

Spring 5-2014

Relationship versus Transactional Marketing in the Service Industry

Anna-Claire White
University of Southern Mississippi

Follow this and additional works at: https://aquila.usm.edu/honors_theses



Part of the [Marketing Commons](#)

Recommended Citation

White, Anna-Claire, "Relationship versus Transactional Marketing in the Service Industry" (2014). *Honors Theses*. 203.

https://aquila.usm.edu/honors_theses/203

This Honors College Thesis is brought to you for free and open access by the Honors College at The Aquila Digital Community. It has been accepted for inclusion in Honors Theses by an authorized administrator of The Aquila Digital Community. For more information, please contact Joshua.Cromwell@usm.edu, Jennie.Vance@usm.edu.

The University of Southern Mississippi

Relationship versus Transactional Marketing in the Service Industry

by

Anna-Claire White

A Thesis
Submitted to the Honors College of
The University of Southern Mississippi
in Partial Fulfillment
of the Requirements for the Degree of
Bachelor of Science in Business Administration
in the Department of Marketing

May 2014

Approved by

William Smith, D.B.A., Thesis Adviser
Professor of Marketing

Mike Wittmann, Ph.D., Chair
Department of Marketing

David R. Davies Ph.D., Dean
Honors College

Abstract

Undergraduate research varies from major to major, offering valuable insight toward understanding more about what one is studying. This study focused on relationship versus transactional marketing in the service industry and the impact that building relationships has on making a sale. The aim of this study was to conduct qualitative and quantitative analyses in order to identify patterns regarding the correlation between building relationships and closing a sale. This objective was accomplished in this study. A sample population of consumers was obtained from a proprietary database from a collection of research obtained during my internship with Company X. The data was analyzed to determine if there was a correlation between building relationships with consumers and making a sale. Existing Company X customers and non-existing customers were equally examined. As a result, this study contributed to the field of marketing by determining if building relationship results in a higher number of closed sales.

Key Words: Relationship Marketing, Transactional Marketing, thesis

Acknowledgements

I would like to thank my thesis advisor, Dr. William Smith, for his efforts in mentoring me during the process of completing this study. This piece of work would not have been possible had it not been for his guidance. Additionally, I would also like to thank the faculty of The Honors College. During my four years at the Hattiesburg campus of The University of Southern Mississippi, I was blessed with their support and guidance.

Table of Contents

List of Tables.....	vii
List of Abbreviations.....	viii
Chapter 1: Introduction.....	1
Chapter 2: Review of the Literature.....	4
Chapter 3: Methodology.....	13
Chapter 4: Discussion/Results.....	17
Chapter 5: Conclusion.....	23
References.....	26

List of Tables

○ Table 1: Frequency Statistics.....	18
○ Table 2: Corporate (1) Versus Privately Owned (2) Businesses.....	19
○ Table 3: Large Businesses (1) Versus Small Businesses (2).....	19
○ Table 4: More Information? Yes (1) No (2).....	20
○ Table 5: Obtained Appt.? Yes (1) No (2).....	20
○ Table 6: Sold Account? Yes (1) No (2).....	21
○ Table 7: New or Existing Customer.....	21
○ Table 8: Sold Account? Yes (1) or No (2) Existing Customer Cross Tabulation.....	22
○ Table 9: Chi-Square Tests.....	22

List of Abbreviations

Company X- used to protect the identity of the company where I conducted my research

Find Me- used to protect the identity of the prospecting database of the company where I conducted my research

Anna-Claire White
Honors College Thesis
University of Southern Mississippi
11 March 2014

I. Motivation

The correlation between building relationships and making a sale in the service industry was studied in this thesis. This topic was selected because I wanted to find out if it is easier to sell someone a product if you have an existing relationship with him or her than if you have no prior interaction with the potential consumer. I had an interest in finding out if consumers care about relationships between buyers and sellers or if they really do not want to have a relationship with a salesperson. Is it worth a busy sales representative's time to build rapport or is it a waste of his or her time? In the past, many salespeople in the service industry have spent little or no time building long term relationships with customers because they feel that they are selling a product that does not require the salesperson and consumer to have a relationship. The 80/20 rule that is widely published in marketing textbooks sparked my interest in studying the effects of long term relationships on sales. The 80/20 rule states that 80% of a company's business comes from the top 20% of their customers (Babin & Harris, 2008). Although this rule is widely accepted in the business world, why do most organizations fail to recognize the importance of relationships?

