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# CASE 5 ASIA PACIFIC ELECTRICALS LIMITED : TERRITORY PLANNING AND MANAGEMENT

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## 5.0 OBJECTIVES

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After analysing this case you should be able to

- Understand the issues and problems in territory planning
- Learn the alternate approaches to territory planning
- Decide whether to have a separate field force for different product lines or the same, considering the sales costs and allocated budgets.

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## 5.1 INTRODUCTION

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In this case an attempt has been made to illustrate source of the issues concerning sales planning. The most important task which a sales manager has to do, as a part of the sales planning is the territory planning. Also at times a sales manager, has to decide whether to have a product wise sales team operating in common territories, or to have one sales person, handling more than one products where customer is common for all the products. The case deals with some of these issues in relation to electrical switchgears.

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## 5.2 CELEBRATION: 40 YEARS OF GROWTH

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It was a great evening and a very glorious; occasion for the families of G. Ramesh and P.Muthuswamy, the founders of Asia Pacific Electricals Ltd (APEL), perhaps no less for the dealers of the company or the proud workforce of its five factories, as well. it was a day of thanks giving to customers, vendors, collaborators, well-wishers, and the like.

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*This case has been prepared by Dr J D Singh, Professor of Marketing, International Management Institute, New Delhi. The name and select facts of the case has been disguised to mask the identify of the company. The case is prepared as a basis for class room discussion rather than to illustrate either the effective or ineffective handling of the administrative situation.*

It was also an occasion of paying tribute to Mr.G Ramesh whose spirit was very much alive in the company though unfortunately he was not. It became also an opportune time to finally give absolute powers of management at the helm to the five foreign educated sons of the two founders who were now ready to take the Group to unprecedented heights.

The Board meeting held on the eve of the fortieth anniversary had adopted the growth targets for APEL as that of Rs 200 crore by 2005 from its present turnover of Rs 85.6 crore.

### 5.3 TWO MONTHS AFTER

The year 1997-98 had closed with a happy note. APEL's turnover was 18 per cent higher than its own targets. Its MCBs sales had grown at 26 percent over the industry growth rate, and had reinforced its leadership position with a 42.6 percent share of the organized sector market. Its overall profitability target had, however, gone unmet and it was lower by 12 percent than the previous year. Its sales & marketing expenses had sharply risen disproportionately to the sales and so did the bank interest obligation. The credit outstandings too with its dealers had shot up and were about Rs.6 crore, of which over Rs. 3.2 crore was lying unsettled for over a year and a -half.

It was with a view to take stock of situation as well as to take remedial measures that this meeting attended by Executive Director (Marketing & Strategic Planning), General Manager (Sales & Marketing), Product Manager, and four regional managers, was in progress. ED had also invited a marketing consultant to participate in the marketing. The consultant had carried out a marketing diagnostic study for APEL and submitted his report about a month ago.

The disappointing financial results for the year had dampened the mood of the meeting inspite of steller sales performance of 48 per cent over the previous year(incl. 18 per cent over its own targets set for the year) by its sales team. The marketing profitability and cost analysis unmarked many holes in APEL's sales & marketing operations. While *Northern* region registered a satisfactory growth in both sales and per salesman productivity, *Eastern* region sales (at 12 per cent of all India sales) were not only lower from 16 per cent but also accounted for the highest amount of Rs 1.10 crore outstandings, of which 86 lakhs were pending for over a year. This region also earned the dubious distinction of the lowest productivity per sales person in the company. The sales growth in *Southern* region was marginally lower than the all India growth registered by APEL, with an average level of sales productivity per person, but it had incurred an over 50% increase in its sales & marketing expenses, and had made 34% increase in outstandings beyond 60 days. *Western* region recorded the highest growth in sales but carried the highest amount of outstandings beyond 120 days, followed by between 90-120 days. There; A as a rise in outstandings in *the Northern* region too, but over 75 per cent of its outstandings were lower than 60 days in duration..

MCB sales had risen satisfactorily and now constituted 62% (up from 48 per cent) of APEL's total sales. The increase was, however, not accompanied by sales of Distribution Boards. Highly depressing performance was put up by ELCBs, Cubicles, and MCCBs. Major shortfalls of these products were noticed in the Southern region .

Geographical analysis revealed that APEL improved its penetration in the cities of Delhi, Chandigarh, Jalandhar, Indore, Mumbai, Ahmedabad, Goa, Hyderabad, Chennai , Bangalore and Trivendram. APEL's sales were much lower in non-metros in general and had suffered a major loss in market share in Coimbatore, Vizag, Belgaurn, Pune Lucknow, Mirzapur, Patna, Surat, Vadodara, Kohlapur, Ranchi, Cochin, Anantpur and Vijayawada.

