

# Sales and Distribution Management

## Session 1

# Session 1 – Class Plan

1. Mystery Activity 1
2. Customer orientation
3. Training Needs Analysis – Rationale and Execution
4. Findings from previous term courses
5. Reviewing the course outline and grading scheme
6. Segway to next class

# Mystery Activity 1

- Arrange the class in concentric circles
- I need an enthusiastic volunteer
- Activity: Sell a product that you currently have in your possession to one of your classmates

05:00

# How would you rate the sales effort?

Exceptionally poor	Very poor	Below average	Average	Above Average	Very good	Exceptionally good
--------------------	-----------	---------------	---------	---------------	-----------	--------------------

What would you have done differently?

Can we say the volunteer could  
have been more customer  
oriented?

As opposed to product oriented?

Let's try and understand our  
own customer orientations now

# Survey

- Please answer the survey : <https://forms.gle/6uhBrXuFfU3ksnUY6>  
(link has been emailed to you)
- Take your time, answer as honestly as possible
- The idea is to truly understand the kind of salesperson you currently are
- Note: These results are not used towards grading

08:00

# Results of the Survey

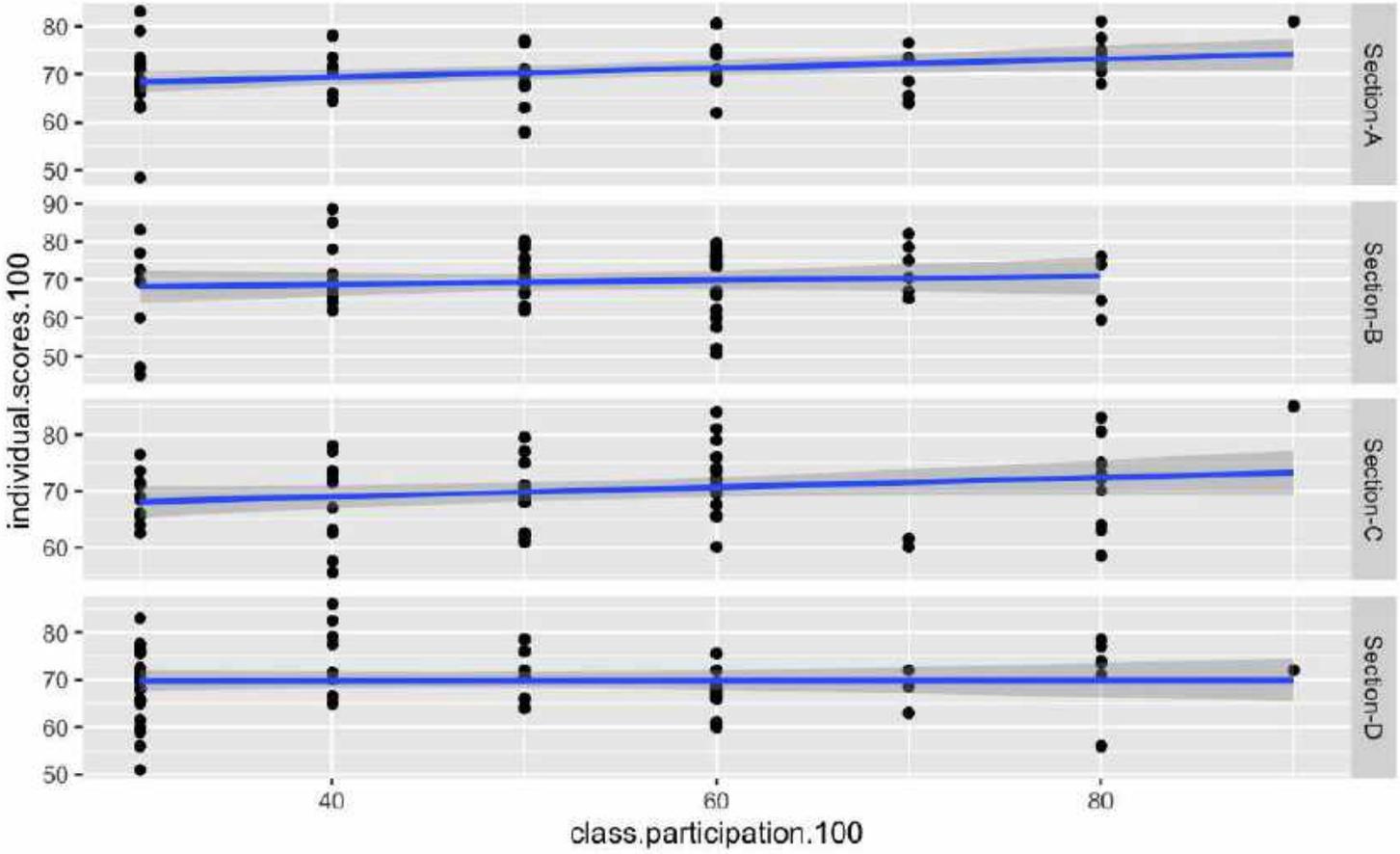
# Some Findings From Consumer Behavior Class

# Needs Analysis

- “Systematic process of identifying and evaluating training that should be done, or specific needs of an individual or group of employees, customers, suppliers, etc.”
- Courses
  - Are typically static
  - Do not change with respect to who the audience is
    - That is antithetical to the logic of sales
- We will try and be different in this course
- Needs analysis survey : <https://forms.gle/1C6knRsCbXyMaY3T6>

# Needs Analysis #2

# Individual Scores and Class Participation



# Analysis of Variance

```
one.way <- aov(overall.scores ~ Section, data = data)

summary(one.way)
```

```
##           Df Sum Sq Mean Sq F value Pr(>F)
## Section     3    137   45.58   1.817  0.145
## Residuals 247   6195   25.08
```

```
one.way <- aov(end.term.100 ~ Section, data = data)

summary(one.way)
```

```
##           Df Sum Sq Mean Sq F value Pr(>F)
## Section     3    232   77.35   0.763  0.516
## Residuals 247 25051  101.42
```

# The Course Outline

**Sales and Distribution Management**

Academic Year 2022-2023

Course instructor:  
Dr. Karthikeyan Balakumar

Proposed changes:

- Organization of sessions
  - Add one session on basic R
  - Explain how I plan to use R
  - Moving industry talk to later
  - Incorporation of Simulation
  - Reordering of courses after studying the needs expressed by students
- Grading scheme
  - Learnings from Consumer behavior sessions
  - Addition of simulation component
  - Quick 5-minute test to compute class participation during all case discussion days – We just tested the technology

# The Course Outline

**Sales and Distribution Management**

Academic Year 2022-2023

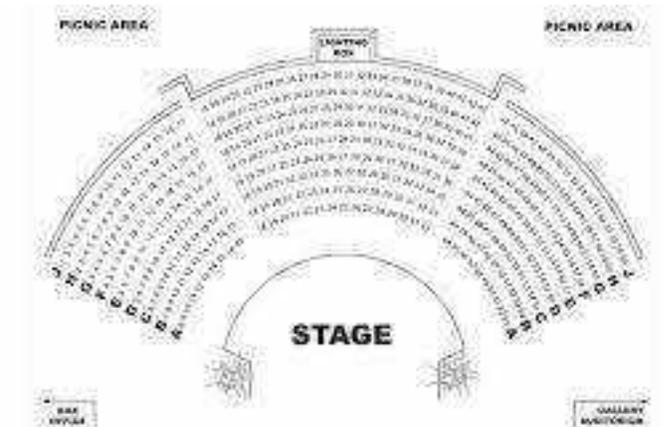
Proposed changes:

- Group presentation
  - Prepare sales plan for dream company
  
- Ideas?

Course instructor:  
Dr. Karthikeyan Balakumar

# Some Ground Rules

- Circular/Fan like seating arrangement – CR to ensure this happens
- Class will be bolted at the time the class is supposed to start
  - No grace time
  - No excuses
  - No bio breaks when in class
- Newsletter will continue
  - Positive results from previous term
  - Barometer of sorts
- Office hours - 4-5 p.m. daily (number of visits last term = 0)



# Some Ground Rules

- Always up to date Slide deck : [here](#)
- Course newsletter : [here](#)
- Course WhatsApp group : [here](#)
- Updated course outline : [here](#)

# Simulation Activity

- <https://www.cesim.com/simulations/cesim-marketing-management-simulation-game>
- Choices to be made
  - FMCG vs Mobile – Vote
  - How many practices and actual round
  - Team details

Email Address	First Name	Last Name	Team No.
mba07001@iimsirmaur.ac.in	ABHINAB	SHARMA	NA
mba07002@iimsirmaur.ac.in	ADARSH	KUMAR	NA
mba07009@iimsirmaur.ac.in	ANIRBAN	DAS	NA
mba07011@iimsirmaur.ac.in	ANJANA		NA
mba07018@iimsirmaur.ac.in	ARSH	GADH	NA
mba07019@iimsirmaur.ac.in	ARYA	NOUGHRIYA	NA
mba07024@iimsirmaur.ac.in	BHAVNA	YADAV	NA
mba07026@iimsirmaur.ac.in	CHAMPAK	DOLEY	NA
mba07028@iimsirmaur.ac.in	CHHAVI	BANSAL	NA
mba07030@iimsirmaur.ac.in	CHIRAG	YADAV	NA
mba07032@iimsirmaur.ac.in	DAKSH	MALHOTRA	NA
mba07040@iimsirmaur.ac.in	GAYATRI	M B	NA
mba07041@iimsirmaur.ac.in	GHARAT	SIDDHESH SANTOSH	NA
mba07055@iimsirmaur.ac.in	IHEELAM	SEN	NA
mba07057@iimsirmaur.ac.in	KAMPATI	VENKATA GIRIJA ARAVIND	NA
mba07060@iimsirmaur.ac.in	KANISHAK	SHARMA	NA
mba07064@iimsirmaur.ac.in	KASARE	KAPIL FANINDRA	NA
mba07069@iimsirmaur.ac.in	KOMAL	VERMA	NA
mba07070@iimsirmaur.ac.in	KRISHNA	MAHIDHAR CHILUKU	NA
mba07073@iimsirmaur.ac.in	KRISHU	PANCHAL	NA
mba07078@iimsirmaur.ac.in	MANSI	KUKREJA	NA
mba07079@iimsirmaur.ac.in	MANSI	RAHEJA	NA
mba07082@iimsirmaur.ac.in	MEREDDY	SIRI	NA
mba07085@iimsirmaur.ac.in	MOHAMMAD	FAISAL	NA
mba07087@iimsirmaur.ac.in	MOPADA	VENKATA HEMANTH SAI CHANDRA	NA
mba07091@iimsirmaur.ac.in	OM	KRISHNA NARAYAN SWAMI	NA
mba07093@iimsirmaur.ac.in	MUSKAN	DHAGGA	NA
mba07104@iimsirmaur.ac.in	PRADYUT	SUMAN KAKATI	NA
mba07108@iimsirmaur.ac.in	RAHUL	MEGHWAL	NA
mba07117@iimsirmaur.ac.in	ROHAN	TIWARI	NA
mba07118@iimsirmaur.ac.in	ROHIT	DADHEECH	NA
mba07125@iimsirmaur.ac.in	SAPAN	RAJPUT	NA
mba07126@iimsirmaur.ac.in	SASHIKANT	GUPTA	NA
mba07129@iimsirmaur.ac.in	SHAMBHAVI	RATHOUR	NA
mba07130@iimsirmaur.ac.in	SHANKERACHARYA		NA
mba07131@iimsirmaur.ac.in	SHANTANU	VISHNU GAIKWAD	NA
mba07136@iimsirmaur.ac.in	SHRADDHA	PATIDAR	NA
mba07137@iimsirmaur.ac.in	SHREYA	BHATIA	NA
mba07139@iimsirmaur.ac.in	SHIVANK	SHARMA	NA
mba07147@iimsirmaur.ac.in	SONALI	ARORA	NA
mba07162@iimsirmaur.ac.in	TANYA	KHURANA	NA
mba07164@iimsirmaur.ac.in	THALAPALLY	SAI SAVANTH	NA
mba07186@iimsirmaur.ac.in	RANU		NA
mba07190@iimsirmaur.ac.in	CHETAN	SARUP ROHILLA	NA
mba07191@iimsirmaur.ac.in	SAIAN	KUMAR	NA
mba07195@iimsirmaur.ac.in	Diksha	Panwar	NA
mba07198@iimsirmaur.ac.in	NEERAJ		NA
mba07199@iimsirmaur.ac.in	DHAWAL	MOTWANI	NA
mba07211@iimsirmaur.ac.in	RAHUL	SINGH	NA
mba07213@iimsirmaur.ac.in	GAJULA	VEEKSHITH	NA
mba07214@iimsirmaur.ac.in	SHREYAS	GOSWAMDE	NA
mba07217@iimsirmaur.ac.in	PADALA	KRISHNA	NA
mba07222@iimsirmaur.ac.in	NAYAN	TRIVEDI	NA
mba07223@iimsirmaur.ac.in	SANSKAR	PANDEY	NA
mba07225@iimsirmaur.ac.in	SHUBHAM	WAS	NA
mba07228@iimsirmaur.ac.in	MOHAN	MOHAN	NA
mba07233@iimsirmaur.ac.in	M	ANEESH	NA
mba07239@iimsirmaur.ac.in	SHIVAM	RASRAJ	NA
mba07242@iimsirmaur.ac.in	SHSHIR	CHANDRA VERMA	NA

# The Sales Management

- Objectives of Sales Management
  - Sales-volume
  - Market share
  - Profitability
    - Sales - Cost of sales = Gross margin
    - Gross margin - Expenses = Net profit

# A Day in the life of a Salesperson

- Planning and Execution
- Coordination with Other organizational functions
  1. Distributive Network
  2. Marketing team
  3. Finance
  4. Human Resources

# In the Next Session

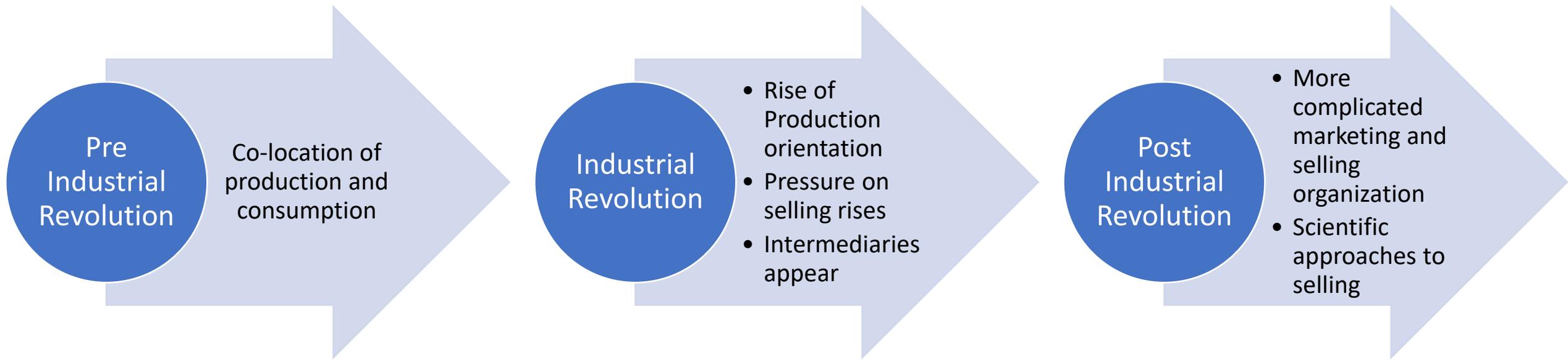
- Review the findings from the needs analysis
- Finalize the course outline
- Introduction to Sales Management
  - Sales vs Marketing - Assumptions in Sales management - Discussion of assignments
  - **Readings**
    - Exploit the PLC
    - The PLC is dead
    - Strategic Sales Management : A boardroom issue
    - Ending the War Between Sales and Marketing
    - The changing role of sales: viewing sales as a strategic, cross-functional process. European Journal of Marketing.

# Questions?

# Sales and Distribution

## Session 2

# A History Lesson



# Sales Management

*“Sales Management means the planning, direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force”*

- American Marketing Association

# Sales Management

*“Sales Management means the **planning, direction and control** of personal selling, including **recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating** as these tasks apply to the personal sales force”*

- American Marketing Association

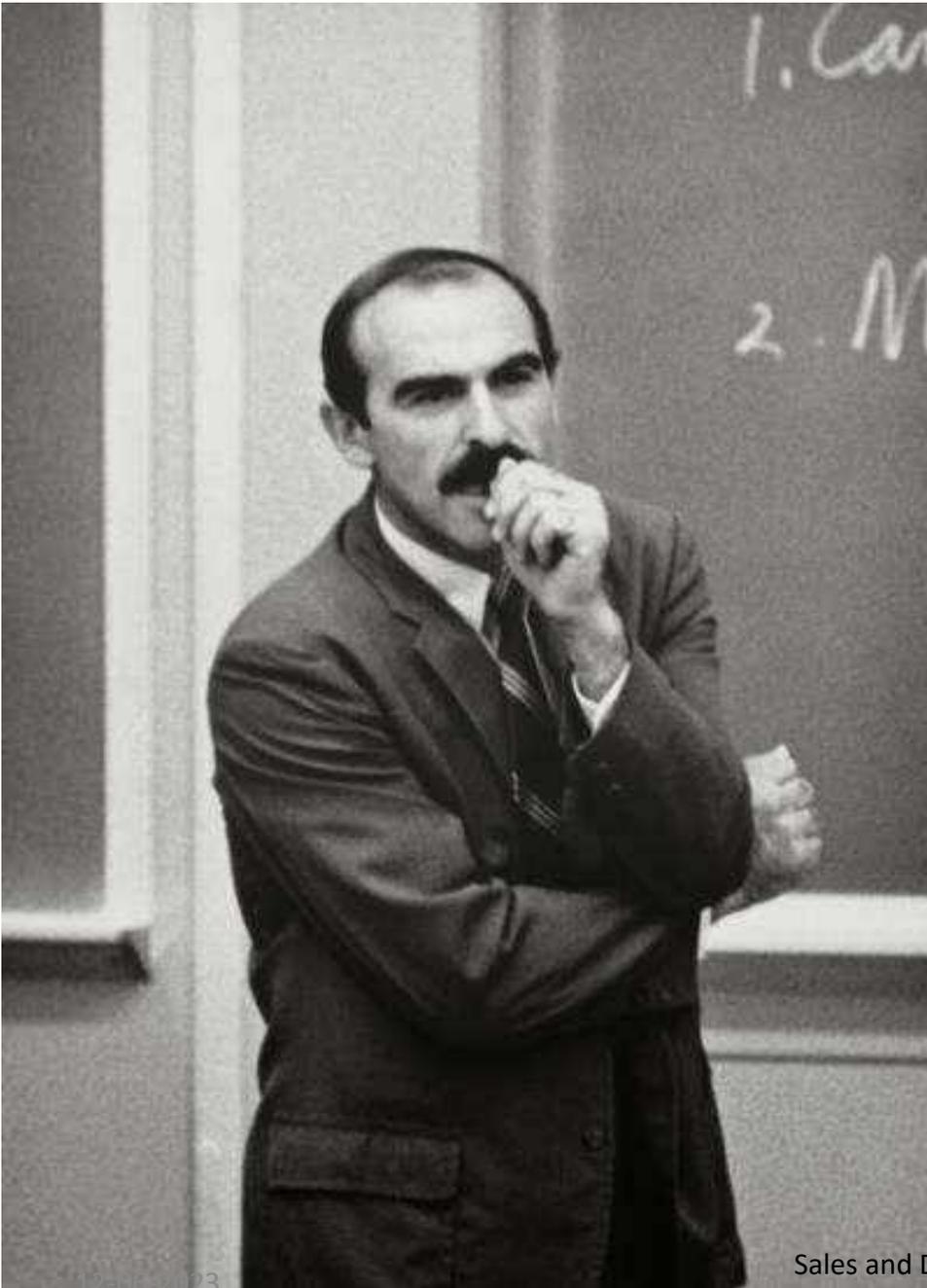
# Why do students pick up careers in sales?

- Faster career growth
  - CEOs
- Better compensation
- Love to travel and meet people
- Enjoy competition



*“The aim of marketing is to make selling superfluous.”*

-Peter Ferdinand Drucker



*Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the cluster of things associated with creating, delivering, and finally consuming it."*

*- Theodore Levitt*

Looks like marketers want us  
to be unemployed!!

# Not Really!

- Sales and Distribution management simply a part of Marketing
  - Not just order taking
  - Taken on a strategic role
- The salesperson is increasingly a “relationship manager”

# Where is 'relationship focus' higher?

Business  
to  
Business  
Selling



Business  
to  
Consumer  
Selling

Business  
to  
Business  
Selling



Business  
to  
Consumer  
Selling

1. Fewer customers
2. Customers are larger in size
3. Clearer articulation of requirements

# Where is 'relationship focus' higher?

Business  
to  
Business  
Selling



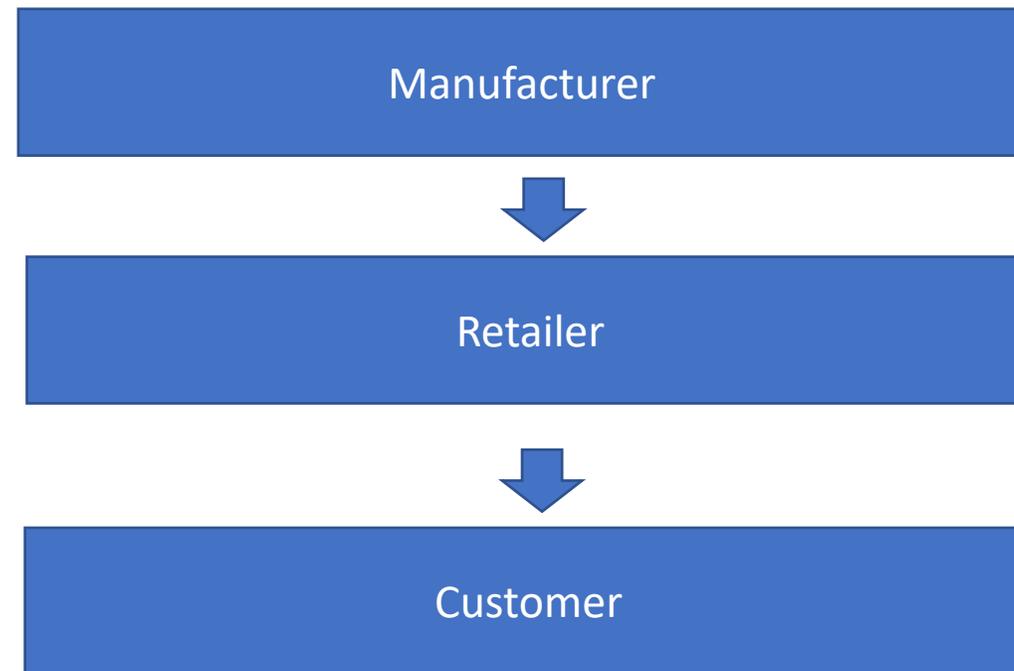
Business  
to  
Consumer  
Selling

1. Many more customers
2. Customers are smaller, buy infrequently
3. Spoilt for choice

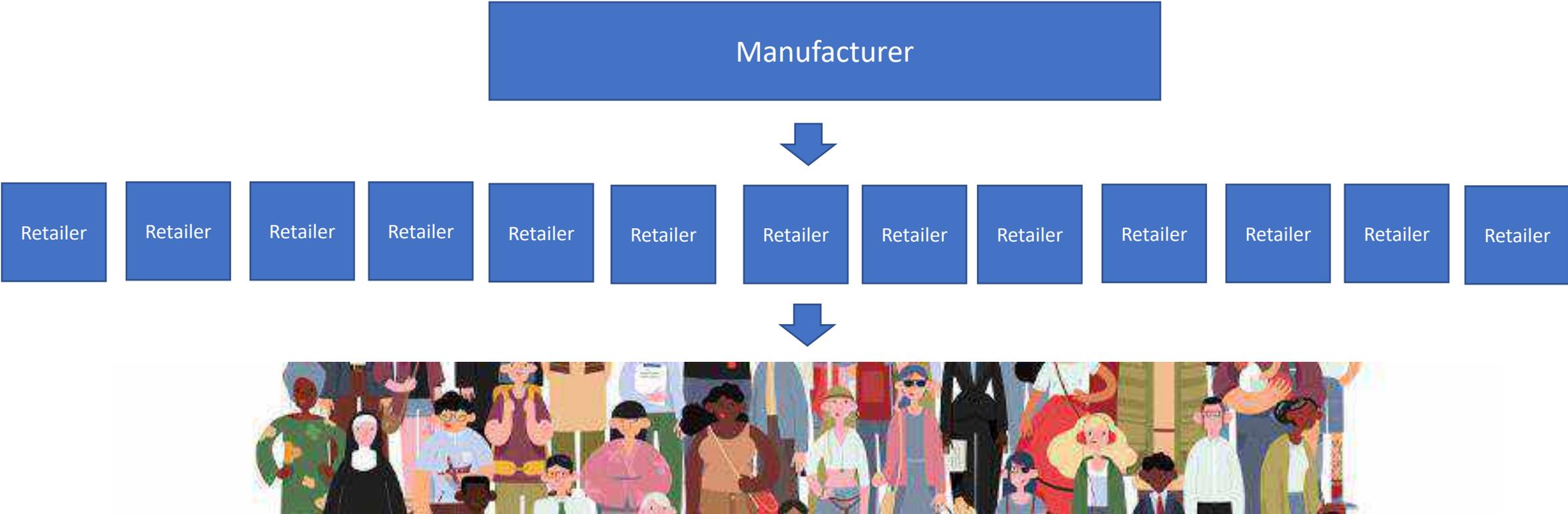
Can we say there is no  
relationship orientation in B2C?

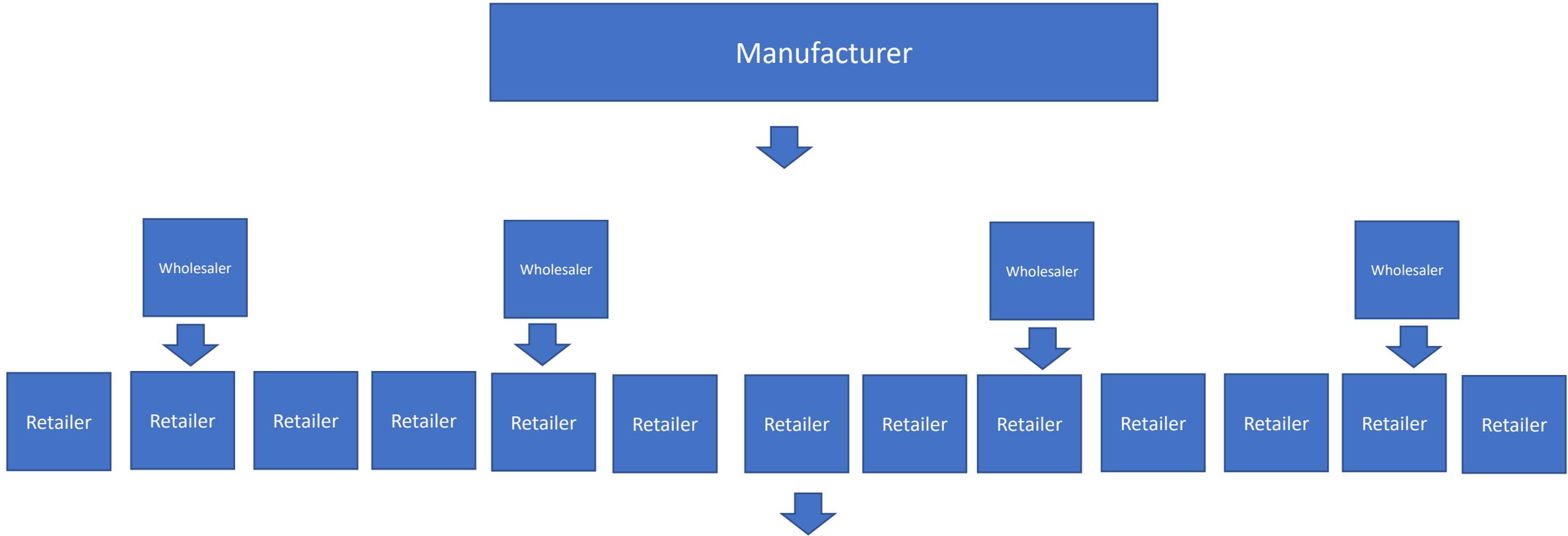
NO!!

# Recall Traditional Channel Structures



# In Reality





# B2C Sales

- Involves dealer and distributor management
  - Inventory management
  - Credit management
  - Human Resources management
- Vendor management
- Competition management



# Both B2B and B2C Selling require Similar Skills

- Planning and execution
- Follow up
- Persuasive communication
- Forecasting

# A dynamic shift

# Comparison of cases

Industry	Company A Construction	Company B Power solutions	Company C Building technology	Company D Electronics and software
From function to process	No sales personnel but project managers that are responsible for both sales and project delivery	Sales is conducted as a process both from sales organization and product business units	Defined customer management process, including processes such as “manage customer relationships”, “create demand”, “sell” and “deliver”	Defined customer management processes: “account management” and “sales”
From isolation to cross-functional	In process of creating complete offering concepts: cross-functionality needed in development, sales and delivery	Remote operations of customer systems requires deep integration both internally and with the customer Solution business unit supports pre-packages solutions and supports in sales and project delivery	Partnership program for strategic customers defines both cross-functional customer management and cross-functional solutions Separate cross-functional business unit for major projects	Customer operations in matrix with geographical BUs Goal alignment between strategic customer teams and BUs Roadmap sharing with strategic customers
From operational to strategic	Cooperation with sales and top management needed to find and execute optimal balance between profit potential and risk	Sales directors involved in creating BU strategies Sales represented in the extended executive board Sales and customer metrics in the main management system	Executive board defines objectives and milestones for all strategic sales initiatives; progress of these initiatives is followed up in all executive board meetings Sales and customer metrics included in the KPIs	Customer operations represented in the executive board Capability investments largely directed by strategic customers

Source: Storbacka et al (2008) - The changing role of sales: viewing sales as a strategic, cross functional process

# Essence of the paper

- Sales is changing from
  - Functional to process oriented
  - From isolation to cross functional
  - From operational to strategic
- Clearly Sales is now a BOARDROOM issue

# Strategic Sales Management – A Boardroom Issue

Old Approach
1. Get New Accounts
2. Get the Order
3. Pressure Your Company To Cut Price
4. Give Service To Get Sales
5. Manage All the Accounts the Same Way
6. Sell to Anyone

# Strategic Sales Management – A Boardroom Issue

<b>Old Approach</b>	<b>Necessary New Approach</b>
1. Get New Accounts	1. Retain Existing Accounts
2. Get the Order	2. Become the Preferred Supplier
3. Pressure Your Company To Cut Price	3. Price For Profit
4. Give Service To Get Sales	4. Understand Cost Implications and Manage For Profitability
5. Manage All the Accounts the Same Way	5. Manage Each Account For Maximum Long-Term Profitability
6. Sell to Anyone	6. Concentrate On the High Profit Potential Accounts

# A Salesperson must decide

- Which accounts?
- Which products and services?
- What specific activities are to be accomplished?
- What are the key interactions with other parts of the company?

However, for 50 years, firms have been

**MYOPIC**

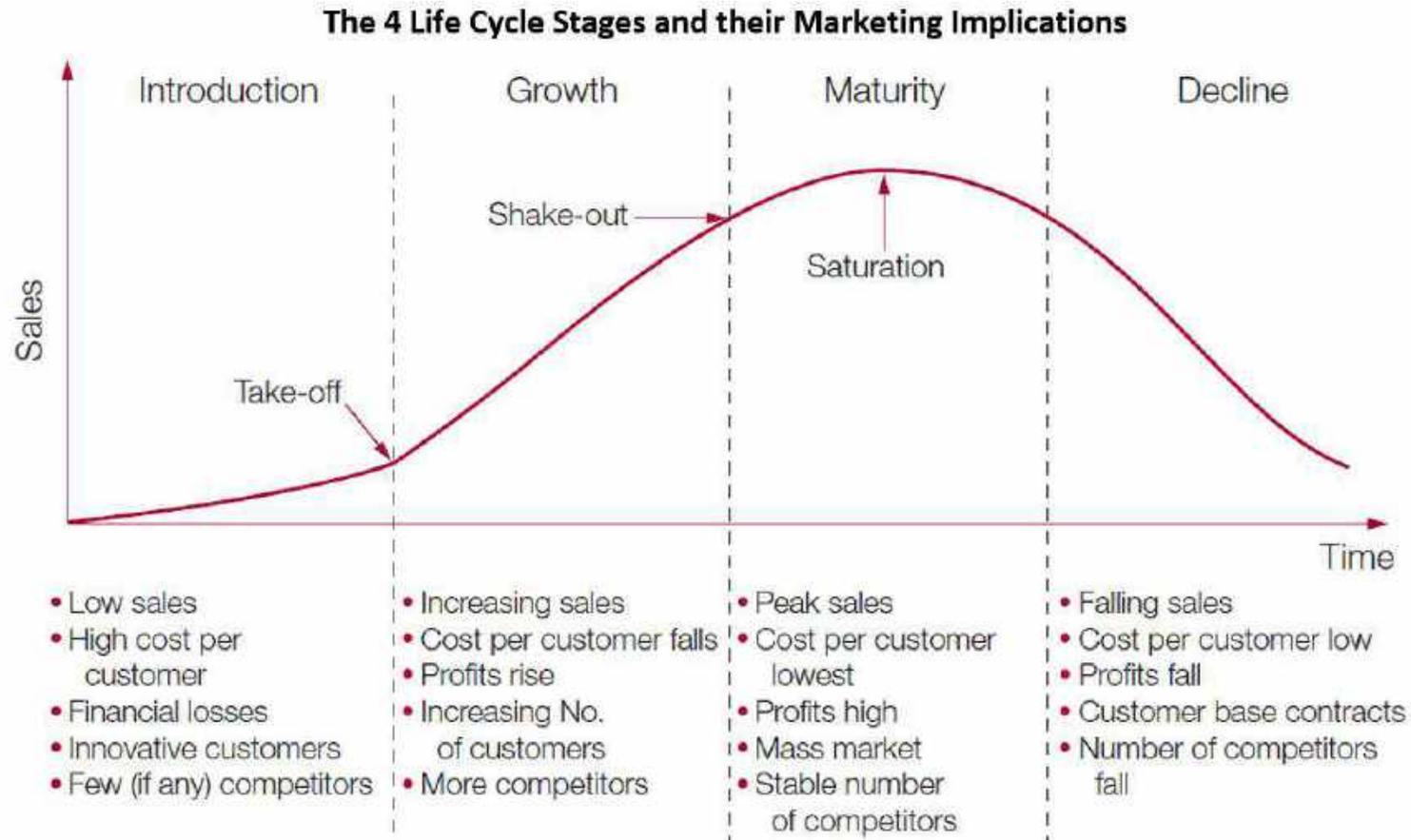
# Learnings from Marketing Myopia (1960)

- How to define the industry we are in?
- What is product orientation?
- What is selling orientation?
- Explicit focus on sales is myopia's root cause
  - “What the railroads lack is not opportunity but some of the managerial imaginativeness and audacity that made them great.”

*It is not surprising that, having created a successful company by making a superior product, management continues to be oriented toward the product rather than the people who consume it.*

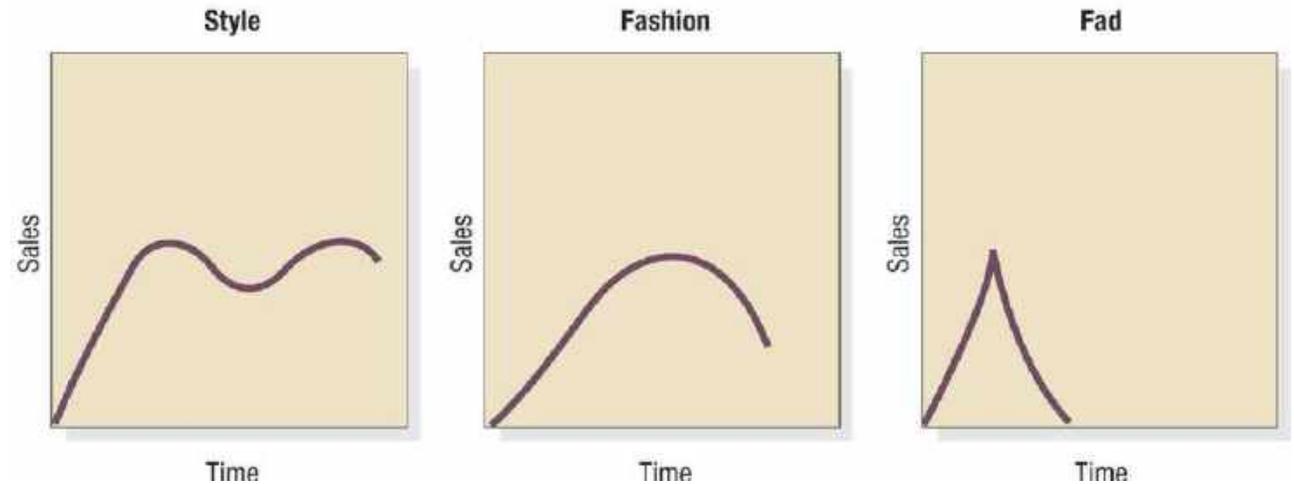
Excerpt from the paper

# The product life cycle



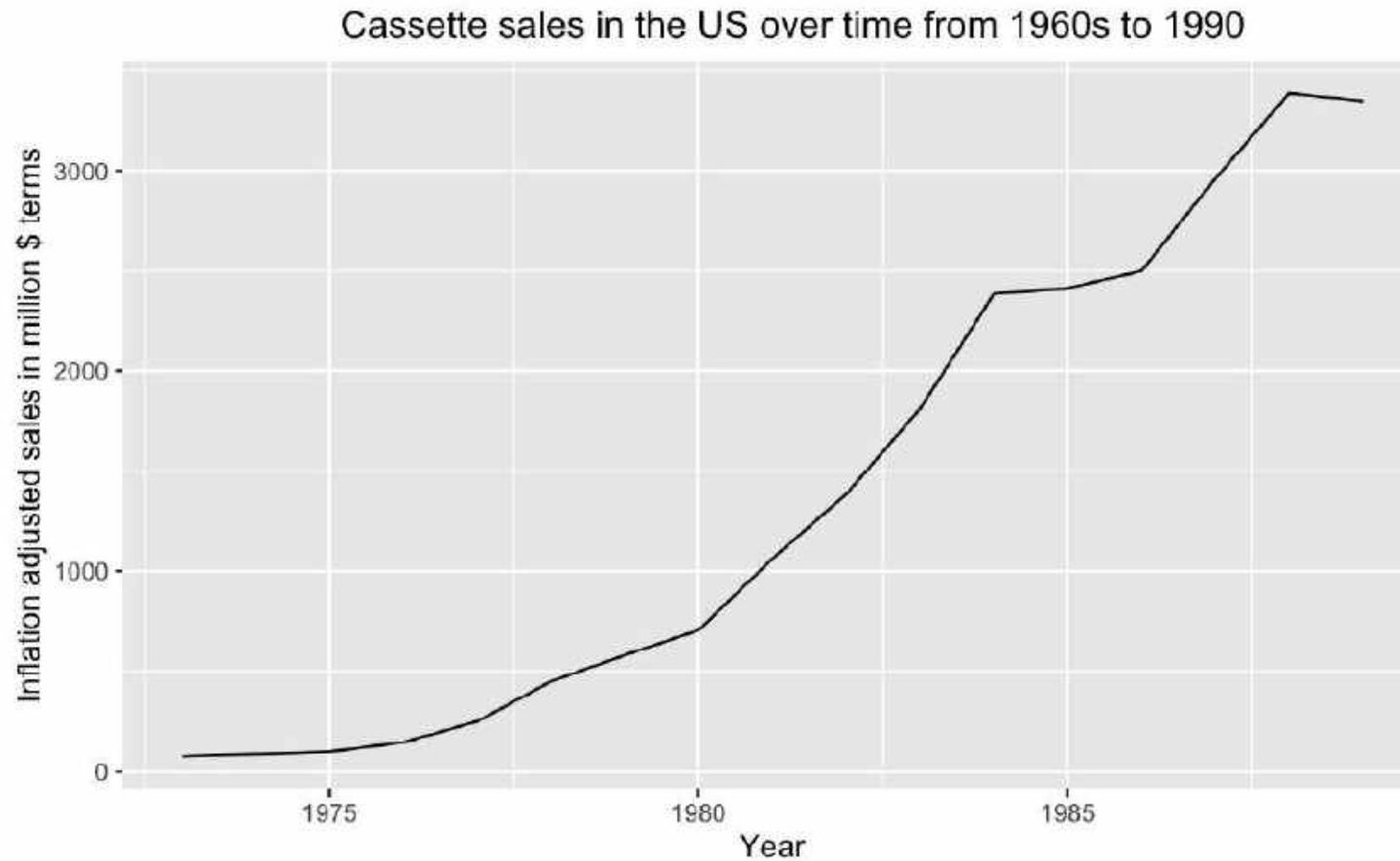
# Some Questions

- What here is the product?
- What is on the y axis?
- At what level is it measured?
- Can you tell where in the PLC you are?
- What is this then?

