

# FMCG SALES MANAGEMENT CRASH COURSE

By Abdul Gafoor

*STOCKIST  
APPOINTMENT*

*FMCG Crash Course by Abdul Gaffoor*

**STOCKIST /DISTRIBUTOR**

Different companies use different names. But the role and functions of distributor is same.

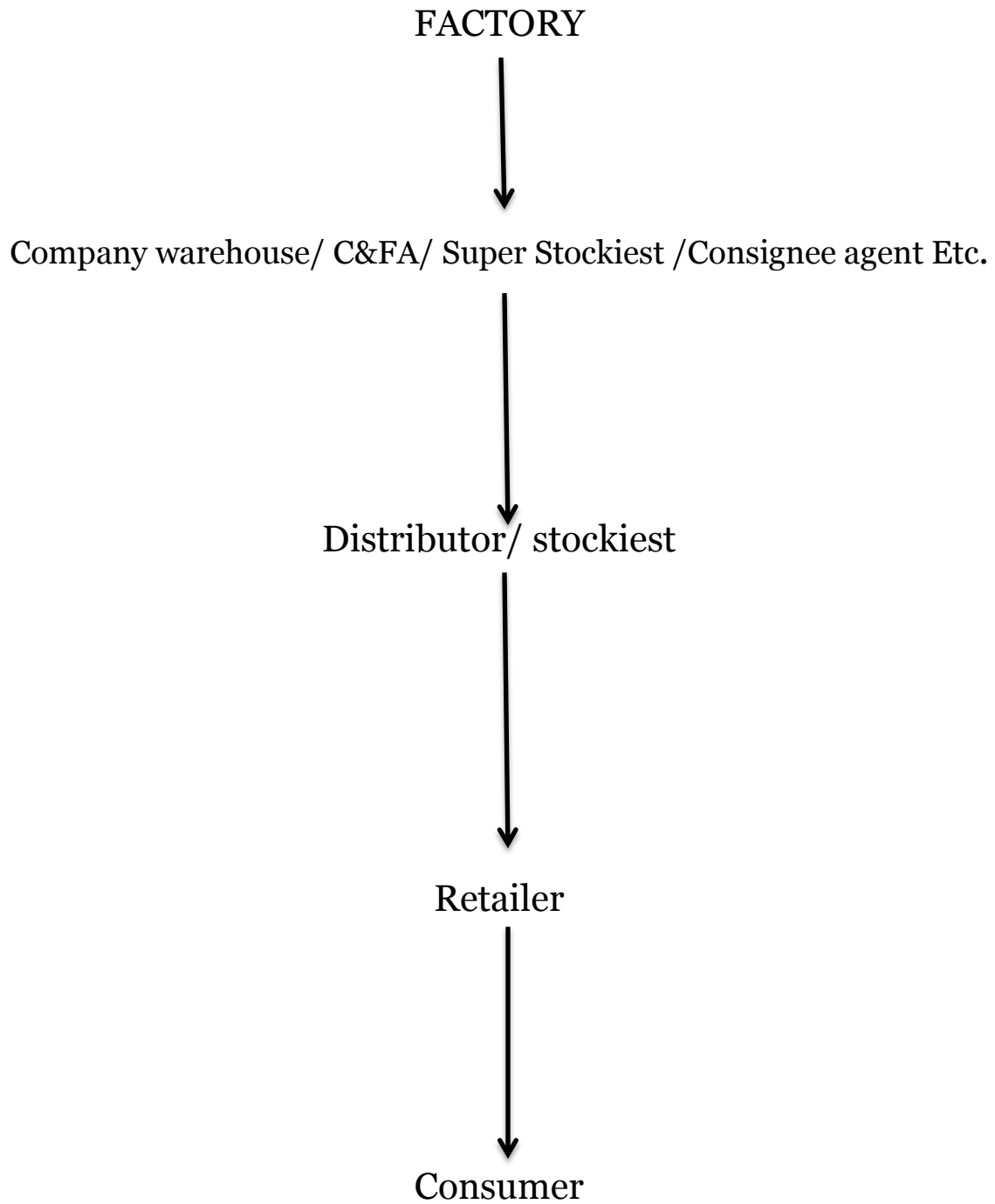
## **DIFFERENT NAMES**

- Distributor.
- Stockiest.
- Dealer.
- Authorized Dealer.
- Re-Distributor.
- Re-Distribution Stockiest.
- Distribution Agent.
- Retail Distributor.
- Retail Stockiest.
- Distribution Stockiest.
- Distribution point.
- Authorized agent

## **DEFINITION**

*“DISTRIBUTOR IS A PERSON OR GROUP OF PERSONS WHO AGREES TO HOLD CERTAIN MINIMUM STOCKS, PROVIDE SERVICES AS PER COMPANY DEMANDS AND IN RETURN EXPECT REASONABLE “RETURN ON INVESTMENT”*”

Distributor is vital link in channels of distribution.



