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Sales Performance Management in KRC

Jaydeep Mukherjee

Abstract

The case is about sales force management challenge of the Regional Manager—North of KRC, a tyre manufacturing and marketing company in India. The performance of one of the long serving sales executive Ramandeep is under the scanner. He had been a very good performer in the past, but is unable to give similar level of performance in the increasingly competitive markets. The dilemma presented here is regarding the impact of the Regional Manager's decision on the sales performance of Ramandeep, the other sales executives of the branch and the region. It also has long-term impact on the motivation of the sales team across the region as well as overall performance of the region. The case deals with issues related to the changes necessary in the sales force as the industry evolves and becomes more competitive. It highlights the dilemmas regarding the choices to be made and how to implement the sales strategy through a well established distribution system of branch and channel members.

Key Words

Sales Force Performance Appraisal, Sales Force Motivation, Channel Management, Sales Force Management, Sales Force Evaluation

On 21 October 2011, 10:30, Mr Ronit Ray, the Regional Sales Manager—North of Krishna Rubber Company (KRC) entered the Punjab Branch of KRC for a two-day tour. This was his third visit after taking over his role as Regional Sales Manager. By 10:45, he had handed over a transfer order to Mr Ramandeep Singh, Sales Executive of Punjab branch to the smallest territory of Rajasthan, with an annual target of Indian rupees (INR) 200 million for the year 2011. Mr Ramandeep had completed the formality of accepting the letter by signing on it, went out of the office in a state of shock, but without uttering a word. This decision Ronit had almost forced on the branch, and—as expected—was against the prevalent sentiment of the Punjab branch.

The rest of the day for Ronit was quite mechanical, which included the visit to market with Mr Y.K. Chadda, the Branch Manager of Punjab. Though asking a sales executive for a transfer (for that matter even to resign) was not a new experience for Ronit, but this was different. All his previous decisions were taken by him as a Branch Manager, where the decisions involved his direct reporting subordinates, where he had much longer time to judge, counsel and monitor. Somehow this decision and the response of Mr Ramandeep Singh (RD) had made Ronit a bit uneasy and he was not able to shrug it off his mind. Ronit was a thinking type of a person and wanted to go to the root of his uneasiness.

At the end of his market visit at 19:00, he had in the last minute cancelled the preplanned dinner meeting with the rest of the Punjab branch, went to his hotel and looked back at the situation objectively. There were more cases like Ramandeep in front of him and he wanted to critically re-examine his decision. He went through the entire decision-making process, carefully re-examining the key decision-making variables.

His Own Role and Responsibility as Regional Manager of KRC

Ronit had joined in this position on 21 August 2011, after a very successful stint as Branch Manager—Jaipur (responsible for the sales in the state of Rajasthan, and before that as Sales Executive – Haryana) in another tyre manufacturing and marketing outfit. He had a total of 10 years of experience, out of which 7 years as Sales Executive and the rest as Branch Manager. He was basically a tyre industry specialist and had changed job once as Sales Executive, moving from a regional tyre marketing outfit to the national level marketers.

He moved into KRC on a very good career break, financially as well as designation wise. The fact that he was headhunted by KRC and given a higher responsibility proved that he enjoyed the reputation of a very good Sales Manager with the top brass of KRC. His region included the states of Delhi (where he was headquartered), Punjab, Haryana, Rajasthan, Uttar Pradesh, Uttaranchal and Jammu and Kashmir. Refer Annexure 1 for the map. Each branch was headed by a Branch Manager and they had 3–4 sales executives reporting to them, apart from the entire commercial function. Refer Annexure 2 for the organizational chart for the North Region. The distribution channel followed by KRC is given in Annexure 3. After joining KRC, his first month was taken up in visiting all the branches, knowing the employees, the key markets and major dealers of his region. He also spent considerable time with the reports available with the branch offices and the regional office to understand the KRC's sales strategies and sales force performance across his region. He realized that there were considerable branch to branch variations in performance, which he attributed partially to the sales team, as well as the competitive scenario.

