

Need-Based Sales Pitch: Insights from an Experiment

H. R. Ganesha¹, P. S. Aithal², & P. Kirubadevi³

¹Chief Executive Officer – Consulting Division, Gramss Retail Trading Private Limited, Bengaluru - 560078, India and Post-Doctoral Research Fellow, College of Management & Commerce, Srinivas University, Mangalore – 575001, India.

OrcidID: 0000-0002-5878-8844; E-mail: hrganesha@yahoo.co.in

²Vice Chancellor, Srinivas University, Mangalore – 575001, India.

OrcidID: 0000-0002-4691-8736; E-mail: psaithal@gmail.com

³Head of Category Management and Sourcing, Actoserba Active Wholesale Private Limited (Zivame), Bengaluru – 560038, India.

OrcidID: 0000-0003-2291-8448; E-mail: spkirubadevi@yahoo.com

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Need-Based Sales Pitch: Insights from an Experiment

H. R. Ganesh¹, P. S. Aithal², & P. Kirubadevi³

¹Chief Executive Officer – Consulting Division, Gramss Retail Trading Private Limited, Bengaluru - 560078, India and Post-Doctoral Research Fellow, College of Management & Commerce, Srinivas University, Mangalore – 575001, India.

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ABSTRACT

In brick-and-mortar retailing, sales personnel play the most important and complex role whereby they are the ones who are connected to consumers directly on a real-time basis. It is observed that the majority of brick-and-mortar retailers in India assume; consumers who walk into their stores have a clear understanding about their needs and based on their needs they enquire sales personnel in the store about a specific product/category/brand. Such a significant assumption has created a predisposition and mindset in sales personnel, and they believe that they are left with very little room for adding any more products into consumers basket by the way of either cross-selling or up-selling. In this research, we have attempted to design a new need-based sales pitch technique and applied the same through an experiment to evaluate the change in (a) sales person's attitude towards consumer orientation, (b) types of products/categories/brands being sold, and (c) overall store profitability.

Keywords: Brick-and-mortar store, Offline store, Physical store, Salespeople, Salesperson, sales Personnel, Customer Orientation, Sales Pitch, Need-Based Selling.

1. INTRODUCTION :

Multi-category and multi-branded retail stores catering to multiple life-stage needs of a consumer comprise of many products/categories which are designed to serve the specific needs of consumers. Most of the retailers, classify these products into different sections either based on consumer needs (demand side) or product's behaviour (supply side) or visual appeal (communication side) or consumer life-stage (solution side) and this classification is known as categories. Each of these categories includes multiple sub-categories and each sub-category is comprised of multiple brands, models, colours and SKUs. Every product/category/brand in the entire store's product offering plays an important role with respect to consumers and retailers. It is imperative to note that, the understanding of the role played by a particular product/category/brand might not be the same among consumers, retailers and sales personnel. What is really important and of significant essence is that every sales personnel in the store is familiar with each of these product/category/brand's roles in relation to consumers explicit and implicit needs which in turn could possibly help sales personnel to enhance their own performance in a sagacious manner thereby enhancing (a) overall consumer satisfaction, (b) overall store profitability and (c) their individual performance. For many years it has been debated among consumer behaviour and sales personnel behaviour researchers about, who actually has a higher awareness level of consumer needs. It is not recommended to make strategies by assuming this awareness level to be high or low in favour of either consumer or sales personnel.

2. LITERATURE REVIEW :

Weitz (1979) [1], believes that the way in which sales personnel interact with consumers needs to be customized to each consumer and this could possibly be able to determine their success. Saxe and

Weitz (1982) [2], were the first to define sales personnel's consumer orientation. This customer orientation is said to happen when the sales personnel and consumer together practice the marketing concept. They have clearly stated that just the interaction between sales personnel and consumer does not yield to this orientation, it needs to encompass most of the marketing concepts driven centrally by the company. Later, Brown et al. (2002) [3] narrowed down this definition and came up with two key constructs, the first one being sales personnel's tendency to ensure consumer needs are met and the second one being the level of sales personnel's enjoyment in doing so. Vandewalle et al. (1999) [4], believes that what can lead to sales personnel enjoy the process of interaction with consumers and ultimately selling a product is their strong orientation to learning. It also important to note, various studies have shown that 70% of the purchase decisions are made in-store by most of the customers (Liljenwall, 2004 [5]).

