
Building High Value Relationships with Retail Customers

Challenge:

In today's retail landscape, chain stores competing primarily on price and selection dominate the market. In this environment, few retailers consider the possibility of building value-added relationships with customers. Instead retailers tend to regard their sales people as, well – people who sell! In other words, sales people answer customer's questions, present alternative products and take orders. Fair enough, but in addition to simply selling products and answering customers' questions, imagine if sales people could create real 'value' for customers by understanding their problems and needs and providing 'solutions' in the form of products that address those needs.

In addition to creating value for the customer, retail sales people can create value for their own company and for suppliers by continuously and systematically gathering data from customers and feeding it back to the retailer and the suppliers. Consider who knows more about customer's buying habits, their preferences for different brands, their attitudes toward price and value and even their lifestyles, than the sales people who face customers every day.

Let's look at the situation common in most retail environments today. Typically the consumer, shopping for a the latest high definition television or a new washing machine first checks the internet to see the features, benefits, performance ratings, etc. of alternative products. They might then check the newspaper to determine a fair price. And finally they walk into their local retailer, point out the item they want and if the price matches their perception of a fair price - they buy.

For the supplier of the television or washing machine it would seem that the millions invested in market research, product development, selling and marketing costs all to achieve brand differentiation and innovative products is largely wasted.

And what about the retailer? In this highly transactional environment, how much does the sales person learn about the shopper? How does he/she create the relationship with the customer that might result in a repeat buying and long-term, customer loyalty? Anyone who has shopped for household appliances or electronics will easily recognize that most major retailers have become primarily order takers for consumers who have almost completely decided what to buy before they enter the store. At the same time, the manufacturers of these products are caught in a spiral of investing heavily in new, innovative products while feeding retailers' price wars through ever increasing discounts and rebates.

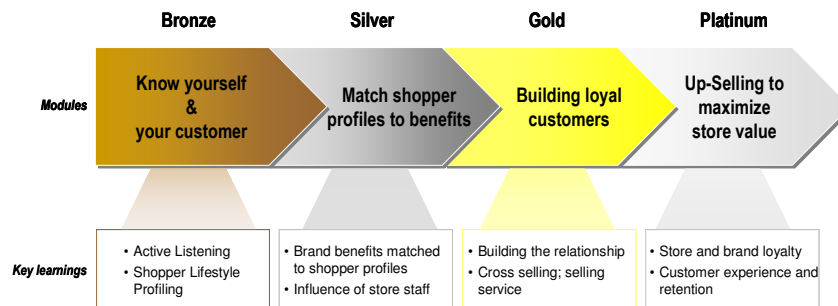
Approach: High Value Retail Selling Skills

One manufacturer that we work with decided to change this spiral by partnering with major retail customers to train its sales people in new, 'relationship selling' techniques. Relationship selling refers to the process of building a relationship with the customer, rather than simply engaging in a sales transaction, i.e. taking an order. Relationship selling is required in most business to business selling processes. And although the best retail sales people always treat each customer interaction as a relationship-building activity, this type of selling is far from typical in retail.

Ironically, while retailers seem to compete purely on low-price, customer research clearly shows that customers would pay premium prices if a sales person attempted to understand and address their needs, in other words attempted to build a relationship. In fact one study indicated that shoppers would pay 20% more for a household appliance if the retail sales person attempted to match the product to the shopper's lifestyle and emotional needs.

The innovative relationship selling program developed by Global Partners through a close collaboration between the global manufacturer and their retail customers was called *High Value Retail Selling Skills (HVSS)*. The title reflected several elements of Value Creation. For the consumer, High Value meant that the retail sales person provided value by listening to and understanding their needs, rational as well as emotional, and recommending products that would best address those needs. For the retailer, High Value described the type of customers it was most interested in creating long-term loyal relationships with. The manufacturer's definition of High Value referred to both the value created for consumers through products that addressed their needs and also to the value created for the retailer and the manufacturer by customers who were willing to pay premium prices for a relationship-based shopping experience.

The High Value Retail Selling Skills program consisted of three key components. The first was a four-module progressive skill building program. Each module was delivered in a highly interactive ½-day session, facilitated by a Global Partners facilitator. The modules were designated Bronze, Silver, Gold and Platinum, corresponding to the progression of the participants through successively more challenging and sophisticated selling techniques. In the Bronze module, for example core skills of Active Listening and questioning techniques were taught. In Silver, participants learned skills to enable the identification of shopper's rational and emotional needs – the key to influencing the shopper's decision on which product and brand to buy. Later modules taught skills in cross selling and up-selling as well as building long-term customer loyalty.



High Value Selling Skills Program, 4 Progressive Modules

Shopper Diaries

The second key component of the program was a 'Shopper Diary' in which sales people collected data about the shopper. Basic information, such as the shopper's lifestyle, brand preferences, other stores visited and budget were collected. In addition the sales person was trained to identify the shopper's psychographic profile. Psychographic Profile refers to the use of psychographic variables such as personality, values, attitudes, interests, or lifestyles to determine a person's buying preferences. For example, a person with a profile designated as 'Easy Living' prefers products that are not only very easy to operate, but also contribute to making the person's overall daily life simpler. On the other hand, a person designated as 'Power User' prefers products with the latest technology and features and the highest performance. Once the sales person has identified the shopper's profile, he/she can adapt his selling technique to match the shopper's profile, creating empathy and trust with the shopper. Most importantly, the sales person can then match the shopper's profile with the right product and brand, ensuring that the rational and emotional needs of the shopper are met and thereby further building a high-trust, loyal relationship with the customer.

The Shopper Diary serves a second, essential purpose. In order to complete the Diary, the sales person must be able to gain the trust of the shopper. In order to do this the sales person has to effectively apply the skills taught in the training. Therefore the successful completion of the diaries confirms that the salesperson has learned and can apply the skills taught in the training workshop. Salespeople who completed a minimum number of diaries were then certified, not only as having completed the training, but also as having successfully applied the new skills and concepts.

Follow-up Coaching

The third component of the High Value Selling Skills program was follow-up coaching. In between each module, sales people participated in a telephone coaching session facilitated by the Global Partners facilitator. Coaching sessions were an effective way to ensure that sales people were applying the skills after the training workshop as well as a means to answer questions and share best practices between participants.

Results From Initial Programs

The High Value Selling Skills program focused on driving two business metrics for the retail stores; increasing the close rate, i.e. sales closed as a % of interactions with shoppers. Close rate was further tracked according to the number of shoppers who stated that they were at the store for data gathering, but not necessarily there to buy, those who stated that they were there to buy and those who were there for service. The second metric tracked was the increase in average transaction value, also called market basket. This metric indicated the ability of the sales person to cross-sell and up-sell the customer. Increasing Close Rate and Average Market Basket Value both depend on establishing a high-trust relationship with the customer, understanding customers' psychographic profiles and emotional needs and matching products and brands to fit the customer's profile and address their needs. Although it is too soon in the implementation of the program to see dramatic improvements, early feedback from participants indicates a fundamental shift in their approach to selling and serving customers, a shift that participants say will undoubtedly result in greater sales and profits for the retailers.

Although Close Rate and in particular increased Average Market Basket benefit the manufacturer as well as the retailer, there are significant returns to the manufacturer from other areas. The Shopper Diaries provide a rich source of data on customer backgrounds, brand perceptions, price points and psychographic profiles. This data can be used for product development, range selection, pricing decisions, product training, promotion enhancement and tracking competitive products.

Most importantly for retailers and manufacturers is the shift in thinking and behavior of the retail sales staff, from transaction-oriented, reactive order takers, to relationship-oriented creators of customer value!

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