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Hausser Food Products Company

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ABSTRACT

Hausser Food Products Company focuses on the issue of motivation and behavior in the sales environment. The situation confronting Brenda Cooper, a regional sales manager for Hausser, and the subject of the case, is one in which she needs the support of the people below her – particularly, the managers at the district level. Yet, she fails to get this support. How can Brenda obtain the help she needs to face the challenges at hand?

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Hausser Food Products Company

Brenda Cooper, the Southeastern Regional Sales Manager for the Hausser Food Products Company (HFP) expressed her concern:

I think during the past year I've begun to make some progress here, but the situation is a lot more difficult than I thought when I first arrived. Our current methods of selling products just are not adequate, and the people in the field don't seem interested in coming up with new ideas or approaches to selling.

Background

Hausser Food Products Company was a leading producer and marketer of infant foods in the United States. The company manufactured and marketed a whole line of foods for the infant market including strained meats, vegetables, fruits and combination dishes. The product line included foods that were completely strained, for infants, as well as foods that were partially strained or chopped, for children six months and older. HFP was traditionally the leader in this field. The company had no other major product lines. Its products were known for their high quality, and the Hausser name was well-known to most consumers.

HFP owned its production and warehousing facilities. Its well developed distribution network provided direct delivery of products to the warehouses and stores of most major food chains. The smallest segment of its market was composed of a limited number of institutions for children; these purchased HFP products in bulk.

HFP had a long history in the infant food business. Traditionally the market leader, over the years, it maintained a market share of approximately 60 percent. During the 1960s the firm experienced rapid expansion and growth. The number of different types of infant food products increased tremendously to keep up with increasing demand for more foods and a greater variety of products. During the period running from the mid-1960s through the mid-1970s, growth in sales approached 15% p.a. compound.

In the 1980s and 1990s, HFP faced a greatly changing market for infant foods. The decrease in the birth rate brought about major changes in the whole infant food business, and sales projections had to be altered drastically. In addition, the concern about food additives, including flavorings, dyes and preservatives, also had its impact on the baby food market. Many consumer advocates argued that mothers would be much safer in making their own baby foods rather than purchasing commercially prepared products. Finally, competition in the baby food market increased, with private brands competing on the basis of price against nationally advertised brands.

These changing conditions were viewed with great alarm by the top management of HFP. The drop in growth of sales (to 3 percent in the most recent year) was accompanied by an even greater drop in

earnings as management found itself faced with unused plant and warehouse capacity. At the time this case was written, management was looking for ways to stimulate demand for HFP products and, over the longer term, to find other complementary products to develop and market.

The Marketing Organization

A Vice President for Marketing who reported directly to the President of HFP directed the marketing function at HFP (see a partial organization chart in Exhibit 1). The Vice President for Marketing had five functional directors reporting to him. Each of these directors was responsible for a major area of marketing activity, including market research, market planning, sales promotion, advertising and field sales. The sales department, which was recently the focus of much concern, was headed by the director of sales; he was responsible for HFP sales nationwide.

The country was divided into seven major regions each with a regional sales manager. Regions were further broken into districts. Districts varied in size. Some districts consisted of several states; others consisted of parts of a city, depending on population size and concentration. A district manager headed up the HFP sales team in each district. It was this sales team that had the ultimate responsibility of selling HFP products to customers, offering promotions, maintaining contact with customers, assuring adequate shelf space, and so forth.

A key position in the marketing organization was the regional sales manager (RSM). The RSM position was an entry point for bright, aggressive and well-trained young people. Often, they rose to high-level positions within the company. The current President, Vice President for Marketing, and three of the five Marketing Directors all began their careers as regional sales managers.

Brenda Cooper, the southeast regional sales manager, was fairly typical of the kind of person who was placed in the RSM position. Brenda entered an MBA program four years after graduating from one of the best women's colleges in the country. Majoring in marketing, she did extremely well in business school and graduated near the top of her class. Upon graduation she received many job offers and took a position as an assistant product manager in a large non-food consumer products company. During four years at that firm, she performed extremely well both in the management of existing products and in launching new products. However, by the end of her fourth year, she was becoming restless and, seeing no opportunities for quick advancement, decided to accept an offer to become a regional sales manager at HFP. The salary was attractive, plus she would receive a potentially large bonus based on the profit performance of the entire company. What also attracted Brenda was the possibility of advancement within the company for she knew that many of the senior staff had commenced their company careers in the RSM position. At the end of her first year Brenda was still very much concerned about doing well in her job. In particular, she was adjusting to her role as a manager. Six district managers reported to her.

