

## **Mamta Oil and Ghee Mills: Sales Target Dilemma**

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**Abstract:** This case is about Mamta Oil and Ghee Ltd, operating in the Fast Moving Consumer Goods industry of Pakistan. Currently the company is standing in the last quarter of 2015 and is in the stage of evaluating its sales targets set for the year 2015. Mr. Asim Sheikh, the sales manager at MOG Ltd, and his team achieved 92% of their sales targets in the first three quarters (July-March 2015) with a growth rate of 12.32 instead of 23 % which was expected. Mr. Asim is thinking to revisit the sales targets and revise them for the five regions of the company so that the expected growth rate along with 100% of targets is achieved. The case also brings discussion regarding the launch of a new product at a time when the sales team is already striving to achieve their sales targets, which are not set appropriately.

**Keywords:** Sales management; Performance management

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It was a pleasant evening on April 1<sup>st</sup>, 2015, when Asim Sheikh, the sales manager at Mamta Oil and Ghee Ltd (MOG) in Pakistan was thinking about the sales strategy for the last quarter of the year (April to June). He and his team were at the last stage of the year to fulfill sales targets. Sheikh was facing a hard time deciding to review and revise sales targets of the last quarter for his five area sales managers (ASMs). His team had achieved 92 % of their sales targets in the 1<sup>st</sup> three quarters with a growth of 12.32 % over the last year, while the growth target to be achieved was 23%. In the last year, the company achieved 102 % of its targets with a growth of 22 %. Sheikh had to find and adopt ways to make his ASMs more fruitful, capable, efficient, and effective.

The whole sales area was divided into five regions (Exhibit 1). All regions were headed by separate ASM. Sheikh knew he had to see annual targets given to each ASM. The north zone had achieved 97.6 % of the targets with 10.36 % of growth while the east zone had achieved 88.6 % of its target with a growth of 14.42 %. This led to the feeling among the sales force that the

targets of 2015 were not set justifiably, as some zones had uneven growth. The incentives and bonuses of salespersons were directly linked with sales target achievements, that's why this type of thinking was quite enough to spread the wave of demotivation among the sales force (Exhibit 2). Apart from this, company owners had decided to launch a new high-quality vegetable oil in August 2015 to target the upper class. Sheikh was not sure whether it was the right time to launch a new product or not when the sales force was struggling hard to achieve their targets.

## **COMPANY'S BACKGROUND**

Mamta Oil and Ghee was started in the year 1982 in Bangladesh. At the start, the name of the company was Mama Oil and Ghee later on letter 'T' was added hence making it Mamta<sup>1</sup> means 'Mother's Love' this company was started in Pakistan in the year 2005 with very little investment and just 10 employees. The company is known for its best-selling saturated vegetable oil.

Mamta continued its journey of excellence and had offered several brands till now. By the end of 2011 company had offered different brands of canola cooking oil and olive oil to cater needs of different income segments (Exhibit 3). MOG is one of the pioneers in bringing new developments in the oil and ghee industry. It invested highly in research and development to bring quality to the life of its customers. In-depth analysis and understanding of the customers' needs along with the provision and availability of high-quality Mamta brands in all 5 zones of the country are at the core of the company. Slogan of the company is "'Jahan Pyaar wahan Mamta'<sup>2</sup>,"

Now the company was ranked among the top 5 players in the oil and ghee industry of Pakistan, along with approximately 100 sales employees. The company is aiming to achieve Rs<sup>3</sup>. 7.14 billion in revenue in the year 2015 (Exhibit 4). The company had a production capacity of 500 metric tons per day. Its quality-oriented product portfolio (containing 8 products) along with a vast distribution network of more than 100 distributors was its competitive advantage.

MOG had faced strong competition in the market leading companies like Dalda, Habib Oil Mills, Soya Supreme were giving tough competition to MOG due to their deep roots in research and development (Exhibit 5). MOG products are as per the standard of the Pakistan Standards and Quality Control Authority (PSQCA).

