



# Sales diagnostic study



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## The focal point...

One of the key issues that many modern day companies are grappling with is unauthorised diversion of their products to channels/geographies which are not intended for the product.

In most cases the source of the problem is the company's own trusted channel of distribution trying to

cash in on the price disparities either within channels or geographies.

Our focus is to help companies identify the source of such diversion of products and suggest remedial measures to mitigate risks.

## Key vulnerabilities you should watch out for

### Sales

- Diversion of stock meant for the domestic market to export markets.
- Surge in domestic sales numbers with no corresponding increase in market reach/share.

### Distribution network

- Presence of unauthorised exporters in the customer base of distributors.
- Sudden surge in distributor sales due to a large quantity of secondary sales diverted to unauthorised exporters.

### Trade schemes/incentives

- Increase in claims from distributors for trade schemes on high volume sales diverted to unauthorised exporters.
- Undue sales incentives paid to the sales team for sales to unauthorised exporters.

### Product pricing

- Local distributors cash in on the price disparities within geographies.
- Price distortion in markets receiving diverted sales.

### Counterfeiting

- High volume of sales diversion gives access of product components to counterfeiters.



## How we can help you

Our approach to detecting vulnerabilities in the sales process that are facilitating potential diversions is detailed below:



### High level understanding

- Obtain an understanding of the process followed for receipt of sales orders by the company, execution of sales orders, invoicing of primary sales to distributors, issuance of credit notes to distributors and secondary sales to retail outlets.

- Obtain an understanding from the management of the company of the roles, responsibilities and authorities of the various employees involved for the sales made in general trade.



### Data analysis and document review

- Identify sources of data relevant for the review and extract data from these sources for detailed analysis.
- Perform data analytics routines on the data acquired from the company for the review period and other data obtained from public domain/market intelligence (to the extent available).

- Based on the red flags identified from data analysed, undertake document review for sample transactions of sales made and credit notes issued to the distributors during review period.
- Identify employees involved in transactions for the red flags identified during data analytics and document review.



### Market intelligence

- Attempt to gather intelligence from market sources regarding any malpractices with respect to the export of the company's products.

- Gather market intelligence on select distributors and exporters.
- Attempt to identify modus operandi followed for unauthorised diversion of company's products meant for local retail market to export in foreign markets.



### Interview and reporting

- Conduct discussions with employees of the sales team of the company identified on the basis of the data analysis, documentation review and market intelligence.

- During discussions, corroborate facts arising out of the review of documentation.
- Prepare a report with the findings, process gaps and suggested recommendations to mitigate identified gaps in the future.

(Note: While this is the broad outline of our approach, it is highly customisable, and can be modified to suit the specific requirements of the client.)

## Potential benefits

- Identify distributors involved in diverting products for unauthorised exports and take corrective actions.
- Identify the modus operandi and involvement of Company employees in the same (if any).
- Implement an ongoing monitoring mechanism to identify instances going forward.

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