The Sales Plan

Much regional sales manager activity centered around the annual sales plan. The sales plan was essentially a budget that included projections of sales, expenses and profits. It served as the basic “yardstick” against which the performance of regional sales managers was measured. Each year, the sales plan was developed through a multi-staged process:

1. The director of market planning developed a top-down projection of sales for the coming year. At the same time, the director of sales asked his regional managers for their sales projections. These projections were usually extrapolations of the previous year’s figures, with adjustments for major changes in the market (if any).
2. The two directors (market planning and sales), along with their staffs, went through a negotiation process to resolve the difference that usually existed between the two projections. (Market planning always tended to be higher.) Out of these negotiations emerged the sales plan for the coming year. This plan included budgeted expenditures for promotions, advertising, and expenses, as well as projected sales volume and profit.
3. The sales director allocated portions of the sales plan to each of his regional managers. The RSMs were responsible for “meeting plan” within their own region. Regional managers in turn allocated parts of the plan to each of their district sales managers and teams.
4. The district managers received the plan in the form of sales targets and expense budgets for the coming year. The district manager typically received a relatively low base salary but a relatively large annual bonus based entirely on the performance of his sales team, measured against the sales plan. At the end of the year, the district manager was also given a pool of bonus dollars, also based on team performance against plan, to be distributed to the individual sales reps. Sales reps also received relatively low base salaries and looked to their annual bonuses as a major source of income.

The Problems of the Regional Sales Manager

Seated in her Atlanta office, Brenda Cooper described the operations of her region; then she began to talk about some of the problems she was facing:

We’re currently wrestling with the problem of a very mature product line. Top management has begun to see the need to diversify -- in other words, to hedge our bets with some other lines that aren’t dependent upon a steadily increasing birth rate. They’ve been talking about some exciting things, but any new product is still a few years away.

In the meantime, it’s up to us in the field to come up with the ideas that will help us maintain and increase existing sales. I think there must be better ways of selling our product and I’m sure that there are things we can do to get much more performance

out of the line. The problem, though, is that the best ideas usually come from the field ... from the salespeople themselves ... but we really haven't had many new ideas from our sales teams. They seem content to let the products sell themselves and just keep the shelves full, as they have for years.

Brenda spent some time going over the figures for sales in her region, in particular the sales performance of the different districts. She noted:

Look here at Boyar and his group in Florida. This is a prime example of the kind of problem I'm facing. While we've had to face decreasing growth in sales and an actual drop of sales in some districts, Boyar's group consistently comes in at 10 percent above plan. I've been down there and met with them and I've talked with Boyar numerous times, but I can't figure out how they do it. They must be doing something that could be used in other places, but everytime I ask how they do it I get vague answers like, 'Well, we work very hard down here' or, 'We work together as a group. That's how we are able to do well.' I'm sure it must be more than that, but I can't seem to get them to open up.

The Florida Sales Team

Jay Boyar was contemplating hiring an old family friend with significant sales experience for the next opening in his district. He was introducing him to his team members (Exhibit 2).

David Berz, the unofficial assistant team manager, talked at length about why he liked his job:

What I really like is the freedom. I'm really my own boss most of the time. I don't have to be sitting in an office for the whole day, with some supervisor hanging over my shoulder and looking at all of my work. I get to be outside, here in the car, doing what I like to be doing -- being out in the world, talking to people, and making sales.

Neil Portnow, who had been with the company longer than any of the other team members, commented on the group:

This is really a great bunch of guys to work with. I've been with a couple of different firms, but this is the best. I've been together with Dave and Jay for about 15 years now and I wouldn't trade it for anything. Jay is really one of us; he knows that we know how to do our jobs and he doesn't try to put a lot of controls on us. We go about doing the job the way we know is best and that is OK with Jay.