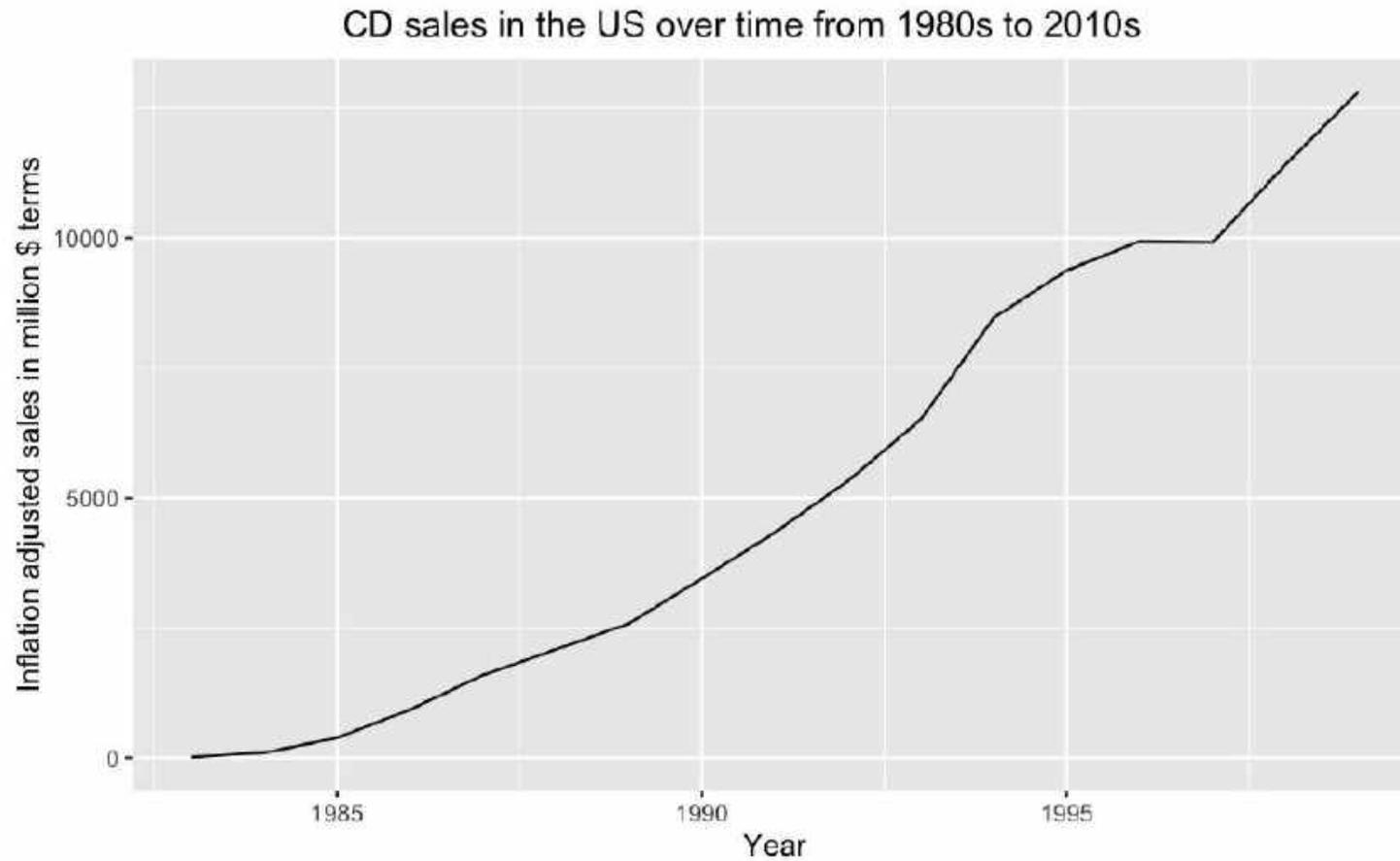


# Exemplar

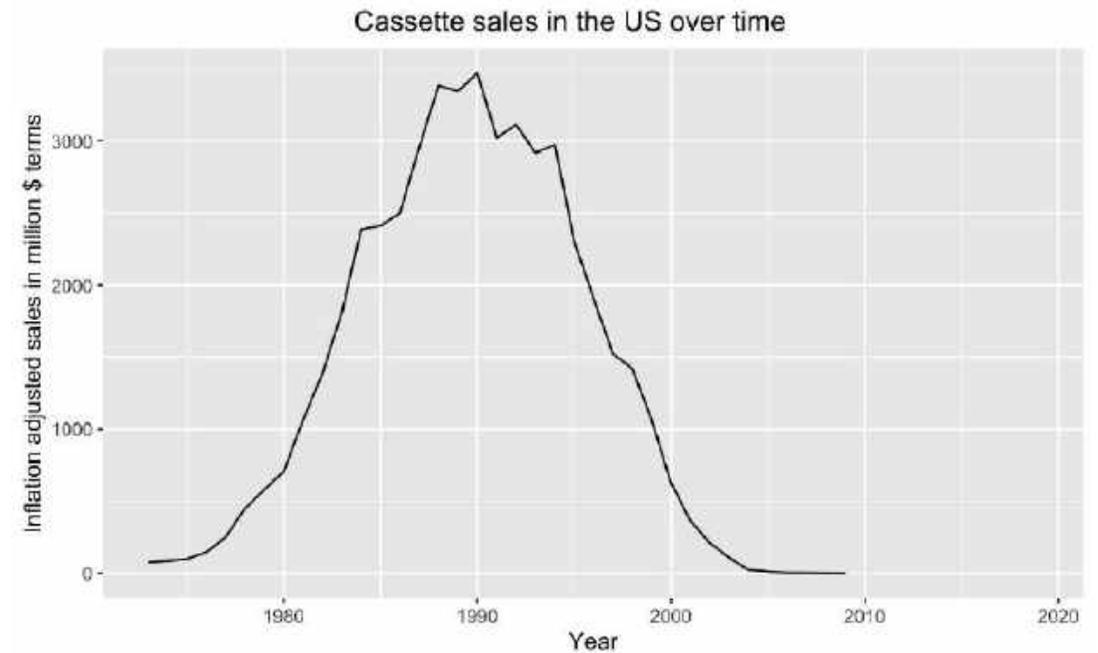
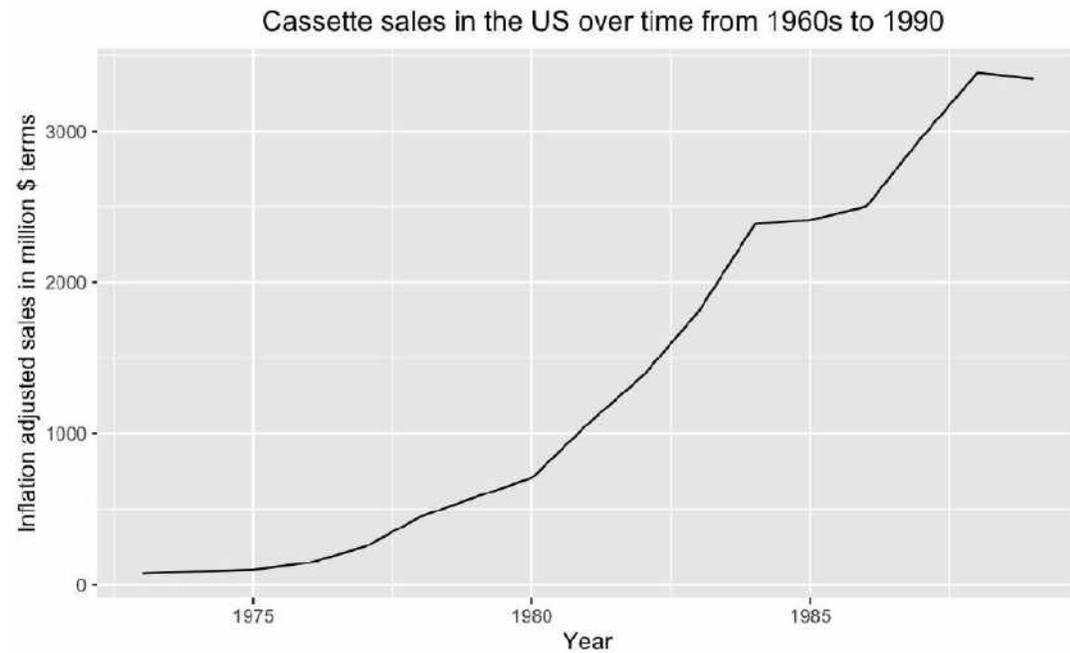
# Let's go back in time – Cassette Sales



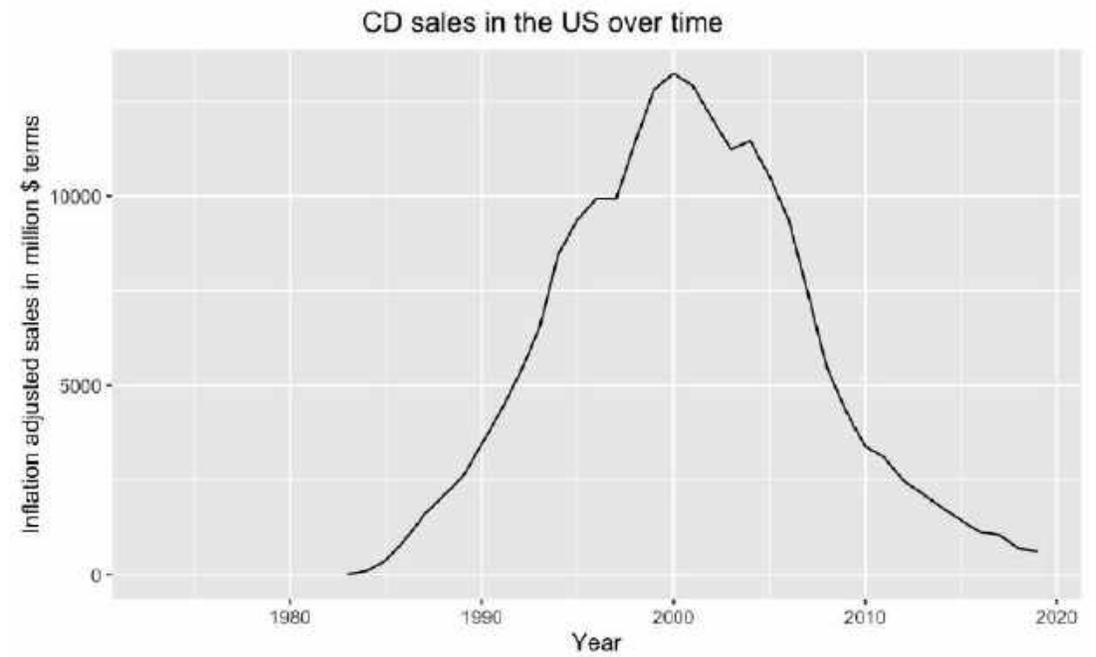
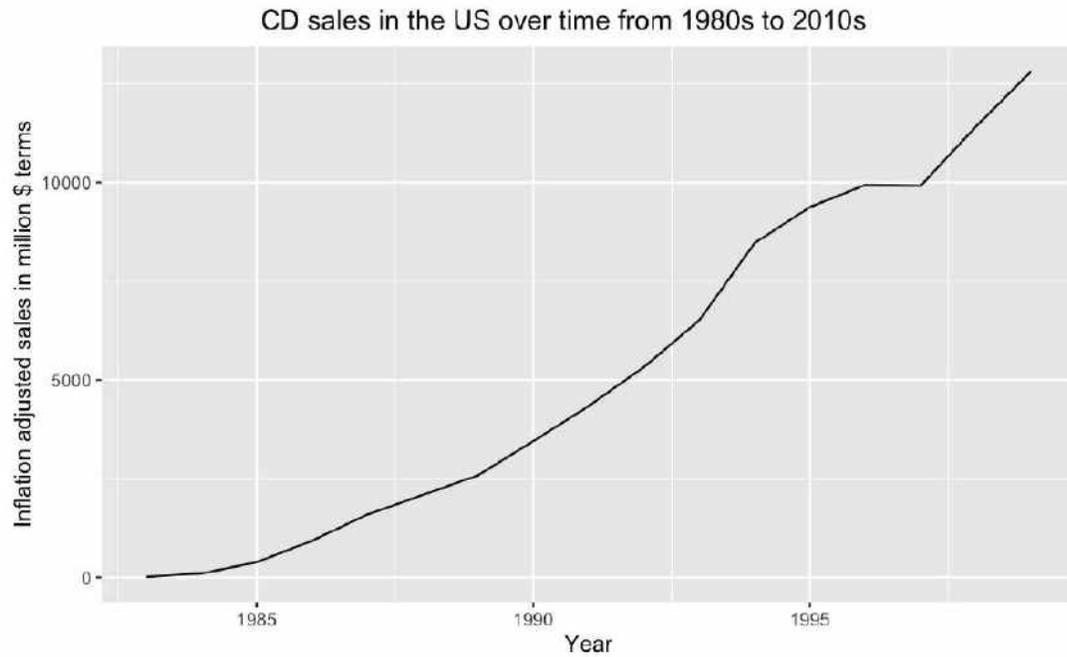
# Let's go back in time – CD Sales



# Changing Tides – Cassette Sales



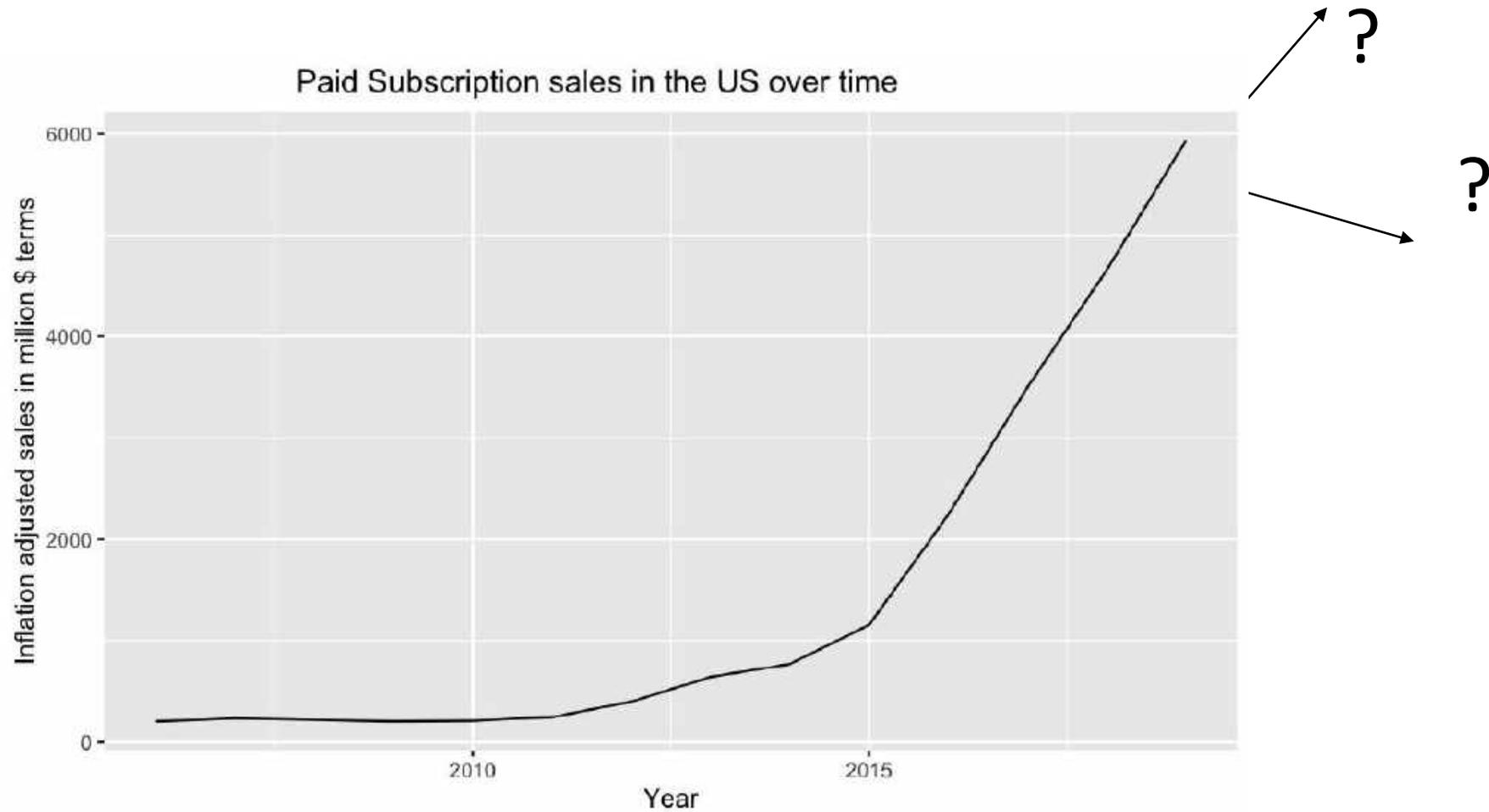
# Changing Tides – CD Sales



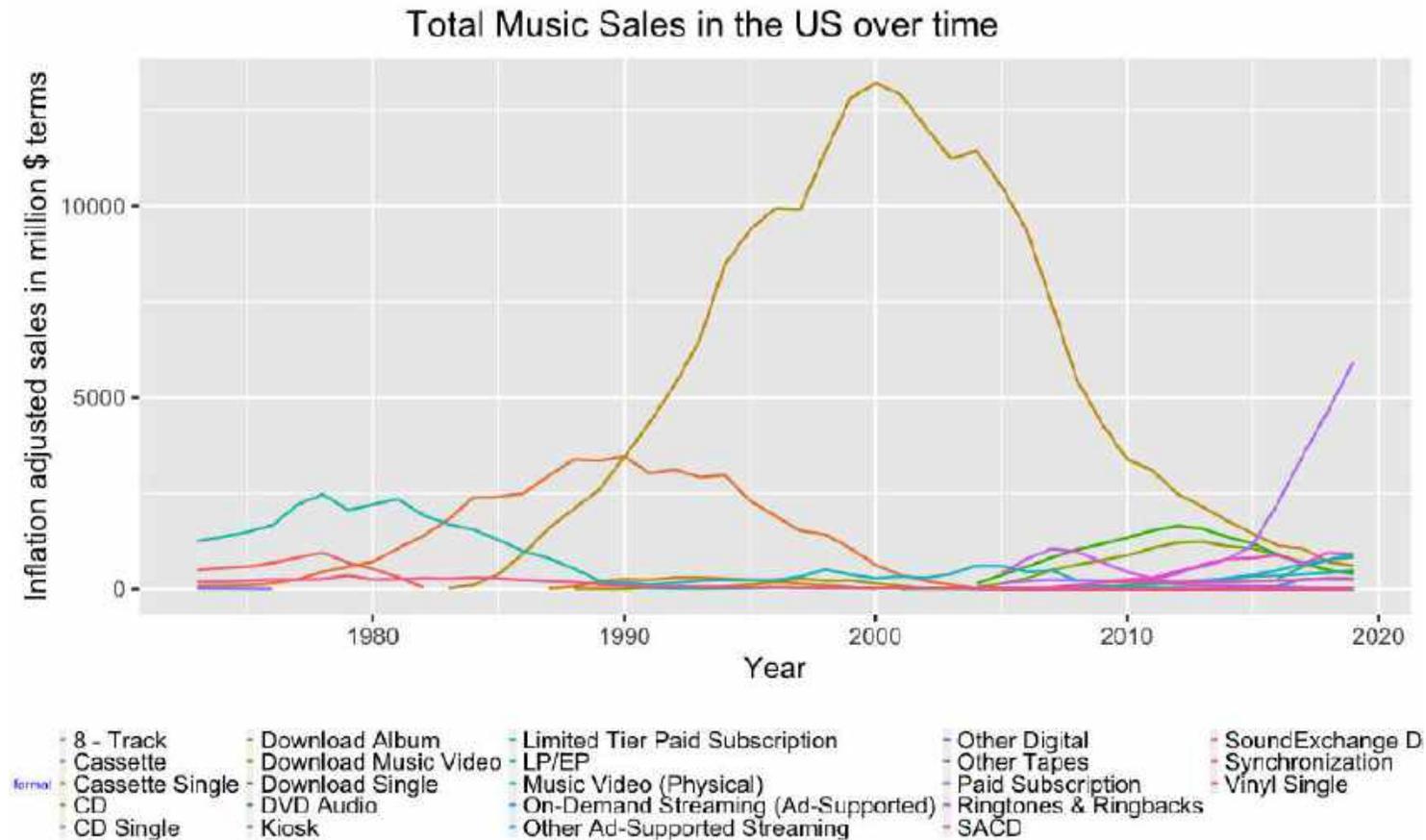
What do you  
think took  
their place?

- MP3s?
- Paid subscription services?
- YouTube?

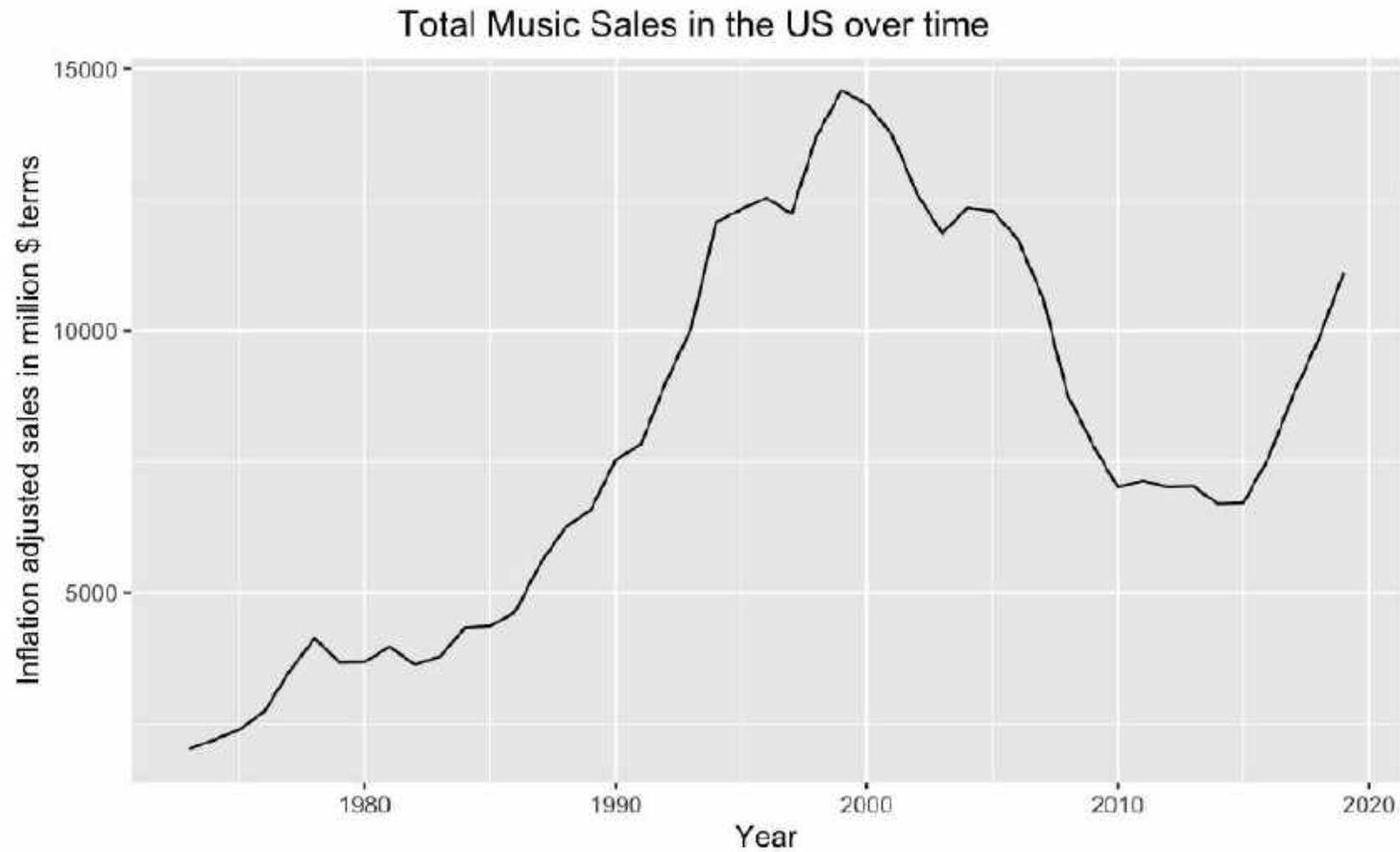
# Paid Subscriptions over time



# American Music Industry over time



Let's look at the data slightly differently



Now.

Is the PLC useful?

# Sales and Distribution

## Session 3

Good strategy requires good  
data

# The Homework Dataset

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
	customerID	gender	seniorCitizen	Partner	Dependents	tenure	PhoneService	MultipleLines	InternetService	OnlineSecurity	OnlineBackup	DeviceProtection	TechSupport	StreamingTV	StreamingMovies	Contract	PaperlessBilling	PaymentMethod	MonthlyCharges	TotalCharges	Churn	
1	7520-VHYE	Female	0	Yes	No	1	No	No phone service	DSL	No	No	No	No	No	No	Month-to-month	Yes	Electronic check	29.85	29.85	No	
2	5575-SNVE	Male	0	No	No	34	Yes	No	DSL	Yes	No	Yes	No	No	One year	No	Mailed check	56.95	1889.5	No		
3	3069-OPYB	Male	0	No	No	2	Yes	No	DSL	Yes	Yes	No	No	No	Month-to-month	Yes	Mailed check	53.85	108.15	Yes		
4	7795-CFCW	Male	0	No	No	45	No	No phone service	DSL	Yes	No	Yes	Yes	No	One year	No	Bank transfer (automatic)	42.5	1840.75	No		
5	9232-HOIT	Female	0	No	No	2	Yes	No	Fiber optic	No	No	No	No	No	Month-to-month	Yes	Electronic check	70.7	351.65	Yes		
6	9305-CD5K	Female	0	No	No	8	Yes	Yes	Fiber optic	No	No	Yes	No	Yes	Month-to-month	Yes	Electronic check	39.65	820.5	Yes		
7	1452-KIOVK	Male	0	No	Yes	22	Yes	Yes	Fiber optic	No	Yes	No	No	No	Month-to-month	Yes	Credit card (automatic)	83.1	1949.4	No		
8	6713-OKOM	Female	0	No	No	10	No	No phone service	DSL	Yes	No	No	No	No	Month-to-month	No	Mailed check	29.75	301.5	No		
9	7892-PQOKP	Female	0	Yes	No	28	Yes	Yes	Fiber optic	No	No	Yes	Yes	Yes	Month-to-month	Yes	Electronic check	104.8	3646.05	Yes		
10	6388-TABGU	Male	0	No	Yes	62	Yes	No	DSL	Yes	Yes	No	No	No	One year	Yes	Bank transfer (automatic)	56.15	3487.95	No		
11	9763-ERSKO	Male	0	Yes	Yes	13	Yes	No	DSL	Yes	No	No	No	No	Month-to-month	Yes	Mailed check	49.95	587.45	No		
12	7969-KBCI	Male	0	No	No	16	Yes	No	No	No internet service	Two year	No	Credit card (automatic)	18.95	326.8	No						
13	8091-TIVAX	Male	0	Yes	No	38	Yes	Yes	Fiber optic	No	Yes	No	Yes	Yes	One year	No	Credit card (automatic)	100.35	5681.3	No		
14	0280-KIGEX	Male	0	No	No	49	Yes	Yes	Fiber optic	No	Yes	Yes	No	Yes	Month-to-month	Yes	Bank transfer (automatic)	103.7	5036.3	Yes		
15	5129-LPIS	Male	0	No	No	25	Yes	No	Fiber optic	Yes	No	Yes	Yes	Yes	Month-to-month	Yes	Electronic check	105.5	2686.05	No		
16	3655-SNQT	Female	0	Yes	Yes	69	Yes	Yes	Fiber optic	Yes	Yes	Yes	Yes	Yes	Two year	No	Credit card (automatic)	113.25	7855.15	No		
17	8191-KWSZG	Female	0	No	No	52	Yes	No	No	No internet service	One year	No	Mailed check	70.65	1022.95	No						
18	9959-WQFKT	Male	0	No	Yes	71	Yes	Yes	Fiber optic	Yes	No	Yes	No	Yes	Two year	No	Bank transfer (automatic)	105.7	7382.25	No		
19	4190-MFLOW	Female	0	Yes	Yes	10	Yes	No	DSL	No	No	Yes	Yes	No	Month-to-month	No	Credit card (automatic)	55.2	528.35	Yes		
20	4189-MYFRB	Female	0	No	No	21	Yes	No	Fiber optic	No	Yes	Yes	No	Yes	Month-to-month	No	Electronic check	90.05	1862.9	Yes		
21	8779-GRDMV	Male	1	No	No	3	No	No phone service	DSL	No	No	Yes	No	Yes	Month-to-month	Yes	Electronic check	39.65	39.65	Yes		
22	1680-UDCWW	Male	0	Yes	No	12	Yes	No	No	No internet service	One year	No	Bank transfer (automatic)	13.8	202.25	No						
23	1060-KSGEK	Male	0	No	No	3	Yes	No	No	No internet service	Month-to-month	No	Mailed check	20.15	20.15	Yes						
24	3638-WEABW	Female	0	Yes	No	58	Yes	Yes	DSL	No	No	Yes	No	Yes	Two year	Yes	Credit card (automatic)	59.9	3505.3	No		
25	6322-HRFFA	Male	0	Yes	Yes	45	Yes	No	DSL	Yes	Yes	No	Yes	No	Month-to-month	No	Credit card (automatic)	53.6	2970.3	No		
26	6865-JZKKO	Female	0	No	No	30	Yes	No	DSL	Yes	Yes	No	No	No	Month-to-month	Yes	Bank transfer (automatic)	55.3	3530.6	No		
27	6067-CHFZW	Male	0	Yes	Yes	47	Yes	Yes	Fiber optic	No	Yes	No	No	Yes	Month-to-month	Yes	Electronic check	99.35	4749.15	Yes		
28	8665-LTDHZ	Male	0	Yes	Yes	3	No	No phone service	DSL	No	Yes	No	No	No	Month-to-month	No	Electronic check	30.2	30.2	Yes		
29	5248-XGJUN	Male	0	Yes	No	72	Yes	Yes	DSL	Yes	Yes	Yes	Yes	Yes	Two year	Yes	Credit card (automatic)	90.25	6369.45	No		
30	8773-HHUQZ	Female	0	No	Yes	17	Yes	No	DSL	No	No	No	Yes	Yes	Month-to-month	Yes	Mailed check	64.7	1093.1	Yes		
31	3841-NFBCK	Female	1	Yes	No	73	Yes	Yes	Fiber optic	Yes	Yes	Yes	No	No	Two year	Yes	Credit card (automatic)	86.35	6766.95	No		
32	4929-KHUVW	Male	1	Yes	No	2	Yes	No	Fiber optic	No	No	Yes	No	Yes	Month-to-month	Yes	Credit card (automatic)	95.5	381.65	No		
33	6827-BAUQ	Female	0	Yes	Yes	27	Yes	No	DSL	Yes	Yes	Yes	Yes	No	One year	No	Mailed check	66.15	1874.45	No		
34	7310-BGVHZ	Male	0	No	No	5	Yes	No	No	No internet service	Month-to-month	No	Bank transfer (automatic)	20.2	20.2	No						
35	3413-RMNZE	Male	1	No	No	3	Yes	No	DSL	No	No	No	No	No	Month-to-month	No	Bank transfer (automatic)	45.25	45.25	No		
36	6234-RARPL	Female	0	Yes	Yes	72	Yes	Yes	Fiber optic	Yes	Yes	Yes	Yes	No	Two year	No	Bank transfer (automatic)	99.9	7251.7	No		
37	6047-HPVSI	Male	0	No	No	5	Yes	No	Fiber optic	No	No	No	No	No	Month-to-month	Yes	Electronic check	69.7	315.9	Yes		
38	6572-JDKRS	Female	0	No	No	46	Yes	No	Fiber optic	No	No	Yes	No	No	Month-to-month	Yes	Credit card (automatic)	71.8	3548.3	No		
39	5380-WIKOV	Male	0	No	No	84	Yes	Yes	Fiber optic	No	Yes	Yes	No	Yes	Month-to-month	Yes	Electronic check	106.35	3549.25	Yes		
40	8168-LQVWF	Female	0	No	No	11	Yes	Yes	Fiber optic	No	No	No	Yes	Yes	Month-to-month	Yes	Bank transfer (automatic)	97.85	1101.4	Yes		
41	8865-TNWNX	Male	0	Yes	Yes	10	Yes	No	DSL	No	No	No	No	No	One year	No	Mailed check	49.55	475.7	No		
42	9489-DEQVP	Female	0	Yes	Yes	70	Yes	Yes	DSL	Yes	No	No	Yes	No	Two year	Yes	Credit card (automatic)	69.2	4872.35	No		
43	9867-JCZSP	Female	0	Yes	Yes	17	Yes	No	No	No internet service	One year	No	Mailed check	20.75	418.25	No						
44	4671-VJLCL	Female	0	No	No	63	Yes	Yes	DSL	Yes	Yes	Yes	Yes	No	Two year	Yes	Credit card (automatic)	79.85	4861.45	No		
45	4080-BARD	Female	0	Yes	No	13	Yes	Yes	DSL	Yes	Yes	Yes	Yes	No	Month-to-month	Yes	Electronic check	75.3	681.45	No		
46	3714-NTHFD	Female	0	No	No	49	Yes	Yes	Fiber optic	No	No	No	No	Yes	Month-to-month	Yes	Electronic check	84.5	3906.3	No		
47	5948-LJZLF	Male	0	No	No	2	Yes	No	DSL	No	Yes	No	No	No	Month-to-month	No	Mailed check	49.25	97	No		

# Pick up a piece of paper

- Write down
  - Which type of customers would you target?
  - Why?

# The Variables

Telecom Customer Data:		
customerID	(chr)	CUSTOMER ID
gender	(chr)	Customer's gender ("Female", "Male")
SeniorCitizen	(dbl)	1 = Senior Citizen, 0 = Not Senior Citizen
Partner	(chr)	Whether the customer has a partner or not (Yes, No)
Dependents	(chr)	Whether the customer has dependents or not (Yes, No)
tenure	(dbl)	Number of months the customer has stayed with the company
PhoneService	(chr)	Whether the customer has a phone service or not (Yes, No)
MultipleLines	(chr)	Whether the customer has multiple lines or not (Yes, No, No phone service)
InternetService	(chr)	Customer's internet service provider (DSL, Fiber optic, No)
OnlineSecurity	(chr)	Whether the customer has online security or not (Yes, No, No internet service)
OnlineBackup	(chr)	Whether the customer has online backup or not (Yes, No, No internet service)
DeviceProtection	(chr)	Whether the customer has device protection or not (Yes, No, No internet service)
TechSupport	(chr)	Whether the customer has tech support or not (Yes, No, No internet service)
StreamingTV	(chr)	Whether the customer has streaming TV or not (Yes, No, No internet service)
StreamingMovies	(chr)	Whether the customer has streaming movies or not (Yes, No, No internet service)
Contract	(chr)	The contract term of the customer (Month-to-month, One year, Two year)
PaperlessBilling	(chr)	Whether the customer has paperless billing or not (Yes, No)
PaymentMethod	(chr)	The customer's payment method (Electronic check, Mailed check, Bank transfer (automatic), Credit card (automatic))
MonthlyCharges	(dbl)	The amount charged to the customer monthly
TotalCharges	(dbl)	The total amount charged to the customer
Churn	(chr)	Outcome. Whether the customer churned or not (Yes or No)

# There are two types of variables here

- Characters
  - Are they qualitative?
- Numerical
  - Are they all quantitative?
- Can you change qualitative variables to quantitative variables?

# Let's look at the Qualitative variables

customerID	(chr)	CUSTOMER ID
gender	(chr)	Customer's gender ("Female", "Male")
Partner	(chr)	Whether the customer has a partner or not (Yes, No)
Dependents	(chr)	Whether the customer has dependents or not (Yes, No)
PhoneService	(chr)	Whether the customer has a phone service or not (Yes, No)
MultipleLines	(chr)	Whether the customer has multiple lines or not (Yes, No, No phone service)
InternetService	(chr)	Customer's internet service provider (DSL, Fiber optic, No)
OnlineSecurity	(chr)	Whether the customer has online security or not (Yes, No, No internet service)
OnlineBackup	(chr)	Whether the customer has online backup or not (Yes, No, No internet service)
DeviceProtection	(chr)	Whether the customer has device protection or not (Yes, No, No internet service)
TechSupport	(chr)	Whether the customer has tech support or not (Yes, No, No internet service)
StreamingTV	(chr)	Whether the customer has streaming TV or not (Yes, No, No internet service)
StreamingMovies	(chr)	Whether the customer has streaming movies or not (Yes, No, No internet service)
Contract	(chr)	The contract term of the customer (Month-to-month, One year, Two year)
PaperlessBilling	(chr)	Whether the customer has paperless billing or not (Yes, No)
PaymentMethod	(chr)	The customer's payment method (Electronic check, Mailed check, Bank transfer (automatic), Credit card (automatic))
Churn	(chr)	Outcome. Whether the customer churned or not (Yes or No)

# Now the quantitative variables

SeniorCitizen	(dbl)	1 = Senior Citizen, 0 = Not Senior Citizen
tenure	(dbl)	Number of months the customer has stayed with the company
MonthlyCharges	(dbl)	The amount charged to the customer monthly
TotalCharges	(dbl)	The total amount charged to the customer

# Quick question

- Could you represent 'SeniorCitizen' in a qualitative format?
- Could you represent 'Partner' in a quantitative format?

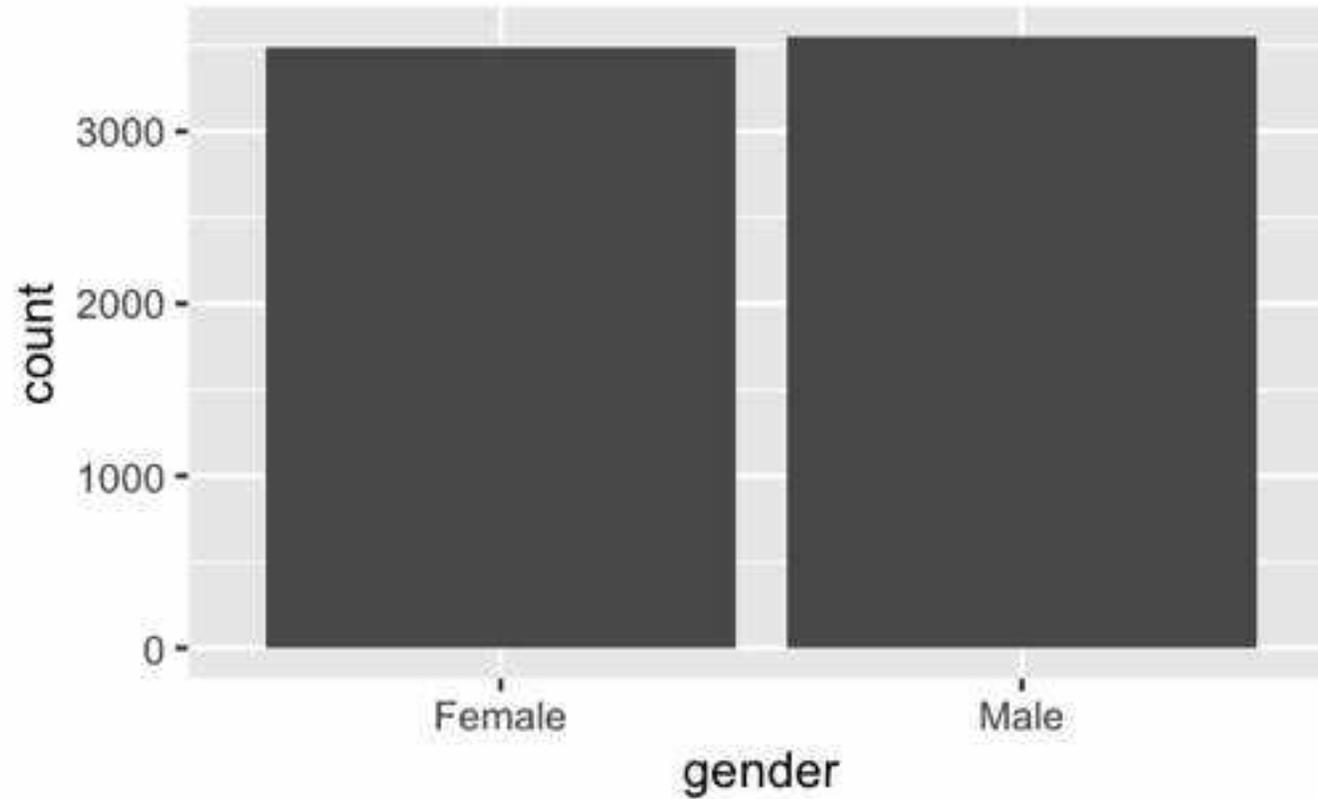
# If this is your customer base, then

- Which customers would you target?
- Why?

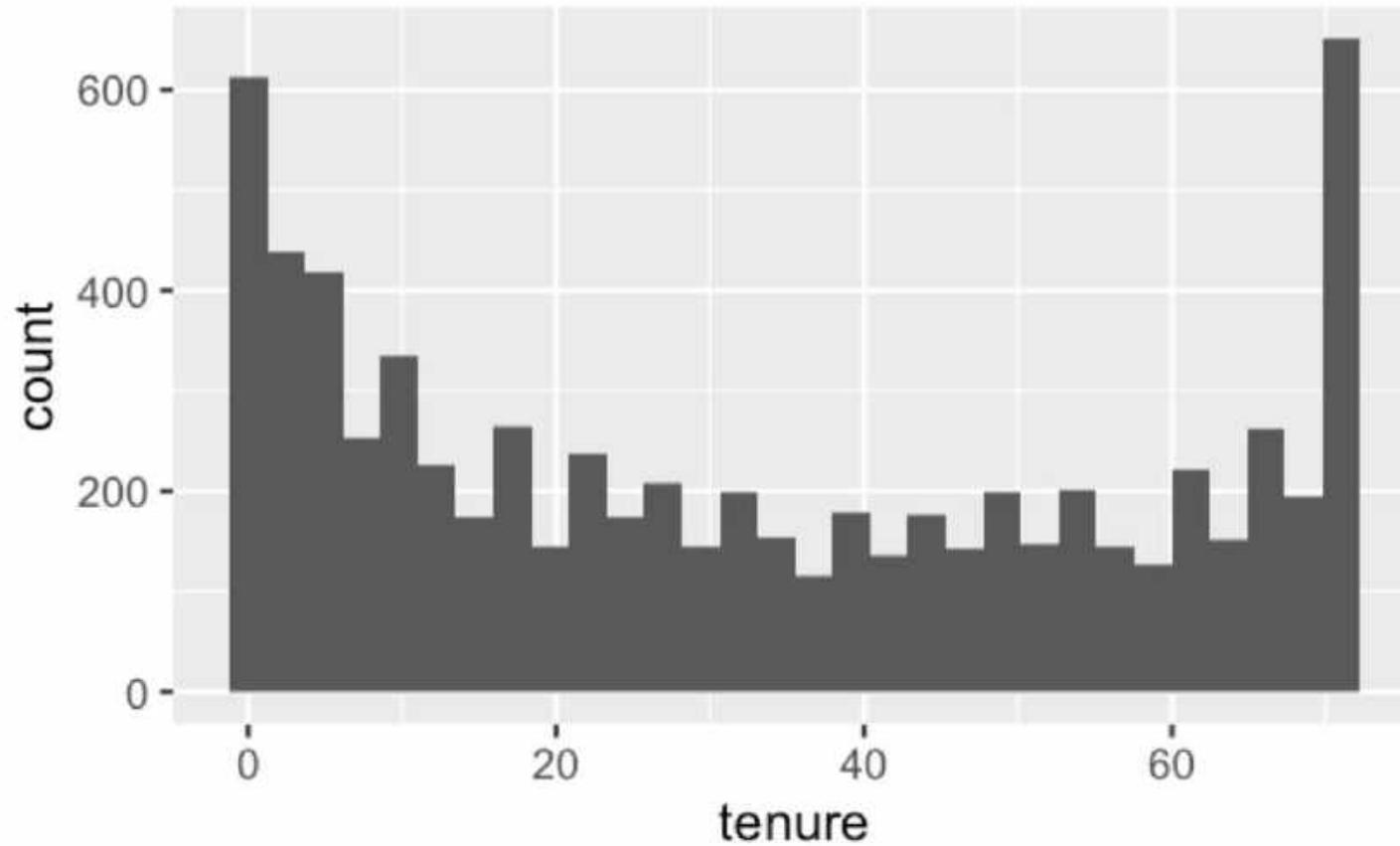
Let's explore some  
possibilities

Shall we start with analyzing  
individual variables?

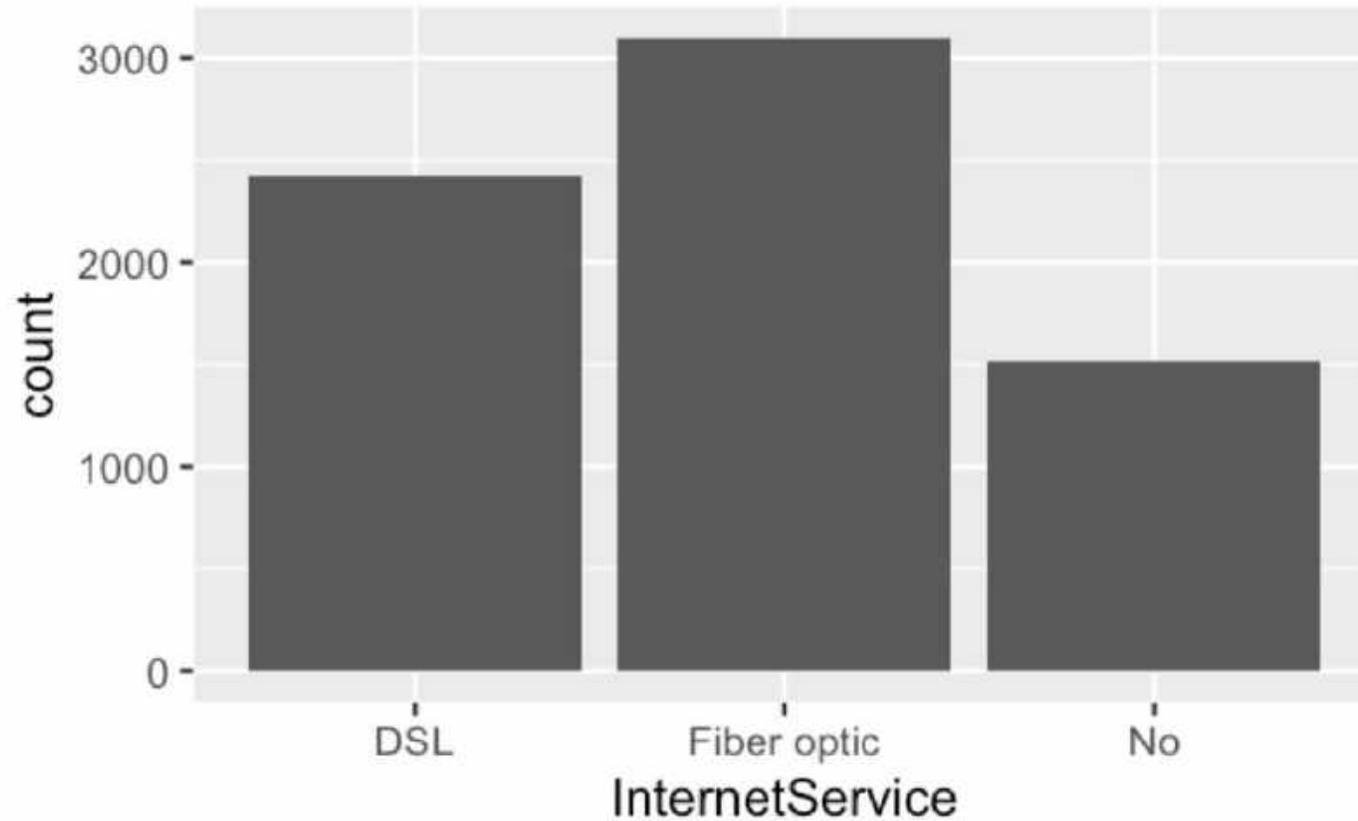
# Comparing Genders



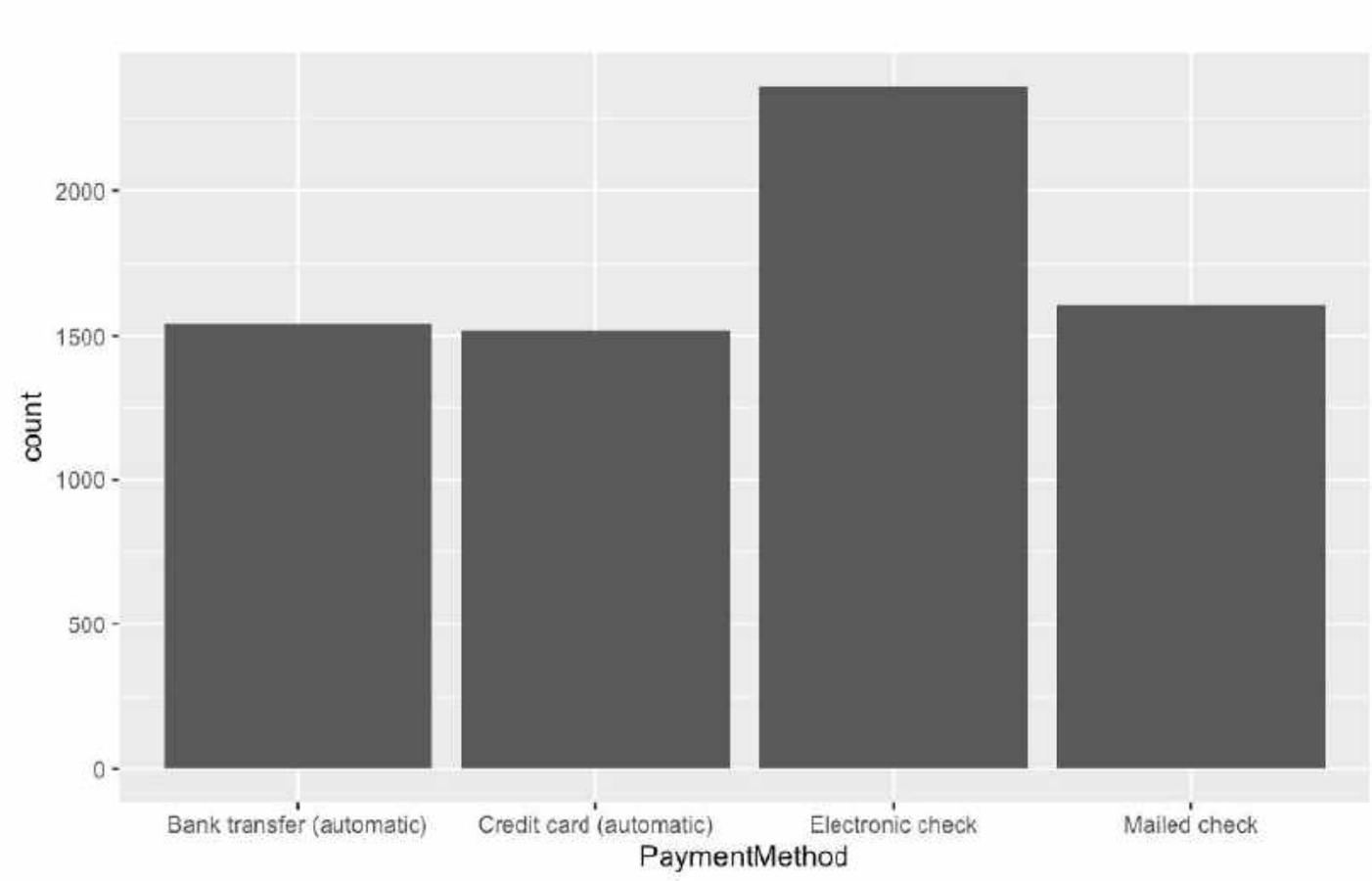
# Understanding Tenure



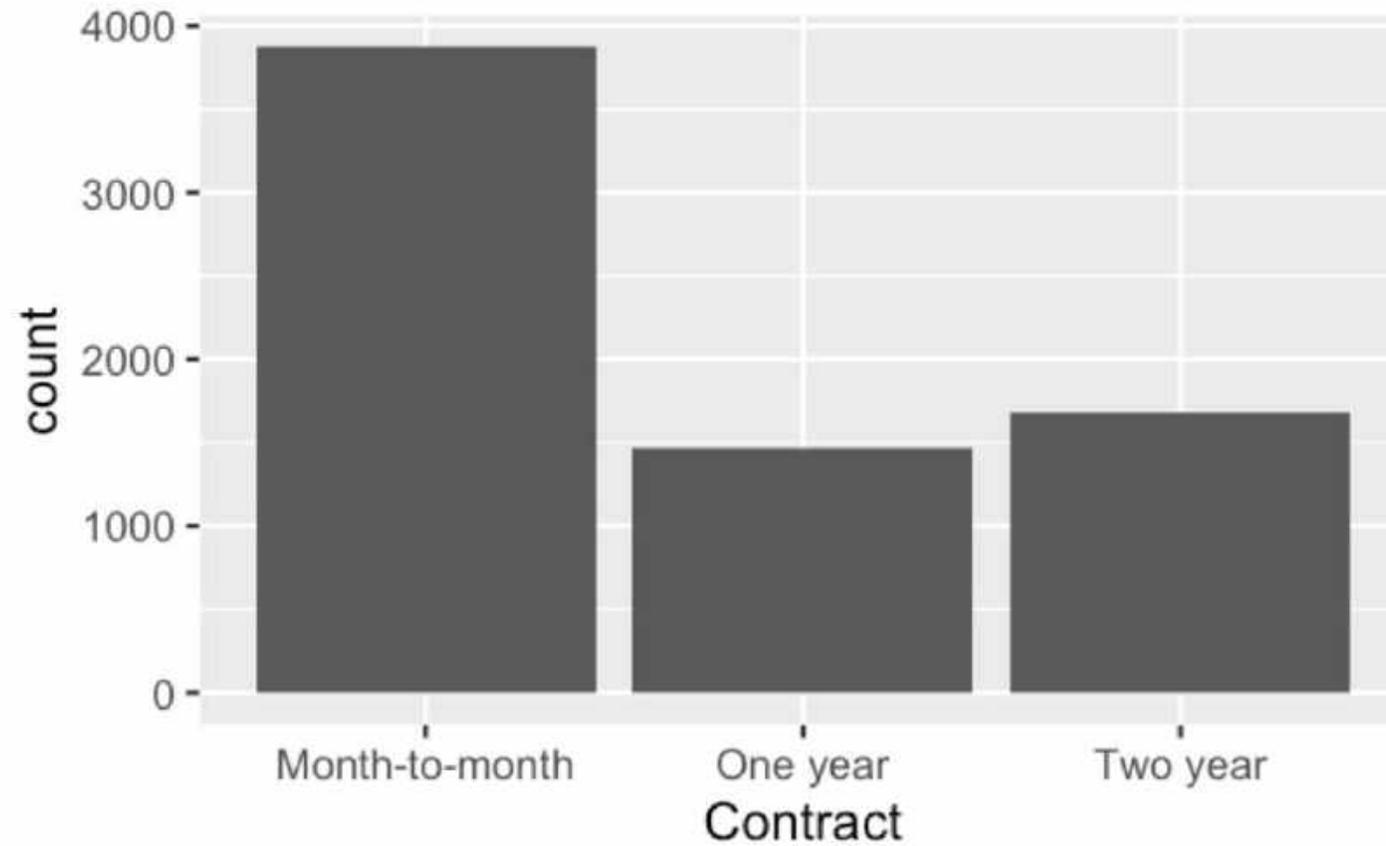
# Comparing Internet Service



# Comparing Payment Methods

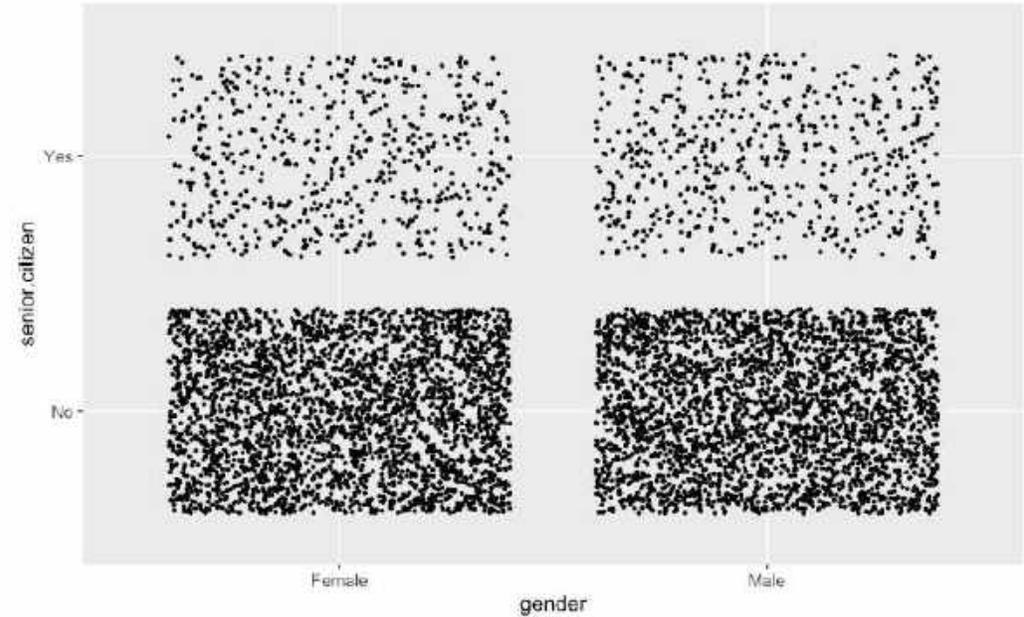
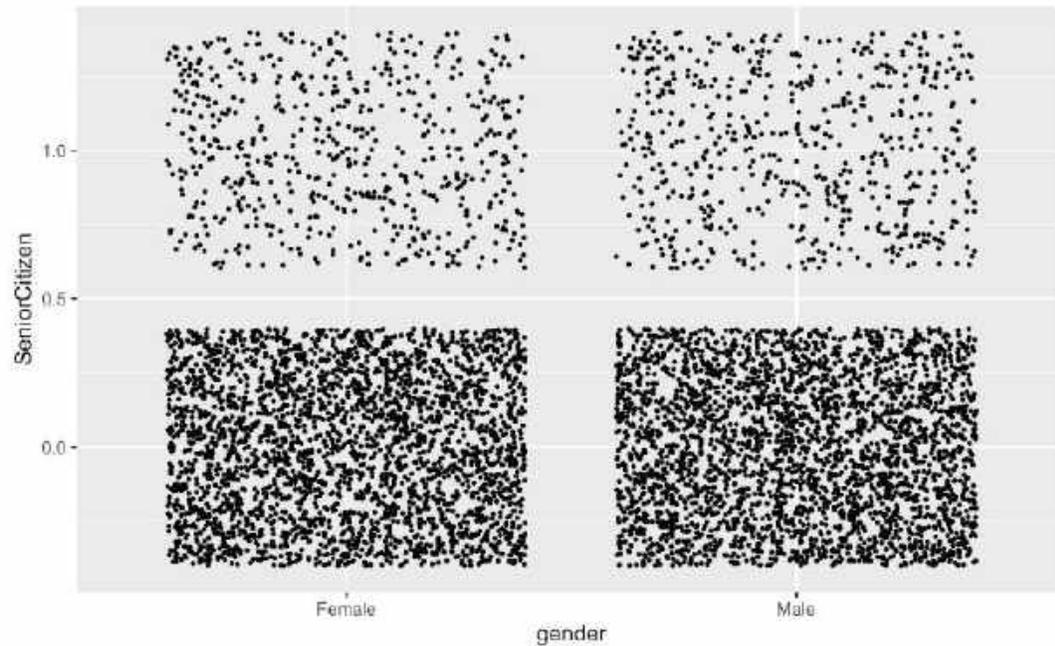


