



## **Indian Institute of Management Kozhikode**

### **Case Study**

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**RFM: A Pharma Industry Case for Sales People Performance Analysis**

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“Hi Arun, you are now officially in a wonderful world, you joined us, babu moshai”...said Saikat Chakraborty, the Regional Manager - East to Arun. He knew that the Bhubaneswar market was assigned to him, a tough one to sell the Ciprofloxacin in the crowded market. His performance in Kerala earned him a promotion as a state leader of Odisha. His experience of over 6 years in the same company ‘Centrium Pharma’ has been nothing short of a dream. His performance has been superlative and last two years, he was country leader in the growth and total sales.

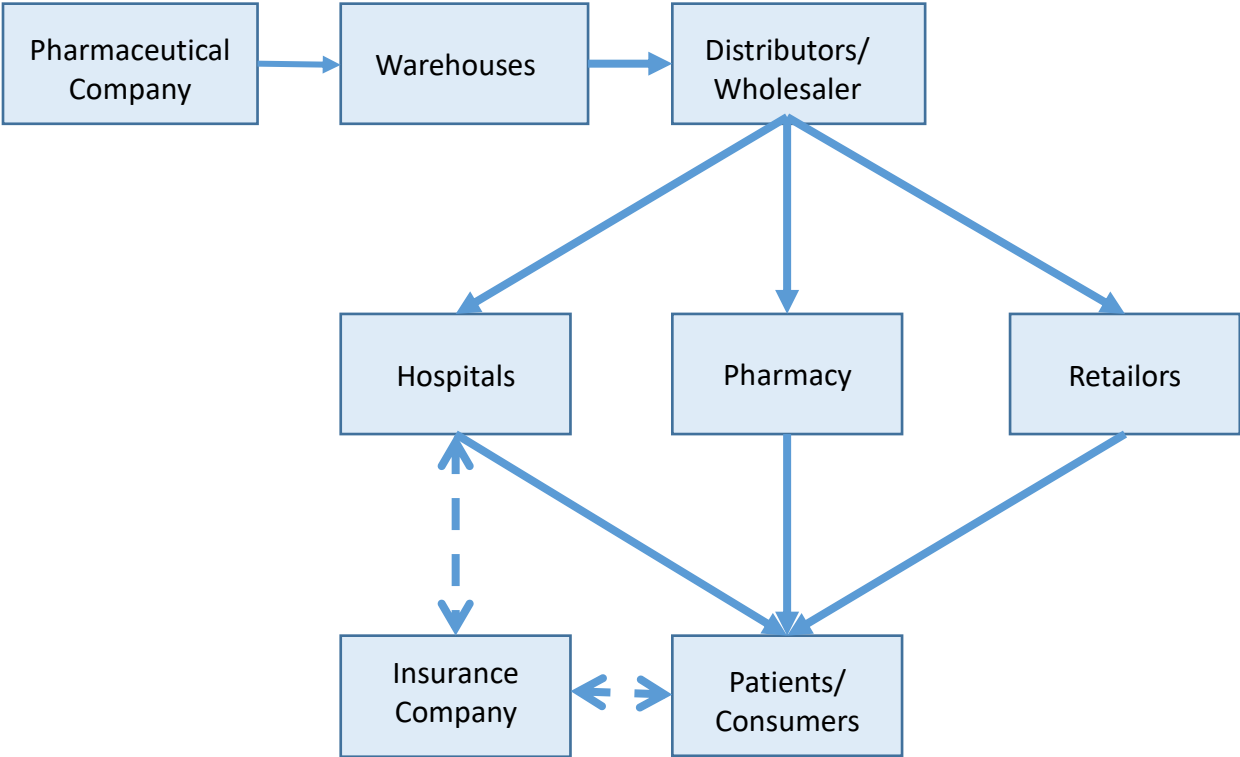
Introducing the Bhubaneswar market, that gives almost 40 percent of the entire sales from Odisha, Saikat offloaded first project to Arun to develop Account Planning and a submit a report in two days. Arun agreed to assignment and out of his experience in the company reflected that Odisha market had similar distribution structure as in Kerala (Figure – I). He liked the company for couple of reasons. Obviously, the company paid well above the industry standards. Secondly, the culture of positivity in the organisation primarily due to its easy to approach lean organisational structure (Figure – II).

