SALES MANAGEMENT

Brand: Mehta Solutions
Product Code: case425
Weight: 0.00kg

Price: Rs500

Short Description

SALES MANAGEMENT case study

Description

Alderson Products Inc., a $15 million company, had recently become a wholly owned subsidiary of National Beverage Corp. of Baltimore, Maryland. National had purchased 100 percent of Alderson stock. The acquisition brought with it a number of problems common to such ventures, with the most pressing problems centering around the control of the sales effort.
Alderson Products, Inc., produced and sold packaging equipment exclusively to the soft drink industry. The company, located in Detroit, was established in 1951 by the

Alderson brothers, Jim and Frank, both of whom had worked for General Motors for several years but who wanted to be in business for themselves. After a five-year search while they were still working at GM, they decided to enter the packaging equipment industry when an opportunity came up to buy out a small bottle capping machine producer. For the first year of operation, Alderson produced only a limited line of bottle capping machinery. However, gradually at first and then more rapidly, the Alderson product line was expanded to include capping machines, decapping machines, bottle lifters, case painters, case rebanding equipment, parts, lubricants, blenders, fillers, water-coolers, carbonators, saturators, packers, decasers, washers, water treatment systems, conveyors, rinser load tables, warmers, water chillers, and refrigeration units. Most of the equipment bearing the Alderson name was manufactured by the company itself. Some equipment was purchased from other makers: the cappers and decappers came from the

Zalkin Corp. (France), the bottle washers from Firton Manufacturing (Pennsylvania), rinser and warmers from Southern Tool (Louisiana), water chillers from Dunham Bush (Georgia), and the refrigeration units came from Vilter Manufacturing Company (Wisconsin).

The products offered by Alderson came in several different sizes to match the various different applications in the soft drink industry. In addition to the new products manufactured or purchased by Alderson, the company sold used equipment and machinery. The company got into used equipment after finding that a large number of its customers were too small to afford new equipment and could not perform extensive maintenance and repairs on their present equipment.

The market for used equipment grew to the point where it contributed 30 percent of v Alderson's net sales. Most of the used sales were from rebuilt machinery. Alderson bought the used machinery from bottlers, brought it to Detroit, reconditioned it, and sold it. Other used machinery was sold "as is." This was machinery that was bought in acceptable operation conditions and required minor modifications or repairs. Usually, the "as is" machinery was transported top the buyer directly from its original location.

The "rebuilt" phase of the business called for the customer to make a 25 percent of deposit on the order before the particular unit went through the shop. Once in the shop, the equipment was dismantled to its basic components and parts were added as required. The customer ended up with a "like new" machine or piece of equipment. Savings to the customers were typically about 30 percent with a new unit. Alderson's rebuilt equipment carried a warranty. As an additional service, Alderson tried to maintain an adequate stock of spare parts for older units, even if the original manufacturer no longer made them available. There was some concern among management as to the future of the rebuilt equipment part of the business. About two years ago, the company began experiencing difficulty in acquiring used equipment that could be rebuilt. The supply of older units was dwindling, and competition for the used equipment was forcing prices up considerably. Alderson also found that more and more bottlers were reconditioning their own units. Although it constituted a profitable segment of the overall operation, there was some thought that it might be best for Alderson to get out of the used equipment business and concentrate on its growing business for new machinery and equipment.

Alderson served only the soft drink industry, despite the suitability of the company's products and services for other industries, such as the beer or fruit juice producers. No attempt had been made to branch out into the other markets, largely because the Alderson brothers felt they knew the soft drink industry best. The company served primarily local and regional bottlers; however, plans were underway to increase coverage to national and, possibly, international markets. Future expansion plans did not include markets outside the soft drink industry.

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Distribution of Alderson products was through two company salespersons and six manufacturers' representatives. Both salespersons were paid straight salaries. One salesperson spent about one-fourth of his time appraising and procuring used equipment. The other salesperson spent about one quarter of his time piloting the company airplane. The representatives received a commission for their services, according to the following schedule: 5 percent for the first $50,000, 2.5 percent for the next $50,000 (up to $100,000) and 1 percent for anything over $100,000. This was bases on individual sales. The representatives received a sales commission on any sale in their territory, regardless of whether the company (Alderson) or the representative closed the sale.

In addition to using the personal selling, Alderson promoted its products through advertising, trade conventions, and direct mail. Alderson advertised in six trade publications, averaging one insertion every two months in each of the journals. The direct mail consisted of a newsletter, "Alderson's News," mailed to current and potential customers.

With the takeover complete, National sent its auditors to Alderson Products for a routine evaluation. Among other things, it soon became apparent that Alderson had been very lax in its sales control efforts. In particular, there was no evidence that a sales budget was used and there had been no attempt at a sales analysis. The sales manager, who had been in his position for two years after four years as a salesperson with Alderson, said there had been no sales budgeting or sales analysis effort for three years prior to his becoming sales manager. He did mention that a sales budget was used for a time before that, but he was unaware of its details. When questioned by the National auditor as to why he had not instituted sales control procedures, the sales manager said he had discussed it with Frank Alderson and they came to the conclusion that the company was moving along very well and there really was no need for tight control. He was, though, on the alert that, should sales results taper off, it might be necessary to have some controls at a future date. The sales manager also pointed out that he was so busy working on a personal basis with the company sales personnel and the sales representatives that he just didn't have the time for budgets, quotas, sales analysis and "things like that."

Questions:

Was there a need for sales control at Alderson Products, Inc.? Why or why not? What would have been the components of a good sales control program for Alderson products? Be specific and give your reasons for each element of sales control.

Details

1. Case study solved answers

2. pdf/word

3. Fully Solved with answers