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Shaping Homeowner Pricing Decisions

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Forgiveness on Your Team: Role of Cohesion and Collective Action

Kyle Irwin, PhD, Jo-Ann Tsang, PhD, Robert Carlisle, PhD, and Megan Johnson Shen, PhD

Are Clients Persuaded by Boastful Agents?

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Getting into the Business of Your Buyer's Success

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Is the Customer Really King?

Christopher R. Plouffe, PhD, Willy Bolander, PhD, Joseph A. Cote, PhD, and Bryan Hochstein, PhD

INSIDER: Sales Growth

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Keller Center Research Report

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Table of Contents

Shaping Homeowner Pricing Decisions	1
<i>Katherine E. Loveland, PhD, Naomi Mandel, PhD, and Utpal M. Dholakia, PhD</i>	
Forgiveness on Your Team: Role of Cohesion and Collective Action	7
<i>Kyle Irwin, PhD, Jo-Ann Tsang, PhD, Robert Carlisle, PhD, and Megan Johnson Shen, PhD</i>	
Are Clients Persuaded by Boastful Agents?	11
<i>Grant Packard, PhD, Andrew D. Gershoff, PhD, and David B. Wooten, PhD</i>	
Getting into the Business of Your Buyer’s Success	16
<i>Charles Fifield, MBA</i>	
Is the Customer Really King?	21
<i>Christopher R. Plouffe, PhD, Willy Bolander, PhD, Joseph A. Cote, PhD, and Bryan Hochstein, PhD</i>	
INSIDER: Sales Growth	28
<i>Erick Huntley, MBA</i>	
INSIDER: If the Point of Selling Isn’t Selling, then What’s the Point?	32
<i>Courtney A. Harris, MBA Candidate</i>	

Shaping Homeowner Pricing Decisions

Katherine E. Loveland, PhD, Naomi Mandel, PhD, and Utpal M. Dholakia, PhD

From 1996 to 2006, U.S. housing prices skyrocketed due to a variety of factors, including low mortgage interest rates, aggressive lending policies, and governmental attempts to increase home-ownership levels. From 2006 to 2011, the housing crash put downward pressure on house values throughout the country, affecting millions of households. However, despite the crash, many homeowners continued to ask unreasonably high prices for their homes. As a result, a 12-month supply of homes remained for sale, a level twice that of a healthy market. A reluctance to lower asking prices, also known as downward price stickiness, created an excess supply (upwards of 6.2 million homes) and prolonged the housing crisis.

Though this phenomenon of sticky asking prices is well-documented, the psychology underlying such pricing decisions is still unclear. Accordingly, our research examined the factors that lead homeowners to make decisions such as overpricing their homes and resisting downward price changes. Two factors we focused on were: (1) whether the seller has experienced a gain or loss (either financial or emotional) and (2) the duration of home ownership. We hypothesized that these two factors interact to determine sellers' asking prices and the stickiness of these prices.



Our results showed that in the case of long ownership duration (more than 82 months, or 6.8 years), sellers in the domain of financial gains generally demand a higher price premium for their house but are more willing to make price concessions, compared to those in the domain of financial losses.

Similarly, results suggested that after a long ownership duration, sellers in the emotional gains domain ask for significantly higher prices than those in the emotional losses domain but are less likely to make price concessions than those in the emotional losses domain.

On the other hand, in the case of short ownership duration (less than 82 months, or 6.8 years), sellers in the domain of financial gains ask for less of a price premium than those in the domain of losses. Interestingly, sellers who have owned for a short period and are in the domain of financial gains, while asking for less of an initial price premium, seem to be particularly reluctant to make price concessions. Those facing short term emotional gains ask for less of an initial premium and are more willing to make price concessions than those facing short term emotional losses.

Our Study

The present study aimed to contribute to existing consumer decision-making research by examining how duration of ownership interacts with financial and emotional gains or losses accumulated during the period of ownership (financial and emotional reference points) to influence home sellers' initial asking prices and the stickiness of those prices.

Stickiness is defined as price rigidity, so a high level of price stickiness indicates that the selling price fails to adjust quickly to changing market conditions while a low level of price stickiness means the selling price does adjust quickly. In our research, we measured price stickiness with respect to how quickly sellers drop their initial asking prices and the amount by which they do so. Additionally, we defined *emotional gains or losses* as the store of positive or negative emotional memories accumulated by the homeowner during the period of home ownership. Therefore, those sellers who have enjoyed predominantly positive experiences in their homes and, as a result, have developed an emotional attachment to their homes, are characterized as being in the *domain of emotional gains*. The gain is from the significant emotional utility stemming from owning the home. Conversely, sellers who have suffered mostly negative experiences in their homes and have become emotionally detached from the home are said to be in the *domain of emotional losses* because ownership of the home has created emotional disutility.

The investigation was divided into two smaller studies. The first was a field study involving the analysis of real pricing decisions of US homeowners in the market to sell their homes. The second was a controlled experiment in the laboratory in which participants were asked to play home sellers in a housing market simulation.

For study one, using the ZipRealty website, we obtained a random sample of 637 metropolitan and suburban homes. For each listing, we gathered twelve variables including: (1) when the house was purchased by the current seller and its purchase price; (2) date the house was listed for sale; (3) value of the house (4) the average prices of comparable houses sold in the same market; (5) the seller's initial asking price and the date when it was listed for sale; (6) changes in asking price made by the seller; (7) current asking price and date when it was changed.

Using actual real-estate listings, however, presents one key limitation in that there is no explicit variable representing the seller's emotional reference point. To address this, we manually examined pictures of each home posted by the seller on zillow.com. If one or more pictures of the listing had personal photographs of residents clearly visible in them, we characterized the house as having an "emotional gain." In cases where there were no visible personal photographs, we denoted the house as being in the domain of "emotional loss." We reasoned that individuals who display personal photographs in their homes, despite advice to the contrary from real-estate agents and stagers, feel more attached to their homes.

For study two, we conducted an experiment involving 98 participants who received hypothetical information about a home which they imagined trying to sell. Details of the house specified that the participant had either owned the house for 1 year (short duration) or 8 years (long duration), was either positively (domain of emotional gains) or negatively (domain of emotional losses) attached to the house, and had paid either \$175,000 (gains domain) or \$355,000 (losses domain) for the house. Instructions also included recent comparable home sales and asked participants to provide an asking price, after which they would learn if the hypothetical buyer had accepted the asking price. If the buyer did not accept the asking price, the participant would then have a chance to adjust the price or keep it the same for up to four more rounds. The role of the hypothetical buyer was fulfilled by a computer algorithm.

Our Findings

Study One

First, regarding the interactive effects of ownership duration (long and short) and financial reference point (gain and loss) on adjusted price premium, results revealed significant main effects of both duration and financial reference point as well as a significant two-way interaction. Furthermore, in the case of long ownership duration, homeowners in the financial gain condition asked for a significantly higher adjusted price premium. Secondly, examination of the effects of emotional reference point revealed a significant two-way interaction, but neither main effect emerged as significant. When homeowners had owned their house for a short duration, they asked for a significantly lower adjusted price premium in the emotional gain condition compared to the emotional loss condition.

Next, we considered the interactive effects of ownership duration and financial reference point on days until first price change. Results revealed a significant main effect of duration and a marginally significant main effect of financial reference point. The two-way interaction was significant as well. With long ownership duration, those sellers in the domain of financial gains lowered their asking prices more quickly than those in the domain of losses. In regards to the interaction between duration and emotional reference point on days until first price change, results showed a significant two-way interaction as well as the significant main effect of duration. Additional comparisons showed that under a long duration, sellers in the domain of emotional gains were directionally (but not significantly) slower in lowering their prices than those sellers in the domain of emotional losses. In contrast, under a short ownership, sellers in the domain of emotional gains lowered their prices significantly faster than those in the domain of emotional losses.

Study Two

For study two, we looked at the interactions of ownership duration with financial reference point and emotional reference point on initial asking price and total change in asking price. In regards

to initial asking price, none of the main effects were significant, but the two-way interactions of ownership duration-by-financial reference point and ownership duration-by-emotional reference point were significant. After a long ownership duration, participants in the financial gains condition listed their houses at significantly higher prices than those in the financial losses condition. However, for a short duration of ownership, participants assigned to the emotional gain condition asked for slightly lower prices than those in the emotional loss condition, but the difference was not significant.

