BaylorBusiness
Keller Center for Research

Keller Center Research Report

» December 2014, Volume 7, Issue 4

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Can Big Data Bridge the Gap between Sales and Marketing?

Morris George, PhD

With the advancement in storage technology and the rise of Internet and social media, more and more information is becoming readily available to both customers and agencies. Today, customers are able to get almost all the information they need to make a purchase decision through websites both of the focal company and their competitors, feedback and ratings of other customers and users, through blogs, online product reviews and social media. At the same time, agencies can collect a wealth of information about their customers through their prior purchases, their interests and opinions as revealed through social media postings, blogs, etc. in addition to other information generally available through traditional channels such as demographics and psychographics. This vast amount of structured and unstructured customer data available to agencies is commonly referred to as “big data.” Big data is generally characterized by high volume, high velocity, and high variety. There is increasing pressure on companies to collect, analyze and use big data for better decision-making. When trying to market commercial and residential real estate, does the use of big data really result in better outcome measures for an organization?

It Pays to Make Use of Big Data

First, the use of big data can directly impact the performance of agencies, especially in terms of affecting their bottom line. Since big data allows businesses to target each account they have with the right message at the right time, it can reap rich dividends. For example, a McKinsey study shows that a data-centered approach to marketing and sales decisions helped companies to improve their marketing return on investment (MROI) by 15-20 percent (McKinsey Chief Marketing & Sales Officer Forum, 2013). Along the same lines, a business outsourcing company testifies that they could identify 52% more sales opportunities and increase sales productivity by 29% as a result of using big data tools (SmartData collective, 2014). In addition to the monetary benefits of using big data, firms can enjoy other benefits such as better equipping its sales and marketing professionals through big data’s role in bridging the gap between the two functions. Before we address how big data can facilitate bridging the gap between sales and marketing, we need to understand how the two are related and what separates them.

Current State of Relationship between Marketing and Sales

Functionally, the work of marketing and sales are deeply interconnected. And, the sales and marketing interface has a direct and significant impact on clients. Hence, it is imperative that these functions work together well to achieve better corporate performance (Dawes and Massey, 2005). Carpenter (1992) and Martin and Powers (1989) stressed the importance of a collaborative and productive relationship between sales and marketing. Kotler, Rackham, and Krishnaswamy (2006) cite examples where companies experienced substantial improvement in performance when sales and marketing worked together. In fact, Aberdeen Research finds that companies that tried to improve the relationship between these two functions and are "best-in-class" at aligning marketing and sales have a 20% average growth in annual revenue (PR Newswire, 2014). Unfortunately, the reality for many companies is a lack of cohesion, co-ordination, even distrust and negative stereotyping exist between sales and marketing (Anderson 1996).

Understanding the Reasons for the Gap and Addressing It

Part of the reason why there is a lack of cohesion is because of inherent differences between the people in each of these functions. In a 2011 article in Marketing Week, Cooper (2011) highlights how sales people differ from marketing and how their strategies and objectives also vary. One of the main reasons for a not-so-smooth relationship between marketing and sales is the lack of alignment in terms of objectives, strategy, and activities. According to a study by Eloqua, only 48% of marketing and sales teams share objectives. In addressing marketing-sales intergroup relations, Dewsnap and Jobber (2002) proposed that goal conflict and strength of a person's affiliation to his/her marketing/sales groups lead to intergroup differentiation. The Realistic Group Conflict Theory suggest that conflicting goals lead to intergroup differentiation and that intergroup differentiation can be reduced when there are mutually desired superordinate goals, attainable only through intergroup cooperation (Jackson 1993).

One can conclude that the intergroup differentiation between sales and marketing should be less if there are mutually desired goals which can be achieved through cooperation. Following this logic, some companies have tried to integrate sales and marketing functions by coming up with shared goals. Among many suggestions to improve the relationship between marketing and sales such as giving them shared targets, strategy alignment and constant communication, Cooper (2011) also highlights the need for paving the way for transfer of knowledge and skills. One key thing to remember here is that mutual sharing must take place. Otherwise, strategies such as giving sales and marketing teams shared targets, or creating a structure for constant communication have the danger of being seen as directives coming from top management and tend to have less acceptance by either teams.

Big Data Calls for Changes in the Way We Do Business

This is where big data plays a crucial role. It calls for a change in the way we do sales calls and market our products. With the increased availability of information through the Internet, the balance of power seems to have shifted in favor of customers. Traditionally, salespeople possessed a lot of information regarding a product or service to which customers had no access. Until a few years ago, much of the information about the housing market such as MLS listings, current house prices in an area, and price movement were only available to the real estate agent or broker. Now, buyers can see the property listings along with very detailed information on its features and even take a virtual tour while also in many cases having access to the rating of realtors by other home buyers/sellers. This vast amount of data that constantly change and are available to customers often puts the salesperson at a disadvantage. In order to be effective in this changed business environment, sales people have to gain a much better understanding of their customers, market, and competitors. In other words, they have to increasingly make use of big data for achieving their objectives.

Big Data Creates Mutual Dependence and Shared Goals

Even though it contains the required information, the challenge is to make use of this big data and glean valuable nuggets of information without having to spend a lot of time and resources. Many sales people find this task to be very daunting as revealed by a survey, where 82% of sales people said they are challenged by big data. Marketing people, who are responsible for analyzing data on the other hand, need - access to information that the sales team possesses. While marketing and marketing analytics teams can provide valuable information to the sales team, salespeople can in turn pass on a great deal of data to marketing including interactions with customers, intelligence from the field, and even competitors' activity, to help them in the analysis of data. Thus, this calls for increased reliance on each other. Such mutual dependence between sales and marketing offers a great incentive for these functions to work together to achieve the superordinate goals. Sales people will be more willing to cooperate with marketing if marketing with the help of data and analytics, can provide them with better leads and better marketing tools that can help them close more business deals.

Big Data May Be Able to Change the Culture

Although it is a fact that a big data environment encourages sales and marketing to work together, it cannot usually happen without a change in the organizational culture. This is where organizations need champions of change. The change movement can be initiated by highlighting the benefits of stronger alliance between sales and marketing. One cannot emphasize enough the importance of communication between marketing and sales in improving their relationship. Big data offers a genuine opportunity for increased dialogue between sales and marketing. For example, marketing can seek feedback from sales on the quality of the leads generated through analytics, the effectiveness of messages, and the usefulness of other marketing tools. The two entities working together can develop more complete pictures of the agencies' customers which can translate into more relevant promotional messages.

