

Sales and Distribution Management
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Lecture – 06
Determining Sales Related Marketing Policies

[FL]. Today, we will be beginning with our second module on the course this Sales and Distribution Management. And this particular module shall comprise 5 sessions, where we will be speaking about Sales Related Marketing Policies. We will also talk about sales departments, sales departments organization structure. And in the first topic as well as in the second topic we shall be talking about determining sales related marketing policies.

So, this lecture, and the second lecture on this module which is lecture 6 and 7 will we will be discussing sales related marketing policies.

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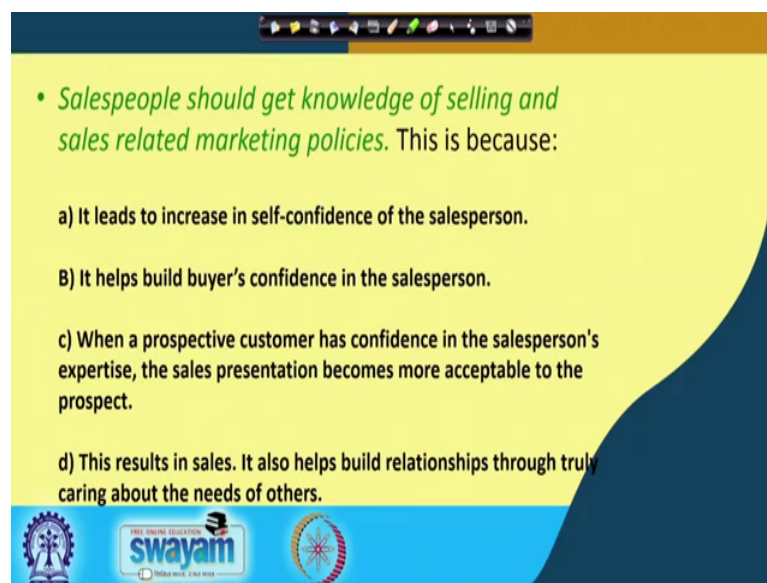


Now, the topics which are covered under this lecture and the subsequent lecture is a basics of sales related marketing policies for a sales related marketing policies, and how are they relevant for you know organization. And also how does a sales person come into picture, what is his role. Second we will be discussing the marketing mix policies which is the sales related marketing policy. So, we will be talking about the policies with respect to product, distribution and price.

So, we will be talking about 3 out of 4 fields, we talk about product, we talk about place, and we talk about price. In today's lecture in the first session we will be speaking about product and distribution policies, and in the subsequent session we will be speaking about policies related to pricing.

So, to begin with we will first give an overview of what are sales related marketing policy and then we will go beyond dealing with the marketing mix policies starting with the product and then moving onto distribution.

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- *Salespeople should get knowledge of selling and sales related marketing policies.* This is because:
 - a) It leads to increase in self-confidence of the salesperson.
 - B) It helps build buyer's confidence in the salesperson.
 - c) When a prospective customer has confidence in the salesperson's expertise, the sales presentation becomes more acceptable to the prospect.
 - d) This results in sales. It also helps build relationships through truly caring about the needs of others.

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Now, why should a sales person have any kind of knowledge with respect to the organization really works or with the kind of product that he is selling? Why should he have a thorough knowledge? Why should he have you know the technical skills?

We have discussed human conceptual and technical skills in the previous lecture. So, we did discuss that there he should have he should be technically very sound, he should have a information about his organization, he should have knowledge about the organization where he works in the products that are produced and manufactured and sold, the competitors, the market share of his company, the sales and profits earned by his company. He should also have an idea about the power brands or the more powerful brands in the that the organization produces and sales. He should have an idea about the pricing structure. He should have the idea about this distribution channel.

