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Eureka Forbes Ltd.: Managing the Selling Effort (A)

Suresh L. Goklaney, CEO of Eureka Forbes Ltd. (EFL), was awaiting an update from Regional Manager (South) V. (Mathi) Mathialagan. It was early February 2004 and for several months the Bangalore division of Mathi's region had been piloting a new sales representative evaluation and compensation system. EFL had traditionally rewarded sales reps (called EuroChamps) solely on the basis of sales volumes. With Mathi's input, Goklaney had re-engineered the system to emphasize the sales process as well as results. If the pilot proved successful Goklaney would have to decide whether to roll the system out nationwide and across all product lines.

The new system was Goklaney's response to a number of unfavorable trends. EFL's revenues in the vacuum cleaner category had softened over the past 18 months, sales closure rates (ratio of actual sales to number of cold calls made) were falling, and the sales rep attrition rate was at their highest.

Goklaney reflected on early feedback from his senior managers. Some had anticipated that the new system might encourage sales reps to focus on forging stronger customer relationships, others that it would distract the EuroChamps from their sales volume goals and burden front-line sales leaders and managers already operating at full capacity. Still others believed that the new centralized recruitment and training centers (CRTCs) might better address underlying performance issues.

Company History

EFL was started in 1982 as a joint venture between the Forbes (India) Group and Electrolux of Sweden. It opened with a single office (in Mumbai) that fielded 20 sales representatives. The company's first product, the EuroClean vacuum cleaner, was followed in 1984 by its AquaGuard water purifier. Electrolux, a veteran in direct selling worldwide, supplied the company's unique direct sales approach. Goklaney had joined EFL in 1987 after nearly 20 years in sales, brand management, and sales management for Procter & Gamble and Johnson & Johnson.

Under Goklaney's leadership EFL had grown steadily, expanding geographically throughout India. It had added air purifiers to its product line in 1993, teamed with an industrial cleaning partner in 1996 to offer a broad range of industrial cleaning products, and in 1997 branched into security products. EFL products that targeted the health and safety of consumers and their homes reflected a corporate vision that embraced the customer as "A Friend for Life."

Explained head of marketing and COO of EFL (West) S. K. Palekar: "Over the years, we have leveraged interactive channels to sell direct to customers without involving any middlemen." In 1999 A. V. Suresh, COO and senior vice president, Operations & Human Resources, re-christened EFL's

Professor Das Narayandas and Senior Researcher Kerry Herman, Global Research Group, prepared this case. Some numbers have been disguised for confidentiality purposes. HBS cases are developed solely as the basis for class discussion.. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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116 sales offices Customer Response Centers (CRCs), solicited customer feedback, and opened more service centers. In 2000 EFL announced a common nationwide customer service phone number supported by a network of five call centers accessible 24 hours per day; a response time of 48 hours to resolve complaints was targeted. To increase the number of targeted calls relative to cold calls the company also began to build a comprehensive customer database.

By 2004 EFL had revenues of Rs. 5 billion and was ranked one of India's Best Employers. It operated 116 sales offices in 92 cities and had the largest field sales force in Asia with more than 5,000 reps devoted to its two main products, EuroClean vacuum cleaners and AquaGuard water purifiers. AquaGuard sales and after-sales service accounted for 64% of the firm's revenues, EuroClean vacuum cleaners for 22%.¹ (See **Exhibit 1** for financials.)

The Indian Market for Vacuum Cleaners

With 16% of the world population—over a billion people spread across a geographical expanse that covered almost an entire continent—the Indian market could not be easily summarized. Just over 144 million of India's approximately 200 million homes were considered rural, scattered across half a million settlements and hamlets populated by individuals engaged primarily in agriculture and small trade. Commercial activities such as banking, communication, distribution, and mobility were underdeveloped in these areas. The remaining 56 million primarily urban households were distributed across approximately 4,000 towns and cities with populations in excess of 10,000.

EFL defined its target audience as those households in the 400 A-level cities (with populations in excess of 100,000) with monthly incomes above the typical price of its products. In 2004, only 18 million households met these criteria. Palekar explained "With our current market penetration of about four million households, there are plenty of opportunities still out there for us to grow."

First level priority purchases in EFL's target middle-income households tended to be a color television, refrigerator, and blender. The next level priority purchases for household members typically included audio components, washing machine and microwave. For families with children, a personal computer for the school-age child and a scooter, motorcycle, or car for commuting were usually next on the list. Because target households wealthy enough to hire maids tended not to permit them to operate valuable or complex appliances, vacuum cleaners were not in the first order of sought-after consumer goods (most maids cleaned with brooms). Recalled Goklaney:

In the early 1980s we intuitively recognized the latent need for products that would usher a better quality of life into Indian homes, particularly around the concerns of clean air and safe drinking water. These were categories that did not exist. In fact, our research indicated that these future-centric categories might never succeed. Our prospective customers need to be sold the concepts before they are willing to accept the fact that they need our products.

EFL was the market share leader in the Indian vacuum cleaner market segment. There being no other direct-sales competition, its competitors were primarily retailers that dealt in middle or low-end performance products—generally, reliable, high quality and renowned global brands.

Unlike EFL's target segment, customers who shopped in the retail channel typically entered the store knowing what they wanted and the price range they were willing to accommodate. Retailers

¹ As early as 1985 a similar portfolio of products marketed under different brand names was offered through EFL's dealer sales division. In 1986 an industrial sales division was set up to establish a strong presence in the industrial sector. Industrial sales and services, at 1% and 4%, respectively, in 2004 had remained a small portion of EFL's overall revenues.

provided the consumers with a range of models and some information to guide their selection of the desired model. They encouraged “deal selling,” and their primary sales lever was price.

