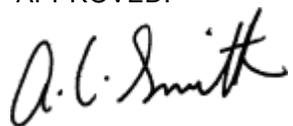




SUBJECT: OPI Marketing and Sales	PAGE <u> 1 </u> OF <u> 6 </u>
	NUMBER: 25-OPI-02
RULE/CODE REFERENCE:	SUPERSEDES: 25-OPI-08 dated 04/30/18
RELATED ACA STANDARDS: 2-CI-6A-10, 6A-12, 6E-6	EFFECTIVE DATE: April 22, 2019
	APPROVED: 

I. AUTHORITY

Ohio Revised Code 5120.01 authorizes the Director of the Department of Rehabilitation and Correction, as the executive head of the department, to direct the total operations and management of the department by establishing procedures as set forth in this policy.

II. PURPOSE

The purpose of this policy is to establish a method for the sales and marketing of industries products and services

III. APPLICABILITY

This policy applies to all Ohio Department of Rehabilitation and Correction (ODRC) employees and those under contract with Ohio Penal Industries (OPI).

IV. DEFINITIONS

E-Commerce - All web-based applications.

Global Shop Solutions (GSS) - ERP Application

V. POLICY

It is the policy of the Ohio Department of Rehabilitation and Correction (ODRC) to ensure Ohio Penal Industries (OPI) carries out the sales and marketing of industries' products and services. The OPI sales personnel shall conduct market research activities including, but not limited to, collection of pricing, product warranty, expanding existing markets, working with vendors on new products and shall provide quotes to perspective customers.

VI. PROCEDURES**A. Marketing Manager Tasks**

The marketing manager shall be responsible for, but not limited to, the following tasks:

1. Advises management of competitive prices, market trends, and sales potentials;
2. Recommends new products for addition to the product line;
3. Coordinate and direct marketing functions affecting correctional industries, such as, e-commerce, printed materials, advertising, public relations, and promotional events;
4. Organizes new product introductions, promotions and evaluations in conjunction with regional production manager, shop product manager and shop industry manager/superintendent;
5. Performs annual product pricing and warranty comparison: OPI products vs. private sector products;
6. Coordinates staffing of all trade shows in conjunction with the sales manager;
7. Create, review and /or revise catalog materials, price lists, promotional fliers;
8. Coordinate and manage all website functionality, to include all products, general information and e-commerce functionality.

B. Sales Manager and Sales Personnel Tasks

The sales manager and sales personnel shall be responsible for, but not limited to, the following tasks:

1. Assists customers with office layouts, color coordination, product design and product availability;
2. Performs office and fieldwork necessary to promote the sale of OPI products and services;
3. Distributes OPI catalogs, price lists, promotional fliers, and samples during customer visits and at trade shows which are attended throughout the year;
4. Maintain customer contact information (for assigned territories) and ensure this information is updated and current within the GSS system;
5. Review all GSS quotes (for assigned territories) to ensure accuracy and 'win' all quotes in GSS, converting these quotes to sales orders.

C. Customer Survey

Customer satisfaction surveys shall be conducted throughout the year with both institution and non-institution customers. The marketing manager shall be responsible to collect, sort and present the findings to the chief of OPI/designee.

D. Annual Product Review

1. Marketing Review

The marketing manager will perform an annual product review and identify slow moving items. Products identified as 'Low Activity' or 'Non-Active', as indicated by the Sales History report in GSS, shall be reviewed in more detail. Sales Analysis meetings will be set-up with all industry managers and product managers in order to review these items in further detail. The following information will be evaluated, but not limited to:

- a. Is raw material purchased for the product only?
- b. Are parts purchased for the product only?
- c. Does OPI maintain an inventory of the finished product?
- d. Is the product, part of a family or group of products?
- e. Identify the customer.

2. Shop Review

- a. At least annually, the respective shop manager and product manager shall review routers of current items, specifically pricing. In the event of a significant increase in product cost, an additional review shall be conducted as well. This review will be done using the Product Review form (DRC6431) and shall be retained for audit purposes.
- b. With the above data, the shop manager and product manager shall evaluate the cost of on-hand raw material inventory and finished goods inventory.
- c. The product manager shall submit results from the evaluation to the marketing manager, regional production manager and OPI chief.
- d. It shall be the decision of the OPI chief/designee to:
 - i. Maintain current product line status; or
 - ii. Discontinue product from production.

E. New Contract/Supplier Changes

1. If a current manufacturer or distributor discontinues a product or any component parts of a product, OPI shall make every effort to identify a new vendor to supply the parts or products needed.