# Comparing Contract Type

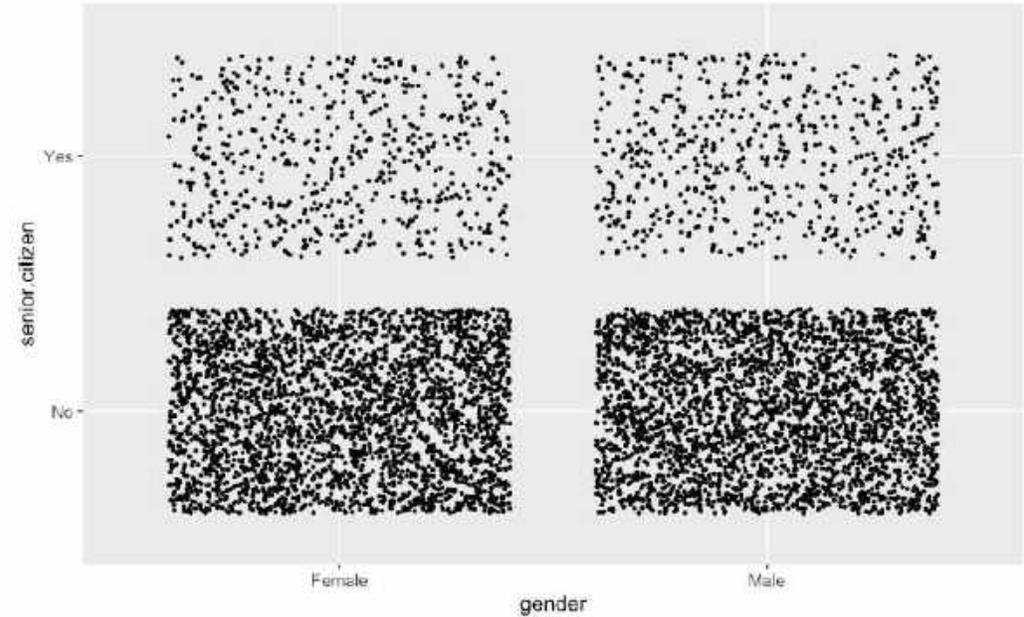
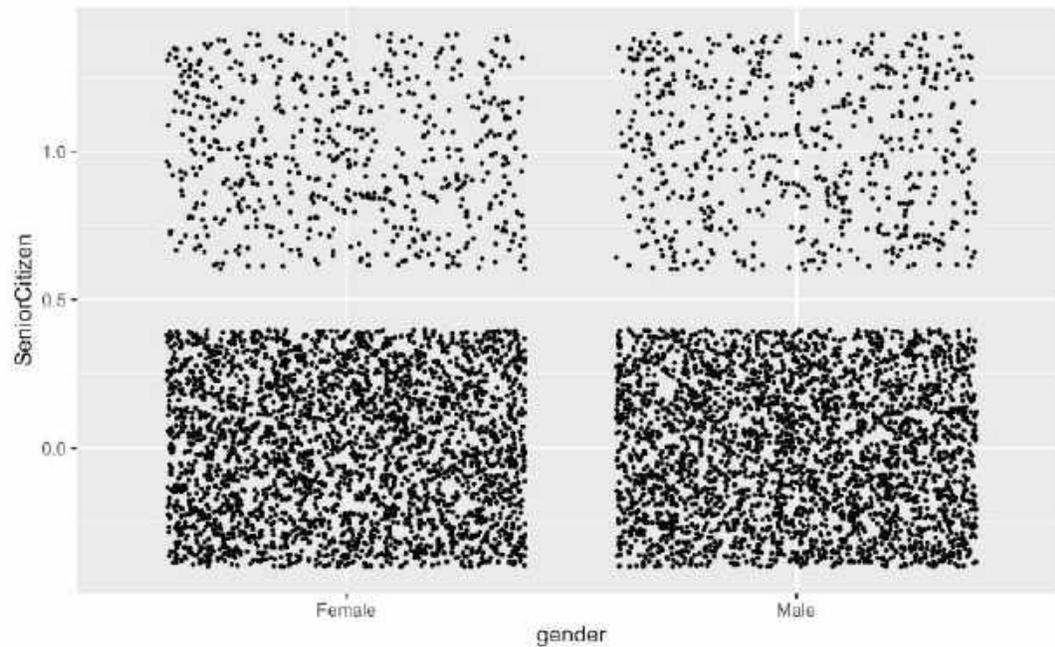


Do you think adding another variable to the analysis would help?

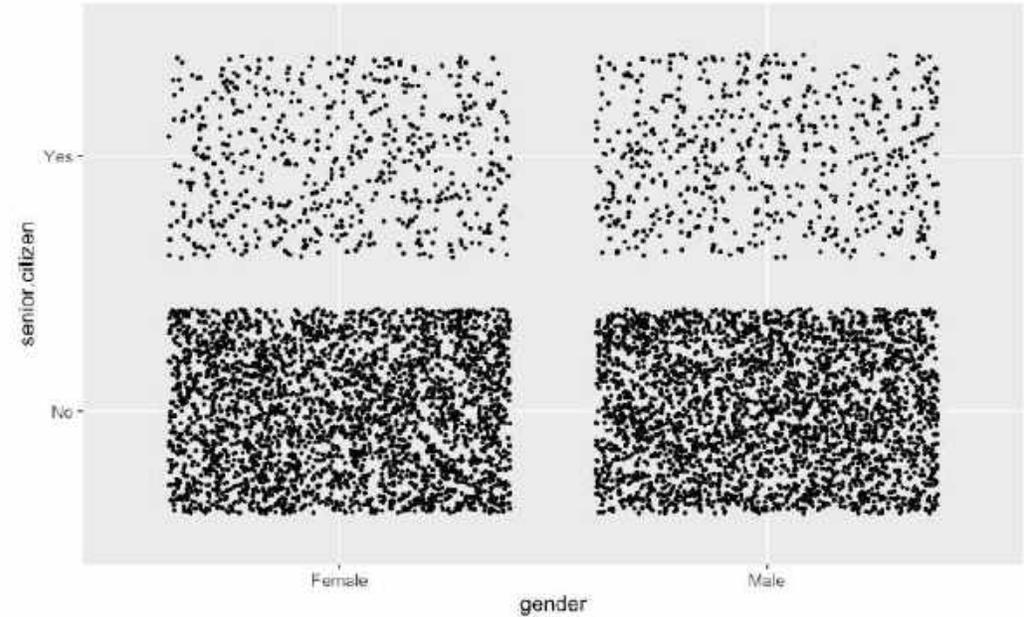
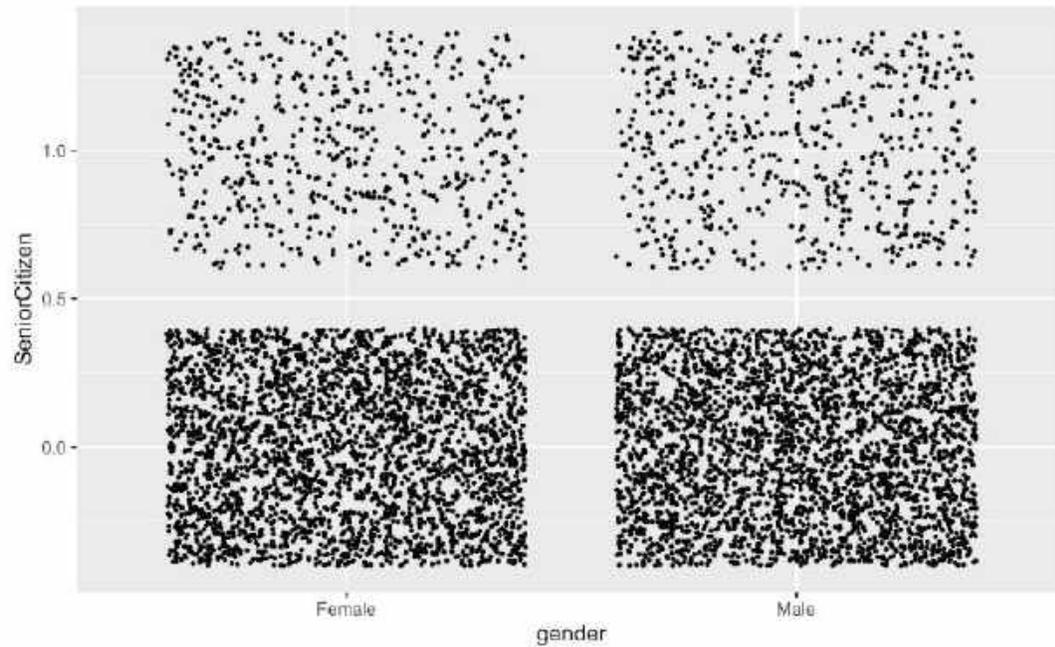
# What's the Difference?



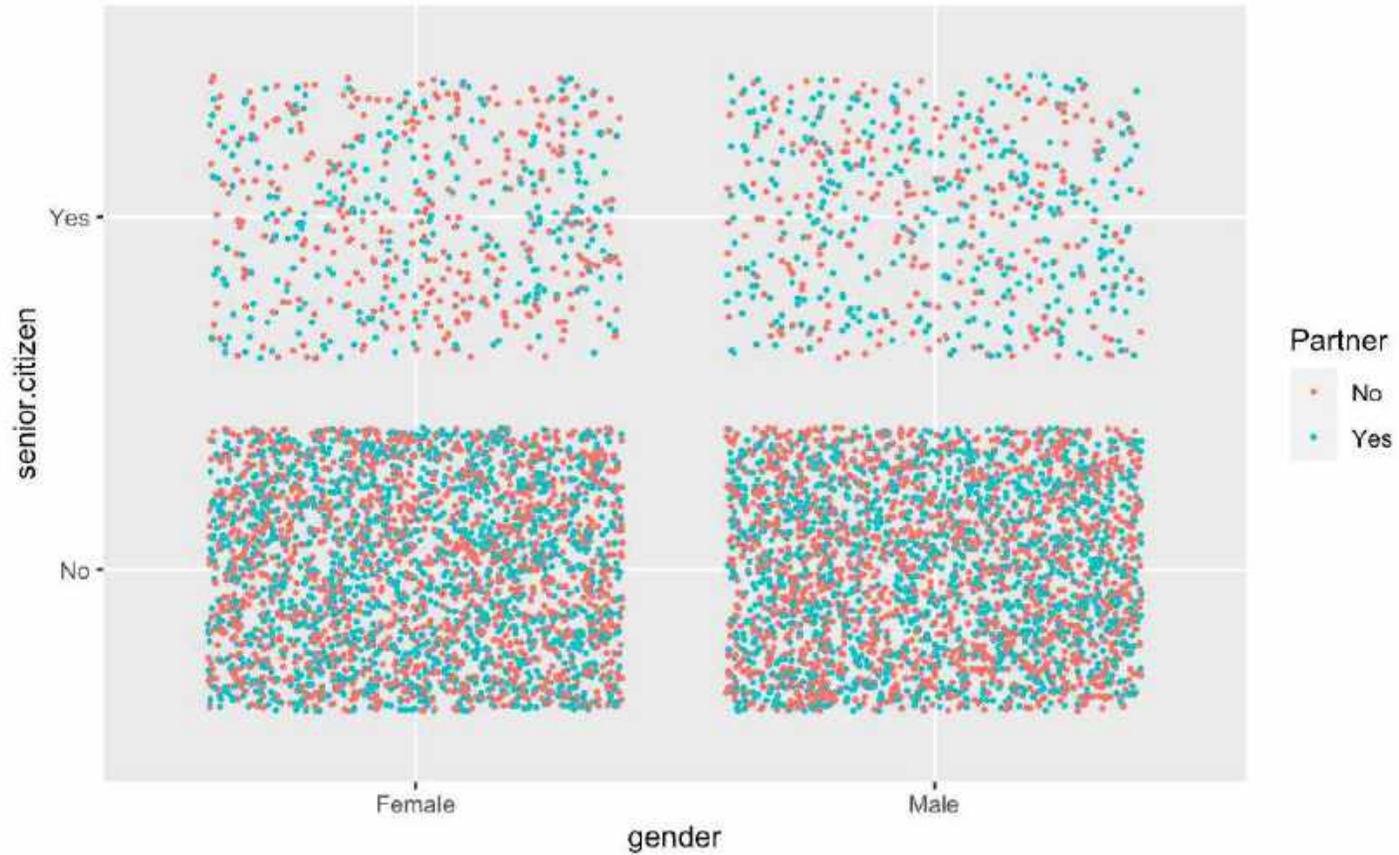
# What's the Difference?



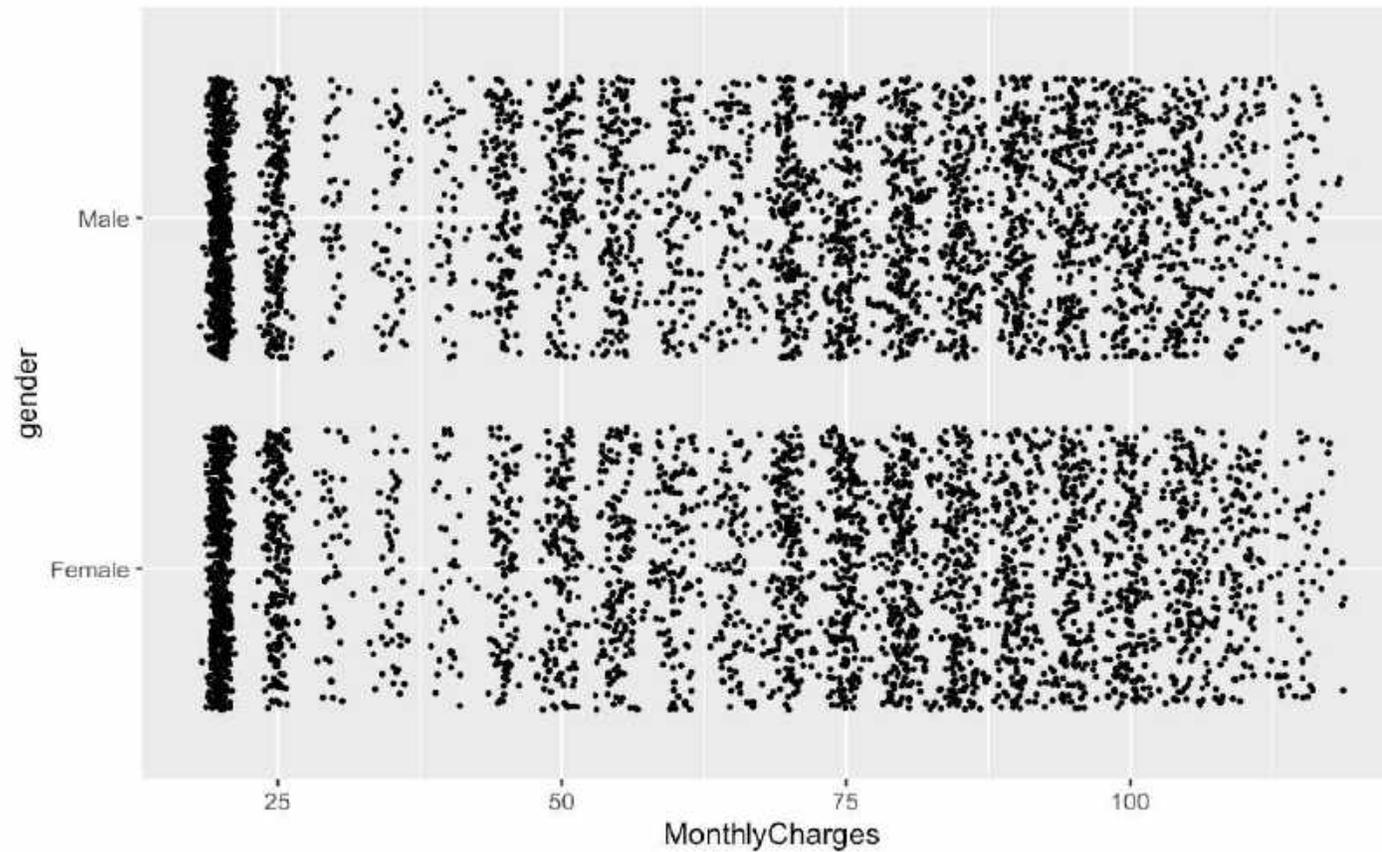
# Who would you target?



# How about now?

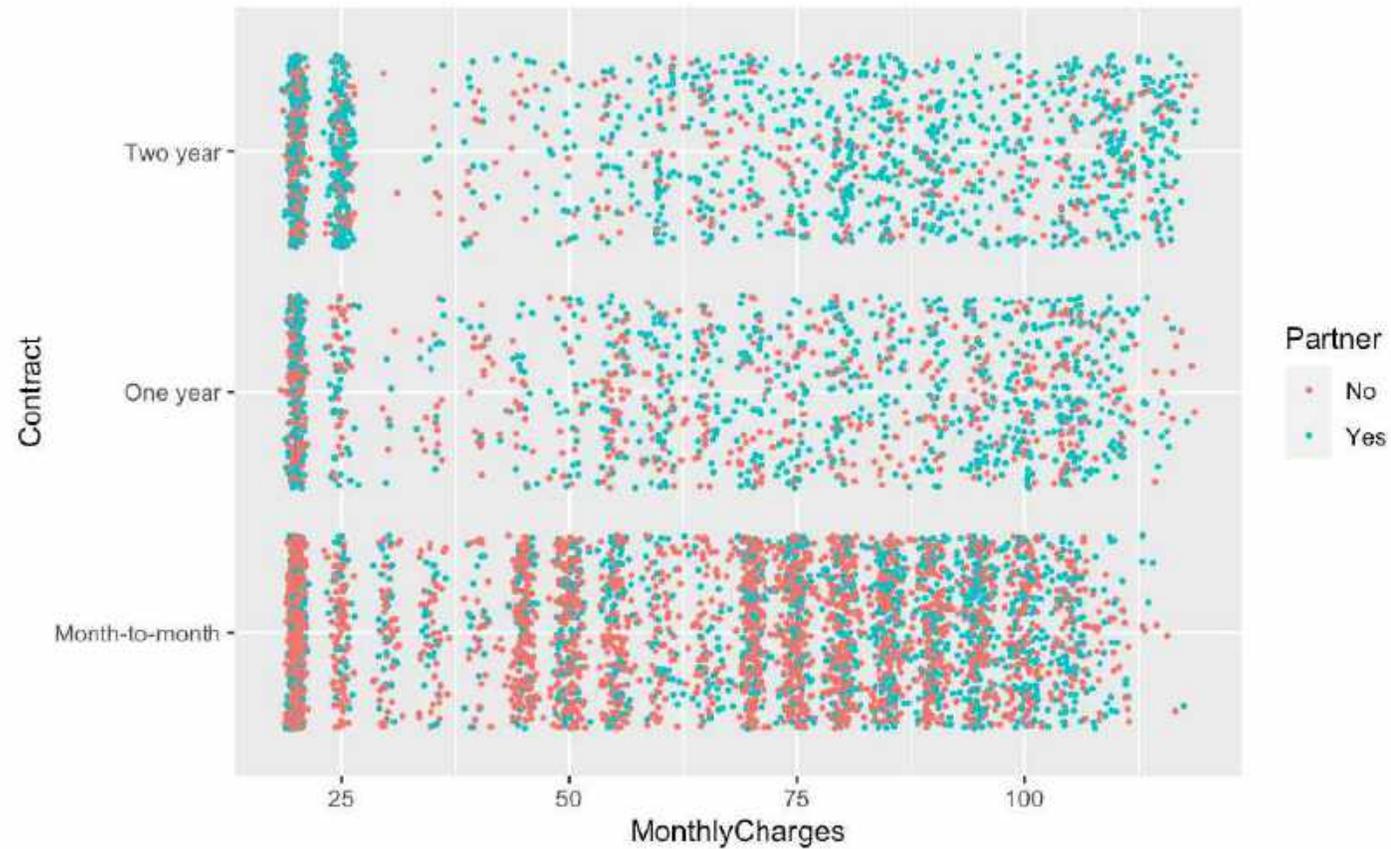


# Is there some inference here?



Do you think we should use  
more variables?

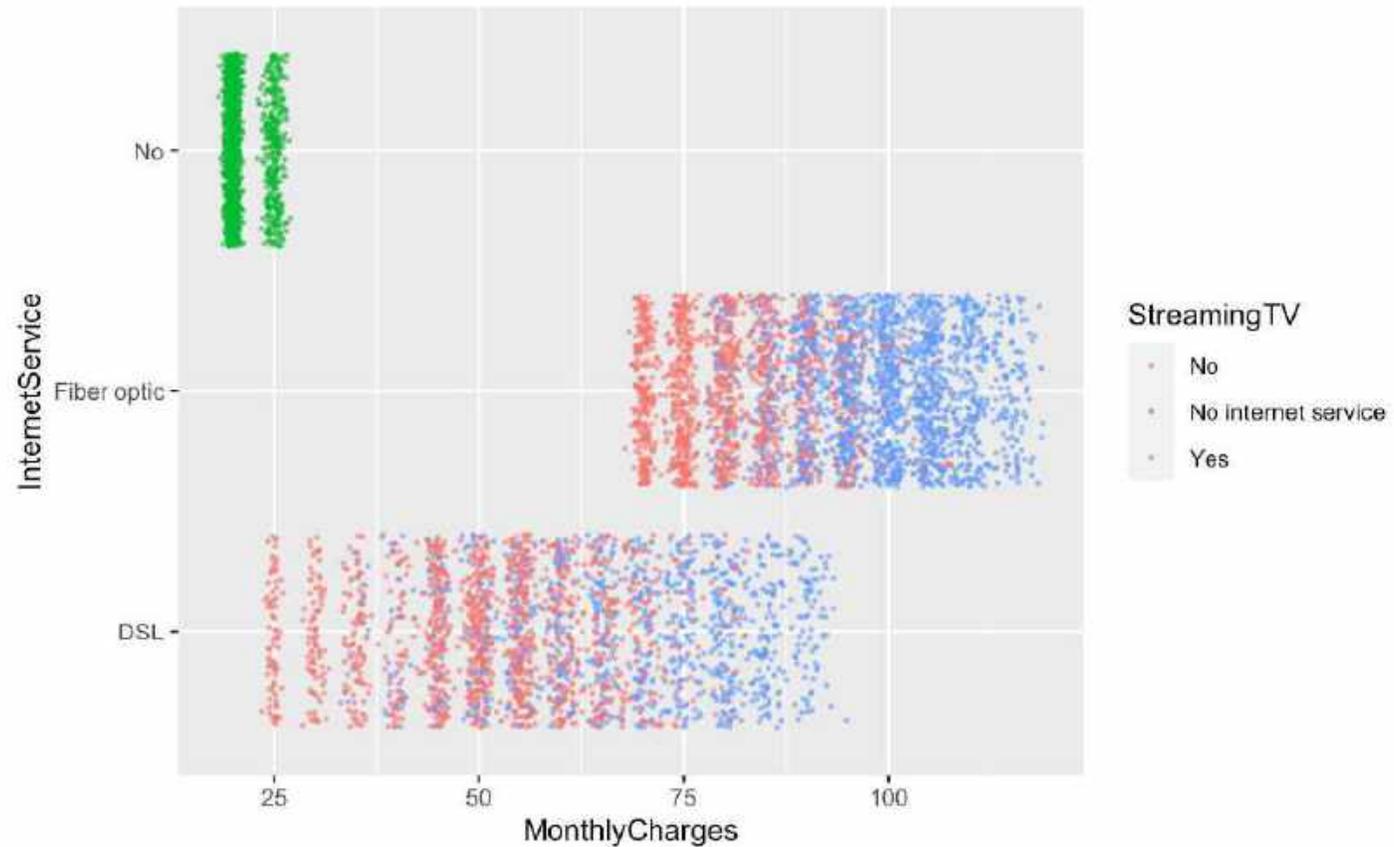
# Who do you think we should target? Why?



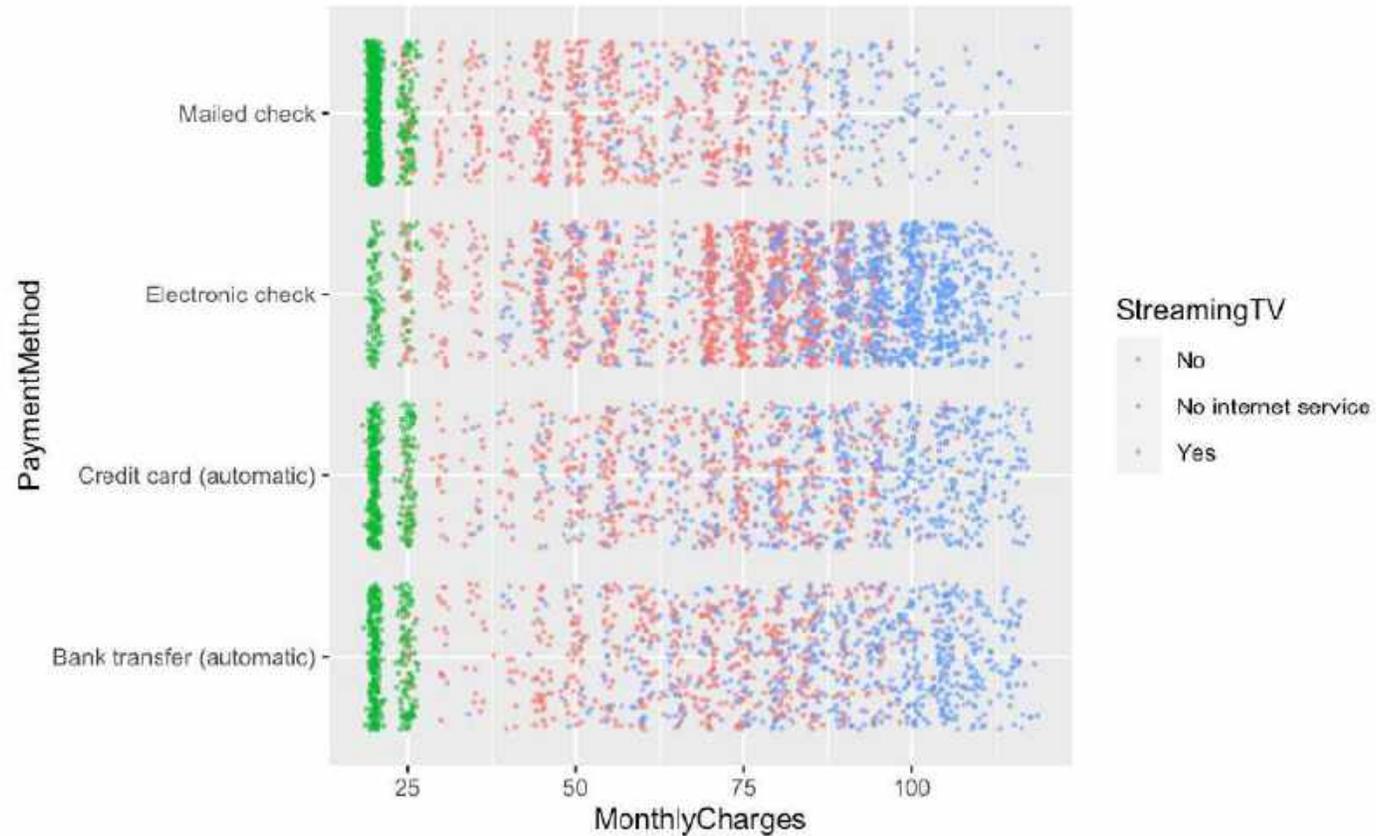
# Who do you think we should target? Why?



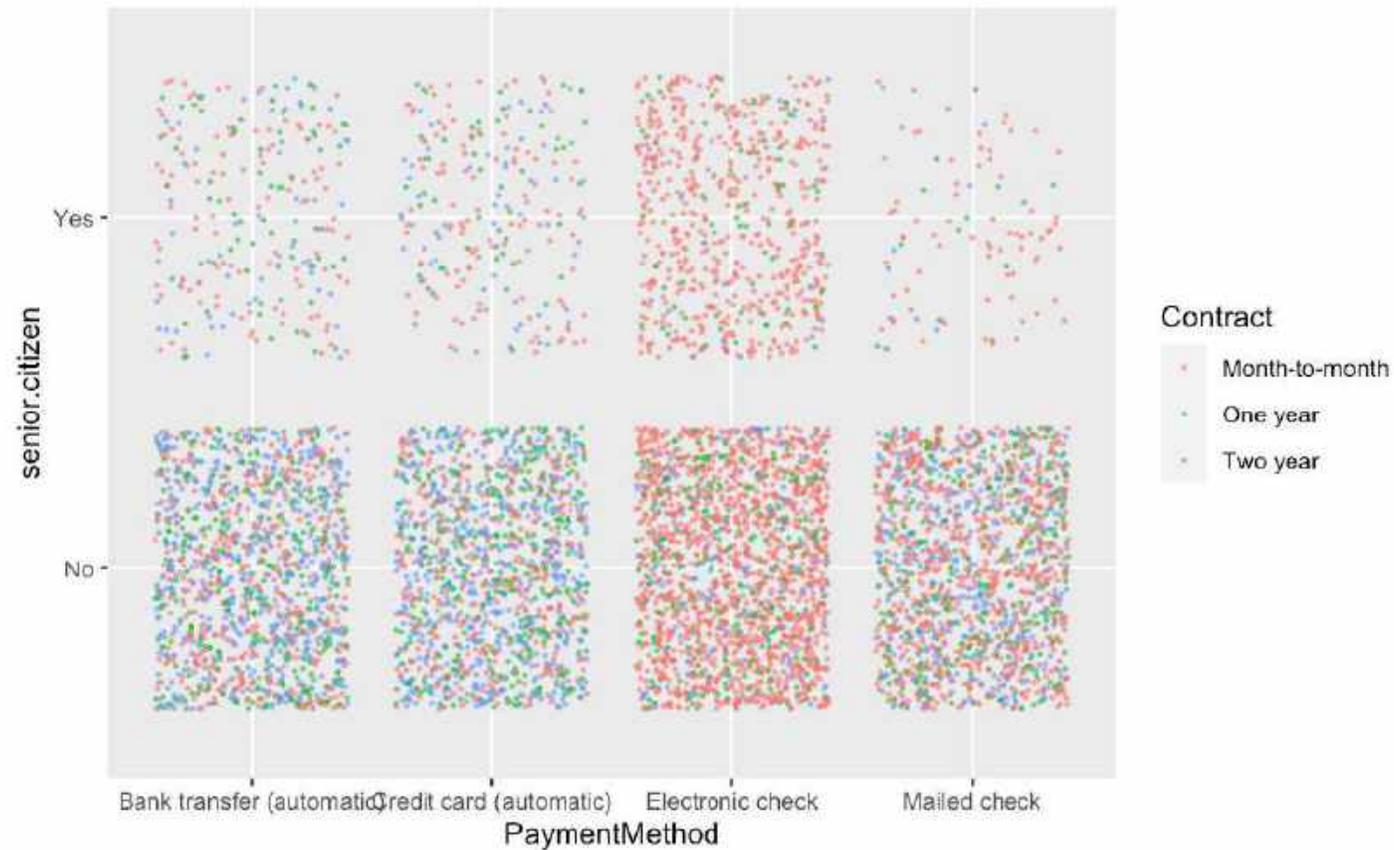
# Who do you think we should target? Why?



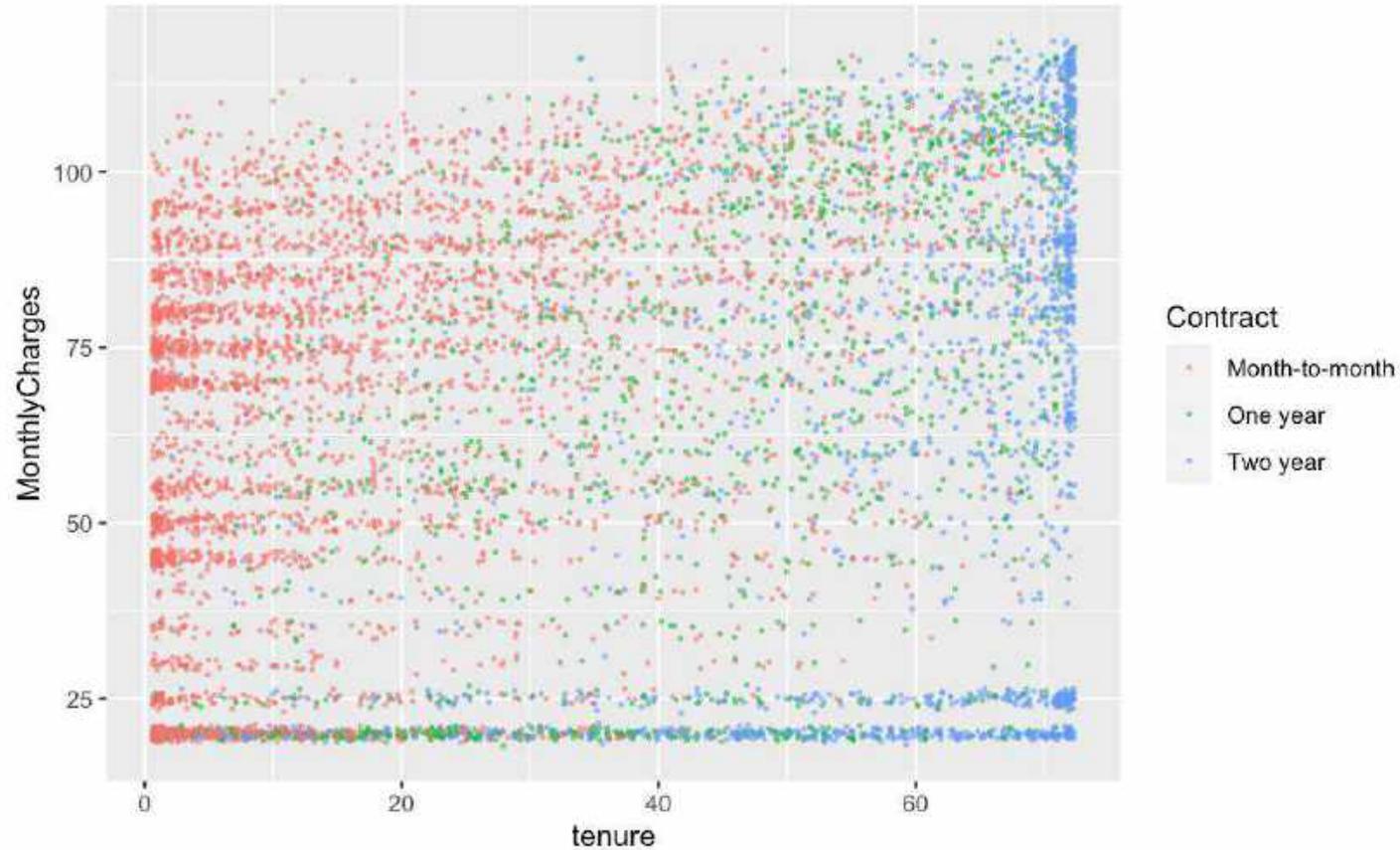
# Who do you think we should target? Why?



# Who do you think we should target? Why?

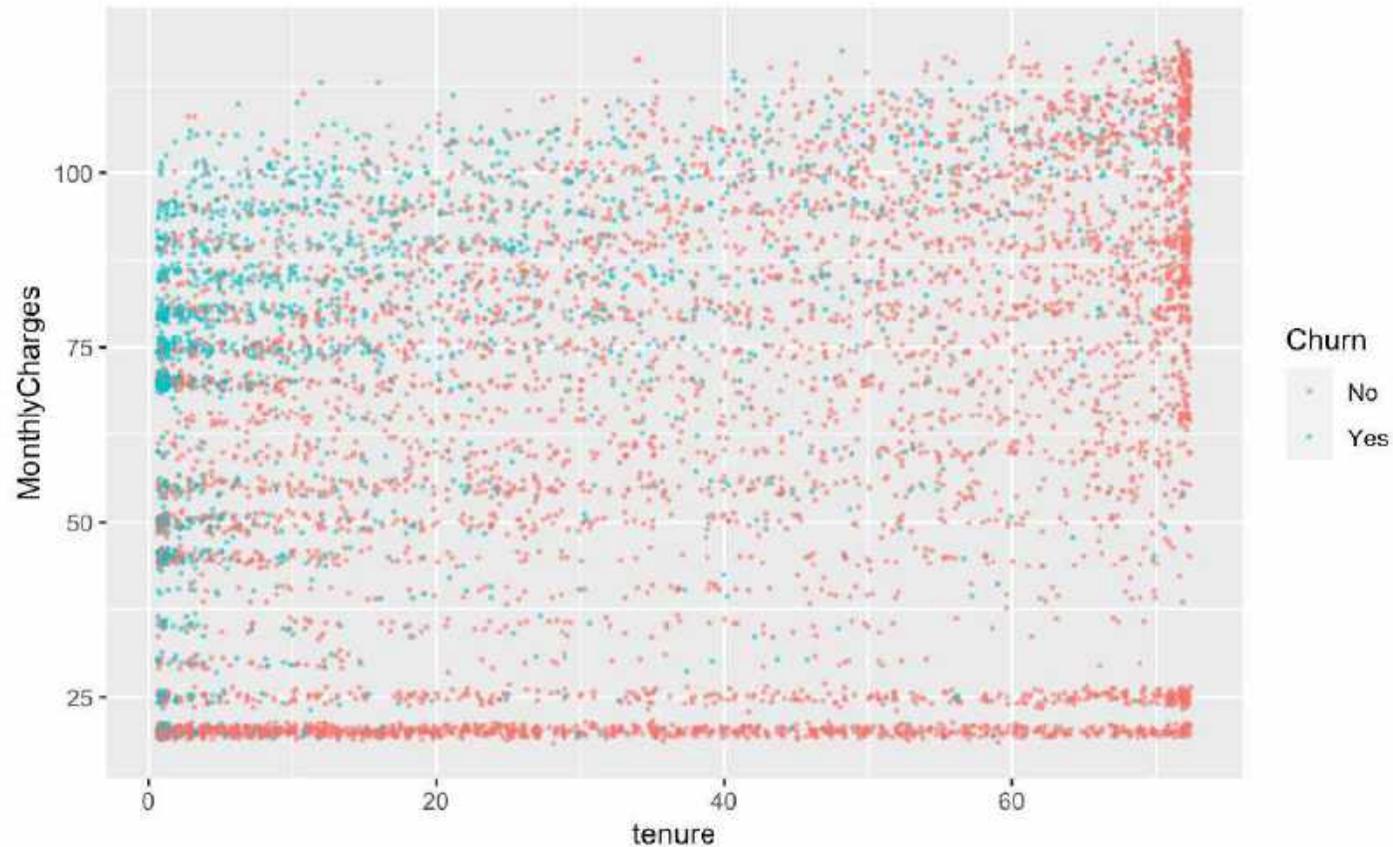


# Who do you think we should target? Why?

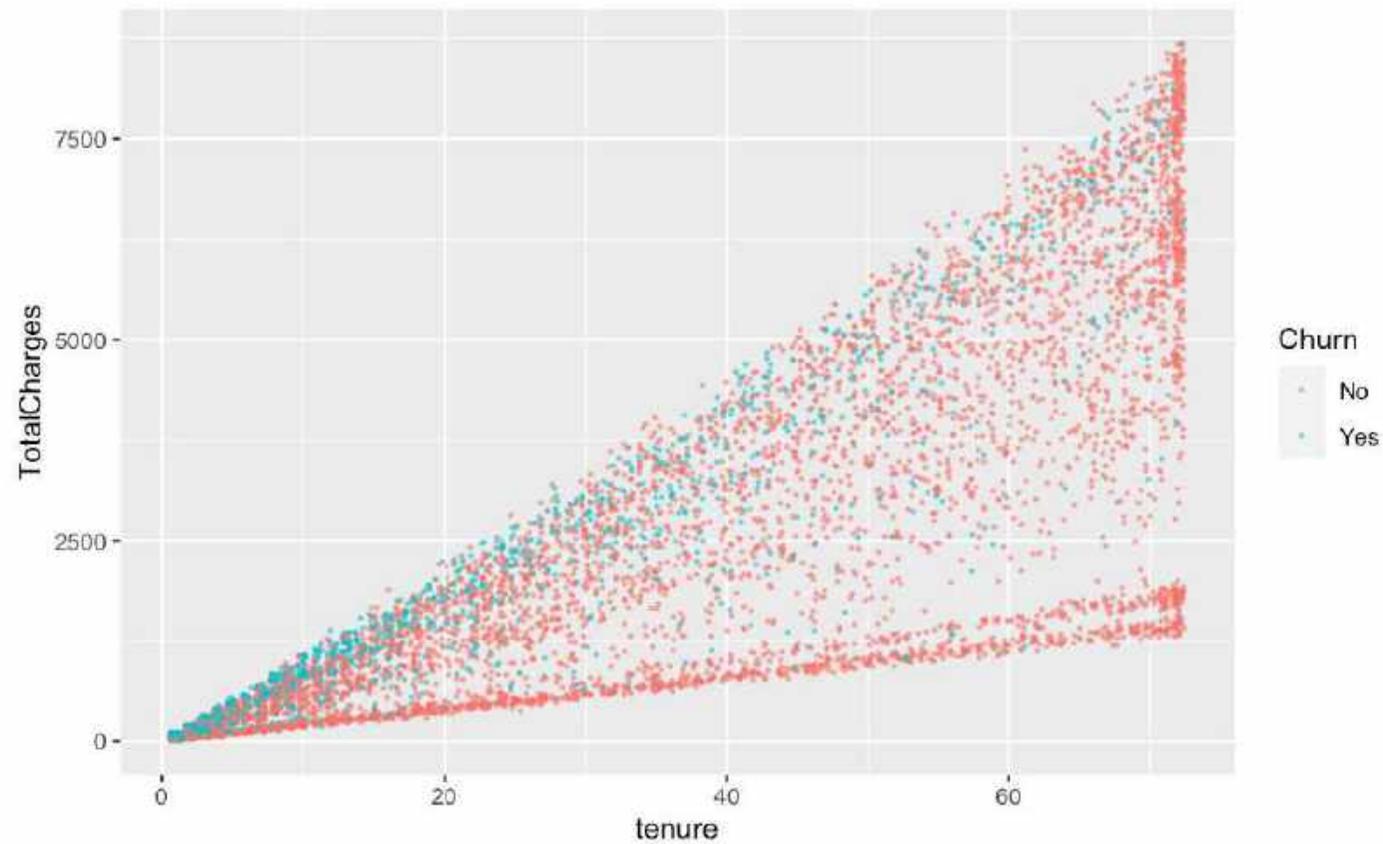


Is Churn important for us to understand?

