The Two Minds of the Buyer: The Difference in Expectations and Perceptions towards Sales Personnel in Turbulent Market Contexts

ABSTRACT

In current turbulent times, organisations have to adapt to rapidly changing market conditions in order to attract and retain clients. According to our quantitative study in which we compared clients' expectations and perceptions, the key to a successful adaptation in complex sales contexts lies in increasing salespeople's levels of expertise, as it has a direct impact on perceived value and loyalty intentions. Moreover, expectations about a salesperson's empathy seem to be the deciding factor for clients engage with the firm initially, whereas perceptions of a salesperson's knowledge contribute to loyalty.

Keywords: sales personnel, expectations, perceptions, client, expertise, knowledge, loyalty

INTRODUCTION

In current turbulent times, organisations face an increasing amount of obstacles to attract and retain clients. This is due to a myriad of factors such as market saturation and hyper-competition. Due to these factors that constitute a fast changing environment and complex sales context, the role of the sales personnel needs to be newly defined (Ahearne and Rapp 2010). A salesperson can no longer only be an order taker, but must be someone who creates, cultivates, and keeps relationships with the client (Ramachandran, Viswanathan and Gosain 2008). In line with this, research shows that in a competitive environment the establishment of long-term client relationships is important and only possible if, from a client's perspective, the salesperson is adding value to the transaction (Liu and Leach 2001; Rackham and DeVincentis 1999).

There is an abundance of research about salespersons' critical skills, attitudes, and behaviours that impact performance as well as the criteria that promote client satisfaction, loyalty, and repurchase behaviour (Liu and Leach 2001; Naylor and Frank 2000). Studies have also linked client loyalty, both return intentions and word-of-mouth, to clients' value perceptions of their interactions with salespeople (Reichheld and Sasser 1990).

At the same time, there is also evidence that sales managers are not always giving adequate attention to enhancing the skills and qualities of their sales staff in order to create perceptions of value and client loyalty (Bagozzi 1978; Ingram and Schwepker 1993). This, however, may be particularly important in the current internet age in which clients are able to gather information and come to the meeting armed with an abundance of knowledge about products and services themselves. These potential clients may not be impressed by a salesperson reciting product information, but instead look for advice about selecting the best product for their particular need among the numerous options available. To meet these needs, salespeople need a particular set of competencies. However, to our knowledge very few studies have looked at clients' expectations towards and perceptions of sales personnel in fast changing, complex and knowledge-rich contexts.

Therefore, the objective of this study is to explore clients' expectations towards, as well as their perceptions of salespersons' competencies. We further investigate how these competencies influence client perceptions of value as well as loyalty. The findings of our research thus contribute to the extant literature and carry managerial implications with regards to the management of sales personnel in complex sales settings.

THEORETICAL BACKGROUND

Through the internet, information about products is readily available for anyone to peruse. Product and service details as well as client reviews about products can be accessed online without having to consult a sales representative, as was previously the case. This suggests that client expectations towards salespeople's role may have changed. It is important to understand what these expectations are, as the meeting and exceeding of clients' expectations may be related to increased value perceptions and subsequent levels of loyalty (Carmel and Scott 2007). Zeithaml (1988) states that perceived value refers to clients' overall assessment of a product or service, taking into consideration the balance between what they contribute to and what they receive from the transaction. There is also evidence that clients' perceived value is often dependent on the particular competencies of the salesperson (Homburg, Wieseke and Bornemann 2009).

Therefore, in the following we will discuss which competencies may meet clients' expectations and contribute to value perceptions and loyalty. The discussion forms the theoretical basis for the conceptual framework of our study.

Expertise

Expertise goes beyond a commanding knowledge of product details. It combines this knowledge with empathetic elements. Experts, therefore, are problem solvers for their clients, help to narrow down product choices (not just giving them large amounts of information to handle on their own), give recommendations, and instill confidence in clients' decision-making process (Ingram and Schwepker 1993). As such, an expert is someone who has the ability to communicate his knowledge in a helpful manner while being client-oriented and professional. As there is the notion that expertise may be a central competency for salespersons in complex sales contexts (Liu and Leach 2001) we will investigate its antecedents as well as its outcomes in more detail.