While, you know the sales person may be dealing with one particular product it is also true that the company produces several products. So, here the situation where the company has a diverse product line, but we take an example of a sales person who is selling just one product, but it is essential for him that he also knows about other products that the company manufactures and sells. So, that in case required or in case the customer or client who requires a different product to solve a particular need or to deal with a particular problem, this particular sales person can help him out and refer him to other you know product managers or other members of the sales team who deal with those product.

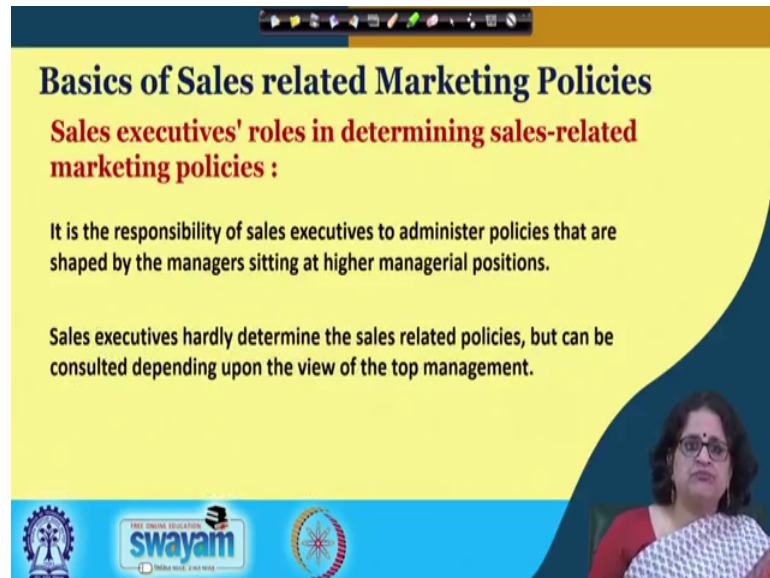
So, sales people should have a lot of knowledge about not only the selling part or the selling skill which we discussed the selling skills yesterday technical conceptual, human listening skills, communication skills, negotiation skills. So, sales person should not only be apt in these, but the salesperson should also have knowledge about sales related marketing policies. Why? One, when a salesperson is aware and informed about his organization he knows what the organization does, he knows the size of the organization, he knows about the operations of the organization, he knows about the different kinds of products that your company makes, he also knows about the different market it refers to. When a sales person has all these knowledge about his organization, it leads to an increasing self confidence for the salesperson.

So, the salesperson is more is able to you know deliver presentations in a more confident manner. He is also able to deal with customer queries in a better manner, and he is more well equipped to handle customer problems and customer complaints related to his product or to other products. Also because of this confidence in the salesperson the buyer's confidence in the salesperson also increases. The buyer begins to trust the salesperson because the buyer realizes, yes there is the salesperson who is who knows what he is talking, who knows what is business. And there is a salesperson who knows not only about his product, but about other products also manufactured by the by his organization which can be useful to the customer.

So, the prospective customer develops confidence in the salespersons. A salesperson is able to deliver better presentations, and this presentation or a dialog becomes more acceptable to the prospective client. So, this not only results into sales, but it also leads to development of relationships, it also leads to you know trust confidence and it the

customer realizes yes the salesperson truly cares about me he thinks about me, he cares about me, and can be relied upon.

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Basics of Sales related Marketing Policies

Sales executives' roles in determining sales-related marketing policies :

It is the responsibility of sales executives to administer policies that are shaped by the managers sitting at higher managerial positions.

Sales executives hardly determine the sales related policies, but can be consulted depending upon the view of the top management.

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Now, if we speak about the basics of sales related marketing policies, the sales executive roles in determining sales related policies are remains. It is a responsibility of the sales executives to administer policies that are shaped by the mangers sitting at higher managerial positions. Now, the top management and the middle management whether they are at the at the corporate level or at the zonal and the regional level respectively, they would be formulating the policies and the execution and impletion of these policies set of by members or by the top and the middle level managers. The responsibility for achieving objectives lies with the sales executives, with the lower level managers, with the sales managers at the branch and with the sales team and the sales force.