Total change in asking price was defined as the difference in initial asking price and the lowest asking price. Results of analyzing the effects of the three factors of ownership duration, financial reference point, and emotional reference point on this variable of interest showed that none of the three main effects was significant. However, the two-way interactions of duration and emotional reference point



and duration and financial reference point were significant. For duration and financial reference point, results showed that after a long ownership duration, participants in the financial gains condition and participants in the financial losses condition showed similar stickiness. In contrast, after a short duration of ownership, participants in the financial gains condition displayed stickier asking prices than those in the financial losses condition. In regards to ownership duration and emotional reference point, after a long ownership duration, participants in the domain of emotional gains were significantly more sticky than those in the domain of emotional losses. On the other hand, after a short ownership duration, participants in the domain of emotional gains were directionally but not significantly less sticky than participants in the domain of emotional losses.

Implications for Real Estate Professionals

By examining real pricing decisions of homeowners across four metropolitan US markets, these results provide useful insights into the interactive effects of ownership duration with financial and emotional reference points in both level of prices asked by homeowners (as assessed by adjusted price premium) and their stickiness (as measured by days until first price change and adjusted change in asking price). In the case of financial losses/gains, in addition to likely reflecting a market correction, it is also possible that the length of ownership changes perceptions of the nature of the housing market. Owners who have been in their homes for a long period of time are more likely to take a broader view of the market and thus are more likely to view the market as changeable. In contrast, those who have owned their home for a short period

of time may be likely to take a narrower view of the market and see it as being fixed. Consequently, these owners expect current trends to continue.

In the financial gains domain, although long-time owners initially list their homes at much higher prices when compared to those who have owned their home for a shorter time, it is possible that they are more willing to lower prices to get the house sold and (still) earn a profit, resulting in less price stickiness. When in the domain of financial gains, long-term owners' greater willingness to lower their asking prices can be interpreted as a hedge against possible future unfavorable fluctuations in the market.

In comparison, in the domain of financial losses, having set prices lower to begin with, it is possible that long-time owners are more motivated to avoid further monetary losses and therefore are less willing to lower asking prices than those who have purchased the house more recently. The reason that we see a different and predicted pattern of results for emotional reference points is that the concept of market malleability is not relevant when considering emotional reference points. Financial and emotional reference points interact in different ways with the homeowners' ownership duration in influencing pricing decisions.

The results from our research provide real estate professionals with insights concerning how their customers (homeowners) set prices in the housing market, and which persuasion strategies may be effective for encouraging sales. Two of the three variables we examined, ownership duration and financial reference point, are available to realtors from publicly available data sources such as Zillow.com. The third variable, emotional reference point, can be established from the preliminary interview with the homeowner or inferred by observing the homeowner's possessions. Realtors may then be able to use this information to identify homeowners that may be more likely to ask for higher-than-warranted prices, and prepare to persuade them to price reasonably.

Our research suggests that the two types of sellers who are particularly prone to asking too much initially are long term owners in the domain of gains (financial and emotional) and short term owners in the domain of losses (financial and emotional). Thus, when meeting with these types of sellers, realtors should be particularly prepared for challenges to their pricing suggestions. Furthermore, if the home takes time to sell, realtors should be aware that sellers facing a long term financial loss or a short term financial gain will particularly unwilling to drop their asking price.

Recommended Reading

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Kate Loveland earned a PhD in marketing from Arizona State University, a master's in Public Administration from the University of Tennessee, and a Bachelor of Arts degree from Lewis and Clark College. Before coming to Xavier University in 2014 she taught Marketing at HEC Montreal. Her work focuses on how emotions shape consumption decisions and has been published in various marketing journals.

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Forgiveness on Your Team: Role of Cohesion and Collective Action

Kyle Irwin, PhD, Jo-Ann Tsang, PhD, Robert Carlisle, PhD, and Megan Johnson Shen, PhD

To err is human, to forgive divine is an adage that has stood the test of time. The emphasis on forgiveness is more common than ever in the fast-paced, integrated global business environment. Today, the marketing team must rely on the sales and finance team to obtain essential data. The sales team is constantly under pressure to realize its sales targets while maintaining good customer satisfaction. In such high-pressure and competitive environments, the chance of conflict is very likely.



Irrespective of the originator, forgiving a transgressor plays a monumental role in team or group dynamics. In the past, forgiveness research focused more on individual outcomes (e.g., economic well-being and relationships between people) and focused less on the impact on the group or team. At a team level, forgiveness can impact the cohesiveness of the team or collective action.

A situation of forgiveness arises when one person or a team realizes the importance of team work to winning something, and strives to move past the transgression to maintain group cohesion. But, this process is impacted to a considerable extent by the transgressor's apologetic reactions. While there certainly are differences on the individual level in the ability to forgive, research suggest that on a team level forgiveness impacts cooperation and provides a path to successful collective action.

Our research defines interpersonal forgiveness as changing negative emotions into positive emotions after an offense. Owing to its social nature, forgiveness' impact on team dynamics extends to fostering subsequent cooperation in a social context. In an organization with many teams and different cultures, forgiveness can enhance team cohesiveness and promote attraction between the members, thereby maintaining the unity and the composure of the team.

Relation between Forgiveness and Team Cohesiveness

Our particular study looked at individual reactions to messages of forgiveness toward a team member who acted selfishly during a resource distribution task. We looked at team cohesiveness, as well as cooperative behavior. Team cohesiveness was affected by forgiveness: those individuals who witnessed other team members forgive the transgressor reported more team cohesiveness than those who witnessed unforgiving responses.

Group Cohesiveness and Cooperation

We also examined cooperative behavior. We found that when transgressors did not offer an explanation for their offense, team members were more cooperative when they witnessed a forgiving response to the offense, compared to an unforgiving response. This could possibly be because when the transgressor doesn't apologize, people might perceive this transgression as an act of ignorance and not intentional.

In summary, for a team to stay together and cooperate with each other, it is important to understand the impact of forgiveness on cohesiveness and cooperation after a conflict occurs. The following points highlight this relationship:

1. A team that has members who can forgive the transgressor will experience greater cohesiveness.
2. In a team comprised of forgiving members, the transgressor's response plays a critical role on the team's cooperation. If the transgressor is apologetic or appears to be unable to offer an explanation, cooperation increases or remains high. But, if the transgressor is obstinate or rude in their explanation, this situation can be a recipe for disaster in terms of team cooperation.
3. A team that can invoke forgiveness will yield positive results in terms of cohesiveness and productivity.

Forgiveness does not stop at the individual-level; forgiveness influences team-level outcomes positively. If a transgressor acts selfishly, the impact of that act starts at an individual-level and then proceeds to influence all the members of the team thereby becoming a team-level issue. Once the team identifies these acts, the subsequent outcome would be reduced contributions in regular interactions, reducing team cohesiveness and cooperation.

Implications for the Real Estate Industry

Due to the increased complexity in real estate transactions, greater dependence on team-structured sales processes, and increased emphasis on strict time lines, conflicts among team members are common in the real estate industry. Such conflicts could be between individuals or among teams. When a sales team is working on a project, differences in opinions could lead to an individual becoming a transgressor in the team. For example, consider the time when one

team member does not adhere to management's rules which resulted in actions that caused the entire team to suffer. While such situations are very difficult to handle, our research states that forgiveness depends on the transgressor's reaction. If the transgressor offers an apology for the violation of the rules or if he or she is not rude, team cooperation increases. However, if the transgressor is obstinate, this might increase friction and reduce cooperation among the team. While accepting this team member's rule violation might be difficult, the act of forgiveness by the team members will increase the productivity of the team. Such forgiveness might also change the transgressor's future behavior based on acceptance by his team members. The direct impact will be increased cohesiveness in the subsequent team interactions.

The incidents that demand forgiveness in the real estate industry are common. A team that can forgive may witness faster progress and increased team cohesiveness than the one that does not.



Forgiveness is an important tool in today's work culture. It not only shows its effect on the transgressor but also aids in repairing relationships. Thus, forgiveness has the potential to promote team bonding in addition to individual well-being. Companies aiming to maintain team cohesiveness should focus on forgiveness and its impact on the team rather than just leaving it at an individual level.

Recommended Reading

Irwin, Kyle, Jo-Ann Tsang, Robert Carlisle, and Megan Johnson Shen (2014), "Group-Level Effects of Forgiveness: Group Cohesiveness and Collective Action in Social Dilemmas," *European Journal of Social Psychology*, 44, 280-286.

About the Authors

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Dr. Kyle Irwin's research interest include social psychology, trust, norms, collective action, and environmental cooperation. His work has shown that, when facing the impact of environmental social dilemmas, trust is a predictor of cooperation for women but not for men; his experimental findings indicated that descriptive norms motivate individuals to punish generous group members, even though generosity benefits everyone; and his recent work reveals an interaction between trust and theological conservatism on environmental cooperation.

