Hausser Food Products Company

Brenda Cooper, the southeastern regional sales manager for the Hausser Food Products Company (HFP) expressed her concern to a researcher from a well-known eastern business school:

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 baby foods in the United States. The company manufactured and marketed a whole line of foods for the baby market including strained meats, vegetables, fruits, and combination dishes. The product line included foods that are completely strained, for infants, as well as foods that are 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, which purchase HFP products in bulk.

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

During the past few years, HFP had faced a greatly changing market for infant foods. The sudden decrease in the birth rate brought about major changes in the infant food business, and projections of sales had to be altered drastically. In addition, the new concern about food additives, including flavorings, dyes, and preservatives, also had its impact on the baby food market. Many consumer advocates argued that it would be safer for parents to make their own

This case was written for classroom use and is based on an actual organizational situation. Certain names and facts have been changed to protect confidentiality. (Written by Steve Palesy and David Nadler, 1976.) Reproduced with permission of the author. Minor editing by James G. Clawson, Darden School, University of Virginia, 1995.
baby foods than to purchase the commercially prepared products such as those manufactured by HFP. Finally, competition in the baby food market also increased. Private names competed on the basis of price against the nationally advertised brand names.

These changing conditions had been 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 with unused plant and warehouse capacity. Management was currently concerned with looking for new ways of stimulating demand for HFP products as well as the longer-range problem of finding new complementary products to develop and market.

**THE MARKETING ORGANIZATION**

In 1975 a researcher from a major business school became involved in studying the marketing organization of HFP as part of a larger-scale research project. His inquiries led him to look closely at the sales department and to investigate some of the problems that were being experienced there. The marketing function at HFP was directed by a vice-president for marketing who reported directly to the president of HFP (see a partial organizational chart in Exhibit 1). The vice-president for marketing had five functional directors reporting to him. Each of these directors were responsible for one of the major areas of marketing activity, including market

![Exhibit 1. Partial Chart of Formal Organization Structure of Hausser Food Products](chart.png)
research, market planning, sales promotion, advertising, and sales. The sales department, which had been the focus of much recent concern, was headed by the director of sales, who directs selling activities for the entire United States. The country was broken up into seven regions, each of which had a regional sales manager. Regions are further broken up into districts (each of which may include a range of area from several states to part of a city, depending upon the particular location). The district manager headed up the HFP “sales team” for each district. It was this sales team that had the ultimate job of selling HFP products to customers, offering promotions, maintaining contact with the customers, assuring adequate shelf space, and so on.

A key element in the marketing organization was the regional sales manager. This had been an entry position to HFP for many bright, aggressive, and well-trained young people who subsequently had risen to high-level jobs within the company. The current president of the company, the vice president for marketing, and three of the five marketing directors all began their careers at HFP as regional sales managers.

Brenda Cooper, the southeast regional sales manager, was fairly typical of the kind of person who was placed in that position. Brenda entered an MBA program immediately following graduation 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 nonfood consumer products company. During four years at that firm she performed extremely well both in the management of existing products and in the launching of new products. By the end of her fourth year, however, 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. Brenda was also attracted by the possibility of advancement within the company. She had heard that many of the senior staff had started as regional managers. At the end of her first year Brenda was still very concerned about doing well in her job; in particular she was adjusting to her role as manager with six district managers reporting to her.

THE SALES PLAN

Much of the activity of the regional managers centered around the yearly sales plan. The sales plan was essentially a budget that includes projections of sales, expenses, and profit. It served as the basic yardstick against which the performance of regional managers was measured.

Each year the sales plan was developed through the following multistage process:

1. The director of market planning came up with a projection of sales for the coming year. At the same time, the director of sales asked regional managers for their projections of sales for the next year. These projections were usually extrapolations of the previous year’s figures with adjustments for major changes in the market year (if any).
2. The two directors (market planning and sales) and their staffs go through a negotiation process to resolve the difference that usually exists between their two projections (market planning always tending to be higher). Out of these negotiations emerged the sales plan for the coming year. This plan included budgeted expenditures for promotions, advertising, expenses, and the like, as well as projected sales volume and profit.

3. The sales director allocates portions of the sales plan to regional managers, who were responsible for “meeting plan” within their own regions. Regional managers in turn allocate 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 combined with a relatively large yearly bonus, which was based entirely on the performance, as measured against the sales plan, of the sales team. 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 salespeople. Salespeople also received relatively low base salaries and looked to their yearly bonuses as a major source of income.