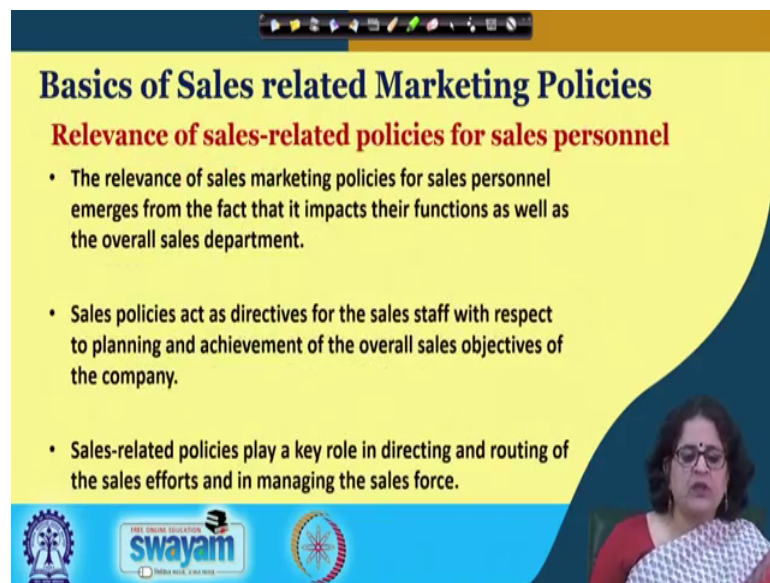
So, the sales of an executives hardly determine these policy, but they are more into the implementation. Nevertheless, the middle level management and the see a top level management does consult the sales executive at the field or at the branch and do take their inputs while they are does making crucial decisions with respect to the 4 P's whether it is with product design and modification or it is with respect to pricing or it is with respect to the channels or the dealers or with respect to communication.

So, the sales executives may not be a part of formulation of the policies, the policies are formulated and framed by the middle level management and the top level management.

But the sales executives and the branch sales manager or the sales managers at the lower levels do definitely have a task of implementing or executing the plans which has been set you know the policies that have been formulated.

And the role of the sales executive here could be just consultative as and when the middle management or the senior management asks them for advice, ask them for inputs with respect to the market conditions or the customer feedback or you know with respect to the kind of changes that should be made through the product or to the price. It is only on those cases where the sales executive do provide some feedback, otherwise the sales executive's role is very very narrowed; they do not determine the sales related marketing policies. Their role is more executional, they are more into execution rather than planning of these policies.

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Basics of Sales related Marketing Policies

Relevance of sales-related policies for sales personnel

- The relevance of sales marketing policies for sales personnel emerges from the fact that it impacts their functions as well as the overall sales department.
- Sales policies act as directives for the sales staff with respect to planning and achievement of the overall sales objectives of the company.
- Sales-related policies play a key role in directing and routing of the sales efforts and in managing the sales force.

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So, the relevance of the sales marketing policies versus sales manager sales executives and sales person emerges from the fact that it actually impacts their functions as well as overall sales department. While the policies are formulated at the higher level the sales executives task is to actually implement these policies. And as and when a sales person makes a presentation or as and well he approaches client or a customer for a sale, whether he is able to convince or persuade the prospective client or not depends a lot on these marketing policies and so the relevance of the sales marketing policies for salesperson is very very crucial.

Then, as we said they are not a part of the planning, but they are a part of the execution and while they executing these policy, you know they also their performance in terms of achievement of target as well as the performance of the sales office at the branch depends a lot on as to how the customer reacts to the marketing makes out of the 4 P. So, the relevance of the marketing policies in you know formulated by the top management lies in the fact that, sales man say sales teams and the sales executives performance at the branch or at the field it depends upon how well these policies have been designed and how well these policies are being accepted by the customers or by the clients.

