

# SEMIS, Exercises in Marketing & Sales Concepts

Seed Enterprises Management Institute

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# Tanmaiz's TMV 1 Production

- John Okiwa, Sales & Mktg Manager of Tanmaiz Seed Company (TM) informed by his CEO that this year, the company was heading for 500 M.T. production of TMV 1 maize seeds
- TM's annual sales of TMV 1 were 300 M.T. p.a. for the past three years
- It was an old variety being replaced by hybrids
- John happened to meet the Sales Manager of TanSeeds, the largest seed company in Tanzania. Even they had excess production
- He then phoned his friends in three other seed smaller seed companies. It seemed everyone had excess production

# Tanmaize costs

- Tanmaiz's selling price for TMV 1 was \$ 1 / kg
- It offered 10% commission to dealers
- It paid \$ 0.50 per kg to out-growers
- Its other costs were:
  - Processing: \$ 0.03 / kg
  - Packaging: \$ 0.05 / kg
  - Transport: 0.02 / kg
  - Advertising & promotion: \$ 0.05 per kg
  - It paid \$ 5,000 / year each to its 3 sales officers and 2,000 / year to its 6 field sales staff

# Tanmaize sales meetings

- John immediately called a meeting of his three Sales Officers and six Field Salesmen
- They said, “Don’t worry sir, we will definitely sell the entire quantity”
- He then made a tour of his dealers and met each one personally in his location
- Each one of them assured him of selling off 67% more than his annual sales.
- He was now sure that he will sell the entire quantity and returned home much relieved

# Bumper profit estimate

- He reports the outcome of his meeting with sales team and dealers to his CEO.
- Both are happy because Tanmaize seems to be heading for record profits
- Tanmaize's market share of TMV 1 in the 10 markets where it had dealers was 20%
- TM has also produced 50 M.T. TM 101, a new proprietary hybrid ranked No. 1 in Govt. trials which is in high demand. (Sales price \$ 3.00 / kg, grower payment \$ 1.00 / kg)
- Does John need to do anything? If so, what?

# Tanmaize's costing & profit estimate

	300 M.T.	500 M.T
Sales \$	300,000	500,000
Less dealer commission	<u>30,000</u>	<u>50,000</u>
Balance	270,000	450,000
Grower payment	150,000	250,000
Production costs	<u>30,000</u>	<u>50,000</u>
Balance	90,000	150,000
Marketing costs	<u>42,000</u>	<u>52,000</u>
Amount (available for admin	48,000	98,000

Costs, interest, depreciation,  
profits)

In addition, TM will make \$ 90,000 margin on TMV 101

# Bumper profit estimate

- The CEO is so happy with the profit estimate that he decides to buy a Land Cruiser for himself

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# What actually happened

	200 M.T.
Sales \$	200,000
Less dealer commission	<u>20,000</u>
Balance	180,000
Grower payment	150,000
Production costs	<u>30,000</u>
Balance	0
Marketing costs	<u>42,000</u>
Amount (available for admin Costs, interest, depreciation, profits)	-42,000

In addition, TM will make \$ 90,000 margin on TMV 101

Carried forward stock 100 M.T. 50% of which had to be written off



# What should John do

## Marketing:

- Make a realistic estimate of sales in view of bumper production (by every seed company)
- Define if and to which markets to expand to
- Review / revise product promotion budget (how much?)
- Consider revising (reducing) “real price” by offering incentives to dealers on meeting targets
- Prepare an incentive scheme for salespersons
- Not treat and pack all seeds so that if required part of the unsold quantity can be sold as grain

# What should John do

## Marketing:

- Continuously revise sales and income forecast during season / prepare sensitivity analysis
- What will be company sales and profits be at sales level of 200, 250, 300, 350, 400, 450 and 500 M.T. and net realization of \$ 0.90 per kg, 0.85 / kg or even \$ 0.80 kg (net realization means price minus dealer commission, additional incentive, sales team incentives etc)

# What should John do

## Sales:

- Appoint dealers in selected markets
- Recruit sales personnel
- Fix revised targets for all customers and sales persons including the newly appointed ones
- Communicate these targets
- Pre season placement of seeds
- Timely transport during season
- Collection of sales proceeds

# What should John do

Lastly ....

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# What should John do

Lastly ....

Request the CEO to not to buy a new Land Cruiser yet (not to count the eggs before they have hatched...)

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