2. If a new vendor is identified and there is a price change, the new cost shall be put into GSS and will be reflected on the Bill of Materials.
3. It shall be the decision of the OPI chief/designee to:
 - a. Purchase from the new vendor and maintain current selling price;
 - b. Purchase from new vendor and establish a new selling price; or
 - c. Discontinue product from production.
4. If the decision is made by the OPI chief /designee to make any changes to the product, the guidelines defined in section VI.E.1 of this policy shall be followed.
5. As new contracts are established, style, color and component parts shall also change. OPI shall make every effort to maintain the style, color and component parts for active products.

F. Product Pricing

1. Raw Materials (RM) – Per unit cost of raw material that will be used to make the specific product. Price shall come from ERP System; if the product is new, price shall come from preliminary cost obtained to make the product.
2. The OPI chief fiscal officer (CFO) will determine the shop overhead costs as well as the shop's share of the administrative overhead cost for the prior year and use this information to determine the total overhead costs (TOC). Total overhead costs divided by inmate hours will account for overhead costs per inmate hour. The hourly TOC will be multiplied by total labor hours for the specific product.
3. The product manager will work with shop manager to evaluate total OPI costs utilizing GSS routers (RM + TOC) and compare to current market costs. The OPI chief signs off on current profit margins per product line. The selling costs will be based on OPI costs, current market prices, and profit margin.
4. The shop manager will submit a Product Review form (DRC6431) or a New Product Proposal/Product Quote form (DRC1289) to the product manager, who after approval, will forward to the OPI CFO along with the RM / ILC / TOC costs and information on current market prices. The Product Review form (DRC6431) and New Product Proposal/Product Quote form (DRC1289) shall be retained for audit purposes.

G. OPI Price Discounting

1. All price discounting recommendations must be submitted to the sales manager and approved by OPI CFO. Documentation regarding price discounting shall be retained for audit purposes.

2. Quantity Discounts

Quantities must be substantial to offer discounts (substantial will vary by type of product and whether discounts will be offered).

3. Non-Scratch and Dent items (Inventory reduction)

- a. Reduce cost mark-up by 50%.
- b. After three (3) months, reduce cost mark-up by 75%.
- c. After three (3) months, sell at cost.
- d. Further discount below cost must have written approval from the OPI chief and CFO.
- e. If product does not sell, it shall go to DAS surplus.

4. Scratch and Dent items

- a. Reduce mark-up by 50%.
- b. After three (3) months, reduce cost mark-up by 75%.
- c. After three (3) months, sell at cost.
- d. Further discount below cost must have written approval from the OPI chief and CFO.
- e. If product does not sell, it shall go to DAS surplus.

5. Showroom Display items

- a. Reduce cost mark-up by 50%.
- b. After three (3) months, reduce cost mark-up by 75%.
- c. After three (3) months, sell at cost.
- d. Further discount below cost must have written approval from the OPI chief and CFO.
- e. If product does not sell, it shall go to DAS surplus.

6. Display items that are used in OPI offices

- a. Reduce cost mark-up by 50%.
- b. After three (3) months, reduce cost mark-up by 75%.
- c. After three (3) months, sell at cost.
- d. Further discount below cost must have written approval from the OPI chief and CFO.
- e. If product does not sell, it shall go to DAS surplus.

7. OPI shall provide, as requested, demo products from the OPI showroom (primarily chairs) for customers to 'try before they buy' and determine if the items will meet their needs prior to purchase.

- a. A GSS order shall be entered in the ADM company at zero cost and the item shall be shipped directly out of the showroom inventory by the marketing manager.
- b. A packing slip will be printed and signed by the customer upon receipt of demo product and the signed packing slip shall be returned to the marketing manager.
- c. Customer may keep demo product up to a 1-week period, unless otherwise approved.

- d. Product shall be unshipped from the order upon receipt of items, putting product directly back into the GSS showroom inventory and physical inventory in the McKinley Avenue showroom. Order will not be selected to invoice.
8. OPI receives numerous vendor samples (free of charge) in conjunction with our multiple partners and contracts. OPI will review, test and decide whether these items will be added to the OPI product line.
 - a. If OPI decides to not offer the product for sale, the vendor will be contacted, and the item will be offered for return to the vendor.
 - i. If the vendor wants the product back, OPI will return product to the vendor at their cost.
 - ii. If the vendor does not want the product back:
 - a) OPI will follow salvage protocol and donate items, if approved.
 - b. If OPI decides to begin selling the product, the sample shall be used in the OPI showroom as part of OPI display and will be added to OPI showroom inventory at that time.
 9. OPI Showroom
 - a. All inventory pieces in the OPI showroom shall be tracked in GSS.
 - b. No new products shall be purchased for or placed in the OPI showroom without written authorization from the chief of OPI. This authority may not be delegated to any other individual or position.
 - c. Showroom display items can be sold, as outlined in section VI.G.12 of this policy.

Related Department Forms:

New Product Proposal/Product Quote	DRC1289
Product Review Form	DRC6431