Company X, the company I studied, typically uses its outside sales representatives to present its products to a potential customer. After the products are presented, the outside sales representative then obtains commitment for the sale. After the account is sold, it then becomes another person, the service sales representative's responsibility to maintain the account. The service sales representative delivers the products that the consumer is buying each week. They are responsible for retaining the business and building a relationship with the customers. The

original, outside sales representative who sold them on the program might not ever see them again. The literature that was reviewed, which will be further explained in chapter 2, stated that in order to build effective relationships, the sales representative that sells the account should be the one to maintain the relationship with the consumer. The consumer must know who to count on when there is a problem. The sales representative should be an advocate for the consumer within his organization.

Statement of the Problem

Does building relationships with consumers when selling products in the service industry increase sales? I studied the effect of relationship building on existing Company X customers; specifically, the study examined how these customers responded to Company X trying to sell them chemicals when they already use Company X's product and/or facility program and thus have a prior relationship with the company. The study also examined the behaviors of a group of potential Company X customers who had no previous experience with Company X. The study examined the success and failure rate of each group, the existing customers and prospective customers, to see if prior relationship history created a higher likelihood for a customer to buy. Mailers were sent out to the current customer and prospective customer group as an initial point of contact. I then attempted to build relationships with each group by phone calls, visits, and letters.

Hypothesis

The hypothesis of the study was that there is no relationship between previous dealings with a customer and the likelihood of closing a sale. That is to say that the group of current customers will exhibit the same closing rate, as a percent, as customers with no previous dealings with Company X. The alternative hypothesis was that having a relationship with the current

customer would have a significant effect on making another sale with them. In that case, relationship marketing would be much more effective than transactional marketing.

Definition of Terms

Relationship marketing is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the organization.

(<http://searchcrm.techtarget.com/definition/relationship-marketing>)

Transactional marketing is a business strategy that focuses on single, "point of sale" transactions. The emphasis is on maximizing the efficiency and volume of individual sales rather than developing a relationship with the buyer.

(<http://searchcrm.techtarget.com/definition/transactional-marketing>)

Delimitations

My main delimitation is that I only studied one business in the service industry when choosing my prospective customer groups. My only other delimitation is that I only used current customers living in the Hattiesburg and Gulf Coast Area.

Assumptions

It is assumed that the current and potential customers were reading the chemical flyer when it was delivered in the mail. I also assumed that when I met with current customers, they were giving me their honest opinions about their experiences with Company X.

Justification

This study was conducted because it is important to discover then understand what factors influence people buying products from a service industry. This study aimed to show if it

is important to take the time to build relationships with customers, or if it is a waste of a sales representative's time. This information helped the sales representatives at Company X because it gave them information on the best way to approach consumers. The study showed what factors influence potential customers' buying behaviors. It also provided the sales representatives with information about how to influence potential customers. This study fit very well into existing literature because much of the current literature is speaking about the importance of relationship marketing. Much of the literature suggests you should build and maintain relationships if you want to keep a current customer.

II. Literature Review

Achieve Sales Excellence, written by Howard Stevens and Theodore Kinni, states the salesperson is the most important factor in successful business-to-business sales. The salesperson must stop looking at sales simply as a transaction, and instead the salesperson must start looking at sales as a process that builds a relationship. If the salesperson is able to meet a need of a customer then a transaction might occur, but the interaction must not stop here. The book focuses on the steps that salespeople can take to create relationships with their customers and in return create lifelong customers. It explains how it is nearly impossible to be successful only using transactional marketing in large business-to-business sales. The book focuses on the steps to becoming a "world class sales person." (Stevens & Kinni, 2007)

According to the authors, the foundational rules of professional competence are the first three of the seven rules of becoming a world class salesperson who is able to have repeat business by building lifelong relationships. The first rule is a salesperson must be personally accountable. It is the salesperson's job to ensure that everything is being completed in a timely fashion. The salesperson must take the blame if something goes wrong. By being accountable,

one is able to develop credibility, which is a vital step in building a relationship with customers. Customers must be able to trust that the salesperson will follow through and complete the job. (Stevens & Kinni, 2007)

The second rule is that a salesperson must understand the customer's business. The salesperson must decide what types of knowledge that he needs to understand his customer's business. The types of knowledge are vertical, horizontal, and specialized. Vertical knowledge is having an understanding about a large amount of information within a certain field. Horizontal knowledge is having an understanding about a small amount of information in many different fields. Specialized knowledge is being an expert on a specific topic in a field. It is the salesperson's responsibility to know what type of knowledge is pertinent to his customer. In addition, the salesperson needs to know the customer's customers, the health of the customer's company, and the customer's financial condition. (Stevens & Kinni, 2007)