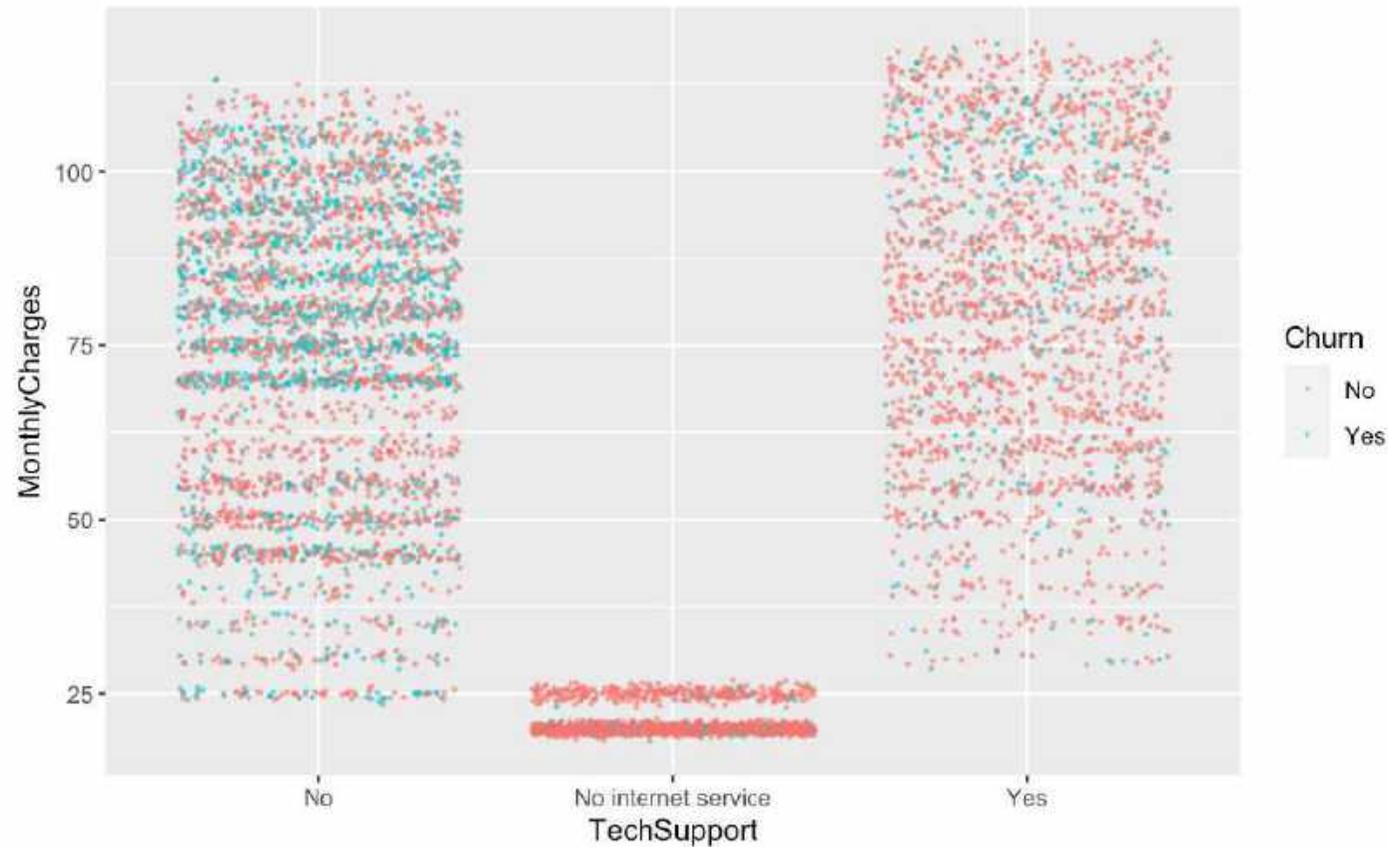
# Who do you think we should target? Why?



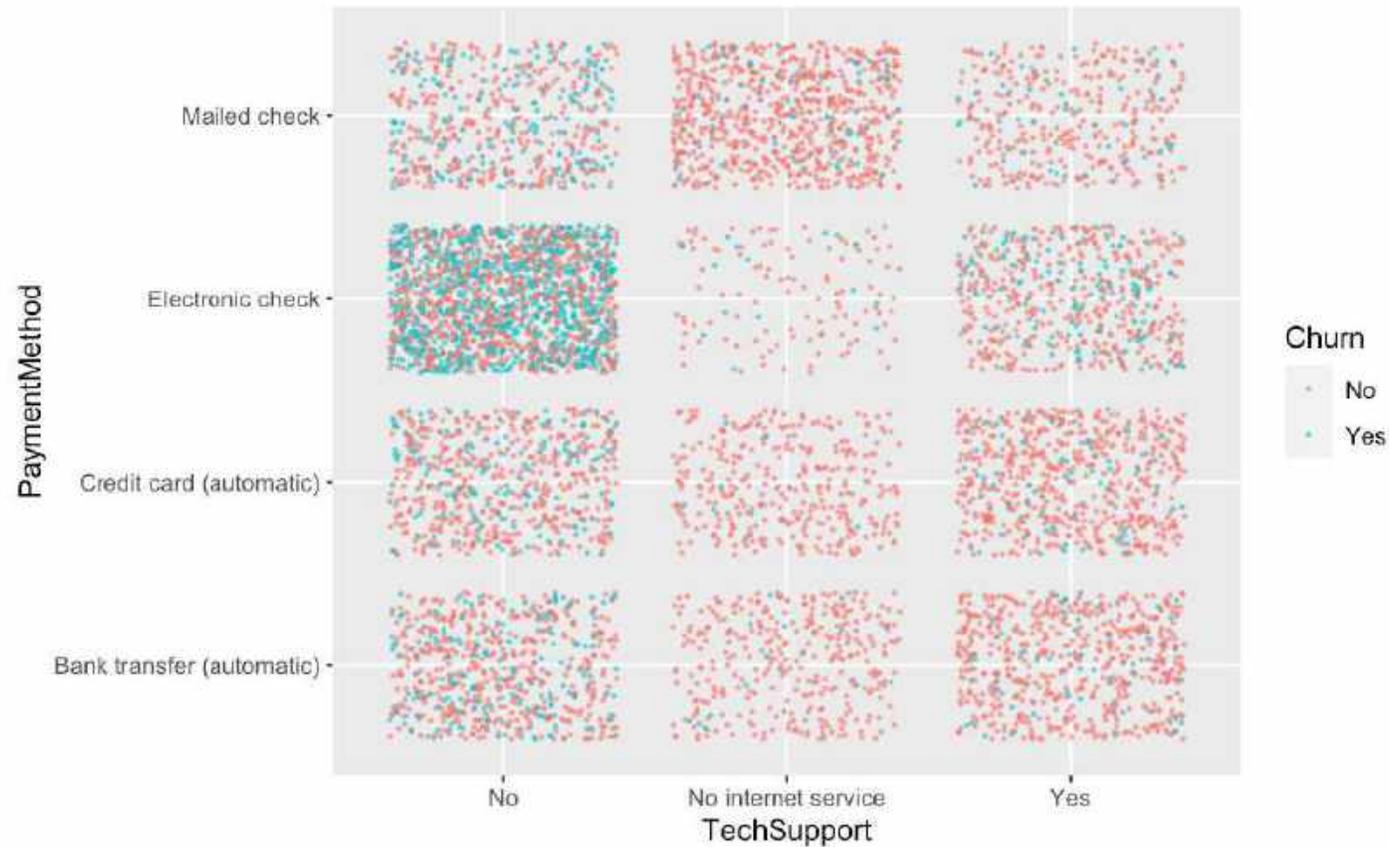
# What does this chart tell us?



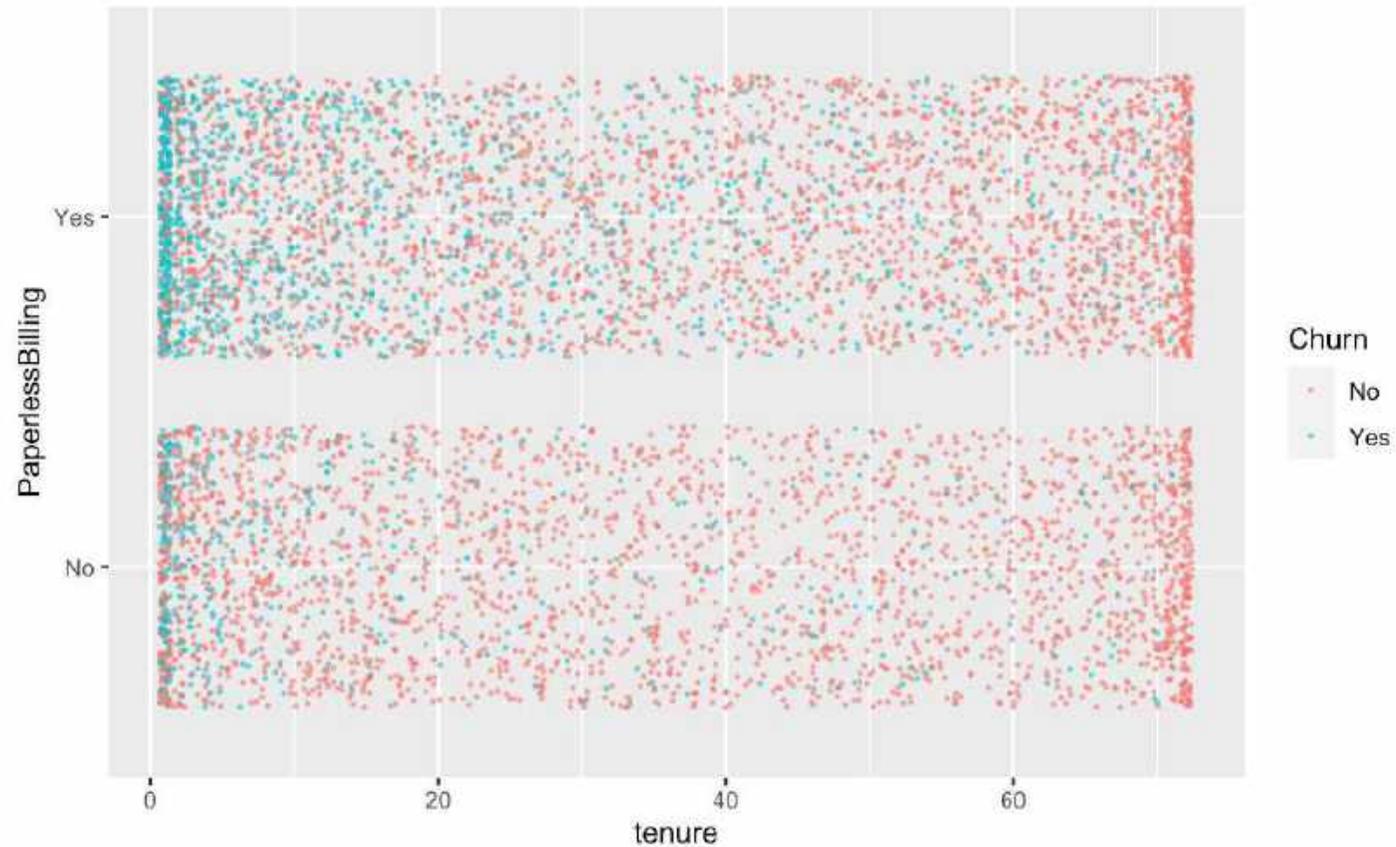
# Who do you think we should target? Why?



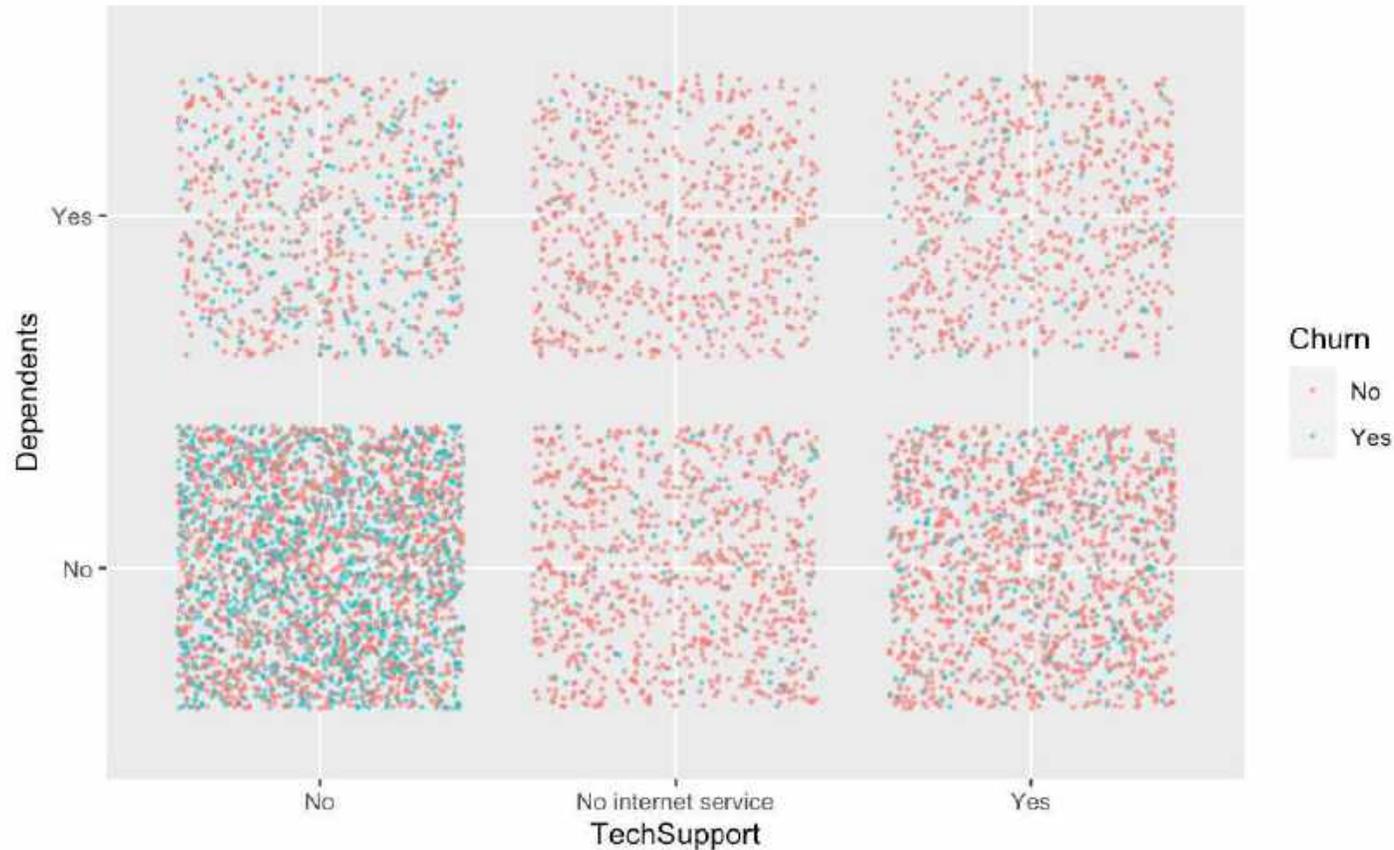
# Who do you think we should target? Why?



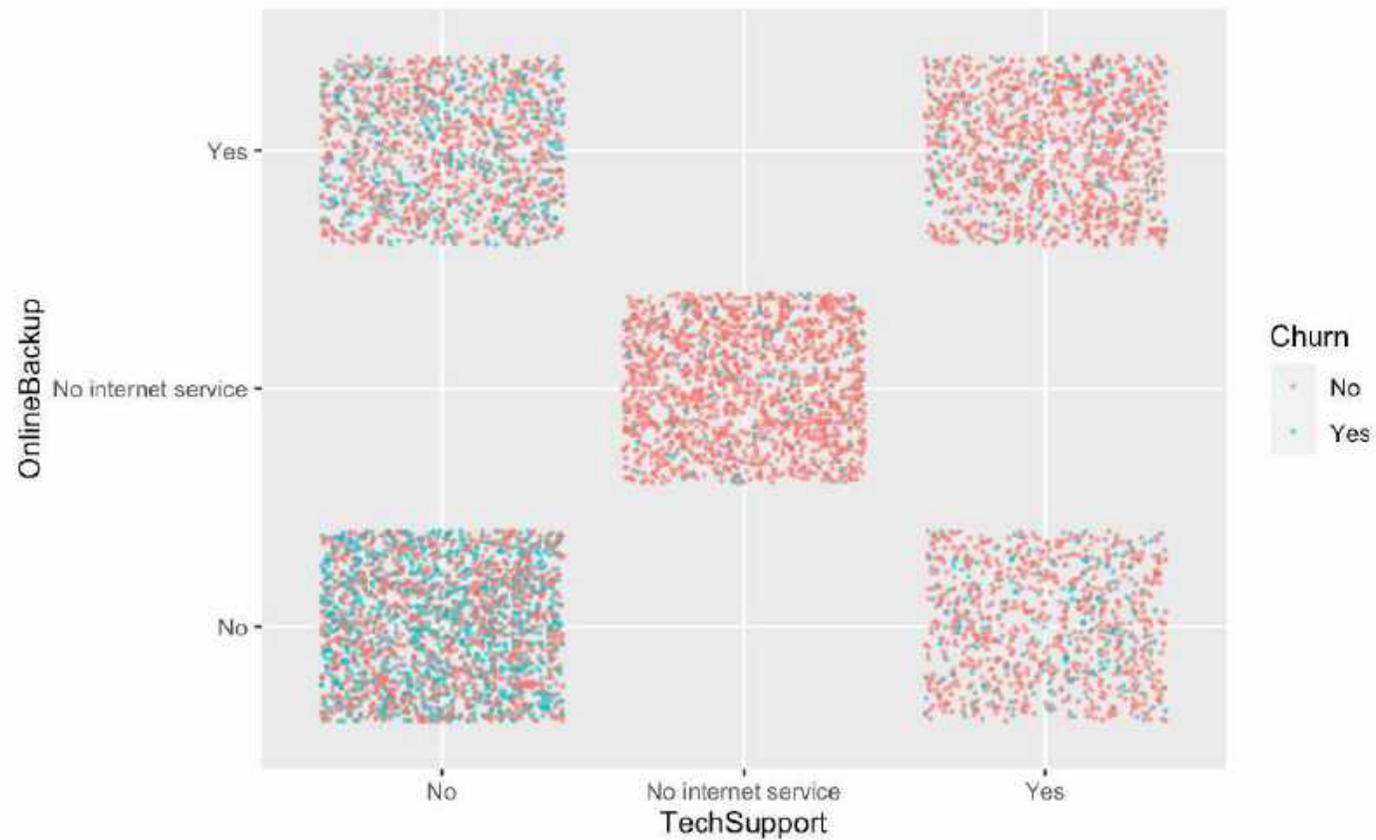
# Who do you think we should target? Why?



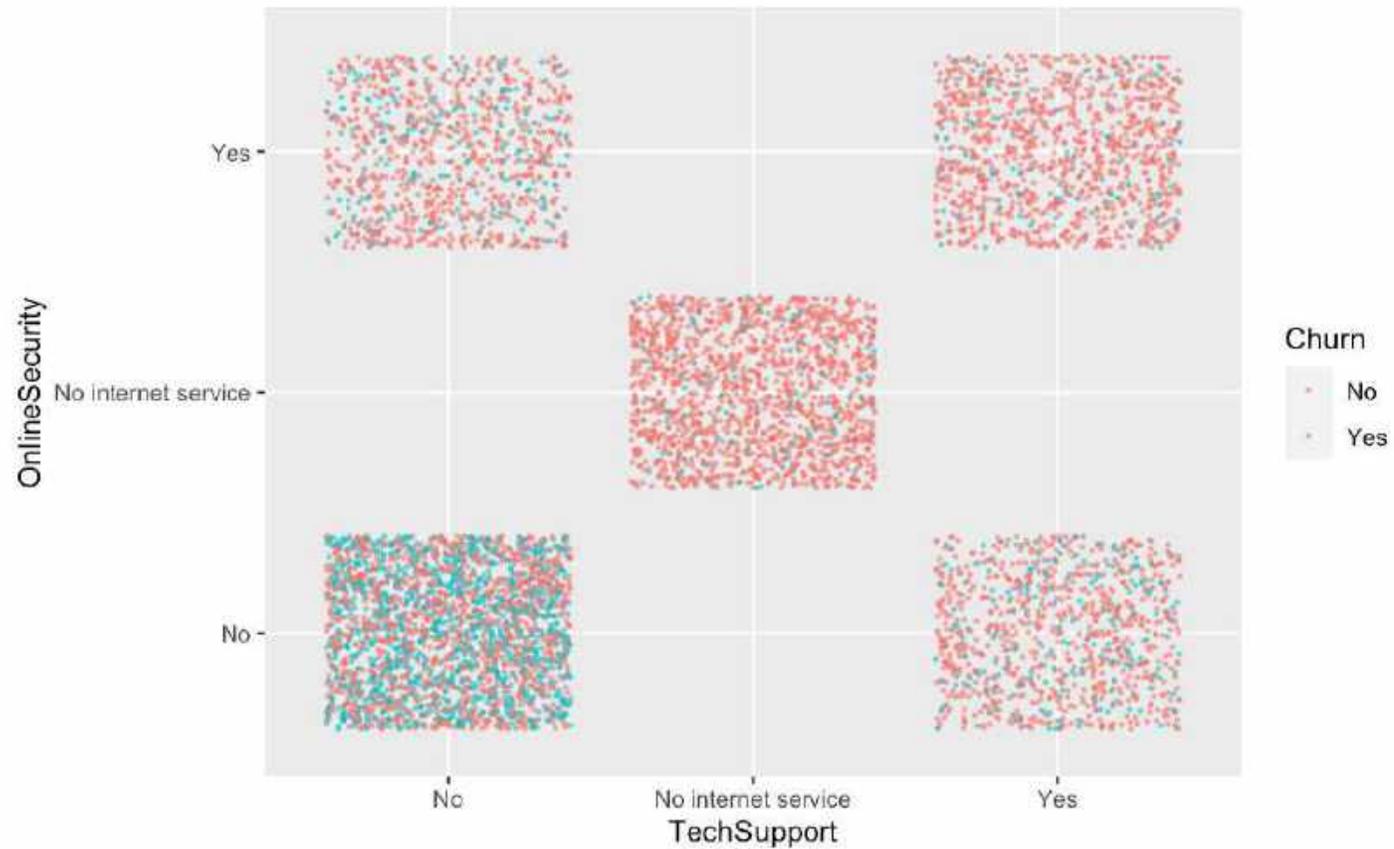
# Who do you think we should target? Why?



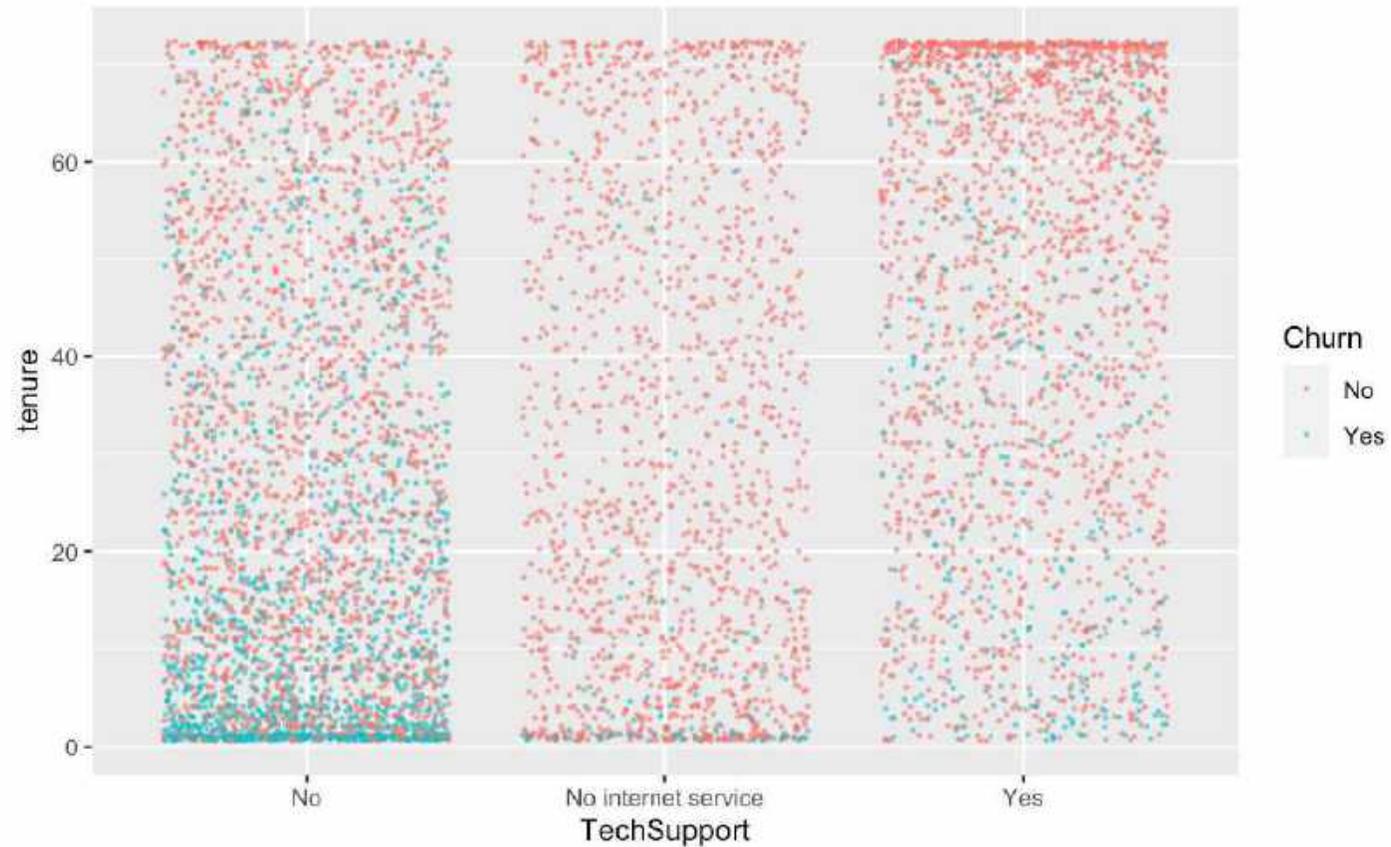
# Who do you think we should target? Why?



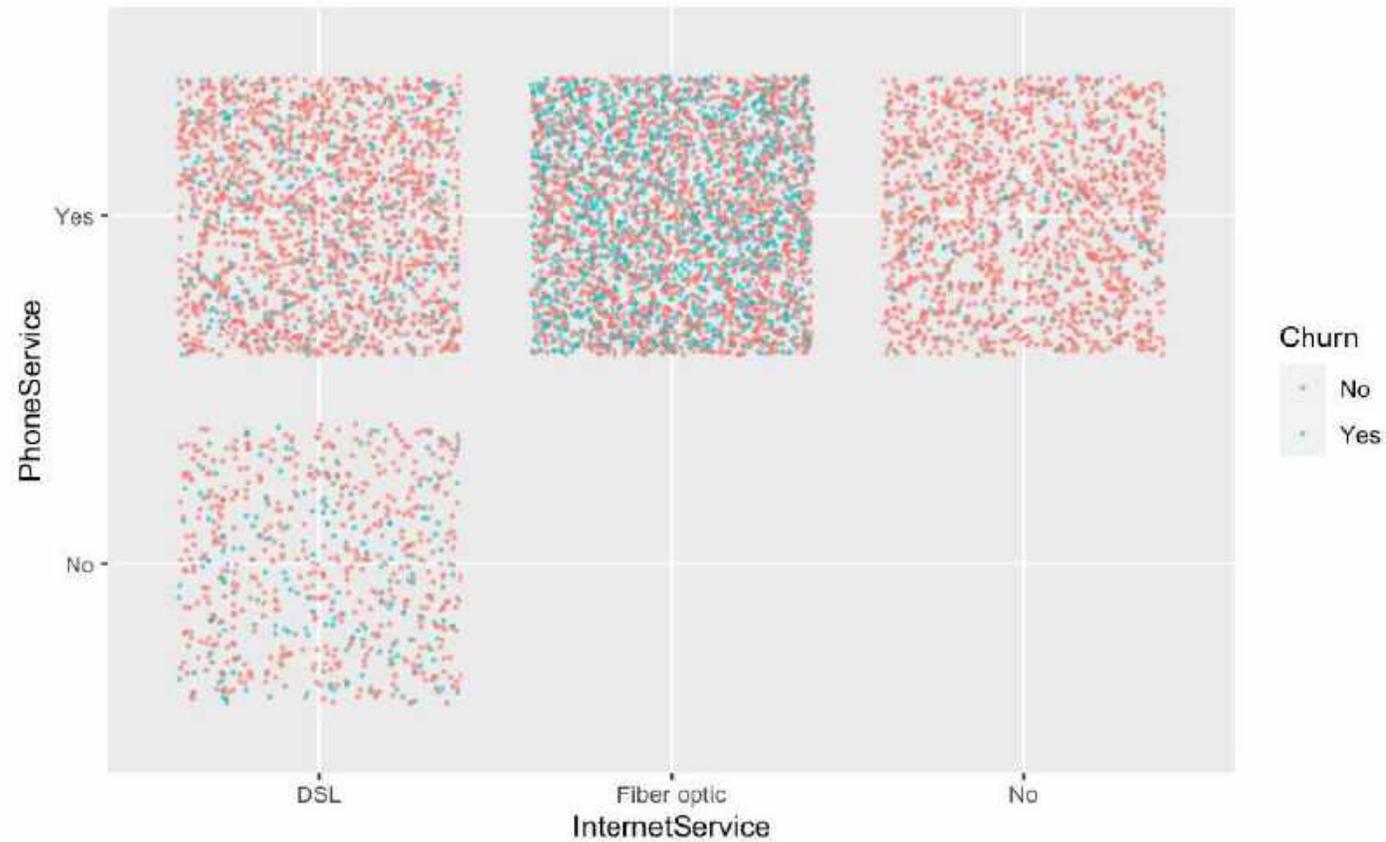
# Who do you think we should target? Why?



# Who do you think we should target? Why?



# Who do you think we should target? Why?



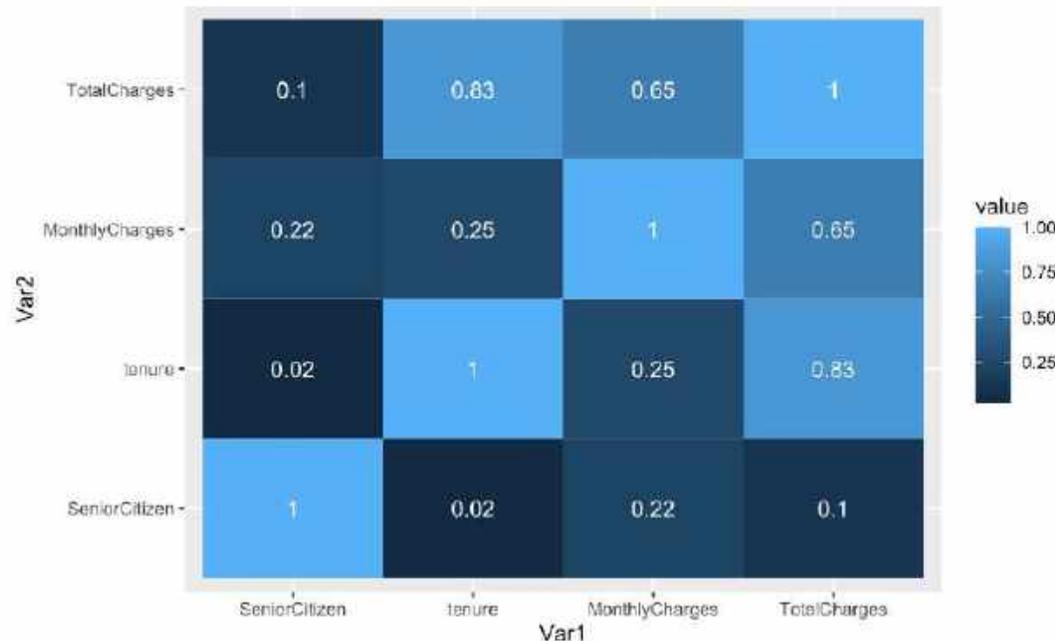
Is this the best way to  
proceed?

What are the possible alternatives?

# Draw a correlation heat map?



# Correlation Heat map



- What does this say?
- What happened to the other variables?

- customerID
- gender
- Partner
- Dependents
- PhoneService
- MultipleLines
- InternetService
- OnlineSecurity
- OnlineBackup
- DeviceProtection
- TechSupport
- StreamingTV
- StreamingMovies
- Contract
- PaperlessBilling
- PaymentMethod
- Churn

# Dummy Variable Approach

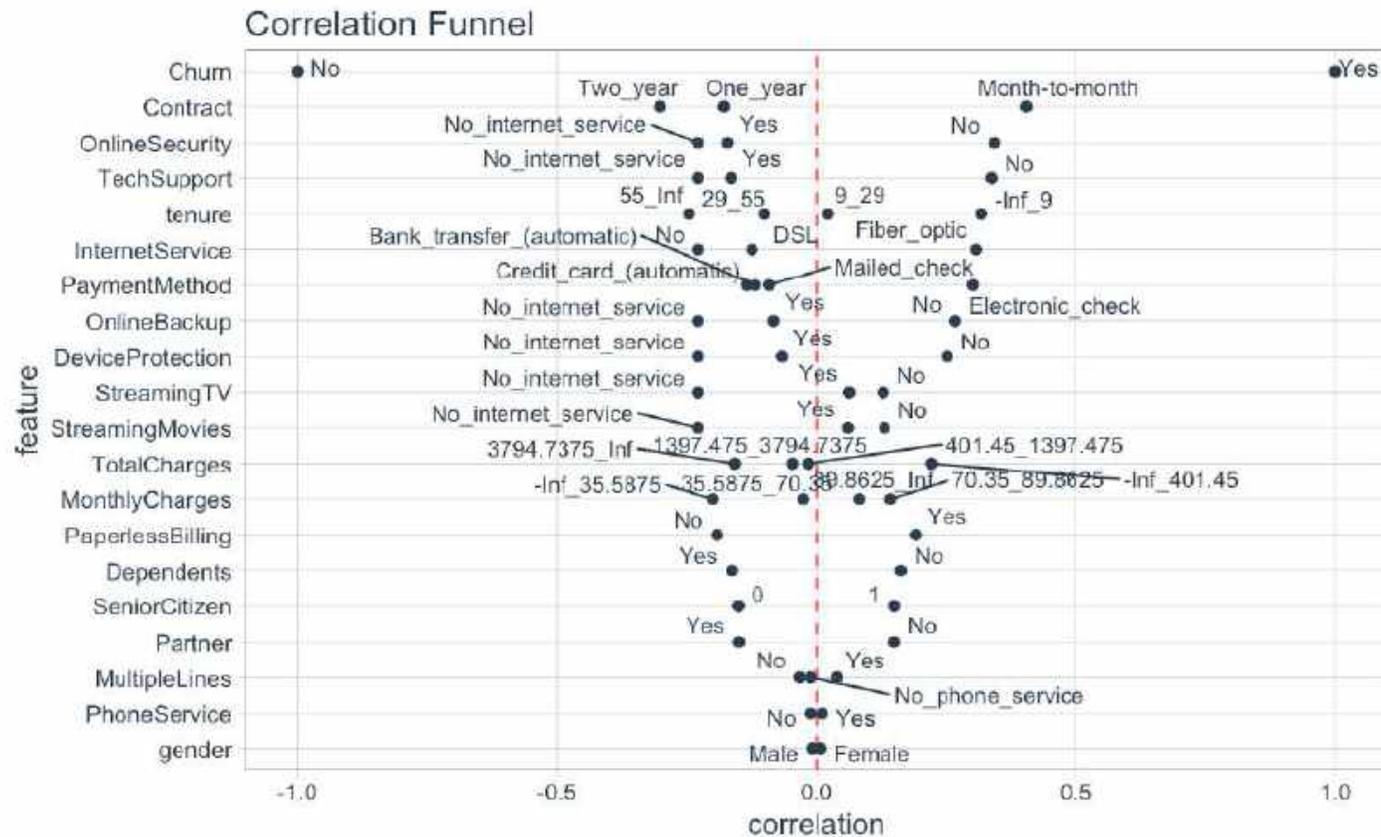
- A dummy variable(DV) is one that takes only the value 0 or 1 to indicate either the presence or absence of something.
- For instance, in our scenario, we could change Housing to a dummy variable.
  - 'DEFAULT'
  - 'EDUCATION'
  - 'MARITAL'can all be converted to a bunch of dummy variables (as opposed to one).
- Why do you think one variable would not suffice?

# Binarizing the data

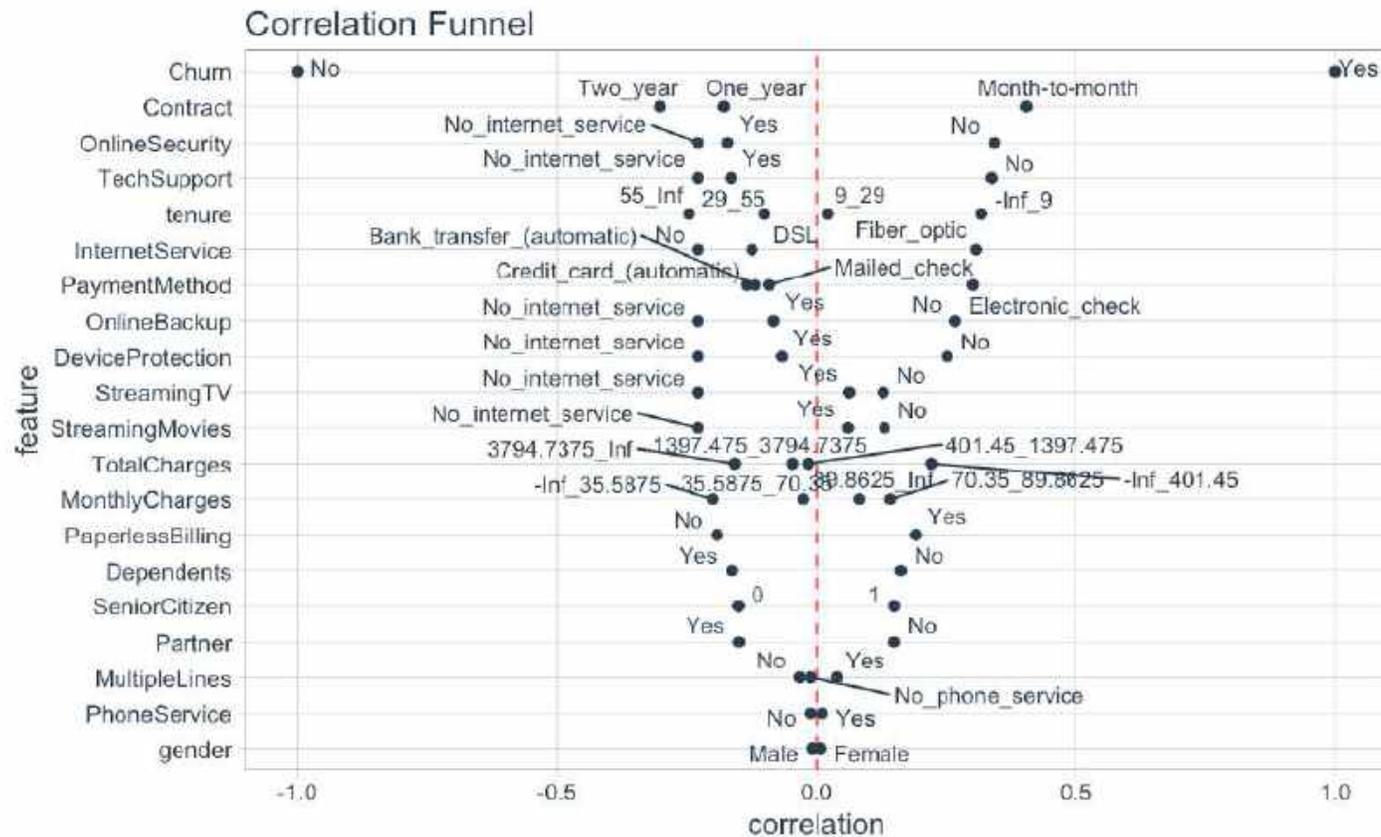
```
[r]
str(data_binarized)

tibble [45,211 x 74] (S3: tbl_df/tbl/data.frame)
 $ AGE__Inf_33      : int [1:45211] 0 0 1 0 1 0 1 0 0 0 ...
 $ AGE__33_39      : int [1:45211] 0 0 0 0 0 1 0 0 0 0 ...
 $ AGE__39_48      : int [1:45211] 0 1 0 1 0 0 0 1 0 1 ...
 $ AGE__48_Inf     : int [1:45211] 1 0 0 0 0 0 0 0 1 0 ...
 $ JOB__admin.     : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ JOB__blue-collar : int [1:45211] 0 0 0 1 0 0 0 0 0 0 ...
 $ JOB__entrepreneur : int [1:45211] 0 0 1 0 0 0 0 1 0 0 ...
 $ JOB__housemaid  : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ JOB__management : int [1:45211] 1 0 0 0 0 1 1 0 0 0 ...
 $ JOB__retired    : int [1:45211] 0 0 0 0 0 0 0 0 1 0 ...
 $ JOB__self-employed : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ JOB__services   : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ JOB__student    : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ JOB__technician : int [1:45211] 0 1 0 0 0 0 0 0 0 1 ...
 $ JOB__unemployed : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ JOB__OTHER      : int [1:45211] 0 0 0 0 1 0 0 0 0 0 ...
 $ MARITAL__divorced : int [1:45211] 0 0 0 0 0 0 0 1 0 0 ...
 $ MARITAL__married : int [1:45211] 1 0 1 1 0 1 0 0 1 0 ...
 $ MARITAL__single  : int [1:45211] 0 1 0 0 1 0 1 0 0 1 ...
 $ EDUCATION__primary : int [1:45211] 0 0 0 0 0 0 0 0 1 0 ...
 $ EDUCATION__secondary : int [1:45211] 0 1 1 0 0 0 0 0 0 1 ...
 $ EDUCATION__tertiary : int [1:45211] 1 0 0 0 0 1 1 1 0 0 ...
 $ EDUCATION__unknown : int [1:45211] 0 0 0 1 1 0 0 0 0 0 ...
 $ DEFAULT__no      : int [1:45211] 1 1 1 1 1 1 1 0 1 1 ...
 $ DEFAULT__yes     : int [1:45211] 0 0 0 0 0 0 0 1 0 0 ...
 $ BALANCE__-Inf_72 : int [1:45211] 0 1 1 0 1 0 0 1 0 0 ...
 $ BALANCE__72_448  : int [1:45211] 0 0 0 0 0 1 1 0 1 0 ...
 $ BALANCE__448_1428 : int [1:45211] 0 0 0 0 0 0 0 0 0 1 ...
 $ BALANCE__1428_Inf : int [1:45211] 1 0 0 1 0 0 0 0 0 0 ...
 $ HOUSING__no      : int [1:45211] 0 0 0 0 1 0 0 0 0 0 ...
 $ HOUSING__yes     : int [1:45211] 1 1 1 1 0 1 1 1 1 1 ...
 $ LOAN__no         : int [1:45211] 1 1 0 1 1 1 0 1 1 1 ...
 $ LOAN__yes        : int [1:45211] 0 0 1 0 0 0 1 0 0 0 ...
 $ CONTACT__cellular : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ CONTACT__telephone : int [1:45211] 0 0 0 0 0 0 0 0 0 0 ...
 $ CONTACT__unknown : int [1:45211] 1 1 1 1 1 1 1 1 1 1 ...
 $ DAY__-Inf_8      : int [1:45211] 1 1 1 1 1 1 1 1 1 1 ...
```

# Create a Correlation Funnel



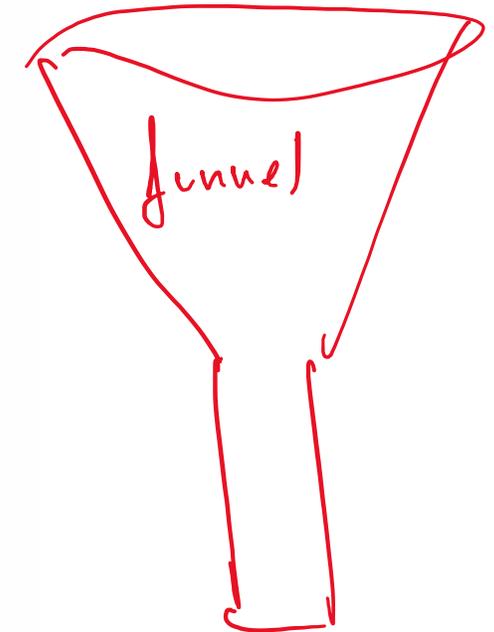
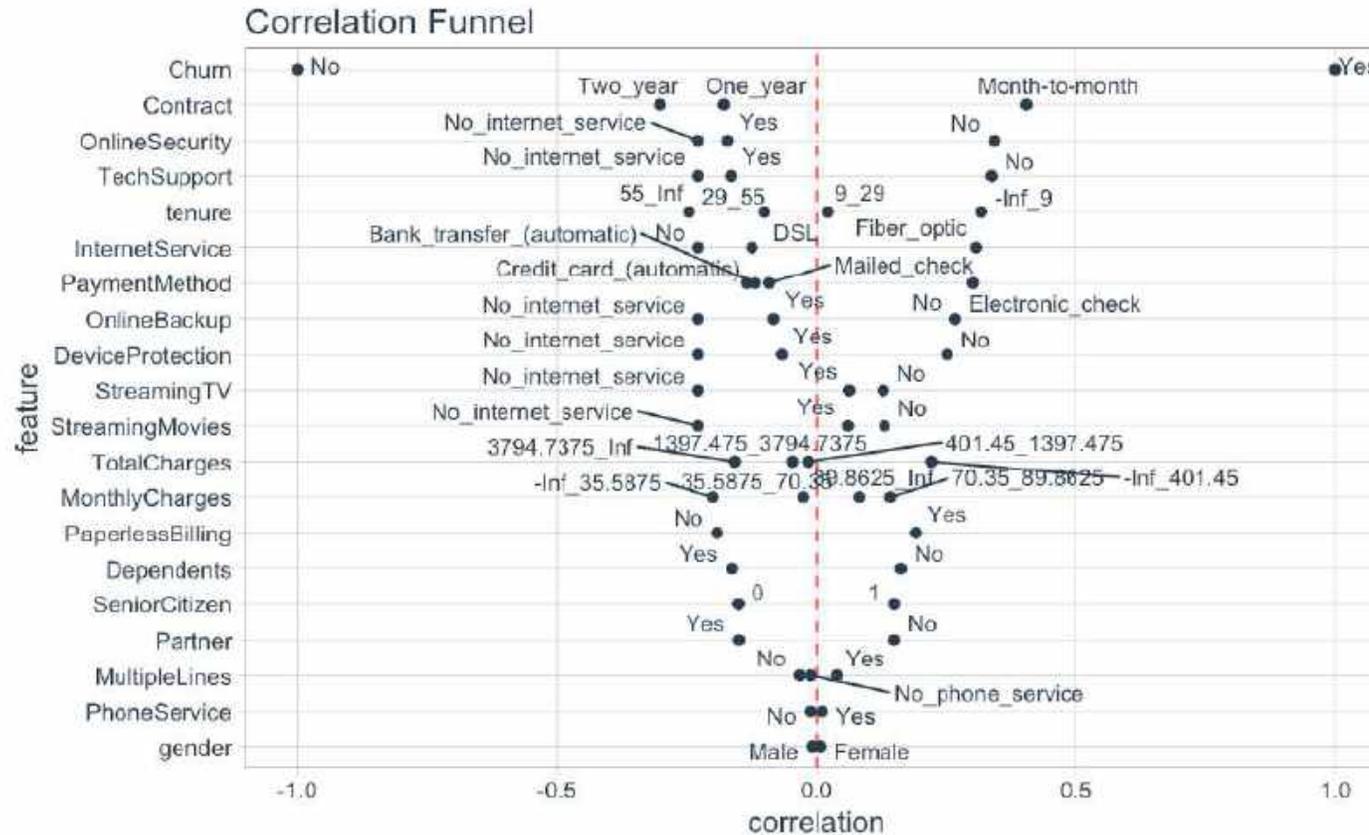
# Create a Correlation Funnel



↑ Greater correlation

↓ lower correlation

# Create a Correlation Funnel



Let's now compare.

