



# The Entity’s Policy of Sales Facing the Challenges of the Environment

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ABSTRACT

The motivation of the establishment, organization and functioning of a firm (company, enterprise) is given by, or is the result of the demand of products and/or services on a specified market. This situation is determining its profile and the conditions under which this entity is going to act (to produce).

The commercial function of the firm (enterprise) includes as a basic sub-function the sales action (activity). The passing of products and /or services from supplier to the consumers (customers), through the logistics, is very important to the satisfaction of needs. But, determining is the fact whether the distribution logistics is direct or through various intermediates or links.

The paper analyzes a Romanian firm’s case on production and its sales segment, whose activity is deployed under endogenous constraints and also under the challenges of the economic and financial crisis and globalization phenomenon in Romania and in the world, started since 2008.

**KEYWORDS**

firm, sales, profit, environment

**1. GENERAL REMARKS**

The economic crisis is one of the most debated topics in the economic newspapers and journals and represents the main exogenous influence over the activity (especially the sales) of a firm.

The related studies have shown that the fields which were most affected by the crisis were the wholesales, the retail sales and the constructions which, otherwise, are the most exposed to bankruptcies.

The direct impact of the economic crisis is the decline in supply and sales implicitly, caused by the decline in the population’s purchase power. Also, another way to deal with the economic situation is to decrease the supplies of the luxury category and the introduction in consume of new product ranges at more affordable prices.

**2. CONTENT AND OBJECTIVES OF SALES POLICY**

The sales of goods policy is the main component of the economic policy in trade because, ultimately, it will result in the estimated yielded revenue, revenue underlying the realization of all economic and financial objectives.

We consider that, in fact, the major goal of a productive entity, or services’ provider, is to create a client, to create the need for purchase that good or service. This is the credo of Rene Urich and after that, of course, the goal of firms, enterprises, companies is to gain profit in order to resist on the market and to continue the process of production or providing services.

Some authors consider that the output of products (the sale process) has to be in the downstream of production, in straight interconnection with the beneficiaries and within a so-called holistic concept POM (Patrimony-Organization-Management).

Therefore, all the firm’s functions and sub-functions are included in the general system of existence, of management, of know how and of the profit gaining (by selling the products and/or services). Philip Kotler has underlined the importance of this firm’s functions system within Microeconomics, in the same way that can find these ideas in general overview in the substance of the Microeconomics.

In an analysis that we wish to briefly present, the policies for selling goods must begin with their objectives, targeting the vendor of goods and which refer to the overall economy (at a macroeconomic level) and to each economic operator in particular (at a microeconomic level).

**The macroeconomic policy** of selling goods is imposed by the very high importance role that commerce displays nowadays in the development of the national economy. Such a policy is conducted by the state through the government and the central bodies of state administration, primarily materialized in the creation of the legal and institutional framework necessary for carrying out trade and then in pursuing common goals of great importance mainly concerning insuring the internal market balance, boosting growth in the domestic industrial and agricultural production, widening the external economic relations, consumer protection and the promotion of trade urbanism.

**On a microeconomic level**, on the level of each economic operator, which interests us, the sales policy objectives circumscribe their freedom to act on what they want to achieve and the priorities pursued in their work.

The economic operators concentrate their efforts to achieve three main objectives in terms of sales policy: the growth in sales and market share, modernization of the technical and material base and profit maximization. To these goals others are added that consider the strategy to follow in order to achieve the adopted policy:

a) The increase in sales volume and market share of the company is the main objective, since, ultimately is efficiency depends on it. Such an increase can be achieved, on the other hand, by enlarging its own market and on the other by attracting new market segments to its competitors thus increasing its market share and the company concerned.