Conclusion

As evident from the above discussion, big data offers the opportunity not only to improve the performance of the agencies but also to bridge the gap between sales and marketing. It is up to the marketing and sales leaders to seize this opportunity. As keepers of big data, marketing should take the initiative to bridge the gap with sales by sharing information that sales professionals value and providing sales reps with better leads and effective tools that help them achieve more sales. Once sales realizes the value of big data and how data-based solutions that marketing provides impact their performance, they will be happy to cooperate with marketing. One thing is clear - big data is here to stay and is going to increasingly dictate the performance of sales and marketing teams. The question is, will companies make use of the opportunity presented by big data to bridge the gap between their sales and marketing functions? Only time will tell!

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Morris George (Ph.D. – University of Connecticut) is an Associate Professor of Marketing at Baylor University. His research interests include Customer Lifetime Value based customer contact strategies, cross-buying, multi-category catalog mailing, customer loyalty and profitability. He uses statistical and econometric modeling approaches and data analysis techniques to address issues facing marketers and policy makers in various fields including retailing, professional sports, corporate wellness, and non-profits. He has published in various marketing journals including *Journal of the Academy of Marketing Science*, *Journal of Retailing*, *Journal of Service Research,* and *Health Marketing Quarterly*. He is the recipient of the 2010 Davidson Award for his work on cross-buying published in the *Journal of Retailing,* while his research on customer equity won the JAMS/Sheth Foundation award for the best paper in the *Journal of the Academy of Marketing Science* in 2007. He received his MBA from Indian Institute of Management, Ahmadabad. Before entering academia, Morris worked for nearly 7 years in sales and marketing positions for a Fortune 500 petroleum company.

Recognizing the Real Estate Recency Trap

Gail Ayala Taylor, PhD, Scott A. Neslin, PhD, Kimberly D. Grantham, PhD, and Kimberly R McNeil, PhD

Research by Saber (2014) highlights the challenges facing residential real estate agencies as additional e-information becomes available to consumers. Saber outlines strategies for agents to emphasize the value of services they provide to their clients, and the importance of "keeping the agent's name and good work in the mind of the client" even after the real estate transaction has concluded. Maintaining relationships with past customers, encouraging positive word-of-mouth/referrals, and repeat patronage can be crucial to ensuring firm profitability. The National Association of Realtors (2014) reports 35% of residential sales volume typically comes from past client referrals and 30% comes from repeat business from past clients. With 65% of a firm's business being linked to past customers, firms need to maximize their contacts with past customers in order to stay *top-of-mind* when the opportunity for repeat purchase or positive word of mouth presents itself.

Managing Relationships

Effectively using customer data or database marketing can be a systematic way to improve customer relationships (Blattberg, Kim and Neslin 2008). This raises the questions of what types of data are most useful in the real estate industry and how that data may be used to maintain relationships with customers. "Recency" (the amount of time since last purchase), has been found by direct marketers to influence future purchase behaviors of customers (Blattberg et al. 2008). We suggest that real estate firms use this concept to guide their outreach to past customers.

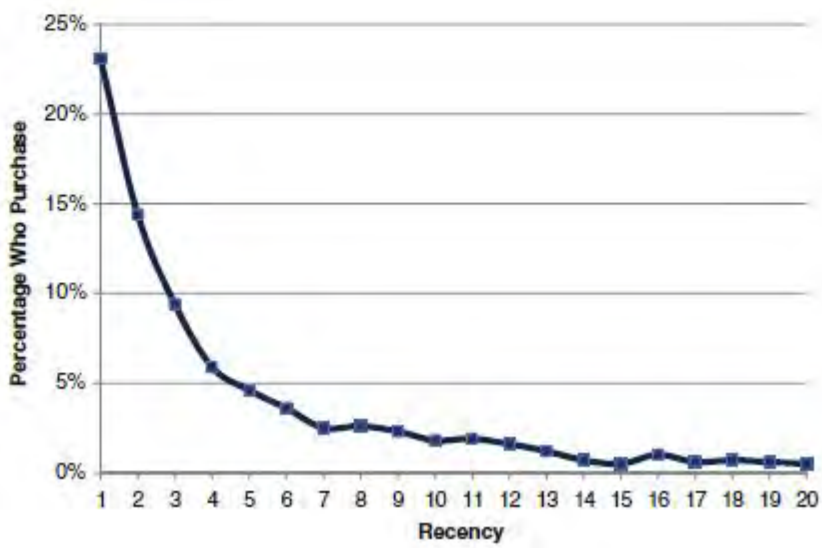
A common finding is that the longer it has been since the customer has purchased from the firm, the less likely the customer is to purchase now (Rhee and McIntyre 2008; Bult and Wansbeek 1995; Bitran and Mondschein 1996; Fader, Hardie, and Lee 2005). As a result, there is a tendency to ignore customers who have not purchased in a long time. This can be problematic in the residential real estate world given the long time periods between home purchases. Emrath (2009) estimated that half of all people who purchased a new home were still in that home approximately 15 years after their initial purchase. Given these extended intervals between purchases, the likelihood of firms losing contact with prior customers is high. This puts firms in the position we define as a *recency trap*. The recency trap is when "… customers do not purchase in a given period, this increases their recency, which makes it less likely they will purchase in the next period, which in turn increases their recency, making them even less likely to purchase in the period after that, etc." (Neslin, Taylor, Grantham & McNeil, 2013, p. 321). The recency trap results in customers drifting away from the firm, resulting in decreased revenue

The Recency Trap

A customer who has been out of touch with a firm for an extended period of time may appear to be an unlikely prospect. As a result, firms often ignore these customers by not communicating with them. But this only amplifies the recency trap. As time goes on, this process continues and eventually the customer's chance of buying falls virtually to zero, basically resulting in the customer being lost to the company. They have slid down the curve shown in Figure 1, following the recency trap.

We observed the recency trap in a study we conducted in a meal preparation service environment. Figure 1 shows the purchase patterns for customers in our test establishment. As recency increased, the percentage who purchased decreased.

