

"Tell your salespeople that their incentive is that if they succeed, they get to keep their jobs!" With that, the meeting quickly came to a conclusion.

### Questions

1. Is it reasonable to charge FVPS's salesforce with simultaneously building and holding market share?
2. What are the pros and cons of Marcie Gaines' five-point plan?
3. Since the meeting with the regional managers ended on a sour note, what should Gaines do now? What should the regional managers do?



### Role Play

**Situation:** Read Case 3.1.

**Characters:** Marcie Gaines, Vice President of Sales; five regional managers.

**Scene:** *Location*—Conference room at Family Video Headquarters. *Action*—Role-play meeting among Marcie Gaines and the five regional managers to discuss the five-point plan and to decide on a strategy to increase sales at independent stores.

## CASE 3.2: GLOBAL POSITIONING PRODUCTS

### Background

Global Positioning Products (GPP) is a Kansas City-based manufacturer of GPS systems. In recent years, these devices have exploded in popularity as prices dropped to affordable levels. This is due to advancing technology and low-cost production outside the United States. Although GPP continues to manufacture a few of its own products, most production is outsourced to manufacturers in South Korea.

A key element in the GPP success story is the growth of dominant retail chains and club wholesalers such as Wal-Mart, Target, Best Buy, Sam's Club, and Costco. GPP uses major account teams to serve these and other large discounters, which accounts for 75 percent of GPP's annual sales. The remaining 25 percent comes from smaller retail accounts that buy either from GPP's manufacture representative or directly from GPP's Web site.

### Current Situation

Andy Chulrane, GPP's national sales manager, is working on two major issues. First, he is fighting to keep GPP's direct cost of sales at 5 percent of total

sales. The 5 percent target has been part of GPP's sales culture for more than 30 years, reflecting the belief that a low-cost operation translates into a more competitive position in the marketplace. Over the past few years, Andy's sales organization has reduced cost in various ways.

E-mail and texting, instead of long-distance phone calls, staying in budget motels, cutting overnight travel to a minimum were just a few of the measures taken to stay within the 5 percent guideline. In spite of Andy's diligent efforts, cost of sales was running at 7 percent for the major account team. Commissions remained fixed for several years at 4.5 percent.

The second issue currently demanding Andy's attention ironically stemmed from a GPP cost-cutting measure that was implemented one year ago. In an attempt to reduce manufacturer's representative costs, GPP has established a Web site as an alternative channel for smaller retailer customers. The reps have protested vehemently, but GPP insisted that selling on the Internet was an essential part of their selling strategy. Not all of GPP's products were available on the Web, a fact that did little to make happy the disgruntled representatives. Cost of sales of the Web site was a modest 2 percent of sales. Sales volume on the Web amounted to 3 percent of GPP's total sales during the past year, but current projections were for volume to increase to 5 percent of total sales this year and perhaps as much as 10 percent the following year. Some of the stronger reps were threatening to leave GPP in favor of the major competitor, which offered its reps a partial commission on all Web sales.

As Andy thought about the situation, he began to wonder if he could hit the 5 percent cost of sales target this year. Ninety percent of the cost of his major account teams was compensation-related salaries and incentive pay. Good salespeople were hard to find, and Andy had found that GPP had to pay the going rate or else GPP's top performers would look for new opportunities. Andy still regretted the recent loss of Barb Sherman, a major account manager, to a competitor who offered a better pay percentage. Sales volume at Sherman's former account had dropped 15 percent after her departure.

Andy didn't like to think about changing his major account strategy, but he wondered if he could move some of his large retail chain accounts to the manufacturers' rep organization. After all, representative commissions ran only 4.5 percent, and essentially there were no other direct sales costs associated with the reps. As he headed home after a long day at the office, Andy thought that the next morning he would try to build a case with the CEO of GPP to revise the 5 percent cost-of-sales target to reflect reality. If the answer is no, Andy thought he just might explore the idea of consolidating his

major account teams and handing one selected large retail account to some of the more capable representative firms. He hated the idea of laying people off, but he told himself it may be necessary in this case.

### Questions

1. Should Andy request a revision of the 5 percent cost-of-sales target? If so, what sort of information would he need to convince his CEO?
2. What factors should Andy consider as he contemplates a change in major account sales strategy, especially a change that assigns independent reps to some major accounts?
3. How would you assess GPP's alternative sales channel on the Web? Can you recommend any changes to minimize conflict with the independent reps?

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### Role Play



ROLE PLAY

**Situation:** Read Case 3.2.

**Characters:** Andy Chulrane, GPP's National Sales Manager; CEO of GPP; President of Manufacturers' rep agency.

**Scene 1:** *Location*—Office of GPP CEO.  
*Action*—Role-play meeting between Andy Chulrane and GPP CEO to discuss 5 percent cost-of-sales target and to arrive at a decision.

**Scene 2:** *Location*—Andy Chulrane's office.  
*Action*—Role-play meeting between Andy Chulrane and president of manufacturers' rep agency concerning the practice of selling over the Internet by GPP to arrive at a decision.

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