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The author of this dissertation is:

Joel Patrick Dardick Mier  
*joelmier@gmail.com*

The director of this dissertation is:

Danny Bellenger

J. Mack Robinson College of Business  
Georgia State University  
P.O. Box 4015  
Atlanta, GA 30302-4015

Business "Buyers" Are People Too: Do Personal Characteristics Help to Explain the  
Effectiveness of Selected Marketing Activities in a B2B Setting?

By

Joel Patrick Dardick Mier

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Executive Doctorate in Business

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY

J. MACK ROBINSON COLLEGE OF BUSINESS

2016

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## ACCEPTANCE

This dissertation was prepared under the direction of Joel Patrick Dardick Mier's Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Executive Doctorate in Business in the J. Mack Robinson College of Business of Georgia State University.

Richard A Phillips, Dean

## DISSERTATION COMMITTEE

*Dr. Danny Bellenger, (Chair)*

*Dr. Wesley Johnston*

*Dr. Denish Shah*

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While the author's name stands alone on a dissertation it is never the sole effort of the author that makes the accomplishment possible. It would not have been imaginable to proudly submit this work had it not been for the assistance, guidance, counsel, sacrifice, and efforts of many important individuals.

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*Joel P.D. Mier*

## TABLE OF CONTENTS

<b>ACKNOWLEDGEMENTS .....</b>	<b>IV</b>
<b>LIST OF TABLES .....</b>	<b>VIII</b>
<b>LIST OF FIGURES .....</b>	<b>IX</b>
<b>ABSTRACT.....</b>	<b>X</b>
<b>I     CHAPTER 1: INTRODUCTION.....</b>	<b>1</b>
<b>I.1    Purpose of this Study .....</b>	<b>4</b>
<b>I.2    Organization of this Dissertation.....</b>	<b>5</b>
<b>II     CHAPTER 2: LITERATURE REVIEW .....</b>	<b>6</b>
<b>II.1   Sales Effectiveness.....</b>	<b>6</b>
<b>II.2   Sales Activities .....</b>	<b>9</b>
<b>II.3   Contingency Theory.....</b>	<b>11</b>
<i>II.3.1 Adaptive selling.....</i>	<i>17</i>
<b>II.4   Risk.....</b>	<b>21</b>
<b>II.5   Moderators .....</b>	<b>22</b>
<i>II.5.1 Geodemography.....</i>	<i>22</i>
<i>II.5.1.1 Segmentation.....</i>	<i>35</i>
<i>II.5.1.2 Multiple selves.....</i>	<i>63</i>
<i>II.5.1.3 Geodemography summary.....</i>	<i>73</i>
<i>II.5.2 Buyclass framework.....</i>	<i>74</i>
<b>II.6   Conceptual Model .....</b>	<b>78</b>
<i>II.6.1 Selling activities.....</i>	<i>78</i>
<i>II.6.2 Sales effectiveness.....</i>	<i>79</i>
<i>II.6.3 Buyclass category.....</i>	<i>79</i>



II.6.4	<i>Geodemographic segment</i> .....	80
II.6.5	<i>Control variables</i> .....	81
II.7	<b>Hypotheses</b> .....	81
III	<b>CHAPTER THREE: METHODS</b> .....	83
III.1	<b>Market Context</b> .....	83
III.1.1	<i>Buying Center</i> .....	83
III.1.1.1	<i>Buying center size</i> .....	85
III.1.1.2	<i>Focus on Individual Buying Center Members</i> .....	86
III.1.2	<i>Small Business</i> .....	89
III.1.3	<i>Life Insurance Market</i> .....	92
III.2	<b>Sampling Plan</b> .....	94
III.3	<b>Measures</b> .....	95
III.3.1	<i>Selling activities</i> .....	95
III.3.2	<i>Sales effectiveness</i> .....	97
III.3.3	<i>Buyclass category</i> .....	97
III.3.4	<i>Geodemographic segment</i> .....	97
III.3.5	<i>Control variables</i> .....	98
III.4	<b>Method of Analysis</b> .....	99
III.4.1	<i>Descriptive statistical analysis</i> .....	99
III.4.2	<i>Moderator analysis</i> .....	99
III.4.3	<i>Hierarchical regression</i> .....	99
IV	<b>CHAPTER FOUR: DATA COLLECTION, ANALYSIS, AND RESULTS</b> .....	100
IV.1	<b>Source Data</b> .....	100
IV.2	<b>Moderator Analysis</b> .....	101

<b>IV.3</b>	<b>Results .....</b>	<b>103</b>
	<i>IV.3.1 H1: Moderator effects of geodemographic segment. ....</i>	<i>103</i>
	<i>IV.3.2 H2: Moderator effects of buyclass category. ....</i>	<i>104</i>
	<i>IV.3.3 Total sample. ....</i>	<i>104</i>
	<i>IV.3.4 Geodemographic subgroup model performance. ....</i>	<i>106</i>
	<i>IV.3.5 Buyclass subgroup model performance. ....</i>	<i>107</i>
<b>V</b>	<b>CHAPTER FIVE: DISCUSSION, IMPLICATIONS, &amp; LIMITATIONS .....</b>	<b>110</b>
<b>V.1</b>	<b>Discussion of Results .....</b>	<b>110</b>
<b>V.2</b>	<b>Geodemographic Segment Discussion.....</b>	<b>111</b>
<b>V.3</b>	<b>Buyclass Category Discussion .....</b>	<b>115</b>
<b>V.4</b>	<b>Managerial Implications.....</b>	<b>117</b>
<b>V.5</b>	<b>Theoretical Implications.....</b>	<b>122</b>
<b>V.6</b>	<b>Limitations .....</b>	<b>123</b>
<b>V.7</b>	<b>Future Research .....</b>	<b>124</b>
<b>VII</b>	<b>TABLES AND FIGURES .....</b>	<b>126</b>
	<b>REFERENCES.....</b>	<b>143</b>
<b>VITA</b>	<b>.....</b>	<b>ERROR! BOOKMARK NOT DEFINED.</b>

**LIST OF TABLES**

Table 1 Distinguishing Characteristics of Buying Situations .....	126
Table 2 External and Internal Wholesaler Sales Activities .....	126
Table 3 Distribution of Financial Professional’s Status .....	128
Table 4 Geodemographic Clusters and Descriptions.....	128
Table 5 Descriptive Statistics and Correlations .....	131
Table 6 Standardized Hierarchical Regression Results .....	132
Table 7 Variables Statistically Related to Sales Effectiveness per Subgroup .....	133
Table 8 Variables Statistically Related to Sales Effectiveness.....	134
Table 9 Results of Regression Analysis and Chow Tests for Moderator Variables.....	135
Table 10 Financial Advisor Demographics and Characteristics.....	136
Table 11 Participating Life Insurance Company’s External Wholesalers’ Demographics & Characteristics.....	138

**LIST OF FIGURES**

Figure 1 Weitz’s Contingency Model of Salesperson Effectiveness..... 140

Figure 2 Contingency Framework to be Employed..... 140

Figure 3 A Comparison of Micro/Macro Segmentation and the Nested Approach of  
Segmentation..... 141

Figure 4 The Multiple-Selves Framework..... 142

Figure 5 Proposed Model..... 142

## ABSTRACT

Business "Buyers" Are People Too: Do Personal Characteristics Help to Explain the Effectiveness of Selected Marketing Activities in a B2b Setting?

By  
Joel Patrick Dardick Mier  
May 2016

Committee Chair: Danny Bellenger  
Major Academic Unit: J. Mack Robinson College of Business

Due to its role relative to company performance, the topic of sales effectiveness has been richly explored for decades. Academic researchers in the fields of sales effectiveness, organizational purchasing, purchase types, and market segmentation have identified the importance of understanding the personal characteristics of decision makers in business-to-business (B2B) environments. Most of the historic literature focuses on demographic characteristics, which has been deemed insufficient for understanding individual's motivations. While there has been recognition of the opportunity for psychographics and lifestyle data in B2B purchasing, there has been limited empirical research. Employing a contingency framework informed by Weitz and utilizing sales and marketing activities as well as results for 2,710 dyads, this study posits that the psychographic and lifestyle nature of B2B purchase decision makers, as well as the buyclass category of the purchase decision, moderate the relationship between specific sales activities and sales effectiveness. The results from this empirical study identify that there is strong support for the moderating effect of the purchasing decision maker's psychographic and lifestyle composition on the relationship between sales activities and sales effectiveness and partial support for the moderating effect of buyclass category on the relationship between sales activities and sales effectiveness. In addition, the results identify that the sales activities of the internal sales function, not the external "customer-facing" sales

function, have greater impact on sales effectiveness. Furthermore, the results indicate that proactive sales efforts yield increases in sales effectiveness across all subgroups evaluated.

## I CHAPTER 1: INTRODUCTION

The performance of a sales force is crucial to the success of nearly every business. The literature on sales performance and effectiveness is rich in seeking to theorize and understand sales people, sales processes, sales communications, sales training, and sales management in an effort to provide insights and tools for improvement on all of these and many more sales-related fronts.

Nearly 50 years ago, interest in understanding the organizational purchasing process increased substantially. It was thought that a framework for analyzing this process in business-to-business (B2B) settings, known as the “buying center” (Webster & Wind, 1972, p. 13), could prove useful in the development of improving sales and marketing strategies. Three separate works regarding organizational purchasing emerged in the late 1960s and early 1970s (Robinson, Faris, & Wind, 1967; Webster & Wind, 1972; Sheth, 1973) that have provided a rich and tenured foundation for understanding the organizational purchasing process.