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Dr. Jo-Ann Tsang's research interests include forgiveness, gratitude, and psychology of religion. She also has research experience in the psychology of morality. Tsang has been published in a number of journals, including *The Journal of Positive Psychology*, *The International Journal for the Psychology of Religion*, and the *Journal for the Scientific Study of Religion*. Before joining the Baylor faculty in 2002, she served as a postdoctoral fellow at Southern Methodist University. She earned her bachelor's degree in psychology from the University of California and her doctoral degree in psychology from the University of Kansas.

Robert Carlisle, PhD

Research and Evaluation, Mesa Public Schools

Dr. Robert Carlisle received his PhD from Baylor University in 2013. His dissertation involved the application of self-determination theory to forgiveness.

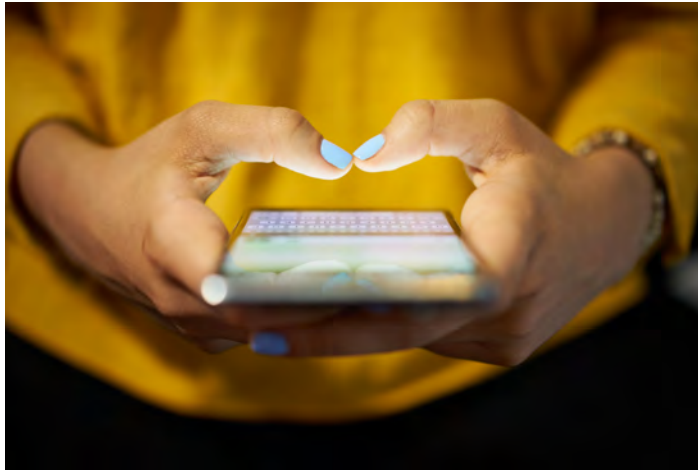
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Dr. Megan Shen's research integrates theories and methods from social, cognitive, and health psychology to examine how cultural, racial, religious, and social (e.g., bias, stigma) constructs influence health communication, health decision-making, and understanding of medical information.

Are Clients Persuaded by Boastful Agents?

Grant Packard, PhD, Andrew D. Gershoff, PhD, and David B. Wooten, PhD



Boasting, or speaking with excessive pride and self-satisfaction about one's achievements, possessions or abilities (Oxford English Dictionary 2015) has become endemic in online media.

Research shows more than half of survey respondents admit to boasting online about travel adventures before returning home (Travelmail Reporter 2012) and that word-of-mouth transmissions are often driven by self-enhancement motives, the desire to

depict oneself in a favorable or “expert” light (Hennig-Thurau et al. 2004). For real estate professionals, asserting marketplace expertise is key to capitalizing on referrals and gaining new customers, and oftentimes, asserting expertise is equated with boasting. We examined whether boasting by a persuasion agent (any person trying to persuade another) has positive or negative impacts (or both) on moving the consumer towards a purchase decision.

We theorized that the presence of cues about the persuasion agent's trustworthiness can “change the meaning of boasting.” If consumers have or predict a reason to distrust a source of product information (a “low trust cue”), boasting leads to heightened vigilance and perception of ulterior motives of the boastful source, making the consumer like the product even less than they would have otherwise. However, when consumers feel trusting of the source, boasting can have the opposite effect and lead to persuasion to make a purchase decision. For example, when interviewing two agents to sell a home, both agents may boast about their history in getting top dollar for recent sales. Clients may not be persuaded by a boastful, new agent with no client referral history (i.e. low trust cue), suspecting this agent is only considering this sale for the higher commission. Clients may be persuaded, however, by the other boastful agent who shares a referral list of satisfied clients and who appears on local billboards as a “top producer” (i.e., a high trust cue).

Our Study

To test our theory, we completed three studies and found that boasting with low trust cues decreases the persuasiveness of the product information source while boasting with high-trust cues actually increases the persuasiveness of the source. For reasons pertaining to experimental design, the studies were conducted in the context of one consumer attempting to persuade others in online reviews.

Study One

Participants were instructed to imagine they were shopping for a beach vacation through an online travel website and read online hotel reviews. Similarity between reviewer and reader were manipulated by altering the demographics of the reviewer to be more or less similar to the reader. For example, a high-similarity condition described a same-aged person, same gender, and from a nearby location. The low-similarity condition described an older person from a different location.

The results of this study found that boasting, which is typically considered a negative social behavior, can actually have both negative *and* positive effects on persuasion. When participants read the boastful review in the high similarity condition, they were more likely to trust the reviewer and purchase the hotel stay. In contrast, when participants read the boastful review in the low similarity condition, they were more likely to question the motives of and distrust the reviewer, avoiding the hotel.

Study Two

In study two, rather than providing demographics of the reviewers, we provided a reviewer trustworthiness scale, which is commonly found on online review sites as a “rate the reviewer” tool. This provides a trust cue about prior consumers’ attitudes towards the persuasion agent, signaling either a high trust cue (four-star rating) or low trust cue (two-star rating). There was also a control condition with no rate the reviewer information.

Boastful statements, combined with the trust derived from the higher “rate the reviewer” score, led to a higher likelihood of study participants choosing the hotel stay relative to the control condition. However, given the low trust cue, boastful statements led consumers to be suspicious of the persuasion agent, and made them less likely to choose the hotel than participants in the control condition.

Study Three

In our final study, we asked participants to read one of two news articles prior to reading online reviews in order to establish trust (or lack thereof). The articles described the character in a theatrical play, one describing the character as dishonest, selfish and deceptive, while the other article described the character as honest, trustworthy and empathetic. This was expected to provide a very subtle cue of distrust or trust about people generally.

After this subtle trust cue was established, participants were asked to read an online consumer reviews about wine (unrelated to the previous newspaper article), which contained either high or low boasting, before indicating how likely they were to select the wine being reviewed.

Participants who were exposed to a newspaper article about the dishonest character were more likely to suspect negative/ulterior motives behind the boastful review, and reject the recommended wine. Conversely, those exposed to the article about the honest character were more likely to view the wine reviewer as an expert and subsequently select the wine.

Establishing Positive Trust Cues in Real Estate

Real estate professionals can begin to establish positive trust cues with clients and online followers by building a personal brand as trustworthy, knowledgeable and successful professionals. This reputation is, of course, built from the foundational one-on-one interactions with individual clients, but it can also extend to the firm's marketing and communication strategy. If an agent is the top producer for the firm, for example, the agent's email signature block and social media page description or photo could include that recognition. Firms oftentimes promote their top producing agents via online or billboard advertising to further promote these specific agents. Agent ratings that are available to consumers online are also an important source of whether the agent's attempts to present him- or herself in a positive light help or hurt the ability to help clients in the decision-making process.

Industry credentials also establish trust with clients. Having (and promoting) certifications such as REALTOR ® designation, Counselor of Real Estate, Military Relocation Professional, Accredited Land Consultant, etc., may not only increase trust cues, but may also spark conversation and, in turn, result in new leads.

Finally, when posting customer reviews or photos online, carefully consider posting demographic information of clients. In instances of posting photos of clients, consider including photos of clients with varying demographics so that visitors to the firm's website or agent's social media page are able to find descriptions or photos of clients with high similarity.



Conclusion

For real estate professionals, lead development, referrals and livelihood often depend on the ability to share success stories or expertise that might be perceived as a form of boasting. While our research indicates boasting can produce negative *and* positive reactions, partnered with the

right strategy to develop a foundation of trustworthiness, agents and brokers can utilize boasting to the advantage of the individual agent and the firm.

Recommended Reading

Packard, Grant, Andrew D. Gershoff, and David B. Wooten (2016), “When Boastful Word of Mouth Helps versus Hurts Social Perceptions and Persuasion,” *Journal of Consumer Research*, 43(1), 26-43.

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Grant Packard’s (PhD – University of Michigan) research explores self-concepts, motivation, language, perception and interpersonal influence in interactions among consumers and with firm agents. His research has been published in the *Journal of Consumer Research*, *Journal of Consumer Psychology*, *Journal of Marketing Research*, *Marketing Science*, and the *International Journal of Research in Marketing* and presented at conferences including those of the *Association for Consumer Research*, *Consumer Culture Theory*, *Marketing Science*, *Society for Consumer Psychology*, and the *Society for Judgment and Decision Making*. Before entering academia, Grant was a marketing executive for Chapters/Indigo and Excite Canada. He began his marketing career at advertising agencies DMB&B New York and BBDO Toronto. His industry expertise lies in data-intensive strategies and channels (CRM, loyalty programs, online, research and analytics). In 2002, Grant was profiled as one of Canada’s top 30 marketers under the age of 30 by *Marketing Magazine*.

