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## CASE 3 NATIONAL ELECTRICAL ENGINEERS LIMITED: SALES CONTEST FOR SALES STAFF MOTIVATION

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### Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 The Company's Profile
- 3.3 Competition
- 3.4 The Customer and Price
- 3.5 Promotion
- 3.6 Field Sales Force
- 3.7 Company's Performance
- 3.8 The Proposal
- 3.9 Discussion Questions

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### 3.0 OBJECTIVES

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The objectives of this case are as follows:

- What is a sales contest and how is it different from a compensation plan?
- What are the sales objectives in a sales contest?
- How do sales-contest fulfill individual needs for achievement, recognition and esteem?
- What is a role of contest in developing team spirit, morale and belongingness?
- What are the issues in sales contests that need managerial attention? What could be the formats, themes and prizes in a contest?
- What should be the duration of a contest and how should it be promoted to the participants?
- What are the short and long-run effects of contest on sales and morale of the sales force?
- What are the standard objectives to a sales contest? How valid are these objections.

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### 3.1 INTRODUCTION

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Mr Ramesh Chauhan General Manager of National Electrical Engineers Limited (NEEL) Jaipur recommended a sales-contest to improve declining sales performance. This was his response to first-quarter results that saw sales fall substantially below quota. Mr Chauhan believed that a sales contest would, among other things, provide the incentive to get sales up to or beyond territorial quotas.

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### 3.2 THE COMPANY

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NEEL was a distribution company operating within the State of Rajasthan since 1954. It distributes a complete line of electrical motors, water pumps, electrical hardware, switchgear, cables, parts and accessories. NEEL represent as an authorized reseller for well known brands in the market.

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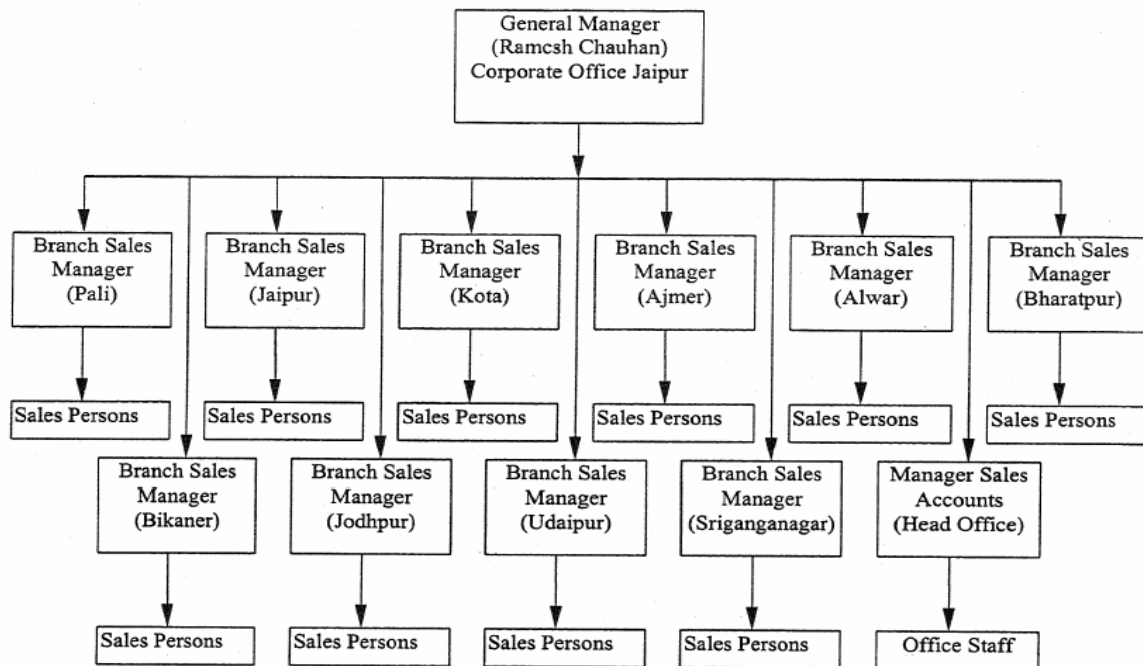
*This case has been prepared by Dr. Mukul P Gupta, Professor of Marketing at International Management Institute, New Delhi. Cases are prepared to serve as a basis for classroom discussions rather than illustrating correct or incorrect handling of an administrative situation, The identity of the company and its officials has been disguised at the request of the company. No useful purpose will be served in trying to unmask the real identity of the company.*