EFL's Offerings

The EuroClean Bullet, EFL's most recent model, was a 1,300-watt compact, mild steel bodied vacuum that incorporated “Deep Cleaning +”, a technology designed to rid the home of dust mites, power-saving Vario Power Technology with a range of suction settings suitable for cleaning delicate electronics as well as drapes and carpets, a double swivel hose, and an automatic cord winder.² A patented dynamic centrifugal motion tackled the “toughest dirt containing the nastiest dust mite.” A five-stage filtration system for the complete capture of dust mites, a Mite Watch mechanism that automatically set the suction pressure when the bag became full, a particle filter, and the Mite Buster Process that used the vacuum's hot air exhaust to kill captured mites all ensured a healthy home.

A variety of suction- and blower-end accessories transformed the EuroClean into a multi-functional tool for use around the home as, for example, a paint sprayer, car washer, or plant atomizer. In 2004 the Euroclean Bullet was priced at around Rs. 6,400. “Our prices might be higher than the retail products,” explained Palekar,

but when it comes to performance, there is no comparison. We offer greater functionality than our competitors' products. Our products are rugged and are designed to operate in the hostile Indian environment. We have introduced a number of features that are all designed to enable the middle-class Indian consumer to have a clean home and therefore a healthy family.

Most EFL customers purchased their first vacuum cleaner as they set up their homes in their late 20s. A EuroChamp selling a EuroClean with a product lifecycle of 6 to 8 years had three opportunities with each household before prospective customers reached the age of 45 to 50, when their children began to make buying decisions for them. “When our customers replace their current EFL product,” Palekar explained, “they expect to make a quantum jump to a new model in terms of both features and price. They know what they want and they are also at a better earning station in their life.”

In 2004 the EuroClean product line sold just over 150,000 units representing a market share of approximately 70%. (**Exhibit 2** reports EFL's sales by channel.) The cost of each unit to EFL was around Rs. 2,700. The current installed base was roughly 2.5 million units, nearly 14% penetration.³ “We have accessed just the tip of the iceberg,” said Goklaney. “As the burgeoning Indian middle class flexes its muscle we expect the entire 55 million urban households to become our customers. We are very well-positioned to leverage our considerable brand value. The future looks very good.”

EFL's Sales Approach

By 2004 more than 24 million cold calls were being made, nearly 2.4 million product demonstrations conducted, and more than 500,000 EuroCleans and Aquaguards sold by the EFL field sales force annually. According to Goklaney, to retail EFL's products would be impossible. Selling the concepts relied on extensive presentation, demonstration, and customer objection handling. “It can only be done through considerable human interaction,” he observed, “and there is just one place that customers have this time on hand: at home.” Explained Goklaney:

² Invisible to the naked eye, dust mites were microscopic creatures that lived in dust, approximately 19,000 in a single gram, and caused allergies and asthma, particularly in children.

³ EFL's Aquaguard division enjoyed 63% market share with an installed base of three million units and annual unit sales of 400,000; the best-selling model, the NOVA, cost Rs. 3,500 and was sold to customers for Rs. 7,500.

Since the customer herself is not aware that she may have some use for the product she will not initiate the buying cycle. Our job is to shake the prospect out of her inertia—through powerful presentation, magical demonstration, superior and customized explanation to overcome objections—and close the sale. Our EuroChamps contact customers at their home where there are no distractions, no competing models, no crowds, and plenty of time.

EFL's advertising, Palekar emphasized, was formulated to dispose prospects to "welcome our EuroChamps when they come knocking. We arouse curiosity about the product, without revealing the 'magic' of the demo." The firm estimated that its media efforts reached a gross target audience of about 80 million annually.

The EFL Sales Organization

In 2001, EFL was split into three geographical P&L regions, each led by a chief operating officer. Common central functions such as finance, human resources, marketing, supply chain, information technology, and business development supported all three divisions.

The heart of the EFL organization was the EuroChamp, the customer sales specialist who brought the product into customers' homes, demonstrated it, and closed the sale. Four EuroChamps made up a group led by a group customer sales specialist who functioned as group leader. Team leaders oversaw two groups, one in which they functioned as group leader. Each head of a CRC (HCRC) oversaw three team leaders. Group leaders also had sales quotas, as explained by Mathi: "The EuroChamp is focused solely on sales. The next three levels above him need to sell and manage."

HCRCs were managed by deputy divisional sales managers (DDSMs) or divisional sales managers (DSMs), DDSMs and DSMs by senior divisional sales managers (SrDSMs) or area sales managers (ASMs) who reported, in turn, to a regional head. Virtually the entire sales management team had started their careers as EuroChamps. (**Exhibit 3** presents an organization chart for 2004, **Exhibit 4** and **Exhibit 5** describe the roles and the compensation structure.)

All EFL sales managers had mentoring duties and were directed to keep their fingers on the front line pulse. Even regional heads were required, for example, to meet personally with all customer sales specialists with less than six months of service to solicit feedback about training programs.

The EuroChamp

During its early years EFL recruited primarily young men in their early 20s from lower middle class homes. Recruits were expected to be able to read and write effectively in both English and the local language. Extroverted, enthusiastic, outgoing recruits tended to succeed. Over time the EuroChamp became such a recognizable figure that the "Man with the Case" became an informal second company logo (see **Exhibit 6**). Explained Goklaney:

We look for several attitudes and skills in our potential EuroChamps: minimum two years university education, graduates are preferred; high achievement drive; reasonable spoken communication and interpersonal skills; perseverance; financially needy. A fresh, young face is sometimes easier to mold. They come in as boys and become men in our family. The older EuroChamps become team leaders and heads of CRCs. They provide guidance, discipline, and, importantly, serve as an example of where a successful, ambitious EuroChamp can go.

Our revenues directly depend on the EuroChamp's attitude, skill and motivation. He must be friendly to make the housewives give him an appointment for a demo. He is a total stranger

who comes unannounced to her door and must have good manners to warm the customer up to him. He must go back later in the evening and conduct the demo with enthusiasm, knowledge, and empathy, and tailor his presentation to her mood and circumstances, and to the other people present at the demo. He needs to overcome objections and close the sale. But no two people are the same, therefore the entire approach is very people-oriented.