A common element among all three – and continued in subsequent theoretical and empirical works since – is that B2B purchasing is frequently made by committees or buying centers whose members typically represent numerous departments and have different interests and motivations (Robinson et al. 1979; Sheth, 1973). Another critical commonality among them (Johnston & Lewin, 1996) is the stated importance of understanding the personal characteristics of those involved in the purchase decision.

The exploration of what constitutes “personal characteristics” has been historically one-sided, focused largely on demographic elements (see Weitz, 1981). While convenient for categorization and identification purposes, demographics have been shown to be insufficient for explaining motivation or need in purchasing (Robertson & Wind, 1980; Wells, 1975).

Interestingly, the literature on sales effectiveness (Weitz, 1981), organizational purchasing (Robinson et al. 1979; Sheth, 1973; Robertson & Wind, 1980) and segmentation (Wind & Cardoza, 1974; Bonoma & Shapiro, 1983) all identify the importance of understanding the “psychological worlds” (Sheth, 1973) of buying center members. Johnston and Lewin (1996) suggest that individual participants' characteristics could include “education, motivation, perceptions, personality, risk reduction, and experience” (p. 2).

Despite this clear direction, empirical exploration in this area has been limited (for examples see File & Prince, 1996; Kenney & Weinstein, 2010). Perhaps this is due to challenges in defining buying center members. Bonoma, Zaltman, and Johnston (1977) and Silk and Kalwani (1982) highlight that the dynamics within a B2B purchase give the buying center a fluid nature with differing actors entering and exiting based on the category or size or phase of the purchase process. Due to this fluidity, previous attempts to determine who participates in a purchase decision and their relative influence has had only limited success (McQueston, 1989). Or perhaps the challenge has resided with identifying purchase decision makers' personalities. As Bonoma and Shapiro (1983) point out, “individuals do not wear name tags asserting their psychological makeup” (p. 88).

The issue of buying center membership may be successfully overcome by focusing on buying centers with stable and consistent members – small companies with a single individual purchasing decision maker. The U.S. Census (2012) identifies that 89.6% of total businesses with payrolls had fewer than 20 employees. This varies by industry. For example, Real Estate and Rental and Leasing (NAIC Code 53) were at 94.9% while Utilities (NAIC Code 22) had 76.3%. Studies demonstrate that purchasing decisions within small firms largely fall to the owner or manager (Dollinger & Kolchin, 1986; Ellegaard, 2006; Pressey, Winklhofer, & Tzokas,



2009). In addition, businesses with substantial employment may engage in sales processes that target a single purchasing decision maker. One example is pharmaceutical companies' sales representatives "detailing" medical doctors with product information and samples as part of the \$325 billion U.S. prescription pharmaceutical industry (Staton, 2012). The choice of an individual drug for a particular patient is one of the most important decisions a physician can make (Soumerai, McLaughlin, & Avorn, 1989). Another instance is the U.S. life insurance industry. Many leading insurance carriers rely on non-captive distribution for product sales and employ a sales force ("external wholesalers") to educate and influence financial professionals within the \$10 billion U.S. market (LIMRA, 2014). While these financial professionals act as intermediaries between the insurance carrier and the client, focusing on helping clients understand inherently complex products and recommending appropriate solutions (Cummins, 2006), they represent what is effectively a "first sale" by the insurance carrier as if the financial professional does not agree to represent the carrier no sales to clients are possible. This suggests that a meaningful portion of U.S. businesses, in firms large and small spanning all industries, make purchase decisions not in the traditional buying center sense but based on the judgment of a single individual.

One possibility to address the identification of an individual's personality-related characteristics are commercially available, geodemographic systems. These solutions combine elements of geographic, demographic, and psychographic approaches in an attempt to develop a comprehensive analysis (Kaynak & Harcar, 2005) of an individual or a household. By combining such a wide variety of consumer variables, geodemographic systems address at least two important criteria for effective market segmentation: identifiability and accessibility (Wedel & Kamakura, 2012). Virtually every household in the U.S. has a segment identification code

which is commercially available via a name and address. Although most of the commercial geodemographic solutions have been designed to better understand consumer markets, many can be readily adapted to business situations since people ultimately make all purchase decisions (Weinstein, 2013).

While the buying center construct allows for the identification of organizational decision makers, it does not address potential moderating issues such as product or decision types (Jackson, Keith, & Burdick, 1984). Robinson et al. (1967) introduced their concept of “buyclass” which remains one of the most utilized and important theories in organizational buyer behavior (Johnston & Bonoma, 1981) in large part due to its parsimonious, easy-to-recognize taxonomy with specific rules about the major aspects of buyer behavior (Anderson, Chu, & Weitz, 1987). The authors identified that industrial purchasing can best be looked at as a problem solving process and propose three types of buying situations: the new task, the straight rebuy, and the modified rebuy. While each situation presents differing purchasing problems and requirements, the end result of a sale is consistent.

### **I.1 Purpose of this Study**

It is argued that B2B purchasing in which the decision maker is a single individual has received only scant attention and provides a ripe opportunity to investigate the role of the decision maker’s psychographic and lifestyle characteristics in determining sales effectiveness. The purpose of this study is to build upon and extend Weitz’s (1981) contingency framework by developing and testing a conceptual model that suggests the relationship between specific sales activities and sales effectiveness in B2B purchasing in which the decision maker is an individual is moderated by (1) the geodemographic segment of the decision maker and (2) the purchasing

decision's buyclass category. The proposed model is grounded in contingency theory as well as the multiple-selves framework.

## **I.2 Organization of this Dissertation**

Following this introduction, this manuscript will be structured in the following manner. Chapter 2 reviews the extant literature on sales effectiveness, sales activities, contingency framework, risk, geodemography, market segmentation, and the multiple-selves framework. It concludes with the presentation of a conceptual model of sales effectiveness that postulates that the relationship between sales activities and sales effectiveness is moderated by the purchase decision maker's geodemographic segment and purchase decision's buyclass. Chapter 3 describes the research design and methodology that will be utilized to test the hypothesized relationships including the market context of the contributing firm, measures, sample, and intended analysis procedures. Chapter 4 will summarize the results from testing the hypotheses. Lastly, Chapter 5 will discuss the results and managerial implications. It concludes with an evaluation of the study's key limitations and propose possible directions for future research.

## II CHAPTER 2: LITERATURE REVIEW

### II.1 Sales Effectiveness

The role of the sales professional warrants special consideration for its significance, pervasiveness, and unique role within firms. Effective selling is critical to the economic success of organizations (Vinchur, Schippmann, & Switzer, 1998; Piercy, Cravens, & Morgan, 1999). In citing Bagozzi (1980), Hise (1970), and Walker, Churchill, and Ford (1975), Dubinsky, Howell, Ingram, and Bellinger (1986) identify seven unique characteristics of the professional sales force that justify its special attention:

1. Salespeople are physically, socially, and psychologically separated from other employees. This separation can lessen the normative constraints felt by the salesperson and mitigate any social control resulting from informal group affiliation in the home office.
2. Salespeople must be flexible and innovative because of the inconsistent requirements of the role.
3. The nature of the salesperson's job is a boundary role position and must work with a wide variety of customers, prospects, and gatekeepers who are outside the organization.
4. Salespeople assume many roles. They are often responsible for making sales to new and current customers, providing customer service, assisting with market analysis, and many other diverse tasks. At differing times they must advocate for their employer, the customer, and in still others, themselves.
5. Selling requires self-motivation and great persistence. Salespeople often are directed by aids such as quotas, compensation plans, and expense policies in the absence of personalized supervision.

6. The selling situation is replete with uncertainty and interpersonal conflict; thus the requirement for coping is greater than in most other jobs. The fact that salespeople's performance is very organizationally visible adds to their role stress.
7. Many selling jobs produce results long-delayed from the salesperson's effort. The fact that a sale may take months of effort lessens the reinforcement of good performance, contributing to disenchantment.

Effective selling constitutes well over half of America's economic activity as distinct from the sale of products and services to consumers (Webster, 1978). To support and expand these sales, many industries spend significant amounts of money on salesforce activity as it is often the primary source of product and services information and promotion (Manchanda & Chintagunta, 2004; Lynch & De Chernatony, 2007). In the \$325 billion dollar U.S. pharmaceutical industry, for example, these expenditures can equal up to 20% or more of sales (Wittink, 2002). When sales costs of administration, training, salary, expenses, commissions, and overhead are measured on a sales-call basis, the average sales call often costs \$300 or more (McWilliams, Naumann, & Scott, 1992).

Because of its critical yet unique nature and correspondingly high expenditures, the sales function has been a key area of academic exploration for decades. Despite this focus, a general lack of consensus remains as to which sales activities and dynamics precisely generates positive returns (Autry, Williams, & Moncrief, 2013). In more than 100 empirical studies, researchers have attempted to explain observed differences in salesperson performance with little success (Szymanski & Churchill, 1990). This important yet unresolved question is of timely relevance as organizations struggle to improve their sales organizations' productivity while managing costs in an effort to remain competitive during the recent economic downturn (Singh & Koshy, 2010).