James L. Heskett et al. (1997) [6], argue that the profitability is significantly derived from consumer loyalty which is strongly linked to a) internal service quality and b) satisfied and productive service employee. The service-profit chain model created in their work holds true even after globalization, liberalization and digitization of the retail market.

Understanding sales personnel behaviours has been and is one of the important fields in social science research. One of the important aspects of sales personnel behaviour which has a significant impact on consumer repeat visit intention and loyalty for a retail store is sales personnel's perception and predisposition about a consumer who he/she is attending to. The majority of sales personnel develop their mindsets to segment consumers into preferred consumers and non-preferred consumers and this mindset play an important role in the way the consumer will get treated by the sales personnel (Gills et al. (1998) [7], Singh. R et al. (2015) [8], Chen. Y et al. (2018) [9]).

In the past, various indicators which can indicate a retail sale in relation to quality and level of sales personnel involvement have been studied and analysed by many researchers. Most important indicators were (a) the amount and quality of time spent by the sales personnel with the consumer (Davis. H.L. et al. (1972) [10]), (b) variety of products/SKUs/models being showcased by the sales personnel to consumer (Dawson et al. (1992) [11]), (c) level of information being collected by the sales personnel on consumer needs directly from the consumer (Sharma. A. (2001) [12]), (d) sales person's efforts to understand the consumer brand preference and showcasing products/SKUs/models in relation to the preference (Pettijohn C.E. et al. (2002) [13]), (e) sales personnel's capability to explain the features of products showcased to consumers and their confidence level while explaining the differentiation among a variety of products showcased (Aggarwal. P. et al. (2005) [14]) and (f) the range of products/SKUs/models showcased by the sales personnel in relation to price and utility expected by the consumer (Davis. D. D. (2008) [15]). All these findings are affirmative to the fact that the sales personnel's engagement with the consumer in real-time significantly influence consumer's purchase decision directly and most importantly this engagement process also indirectly influence consumer's mindset on their long-term association with the retail store or retailer.

Ganesha, H.R. et al. (2020) [16], conducted a sales personnel centric experiment by changing the sales personnel's performance measure from output driven to input driven measures and found that the input driven measures were all helping the sales personnel to understand the role of each product; be it essential, non-essential, high priced, low priced and so on and indirectly these measures were pushing them to focus on just the consumer's needs, consumer's lifetime value rather all the time thinking about just one transaction.

Ganesha, H.R. et al. (2020) [17], carried another sales personnel centric experiment wherein they attempted to decentralize the discounting process by empowering sales personnel to decide on the type and level of discount to be offered to consumer found that, it is not just the discount level, type, duration, coverage and advertising discount offer which is important to attract more consumers and increase their intent to purchase more, what is also very important is (a) how does the sales personnel who is dealing with the consumer directly and has real-time insights about consumer's intent, needs and attitude towards a particular purchase activity communicate available discount offers to consumers with confidence, (b) does he/she believes in a particular discount offer and (c) can he/she convince the consumer about the benefits of discount offers which are not real-time. Both these experiments in a way indicate that sales personnel need to be considered as the most important last-mile communication delivery personnel who has the capability of creating a positive perception about the retailer.

We were trying to find in the existing literature a framework which we would apply and evaluate if the framework is able to answer our key research questions in the Indian context. But we could not find a model/framework with which we can answer our research questions such as (a) can we believe that the consumers awareness level of their needs is high and relevant to the life-stage, (b) can we believe that the sales personnel awareness level of consumer needs is high and relevant to the life-stage, (c) if we cannot believe then what is the way in which we can understand the accurate awareness level and relevancy of these needs to life-stage and (d) if we are able to know the approximate level of awareness and relevance then how do we create a sales pitch which can help brick-and-mortar retailers to overcome this issue. Thus, we decided to understand the existing sales pitch process and methodology of a brick-and-mortar retailer, analyse the available secondary consumer past purchase data to verify the assumptions to create a new sales pitch technique and apply it over a longer period of time to evaluate the implications of new sales pitch technique on the overall store profitability and sales personnel attitude towards consumer orientation.