We have standard profiles to guide recruitment, but it is an ongoing and continuous process that takes place across all CRCs spread all over the country. Since no academic criteria can differentiate people in terms of their abilities to relate with people, subjectivity creeps in. It is tough to get uniformity in quality of people because each selector uses their own judgment.

A Day in the Life of a EuroChamp

The EuroChamp's day began at 7:00 am every morning with a 30-minute morning field meeting led by a team leader at a location convenient to the day's territory, typically a chai (tea) shop or street corner. Meetings always opened (or closed) with a rousing chorus of the EuroChamp anthem sung by the entire group. Team leaders reviewed the previous day's performance, shared what had been learned, and planned for the day ahead, including apportioning the day's territory among the members.

The EuroChamps subsequently embarked on their door-knocking, usually knocking on about 40-50 doors by midday with the objective of generating at least three to four appointments for demos in the evening. "The morning is about cold-calling," Goklaney explained. "Since the purchase decision is a joint one, the head of the household has to be involved. Therefore, the EuroChamp is trying to get the housewife to agree to a demo in the evening when her husband is back home. The sale actually happens in the evening."

By midday the EuroChamps returned to the CRC to complete their daily activity reports, deposit payments, and request delivery for closed sales. They engaged in role-playing and mock demos for new recruits or update their knowledge of product innovations or upgrades. Afternoons and evenings were spent closing sales, collecting payments, making courtesy calls on existing customers, and generating references or retraining customers in the use of their EuroClean or AquaGuard.

At day's end, a night field meeting was held. Additionally, EuroChamps planned for the month and recruited friends to work for the company. (A typical day's activities are broken out in **Exhibit 7**.) EuroChamps worked six days per week, with 14 public holidays in a 12-month period.

Recruitment

EuroChamps were recruited in a variety of ways. Flyers, billboards, poster campaigns, and newspaper ads were used to spread the word about three-day recruiting sessions held at regular intervals during the year. Campus recruitment, which targeted second- and lower-tier colleges, occurred primarily in February and September; just before exams (recruitment figures for 2003-2004 are provided in **Exhibit 8**). This process was abetted by a campus presentation kit and recruitment films. Annual EFL Best Student Awards established at some colleges fostered closer, longer-term ties with those institutions. EFL also relied on career fairs and employment exchanges. Efforts to hire Lady EuroChamps were ongoing, but women recruits were difficult to attract. Some found it difficult to overcome the social stigma attached to women knocking on strangers' doors; others were attracted to better paying and more comfortable jobs in the BPO call centers.

EFL's Friend-Get-A-Friend Scheme provided incentives for employees to recruit friends. "Our people often identify potential EuroChamps in someone they come across in a sales call," observed Mathi. "For example, one of our EuroChamps was a fruit vendor with a winning personality and a flair for selling. A team leader watched him selling and asked him to give EFL a try."

One of EFL's most powerful recruitment tools was its Own Your Own Bike Scheme (OYBS) (a sample recruiting poster is reproduced in **Exhibit 9**). For confirmed recruits who made an initial payment of 25% of the price of a motorbike, EFL paid the balance as a loan and financed the purchase. EFL also offered easy installments and charged no interest on the loan amount. When their loans were repaid the EuroChamps owned their motorbikes. In addition to being a coveted status symbol, a motorbike made it easier to cover the assigned territory and transport cumbersome units. EuroChamps who maintained motorbikes under OYBS were required to maintain minimum productivity of 15 units per month.⁴

In 1994, when he decided to give EFL a try, H. R. Ganesh, a mechanical engineering student from a rural area outside Bangalore, was working as a technical apprentice in the public sector literally in the ditches building roads. "I didn't like to get dirty," he recalled.

A friend of mine had been working for EFL for two months. He said to me, "You will make a good sales person." I came in. They put me onto a senior guy who sold EuroCleans. After a very short while I thought, "This doesn't suit me." But a few weeks later I was back. I looked at the bottom line, and thought, "Where else can I make over Rs. 10,000 a month?" I went out again with the senior sales rep determined to learn how to do it right. Within 26 months I was promoted to a group leader. I was soon the top group leader in Karnataka for eight months running. Since 2002, my CRC has been recognized as the best CRC in all India. I also have over 80% retention amongst my sales teams.

Promoted to DDSM, Bangalore I, in 2004, Ganesh reflected on his EFL career and, his voice quivering with emotion, explained: "I am here because of my boss. He took the time with me, and encouraged me, and helped me grow. I am honored to do the same for my recruits now." G. Vasudev (Vasu), a ten-year veteran EuroChamp who in 2004 was made DDSM for Bangalore III, recalled the impact his division manager had had on him.

I joined EFL in 1994, in the AquaGuard division. It was the end of a quarterly cycle, typically a tough time for selling. My team leader sent me out with a "topper," a high-seller. I didn't get anywhere. I remember at the end of the day I sat in the park and told myself, "I will give this 15 days," but I did not feel confident that I would last. Yet I did. The next year my divisional manager counseled me and told me I had leadership qualities. I had never thought of myself as a leader. It made me believe, it pushed me from being a boy to a man.

Many of Ganesh's and Vasu's cohort were still at EFL ten years later. All of them, Vasu noted, "had grown up with me. We push each other. We are competitive, but it is fun."

Training

During EFL's early years training took the form primarily of mentoring and pairing newcomers with seasoned reps. New sales reps were typically given two days to read the company handbook that included product specifications, demo information, and guidelines for prospecting and planning. They then spent a week or two shadowing a senior sales rep before being assigned their own sales

⁴ The attrition rate of recruits who enrolled in OYBS within a month of confirmation was 10 times lower than the overall rate.

territories and quotas. A seven-day training program called “My First Week at EFL,” recently developed by Palekar to familiarize new recruits with the company’s history, products, policies, payment plans, and product training as well as necessary functional skills, incorporated both an in-class training component and field-coaching sessions. Supplementary materials distributed during the program included a booklet detailing EFL’s code of conduct and information on the OYBS.