So, sales policies acts as directives for the sales poles with respect to planning and achievement of with the overall objectives of the company. And the sales related policies also play a very crucial role in leading or in directing and routing the sales efforts and in managing the sales force. So, specially with respect to you know setting of quotas, implementing of quotas, and attainment of the quotas when linked with the compensation plan and incentives offered by the company.

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Basics of Sales related Marketing Policies

Types of Sales-related policies

- Product related policies
- Distribution related policies
- Pricing related policies

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Now, what are the different types of sales related policies? We will be talking about 3 different you know sales related policies, one is with respect to product related policies, two distribution related policies and three pricing related policies. So, we will start with the product related policies.

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Basics of Sales related Marketing Policies

Meaning of Product related policies

- Products determine the basic nature of a company. Product related policies are those policies which involves decisions regarding the products of a company.
- Product related policies should always stand in coherence to the product objectives like, if the product objective of the company states, “the company aims at offering high quality products to the customers that are quite superior from its competitors”, the policies should convey higher benchmarks than its competitors.

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Now, what is the product related policy product? Product determine the basic nature of a company, they the product related polices are those policies which will involved decision regarding the products of a company.

The product which is sold could be a FMCG could be a durable could be a semi durable which is offered to the B2C market. It could also be you know something which is you know a component or a part or a service which is offered by a marketer to a client in a B2B scenario. So, whatever products are offered by the company they would determine the basic nature of the company. In terms of whether the company deals with B2B scenario or whether it would be deals with a B2C scenario or whether it deals with both. And product related policies are those policies which involve decisions regarding the products of the company.

Now, these product related policy should always be in congruence to the product objectives. Like if the product objective of a company is that you know the company here wants to offer very high quality products to the customers, and they are very superior from the competitors then definitely the policy should convey that you know the products are high of high standard, they convey higher you know they are benchmarks and themselves and they can be benchmark against the compotator. So, they are their own benchmarks.

So, here the product related policy should also be in coherence to the product objective. So, if a company feels that they want to produce a product which is very robust, a very good quality product then they must actually the policies must convey that and there has to be a mechanism in place which will vouch for the quality which will you know add you know value kind of it could be in the form of accreditation or certification or something like that.

Similarly, if a company aims at offering say you know say cheaper you know drinking water to you know an healthy hygienic drinking water to the masses. Then of course, the product policy, product objective would be here that you know the policies here should convey that the product is something which is very is it is something which is a high you know involvement product it should be pure, it should be drinking water which is you know without any impurities and it is something which is safe for the population.

So, the policy should convey you know a good processing, purification, hygienic bottling packaging etcetera etcetera. So, the and then again a certification in the form of you know accreditation or something to that aspect. So, a product related policies here should always be in congruence to the product objectives.

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Basics of Sales related Marketing Policies

Types of Product related policies

- Product Line Policy
- Product Design Policy
- Product Quality and Service Policy

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Now, what are the different types of product related policies? Product related policies may be product line policies, product design policies or they could also be relate to the quality and service policy. So, let us first talk about the product line policy.

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Basics of Sales related Marketing Policies

□ **Product Line Policies relate to:**

- Adding new product offerings or removing old ones – *finding out whether offerings are in tune with customer needs and wants*
- Reappraising the product line – *identifying the desirable and non-desirable features in products, paying attention to trends; dropping, adding and modifying the offerings in a product line*
- Diversifying – *Holding and improving market share by moving ahead of competitors, keeping a tab on consumer buying patterns and acting accordingly*

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Now, product line policies related to you know several of the issues. One for example, you know the marketer or the must always oppressed with what is happening in the marketing environment, they must be aware of changing needs and wants and preferences of the customers. And so marketers have to find out whether offerings are the current offerings are in tuned with customer needs and wants.

