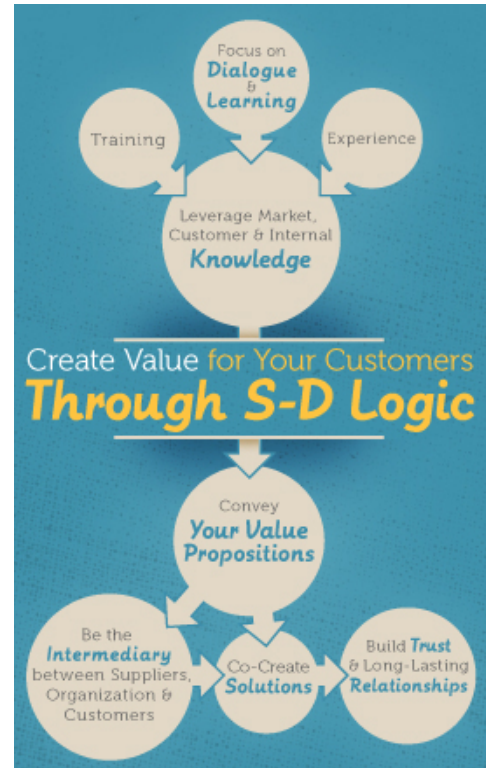


Service-Dominant Logic – How Does This Impact Today’s Agent?

By Kenneth Le Meunier-FitzHugh, PhD

The sales environment is rapidly changing. The real estate sales environment is also becoming more complex and competitive, and is being driven by a rising number of home options, increasingly demanding customers and a shift in what customers’ value in the home-buying process. The emerging sales environment demands that agents improve their skills, develop an understanding of integrated solutions and focus on relationship-building, particularly for high value goods and services like real estate (e.g. Sheth and Sharma 2008).

Traditionally, real estate sales people focus customer attention to new features of a property. However, to cultivate long-term customer relationships, agents must engage in a more tailored sales approach, focusing on providing multiple, coherent solutions for their clients (e.g. Piercy, Cravens and Lane 2007), especially with new property purchases.



Service-dominant (S-D) logic, which focuses on services and/or intangibles as the key interest in an exchange, can dramatically alter an organization’s operations, culture and overall strategic outlook to create mutual benefits for buyer and seller groups (Vargo and Lusch 2004). An organization with S-D logic orientation achieves these advantages by placing the customer at the heart of all business activities. In S-D logic exchange, service is exchanged between the buyer and seller via the goods/services being purchased (Lusch and Vargo 2006). Customer value and satisfaction is co-created between buyers and sellers throughout the sales interaction.

A S-D logic sales orientation can have great impact for a real estate agent. Data from the recent study of a UK-based homebuilder reveal significant findings that can support and help agents develop a customer-focused orientation, which can ultimately lead to increased sales and customer satisfaction.

Customer-Focused Orientation – A Case Study

Recently, our research team studied the homebuilding branch of a UK-headquartered construction firm. The homebuilder, who is active in the UK and the US, specializes in building new homes for a broad range of customers, including first-time buyers and seasoned homeowners. The company sought to shift their focus toward S-D logic, putting the customer at

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the center of their sales and marketing efforts. To support this transition, they hired a Sales and Marketing Director to drive new operational activities. In an effort to analyze the effectiveness and impact of this orientation-shift, data from the organization was collected through nine semi-structured, face-to-face interviews with numerous company representatives spanning the roles of Group Sales and Marketing Director to the Regional Salesperson. Data was also collected from a review of company assets, including presentations, sales literature, press advertisements and website pages. Two members of our research team also made visits to a number of the homebuilder's construction sites over a period of several months. All interviews lasted between 30 minutes and one hour, were tape-recorded and transcribed for analysis.

The organization rolled out the new, customer-oriented philosophy through a series of staff conferences, discussion groups and workshops. The company's new stated mission is, "*To share our customers' passion and to work with them to create and deliver with pride the home they want. Put simply, 'Inspired by You!'*" The ultimate goal was to shift all staff to this new paradigm so that they could deliver the customer's "dream home."

The elements of the company's presentation to the sales personnel included five key imperatives:

- *Look through eyes of customer*
- *Improve communication within regional businesses*
- *Plan better*
- *Deliver customer journey in line with research findings so that there are no surprises*
- *Build rapport*

Customer-facing sales personnel were enthusiastic about the new marketing initiatives, which promised to facilitate more and better quality customer contacts.

The homebuilder developed the model of the "customer journey" to help salespeople guide the customer from initial contact with the organization through the occupation of the property, and beyond to post-sale service. This journey was described along six stages of the customer's relationship with the firm: *Stranger, Acquaintance, Friend, Know, Like, Love*. Presenting the stages in this way allowed the organization to provide a framework for the dialogue that takes place between sales personnel and the customer, and encourages them to interact, convey value and engage in co-creation. Both the customer and the salesperson go on this journey together to encourage open dialogue, negotiation and decision-making. As the process unfolds, "home" not "house" ownership is co-created through the revealing and refinement of the customer's true values. Appropriate marketing collateral and knowledge of the homebuilding processes/time frames were also necessary to support this effort.