Goklaney was passionate about training.

We attach great importance to training whereby we convert diverse individuals into a common entity. It takes years to build a connection and instill a recruit with knowledge and zeal, but we only get a few months to convert a raw 21-year-old, fresh out of school, into a true-blue EuroChamp. A lot of things ride on the training because unless he learns to swim in the first few months, he will sink: he will not achieve the goal of 40 unit sales in the first six months, a prerequisite to going from probationary status to being confirmed.

Time constraints nevertheless occasionally precluded formal training beyond the two days it took to digest EFL reading materials. At such times new EuroChamps were paired with a senior salesperson and sent to “learn in the field.” “There is not always enough time,” Mathi lamented. “Sometimes training is an added chore for the senior salesperson. There are already a lot of responsibilities to complete each day. So, at times [training] is handled in an informal manner.” Within four to six months of joining EFL recruits participated in a second, more elaborate program, “Making of a EuroChamp,” that incorporated videos, role play, and mock demos.

Because EFL relied heavily on “learning by experience,” seasoned EuroChamps were a new recruit’s primary and most reliable source of knowledge. Experienced EuroChamps, group leaders, and team leaders shared daily learning, grooming tips, sales techniques, and general advice. Recruits’ backgrounds varied widely. Some came to work without shoes, had not washed their hair, or did not have the confidence or presence of mind to smile when meeting others. For some merely shaking hands was an opportunity for learning. Recalled R. Saravanan, ASM of the Bangalore office:

When I first joined in the 1980s I had been playing professional cricket. I had a punk hairstyle. I wore jeans, a colorful shirt, and sandals. I was transformed by EFL from a boy to a man. I soon learned “white shirt, dark tie” gave a more impressive image. Wearing shoes and being clean shaven and groomed was important. These might appear to be small points, but are very big for a EuroChamp. They make it more likely that people let you into their home. A policeman hesitates to pull you over for carrying a demo kit on your bike; a clean appearance makes him believe that you are a respectable businessman.

Friends and family members of confirmed EuroChamps invariably remarked on the change. A recruit treated positively by strangers and potential customers, observed Mathi, “experiences pride in becoming a professional.” Added Saravanan: “It is a powerful motivator. Most of us don’t come from a privileged background. For the first time in our life we are treated with respect.”

Supervision

EuroChamps were engaged in reporting and feedback at least three times daily: at the morning meeting before heading out on cold-calls; at the midday meeting to report on door knocking results; and at the end-of-day review to register afternoon follow ups, demos, and sales numbers. HCRCs disseminated monthly reports recommending upgrades, new appointments, and other status changes for all personnel under their purview. DDSMs and DSMs were expected to visit the field at least once

every 15 days to review performance and set targets. They were also responsible for individual performance reviews under the OYBS.

Supervision emphasized two elements, learning and developing leaders. "Feedback is important and we impart it all the time, but it must be done in a way so as to not hurt the ego," observed Saravanan. "Mistakes are an opportunity to learn. No one is scolded for making mistakes." "We know the path they are on," added Vasu. "We let them know we will walk it with them."

Field leaders were measured on retention of their recruits. Explained Goklaney:

Good leaders spot, groom, and train salesmanship talent. When they do it right, the salesmen start earning, feeling successful and motivated. Nevertheless, even charismatic leaders find that they have to battle attrition continuously. We measure the quality of our field leaders, and their own future potential with us, by their ability to minimize turnover.

"Front line work in EFL is a high pressure job," maintained Goklaney.

It is physically demanding: traveling and meeting many people, carrying products and demos, and putting a lot of energy into presentations. It is psychologically demanding as well: taking the ego-knocks they get from door slams during cold calls is demoralizing unless one is really tough. Lastly, the job is economically demanding: there is no comfort of a sufficient quantum of fixed monthly salary coming your way. You need to commissions from your sales efforts.

On average, a front-liner stayed with EFL for less than a year. Owing to its "formidable reputation in direct sales," acknowledged Palekar, "EFL is a poaching ground for companies looking for sales talent." (**Exhibit 10** presents turnover statistics.) Lately, group leaders and team leaders were being expected to address attrition problems, complaints from customers, and spotty performance on the part of a growing number of EuroChamps.

Evaluation and Compensation

Annual quotas for EuroChamps were broken down into monthly requirements of 60 demos and at least ten sales per month. EuroChamps were also expected to average 50 customer contacts per day.

Initially, when the sales force was small and the market large, territory conflicts had been rare. By 2001, however, circumstances had changed. EFL had achieved such reach and penetration that several EuroChamps might call on the same prospects on the same day. Irritated homeowners either registered their annoyance with EFL's central office or just slammed the door in the next rep's face.

Moreover, changing demographics had made some territories more lucrative than others. Senior reps who claimed more popular territories or poached sales in areas assigned to new sales reps were a source of conflict and tension within the EuroChamp ranks. In the absence of a formal customer contact database, senior managers found it difficult to monitor sales activities. "The seasoned sales reps would take advantage of this lack of information," Mathi explained. "They would use their contacts with office personnel and service technicians, to gain access to referrals and sales leads."

A EuroChamp's base compensation included salary, rent allowance, leave travel concession, holiday bonus, medical reimbursement, and, when applicable, travel reimbursement (or, for reps who did not possess a two-wheeler, a reimbursement of travel expenses up to Rs. 500 per month). Commissions were layered based on sales volume (see **Exhibit 11**).