If they are well good, if they are not then they have to add new product offerings. And while they add new product offerings they must also take crucial decision whether they must remove the older ones. So, first the you know what are the major issues here is to first understand that does my product fit in with the needs and wants of the customer, or do I need to bring about a change because of changing needs and wants and preferences and clarities of customers. So, this would mean adding new products in the line, this would also mean deciding want whether to retain existing ones or not.

Now, when they when new product offerings are introduced, this could again be something with which are very slight modifications or incremental changes in nature or sight modifications. So, they more in terms of say you know a continuous innovations or whether they have to be very radical in nature and are breakthrough in their own sense and a continuous innovations, ok.

Second thing, while a new things are being offered marketers must also rare understand or in you know and take a call on whether they must continue with what is already

present in their product portfolio. So, they should reappraise the product makes and the product line and they must identify the desirable and non desirable features in the product, pay attention to the trends, decide to add new ones or modify existing ones and drop the ones which are no longer selling. So, weaker products have to be dropped, ok.

And it is not only to do with related products; companies may also have to decide to diversify which would mean that they will come up with absolutely new products with new market segment. So, holding and improving a market share by moving ahead of competitors keeping a tab on consumer buying, patterns consumer preferences, and acting accordingly by introducing new products to segments and sometimes even different products altogether to different segment so that the company can you know diversify take advantage of opportunities and be able to deal with threats with respect to current markets or with current products.

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Basics of Sales related Marketing Policies

❑ **Product Line Policies relate to:**

Ideas for new products – Encouraging employees as well as customers for proposing new ideas; sales department must identify unsatisfied needs and propose new ideas for products; the research and development department should be encouraged and provided funds to conduct research.

Appraisal for new products – It should be made sure that new products are not just in line with customers unsatisfied needs but profitability of the company as well.

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Product line policies also relate to you know ideas for new products. Companies have to encourage their employees, they also have to encourage their customers for proposing new product ideas. While the sales department does bring in feedback to the marketing team about the likes and dislikes of the people, and customer inputs with respect to suggestions like improvement of product, or changes to a product brought about in a in the product or service offering. The sales team does this, but a bigger rule has to be played by the R and D and the operation. And the R and D or the research and

development department in the organization should be encouraged to undertake research, to be you know positive give a positive view you know a view to creativity.

And they should R and D team also should be giving a patient hearing to the sales team; so, as to be able to take vital inputs on the sales team which they can use to bring in changes or to bring in modifications in existing product design. And the operations and the production department should be ready to actually you know accept these newer designs and implement you know such technology which will help give shape to the to the risk to the idea or and to the prototype and to the design which sorry, to the design idea and design which has being suggested by the R and D department. Also new products need to appraise it should be ensured that new products are in line with customer not in just in line with customers unsatisfied need, but profitability of the company as well.

Introducing a new product needs a huge challenge the biggest challenge being returns and a product may succeed if you know product may not succeed. Also the diffusion of the you know innovation of the new product may take a longer period of time which means that the marketer may, may not be immediately you know able to secure quick returns or get returns on his investment. So, in such cases company should you know checkout whether the new product which is being suggested is viable enough or if it is been introduced how well is it doing in the market because it may be bringing in customer satisfaction, but that does not mean it should do so, at the expense of companies profit. So, the viability of the segment and the profitability of the new product must be seen or must be checked.

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Basics of Sales related Marketing Policies

Product Designing Policies relate to determining: frequency of change and the extent of change (incremental or radical)

- Frequent changes in design may work as an effective strategy in catching and retaining the attention of the buyers
- Products can indeed be made more attractive through design changes
- Legal protection comes in picture (patents)

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Frequent changes in design may work as an effective strategy in catching and retaining the attention of buyers. Changes in the product may be made more you know the product will be made more attractive through design changes, packaging and you know and so if they have to be some kind of innovation whether it is incremental marginal or which is breakthrough. So, because in case of innovations, in case of new products it does act as a source of excitement for the buyers and if the buyer finds value and then, then it is always very good to be a first mover in the market with a new product or service offering.