# Recall!!

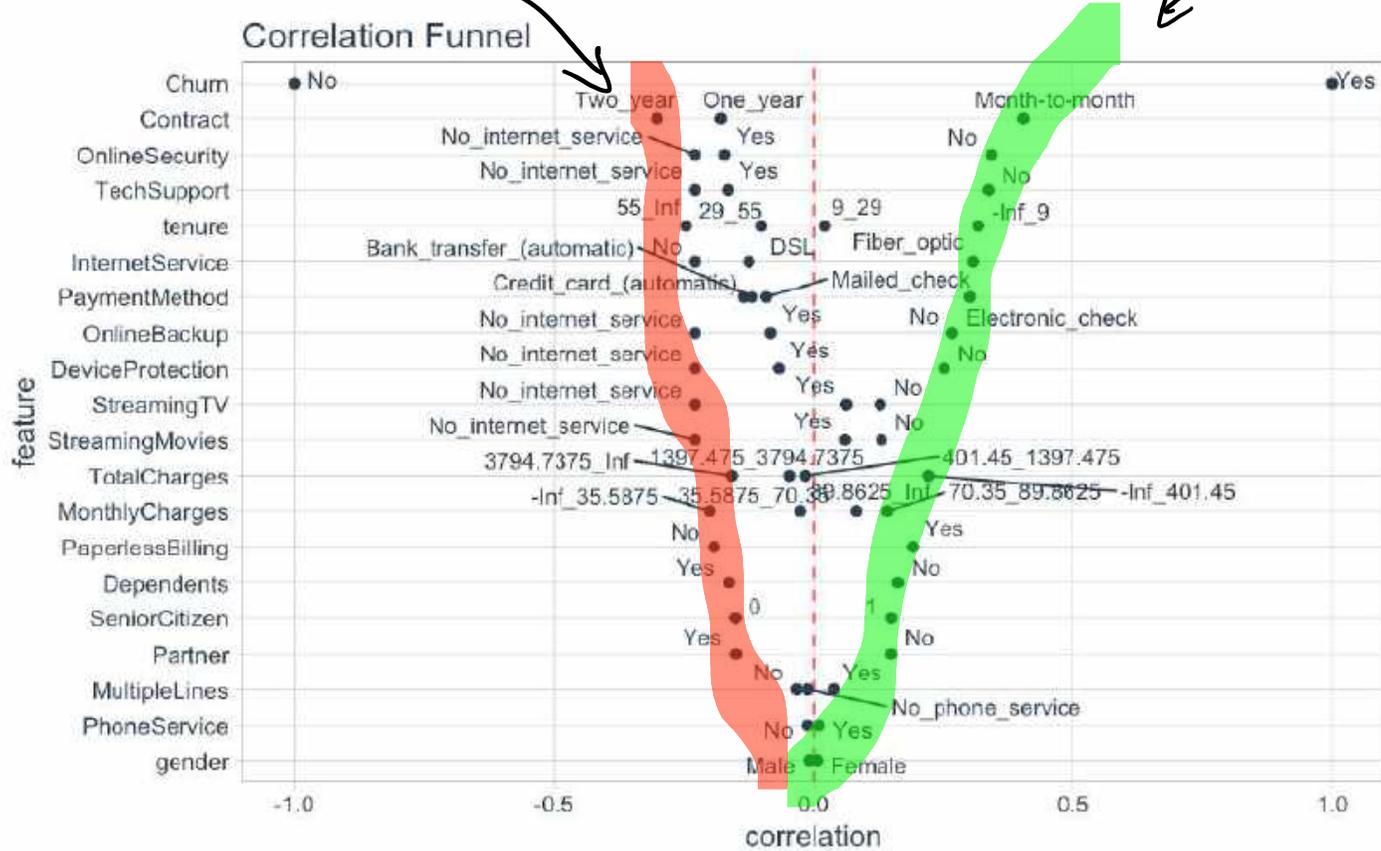
<b>Old Approach</b>	<b>Necessary New Approach</b>
1. Get New Accounts	1. Retain Existing Accounts
2. Get the Order	2. Become the Preferred Supplier
3. Pressure Your Company To Cut Price	3. Price For Profit
4. Give Service To Get Sales	4. Understand Cost Implications and Manage For Profitability
5. Manage All the Accounts the Same Way	5. Manage Each Account For Maximum Long-Term Profitability
6. Sell to Anyone	6. Concentrate On the High Profit Potential Accounts

Source: Storbacka et al (2008) - The changing role of sales: viewing sales as a strategic, cross functional process

# Creating Sales Strategy

Retain them

Do something to capture them



# Assignment 1

- What sort of data would you collect to improve your sales?
  - Be specific.
  - Explain why.
- How much would it cost for you to do the same?
- In what order of priority would you collect this data?

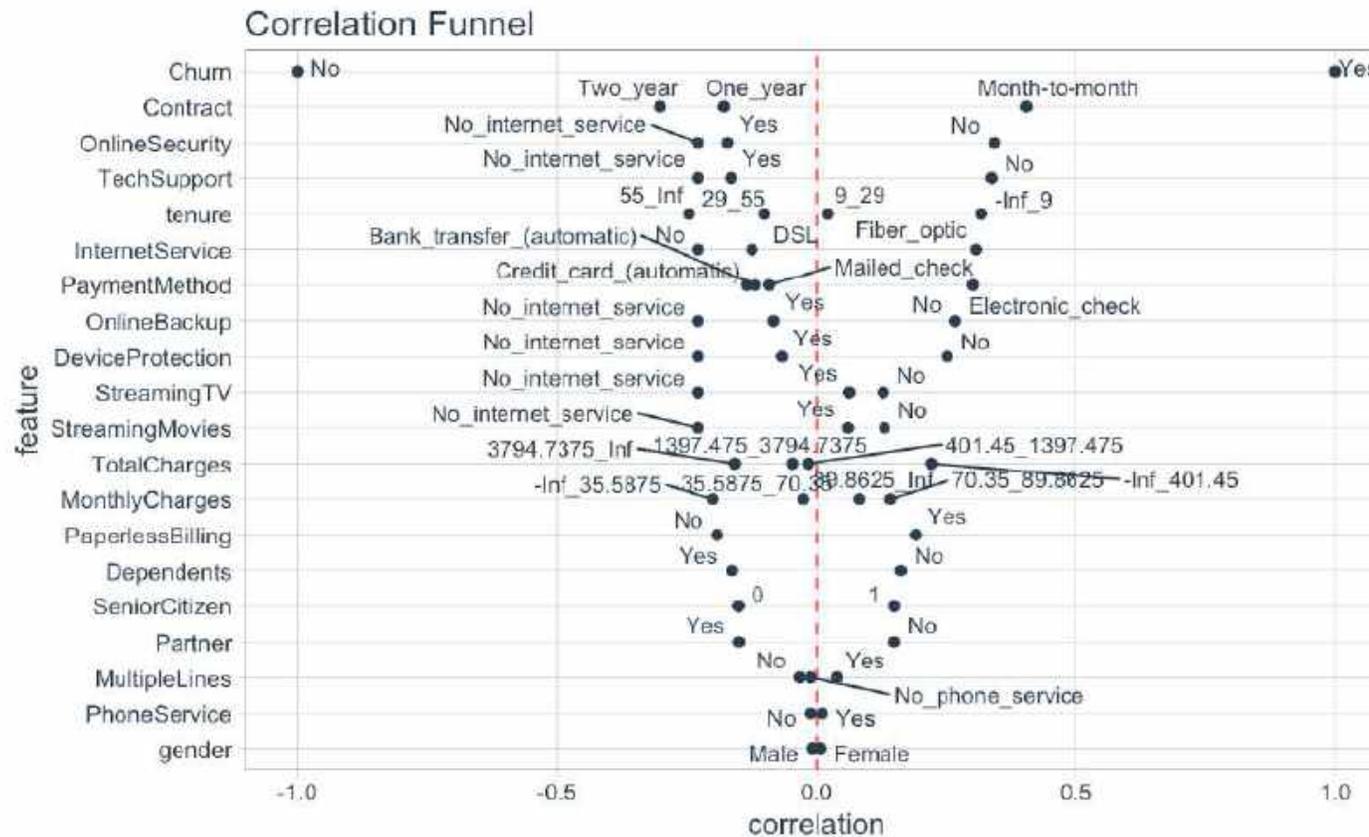
# Segmentation

- “Traditional demographic traits such as age, sex, education levels, and income no longer said enough to serve as a basis for marketing strategy.”
- “Nondemographic traits such as values, tastes, and preferences were more likely to influence consumers’ purchases than their demographic traits were.”
- “Sound marketing strategy depended on identifying segments that were potentially receptive to a particular brand and product category.”

# Segmentation

- Demographic segmentation does not work!
- Non-demographic traits more likely to work!
- Marketing strategy => identifying the right segments

# Given this information, which segment would you target?



How will you make that  
decision?

# Let's look at individual customers

customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
8773-HHUOZ	Female	0	No	Yes	17	Yes	No	DSL	No

customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
2954-PIBKO	Female	0	Yes	Yes	69	Yes	Yes	DSL	Yes

# Let's look at individual customers

customerID <chr> 8773-HHUOZ	gender <chr> Female	SeniorCitizen <dbl> 0	Partner <chr> No	Dependents <chr> Yes	tenure <dbl> 17	PhoneService <chr> Yes	MultipleLines <chr> No	InternetService <chr> DSL	OnlineSecurity <chr> No
customerID <chr> 2954-PIBKO	gender <chr> Female	SeniorCitizen <dbl> 0	Partner <chr> Yes	Dependents <chr> Yes	tenure <dbl> 69	PhoneService <chr> Yes	MultipleLines <chr> Yes	InternetService <chr> DSL	OnlineSecurity <chr> Yes

# Let's look at individual customers

customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
8773-HHUOZ	Female	0	No	Yes	17	Yes	No	DSL	No
2954-PIBKO	Female	0	Yes	Yes	69	Yes	Yes	DSL	Yes

# Let's look at individual customers

customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
8773-HHUOZ	Female	0	No	Yes	17	Yes	No	DSL	No
customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
2954-PIBKO	Female	0	Yes	Yes	69	Yes	Yes	DSL	Yes

# Let's look at individual customers

customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
8773-HHUOZ	Female	0	No	Yes	17	Yes	No	DSL	No
2954-PIBKO	Female	0	Yes	Yes	69	Yes	Yes	DSL	Yes

# Let's look at individual customers

customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
8773-HHUOZ	Female	0	No	Yes	17	Yes	No	DSL	No

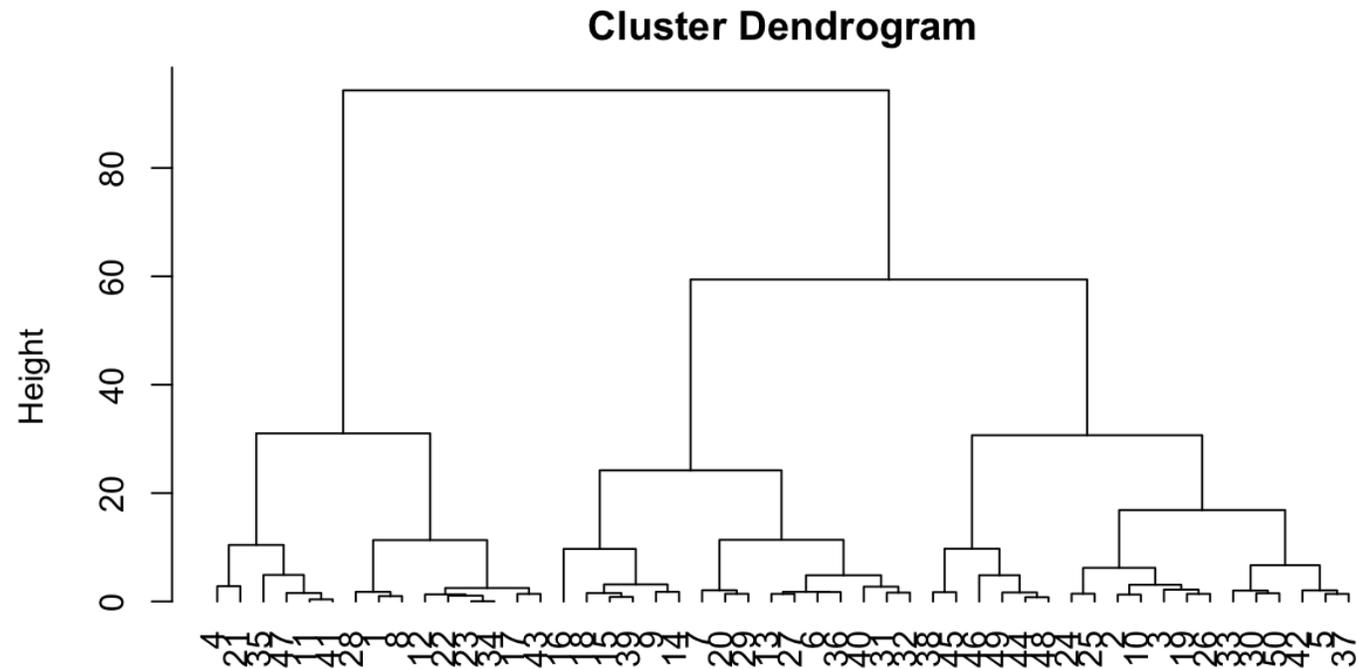
customerID <chr>	gender <chr>	SeniorCitizen <dbl>	Partner <chr>	Dependents <chr>	tenure <dbl>	PhoneService <chr>	MultipleLines <chr>	InternetService <chr>	OnlineSecurity <chr>
2954-PIBKO	Female	0	Yes	Yes	69	Yes	Yes	DSL	Yes

5 out of the 9 characteristics  
are similar.

Should we bucket them together?

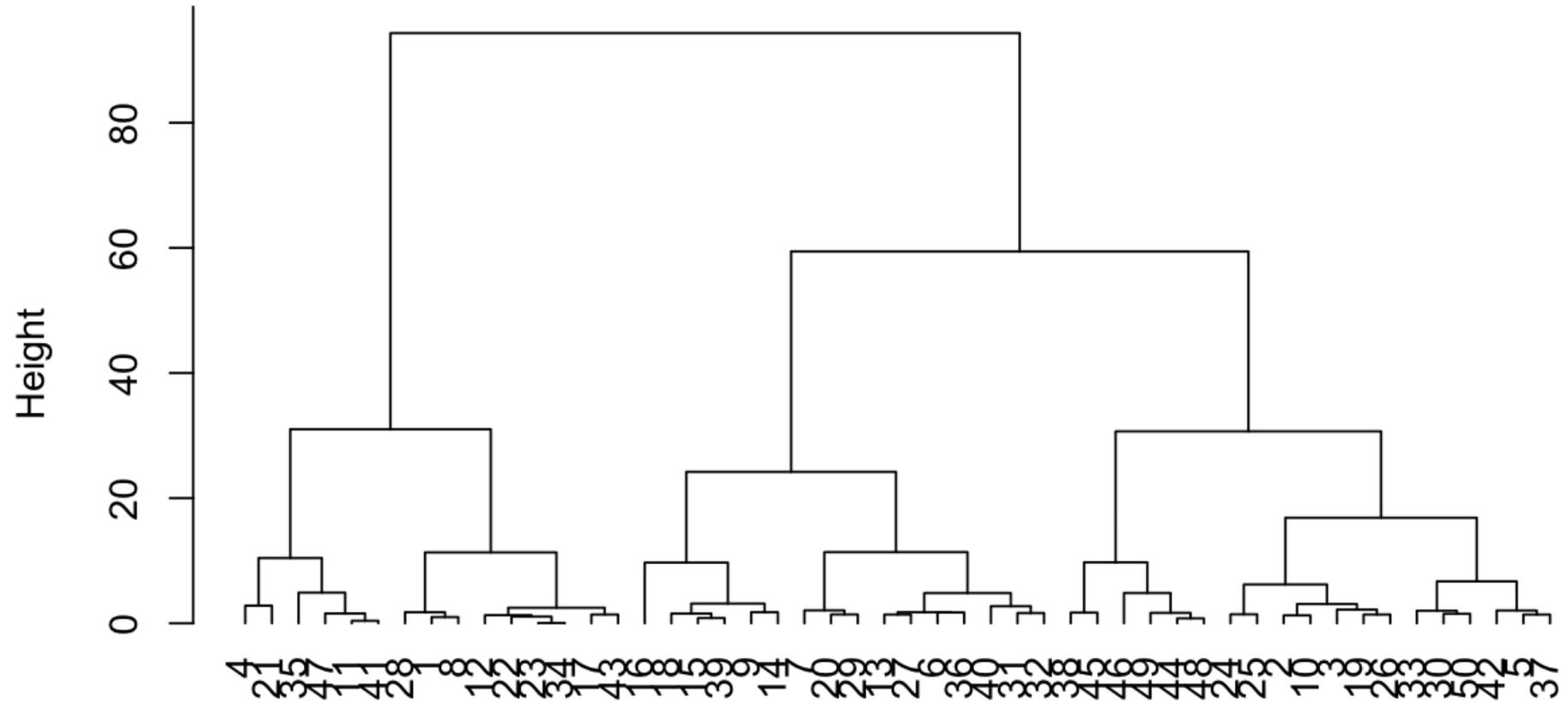
How do we know which  
customers to think of as one?

# Option 1: Using Dendrograms



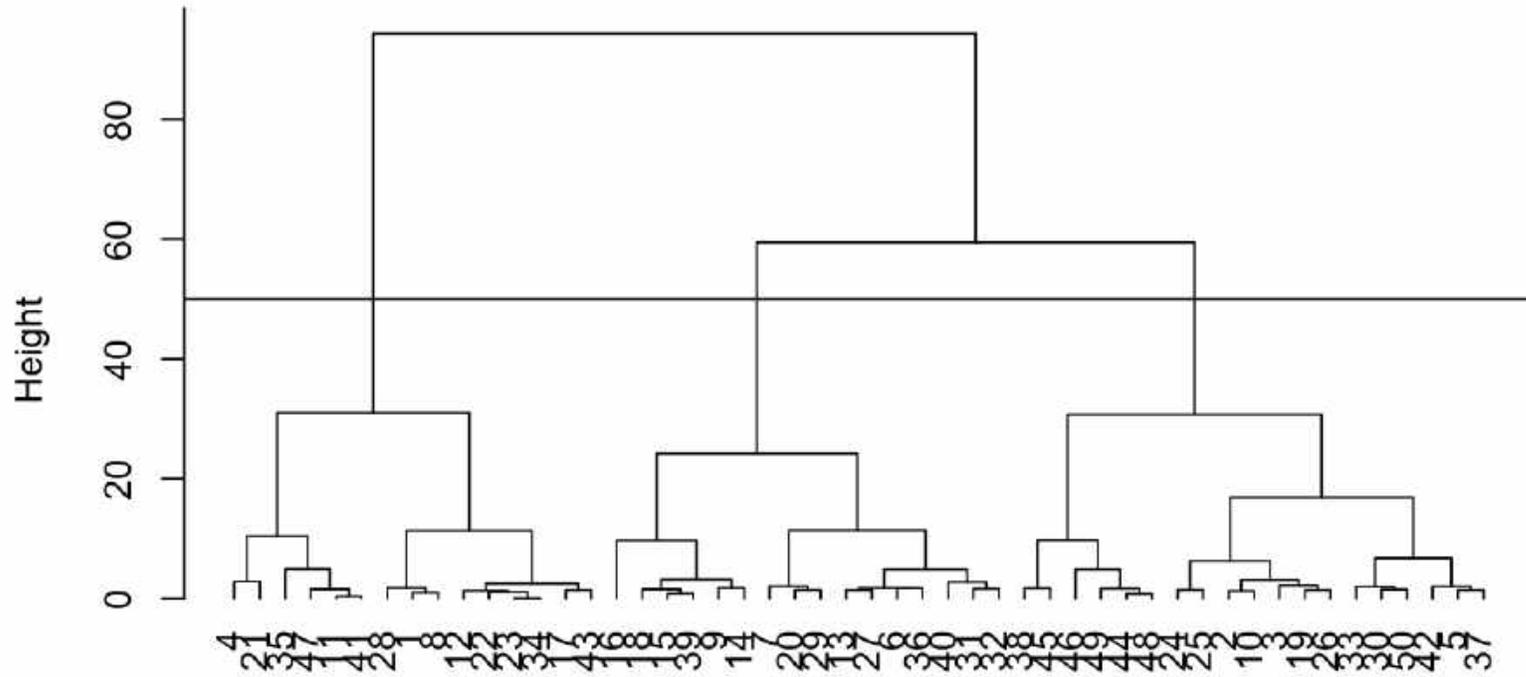
```
dist(cluster.data)  
hclust (*, "complete")
```

# Cluster Dendrogram



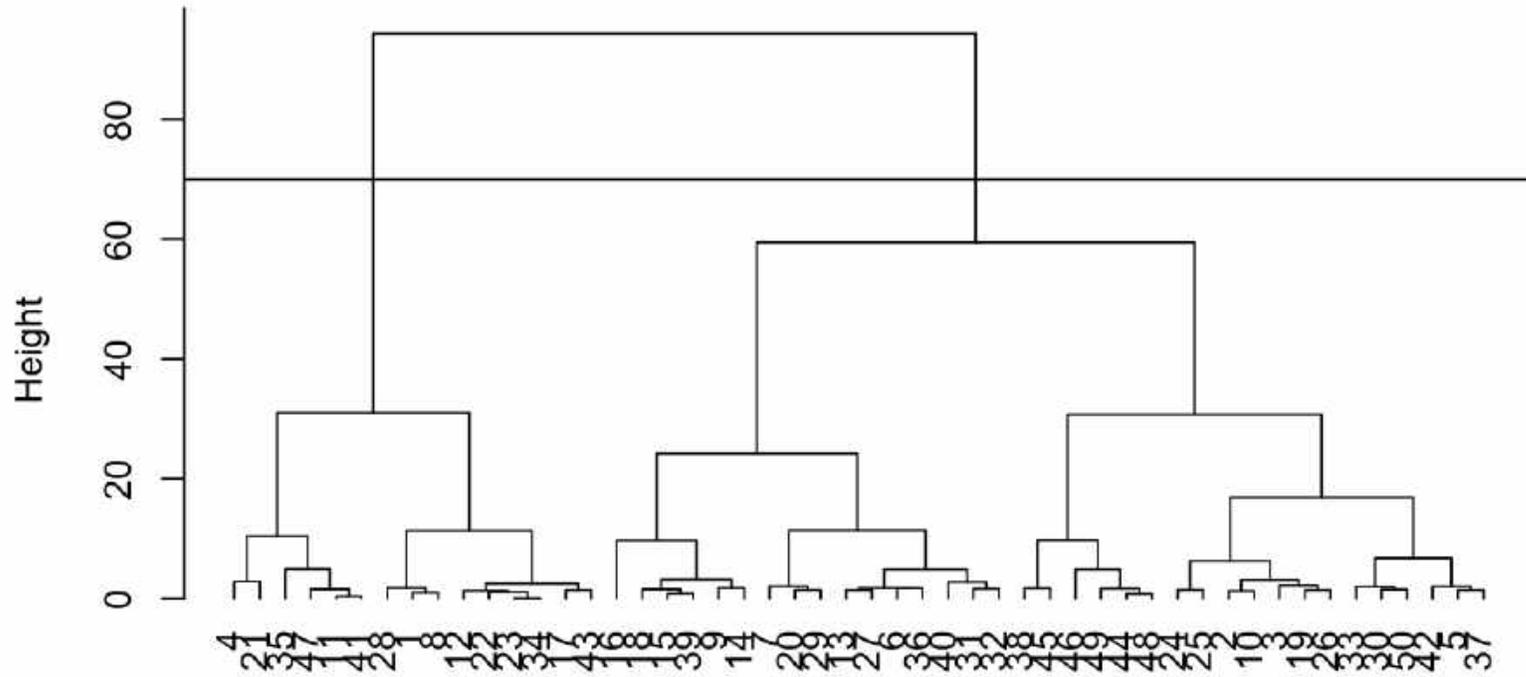
```
dist(cluster.data)  
hclust (*, "complete")
```

### Cluster Dendrogram

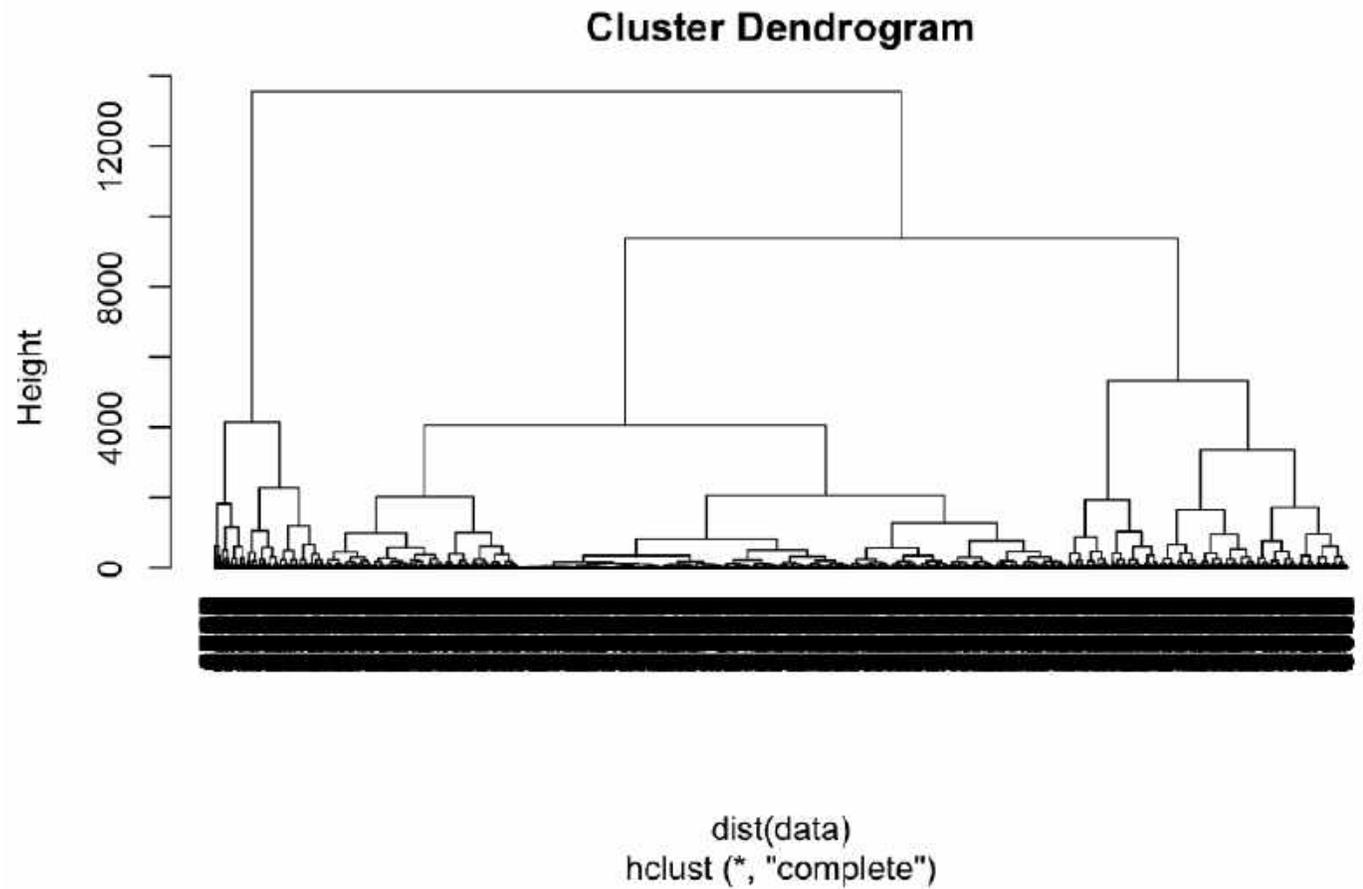


```
dist(cluster.data)  
hclust (*, "complete")
```

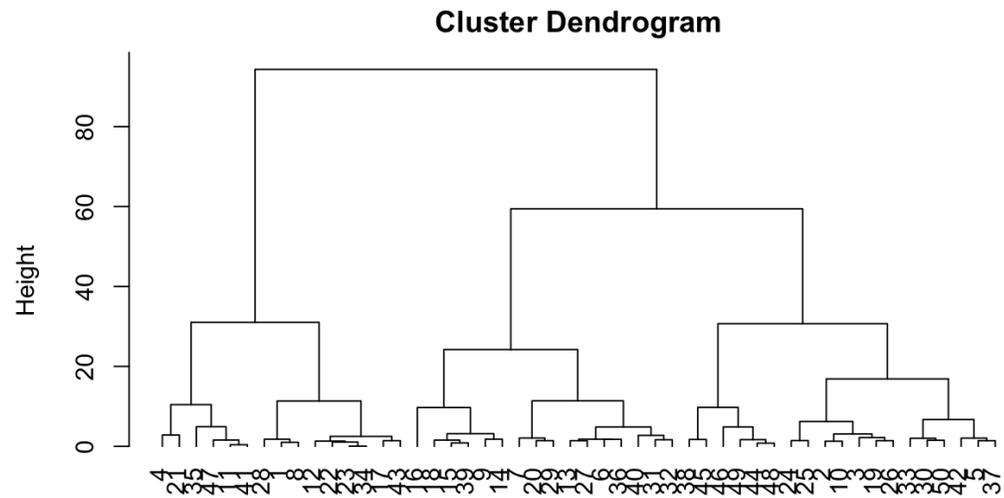
### Cluster Dendrogram



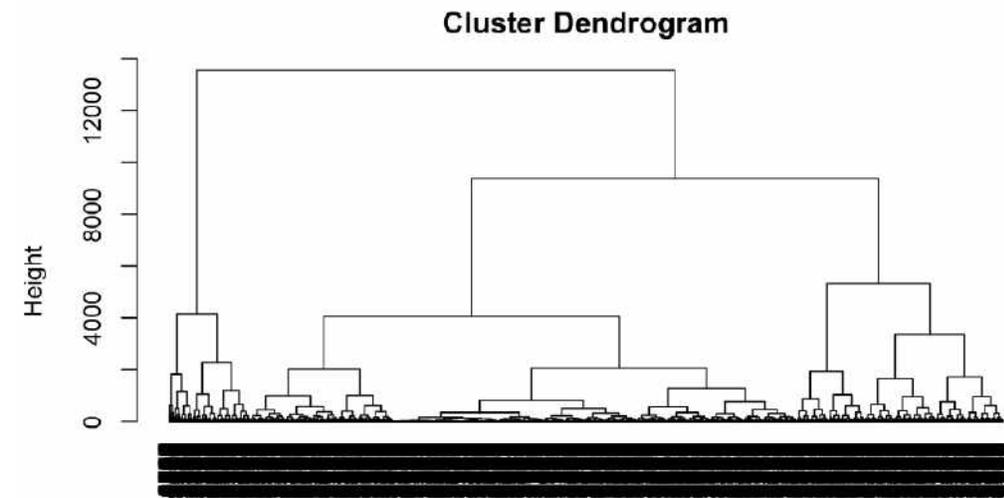
dist(cluster.data)  
hclust (\*, "complete")



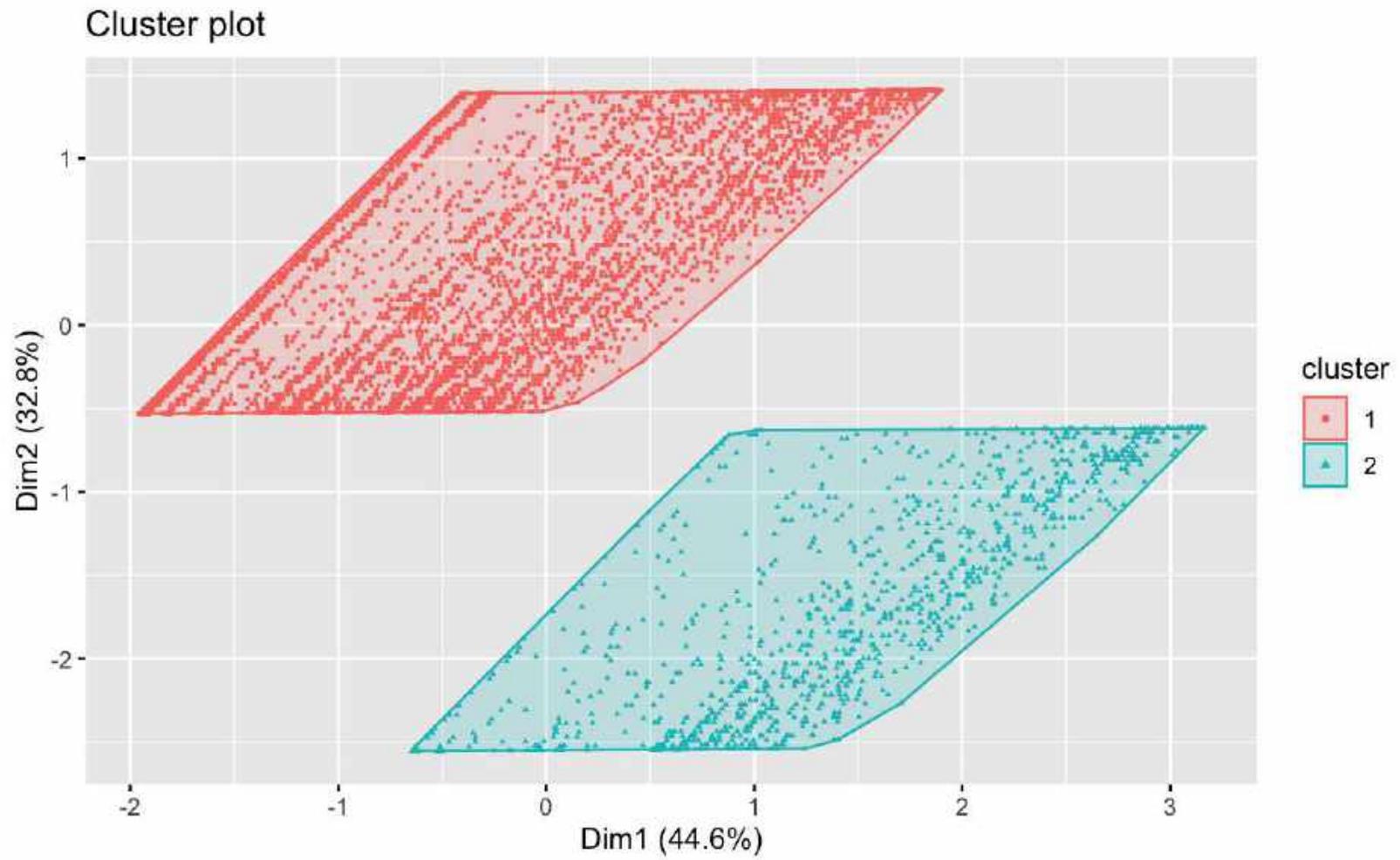
# What's the Difference?

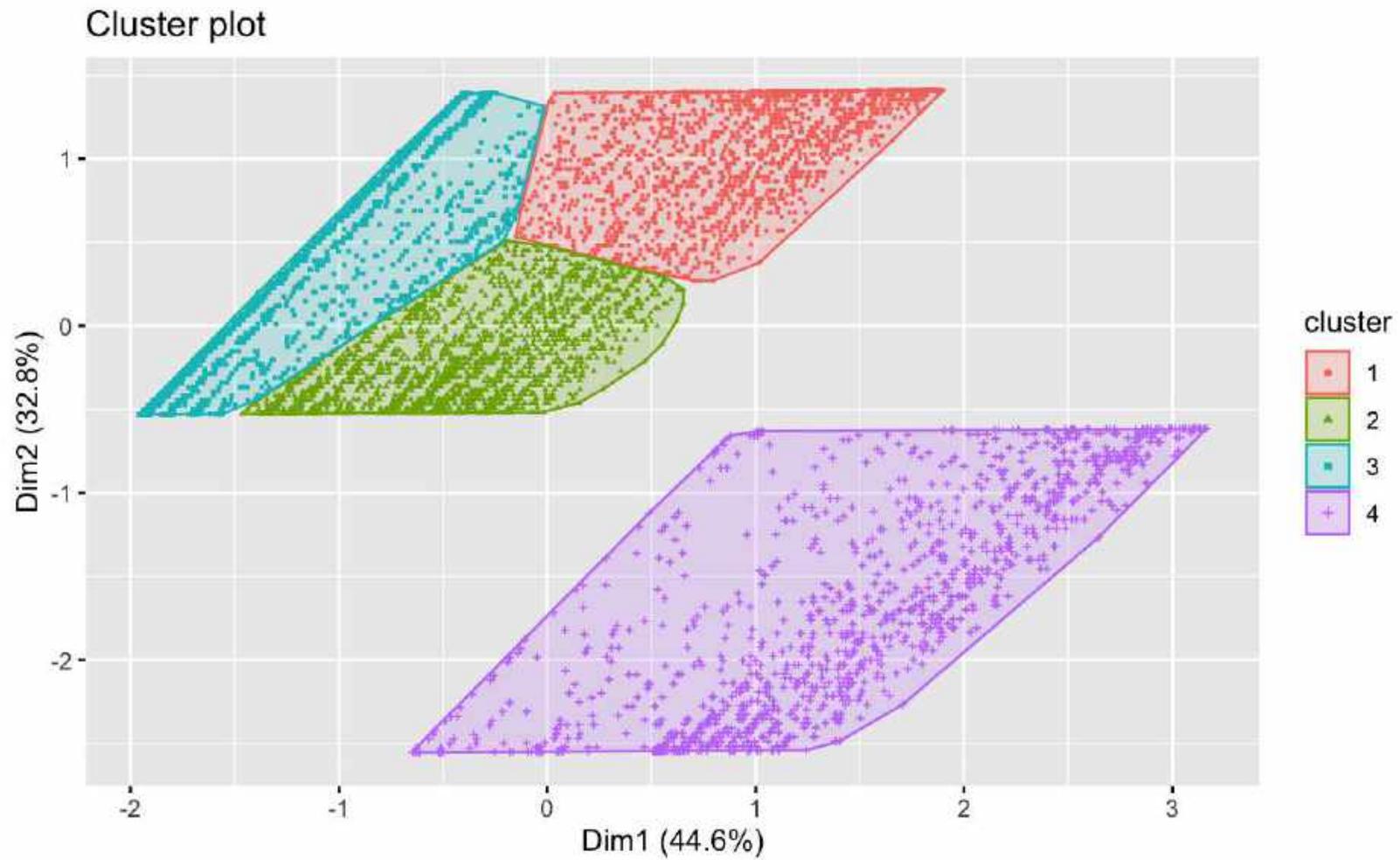


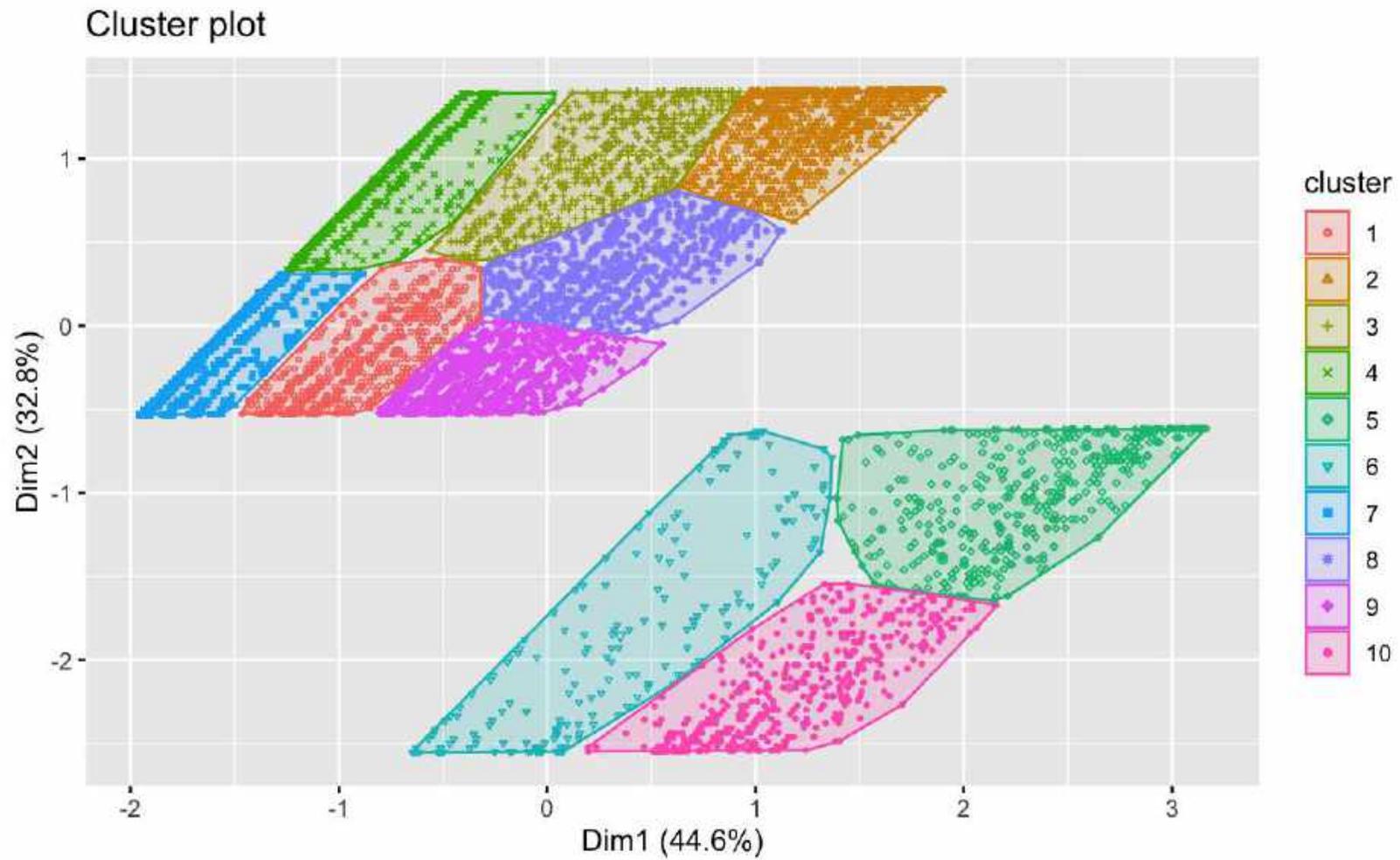
`dist(cluster.data)`  
`hclust (*, "complete")`