Andrew D. Gershoff, PhD

Professor of Marketing, University of Texas

Andrew D. Gershoff (PhD – University of Texas) studies consumers’ evaluations and decisions as they relate to relying on and trusting others, brands, and products. Within this context, he focuses on three major areas: how consumers evaluate others and where they stand relative

others, how consumers react to betrayals or violations of trust after relying on individuals, service providers, and products, and how consumers evaluate the fairness of marketing and manufacturing tactics. His research and writing has been published in *Journal of Consumer Research*, *Journal of Marketing Research*, *Journal of Consumer Psychology*, *Organizational Behavior and Human Decision Processes*, *Marketing Letters*, and the *Financial Times*. Andy also works as a consultant and executive educator on issues related to marketing, marketing research, and marketing education. He has worked in the U.S., Spain, China, Kazakhstan, Croatia, Turkey, and Egypt for numerous clients including IBM, Pfizer, Bristol-Meyers Squibb, and USAID.

David B Wooten, PhD

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In his research, Dr. David B. Wooten (PhD – University of Michigan) uses qualitative and experimental methods to examine social influences on consumption, consumer self-presentation, and consumer culture. His work has been published in the *Journal of Consumer Research*, *Journal of Consumer Psychology*, and other academic journals and book chapters, and has been cited in such outlets as the *New York Times* and CNN.com. He is on the editorial review boards of the *Journal of Consumer Research*, the *Journal of Consumer Psychology* and the *Journal of Sport Management*. He has served as Co-Chair for the: 2013 AMA-Sheth Doctoral Consortium, 2013 ACR Forums, 2009 ACR Doctoral Symposium, 2009 CCT Conference, and as Chair of the SCP Ethnic Minority Affairs Committee, and as a member of the Program Committee for multiple ACR and SCP Conferences. He also has served as the faculty advisor for the Black Business Students' Association and the Black Business Undergraduate Society, a trustee for the Consortium for Graduate Study in Management, the Curriculum Director for the LEAD Program in Business, and as a planning committee member for the Ph.D. Project's Marketing Doctoral Students' Association.

Getting into the Business of Your Buyer's Success

Charles Fifield, MBA

A basic objective to any selling engagement should be the buyer's success, however that may be defined by the buyer. Regardless of the product/service offering, effective value-adding selling requires the salesperson or agent to connect with what the buyer wants and understand the buyer's *why*. Without gaining that clear understanding, the seller spends a lot of wasted time largely feature dumping with disinterested prospects.



Getting Aligned to What the Buyers Want and Their *Why*

For the real estate professional, the very first step in the sales process is to understand who will be involved in the buying decision and how that *buying center* will make their decision. Once the decision-making process has been identified, defining the buyer's concept of success and how it is to be measured is the next challenge for the sales professional.

Depending who makes up the buyer's decision-making influencers and how the buying process was initiated, the agent may have to focus more on what is *not* said. The buying center (the buyer's cast of characters in our purchase decision story), regardless of its composition or complexity, should naturally have some specific attributes or ideas about what it needs or wants and how it wants to process its decision. Getting properly aligned to both the buyer's chosen decision process and the buyer's key decision-making attributes is critical for achieving the end in mind, a win-win purchase decision.

The sales professional's ability to successfully get aligned, and to help develop and guide the buyer's decision-making experience will prove critical to success or failure. Another important factor to defining "success" is *why* the buyer wants *it*. In the end, the buying decision is largely emotions-based, and this means we need to understand how achieving success will benefit the buyer.

A key factor to developing a winning proposal is defining the buyer's financial constraints or budget. To propose an offer that is unaffordable is by definition a waste because it adds no value to the buyer's success story that you are in the process of shaping. In the end, the seller should not make a proposal for which the funding has not already been identified. Oftentimes, this takes significant time on the part of the seller to work with various financial influences on behalf of the

buyer. Knowing the source of funds is also an important element in being able to later provide the buyer a reason to buy now.

Understanding and Measuring Their “Success”

It has been said that you can't manage what you fail to effectively measure. Managing the buyer's decision-making process in a diligent and creative manner toward achieving “success” is exactly what the seller should be attempting to execute. Therefore, knowing how the buyer measures “success” is a necessity. Early in the buyer-seller interaction, the seller must actively listen and probe to learn what the buyer is seeking as a measureable outcome because beginning with the end in mind and being in the business of fulfilling the buyer's expected success is at the heart of effective and efficient interpersonal selling.

If the buyer is a business decision maker, making or saving more money is an obvious measure of “success.” Other common business measures of success include protecting throughput, reducing inventories, reducing operating expenses, reducing flow times and improving peace of mind. Business contractors often measure success in operating terms by being on specification, on budget and on time. For individual buyers, reducing risks (performance, process and personal) may be a measure of success.

Defining how the seller measures success essentially comprises what you intend to be the conclusion of the story that you are developing in co-authorship with the buyer. The buyer is the *hero* in your story, the *theme* is how you expect to benefit the buyer with your recommendation. The buying center members comprise the cast of characters, and the happy ending will be the buyer's defined success fulfillment and satisfaction.

The Learning Conversation (TLC)

A valuable technique for understanding how the buyer defines “success” is the learning conversation, which is conducted in a consultative and structured manner. TLC suggests the planned sequential use of three types of questions – open-ended, closed-ended for clarification, and summary questions to confirm. For example, in the residential real estate business, a realtor could ask a prospective seller an open-ended question,

If you had the perfect realtor relationship in the sale of your home, what would that look like? What would be the key characteristics of that working relationship?

After listening and further probing with closed-ended questions for clarification, you would summarize in question form to confirm your understanding, to nurture and to demonstrate what they just said is important to you. Then you could ask,

If you had this type of relationship with a realtor, what would be the key benefits to you?

It is the benefits to the customer that usually hold the emotion packed “success” key. Again, before moving further in the exchange as needed, summarize the benefits in an empathetic fashion.

Developing the Impact of a Less than Successful Current Status

In economics and decision theory, loss aversion refers to people’s tendency to prefer avoiding losses to acquiring equivalent gains. In other words, *it’s better to not lose \$5 than to find \$5 of added value*. Some studies have demonstrated that losses can be twice as powerful, psychologically, as gains. This general human tendency naturally leads to risk aversion when people are evaluating outcomes involving both gains and losses. Kőszegi and Rabin’s (2006) work in experimental economics illustrates the role of expectations, suggesting an individual’s belief about the potential outcomes can create loss aversion, whether or not a tangible change of state has occurred (Kőszegi and Rabin 2006). This loss aversion tendency can play a significant role in how the seller frames the purchase decision and its outcome to buying center members.

Demonstrating the More Productive Experience

Once the *what* and *why* of “success” are clearly understood and confirmed, the agent should present or demonstrate his/her capabilities in terms of solutions satisfying the buyer’s desired experience. In essence, this is the sales professional’s proposed means to achieving the buyer’s “success” or happy ending. One achieves a happy ending by selectively employing capabilities or features matching what the buyer wants. In other words, the sales professional is matchmaking and hereafter serving the role of an enabler or guide, i.e., enabling the buyer to achieve “success” via a demonstrated and validated value-adding new approach.