Arun recently attended a management program at IIM Kozhikode, a premier management institute where he was taught about a well time-tested tool to manage customers – RFM Analysis (Figure – III). He was so fascinated with the technique that he implemented last three years in his territory in Kerala. A secret for his achievements over the last three years.

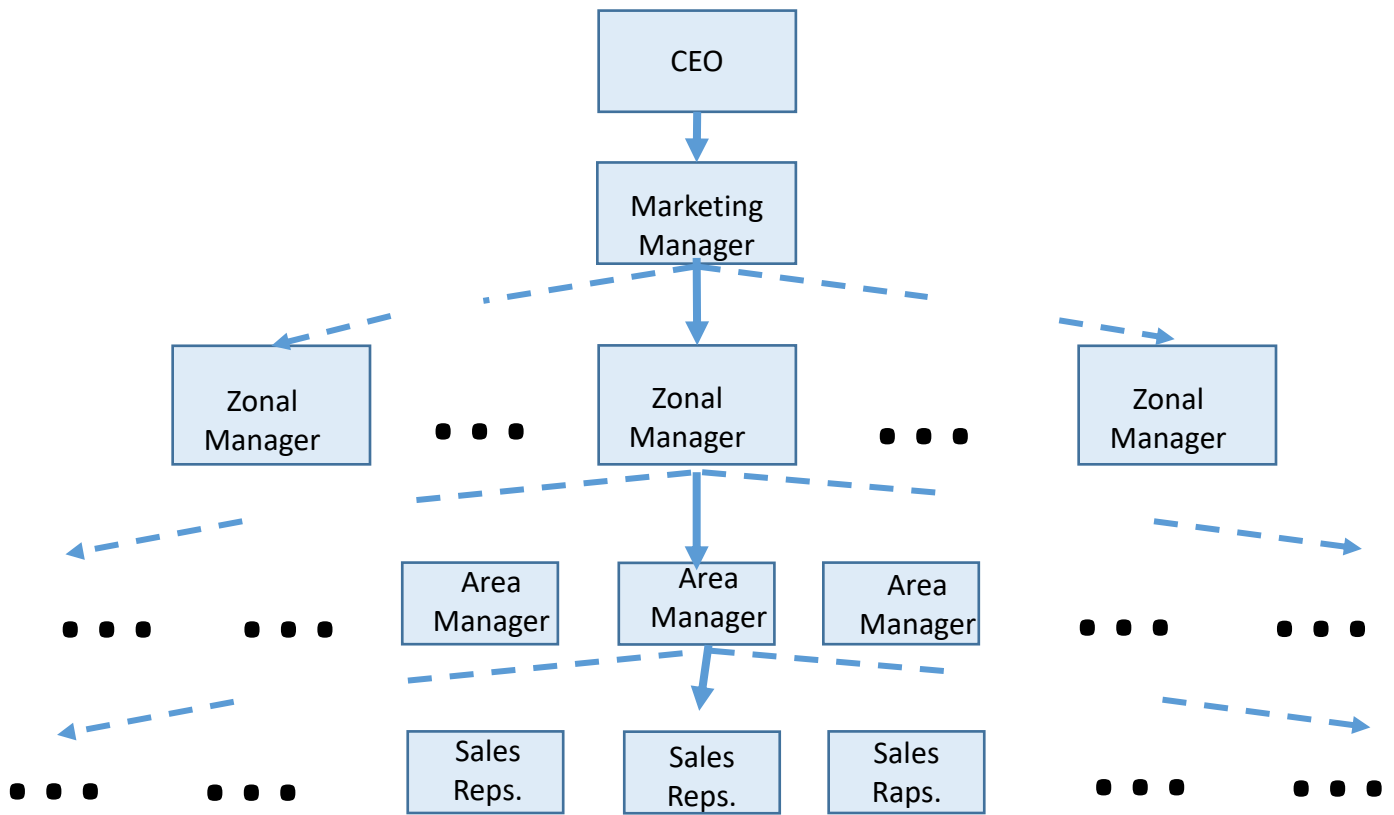
He asked his Bhubaneswar sales rep to provide certain basic data about the doctors in the city. Table I through Table IV is what he got by the evening.