Churchill, Ford, Hartley, and Walker (1985) identify that sales effectiveness can be thought of as organizational outcomes for which an individual is at least partly responsible, such as sales volume or market share. The distinction between performance and effectiveness is that “the latter does not refer to behavior directly, but rather is a function of additional factors not under the individual salesperson's control—such as the policies of top management, the sales potential in a territory, and competitive actions” (p. 116). Wren and Simpson (1996) emphasize the importance of objective measures of performance, which can be compared to an established, quantifiable baseline such as sales volume, customer satisfaction, and timeliness. They find that such performance-based measures of effectiveness are oftentimes desirable as they provide objective measures of effectiveness, which are easy to understand and assess while allowing for comparisons across different levels or units. Weitz (1981) defines sales effectiveness as “the degree in which the 'preferred solutions' of salespeople are realized across their customer interactions” (p. 91). Firms and industries may have specific definitions of sales effectiveness that need to be operationalized such as the life insurance industry’s standard of the number of policies sold in the prior 12 months (Boles, Bellinger, & Barksdale, 2000).

Early studies of sales effectiveness attempted to isolate specific variables about the salesperson’s physical, psychological, behavioral, and social characteristics and composition in an attempt to predict performance. Studies have included such factors as the salesperson's age, height, sex, weight, race, appearance, education, marital status, number of dependents, club memberships, and other similar characteristics (Churchill et al. 1985). For example, in exploring the relationship between biographical characteristics of life insurance salesmen and their actual sales performance, Tanofsky, Shepps, and O’Neill (1969) examined salary, education, number of dependents, marital status, age, and previous sales experience. Baier and Dugan (1957), in

studying success factors of life insurance salesmen, found that length of service was unrelated to job success. In many cases the analysis undertaken was primitive by today's standards, oftentimes basing findings on simple correlations. For a comprehensive list of studies related to salesperson characteristics and their inconsistent findings see Weitz (1981).

The approach undertaken by these early studies have been criticized for their basic analytic framework and inability to identify the dynamic relationships between personal characteristics and success (Baehr & Williams, 1968). Evans (1963) concluded that the successful sale was situationally determined by the interaction between prospect and salesman, and not solely by the particular characteristics of one or the other party to the interaction. As stated by Johnston and Lewin (1996), "models constructed during the early stages of theory development often fail to capture all of the concepts, variables, and relationships needed to consistently predict complex behavioral outcomes" (p. 2). A framework for analyzing organizational buying behavior could aid in the design of marketing strategy (Webster & Wind, 1972) and expand the historically modest analysis by encompassing not just the selling agent and his or her characteristics but to also introduce the purchasing organization's dynamics into the equation.

## **II.2 Sales Activities**

Walker, Churchill, and Ford (1979) identify that "sales performance is the result of carrying out a number of discreet and specific activities which may vary greatly across different types of selling jobs and situations" (p. 22). As Moncrief (1986) points out, the nature and scope of salespeople's work assignments vary widely across industries and among firms. Churchill, Ford, and Walker (1981) posit that the diversity of selling activities and accountabilities among

companies and industries is one reason why studies of salesperson attitudes, demographics, opinions, and behaviors have generated conflicting results.

Lamont and Lundstrom (1977) indicate that there are numerous constructions of industrial sales behavior and that most include the activities and strategies involved with direct selling, territory management, and customer service. Direct selling includes all of the activities involved in contacting customers, making sales presentations and demonstrations, handling sales objections, and closing sales. Effective territory management requires the sales professional to decide about how his or her time is spent. In performing customer service, the sales professional must develop and maintain a satisfactory business relationship with clients and customers alike. Indeed, Mociief (1986) empirically supports the notion that the sales function's activities vary considerably by identifying 121 unique and separate sales activities conducted by sales professionals.

Walker et al. (1979) define sales behavior as "what people do (the tasks they expend effort on) in the course of working" (p. 33). Thus, behavior, or sales activities as they are broadly referred to in the literature, involves the execution of selling-related activities by salespeople in the performance of their jobs. Examples of sales activities include filling out call reports, asking or answering questions during a sales call, responding to a prospect or customer's inquiry, and taking a buyer to lunch (Plank & Reid, 1994).

In a 1961 *Harvard Business Review* article, McMurray argued that salespeople do not have the same issues and/or needs, and therefore a salesperson's performance may vary considerably depending on the primary activities involved in completing the daily tasks (Moncrief, 1986). Churchill, Ford, and Walker (1978) identified a list of sales activities but concluded that the activities were too broadly defined. Lamont and Lundstrom (1974) attempted



to identify basic dimensions of salesperson behavior by conducting personal interviews. While sixty sales activity-related items were selected and analyzed, the list of activities generated was based on a single firm's salespeople and may prove challenging to generalize to other firms or industries. Moncrief (1986) represents perhaps the seminal research on classifying sales activities as he empirically identified types of sales positions based on the quantity of behaviors they performed. Based on a literature survey he identified 121 separate activities or behaviors involved in selling and developed a taxonomy of industrial sales positions. In updating this foundational work twenty years later, Moncrief, Marshall, and Lassk (2006) identify that the nature of B2B selling has changed dramatically over the prior 20 years. These changes were driven primarily by the external business environment including technology advances and adoption, greater focus on customer relationship development and maintenance, and competitive pressure on firms to make the sales force a source of competitive advantage (Bauer, Ingram, & LaForge, 1998; Leigh & Marshall 2001).

Unlike other sales and marketing vehicles, the B2B salesperson has a unique opportunity to gather information during a sales interaction and adapt messages, communication styles, and sales activities to meet the concerns of individual customers (Lynch, 2007). In addition to the type of sales activity performed, the frequency of activities can have an impact on both sales results and cost savings (Manchanda & Chintagunta, 2004).

### **II.3 Contingency Theory**

Sales managers and academic researchers have continually searched for the relationships between personal characteristics, personality traits, and the successful professional salesman (Lamont & Lundstrom, 1977). The early literature regarding personal selling effectiveness demonstrates the lack of support for simple universal propositions as few have consistently

explained a significant proportion of the variance in performance (Weitz, 1981; Churchill et al. 1985; Lamont & Lundstrom, 1977; Weeks & Kahle, 1990). The effort to develop generalizations and answer the question of what makes a good salesperson has over a 70-year history of empirical research (Churchill et al. 1985). In fact, Weitz (1981) suggests that much of the research on sales performance has been contradictory or inconclusive because it has attempted to generalize over too wide a range of difficult-to-define situations (Plank & Reid, 1994). When encouraging findings are obtained, they either are not published or are of limited value because a single measure of sales success is used to describe a complex selling task and bivariate statistical techniques are applied to multidimensional relationships (Lamont & Lundstrom, 1977). Johnston and Lewin (1996) expand upon this theme of multidimensionality of sales effectiveness by suggesting that early models of organizational buying behavior:

*...provided the general categories of constructs expected to influence organizational buying behavior. However, models constructed during the early stages of theory development often fail to capture all of the concepts, variables, and relationships needed to consistently predict complex behavioral outcomes. In addition, it is not unusual for constructs originally modeled as unidimensional to be recognized, under closer scrutiny, as being multidimensional. Therefore, as a theory begins to mature, both conceptually and empirically, additional constructs and relationships frequently emerge as important predictors of behavior. (p. 2)*

Because industrial marketing is a mutual transaction between buyers and sellers, a framework was required for research in both the marketing and purchasing disciplines (Matson, 1988). A small but expanding stream of research has been focused on the importance of situational contingencies as moderators of sales people performance (Piercy et al. 1999; Pland & Reid, 1994). Willett and Pennington (1966) were among the first to recognize that the interaction is contingent on both the customer's and the salesperson's individual characteristics. Evans (1963) empirically suggested that the prospect plays an active role in determining the

outcome of the sales call, proposing that the "sale" is a social situation involving two persons - a dyad - and needs to be evaluated based on the interactions of the two persons, each with unique economic, social, physical, and personality characteristics (Riordan, Oliver, & Donnelly, 1977). Since neither analyses of product characteristics nor personal traits have been able to consistently predict sales success, sales effectiveness researchers evolved to explore the idea that critical indicators for sales success are contained within the dyadic interaction between a buyer and seller (Predmore & Bonnice, 1994). The primary focus of the dyadic interaction model is the two-party exchange relationship. Thus, by exploring the components of the buyer-seller dyad, rather than the behavior of only one party, it is possible to gain a better understanding of the dynamics involved in the sales relationship (Wren & Simpson, 1996). Specifically, the characteristics and traits as well as the actions, attitudes, perceptions, expectations, and reactions of both the prospect and the salesman must be taken into account (Webster, 1968). He queried, "Why is it that the same salesman, using the same actions, is not always effective with prospects with the same kinds of needs?" (p. 8). This concept was not expanded substantially until Weitz began to rigorously explore the nature of the customer-salesperson dyad (Wren & Simpson, 1996). Inspired by leadership research which considered interactions between behaviors and moderating variables, Weitz (1981) believed that a salesperson who was able to react to the varied needs of different customers across a multitude of sales situations would be more successful than one who was less able to react. He referred to this technique as the contingency approach (Predmore & Bonnice, 1994).

The contingency approach suggested by Weitz (1981) builds on the dyadic theme, emphasizing the importance of tailoring sales approaches to specific sales situations (Weitz, Sujana, & Sujana, 1986) and proposes a Contingency Model (see Figure 1) of salesperson

performance that asserts that selling behaviors are directly related to sales performance; specifically, the ability of salespeople to modify their behavior to the selling situations they encounter. He calls this framework a contingency approach because the importance of the salesperson's behavior is reliant upon the sales situation, similar to contingency theories about leadership (Weeks & Kahle, 1990). Sales professionals must possess the ability to develop and employ unique behavior patterns oriented to each customer; in other words, the ability to develop adaptive selling strategy (Porter, Weiner, & Frankwick, 2003). Weitz (1981) suggested that salespeople should adapt to each customer and sales situation uniquely such that the product or service offered for sale and the salesperson were both presented in the most appealing manner (Predmore & Bonnice, 1994).