Of course as these new product and services are offered a legal protection does come into picture through patents etcetera. So, in case in specially in today's world where customer needs wants and preferences are changing very quickly, it is very important that the marketer is on a stores all the time to it you know to checkout on these new trends, to checkout on customer, change in customers wants and preferences. And then you know it hand and glove with the R and D and the operations you must be able to innovate and introduce into the market new products. Of course, those products must be viable they must be profitable. And as these are launched the companies will also secure legal protection through patents.

As and when new things are offered either as incremental changes or as breakthrough changes they often bring in lot of you know excitement in the customer people you know

customers realizes something new, there is something novel which they must try out and if this is value to the customer. It can be hugely immense and immensely profitable for an organization specially, if the organization is the first mover.

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Basics of Sales related Marketing Policies

❑ Product quality and Service policies

- It should be formal and documented
- A documented product quality and service policy most often is also utilized by companies as a part of their promotion campaign
- If outsourced it should be made sure that third party is meeting the quality standards set and commitments made to the customers
- Educating customers' about using the products is simplest form of service

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Also with respect to quality and service policy this must be very formal and they have to be documented. A documented product quality and service policy is also utilized by company this is a part of their promotion campaign. And in case the service policies or you know or the service part has been outsourced it must be ensured that the third party is meeting the quality standards, it is also meeting the after sales, requires requirements of the customers and the clients. And it also important that the marketers educate the customers about using these products in you know is a simplest form of service.

So, educating customers about using the products is a simplest form of service provide them with you know brochures, pamphlets, installations, give them demos, explain to them the do's and don'ts, share with them the toll free number and the helpline number. So, in this way and a document this make it visible either in the brochures or in the pamphlet or in the websites you know so that the customer is able to get in touch with the you know with the sales person or with the company as soon as he requires or there is a problem which needs to be solved.

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Basics of Sales related Marketing Policies

❑ **Product quality and service policy also includes:**

Guarantee policy, which relates to:

- policies regarding guarantees
- policies regarding warranties
- applicability of guarantees and warranties
- terms for refunds and replacement.

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Another part of the quality and service policy also relates to the guarantees. Now, guarantee policy deals with you know you know the guarantees the warranties, the applicability of the guarantees and warranties and terms of refund and replacement.

Now, very often people are not able to understand you know the meaning or the difference between a warranty and a guarantee. This has to be made clear to the customer or to the client. So, that they understand you know there is no preconceived notions and then there is no misunderstanding. The service terms have to be clearly laid out made very transparent specially in the case of B2B scenario.

Also the terms and conditions with respect to applicability of guarantees and warranties must be made clear, terms for funds and replacement should also be well informed to the customer.

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Basics of Sales related Marketing Policies

Meaning of Distribution Related Policies

- Distribution related policies are those policies which are related to determining the scope of operations for the company as regards distribution of products across various geographical locations.
- These policies to relate to determining the choices of marketing channels, geographical selection for operations, pin-pointing locations for opening outlets and determining scope of company operations.

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Now, we come to the distribution related policies. Talking about the distribution related policies. These are those policies which laid to determine the scope of operations for a company with respect to the distribution of products across different regions across different geographical locations.

So, there are companies which operate only domestic, there are companies which operate across different countries. So, we have only few domestic companies we have multinationals, and the distribution policies here are those which relate to understanding and determine the scope of operations for the company with reference to what is going to be their scope of operations, scope of distribution, where are they going to distribute their products, which territories, which regions, which zones, which geographical areas. So, these policies relate to determine the choice of marketing channel, the geographical selection, for operations locating you know kind of finding out, location for opening outlets and also determining the scope of company operations. So, all these comes as a part of distribution related policies.