## **OIL AND GHEE INDUSTRY OF PAKISTAN**

Pakistan is one of the leading importers and users of edible oil. As per recent data per capita consumption of edible oil in Pakistan is 23 kg/year as compared to the global average which is 28 kg/year. The whole industry comprised around 150 units in organized and unorganized sectors<sup>4</sup>. With an estimated annual consumption of 4 million tons of edible oils in the country, it is one of the largest segments of the country. Of these 4 million tons average of 2.5 million tons is to be used by households in cooking while 1.5 million tons are used by the industrial sector like in the production of biscuits, snacks, etc.<sup>5</sup> MOG operated in just the household sector due to

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<sup>1</sup> A word from Urdu language means 'Mother's Love'

<sup>2</sup> Where there is love, there is 'Mamta'

<sup>3</sup> 1 USD = 102 Pak rupee

<sup>4</sup> <https://www.awamipolitics.com/vegetable-ghee-and-cooking-oil-industry-in-pakistan-3368.html>

<sup>5</sup> <http://arifhabibltd.com/wp-content/uploads/2017/08/DaldaProspectus.pdf>

its premium and high-quality brands. The industry was divided into two sectors vegetable/vanaspati ghee and cooking oil with 70% and 30% of the share respectively (Exhibit 6)

The overall industry is estimated to earn revenue of Rs. 400 billion with a CAGR of 17%. The growth was driven by key success factors such as the increase in the middle class, increasing standard of living, increased spending on healthcare products, and innovative technology.

## **SALES MANAGEMENT AT MOG Ltd**

*“Strong sales growth and more accurate sales forecasting depends on effective market reading”*

Mr. Noman Ahmed  
CEO Mamta Oil and Ghee Ltd.

Mr. Ahmed believed that all sales resources must be utilized effectively with keeping in mind quality. According to him, sales manager Asim had to work separately with each team to come up with successful strategies to be used in each zone. So that he became able to design an effective sales process to be used in that particular zone along with appropriate sales targets. Those sales processes and targets had to be aligned with the company's policies and product line.

### **Sales Organization**

MOG Ltd's sales and marketing department are divided into 5 zones; each zone is to be run by an ASM. Each ASM is given 5 Territory managers (TM) on average, depending on how large each zone is, and each TM supervised almost 6-7 sales persons (Exhibit 7).

MOG had a highly trained sales force and was regarded as among the best in the market. Sales and product training was the core of the company: each sales employee had to undergo a one-month sales and product training, once they join the organization or any new product is launched. Furthermore, as per the need assessment and recommendations by ASMs, sales employees were also given special training whenever required. The company also focused on 'On the Job Training and each territory manager was advised to spend at least 3-4 days of each month with each salesperson in the market and spending 3-4 days with TM in the field was also part of ASM's job.

The sales force was strongly recommended to work on the following key success factors:

- a. Provide better customer services
- b. Effective customer focus and targeting
- c. Develop newer business areas
- d. Follow sales process

### **Sales Process**

Due to stiff competition in the market salespeople were required to have strong selling skills and adequate product knowledge. The sales process at MOG is usual as other organizations. Salespersons had to pass through 5 stages of the sales process (Exhibit 8).

At the first stage of suspecting salespeople had to gather data on their prospective customers. At

the end of this stage, they must have all data of decision-makers and their characteristics. They also had to collect data regarding when in which how much quantity and on what basis the client gave the order to the company. Once the suspect qualifies the criteria of MOG then the salesperson entered the stage of prospect and in this stage sales, people try to build a relationship with all stakeholders of the organization. Then sales person had to approach the client by giving him a sales call and informing him about the offering of the company's products. At the 4<sup>th</sup> stage of negotiation sales person had to handle any sort of conflict/issues related to quantity demanded or price, he had to decide what price was to be charged and what discount or credit was to be given as per company policy. After all this, he must not forget to close the sale and get an order from his customer.

Here selling is to be done on B to B basis as sales person had to meet retailers, wholesalers, and local distributors to get the order.

### **Distribution Structure**

Distribution of products started with manufacturing at the company's end. Once production is done then the finished goods were either supplied through the company's own 8 distributors or through indirect 100+ wholesalers and distributors, who then further distributed it to more than 50,000 retail outlets all over Pakistan (Exhibit 9).

### **Sales Targets**

Sales targets at MOG were decided in May for the coming year. The targets depended on the previous year's sales, the previous year's target achievement, the industry growth rate, and the population growth rate. Some other factors like the launch of the new product and the launching of promotional campaigns were also considered before finalizing the new targets. At a similar time, Asim had to meet his ASMs, review their current performance and get their input for setting targets for the coming year. Based on these inputs, Asim would divide sales targets among his team and a similar process had to be done in deciding targets at TM and SP levels.

