So What?

"That's our policy!" Have you ever heard this phrase? Likely, you have, but what does it really mean? Organizations put certain policies (expected plans or courses of action) in place to avoid the chaos that would ensue if every situation had to be considered and handled individually.

Let's say your local pool closes at 9:00 pm, and no one is admitted entrance after 8:15 pm. This is an organizational policy—when employees follow it, they don't have to wonder what to tell customers who show up at 8:30. Policies are also in place at your school (e.g., the grading scale and the dress code) and at other businesses and organizations. Can you think of some examples?

Most businesses have policies in place that cover all aspects of the selling process. These selling policies eliminate guesswork and make things run smoother for the businesses, their salespeople, and their customers. Learn more about selling policies—what they are, how they're shaped, and why they are so important!

Objectives

A **Explain the importance of selling policies.**

B **Explain factors that affect selling policies.**

Sold on Selling Policies

BananaStock/Thinkstock

▲ Regardless of whether a business puts its selling policies in writing or simply talks to its employees about them, the individual salespeople are ultimately responsible for implementing the policies.

Selling policies are the general rules that a business's managers set to guide the personal-selling effort. They establish uniform operating procedures for all salespeople to follow and are very useful in routine selling situations. They outline how the selling process should go and ensure that all customers are treated fairly and consistently.

A business may put its selling policies in writing, or it may simply talk to employees about them. This generally depends on the nature of the organization. Companies with large sales forces usually provide policy handbooks that fully explain all selling policies to sales trainees. On the other hand, small companies with few salespeople may operate without written policies.

Opinions vary as to whether selling policies should be put in writing or passed on verbally. Those in favor of written policies feel that employees receive better direction, are more consistent when making decisions, and function more efficiently and effectively under their guidance. Those against written policies claim that they are too restrictive, inflexible, and unworkable due to the frequent changes made to them. Whether sales policies are written or simply understood, the primary responsibility for implementing them rests with the individual salesperson.

Common types of selling policies

Selling policies apply to a wide range of business activities, from the provision of credit to the delivery of the product. Consequently, a company may have a large number of selling policies in place. By categorizing them, you can gain a better understanding of their nature and function. Selling policies can be categorized into three basic groups that:

- Govern the salesperson's selling activities
- Relate to the terms of the sale
- Dictate the services a salesperson can offer

Selling-activity policies. **Selling-activity policies** focus on providing salespeople with guidelines for interacting with customers or potential customers. They are basic directions that explain how salespeople should approach and deal with customers and how to best use their time. Selling-activity policies cover areas such as:

- Prospecting—The amount of time a salesperson spends in search of new clients depends on the type of product s/he sells. A salesperson selling luxury yachts, for example, would spend more time looking for customers than would a salesperson selling cars. Companies should create policies that give salespeople an estimate of the amount of time to spend prospecting.
- Opening the relationship—Managers may give salespeople a policy to guide their approach to new customers. In many retail settings, for instance, salespeople are taught to position themselves near entrances so they can greet customers as they enter the store.
- Qualifying the customer—The company should give salespeople a policy for determining whether or not a prospect qualifies as a customer. This may depend on the prospect's credit rating or the size of the intended purchase.

Goodshoot/Thinkstock

▲ Not sure how to interact with prospects or customers? Check out your company's selling-activity policies.

- Entertaining the customer—A business may need to set policies explaining the use of expense accounts to limit the costs of business lunches, dinners, sport or concert tickets, etc. Customer-interaction policies may also cover what types of gifts salespeople can or cannot receive from clients.
- Presenting the sales message—Policies differ from company to company as to the appropriate techniques to use in a sales presentation. For example, telemarketers may be trained to use a forceful presentation, while someone selling computer software in a retail store uses a "soft-sell" approach.
- Meeting quotas—A **sales quota** is a minimum level of sales required from each salesperson within a certain time period. It may refer to a number of products (e.g., opening four new checking accounts for banking customers per week), or it may refer to a dollar amount (e.g., generating $100 in sales volume per shift). Not all companies use sales quotas, but the ones that do should outline them clearly in their selling policies.
- Selling floor models or "open-box" items—Occasionally, salespeople run into special situations in which they can give discounts on display models of products (a child's bike, for instance) or "open-box" items that have been returned (a flat-screen television, perhaps). Selling policies should cover these situations so that salespeople know exactly what "deals" they can offer customers.
- Servicing the account—The extent to which salespeople should devote their time and energies to follow-up may be clearly defined in an employee's handbook.