The fundamental premise behind the contingency framework is that effectiveness in sales interactions can best be understood by investigating the interactions among sales behaviors, resources of the salesperson, the nature of the customer's buying task, and characteristics of the salesperson-customer relationship (Weitz, 1981; Kohli, 1989; Singh & Koshy, 2010; Plank & Reid, 1994; Porter et al. 2003). Sujan, Weitz, and Sujan (1988) emphasize that knowledge about which selling strategy is best for a specific selling situation is among the most critical ingredients for effective selling. The activities and behavior associated with a seller's role in the dyad are defined primarily by the expectations and demands of the seller's organization, the buyer, and by other members of the buyer's organization, and an inaccurate perception of those roles might lead the seller to spend considerable time on activities that might have little or negative impact on performance (Wren & Simpson, 1996). Thus, the framework focuses on the effectiveness of sales behaviors in the microenvironment of the sales interaction (Weitz, 1981).

To better assess this microenvironment of the sales interaction, Weitz (1981) suggests that:

*The salesperson must spend time during the interaction to collect information from the customer. This information is used to adapt the sales presentation to the specific customer. The time spent collecting information about the customer is not directly related to the salesperson's effectiveness across customers. (p. 94-95)*

Weitz (1981) defines four types of sales behaviors within his model: (1) adapting to customers, (2) establishing influence bases, (3) using influences techniques, and (4) controlling the sales interaction. He advances that these behaviors directly impact sales effectiveness but that their impact is moderated by three key elements of the purchasing dynamic: the salesperson/customer relationship, the resources of the salesperson, and the characteristics of the buying task. The suitability and effectiveness of the behavioral options is affected by the unique dynamics of the sales situation. As described in earlier work (Weitz 1979), the sales situation is the environment in which a salesperson operates and is comprised of two sets of characteristics: the salesperson/customer relationship and the characteristics of the customer's buying task (Weitz 1981). Characteristics of the salesperson/customer relationship include the level of conflict and bargaining, relative power, the quality of the relationship, and the degree of anticipation of future interactions. The attributes of the customer's buying task incorporate the buyer's needs and beliefs, knowledge of alternatives, and the characteristics of the buying task.

There are several categories of purchase types or buyclasses: new buys, straight rebuys, and modified rebuys (Robinson et al. 1967). Each category requires different types and amounts of information (see Table 3). Straight rebuy situations require small amounts of additional information; modified rebuys require moderate amounts of additional information; and new buys require extensive amounts of new information (Robinson et al. 1967; McWilliams et al. 1992). The core contention of Weitz's contingency framework is that these two sets of characteristics -

the salesperson-customer relationship and the characteristics of the customer's buying task - moderate the effectiveness of various types of selling behaviors. While Weitz does not explicitly operationalize a measure for sales effectiveness (Plank & Reid, 1994), he defined it as "the degree in which the 'preferred solutions' of salespeople are realized across their customer interactions" (1981, p. 91). Firms and industries may have specific definitions of sales effectiveness that need to be operationalized, such as the life insurance industry's standard of the number of policies sold in the prior twelve months (Boles et al. 2000).

While Weitz was instrumental in exploring the nature of the salesperson-customer dyad with his contingency framework, his insight enabled him to acknowledge that his framework was far from comprehensive. The elements and propositions addressed in his 1981 paper were "selected on the basis of past research in personal selling and leadership" (p. 91) and were "not intended to exploit completely the potential set of propositions that can be developed from the framework" (p. 91), indicating that the moderating variables identified were not exhaustive. Despite views that Weitz failed to uncover "additional variables which are crucial to understanding the buyer-seller interaction process" (Wren & Simpson, 1996, p. 64), Weitz (1981) himself called for the continuous updating and improving of his model such that further progress could be advanced in the area of buyer-seller relationships (p. 64), in essence allowing for and encouraging the "uncovering" of additional variables. See Figure 2 for the contingency framework to be employed in the current study.

Researchers have heralded the call to explore additional possible moderating variables on sales effectiveness in the past 35 years. Autry et al. (2013) explored the role of buyer's risk and potential profit impact on sales effectiveness, Miao and Evans (2012) investigated the impact of sales control systems on sales performance, Menguc and Barker (2004) examined incentive pay,

sales volatility, and supervisory monitoring on sales results, and Porter et al. (2003) evaluated the influence of adaptive selling and buying task on sales results.

### ***II.3.1 Adaptive selling.***

While the contingency model of salesperson performance asserts that selling behaviors are directly related to sales performance (Weitz, 1981), it is the specific behaviors of the sales professionals that must be altered based on situational variables. The salesperson who adapts his or her behavior to the specific interaction will be more successful in presenting a product as a solution to the customer's problem. This is known as adaptive selling behavior (ASB). Weitz (1978) emphasizes this adaptive nature by suggesting that the selling process consists of collecting information about a customer or prospect, developing a sales strategy based on this information, transmitting messages to implement the strategy, evaluating the impact of these messages, and making adjustments based on this evaluation (Spiro & Weitz, 1990).

ASB gained momentum from Weitz and his colleagues (Weitz, 1978, 1979, 1981, 1982; Weitz et al. 1986) as a determinant of sales performance by extending the contingency framework. The practice of adaptive selling is defined as the altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation (Spiro & Weitz, 1990). This concept recognizes that no single sales approach is applicable to all situations. Instead, the effective salesperson will use a contingency approach that tailors the sales presentation to the particular selling situation (Spiro & Weitz, 1990; Weitz et al. 1986). ASB has evolved to become the standard for sales interactions (Autry et al. 2013).

Alterations by the salesperson could include selling strategies, tactics, social style, verbal communication, and physical appearance. Additionally, these alterations could be made across

customers/prospects, lifestage or tenure, and are based on the seller's perception of the characteristics of the customer/prospect or situation for the purpose of improving the likelihood of a purchase (Giacobbe, Jackson, Crosby, & Bridges, 2006). ASB proposes that the proper use of an adaptive selling strategy can have a positive impact to a salesperson's effectiveness (Weitz et al. 1986; Brown et al. 1993).

Successful salespeople should have the ability to identify and interpret cues about customer needs (Knowles, Grove & Keck, 1994), including the ability to sense buyers' personalities, moods, information needs, risk aversion, and more. They must then adapt their selling strategies to meet the needs of each individual buyer (Porter et al. 2003). By continually refining the sales approach to be consistent with the unique aspects of each customer engagement, the seller demonstrates a strong customer-oriented focus, which is generally perceived favorably by the buyer (Wren & Simpson, 1996).

Customers and prospects have unique preferences and needs in relation to each aspect of the selling process. For example, a client with little discretionary time to meet with sales representatives may desire a short presentation and a salesperson who fails to recognize this need and gives a lengthy presentation is likely to be evaluated negatively by this client (Szyamanski, 1988). Salespeople exhibit a high level of adaptive selling when they use different sales presentations across sales engagements and make "realtime" adjustments. In an exploration of the pharmaceutical sales professional – the "drug rep" – Elliot (2006) found that "the better ones have little use for the canned scripts they are taught in training. For them, effective selling is all about developing a relationship with a doctor" (p. 86). Fugh-Berman and Ahari (2007) expand on the use of successful ASB within pharmaceutical sales:

*The best reps tailor their messages constantly according to their client's reaction.  
A friendly physician makes the rep's job easy, because the rep can use the*



*'friendship' to request favors, in the form of prescriptions. Physicians who view the relationship as a straightforward goods-for-prescriptions exchange are dealt with in a businesslike manner. Skeptical doctors who favor evidence over charm are approached respectfully, supplied with reprints from the medical literature, and wooed as teachers. Physicians who refuse to see reps are detailed by proxy; their staff is dined and flattered in hopes that they will act as emissaries for a rep's messages. (p. 621)*

This exemplifies Weitz's (1981) suggestion that sales professionals consider each interaction individually and present themselves and their product so as to be maximally effective. This may include presenting themselves as similar to their customers or, in other situations, it may be more advantageous to be perceived as an expert (p. 89). These represent high levels of ASB. In contrast, a low level of adaptive selling is indicated by the use of the same sales presentation during all sales encounters (Spiro & Weitz, 1990), regardless of the selling situation or customer-prospect relationship.

The answer to the question "How should I sell to this prospect?" is often full of uncertainty and subtle nuances, especially in selling contexts in which adaptive selling is most needed (Evans, Kleine, & Landry, 2000). Sales representatives need to develop a set of skills for "reading" a particular buying situation and tailoring a selling response; such is the nature of adaptive selling (Bunn, 1993). A critical element of selling effectiveness is the qualification accuracy of the salesperson that assigns clients and prospects to the class they most closely resemble (Szymanski, 1988). Salespeople function in a complex environment that necessitates the processing of much information and to aid in the processing of this information salespeople rely on categories (homogeneous classes) based on experience (Szymanski, 1988). Based on this "declarative knowledge" (attribute information on the respective categories) and "procedural knowledge" (influence techniques and sequences of events to apply in a particular sales situation) (Fiske and Taylor 1984; Weitz et al. 1986), sales professionals demonstrating high

ASB will adjust their approach in direct response to the purchasing situation. Szymanski (1988) illustrates this process well:

*The salesperson matches the subject's characteristics with the attribute information associated with the selling stage categories. The category for which the overlap in characteristics is greatest then is accessed. Because in most instances the salesperson must choose from among categories the one that best matches the subject, the key to selling success resides in the salesperson's ability to categorize subjects accurately at each stage of the sales process. In essence, the salesperson must engage in a qualification process at each stage... (t)hrough research activities, the information needed to make this judgment is obtained and an appropriate classification decision is made. (p. 66)*

File and Prince (1996) suggest that this process can also be institutionally supported by training sales teams on micro segmentation models. These models segment markets based on characteristics of their organizational buyer behavior and examples include the basis of buying criteria, benefits sought, attitudes toward the purchase, organizational innovativeness, and benefits. Salespeople can use psychographic insights to categorize individual buyers and correspondingly position their product relative to the benefits sought by that buyer, an approach that originates in consumer markets. As a buyer's orientation is rooted in personality variables, socialization processes, personal lifestyles, and situational factors (Sheth, 1976), this approach can be relatively stable (McFarland, Challagalla, & Shervani, 2006), thus allowing for the application of psychographic segmentation models. This will be discussed in more detail later in this chapter.