The guys are also good because they help you out. When I was sick last year, they all pitched in to cover my territory so that we could make our plan plus 10 percent without reporting my illness to the company. They can also be hard on someone who doesn't realize how things work here. A few years back, when one of the young guys,

Fred, came on with us, he was all fired up. He was gonna sell baby food to half the mothers in Florida, personally! He didn't realize that you have to take your time and not waste your effort for the company. The other guys gave him a little bit of a hard time at first -- he found his orders getting lost and shipments being changed. When he finally came to his senses they treated him great and showed him the ropes.

Neil talked about HFP as a place to work:

It's all pretty simple, the company is out to screw the sales rep. Up in Atlanta and New York, all they are concerned about is the numbers, meet the plan, no matter what. The worst thing is, if you work hard, meet the plan, and then keep going so you can earn some decent money, then they go and change the plan next year. They increase the sales quota so that you have to work harder just to earn the same money! It just doesn't pay to bust your ass...

...The people in Atlanta also want all kinds of paper work -- sales reports, call reports, all kinds of reports. If you filled out all of the things that they want you to fill out, you'd spend all your time doing paper work and no time out selling, looking for new accounts, making cold calls, or any of the things that a sales rep really is supposed to do if he's gonna keep on top of his territory.

There was general agreement with Neil's views on the company. Alby Siegel added:

The biggest joke they got going is the suggestion plan. They want us to come up with new ideas about how the company should make more money. The joke of it is, if you come with an idea that, for instance, makes the company a couple of hundred thousand dollars in profit across the country, they are generous enough to give you \$500, and that's the top figure. \$500 for your idea. That amount of money is an insult ...

... One thing you have to remember is that in one way or another, we're all in this for the money. Despite what they say, it's not the greatest life being out on the road all the time, staying in motels, fighting the competition. But it's worth it because I can earn more money doing this job than anything else I could do. I can live better than most 'professional' men with all their college degrees ... Jay is pretty good about the money thing too. He makes sure that we get our bonus, year in and year out, and he keeps the people in Atlanta from taking our bonus checks away from us. He's not management -- he's one of us. You can really tell it during the team meetings. Once every two months we all meet in Tampa and spend a day going over the accounts and talking about ideas for selling. We spend the whole day in his hotel room, working, and then we go out and spend the whole night on the town, usually drinking. Jay is one of us ... many's the night that I've helped carry him back to the hotel.

Jay Boyar asked the potential recruit to sit in on one of the bi-monthly team meetings. Before the meeting he took him aside:

Listen, I need to talk over something with you before we start the afternoon meeting. We trust you so we're going to let you in on our little discovery. You may have noticed that we aren't doing so badly, and you're right. The reason is a little finding made by Alby about three years ago. He was out in one of the stores and he noticed that a lot of people buying our products were not mothers of young children, but old people! We started looking around and we began to notice that a lot of older people were buying HFP jars. We talked with some of them and it turns out that they like our stuff, particularly those people with teeth problems.

Since then we've developed a very lucrative trade with a number of the old folk's homes and we've been able to sell to them through some of the supermarkets that are located in areas where there is a large older population. It's a great new piece of the market; it takes the pressure off of us to make plan, and we don't even have to push it very hard to keep making plan and about 10 percent.

We've also been pretty successful in keeping Atlanta from finding out. If they knew, they'd up our plan, leaving us no time to sell, no time to develop new customers, no time to make cold calls, or anything. The way we use this new area as a little cushion, and it helps us to stay on top of our territory. I had to tell you because we'll be talking about the old people this afternoon. The boys seem to think you are OK, so I'm trusting you.

Back in Atlanta

Brenda Cooper was even more concerned about her problems:

I'm getting all kinds of pressure from New York to jack up my sales. They are pushing me to increase plan for next year. I really am beginning to feel that my job is on the line on this one. If I can't come up with something that is good in the coming year, the future looks bleak for me at HFP.

At the same time, I'm getting flack from my district managers. They all say that they're running flat out as is, and they can't squeeze any more sales out of their districts than they are right now. Even Boyar is complaining that he may not make plan if we have another increase next year. At the same time, he always seems to pull out his 10 percent extra by the end of the year. I wonder what they're really doing down there.