Goklaney acknowledged that at EFL pressure to close sales and earn commissions was constant and extremely high. "A successful salesman earns upwards of two-thirds of his monthly earnings

through commissions. This emphasis on sales volume has an automatic sieving effect: anyone who cannot learn to sell does not get commission and hence earns less and exits very quickly.”

EuroChamps’ achievements were recognized in various ways including membership in EFL’s Achievers Clubs, which had assumed cult-like proportions within the firm. Their exclusivity and the stories of glory EuroChamps brought back after attending these clubs encouraged others to admire, envy, and emulate them. The Silver Circle Club, EFL’s platform for recognizing and encouraging excellence, had been “instrumental to our growth in the early years,” according to Goklaney.

A EuroChamp who consistently sold over 22 units per month over a six-month period was inducted into the Silver Circle Club for that year. The three-night, four-day, all expenses paid club celebration was held at a high-profile resort hotel at a famous gateway such as Goa, Jaipur, or Kathmandu. The Awards Night, an Oscar-like extravaganza eagerly awaited by the select members rewarded for their achievements, featured light shows, music, and entertainment. Photos taken at the celebrations decorated the homes and offices of EuroChamps for years after. Repeat membership afforded greater status: EuroChamps who qualified for the Silver Circle five and ten consecutive years were designated Living Legends and Pioneer Legends, respectively. These honorees were flown to international destinations for a one-week, all expenses paid holiday. Club 100, also called The Champions Club, was the exclusive domain of EFL’s 100 top direct sales performers. “Membership,” observed Palekar, “is fiercely fought over as there are only 100 spots to be won. EuroChamps strive incessantly to be first among the best.”

Current Issues

Reflecting on the emphasis of Harvard Business School’s Advanced Management Program (AMP), which he had attended in 2003, on the importance of being close to the customer, Goklaney, upon returning to India, had decided to join Mathi and several Bangalore EuroChamps on sales calls. In several instances Goklaney watched as the EuroChamp missed an easy sale; to his eyes these EuroChamps were just going through the motions mechanically and seemed focused only on completing their demo. He watched as they repeatedly missed prospects’ visible cues signaling their interest to buy. “A well-trained sales rep would never miss an opportunity to close a deal,” he said.

In other situations, the demo equipment was damaged or not clean—something Goklaney had always stressed as being totally unacceptable. Other instances suggested to Goklaney the art of responding to customer objections had been neglected in EuroChamps’ training. “The EuroChamp’s job,” Goklaney emphasized, “is to assuage the customer’s fears and put to rest any doubts they have about the value that they can get from using our products. This is a basic principle of selling.”

By late 2003 Goklaney could no longer ignore the poor performance across many of EFL’s territories. Mathi recalled a particularly difficult telephone conversation during which Goklaney had asked: “How can this trend be true?” Mathi had had to admit that it had been almost two years since he had been in the field, and that the same was true of other regional heads. “We were just too busy trying to stay on top of our daily responsibilities. I think we relied on our field managers to catch things we should have been noting ourselves, and that we should have been correcting ourselves.”

The list of issues continued to build and repeat as Goklaney spoke with the other EFL managers. The rationalization was almost universally: “We don’t have time to coach. It takes all of our time to manage quotas and sales volumes.” Goklaney realized he had to make some dramatic changes.

Formalizing Training

Early in 2004, EFL established eight centralized recruitment and training centers (CRTCs) to ensure a formal, standardized, firm-wide training approach. “When he realized that we weren’t able to dedicate the time to train our EuroChamps given our other responsibilities, the boss mandated that we dedicate special people and resources to training,” Mathi recalled.

Formalizing training made its importance explicit, explained Goklaney. “We created training materials, trainers, training rooms, training benchmarks, training schedules, and follow-up systems in order to do a good job at it. We are considered a benchmark company in Indian industry and a lot depends on what happens at the outset of a EuroChamp’s experience.”

CRTCs were fully equipped with training and conference facilities, audio-visual equipment, and libraries. Each was staffed by two talent development executives, a counselor, and an accountant. Talent development executives, selected from a pool of managers who had had successful careers as field leaders with track records in both sales and people development were assigned for a period of a year and a half to two years as part of their own career development within EFL.

A New Evaluation and Compensation Plan

A brainstorming session, part of Mathi’s initial reengineering efforts, had yielded a number of significant insights. EFL’s new plan, “Bettering the Best,” reconfigured EFL’s compensation structure. Rather than reward EuroChamps solely on sales volume, the new system would award points for successful completion of various stages of the selling process and link compensation to the points scored. For example, a door knock earned 5 points, a demo 100, attending meetings 200, and a sale 300 (see **Exhibit 12**). Daily targets were also set. Daily recognition played an important role: a EuroChamp could now be recognized by his superiors at least ten times per day. A monthly reward of Rs. 500 could be earned at the CRC level by the top performing EuroChamp, at the division level by the best group leader, and at the state level by the best team leader.

The restructuring demanded a significant change in mindset, however, and Goklaney and Mathi decided to test run the new system with only one sales force in one region. A part of Mathi’s own sales organization was selected to pilot the new system for six months. Among specific objectives targeted were improving the productivity level of low performers, increasing daily demos, enhancing customer engagement time, and providing a diagnostic tool for HCRC. “Bettering the Best’s” general objectives included making EuroChamps feel good about themselves, improving the spirit and morale of the sales team, improving sales productivity and the overall quality of sales (see **Exhibit 13**). Explained Goklaney: “The new system is an effort to split bigger goals into smaller targets and to encourage each and every EuroChamp to achieve the smaller targets so that they feel good about themselves and carry forward the spirit to the next day.”