Salespeople have the opportunity to do "market research" on each customer and execute a tailored sales presentation that is designed for maximum effectiveness. In addition, they can observe the reactions of their customers to sales messages and make rapid adjustments (Weitz & Wright, 1978).

Though business relationships are established among organizations, they are actually managed by individuals with the salesperson acting as the primary contact for the customer (Homburg & Stock, 2004). In the pharmaceutical industry, for example, a large sales force has been established due to the unique and personal nature of product distribution. While this sales approach is costly - over \$6.8 billion in 2006 (IMS Health, 2007) – it does account for the highest return on investment (Wittink, 2002) of any marketing activities available to the pharmaceutical company. Critical to a drug rep's success is understanding not just the prescribing traits of individual physicians but their personalities as well to identify those who can influence the adoption of a new product (Nickum, 2007).

#### **II.4 Risk**

Buyers have differing levels of tolerance for risk. Risk tolerance impacts the relative effectiveness of specific sales activities. Various moderators can help in identifying the activities most effective with various types of buyers with differing risk profiles.

Across a wide spectrum of theories – economics, psychology, statistical decision and game theory – the concept of risk is related to choice circumstances involving both potentially positive and potentially negative outcomes. In researching consumer risk, Bauer (1960) introduced the concept of “perceived risk” – the magnitude of adverse consequences felt by the decision maker if he makes a wrong choice, and the degree of uncertainty under which one must decide. In essence, the greater the uncertainty in a buying situation, the greater the perceived risk. The work of Bonoma and Shapiro (1983) combined with that of Mitchell and Wilson (1998) suggests that B2B purchasers are largely influenced not only by their primary motives and relational styles but, more importantly, by their risk orientations. Risk plays a central role in the purchasing decisions of the buying center (Stone & Grønhaug, 1993; James & Weinstein,

1999). According to Bonoma and Shapiro (1983), a “purchasing manager’s reaction to risk is central for understanding and segmenting the purchasing situation” (p. 84). As Stone and Grønhaug (1993) state, “in considering purchase behavior as purposeful there is no doubt that the desired outcome of a purchase decision is need satisfaction where positive outcomes are hoped for and expected” (p. 40). Several works indicate that risk reduction can be associated with vendor selection and brand trust (Cardozo, 1968; Cooper, Wakefield, & Tanner, 2006).

Within B2B purchasing, risk is multi-faceted, encompassing both the risk of the organization as well as the individuals involved in the process. Patton, Pluto, and King (1986) suggest that an individual’s motivation in avoiding or minimizing risk is a key factor in the buying process. In addition, some industries are more and less risk averse than others, adding further challenges. Another axis to understand is the type of risk at each level. Kotler and Keller (2000) suggest that there are several categories of buyer risk including functional risk (the product may not perform up to expectations), financial risk (the product may not be worth the price paid), time risk (the failure of the product may result in an opportunity cost of finding another more satisfactory product) and business relationship risk (tension and uncertainty in customer-supplier transactions and relationships).

## **II.5 Moderators**

### ***II.5.1 Geodemography.***

*...to the extent possible, the seller will want to anticipate each customer's changing lifestyle, or business emphasis, and consequent shifts to new products and services. Low cost databases are making it operationally possible to track an increasing proportion of such behaviors unobtrusively on an industrial account and household level. Rebate requests, coupon redemptions, credit card purchases, and registration data are rich with relational marketing potential. When these data are combined with other data bases (e.g., Simmons and PRIZM) for media and lifestyle profiles, a new level of buyer-seller intimacy is opened—even for products historically mass marketed. They afford improved marketing*

*efficiency from account clustering and program targeting, plus better and expanded customer service and satisfaction. (Dwyer, Schurr, & Oh, 1987, p. 24)*

Much of the investigation into industrial purchasing has focused on the buying center, not the individual purchasing agent, as primarily responsible for such purchasing decisions as vendor and product selection. While much of the research indicates the importance of the buying center in industrial buying decisions (Johnston & Lewin, 1996), there are still indications that some purchasing decisions are made by individuals. In defining roles of buying centers with multiple actors, Webster and Wind (1972) suggest that one of the roles is that of the Decider, one person who makes the actual buying decision. Sheth (1973) identified that some decisions are made by individuals & that certain factors in the buying situation may determine which decisions are made by groups & which by individuals. There appear to be strong indications that individual decision makers may dominate in buying situations involving modified rebuys & vendor selection decisions (Patton et al. 1986) as well as in the purchasing decisions of small & medium businesses (Ellegard, 2006; Pressey et al. 2009).

Since individuals are intrinsically engaged in the purchasing processes of businesses through buying centers of all sizes, of utmost importance in being able to successfully meet their needs is the ability to understand their members' characteristics (Bonoma & Shapiro, 1983). Sheth (1973) identifies that the first and likely most important factor in a B2B purchase is the background of those involved in the decision and recommends examining the "psychological worlds of these individuals" (p. 52). Personal information may actually be more important than historical purchasing behavior (Fugh-Berman & Ahari, 2007). While Sheth (1973) suggests that it is relatively easy to collect lifestyle and psychographic data on purchase decision makers by asking scaled measures, Bonoma and Shapiro (1983) take a more pragmatic view, indicating:

*It is difficult if not impossible to pre-identify individual buyers based on characteristics such as high self-confidence or risk aversion. Individuals do not wear nametags asserting their psychological makeup and probably would not submit to detailed diagnostic measurements. Thus, segmentation on psychological grounds is difficult to apply other than to current customers and some prospects whom the marketer has observed personally. (p. 88)*

Constant advances in information and communication technology that allows firms to gather large amounts of information about their own customers and about consumers in the general marketplace have enabled marketers to gain a deeper level of understanding into behavior (Kumar, Pozza, Petersen, & Shah, 2009). An example is the creation and growth of commercial geodemographic systems based upon the use of publicly available data from the country-level census departments coupled with individual and household level data from other data providers. These information technology systems provide marketers with rich information on customers' actual behavior (Wedel & Kamakura, 2012) as well as lifestyle and psychographic propensities (Goss, 1995). Geodemographics combines elements of geographic, demographic, and psychographic approaches in an attempt to develop a comprehensive analysis (Kaynak & Harcar, 2005; Gonzales-Benito & Gonzales-Benito, 2008). A geodemographic system contains information about households nested within standard geographic units such as cities, zip codes, census tracts, and census block groups. The geographic units in the system are clustered so that those with similar profiles based on available data are collected in a single cluster; commercial systems generally have between 40 and 60 unique segments (Curry, 1993). Geodemographics is based on the concept of social clustering; that is, people tend to congregate with people like themselves based on factors that influence consumption: social rank, household composition, ethnicity, urbanicity, and mobility (Goss, 1995). This suggests that by knowing where someone lives it is possible to say something about the characteristics of that person or group of people

(Farr, Wardlaw, & Jones, 2008). Although most commercially available offerings were designed for understanding consumer markets, these services can be easily applied towards business situations since individuals ultimately make all purchase decisions (Weinstein, 2013).

Geodemographics is defined as the classification of people by the neighborhood in which they live combined with demographic variables to form an overall consumer profile (Johnson, 1989). Birkin and Clarke (1998) identify that it is “the study of population types and their dynamics as they vary by geographical area” but acknowledge that the term has a more precise meaning in marketing, in which it generally refers to commercial databases designed to provide an overview of the most dominant population segments within a given geography (p. 88-89). Geodemographic systems were developed to address direct marketers’ need of target audience selection while overcoming a practical deficiency in traditional psychographic, benefit, or lifestyle segmentation methods – segment members could not be identified nor reached in scale efficiently (Curry, 1993). Because geodemographic segments are created from and directly tied to geographic location the identifiability and accessibility of segments can be considerably enhanced (Wedel & Kamakura, 2012). In order to operationalize a geodemographic system, all that is needed are the names and addresses of current or targeted customers to be matched to a reference file (Farr & Webber, 2001) or the identification of desired segments within specific geographies such as zip codes.

Geodemographic analysis has its origins in the work of human ecologists in the first half of the twentieth century and includes the large body of work in social area analysis and factorial ecology (Singleton & Spielman, 2014). Shevky and Williams did some of the earliest classifications of census tracts and their residents in the 1940s. The authors hoped that by developing a typology of urban places through a focus on local characteristics, a more robust

understanding of urban systems in industrialized societies could be developed (Shevky & Williams, 1949). In *The Social Areas of Los Angeles* (1949), Shevky and Williams created a classification schema designed to categorize census tract populations in terms of three basic factors - social rank, urbanization, and segregation. Each of the more 300 census tracts within the county of Los Angeles was given a score for each of the three factor indexes. All census tracts with similar configurations of scores on the three indexes were grouped together into larger units called social areas (Shevky & Bell, 1955). The geographies were then analyzed relative to the overall average to reveal the degree of differentiation for the population as a whole as all statistics contain geographic frames of reference. The differences in the social characteristics of the population were located by reference to geography (Shevky & Williams, 1949).