KRC was in the business of manufacture and sale of tyres since its inception in 1972. Over the years, the company has grown manifold, establishing its footprint across the country. However, the last five years had seen their all India market share drop from 21 per cent to 14 per cent. They were presently perceived to be quite slow in the market and unable to match the sales and marketing initiatives of their competitors. On the very first day, his boss had given a written communication to Ronit about his current responsibilities and the priority:

1. Meeting budgeted sales volume
2. Distribution network expansion
3. Reduce outstanding in the market
4. Reduce slow moving inventory from the sales channel
5. Galvanize the sales team by making them competent and confident

Ramandeep Singh's Career

Mr Ramandeep Singh was a very experienced sales executive of KRC. He has been servicing the dealer network in the Chandigarh territory for the last 18 years. He was 40 years old, married and lived with his wife and two children aged 13 and 16 years. His parents were staying on their own in a village (in Ropar district of Punjab) along with his other two brothers in a joint family set-up.

When RD took charge of the Chandigarh territory of KRC in 1993, he was a fresh out of college commerce graduate, without any work experience. However, he was quick learner, smart, energetic, pleasant mannered and an enthusiastic person. He had the desire to make a mark in the industry.

The business was much less competitive those days and the competitive situation was different from the present in every way. Those days Indian Automobile industry was registering good market growth and the tyre industry was getting its natural sale. Just sincerity, hard work and good relationship was enough to achieve the sales targets.

While meeting Ronit in his only previous meeting on 15 September 2011, RD was remembering the good old days when the dealers were like close friends. Apart from business, he used to discuss politics, agriculture, movies, etc., with them. In the evening, he frequently used to visit their homes, have dinner with their family and take orders. KRC products were good and the brand was popular; thus the selling was effortless and the payment was never really a problem (though the KRC dealers traditionally enjoyed a high level of credit in Punjab). RD was vividly recollecting the good times when he had gone to dealer conferences and foreign tour together with his dealers and the great time they had.

The interactions that Ronit had with the branch employees also corroborated that RD was first a friend of dealer, and thereafter a business partner. In fact, this ability of RD to be able to make friends had helped him significantly to get orders and payments, throughout his career. RD was the super sales man of the company for the years 1997 to 2002 and he would spend a part of the incentives earned in giving parties to the branch team and dealers together. In fact, many a years the parties were as good as dealer meets which were held once in two to three years. He was dear to all, the trade and the company.

Ronit's Impression about Punjab Market and RD

Ronit, being an industry veteran, was aware that the market was rapidly changing from the turn of the century. Initially for three years (from 2001 to 2004) it did not grow much but after that it picked up considerably. In the period of change, more new shops came up all over Punjab (as was the trend all across India) and more and more new brands of tyres also got established in the market. The tyre market became much more competitive and the rules of the business also changed, in short the transition was from seller's market to buyer's market.

In the informal discussion that RD had with Ronit in September 2011, RD had revealed that he was using his friendship to get the budgeted numbers from his dealer base. He knew that he was not the super sales man anymore, but he felt his performance was not really bad during 2006–2010. He was not keen on opening up new dealers as he thought that it would adversely affect his business (his trusted old dealer base will not be happy with him and may stop dealing) and his relationship in the market. RD did not consider the market standing of KRC at present so good that it could look for dealer network expansion, as other tyre brands were attempting. RD kept in touch with these new dealer outlets and even had an occasional cup of tea with them, though he did not deal with them, more by choice.

Mr Chadda's Views on RD

Mr Chadda, the current Branch Manager—Punjab, was also a Sales Executive of Punjab branch of KRC from 1989 to 2007. He had worked with RD as a colleague before becoming his boss. He shared that RD was very proud that the dealer base which he had nurtured for the last 7–8 years was very stable and supporting him in times of difficulties. Though the credit terms were to be relaxed and the inventory level of the dealers was going up, there was nothing to worry for RD even as late as middle of 2008. However, the global financial market meltdown and the recessionary trend did affect the business thereafter and even RD was clueless.

Mr Chadda also revealed that RD was always optimistic and felt that one good season was all that he needed, and his sales problems will be over. However, it had been quite some time that the one good season had never really happened. The sales pressure had continuously increased and the pipeline stocks of dealers and their outstanding were on the rise. Adding to the complexity of the situation, the market was also becoming more competitive and KRC was losing market share not only in Punjab but also in rest of the country. It had reached a stage in March 2009 when many of RD's dealer friends had refused to place orders even with RD's repeated request, which was never the case earlier. However, RD could manage to salvage his situation somewhat at an overall level.