But there were skeptics. After the first few weeks of the pilot a number of EuroChamps complained about the time it took to fill out the new activity report forms (see **Exhibit 14**). Several group leaders fretted that monitoring the EuroChamps and tallying points could add as much as two to three hours to their paper work and many required training to use the new spreadsheet function of Mathi’s computerized reporting system. Some managers worried that the new system would shift EuroChamps’ focus from making sales to earning points and a number of senior sales managers and EuroChamps were concerned that it might reward non-performers with substantial points but no end results. Other managers saw an inflationary risk in self-reporting, pointing out that it was impossible for sales managers to keep track of all elements of every EuroChamps’ selling effort. “How can we prevent a lazy EuroChamp from overstating their effort to gain more points?” they argued.

One respected senior EFL manager characterized the new system as “all bark and no bite,” arguing that the current financial rewards linked to the points system were too small to make any difference. He opined that the system would lose steam once the sales reps realized how much effort they would have to put in before they got something substantial in return.

There was a stream of good news from the field, however. During one of his field visits a newly confirmed EuroChamp mentioned to Goklaney that he felt he had benefited enormously from the coaching he had received recently from his group and team leaders. “Although we have a culture of openness in EFL,” Goklaney reflected, “it does take courage for a first level employee to walk up to me and talk about the system. He must have seen a significant and positive change to have done so.”

Palekar was told by another EuroChamp that he now had a better understanding of the real ingredients that went into “making the sale.” Finally, in an interim feedback session, a team of EuroChamps talked about how the new system offered them more chances to feel good about themselves and how this affected their overall morale and desire to win.

What Next?

As he awaited Mathi’s report, Goklaney, realizing that implementation of the new system would rely heavily on the leadership of his senior managers, wondered whether a sales management team that had come up through the ranks on the basis of the old system was up to the task.

Over the years, Goklaney had imbued the EFL sales force with his “Friend for Life” vision. He wanted sales reps to build bridges with customers even when they didn’t have anything to sell. Goklaney wanted his firm to emphasize customer retention and referrals over customer acquisition through hard selling. “Over the last six months I have come to believe that we need to move our EuroChamps away from worrying about how much they sell to how they sell,” he concluded. “They need to take pride in what they do.”

Exhibit 1 Eureka Forbes Financials 1998-2003 (Rs. millions)

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Sale of Products	4,112	3,822	3,451	3,187	2,791	2,390
Service Income	616	502	438	346	248	196
Total Turnover	4,728	4,324	3,889	3,533	3,039	2,586
Cost of Sales	2,627	2,348	2,237	1,983	1,682	1,415
Gross Margin	2,101	1,886	1,652	1,550	1,357	1,171
Expenses	1,944	1,701	1,492	1,346	1,190	999
Operating Profit	157	185	160	204	167	172
Depreciation	56	48	44	34	26	23
Balance Sheet						
Share Capital	50	50	50	50	50	50
Reserves and Surplus	761	678	532	491	415	335
Shareholder's Funds	811	728	582	541	465	385
Loans	52	18	0	0	0	26
Deferred Tax Liability	1	3	6	0	0	0
Capital Employed	864	749	588	541	465	411
Fixed Assets—Net	249	249	148	136	111	94
Investments	567	567	305	122	62	20
Net Current Assets (see below)	48	48	135	283	292	297
Capital Used	864	864	588	541	465	411
Net Current Assets						
Inventory	511	658	379	390	450	406
Debtors	261	213	136	132	128	97
Cash & Bank	519	277	256	283	201	188
Total Current Assets	1,628	1,531	1,225	1,173	1,160	1,006
Current Liabilities						
Sundry Creditors & Advance	1,359	1,302	886	660	666	536
Provision for Tax	221	232	204	206	183	173
Proposed final dividend				22	17	
Provision for tax on proposed final dividend				2	2	
Total Current Liabilities	1,580	1,534	1,090	890	868	709
Net Current Assets	48	-3	135	283	292	297

Source: Company documents.

Note: January 2004 exchange rate: Rs. 1 = \$0.021960

Exhibit 2 Eureka Forbes Product Sales by Channel, 1998-2003 (Rs. Millions)

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Direct Sales Division						
Vacuum Cleaners	923	918	914	848	785	703
Water Purifiers	2,442	2,201	1,963	1,722	1,463	1,261
Air Purifiers	24	34	41	48	40	44
Total	3,395^a	3,153	2,918	2,618	2,288	2,008
Dealer Sales Division						
	268	244	206	229	193	113
Industrial Sales Division						
	169	144	85	102	132	107
Security Systems	71	72	54	63	35	14
Exports	17	12	7	12	23	31
Spares & Service	802	699	619	509	368	313
Total Company	4,728^b	4,324	3,889	3,533	3,039	2,586