Knowledge

With the proliferation of internet access to a large portion of the population an enormous source of information has become publicly available. Clients are now able to compare products and services online and to choose among the possibilities for the most attractive offer. Effectively utilizing this new information tool, they have become much more proactive regarding the preparation of their purchase decisions.
However, a recent study by Dougherty and Murthy (2009) revealed that it is still particularly important for buyers how knowledgeable salespersons are: buyers are overwhelmingly drawn to salespeople with extensive product and market knowledge. Ramachandran, Viswanathan and Gosain (2008) state that "information assymmetries" between salespeople and clients are the norm, suggesting that a salesperson disposes of more or better information and knowledge about the offered product than their clients. Further, Bellenger and Ingram (1984) describe a positive relationship between the knowledge of a salesperson and the level of ethical behavior the salesperson exhibits. Having proper knowledge also makes a salesperson more confident in the interaction with clients, helps to establish trust in the client, and to create an overall more positive experience (Swan, Trawick, and Silva 1985). This could, in turn, lead to an increase in the client's perceived expertise of the salesperson. From a client's perspective we thus hypothesise:

H₁: Salespersons' product knowledge is positively related to their expertise.

Empathy

Empathy has been identified as key in turning prospective clients into real clients, as well as maintaining their satisfaction (Jolson 1997). The term empathy has no clear definition in the literature. Comer and Drollinger (1999) suggest that empathy is the ability "to perceive the internal frame of reference of another with accuracy, and with the emotional components and meanings" (p 19). They highlight that empathetic salespeople are effective by listening carefully, being alert to the client's feelings, and by processing the information the client is seeking. In line with this, Parasuraman, Zeithaml and Berry (1988) state that empathy consists of "caring, individualized attention" (p 6). Further, Keaveney (1995) notes the necessity of a concerned salesperson due to the fact that clients are likely to switch to other service providers when faced with salespeople who are either rude or uncaring. Thus,

friendliness and listening skills are key aspects when understanding the value of empathy in a salesperson as perceived by the consumer.

To corroborate this point, Jolson (1997) states that selling should be a "building of mutual trust within the buyer/seller dyad with a delivery of anticipated, long-term, value-added benefits to buyers" (p 76). Herein, we see the problem-solving aspect, showing that the *listening* skills of empathy are related to the *problem-solving* skills of expertise. All things considered in the above discussion, we hypothesise that from a clients' perspective:

> *H₂: Salespersons' empathy is positively related to their expertise.*

Perceived Value

Much of the literature that discusses the idea of *value* fails to identify what it is that value exactly entails. While it is a term that is commonly used, its meaning and interpretation remain hazy. In particular, the antecedents of perceived value remain to be examined in more detail. For the purpose of this research we suggest that in complex sales contexts salespeople's expertise contributes to the value perception of clients (Liu and Leach 2001). Therefore, we hypothesise that:

> *H₃: Salespersons' expertise has a positive relationship with perceived client value.*

As there is also the notion that the knowledge gap between salespeople and clients, or information asymmetries in seller/buyer dyads, may contribute to clients' value perceptions (Ramachandran, Viswanathan, and Gosain 2008) we suggest that:

> *H₄: Salespersons' knowledge has a positive relationship with perceived client value.*

Finally, there may also be a link between a salesperson's empathy and clients' value perceptions. As Widmier (2002) states, empathy may allow a salesperson to create tailor-made suggestions for the client, which can contribute to perceptions of added value. It follows that:

> *H₅: Salespersons' empathy has a positive relationship with perceived client value.*

In the following section we will outline how perceived value may be linked to positive client behavioural intentions (Reichheld 1996).

Client Loyalty

Creating client loyalty has become a crucial factor for a sustainable business strategy (Naylor and Frank 2000). This is due to the fact that the costs of attracting new clients amongst the myriad of new competition have increased in relation to the costs of keeping existing clients (Reichheld and Sasser 1990). Based on the findings of their research, Naylor and Frank (2000) suggest that retailers must be able to provide a higher value to clients in order to build their loyalty, and thus improving profits over time.

Client loyalty can be observed in two main forms. First, there is the loyalty that entails an intention to return to a salesperson or company. Second, there is the loyalty that causes the client to voice satisfactory purchase experiences amongst peers and families. In an increasingly competitive environment where buyers are provided with numerous options and

formats of purchasing, it is critical for organisations to develop both forms of loyalty amongst clients (Naylor and Frank 2000).