Since the branch was not performing well, RD being historically the top performer was under intense psychological pressure to be a role model. RD thought about the situation and tried to approach the market differently from April 2009. RD looked at ways of liquidating the dealers stocks, which helped them to pay up and lift more stocks. The strategy was to find out potential end users and strike the deals on behalf of the dealers. This gave instant result and the immediate crisis on RD's performance was taken care of. In the mean time RD was able to also get some more concessions to the trade by accepting upcountry cheque and getting special cash discount payment norm relaxation approved from seniors. RD could do these exceptions because the then Regional Manager—North was one of his colleagues in 1995–2007, who had enough faith in RD to approve the special sanctions.

However, the competitors were quick to find out RD's trick and followed suit. Within two months, they were offering better deals to the end users and converting the market (developed by RD) to competitors. RD's dealers once again were feeling that RD was not doing enough for them. However, because of his personal equity, they were unable to say so to RD directly, but had revealed to Balwant (the Commercial Officer of Punjab Branch) in private. By 2010 December, some dealers were also of the opinion that RD was well past his prime and was not as aggressive as the new sales persons of the competitors.

The Competition and the Market—From 2006 to 2010 as Seen by Balwant Singh

Balwant Singh was the Commercial Officer of the branch and held the position from the inception of the Punjab branch of KRC in 1991. Though Balwant did not go to market regularly, he had been handling all the sales and receivables figures. He also assisted the branch manager in report-making activities and was connected with the dealers on phone. He had quite in-depth understanding of what was happening in Punjab branch of KRC as well as a good idea about the developments in the market. Ronit noticed that Balwant was a man of few words, predominantly introverted, but had a sharp and analytical mind, with balanced judgement. Balwant needed a bit of prodding by Ronit to open up. The following is a summary of their September 2011 interaction.

There was a consensus in the Punjab branch about the competitive scenario faced by KRC from 2006 onwards. The competition was getting intense and the discount paid by the competitors was getting higher and higher. RD also was not able to persuade the dealers to stock more and the KRC management was not ready to match the competitor's discount schemes. The entire sales team in the branch believed that KRC offer was not commercially attractive, but they were able to retain some of KRC's loyal dealers by giving them extended credit (which was sanctioned by the bosses on case to case basis).

On probing by Ronit, Balwant had reflected and remarked that this competitive situation was somehow hampering RD's performance the most in the branch. Thus, RD was no longer earning the sales incentives which he was so regularly winning previously. The KRC dealer base in RD's territory was also quite unchanged unlike other territories. The dealers were slightly older variety and their share of business in the tyre trade was dropping. However, he (as was RD) was also skeptical of the new dealer base of KRC in other territories, where a lot of good dealers were not even ready to deal with KRC any more.

Balwant could also find merit in RD's handling of the dealer network. RD was of the opinion that he had shown favour to the dealers by not opening new counters (who were very aggressive and doing good business for others). These dealers, whom he had nurtured from the beginning of his career, had not grown because of their lack of initiative and he was suffering for being loyal to them. Somehow, RD was unable to change the operating style to the prevalent technique of short-term perspective on dealer relationship and dealing only on commercial terms. He was firmly of the opinion that the deals do not last, relationships last. In fact, the policies followed by the top management of KRC were also to an extent responsible for the state of affairs and was an all India phenomenon. It would not be fair to blame RD only for the sales situation in his territory.

Personal Assessment of Ronit about RD

During his last visit, he had asked for the territory-wise sales figure of the entire branch (refer Annexure 4) and the training file of the sales executives (RD's file in Annexure 5). He had also referred to the performance evaluation criteria of the company (Annexure 6) and the personal file of RD (excerpts given in Annexure 7). Since RD was an old timer, and a proven performer of yesteryears, Ronit had taken a decision critically examining RD's case (in other branches, he had similarly considered the data of some key sales executives). The other two sales executives in the branch were new (joined in the last one year period); he decided to give them some time to prove themselves.

Ronit also knew the financial problems that faced KRC at the overall company level. The company's profits were squeezed and thus the payment flexibility, etc., was not allowed for the sales team. Ronit guessed that such scope would not exist in future either. In fact, the company at present was ready to deal in cash only and had become very strict on the payment related aspects. The company also needed high sales at this time and the management had tremendous expectation from North Zone.

Ronit had visited the market along with RD and Mr Chadda and got feedback from the trade partners and also visited competitors' dealers. The feedback apparently was such that corroborated his first impression—the situation was out of RD's control.