Terms-of-sale policies. **Terms-of-sale policies** focus on the aspects of a sale with which customers are most concerned. Let's say your employer made you responsible for buying a new refrigerator for the break room. You would probably ask first about the product's price, its availability, and any discounts the seller may offer. You might also be concerned with the seller's credit offers. These terms are often covered by the following terms-of-sale policies:

- Pricing policies—A multitude of factors, such as a business's sales volume, image, expenses, and competition, determine its pricing policies. It's a good idea for a salesperson to have a general understanding of the business's pricing policies so s/he can explain a product's value to customers.
- Discount policies—A business may offer financial discounts for things such as early payment or buying in bulk. Knowing what discounts are available can help salespeople make more attractive offers to potential customers.

- Credit policies—Salespeople are often responsible for obtaining credit approval, explaining credit denial, and acting as a link between the credit office and the customer. Therefore, it's important for them to thoroughly understand the business's credit policies.
- Liability policies—Selling some products may require salespeople to obtain a **liability waiver** from the customer. Think bungee jumping or parasailing. The liability waiver releases the company from responsibility for something that might go wrong—because the customer is acknowledging the inherent risks involved in purchasing the product or taking part in the activity. Can you think of other products that might require a liability waiver?

Service policies. **Service policies** are designed to govern the support a company provides to customers after the sale. While terms-of-sale policies are at the heart of a sale, service policies can add to overall customer satisfaction. This may be especially true when the product is complex, requires regular maintenance, or is new and attracts uncertain buyers who may later wish to return it. Service policies usually include:

- Return and adjustment policies—Policies governing the return of goods range from strict to liberal. Liberal policies allow customers to return merchandise or receive an adjustment with few or no restrictions. Strict policies may impose time limits for returns or make adjustments for credit only instead of cash.
- Delivery policies—Delivery policies vary across companies and industries. Retailers may not offer delivery, they may charge a fee for it, or they may provide it free of charge. Manufacturers usually provide delivery, but responsibility for the transportation charges may be a point to discuss.
- Installation policies—The salesperson may be responsible for overseeing product installation. Installation may be needed for products such as carpet in an office building, a computer system for a school, or a washing machine in a home.
- Guarantee policies—Guarantees of quality or product performance often cover a certain period of time or specific parts of the product. Some automobile manufacturers, for example, offer **warranties** covering major parts of a car's engine for three years. Salespeople must know these policies inside and out so that they can explain the details to customers.
- Repair and maintenance policies—Salespeople should be aware of any maintenance or repair agreements that offer continued care of a product. They should know if a fee is involved and how long the agreement lasts.

iStockphoto/Thinkstock

▲ If your business offers delivery, installation, and/or repair and maintenance services, make sure that you explain any related costs and restrictions to your customers.

Characteristics of selling policies

Selling policies should apply equally to every salesperson in the company. To ensure that this is the case, managers must fully explain all selling policies to each new hire. Many companies offer sales-training programs that can provide the time needed to review the policies in detail.

Hermera/Thinkstock

Selling policies need to have a bit of flexibility so that an occasional exception can be made. For example, a retailer may require customers to have sales receipts when exchanging merchandise. But, if a regular customer who has lost his/her receipt wishes to return an item purchased from you a few days before, you could probably make an exception to the policy as a way to extend customer goodwill and retain business.

Selling policies must, however, be interpreted and enforced in a reasonably firm manner. If not, they cannot be considered policies at all. Imagine if a business treated each customer differently. There would be no standard operating procedures to streamline company activities, and some customers would receive more favorable treatment than others. This could result in a loss of reputation and profitability.

Need for selling policies

A business adopts selling policies to help meet its goals and increase profitability. Selling policies help to accomplish this by providing a framework in which to make appropriate decisions and establish good relationships with customers. These policies define the sales job for that particular business and ensure uniform action by salespeople. For example, going door to door selling cable and Internet services is a difficult job that requires aggressive sales techniques, while soft-drink sales often are automatic, requiring less aggressive tactics by the salesperson.