Based on existing research, there is reason to suggest that the factors discussed above, namely a salesperson's knowledge, empathy, expertise, as well as perceived client value, all contribute to client loyalty (Crosby, Evans and Cowles 1990; Ingram and Schwepker 1993; Ingram and LaForge 1989; Kennedy, Ferrell and LeClair 2001). Therefore, we hypothesise the following:

H_{6a}: A salesperson's knowledge is positively related to client loyalty.
H_{6b}: A salesperson's empathy is positively related to client loyalty.
H_{6c}: A salesperson's expertise is positively related to client loyalty.
H_{6d}: A salesperson's perceived value is positively related to client loyalty.

CONCEPTUAL MODEL

Figures 1 and 2 both outline the conceptual model of our study. As influential frameworks such as SERVQUAL (Parasuraman, Zeithaml and Bitner 1988) have drawn attention to the fact that a difference in consumers' expectations and perceptions may influence their perceived value and loyalty towards a provider, we decided to test the model twice: In study 1, we test the hypothesized paths in relation towards clients' expectations of the sales encounter. In study 2, the model is tested based on clients' perceptions of the interaction with the salesperson.

METHOD

The data was collected from clients using both, an online survey and hard-copy questionnaires. Existing scales for value, knowledge, expertise, empathy, and loyalty were used from the above discussed literature and further developed and adjusted for this study by using data collected through prior interviews. All of the constructs were measured on 5-point Likert-type scales (for an overview of the final questionnaire items, please refer to the Appendix). The survey was pilot tested and questions were revised to ensure clarity and correctness.

We first gathered data from 238 buyers about their expectations of a sales encounter in the near future. For study 2, these same buyers were again surveyed to assess their experience of a sales encounter over the last six months. This procedure resulted in 121 usable datasets which allowed us to compare the path coefficients of our conceptual model for buyer expectations and perceptions.

DATA ANALYSIS

As a first step, independent variables were mean centered in order to minimize plausible multicollinearity (Byrne 1998). Exploratory factor analyses (EFA) were performed to assess construct dimensionality (Anderson and Gerbing 1988) and to identify the items which best explain the observed variance in each construct. Multiple factor analyses were run during which low loading items were successively eliminated and high loading items kept. The highest loading items were finally retained to represent the respective constructs which are knowledge, empathy, expertise, perceived value, and client loyalty. We deleted seven items

with low factor loadings (cut-off at .5). Scales were checked for face validity after deleting the items. All the scales were uni-dimensional. Selective retention of scale items with the highest factor loadings during the scale purification process was used to increase the amount of common variance among items (Bhuian, Menguc and Borsboom 2005; Lassk et al. 2001). Thus, the construct of knowledge is being represented with four items, the constructs empathy and expertise both with three items, the construct perceived value with eight items, and the construct of loyalty with two items. Table 1 provides the descriptive statistics and correlations among all variables used in the study.

Insert Table 1 here

Hierarchical regression analysis was used in order to evaluate the impact of the model parameters on expertise, perceived value, and client loyalty. In what follows, Study 1 will outline our findings for clients' *expectations*. In Study 2 we highlight the results for clients' *experiences* and describe in what way the relationships between the variables are different compared to Study 1.

Study 1 – Client Expectations

To test the conceptual model, consecutive multiple regression analyses were run (for an overview of Study 1 results, refer to Figure 1). First, a regression was estimated by regressing expected expertise (EXPEX) with expected knowledge (EXPK) and expected empathy (EXPE) in order to test for main effects. Multicollinearity was tested using variance inflation factors (VIF) of the regression coefficients. Absence of multicollinearity was indicated as the VIF values were below 2.04, substantially lower than the recommended threshold of 10 (Hair 1995).

The results of the first regression show that only expected empathy ($\beta_{EXPE} = 0.49$, t = 4.30) has a significant positive relationship with expected expertise, whereas knowledge does not. Thus, we reject H_1, whereas H_2 is supported.

Further, we estimated two regressions with perceived value as the dependent variable (DV). The results support H_3, as expected expertise ($\beta_{EXPEX} = 0.41$, t = 3.82) has a significant positive impact on perceived value. However, neither knowledge nor empathy have a direct positive relationship with the perceived value of a salesperson.