In the discussion on the performance results, Mr. V Balachandran, the product manager, pointed out to the inadequate attention given to non-MCB products by the sales team as the reason for their poor sales. GM (Sales & Marketing) prefaced his comment by pointing out towards rising growth potential of MCBs, and suggested the creation of a separate cadre of sales officers and sales executives exclusively for selling of MCBs and distribution boards to the household segment. He advocated that MCB sales now deserves FMCG orientation and hence deployment of extensive retailing, merchandising, door-to-door selling and direct-marketing techniques, and given the strong pull of the APEL's brand name, the MCB sales could triple from its present level in the next two years. Intensifying competition, growing number of quality complaints esp. in

ELCBs and MCCBs and persisting complaints of "dolly-free" and "non-continuity of circuits" in APEL's MCBs and consequently the need of sales engineers/ officers to spend more time with dealers, customers, and electrical contractors etc, was the sole cause of decline in salesmen productivity, in the opinion of Southern Regional Manager. IUM (west) observed that APEL's dream to surpass all previous sales growth records left them with no option but to offer more liberal incentives as well as credit terms to dealers. Inadequacy of T.A., and D.A. rates offered by APEL to meet the travel, boarding and lodging expenses might be a factor for neglect of non-metros coverage by field force observed another regional manager.

ED intervened and urged all to think positive. The fact that APEL is growing at a higher than the industry rate confirms customers and dealers confidence in its products. He suggested the need for the marketing consultant's assistance in developing a plan for increasing marketing productivity and profitability of APEL. He asked the Consultant to look *inter alia* into whether APEL should consider restructuring of its sales territories on the lines of geographical contiguity (as a crow flies), away from political state boundary as of now. Also, given APEL's high brand equity of its MCBs accompanied by the highest market share, should it consider cutting down hefty margins offered to dealers in favour of both lowering the retail price of its MCBs as also increasing its spend on media advertising and sales promotion & retail merchandising campaigns.

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## 5.4 THE COMPANY

Two friends, G Ramesh, an electrical engineer, and P Muthuswamy, a commerce graduate with a flair for selling and marketing, joined hands to start Asia Pacific Electricals which was set up on 11 February 1958. They aimed at developing and marketing import substitutes as well as innovative LT switchgear products. They commenced their operations with the production of rewirable switches (switches and fuses) from a rented shed in the T.Nagar SSI complex of Chennai. Good quality of their products as well as focus of GOI to build India as a modern industrial state, provided APEL with an encouraging response. It resulted in capacity expansion, enlargement of product-mix, the setting up of sales offices/arrangements all over India, and later an entry into foreign markets.

From a partnership firm, it became a private limited company in 1963. A year later, it set up its first own factory in Chennai. It went public as Asia Pacific Electricals Ltd. in 1975. From a modest turnover of Rs 30,000 in 1958, it grew up to Rs. one crore in 1971, Rs 10 crore in 1975, Rs 25 crore in 1985, and Rs 85A crore in 1997-98, and aimed at climbing to Rs. 110 crore by 1999 - 2000.

Launch of a Miniature Circuit Breaker (MCB) with a German collaborator was a turning point in the evolution of APEL. As much as, today, it is the largest manufacturer of MCBs in India and offers the widest range incorporating many innovations in designing, breaking capacity, mounting and installation ease, besides championing the cause of safety for everyone and every electrical product. Crossing the one crore mark of the MCBs made by it in 1987, its brand enjoys a premium at the marketplace beside being supplied as OE to various electrical consumer durable manufacturers and even to two MNCs who sell it under their own brand names.

APEL, today, has five factories, four of which have state-of-the art machinery and assembly lines and also ISO 9001 certification. The factories are based in Tamil Nadu (two); Karnataka (two), and Andhra Pradesh (One). These factories produce a very wide range of sophisticated products which include MCBs, MCCBs, ELCBs, Cubicles, Fuselinks, Motor Starters, Distribution Boards (Powder Coated / Insulated), rewirable Push Button Starters, and Ballasts, besides electrical switches, fittings and accessories.

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## 5.5 EXCELLENCE THROUGH COLLABORATIONS

Committed to safety and growth through innovation, its founders believed in joining hands with the best players of the world to provide the Indian Consumers higher value than money through its superior quality products and services. It enjoys very successful and cordial relations with the seven globally known names in LT switchgear industry (one collaboration almost three decade old) who are based in Germany, Japan, China, and Netherlands, In addition, its two R&D centres facilitate in faster technology absorption, adapting products to Indian needs, and bringing in new products.