At MOG, all salespeople had to achieve both qualitative as well as quantitative goals. For example, salespersons had to divide their customers according to the sales as Diamond, Gold, and Silver. They had to effectively utilize 50 % of their time with Diamond customers, 30 % with Gold, and 20% with silver class customers respectively. It was mandatory to meet at least 15-18 customers on daily basis. ASMs and TMs worked closely and vigilantly with salespeople to guide and helped them in achieving sales targets. MOG offered attractive sales-based incentives to sales employees.

### **ROAD AHEAD**

The overall economic condition of the country was good along with an increase in middle-class people. The target segment of MOG showed a growth rate of 17%. But the intense competition was a big hurdle for the company as each player fought to get a high market share and achieve high growth as compared to the last year. MOG's close competitor HOM was targeting 26-28% growth in the current year.

It was a difficult time for Asim as desired growth of 25% was not achieved by his ASMs. He had to devise different strategies that would help his sales team to achieve the desired growth and

targets. He found that he was in the dilemma to revise the sales targets of last quarter or have different promotional schemes to achieve the targets of 2015. He was not sure about the reaction of different stakeholders towards this modification in strategy and envisioned whether this is the right time to launch a new product.

## EXHIBITS:

**Exhibit 1: MOG'S SALES DIVISION/AREAS (MAIN CITIES AND TOWNS) <sup>6</sup>**

South Zone	East Zone	Central Zone	West Zone	North Zone
Karachi	Deharki	Faisalabad	Zhob	Azad Kashmir
Hyderabad	Ubaro	Lahore	Bannu	Murree
Nawabshah	Sadiqabad	Gujranwala	Peshawar	Mansehra
Moro	Rahimyar Khan	Gujrat	Mardan	Balakot
Sukkur	Khanpur	Sialkot	Swat	Gilgit
Pano Aqil	Bhawalpur	Islamabad	Chitral	Skardu
Ghotki	Multan	Gojra	Mianwali	Hunza
Khairpur		Jhelum		Astore
Larkana				Ghizer
Gwadar				
Turbat				
Quetta				
Jacobabad				

Source: Company documents, some data have been changed to maintain confidentiality.

**Exhibit 2: SALES PERFORMANCE AT MOG LTD.**

Zone	2014 Achievement (US \$ Million)	2015 Target (US \$ Million)	% Target growth over 2014	Jul-Mar 2014 Achievement (US \$ Million)	Jul-Mar 2015 Target (US \$ Million)	Jul-Mar 2015 Achievement (US \$ Million)	% Achievement (Jul-Mar)	Growth % (Jul-Mar)
South	12.88	16.38	27.2%	9.53	12.29	10.86	88.40%	13.96%
East	10.58	13.62	28.7%	7.91	10.22	9.05	88.60%	14.42%
Central	8.84	10	13.2%	6.2	7.50	6.9	92.00%	11.29%
West	11.40	14.17	24.3%	8.86	10.63	9.9	93.15%	11.74%
North	13.30	15.83	19.0%	10.5	11.87	11.59	97.60%	10.36%
Total	57.00	70	22.8%	43	52.50	48.30	92.00%	12.32%

Source: Company documents, some figures have been changed to maintain confidentiality.

<sup>6</sup> These are just the main towns/cities, South and North zone have more than 25 and 20 cities respectively, while the west and central zones have more than 15, and the east zone have more than 10 cities. Each city/town is further divided into suburban or village areas.

**Exhibit 3: PRODUCTS OFFERED BY MOG LTD.**

Brand Name	Target Segment
Olevia Cooking Oil	Upper Class
Active Heart Cooking Oil	Upper Class
Mama Cooking Oil and Ghee	Upper Middle Class
Super Canola Cooking Oil	Middle Class
Sunrise Vegetable Ghee	Middle Class
Super Fit Cooking Oil and Ghee	Middle Class
Golden Cooking Oil and Ghee	Lower Class
Kitchen Cooking Oil	Lower Class

Source: Company documents, and names of the brands have been changed to maintain confidentiality

**Exhibit 4: MOG LTD SELECTED FINANCIALS, 2012-2014 (IN MILLIONS OF US\$)**

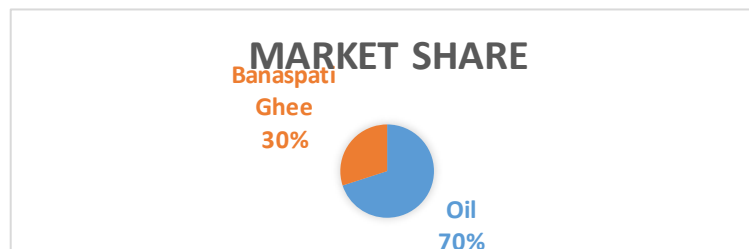
	2012	2013	2014
Total Revenue	42	48	57
Total Expenses	29.7	33.8	40.9
Net Profit/ Loss	12.3	14.2	16.1

Source: Company documents and data are manipulated to maintain confidentiality.