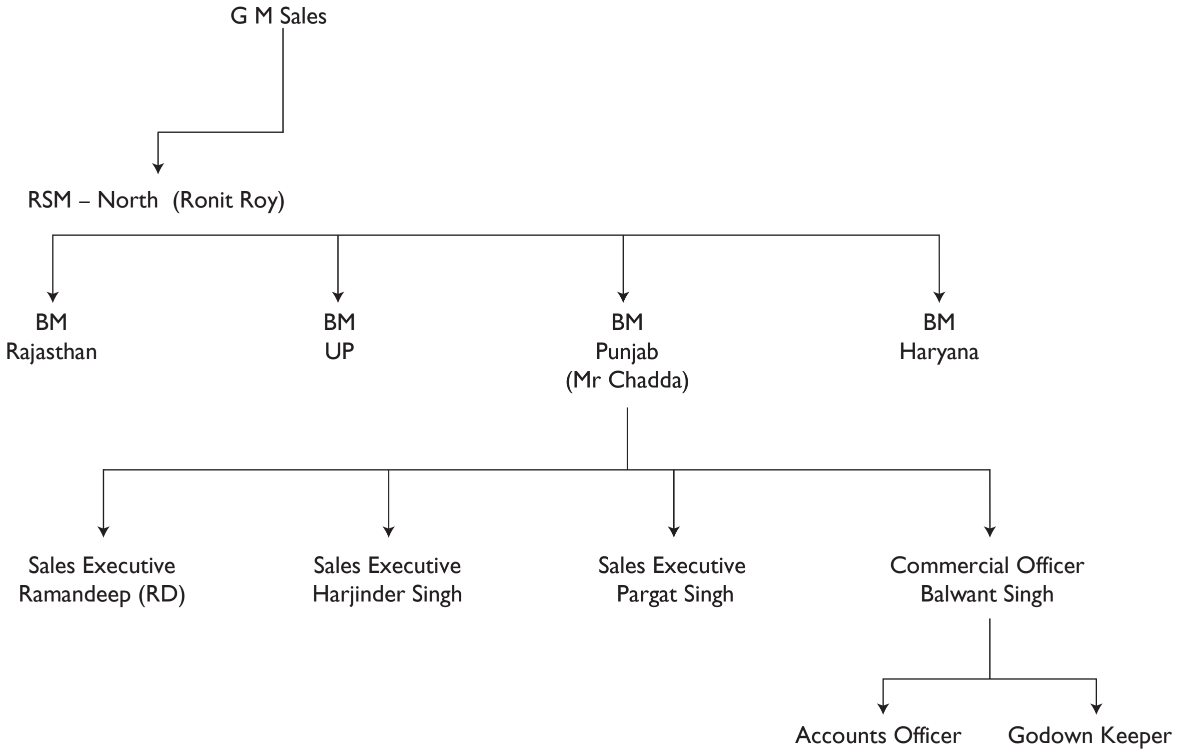
1. How would you evaluate RD's performance? Give quantitative as well as qualitative justification.
2. As a Regional Manager, what alternatives you would consider if you were to decide on RD's future in KRC. Give reasons to select the best alternative.
3. Is RD loyal to KRC? For KRC, should there be a difference in taking decision on loyal employees?
4. What would be the impact of this decision of Ronit on the different branches across the region?
5. What would you do in case you take over the territory in place of RD?

Annexure 1
India: States and Union Territories

Note: This map is not to scale and does not depict authentic boundaries.

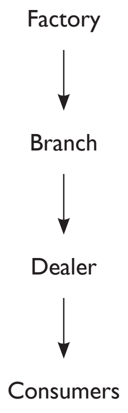
Annexure 2

Organizational Chart of North Region (KRC)



Annexure 3

Distribution System for KRC



Annexure 4

Detailed Primary Sales Performance Tracker (YTD = year to date)

	Total Tyre Market in Punjab	Annual Target of KRC, Punjab Branch in INR Million		Actual Achievement in INR Million		O/S in Number of Days of Sales		Dealer Network Coverage			
Year	Actual Sales in INR Million	Branch	RD's Territory	Branch	RD	Branch	RD	Universe of Tyre Dealer in Punjab	Number of KRC Dealers in Punjab	Universe of Tyre Dealer in RD's Territory	KRC Dealers in RD's Territory
1998	4,200	900	370	900	400	45	35	120	35	40	18
1999	4,500	1,000	420	1,000	440	42	36	122	35	40	18
2000	5,000	1,100	480	1,120	540	40	38	125	35	40	18
2001	5,750	1,250	540	1,250	570	40	40	130	35	40	18
2002	6,250	1,400	600	1,380	600	45	45	135	35	43	18
2003	6,500	1,450	640	1,450	650	45	46	140	37	45	18
2004	7,500	1,600	700	1,600	720	39	42	140	37	45	18
2005	9,000	1,750	750	1,700	750	37	40	160	40	47	18
2006	9,500	1,900	800	1,800	750	36	38	180	45	60	20
2007	10,500	1,900	800	1,750	720	42	44	200	50	67	20
2008	12,000	1,800	750	1,650	680	45	48	225	55	80	20
2009	14,000	1,900	800	1,680	650	46	47	230	55	85	21
2010	15,000	1,900	800	1,700	670	48	50	230	55	85	21
2011 YTD Sept	12,500	1,500	600	1,450	500	45	48	240	70	86	21