Selling policies benefit the salesperson, the company, and its customers. They can:

- Prevent misunderstandings
- Reduce confusion for employees
- Keep salespeople from having to make decisions on their own
- Make sure appropriate action is taken when necessary
- Assure that customers receive fair and equal treatment

1. What are selling policies?
2. Are selling policies written or verbal?
3. Who is responsible for implementing selling policies?
4. What are selling-activity policies?
5. What are terms-of-sale policies?
6. What are service policies?
7. What are some characteristics of effective selling policies?
8. Why are selling policies necessary?

Well-defined selling policies may also enhance employee loyalty, increase job satisfaction, and contribute to a more pleasant work experience. Furthermore, managers can use selling policies to assess sales staff performance and determine appropriate actions for giving raises and promotions.

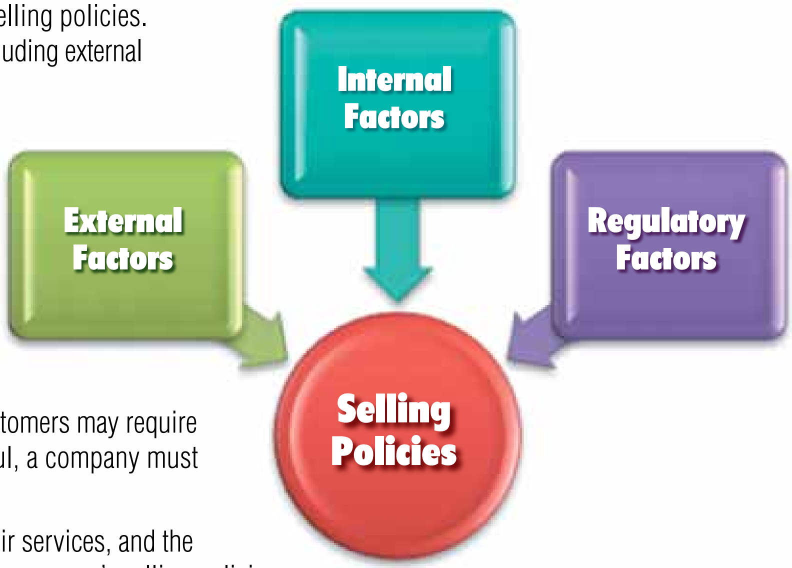
Summary

Selling policies are general rules, normally established by management, to guide the selling effort. These policies outline uniform operating procedures for salespeople to follow in routine selling situations. Sales policies may be written or verbal. Salespeople are responsible for their implementation. There are three categories of selling policies—selling-activity policies, terms-of-sale policies, and service policies. Selling policies need to be flexible yet interpreted and enforced in a firm manner. A company relies on selling policies to help it achieve its goals and increase its profitability.

Government regulations restrict businesses from engaging in price discrimination. Simply put, a business cannot charge one customer one price for a product, then charge a different customer a different price. However, these laws don't necessarily apply to giving discounts or special favors. For example, a salesperson may find an extra coupon to give a favorite customer when s/he comes into the store, or a salesperson may throw in some "bonus" products or samples after a purchase has been made. These actions are not illegal, and they may even contribute to building stronger relationships with some customers. But, are they ethical? What do you think?

Way to Sell It

A number of different influences can affect a business's selling policies. There are three basic types of these influencing factors, including external factors, internal factors, and regulatory factors. Let's take a closer look at each.



External factors

Forces operating in the business environment over which the business has little or no control are known as **external factors**. Examples of external factors include:

Customer wants and needs. To make purchases, customers may require credit, product delivery, or other services. To be successful, a company must set its selling policies accordingly.

Competitors' actions. The number of competitors, their services, and the prices they charge for similar goods or services can affect a company's selling policies.

Availability of raw materials. The ability to obtain materials to be used in making goods can affect selling policies. If, for example, there's a shortage of oranges due to difficult weather conditions, wholesalers may tell their sales staffs not to offer discounts on orange juice to grocery stores or other retailers because these discounts stimulate sales and demand. The materials shortage has created the need for this policy.

Social concerns. Sometimes, the public may express concerns about a business's goods and services. Pollution problems or health concerns might influence a company to change products, making them more expensive.