Shevky's early work on social area analysis was instrumental in the rise of "factorial ecology" as a line of inquiry. Factorial ecology refers to the use of factor analysis to differentiate geographic (ecological) units based upon the characteristics of residents and emerged in the mid-1960s (Spielman & Thill, 2008). The representations created by factorial ecology and social area analysis are attempts to reduce the complexities of human geographies into simplified typologies (Abler, Adams, & Gould, 1971) and, as such, provides the conceptual and theoretical foundations for geodemographics (Singleton & Spielman, 2014).

"Birds of a feather flock together" reflects the underlying principle of geodemographic segmentation, which is based upon the assumption that people are similar to their closest neighbors in their sociodemographic characteristics, lifestyles and consumption behavior (Mitchell, 1995; Goss, 1995; Michman, Mazze, & Greco, 2003; Kaynak & Harcar, 2005). One explanation for this is homophily, the principle that contact among similar people occurs at a higher rate than among dissimilar people. In their excellent review of homophily and social



networks, McPherson, Smith-Lovin, and Cook (2001) elaborate that homophily means that cultural, behavioral, genetic, or material information that flows through networks will tend to be localized and that perhaps the most basic source of homophily is space: we are more likely to have contact with those who are closer to us in geographic location than those who are distant. Who closer than those we choose to live near and those who chose to live near us? Homophily, McPherson et al. (2001) argue, “limits people’s social worlds in a way that has powerful implications for the information they receive, the attitudes they form, and the interactions they experience” (p. 415).

Given the principles of homophily, geodemographers identify segments by clustering neighborhoods rather than individual consumers (Wedel & Kamakura, 2012). Two households from the same cluster are more likely to have similar characteristics than two households chosen at random. Despite the fact that geographies within a single cluster are scattered throughout the country, households in these block groups are likely to exhibit similar purchase habits because they share so many traits (Curry, 1993; Sivadas, 1997). Members of the same cluster will exhibit similar consumption patterns while those in different clusters present different consumption of products (Curry, 1993; Solomon, 1996). As Gonzales-Benito and Gonzales-Benito (2004) suggest, a different geodemographic profile implies different benefits sought. This is not surprising since people living in the same neighborhood are likely to earn similar incomes, be of comparable education levels, and work in occupations of similar prestige (Sivadas, 1997).

Goss (1995) identifies that geodemographic systems combine three essential components: (1) huge databases composed of public and private data, individual and household data on consumer identity and behavior; (2) tools to analyze, locate, and graphically represent the spatial distribution of household and geographic characteristics; and (3) segmentation schemes that

identify consumer types through factor and cluster analysis of spatially referenced demographic and psychographic data. The starting point for creating a geodemographic system in the U.S. is the decennial census in which the U.S. government collects information from each household for approximately 150 different variables. To ensure privacy, the census bureau does not report these measures on a household-by-household basis (Curry, 1993). The major advantage of census data is that it offers national aggregate data with complete geographic coverage and is available at a variety of geographic levels. In the U.S. census data are available at the state, county, tract, block group (approximately 300 households) and block level (approximately 100 households) (Greene & Greene, 2008). Census block groups are the preferred bases for geodemographic segmentation as they closely relate to actual neighborhoods defined by natural boundaries such as major streets (Wedel & Kamakura, 2012).

Most commercial geodemographic systems use a wide variety of data from individual consumers to supplement the data from the Census Bureau. Typically, commercial vendors have access to national databases that contain household demographics (income, age of head of household, length of residence, etc), as well as behavioral characteristics (number of credit lines open, credit ratings, homeownership, etc), or lifestyle activities (pet owners, foreign travelers, golfers, etc.) (Greene & Greene, 2008). The addition of these data enable geographies to be profiled over a greater number of dimensions thus increasing the possibility that additional groupings of similarity might emerge from a cluster analysis (Singleton & Spielman, 2014). In a comprehensive assessment of major commercial systems, Curry (1993) identified more than 40 data suppliers which have arrangements with one or more of the primary commercial system suppliers. These include longitudinal national panels of households, such as National Family Opinion's 300,000 U.S. families, National Panel Diary's consumer purchase panels, as well as

suppliers of national mailing lists such as MetroMail and suppliers of TV and radio audience data such as Arbitron. A number of other individual and household level data sources include county court judgments, credit activity information, the electoral register, retail accessibility, and company directorships (Birkin & Clarke, 1998). Weiss (1988) identifies still others including new car buyers from R. L. Polk, the TV viewing diaries of A. C. Nielsen and the consumer buying polls of Mediamark Research and Simmons Market Research Bureau. In addition to adding greater depth to the Census-based demographic data for each geography for multidimensional analysis, these non-census data sources can be updated more frequently than the census, which can help identify occasions where an area may have been subjected to rapid change (Webber, 2004).

In geodemographics, data are aggregated, correlated, and collapsed into a number of statistical clusters that summarize patterns in quantitative data, generally capturing about 85 percent of the variance (Goss, 1995). In essence, it is a data reduction technique (Spielman & Thill, 2008) that utilizes clustering techniques. Reibel (2011) indicates that cluster analysis refers to numerical methods for grouping objects of similar kind into categories based on their values of multiple variables. There are several methods of cluster analysis but the general concept minimizes the within-group distances (in multivariate data space) among observations and maximizes the between-group distances. In other words, by combining the variables using a clustering technique, it is possible to "cluster" within a segment households who share the highest degree of similarity or dissimilarity (Kaynak & Harcar, 2005; Curry, 1993).

Within a single cluster members are very similar although individual differences remain. As a collective, each cluster is quite different from any of the other groups that have been discovered by the analysis (Curry, 1993). It is widely acknowledged, however, that cluster

analysis is an exploratory and subjective operation that involves a series of decisions regarding the variables utilized, the number of clusters, and the clustering method (Birkin & Clarke, 1998). While this class of techniques is not confirmatory, the fact that some form of the Shevky–Bell factor structure emerged from many urban analyses was seen as support for this view of urban spatial structure (Spielman & Thill, 2008).

Singleton and Spielman (2014) propose that geodemographic models can be considered idiographic, providing descriptive characterizations of geographical areas based on the principle that socio-spatial structure is highly correlated with behaviors, attitudes, and preferences. Goss (1995) identifies that the resulting clusters can be inconsistent with a commonsense understanding of consumers, so geodemographics provides consistent and coherent identities that fit with their own stereotypes. Geodemographic systems take liberties to provide for the marketer elaborate consumer identities complete with first names, fictional slices of family life, personal dreams, and social weaknesses. However, Spielman and Thill (2005) share that labeled categories have been used for over a hundred years to describe urban populations in a multivariate sense. While the techniques have evolved as the quality and quantity of the data has greatly increased, the basic principle of multivariate mapping has not altered: for as long as such maps have been made, for example, labeled categories have been used. The principal limitation of categories and their descriptions is not the labels but the challenge of communicating the multidimensional depth represented by said labels.

In spite of broad practitioner adoption, academic researchers have not paid sufficient attention to the potential of geodemographic data in aiding and advancing the understanding of consumer behavior (Sivadas, 1997). This is not to say that the topic has not been evaluated nor is without its concerns. Goss (1995) points out that the underlying data of most geodemographic

systems, the U.S. Census of population and housing, is conducted every ten years, which may not adequately capture more rapid neighborhood changes. He also identified that within commercial systems algorithms are proprietary making methodological comparisons difficult. Curry (1993) posits that “the greatest weakness of current systems is also their greatest strength - they focus on households rather than on individuals... in other product categories and for certain media the individual is far more important than the household” (p. 263).

Despite arguments made by proponents of factorial ecology and homophily, many claim that geodemographics lacks a theoretical foundation which can prove challenging for validation (Singleton & Spielman, 2014; Sivadas, 1997). As written by Spielman and Thill (2008), “the absence of suitable theory to guide variable selection is a troubling reality... Absent theoretical guidance the best a researcher can do is choose variables deemed important to the problem at hand” (p. 120). Greene and Greene (2008) concur, suggesting that the pool of data variables is frequently created from what is available rather than what is theoretically most useful, resulting in segmentation systems that are developed on information that is convenient rather than optimal. Goss (1995) suggests that patterns observed in the data may result from the choice of aggregation method as much as from the distribution of social life itself and that the related ecological fallacy is perhaps the most serious technical problem affecting geographic analysis, referring to the erroneous assumption that patterns or relationships among data observed at an aggregate level of analysis also apply to data at the level of the individual. Birkin and Clarke (1998) identify that aggregate area descriptors can only represent relatively crude averages of the population and that, in reality, can never match the characteristics of all residents of an area in an exact fashion. While taxonomies have their uses, they are of little help in producing complete

descriptions of particular areas (Voas & Williamson, 2001), what Wells (1975) identified as only a “nodding acquaintance” with residential stereotypes.

