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Improving Customer Relationships and Sales Performance Through Moral Judgment

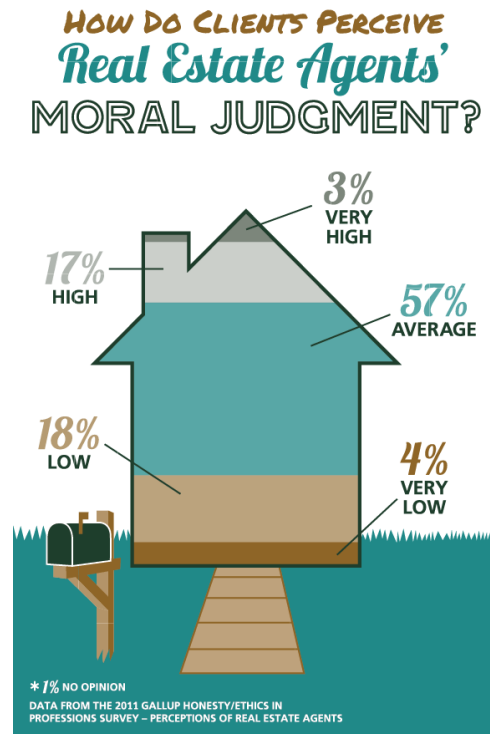
By Charles H. Schwepker, Jr., PhD, David J. Good, PhD and Lindsay B. Odneal, MBA Candidate

To be successful in today's challenging economic conditions creates significant pressure on salespeople's ethical behavior. Moral judgment, a precursor to ethical behavior, involves decisions regarding right and wrong and plays an instrumental role in salespeople's ethical decision-making (Ferrell and Gresham 1985). In an industry where buying decisions are based on trust, relationships and referrals, one would expect high moral judgment to be a significant quality in a real estate agent. Yet, a recent Gallup Poll finds only 20% of respondents rate the honesty and ethical standards of real estate agents as "high" or "very high," while 22% rate real estate agents as "low" or "very low" (Gallup 2011).

The manner in which salespeople behave is instrumental in determining their own and their company's reputation amongst buyers, and as a result, may ultimately affect performance. Despite the apparent importance of salespeople's moral judgment and subsequent ethical behavior, little is known about moral judgment's effect on key salesperson behaviors and outcomes associated with building relationships and developing business, such as customer-oriented selling and job performance. In this context, this study sought to understand if salespeople's moral judgment positively influences customer relationship-building activities (i.e., use of customer-oriented selling) and sales performance.

Moral Judgment and Customer-Oriented Selling

Moral values serve as a basis for making decisions regarding one's behavior in relationships (Hosmer 1985). Various moral philosophies explain how individuals create ethical standards for determining right from wrong. As such, these philosophies form the basis for one's moral values. Because it is difficult to study actual moral behavior, moral judgment (an antecedent to moral behavior) has commonly been investigated in sales ethics research, as is this case with this study. The proposed relationship between moral judgment and customer-oriented selling hinges on the inherent meaning of customer-oriented selling. Customer-oriented selling has been defined as "the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs" (Saxe and Weitz 1982,



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p. 344). As such, customer-oriented salespeople take actions aimed at increasing long-term customer satisfaction and circumvent actions that sacrifice customer interests only to enhance the likelihood of making an immediate sale. Highly customer-oriented salespeople have high concern for others and themselves, whereas salespeople with low customer orientation (referred to as a “selling orientation”) show high concern for themselves and low concern for others. Fostering a customer-oriented selling approach amongst salespeople may play an instrumental role in establishing long-term customer relationships, since the marketing concept seeks, in part, to establish long-term relationships with customers (Perreault, Cannon and McCarthy 2008).

Currently, there is limited empirical support for a relationship between moral judgment and customer-oriented selling. However, most moral philosophies would suggest that salespeople who make ethical moral judgments show concern for the welfare of others (e.g., the satisfaction of customers) (cf., Reidenbach, Robin and Dawson 1991). Moreover, such individuals are likely to exhibit fair play, honesty and full disclosure when dealing with customers (Roberston and Anderson 1993). Customer-oriented salespeople are likely to demonstrate such behaviors because they have the customer’s best interests in mind. Conversely, given their low concern for others, salespeople who practice a selling-oriented approach are less likely to be concerned with how the sale is made as long as it is made. Consequently, deception and dishonesty may be practiced as means to this end. Selling-oriented behaviors are likely to be utilized by salespeople who hope to achieve short-term gain. In summary, salespeople evidencing high moral judgment should practice customer-oriented selling.

Moral Judgment and Salesperson Performance

While we offer an opposing view, some suggest that ethical behavior and high performance are at odds with one another. Vitell and Festervand (1987) suggest that executives facing an ethical dilemma may be forced to choose between the profitable option and the ethical one. For example, young managers are often cautioned against being too ethical to avoid adversely affecting performance (Webb and Badaracco 1995). In such an environment, salespeople may actually participate in unethical behavior because they believe it improves their chances of making a sale (Dubinsky et al. 1992).