The assortment policy, tight included in the general sales policy, is defined by a series of criteria that form it and that ultimately lead to an increase in exports:

- The assortment positioning, namely its structuring compared to that of competitors, aiming to complete it;

- Strengthening the assortment by introducing of new products in the existing assortment to complement the product range so that the commercial areas can be efficiently used. The assortment strengthening also implies the introduction of complementary products such actions seeking the market domination to a certain group of goods and, ultimately, increasing profit;

- The assortment upgrading by removing what is obsolete;

- The assortment differentiation of different reasons: either to meet the demand of various segments of purchasers, or to strengthen the company's image by selecting products that become attractive for consumer categories with higher incomes;

b) The modernization of technical and material conditions decisively the increase of sales and it means the renewal proceeding of the commercial network to meet the consumer demands. Such an objective entails several aspects, all of high importance in this area.

c) The increase in profit is directly determined by the company policy regarding the evolution of revenues and expenditures compared to the evolution of exports.

Speaking about the production process within an entity, in fact *the value chain* obtaining the outputs, relevant is considered the vision of Michael E. Porter, an outstanding theoretician and practitioner in management.

Briefly, the system conceived by Porter, has the following form:

**Inbound Logistics**→**Operations**→**Outbound Logistics**→**Marketing & Sales**→**Services**

This value chain is considered the *Primary Activities*, activities which are determining the financial results of the firm and support all the facts and items presented above.

Inbound logistics mean the relationships with the suppliers, generally speaking with inputs;

Operations imply the production process;

Outbound logistics include the storage of products and the distribution;

*Marketing & Sales* (our underline) regard the buyers/customers (consumers) information, their persuasiveness to purchase and the facilitation of the purchase;

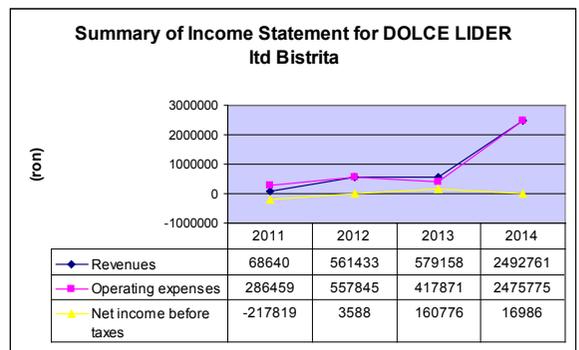
Therefore, services include all operations necessary to maintain the product or service working, in the guarantee period, after the units of products considered were sold to the customers.

**3. STUDY CASE-DOLCE LIDER LTD. SALES ACTIVITY**

Funded in 2011, Dolce Lider (the Romanian term of Leader) Ltd. is a *Romanian pastry confectionery company who succeeded to develop during the period of crisis*, due to the entrepreneur's talent, the use of an applied SWOT analysis and benefit the opportunity of supplying the most anniversary events- a market segment developing in Romania after 2000 and mostly after 2007 in Bistrița, in the region of North Transylvania.

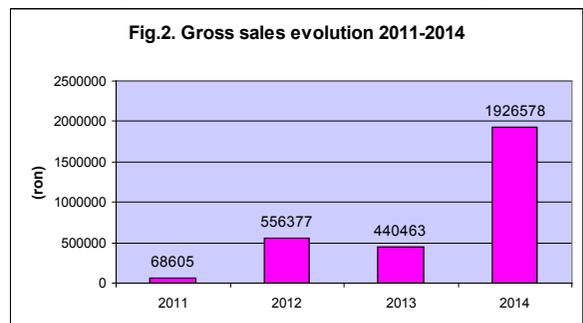
With a relatively small investment at the beginning, the firm succeeded to benefit after the second year of activity, mainly as a result of increasing sales and developing new products for a more and more increasing market segment (marriages, communions, private parties) simultaneously with the production of the traditional pastry.