A salesperson must be on the customer's side is the third rule. The salesperson must serve as an advocate for his company. He must understand how his customer's companies work. He must also identify internal resources that will allow his customers better service. A sales person must also communicate the expectations and needs of his customers to the management within his company. (Stevens & Kinni, 2007)

The fourth through the seventh rules, known as the advanced rules of sales excellence, are extensions to the fundamental rules described above. The advanced rules focus on what the customer wants. The salesperson must provide practical applications. Customers want salespeople who can help their company's transition when using a new product. Next, customers want reliable salespeople that are easily accessible. They want their salespeople to provide high quality service whenever or wherever service is needed. In addition, customers want their

salespeople to seek out problems and be innovative in finding solutions. Customers want their salespeople to be able to solve problems that arise, or they expect the salesperson to direct them to a specialist who can solve the problem. Lastly, customers want their salespeople to seek out ways to add value to their business. Customers want to be able to count on their salespeople to provide them a product or service that will make their business better. (Stevens & Kinni, 2007)

Another section of this book discusses that senior management is to blame for the transaction focus of their salespeople because they do not spend their time focused on the relationship building capabilities of their sales force. They are instead concerned with concentrating on having their sales force meet their quota. They do not focus on teaching their sales people to build relationships with customers. When they do offer training, they focus primarily on self improvement training which aims to build the enthusiasm, energy, and productivity of the sales person. Some go one step further and include sales process training which teaches the sales person the basic parts of the sales process such as prospecting, cold calling, dealing with objections, and closing. (Stevens & Kinni, 2007)

The problem with the training that the senior management provides is that it does not focus on the customer at all. It disregards the customers' needs, wants, and desires. Many modern training programs focus only on what they can do to make the sales person a better sales person where in reality the way to achieve sales success is to spend time getting to know and understand customers before ever trying to sell them anything. This section explains that sales training programs are not the only ones to blame for this disregard for the customer. Far too few salespeople are prepared for their careers prior to entering the sales force. There is a lack of well developed sales training curriculums in many universities. Statistics researched by the authors state that around 66 percent of college and university graduates start their career working in a

sales position, but only 0.8 percent of colleges and universities are preparing them for these jobs. (Stevens & Kinni, 2007)

This lack of training in understanding and building relationships with customers results in what the authors refer to as a sales effectiveness gap. This is the gap that is between the customers' needs and the current skill level of salespeople. If higher management would recognize this gap and work to fill it then the result would be increased relationship building, which would lead to higher success for the sales people and more profit for the companies. When this gap is not recognized, sales people have inadequate results and many quickly leave their positions, creating high turnover rates for some companies. (Stevens & Kinni, 2007)

Winning & Keeping Industrial Customer, written by Barbara Bund Jackson, was the first book written about relationship marketing. This book emphasizes the importance of the individual account relationship in industrial marketing. The book helps one distinguish in advance long term commitment from short term commitment. One must analyze the potential for relationship marketing prior to building the relationship, so that you will build the relationship on a firm foundation. The first section explains that markets can benefit from understanding accounts behavior over time in two main ways. Jackson (1985) states, "They can select marketing actions that fit their customers' patterns of commitment and behavior, and they can identify and use actions to influence those patterns." (p.11) Accounts can sometimes be complicated; marketers must understand their customers' behavior in order to be successful in relationship marketing in the service industry (Jackson, 1985).

The second section of this book discussed the models of accounts behavior over time. Understanding these models is vital to understanding your customer and forming a relationship. The two models used in the book are the lost-for-good model and the always-a-share model.

These models both serve as end points of the timeline of an account's behavior. The spectrum created by these models can help the marketer identify ways that they can change the position of the customers (Jackson, 1985).

Another very important section of this book was "How and What Does the Long Term Customer Buy?" This section discussed that a marketer aims to form a relationship with a customer to create a lifelong customer, but many of these long term customers will take an extensive amount of time to serve. The marketer must make time to service these accounts and take extra precautions to keep long term customers. When a customer decides to use the salesperson's product or service, there is often times a high switching cost and a large amount of risk involved in the decision. The customer has built trust with the salesperson and intends on being a customer for an extended amount of time. The salesperson must spend time building the relationship and seeking out potential problems to ensure the partnership between the salesperson and customer is successful (Jackson, 1985).

The end of this book focuses on the key to success in serving industrial customers with a relationship marketing approach. Jackson (1985) describes the "key to success when serving industrial customers is to consider together the individual account, the full marketing mix, and time" (p. 115). Time is the key in relationship marketing. The marketer or salesperson must know when to start building a relationship, when it is time to work on maintaining the relationship and when it might be time to discontinue the relationship. One must also understand the potential timeline of the commitment, whether it be long term or short term. If one does not understand the time component in building relationships then relationship marketing will likely be unsuccessful (Jackson, 1985).

