

# Technology in Sales-An undeniable need

This case is intended for use in Sales and Distribution Management, Operations and Logistics Management

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**Abstract**— XYN lubricants India Private Limited is a business to business chemical manufacturing and distribution company with an annual turnover of Rs.2500cr and is the largest distributors of chemicals in India and has a wide international network too. A recent slump in their sales has made this chemical giant to seek expert's advice on how to sort out an issue of lack of coordination between the sales team and the warehousing facility which currently exists in their domestic distribution process. Analyzing the issue, it is found that customized use of technology could be the answer to nullify the issues between the sales team of the company and its warehousing facility.

**Keywords**- Sales and Distribution Management, Stock awareness, Sales promises, Technology.

## 1. THE INDIAN CHEMICAL MARKET

The chemical industry is critical for the economic development of any country, providing products and enabling technical solutions in virtually all sectors of the economy.

The global chemical production growth slowed down from 4.4% p.a. in 1999-2004 to 3.6% p.a. in 2004-2009, with global chemical sales in FY10 valued at \$3.4 trillion. The industry is increasingly moving eastwards in line with the shift of its key consumer industries (e.g. automotive, electronics, etc.) to leverage greater manufacturing competitiveness of emerging Asian economies and to serve the increasing local demand. This has led to share of Asia in the global chemical industry increasing from 31% in 1999 to 45% in 2009. With Asia's growing contribution to the global chemical industry, India emerges as one of the focus destinations for chemical companies worldwide. With the current size of approximately \$108 billion, the Indian chemical industry accounts for 3% of the

Global chemical industry. Two distinct scenarios for the future emerge, based on how effectively the industry leverages its strengths and manages challenges. In the base case scenario, with current initiatives of the industry and government, the Indian chemical industry could grow at 11% p.a. to reach size of \$224 billion by 2017. However, the industry could aspire to grow much more and its growth potential is limited only by its aspirations. In such an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry could lead to an overall growth rate of 15% p.a. and a size of \$290 billion by 2017 (6% of global industry). This has a potential for further upside in the future considering India's increasing competitiveness in manufacturing. The draft manufacturing policy recently approved by the cabinet targets increasing the share of manufacturing in GDP to at least 25% by 2025 (from current 16%). It aims to create 100 million additional jobs through creation of National Investment and Manufacturing Zones as mega investment region, equipped with world class infrastructure. These zones will enjoy fast track clearances from the environment ministry and state pollution boards, special policy regimes, tax concessions and more favorable labor laws. Investments in manufacturing in the chemical sector are absolutely essential to ensure growth of the Indian chemical industry. Focussed growth and planning for the chemical sector would enhance our global competitiveness further, increase domestic value addition, provide technological depth and promote sustained economic growth. In order to realize the growth envisaged above and leverage the India opportunity effectively, the chemical industry would require significant investments in capacity creation, technology development, access to

Feedstock and a larger pool of skilled human resources. This could translate into additional investment of \$110-115 billion.

The Indian chemical industry can deliver on an accelerated growth phase, provided a clearly defined vision along with a strategic roadmap is developed to enable it. If this is not done, we may see the growing market increasingly being served through manufacturing done outside India. The various segment of the chemical industry such as organic chemicals, specialty chemicals, chloro alkali, pesticides, colorants and alcohol based chemicals) have their own unique set of challenges. The industry can grow only if these individual segments overcome their challenges and move swiftly along the growth path. The industry and government will have to work in tandem to achieve the ambitious targets set for the chemical industry.

## **2. HIGHLIGHTS OF THE COMPANY**

With 45 branches across India and branches at USA, Russia, Italy, Germany, Africa and Singapore XYN Lubricants are a consistent performer in the domestic as well as the global market for the past 20 years. The company has an astonishing track record with it sales having been seen only an upward growth with good feedback from its customers. The company has made a notable performance in the global arena which has earned them laurels in the European market.

The company has a robust infrastructure and the core of the business is based on the innovation and development which caters the ultimate goal of ensuring a great customer experience and satisfaction. The company has made Indian rupees (Rs) 15.5bn in sales in the fiscal year ended March 31, 2014 and is expected to record 40-45% growth in sales and 30-35% growth in volumes in its fiscal year ending March 31, 2014. With this success, The Company has added phenol and acetone as well as number of specialty chemicals to its portfolio.

## **3. THE MARKET PRESENCE**

The kind of markets dominated by XYN lubricants are the industries manufacturing leather, paints, food and beverages, paper and automobile industries which demand a regular and timely supply of chemicals all around the year.

