

# The Effects of Retail Competition on The Personal Selling Effort of New Car Salespeople

Dr. Noel Mark Lavenka, Marketing, Loyola University of Chicago  
Dr. Allen F. Jung, Marketing, Loyola University of Chicago

## Abstract

*This study presents an empirical investigation of the personal sales effort at the retail level. Automobile dealerships were selected based on the emphasis they place on personal selling as an important component for sales. However, little actual personal selling effort was observed as a result of inter-brand competition between dealerships, as well as, intra-brand competition among dealerships. The effects of retail competition on the personal selling effort are discussed.*

## Introduction

Dissatisfaction with the local retail market often forces the consumer to "outshop" with the perspective that another shopping district may offer better customer treatment (Williams 1981). The small city customer may view retailers in medium and larger cities as more competitive with better service. Conversely, the city dweller may view retailers in small and medium size cities as providing more honest and genuine personal attention (Hildebrandt 1987). To test this assumption, sixty Ford and Chevrolet dealerships were contacted to compare the efforts of salespersons by size of the city. They represented an equal number of small, medium, and large city dealerships. Although consumers may have the perception that better sales service exists elsewhere, this study concludes that little difference exists in the efforts of salespeople across city size or by type of retail competition.

## Retail sales effort in the competitive marketplace

It is recognized that the role of personal selling is more crucial for durable shopping goods - especially automobiles (Kotler 1988). However, given the growing importance of retail competition, there exists a lack of published research on retail sales force performance and effort. In one descriptive study of appliance retail salespeople, Olshavsky (1973) suggests that the degree of adjustment in a sales presentation to a customer is limited in a retail setting. He found most of the variation in sales presentations was based on product attributes. Two marketing studies followed that have specifi-

cally investigated the role of personal selling on consumer decision making for new automobiles (Punj and Staelin 1983; Furse, Punj and Stewart 1984). These studies report that sales personnel did not make the most use of categorical information about consumers that is available to them. However, sales personnel were recognized as an important factor in the consumer purchase decision at the retail level.

This investigation is restricted to Chevrolet and Ford dealerships in order to standardize the effect of retail competition. Both Chevrolet and Ford products appeal to relatively the same social class strata, while each arch rival's dealership can typically be found even in small cities. The effect of inter-brand competition between automobile dealerships is not unlike the competition found among several competitive gas stations, grocery stores, drug stores, etc. It is hypothesized that direct competition between two dealerships within a primarily isolated shopping district would result in an increase in the personal sales effort. More dealership emphasis on the personal selling effort would presumably promote the differences between two competitive inter-brand products and dealerships.

**H1:** *Small retail markets with direct inter-brand competition lead to significantly more personal sales effort than found in a larger and more competitive environment.*

Large size cities offer population densities that

support any number of dealerships contracted under the same franchise umbrella of one vertical marketing system. This market offers the customer easy access to a number of like product dealerships. These dealerships may view their product as unique, but would presumably differentiate themselves with increased sales effort due to the intra-brand competition among dealerships within the same vertical marketing system. Therefore, it can be hypothesized that there is more emphasis on the personal sales effort among similar intra-brand dealerships found in larger cities than that found in smaller markets with only direct inter-brand competition.

**H2:** *Large retail markets that support both inter-brand and intra-brand competition emphasize significantly more personal sales effort than found in smaller and less competitive markets.*

The primary concern of this study is to investigate the efforts of salespeople by size of city and the use of salespeople in different competitive market environments. The total sales effort observed between Chevy and Ford dealerships will be evaluated as a subsequent concern to the extent of inter-brand competition across all market environments.