Figure 1

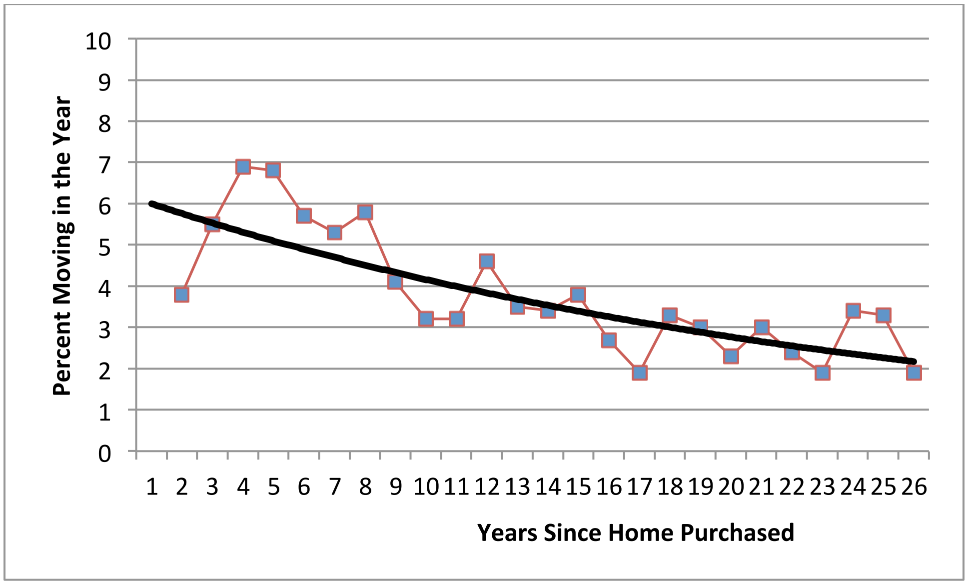


In the case of the company we studied, we found that the additional marketing expense associated with targeting customers who appeared to have lapsed from the firm would be a good investment. Our mathematical model was based on a thorough understanding of the effect of recency of purchase on likelihood to buy, and ability of marketing efforts to bring the high-recency customer back. It demonstrated that the company could increase customer value by hundreds of dollars per target customer if it allocated some of its marketing communications efforts to customers who had not purchased in a long time. The value of customers who would have been lost to the company was significant.

Applying these Concepts to Real Estate

We believe this concept is applicable in a real estate environment. In Figure 2, we graph the 25-year home migration data presented by Emrath (2009) and apply an exponential trend line to show the similarity of these purchase trends to the data we found in our study.

Figure 2



We suggest that firms begin efforts to overcome the recency trap. The first step is to create a customer database. Given the nature of real estate transactions, it is necessary to expand the outcome variable from "purchase" to all potential revenue generating interactions (RGIs) at the individual customer level. These data points include purchase and referrals made to others. The next step is to plot the firm's recency curve, i.e., graph the time since the most recent RGI versus the likelihood of a RGI in the current period (periods could be monthly, quarterly or yearly intervals). Step three involves segmenting customers based upon their position on the curve. During the final step, customized marketing messages based upon recency segment are developed and executed. For example, consider a letter from the agency leader thanking clients for past patronage, a congratulatory "anniversary in your home" card, a hello email from the selling agent, or simply a holiday greeting from all the caring professionals in your firm. These marketing interventions will ignite the awareness of the firm in the mind of past clients. The key point is to not ignore clients who have been out of touch for an extended period of time.

Conclusion

Recency is an important concept that can provide a road map to real estate professionals in their relationship management efforts. Firms should draw their recency curve based upon the amount of time since customers' most recent RGI. Once this curve is drawn, customers can then be segmented and customized marketing messages delivered. The most important thing to remember about recency is not to give up too early on clients that have been out of touch. Or else they fall into the recency trap and they're gone forever.

Recommended Reading

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Gail Ayala Taylor (PhD – Florida State University) is a visiting Associate Professor of Management at the Tuck School of Business at Dartmouth College. Her research interests include customer loyalty, service employee retention, and the effectiveness and impact of nontraditional promotion techniques. Her research has appeared in a variety of academic journals, including *Journal of Retailing*, *The Journal of the Academy of Marketing Science*, *Health Marketing Quarterly*, *Psychology and Marketing*, *Journal of Services Marketing*, *International Journal of Research in Marketing, Cornell Quarterly,* and a host of other scholarly publications. She is a contributing author for *Service Quality in Hospitality Organizations* and *Advertising Research: The Internet, Consumer Behavior and Strategy*. She has received several "Best Paper" awards and has been recognized as an outstanding Woman Leader as a recipient of the "Dux Femina Facti" award at the Tuck School of Business. Professor Taylor has taught extensively at the graduate, undergraduate and executive levels and in addition to her regular teaching and research responsibilities she is also a faculty director in Tuck's Business Bridge program. She has worked with a multitude of large and small business owners to help them improve their productivity by focusing on improving their interactions with both their external and internal customers.

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Explicit Marketing: Personalization of Email Subject Line

Wesley Bryan, MBA Candidate

It's a fairly common experience - that desperate moment when you search the crowd for whoever said your name. We are constantly clued into our names, especially when it's added to personalized greetings or comments. People use our names as a way of engaging with us and getting our attention. In this age, where myriad interactions take place in the virtual world, does the use of our name have the same effect?

Personalized Marketing

Marketers believe that the use of our name in the virtual world will have the same effect as if someone was calling our name in a crowd. Email account users can attest to a trend that has become more pervasive amongst emails received: You! Emails seem to be pouring in addressing you specifically: by first name, last name, full name, or even nickname. For some emails received, it's disconcerting an email sender knows your name. For other emails, it's a reminder that a company is familiar with you and is providing a personalized recommendation. But, all these emails have the common equalizer -- the subject line. Marketers stress over what should go in that small space, which fits only so many characters. The question is: does personalizing the subject line by using a person's name have an effect on a recipient? Should real estate agents personalize their broadcast emails toward clients by personalizing the subject line by using a person's name?

Real Estate Perspective

Agent's methods of communication have changed with advances in technology. Agents send out emails and newsletters, while also keeping some offline business practices such as sending "snail mail", which is still considered a successful way of communicating with clients. Camille Johnson of Coldwell Bankers Jim Stewart, Realtors says "snail mail helps drive a personal connection between herself and her clients by blanketing an area." Evelyn Love of Kelly Realtors practices this same principle, sending emails out with her name, picture, and contact information. In addition to the use of paper mail, both reached clients through an emailed newsletter. Agents often use multiple mediums, forming a hybrid of many methods in order to reach their potential clients.Their goal: find a specific combination of what works best. In these real estate practices just mentioned, the use of personalization of names is less common. Personalization is viewed as being potentially beneficial, but is also viewed as being time-consuming and not proven yet as entirely effective by some realtors. The technology is available and agents believe that personalization can be beneficial, but it is often not included in the combination of tools to reach clients.

What do Researchers Say?