“No, You Do Not Have a Sales Culture” by Bill Conerly, a contributor for Forbes Magazine, explains that there is a large difference between a company having a training program and a company having a successful training program that is put into action on a normal basis. The author explains that just because you pay a lot of money to have your employees trained does not always mean your company has a successful sales training program. The article explains that there is often a gap between executive hopes and the company’s reality (Conerly, 2012).

The article suggests that two elements lead to success. The first is “Front-line transaction processors do not want to be sales people.” These transaction processors want to organize and help others. They do not want to be salespeople for a majority of their time. Processors prefer taking care of their customers. You must deal with processors by beginning with improving their self image, then use that improved self image to meet the goals that the company has set (Conerly, 2012).

The article suggests that the second element leading to success is repetition. If a sales team is trained and are never asked to use the training again, then they will forget all about the training. Sales training teams must develop a program that reinforces what they are teaching their sales force. Many peoples’ attention is lost when the word sales training is mentioned, so do not emphasize that the training you are conducting is sales training. A good training staff should make the people they are teaching think that they are learning to be helpful to the customers when in reality they are selling to the customers. This is especially helpful when you are training people who normally are not sales people. The author states the first step, not making transaction processors sales people, may not always work in all situations. An alternative is that a structured repetition program is successful in every situation. You should not only offer reinforcement of

what you are teaching but also management reinforcement is very important. The management must actively participate in what you are trying to teach your work force (Conerly, 2012).

In the article “The One Greatest Thing All Sales People Have” Forbes contributor, Steve Denning, wrote about Lisa McLeod’s book *Selling With Noble Purpose*. This book was written from research that showed top salespeople have a far more pronounced sense of purpose than average performing salespeople. Salespeople who were confident in what they were doing, what they were trying to accomplish, and having a noble purpose for doing so, far out sold salespeople who were simply selling to make money and their quota (Denning, 2012).

The article then states that having a purpose behind what you are selling not only makes a salesperson more successful, but it also makes a salesperson far more profitable. In addition, salespeople who have a purpose in what they are doing are going to feel better about their selves and have high job satisfaction. Salespeople with a purpose view their customers as people instead of objects. These sales people find out exactly what their customer needs. In return, they can confidently try to close a sale because they feel that what they are offering will help the customer. The article gives examples of transitioning your purpose into a noble purpose. For example, instead of offering “reliable transportation” you could offer to make transportation “safer, faster, and more reliable” (Denning, 2012).

The article says that you must put your purpose at the center of the sales call. You must remember that “profits are a result, not a goal.” Profits are not the focus of your call. By putting your purpose in the center of the call, it allows you to focus on what you are offering to help the customer. When you have your purpose in the center of your call you will better be able to manage the other five areas of your call. This will help eliminate tension between the other factors influencing the objective you are trying to accomplish. Having this purpose also prompts

questions such as “How do our processes affect our customers? Or “How can we be more effective to better help our customer needs?” Questions like these help us understand customers (Denning, 2012).

In the article “Is Marketing Really That Easy?” Marc Compeau, the contributor for this article, explains a three step procedure that a small business owner can use to improve one’s marketing strategy. This three step procedure is intended to take place over a 30 day cycle, but with my experiences this semester with Company X, I think that this three step process can be used for both small and large businesses when trying to improve their customer relationships (Compeau, 2013).

This article says that a business should use the first ten days of its 30 day marketing improvement plan focusing on customers. The article says that you should observe the buying habits of your current customers and of people not currently buying from you. You should also find out what your current customers are buying and how they are buying it. In addition, during these first ten days you should study your past sales and look for buying trends. You should find out if your customers are shopping “price, convenience, selection, or service” (Compeau, 2013).

During the next ten days the article says that you should study your competitors. You should get to know and understand your competitors. You should investigate what they are really offering. A strategy that I found particularly interesting in this article is to ask yourself when looking at competitors, “If you were not competing with them would you buy from them? Why?” I feel like this strategy would greatly help you understand your competitors and take a second to look at your competitors’ advantages, so that you can have a new perspective on the advantages of your products. Companies need to look at their competitors like their customers look at their competitors (Compeau, 2013).