**Exhibit 5: SOME LEADING COMPETITORS OF MOG LTD.**

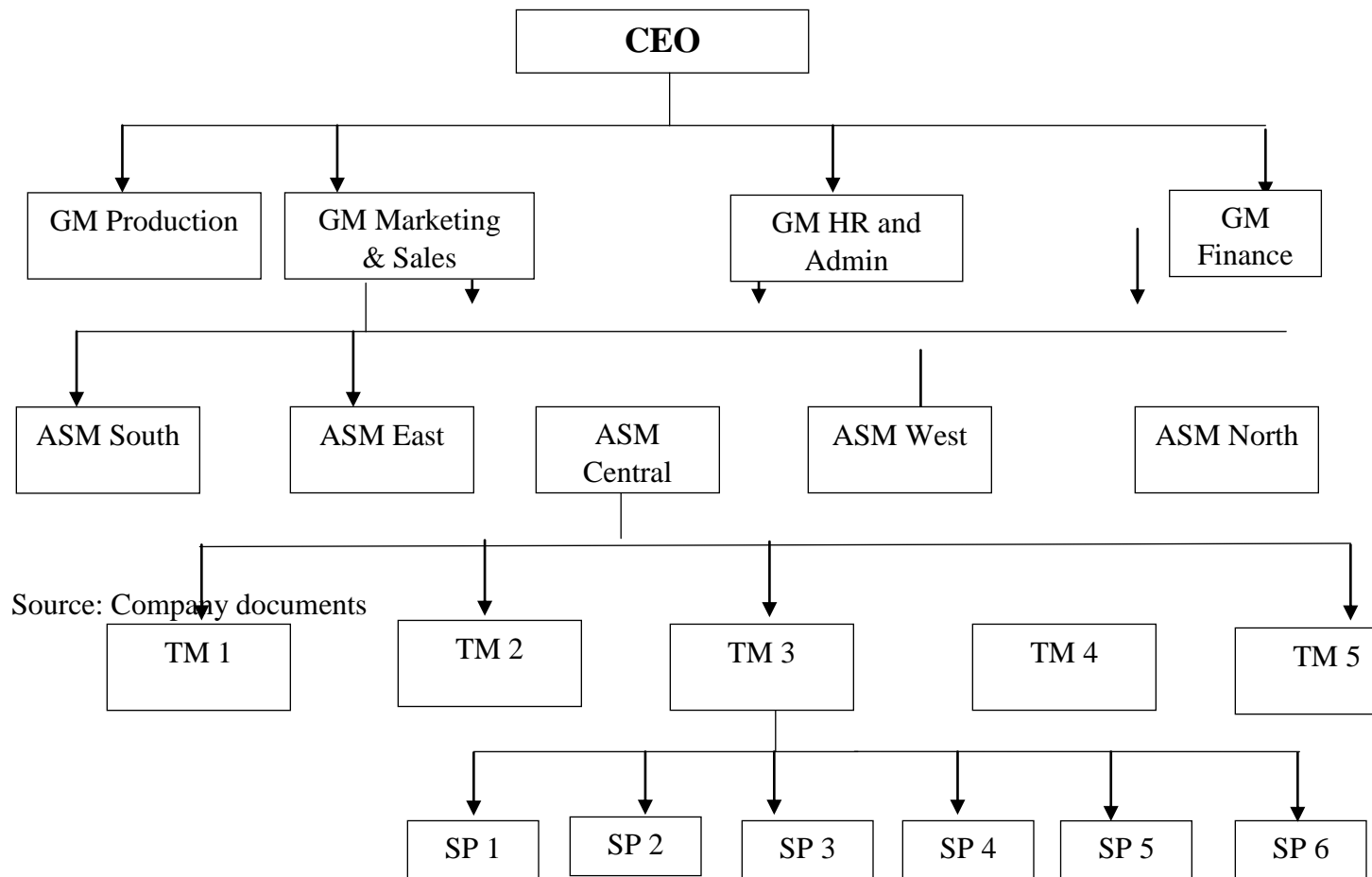
Company Name	Target Segment
Habib Oil Mills	Upper Class
Soya Supreme	Upper Class
Dalda	Upper Middle Class
Kissan	Middle Class
Meezan	Middle Class
Shahbaz	Middle Class
Dastarkhuwan	Lower Class
Malta	Lower Class

Source: Company documents.