Managing distributor business is no easy, but it can be made easier if makes sure that a right distributor selected in the right place.

If a right distributor selected for the right business, for the right time and in the right place, think that 50% of the target achieved.

Distributor plays very important role in achieving the targets, primary as well as secondary. At the same time he always thinks about his profits also.

It is primary duty and responsibility of a Branch Manager to show profits to a distributor for the smooth running of business in his area.

### Who is a distributor?

- Distributor is company's ambassador in their respective places.
- Distributor is vital link in channels of distributor.
- Distributor forms the service center between the company and the trade.
- The main channel which delivers the goods at the pharmacies doorstep.
- Main channel which breaks the bulk and sells in convenient quantities.

### Need for a distributor

- The manufacturer finds it inconvenient to sell in small quantities. The manufacturer is not prepared to give credit to Pharmacies. It is impossible to follow-up also.
- It is distributor who makes it possible. Distributor offers to the pharmacies a large variety Brands and lines.
- The pharmacies need not invest more money and need not have more go down space, because the distributor is going to pharmacies doorstep and giving the stocks as per the retailer requirement.
- If retailer comes to the distributor point to buy, he buys only small range of medicines.. If the distributor goes to the doorstep of retailer, the distributor can sell full range of medicines.

- By appointing a distributor, the manufacturer will not face small quantities supply problem. Stocks straight from factory will come to first distribution channel i.e., either own warehouse or C&FA or super stockiest, or consignee agent or agent then from the first channel stocks reaches to distributor point, then the distributor breaks the bulk and sell to the Pharmacies in required quantities.
- Distributor extends credit to Pharmacies. In this case the distributor can put pressure to buy slow moving packs also.

## Distributor appointment.

- Population growth leading to mobility of people from one place to another. This resulted in developing new towns, villages, places, localities and new markets and outlets.
- Increased awareness through T.V. Cinema, audio, video and print media created the use of new products. This results a boom in the growth of Pharmacies requiring more services.
- Due to investment, infrastructure, time and other constraints Pharmacies are missed out.
- Increase in rural coverage, compete with competitor distributor and special projects.
- The above points created a space for new distributors in the market.

### CRITERIA FOR SELECTING DISTRIBUTOR

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Formula –

**I = INVESTMENT**

**I = INFRASTRUCTURE**

**I = INVOLVEMENT**

**I = INFLUENCE**

**I = INVESTMENT**

Investment is the main one to start any business.

Then what is the ideal investment?

- Ability to invest up to 10% of turnover in working capital for 6% gross margin and 3% net margin.
- Own to borrowed healthy ratio 60:40.
- Private borrowings to be discouraged.
- Separate bank account.
- Ability to bring more investment in peak time like new product launches, big trade schemes and consumer offers Etc.
- Exclusive usage of investment for a particular business.

Investment includes:

#### Stocks-

Large part of the investment will be in the form of "STOCKS" in the warehouse. The adoption of maximum and minimum stock levels, re-order levels will be useful in reducing the over investment in stocks. This stock includes damage stock, stock returned from market Etc. Any form of paid stocks.

#### Debtors-

Sales in the form of debtors. Stockiest invested in the form of debtors. Failure of debtors to pay in reasonable time can make a need for increased investment. Close checks should be maintained on bad and doubtful debts.

#### Cash-

Unnecessarily large balance of cash should not be encouraged. Balance cash is completely unproductive. To make a perfect use of cash balance, should invest in fast moving goods for more rotations

Investment plan includes not only the investment to start the business but also for company's future plans also. Sometimes distributor has to bring extra amount for new product launch or to operate trade schemes.

Distributor investment includes

- Warehouse.
- Office.
- Furniture.
- Racks.
- Shelves.
- Units.
- Office Automation.
- Stocks.
- Market Credit.
- Pending claims.
- Deposit with the company.



- Damage stocks.
- Advance draft sent for stocks.
- Advances to employee.

## SOURCES OF INVESTMENT

- Own Funds.
- Bank overdraft.
- Bank loans on fixed assets.
- Outside borrowing
- Partnership own funds.
- Retained profits.

## PROBLEMS IN WORKING CAPITAL MANAGEMENT

- Controlling of level of cash.
- Controlling of outflow of cash.
- Controlling of inflow of cash.
- Optimal investment of surplus cash.
- Balance maintenance between stocks & market credit.
- Rotations.

## DETERMINANTS OF WORKING CAPITAL FOR A STOCKIST

- Nature of Business.
- Size of Business.
- Fluctuations in Business.
- Rotations.
- Turnover.
- Minimum Stock norms.
- Average market credit.
- Terms of invoicing.
- Discounts.
- Growth rate.
- Profit Margin.
- Payment terms.