Lastly, the article says to spend the last ten days finding a gap between the two assessments. You should try to find gaps that your competitors may be missing. You should now understand your customers and know what your competitors are offering. You should find something unique that you can offer that your competitors are not offering. You should move toward the trend of whatever your customers are looking for. By figuring out your advantages you can now develop a strategy to target the gap that you found. The article says that this gap is also known as your unique selling proposition. The contributor advises the reader to read further information about the unique selling proposition. This will allow you to reach your target market that you identified in your study of the gap between your customers and your current competitors (Compeau, 2013).

The article “Prospecting the Most Important Part of Selling” by Thomas Young, defines prospecting as “the focused, persistent and systematic method of developing sales leads and beginning relationships that lead to sales.” He gives the eight steps to successful prospecting in this article. The eight steps are to know your marketplace, be brief and to the point, run the numbers, the impact of fear, the first impression, get organized and use time properly, rejection and prepare a prospecting script (Young, 2012).

First, he says to know your market place. You must identify and understand your target market. By doing this you will know the “hot buttons” that prompt the interest of your target market. The second step in the article is to be brief and to the point. Understand how important your time is and do not waste it. The third step is to run the numbers. Be persistent in your prospecting. The author says that the more calls you make, the closer you are to a sale. Keep track of your conversion rates (# of sales/# of sales calls). This will help you when planning how many prospects it takes to get to a sale. The fourth step you must take is to overcome fear. Fear

can be overcome by changing your outlook. “80% of sales come after five or more calls to the same customer.” You should not be fearful that you will fail when prospecting (Young, 2012).

The fifth and sixth steps are interrelated. The fifth step is that you must make a good first impression. You must do this by being organized (the sixth step.) The seventh step is that you need to accept rejection and learn not to take it personally. Some people will be interested in what you are selling and others will have no interest. You must learn that a no is better than a delaying tactic. The eighth step is to prepare a prospecting script. You must have a clear objective for each call, and you need to have a purpose for each call. You should practice by role playing your script and sounding confident. Have different scripts prepared for different situations (Young, 2012). With an informed background in selling and building relationships, the next step was to design the study.

III. Methodology

Overview

This study aimed to find out if existing customers of Company X were more likely to buy Company X's products as a result of mailers and other relationship building tactics than potential customers receiving the same treatment. The research was correlational. The two groups, customers and potential customers, were each given the same treatment. The hypothesis was that the group of current customers would be more likely to buy products from Company X because they had a prior relationship with the company. This study aimed to show how vital it is to build relationships and trust with potential customers before trying to sell them a product or a service.

Research Design

The amount of business that Company X received from each of the two groups of people was measured. The measurement was taken by examining the current or potential customers' response rates by sending them a mailer, cold calling them, and finally sending them a thank you card after they had an appointment with a sales representative. One hundred twenty five mailers were sent to current customers trying to get new chemical business. One hundred twenty five mailers were sent to potential customers trying to get them to use Company X for their chemical needs.

Participants

The 125 current customers were chosen by examining current invoices from Company X. One hundred twenty five companies who did not currently use our chemical services were selected. Restaurants, schools, and medical services facilities such as hospitals and doctors' offices were primarily used as the types of businesses that will be targeted. Further relationships were built with existing customers through phone calls, appointments, and thank you notes for taking time to speak with Company X. At the same time, relationships were developed with the 125 potential customers that received mailers. The potential customers were selected through a prospecting data based called Find Me. Find Me is the database that sales representatives enter potential customers' basic information into. The potential customers were selected by examining businesses such as hospitals, restaurants, and schools. The same categories of customers were used for both groups, existing and potential customers, from the Find Me database.

Instrumentation

The instrument used was chemical mailers that were obtained from Company X. These mailers are used throughout the company to increase chemical business and obtain new chemical business. Other instruments used for building the relationships were the phone, internet for emails, and thank you cards. No pilot testing was conducted using the instruments, but Company X officials gave permission to use their mailers for this study and to include the data gathered from using the mailers and building relationships in this study. Archival data was used. Company X officials gave permission for this archival data to be used as well.

Procedures

After the mailers were sent to each group and relationships were built with each of these groups, the number of appointments that were booked were tracked and recorded. The number of appointments booked will show how many of these existing and potential customers agreed to learn more about Company X's chemicals. From these appointments, the actual number of potential and current customers who sign up for a chemical service with Company X were tracked. All of the data received was stored in Excel. Two different sales representatives from two different markets, Jackson, MS and New Orleans, LA, were interviewed to find out what impact building relationships has had on their sales force in the past. These interviews contributed examples of "real life" application of the effectiveness of building relationships with customers. These interviews, along with data collected, helped the researcher draw reasoned conclusions in Chapter V of this thesis about the effectiveness of building relationships.