The company operated with ten branch outlets located at Jaipur, Ajmer, Jodhpur, Bikaner, Udaipur, Aiwara, Sriganganagar, Bharatpur, Kota and Pali. The corporate head office of the company is located at Jaipur.

NEEL had adopted a geographical organizational setup where in each branch had a geographical area market for its operations. The sales department of NEEL is shown in Exhibit - 1.

Neel has long been recognized as a progressive distribution channel partner by all reputed manufacturers of electrical goods. It is treated as the quickest and most efficient way to enter the markets in Rajasthan.

NEEL has built a reputation of being a professional distributor. Every year it is approached by many new entrants to the electrical goods' markets to represent their products in Rajasthan.



*Exhibit-1: Sales Department of National Electrical Engineering Limited*

### 3.3 COMPETITION

There are no other distributors comparable to NEEL in Rajasthan excepting the leading manufacturers, like Kirloskars, Batliboi, Jyoti, etc. who have their own distribution setups. Even these setups do not have the penetration as that of NEEL and are forced to use NEEL as one of their distributors to reach deep into the markets.

### 3.4 THE CUSTOMER AND PRICING

From an ordinary household to large industries - that is the profile of customers for NEEL. Due to a variety in product-lines, fanners, small electrical mechanics, service and maintenance contractors, all are customers of NEEL.

NEEL is trusted for genuine goods in a market that is saddled with fakes and counterfeits.

NEEL abides by the price-lists and pricing policies of the principals it represents. There are no allegations of any overpricing by NEEL in the market.

The customers however find the goods purchased from NEEL as more expensive than what are available in the market. This happens because NEEL space resort to price-cutting or selling superiors or substandard products, a trend widely prevalent in the market.

Customers seem to know this. They seem to reconcile to the idea of firm and "higher than market" prices of NEEL for its reliability and service.

### 3.5 PROMOTION

NEEL space advertise in the mass media. Its name was mentioned as a point of supply in the advertisements inserted by the principals that NEEL was representing. NEEL was mentioned in wall-writings, hoardings and press-advertisements. This was the usual media-mix adopted by the principals.

### 3.6 FIELD SALES FORCE

Neel employed sixty field-sales personnel at the end of year 1996 - 97. These included ten branch managers, each heading a branch of NEEL.

Depending on the sales potential and territory assigned to a branch. Sales personnel were allocated to a branch. The number of such personnel varied from two for a small branch like Bikaner or Bharatpur to ten persons for a large branch like Jaipur.

The sales force's compensation plan consisted of a base salary and bonus. The bonus was based upon the territorial quota, which was set by the general manager, in consultation with the branch sales manager.

Exhibit - 2 gives the sales budgets followed by NEEL. NEEL receives a gross operating margin of about 18% on its turnover. It expects to make about 10% of its turnover as net profits.

#### Exhibit - 2 Sales Expenses Budgets

	1995-96		1996-97		1997-98
	Budget	Actual	Budget	Actual	Budget
<i>Sales</i>	550.00	542.00	650.00	648.00	735.00
<i>Sales Compensation</i>	16.50	17.40	19.50	19.10	22.00
<i>Sales Bonuses</i>	5.50	4.90	6.50	6.15'	7.00
<i>Fringe Benefits</i>	2.75	2.63	3.25	3.15	3.50
<i>Travel Expenses</i>	8.25	8.42	9.75	10.10	10.50
<i>Sales Administration</i>	11.00	11.15	13.00	14.00	14.00
<i>Total Selling Expenses</i>	44.00	44.50	52.00	52.50	57.00
<i>Net Profits</i>	55.00	3.06	65.00	64.14	75.50

### 3.7 COMPANY'S PERFORMANCE

A look at Exhibit - 2 indicates that NEEL has been able to achieve its sales targets and kept the sales expenses within budgets to a fairly large extent. This has happened in spite of an increase in the sales targets by about 15 percent.