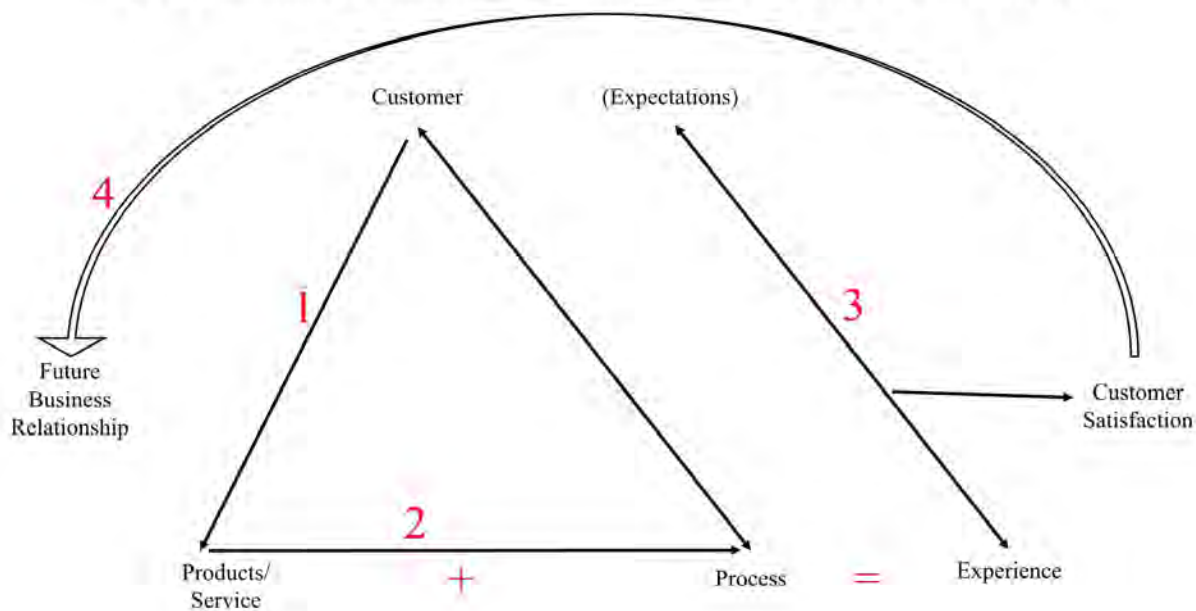
What Do We Really Sell?

Stanley Marcus, the retail sales guru and long-time CEO of Neiman-Marcus, once noted, “We want to sell customer satisfaction, not merchandise.” The acid test of successful personal selling is customer satisfaction. Farris, Bendle, Pfeifer, and Reibstein (2010) report that in a survey of nearly 200 senior marketing managers, 71% found a customer satisfaction metric very useful in managing and monitoring their businesses. The very essence of customer satisfaction is the perceived fulfillment of buyer expectations, which is inherently weighted by the success story the agent delivers through the buying experience.

The buying experience to be evaluated is comprised of two defining elements: (1) the products or services being offered -- more specifically their capabilities, and (2) the selling process, which includes the sales professional and his/her organization as they both make the offers and fulfill the orders. The experience is therefore a collection of deliverables that retrospectively answer the buyer’s questions, “What’s in it for me?” and “How do I feel about it?”

Not only is customer satisfaction a key short-term factor in the sales process, but it also creates significant value for the seller as it impacts a customer's willingness to refer the agent to others. In fact, Farris, Bendle, Pfeifer, and Reibstein (2010) note that customer satisfaction ratings are powerful as they orient employees toward fulfilling customer expectations. Declines in customer satisfaction ratings can warn of impending declines in sales and profitability. The following chart illustrates how customer satisfaction plays an integral role in defining a business and developing its future.

The Customer Satisfaction/Business Development Flow Chart



Summary

One of the agent's keys to success for effectively and efficiently managing a buyer's purchase decision process is the ability to accurately and quickly discover what the buyer wants and why, and what financial constraints may be present. Since highly effective selling is long-term minded, such a selling approach is largely about earning customer satisfaction by offering a value-adding experience to buyers, getting properly aligned to what's wanted and the *why* of a purchase decision is like a treasure hunt. A key method or means of locating the *why* involves active listening and the learning conversation.

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About the Author

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Chuck Fifield is a Senior Lecturer for Baylor University's Hankamer School of Business, Marketing Department and serves as the faculty coach to several Baylor Sales teams. He joined the faculty at Baylor University in 2001, teaching in the Graduate Business School (Operations Management), the Management Department (Negotiations and Conflict Resolution) and the Economics Department (Principles of Macroeconomics). Chuck has taught or guest lectured at other Texas-based Universities in the fields of sales, international business, money and banking and finance/investments. Professor Fifield has conducted sales research and training for several organizations, including most recently State Farm Insurance. Prior to joining Baylor, Chuck was a financial consultant for nearly thirty years to businesses located throughout the U.S. He owned and operated several financial service businesses in the fields of securities, real estate, oil and gas and insurance.

Is the Customer Really King?

Christopher R. Plouffe, PhD, Willy Bolander, PhD, Joseph A. Cote, PhD, and Bryan Hochstein, PhD

Across industries, the broader environment for professional salespeople has shifted from one focused solely on simple *dyadic* (or two-way) buyer-seller interactions to one where salespeople, to better serve their customers and prospects, must manage and navigate an increasingly complex portfolio of business relationships. The real estate sales role is no exception to this trend. The modern real estate agent's business relationships today



transcend obvious interactions with *customers*, and now also include: (i) individuals throughout the agent's own company, or the *internal business team* (e.g., support staff that processes paperwork, post and edit listings, schedule showings, etc.), as well as (ii) a range of *external business partners* (e.g., mortgage lenders, appraisers, tradespeople, insurers, title company personnel, etc.). The successful and skillful management of this threefold "relationship portfolio" – (i) customers; (ii) the internal business team; and (iii) external business partners – will be particularly pronounced for those who sell real estate, either residential or commercial, as there are many parties involved in completing the transaction, before, during and even after the customer is persuaded or sold.

Is the Customer Still King?

While the changes noted above might not be path-breaking news to those on the front-line selling and marketing real estate today, what might be surprising is the *relative importance* of the agent's influence of each of these three stakeholder groups across the relationship portfolio.

What do we mean by *influence*?

What are the Influence Tactics?

Influence Tactic	Explanation / Description
<i>Pressure</i>	Using demands or intimidation to get compliance.
<i>Rational Persuasion</i>	Using logical arguments or facts to get what one wants.
<i>Consultation</i>	Giving suggestions and advice on how a target can accomplish what is being asked.
<i>Inspirational Appeals</i>	Making an emotional request or appeal that plays to the target's values, beliefs or ideals.
<i>Exchange</i>	Making an implicit or explicit promise that some valued reward or benefit will be forthcoming to the target for complying with the agent.
<i>Personal Appeals</i>	Appealing to the target's sense of duty or obligation to fulfill the agent's request because of the personal relationship or friendship between them.
<i>Ingratiation</i>	Applying flattery or good will to elevate the target to wanting to assist or help.
<i>Coalition</i>	Seeking the aid of others in influencing the target toward the desired outcome.
<i>Legitimizing</i>	Honoring the influence request because it is perceived to be legitimate or consistent with established procedures, policies, or norms.
<i>Collaboration</i>	Where the agent offers to help the target fulfill or partially carry-out the task or request being made.
<i>Apprising</i>	Where the agent explains how the target's helping with the task or request in question will benefit them personally.

NOTE: In influence research, the *agent* influence is the individual who is applying one or more of the influence tactics above on the *target* (or recipient) of the influence.

Sources: Yukl et al. 2005 and Yukl et al. 2008

Influence has been defined in numerous ways, but a working definition for our purposes might be: *the capacity of one individual to have an effect on, and otherwise shape the opinions, actions, and/or behavior of someone else* (e.g., Cialdini 2008; Yukl et al. 2005; Yukl et al. 2008). Now juxtapose this notion of interpersonal influence with a classic – perhaps *the* classic – tenet of marketing thought, which is the widely-held truism that *the customer is king* (e.g., Day 1990; Kotler 1972). The preceding characterization of the three stakeholder groups real estate agents must interact with today, and the fact that agents have to successfully influence each of these groups, then begs this question: in our rapidly changing business landscape and sales environment, is it still accurate to say *the customer is king*? Is the agent's effective influence of customers – when savvy influence of a total of three customer groups is actually required to close sales – the primary driver of agent performance today? Could it be that the agent's ability to influence the internal business team and/or external business partners might be as important, or even a more important, determinant of ultimate performance?

To further illustrate this point, consider a couple of real-life, everyday scenarios in which a typical real estate agent may find himself. Envision a situation where, knowing that there is a *can't miss* deadline to complete paperwork associated with a pending sale, the real estate agent applies key influence behaviors on one or more coworkers to get documents, paperwork, and other “red tape” associated with the on-time closing of this customer transaction handled. What would drive more of the agent’s performance in this case: the original influencing of the customer throughout the sales cycle, or influence of the internal business team inside his own organization?

What about a case where a pending customer sale is hanging in the balance, and depends upon the timely and competent completion of work or other deliverables by a key everyday external business partner, such as a mortgage agent at a bank, a real estate lawyer, or a property appraiser or inspector? What would drive the agent’s resultant performance more: the savvy influence of the external business partner(s), or influence which has been directed at the customer? To address these long-standing issues, and truly answer the question of whether or not *the customer is truly king* with respect to salesperson (i.e., real estate agent) influence, we conducted an in-depth study, something we describe next.