In addressing the issue of accuracy at the individual or household level, Slight (1997) accurately recognizes that geodemographics is not perfect, a shortcoming it shares with many other aspects of marketing theory and practice. No segmentation system, in meaningful scale, can capture nor explain 100% of the variation within populations. Shevky and Williams (1949) wrote, “the essential characteristic of a statistical study is not that it employs numerical computation, but that it deals with groups and with mass phenomena. Conclusions of a statistical study apply to a group as a whole, and not necessarily to some selected member of that group” (p. 34). Demographics such as gender and age can indeed be captured 100% accurately but have been deemed insufficient (Wells, 1975) and do not explain behavior (Haley, 1968). Due to the robustness of the data and entire U.S. geographic coverage, geodemographics guards against the downside risk of a single representative of a neighborhood (e.g., a research respondent) not being typical of that neighborhood, by using a sensibly sized sample (Slight, 1997). Commercial systems are validated through analysis of individual and group-level consumption patterns. For example, Nielsen’s PRIZM system includes hundreds of thousands of individual-level records (Singleton & Spielman, 2014). It is possible to construct meaningful classifications at the household level based on public domain data and deliver virtually universal coverage, a strength unique to geodemographic systems (Farr & Webber, 2001).

Openshaw (1983) argues that because cluster analysis, a common technique in geodemographics, is an exploratory data analysis technique, “a classification can only be deemed ‘good’ or ‘poor’ when it has been evaluated in terms of the specific purpose for which it is required; there is no magic universal statistical test that can be applied nor is there any possibility

of deriving a classification suitable for all purposes” (p. 245). Although no neighborhood is strictly homogenous in all respects, geodemographics can prove beneficial because the differences among the neighborhoods are more significant than the differences among households in the neighborhoods. "People are all different," says Robbins, the creator of the first commercial geodemographic system, PRIZM, "but clustering predicts where you can find more of one kind" (Weiss, 1988, p. 13). Geodemographics is in reality an indication, a probability that is directly usable in planning marketing activity. Much of marketing is to do with improving the odds in your favor and targeting via geodemographics achieves this (Slight, 1997). In defending the use and value of aggregate data, Webber (2004) writes:

*Although neighbourhood may be a more actionable discriminator because it is a piece of information that is known about all consumers, not just those who are customers or who fill in lifestyle surveys, it is not the case that it is less useful than personal or household-level data merely as a result of being a statistical aggregate. Streets may contain households in many different income groups—but income groups themselves contain households which are equally diverse in terms of how much disposable income they have, how much of that income they save or spend and what they spend it on. (p. 223)*

Webber offers two basic yet practical examples to illustrate his point. The first include “environmental” factors that have a direct relationship to a consumer’s needs. For example, if a consumer’s postcode is characterized as a military base then this consumer is likely to be a poor prospect for a mortgage. The second include “social” factors that are the behaviors of people with whom they come into contact during their daily lives. For example, unpublished research undertaken by Devon and the Cornwall police (United Kingdom) demonstrates that a person in a geography with higher crime rates is likely to be a worse insurance prospect and receive a more expensive insurance quote than a person living in lower crime rate geography. This is not primarily as a result of their personal characteristics or behavior but due to the proximity of their

homes to the places where regular criminals tend to live. As a result of the aggregate data and its corresponding probabilities, businesses (mortgage and insurance, respectively) can reduce costs and increase effectiveness by not targeting residents in these geographies.

Geodemographics is one of the most promising developments in multidimensional segmentation (Michman et al. 2003) for both academics and practitioners. As identified by Dibb and Simkin (2009), in a recent study of future segmentation research priorities by the Academy of Marketing's SIG in Market Segmentation, geodemographic segmentation was identified as a top priority for future research. As for business applications, commercial systems are used in virtually every branch of marketing (Curry, 1993). Geodemographics has the particular value of enabling greater precision in identifying the characteristics of a population of interest and support effective implementation of segmentation and positioning as a stand-alone solution or as a refinement to existing approaches (Tonks & Farr, 1995). It can result in better and more effective target marketing (Kaynak & Harcar, 2005) as evidenced by comments by Birkin and Clarke (1998) – “response rates of 1 percent for random distributions have been replaced with typical response rates of 5 to 10 percent for geodemographic targeting” (p. 98). These benefits can be sought across an entire country or set of countries due to the universal coverage of (census-based) geodemographics (Slight, 1997). While an identified issue is the decennial nature of data collection, in the U.S., commercial vendors update their data and models with far more frequency with data from the U.S. Department of Census' American Community Survey, a much smaller survey in terms of topics and questions as well as respondent base (C. Frohlich, personal communication, February 2, 2015; C. McClave, personal communication, January 30, 2015). However, it is fielded every two years, which allows for more frequent and timely identification of neighborhood shifts.



The emergence of geodemographic systems has permitted more efficient and effective targeting and applications of marketing efforts. Direct marketers, an early adopter of the discipline, need only ZIP or ZIP+4 codes as the link for fusing their mailing lists to a geodemographic system for list segmentation purposes, benefitting from improved targeting and higher response rates (Wedel & Kamakura, 2012). Geodemographic systems can also be used to understand current retail channel usage, which has aided in the creation of store layout and merchandising strategies (Inman, Shankar, & Ferraro, 1997; Webber, 2004). Zip code-based clusters are being used to guide media buying and targeted direct marketing activities. For example, Time and Newsweek have sorted their subscriber lists by geodemographic clusters and created separate editions with targeted advertising messages based on the clusters, thus allowing media buyers to reach those most likely to buy their product (Sivadas, 1997). In the credit and insurance industries, in which customer profitability is dependent on bad debt levels and claims rates, the data is used to forecast risk at the consumer level and to set credit limits, insurance premium levels, and even annuity rates (Webber, 2004). More broadly, financial services organizations structure their systems to use the data as an input into their customer relationship management systems, with the intention of making communications more relevant to existing customers as well as prospects. Additionally, geodemographic analysis has been applied successfully to market modeling, store location analysis, sales force planning, and drive time analysis (Tonks & Farr, 1995).

#### *II.5.1.1 Segmentation.*

Since its origination by Frederick in 1934, the concept of segmentation has continued to gain importance in both consumer and business domains (Goller, Hogg, & Kalafatis, 2002). The theoretical grounding for market segmentation comes from economic pricing theory, which

indicates that profits can be maximized when prices that discriminate segments are set (Frank, Massy, & Wind, 1972).

In determining desirable prospective customers for an industrial product companies should confine their marketing efforts to those industrial concerns offering the greatest returns at a minimum of cost (Frederick, 1934). In a modification of the Italian economist Vilfredo Pareto's principle, Frederick identifies that in many cases up to 50 percent of a firm's customers contribute only five to six percent to the total sales volume yet comprise the majority of sales costs (Frederick, 1934).

Frederick offers procedural advice for identifying specific segments by looking beyond mere bulk industrial figures as they are of little value in aiding an individual producer in discovering his purchasers. It is more important, he writes, that the aggregate market statistics be supplemented by quality lists of specific entities, so that the figures for the total market may be viewed in relation to the figures for individual companies.

*It is one thing to determine the size of a market for an industrial product and another thing to learn about the ways and means of consummating a sale and of determining who the actual purchasers are. Even though the market for some products covers all industry and the potential volume of business is tremendous, these facts are of little significance to the producer unless he can locate individual buyers and obtain their signatures on 'the dotted line.'* (Frederick, 1934, p. 33-34)

In 1956, Wendell Smith expanded upon the economic origins of market segmentation and introduced it in the marketing literature arguing that, in place of mass markets, goods would "find their markets of maximum potential as a result of recognition of differences in the requirements of market segments" (Foedermayr & Diamantopoulos, 2008, p 223). In lieu of competing simply on product differentiation, Smith recognized the existence of heterogeneity in the demand of goods and services based on the economic theory of imperfect competition

(Wedel & Kamakura, 2012). Market segmentation focuses on differences in customers while product differentiation focuses on differences in products in order to meet the needs of these different customers (Crittenden, Crittenden, & Muzyka, 2002). "Market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants" (Smith, 1956, p. 6).

The marketer may determine that it is better to accept divergent demand as a market characteristic and to adjust product lines and marketing strategy accordingly. This implies an ability to merchandise to a heterogeneous market by emphasizing which targeted segments a firm's products can uniquely satisfy. Smith identified that the product marketing and promotions at the time emphasized *selective* rather than *primary* buying motives, suggesting that primary motives differed and were more impactful to those who held them – specific market segments. The strategy of product differentiation could now be compared to marketing programs based upon measurement and definition of market differences (Smith, 1956).

Smith's (1956) definition of market segmentation has remained largely intact over the past 60 years:

*Viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets in response to differing product preferences among important market segments. It is attributable to the desires of consumers or users for more precise satisfaction of their varying wants. (p. 6)*

Because all customers, needs, and buying situations are not the same, the market cannot be considered a homogeneous entity (Bonoma & Shapiro, 1983). While a firm cannot plan and strategize based on an average customer or an average purchase (Frederick, 1934; Bonoma & Shapiro, 1983), it also cannot evaluate each and every customer, prospect, and purchasing

situation separately. The solution – and goal of segmentation – is to identify distinct customer groups that have homogeneous needs (Wind, 1978).

Schiffman and Kanuk (1978) defined segmentation as the process of dividing a potential market into distinct subsets and selecting one or more segments as a target market to be reached with a distinct marketing mix. “Marketing mix” could include product or service, price, promotion, distribution, or other broad components (Myers, 1996). Kotler (1980) stresses the actionability of a segmentation effort by writing that any derived segment “may conceivably be selected as a market target to be reached with a distinct marketing mix” (p. 195) as compared to, for example, a statistically sound segment that could not be practically addressed. The success of market segmentation can only be measured when an identified segment can be reached by a marketing mix aimed at that segment (Michman et al. 2003). Pieres et al. (2011) identify that if a business is unable to target its marketing efforts towards its prioritized segments, the segment cannot be accessed and the effectiveness of a segmentation strategy is undermined. Bonoma and Shapiro (1983) emphasize that a fruitful segmentation scheme is dependent upon maximizing the likelihood that members of each resulting segment are more like the other segment members than like members of other segments. In addition, they identify that a market could be considered customers, prospective customers, or buying situations. Segments need not be physical entities that naturally occur in the marketplace, such as “women over 50” or “households with 2+ children” but defined by researchers and managers to improve their ability to best serve their customers (Wedel & Kamakura, 2012) and must be operational by the firm.