APEL, winner of numerous export awards, regularly participates in all the major international trade fairs. Exports constitute nearly ten percent of its total turnover and reach its regular customers in Australia, Baharin,. Iran, Indonesia, Jordan, Kuwait, Malaysia, Spain, Sudan, and Singapore year after year.

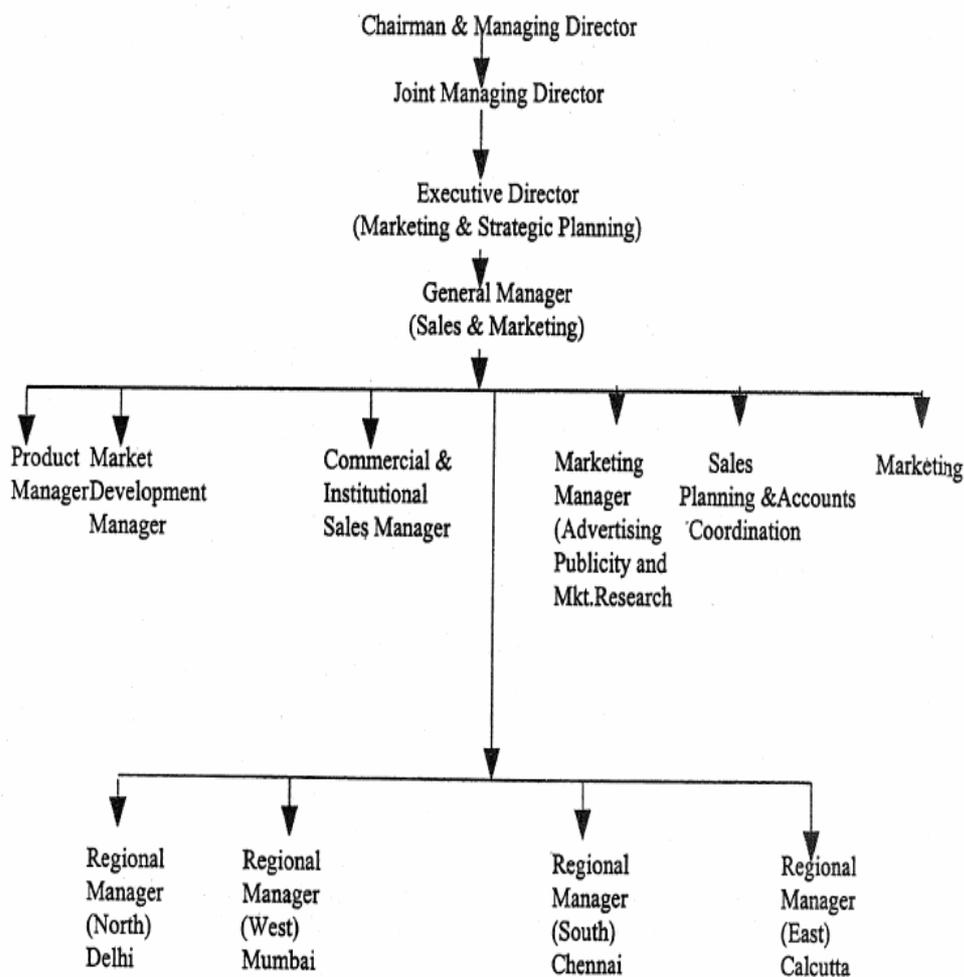
## 5.6 MARKETING AND SALES

Winning customers through obtaining product certifications, approvals, recommendations, seminars, customer and electricians education, brand pull and trade push have been, an integral part of APELs marketing approach from its inception.