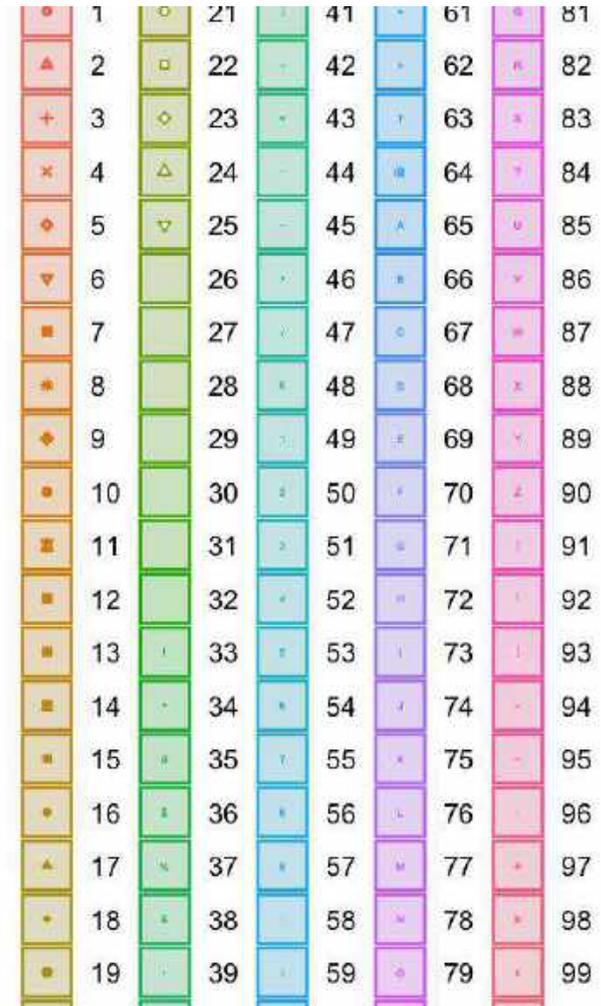
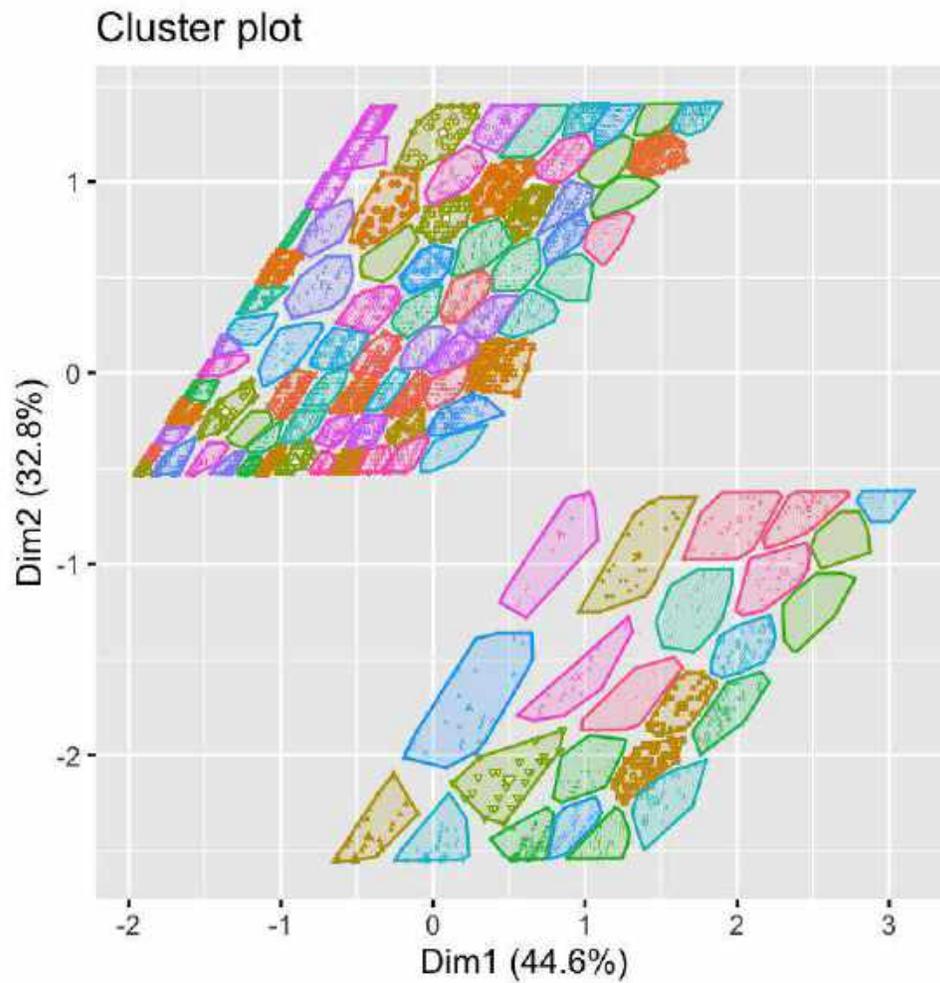


`dist(data)`  
`hclust (*, "complete")`

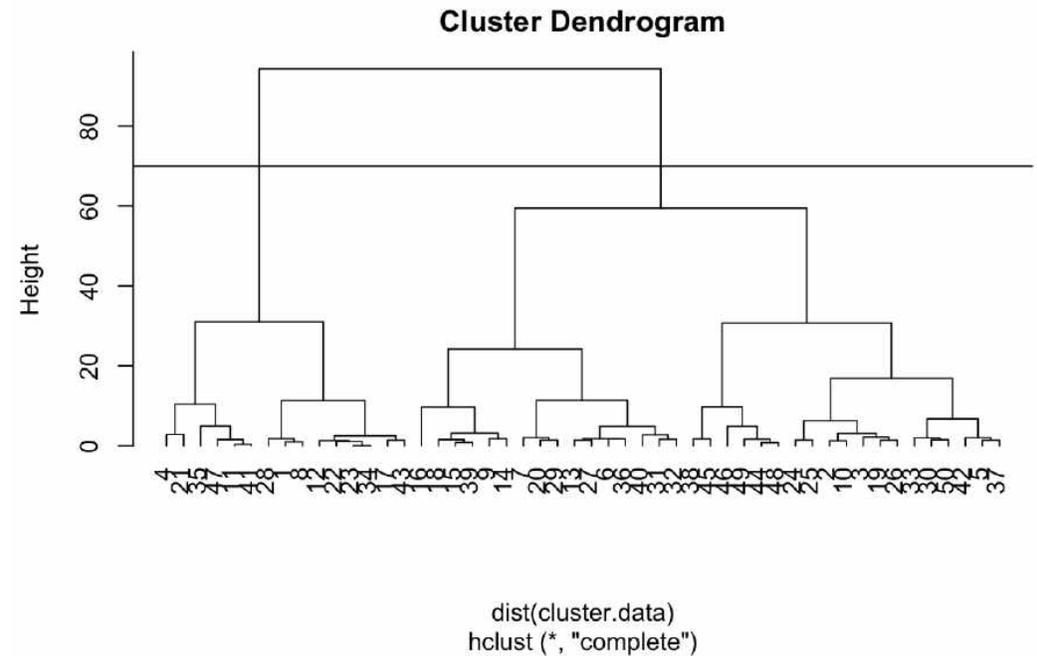
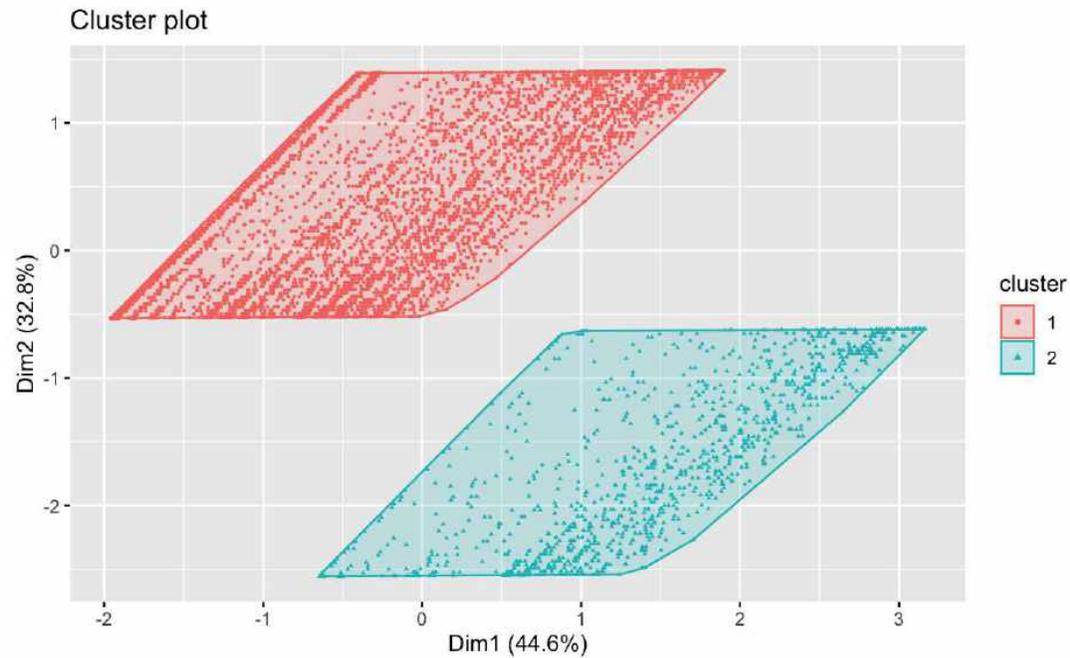






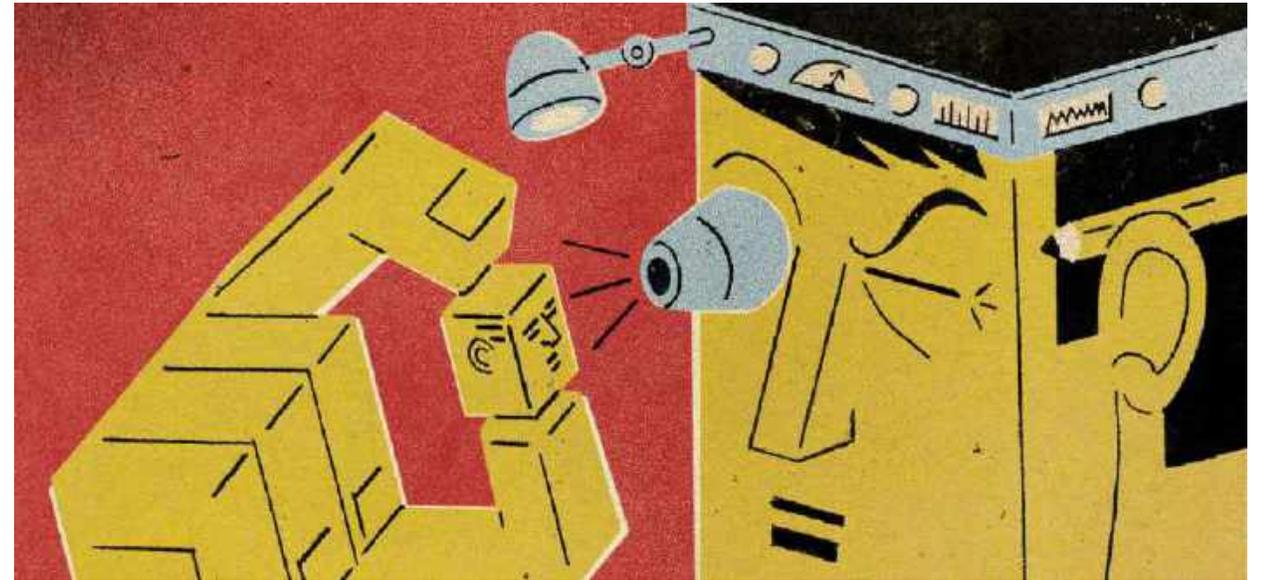


# Compare



Remember: Good strategy  
requires good data

Great  
managers  
make the  
insights come  
to them!



Let's meet in the next class!

# Webinar Session with Cesim

# Session 5

## Data Driven Sales

# Some Bad News

# In the last class



So.. What questions should  
one ask?

# SPIN Selling

- Neil Rackham after observing 35000 sales calls
- SPIN
  - Situation
  - Problem
  - Implication
  - Need Payoff



Neil Rackham is a speaker, writer, and seminal thinker on sales and marketing issues.

# Situation

- To probe about the buying situation
- These should be asked early in the selling cycle
- Examples
  - How many people do you employ?
  - How many customers do you serve?

# Problem

- What if the buyer's pain point?
- Examples
  - What is your biggest problem?
  - Which are your most common error?
  - What solutions do you currently use?

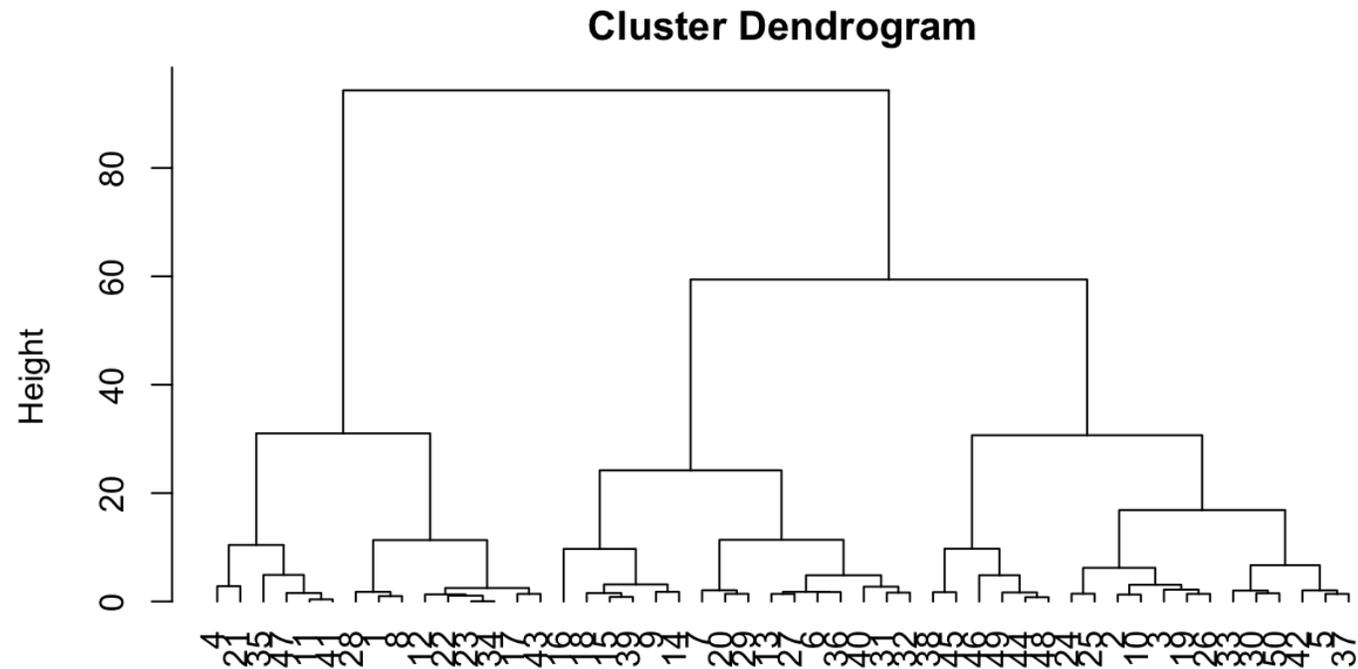
# Implication

- There is a problem. So what?
- Discuss implications and counter factuals
- Examples
  - Is there a possibility of loss?
  - What are the possible consequences?
  - How much would the loss cost you?

# Need Payoff

- Focuses on Solutions
- Examples
  - What features do you think will make a difference to you?
  - Do you think this particular feature will help you?

# Using SPIN and Segmentation



```
dist(cluster.data)  
hclust (*, "complete")
```

Let's move to some theory

When is Sales Likely to be  
most effective!

# Transaction Cost Theory

- Explains existence of firms
- Firm emerges when transaction costs need to be lowered
- When costs are low enough, people resort to market transactions

# Transaction Cost Theory

- Types of transaction costs
  - Search and Information costs
  - Bargaining costs
  - Enforcement costs
- How does a Salesperson look at transaction costs?

With that background

# Market Identification

- Who buys the product?
- Who uses it?
- Who are the prospective buyers and/or users?
  
- Twin Approaches
  - Internal Records
  - Field Research

# Limitations

- Internal Records
  - Can offer incomplete data
  - Often is biased
- Field Data
  - Syndicated – may not suffice
    - Use of demographic indicators
  - Classification of industry may vary

# Market Motivation

- Twin questions
  - Why do people buy?
  - Why don't people buy?
- Why would others buy your product?

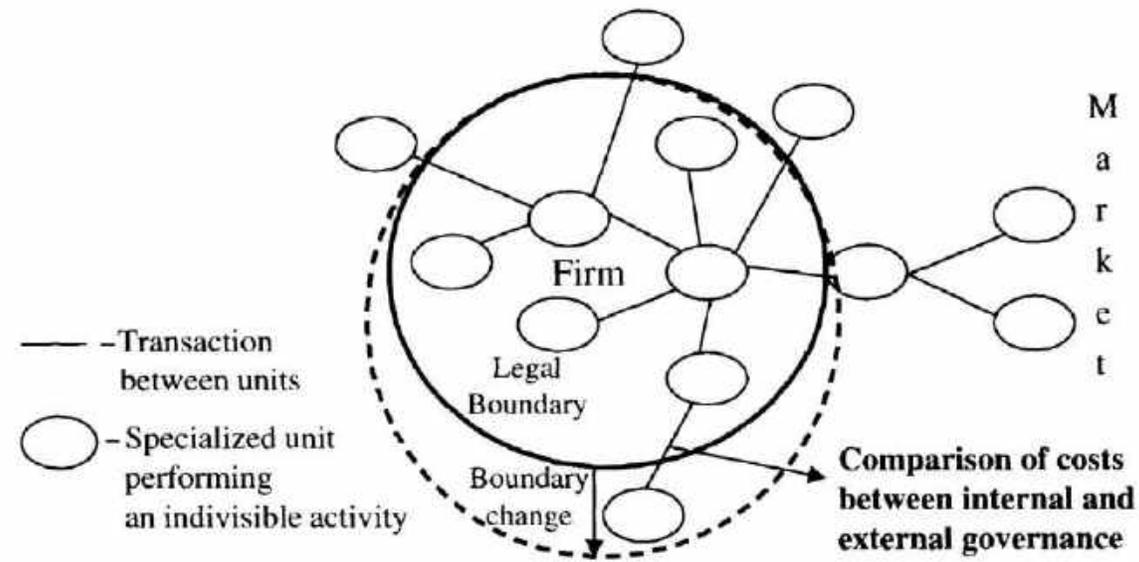
# Analyzing Market Potential

- Select the market factor(s) associated with the product's demand
- Eliminate those market segments that do not contain prospective buyers of the product.

# Sales as a political process

# In Yesterday's Class

**Strategic logic of setting boundaries at point of minimum cost  
(by comparing costs of market and hierarchical governance)**

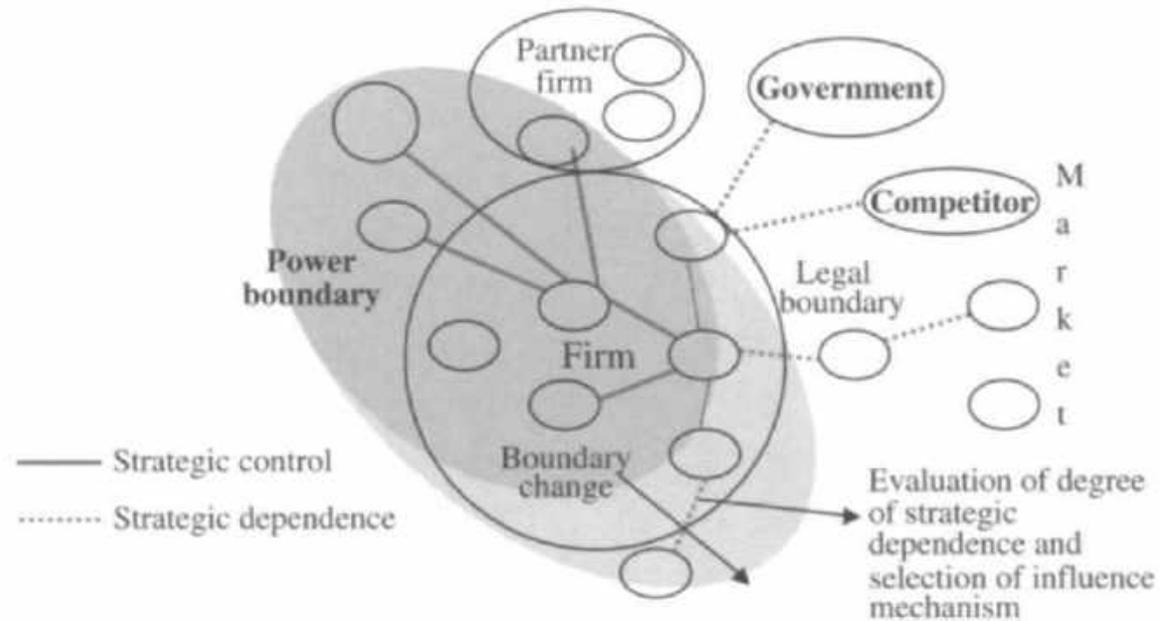


**Boundary management is best understood as an accumulation of discrete decisions based on the criterion of governance cost minimization**

Source Filipe M. Santos and Kathleen M. Eisenhardt (2005)

# What we touched upon briefly

Strategic logic of setting boundaries at point of maximum control over critical dependencies



Boundary management is best understood as advantageous management of external strategic dependence relationships

# Salesperson : A political unit

- Political economy : study of how a country is managed or governed
  - It takes into account both political and economic factors
- Sales (especially B2B sales) is boundary spanning
- What about B2C sales then?
  - Internal boundaries and internal customers

# Comparing Politics and Sales

## Politics

- Complex interactions involving give and take
- Characterized by power equations
- Very structured, but boundaries can blur
- Power until next election

## Sales

- Complex interactions involving give and take
- Characterized by power equations
- Very structured, but boundaries can blur
- Power until next performance cycle

# In Both Cases

Information is power!

# Basic Unit

- Dyads
  - Two interacting people
    - The Salesman
    - The Customer
- Trust is an integral component of a successful buyer-seller dyad (Doney & Cannon, 1997).
  - Trust as Reliance
    - “consumer’s belief that the salesperson can be relied upon”
  - Credibility builds trust
    - Sales people should never lose it!

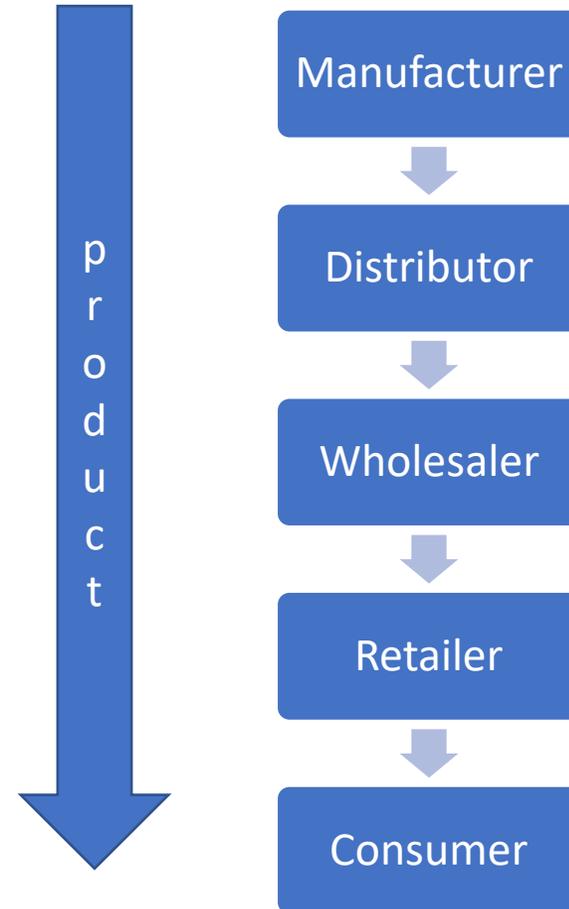
# Having said that!

- When customers are asked to rank occupations based on trust
  - Sales is at the bottom (Laczniak & Murphy, 1985)
- Puffery makes positive statements about products
  - Not necessarily true! (Preston, 1996, 1998)
- Questionable ethics in sales

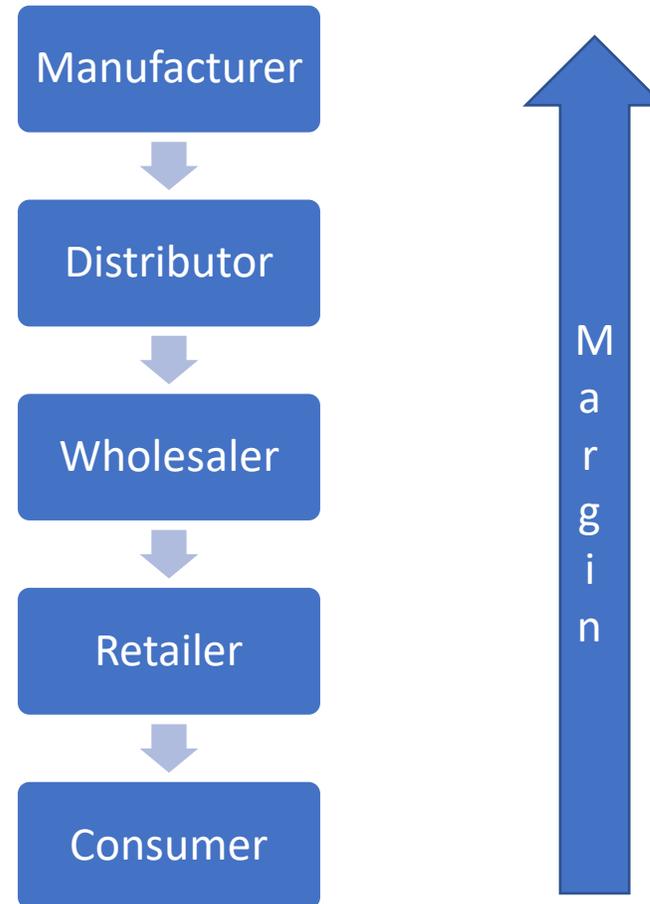
# Supply Chain under the microscope



# Supply Chain under the microscope



# Supply Chain under the microscope



Value = Margin

# Indian Agriculture Landscape

# Traders to protest against FDI in multi-brand retail

PTI • Last Updated: Jul 24, 2012, 06:57 PM IST

SHARE FONT SIZE SAVE PRINT COMMENT

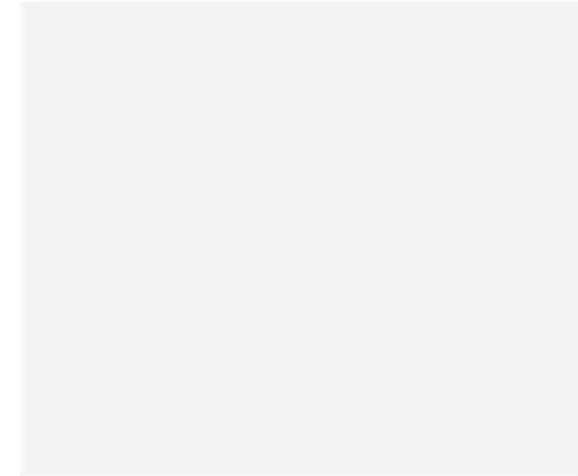
## Synopsis

Traders across the country will observe the Quit India Movement Day as 'Quit FDI Day' on August 9, to protest against FDI in multi-brand retail.

**NEW DELHI:** Traders across the country will observe the Quit India Movement Day as 'Quit FDI Day' on August 9, to protest against [FDI in multi-brand retail](#), [Confederation of All India Traders](#) said today.

The decision to allow 51 per cent Foreign Direct Investments in multi-brand retail has been put on hold by the government following strong objections from the Opposition and key UPA allies [Trinamool Congress](#) and [DMK](#).

"Foreign investments by MNCs will hijack the country's retail trade which would lead to closure of majority of small businesses and job losses for lakhs of people engaged in the sector," Confederation of All India Traders (CAIT) Secretary General Praveen Khandelwal said [here](#).



## Popular in Services

1. Godrej Properties acquires two land parcels in Noida for Rs 377 crore



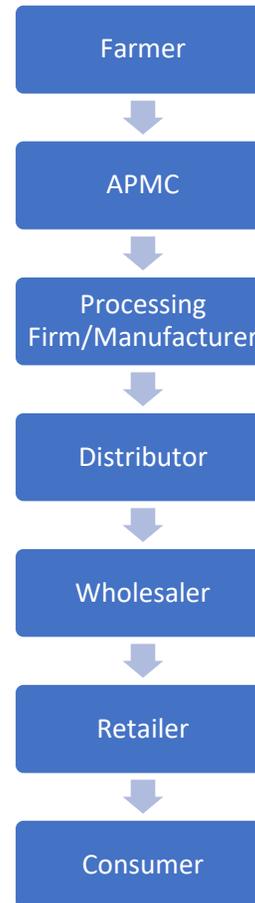
2. Reliance group, Adani bid for debt-ridden Future Retail



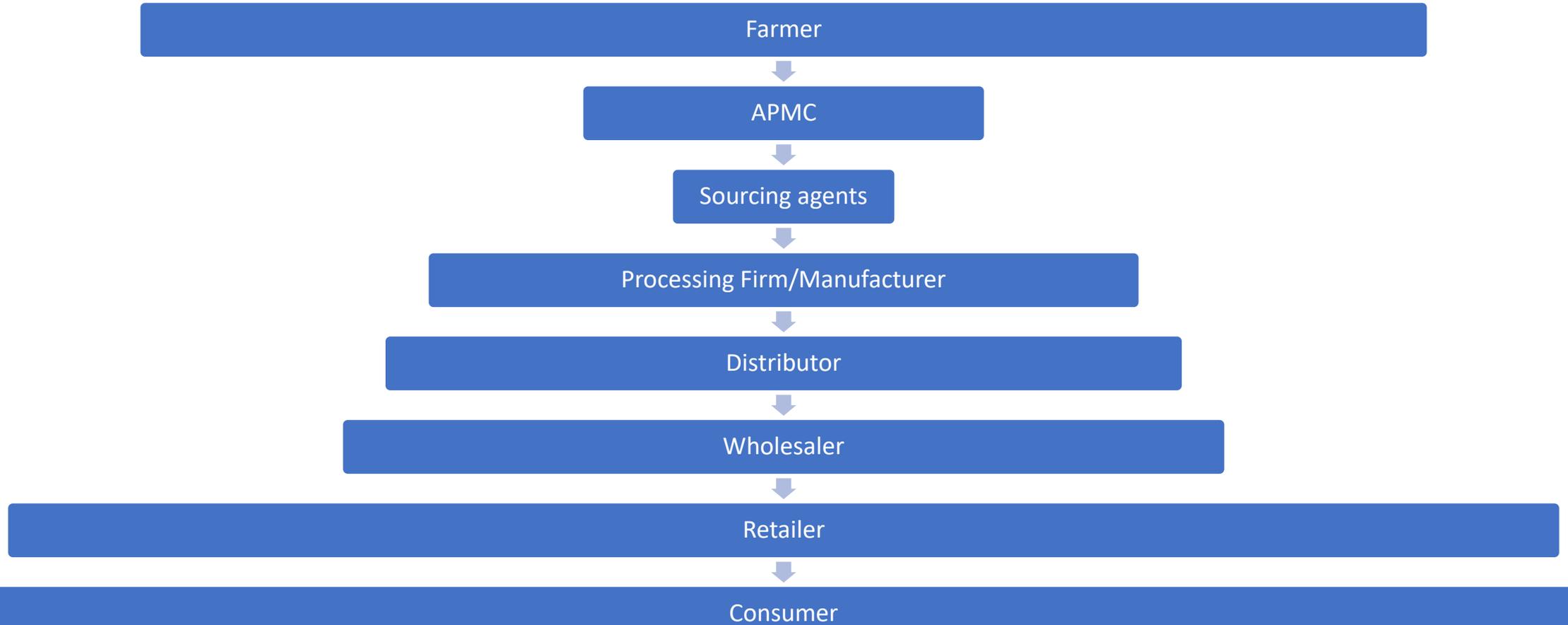
# Why Indian Farmers Protest?



# Simplified version of the supply chain

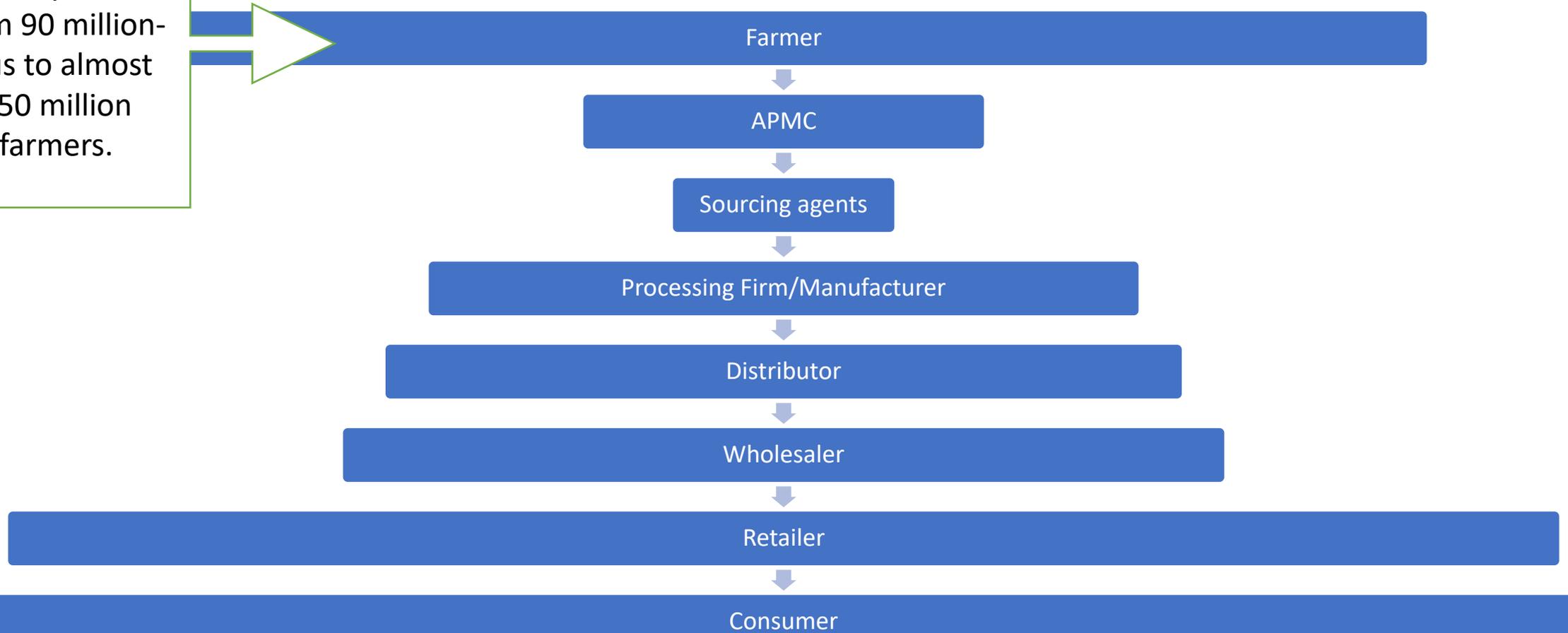


# In reality

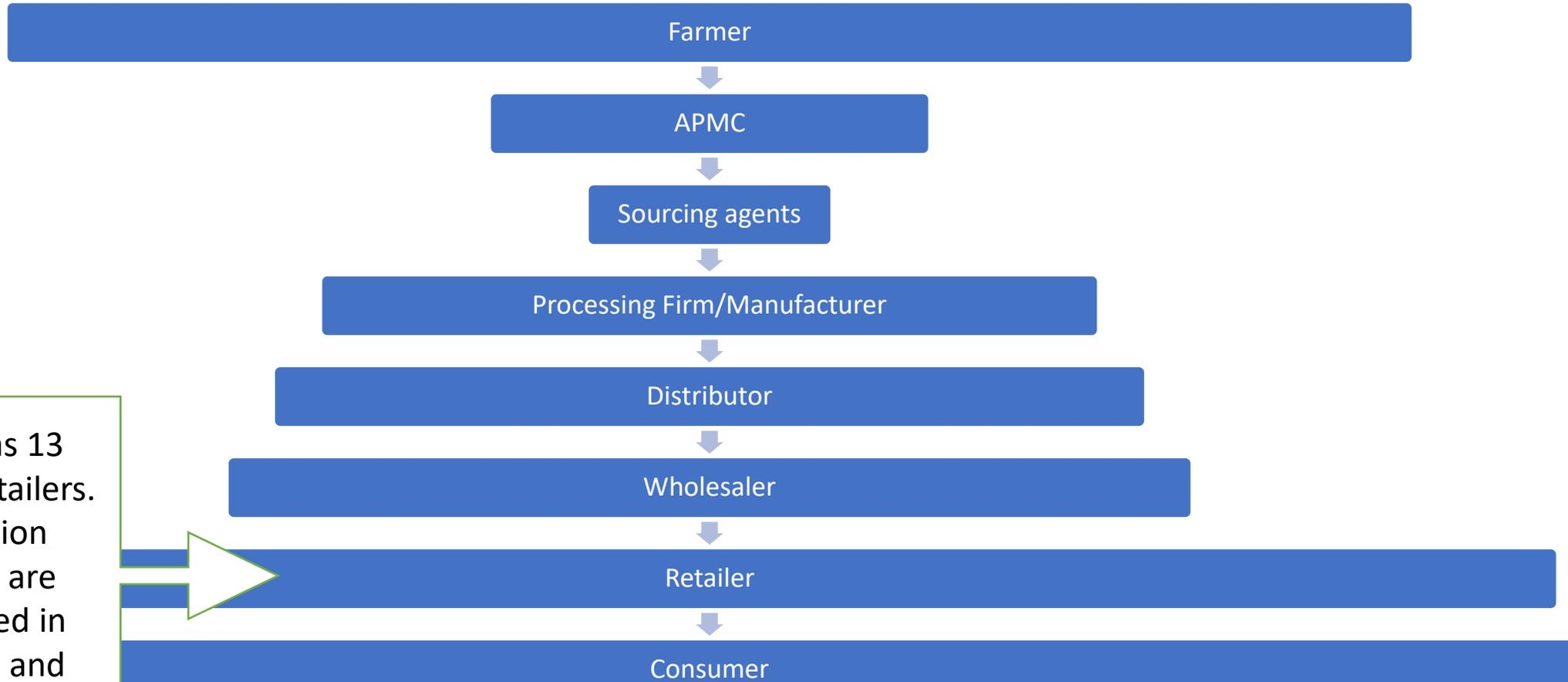


# In reality

India officially has anywhere from 90 million-plus to almost 150 million farmers.

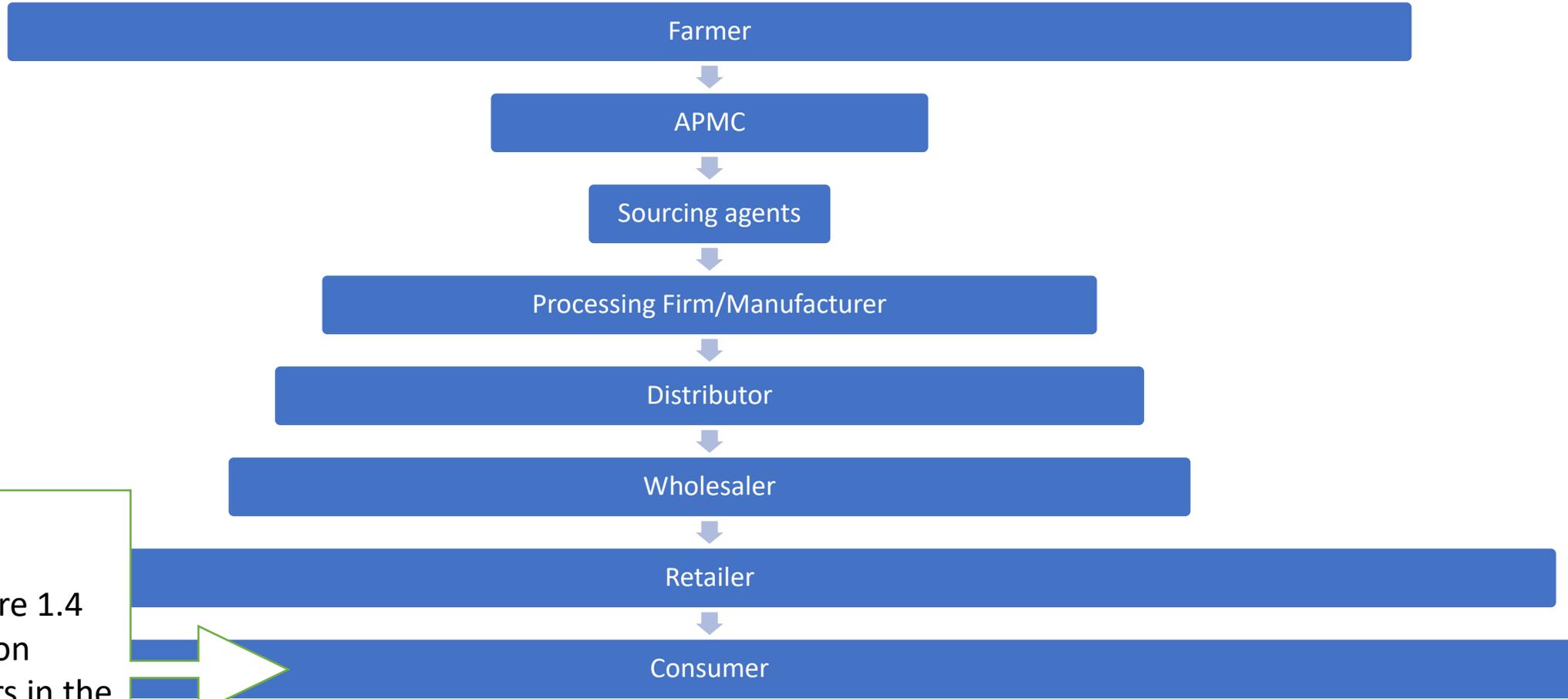


# In reality



India has 13 Million retailers. 40 million Indians are employed in logistics and retailing

# In reality



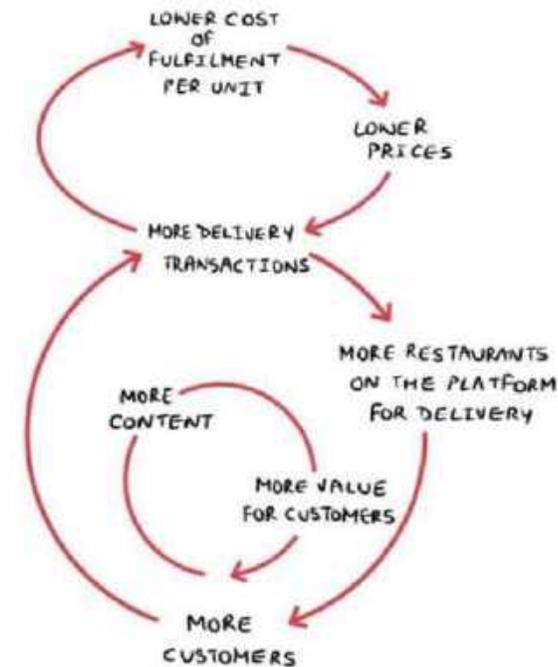
# Theoretically

- Existence of Buyer – Seller Dyads
- Both have a say in the sales process
  - Salesmen only control one part of the equation

Value = Margin

# Since it's political

- Hold on to existing customers.  
No matter what.
  - Build long term relationships
    - Improve products together
    - Work as strategic partners
- Getting new customers is very very expensive
  - (Cost of sales + cost of marketing )  
/ New customers acquired



Zomato's strategy (from IPO filing docs)

Source: [https://www.bseindia.com/downloads/ipo/Zomato\\_RHP\\_070720212008.pdf](https://www.bseindia.com/downloads/ipo/Zomato_RHP_070720212008.pdf)

# Zomato Posts Positive Unit Economics

## 2020 Unit Economics



## 2021 Unit Economics



Source: Zomato's DRHP



# Case Study 1 - HPCL

# Lubricants in India

- Very fragmented
- Many new Entrants
  - 2-Wheeler manufacturers
- HPCL and IOCL did not have lubricants in the 80s
  - Quick rise to market leadership
  - Correlated with increase in pumps

INDIAN OIL	32%	Public Sector Oil Company
HINDUSTAN PETROLEUM	15%	Public Sector Oil Company
BHARAT PETROLEUM	12%	Public Sector Oil Company
CASTROL	12%	Private Sector Oil Company
GULF OIL	4%	Private Sector Oil Company
TIDE WATER	4%	Private Sector Oil Company
OTHERS	21%	Approx. 16 Players of multi-national and local Oil Companies

Source: <https://www.lube-media.com/wp-content/uploads/L146-2018-08-Aug-India.pdf>

# Case 2- TTK and Havells

- 500 + stores
- Acquisitions and aggressive product portfolio expansion
  - Lloyd
- Rise in valuation follows manufacturer encroachment
  - Channel control to beat competition



# Value = Margin

Firms can tap into value if down stream players keep getting their margins

# Consultative approach vs Coercive Approach

# Happy Learning

# Salesperson Failure

# Salesperson Failure

- Extremely researched topic in Marketing

# Group Exam #1

# Rules of the Quiz

- This is a group quiz. Same groups as before.
- Quiz starts at 8.00 am, all submissions are to be made by 9.30 am.  
Delay = 0 marks
- Venue: Classroom, as per schedule
- Open book. Open world. Open friends. Knock yourselves out!
- 90 minutes to answer 4 questions
  - Each question is for 5 marks
  - 1600 character-limit (approx. 250 to 400 words) per question
  - This shall constitute 10% of your overall grades

# Unilever in India: Hindustan Lever's Project Shakti

# The Rural Marketing Mix: Challenges

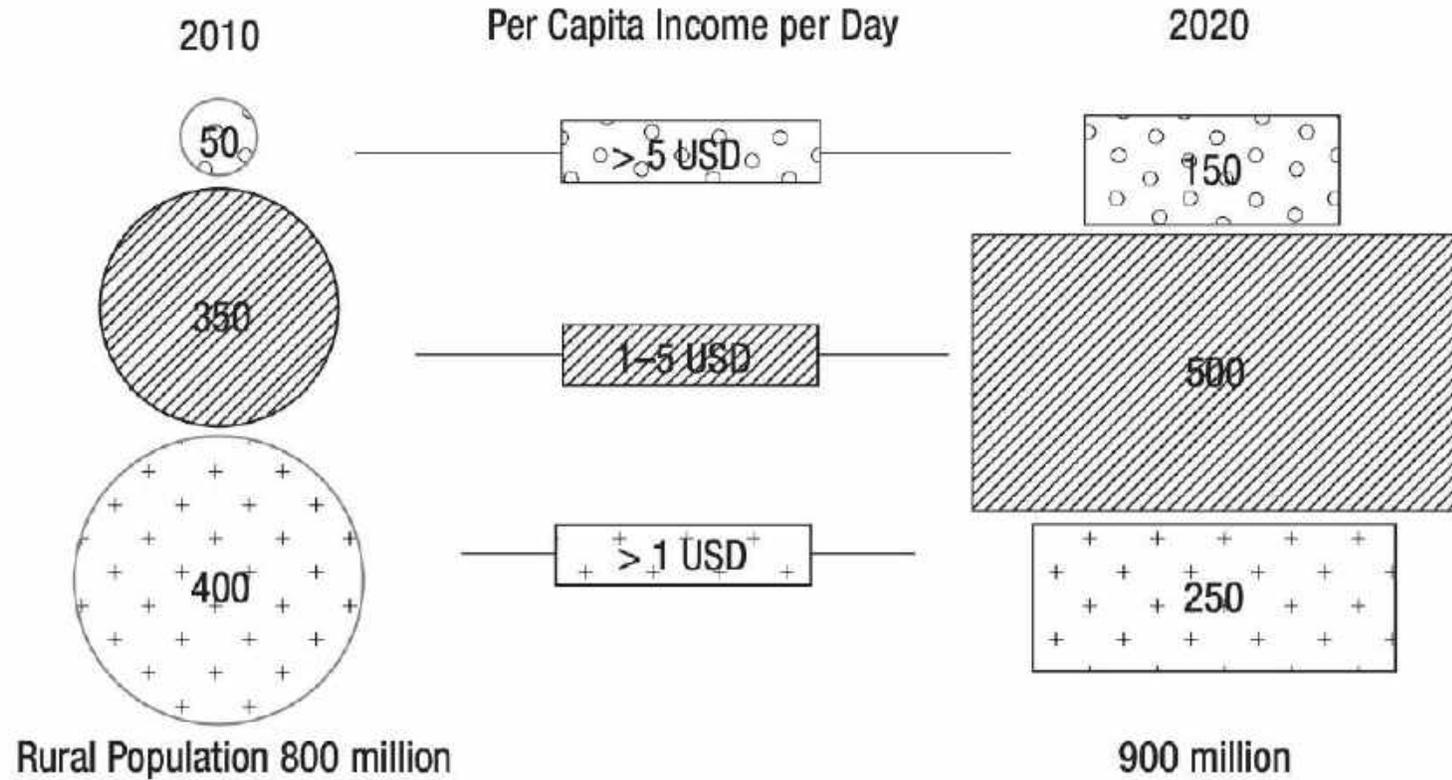
- From Price, Product, Place, Promotion to
- Affordability, Availability, Awareness, and Acceptability

# Some facts about Rural India

- 377 million rural mobile users, more than the total number of subscribers in Brazil
- 27 million mobile internet users in Dec 2013
- Of the 22 million DTH subscribers, 60 per cent reside in rural areas and small towns
- 96 million Kisan Credit Cards issued, which exceeds the total number of (credit + debit) cards in urban areas
- Rural India is growing faster than urban India. Durables (25 per cent vs 10 per cent urban growth in 2009); FMCGs (18 per cent vs 12 per cent urban growth in 2009)
- 11 per cent car sales coming from rural areas and small towns
- There are 42,000 rural supermarkets (haats) in India, which exceed the total number of retail chain stores in the United States (35,000).