In order to see whether expertise acts a mediator between expected knowledge and value, as well as expected empathy and value, we followed the procedure suggested by Baron and Kenny (1986). Our results show that expected expertise ($\beta_{EXPEX} = 0.35$, t = 3.65) completely mediates the relationship between expected empathy ($\beta_{EXPE} = 0.13$, t = 1.40) and perceived value, since the effect of expected empathy on perceived value becomes non-significant once we add expected expertise to the regression equation.

Therefore, we conclude that expected expertise and expected empathy (indirectly through the mediation of expected expertise) have a significant relationship with value. Expected knowledge does not affect value since it is not correlated with the mediator. Therefore, we can conclude that H_5 which stated that a salesperson's empathy has a positive relationship with perceived value is partially supported. However, H_4, which hypothesized that a salesperson's knowledge has a positive relationship with perceived value is rejected.

We further ran a regression analysis to test for main effects by regressing client loyalty with all other constructs: expected knowledge (EXPK), expected empathy (EXPE), expected

expertise (EXPEX), and perceived value (VA). Again, the VIF values indicate the absence of multicollinearity.

The results reveal that all constructs except for expected knowledge ($\beta_{EXPK} = 0.01$, $t = 0.13$) have a significant impact on client loyalty. Therefore, the results support H_{6b}, H_{6c}, and H_{6d}, which predicted that empathy, expertise, and perceived value are positively related to client loyalty. However, H_{6a} which stated that knowledge is positively related to client loyalty is not supported. Furthermore, the results show that perceived value partially mediates the relationship between expected empathy and client loyalty, and between expected expertise and client loyalty.

Insert Figure 1 here

Study 2 – Client Experiences

The above mentioned analysis was repeated with all constructs, however, this time assessing clients' experiences with a sales encounter (for an overview of Study 2 results, refer to Figure 2). The results are different from study 1, which showed that expected knowledge does not affect expected expertise. Instead, results from study 2 support both H_1, which states that salespersons' product knowledge is positively related to their expertise, as well as H_2, which predicts that a salespersons' empathy is positively related to their expertise.

Further, the results show that only experienced expertise ($\beta_{EXEX} = 0.31$, $t = 2.08$) has a significant effect, supporting H_3. Therefore, to test whether experienced expertise acts as a mediator between experienced knowledge and perceived value, as well as experienced empathy and perceived value was conducted (Baron and Kenny 1986).

The results reveal an interesting difference: Experienced expertise ($\beta_{EXEX} = 0.32$, $t = 2.49$) completely mediates the relationship between experienced empathy ($\beta_{EXE} = 0.10$, $t = 0.78$) and perceived value as well as between experienced knowledge ($\beta_{EXK} = 0.15$, $t = 1.18$) and perceived value. Thus, despite mediation, experienced knowledge and experienced empathy have an impact on perceived value through the mediator experienced expertise. This supports both H_4, which hypothesises that salespersons' product knowledge has a positive relationship with perceived value, and H_5, which states that salespersons' empathy has a positive relationship with perceived value.

Using client loyalty as a DV, the regression results show that the only significant predictor variables for client loyalty are experienced knowledge and perceived value. This shows once again that knowledge holds a greater importance for client experiences than for client expectations. Overall, the findings support H_{6a} and H_{6d}, but not H_{6b} and H_{6c}.

Insert Figure 2 here

DISCUSSION AND CONCLUSIONS

Given the current turbulent market climate, client loyalty is more important than ever before in order to create and maintain a competitive advantage. Firms aim to establish client loyalty as it not only reduces marketing costs but also enables them to gain additional revenues, higher profit margins, and new clients through positive word-of-mouth (Palmatier, Scheer and Steenkamp 2007).

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The main findings of this research have demonstrated that there is a direct link between client loyalty and clients' value perceptions. It is therefore important to understand the factors that lead to these perceptions. We identified that a salesperson's expertise directly impacts the value perceived by the buyer. This study also found that a salesperson's expertise completely mediates the relationship between experienced knowledge and perceived value, as well as both experienced and expected empathy and perceived value.

We also uncovered an interesting dynamic between buyers' expectations and experiences in complex purchasing contexts: There is a clear shift from the importance of salespersons' empathy to the importance of salespersons' knowledge when moving from expectations to perceptions of such sales encounters. As could be seen in the analysis of client expectations, knowledge does neither have an impact on value through expertise, nor on loyalty. Expected empathy, however, does have an impact on both, value through the mediation of expertise, as well as on loyalty. On the other hand, clients' perceptions of knowledge have an impact on value through the mediation of expertise. Moreover, in this scenario only knowledge has an effect on loyalty (along with value, as is also the case when looking at clients' expectations), whereas empathy has no impact on loyalty.