The Study

In a recent *Journal of Marketing* article (Plouffe et al. 2016), we paired actual sales performance numbers with responses from 495 salespeople, the majority of whom worked in residential real estate. Using this data, we investigated how salesperson influence behaviors targeted toward customers, internal business team members, and external business partners, respectively, ultimately related to and explained sales performance. The results of our study reveal, quite convincingly, something conventional wisdom would not expect, perhaps something even heretical: that quite to the contrary of the longstanding conventional wisdom that *the customer is king*, in contrast, it is actually the salesperson’s ability to influence her internal business team and her external business partners that has the far larger contribution to sales performance than does her ability to influence customers. This is a highly provocative and controversial finding in



marketing which runs counter to the conventional wisdom that selling behaviors directed at customers – such as the application of interpersonal influence – are the most important drivers of sales performance (e.g., Bradford et al. 2010; Evans et al. 2012; Plouffe et al. 2009).

To be clear, the performance effects associated with the salesperson’s influence on all three stakeholder

groups *mattered* (i.e., each explained a significant and unique proportion of the variance in the salesperson's performance). However overall, salesperson influence directed at external business partners explained approximately twice the variance in performance as influence directed at customers, and influence directed at the internal business team explained anywhere from two to three times the variance in performance explained by influence directed at customers (see Table 4 and discussion on p. 118 of Plouffe et al. 2016).

Consequently, when considering everyday selling behavior and the application of influence, influence directed at customers *actually mattered the least*, and by quite a large relative margin, as it relates to actual performance. So these findings beg the obvious follow-on question: *what should a boundary-spanning salesperson like a real estate agent, who must interact with and skillfully manage each of these three stakeholder groups, actually do?*

What Should Salespeople and Sales Leaders Do if the Customer is NOT King?

The main take-away from our study is a simple but provocative wake-up call. Real estate professionals and those who manage and lead real estate professionals, should consider their stakeholder groups to determine which actually matter *most* in terms of driving performance. Such an approach may require *mental retooling* and *changing of habits* to incorporate skillful influencing of the internal business team and external selling partners as a priority to influencing of customers.

Coming to terms with these findings require that sales leaders paint a much more complex picture of what is required to succeed in the sales role today than the one that is often *sold* by sales managers, sales trainers, workplace effectiveness and performance consultants, and even academics. Indeed, a great deal of influence-related training and off-the-shelf best practices still attempts to simplify the influence process into bite-sized knowledge or behavioral components and linear *this-leads-to-that* thinking (e.g., Cialdini 2008; Hale and Whitlam 1995), without recognizing or empirically showing that influence directed at one stakeholder group can matter much more to performance than influence directed at other groups. So salespeople like real estate agents, and those that manage and direct them, should be cautious of pre-packaged, *one-size-fits-all* sales process, customer interaction, and account strategy training recommendations. Instead, our work suggests that it may behoove managers to start by investigating the sales practices and influence behaviors of their top performers (for example, the top decile or even top quartile of their salesforce) as this corresponds to the influence behaviors and strategies these high performers direct at their internal and external stakeholders. The customer stakeholder group should be examined in parallel as well, for that critical point of comparison, much like we undertook in our research design.

By conceiving of and implementing sales and business development training programs uniquely designed for *each* of the three different influence stakeholder targets, managers can then better prepare salespeople to focus their attention and behavior in ways which will more directly spur

sales and best leverage scarce resources – most notably the salesperson’s own time and effort. In the end, perhaps our work suggests a revised mantra where, yes – *the customer is (still) king*, but s/he is one who is not optimally served or catered to by the salesperson in isolation, as has long been thought. To the contrary, the salesperson’s internal business team and external business partners play a key role in further understanding exemplary sales performance today.

Recommended Reading

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Chris Plouffe (PhD – Western University) holds the Robin T. Peterson Endowed Chair & Professorship in Marketing. Prior to joining NMSU, Chris was Associate Professor at the College of Business Administration, University of Akron (UA) in Ohio (2012-16), where he was also Director of the Fisher Institute for Professional Selling, one of the nation's oldest and most storied programs in Professional Selling. Prior to joining UA, Chris was a Visiting Professor and Scholar at the Chapman Graduate School of Business Administration, Florida International University (FIU) in Miami, FL. Before that, he was involved in the initial set-up of The Sales Institute at the College of Business, Florida State University. Prior to his time at FSU, Chris built the successful Program in Professional Sales at Washington State University, Vancouver, where he also won the highest campus-wide teaching award (*Students' Award for Teaching Excellence*). To begin his academic career post-PhD, Chris held a tenure-track position at the Terry College of Business at the University of Georgia, where he also had direct involvement in the initial set-up of the now thriving Sales Program at UGA. Chris's research has appeared in: *Journal of Marketing*, *Journal of the Academy of Marketing Science*, *Information Systems Research*, *Personnel Psychology*, *Industrial Marketing Management*, the *Journal of Personal Selling & Sales Management*, the *Journal of Product Innovation Management*, *European Journal of Marketing* and elsewhere. In the first part of his career pre-PhD, Chris spent several years in the high-tech industry at Hewlett-Packard (HP), selling mainframe class commercial and technical super-computers across a range of industry verticals. Chris's insights on marketing and sales-related issues have been quoted or mentioned in *Fortune* magazine, *BusinessWeek*, *Sales & Marketing Management* magazine, and elsewhere. Chris also engages in strategic consulting work as well as sales training with a number of leading firms including: United Parcel Service, Eli Lilly, OE Connection, Carlisle Interconnect Technologies, Bell Canada Enterprises, the Home Depot and others.

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Along with being a faculty member in the College of Business at Florida State University, Willy Bolander (PhD – University of Houston) is a founding partner of Cordoba Parsons, a consulting firm specializing in using an organization's unique context to improve employee development efforts. He holds a Ph.D. from the University of Houston and conducts research on interpersonal influence and informal organizational systems that drive employee performance. His work has been published in various outlets, including the *Journal of Marketing*. Willy has also been featured in a variety of business publications, including *Forbes.com*, *YFS Magazine*, and the *Military Times*. He is also co-founder of Go Foster!, a nonprofit dedicated to recruiting and retaining great foster and adoptive parents in Florida.

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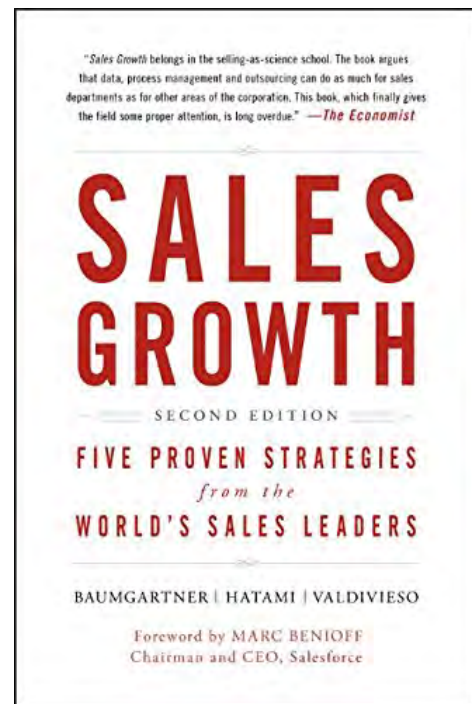
Dr. Bryan Hochstein’s (PhD - Florida State University) passion for research, teaching, and life is based on experience. Academic experience (largely earned as a non-traditional, adult student) include a BA and MBA both from the University of Wisconsin at Oshkosh and a PhD in marketing from Florida State University. His research appears in the *Journal of Marketing* and the *Journal of Marketing Theory and Practice*. Industry experience includes a twenty-year career in the service/sales industry. Currently, Bryan serves as an Assistant Professor of Marketing at the University of Alabama. Bryan’s *research experience* is within the broad topic of sales, with a specific focus on sales interactions, where the customer and salesperson meet. Recent research topics include inputs and outcomes of B2C & B2B sales interactions, empowered consumers, the salesperson knowledge broker role, influence tactics, and ethics. Research awards include the American Marketing Association (AMA) Sales SIG Best Dissertation (Runner-up), AMA Sales SIG Best Dissertation Proposal, National Conference in Sales Management (Best Paper), and Global Science Sales Institute (Best Paper). Bryan’s *industry experience* results from careers as a general manager in the food service industry and as a Senior Media Sales Representative at the Time Warner Corporation. Bryan combines industry experience and research insights in teaching courses, such as: marketing principles, professional sales, sales practicum, and sales leadership.

