



## **Everybody Sells, But Who Wins? Winning Strategy in Channel Management at Ankur Seeds Ltd.**

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Venu Abhiram was stuck deep in thought while travelling in an auto-rickshaw, heading to the head office of Ankur Seeds Pvt. Ltd. at Nagpur. A trip down memory lane of his early days of joining this firm made him feel happy. After completing Masters in Business Administration, he took up the assignment of Marketing Officer in Ankur, one of the leading hybrid seed producer in India. He was posted in Indore, the business capital of Madhya Pradesh where the company had its Zonal office. The Zonal Manager took him to various markets of Maharashtra, Madhya Pradesh and Gujarat, as part of training. Venu had a wonderful time with his colleagues and learnt things quickly. The firm was pleased with his performance. As a reward, he was asked to handle the entire operation in the state of Rajasthan, independently. Venu improved the sales of certain products like hybrid Eggplant, hybrid Okra, Apple gourd (Tinda) vegetable seeds in Indore zone.

### **THE IDEA WHICH LED TO CONTROVERSY**

Opinions of several people, including the Zonal manager's, on the advance booking of hybrid cotton seed in Rajasthan, de-motivated him. They blamed that those booked seed materials instead of selling in its market would move to nearby regions during the season. Mr Ainwar, the Marketing Officer of Madhya Pradesh said that since Rajasthan market was next to his, the material would enter and develop his market, but at the same time lamented that the market price of his products would come down and affect the image of the company. But Venu differed from their statements. He believed that his product demonstrations and field promotions in various places would fetch good sales for him in Rajasthan. The total quantity that he had booked was 1900 units. It was negligible amount when compared to the total booking of around 75000 units in Madhya Pradesh. But everyone was deaf to his claims.

He was successful in finishing the advance booking scheme, but allotment of the quantity for sale was to be decided by the Head office. The Zonal Manager hinted that Venu might have to meet Mr Saoji, the Marketing Director to discuss the booking. Venu explained that the way channel structure was made in Rajasthan, gray market

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operation would not happen and they had to obtain full quantity from the head office. In Indore, there was a heavy discussion on the dilemma of whether Mr Saoji will allow all the booked quantities or may reduce it.

Suddenly the auto-rickshaw driver's voice reverberated in his ears "Sir, You have reached your destination, aren't you getting down?" Venu shook his head to clear his thoughts and headed towards the office.

He was asked to meet Mr.Saoji, the Director of Marketing personally to discuss the booking. This made him nervous. As soon as he entered the cabin, Mr Saoji congratulated him for the field promotion done in Rajasthan cotton-growing region. It was a pleasant shock for Venu, who was expecting a gloomy response. Mr Saoji asked Venu to explain in detail how he had arrived at the booking decision. Venu started to share his field experiences.

### **THE PROMOTIONAL WORK TO FORMULATE DISTRIBUTION CHANNEL**

Precisely a year before, i.e. by March 2015, Venu did a careful study on the competitors' sales and promotional activities before targeting the three markets in the state of Rajasthan to promote hybrid cotton. The three cotton-growing markets were Banswara, Bhilwara and Ajmer. Though the local and open pollinated variety (non-hybrids) were sold in large quantity, hybrid seed sales had also picked up in recent years. Venu's initial plan was to appoint a distributor at each district headquarter who would be getting the seed materials from Indore zonal office. The distributors would then sell the materials to dealers and retailers. Dealers would further sell to retailers as well as directly to the farmers. Venu surveyed the length and breadth of the three markets and started shortlisting sellers, two months before the monsoon rain. He was interested to sell all types of seeds i.e. Cereals, millets, vegetables and particularly hybrid cotton. But many sellers were reluctant to take up distributorship or dealership and refused to initiate sales until and unless there was a demand. He was not ready to waste time in product demonstrations instead he preferred to sell directly to farmers since many of the varieties remained already tested by the company's R&D and had government approval to sell. In spite of all efforts, even small sellers at the village level were not interested in the dealership. Most of them refused to distribute free seed samples to farmers saying that if it failed to yield, the farmer might lose an entire season and would try to claim for their loss from them.