These findings give us some indication as to how clients' perceived value and loyalty in complex sales contexts are formed. First, it shows that clients *believe* that the empathy of a salesperson is much more important to them than the salesperson's knowledge. The reasons for this phenomenon are a topic for further research. However, we can form initial hypotheses here. Perhaps, with the increase in buyers' knowledge in the internet age, they believe they need or want a salesperson who is able to listen, is friendly, and is trustworthy. Less emphasis is placed on a salesperson's product knowledge, as clients believe they themselves are already knowledgeable enough. However, it would seem that after such a sales experience, the "warmth factors" as described by Rust and Zahorik (1993), along with the other empathetic elements chosen in this study, no longer play an important role when forming post-purchase loyalty intentions. At this point, knowledge takes on a greater importance as it influences loyalty directly and indirectly through expertise and perceived value. This suggests that a salesperson's product knowledge is, in fact, more important in forming value perceptions and loyalty, even when dealing with a well informed client, than salespeople's empathy.

One key managerial implication of this finding is that managers need to emphasize different attributes of their personnel in campaigns targeted at clients, than the personnel attributes that must be enhanced through internal training initiatives, or fostered through recruitment efforts. From a service perspective, while expertise is central in creating positive expectations as well as perceptions, it appears that empathetic elements are more important in external communications to enhance client expectations, and knowledge attributes in interactive communications to enhance clients' perceptions and ultimate loyalty (Parasuraman, Zeithaml and Berry 1988).

To conclude, it appears important to increase salespeople's levels of expertise, as it has a direct impact on perceived value and loyalty intentions of the buyer. Expectations about a salesperson's empathy may be the deciding factor for clients engaging with the organisation for a first time, perceptions of a salesperson's knowledge may contribute to the decision to come back a second time.

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Table 1: Correlations and Descriptive Statistics

		EXPK	EXPE	EXEXP	EXK	EXE	EXEX	VA	LOY
EXPK	Expected Knowledge	.73							
EXPE	Expected Empathy	.50	.71						
EXPEX	Expected Expertise	.38	.49	.79					
EXK	Experienced Knowledge	.33	.26	.46	.88				
EXE	Experienced Empathy	.25	.28	.35	.70	.85			
EXEX	Experienced Expertise	.20[*]	.15	.38	.68	.74	.78		
VA	Value	.31	.30	.41	.44	.45	.50	.87	
LOY	Loyalty	.32	.45	.49	.32	.25	.17	.37	.78
Mean		4.35	4.48	4.12	3.87	3.94	3.85	2.86	4.17
Standard Deviation		.58	.60	.73	.77	.79	.77	.71	.79
N		121	121	121	111	112	112	121	121

Figure 1: Conceptual Model and Regression Results for Study 1
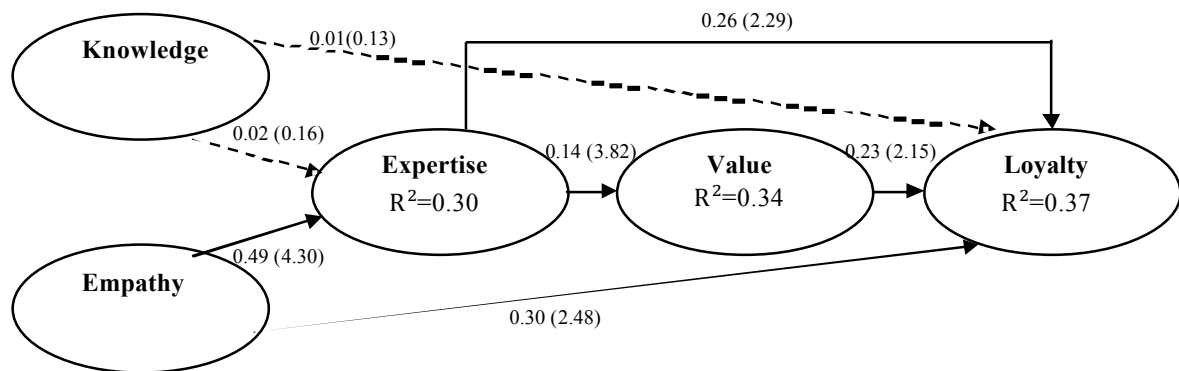
Note: Standardised Coefficients (β) and t values (in parentheses)
          Dotted lines denote a non-significant relationship (at   p=0.05)