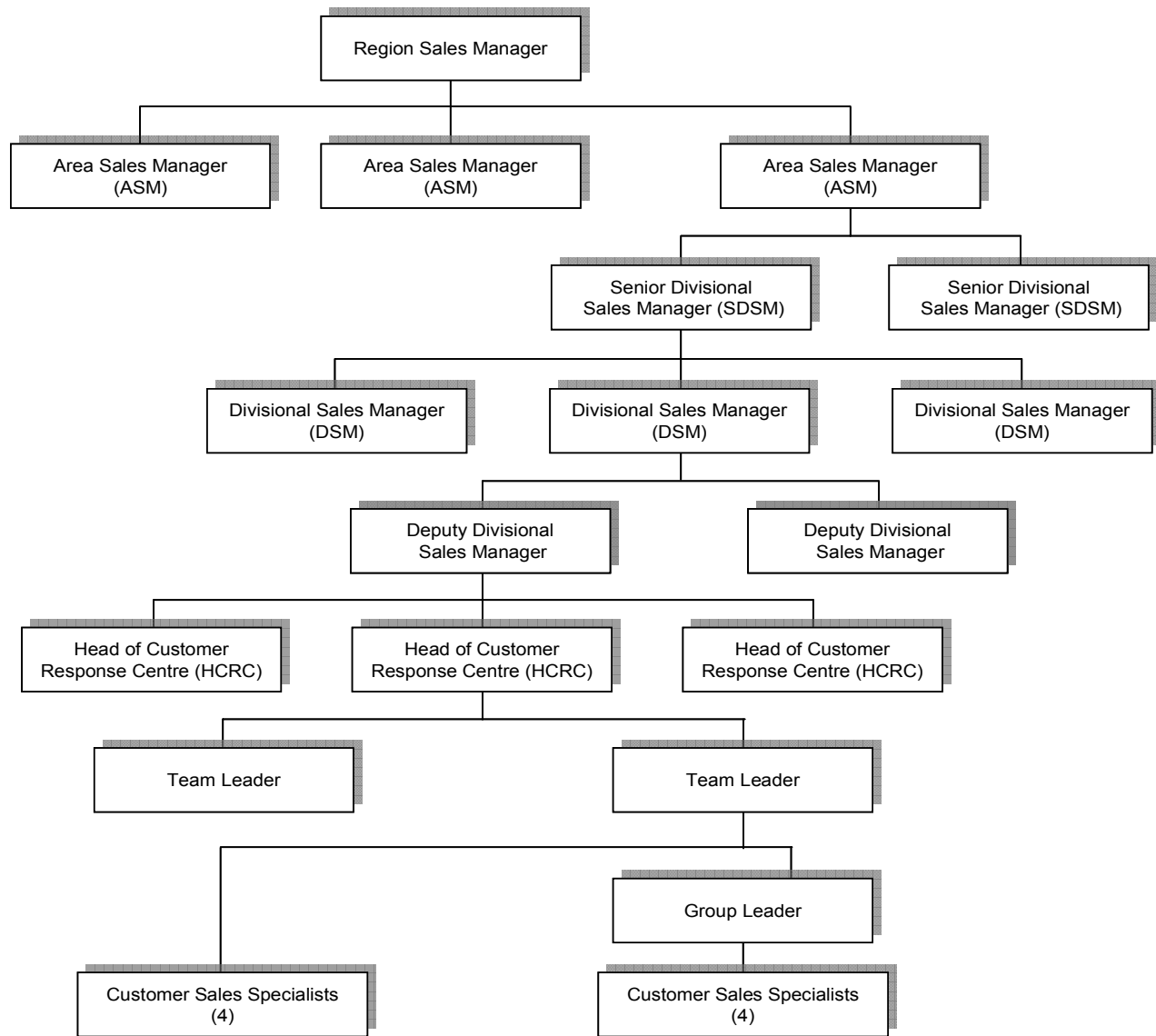
Source: Company documents.

Notes:

a. 2003-2004 direct sales total includes Rs. 4 million in chemical product sales and Rs. 2 million in security product sales.

b. 2003-2004 total company sales includes Rs. 6 million in home store sales.

Exhibit 3 Eureka Forbes Organization Chart (Region)



Source: Company documents.

Exhibit 4 EFL Roles and Responsibilities (at regional level)

Field	Responsibilities
Customer Sales Specialist (EuroChamp)	Front line sales rep.
Group Leader	Responsible for meeting own sales targets and managing group of four customer sales specialists (EuroChamps), including: ensuring cleanliness and proper dress; monitoring punctuality and attendance at field meetings; assigning territories; explaining incentives and compensation; setting group targets in consultation with team leaders and HCRCs; submitting daily activity reports (DARs); and managing and controlling inventory, payments, and installations.
Team Leaders	Responsible for meeting own sales targets and managing group of 10 EuroChamps, including: overseeing group leaders; monitoring DARs and attendance at office and field meetings; submitting weekly team reports; assisting in recruitment and selection of sales reps; coaching and training as needed; and collection and accounts management.
Head Customer Response Centers (HCRCs)	Responsible for meeting own sales targets and managing team leaders, group leaders, and EuroChamps, including: setting CRC-wide plans and goals across multiple functions including marketing, human resources, training, and service.
Deputy Division Sales Manager (DDSM); Division Sales Manager (DSM)	Responsible for various sales, marketing, human resources, training, and service functions including: preparing divisional sales plans and objectives; drawing detailed territory coverage plans; reviewing individual performance; ensuring sales closing as per sales closing calendar; managing expenses; detailing marketing support plans; consolidating demographic profiles and competitor activities in respective territories; drawing up career growth plans for subordinates; monitoring self-training programs; reviewing complaint and service response times; and customer database management.
Area Sales Manager (ASM) and Senior Division Sales Manager (SDSM)	Responsible for monitoring a range of functions including: strategic planning for their areas; communicating monthly budgets; benchmarking best practices; monitoring advertising campaigns; preparing new product launch schedules; and reviewing performance appraisals.
Regional Sales Manager (RSM)^a	Responsible to one of three COOs for all activities in their regions.

Source: Company documents.

Notes: a. Above this level, RSMs reported to their divisional general manager; the chain of command continued up from there through a general manager, VP, and then to Goklaney as CEO.

Exhibit 5 Eureka Forbes Employee Information

Level	Number	Average Age	Average Tenure (Years)	Span of Control		Average Fixed	Average Variable	Total Per Annum
				<i>Others^a</i>	<i>Euro-Champ^b</i>	<i>Rs. per yr</i>	<i>Rs. per yr</i>	<i>Rs. per yr</i>
Top								
Region Head	5 ^c	43	23	378	1,157	631,245	409,327	1,040,572
RSM	9	38	17	210	643	567,978	380,617	948,595
ASM	10	34	13	189	579	324,414	294,822	619,236
Middle								
Sr. DSM	10	32	11	189	579	235,512	158,712	394,224
DSM	22	30	9	86	263	203,940	146,640	350,580
DDSM	50	28	7	38	116	178,836	94,236	273,072
Field								
HCRC	183	26	5	10	32	79,128	132,216	211,344
Team Leader	304	24	3	0	19	66,024	96,456	162,480
Group Leader	764	22	2	0	4	51,204	75,360	126,564
EuroChamp	5,021	21	0	0	0	41,580	40,152	81,732

Source: Company documents.

