

## 8. Internal Policies

### 8.1 Product policies

A strategic rule or rules covering how a good or service is promoted to potential consumers. A typical product policy created by a business for a manufactured product might attempt to manage how the item will be perceived by its target market and could also contain information about how durable the product is.

The product of the company is its most important asset. The product is not only characterized by his physical features but also by the image that it conveys. Thus, for example, three factors to consider in product policy are product features, packaging and range policies.

As to the features, they are the factors that make the clients or participants to consider the product/service good or essential. The quality and the real advantage offered by the product should be in terms of performance or design.

Another aspect of product policy is packaging and it is one of the products components oriented to images. The package of the product is the first contact that the client has with the product and therefore may be a decisive factor not only for the purchase or support of the project, but also for the image that will be associated with the service of the company.

This must be effective, communicative and must convey visual impact, acknowledgment, identification and information of the product or service. *“To a first-time consumer in a restaurant, who has never heard about the food, it is the picture of a sizzling steak that sells the customer.”*

A range is considered to be a set of products that use the same technology, business, market or market segment, and must be evaluated according to the market addressed.

### 8.2 Pricing policies

Pricing is one of the most important elements of the marketing mix, as it is the only mix, which generates a turnover for the organization. With this in mind, pricing is difficult and must reflect supply and demand relationship. Pricing a product too high or too low could mean a loss of sales for the organization. The

factors that businesses must consider in determining pricing policy can be numerous; here are four common categories:

**(1) Costs:** In order to make a profit, a business should ensure that its products are priced above their total average cost. In the short-term, it may be acceptable to price below total cost if this price exceeds the marginal cost of production – so that the sale still produces a positive contribution to fixed costs.

**(2) Competitors:** If the business is a monopolist, then it can set any price. At the other extreme, if a firm operates under conditions of perfect competition, it has no choice and must accept the market price. The reality is usually somewhere in between. In such cases the chosen price needs to be very carefully considered relative to those of close competitors.

**(3) Customers:** Consideration of customer expectations about price must be addressed. Ideally, a business should attempt to quantify its demand curve to estimate what volume of sales will be achieved at given prices

#### **(4) Business Objectives**

Possible pricing objectives include:

- To maximize profits
- To achieve a target return on investment
- To achieve a target sales figure
- To achieve a target market share
- To match the competition, rather than lead the market

### **8.3 Sales policies**

The sales and marketing plan section of your business plan needs to show readers that you have thought through the methods and costs of getting your message to your potential customers. Thus it enlists policies to address how you will sell and how much you will sell. They are in essence the rules that will-for example-govern how your products/services will be sold, the price(s) that they will be sold for, the hours that they will be sold, who they will be sold to I.E. minors, seniors, women, men, children etc. In creating the policies keep in mind that they

are also safe-guards for the company in legal matters. Such is the case when consumers mis-handle products to their detriment.

### **The Benefits of “Sales Policies”**

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The word “policy” can evoke a negative reaction, yet sales polices, often tied to orders and compensation, are extremely important to a “well run”, world class sales organization.

Sales policies help to ensure that:

- Sales employees are being treated fairly and consistently.
- Sales employees are paid correctly and in accordance with compensation plans.
- Can save sales and HR leaders time. When questions or situations arise, they can refer to the sales policies to help make swift decisions instead of handling time consuming “one offs”.
- A company’s assets are protected by helping prevent or eliminate “cheating” and manipulation of sales and sales data. And help to eliminate “overpayment” of sales incentives.

Ultimately sales policies, when consistently enforced, can also improve employee morale. Sales Reps and Sales Managers feel better when they know everyone is held to the same standard and has the same ability to make money and meet or surpass quota.

### **Common Sales Policy Types**

Your Sales Policy Manual doesn’t have to be hundreds of pages long but should include policies tied to these areas:

- 1) Sales Credit Toward Achievement of Quota: When, What, How Often, Sharing of credit
- 2) Contracts: Format, Length, Payment Terms
- 3) Sales Quota
- 4) Definition of an Order and
- 5) Using Your CRM System.

Every organization is unique, so the number and content of policies will differ from organization to organization.

### **Sales Policy Format**

Your sales policies should be in writing and at minimum include: an overview of the policy, who it applies to, the purpose of the policy, the effective date, the last revision date, the implications for not following the policy and who to contact for questions.

### **8.4 Promotion policies**

Marketing mix contains four elements. Each of the "4 Ps" is of equal important. Employing appropriate strategies for each of the elements is very vital. The "product" has to be manufactured after deliberating on consumers' likes, preferences and demand for the product in the market.

Also, "plans" must be devised to produce the right quantity and in the most apt manner. The "pricing" of the product has to be just right to entice customers. The market where the product is going to be sold and distribution channels for it are to be fixed beforehand. "**Promotion**" is making the customer aware about the existence of the product and its features. Promotion comprises of advertising, word of mouth publicity public relations and sales promotions. Sales promotions are promotion of the product at the place where it is sold.

**Features** Sales promotions are carried on at the point of sale. The main aim is to stir consumer interest in the company's product. These aim at increasing the company's customer base by providing them with free samples and discounts. The customer gets lured and often resorts to making a purchase, and thus provides the company profits. The company extensively uses communication and publicity strategies promote the product.

**Time Frame** Sales promotions are always for a short duration of time. The usual tenure ranges from a fortnight to a month. It gives a sense of urgency to the potential customer, motivating him to act quickly and not delay.

**Benefits** Both the company and customers stand to gain with sales promotions. The company, while venturing into newer markets, often uses this exercise to gauge the reactions of the customers. The company is able to stimulate customer interest in its products and thus establish themselves in the minds of the customers. Sales promotions are carried out for a limited period of time and have targets and

budgets. Trial offers and free samples are valuable luring items. The company hopes to benefit by selling more products. The promotion may also bring new customers to the store who have not previously been in, which may lead to the customer seeing other items for purchase.

**Limitations** Despite the several benefits that accrue from sales promotions, there is a flip side too. The company may only be able to attract and retain customers for the duration of promotional event. Once the benefits to customers cease, they might go back to their preferred brands.

**Types Of Promotions** There are three main types of sales promotions. The first and most significant is the customer-oriented sales promotion. Here, various strategies are employed to make the customer aware about the company's product and force him into making a purchase.

The next is sales-force oriented promotion. The sales and marketing personnel are lured and coaxed into selling as much as possible. They are motivated by means of bonuses, incentives, promotions and perks.

The third type is the retailer-oriented sales promotion, where retailers are offered commissions on selling the company's products.

A promotion policy outlines the promotional tools or tactics you plan to use to accomplish your marketing objectives. To the new or inexperienced marketer, the promotion policies might be mistaken as the entire marketing plan because it outlines where the majority of the marketing budget will be spent. It is, however, just one component of the marketing plan - there are additional strategy and planning components described in a marketing plan.

You might choose to include the following components in your promotion policies:

- Description (or listing) of the promotional tactics you plan to use.
- Projected costs for the year.
- Explanation of how your promotion tactics will support your marketing objectives.
- Description of promotional adjustments for cyclical businesses, if yours is indeed cyclical.

When you're deciding upon the best promotional strategy for reaching your target market, you need to: Do research and Keep your customer in mind.