The word investment refers to the expenditure which is required to be made in connection with the acquisition and development of business.

### Fixed Investment

- Land & Building
- Machinery
- Units, Vans, Autos, Car,
- Tricycles, Rickshaws.
- Tables, Chairs, Racks.

### Working Investment.

- Stocks
- Market Credit
- Deposits
- Damage Stocks
- Due from company
- Cash in hand
- Cash in Bank
- Bank drafts.

### INVESTMENT CALCULATION

A. Average warehouse stock -	xxxx
B. Average Market Credit -	xxxx
C. Advance with company -	xxxx
D. Due from company	xxx
E. Prepaid stock pending -	xxx
F. warehouse & office advance-	xxx
G. Units, Auto, Van etc. -	xxx
H. Computer, Type machine etc.-	xxx
I. Furniture & racks -	xxx
J. Miscellaneous	xxx

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GROSS INVESTMENT	xxxxxx
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MINUS →

K. Due to company	xxx
L. Unpaid stocks	xxx
M. Other pending payments to co	xxx

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Total	XXXX
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NET INVESTMENT	xxxx
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## I = INFRASTRUCTURE

This is second requirement to start a business. Infrastructure is in other words is the facilities created for smooth running of a business.

### THE INFRASTRUCTURE INCLUDES

- 1 Warehouse Space
- 2 Office Space
- 3 Furniture
  - Tables
  - Chairs
  - Files and Racks
  - Computers, printer
  - Shelves
- 4 Mechanized Units
  - Autos
  - Vans
- 5 Non Mechanized Units
  - Rickshaws
  - Tricycles

	Cycles
6 Personnel	Sales Reps Delivery boys Supervisors Accountants Managers
7 Office equipment	Phone Fax Computer Printers

## **I = INVOLVEMENT**

The Owner involvement in the distributor business is very important. Because the investment invested in the business and the infrastructure has to be maintained properly. The right use of investment and infra-structure will give fruitful results. The distributor should know the stock levels in the warehouse, order booked with the company, C&FA, damage stocks in the warehouse etc. He should know the market credit, good payers and bad pay masters etc. The distributor should know the claims to be raised, claims already raised to be submitted, already submitted but not cleared etc. The distributor should know the proper usage of infrastructure also. The distributor "involvement" is must to perform above activities.

## **I = INFLUENCE**

In distributor business with the involvement influence also plays a very important role. To get more profits, business has to grow this growth leads to increase in turnover in return growth in profits to company and distributor. The distributor has to have the influence in the market as well as in the town to collect the pending bills, to stop the infiltration from other towns, to put more pressure to sell more stocks in wholesale and retail, to bargain shelf space in the

retailer point, to get more bank over-draft, to get competitor's activities information, to borrow the money in peak times etc.

#### SOURCES OF FINDING A DISTRIBUTOR.

- From the present distributor, if he is leaving the business on his own.
- Unsolicited applications, if any.
- From other company distributor.
- From other company people.
- From the Pharmacies.
- Spread the news in the market.
- Spread the news in the surrounding towns also.
- Through advertising in local newspapers.
- Contact distributor placement agencies.
- Previous company contact.
- From medical representatives & delegates.
- From other company delegates.
- From clients.

#### • SHORTLISTING THE APPLICATIONS

- From the applications received make a short list of the parties who are matching the criteria laid down for selection.
- Second step is to go and meet the parties to understand them and make them to understand the company and company requirements for a distributor.
- Collect the information in a company's prescribed form. A model of distributor information is given here. This is a model to given an idea and you can make the changes as required.

APPLICATION FOR DISTRIBUTORSHIP

1. Name Of The Firm :

2. Contact Person :

3. Town :

4. Population :

5. Address & Phone No.:

6. Present Business Information

Company	Nature Of Business	Products	Experience	Turnover
A				
B				
C				
D				
E				
F				
G				

7. TOTAL INVESTMENT    OWN    OD    BORROW    TOTAL

8. Reasons interested in our business;

- 1.
- 2.
- 3.
- 4.

9. Investment Capacity: \$.

10. Expected R.O.I :

11. Infrastructure Available

Warehouse space :

Autos :

Tricycle :

Office Space :

Medical Reps :

Delivery Boys:

Accounts :

12. License :

Drug License No. :

13. Ready to start when :

14. Investment For Our Business

Own  
B.O.D.  
Borrow  
Total

15. FAMILY BACKGROUND :

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a. Father's Name :

b. Occupation :

c. Brothers : Occupation :

1.

2.

3.