**Fig.1. Main figures of Dolce Lider Ltd (2011-2014)**



Source: internal data of the company; <http://www.firme.info/dolce-lider-srl-cui29323018/>

The gross sales of the company grew fast from the beginning of the activity, with a slow fluctuation as follows (Fig.2):



In order to sale its products, Dolce Lider Ltd uses the direct sales both for:

- the retailing - through its own stores, this kind of selling representing an important percentage due to the fact it can be used for selling any kind of merchandise/products and offers the possibility to use any method in achieving the sales goals, in this case the seller playing an even more important role than the product;
- the wholesales - this time appealing to professional salespersons who deliver the merchandise directly to the consumers, in which case the salesman plays the same key role.

Dolce Lider Ltd takes into account that the role of promotion is to supply the information needed to educate the other players on the market, to stimulate the demand, to develop new products... The main objective of the marketing manager of Dolce Lider is to design the promotional communication, like advertisement for example, adapted to the specific group of consumers, the clients of the stores (small quantities, frequent consumers) and the large groups such as companies or events organizers (big quantities, periodical consumers) respectively, allotting a certain budget for a giver period of time (tab.1).

**Table 1. Example of marketing budget for 8 weeks.**

No.	Item	Week				
		I.	II.	III.	IV.	V.-VIII.
1.	Notes payable	60	120	160	160	160
2.	Salaries payable	120	200	300	300	300
3.	Promotion expenses	100	140	240	240	240
4.	Externalized services payable	60	60	200	200	200
5.	Other expenditures	60	80	100	100	100
Total current liabilities		400	600	1,000	1,000	1,000

Source: internal data of the company

The budget is done to sustain the entire promotion mix, this one consisting of:

1. advertising component- by communicating non-personal messages to a selected audience, thus reaching either a large target group or a carefully chosen market segment; the implementation of this type of promotion is done through media: local press, radio, television.
2. personal selling - aimed to keep the customers informed;
3. sales promotion - using products as direct inducement to customers or salespersons, adding extra-value to the product or increasing the customer's incentive to buy the product;

Dolce Lider Ltd. produces many types of products and aims to establish the price in order to maximize the sales and profit per the entire products portfolio. The manager knows that sometimes products with smaller price, even if they don't bring the expected profit, they are supplied on the market to complete the product portfolio and create the special image for the rest of the products.

### CONCLUSIONS AND RESULTS

There are two major aspects of Dolce Lider Ltd's activity that can be improved.

*First*, given the fact that the number of clients has increased from year to year and new products are developing. In this respect, one suggests the following steps:

1. A careful assessment of target market's evaluation of price and of the ability to purchase;
2. The continuous determination of demand;
3. The demand/cost/profit relationships analysis;
4. The evaluation of the competitors' prices, given the fact that this is a developing field, and lately, in Romania, the telemarketing boosted the firm's possibilities to sell products via Internet faster and more safe;
5. The selection of a correct pricing policy and specific price for every type of product.

*Second*, the firm should reconsider the wholesales and the promotion activity in this respect:

-Sampling - may be offered by direct mailing, especially for the new products to penetrate the market;

-Premium or trading stamps - for the loyal customers that buy big quantities of products;

-Displays at the "point-of purchase" - gives the possibility for the customer to choose and stimulates him to try other than the usual products he usually uses;

-Participation in trade-shows and exhibitions - as a wholesaler, the firm can contact new retailers for its products.

The stocks should be prepared for overcome the difficulties of supply, the hard times for the providers, the gaps in the supply entire system and, by consequence, for a smooth and optimal sales in order to enter and to resist on the specified market.

As well, the activity of the productive entity must take into account the environmental challenges: the competition, the economic and financial crisis, the political and economic constraints and regulations and to pursue the selling of goods and services required by the customers at an optimal, fair, price, influenced by the ratio quantity/quality.

Even the area in which the firm's distribution stores are situated, allows them to have a large number of customers, most of them loyal to the firm, the sale is hampered by the existence of hypermarket units (which are everywhere now). They are "the great enemy" of this kind of shops representing SME's, entities with a lower economic power.

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