So, you know to briefly talk about it would mean deciding on your you know scale of operations, with respect to distribution channel, deciding on your channel length whether it is going to be direct you know marketing or there is going to be channel members or channel partners in between. Talking about distribution format whether it is going to be highly selective or exclusive or its going to be intensive, deciding upon whether to use

you know the traditional channel with the wholesaler and the retailer or the stock case or the industrial distributors or is it going to be with respect to you know having your own sales force, companies sales force, you know having your brokers or agents or commission agents.

So, or in case of multinationals deciding on your foreign sales offices, deciding on your sales partners abroad. So, these are all issues which the sale marketing and the sales team have to think about. And this has implications for the customer, because the customer gets to know you know where or what is the sale of or what is the scope of distribution for a particular company, where can I find my product, and where else would I be able to look for it in different parts of the country and where are after sales and centers you know set up etcetera.

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Basics of Sales related Marketing Policies

Distribution Related Policies

These policies majorly involves polices on marketing channels which further entail:

- *Determining and considering sales volume potential*
- *Net profit potential and estimates*

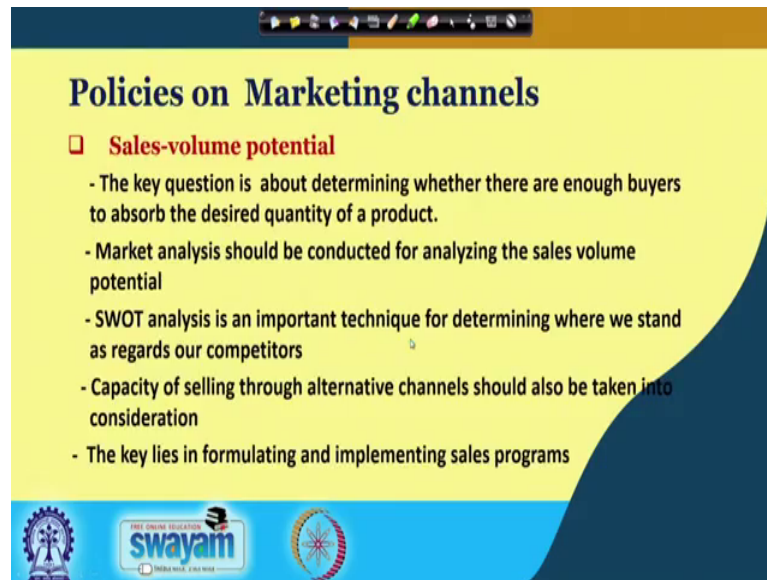
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So, it basically you know also you know further entail determining and considering you know sales volume potential and net profit potential and estimate. So, distribution related policies actually relate to you know the sales volume potential and net profit potential and estimates.

It is important to understand here any in every company would want to earn as much profits as possible large market shares as possible and so it would look up to viable segments, look up to geographical locations which offer a huge scope and opportunity for them. So, because if company wants to earn sales volume or if it wants to earn net

profit it definitely must know which are geographical areas which have highest potential, where it would be easy to operate and where a distribution cost would be lower. So, that ultimate profits or final profits could be high.

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Policies on Marketing channels

❑ **Sales-volume potential**

- The key question is about determining whether there are enough buyers to absorb the desired quantity of a product.
- Market analysis should be conducted for analyzing the sales volume potential
- SWOT analysis is an important technique for determining where we stand as regards our competitors
- Capacity of selling through alternative channels should also be taken into consideration
- The key lies in formulating and implementing sales programs

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So, if you speak about the sales volume potential the key question here is whether they are enough buyers to you know absorb the desired quantity of the product that the company wants to sell. And market analysis must be conducted to analyze the sale volume potential. SWOT analysis is an important technique which can be used to see where a company stands in relation to its competitors. Apart from that companies can rely on past data with respect to sales and with respect to market share, you know a of similar companies operating in those areas of the competitor for example, the competitors etcetera.