Real estate agents using personalization find it potentially beneficial, and researchers would agree. Researchers found that sending out personalized mail versus sending out non-personalized did not increase the rate at which the participants clicked through an email, but they did find that when further emails of the same type were sent that participants clicked on more personalized emails than non-personalized (Postma & Brokke 2002). Another study looked at the response on surveys sent via email, with some having a name in the greeting and some not. The approaches thatincluded the recipient's name experienced higher responses (Heerwegh, Vanhove, Matthijs, & Loosveldt 2005). Another study that incorporated personalization into emails found that personalization was negatively construed by most participants, with the thought that the information was obtained through improper methods (Sunil, Telang, Mukhopadhyay, & Boatwright 2012). These three studies, conducted over a period of ten years, shows a general trend from acceptance, to general appreciation, to negative reactions toward the usage of email personalization.

Further Research Findings

Other research clarifies that the context surrounding personalization impacts responses to this tool. Thirumalai, Sriram, and Sinha (2013) stress that the efficacy of personalization is dependent not only upon the industry but also on the establishment and context in which the business uses it. Different levels of personalized marketing emails can be chosen; research suggests that it may be more effective to use lower levels of personalization, as long as the recipient felt validated in being contacted (White, Zahay, Thorbjørnsen, Shavitt 2008). Researchers looked even at specific populations. Baek & Morimoto (2012) found that the use of personalized information was viewed less as an intrusion on privacy by younger versus older recipients. Thus, the effectiveness of personalization is dependent upon many different factors and the circumstances around which you use it.

Recommendations

With this body of research in mind, we recommend that you consider the potential effectiveness of personalization for your particular clients. A more personalized message, such as including a potential client's name in the subject line, might be effective for a younger population with whom you have already established connection. For other potential clients, using general personalization within the body of a message or email may be more effective. A proper analysis of your potential clients could determine that the use of personalization should be avoided because it a carries negative connotation or that a particular client base won't respond to this tool. A strong knowledge of your local area and who you are trying to reach ought to help improve your chances of implementing a successful utilization of personalized marketing messages. It would be best to use personalization after having made some level of contact. You could use clients' names in many different mediums such as direct mail, social media, and emails. Many companies such as MailerMailer and MailChimp can help you in personalizing your emails with client names. Used under the correct scenarios, the personal touch might be what gets you that new listing.

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The Power of Storytelling

David A. Gilliam, PhD and Alex R. Zablah, PhD

Salespeople constantly seek ways to communicate persuasively. Storytelling is a type of communication that you and I use every day. It is so common you may not even think about it when telling or hearing a story. Stories are such an important part of the fabric of human communications that failing to use them effectively in sales can be a serious handicap. That's because stories are not only an enjoyable form of communication but they are also highly credible.

In this research we examined how storytelling can affect sales encounters. After discussions with buyers and sellers we developed a framework of storytelling made up of six different types of stories. We hypothesized that these story types would have different effects on attitudes toward salespeople and attitudes toward products and that this would in turn affect purchase intentions. We then conducted experiments to test these hypotheses. In this article we first discuss what it is about stories that make them so unique as a form of communication. We then outline the framework of storytelling and discuss how the results of our experiments may impact the sales context for real estate.

What are Stories?

We first must agree on a definition for story. While some people may define this concept differently, it is important to have a concrete definition for research purposes. We used the definition: a story *is a discourse dealing with interrelated actions and consequences in chronological order* (Bruner 1986). It is linear ordering which gives stories much of their power as we infer causality. We found that unlike most management stories, sales stories are typically short and customized for the occasion. A sales story could be as simple as, "A few years ago our electronics were susceptible to damage by shock, but we teamed up with a manufacturer of military electronics to create our latest model. Now we have the toughest electronics in the business." You can easily follow the beginning-middle-end causality of this brief story and see how it lends credibility to the claim by telling exactly why the end result occurred.

Psychologists attribute great significance to stories. Development of ideas about who we are, who others are, how the environment around us works, and our role in that environment are often learned and retained in the form of stories or narratives. This is in part due to the critical role stories play in memory with some psychologists going so far as to say that memories are stories (Schank 1990). Think of a young child you know and consider whether this individual can understand and tell a story. From the time most humans are three years old they use story grammar to understand and learn vicariously from others about the world around them. Humans use the gist distilled from these stories to form frameworks of how the world around them works.

Stories also gain credibility from the mental processes we use to understand them. Arguments or lists of facts are processed logically so that one questionable fact casts doubt on the entire conclusion. Stories, on the other hand, are narratively processed (Gerrig 1993, 1994). Our minds distill the most important facts from the story, discard incongruent aspects, and form the most plausible gist for use in retention. Stories thus allow us to interpret and cope with the messy and confusing world around us in a way that arguments cannot (Adaval and Wyer 1998).

How Might Stories Differ?

Our research required a classification framework for the different types of stories used in sales. In interviews and observations of buyers and sellers several important aspects of stories came to the fore. Salespeople were observed to use three main topic areas: stories about the entity, i.e. the salesperson or the firm; stories about the product or service; and digressions, i.e. stories about non-sales topics. These topics became one aspect of the framework

It was also noted during the research that while salespeople believed the personal part of the relationship was critically important, buyers often felt that the business part of the relationship was central to the exchange. From the humanities we know that besides topic, point of view is an important aspect of storytelling. Thus, the other part of the storytelling framework was based on whether the story was told from a personal or business point of view. This table shows the framework where each cell represents one of six story types:

Storytelling Framework Organized by Topic and Point-of-View

	Entity	**Product**	**Digression**
Personal	Disclosure about self	Product success 1st person	Human interest 1st person
Business	Disclosure about firm	Product success 3rd person	Human interest 3rd person

What Did We Test?

We used this framework to develop hypotheses about the effects these story types might have on attitudes and purchase intentions. One example of such a hypothesis is:

> *Personal stories that make a disclosure about the salesperson will have a greater positive effect on the consumer's attitude-toward- the-salesperson than business stories that make a disclosure about the firm.*

We also hypothesized that the degree of desire for a relationship with the salesperson would moderate these effects, i.e. a high-relationship orientation on the part of the customer would cause a preference for personal stories while low-relationship orientation would prompt a person to value business stories. Finally, we hypothesized that improved attitude-toward-the-salesperson and attitude-toward-the-product would increase customers' purchase intentions.

How Did We Test Our Hypotheses?

There were 427 upperclassmen students who participated in the experiment, which took place at a major university in the south-central United States. Short videos of a sales pitch for a cell phone were made using an actor and film studio. The videos were identical except the story embedded in each pitch reflected one of the six story types. The videos were used as the manipulation in carefully controlled experiments. Students were randomly assigned to view one of the six videos. Then they answered questions about their attitude-toward-the-salesperson, attitude-toward-the-cell-phone, and their purchase intentions. A variety of statistical procedures were used to analyze the students' answers (e.g., multiple analysis of covariance (MANCOVA), analysis of variance (ANOVA), regression analysis, and confirmatory factor analysis).