The question that the study aimed to answer was "Does building relationships with a customer impact the customer's buying decision when purchasing low involvement products?" The researcher hoped that by interviewing sales representatives, a better understanding of tactics

that have been used in the past to make sales would be obtained. The sales representatives' opinions on taking time to build relationships were also recorded. After evaluating the results and the sales representative interviews, the findings were presented to the sales director at Company X.

Limitations

Few known limitations exist in this study. The main limitation was companies not reading the mailer that they received. The mailer might have been sent to the wrong person or the wrong address. There was also a chance of the mailer getting lost in the mail. These limitations were minimized by taking precautions to ensure the mailers were sent to the correct addresses with the correct contact person's name on them. The researcher followed up by calling the customers to see if they received the mailer.

Data Analysis

The data analysis of the study was very simple. Two separate results files were kept in Excel. One file was the results for the current customers who we continued to build a relationship with, and one file was the results for the potential customers that we began to build a relationship with. The only statistics that were used are the typical success rates of sales representatives when only using transactional marketing versus relationship marketing. These statistics came from the database that Company X uses to track sales. SPSS was used to analyze data after all the data was collected.

Timeline

The timeline set for this study was to send out the 250 mailers by March 31st. By April 31st the 250 existing customers and potential customers were contacted. In the months of May

and June, a sales representative visited the customers who agree to a sales call. In June 2013, the sales representatives in the two different areas were interviewed to find out their opinions on the study and to explore their ideas on relationship selling in the service industry. The findings of this study were presented in mid September 2013 to the Director of Sales for Company X.

IV Discussion and Analysis

Interviews with Sales Representatives

To better understand current sales representatives views on building relationships, interviews were conducted with two sales representatives serving different areas. The first sales representative from New Orleans, LA emphasized the importance of building relationships with customers. She said that 80% of business comes from 20% percent of customers. She said that a key to success is finding the customers that have a need for the product, and then work to sell them the features and benefits of your product that would best serve them. Building relationships takes time, but the sales representatives that take the extra time to build relationships are the ones that succeed in the business of sales. Always keep an eye on the next sale and be thinking about how building a relationship with the customer you are currently working with could lead to a relationship with a new potential customer. She advised that a major key to successful relationships in sales is networking with everyone you come in contact with. Many beginning sales representatives fail to understand the importance of taking time to build relationships.

She provided me with examples of several sales that failed because there was not a relationship with the customer. She emphasized that if the customer cannot trust the sales representative then the business relationship between the buyer and seller will be very short lived. She said that most business-to-business relationships fail from lack of trust and poor reliability from the company selling a product.

The second sales representative was from Jackson, MS. He was very interested in the findings of this study because he was unsure of the benefits of relationship building with a low involvement product such as chemicals. He believed that relationships should be built with customers when a high dollar number is involved, but was skeptical if any relationship would be found between new and existing customers demanding chemicals. He valued his time and did not want to waste it spending time building a relationship in a situation where a relationship was unnecessary to sell a low involvement product.

Data Analysis

After the data was collected and the results were entered into SPSS, a frequency table was run to enable the researcher to better understand the information that was collected. This information was obtained by sending out 250 Company X chemical mailers to 125 existing Company X customers and 125 potential Company X customers. Each of the 250 businesses receiving the mailer were then called 7 days after the mailer was sent. The researcher then tried to obtain an appointment with the business to further educate them on the chemical products that Company X offered. The objective was to determine if it is easier to sell to a business if a sales representative had an established relationship with the business.

Table 1: Frequency Statistics

	Corporate (1) Privately Owned (2)	Large business (1) Small business (2)	More information? Yes (1) No (2)	Obtained Appt? Yes (1) No (2)	Sold Account? Yes (1) No (2)	Existing Customer Or Nonexisting Customer
N Valid	250	250	250	250	250	250

Table 1 shows that the researcher surveyed 250 businesses by sending each business a chemical mailer with the intention of gaining the businesses' interest in buying chemicals from Company X. Table 1 shows the six factors that were measured when collecting data. The six factors were: Is the company corporate or privately owned? Is the business classified as a small or large business? Did the customer or potential customer request more information? Was an appointment with a sales representative obtained? Was a chemical product sold to the account? Was the business an existing customer or a potential customer at the time the mailer was sent out?

