. DISH DROPS (a dishwashing liquid) priced at Rs. 420/- for a litre, 200 M (a spray - concentrate for Kitchen appliances) at Rs. 299/- for a litre and a SEE spray (a glass cleaning concentrate) at Rs. 290/- for a litre. All are either semi-diluted or concentrates and thus, provide a much larger quantity of cleaning liquid. When diluted: Dish Drops and SEE spray give 4 litres each, 200 M gives 3 litres, while LOC gives 165 litres.

In the personal care category, AIE has launched a Shampoo - Plus conditioner called SATINQUE, which is priced at Rs. 314/- for 250 ml. and a glycerine and honey lotion called G&H for Rs. 316/- (for 250 ml). These prices are for the end users and factor in a 18-30% margin for the distributor—(variation is due to margin on sales and other taxes which vary from state to state). The maximum margin is 30%.

So, why should the price sensitive Indian buy something which is priced way beyond all competition. "I agree, in comparison to other retail products AMWAY's products seem expensive, but since they are concentrates, they last much longer". Says Mr. Robbins.

That is the reasoning behind AIE's direct marketing/selling route. Each product can be demonstrated, seen and used by consumers before the purchase, unlike retail products. Moreover 50% of the total volume is consumed by the distributors themselves. (Some even enrol just to get the product at lower prices for self use).

That is okay with Mr. Robbins, because AIE is not into pushing distributors for results. It believes in pushing the product through the concept. Distributors are under no obligation to sell, just as they needn't be exclusive to AIE. The company has no parameters for enrolling them either. "It is self selecting process. Any one who has the desire to affect a change in their lives is welcome", says Mr. Robbins, MD of the Indian subsidiary. To become a distributor one has to pay an initial sum of Rs. 4,200/- for the

first year, which includes, a kit with all six products and the company magazine along with support in terms of literature, training sessions and a promise to deliver anywhere". AIE reaches 151 cities officially. The distributor can renew his contract after a year by paying a nominal sum of Rs. 1,200/-.

Though Mr. Robbins admits that direct selling has an inherent problem. You can't purchase the product instantly, in comparison to a retail outlet. He also acknowledges competition from companies selling household products, but personalised service and quality products ought to take care of these factors.

The plastic for the bottles is imported and the duty varies between 20-60%. Fifty per cent of the raw material is locally source. The company has two plants at SECUNDERABD and at PUNE. The combined installed capacity 30,000 bottles a day.

AMWAY has invested close to Rs. 100 crores in the Indian venture—and expects to have a base of 3 lakh member distributors within 5 years (starting May'98).

QUESTIONS

1. Give your comments on the concept of Direct Selling through member distributors.
2. How can the company overcome the hurdles of premium pricing of the products, and non-availability of products as and when required ?