Source: Pradeep Kashyap - Rural Marketing-Pearson Education (2016)

# Changing Landscape



Source: Pradeep Kashyap - Rural Marketing-Pearson Education (2016)

# With Changing landscape

RURAL MARKETING **SNAPSHOT** | CHANGING RURAL SETTLEMENTS



A *kuccha* dwelling

A permanent house

Rural India has come a long way from the *kuccha*, mud houses of the past. Today 62 per cent of rural houses are *pucca*. The dramatic change in trend in the type of house is indicative of the changing lifestyle, and increasing consumerism and asset possession. This large base of *pucca*-house dwellers presents a huge opportunity to rural marketers.

Source: Pradeep Kashyap - Rural Marketing-Pearson Education (2016)

# With Changing landscape

 **RURAL MARKETING SNAPSHOT** **RURAL INFRASTRUCTURE**



Kuccha road leading to a village

Pucca, metalled roads have improved connectivity

Improved road connectivity is transforming rural areas. Better connectivity means more income-generating opportunities within and outside villages. It also means higher market accessibility for organizations, which means they can take their products and services to rural markets.

Source: Pradeep Kashyap - Rural Marketing-Pearson Education (2016)

# With Changing landscape

RURAL MARKETING **SNAPSHOT** | KEY OPINION LEADERS



The traditional sarpanch

The modern, progressive farmer

The profile of the key opinion leader — the village sarpanch, the elders, etc. — has changed over the years. Key opinion leaders are now educated, aware of new technologies, and receptive to new concepts and ideas.

Source: Pradeep Kashyap - Rural Marketing-Pearson Education (2016)

# With Changing landscape

 **RURAL MARKETING SNAPSHOT** | **PRODUCT ACCEPTABILITY**



Incandescent bulbs were used in the past

Modern rural households use CFLs

The rural consumer is a discerning buyer, always on the look out for newer products that offer better value for money. Thirty years ago, most villages in India lacked electricity leaving the rural folk dependent on lamps, lanterns, and the likes. With the electrification of villages, rural consumers started using incandescent bulbs. Frequent voltage spikes meant that these had to be replaced often. The CFL offered a cost-effective alternative which is why most rural consumers now prefer to use a CFL despite its high cost.

Source: Pradeep Kashyap - Rural Marketing-Pearson Education (2016)

# Rural Customers

A case of leapfrogging?

# Mid-course Review

- Sales people have different orientations
  - Selling
  - Consultative
- *“The aim of marketing is to make selling superfluous.”*
- Recall the Byju’s case
- B2B Selling vs B2C selling
- Selling is now a board room issue
- Revising Myopia

# Mid-course Review

- Revisiting the product life cycle
- Used Music sales data to illustrate
- Using the correlation funnel in sales context
- Revisiting segmentation
  - How to segment customers – Dendrograms, Cluster plots
- Sales as a political process – The political economy paradigm
- Forging the supply chain (value = margin)

# Mid-course Review

- Project Shakti – Rural Marketing
- boAt Lifestyle – Selling Internationally
- Jindi Enterprises – Selecting the right sales manager
- Amazon 2021 – Models of selling online

# Sales Forecasting

Why do firms do sales  
forecasting?

# Why do firms do sales forecasting?

- Allocation of resources
  - Marketing
  - Finance
  - Human Resources
- Budgeting of sales
- Contingency planning

# Why do firms do sales forecasting?

- When done correctly

- Optimize inventory
- Accurately provide products and services to the clients
- Optimize customer experience
- Increase satisfaction
- Manage Cash flows
- Fix Staffing levels

- When done wrongly

- Reduce over-stock or stock-out
- Increase inventory costs
- Reduce profits, ROI

# And Yet

- Many people get it wrong!
- Sometimes, this is so wrong
  - That a random number generator could do better!

## Forget drug-sales forecasts, study finds: They're mostly wrong

By Tracy Staton · Oct 7, 2013 10:34am

Every time a new drug launches, we write about sales forecasts. So many hundreds of millions by 2015; so many billions at peak (for the better prospects). Some drugs hit their early marks, and some few exceed them. Some fall spectacularly short, as our drug launch disasters report clearly shows.

Thing is, those forecasts are often inaccurate. Very often, according to a study published in *Nature Reviews Drug Discovery*, and highlighted in *Forbes* by columnist David Shaywitz. Researchers from McKinsey & Co. looked at 1,700 analyst forecasts on 260 drugs launched from 2002 to 2011. They found that most forecasts were wrong, and more than 60% of them were way, way off--more than 40% over or under. A sizable number of the forecasts overstated the case by more than 160%.

Catchbull.com estimates  
avoidable forecast errors  
account for 2% and 4% of  
production costs

Why?

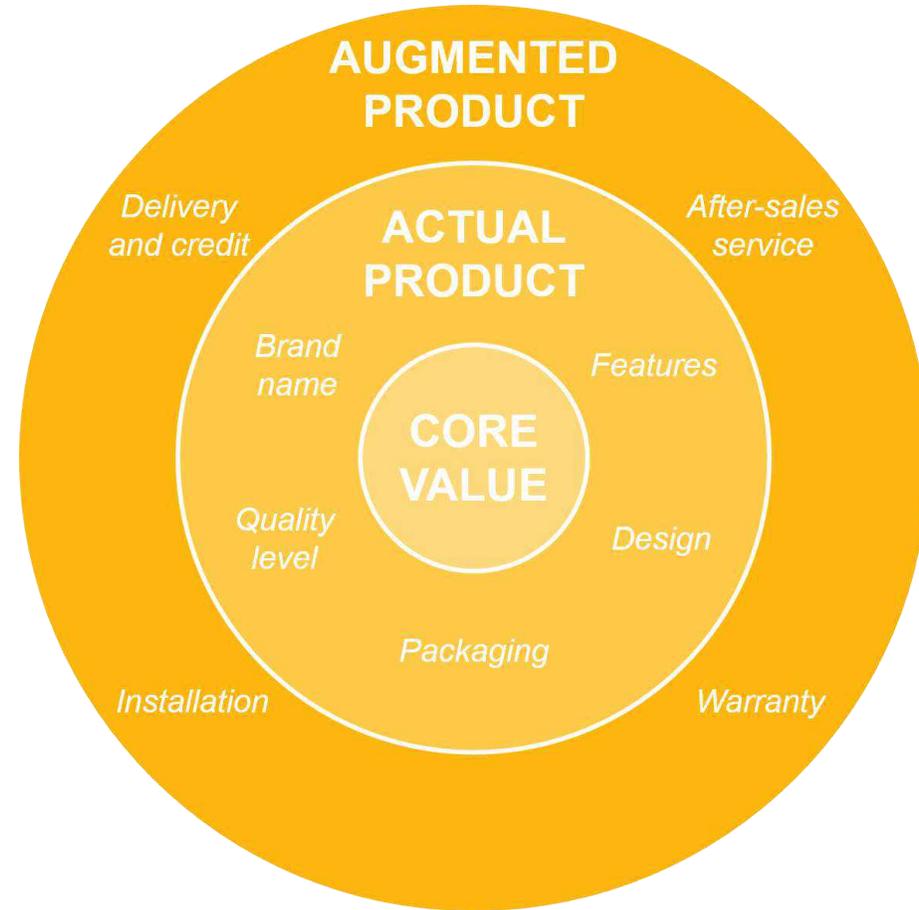
# Why?

- Inability to assess current state
- Do not accurately gauge changes in marketplace
- In ability to course correct
- Stock market concerns?

# In our own class

- Forecasted values (apples to apples)
  - From 7.16 Cr
  - To 52.54 Cr
- Variety of assumptions
- Different strategies
  - Simple trend extension
  - Extrapolation of individual brand components
  - Further micro analysis?

# Let's revisit product marketing



# According to IBEF



## MARKET SIZE

### Indian FMCG Market



Note: F - Forecast

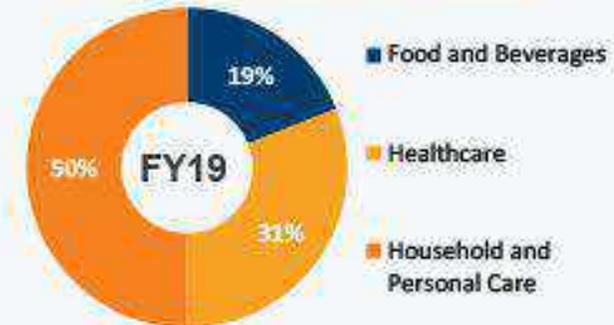


## SECTOR COMPOSITION

### Urban – Rural Industry Break-up



### Segment Wise Break-up of Revenue



# According to IBEF



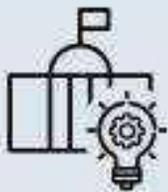
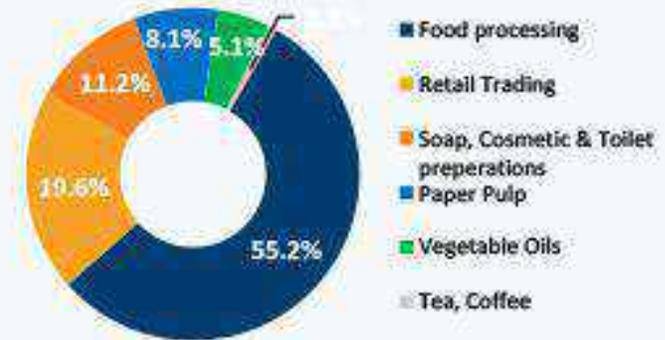
## KEY TRENDS

Rural areas drive FMCG in Q4 2020 (% Growth)



Note: \*TCI – Town class one or tier 1 markets

Cumulative FDI Inflow Share – from April 2000-March 2022



## GOVERNMENT INITIATIVES



PLI scheme for the food processing industry



SETU scheme



FDI in organised retail

# According to IBEF



## ADVANTAGE INDIA

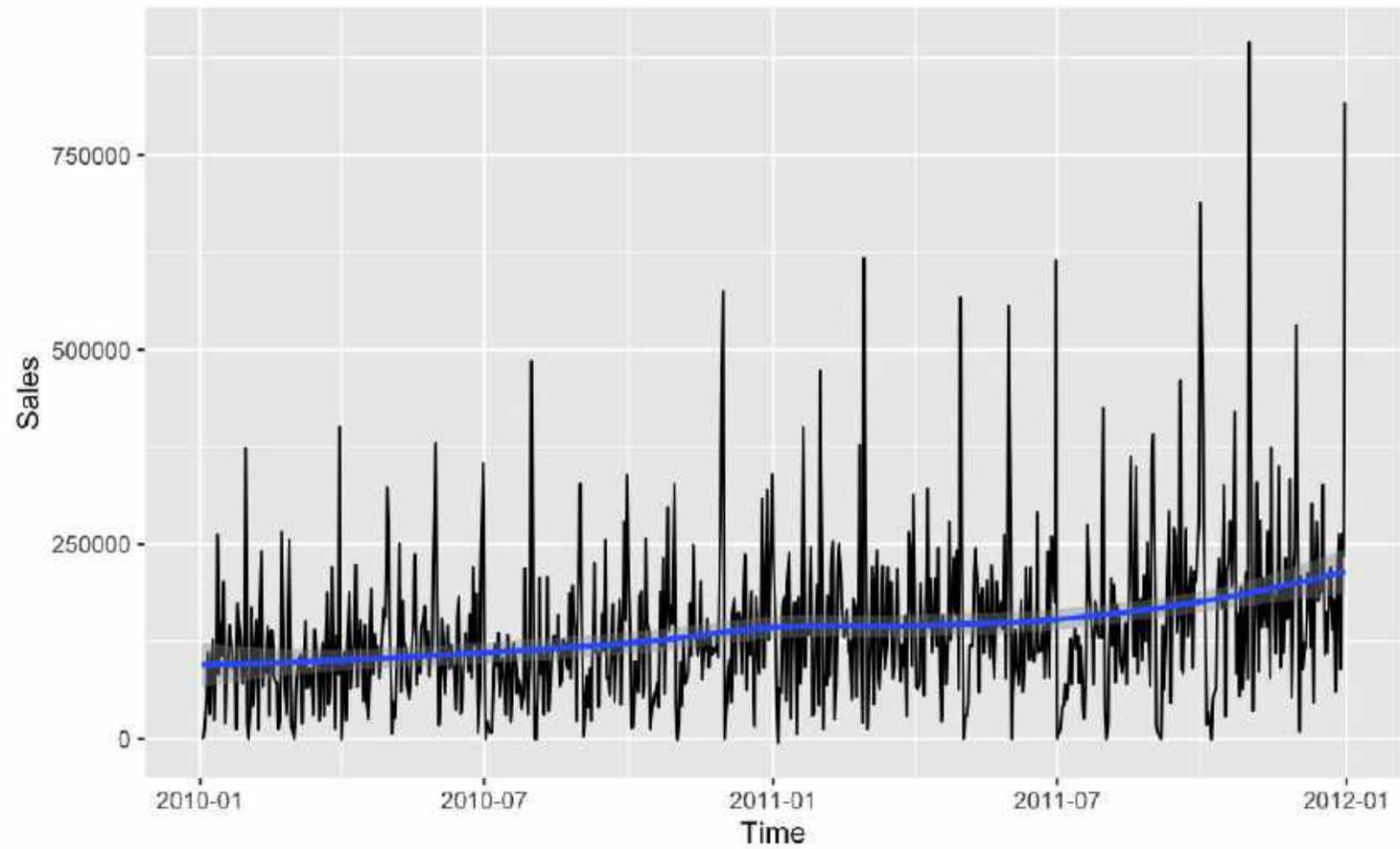
- **Robust demand:** The Indian processed food market is projected to expand to US\$ 470 billion by 2025, up from US\$ 263 billion in 2019-20. Rural India is witnessing increased demand for quality goods and services driven by upgraded distribution channels of FMCG companies. Rising digital connectivity in cities and rural areas is driving the demand for FMCG (through e-commerce portals).
- **Attractive Opportunities:** Disposable income in rural India has increased because of the direct cash transfer scheme. Exports is another growing segment. E-commerce segment is forecast to contribute 11% to the overall FMCG sales by 2030.
- **Policy support:** Investment approval of up to 100% foreign equity in single brand retail and 51 % in multi-brand retail. The union government's production-linked incentive (PLI) scheme gives companies a major opportunity to boost exports with an outlay of US\$ 1.42 billion.
- **Higher Investment:** In June 2022, PepsiCo India announced its expansion plans for its largest greenfield foods manufacturing plant that produces the popular Lay's potato chips in Kosi Kalan, Mathura in Uttar Pradesh with an investment of Rs. 186 crore (US\$ 23.84 million).

# Key Learnings

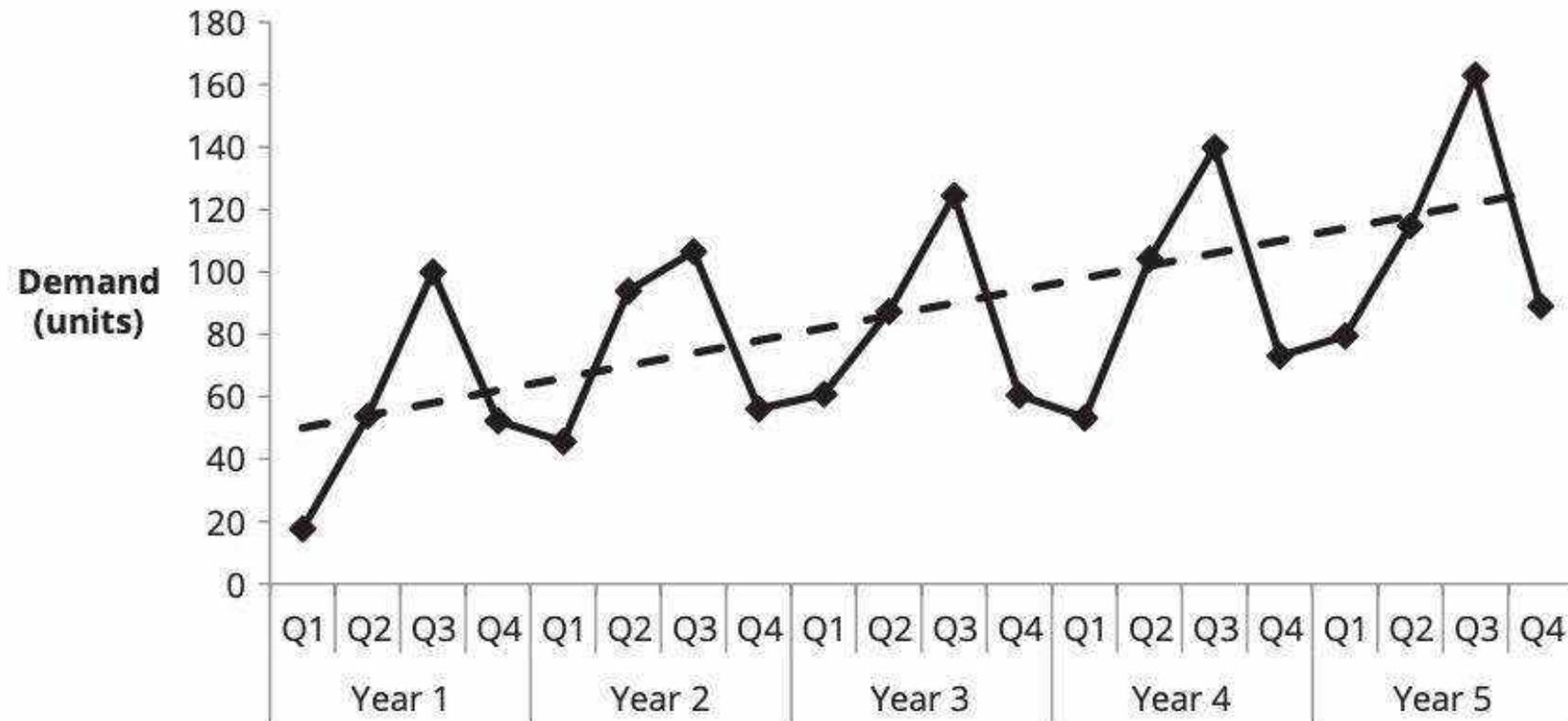
- Important to understand trends at micro level and extrapolate
- Factor in macro economic factors (e.g., Inflation, competition etc.)
- Which variables should we look at?
- Good idea to provide a range?

Understanding the  
current(and past) situation

# Overview

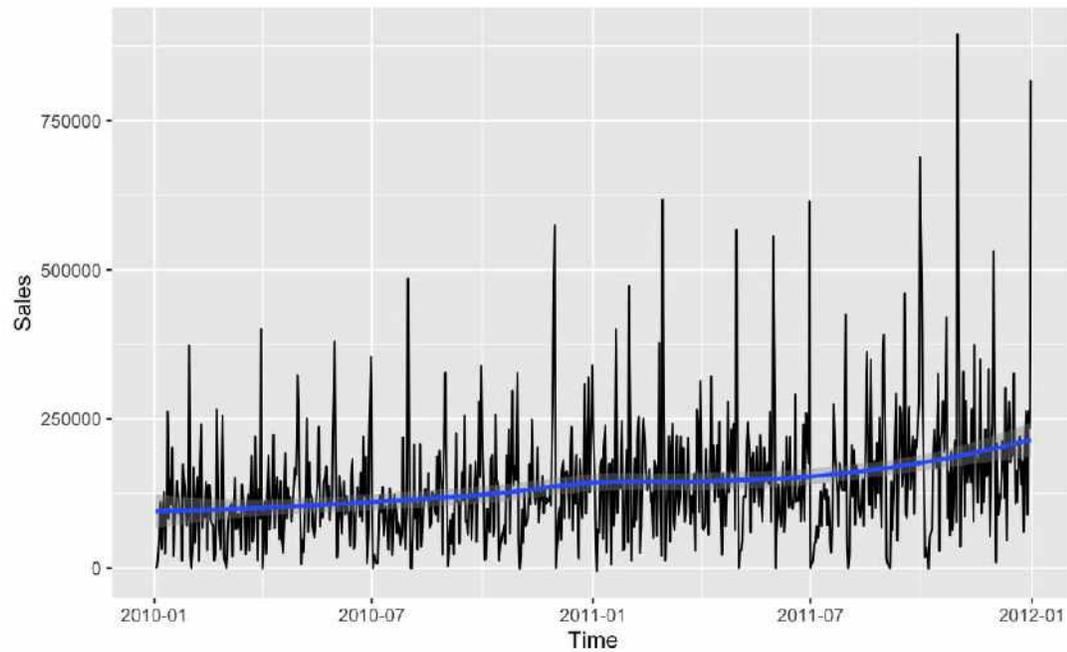


# Demand History



# Overview

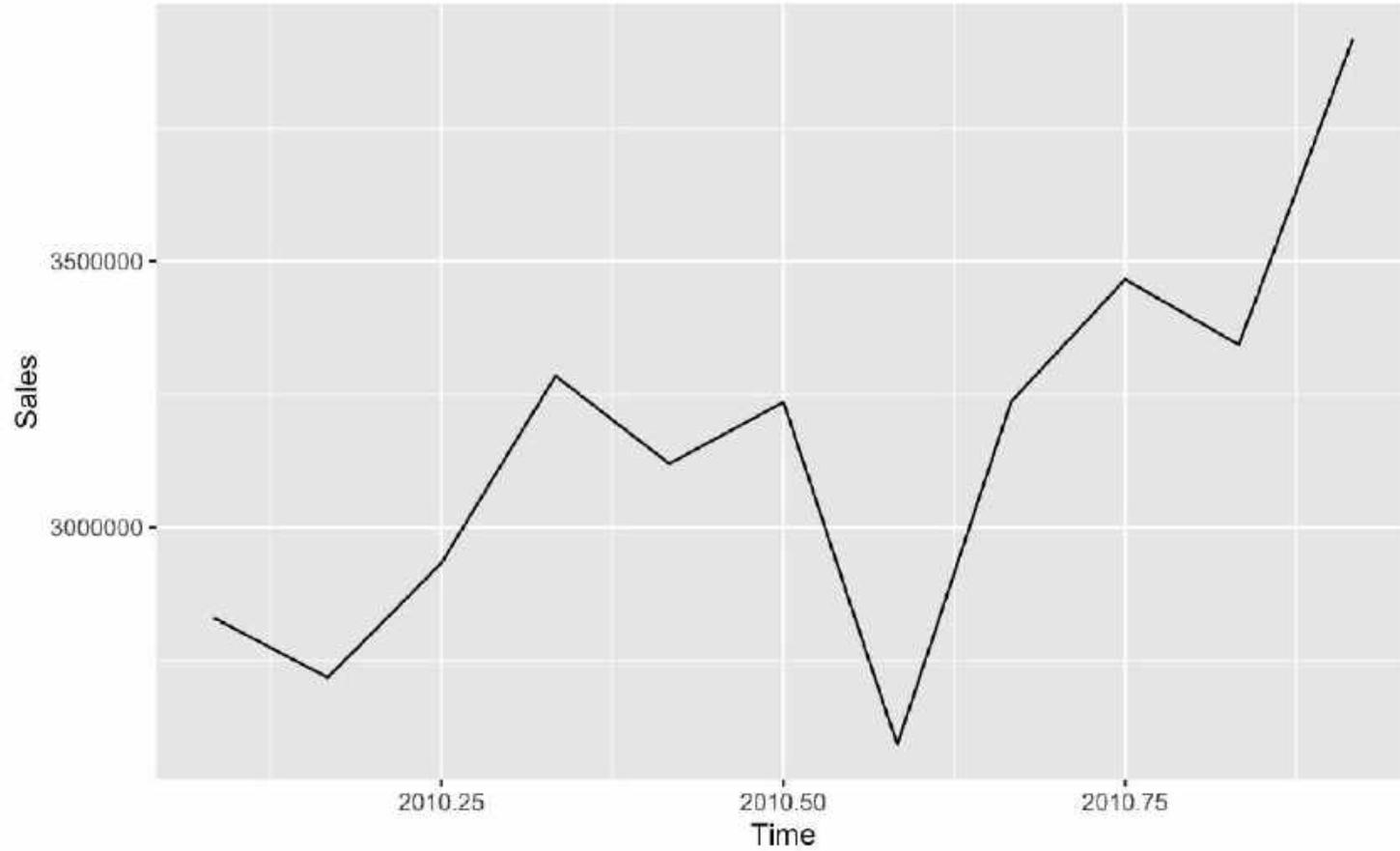
- Components of the sales
  - Seasonality
  - Trend



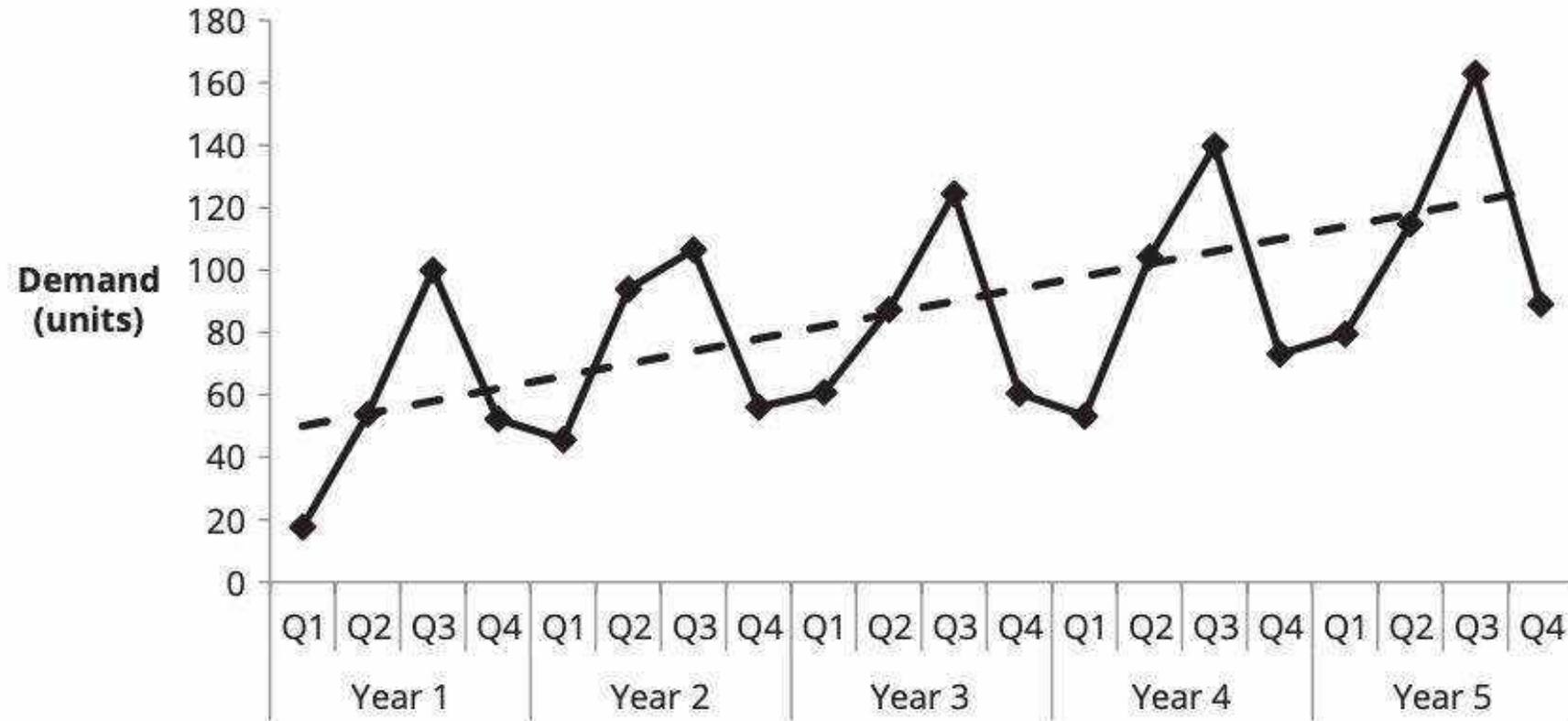
# However

we are now looking at disaggregated data

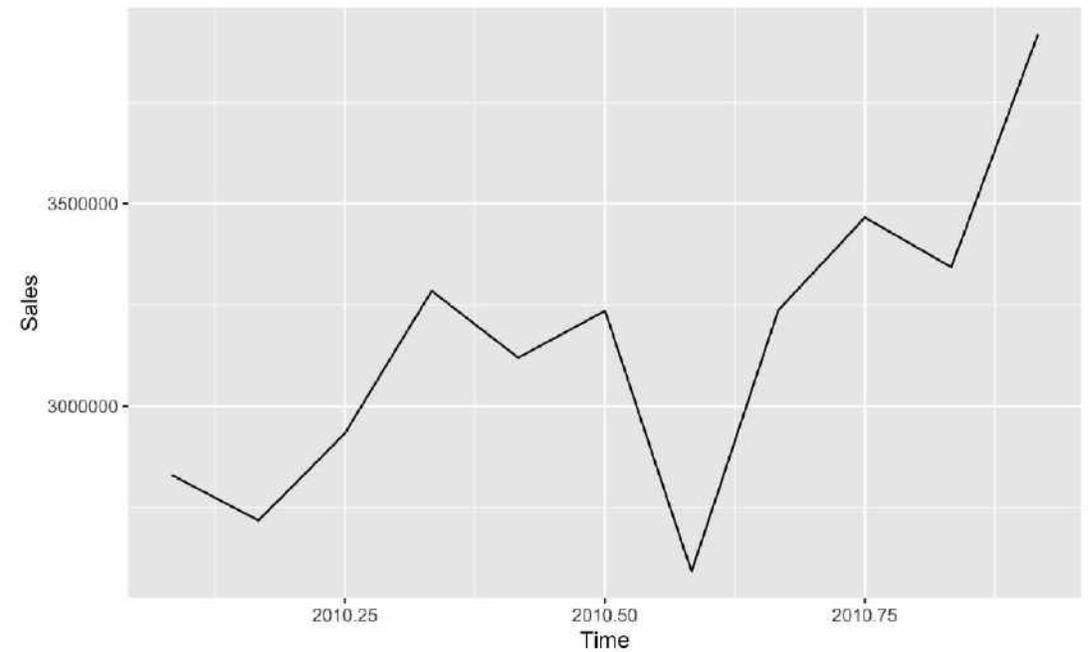
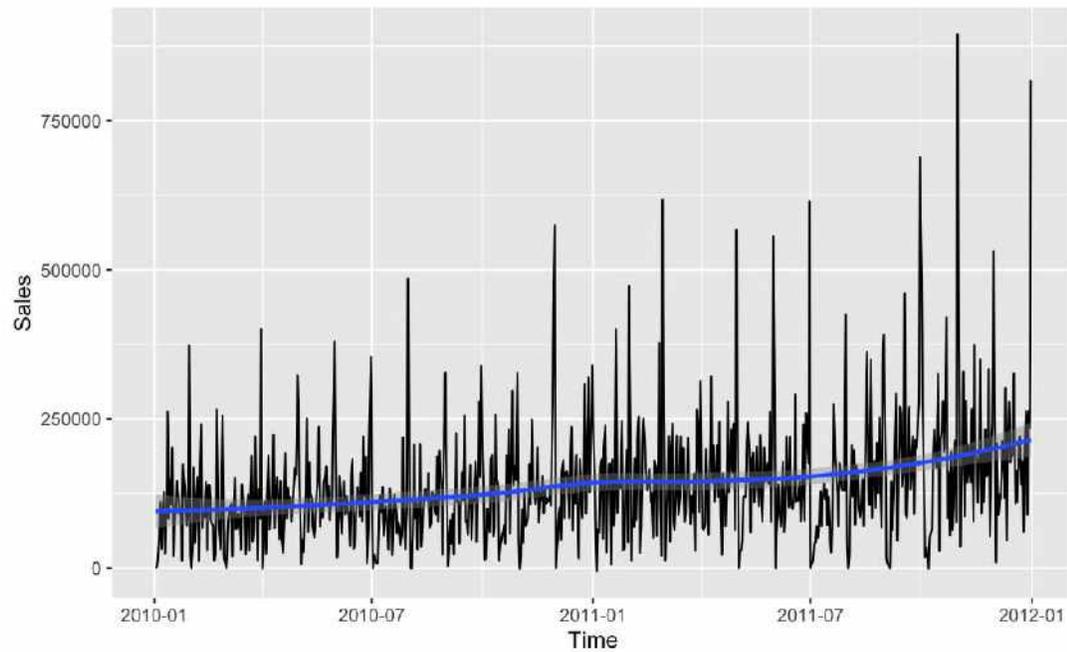
# Aggregated Data



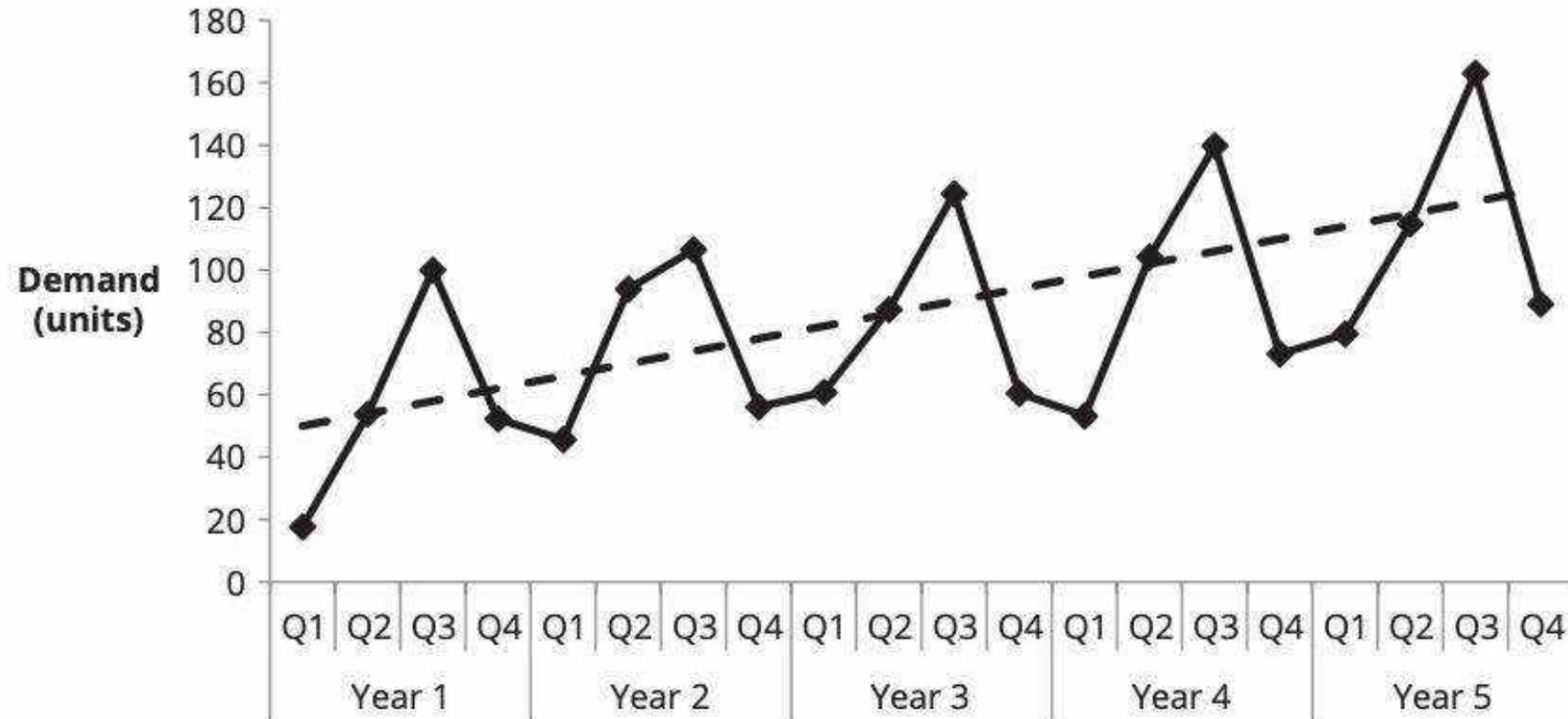
# Demand History



# Aggregation helps denoise, but...



# Can you really call it 'Demand history'?

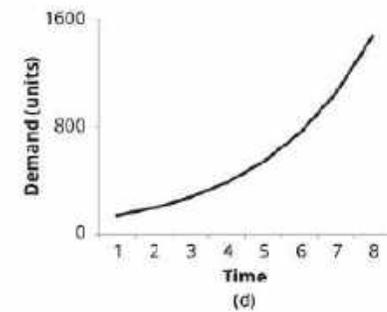
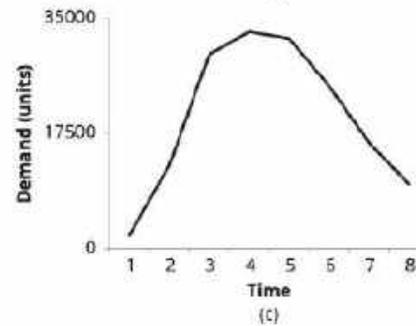
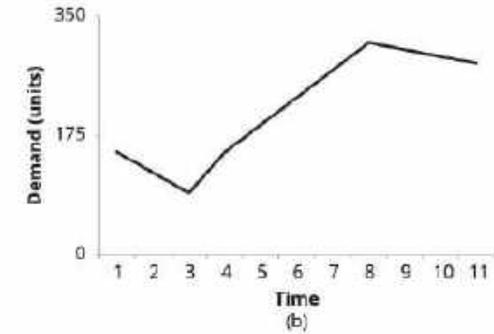
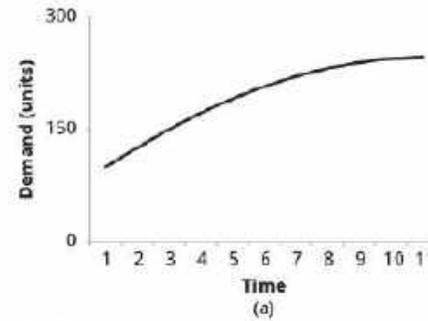


# Remember

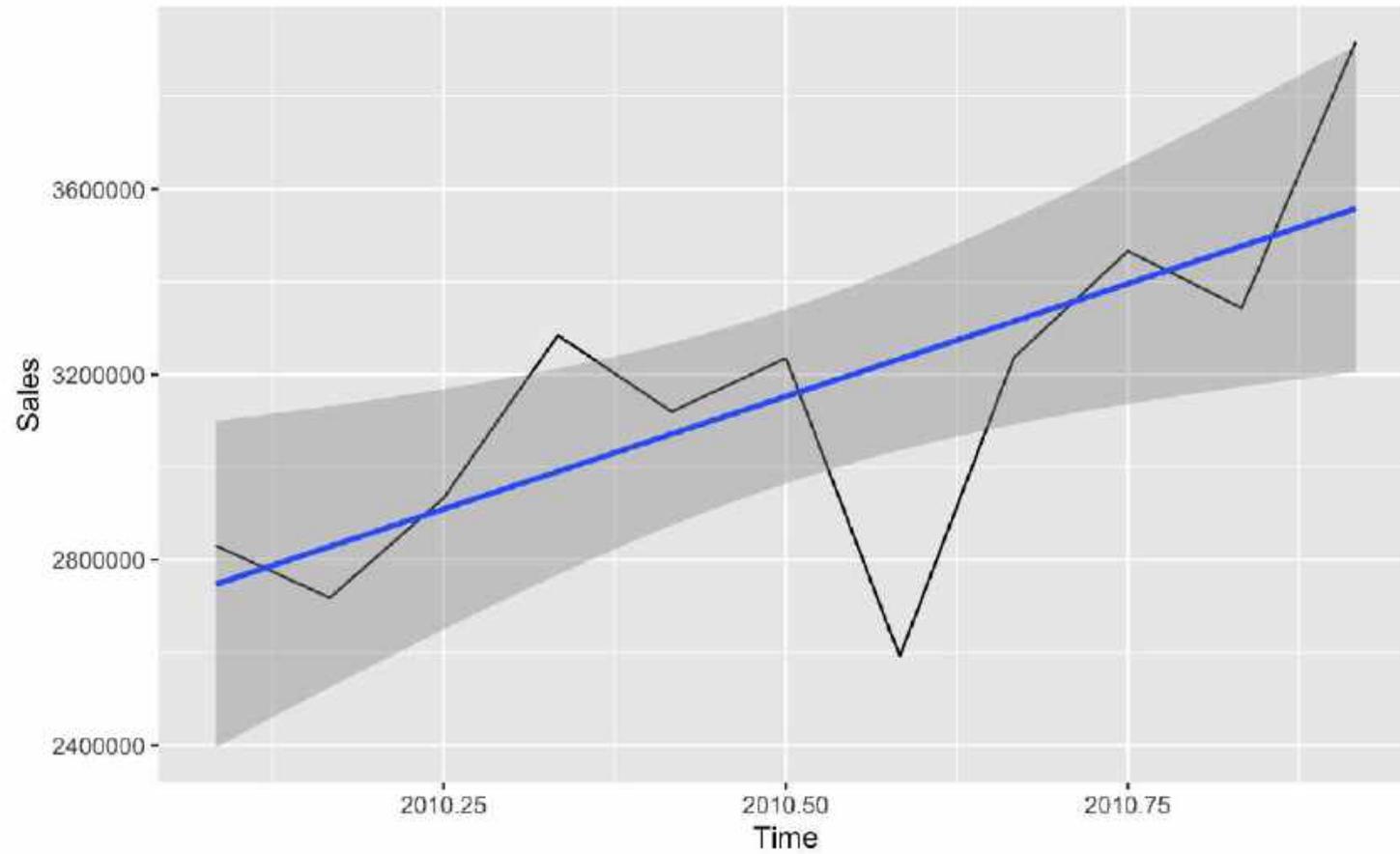
- Sales  $\neq$  Demand
- Forecasts are tool to acknowledge uncertainty, and gauge it
- Additionally, serve key function in sales target setting

# Types of Seasonality

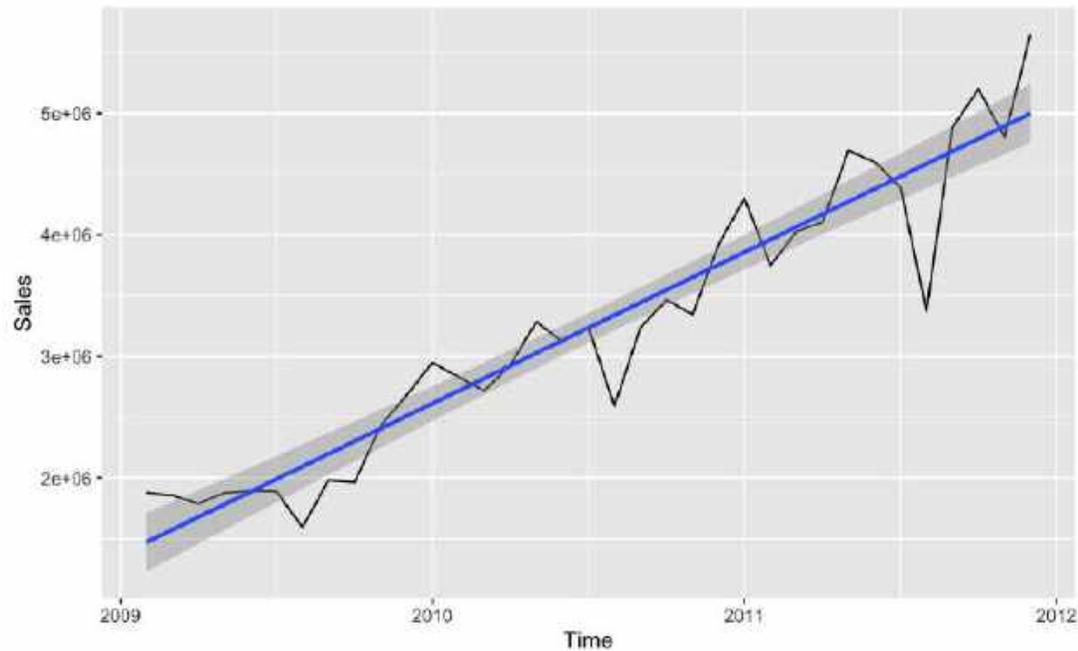
- Damped
- Changing Linear
- Product Life Cycle
- Exponential