Meanwhile, Venu travelled across several villages and sold seeds directly to farmers. He convinced a few others to buy from nearby retailers. Further, he identified progressive farmers in villages with good road connectivity, gave seed material and other farm inputs free of cost and asked them to raise the crop. There was good rainfall and Venu could see several plots with Ankur's seed variety performing well. He selected fifteen plots in the entire three markets and made them as demo plots, where farmers and sellers would visit to see the performance of the crops. As days passed, all the plots were performing well and the word of mouth moved many sellers to ask for dealerships and distributorships. Venu scrutinized the credibility, the strengths and weaknesses of the applicants and appointed two distributors, first and second at Bhilwara and Ajmer respectively. These wholesalers, in turn, selected dealers and retailers to sell Ankur's

products. No big seller of his choice came forward in Banswara. Venu employed one assistant at Banswara, under company roll and two others in the respective markets under distributor's control. The assistants were asked to travel around the potential markets, meet farmers, distribute pamphlets, and show photos of demo plots to retailers and dealers. Progressive farmers were taken to the nearby field to demonstrate the superiority of the seed variety. Venu organized Farmers' Night meeting on various topics like cultivation practices, pest management, etc. He used every opportunity to mention the increase in productivity by growing Ankur's hybrid cotton.

### **APPOINTMENT OF PREFERRED DEALERS AT BANSWARA**

Soon, many sellers started showing interest in all the three markets. People who demanded dealership were directed to distributors. Venu established a network of retailers, dealers and distributors at Bhilwara and Ajmer. Yet, no experienced person was willing to do business at Banswara district headquarters. As Indore was next to Banswara, many preferred to purchase from Indore during the sales season. Venu planned differently in this market, he appointed more preferred dealers (PDs) at village level who were in direct touch with farmers. He accomplished this with the help of his assistant. The PDs like distributors enjoyed a fixed percentage as commission, sales-based incentives, and were authorized to distribute products to retailers. They were basically good at retail. Moreover, with a team of three temporary assistants and three company employees from Madhya Pradesh, Venu arranged several meetings, field visits at the demo plots and went campaigning at many villages well in advance of the monsoon season. The competitors lacked time and knowledge to understand the speed at which Ankur Seeds did the promotion. With the network of two distributors and six PDs, Venu started selling vegetable seeds. The success of demo plots helped to form a buyer-seller network to sell seeds of different crops.

### **EXECUTION OF THE ADVANCE BOOKING SCHEME**

Usually, the sales season for Hybrid cotton was short and that year all companies competed with different strategies to ensure their market share. Venu wanted to ensure the sales quantity well before the onset of monsoon rain. His plan was to place the seed material in advance at different counters. Therefore, he floated an advance booking scheme for distributors and PDs before two months. Down the line, they could collect bookings from retailers and farmers. He announced that those who booked cotton seed by paying an advance amount would receive a special discount. This created a tremendous response. At Banswara, three big sellers at the district level approached for distributorship and expressed their interest in booking good quantity. But Venu ignored them and received bookings from PDs who were located in remote villages because, the PDs in those villages had helped a lot in promoting the seed, and they were expected to retail well. Venu treated the channel members respectfully and gave profitable opportunities. He specified the terms clearly with respect to price policy, payment condition, territorial rights, services and responsibilities. Venu kept all channel partners motivated by forming a Vertical Marketing System (VMS). The following was the price structure against booking of Hybrid cotton.