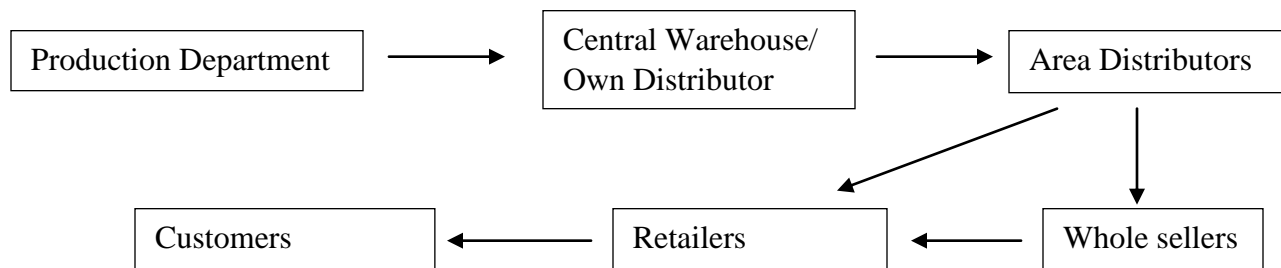
**Exhibit 6: OIL AND GHEE INDUSTRY DIVISION AS PER MARKET SHARE**

Source: Company documents

### Exhibit 7: MOG'S SALES STRUCTURE

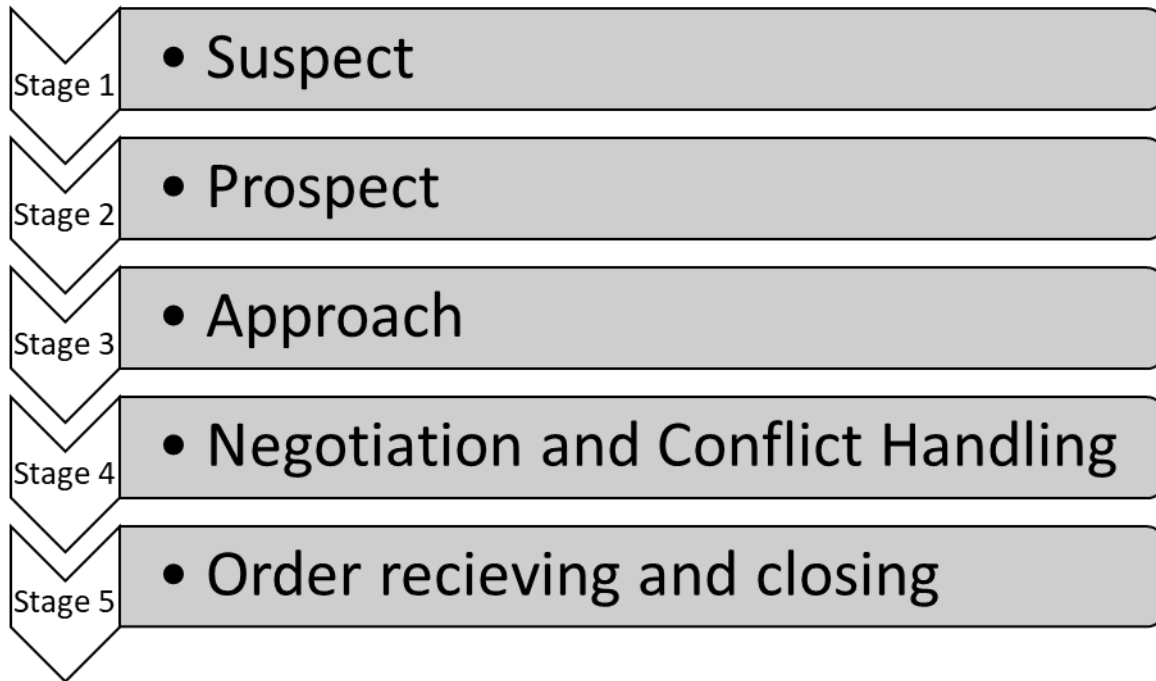


### Exhibit 8: MOG'S FLOW OF PRODUCT



Source: Company documents

### Exhibit 9: SALES PROCESS AT MOG LTD



Source: Created by the authors from available information.