Although there is evidence to suggest that ethical behavior is positively associated with organizational performance (e.g., Verschoor 2003), only limited empirical research has investigated the relationship between moral judgment and individual performance, providing mixed results. However, support for such a relationship may be found in research involving relationship building. Ethically behaving salespeople are more effective at building strong customer relationships (e.g., developing customers who are satisfied, trusting and committed) (Roman and Ruiz 2005). Recent research, finding a positive correlation between salespeople’s ethical behavior and customer trust-building, confirms this (Hansen and Riggle 2009). Importantly, it should be noted that buyers tend to purchase from salespeople they trust, and at least one form of ethical behavior, honesty, appears to be critical for developing these trust-based

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relationships (Hawes et al. 1989). Thus, ethical behavior, resulting from moral judgment, should lead to enhanced sales performance.

Customer Orientation and Salesperson Performance

Several studies have investigated the relationship between customer-oriented selling and salesperson performance. Although this research finds empirical support for treating customer-oriented selling as a positive antecedent to salesperson performance (Franke and Park 2006; Jaramillo et al. 2007), given the use of mixed samples and mixed performance measures, additional research is warranted. A useful means for investigating sales performance is to examine it in terms of outcomes and behaviors (Anderson and Oliver 1987). A behavior-based perspective typically involves complex and subjective assessments of salesperson behaviors (e.g., ethical/moral behavior, time management, communication skills), whereas an outcome-based perspective centers on objective measures of results (e.g. dollar or product sales, market share, profits, new accounts). Outcome-based sales performance focuses on results and involves objective measures of these results when determining performance. Behavior-based sales performance focuses on the methods used to achieve results and thus performance is based on seller characteristics (e.g., competitive knowledge, aptitude), activities (e.g., number of formal presentations) and the sales strategies one employs (Anderson and Oliver 1987). It would be constructive for further research to examine both components of performance in relationship to both customer-oriented selling and moral judgment.

The Research Study

Data for this study was collected via a nationwide electronic mail survey of 345 business-to-business sales professionals, many (27%) who were paid exclusively via commission. To determine salespeople's moral judgment, we used an established measure that asked salespeople to respond to three scenarios with ethical content and then to provide responses to eight statements that assess moral dimensions (Reidenbach, Robin and Dawson 1991). Customer-oriented selling was assessed by asking salespeople to respond to five customer-oriented and five selling-oriented sales behavior items (Thomas, Soutar and Ryan 2001). Finally, the measure used to assess outcome sales performance consisted of seven items used to assess the extent to which salespeople achieve their sales targets, while behavior performance was measured with four items dealing with behavioral dimensions (e.g., maintaining customer relationships, providing information, completing paperwork, product knowledge) of salesperson performance.

Findings and Implications

A statistical modeling approach was used to determine the relationships between moral judgment, customer-oriented selling and sales performance. These results identify that the presence of moral judgment positively impacts relational client interaction. Given that salespeople who make more ethical decisions are likely to practice more customer-oriented selling, agents should focus on doing what is "right" for customers and agencies should focus on

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employing and developing agents of good moral standing, as this is likely to enable them to gain relational advantages in the marketplace.

Moral judgment was found to be unrelated to outcome performance but positively related to behavioral performance. This suggests that simply being ethical is not enough to generate sales results. However, the results show that sellers with higher moral judgment are associated with behaviors reflective of desired long-term customer relationships (e.g., communicating with clients). In the real estate industry, given the rapid pace at which individuals relocate, long-term relationships are vital to future business. Moreover, given the high cost of client acquisition in a highly competitive market, it behooves agents to have a well-established client base that is willing to employ their services (due to a strongly established relationship) when the need arises.

The results also show that customer-oriented sellers can expect improved outcome and behavioral sales performance. Thus, agents who are able to persuade clients to discuss their needs with them, and then craft a solution for them with their best interests in mind are likely to establish the foundation for long-term customer relationships.

From an agency perspective, actions can and should be taken to develop a salesforce with high moral values. For starters, efforts should be taken to hire agents with high moral values. Scenario-based exercises which pose ethical dilemmas may aid in the selection process. While codes of ethics, if communicated and enforced, will help, agency leaders must provide an example by practicing high ethical standards and holding others to those standards as well. For instance, agents found behaving unethically should be reprimanded or released. Additional ethics training may likewise be warranted. Agents could be provided ethically based scenarios, and then discuss how as sellers they would (and should) respond. Effectively improving the moral judgment of agents will likely be the result of many different efforts (hiring, training, best practices by management, etc.) that incorporate enhanced moral judgment into all aspects of the position.

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Customer Emotion Management: It Is Not Just The Service Provider Who Needs To Smile

By Gulnur Tumbat, PhD

In many service provider-customer or seller-buyer contexts, it has been assumed that the service provider or seller must exhibit a positive attitude towards customers, and may even be required to smile by his/her company. This is called emotional labor (Hochschild 1983).

Various studies explore the emotional labor construct; for example, some studies examine the commercial exhibition of emotional labor management, including flight attendants who are expected to smile (Hochschild 1983); bill collectors who may be expected to grimace and raise their voice to convey command over the situation (Hochschild 1983); foreign nannies who are expected to show care for another person's children (Hochschild 2005); and detectives who may try to manipulate a criminal's emotions (Rafaeli and Sutton 1989). Emotional labor in these and other similar cases helps a company achieve corporate goals, including customer satisfaction and repeat patronage among some others.