INSIDER: Sales Growth

Erick Huntley, MBA

From advances in technology to globalization to customer knowledge expertise, the sales world is always changing. As a result, it is a difficult task to manage sales results to consistent levels, let alone discover new opportunities for sales growth. In their new book, *Sales Growth*, authors Baumgartner, Hatami, and Valdivieso lead the reader through a series of strategies designed to help sales executives and their organizations continue to grow.

While their strategies are designed to help sales executives and their organizations, many of the principles can be applied at a personal level to help an individual grow his/her business. Please read on to see how you can apply these strategies to your business. We will focus on shifting from a product-selling mindset to a solutions-selling mindset, using trends to find growth potential before competitors, and focusing on the quality of leads rather than just the quantity.



THINK POINT #1: Shifting toward a Solution Mindset

Todd McLaughlin, Senior VP of Transformation Area Solutions Development at Hewlett Packard, credited one source of recent success as moving from selling of independent products to offering solutions as customers' needs have evolved. Customers have become more educated as technology advanced, leading to a new kind of customer, a *RoPo* customer, or one who researches online and purchases offline. Such customers utilize the transparency of the Internet to inform themselves about products or services, but still benefit from the value of personal advice and service. The role of the sales agent is no longer just selling product, but rather selling a solution that meets the customer's individual needs.

Leading sales organization look for channels outside of sales to supplement their sales team or provide leads. One example is using customer-service teams to supplement sales because they have intimate knowledge of customers, frequently correspond with customers, and are in a position of trust especially when they are helpful. A large European cable provider utilized its service department to help drive revenue by influencing customers to add additional products such as premium TV packages. Managers helped to coach these call-center agents to provide more than just customer service, building the skills and capacity of these employees to meet customer needs. These employees transitioned from a services mind-set to a service-and-sales mindset.

Their transition was enabled by:

1. Providing better service through understanding customer needs so they would have the right to sell and customer would appreciate their advice
2. Serving customers best by processing requests efficiently (customers are busy) and passionately solving customer problems through better use of the offered products and services
3. Adopting a mind-set or belief that they are not serving customers well if they talk them into something that customers do not want

As a real estate agent, you will find benefit through employing this service-and-sales mindset. Your responsibilities are to guide the customer through the journey of buying a house and that requires both selling the house and providing the best customer support that you are able to provide. Sales and service together create a solution because rather than just selling what you need to sell, you are now focused on what the customer needs to purchase. To put this idea into practice, you must realize that what excellent customer service means for your client. Typically, the less effort a client has to put forth to reach the optimal decision, the better s/he will rate your service. According to a survey conducted by CEB Global, people are more loyal or refer business more if the agent helps the client fix his/her issue. Help the client find the right home or sell his/her home quickly and at a good price. Clients want easy and painless experiences.

THINK POINT #2: Using Trends to Find Growth Potential

A good sales leader is focused on reaching monthly and annual sales goals, whereas a great sales leader will look at the big picture for strategic openings in economic trends or changes in customers and regions. A company that continues to do what is comfortable and has made them successful is open to disruption, so to ward off disruption, one needs to evaluate where opportunities are in order to create growth. The company must develop the ability to consistently identify opportunities that may not materialize for 12-18 months or even longer.

William J. Teuber Jr., the Vice-Chairman of EMC, suggests his strategy for following trends is to use a multipronged approach. EMC follows their cutting-edge customers closely to see what they are doing. They listen to their engineers to hear where they want to go. They have a sophisticated business-development team that monitors new company formations. Additionally, they work with research universities to discover emerging technologies that will have commercial applications. The takeaway is that there is not one source of information for new trends and information. By monitoring multiple channels, EMC has a clearer idea of the landscape for their business and they are better able to position themselves to take advantage of these opportunities.

As a real estate agent you are not a big company with limitless resources, so you have to take advantage of what's available to you. Additionally, you could invest 30 minutes a week to look through databases to stay up-to-date on trends for your region. Some resources to consider

include Market Watch, Trulia, Fiscal Times, PWC Reports, and Urban Land Institute. One trend that will potentially change the landscape of the real estate industry is the role of technological advancements. For example, Realtor.com has a collection of articles available about utilizing [drones for showcasing properties](#).

THINK POINT #3: Focusing on Quality over Quantity of Leads

A common sales approach is that if you can generate a certain amount of leads and then convert a percentage of those leads, you will be successful. While this may be true, the approach does not guarantee sales growth. In fact, it may be less fruitful to focus on generating more leads because



such an approach may lead to diffusion of focus and over-taxing of resources. While it is efficient and effective to qualify leads, only the most attractive leads move down the pipeline and capture your time.

Alain Raes, Chief Executive, EMEA and Chief Executive, Asia Pacific of Swift, segmented clients and realized that they were allocating resources equally even though the top 15% of clients were generating 75% of revenue. They

identified their customers that needed a different focus: global giants, fast growers, niche leaders, and nascent powerhouses. They then put their best sales reps on the high-value segments and served smaller customers through Swift-certified partners.

You are not a sales organization, so you don't have the ability to convert customers through a channel partner. Similar to Swift, though, you should focus on the high-revenue-potential clients rather than satisfying a multitude of lower-revenue-potential clients. Part of the reasons for doing so is that both types of clients require similar time resources from an agent. However, the agent has a limited amount of time available.

To begin this process, you can define what clients you want to serve based on budget, area, and type of home. Then seek out clients who are seeking a solution you can provide.

Fitsmallbusiness.com provides a list of 39 lead generation ideas including using the Zillow Premier Agent tool to increase your online presence and local client reach. Another approach to consider for lead generation is to call for sale by owners (FISBO) and expired listings because you know these people want to sell and they haven't found the right way to do it. Additionally, you can be selective in which clients you to approach that would provide the most revenue and have the greatest potential for being converted.

Conclusion

Sales Growth stimulates the reader's thought process as it discusses strategies that sales leaders use to create sales growth. The book is designed to help sales organizations and sales executives overcome challenges and drive sales growth. The book may prove extremely helpful for people leading a real estate sales team as such individuals have access to more resources, including technology systems and big data. No matter how big or small your business is, you can always improve by re-calibrating your mindset and using your resources more efficiently and effectively.

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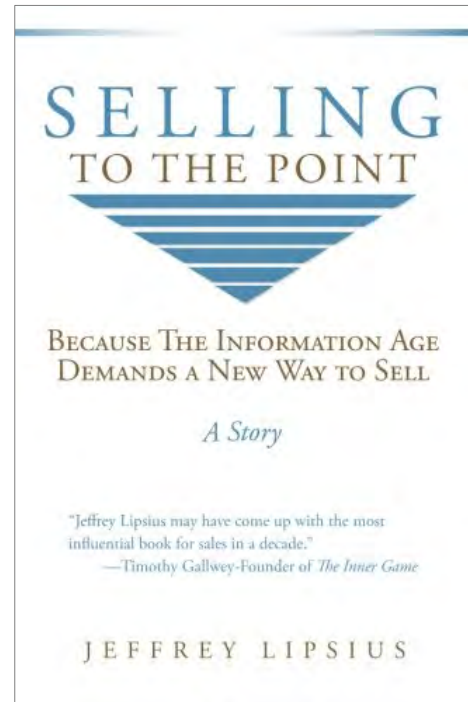
INSIDER: If the Point of Selling Isn't Selling, then What's the Point?

Courtney A. Harris, MBA Candidate

Selling to the Point by Jeffrey Lipsius tells the story of Essentials Inc., a mid-market wholesaler of medical supplies, whose board no longer believes the company is adequately capitalized to stay competitive. Instead, the board decides to sell shares to outside investors. In an attempt to make the company appear as attractive as possible to potential investors, Joan, the CEO, has tasked Martin, the CFO, with generating positive reports, especially for the sales department, since profits have been low despite strong sales. Upon examining the sales department expense register, Martin sees a substantial opportunity for savings: cutting the salary of Rick, the sales trainer. However, after meeting with the sales manager, several sales people, and Rick himself, Martin has a hard time with his decision. He struggles to find justification for letting go of Rick, who had turned out to be very popular and beloved within the sales department. Not only is Martin still confused to as why those in the sales department hold Rick in such high esteem, he is also perplexed by Rick's sales training approach which hinges on ten laws of selling. As the story continues, Martin witnesses Rick use his ten laws of selling to successfully train two new salespeople and even a pitcher on the youth softball team Martin coaches. Eventually, Martin even finds himself employing Rick's approach to his dating life. Ultimately, Martin comes to agree with those in the sales department and decides that Rick is not expendable. His training approach has been and will continue to be a vital part of Essential's success.