**THE PROBLEM OF THE REGIONAL SALES MANAGERS**

As part of his investigation, the researcher visited Brenda Cooper in her Atlanta office. After describing the operations of her region, Brenda began to talk about some of the problems she had faced:

> We in HFP are currently wrestling with the problem of a very mature product line. Top management has begun to see the critical need to diversify, in other words to hedge our bets with some other lines of products which are not dependent upon a steadily increasing birth rate. They have been talking about some interesting and exciting things, but any new product is still a few years away from being introduced... In the meantime, it was the job of us out here in the field to come up with new ideas to help keep up sales of our existing product line. I think there must be better ways of selling our product, and I am sure that there are new things that we can do to get much more performance out of the line than we are seeing now. The problem is that the best ideas usually come in from the field, from the salesmen themselves, and we really have had very little from our sales teams. They seem content to continue to let the products sell themselves and just keep the shelves stocked, as they have for years. I just don’t get any new ideas or approaches from my sales teams.

Brenda and the researcher then spent some time going over the figures for sales in her region, and in particular the sales performance of the different regions. As they were going over the figures, Brenda noted:

> Look here at Jay Boyar and his group in Florida. This is a prime example of the kind of problem I am facing. While we have been facing decreasing growth in sales, and actual drop off of sales...
some places, Jay’s group consistently comes in at 10 percent above the sales plan. I’ve been down there and met with them and I’ve talked with Jay 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 every time I ask how they do it, I get very 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.

A VISIT TO THE FLORIDA SALES TEAM

Intrigued with the Florida figures, the researcher arranged an extended visit (during January and February) with the Florida sales team. The researcher was given a letter of introduction from the vice-president for marketing. This letter explained that he was collecting background information for a major research project that would help the company, that any information collected would be confidential, and that the sales team should provide him with any assistance that he needed.

At first Jay Boyar and his group made no attempt to hide their suspicion of the researcher. Slowly, however, as the researcher spent numerous days in the field, riding around the Florida roads with each of the salespeople, they began to trust him and open up about how they felt about their jobs and the company. (See Exhibit 2 for a listing of the staff of the Florida sales team).

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Age</th>
<th>Years W/HFP</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jay Boyar</td>
<td>District sales manager</td>
<td>52</td>
<td>30</td>
<td>high school</td>
</tr>
<tr>
<td>David Berz</td>
<td>Salesman (assistant manager)</td>
<td>50</td>
<td>30</td>
<td>high school</td>
</tr>
<tr>
<td>Neil Portnow</td>
<td>Salesman</td>
<td>56</td>
<td>36</td>
<td>high school</td>
</tr>
<tr>
<td>Alby Siegel</td>
<td>Salesman</td>
<td>49</td>
<td>18</td>
<td>½ year college</td>
</tr>
<tr>
<td>Mike Wolly</td>
<td>Salesman</td>
<td>35</td>
<td>12</td>
<td>2 years college</td>
</tr>
<tr>
<td>John Cassis</td>
<td>Salesman</td>
<td>28</td>
<td>4</td>
<td>B.A.</td>
</tr>
<tr>
<td>Fred Hopengarten</td>
<td>Salesman</td>
<td>30</td>
<td>3</td>
<td>B.A.</td>
</tr>
</tbody>
</table>
at all 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 the sale.

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 groups, but this is the best. I’ve been together with Dave and Jay for fifteen 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 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—but when he finally came to his senses, they treated him great and showed him the ropes.

Following up on the references to the company, the researcher asked Neil to talk more about HFP as a place to work:

It’s all pretty simple: the company is out to screw the salesperson. Up in Atlanta and New York, all they are concerned about is the numbers; meet the plan, no matter what. The worst thing was 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 had 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 paperwork: 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 paperwork and no time out selling, looking for new accounts, making cold calls, or any of the things that a salesman really is supposed to do if he’s gonna keep on top of his area.

As he talked with the other salesmen, the researcher found 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 up with an idea that, for instance, makes the company a couple of hundred thousand in profit across the country, they are generous enough to give you $500. 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 of the time, staying in motels, fighting the competition. But it’s worth it because I could 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 this hotel room, working, and then we go out and spend the whole night on the town, usually drinking. Jay is one of us…many is the night that I’ve helped carry him back to the hotel.

After about four weeks with the team, the researcher got a chance to participate in one of the bimonthly team meetings. During lunch, Jay came over to him and began to talk:

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 was 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 who have all kinds of teeth problems.

Since then we’ve developed a very lucrative trade with a number of old folks’ homes, and we’ve been able to sell to them through some of the supermarkets that are located in areas where there is a larger 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 put 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. This way we use this new area as a little cushion, and it helps us 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 with it. I hope I’m not making a mistake telling you this.

BACK IN ATLANTA

Soon after the Tampa meeting, the researcher left the Florida sales team and headed back for New York. On the way back he stopped off for a final brief visit with Brenda Cooper. He found her even more concerned about her problems:

I’m getting all kinds of pressure from New York to jack up my sales in the region. They are pushing me to increase plan for the 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 for me at HFP looks bleak.

At the same time I’m getting flak from my district managers. They all say they’re running flat out as is and they can’t squeeze any more sales out of the district than they already are. Even Jay 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.