Exhibits

Exhibit 1

Partial Chart of Formal Organization Structure of Hausser Food Products

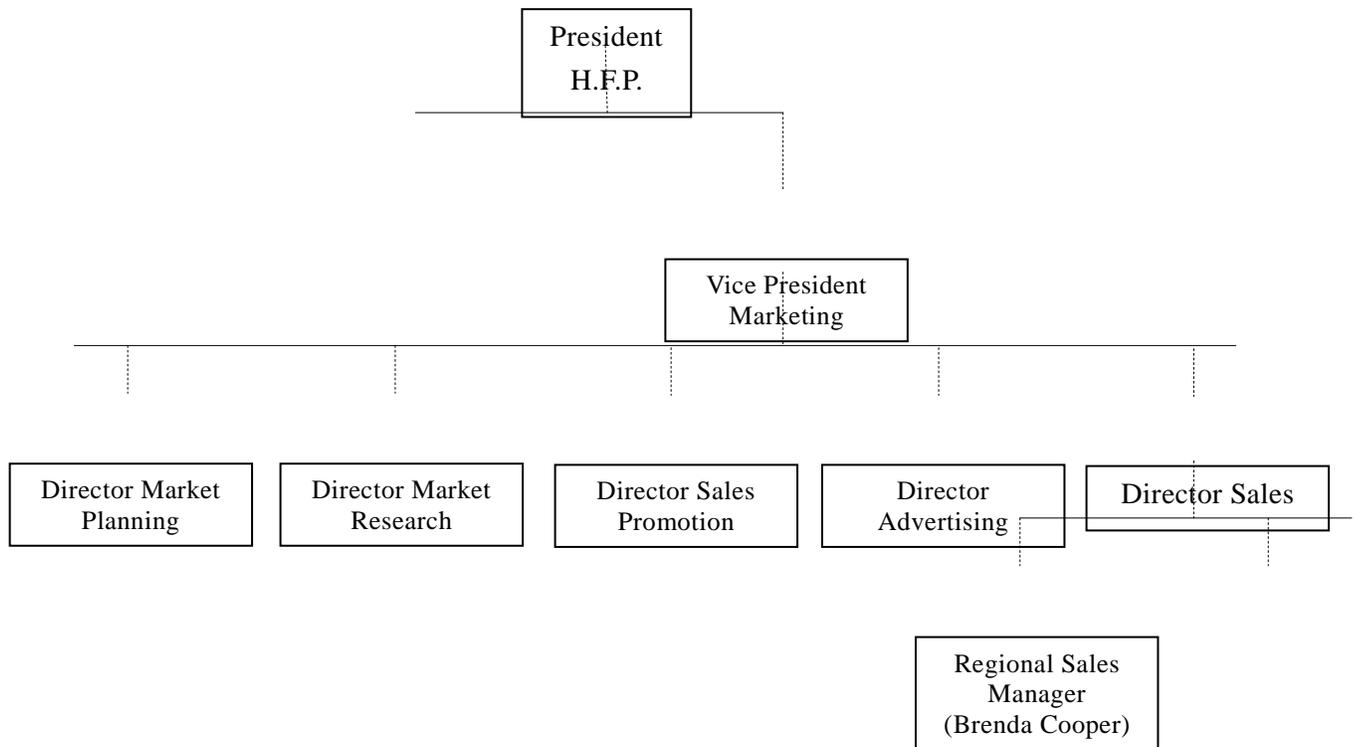


Exhibit 2

Listing of Staff in the Florida Sales Team

Name	Position	Age	Years w/HFP	Education
Jay Boyar	District Sales Manager	52	30	High School
David Berz	Sales Rep (Asst, Mgr.)	50	30	High School
Neil Portnow	Sales Rep	56	36	High School
Alby Siegel	Sales Rep	49	18	1 yr. College
Mike Wolly	Sales Rep	35	12	2 yrs. College
John Cassis	Sales Rep	28	4	B.A.
Fred Hopengarten	Sales Rep	30	3	B.A.