



The real thing in sales relationships

A profile match between sales representatives and their buyer counterparts in retail outlets can help build stronger relationships, suggests a study undertaken in Coca-Cola's Western Cape Region.

by Colin Forrest and Frikkie Herbst

In a competitive market, companies are constantly looking for new ways of differentiating themselves from their competitors. What avenues are open to them? Improving a product or its features to surpass what the competition offers is one option. Re-engineering the value chain and slicing costs may be another. But gains made through such techniques are usually short-lived, because rivals catch up rapidly and erode these sources of advantage.

Classic marketing strategies aimed at competing on price, product, promotion and place (the four Ps) are easily imitated. At best, clever innovations

deliver a short-term advantage, but the playing field soon becomes level again. As a result, relationship marketing has gradually emerged as a technique to build a more sustainable source of competitive advantage.

Coca-Cola in the Western Cape relies strongly on the concept of relationship marketing in putting its representatives into the field to place its products on the shelves of retail outlets. It is important to the company that its sales team establishes strong, lasting relationships with store owners on a person-to-person level. In this way, Coca-Cola

maintains, its representatives are able to exert more influence on store owners to cooperate in terms of implementing in-store sales drivers. In-store drivers may include advantages such as displays, listing new product ranges, and charging the right price to attract consumers. If these are negotiated favourably, the sales throughput in a particular store should increase.

For Coca-Cola, and for the fast-moving-consumer-goods (FMCG) supplier, the main question is to determine the factors that influence the establishment of a strong and sustainable relationship

between a sales representative and the store owner or buyer. Can a profile be identified by which sales representatives can be matched with their counterparts in the retail stores?

An MBA research project at the University of Stellenbosch Business School (USB) investigated this question in a study done at Peninsula Beverage Company, the local bottler of The Coca-Cola Company products in the Western Cape. The research showed that there was a correlation between the profile match between a sales representative and a customer – in this case, the store's buyer – and the likelihood that they would form a strong relationship.

Based on the findings, a profile of the ideal sales representative relative to a particular customer can be proposed, as shown in the table on the right:

Investigating relationships and their effects

When relationship marketing is a vital component of one's business strategy, as in the case of Peninsula Beverage Co, certain questions need to be answered. The USB research was prompted by four specific questions which were of concern to the company:

- 1 Do the similarities or differences between sales representatives and customers, based on a demographic profile of the persons, impact on the likelihood that a relationship will form between the two?
- 2 Will a stronger relationship impact positively on the ability of the representative to affect the in-store drivers?

| Profile of the ideal sales representative | |
|---|--|
| Age | Representatives should be the same age as, or older than, the customer. |
| Gender | Gender does not matter. |
| Race | An African customer is serviced more effectively by an African representative. For customers of other race groups it does not matter. |
| Language | English or Afrikaans sales representatives can service either English or Afrikaans customers. Xhosa-speaking customers are serviced more effectively by Xhosa-speaking representatives. |
| Area of residence | Representatives should come from the same area as the customer. |
| Religion | Representatives should have the same religion as the customer. |
| Education | Representatives' level of education should be similar to or higher than that of the customer. |

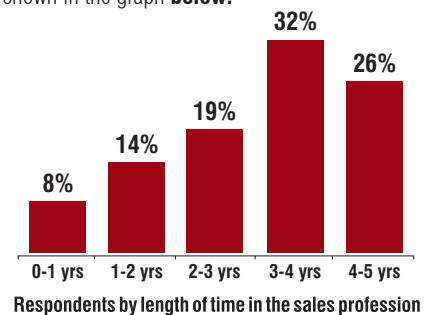
- 3 Will in-store drivers affect the sales volume?
- 4 Will the strength of a relationship ultimately lead to growth in sales volumes to that particular customer?

Data and analyses

Most of the research data was gathered by way of detailed questionnaires completed by 72 sales representatives of Peninsula Beverage Co servicing the greater metropole in and around Cape Town. Sales volume and sales growth data for the relevant

customers were drawn from the internal information system.

Most of the respondents had between three and five years of experience in the sales profession, as shown in the graph below:



Non-parametric statistical techniques, such as Friedman ANOVA and Kruskal-Wallis tests, were performed with the data to examine the research questions.

The research questions were broken down into 41 more detailed assumptions that were analysed with the data. Most of these analyses focused on the question of demographic factors. The other analyses investigated the questions related to realising in-store drivers, the impact of in-store drivers on sales volume, and the impact of relationship strength on sales growth. The first three analyses were done with questionnaire response data. The last question about sales growth was examined by using both questionnaire responses and true sales records.