### Method of investigation

The same standardized approach was employed at every dealership visited. General Motors Corporation and the Ford Motor Company provided generous support in designing the survey form used to gather the data. Upon request, they provided sales evaluation forms they use to study and evaluate dealer sales personnel. These forms were based on their extensive interviews with new car salespeople and dealership owners. Their representatives regard both the survey method and questions as the best estimate of the objective sales efforts of dealer sales personnel. These companies have used this survey method and questionnaire to evaluate sales performance, but have not released the results to the public. The questions for this study were incorporated from these two very similar evaluation forms. Seven objective sales points were selected for this study that are considered so vital to the selling effort that they can be answered with a simple "yes" or "no" acknowledgement. This allows the shopper to remain anonymous and to simply note whether or not these points were presented.

It is not the intent of this study to evaluate the ability of the salespersons' adaptive selling behavior. Obviously, many criteria, such as, the salespersons' knowledge, motivation, personality, etc. may influence the customers' purchase decision at the point of sale (Szymanski

1988; Weitz, Sujan & Sujan 1986). The selected questions used in this study focus exclusively on measurable sales presentation points considered essential in the personal sales efforts of the automobile salesperson.

A personal interview of each floor salesperson was conducted in the guise of a shopper. The shopper recorded all information on the data form in his car immediately upon leaving the showroom. To standardize the interview process, one author of this study posed as a sophisticated buyer very cognizant of car buying and dealer practices. He is a knowledgeable buyer who has previously purchased a number of new automobiles. He explicitly stated that he was definitely in the market for a new car and wished to close the deal within a day or two. This profile of a sophisticated buyer is illustrative of the highly self-reliant cluster of shoppers found characteristic of new car buying (Furse, Punj and Stewart 1984).

The shopper made it clear to each salesperson that this was his initial dealer contact. It was felt that disclosing previous buying calls might bias the salesperson's effort. The automobile was to be purchased for cash and the would-be purchaser did not have a car to trade. A number of salespersons referred to this as a "clean deal." After receiving the initial price quotation, the buyer left the showroom. He did not engage in bargaining. The shopper always obtained the salesperson's card and gave a local address and/or telephone number to dealers requesting this information. Due to the large territory that was covered no follow up could be made to evaluate if calls were made. The same standardized approach was employed at every dealership. Each dealership visit ranged from 30 to 75 minutes in length.

### Sample

Retail dealerships in new automobiles were chosen for the sample, and Chevrolet and Ford were the brands selected. These two makes have been the sales leaders for many years. This study was limited for the convenience of sampling to the state of Florida. The Ford Motor Company and General Motors Corporation provided lists of all Ford and Chevrolet dealers in the state.

A major purpose was to compare the efforts of salespersons by size of city and all Florida cities were classified by size. Large cities were judged to have populations over 100,000 people, medium cities had populations between 45,000 and 100,000, and communi-

ties of less than 45,000 were classified as small cities.

The Tampa Bay metropolitan area was judged to represent a large metropolitan city. It includes Hillsborough, Pasco, and Pinellas counties. This area has grown more than 40 per cent in population since 1970 and is now the 20th largest metropolitan statistical area in the United States and the second largest in the Southeast. There were 10 Chevrolet dealers and 10 Ford dealers in this metropolitan area. The number of medium cities in Florida was 14 (1980 census). Miami Beach was excluded since it is part of the Miami metropolitan area and Boca Raton was eliminated because there were no dealers in that city. Two other medium cities, Clearwater and Largo, are located in Pinellas county and were part of the large city sample. There remained only one Chevrolet dealer and one Ford dealer for each of the remaining 10 medium cities. A census of these 20 dealers made up the medium city sample. Many very small cities were not included in the small city sample since the minimum requirement was that a city needed to contain both a Chevrolet and Ford dealer. A random sample of 10 small cities was taken. The data for this study were provided by these 30 Chevrolet dealers and 30 Ford dealers.