What Did We Learn?

Though the personal versus business stories differed only in the use of first-person versus third-person pronouns, sensitive analytical techniques revealed that personal stories did have a greater effect on attitude-toward-the-salesperson than they did on attitude-toward-the-product. Conversely, business stories had a greater effect on attitude-toward-the-product than on attitude-toward-the-salesperson. The relationship-orientation of the customer did not seem to impact (or moderate) these effects.

A further study was undertaken to analyze the effect of story topic. Remember that the three topics were entity, product, or digressions. The results indicated that stories about the entity had a greater effect on attitude-toward-the-salesperson than attitude-toward-the-product. Conversely, stories on the product topic had a greater impact on attitude-toward-the-product than attitude-toward-the-salesperson. In general, digression stories had the least impact on attitudes. So, for these one-time sales pitches for a high involvement consumer good, product stories were the most effective followed by entity stories with digression stories proving least useful.

As far as attitudes' effect on purchase intentions, in these one-shot sales encounters attitude-toward-the-product was a more important determinant than attitude-toward-the-salesperson. Clearly, stories on the product topic were preferable. It is important to note that since stories from a business point of view affect attitude-toward-the-product more strongly, they are also to be preferred in this setting.

Conclusion

Humans find plausible stories very persuasive and credible largely due to their revelation of causality and narrative-based processing. Our proposed framework for storytelling outlines a simple way to classify sales stories. After testing the effects of the different story types in a sales setting, we consider how the findings may be useful in a real estate sales setting.

Stories will have an effect on your clients' attitudes which will in turn have an effect on their purchase process and outcomes. While our experiments represent a single sales encounter and multi-encounter sales settings may be somewhat different, it is quite reasonable to expect these fundamental findings to hold true through the sales process.

Stories about the *real estate being considered* and stories about *real estate in general* have a greater impact on attitude-toward-real-estate and on purchase intentions in the process. Keep in mind that all story types impacted all attitudes and purchase intentions, but the effects were greater on particular attitudes. Sales efforts like real estate that require multiple encounters might exhibit an increased importance of attitude-toward-the-agent or salesperson. Even if other types of stories surpassed real estate stories, the findings indicate strongly that these types of stories would continue to be very useful.

Stories about you and your agency appear to impact attitudes toward you (as the salesperson). This effect might be relatively more powerful in multi-encounter sales situations.

Finally, *digressions* (or unrelated stories) did impact attitudes and intentions but in this one-shot encounter they were significantly less effective than other types of stories. How this might change in a multi-encounter setting remains an open question but it seems likely that they can be part of an effective storytelling toolkit. We have summarized these results in this table:

Storytelling Results for a High-Involvement Consumer Good Based on a One-Time Sales Encounter			
	Entity	**Product**	**Digression**
Personal	Disclosure about self-Second most effective in this situation in affecting attitude-toward-the-salesperson	Product success 1st person-Most effective in this situation in affecting attitude-toward-the-salesperson	Human interest 1st person-Least effective in this situation though still effective
Business	Disclosure about firm-Second most effective in this situation in affecting attitude-toward-the-product	Product success 3rd person-Most effective in this situation in affecting attitude-toward-the-product and purchase intentions	Human interest 3rd person-Least effective in this situation though still effective

In characterizing the *overall findings* we may say that product topic and business point-of-view stories proved to be effective sales tools and should be a commonly used part of any salesperson's repertoire. Entity topic and personal point-of-view stories should also prove effective, and this may be even more true in multi-encounter sales. Until more is known it may be best to rely less on stories that are digressions from the transaction at hand, though there is no reason to avoid them entirely in multi-encounter sales efforts.

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Emotional Ability and Nonverbal Communication

Blair Kidwell, PhD, and Jonathan Hasford, PhD

As cognitive beings, we possess a unique ability to recognize and understand non-verbal communication. We have the ability to study and analyze the non-verbal signals of our friends, family and clients, and then use that information to communicate more effectively with each other. The research highlighted in this article involves a study on *emotional ability* and its connection with nonverbal communication. This research also looks into the influence that emotional ability has on marketing communications and the strengths and weaknesses in reading nonverbal messages. To begin, the four branches of emotional ability are described to provide a foundation for our reader.

Emotional Ability and Nonverbal Information

Emotional ability refers to the ability of an individual to *use emotional information to achieve desired outcomes.* There are four segments of emotional ability: perceiving, facilitating, understanding, and managing emotions. These four dimensions work together to create a full range of emotional skills.

Perceiving Emotion. Perceiving emotion refers to *the ability to accurately identify and distinguish emotions that are present in a situation.* This ability allows us to read and recognize the nonverbal signals of others. For example, this skill can help salespeople or other service employees in identifying customer needs. Recent studies have shown that elements such as gender, length of relationships and age can impact the ability to recognize emotions in a situation. This skill may be especially important for real estate agents. Practicing this skill will allow you to more effectively gauge the emotions of the buyer or buyers, and then be able to adapt selling techniques in order to more efficiently meet the exact needs of the buyer.

Facilitating Emotion. Facilitating emotional ability is defined as *the ability to appraise emotional information as an input to decision making.* The competence to know which emotions are helpful in a given situation is extremely vital. For example, in sales situations customers often experience a spectrum of emotions. If the sellers take this information into account, they can then respond appropriately. This concept can work both ways, however. Buyers can respond to sellers who exhibit emotions that do not pair well with the feelings of customers to convey to them how they should alter their emotional communications.

Additionally, studies show that positive and negative emotions can cause a completely different range of thoughts. Positive emotions typically summon creative and visual thoughts. Alternatively, negative thoughts conjure concrete thoughts and cognitive information processing. Most importantly, individual variances in aiding emotional ability were linked with frequency of alcohol consumption, abnormal behavior, and adverse social relations. The key takeaway from these findings is that consumers are better able to have a firm grasp on situations if they *base their thoughts on available emotions.* However, *when they misunderstand their feelings, they may make poor choices.*

Understanding Emotion. Understanding emotion is arguably the most important skill that salespeople must have mastered to be successful in the workplace. This is because this facet allows sales and service employees to understand how emotions will impact interactions with customers. An important aspect of understanding emotions is that there are short- and long-term implications and emotional consequences. For example, short-term pleasurable feelings often are countered by negative long-term emotions.