Table 2: Corporate (1) Versus Privately Owned (2) Businesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Corporate	52	20.7	20.8	20.8
Valid Private	198	78.9	79.2	100.0
Total	250	99.6	100.0	

Table 2 shows that Chemical Mailers were sent to both corporate and privately owned companies. Mailers were distributed to 52 corporate companies (20.8%) and 198 privately owned companies (79.2%). A company was determined to be a corporation or a privately owned company from a prospecting database that Company X used to obtain information about companies.

Table 3: Large Businesses (1) Versus Small Businesses (2)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Large	71	28.3	28.4	28.4
Valid Small	179	71.3	71.6	100.0
Total	250	99.6	100.0	

Table 3 shows of the 250 businesses that received mailers 71, or 28.3%, of them were large businesses. A large business was classified as a business having over 75 employees. One hundred seventy nine, or 71.6%, of the businesses were small businesses. A small business was classified as a business having less than 75 employees.

Table 4: More information? Yes (1) No (2)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	36	14.3	14.4	14.4
Valid No	214	85.3	85.6	100.0
Total	250	99.6	100.0	

After each business had received the mailers, the businesses were called to see if they would like to receive more information on the chemical products. In Table 4, the data gathered showed that of the existing customers and the potential customers combined, 36 businesses, or 14.3%, wanted to receive more information. The data gathered showed that of the existing customers and the potential customers combined 214, or 85.3%, did not want to receive any more information about the chemical services.

Table 5: Obtained Appt? Yes (1) No (2)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	23	9.2	9.2	9.2
Valid No	227	90.4	90.8	100.0
Total	250	99.6	100.0	

In Table 5, the researcher was able to obtain an appointment for a sales representative to make a sales call on 23 of the 250 businesses that received mailers. This translates into 9.2% of cold calls made over the telephone were successful in obtaining an appointment. The researcher was unable to obtain an appointment for a sales representative to make a sales call on 227 of the 250 businesses that received mailers. This translates into a 90.8% failure rate on obtaining an appointment when contacting the businesses over the phone to book an appointment.

Table 6: Sold Account? Yes (1) No (2)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	8.4	8.4	8.4
	No	229	91.2	91.6	100.0
	Total	250	99.6	100.0	

After the sales representative went on a sales call to the businesses, 21 of the 250 mailers distributed resulted in a sold account. This translates into 8.4% of the cold calls made resulted in a completed sale that the sales representatives were able to obtain. With the average cold call success rate sitting at around 4%, Company X was more successful at converting cold calls into sold accounts than the national average of 3.6%. Twenty-three appointments were obtained through phone calls, and 21 of these appointments resulted in a sold account. This is a 91.3% success rate of selling an account if the business agreed to have an appointment with a sales representative.

Table 7: New or Existing Customer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Exist Cust	125	49.8	50.0	50.0
	New Cust	125	49.8	50.0	100.0
	Total	250	99.6	100.0	

Table 7 shows that the study was based on exactly 50% of existing customers and 50% potential new customers.

Cross Tabulations and Chi-Square

Table 8: Sold Account? Yes (1) No (2) * Existing Customer Crosstabulation

			Existing Customer		Total
			Exist Cust	New Cust	
Sold Account? Yes (1) No (2)	Yes	Count	18	3	21
		% within Existing Customer	14.4%	2.4%	8.4%
	No	Count	107	122	229
		% within Existing Customer	85.6%	97.6%	91.6%
Total		Count	125	125	250
		% within Existing Customer	100.0%	100.0%	100.0%

Table 8 showed the importance of building relationships and maximizing potential sales with existing customers. Of the 21 consumers who bought chemical products from Company X, 18 of the companies were existing customers. Only 3 of the 21 were new customers. This cross tabulation shows the importance of building and maintaining relationships with current customers. Only 2.4% of new customers purchased chemical products from Company X. This table shows that 97.6% of potential new customers said no to the chemical products.

Table 9: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	11.697 ^a	1	.001		
Continuity Correction ^b	10.189	1	.001		
Likelihood Ratio	12.871	1	.000		
Fisher's Exact Test				.001	.000
Linear-by-Linear Association	11.650	1	.001		
N of Valid Cases	250				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.50.

b. Computed only for a 2x2 table

In Table 9 a Chi-Square Test was conducted. Statements of statistical probability were used to tell the researcher if the data indicates the difference between the observed and expected

frequencies of the two groups was indeed different. The .05 alpha level indicates that chances are only 1 in 20 that this difference was in fact not true.

In this case the difference was significant at the .001 level which means the chance of being wrong are only 1 in 1000. A significant difference does exist. The probability of an existing customer buying chemical products is indeed higher than a potential customer's probability of purchasing chemical products. The null hypothesis is rejected. There is a significant relationship between the variables.