The intermediate (mid-size) Chevrolet Lumina 4 door sedan and the intermediate Ford Taurus 4 door sedan were shopped at these dealers. These comparable mid-size cars had both achieved high sales volume in the early part of the 1990 model year. The interviewer asked for the following equipment on each car: 4 speed automatic transmission, V-6 engine, air conditioning, and rear window defogger. The list prices were \$14,620 for the Lumina and \$14,743 for the Taurus. To eliminate interviewer differences, all buying contacts were completed by one of the authors. The sample was completed between February 12, 1990 and March 10, 1990.

## Results

The perception by the consumer that another shopping district, like that found in either a small or large city, may offer better sales service by means of improved sales effort is unfounded. An examination of the mean rankings by the size of markets indicates a considerable degree of similarity afforded the use of objective sales efforts. Hypotheses one and two cannot be supported given the results from the following test.

The Kruskal-Wallis test (one-way analysis of variance by ranks) was used to compare the three subsamples by all seven observed sales effort variables as presented in Table 1. The null hypothesis was that all the three

subsamples were drawn from three identically distributed populations. The large size of the sample allowed a chi-square statistic to be used to determine rejection / nonrejection of the null hypothesis (Siegel and Castellan 1988). The null hypothesis could not be rejected (Chi-square = .007, 2 df,  $p \geq .99$ ) which indicates no significant differences exist for the personal sales effort by the size of the market - either small or large.

Table 2 presents the total rank order differences between the Chevrolet and Ford dealerships. The Wilcoxon-Mann-Whitney test was used (Siegel and Castellan 1988) to confirm that no significant difference was observed for the sales effort by the two dealerships  $P [ W_x \geq 53 ] = .500$ .

The average ranking scores for all dealers indicate which possible selling efforts were most utilized. A high percentage of salespeople emphasized an offer of a demonstration ride (68%), while most sales personnel (97%) asked for the name, address, and phone number of the purchaser to presumably send promotion brochures and to follow-up with telephone calls. Little sales effort was extended by salespeople to explain any one feature (20%), point out any one advantage over competitors' automobiles (5%), offer promotional literature (40%), sell additional accessories (28%), or offer any reason for buying from that dealer (12%).

## Discussion

The consumers' perception that another shopping district will offer better sales service is found to be unwarranted. A comparison of the objective sales efforts of new car salespeople by size of city and retail environment uncovered few differences. The dynamics of inter-brand and intra-brand competition among dealerships indicates little to no differences in the objective measure of the personal sales effort used to differentiate dealerships. A customer can expect equal sales effort on the part of the salesperson regardless of city size and retail environment. A customer in the market for a new car may wish to evaluate the salesperson's effort afforded to them on each of the selling points presented in this study.

Exclusive retail emphasis on inter-brand competition ignores the shopping behavior of customers who shop among intra-brand competitors. While the extensive use of advertising currently emphasizes much of the inter-brand competition between automobile brands, few dealerships are using their sales force to offer reasons for buying from their dealership versus another intra-brand dealership found just down the road. The use of the personal sales effort seems to be ignored not only in

TABLE 1  
 TABULATION OF QUESTIONS CONCERNING THE ACTIONS OF AUTOMOBILE DEALER SALESPEOPLE  
 BY SIZE OF CITY (BY NUMBER OF "YES" ANSWERS)