Figure 2. Conceptual Model and Regression Results for Study 2
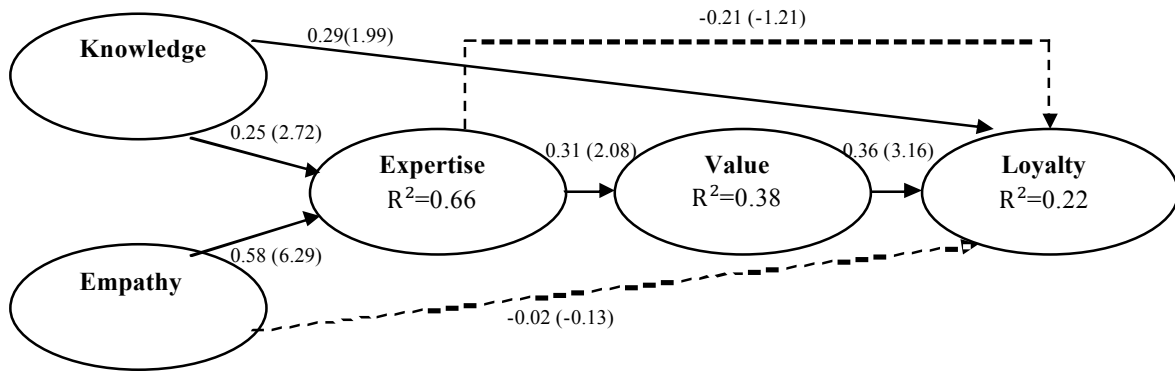
Note: Standardised Coefficients (β) and t values (in parentheses)

Dotted lines denote a non-significant relationship (at p=0.05)

Appendix. Scale Items and Factor Loadings

Expected Knowledge

I expect the sales person to…

a.) …provide me with critical information about the product.	**0.78**
b.) …know the technical details (e.g. performance, quality, battery life, etc.).	**0.75**
c.) …know the product details (e.g. weight, dimensions, etc.).	**0.73**
d.) …know the operational details of the product (e.g. how to operate, things to pay attention to, etc.).	**0.74**

Experienced Knowledge

The sales person in the store…

a.) …provided me with critical information about the product.	**0.87**
b.) …knew the technical details (e.g. performance, quality, battery life, etc.).	**0.90**
c.) …knew the product details (e.g. weight, dimensions, etc.).	**0.82**
d.) …knew the operational details of the product (e.g. how to operate, things to pay attention to, etc.).	**0.84**

Expected Empathy

I expect the sales person to…

a.) …be trustworthy.	**0.85**
b.) …be friendly.	**0.73**
c.) …listen to my requests carefully.	**0.81**

Experienced Empathy

The sales person in the store…

a.) …was trustworthy.	**0.92**
b.) …was friendly.	**0.85**
c.) …listened to my requests carefully.	**0.88**

Expected Expertise

I expect the sales person to…

a.) …help me narrow down my choice.	**0.81**
b.) …instill confidence in me about the offered product.	**0.87**
c.) …provide recommendations about product choice.	**0.85**

Experienced Expertise

The sales person in the store…

a.) …helped me narrow down my choice.	**0.77**
b.) …instilled confidence in me about the offered product.	**0.89**
c.) …provided recommendations about product choice.	**0.87**

Value

a.) A sales person is critical for the purchase decision of an electronic product like a digital camera.	**0.79**
b.) I make my purchase decision based on a sales person's recommendation.	**0.82**
c.) A sales person is not required for the purchase decision. (R)	**0.57**
d.) A sales person is essential to pick the right products for my needs.	**0.76**
e.) I value a sales person's recommendation to a great degree.	**0.75**
f.) I will not buy a product without a sales person's recommendation.	**0.62**
g.) A sales person plays an important role in my purchase decision.	**0.85**
h.) Nowadays, sales people do not have any value in my purchase decision. (R)	**0.61**

Loyalty

a.) A positive purchase experience with a sales person makes it more likely for me to return to a store in the future.	**0.91**
b.) I am likely to tell my friends about my positive experience with sales people.	**0.91**