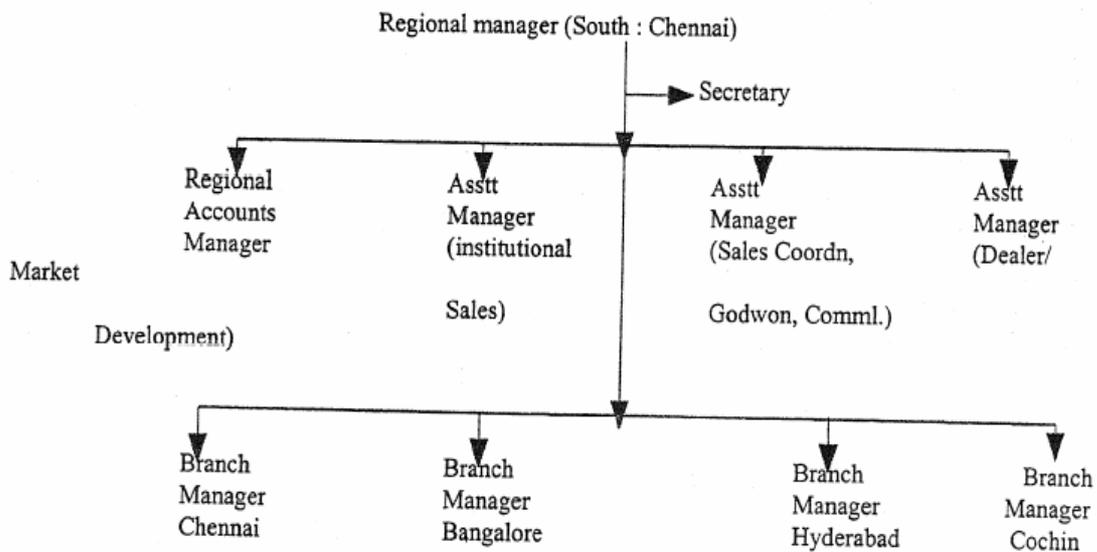
Given the nature of its products as well as the vast distribution and customer service requirements of the Indian market, APEL depends primarily on its own all India team of sales and marketing personnel for demand generation, alongwith a well established network of dealers, sub-dealers and retailers for order servicing. (See Annexure I for APELs Marketing & Sales Organisation at the Corporate Office, Regional level and Branch level are given in figure 1 to 3..

Figure 1

### APEL: Marketing & Sales Organization at Corporate Office



**Figure 2**  
**APEL : SALES ORGANIZATION AT REGIONAL LEVEL**



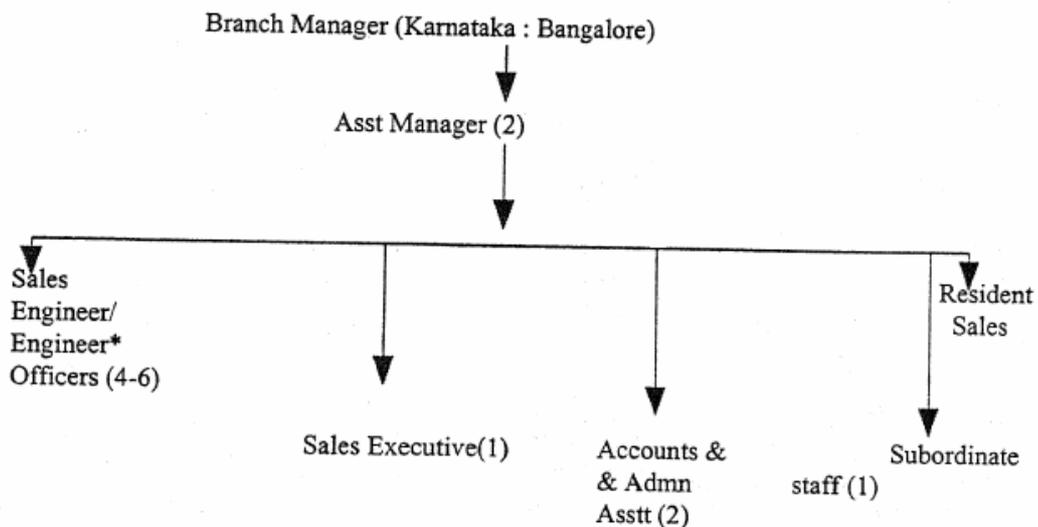
Similar sales organization structures were in existence at the other three regional offices with branch offices at

**North :** Delhi, Chandigarh, Bhopal, and Lucknow;

**West :** Mumbai, Ahmedabad, and Goa; and

**East:** Calcutta, Patna, and Bhubneshwar

**Figure 3**  
**APEL : Sales Organization at the branch level**



- APEL has Resident Sales, Executives, based at Coimbatore, Trichy, Vizag, Belgaum, Pune, Surat, Gawahati, Jalandhar, Jammu and Meerut

## 5.7 MARKETING EXCELLENCE THROUGH STAFF MOTIVATION AND DEVELOPMENT

APEL employs the largest sales & Marketing team in the LT switchgear industry in India. It believes that only a well educated and trained manpower can truly serve the customers in a professional manner. Organization of in-company training programmes for its sales personnel (two times a year), regional and an all India sales conference, dealer training programmes, dealer meets every year at regional level and once in two years at All India level, participation in national/international seminars by its senior managers, and incentives, prizes and awards based on performance as well as unique attainments, are the regular part of its annual sales activities.