Notes:

a. Others include accountants, customer relations representatives, service technicians, and secretaries.

b. Group Leaders supervised EuroChamps and had individual sales targets; this figure includes Group Leaders as well.

c. Two of the three regions were deemed large enough to have multiple regional heads.

Exhibit 6 The Eureka Forbes Man



Source: Company documents.

Exhibit 7 Time Estimates for EuroChamp Daily Tasks

Task	Average Time Spent (minutes)
Morning field meeting	30
Travel to assigned territory	30
Morning prospecting/door knocks	120 (max 180)
Midday meeting	60
Filling in daily activity reports	15 (max 30)
Depositing payments	15
Getting units issued for delivery	15
Reconciling inventory and potential orders	15
Cleaning demo unit	20 (weekly)
Role play and product training	included in midday meeting
Afternoon customer visits and/or commercial knocks	120
Demos and selling	180
Night field meeting	30

Source: Company documents.

Exhibit 8 Eureka Forbes Recruitment, 2003-2004

	North	East	West	South	All-India
Advertisement	59	64	21	21	30
Friend-Get-A-Friend	35	36	41	23	32
Campus			3	53	22
Others	6		35	3	15
Total	100	100	100	100	100

Source: Company documents.

Note: Numbers are percentages based on recruitment for a year.

Exhibit 9 Recruiting Poster: Own Your Own Bike Scheme



Your dream bike is just an interview away.

Join Eureka Forbes as a Customer Sales Specialist and ride your own Bike.

Other benefits at Eureka Forbes.

Earning: Higher sales. Bigger cash rewards.
Learning: Continuous learning through out your job and also the opportunity to earn sales management diploma from NMIMS.
Pride: That great feeling of working with Asia's largest sales force.
Fun: Awards, rewards and international holiday incentives.

So, what are you waiting for!

Post your resumé on our website
www.eurekaforbes.com/careers/



EUREKA FORBES LTD.
 YOUR FRIEND FOR LIFE

Eureka Forbes Ltd., Bhagat Gurbax Bhawan, 83, Upper Road, Panchsheel, Mumbai. Tel. 24330721

Source: Company documents.

Exhibit 10 Turnover Data, January–December 2003

Initial Cohort Size	# Resigned			Total remaining after 24 months
	0-6 months	7-12 months	13-24 months	
180	120	23	5	32

Source: Company documents.

Exhibit 11 Variable Compensation Tiers (scaled by units sold)

Units Sold	Commission (Rs.)	Demo Expenses (Rs.)	Total (Rs.)	Earnings (Rs.)
1 to 4 ^a	45	45	90	360
5 to 7	55	55	110	770
8 to 11	75	75	150	1,650
12 to 15	90	90	180	2,700
16 to 20	100	100	200	4,000
21 to 25	110	110	220	5,500
26 to 30	115	115	230	6,900
31 and above	120	120	240	---

Source: Company documents.

Notes: a. Commission and demonstration expenses for sale of "1 to 4" units per month are applicable only to customer sales specialists on probation during the first three months from the date of joining the company.

Exhibit 12 Bettering the Best: EFL's New Compensation Plan, Points Allocated, January 2004

Criteria	Points	Daily Target ^a
Active Door Knock	5 per door knock	30
Appointment for the Day	10 per appointment	5
Gift-a-Smile (GAS)	30 per call (if achieved)	1
Service Request	10 per service request/complaint logged	2
Demos	100 per demo	3
Sale: Standard	300 per sale	1
Sale: High end product	600 per sale	1
Reference	50 per reference	1
Friend-Get-a-Friend (FGF)	3,000 for interview	1
Meetings	200 attend all meetings	1
Commercial Appointment (w/ a business entity)	50 per appointment	1

Source: Company documents.

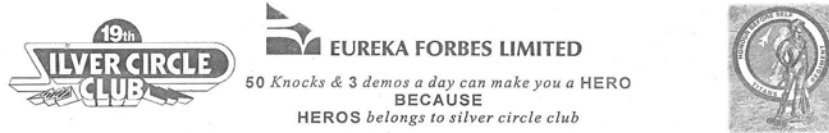
Note: a. Daily target refers to activities rather than points to be earned.

Exhibit 13 Bettering the Best Objectives

Specific Objectives	Overall Objectives
Improve the productivity level of low performers (from 8-10 to 16 level)	Make EuroChamps feel good about themselves every day
Maintain the consistency of high performers (21+ sellers)	Improve the morale/spirit of sales team
Increase daily demos to more than 2-3 per day	Rekindle the competitive spirit of EuroChamps
Achieve 40% reference sales out of total sales	Change the way we conduct business
Achieve 100% growth in Gift-a-Smile (GAS) from current 15-30 per month	Encourage EuroChamps to win at every step in their work
Reduce door-knock to sales ratio (from 45:1 to 30:1)	Improve the overall quality of sales
Enhance customer engagement time (greater than 70%)	Improve sales productivity
Provide a diagnostic tool to HCRC for individual EuroChamp course correction	Improve the customer focus of EuroChamps
	Inspire everyone to participate in team activities
	Develop EuroChamps as complete salesmen

Source: Company documents.

Exhibit 14 Samples of Daily Activity Forms: Before "Bettering the Best"



NAME : _____ TERRITORY NAME : _____ DATE : _____

SL NO	NAME , ADDRESS & TELEPHONE	OCCUPATION	DEMO DATE & TIME	PRODUCT OWN			HYGIENE FACTORS & INFORMATION
				VC	AG	EX	
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

Total Opportunities Met : _____ Sign; CSS : _____
 Opportunities For Today : _____ Sign; GCS : _____
 Opportunities For Weekend : _____ Sign; TL/HOL : _____

Source: Company documents.