Arun sat down to develop account plan using RFM (Recency, Frequency and Monetary) Analysis. He was confident to submit the report in time.

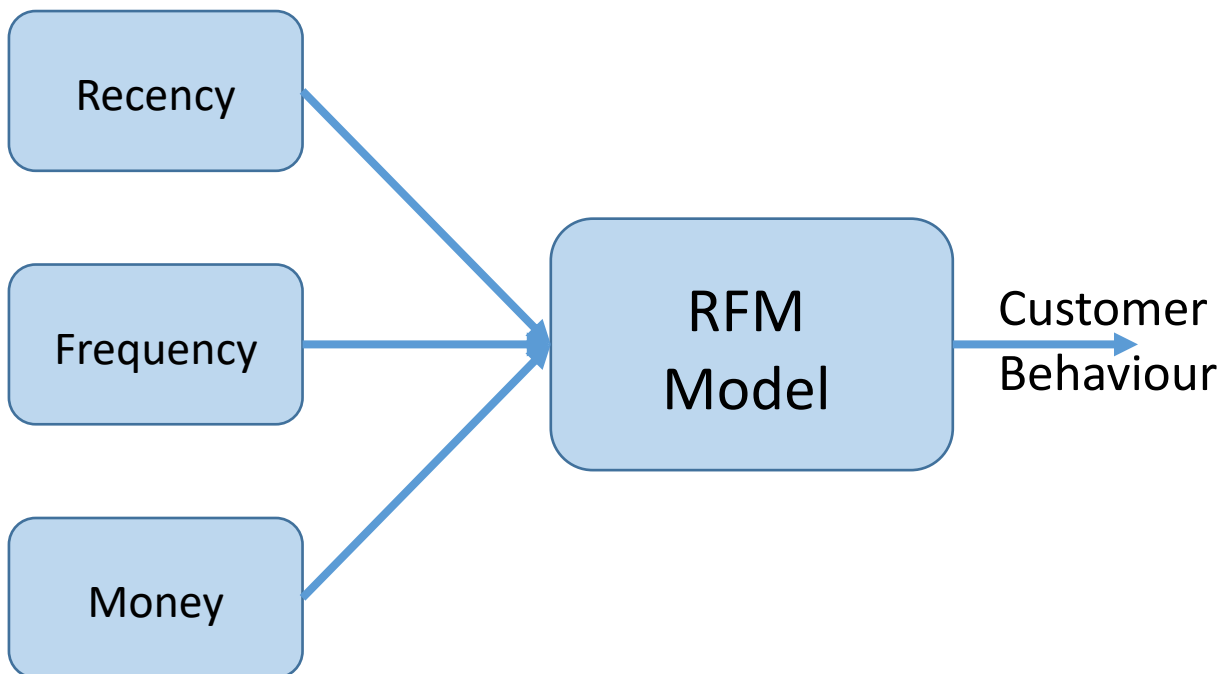
**Figure I: Pharmaceutical Company Distribution System**



**Figure II: Pharma sales rep reporting hierarchy in a typical pharma company**



**Figure III: RFM Model**



**Table 1: Sample Data Set in MS excel**

<b>Sl. No</b>	<b>Doctors</b>	<b>Date</b>	<b>Amount in Hundreds</b>
1	Dr. Sanal	30/09/2016	42
2	Dr. Rishav	31/10/2018	68
3	Dr. Murugan	15/10/2016	70.5
4	Dr. Laxmi	04/07/2017	103.4
5	Dr. sheen	08/07/2017	131.4
6	Dr. Kunal	11/11/2017	91.2
7	Dr. maity	24/09/2015	88
8	Dr. Ansu	17/09/2018	92.4
9	Dr. Kavita	27/08/2016	78.1
10	Dr. Ansu	07/04/2017	133
11	Dr. Murugan	18/02/2017	106.8
12	Dr. Ravi	11/11/2016	112.5
13	Dr. Murugan	22/06/2016	54
14	Dr. Ansu	29/12/2016	57
15	Dr. Kavita	16/08/2018	116.8
16	Dr. Sanal	02/09/2017	93
17	Dr. Rishav	24/02/2017	136.8
18	Dr. maity	17/08/2017	167.2
19	Dr. sheen	07/03/2018	186.2
20	Dr. Sanal	24/02/2015	91