## 5.8 CUSTOMER MIX

APEL's products find usage with households, factories, railways, electricity boards, and the like. Given the diverse buying needs and the purchase frequency of its targeted customers, it uses the following distribution and sales arrangements:

CUSTOMER GROUP	PERCENT OF TOTAL SALES	PRIMARY RESPONSIBILITY	SUPPLY SOURCE
Government Depts: PWD, MES, P&T, DGS & D, Railways, Electricity Boards, etc	30%	Company Sales Team	Tender Sales by APEL, and by Dealers
Project sales : thro NTPC, EIL, BHEL, NIDC, etc	20%	Company Sales Team	Tender Sales by APEL, and by Dealers
Industry & Builders	30%	Company Sales Team	OEMs sales by APEL, rest by Dealers
Households	20%	Dealers and Company sales promoters	Dealers/Retailers

## 5.8 DEALER NETWORK

APEL's dealers account for nearly 75 per cent of its total annual domestic sales. Its All India Dealer network comprises of 46 dealers, 85 sub-dealers, and 24 authorised retailers, spread all over the country. In addition, a large and growing number of electrical goods retailers, carry and sell its products - mainly MCBs, and distribution boards. Its regular and top performing dealers are invited to join the prestigious APEL Chairman club, and APEL Executive Director club, where they are entitled to quite a few profit-enhancing commercial privileges. All dealers get the support of company sales engineers/officers and managers in pushing sales, ensuring supplies, motivating local electrician, and responding to customer complaints, queries and suggestions. Attractive packaging of APEL products provides the necessary pick me up appeal on the retailers/dealers besides shelves the name boards, posters, glow signs, etc.

The commercial package for the dealer includes competitive margins, turnover discount, cash discount, and a few need-based special discounts, besides total replacement of any of its defective products. Dealers also get additional commission for giving leads / following up on government/project sales. The commercial terms are made more attractive for members of The Chairman Club and Executive Director Club.

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## 5.10 SALES OPERATIONS AND MANAGEMENT

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Sales Engineer/officer is the key link of the company with its customers and dealers. The job responsibility of a sales engineer/officer includes attaining their own targets as well as their dealer's sales targets by calling on consultants, electrical contractors, panel fabricators, architects, and builders. He also coordinates supplies with dealers, displays and merchandising at retail points besides assisting in door-to-door campaigns and market development activities. He is also required to *join in* the conduct of implant seminars, electrician meets & training programmes, and trade fair/exhibition activities. Regular Reporting of market feedback and competitive intelligence forms yet another part of his job responsibility.

Its current sales team of 46 persons comprises of : 16 sales Engineers, 8 Sales officers, 4 Sales Executives, 10 Resident Sales Engineers who work alongwith 6 Assistant Managers from its 4 regional offices. Administrative convenience of Indian administering States constituted the territory for its sales force under each region. Each sales engineer/officer looked after the business in his one State. This has been the way APEL's sales have grown all along and also more or less provided equal sales opportunity and assured of equal workload to each sales engineer/officer, in the opinion of Executive Director (Marketing & Sales) strategic planning. However, when the wide disparity between the sales attained in Delhi, Maharashtra, Karnataka, Madhya Pradesh Gujrat and Rajasthan were brought to the notice of ED by GM (sales & Marketing), he attributed it largely to the failure of regional managers in not being able to motivate and control their sales team and their territorial performance than due to varying potential or geographical size of the territories. Regional Managers partially attributed the dissimilar state-wise sales performance to the stronger competitive position of the two MCBs players esp. in the Southern States; territorial poaching dealers of lower tax rate States, greater usage of unethical practices by competitors, and also the recent slowdown in new project activity in Western and Southern States.

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## 5.11 DISCUSSIONS QUESTIONS

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1. How important is the right structuring of sales territory for attaining the best sales performance? Why? Should sales engineers/officers/executives be consulted before any revision in sales territories is made?.
2. Examine the relative merit/demerits of deploying sales engineers on State-wise territories versus territories carved out on consideration of :
  - i) geographical contiguity of towns in adjoining states, and
  - ii) on equal demand potential basis.
3. How will you convince dealers for a "cut in dealer margins" on the sales of MCBs. What would you suggest the management of APEL to do to protect current level of dealer profitability on MCBs despite a proposed cut in dealer margins?
4. Looking at the product range of APEL, do you think it should deploy product specialist sales force i.e., separate field force for MCBs and separate for Non-MCBs, while all its products are stocked by the same dealers as well as through the common electrical shops. Why or Why not?