The demanding aspects of employee emotion management can be understood even better when looking at stressful and extended service settings. At fire stations, for instance, veteran firefighters may facilitate the use of emotional labor techniques to socialize newcomers to the emotional expectations of clients (Scott and Myers 2005). Similarly, guides in experiential services are expected to engage in emotion management in outdoor adventure contexts (Sharpe 2005). Other relevant contexts include 911 call centers, where operators are expected to communicate calmly in emotionally volatile circumstances; hospital personnel, including nurses, doctors and funeral directors, who are expected to show sympathy and compassion; and emergency medical personnel and volunteer rescue groups who are expected to remain calm throughout extreme rescue operations. Selling a home in today's economic environment can also be a highly stressful service encounter. The realtor is expected to be pleasant and maintain a positive attitude with clients throughout the entire sales experience.

In each of these cases, though, it may also be assumed that there is not a requirement for the client (customer, passenger, patient, home buyer) to reciprocate the positive sentiments with a smile or a positive attitude of his own. According to the studies cited above (and some others), it

STRENGTHEN *the Service Exchange by* MANAGING EMOTIONS



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seems that the sales person or service provider is the only one required to manage emotions if the experience is to be satisfactory for the client.

However, in service interactions, customers and providers each perform certain roles to achieve their respective or common goals. Accordingly, services are now considered an integration of the various resources and skills of the involved participants (Lusch and Vargo 2006). A service is a process that is created and maintained by both the customer and the service provider. Therefore, the value of the interaction is in the experience that is co-created through the relationship between the two participants. What each participant brings to the table (in terms of skills, understandings, resources, etc.) shapes what s/he will receive from the experience.

This research introduces the notion of customer emotion management and demonstrates that co-creation of the service experience includes active monitoring and management of the customers' emotions. Customers' emotional control affects the service experience not only for themselves, but also for the service providers and other patrons involved. Thus, the customer's ability (or willingness) to manage his emotions can impact the service experience as a whole. As such, it is important for managers and service marketers to understand customer emotion management in order to achieve satisfaction through the co-created service experience.

Extended Service Encounters

Service encounters that are longer in duration and involving more intimate interactions due to the close spatial proximity of the service provider and the client are known as extended service encounters (Price, Arnould and Tierney 1995). In extended service encounters, emotion management and effective communication are more likely to play a significant role in the experience. Duration and proximity characteristics affect psychological involvement and influence the level of required emotion work. Working with a real estate agent to purchase a home can also occur over a long period of time.

This research looked at an extended and stressful service encounter context, explained below, that provided a unique opportunity to gain a more complete understanding of how service experiences are co-created. Using insights from this research, real estate agents can build long-term, fruitful relationships with their clients.

Data Collection and Service Context

Ethnographic data was collected through active participant observation in an extended service encounter context: commercially guided climbing expeditions on Mount Everest (for details regarding the data collection process, please see Tumbat and Belk 2011 and Tumbat 2011). In this context, service providers (climbing guides) and customers (paying climbers) interact over a long period of time in close proximity to one another.

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Everest expeditions are an important representative of the outdoor and adventure service industry and are part of today's growing "experience economy," which includes the equipment, clothing, tourism and insurance sectors. Commercial climbs to Everest and other high-altitude mountains, usually lasting three to nine or more weeks, are organized as mountaineering expeditions by adventure companies. The cost per individual to participate in an Everest expedition has risen to between \$60,000 to \$100,000. All participants, both clients and service providers alike, live in close quarters over the two-month duration of the climbing season. Adventure companies offer a variety of services to assist client-climbers, including obtaining the necessary permits, visas, guides, accommodations, flights, local transportation and transfer of all the necessary equipment such as oxygen cylinders to the base camp and to intermediary camps higher up the mountain.

Discussion

As the data were analyzed, the way that paying climbers managed their emotions appeared to be a very significant component of the service experience. The findings suggest that service provider and customer emotion management influences the service encounter for all participants as they co-create the experience. There is no question that social interaction places demands on all participants. The findings demonstrate that service providers are not the only ones who face expectations with regards to managing emotions. Some service situations, like the one studied, place demands and expectations on consumers, requiring or encouraging them to engage in emotion management.

Emotion management in the case of paying Everest client-climbers is about maintaining a strategic interaction with others in a commercial service setting. Emotion management is a way that individuals present themselves. Clients (paying Everest climbers) feel that they should be and are expected to manage their feelings in order to produce a proper state of mind in others (other clients and service providers) and for themselves. Sometimes these customers do emotion work to convince a guide that they are physically strong enough to continue to climb. Some other times they do it to convince fellow climbers that they are a good or better climber, or that they can be depended on if an emergency arises.

Conclusion

Since it has been assumed that only the service providers engage in emotion management, it is suggested that there is an inherent inequality in emotion management in service exchanges between service providers and customers. This point is explained as follows: "The airline passenger may choose not to smile, but the flight attendant is obliged not only to smile but to try to work up some warmth behind it" (Hochschild 1983, p.19). Furthermore, it is assumed that service providers generally have to accept uneven exchanges even though they may be "treated with disrespect or anger by a client" (Hochschild 1983, p. 85), since the customer is not required to smile back.

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The findings of this research challenge these assumptions and suggest that there is no universally asymmetric emotional relationship between customers and service providers. It suggests that “there can be more balanced and symmetrical exchanges in extended service encounters through the acknowledgment of the relational characteristics of emotions and the interactional nature of emotion management” (Tumbat 2011, p.200).