Relationship marketing in perspective

- **Relationship marketing (RM)**, which has become an important trend in marketing, is an approach that is aimed at customer retention. Organisations that follow an RM strategy strive to develop long-term, mutually beneficial links with their customers. It is argued that the existence of a sound relationship can create additional value for both the customer and the supplier, on top of the inherent value of the products or services that are exchanged.
- **Customer relationship marketing (CRM)** is the technology-enabled, practical implementation of relationship marketing. CRM is used to integrate the core business strategy of a company into the management of internal and external processes in order to produce value for the company and its customer network.
- **Trust, mutual satisfaction and commitment** are core values in relationship marketing. Commitment typically manifests as an enduring desire to maintain a valued relationship even if rival suppliers come with seemingly more attractive offers.

Results: relationships matter

Demographic factors

The first part of the analysis focused on answering the first research question, namely the role of matching demographic factors in aspects of relationship-forming.

- It was found that it is not easier to build a relationship with someone because of similar **race**. Factors such as the ability to communicate with a customer, to develop mutual trust, to build loyalty,

and loyalty, on the other hand, is easier when the customer is older.

- Similarity of **education** plays a role in forming relationships, communicating with customers and building loyalty, but it shows no impact on the development of trust. Moreover, when it comes to influencing the customer, it was found to be easier for a representative to influence a customer with a lower level of education than he or she has.

The conclusion was that, with the current set of data, the assumption could neither be confirmed nor disproved. This remains an area that needs to be further examined with more data over time.

Matchmaking for success

What comes out strongly in the USB study is that matching a sales representative with the profile of a customer can positively support a strategy of relationship marketing. If one attends to the right personal profile issues, the likelihood of a stronger relationship between a representative and a customer is greater.

For this reason, it is important to establish a database that can capture customer profile variables so that representatives can be matched on those characteristics that make a difference. Although it is not always logistically possible to match all relationships, this proves to be an area which needs to be creatively managed.

This research also highlights the value of training. Having a higher level of education than the customer emerged as a factor that improves the influence the representative has over the customer. ■

Matching a sales representative with the profile of a customer can positively support a strategy of relationship marketing

and to influence a customer are all the same irrespective of race. The one exception, however, is in the case of an African customer, where in respect of most of these factors it was found that a matching African sales representative makes a positive difference. African sales representatives find it easier to build relationships and communicate with African counterparts, as well as to build loyalty and to influence them. The same finding was made as far as matching **isiXhosa-speaking** sales representatives and customers are concerned.

- Living in the same **area** as the customer and being of the same **religion** were also found to impact positively on most of these factors. Trust is only influenced by religion, not by living in the same area. But the acts of communicating, building loyalty and especially influencing people are easier when the representative and the customer both live in the same area and have the same religion.
- Matching of **gender** made no difference in any of the factors examined, except one. Sales representatives find it easier to build loyalty with a customer of the opposite gender.
- Matching of **age** yielded contrasting findings. It was found to be easier for a sales representative to build a relationship with someone of the same age or younger. Communicating is easier when age is similar, while influencing a customer is easier when the customer is younger. Developing trust

In-store drivers

The second part of the analysis attempted to answer the question whether a stronger relationship will impact positively on in-store drivers. The findings were as follows:

- A strong relationship makes it easier to get a new product listed.
- Similarly, a strong relationship makes it easier to get a display built in a particular retail outlet.
- While a strong relationship makes it easier to get price compliance in a store, the influence is not as strong as in the case of the other two in-store drivers.

Sales volume

When the assumption that in-store drivers will positively influence sales volume was tested, the results confirmed that:

- if a sales representative manages to increase the forward share in an outlet (e.g. putting up displays), there will be an increase in sales volume in that outlet, and
- likewise, if a sales representative gets price compliance in an outlet, it will lead to higher sales.

Sales growth

The last question tested was whether a strong relationship could be statistically connected to actual sales-growth figures. A very low correlation was found, which was also not statistically significant.



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This research was published by Colin Forrest (cforrest@ufr.co.com) and Frikkie Herbst in the *South African Journal of Business Management*, Vol. 19 issue 1 (2008), in an article titled *The drivers influencing the relationship between sales representatives and customers and the impact this has on sales volume within Coca-Cola's Western Cape Region*. The article was based on Forrest's MBA research report, *Evaluating the drivers that impact the relationship between a sales representative and customer within the retail sector and the impact this relationship has on the sales volume of Coca-Cola products within the Western Cape*, that was supervised by Prof Frikkie Herbst and presented to the USB in December 2007.



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Are you contemplating a novel technique to enhance your relationships with customers – a technique which would benefit from research?

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