The first quarter (April - June) sales have usually been on the lower side when compared to the annual sales. The company has budgeted an increase an sales of 13%o during 1997-98, its previous, year. Exhibit - 3 shows the branch performance during the first quarter of 1996-97 as well as 1997-98. The overall growth in

April - June 1997 over the same period in the previous year has been only 9% and this shortfall is the cause of worry for Mr Ramesh Chauhan.

### Exhibit - 3 Branch Performance at NEEL

Branch (Year Established)	Branch Sales (Rs. Lacs)		
	April a June 1996	April 1996 - March 1997	April - June 1997
Jaipur (1954)	32.65	182.00	35.35
Ajmer (1960)	113.35	61.40	13.00
Jodhpur (1958)	20.15	96.50	20.48
Bikaner (1968)	2.40	11.20	1.84
Udaipur (1961)	6.00	31.40	8.16
Sriganganager (1969)	6.13	28.65	6.58
Alwar (1972)	15.52	83.20	16.48
Bhatatpur (1978)	1.85	10.75	2.24
Kota (1963)	17.55	113.50	21.82
Pali (1993)	5.90	29.49	6.05
Total	121.50	648.00	132.00

## 3.8 THE PROPOSAL

Mr Chauhan proposed a sales contest which would, in his opinion, motivate sales personnel to achieve their quotas

The details of the contest were as under:

- (A) The duration of the contest would be a quarter, that is, 13 weeks, beginning October 1997.
- (B) There would be monthly sales volume quota for each salesperson determined by the general manager and respective branch manager.
- (C) Each of the ten branches would also have a branch sales volume quota for the quarter.
- (D) A cash bonus of Rs. 1000 each month would go to the salesperson exceeding his quota by the greatest percentage. Mr. Chauhan wanted to use total sales volume instead of percentage but settled for the percentage eventually.
- (E) Each sales person who achieves the quarter-quota would get a bonus of Rs. 2000.
- (F) A cash bonus of Rs. 3000 would be paid to the sales person exceeding his/her quarterly sales quota by the greatest percentage. Bonus of Rs. 2000, Rs. 1000 and Rs. 500 would go to sales persons in second, third and fourth places respectively.
- (G) In the competition amongst branches, the branch exceeding its quota by greatest percentage would receive Rs. 6000 as prize that would be shared equally among the salespersons associated with that branch. Second, third and fourth places in the inter-branch competition would receive Rs. 4000, Rs. 2000 and Rs. 1000 respectively.
- (H) All salespersons, who achieve their quotas and those who are to receive bonuses at the end of the quarter, would be invited for a grand award function at Hotel Rajputana Sheraton, Jaipur, a leading 5-star hotel. The awards would be handed out by Mr Naresh, the Executive Director of NEEL.

When Mr Chauhan formally proposed his plan for a sales contest, many objections were raised. All these objections are related to usual objections in sales contests like, disappointment and frustrat

salespersons who would not win, disruption in normal pace of work, over aggressiveness amongst some people, the, likely fall in sales during the quarter succeeding the contest-quarter and so on.

Mr Chauhan felt that a contest would correct the poor sales performance, raise and kindle a competitive spirit amongst the sales force, give them an opportunity to get their achievements recognized, and raise the morale of the entire sales force.

In spite of a disagreement, Mr Chauhan scheduled a meeting of his staff and branch managers to discuss the feasibility/viability of conducting a sales contest.

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### **3.9 DISCUSSION QUESTIONS**

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1. Should National Electrical Engineers Ltd. go ahead with a sales contest to motivate its sales personnel to better sales performance? Why or Why not?
2. What is the purpose of organising a contest amongst branches? Should individual performance based contests be run concurrently with group-performance based contests? Why or why not?
3. Could you suggest some other proposal to motivate sales personnel to achieve their sales quotas? Clive your reasons with details of the proposal, as to how would it be better than the sales contest?