Implications for Real Estate Agents

Just as mountain climbers rely on guides, customers often depend on experts in real estate, healthcare, education, law and consultancy services. Home buying, hospitals, long-term care facilities, debt counseling, legal aid and social services contexts provide relevant and fruitful opportunities for service providers and clients to interact over long periods and to invest substantial amounts of time, effort, and various other resources into an experience. Extended, intimate, or potentially stressful interactions, such as the exchange between a real estate agent and a home buyer, considerably shapes the experience for both parties. In most of these cases, the self-presentation practices by either side potentially contribute to or detract from their respective goals. Managing the client’s emotions is important and may have greater consequences in extended and relational service encounters. As in all social relationships, emotions from each participant play a substantial role in service provider-customer interactions.

Thus, real estate agents and agencies may take customer emotion management practices into account when designing the services they offer. For example, agencies may consider incorporating customer emotion management into employee training programs. They may consider codifying expectations of customers in order to communicate them better. Furthermore, agents may consider providing space and time for customers so that they can reflect on and manage their emotions. Customer emotion management enabled in such ways may even help to reduce the burnout experienced by service employees from their emotional labor. Emotion control may also help customers achieve greater satisfaction from the exchange, which may also lead to a long-term competitive advantage for the agent. In sum, with the help of conscious sales agents, customers can better manage their emotions and can contribute to a successful and satisfactory experience.

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Necessary Condition #9 – The Right Metrics

By Charles Fifield, MBA

“If you can’t measure it, you can’t manage it.”

- Peter Drucker

Many sales organizations focus on measuring or tracking outputs or results with less emphasis on inputs, which is akin to telling a football team to stop the opponent from scoring without working on essential defensive skills such as tackling and pass coverage. It is estimated that over half of sales organizations don’t measure sales performance at all, and the others depend largely on one measure – performance versus quota (ES Research Group 2009). A successful sales plan must focus on both the results and the critical activities necessary to achieve the desired results.

Which Metrics Should We Choose?

Effective ongoing sales analysis and performance measurement are essential ingredients to achieving highly successful and sustainable sales performance. Deciding what to measure is critical to effective sales analysis, and many organizations employ either incorrect or inadequate metrics. *Sales quotas* as a key performance measure are insufficient because they are often extrapolated from historical results and may not account for key changes in the external environment. Quotas can be numbers be artificially mandated by management and may have little or no supporting empirical evidence. Another common sales performance measure is *percent increase in sales* compared to that of a previous time period. Knowing a salesperson is ahead or behind the scheduled increase offers little information for management. Consequently, leaders in this context focus on managing a result (the effect) as opposed to managing towards a *desired* result (the causes).



Setting solid, leading-indicator sales performance metrics is significant to achieving desired results. Salespeople want and need challenges and targets. For every metric, there should be clear understanding about expectations. Misunderstood or poorly communicated performance metrics can lead to counter-productive behavior. The key to developing the right metrics is to start by understanding the goals, or beginning with the end in mind. If the goal is to increase sales, then determine the method to be employed to achieve it, such as improved prospecting.

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Next, decide on quantifiable ways to measure and enable results-oriented progress over time with a long-term versus short-term focus. If this analysis is essentially a management initiative, then it is important to have sales team participation in its development.

Selecting the right metrics is like developing a recipe for a culinary treat. You must measure what the recipe requires and identify its proper sequence. If you want to improve the probability of your sales success, then you have to must also have the right recipe or formula. Selecting the proper metrics to produce the desired sales results is a crucial part of the process. Metrics serve as the primary tool for managing performance within the overall sales organization. Targets are set for each metric, performance is monitored and interpreted to yield timely feedback and corrective actions, if necessary, are initiated.

When you first start a sales career, you need to be disciplined in executing the behaviors prescribed by the sales success recipe. For example, start with a clearly defined, realistic annual sales or commission goal. Your recipe for success could include, but should not be limited to, the following:

1. The average size commission per sale
2. The number of presentations required to convert to a closed sale
3. The number of opportunities required to convert to a presentation
4. The number of first appointments or approaches required to produce an opportunity
5. The number of contacts required to convert into a first appointment
6. The length of your sales cycle

The initial numbers or performance standards for the above measures are often provided by management and based on the historical evidence from other successful salespeople. This quantity-driven approach should yield day-to-day operational measures to help achieve early sales success. If one maintains focus on the baseline numbers of contacts required to convert into a first appointment, then the desired result should be more predictable. Having these measures readily available (and preferably in real-time terms) will greatly aid the salesperson in properly assessing strengths and weaknesses and pinpointing certain skill development or training needs. As sales skills improve, especially in the quality of prospects, the conversion ratios should advance accordingly. Assuming that financial goals will also continue to grow, both the average size and total commission result should significantly improve.

As a salesperson's career advances, the success recipes typically do not change – the emphasis does. For example, a salesperson may be achieving an annual commission goal but begins to desire more personal time for other non-business related activities or interests. To gain additional personal time, the emphasis may be shifted towards reducing the length of the sales

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cycle time, which necessitates more thinking about how to remove waste from your selling process.

To remove process waste and gain meaningful productivity, the salesperson would need to analyze how to employ three strategic operational drivers and design appropriate measurements:

1. How to work smarter
2. How to work faster
3. How to perform work right the first time

For example, initiatives focused on working smarter could include establishing better target marketing, or increasing the number of “right” prospects approached in relation to total prospects approached. Other “working smarter” initiatives might include increasing the conversion ratio, or the total number of contacts required to convert to a closed sale. Initiatives focused on working faster may include better time management. This approach may have a particular emphasis on increasing interactive sales call activities and decreasing non-selling work or selling time per week in relation to the total amount of selling time per week. As noted in a previous article, [Necessary Condition #3 – The Right Day-to-Day Operational Focus](#) (*Keller Center Research Report* December 2010), research indicates that salespeople often overestimate their daily time allocation in actual selling activities.