Lipsius' creative use of a fictional story to uproot old, unchallenged rules of traditional sales training makes *Selling to the Point* unlike any other "how-to" book, but Rick's ten laws of selling are far from fictional. Instead, the ten laws provide a very real and applicable road map to ascertain what your buyers really need from you and how to deliver just that. This article will explain the ten laws, with two laws presented in each think point. Learning how to apply these laws to your selling process will improve the way you work and allow you to get to the true point of selling: buying.

THINK POINT #1: Salespeople will be more successful when they understand that the point of selling isn't selling. A salesperson's job is to help his or her customer make a better buying decision.



The point of selling is buying because people enjoy buying not being sold to, so Lipsius resets salespeople's priority to focus on their customer's buying rather than their own selling performance. Although traditional sales training only focuses on the selling conversation between salesperson and buyer, there is actually a second, more important conversation occurring at the same time. This is the internal buying conversation that's occurring between the buyer's ears. When you sell to the point, you focus on working *with* your buyer's internal buying conversation rather than against it or even ignoring it altogether.

Once you get your focus right, you can set customer buying performance as the real primary determinant of your success. Customer buying performance can also be described as decision-making, which is a form of performance. And just like any performance, it can be coached. The salesperson coaches the buyer's decision-making. Therefore, buyers can benefit from a salesperson being a good coach rather than a good salesperson. In fact, one of the biggest gifts a salesperson can offer to a buyer is guidance with decision-making itself. In this way, the salesperson and buyer are working together as a team to achieve the *buyer's* goal. Misunderstanding and potentially missed sales happen when salespeople have a different goal than that of their buyers. Therefore, success lies in *coaching the decision* not *controlling the decision*. Successful salespeople don't need to have control. Because they recognize that the buyer-seller relationship is that of a team, they are comfortable relying on the buyer whom they can't control.

THINK POINT #2: Decision-making is an internal process for the buyer and should remain that way. The customer's decision-making performance is more important than the salesperson's selling performance.

Internalized decisions are decisions that buyers feel are their own. When salespeople try to exert too much influence on a buyer's decision, they interfere with the buyer's attempt to make a good decision and hinder the buyer's ability to feel ownership of that decision. Salespeople who are too busy stealing the limelight actually distract the customer from the decision-making process. Also, when you attempt to take over the buyer-seller interaction, you make it less internal and more external. This then results in less being revealed to you about the buyer, and the buyer herself is less in tune with her internal wants and needs. Ultimately, when a salesperson focuses on selling, this leaves both the buyer and the seller without a shared, mutually understood goal. Therefore, don't interfere with your buyer's internal buying process. Just let the buying happen.

In fact, the relationship the buyer develops towards the home or commercial property is more important than the relationship the buyer develop towards you. A buyer's relationship with a property will determine the long-term success of your sale. In general, we all tend to overestimate the role we have in what others do and say, thus, it's false for salespeople to assume a customer not buying is due to them not establishing sufficient rapport. In reality, customers buy primarily because they feel the product or service (property) will be good for them. Opinions

they have about the salesperson play a much smaller role. Therefore, remember you won't actually get a sale unless the customer decides you will be getting the sale in the first place, and this decision usually stems primarily from whether they decide they like the product not just if they like you.

THINK POINT #3: The real test of a salesperson's influence is determined by the customer's actions after the salesperson leaves. The less a salesperson's persuasion was involved in a buying decision, the more internalized that customer's buying decision will be.

A salesperson's success depends not on his/her sales pitch but rather how customers behave after s/he leaves. Recall that successful salespeople act as decision coaches encouraging the buyer's internal buying conversation, and the buyer's decision therefore endures long after the sales call.



Although pushy salespeople may easily get customers to buy the product, the real challenge still remains. That challenge is to get buyers to integrate their buying decision into their personal beliefs, values, and daily routine. This is the epitome of the buyer internalizing the decision. Therefore, salespeople are truly successful if their buyers internalize their decisions after they leave.

So how do you get your buyer to internalize a decision? According to the author, buyers are more likely to internalize decisions if they involve less salesperson persuasion and more customer participation. Buyers must not only buy, but buy in. This requires that the relationship between buyer and product is stronger than the relationship between buyer and seller. The more influence you, as the seller, try to exert, the more the decision becomes salesperson-dependent and the less likely it is to be internalized. As a result, the buyer's enthusiasm for the product leaves when you leave, and the buyer needs more visits/calls to stay engaged with the product.

THINK POINT #4: It's better for salespeople to be learners than to be teachers. Salespeople must address their customers' objection at the source of the objection.

When buyers are internalizing their buying decision, they come up with reasons to buy on their own. These reasons stem from the buyer's internal decision-making conversation. If a salesperson is to present selling points, then the selling points must include the buyer's beliefs and values and mirror the buyer's reasons to buy. To do this, you must first learn the buyer's

needs, wants, and interests. Lastly, don't steer the buyer away from their reasons to buy in favor of your own.

Law #8 highlights that a buyer's objection can originate at either the internal level or the external level. Salespeople must figure out which it is and deal with the objection on the same level from which it originated. Objections originating from the internal level stem from the buyer's thoughts and feelings about themselves, whereas objections at the external level come from their thoughts and feelings about other things than themselves. It's natural to interpret all objections as originating from the external level, but salespeople must know how to distinguish between internal and external objections and how to dress each appropriately. It's not a one fix for all.

THINK POINT #5: Customers make the best buying decisions when they have the highest levels of internal confidence, internal choice, and internal clarity. Salespeople should use buying points more than selling points. It's best that reasons to buy come from the customer.

Law #9 explains what's actually necessary for a sale to happen. A sale requires buyers to have sufficient amounts of the three C's, which are internal confidence, internal choice, and internal clarity. All of the C's are internal because, remember, decision-making is internal. As a decision coach, it's your job to coach and increase these three qualities in your buyer. Be mindful that external confidence and internal confidence are not the same and cannot be substituted for one another. Instead they are both necessary for a sale. While external confidence is the buyers' confidence in you, internal confidence is their confidence in themselves to make a decision. Instead of striving for your buyers to have a lot of confidence in you, focus your attention on cultivating their internal confidence. Make them feel secure in their abilities as a decision maker. Show them that are equipped to make a decision and they will be more likely to make one.

Internal choice is related to self-limiting beliefs. If a buyer doesn't feel like she has the authority or ability to make a choice they won't make one. Maybe she feels she needs to wait for someone else's approval or discuss the sale with others, when in fact neither is true and they are fully able to make the choice on their own. As a salesperson and decision coach, you must help your buyer move past these self-limiting beliefs. Show them that they do in fact have the authority to choose. The last C is internal clarity, and it is equally, if not more, important than external clarity. External clarity is the buyer's knowledge of product features and specifications, but those are trumped by the buyer's knowledge of the value and importance of her decision to buy. This is her internal clarity. A lack of self-awareness interferes with internal clarity. The buyer must know what the product will mean to them. Help your buyers be clear about their needs and their goals.

Lastly, Law #10 asserts the value of buying points over selling points. Buying-points are things about a buyer's situation that the buyer needs to be aware of in order to make a good decision. In your coaching of your buyer's decision-making, coach them towards buying points. Introduce the

buying point in the form of a question. This is called a buying point query and allows the customer to come up with their own reason to buy that you can then support and cultivate. Buying point queries allow you to influence the buyer's decision-making while keeping the decision-making internal and without taking too much control of the interaction. Customer derived reasons to buy arising from buying point queries will always be more compelling than salesperson proposed selling points.

At first, the 10 laws of selling may seem very out there, unrealistic, or just plain fictional like the story they come from. However, when put into practice, they can actually bring you real life success. Using the 10 laws of selling will help you achieve the true point of selling: buying. As a real estate professional, you have undoubtedly built your career on traditional, tried and true selling practices. However, employing all or even some of the 10 laws of selling can help keep your seller-buyer interactions fresh and give you a competitive edge in satisfying ever changing buyers' needs and wants.

Recommended Reading

Lipsius, Jeffrey (2015), *Selling to the Point: Because the Information Age Demands a New Way to Sell: A Story*, Pacific Palisades, CA: Rydal Road Publishing.

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Courtney is a graduate student from Valdosta, Georgia. She earned a Bachelor of Science degree in Biology from Duke University in 2016. Before beginning graduate school at Baylor, Courtney worked with The Fossil Group, a North Carolina-based marketing and investing firm, as an intern, and later, junior executive, in their brand management division. Courtney is seeking an MBA degree with a concentration in marketing and plans to work in the entertainment industry.

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