## **4. THE RISE OF A CRISIS**

The company with its vast domain in the domestic market has divided its sales force into various teams which handles the sales in the entire PAN India locations. The specialty chemicals division of the company has made a huge profit for the company for the past three years. Even though the company had a good track record of its services, it has hit a new low in its sales performance in recent months due to the recent departure of their top sales performers who showed less commitment towards the company lately. The frustrated top level management has decided to revamp its sales force by adding new sales recruits to its team and was deployed in the field immediately. And when done, it has resulted in gaining complaints from the customers about the salesmen's inability to keep up the sales promises made, such as delivering the product on time are pouring in at an increased rate and the degree of complaints received were high especially in Maharashtra and the southern states of India namely Tamil Nadu, Karnataka and Andhra Pradesh.

The management had decided to step in and resolve the issue. When the situation is analyzed, it is found that the salesmen were unaware of the stock availability of chemicals available at the warehouse which had led to the inability of keeping up the promises they has made to the customers. The salesman points out to the men at warehouse for this failure for not updating them with the stock availability details. Also the salesman has failed to make the customer aware about the possible occurrences of delay in logistics due to the practical reasons such as delay at product clearance and traffic delay. But to address this issue of delay in transit due to traffic, the Operational manager has come up with the solution of fixing GPS devices to the vehicles so that regular feeds about the location of the product in transit can be updated to the customer instantly. But, the vital issue of delivering the promises made to the customer still remains the same. Can technology be the tool to address the issue?

## **5. CORE REASONS FOR THE FAILURE**

The new sales recruits were not provided with an ample amount of training to meet up the objectives of the company.

Lack of coordination between the sales force and the warehouse personnel was the primary reason for this slump.

Making the promises without considering the practical issues in delivering the promises.

## 6. SUGGESTION

It is important to enable the buyer and the seller to engage with each other in more efficient and effective ways by using technology. In this case, the context rich system can be the key to address the issue. The live data of the imports at the warehouse and its analytical insights should be tailored in customized software targeted for the specific situation faced by the sales force. But, this requires a higher budget to carter additional gadgets like tablets which can give the real time data to the seller.

## 7. QUESTIONS TO PONDER

How important is a sales force to a company and how much it is necessary to retain them?

Is the management's decision to revamp the team when in crisis, a right action performed?

Analyze the consequences faced by the company in deploying the sales force with no proper training. Suggest a suitable training methodology to them.

Discuss the importance of inter departmental coordination to the success of a company.

Comment on the need of injecting technology in the operations to stay ahead in the competition.

## 8. TEACHING NOTES

Prior to the discussions the instructor should also learn and understand about how the business happens in B2B market as it slightly varies from the B2C market in terms of the nature of the customer and their demands and the amount of volume involved in each businesses concluded.

Before starting up the discussions on the case, the instructor should understand the network involved in a chemical distribution business right from the unloading of material from the vessel till it reaches the customer's doorstep. Initially the consignment is

imported at various ports in India namely Ennore, Vizag and Kandla and then stored up at the shore tank which is subjected to undergo various purity checks. Once the product passes the checks, it is loaded in the tanker to get unloaded at the company's warehouse facility across the various states in India and then it is distributed to the customers according to their needs.

On the back end, the salesman has to raise the purchase order of the customer's demand and obtain a confirmation on the sales order. The sales order confirmation has to be intimated to the warehouse/branch which is the nearest to the customer point from where the product will be supplied to the customer along with the certificate of analysis which gives the confirmation that the products are of good quality which is in accordance with the customer's requirement.

## 9. POINTS SUPPLEMENTING THE QUESTIONS CONSIDERED FOR DISCUSSION

### IMPORTANCE OF SALES FORCE

The broad purpose of marketing is to bring a firm's products into contact with markets and to effect profitable exchanges of products for money. The purpose of personal selling is to bring the right products into contact with the right customers, and make ownership transfer. Salesmanship is one of the skills used in personal selling, as defined by Stroh, "it is a direct, face-to-face, seller-to-buyer influence which can communicate the facts necessary for marketing a buying decision; or it can utilize the psychology of persuasion to encourage the formation of a buying decision". Salesmanship is seller-initiated effort that provides prospective buyers with information and motivates or persuades them to make favorable buying decisions concerning the seller's products or service. The salesman of today has to react and interact in any different ways to many different people. In brief, the salesmen are the field agents who are vital in generating the revenues for the firm.

