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Peer-Based Learning and its Implications for the Real Estate Market

Tat Y. Chan, PhD, Jia Li, PhD, and Lamar Pierce, PhD

When entering the work force, new employees face a learning curve associated with their new positions. Hospital managers have to understand their organization’s daily operations and their community’s composition. Retail employees need to understand their basic responsibilities and how their functions support their business. Real estate agents face the task of establishing themselves as a credible asset in the community and understanding the dynamics of working with clients. Companies support new employees’ growth and development in a variety of ways, through employee orientation, mentor relationships, and many other opportunities. Sometimes, such learning is up to individuals to perform by themselves, while other times new hires learn from other more-experienced employees. Self-based instruction and peer-based instruction each has positive and negative attributes intrinsic to their learning approach. An interesting question is this: is one instructional approach more effective than another?

A Study of Peer-Based vs. Self-Based Instruction

We conducted our research among a group of salespeople working at cosmetics counters in one of the largest department stores in China. Cosmetic products are not a necessity, thus there is more of an emphasis on the process of selling the products than selling products in other consumer categories. In this study’s context, salespeople were measured based on their sales ability through a predetermined formula. In addition, to capture their intrinsic ability to sell, this formula allows salespeople’s ability improvement through both peer-based and self-based instruction. A salesperson’s ability is updated every week based on her interaction with other salespeople in the previous week, who either work at the same counter (peers) or work at any competing counter (competitor peers). The formula also factors in the number of hours the salesperson works each week as a function of her sales ability improvement.

In each counter, salespeople work in one of three overlapping shifts in a day (9am-3pm; 12pm-6pm, and 3pm-9pm). For fairness, managers ensured that salespeople worked various shifts across differing days. As a result, each salesperson has an equal chance of being paired with peers. In addition, some days salespeople were left by themselves in the course of the study.

We studied new salespeople when they were paired with stronger peers and with weaker peers. The strength of the peers was determined by their selling ability, with stronger peers being those above-the-median selling formula level and those below-the-median selling formula level were
designated as weak peers. The fact that new salespeople have an equal chance working with strong vs. weak peers provided a comparative context allowing us to isolate other effects such as the placement.

**The Impact of Learning from One’s Peers**

Our research found that a salesperson’s ability was significantly affected by both peers and competitor peers. Interestingly, the peer influence had more of an effect on salespeople’s ability than the competitor-peer influence. However, even though the effect of competitor-peer influence was not strong, a salesperson’s ability is still increased in a statistically significant way by observing a competitor’s sales behavior. Peer-based learning is thus shown to be a highly effective method of learning.

The study also presented an interesting finding for managers to consider when looking at either individual- or a team-based compensation. A further look into the peer-based learning effect suggested that there are notable differences when comparing sales personnel who are compensated as a team- versus on an individual-basis. Those compensated on an individual-basis often had higher competitor-peer influence. Those sales representatives who were individually compensated had more of a drive to learn on their own. In comparison, those salespeople who were compensated on a team-basis worked harder at teaching their fellow team members and they exhibited less drive to implicitly learn.

The research also looked at better salespeople and attempted to understand their perceived benefits to the organization. By definition, better salespeople are more productive. However, this research broadens the definition of better salespeople to include an added benefit: better salespeople are also better at peer-based teaching. Fundamentally, there is even greater reason to keep better salespeople around; not only do they bring in the better sales numbers, they also tend to be the best teachers as well.

**Real Estate Impact**

What does this study on peer-based vs. individual-based learning mean for the real estate industry? Obviously, newer real estate agents benefit from observing veteran real estate agents within their same real estate group. Through structured learning programs, newer agents may shadow more experienced agents throughout the selling process, specifically for some of the more difficult and complex portions of real estate deals, such as when an agent closes and draws
up the paperwork for a client. Another opportunity would be how, when, and where agents market themselves. Established and experienced real estate agents could help new real estate agents within their group by explaining their process of marketing themselves or even by allowing the new real estate agent to imitate the established real estate agent until they develop their own personal marketing campaigns.

Newer real estate agents would also benefit from seeing how other competing real estate agents work and what practices they employ. Newer real estate agents could be tasked with looking up and researching where and how competing real estate agents, teams and brokerage firms market themselves. They would also benefit from learning how they operate open houses, house listings, and generally how they treat and work with clients.

Another possible benefit may be that agents working alongside one another could help challenge each other to stay current with their tactics and methods. Such currency may be prompted by helping with each other’s open houses, following one another on social media websites, or subscribing to others’ newsletters, for examples. The mall for the real estate agent is the general community in which they live and work, so much of this “competitor-peer” culture is already seen and established through marketing tactics.

Though team-based compensation may not be the norm in the residential real estate context, some firms can leverage this research because they do employ a team-based model. Firms that don’t employ team-based models could attempt to establish a better community amongst their agents, possibly even have them work as teams on projects. Such an approach may establish some of the abilities fostered by teams and thereby some team-based learning. Developing more of a team-based culture may help agents feel like a successful listing for one agent is a win for all the real estate agents at that firm.

The research suggests that new real estate agents should be given both individual learning goals and team-based learning opportunities in conjunction with established real estate agents. Seasoned agents can serve as role models through their successful real estate cases; additionally, more productive seasoned agents can encourage newer agents to learn and grow through peer-based learning. The peer-based learning model not only benefits new agents, it will benefit the entire real estate group, the brokerage firm’s brand name, and the community.

**Recommended Reading**

About the Authors

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Professor Chan is Associate Professor of Marketing at Olin Business School, where he has been teaching for fourteen years. He received his PhD from Yale University in 2001. Professor Chan’s research interests include consumer choice, firm competition, internet marketing and search advertising. He has published extensively in many top journals including *Marketing Science, Management Science, Journal of Marketing Research, Journal of Political Economy*, and *RAND Journal of Economics*.

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Professor Li's research focuses on applying econometric techniques to analyze marketing problems. His current research interests include social and peer influence in marketing, mobile marketing, green marketing, sales management, B2B marketing, and the interface between marketing and operations. His research has been published in the leading journal in marketing (*Marketing Science*) and leading journal in management (*Management Science*). Professor Li is the winner of the Marketing Science Institute (MSI) and Sales Excellence Institute (SEI) Competition to Promote Thought Leadership on the Sales Profession (2013) and John and Mary Willis Young Faculty Scholar Award (2014).

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Lamar Pierce has been a professor at the Olin Business School, Washington University in St. Louis, since 2007 and was a Harrington Faculty Fellow at the University of Texas at Austin for the 2011-2012 academic year. Lamar grew up in a small town on the border of Washington and Idaho, and studied economics, mathematics, and music at the University of Puget Sound before working as an industrial engineer for Boeing. Lamar completed a Ph.D at the Haas School of Business at University of California, Berkeley, before taking a visiting position at Carnegie Mellon University. Lamar has served a number of roles in software startups, and is currently the Chief Scientific Advisor of Civic Science, a Pittsburgh-based software company. Lamar is fortunate to be a 10-year survivor of Stage IVB Lymphoma thanks to the many dedicated physicians and nurses at Kaiser Permanente Oakland and the Stanford Bone Marrow Transplant Center. These experiences have heavily shaped his view of human behavior, ethics, and the psychology of decision-making.