The concept of *affective misforecasting* is relevant here in that it refers to how consumers often erroneously "understand that nonverbally evoked emotions will evolve, and they fail to project their emotional states into the future" (Patrick, MacInnis, & Park, 2007). This practice can have profound implications on the translating of and responses to nonverbal stimuli. Not only can emotions change over time, but projecting their long-term changes is a difficult task that can lead to unexpected consequences.

Managing Emotion. Managing emotion involves regulating internal emotions as well as external emotions to work towards achieving certain goals. By mastering the skill of regulating emotions and utilizing self control, rash reactions and rushed decision-making can be avoided. Additionally, consumers must learn not to dwell on negative emotions in order to avoid making poor decisions in the future.

Real estate agents are often met with negative emotions from consumers with regards to properties, asking prices, or the options that they are being given. Thus, it becomes critical for real estate agents to effectively manage emotions. Real estate agents who are perceived as never being thrown off by negative signals given by their customers, and are always reciprocating with positive emotions or other alternatives are highly skilled at managing emotions.

Communicating Nonverbal Information

There are four areas in which emotional ability can impact nonverbal communication in marketing exchanges: consumer characteristics, salesperson characteristics, the convergence of buyer/seller emotional abilities, and environmental characteristics.

Consumer Characteristics. People who see themselves as being on the same social level as others tend to have favorable feelings towards each other. Additionally, nonverbal aspects of individuals such as attitudes, memberships in certain social groups, or physical appearance can also affect a communicator's effect on others. Even physical characteristics communicate nonverbal information. For example, research shows that consumers are drawn physically to others based on physical characteristics such as hair length, race, or gender. These subtle cues can significantly increase the chance of interaction.

While nonverbal communication is very telling, there is also a correlation with verbal, facial, and postural behavior. Consumers often mimic the verbal, facial, and postural behavior that they come into contact with, therefore stimulating similar emotions within the interacting consumers.

The key distinction in nonverbal communication between consumers is that individuals low in emotional ability tend to rely more on emotional cues and interpret nonverbal emotional information very basically. However, people high in emotional ability consider meanings of emotions more thoughtfully when making decisions. Instead of responding automatically to nonverbal communication, they will instead consider their response before communicating. *Differences in emotional ability moderate the meaning of nonverbal communication that individuals derive from nonverbal information*.

Salesperson Characteristics and Tactics. A salesperson with high emotional ability is significantly more likely to influence a customer. However, customers with high emotional ability are less susceptible to influence from others. This is the pivotal reason why developing advanced emotional abilities is so important for salespeople. There are six different influence tactics that can be utilized by salespeople: information exchange, recommendations, requests, threats, promises, and legalistic pleas. In addition to these six tactics, inspirational appeals and ingratiation focus on the verbal and nonverbal components of sales exchanges.

The tactics of inspirational appeals and ingratiation deserve some expansion. An inspirational appeal is a *request or proposal that arouses enthusiasm by appealing to a target's values, ideas, and aspirations*. Inspirational appeals also involuntarily appeal to emotions. Salespeople use ingratiation to get customers to like them through flattery and nonverbal impression management.

These tactics can only be helpful if the customer does not perceive them as being manipulative. Thus, the emotional abilities of both parties (salesperson and consumer) should be considered. This relationship is defined as *emotional convergence.*

Convergence of Emotional Abilities. Matching salespeople to customers based on levels of emotional ability is vital to the success of the sale. Salespeople and customers with similar levels of emotional ability experience the same level of emotional experience and are therefore more likely to communicate more sincerely. By having similar emotional ability levels with a customer as a salesperson, the customer feels more comfortable and understood, and consequently, the customer is likely to feel that value was maximized in the exchange.

		Consumer Emotional Ability	
		High Emotional Ability	Low Emotional Ability
Salesperson Emotional Ability	High Emotional Ability	*High Convergence* Communication will generate positive emotions and create intimate interactions between parties while reducing possible feelings of conflict and suspicion.	*Divergence* Customers will feel that the salesperson cannot effectively fulfill their needs, making it difficult to form a long-term relationship.
	Low Emotional Ability	*Divergence* Consumers will be guarded against persuasive attempts and will likely become frustrated that the salesperson cannot effectively recognize, understand, and fulfill their needs.	*Low Convergence* Outcomes similar to emotional divergence as customers and salespersons are likely to feel confusion, distrust, and frustration because they cannot understand each other's emotions.

Expected relationships of emotional convergence/divergence between customers and salespeople.

A high-ability convergence is a situation in which two individuals just seem to "click." A customer and a salesperson who are aligned with similarly high emotional abilities have a unique ability communicate on the same emotional wavelength. Sometimes it can take time for two individuals to get to know one another and learn to trust each other. However, when high emotional abilities converge, this process can seem to occur in a matter of seconds. As conversation or communication continues, more connections are found and the bond between the two individuals strengthens. This connectedness between the two individuals with equally high emotional ability also reduces potential conflict. If a customer and a salesperson already feel emotionally connected, they are more likely to resolve any conflicts with civil compromises. Additionally, individuals feel free to openly offer disagreement, because they feel confident that their emotional-ability partner will offer support.

Emotional divergence refers to when two individuals' emotional abilities do not correlate with each other. For example, a customer may have low emotional ability and a salesperson has high emotional ability, or vice versa. In either case, either the customer will feel that his or her needs are not being met, or he or she will feel the need to be guarded against the persuasive attempts by the salesperson. This disassociation will often increase the chance of conflict or disagreement.

Low convergence, or the interaction of individuals with low emotional abilities, can also occur. In this case, customers and salespeople will have similar experiences to divergent pairs. Confusion and frustration are often the results of the pairing of individuals with low emotional ability due to the fact that neither individual has the capability to understand the other's emotions.

Convergence is critical for real estate agents to grasp. Significant time and effort should be put towards developing a high emotional ability so that they may be able to understand the emotions and nonverbal cues of their customers. Additionally, they must be able to understand and respond to customers with low emotional ability who may perceive the salesperson as aggressive. If real estate agents are aware of this potential situation, they may be able to read situations more clearly, and identify emotional abilities earlier in the interaction to avoid any type of conflict.

Environmental Characteristics. Consumers are influenced by marketing efforts every day. Retail environments are one example of a setting that provides a wealth of nonverbal emotional information that influences the decisions of the customers.

Atmospherics in the retail environment include music, colors, scents, and product displays. Each one of these environmental aspects communicates nonverbal, emotional information to the consumer, which can directly impact decision-making. If the consumer has a favorable reaction to these nonverbal cues, favorable attitudes could result. The study of atmospherics can apply to the real estate industry in how real estate agents prepare homes or properties to be shown. The house is cleaned and is often "staged" in order to send a certain message to the potential buyer. Using staging to send nonverbal emotional cues becomes an important part of listing agents' strategy in selling a home.