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Developing and Refining Sales Skills – Implications for Real Estate Agents and Sales Staff

Analysis of the interviews and the case materials revealed six important implications for real estate agents and sales staff:

1. ***Don't Overlook the Importance of Dialogue Leading to Learning about Customers' Needs.***

When customers are unclear of their needs (and even unwilling to invest time to understand them), the salesperson must be able to quickly and insightfully elicit the customers' priorities and create joint learning (Kalaiganam and Varadarajan 2006; Rust and Thomson 2006). This skill can be refined through training and experience, helping agents learn to uncover and understand what their customers value in the sales exchange.

2. ***Leverage Market, Customer and Internal Knowledge***

S-D logic requires a change of emphasis from the knowledge of *product-based features and benefits and solutions*, to the management of *sales personnel knowledge* to create a competitive advantage for the organization. The customer should be able to identify benefits based on the salesperson's knowledge of markets and the capacity of the organization. Sharing differentiated knowledge and offering a range of choices and services also allows the agent to understand customer preferences and manage his/her expectations.

3. ***Convey Your Value Propositions.***

A customer's perception of value is influenced by the organization's activities, yet also relies on sales personnel acting as the communicator of the value proposition (Kalaiganam and Varadarajan 2006). We observed that the solution sought by the customer must include not just the agency's services but, equally importantly, the communication of those processes and a clear understanding of their value to the customer.

4. ***Co-Create Solutions.***

The process of co-creation is dependent upon meaningful and mutual engagement (Prahalad and Ramaswamy 2004). Systems and processes to help bring the customer along the journey to the solution are important in a customer-oriented sales exchange. The homebuilder, for example, offers an interactive IT home-modeling system to help sales staff and customers understand the variety of home options available. This was greatly valued by the customers. What systematic mechanisms do you have in place to co-create a solution with your customers?

5. ***Be the Intermediary between Suppliers, Organization and Customers.***

S-D logic will increasingly require coordination across the organization and through the supply chain (Matsuo 2006). In many cases, as in the sale of a newly built home, sales

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staff will communicate with a network of outsourced functions to obtain the optimum solution for the customer through the integration of multiple resources. As such, it is important for sales personnel to understand the capabilities and limitations of each player in the network. An agent's understanding of the product/service, the sales organization, relevant suppliers, and the customer's expectations need to be managed through a systematic process (e.g., the customer's "journey") and supported by appropriate resources.

6. *Build Trust and Long-Lasting Relationships.*

In the case study, the homebuilder was focused on one-time, individual sales rather than an ongoing relationship with its customers. To address this, they developed the "customer journey" model and future profit opportunities by offering post-home-sale services, such as landscaping, renovations or add-ons, and the opportunity to build community facilities. Further, data indicate satisfied customers frequently return to purchase larger properties as their family expands, and/or recommend the company to their relatives and friends. The development of long-term relationships is essential, as the opportunity for additional sales is revealed over time.

Conclusion

This case study demonstrates that S-D logic can influence the sales function by moving the customer to "center stage," which makes experienced salespeople essential assets to the organization. Customer satisfaction will be primarily achieved through the dual application of senior management support and cross-functional training with other player(s) in the network (e.g. site managers, architects and surveyors in a new-build scenario). Sales staff require specific training on the importance of conveying value propositions and in the co-creation of solutions with customers. This training can help sales representatives enhance listening skills, diagnostic capabilities, problem-solving techniques, and the ability to use their knowledge in dialogue and developing individualistic value propositions.

In the case of this homebuilder, sales personnel must understand how the new home is likely to be used by the customer – for example, they may need extra facilities to accommodate frequent visitors, or they may value office space, or additional storage. Agencies need to develop a clear process that assists the agents in "accompanying" the customer through a journey towards a long-term relationship. Customers begin to value the actual process of interacting with the agency, specifically through its agents. They feel listened to and appreciate the sales team's feedback as the current sale and the long-term relationship is developed.

The new roles and skills that sales personnel were asked to perform were not yet fully developed during the case study period. More needs to be done to help the management and sales staff understand a customer-oriented philosophy, which will help agents to have the confidence to make adjustments in the sales approach in response to customer input. Salespeople may also

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need flexibility in what they can offer to the customer so that they can adjust to each individual's needs. This may be facilitated through the employment of interactive IT packages and communications. Co-creation of value requires a feedback mechanism in terms of product development and marketing, and sales personnel have to be trained to manage this customer information to ensure the continuous adjustment of the organization's offerings. To monitor the sales process, this organization introduced the concept of the "customer journey," which encourages the sales person to travel along with the customer. Such a framework provides criteria by which marketing decisions can be made. S-D provides an integrative logic and each marketing tactic is designed for a specific part of the customer journey. The value of such tactics can be validated and their effectiveness can and should be measured. Gaining the sale is now only a part of the sales process rather than its ultimate goal. The competitive advantage of this process lies in the provision of the service, which creates the real value for the customer.

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Dr. Le Meunier-Fitzhugh obtained his PhD from the University of Warwick in Marketing and Strategic Management after spending 20 years working in sales and marketing for a range of organizations, including Yamaha and Thorn/EMI. He has worked with a number of organizations on sales and marketing strategy, including Sheering Plough, GKN and Wabco. Dr. Le Meunier-Fitzhugh has lectured at LSE, King's College London and St Andrews University. He is currently a Senior Lecturer (Associate Professor) at the University of East Anglia and an Associate Lecturer at Cranfield School of Management.

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