| NUMBER OF DEALERS   | Small<br>20 |          | Medium<br>20 |          | Large<br>20 |          | Dealers<br>60 |          |
|---|-------------|----------|--------------|----------|-------------|----------|---------------|----------|
|   | Number      | Per Cent | Number       | Per Cent | Number      | Per Cent | Number        | Per Cent |
| Did the salesperson explain any of the features of the automobile?  | 1           | 5.0      | 6            | 30.0     | 5           | 25.0     | 12            | 20.0     |
| Did the salesperson point out any advantages the automobile had over comparable competitors' automobiles? | 2           | 10.0     | 0            | 00.0     | 1           | 5.0      | 3             | 5.0      |
| Did the salesperson offer a demonstration ride?   | 14          | 70.0     | 17           | 85.0     | 10          | 50.0     | 41            | 68.3     |
| Did the salesperson offer any literature?   | 8           | 40.0     | 6            | 30.0     | 10          | 50.0     | 24            | 40.0     |
| Did the salesperson try to sell additional accessories?   | 6           | 30.0     | 7            | 35.0     | 4           | 20.0     | 17            | 28.3     |
| Did the salesperson mention any reasons for buying the car from the dealer?                               | 1           | 5.0      | 1            | 5.0      | 5           | 25.0     | 7             | 11.7     |
| Did the salesperson write down your name, address, and/or phone number?                                   | 20          | 100.0    | 19           | 95.0     | 19          | 95.0     | 58            | 96.7     |
| Totals  | 52          | 37.1     | 56           | 40.0     | 54          | 38.6     | 162           | 38.6     |

$\chi^2 = .007, 2 \text{ d.f.}, p \geq .99 \text{ n.s.}$

TABLE 2

TABULATION OF QUESTIONS CONCERNING THE ACTIONS OF AUTOMOBILE DEALER SALESPEROPLE  
 BY TYPE OF DEALER (BY NUMBER OF "YES" ANSWERS)

| NUMBER OF DEALERS   | Chevrolet<br>Dealers<br>30 |          | Ford<br>Dealers<br>30 |          | All<br>Dealers<br>60 |          |
|---|----------------------------|----------|-----------------------|----------|----------------------|----------|
|   | Number                     | Per Cent | Number                | Per Cent | Number               | Per Cent |
| Did the salesperson explain any of the features of the automobile?  | 6                          | 20.0     | 6                     | 20.0     | 12                   | 20.0     |
| Did the salesperson point out any advantages the automobile had over comparable competitors' automobiles? | 1                          | 3.3      | 2                     | 6.7      | 3                    | 5.0      |
| Did the salesperson offer a demonstration ride?   | 21                         | 70.0     | 20                    | 66.7     | 41                   | 68.3     |
| Did the salesperson offer any literature?   | 15                         | 50.0     | 9                     | 30.0     | 24                   | 40.0     |
| Did the salesperson try to sell additional accessories?   | 8                          | 26.7     | 9                     | 30.0     | 17                   | 28.3     |
| Did the salesperson mention any reasons for buying the car from the dealer?                               | 5                          | 16.7     | 2                     | 6.7      | 7                    | 11.7     |
| Did the salesperson write down your name, address, and/or phone number?                                   | 28                         | 43.3     | 30                    | 100.0    | 58                   | 96.7     |
| Totals  | 84                         | 40.0     | 78                    | 37.1     | 162                  | 38.6     |

P [  $W_x \geq 52$  ] = .500 n.s.

inter-brand competition, but also in the competitive intra-brand environment found in larger cities. The extent in which intra-brand shopping occurs can vary considerably by product type.

A detailed evaluation of the personal sales effort for new car dealerships offers immediate managerial implications to the owners and managers. While solicitation for a demonstration ride (68%) and collection of customer name and address (97%) were employed frequently, infrequent sales effort was demonstrated using any of the other selling points. Perhaps the best selling technique of a salesperson is the offer of a demonstration ride. This allows the salesperson additional time to learn more about the customer and effectively inject some reasons for buying the make of car his dealer represents. This study is illustrative of a shopper receptive to the offer of a demonstration ride. However, this shopper could not garner an offer from about a third of the dealerships visited. Retail sales management may want to reconsider sales training efforts in light of the high cost of personal selling.

The selling points presented in this study do not represent a comprehensive list of all possible selling points, but do give some indication of the sales effort expended. Future studies might address more subjective sales efforts that add to overall consumer satisfaction, such as, the helpfulness and friendliness of retail sales personnel. Other studies might include different categories of customers and products. The findings from this study are limited to interviews by a sophisticated shopper and is not necessarily representative of all types of customers.

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