Designing a Digital Metrics Dashboard for the Sales Organization

The primary objectives of a “dashboard” are to identify and implement effective performance indicators and then to provide the necessary visibility so that the information generated is readily presented to both the salesperson and management. Necessary sales analytics can be captured with many Customer Relationship Management (CRM) and Sales Force Automation (SFA) systems and displayed visually via many different mediums, including most mobile devices. Some dashboards enable users to set up their own customized performance indicators that automate the needed calculations.

Today, digital dashboards are available to sales team users on an “anytime and anywhere” basis via the Internet. Not only do dashboards yield valuable real-time operational, customer and order data, but they enable sales team members to spend more time in pipeline-related activities and less time on-location. The dashboard’s design should prioritize metrics based on alignment with defined goals and stated strategy.

Some of the benefits that will result from implementing a dashboard’s capabilities include:

1. Gain a deeper and transparent understanding of the key drivers to improved sales productivity

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2. Identify when and where management action is required to improve sales effectiveness and efficiency
3. Develop a standardized means for monitoring and improving performance
4. View sales performance from a variety of perspectives
5. Build consensus on key performance measures and drivers
6. Clarify accountability around specific measures

For more details about the design of a dashboard, see “[Designing a Metrics Dashboard for the Sales Organization](#)” (Rose 2006).

Summary

Effective sales performance metrics and a customized metrics dashboard can help guide you on the road to sales success. If you want to improve your probability of success, then you must learn to stay on the road to success and to consistently read your dashboard’s operating performance indicators. Starting with the end in mind and mapping your path to the targeted productivity goal(s) are essential to a salesperson’s plan; however, effectively and efficiently traveling to the desired end is greatly facilitated by having the right metrics to guide your progress.

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INSIDER: Challenge the Common Conceptions - Become a Sales Challenger

By Mark Tarro, MBA Candidate

Today's customers are savvier than ever before, largely thanks to growing accessibility to information through technology. Selling to these customers has become a challenging task. "Traditional" sales processes, including walking a client step-by-step through the features or amenities of a particular product, are no longer necessary. When customers arrive for sales meetings, they are well informed about the product they wish to purchase. In fact, consumers today have access to 57% of the information needed to make a purchasing decision prior to speaking with a sales representative (Marketing Leadership Council/Sales Executive Council 2011).

The Challenger Sale by Brent Adamson and Matthew Dixon offers a revolutionary view of the sales process, which suggests "challenging" the way the customer thinks about his/her buying decision. Born out of two separate studies on salespeople and consumers, the book features research conducted by the Corporate Executive Board on the customer/salesperson dynamic.

The first study focused on customer tendencies and why customers purchase from one retailer over another, keying-in on factors such as loyalty, value, company brand and the sales experience. Overwhelmingly, the sales experience was identified as the key factor that determines why consumers purchase products or services.

The second study focused on how sales representatives excel, even in tough economic times. The sales sample reflects 10,000 sales professionals around the world -- from virtually every single geography, go-to-market model, and industry. No matter what is sold, how it is sold or where it is sold, chances are pretty good that the sales process is well represented in these data of business-to-business sales exchanges. Sales managers reported on 10,000 sales representatives across 55 different dimensions, skills, attitudes, behaviors, knowledge, and activities. It is important to note that the sales professional sample does not include rookie reps (who have been selling for less than six months). In addition, the authors take the necessary statistical controls for industry, company and sales experience. What they have defined as **star performers** are typically those in the top 20% of the company's sales force. While the definition varied a little company-by-company, *star performers consistently meet or exceed goal year-over-year*. The authors compare the star performers to the *core performer, who are the middle 60% of the sales force*. (In a practice that is commonly used in identifying high-performance behaviors, the authors ignore the bottom 20% of the sales force, making the comparison **star** versus **core** performers).

What emerged from this research were five categories that salespeople typically represent: the *Hard Worker*, the *Challenger*, the *Relationship Builder*, the *Lone Wolf* and the *Reactive Problem Solver*. A *Challenger* typically rises above all other salespeople in two important contexts: sales

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in difficult economic times and complex sales. As such, real estate agents have an opportunity to leverage the strategies offered in *The Challenger Sale* to excel in the markets they serve.

THINK POINT #1: Challenge Through Positive Differentiation

Deb Oler, Vice President at Grainger Brand, posed a question to workers at her company: *Why should our customers buy from us over anyone else?* Consider the same question for your business: *Why should home buyers enlist your services as opposed to your competitors?* Almost all companies in an industry will claim to be “customer-focused” or “at the top of the market.” As such, this does not serve as a strong point of differentiation for your business. Differentiation in an industry can be established more effectively through teaching, or by offering insights and unique perspectives that your competitors do not provide. For example, [research shows](#) that on average, retiring Baby Boomers are more concerned with health care costs in the locations they retire than with other geographic features, such as the climate (Neeley 2011). Presenting additional insights, such as information about the economic landscape of health care in a particular market, could be an important point of differentiation for you.