# Trends are easier to spot

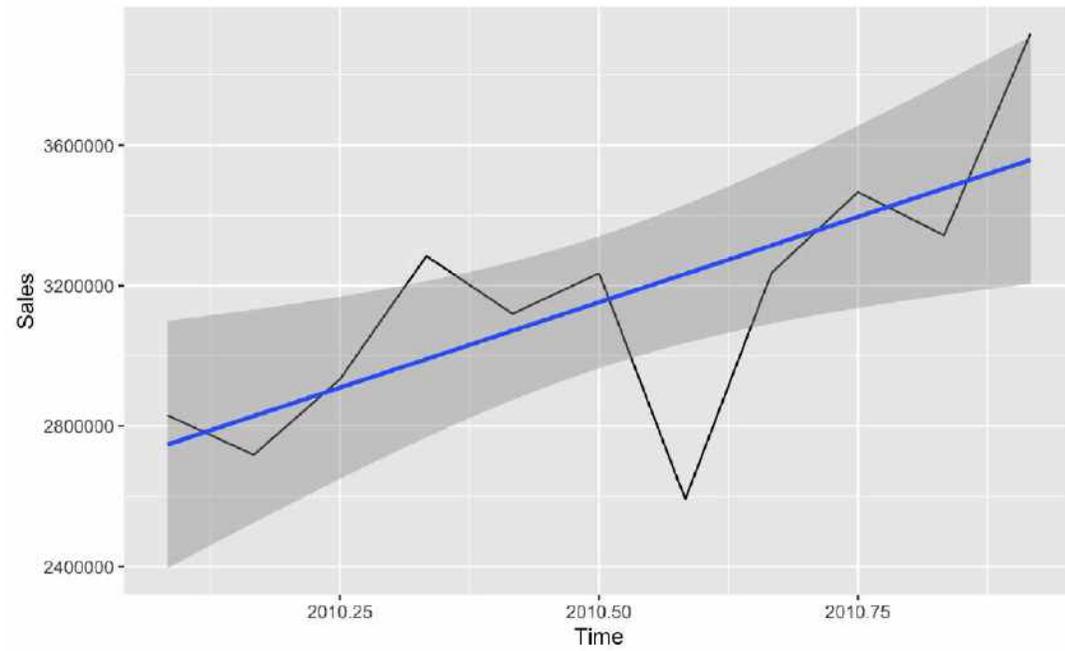


# This improves when

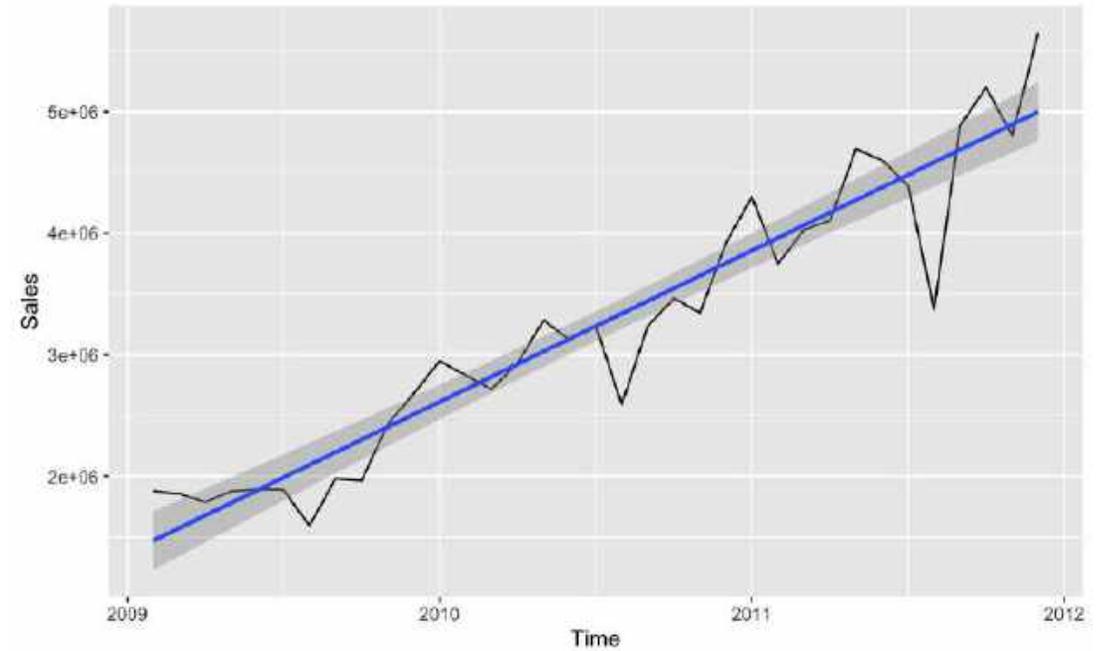


- Have longer duration data
- There is less turbulence in the market
  - No new product launches
  - No new competitor entries
  - No major policy changes

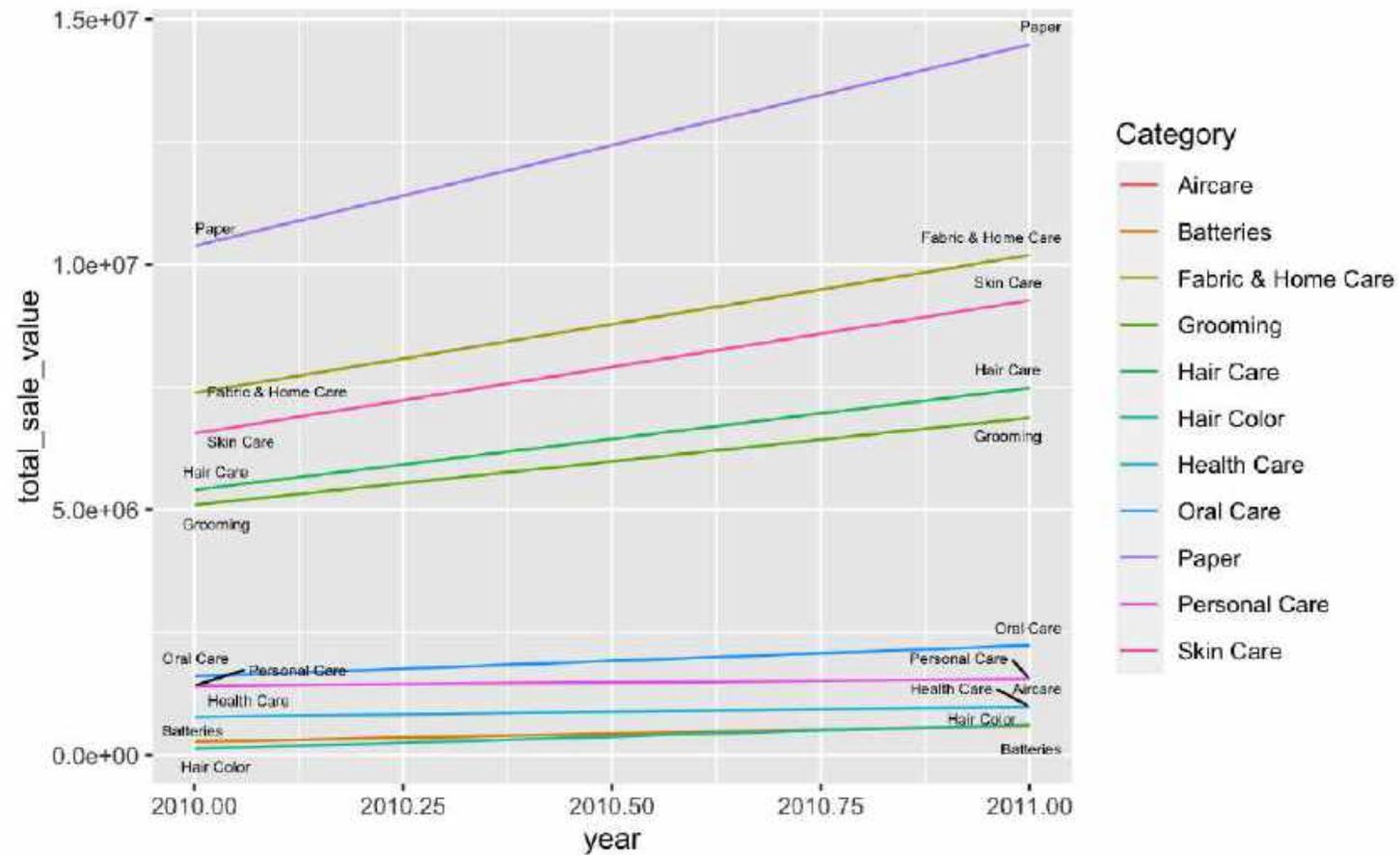
### Less Data



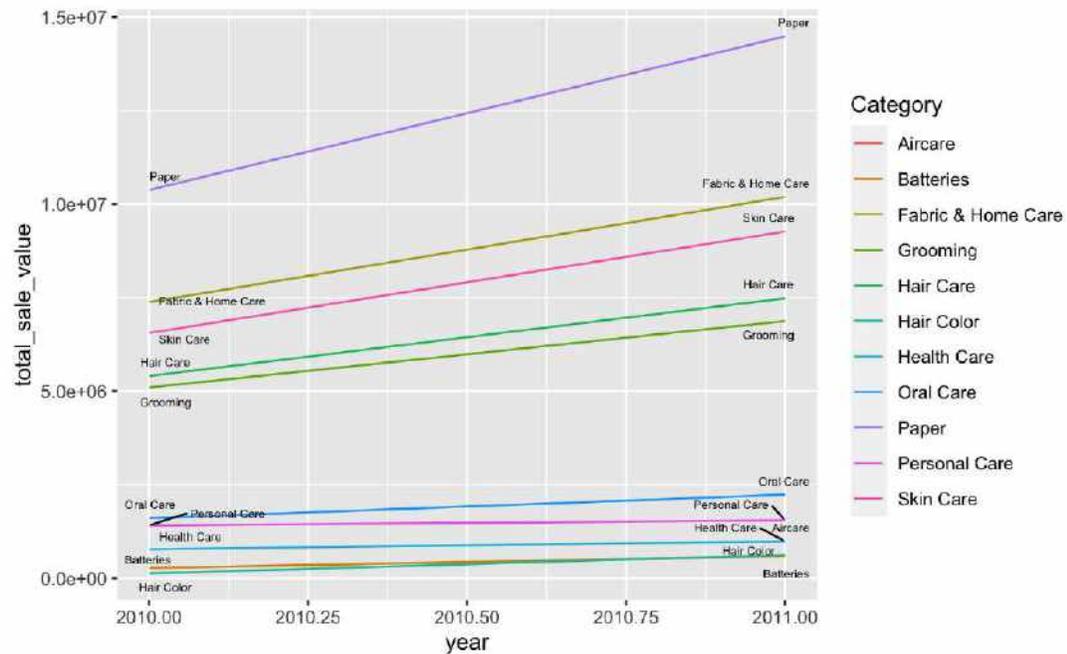
### More Data



# A somewhat disaggregated overview



# Why are some categories growing faster than others?



- Macro factors
- Maturity
- Strategic intent
- Competitive landscape

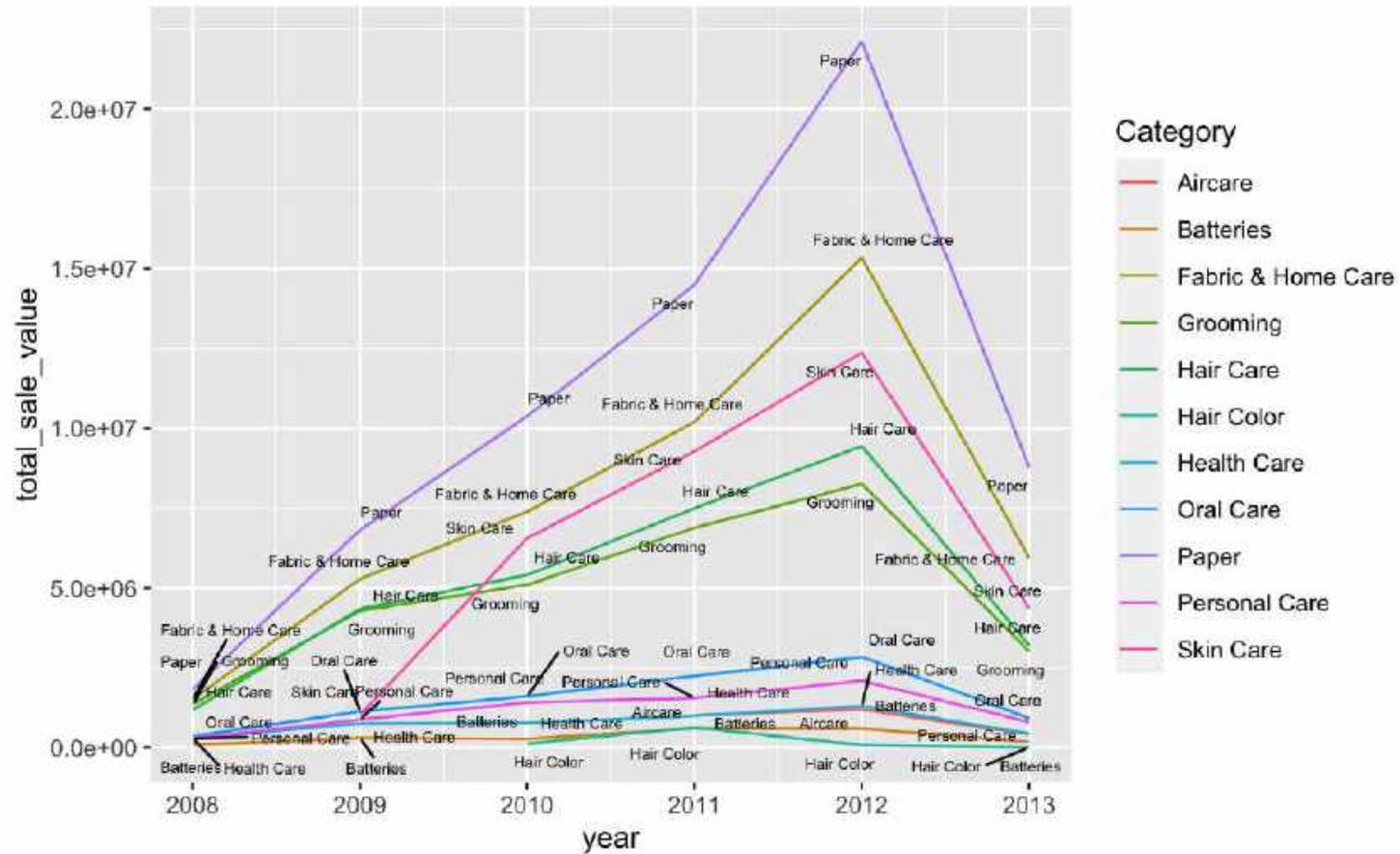
This too is limited  
disaggregation

# Dimensions to explore

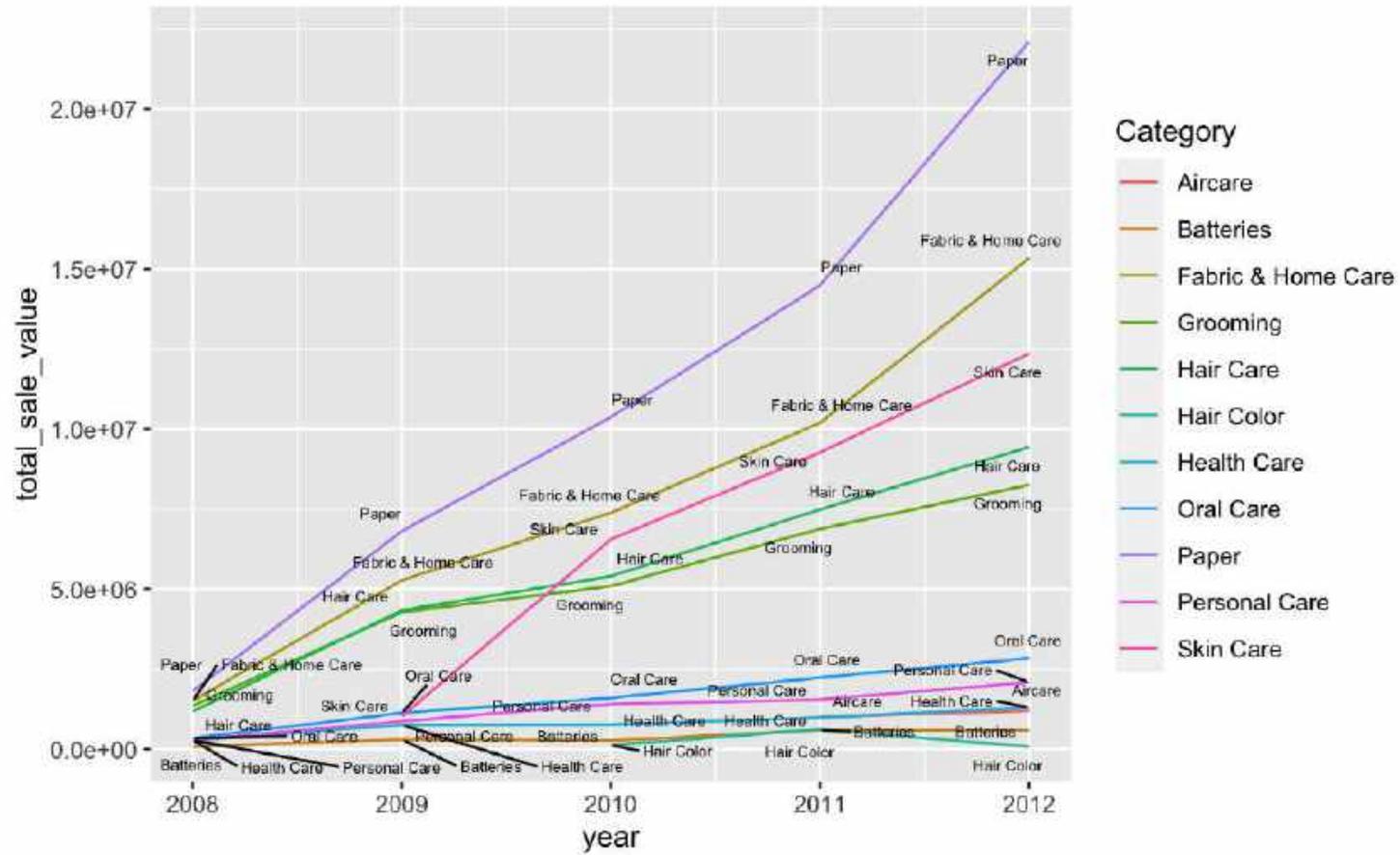
- Time
- Categories
  - Product lines
    - Individual SKUs
- Channels
  - Channel partners



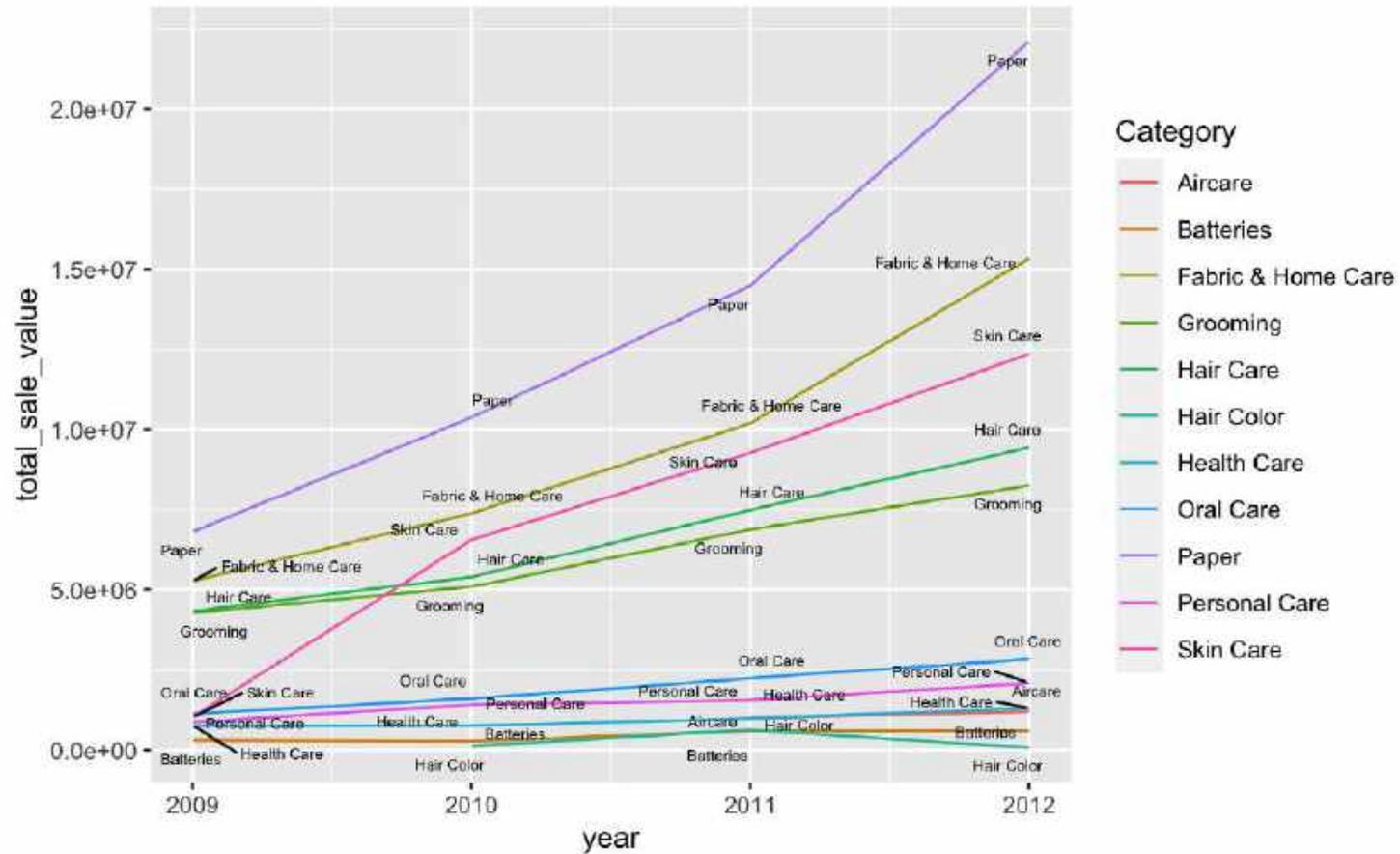
# Pop quiz – Why does this chart look weird?



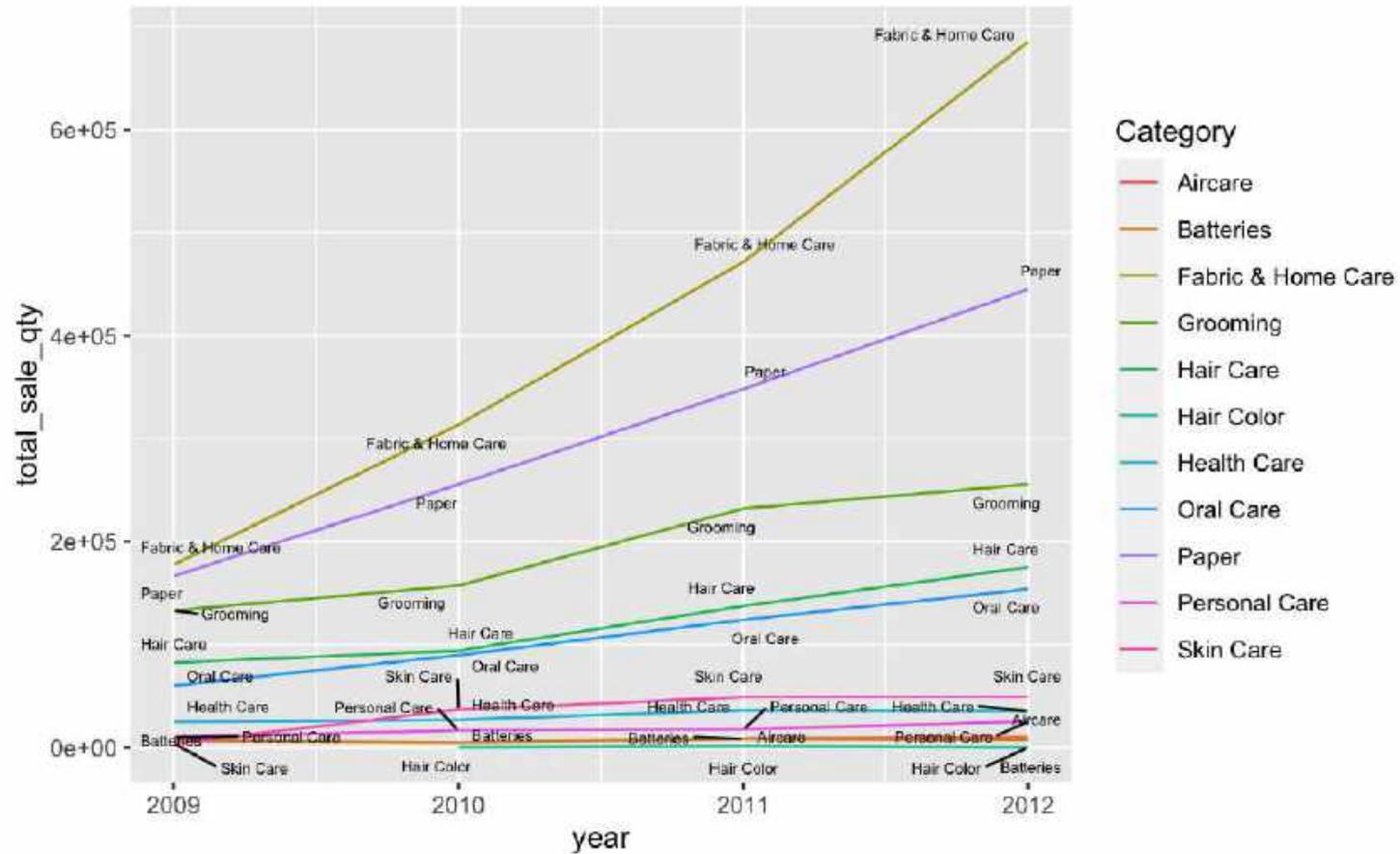
# Is this ok?



# Apples to Apples Comparison

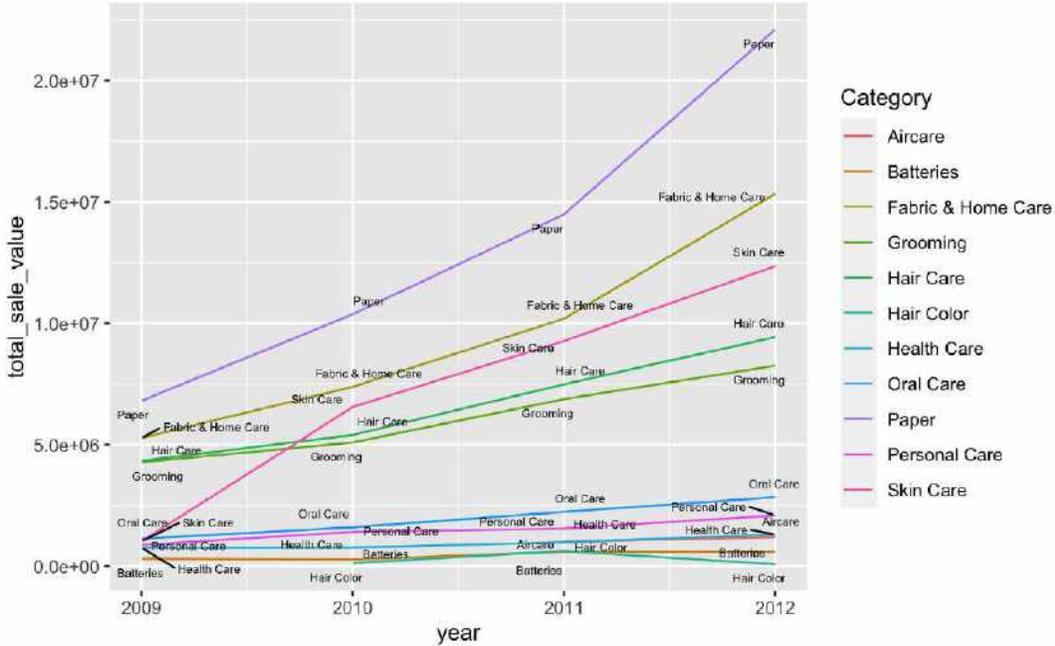


# Looking at quantity

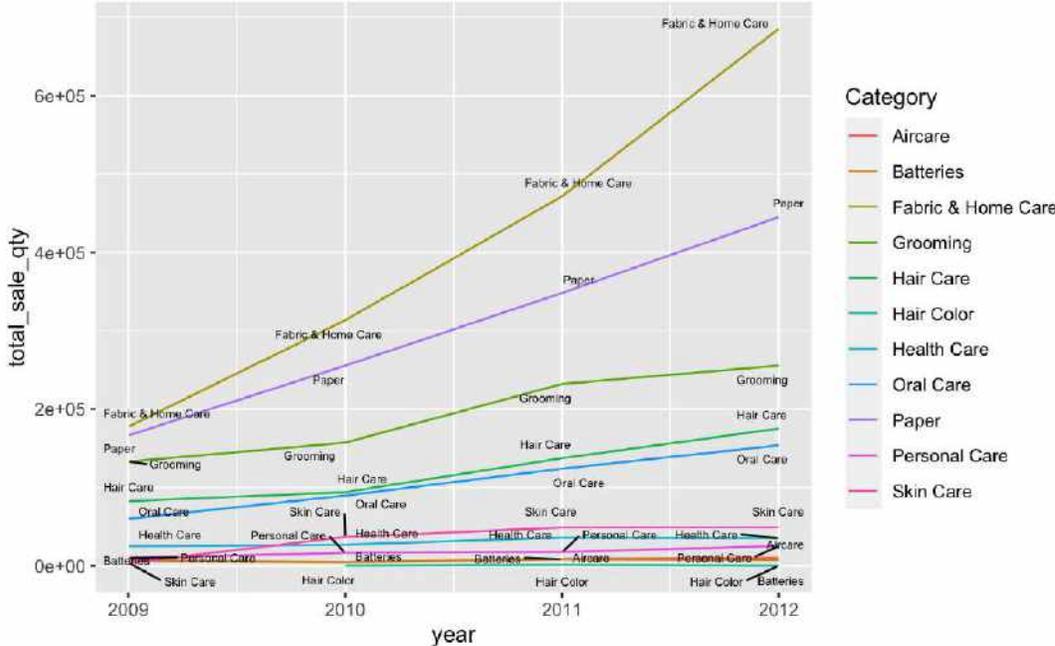


# Comparing Metrics

## Sales Value



## Sales Quantity



Which is the better metric to  
use?

# Issues to think about

- Are all sales made equal?
- Are all quantities made equal?

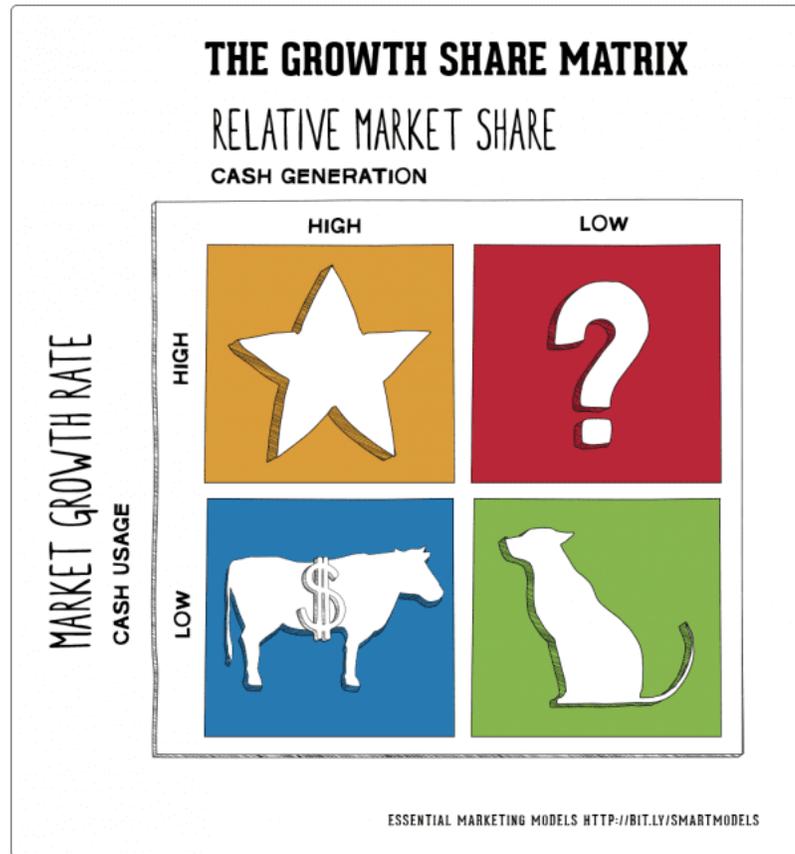
# Remember!

- Are all sales made equal?
  - Some categories have greater growth prospects
- Are all quantities made equal?
  - There are different SKUs within each category
- When dealing with numbers, we have to be very careful

# Mitigation Techniques

- Top 5/50/25 SKUs
- HHI like index

# Where would you allocate resources?



- We now have a grip of growth rates?
  - After making the necessary assumptions for what 'market' is
- What is relative market share?

Are there other ways to  
improve the forecast?

# Types of Forecasting

- Probability distributions
- Point estimates
- Prediction Intervals

# In Conclusion

- Forecasting is not just a mechanical technique to use once a year
  - It is scientific
  - It helps communicate a 'vision'

B2B Sales

# Dimensions to Contrast

- Target
- Needs
- Segmentation method
- Buyer
- Technical knowledge
- Purchase frequency of professional services
- Public information available on target
- Funding
- Emotional involvement
- Sales cycle
- Relationship
- Marketing methods
- Competitors
- Prices

<b>Attribute</b>	<b>B2C Selling</b>	<b>B2B Selling</b>
<b>Target</b>	Individual customers	Any manufacturing Industry
<b>Needs</b>	Very diverse	Somewhat specific
<b>Segmentation criteria used</b>	Demographics, socio economic classification, life cycle, lifestyle, disposable income etc.	Size of business, industry sector, profitability, growth, region etc
<b>Buyer</b>	An individual (may or may not be end user)	Purchase manager, Retail outlet owner or a distributor.
<b>Technical knowledge</b>	Little (Susceptible to mis selling)	Larger organizations have more technical knowledge and more sophisticated needs.
<b>Purchase frequency of professional services</b>	Less frequent	Frequent
<b>Public information available on target</b>	Relatively little (this is changing)	A significant amount
<b>Funding</b>	Private income or employer	The organization
<b>Emotional involvement</b>	Generally High	Low (Select the most advanced and lowest priced product)
<b>Sales cycle</b>	Short (No credit period)	Long (Varies from no credit to 3 months – sometimes even more)
<b>Relationship</b>	Personal Selling	Once the quality and prices are matched, business is often based on personal relationships
<b>Marketing methods</b>	Direct and Indirect	Direct (e.g. direct marketing, personal selling)
<b>Competitors</b>	Market is big enough to cater to the existing players	Many competitors vying for their share in the customer pie. Different strategies for different competitors
<b>Prices</b>	Depends on customer need	Depends on other terms

# Buying Situations

- New Buy
- Modified Rebuy
- Straight Rebuy



# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- Stating Needs
- Supplier Search
- Proposal Solicitation
- Supplier Selection



# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- Stating Needs
- Supplier Search
- Proposal Solicitation
- Supplier Selection

Internal Stimuli vs External Stimuli

# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- Stating Needs
- Supplier Search
- Proposal Solicitation
- Supplier Selection

- Clear understanding the nature of the problem
- general characteristics of the product required

# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- **Stating Needs**
- Supplier Search
- Proposal Solicitation
- Supplier Selection

- can understand almost any product-related concern
- solve the organization's problem

# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- Stating Needs
- Supplier Search
- Proposal Solicitation
- Supplier Selection

- Websites
- Visiting company websites
- Reviews
- Symposia
- Conferences

# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- Stating Needs
- Supplier Search
- **Proposal Solicitation**
- Supplier Selection

- Intensive research skills
- Clear presentation

# Purchase Process – New Buy

- Problem Identification
- Specifications of the Product
- Stating Needs
- Supplier Search
- Proposal Solicitation
- **Supplier Selection**

- Quality and credibility of the vendors
- References
- Warranties

# But then..

There is a complex DMU

Decision Making Unit

# Constituents of DMU

- Users
- Initiator
- Blocker
- Influencer
- Gate Keeper
- Economic Decision Maker

# Aligning B2B Sales Process with Buyer

- Awareness of Need
- Investigate Options
- Committing to Change
- Solution Selection
- Validate available choices
- Make Purchase



## Mr. Prakash's Business

- Huge Anime Fan, born in 1980s
- Started selling Dragon ball and Naruto as a teenager
- Collaborates with clothes manufacturing in Tirupur, Tamil Nadu
- Sells mostly in urban pockets in India
- Did not think about expansion or product diversification

# Some happy customers



# Out of the Blue One Day

APPAREL/GARMENTS

## Philippines wearable industry expects 20% export growth

17 Aug '18 • 2 min read



The combined export growth of textile, garments and other wearable industries in the Philippines is projected to rise by 20 per cent this year to \$1.22 billion from \$1.02 billion in 2017. The Confederation of Wearables Exporters of the Philippines (CONWEP) expects a surge in wearable exports, dominated by China now, as the US-China trade war would likely escalate.

How should Prakash handle  
this crisis?

# Session 18

Selling Internationally

How is 'domestic' sales different  
from 'international' sales?

# Comparison

## **International Marketing**

- Wider scope
- Consumers are diverse
- Multiple currencies involved
- Business environment is relatively more turbulent
- Governments are involved
- More capital requirement
- More outsourcing to take cost advantage

## **Domestic Marketing**

- Narrow scope (in comparison)
- Consumers are relatively homogenous
- Only one currency
- Business environment is more stable
- Little government intervention
- Comparatively less capital requirement

# The Great Wall Hypothesis



# The Great Wall Hypothesis



- Assumption of invulnerability at home
  - Home market advantage
  - Customer loyalty
  - Distributor Loyalty

What do you think Mr. Rahul thinks about this?



# Choosing the right market

SIZE

LANGUAGE

CULTURE

COMPETITION

PROXIMITY TO HOME

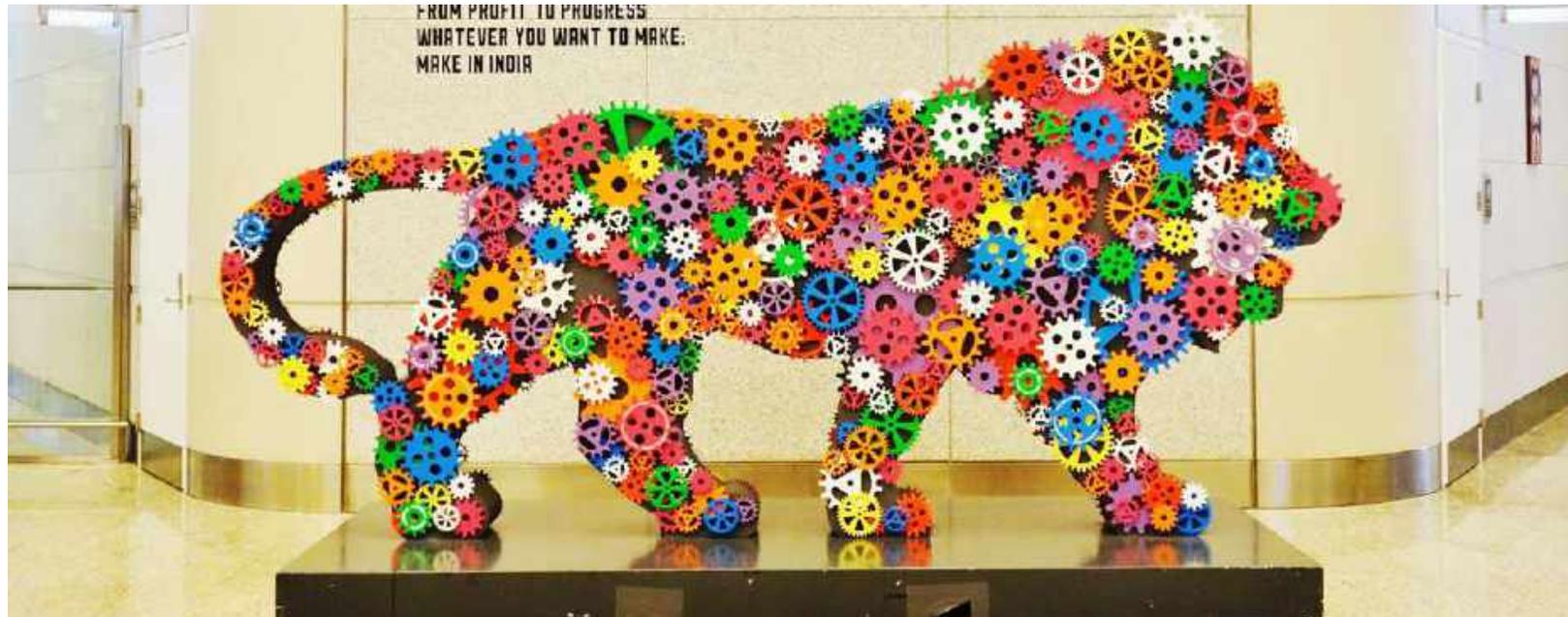
POLITICAL FACTORS

# Size

- Larger markets are more attractive
- But..
  - Competition
  - Cultural factors
  - Cost structures
  - Tax norms



# The Make in India Program



Why should foreign firms  
invest in India?

Why are they not investing in  
India?

How would you go about choosing  
where to sell?

# International Market Entry Strategies

- Exporting
- Piggy backing
- Countertrade
- Licensing
- Join ventures, Strategic alliances
- Company ownership
- Franchising
- Outsourcing
- Green field investments
- Turnkey projects

Government's role  
 Type of government  
 Internal and external strife  
 Regional alliance  
 Special interest groups  
 Political objectives  
 Nationalism  
 Human rights

**POLITICAL RISK**

High

Low

Infrastructure  
 Competition  
 Exchange rate  
 Inflation rate  
 Population  
 PCI  
 GNP  
 Culture  
 Language  
 Religion  
 Legal constraints

E O  
 C P  
 O P  
 N O  
 O R  
 M T  
 I U  
 C N  
 I T  
 Y

High

Low

Joint venture Management contracting Contract manufacturing Exporting	Joint venture Wholly owned subsidiary
Management contracting Contract manufacturing Exporting	Exporting Licensing

# International Marketing Environment

- Economic Aspects
- Legal Aspects
- Cultural Aspects

What is



How does Culture influence  
selling?

# How does Culture influence selling?



  
Have a heart for it.

**I ♥ THE  
McALOO TIKKI BURGER  
BECAUSE**

.....



#McDFoodStory

The advertisement features a vibrant red background. On the left, the text 'I ♥ THE McALOO TIKKI BURGER BECAUSE' is written in a bold, white, sans-serif font. A white heart symbol replaces the word 'love'. Below this text is a horizontal line of white dots. To the right of the text is a high-quality photograph of the McALOO TIKKI BURGER, which consists of a golden-brown bun, a layer of red sauce, a slice of tomato, a piece of fried chicken, a slice of cheese, and a slice of onion. In the top right corner, the McDonald's logo is displayed in yellow, with the tagline 'Have a heart for it.' written in a small, white, cursive font below it. In the bottom left corner, the hashtag '#McDFoodStory' is written in a white, sans-serif font.

# How does Culture influence selling?

- Channel structure
- Incentive form
- Pricing decisions
- Other softer aspects
  - Racism
  - Language

# In the next class

Ethics of Selling

# Sales - Ethics

Is the term oxymoronic?



What's your most memorable  
sales experience?

Describe one sales experience  
that you utterly hated!

# Let's Theorize

What constitutes a good sales experience?

# Let's Theorize

What makes a sales experience go sour?

# Sales Ethics

The common thread

# Ethical Considerations of Salespeople

- Salespeople are custodians of trust
- Trust can be abused
- Ethical behavior helps build trust
  - “one party’s belief that its needs will be met in the future by actions undertaken by the other party.”
- Recall Agency Theory

# Going beyond what is 'legal'

- If it's legal, it's not necessarily ethical
- A salesperson can be
  - Dishonest
  - Unprincipled
  - Untrustworthy
  - Unfair and
  - uncaring

All without breaking the law
- Many companies now include ethical training as part of sales induction

Let's watch a video, shall we?

# Marketing to Doctors: Last Week Tonight with John Oliver (HBO)



# Classical cases we hear about

- Pharmaceuticals
- Direct Selling, Pyramid schemes
- Fads
- Influencers

# Typical Unethical practices

- Customer relationships
- Treatment of coworkers
- Treatment of competitors
- Accounting
- Employer ethics with their salespeople

# Typical Unethical practices

- Customer relationships
  - Special gifts
  - Entertainment
  - Over-promising
  - Misrepresenting or covering up the facts
  - Manipulating order forms
  - Disclosing confidential information
  - Showing favoritism
- Treatment of coworkers
- Treatment of competitors
- Accounting
- Employer ethics with their salespeople

# Typical Unethical practices

- Customer relationships
- Treatment of coworkers
  - Stealing customers
  - Undermining coworkers
  - Sexual harassment
- Treatment of competitors
- Accounting
- Employer ethics with their salespeople

# Typical Unethical practices

- Customer relationships
- Treatment of coworkers
- Treatment of competitors
  - Lying about competition
  - Competitive snooping
  - Tampering with competitors' products
- Accounting
- Employer ethics with their salespeople

# Typical Unethical practices

- Customer relationships
- Treatment of coworkers
- Treatment of competitors
- Accounting
- Employer ethics with their salespeople
  - Compensation
  - Sales Territories
  - Quotas
  - Hiring
  - Promotion

# Typical Unethical practices

- Customer relationships
- Treatment of coworkers
- Treatment of competitors
- Accounting
  - Expense account padding
  - Unauthorized use of company funds
  - Personal use of company time
  - Fabrication of sales records
  - Manipulation of customer orders
- Employer ethics with their salespeople

# Ethical Ideas for Salespeople

TABLE 3.1

## ETHICAL IDEAS FOR SALESPEOPLE

1. Ethical conflicts and choices are inherent in personal selling.
2. The law is the lowest common denominator of ethical behavior.
3. No single satisfactory standard of ethical action agreeable to everyone exists to assist you in making on-the-job decisions.
4. Ethical action has diverse and sometimes conflicting determinants (for example, the customer, management, your peers, industry standards, competition).
5. Your value system will have a dramatic effect on your ethical conduct.
6. The lower you are in the corporate hierarchy, the greater the likelihood that you will feel pressure to engage in unethical conduct.
7. Your company's top management will set the tone for its ethical conduct.

**Source:** Adapted from Clarke L. Caywood and Gene R. Laczniak, "Ethics and Personal Selling: Death of a Salesman as an Ethical Primer," *Journal of Personal Selling and Sales Management* 5 (August 1986): 81–88.

# Doing Business in Foreign Countries

TABLE 3.2

## DOING BUSINESS IN FOREIGN COUNTRIES

1. When one is operating in foreign markets, no single standard of ethical behavior applies to all business decisions. A wide range of standards and modes of ethical conduct will confront salespeople selling in international markets.
2. In developing countries, not the laws of the country but, rather, the degree of enforcement of those laws is likely to determine the lower limit of acceptable business behavior of sales personnel.
3. The upper level of ethical conduct pertaining to doing business in foreign markets is not clearly defined.
4. Flagrant unethical behavior by salespeople may attract substantial attention in foreign countries and might lead to regulatory action aimed at the offending company.
5. Salespeople must be intimately familiar with the foreign country in which they are operating to avoid an ethnocentric posture and ethical misjudgments.

**Source:** Adapted from Gene R. Laczniak and Jacob Naor, "Global Ethics: Wrestling with the Corporate Conscience," *Business* (July-September 1985): 3-10.

# Code of Conduct document

- <https://www.coca-colacompany.com/content/dam/journey/us/en/policies/pdf/corporate-governance/code-of-business-conduct/coca-cola-coc-external.pdf>
- <https://assets.unilever.com/files/92ui5egz/production/ccbf4bfab375b742b988600d47af917cab792a79.pdf/code-of-conduct-tcm1255-469194-en.pdf>
- <https://www.ril.com/DownloadFiles/IRStatutory/Code-of-Conduct.pdf>
- [https://s23.q4cdn.com/116192123/files/doc\\_governance/2021/Director Code of Conduct.pdf](https://s23.q4cdn.com/116192123/files/doc_governance/2021/Director Code of Conduct.pdf)

# Final Over

# What we covered so far