**Table 2: Basic Vales for RFM Calculations in MS Excel**

<b>Doctors</b>	<b>Most Recent</b>	<b>Start date</b>	<b>How Long</b>	<b>Average Earnings</b>	<b>Average Frequency</b>
Dr. Sanal	22/01/2019	30/04/2014	5.93	722.9342	8.600337
Dr. Rishav	15/01/2019	13/01/2014	6.22	739.4212	8.842444
Dr. Murugan	11/01/2019	17/01/2014	6.21	614.3961	8.373591
Dr. Laxmi	01/12/2018	01/04/2014	6	865.5167	10.16667
Dr. sheen	15/10/2018	11/01/2014	6.22	735.9807	8.5209
Dr. Kunal	27/01/2019	17/02/2014	6.12	1032.271	11.43791
Dr. maity	16/09/2018	03/01/2014	6.25	665.392	8
Dr. Ansu	26/12/2018	31/01/2014	6.17	886.4668	10.53485
Dr. Kavita	23/01/2019	20/01/2014	6.2	762	9.83871
Dr. Ravi	29/01/2019	09/01/2014	6.23	638.4751	8.025682
Dr. Iti	29/01/2019	10/01/2014	6.23	620.7063	8.025682
Dr. Prakash	28/06/2018	21/03/2014	6.04	577.3179	7.119205
Dr. Ankit	16/01/2019	25/01/2014	6.19	656.7044	8.239095
Dr. Ramesh	30/12/2018	06/02/2014	6.15	566.8293	6.829268
Dr. Lima	07/01/2019	31/01/2014	6.17	561.7504	6.969206
Dr. Nilima	29/01/2019	04/01/2014	6.24	545.9936	6.891026
Dr. George	27/12/2018	18/04/2014	5.96	549.3289	6.879195
Dr. Khan	28/01/2019	02/03/2014	6.09	608.5386	7.553366
Dr. Sobha	20/01/2019	16/05/2014	5.88	535.034	6.462585
Dr. Ayn	28/12/2018	20/02/2014	6.11	440.0982	5.728314

**Table 3: Actual RFM Calculations in MS Excel**

Sl. No	Doctors	Rank R	Rank F	Rank M
1	Dr. Sanal	7	6	7
2	Dr. Rishav	10	5	5
3	Dr. Murugan	11	8	12
4	Dr. Laxmi	17	3	3
5	Dr. sheen	18	7	6
6	Dr. Kunal	5	1	1
7	Dr. maity	19	12	8
8	Dr. Ansu	16	2	2
9	Dr. Kavita	6	4	4
10	Dr. Ravi	1	10	10
11	Dr. Iti	2	11	11
12	Dr. Prakash	20	14	14
13	Dr. Ankit	9	9	9
14	Dr. Ramesh	13	18	15
15	Dr. Lima	12	15	16
16	Dr. Nilima	3	16	18
17	Dr. George	15	17	17
18	Dr. Khan	4	13	13
19	Dr. Sobha	8	19	19
20	Dr. Ayn	14	20	20

**Table 4: Clustered RFM values in MS Excel**

Sl. No	Doctors	Rank R	Rank F	Rank M	R	F	M
1	Dr. Sanal	7	6	7	2	2	2
2	Dr. Rishav	10	5	5	3	2	2
3	Dr. Murugan	11	8	12	3	3	3
4	Dr. Laxmi	17	3	3	4	1	1
5	Dr. sheen	18	7	6	4	2	2
6	Dr. Kunal	5	1	1	2	1	1
7	Dr. maity	19	12	8	4	2	2
8	Dr. Ansu	16	2	2	4	1	1
9	Dr. Kavita	6	4	4	2	1	1
10	Dr. Ravi	1	10	10	1	3	3
11	Dr. Iti	2	11	11	1	3	3
12	Dr. Prakash	20	14	14	4	3	3
13	Dr. Ankit	9	9	9	2	2	2
14	Dr. Ramesh	13	18	15	3	4	4
15	Dr. Lima	12	15	16	3	4	4
16	Dr. Nilima	3	16	18	1	4	4
17	Dr. George	15	17	17	4	4	4
18	Dr. Khan	4	13	13	1	3	3
19	Dr. Sobha	8	19	19	2	4	4
20	Dr. Ayn	14	20	20	3	4	4