Adamson and Dixon show that most buyers care more about the sales process than what is being sold. The book challenges agents to convey different aspects of the home buying process that other agents may not be offering. The best conversations a seller can have with the customer provide insights that the customer would pay for, regardless of the sale at hand. *What part of your business differentiates you from others in your market? What insights can you offer your clients that other agents are not providing? Would your customers pay you for the quality of the insights you present?*

The Challenger Sale offers a six-step process to help sales representatives and real estate agents effectively establish positive differences:

1. **The Warmer** – Showcase what you know about the buyer. Establish any problems he/she may be facing and empathize with him/her.
2. **The Reframe** – This is the most important step in this process. The buyer expects you to talk about your solution; however, take this opportunity to expand on the problems previously established and show how they could lead to an even larger issue. The response the salesperson looks for here is not agreement, but rather causes the customer

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to say, “I hadn’t thought of it that way.” This shows that your insight resonates and holds value with the customer.

3. **Rational Drowning** – Quantify the problems. Use data that supports your claims and emphasizes your reframe. The combination of reframing and rational drowning expands the buyer’s way of looking at buying a house and challenges the buyer to think differently.
4. **Emotional Impact** – Paint a picture of a story that resonates with the buyer’s own experience. Using examples from experiences with other clients will allow your current client to see the problem unfold in his head. Consequently, he will recognize that he does not want the same outcome for himself.
5. **A New Way** – Present a step-by-step solution for how your client’s issues can be addressed.
6. **Your Solution** – Present how you will find your client a property that addresses all of his/her issues. As you will have helped identify your client’s key issues, having specific properties in mind to address her problems will support the case you have made.

THINK POINT #2: Decision Makers vs. Influencers

Each message you deliver to a client should be tailored to the audience being addressed, considering factors like whether the audience is an individual or a larger group (e.g., a family). While customers may share similar traits or demographics, they do not necessarily always look for the same thing. When tailoring your message, it is important to note that there are two types of people who may be receiving your messages: decision makers and influencers.

Decision makers are most concerned with the sales experience and widespread support for their decision. Consider this concept from a real estate perspective: if a husband or wife is the primary decision maker, he/she will require support from a spouse, children, parents or anyone else who may be living with them. While the decision maker will ultimately complete the purchase, *influencers* tend to affect the outcome of the decision. Research presented in the book shows that influencers are interested in professionalism and the unique perspectives offered by the sales representative. For example, influencers will remember that John Doe sold them their house, not necessarily that the agent represented XYZ Agency. Does this mean that you need to paint a different story for each influencer or decision maker? No, it simply means that they all must be involved in the story and feel that you truly understand what they are looking for.

THINK POINT #3: A Matter of Money: Finalizing the Sale

Challengers exhibit a strong level of comfort when discussing money. This comfort stems from understanding the value that his/her solution will bring the buyer and the price that ultimately represents this value. In the closing of the sale, the objective is to take control of the sale and not

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to negotiate. In order to finalize the sale, an agreement must be reached. Negotiation often serves more as a hindrance than a help and strays away from the objective of establishing an agreement. In the Challenger Selling Model, positive differences have been established and a picture has been painted to quantify the value of the solution. The last step simply puts numbers to the solution.

The Challenger Selling Model is not mastered overnight and must be practiced over time. However, when used properly, the model can be extremely effective. By understanding the importance of differentiation and establishing positive differences, the Challenger has the opportunity to teach the buyer how his product is different from the competition. Learning to tailor messages to both decision makers and influencers supports the salesperson's value proposition, and encourages the message to resonate with the client. Finally, in order to finalize the sale, a Challenger will take control of the sale by being comfortable speaking about money.

Consider how becoming a Challenger can impact your effectiveness in the real estate industry.

Recommended Reading

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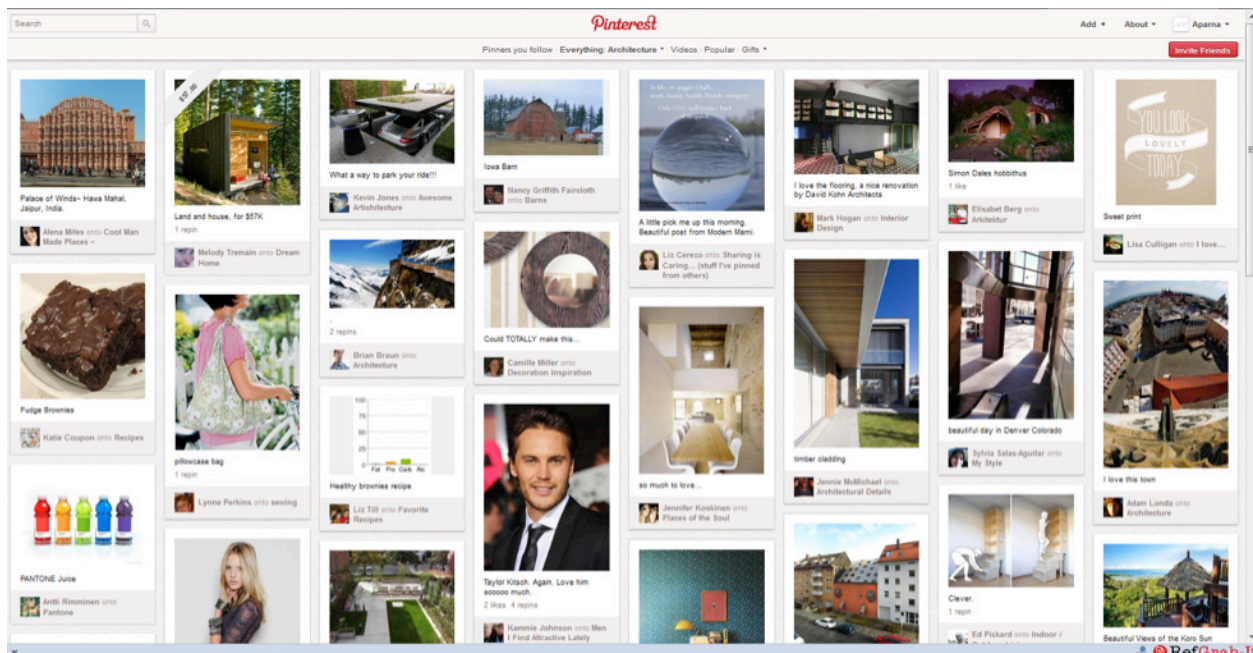
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INSIDER: Next Wave of Social Networking - Integrating Visual Thinking in the Home-Buying Process