And it or the capacity of selling through alternative channel should also be taken into account, because today is the day of hybrid channels where both direct and indirect channels of distribution are used not only do we have organized and on the unorganized retail formats we also have non store formats. Like the internet and you know the direct selling platforms. So, the key here lies in formulating and implementing a sales program which will give you huge sales volume potential.

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Policies on Marketing channels

Net Profit Potential and Estimates

- Sales volume potentials are meaningful only when considered in relation to selling costs.
- There is no point in adopting a channel which is quite effective but assumes high costs affecting the profitability of the company.
- There is also no point in adopting a channel which involves low costs but doesn't assure delivery of products at right time and at right form to the customers.

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Sales volume potentials are meaningful only if the costs are low if there is a curve on selling cost. There is no point in adopting a channel you know, just because the channel is effective one goes in for it without realizing the cost that that in tell is something not is not something that is not wise at all. So, you know it is very important that you also keep in mind the cost factor. There is no point in adopting a channel which involves low cost, but oh you know it involve it may give you huge profits, but also gives you huge costs.

So, the sales volume may be high. So, the gross profit is high, but because the expenses are high the net profit gets diluted. So, there is no point of adopting such a channel. Similarly there is no point adopting a channel which involves low cost, but does not you know ensure deliver of product at the right time at the right place to the customer because this would mean that customer is unhappy at the end of the day. And so the customer would prefer another you know buyer sorry another seller or he would prefer another service provider. And in this case the, this particular sales person and the company loses business, because it was not wise enough to choose a channel which is more effective.

So, in both cases where you may have a channel which is very effective sales volumes are high, but because the sales volume potential is high, but because the cost incurred are low the net the gross profit gets effective you know the because this the costs are high the ultimately the net profit gets diluted.

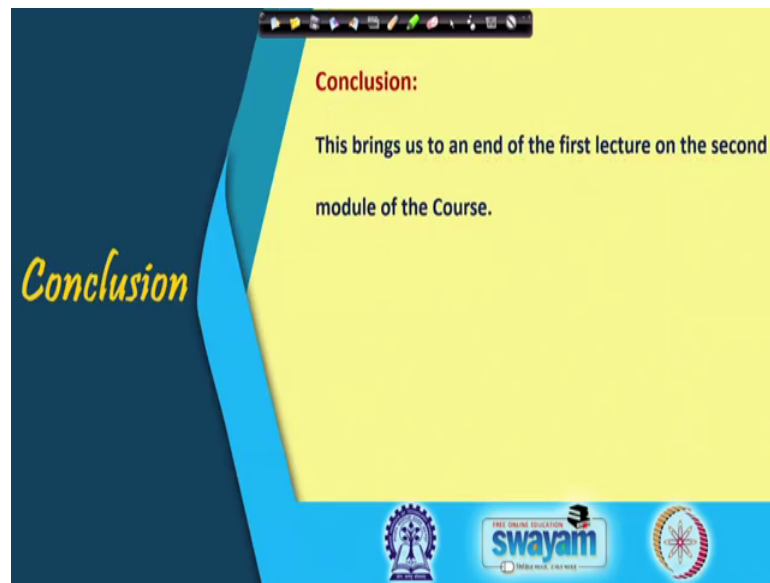
Similarly, there may be another channel which is a very low cost channel, but because it is not effective it is not efficient to provide to the customer the right thing at the right time at the right place it may lose customer patronage. So, you have to take a trade off and understand that while sales volume is very very important and such segments must be ventured by a sales volume potential is high it is also important to understand that costs are kept low so that net profit potentials are high.

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So, with this we come to an end of this particular session. The references for this are Still and Cundiff, Govoni, Puri, Sales and Distribution Management, 6th edition 2017, Pearson India.

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With this I come to an end of the first lecture on the second module of the course. We will continue this topic in the next lecture where we will be speaking about third P which is price. I hope you benefited out of it.

Thank you.