Pollution or health concerns may influence a company to change products, which can lead to changes in its selling policies.

Stockbyte/Thinkstock

Internal factors

Internal factors, those forces present within the company itself, also affect selling policies. The nature of the business is an internal factor that limits the selling policies that can be created. For example, a company that specializes in business-to-business sales or sales of luxury items might have much more liberal policies regarding client entertainment than a smaller business would. Other internal factors include:

Corporate goals and objectives. A company's goal may be to establish a reputation for quality service after the sale. This would probably affect its return and maintenance policies.

Human and financial resources. If a business has limited finances, its credit policy may reflect this by having rather strict requirements for credit approval. If its sales force is limited, it may not be able to offer personal supervision of delivery or installation.

Production capacity. Excess production capacity might encourage a company to alter its pricing policy. Lowering its prices might stimulate demand, and there will then be a need to utilize the excess capacity.

Research and development efforts. Based on its research efforts, a firm might set a policy to guarantee changes based on customer requests for special orders.

Regulatory factors

Federal and state governments, along with the regulatory agencies they have created, pass legislation that affects businesses and their selling policies. Regulatory factors include consumer-protection regulations and federal antitrust laws intended to ensure fair competition among businesses. Antitrust regulations include:

The Sherman Act. This act prohibits competing companies from conspiring to control their prices. Selling policies need to clarify that prices are set by the company alone, not in conjunction with competitors.

The Robinson-Patman Act. This legislation forbids companies from discrimination in the prices or services it offers to competing customers. It was passed to protect small customers from being at a disadvantage. Businesses can offer lower prices to big customers only if the discounts are based on cost savings.

The Clayton Act. This act keeps a company from making the purchase of one of its goods or services dependent on purchases of others. For example, a computer manufacturer cannot force a customer to buy a service contract as a precondition to buying the computer itself.

The Federal Trade Commission Act. This act declares any competition deemed unfair by the Federal Trade Commission to be illegal. Unfair methods of competition might include making deceptive product claims or interfering with the efforts of a competitor's sales staff.

Consumer regulations intended to protect individuals when making purchases include:

The Fair Packaging and Labeling Act. This act makes it illegal to use unfair or deceptive packaging or labeling for certain consumer products.

The Truth-in-Lending Act and the *Credit Card Act of 2009.* These acts require companies to be fair and transparent with their credit practices.

John Foxx/Stockbyte/Thinkstock

iStockphoto/Thinkstock

As you can see, external factors, internal factors, and government regulations can all greatly affect selling policies. Furthermore, shifts in external or internal forces, as well as changes in regulations, can create the need to add, remove, or change certain selling policies.

What's the problem?

Salespeople may encounter difficulties when they are not knowledgeable of their company's selling policies, are unable to explain the policies to a customer, or are asked to make an exception to a policy. For example, a salesperson who cannot explain his/her company's delivery and installation policies is risking the sale.

In an extreme case, poorly administered policies can force a company out of business. A company may offer prospective customers extremely liberal credit terms without checking their creditworthiness. If these customers do not pay, the company may have financial difficulties.

To avoid some of these negative effects, managers should ensure that their selling policies do not:

- Restrict the salesperson's normal authority
- Slow down the sales process
- Restrict the salesperson with petty rules
- Frustrate the salesperson and the customer
- Give the customer the impression that the salesperson can act independently without considering what might be best for both the buyer and the seller

▲ To be effective, selling policies should neither frustrate salespeople nor restrict their normal authority.

Summary

Selling policies are influenced by many factors. These factors can be external, internal, or regulatory. External factors are those in the business environment over which the company has little or no control. Internal factors are those stemming from the limits of the organization and the goals the company seeks to achieve. Regulatory factors include federal and state antitrust and consumer regulations. Managers can take steps to reduce any negative effects of the selling policies they have established.

1. What external factors affect selling policies?
2. What internal factors affect selling policies?
3. What regulatory factors affect selling policies?
4. What are some potential problems involved with selling policies?
5. How can managers minimize the potential problems involved with selling policies?

Make It Pay!

What selling policies are in place where you work? How do they affect salespeople and customers? Is there anything you would change about any of them? If so, why?

If you are not working right now, think of a recent time when a selling policy affected you as a customer. Was it a positive experience or a negative one?