Annexure 5

Training Programme Register of Ramandeep Singh (RD)

Year	Name of Programme	Duration	Remarks
2000	Selling skills	3 days	Was rated the best trainee
2002	Dealer Network Management	3 days	Was rated the best trainee
2004	MIS for Sales Force	5 days	Branch Manager retained RD in the branch as sales pressure was high. Absent
2006	Commercial Aspects of Sales Management	3 days	Could not attend because of child's hospitalization. Absent
2008	Collaborative Channel Behaviour and its Management	4 days	Participated
2010	Leadership Strategies in Modern Distribution Channels	5 days	Not nominated as only one person was allowed per branch

Annexure 6

Performance Appraisal Criteria of KRC—2006 Onwards

1. Sales targets:
   i. Achievement of above 100% of Target = Excellent
   ii. Achievement of 95%–99% of Target = Good
   iii. Achievement of 90%–94% of Target = Fair
   iv. Achievement of 85%–89% of Target = To improve
   v. Achievement of 80%–84% of Target = Not acceptable
2. Outstanding in number of days
   i. This is second priority over the sales, and to some extent should be subjectively evaluated in terms of sales figures.
   ii. While evaluating performance, the territory and the branch performance are to be considered.
   iii. Anyway, the company has computerized the billing the procedures, hence no billing is possible without the approval of the appropriate authority at H.O.
3. Network coverage
   i. The company had expansion of dealer network as an important objective.
   ii. The expansion was to help the company reduce dependence on dealers and reduce the fluctuations in the sales.
   iii. Only dealers who bought regularly (once at least in 2 months) was considered a dealer.
   iv. Network management also required the decision to not to deal with some specific type of dealers.

Annexure 7

Selected Notes from Performance Appraisal of RD from the Records Maintained in Regional Office

Year	Sales Target in INR Million	Actual Sales in INR Million	O/S in Days of Sales	RD's Self-assessment	Regional Manager's Assessment (Confidential)
2006	800	750	38	My targets are high for the product range that we have. The market had been intensely competitive and we did not have the supply of right products or the dealer incentives. I have tried my best to use my relations to get the sale but we need to give more margins to dealers to get their loyalty.	Markets handled by him are very competitive. Needs to improve his dealer management techniques to suit the competitive strategy.
2007	800	720	44	This year the competition offered very high credit and dumped materials to some of our regular dealers; hence the achievement was low. We need to match competition on discount and credit.	Should become more focused on expanding his network, it would be impossible to have complete loyalty of dealers in the future.
2008	750	680	48	The recessionary trends after October 2008 were so high that the targets could not be achieved and more credit had to be given. I am hopeful of achieving the targets next year.	RD had been a performer and we expect him to deliver results as is expected of him.
2009	800	650	47	Competition is very aggressive, they have launched many new products, and hence our loyal dealers are inclined towards them. They have also offered more schemes selectively to our dealers to wean them away. We must increase our scheme payout and consumer advertising.	There is a possibility that RD has become saturated in this territory and lacks the initiative to take innovative sales initiative.
2010	800	670	50	The problem is that the territory is witnessing tremendous dumping from competition and there are instances of bad debt. At least we did not have bad debt and our discounts were also low. I did not indulge in high risk, short-term sales.	RD is not aggressive in his new dealer appointment. We need to shift him out of his territory; else he is likely to not take new initiatives.

Jaydeep Mukherjee (jmukherjee@mdi.ac.in) is an Associate Professor at Management Development Institute, Gurgaon, India. He teaches Marketing for Virtual World, Marketing Strategy, Product Management, Sales and Distribution Management. He is currently researching the various antecedents of motivation to use social media. He takes active interest in developing case studies from the Indian companies and developing simulation games to aid in the classroom teaching.