Related to the real estate industry, customers must be aware that many times "consumers' eyes are bigger than their stomachs," or in this case, wallets. Often times when customers are touring homes, they become attached to things that are not necessarily for sale (e.g., home furnishings or decorations). Homebuyers need to be aware of this tendency and look past the "frills" to what is really up for sale. Additionally, consumers may be drawn to make quick decisions regarding purchasing a home without fully analyzing their financial situation. Although buying a home can be an exciting time, it is important for consumers to go through the necessary steps with care to ensure financial stability.

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Selling Effectiveness: The Role of Interpersonal Mentalizing

Subhra Chakrabarty, DBA, Robert E. Widing II, PhD and Gene Brown, PhD

The effectiveness of salespeople depends on how they interact with customers. Sales organizations recruit and train salespeople so that they can identify and satisfy customer needs in the long-run. Highly customer-oriented salespeople put the customers' interests first and avoid behaviors that might dissatisfy customers (Saxe and Weitz 1982). Highly adaptive salespeople take advantage of the unique nature of personal selling by tailoring their sales presentations to the unique nature of each selling situation (Spiro and Weitz 1990). In general, customer-oriented selling and adaptive selling improves sales performance.

While customer orientation and adaptive selling can be learned, salespeople may have some natural abilities that may enhance the effectiveness of their learned behaviors. For example, salespeople may naturally place themselves in customers' minds to see and feel the buying situation from the customers' perspective. This ability to attribute mental states of customers and understand their beliefs, desires, and knowledge is known as interpersonal mentalizing (Dietvorst et al. 2009). To be productive, salespeople need to form accurate impressions of their customers. Salespeople with strong interpersonal mentalizing skills are good at rapport building, detecting nonverbal cues, taking a bird's-eye view, and shaping the interaction by creating a positive ambience.

In our 2014 research published in the *Journal of Personal Selling and Sales Management*, we examined the manner in which abilities, such as interpersonal mentalizing interact with learned selling behaviors, such as customer-oriented selling and adaptive selling to shape sales performance. This is an important consideration for real estate professionals since they can build rapport with customers to read customers' nonverbal cues, which might be useful in positively moving the client toward a final decision. Thus, the question is: *How does interpersonal mentalizing interact with learned selling behaviors to affect sales performance?*

Our Study

A random sample of independent insurance agents was selected from a database of the National Alliance for Insurance Education and Research in the US. Email surveys were sent out in several waves and a total of 324 responses were received. The average size of agencies ranged from three to four million dollars in annual revenues. The majority (60.8%) of respondents were college graduates and 66% were male. On average, respondents were 48 years old and had 19.4

years of insurance selling experience. The respondents rated their interpersonal mentalizing abilities (rapport building, detecting nonverbal cues, taking a bird's-eye view, and shaping the interaction by creating a positive ambience), customer orientation, adaptive selling, and sales performance.

The results indicated that customer-oriented selling and adaptive selling helped salespeople build rapport with customers and improved sales performance. These selling behaviors also improved sales performance indirectly by helping salespeople shape the customer-salesperson interaction by creating a positive ambience. Rapport building with customers improved sales performance only when salespeople were able to detect customers' nonverbal cues. Finally, as salespeople's interpersonal mentalizing ability of taking a bird's-eye view increased, the positive relationship between customer-oriented selling and sales performance became stronger. Therefore, salespeople's interpersonal mentalizing abilities strengthened the relationship between selling behaviors and sales outcomes.

What This Means for Real Estate Professionals

These findings have important implications for real estate professionals. While selling real estate, agents should be customer-oriented by identifying home buyers' needs, collaboratively handling buyers' objections, considering buyers' interests first, and using informative closing techniques (Homburg, Müller, and Klarmann 2011). Real estate professionals should also adapt to the selling situation by being flexible in their sales approach to different home buyers. To enhance the effectiveness of customer-oriented selling and adaptive selling, these guidelines can be followed:

- Visualize the mental states of customers in an effort to understand their beliefs, desires, and knowledge.
- Create a positive environment by making the home buyer comfortable during the sales conversation, and connect your visualization to the conversation.
- Take the home buyers' perspective by summarizing the sales conversation according to his/her words and ideas.
- Read home buyers' body language even when engaging in small talk.

Conclusion

Real estate professionals can use their interpersonal mentalizing abilities to make inferences about what home buyers may be thinking or feeling and predict their actions accordingly. Specifically, taking a broad perspective of the selling situation and using customer-oriented selling and adaptive selling to create a positive sales atmosphere should result in more sales. Real estate professionals who learn to read the body language of home buyers are more successful with rapport-building sales conversations.

Sales training programs for real estate professionals should emphasize interpersonal mentalizing skills through role-playing and/or observational learning. In addition, since interpersonal mentalizing skills develop at an early age and facilitate social interaction throughout an individual's adult life, the SToM (Dietvorst et al. 2009) scale may be useful to identify real estate sales agents who naturally possess interpersonal mentalizing capabilities.

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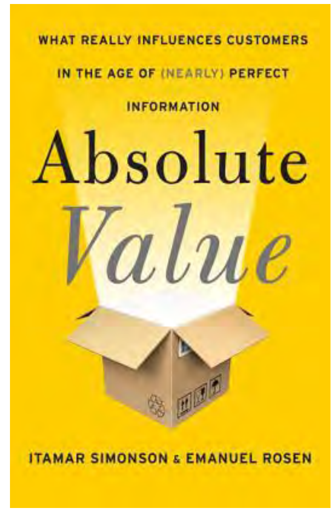
Consumer Decision-Making In The Age of Perfect Information: Absolute Value

Margie McGregor, MBA Candidate



According to the Borrell Associates report, *2013 Real Estate Outlook*, real estate advertising was projected to grow by 9.7% to $27.2B, while the online advertising category was projected to grow by 16.9% to reach $15B in spend. These estimates make the real estate industry number one in the online advertising marketplace. Traditional marketing techniques, such as advertising, are becoming less and less effective over time. As a result, the real estate industry could potentially billions of dollars on promotions that may not be effective.

Why is it so important that the real estate industry re-evaluate their marketing spending? The rising business model that promises greater reliability is the Internet. So the next question becomes, how can real estate agencies compete with the Internet, the source of perfect information? In the *age of perfect information,* consumers have the ability to learn everything there is to know about a product and the potential experience they would have with it before they make a decision. The ability to predict a likely future (or lack thereof) with a product or service before the purchase is referred to as the *absolute value*.