By Aparna Sundar, PhD Student

Visualizing is a way of knowing: it is a mode of generating knowledge... How we see determines what we see; and how we see is embodied in our mental images. By virtue of their condensing impulse, images have a kind of power that abstract ideas can never have. (Nicholson 2003)

Pinterest has all the elements for a right brain, visual thinker. Images, pin boards, minimal word content and high quality visuals that makes staying on the site feel like you are skimming through virtual pages of *Dwell*, *Home Décor* and *Home by Design* all rolled into an online visual format. The difference is that Pinterest is a social networking site that allows you to connect with your social community and integrate your online experience in one “scrapbook” site that lets you “pin” static visual experiences. Pinterest can be thought of as a virtual billboard fed by consumer “likes” or “pins,” directing you to relevant stops on the Internet highway.



THINK POINT #1: Do Home Owners or Realtors Really Need Another Social Networking Website?

As most business people know, Facebook, LinkedIn and Twitter offer social networking benefits connecting millions of users, and more specifically the opportunity to connect to create one’s virtual community. Now, with Pinterest in the limelight as one of Time Magazine’s 50 Best Websites of 2011, and as one of the top 10 social networks with around 11 million total visits a

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week (McCracken 2011), a relevant query is whether home owners or realtors really need another social networking site.

Most social networking sites operate on the same premise. That is, they create a platform to integrate one's virtual community. Social networks give realtors the opportunity to stay relevant to their audience in ways that transcend the "pitch" to sell a home, and they give realtors a platform to voice, educate and pique potential buyers' interest by the content that is posted on these sites. Pinterest uses these fundamental assumptions of a social networking site, but in addition to providing a platform for individuals to connect with people they know from the non-virtual or "real" world, it allows individuals to connect based on similar interests. Most of the content on the site is promoted by pinning or liking other posts on Pinterest or from anywhere else on the Web, including user-generated content. This mechanism increases the number of potential connections that a single individual, like a realtor, has. Further, Pinterest's approach to building connections increases the knowledge access that an individual, like a home owner, seeks. In a nutshell, the advantage of Pinterest over some of the traditional networking sites is its potential to bridge or refer users to external sites.

THINK POINT #2: An Image is Worth more than 140 Characters

Recent trends indicate that Pinterest drives more traffic to blogs than Twitter (Indvik 2012), which is mainly attributed to more website referrals from Pinterest's image-collecting service than what is available on Facebook and Yahoo. Evoking images has long been used as a strategy of influence (Petrova and Cialdini 2008). Imagery has been shown to enhance memory (Lord 1980; Swann and Miller 1982), and increases perceived likelihood of an event (Cialdini 2001). When purchasing a house, for example, a consumer may consider how easily they see themselves living in the house. Typically, individuals can easily imagine interior settings that are suitable for them. This is a great opportunity for realtors and for leaders in real estate to not just position referrals to homes, but also to help inform potential buyers on home buying tips, home maintenance, home services, etc. that can keep them relevant to home owners or buyers in different markets. A visual tip of the day is a great way to sustain interest in your brand. While Twitter limits each update to 140 characters, the potential of a visual as a referral medium is a clear advantage. It is no surprise that architects, interior designers and furniture designers have capitalized on this to showcase their works on Pinterest.

THINK POINT #3: More Women are on Pinterest than Men

More than 82% of Pinterest's audience currently is female. We know that men and women are equally prone to processing information verbally or visually (Trahan and Quintana 1990). The difference in participation rate is attributed to different social motivations to get online. Men look to the Internet for entertainment, and women for social connections. Research in this area is in its early stages. However, Pinterest provides unique opportunities for realtors who can attract potential female home owners – women who have a critical say in home ownership issues.

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THINK POINT #4: Is it Profitable to be on Pinterest?

Amazon has a referral incentive with a percentage of sales profit going to every Pinterest user that recommended a product leading to its sale. It is interesting to imagine how the real estate industry might craft an equivalent to make social selling a profit-driven endeavor.