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16. Potential  
Influences/connectors :

MP/MLA/Ministers :

Govt. (Bureaucrats) :

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17. Assets Cash :

Fixed Deposit:

Gold :

Land :

Shares :

Others :

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18. OTHER INFORMATION :



## ASSESMENT FORM

No	Particulars	Very Good	Good	Fair	Poor
1	Investment				
2	Infrastructure				
3	Involvement				
4	Influence				
5	Commitment				
6	Man management skills				
7	Ability in handling the trade				
8	Confidence				
9	Understanding of businesses				
10	Communication				
11	Prospective ( Long Term)				
12	Attitude				
13	Experience in our trade				
14	Relevance with present setup				
15	Overall Opinion				
	Do not fill in front of distributor				

- UNDERSTANDING THE PARTY WELL.
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- Family Background
- Assets
- Current Businesses
- Time Available
- Attitude
- Business Philosophy
- Sources Of Investment
- Political Influences
- Prospective : Long Term or Short Term
- Investment
- Infrastructure
- Involvement
- Influence

## MAKE THE PARTY TO UNDERSTAND THE BUSINESS WELL

- Turnover
- Capital Required
- Infrastructure Required
- Time Required
- Deposits
- Margins
- Rotations
- Expenses
- Return On Investment
- Company History
- Company Plans
- Business Philosophy
- Time Plan
- Competitors & Details
- Other Necessary Information

## VERY IMPORTANT AND DO NOT FORGET

- BE HONEST IN THE BRIEF
- EXPLAIN BUSINESS REALITIES POSITIVES AND PROBLEMS IN BUSINESS
- GIVE GENUINE TURNOVER, INVESTMENT AND INFRASTRUCTURE REQUIRED

## WHO IS A IDEAL DISTRIBUTOR

- Financially sound.
- Should have all infrastructure facilities.
- Good involvement in business.
- Good influence in trade.
- Long term business oriented.
- Loyal to the company.
- Positive attitude.

- Not involved in speculative trade.
- Interested in reasonable returns.
- Willing to grow with the organisation.
- Uses influence to increase the business.
- Mature to understand the fluctuations in the business. Ability to motivate the team to increase the sales.
- Should be Honest.

#### DISTRIBUTOR FUNCTIONS IN THE MARKET PLACE

- He re-distributes required quantities.
- He provides credit to Pharmacies.
- He operates trade schemes on behalf of company.
- He selects and pays display incentives to Pharmacies.
- He selects and pays display contest prizes with the help of company person.
- He operates third party gifts on behalf of company.
- He uses effectively company's POP material.
- He launches new products in the market.
- He replaces the damages and defective products from the trade on behalf of company.

#### DISTRIBUTOR FUNCTIONS IN OFFICE

- He buys company's products.
- He maintains minimum stocks in go down.
- He provides infrastructure facilities.
- He pays Medical Representative Salary, if any on behalf of company.
- He maintains required records and files.
- He repacks damages on behalf of company and distributes.
- He informs competitor's activities to the company.
- He arranges the facilities for door-to-door and in-shop operations.
- He assists the marketing research people.
- Over all achieving the targets to make profit and give the profit to the company.

## DEALING WITH DISTRIBUTOR – CODE OF CONDUCT

- Our Sales is very greatly dependent on our distributor with whom we should have straightforward and fair dealings. As a Company, we consider this relationship to be extremely important. This therefore places an important responsibility with all Branch managers and medical representatives who represent Shalina in its dealings with our valued distributors.
- Therefore giving below certain clear policy guidelines which wish to reiterate so that there is total clarity on these for every Branch manager and medical representative.

### HAVING PERSONAL FINANCIAL DEALINGS WITH DISTRIBUTOR

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- Therefore giving below certain clear policy guidelines which wish to reiterate so that there is total clarity on these for every Branch manager and medical representative.

### ACCEPTING GIFTS FROM DISTRIBUTOR

- It is the company policy that no gifts are to be accepted by any employee, This includes any gifts at weddings, birthdays, anniversaries of employees and their families. The only specific exclusion is small, low value stationery items, flowers and symbolic offering of sweets on occasions like festivals, new year etc. It has been our experience that if Stockists are politely refused when they offer such gifts, they stop offering them, avoiding embarrassment for all concerned.

## SETTLEMENT OF DISTRIBUTOR CLAIMS

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## DISPATCHING STOCKS ONLY AGAINST ORDERS

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a) When a new brand/pack is introduced and it has not been possible to book orders in advance, small quantities of the new introduction may be dispatched, but this should be done only after speaking to the concerned distributor over telephone and must be regularised by booking a formal order after the dispatch, during the next visit to the distributor's town.

b) If for any trade promotion, consumer promotion or other promotion, it appears that the distributor would lose an opportunity to get additional sales if he is not provided with additional stocks over and above his normal stock holding in order to take advantage of such sales promotional inputs, then additional quantities of stocks of the promoted item only may be dispatched over and above the quantities ordered by the distributor. This too however, should be communicated to the Redistribution Stockist on the telephone and without fail, regularised through an order being booked after the dispatch during the next visit you make to the distributor town.