In *Absolute Value* by Itamar Simonson and Emanuel Rosen reveal what influences customers' decisions today, and marketing is not necessarily the answer. Consumers are much more likely to turn to sources they feel like they know and can trust, such as their peers. Our decisions as consumers are no longer limited to what happens to be in front of us. We have immediate access to a wealth of information from sources that we perceive as being more reliable than what marketers push towards us.

If marketers are no longer the answer, then what is? Simonson and Rosen have developed a new *influence mix* of three different sources to whom consumers turn to when making purchase decisions: the individual's prior preferences, beliefs, and experiences, other people and information services, and marketers.

THINK POINT #1: What? The Movement from Relative to Absolute

The influence of "relative forces" such as traditional branding, loyalty, and positioning that used to drive customer experience predictions is rapidly diminishing. The amount of information easily accessible to consumers is infinite. The shift from relative-to-absolute-value-driven decision-making is largely due to technology and our ability to sort through this information.

In the past, the goal of marketers was to sway consumers to make "irrational" decisions. However, this "emotional" way of making consumer decisions is on the decline with access to perfect information. According to Simonson and Rosen, an irrational decision is one that is inconsistent with the economic concept of value maximization. In short, better or more rational decisions are being made based on the information available to customers.

Zillow, an online real estate research tool, is a good example of how rational decision-making is on the rise. Potential home buyers can log on to Zillow and research the value of homes in neighborhoods that they are interested in, and compare these values to advertised prices. As the process of achieving absolute value becomes more obtainable to consumers, real estate agents need to consider the value-creation role they might play in the home-buying process. More first-time homebuyers are turning to the Internet to educate themselves on how to buy a home. How can real estate agents increase their value and offer something that the Internet cannot provide to home-buyers?

THINK POINT #2: So What? How Marketing Changes Forever

The brand of a company, and molding this brand to be a direct reflection of the firm's mission is the main concern of marketers. However, brand names are playing a reduced role as a cue for quality. According to Simonson and Rosen, no brand's claim to fame is safe, and in today's age of absolute value, the impact of brand equity will diminish.

It used to be the case that strong brands with solid customer loyalty could introduce new products or services with confidence, and would always have consistent positive performances. However, brands no longer have this luxury. In addition, price can no longer be an indicator of value. "If it's expensive, it's probably good" is not a truism that can be relied on any longer. Finally, brand loyalty is also on the decline. Consumers are moving away from "sticking to what they know" and instead researching each purchase in search of something that may provide a better experience. It is also important to note that this decline in brand loyalty is most prominent in larger purchases such as computers, cars, or cameras.

These changes in marketing open doors for others. The decline in brands as quality representations means lower barriers to entry for newcomers to the market. While brand equity has not completely become irrelevant, its reduced role in the customer decision-making process makes it easier for lesser known brands to be more widely considered.

Real estate agencies can no longer depend on their reputation to gain and deliver business. In order to keep pace with this change in marketing, real estate agents need to be intentional in reaching out to customers and communicating to them the value that they can provide. In order to do this, agents will want to emphasize networking strategies over marketing strategies. Consumers will often turn to their peers when doing research prior to making purchase decisions (or buying a home) and if a real estate agent has worked to make connections with a home-buyer's peers, s/he is more likely to reach those consumers.

THINK POINT #3: Now What? A New Framework

A customer's decision to buy is now based on a mix of three related sources: prior preferences, beliefs, and experiences, other people and information services, and marketers. Simonson and Rosen assert that this new framework drives the consumer decision-making process.

Prior Preferences, Beliefs, and Experiences (P)

The *prior preferences, beliefs and experiences* aspect of this framework refers to all information that has been learned from previous experiences, attitudes, or feelings. Simonson and Rosen refer to this source as "vague and unstable," in that outside stimuli are less effective than in the past, and yet they can still influence our preferences.

Others: Often Trusted and Diverse (O)

The *others* source of influence in the decision-making process is often regarded as the most influential and the most useful. *Others* includes all other sources of information not included in the other two sources (P (Prior) or M (Marketers)). *Others* includes peer reviews, opinions of experts, or websites that provide information. However, an important aspect about *others* that should be considered is that there is potential for biased information. Each review written has an element of bias: however, consumers often see reviews to be the most useful in making decisions.

Marketers (M)

While *marketers* may be the first group that comes to mind when consumers think of purchase decision influences, *marketers* are often regarded as the least trustful group. *Marketers* are less trusted because they have a vested interest in making a product or service appear a certain way, and their primary goal is to sell, not to give consumers perfect information about their product or service.

What exactly does this new framework mean? This framework can actually help business people in the long run by analyzing weights that can be applied to each aspect of the marketing mix, and then make decisions as to where to invest marketing dollars. For example, if the market that you are operating in is very *others-dependent*, you will find customers where the purchase decision is more influenced by others, such as a social media sites.

The decision of buying a home is one that is of high importance, involving high risk, high quality information and lots of choices. What this means for real estate professionals is that while there is a wealth of information available about the home-buying process for consumers to access, real estate agencies can help with this process by offering a service of filtering through that information and providing a peace of mind for this important, potentially high-risk decision. While home-buyers may be bombarded by information and advice from their peers when they enter the market, real estate companies and agents can provide value by offering to buyers what their peers and online experts cannot: a piece of mind and hand to hold throughout the process.

Many of the claims made in *Absolute Value* may seem extreme; however, remember that revolutions such as this one described in this book never happen overnight. The shift away from traditional marketing techniques is one that will happen slowly as the availability of perfect information increases.

Secondly, remember that this shift will not occur consistently across the board—the influence mix for some products may remain the same while it changes for others. Consumers have better information allowing them to make more educated decisions. Essentially, marketing is becoming less about what companies say, and more about what they do.

Real estate companies need to shift their focus away from advertising, and instead think less about what they are saying, and what they can do to attract customers. It is essential that real estate agencies form a competitive advantage outside of the traditional marketing spectrum in order to stay ahead of the absolute value trend. The age of information is quickly progressing, and with potential customers having access to almost all the information they need in a home-buying process, real estate agencies must be constantly re-evaluating their competitive advantage. Whether it be making more of an effort to create a network of customers or expand their services offering support that is unique and not easily replicated, the actions of real estate companies speak louder than their words.

Recommended Reading

Rosen, Emanuel, & Itamar Simonson (2014). *Absolute Value: What Really Influences Customers in the Age of (nearly) Perfect Information*. New York: Harper Collins.

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