V. Conclusion

This study was successful in answering the question: Does building a relationship with a customer affect the customer's buying decisions when purchasing a low involvement product? The studied showed that existing customers were much more likely to buy chemical products from Company X than consumers that had no prior knowledge of the brand. In Table 8, 14.4% of existing customers bought chemical products. This is a fairly high success rate in this industry. Only 2.4% of potential new customers who had little to no prior knowledge of Company X chose to buy chemical products. This statistic allows the researcher to conclude that sending mailers and cold calling potential new customers is not the best way to gain new customers, but it is a good way to advertise new products to existing customers who already value a brand.

Instead of focusing on straight cold calls, focus on visiting the business, finding out what the potential new customer's wants and needs are, then work to sell the product to the potential new customer based on their wants and needs. This study showed that Company X's sales representatives are great at selling chemical products when they have the opportunity to be in front of the businesses during an appointment. The sales representatives were able to sell chemical products to 21 of the 23 businesses that they obtained appointments with, which is a

91.3% success rate. Company X should spend its time focusing on getting sales representatives in front of businesses because this study showed that the sales representatives are very good at the job that they are doing.

Relationship marketing is about building relationships to ensure that customers become long time customers instead of one-time customers. In a relationship with a customer, the sales representative must offer a product or service that provides value for the customer. This study showed that companies that have a prior relationship with Company X are much more likely to buy the chemical products.

Company X should continue to try to obtain sales from current customers through the use of sales representatives. The sales representatives could bring the customer a sample of the product after the mailer was sent. The study showed an almost 15% success rate on existing customers, but this number might be slightly higher because the existing customers may have purchased the chemical products at a later date after the study was complete. If this study was conducted again, the researcher should create a method to measure brand awareness effect on future sales. Some future sales for Company X may have resulted from the brand awareness that was built through the mailers and phone calls, but this study was unable to measure long term sales since it only took place over a six month period. A higher success rate could be obtained if a needs assessment was conducted prior to the study, and the researcher only sent chemical mailers to customers that they knew used chemicals on a weekly basis. This particular study was a random sample selected through a list of existing Company X customers. The potential customers were randomly selected through Company X's prospecting database.

This study showed that Company X should first try to build relationships with new customers before sending them a mailer and calling them. There is a very low response rate if

Company X strictly conducted their business in this manner. However, this study was only for experimental purposes, and the company typically does not only send mailers and make phone calls to obtain appointments. Company X can benefit from this study by examining the low response rate from the new customer cold calls, and work to make improvements to have a higher cold call success rate in the future. Similar to what was recommended for existing customers, Company X should conduct a needs assessment on the companies and decide what companies use chemicals on a regular basis before they send the mailers. This would filter out businesses that received a mailer and phone call but did not use the type of chemical products that Company X was offering.

This study showed why the professional selling field is moving away from transactional marketing to relationship marketing. This low involvement product, chemicals, showed that customers in today's society many times ignore advertising because people are overwhelmed with so much advertising everyday of their lives. To gain a new customer, sales representatives have to build value with the customers by offering a product that will benefit their business then further build the relationship with the customer by offering superior customer service. Company X offers great customer service. For this reason, the existing customers were more likely to buy products because they had a positive view of Company X in their minds.

Reference List

- Babin, Barry J., and Eric G. Harris (2008). *CB3*. Mason, OH: South-Western.
- Compeau, Marc (2013). "Is Marketing Really that Easy?" *Forbes*.
- Conerly, Bill (2012). "No You Do Not Have a Sales Culture." *Forbes*.
- Denning, Steve (2012). "The One Greatest Thing All Salespeople Have." *Forbes*.
- Jackson, Barbara B. (1985). *Winning and Keeping Industrial Customers: The Dynamics of Customer Relationships*. Lexington, MA: Lexington.
- Olenski, Steve (2013). "This Is The Most Important Word When It Comes To Relationship Marketing." *Forbes*.
- Rouse, Margaret (2010). "Relationship Marketing."
<http://searchcrm.techtarget.com/definition/relationship-marketing>
- Schawbel, Dan (2011). "The New Relationship Marketing." *Forbes*.
- Smith, Maria (2011). "12 Tenets of Relationship Marketing Effectiveness."
<http://www.marismith.com/tenets-of-relationship-marketing-effectiveness>
- Stevens, Howard, and Theodore B. Kinni (2007). *Achieve Sales Excellence: The 7 Customer Rules for Becoming the New Sales Professional*. Avon, MA: Platinum.
- Young, Thomas (2012). "Is Prospecting the Most Important Part of Selling?" *Forbes*.