Variety	Maximum Retail Price (MRP)	Booking Amount Per packet of 450gms for Distributors and PDs	Regular price for Distributors without booking	Special price for Distributors against booking	Regular price for PDs without booking	Special price for PDs against booking	Booking incentive at the end of the season
Ankur 651	Rs.650	Rs.50	Rs.435	Rs.360	Rs.487.50	Rs.387.50	Rs.10
Ankur 09	Rs.575	Rs.30	Rs.385	Rs.340	Rs.431.25	Rs.371.25	Rs.7
Ankur 1262	Rs.525	Rs.25	Rs.350	Rs.312	Rs.393.75	Rs.343.75	Rs.5

(Created by the author using the firm's advance booking scheme application)

The prices were in accordance with the booking scheme that floated all over India. A distributor had to pay the full amount 10 days prior to the supply of material and PDs had to pay the full amount 20 days following the supply. The net price of all varieties supplied in Rajasthan after all discounts and commission were kept 10% higher than the price in other states (Rest of India price). This step was taken as a precautionary measure to limit the probability of seeds getting transported to other markets.

### THE SALES SEASON

Venu gave a detailed explanation of executing the sales plan. He told that his assistants had a list of prospective farmers, and would monitor the movement of products to ensure all were sold only in their area during the season time. He added that temporary assistants could be hired during the season to strengthen the work. Venu categorically said that their competitors had not undertaken many promotions like them and the year's highlight was their booking scheme. He ensured that Ankur will get a greater market share in the following years.

After listening patiently for about 20 minutes, Mr Saoji hugged Venu and said "You are doing a great job man. Do not be bothered by others. I have confidence in you. Products move across territories and gray markets do form. Multichannel conflict arises when we appoint two or more channels which can sell in the same market and it cannot be avoided. Go ahead, I am fully satisfied with your work, and I am allotting all the booked quantity."

The channel members in Rajasthan were delighted to get full allotment against their bookings. The three markets had good rainfall. Venu and his team took stock of the circumstances –

1. Total quantity booked: Banswara – 1100 units, Bhilwara – 500 units and Ajmer – 300 units. Full money was collected in advance.
2. The distributors of Bhilwara and Ajmer raised very little bookings from their retailers. Since rain was delayed a little, they sold around 50% of their seeds in other far-off places where rainfall occurred in advance than the normal period. Another 10% was sold in Banswara market. The remaining material had been sold in their own markets.

Both the distributors had put sincere effort into developing their markets. They passed on the booking benefits to their retailers.

3. Very fewer expenses were made in Bhilwara and Ajmer. The company had total control over the market at Banswara. So the promotional expenses were comparatively higher there.
4. The entire material booked for Banswara was sold in that market itself. Additionally, Ankur sold another 500 units of fresh quantity through the six PDs present at the village level. Many sellers' retailed seeds purchased from Indore and nearby places at high rates.
5. Though Banswara witnessed Gray market operation, those authorized retailers had the major sale. Ankur had become so popular that it was sold by all sellers in the market. Six PDs spread across the entire market received the booking benefit as well. Since these PDs associated themselves with fieldworks, farmers preferred to purchase from them. Other competing retailers got material from Ankur's distributor in Indore and elsewhere from different markets and sold at a good rate. The market did not get disturbed because the sellers did not reduce their selling price below the purchase price and contrary many sold at a good price.
6. Ajmer and Bhilwara distributors found it difficult to sell seed materials to other parts of India because of the higher supply rate. This was another reason that they tried to develop their own territory.
7. The selling price at Banswara was slashed from MRP (Maximum Retail Price) because of the availability of the products from Indore and nearby markets.
8. Distributors and PDs of Rajasthan felt that they had sold a good quantity of all Ankur's variety compared to competitors, but did not earn much because of huge competition and enough availability of seed in the market.

### **Questions for Discussion**

1. Elucidate the role of Distributors, Dealers, Preferred Dealers and Retailers in the case mentioned above.
2. How did Venu manage different channel partners? Discuss with respect to the channel decisions made. Explain the pull and push strategy adopted by Ankur through its channel partners.
3. Cite the reasons for gray market operations with its impacts and reflections.
4. Was Mr Saoji's decision right? Substantiate with your views.