### THE MANAGEMENT'S DECISION

The 20/60/20 rule says that about 20% of your sales team is top performers who often meet or exceed quota. That leaves a majority of your sales team with room for improvement and opportunity to increase productivity. Often times, optimized sales productivity comes down to just streamlining workflow and eliminating unnecessary or superfluous tasks. Interestingly, studies on sales

continue to show that industry-wide productivity is continually on the decline. Although organizations are growing their sales teams and chasing more aggressive sales goals, they simply aren't scaling their processes, best practices, and sales tools effectively. Hence, the management decision the revamp the sales team is a right action performed.

### **THE TRAINING MODULE**

If the sales team doesn't know the product front to back, even the best listeners will fall short in closing a sale. Salespeople need to understand product details to boost their confidence when selling, especially new recruits. With sufficient product training, they can identify specific client issues and understand products' details well enough to position them as the perfect solution. But in this case the new recruits should also know about the stock availability of the products. That is, the salesperson should know the availability of the required chemical at the warehouse before making a promise to the customer.

### **USE OF TECHNOLOGY TO EDUCATE**

Sales team is engaged in constant traveling and frequent sales calls make it nearly impossible to get your entire sales force in one room for training. That's where e-learning comes in. E-learning allows sales teams to brush up on their product knowledge on the go. Through online videos and modules, you can also track progress to ensure that everyone has viewed the necessary materials. In this case the salesmen should be updated constantly about the stock availability at the warehouse.

### **FIELD TRAIN AND PROVIDE FEEDBACK**

Most of our talent development happens in the field. But it's the analysis and feedback a salesperson receives after a call that resonates. Supervisors can emphasize listening to and understanding client needs and help salespeople avoid pushing a product by providing direct feedback in a real sales situation. Providing reassurance to the sales team through recognition instills confidence and fosters natural skills in the sales arena. Couple that with frequent, flexible, and manageable product education and field training, and it will take the team from great listeners to selling superstars.

### **IMPORTANCE OF INTER DEPARTMENTAL COORDINATION**

Coordination is simply the managerial ability to maintain operations and ensure they are properly integrated with one another; therefore, increasing coordination is closely related to improving managerial skills. The management team must pay special attention to issues related to coordination and governance and be able to improve upon coordination through effective management.

Increasing coordination internally can be accomplished by keeping all moving parts of the organization on the same page.

There are a number of ways to improve upon the coordination of different departments, work groups, teams, or functional specialists. These include creating a well-communicated and accurate mission statement; clearly defining strategic objectives; monitoring and evaluating each functional group; providing company-wide updates and communications from each department; and, wherever possible, promoting cross-departmental meetings and projects. While this list is long and complex, the underlying concept is relatively simple: managers should strengthen communication across all facets of the organization to increase the level of integration between each moving part.

In practice, coordination involves a delicate balance between centralization and decentralization. However, maintaining coordination does not necessarily imply that decision-making processes are centralized or that actions are carried out without the support of employees. Put simply, it is important to ensure that there is a person or team in place that takes responsibility for general tasks.

If there is a lack of coordination, there is a risk that responsibility will become dispersed and tasks will be left unclaimed. Organizing accountability for every task helps to ensure that efforts are tangibly coordinated and provides structure to operational expectations. Structure is a central determinant of effective coordination across an organization as it enables communications, underlines responsibilities, and provides concrete authority in decision-making

### **TECHNOLOGY – AN UNDENIABLE NEED**

In this case, one should welcome the idea of fixing up GPS to the vehicles considering the fact that the end customers in B2B markets primarily being an industry cannot halt their production because of the delay in the arrival of their raw materials. By fixing

up GPS, the exact location of the vehicle can be demonstrated to the customers. Through this position the positioning rules can be established according to the route that must be followed, such as stops and points of product delivery or collections. This monitoring also allows creating alerts when certain rules are not being followed.

In general, world is shrinking day by day with advancement of technology. Customers' expectations are also increasing and companies are prone to more and more uncertain environment. The IT field is evolving and developing every day. New technologies in computers and mobile devices are shaping the way the world communicates with one another, gets work done, and spends free time. Companies will find that their conventional supply chain integration will have to be expanded beyond their peripheries. The strategic and technological innovations in supply chain will impact on how organizations buy and sell in the future. However clear vision, strong planning and technical insight into the Internet's capabilities would be necessary to ensure that companies maximize the Internet's potential for better supply chain management and ultimately improved competitiveness. Internet technology, World Wide Web, electronic commerce etc. will change the way a company is required to do business. These companies must realize that they must harness the power of technology to collaborate with their business partners. That means using a new breed of SCM application, the Internet and other networking links to observe past performance and historical trends to determine how much product should be made as well as the best and cost effective method for warehousing it or shipping it to retailers.

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