3. OBJECTIVES :

Key objectives of this research were to:

- (a) Understand the change in overall store profitability by implementing a consumer need-based selling technique (implicit and explicit) across;
 - (i) Control group
 - (ii) Experimental group
 - (iii) Pre-test period
 - (iv) Post-test period
- (b) Draw insights from the experimentation.

4. METHODOLOGY :

Stage I: One organized Brick-and-mortar retailer in India was selected who is having stores all over India across (a) mall stores, (b) high-street stores, (c) neighbourhood stores, (d) tier 1, 2 and 3 cities, (e) offering multiple-categories and multiple-brands at mid to high price positioning catering to pregnant women, new moms, babies, infants and kids up to 8 years. 15 percent of these stores were exposed to the experimentation (experimental group) and other stores were not (control group).

Stage II: Quantitative data for all the stores were collected prior to experimentations (pre-test). An open-ended personal interview was conducted for randomly selected (convenience sampling) sales personnel across experimental and control group stores to understand their understanding and attitude towards existing sales pitch techniques.

Stage III: Continuous training was conducted to all the sales personnel of experimental group including store managers, area sales managers, territory managers, regional managers and the national sales head over a period of 30 days prior to applying the new sales pitch technique to impart knowledge about the new sales pitch technique, their pros and cons, implementation methodology and importantly the key goal of the experimentation. Post-training the new sales pitch technique was implemented across all the stores selected for experimentation over a period of six months (experimental phase).

Stage IV: Results obtained during the experimentation stage (post-test) analysed using appropriate statistical methods and compared with the pre-test period.

Stage V: The findings from this experimentation were compared with pre-test across experimental and control groups.

Stage VI: In this stage, insights and inferences from the research findings were used to propose a way forward for brick-and-mortar retailers to enable them to design appropriate sales pitch techniques to enhance their overall store profitability.

5. THE NEW NEED-BASED SELLING TECHNIQUE :

During the direct interview with sales personnel and observation of actual sales pitch process we have noticed that majority of the sales personnel assumed that consumers clearly know (a) their life-stage, (b) products needed for the life-stage and (c) when and how much to purchase, hence, we can only add just a few more products to the consumer basket as part of cross-selling and up-selling. But, when we analysed the consumer wise purchase data, it was evident that most of the consumers did not purchase

all the products in relation to their life-stage needs, rather they bought all of them as per their understanding of needs. Data also indicated that few products that were bought were bought much in advance of their next life-stage. There was a significant gap in the understanding of consumer needs with respect to consumer life-stage because of which sales personnel always sold products which were enquired by the consumer. As a key part of this experiment we decided to categorize all the products in the store into;

- (a) implicit need products; these are products which are required for a particular life-stage of the consumer, but their awareness level of either need or the product is low
- (b) explicit need products; these are products which are required for a particular life-stage of the consumer and their awareness level of both the need and product is high.

A detailed list of products categorized into implicit and explicit need was made and displayed in every store's backroom which was part of the experimental group and the entire store team was taken through this list in detail for a period of 30 days. Later, during the experimentation phase all the sales personnel were asked to strictly follow do's and don'ts of the new sales pitch technique as detailed below;

Don'ts:

- (a) segmenting consumers based on sales personnel's perception into; low-transaction value consumers, medium-transaction value consumers and big-transaction value consumers
- (b) focussing only on a specific product/category for a particular period
- (c) focussing only on high-priced items
- (d) selling a product which is not relevant for the consumer's life-stage just because the consumer has shown interest in purchasing it

Do's:

- (a) understand consumer's life-stage rather than the consumer
- (b) after attending to consumer's query (explicit need), if consumer permit, take the consumer through other products which are listed in the implicit need category in relation to consumer's life-stage and ensure you are approach is more inclined towards a suggestive sales pitch rather than a direct sales pitch
- (c) if a product for which a consumer has shown intention of purchasing is not relevant or not required for the time being in relation to the life-stage, try to explain the irrelevance in detail to ensure not even a single product is sold to consumer irrelevant for the life-stage
- (d) consistently attempt to create a positive perception in consumer's minds about (a) honest salesmanship, (b) reliability of sales personnel's suggestions, and (c) a go-to store mindset.

All the existing sales pitch techniques were completely withdrawn from the stores under the experimental group during the experimentation phase to ensure that the findings of the experiment enable us to draw an accurate level of correlation and determination between a number of implicit need based products being sold by these stores during the experimentation phase and the overall store profitability.

6. KEY FINDINGS AND INSIGHTS :

Using pre-test post-test control group formula, we have found that the real treatment effect has shown a 58 percent improvement in the overall store profitability of the experimental group over their pre-test period. Comparative results as shown in tables 1, 2, and 3 when compared with different periods indicate that the new need-based sales pitch technique has indicated significant improvement in the implicit need tagged product's sale over pre-test experimental group and across pre-test and post-test control group. Further analysis of primary data shows a significant positive correlation between quantity sold per day per square foot in products categorized as implicit need products and the overall store profitability of experimental group post-test, which is 0.927 (with t-test 2-tailed sig. value of 0.017) with an R square value of 0.860, whereas the same was 0.437 pre-test. This significant change in positive correlation can be attributed to the new consumer need-based sales pitch technique as this correlation even though positive in the explicit need tagged products but was not significant (0.661) post-test. We have also found that the overall store profitability of the experimental group post-test improved by 12.801 times of control group post-test overall store profitability.

As far as qualitative findings are concerned an open-ended interview was conducted with all the sales personnel of the stores under experimental group post-test and unanimously, they have all said, (a)

majority of consumers appreciated their honesty, (b) many products which were never enquired by the consumer have started selling and most importantly(c) they realized their expert level during the experimentation. Another key insight from these direct interviews was that the results of this experiment were clearly visible to them as they were able to get many of these consumers to return to their store more frequently which helped their store to grow the revenue by 103 percent and store profit by 210 percent compared to pre-test period thereby enhancing their sales incentives by multi-fold.

Table 1: Percentage change over the pre-test period across key factors for control and experimental groups post-test.

Factors	Post-Test Control Group	Post-Test Experiment Group
Quantity sold - implicit products	↓ 51%	↑ 71%
Quantity sold - explicit products	↓ 75%	↑ 113%
Average MRP - implicit products	↑ -7%	↓ -16%
Average MRP - explicit products	↓ -10%	↑ -8%
Average selling price - implicit products	↑ -1%	↓ -8%
Average selling price - explicit products	↑ -2%	↓ -6%
Average MRP of store	↑ -2%	↓ -6%
Average selling price of store	↑ -1%	↓ -7%
Average transaction value of store	↑ -5%	↓ -9%
Average basket size of store	↓ -4%	↑ -2%
Discount per cent	↓ -10%	↑ 19%
Bills per day per square foot	↓ 65%	↑ 90%
Sale quantity per day per square foot	↓ 59%	↑ 85%
Revenue per day per square foot	↓ 57%	↑ 72%
Earning per day per square foot	↓ 80%	↑ 83%
Profit per day per square foot	↓ 109%	↑ 210%

Table 2: Percentage change across key factors between the experimental group and control group pre-test phase.

Factors	Post-Test Experiment Group
Quantity sold - implicit products	15%
Quantity sold - explicit products	10%
Average MRP - implicit products	-5%
Average MRP - explicit products	-7%
Average selling price - implicit products	-8%
Average selling price - explicit products	-2%
Average MRP of store	-5%
Average selling price of store	-4%
Average transaction value of store	-16%
Average basket size of store	-13%
Discount per cent	-17%
Bills per day per square foot	27%
Sale quantity per day per square foot	11%
Revenue per day per square foot	7%
Earning per day per square foot	15%
Profit per day per square foot	67%

Table 3: Percentage change across each key factor between experimental group and control group post-test.