THINK POINT #5: Creating Community

The relevance of an online community is important. Social networking was once seen as a virtual tie of real-world connections. As technology and the online capabilities become more sophisticated, we find that mobile and Internet activities are becoming more integral to everyday human functioning. We have online calendars, email, shopping sites, e-vites and work-related sites all integrated on our fingertips. Our perception of community - be it colleagues, social contacts, classmates - now has a new category: the virtual community. With Pinterest, the list of communities broadens even further. In an effort to remain relevant, home owners, realtors and real estate leaders will have to choose if they prefer to speak the Pinterest language.

Some social networking sites are better suited to meet certain industry specifications than others. Pinterest has the makings to integrate the home buying process: showcasing homes, home owner tips, and style and decoration referrals. It also has the potential to create and sustain community on a deeper connection of interest. How the real estate industry shapes this medium is yet to be seen. As awareness of the Pinterest platform increases concurrent with homeowner trust in the medium, we should see some real potential provided by Pinterest. It is just a matter of time.

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INSIDER: Seller Financing - When You Can't Bank on the Bank

By Rachel Watson, JD, MBA Candidate

With banks applying stricter guidelines to conventional real estate mortgages, many buyers have found it difficult to qualify for home loans. It is estimated that forty percent of home loan applicants are not approved for conventional financing (Kenney 2011). With seller financing, the buyer borrows money from the seller and the seller holds the mortgage on the property. Seller financing can be beneficial to all parties in the real estate market, including buyers, sellers, and real estate professionals. Seller financing allows buyers to obtain financing through creative solutions with the seller. Sellers who offer seller financing create a larger market for their property, as buyers are not constrained by the qualification limitations of conventional financing. In *Real Estate Investing Seller Finance* (2011), Kenney suggests that real estate professionals who understand seller financing can attract a greater number of potential buyers for listed properties, craft unique solutions for their clients during negotiations, and sell properties that may not qualify for loans under conventional financing.



THINK POINT #1: Using Seller Financing Increases Financing Options

Seller financing can be used for financing an entire home loan or in combination with conventional financing. For example, if a buyer is only able to qualify for seventy percent of the purchase price of a home, seller financing could be used to finance the remaining thirty percent, or in the alternative, the buyer could choose to borrow a greater percentage from the seller. By using a combination of conventional financing and seller financing, the buyer can lower the amount that must be borrowed through conventional financing and the buyer may be able to qualify for a house she wouldn't have qualified for otherwise (Kenney 2011). Finally, by reducing the conventional financing amount to below eighty percent of the sales price, most mortgage companies will not require borrowers to carry private mortgage insurance (Kenney 2011).

THINK POINT #2: Seller Financing: A Win-Win for Buyers and Sellers

Seller financing offers numerous benefits to the buyer. Seller financing has fewer guidelines and restrictions than conventional financing, and any issues that arise between the seller and buyer

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are negotiable points. Buyers are often not approved for conventional financing due to factors such as credit issues, job interruptions, high debt-to-income ratio, or an unusual employment history; however, these challenges can be addressed through seller financing and negotiated by paying a higher sales price or higher interest rate (Kenney 2011). Closing costs can be lower with seller financing than with conventional financing because there are no loan officers to pay and buyers do not pay points on loans. Additionally, because all the terms of seller financing agreements are flexible, sellers may be more lenient regarding a down payment than in a conventional loan.

Seller financing benefits the seller as well. Because seller financing allows buyers to shop for homes that they may otherwise not have qualified for under conventional financing, the number of potential buyers is increased when seller financing is offered and homes with the option of seller financing typically sell faster (Kenney 2011). In seller financing, sellers have the opportunity to make money beyond the profits on the sale of the house. In addition to interest earned on the loan, a buyer is often willing to pay a premium for the opportunity to use seller financing, since the buyer may have been unable to obtain conventional financing (Kenney 2011). As a further benefit to sellers, conventional financing often requires the seller to perform costly renovations to the property to meet lending requirements. However, with seller financing, renovations can be negotiated between the parties to result in an agreement most beneficial to the parties. Finally, any improvements made to the property while it is owned by the buyer would increase the seller's security interest in the property should it need to be taken back in a default scenario (Kenney 2011).

THINK POINT #3: Assess the Buyer's Ability to Repay a Loan

When analyzing a potential buyer's ability to repay a loan, a seller should look at factors that a conventional bank would examine. Factors that should be considered include a buyer's past credit history, a buyer's debt load in relationship to income, and a buyer's employment history (Kenney 2011). While any one issue could be negative in isolation, it is important to remember that in seller financing, these issues are points of negotiation and could result in higher compensation to the seller in the form of a higher interest rate, a higher sales price, or a higher down payment.

THINK POINT #4: Creative Solutions Through Seller Financing

Seller financing is flexible and offers creative solutions for sellers and buyers. If a buyer does not have enough funds for a down payment, the parties could agree to either increase the sales price of the property or increase the interest rate of the loan (Kenney 2011). It is important for the seller to consider that a small bump in the interest rate can be far more beneficial to the seller over the term of the loan than an increase in sales price. For sellers that do not want to offer financing for an extended period of time, but need to keep payments manageable for buyers, balloons offer a solution that keeps payments low and gives buyers time to either pay off the note

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or refinance before it is due. Because seller financing gives a buyer time to rebuild his credit, the buyer can often refinance the balloon note when it becomes due using conventional financing. The key aspect of seller financing is that the terms are negotiable, and the parties should be creative to reach a solution that meets the goals of each party involved.

Recommended Reading

Kenney (2011), *Real Estate Investing Seller Finance*, Altoona, PA: Eiram Publishing.

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