Factors	Post-Test Experiment Group
Quantity sold - implicit products	30%
Quantity sold - explicit products	34%
Average MRP - implicit products	-14%
Average MRP - explicit products	-4%
Average selling price - implicit products	-14%
Average selling price - explicit products	-6%
Average MRP of store	-9%
Average selling price of store	-10%
Average transaction value of store	-20%
Average basket size of store	-11%
Discount per cent	10%
Bills per day per square foot	46%
Sale quantity per day per square foot	29%
Revenue per day per square foot	17%
Earning per day per square foot	17%
Profit per day per square foot	1180%

7. CONCLUSION :

The experiment of applying a new sales pitch technique which is based on the real needs of consumers in relation to their life-stage rather than pitching for sale which assumes that the consumer's or the sales personnel's awareness levels on the consumer needs are correct has shown significant improvement in the overall store's (a) number of bills/invoices, (b) sales quantity, (c) revenue, (d) gross margin value, (e) the overall store profitability and most importantly (f) sales personnel attitude towards consumer orientation. The key manipulation in the experimental group was the new need-based sales pitch technique framework through which sales personnel were instructed to diplomatically correct the consumer's product/category/brand inquiry and suggest to them the right product/category/brand relevant to consumer's life-stage need of the hour. It was evident from the results that the products which were categorized as implicit need products in the experimental group have shown a post-test growth of 71.40 percent over pre-test experimental group, 97.16 percent over pre-test control group and 30.49 percent over post-test control group thereby increasing the overall store profitability of experimental group by 12.801 times in comparison to control group post-test. Even though these products have shown growth of 51 percent in the control group over their pre-test period the relative growth in the control group's overall store profitability was significantly lesser when compared to the experimental group. This in a way affirms that it is not just about increasing the sale of products categorized as implicit need products, it is all about the overall sales pitch process and methodology. Prior to the experimentation, it was anticipated that most of the key performance indicators which were used by the retailer to measure sales personnel performance, such as average selling price, average transaction value, and average basket size will significantly degrow which was made known to the retailer and sales personnel in the experimental group of stores well in advance which is also supported by the post-test results. Brick-and-mortar retailers need to understand that the sales personnel are the ambassadors of the store/brand who are directly connected with the consumers on a real-time basis and the way in which these sales personnel pitch to consumers for sale could possibly influence the retailer/brand/store image in consumers mind as far as their long-term association is concerned.

8. SUGGESTIONS TO BRICK-AND-MORTAR RETAILERS :

Based on this research outcome, we would like to suggest Brick-and-mortar retailers that they need to clearly understand (a) product/category/brand assortment which they are offering to their target consumers, (b) role of every product/category/brand and (c) categorization of all the products in their store based on real consumer needs relevant to life-stage. Most importantly the sales pitch methodology must be designed in accordance to the need-based categorization.

9. LIMITATIONS OF RESEARCH:

The main limitation of this research work is the coverage of various stakeholders viz., consumers and retailers in experimenting with this new sales pitch technique. This might limit the generalizability of the research findings to other set of retailers and consumers. The second limitation would be the empirical validation is restricted to one retail format i.e., multi brand and multi category baby care stores in India and hence the generalizability of the findings and suggestions to other retail formats. The third limitation would be our ability to carry out true experimental design, at best we were able to carry out a pre-test post-test control group experimental design. However, it provides significant input regarding the ways to utilise these findings as all the findings have been derived from a pre-test post-test control group experiment spread over six months.

10. SCOPE FOR FURTHER RESEARCH :

It is recommended that this research can further be extended to derive an ideal sales pitch framework/model for Brick-and-mortar retailers to enable them to gain a competitive advantage over other retailers and retailing formats.

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