The concept of market segmentation was developed in economic theory to show how a firm selling a homogeneous product in a market characterized by heterogeneous demand could maximize profits (Claycamp & Massy, 1968). Market segments consist of groups of people or

organizations that are similar in terms of how they respond to a particular marketing mix or in other ways that are meaningful for marketing planning purposes (Myers, 1996). Finding profitable segments means identifying a maximal fit between customer needs and the firm's offerings. To be viable, a segment must be large enough to be served profitably (Hawkins & Mothersbaugh, 2009). Therefore, market segmentation can be considered not only a process by which to identify which segments are profitable and should be considered as targets, but also which segments are to be avoided (Mitchell & Wilson, 1998; Peppers & Rogers, 2004). This process can aid in the organizational understanding that some existing customers – and prospects – will be unprofitable to serve and may need to be fired (Hawkins & Mothersbaugh, 2009). Yankelovich (1964) sums up market segmentation's promise well: "It is a systematic approach that permits the marketing planner to pick the strategically most important segmentations and then to design brands, products, packages, communications, and marketing strategies around them. It infinitely simplifies the setting of objectives" (p. 84).

The goal of market segmentation is to identify which specific segments provide the most profitable opportunity such that organizational resource alignment and proper execution can generate an increasing share of market position in targeted segments. The marketer that focuses solely on broad product differentiation "seeks to secure a layer of the market cake, whereas one who employs market segmentation strives to secure one or more wedge-shaped pieces" (Smith, 1956, p. 5). Perhaps the most important marketing decision a firm makes is the selection of one or more market segments on which to focus (Hawkins & Mothersbaugh, 2009). Market targeting involves evaluating the attractiveness of each segment and selecting the specific segments target. Targeting is a critical marketing practice and previous literature has documented that there are positive returns to targeting in various marketing domains (Dong, Manchanda, & Chintagunta,

2009). Kotler (1986) suggested that market segments must be evaluated according to three factors: segment size and growth, segment structural attractiveness, and company objectives and resources. Segments should be scrutinized for important differences in buyer attitudes, motivations, values, usage patterns, aesthetic preferences, or degree of susceptibility (Yankelovich, 1964). By effectively targeting optimum segments, firms can seek a sustainable competitive advantage based on an effective match of their unique capabilities, competencies, and offerings with the attributes most needed and best valued by consumers (Pires, Stanton, & Stanton, 2011).

The idea that all markets can be profitably segmented has now received almost as widespread acceptance as the marketing concept itself (Haley, 1968). Market segmentation has become a central concept in both marketing theory and practice (Wind, 1978; Foedermayr & Diamantopoulos, 2008; Wedel & Kamakura, 2012) and is one of the most important strategic concepts in business (Myers, 1996). An evaluation of the various types of segmentation studies undertaken by researchers in a variety of markets makes it evident that segmentation should be a prominent market tool in all types of organizations (Crittenden et al. 2002) as a firm following a market segmentation strategy usually can increase expected profitability (Wind, 1978). However, the tension between the theoretically desirable and the managerially possible continues to be problematic (Mitchell & Wilson, 1998). As Powers and Streling (2008) identify, successful segmentation research requires a narrowing of the gap between academically oriented research on segmentation and the application of segmentation research to business problems (Wind & Cardozo, 1974; Wind, 1978; Chaffray & Lilien, 1980; deKluyver & Whitlark, 1986). Bonoma and Shapiro (1983) find that a great deal of market segmentation literature is not directly applicable by the practitioner but rather is concerned with the development of basic

theory or new methods; and literature on applications of segmentation, in general, is almost non-existent.

Market segmentation remains important and relevant because it can serve as a basis for developing strategies, plans, and programs (Bonoma & Shapiro, 1983) that can result in an increase in a firm's profitability (Crittenden et al. 2002). Bain & Company's global longitudinal study of leading management tools (2007) identified that segmentation rated third in overall usage (82 percent) behind strategic planning and customer relationship management. In the firm's 2000 study, segmentation ranked ninth and received only 51 percent usage (Rigby & Bilodeau, 2007).

As a result of segmentation efforts, a better understanding of customer needs and decision criteria can be achieved (Wind & Douglas, 1972) which can result in stronger focus, deeper understanding of needs, and improved offerings (Foss & Stone, 2001). This all signifies an improved ability to match customer requirements with a firm's offerings (McDonald and Dunbar, 1995). The marketing literature (Yankelovich, 1964; Kotler, 1994; Wind, 1978; Foss & Stone, 2001) suggests that segmentation can result in improved profitability through better resource allocation and alignment while offering practitioners a number of clear strategic and tactical benefits including:

- Clearer and quicker identification of market opportunities
- Improved products and solutions, more tailored to segments' needs
- Optimized messages, mediums, timing, and experiences per segment
- More effective allocation of marketing and promotional dollars
- Improved response, conversion, and engagement rates
- Better customer retention

Any organization, whether consumer, industrial, reseller or government, must recognize that it cannot equally serve all customers in its market (Vyncke, 2002). Most segmentation studies have been conducted for consumer goods (B2C) yet the concept of segmentation and most of the segmentation research approaches are equally applicable to industrial (B2B) markets (Wind, 1978; Choffray & Lilien, 1978; Myers, 1996). The advantages of market segmentation outlined above are true for all types of business concerns: packaged goods and hard goods, and for commercial and industrial products as well as consumer products (Yankelovitch, 1964).

#### *II.5.1.1.1 Business-to-Consumer market segmentation.*

*ING Direct is a bare-bones bank. It has limited offerings (no checking) and does most of its transactions online. ING Direct wants 'low maintenance' customers who are attracted by its higher interest rates. As its CEO notes, 'the difference between ING Direct and the rest of the industry is like the difference between take-out food and a sit-down restaurant. The business isn't built on relationships, it's built on a commodity product that's high volume and low-margin. We need to keep expenses down, which doesn't work when customers want a lot of empathetic contact.'* (Hawkins & Mothersbaugh, 2009, p. 17)

The process of segmenting a market, selecting targeted segments, and allocating and aligning a firm's resources behind them is no small or simple task. There are multiple options available at each critical juncture, starting with which segmentation variables best to define and segment a market into homogeneous groupings. There is no single best way of accomplishing this as the range and variety of marketing decisions suggest that any attempt to use a single basis for segmentation for all marketing decisions may result in incorrect marketing decisions as well as a waste of resources (Wind, 1978).

As summarized well by Foedermayr and Diamantopoulo (2008, p. 249), "segmentation variables are 'set[s] of characteristics that [are] used to assign [customers] to segments'" (Steenkamp & Ter Hofstede, 2002, p. 196). Thus, segmentation variables indicate why segments



differ, as they partition the market in such a way that those customers are aggregated who are similar along the chosen segmentation variable(s) (Dibb, 1995) and thus exhibit relatively similar responses to marketing stimuli (Baalbaki & Malhotra, 1993; Jain, 1994; Rudelius, Walton, & Cross, 1985). Since different variables naturally result in different classifications/segments (Cheron & Kleinschmidt, 1985), their appropriate selection is of crucial importance in market segmentation tasks (Nachum & Ayal, 1994).

Wind (1978) and Wedel and Kamakura (2012) suggest that segmentation variables can be classified into two primary categories: general (independent of products, services and circumstances) and product-specific variables (specifically relating to the customer and the product). Furthermore, they posit that segmentation variables can be either observable (they can be measured directly such as product usage or customer gender) or they must be inferred (such as customer attitudes, beliefs, and perceived benefits). Gunter and Furnham (1992) and Foedermayr and Diamantopoulos (2008) identify three categories of segmentation variables. First, product-specific, behavioral attribute segmentations classify consumers based upon purchase behavior within the relevant product category and/or the benefits the consumer expects to derive from a product category. Second, physical attribute segmentations of consumers operationalize such easily observable criteria as demographic, socioeconomic, or geographic variables to create homogeneous segments. And third, psychological attribute segmentations, which utilize consumer profiles developed from personality-related questions, which can include lifestyle analyses. This kind of segmentation is often called “psychographics” and will be elaborated upon later in the chapter.

Wind (1978) writes that practitioner studies have generally followed one of two research patterns. The first, known as an “a priori” segmentation design, is one in which management

decides on the variables that will form the basis of the segmentation such as product purchase, loyalty, customer type, age, wealth, or some other factors. The results of this approach demonstrate the segments' estimated size as well as their demographic, socioeconomic, psychographic, and other relevant characteristics. The second approach is a clustering-based segmentation design in which segments are determined, not before the fact as in “a priori” designs, but on the basis of the clustering of respondents’ results on a set of "relevant" variables. Benefit, need, and attitude segmentation are examples of this type of approach. As in a priori segmentation studies, the size and characteristics of the segments are then estimated. While studies have demonstrated that a priori methods do not deliver more substantial results (Haley, 1968; Lin, 2002), these methods remain in use due to ease of operationalization. Variables that are in use already within a firm about every customers and prospect – customer demographic and socioeconomic data, product purchase and usage patterns, channel preference and geography – are easier to build upon and communicate within an organization than computed variables that only exist within surveys for a representative sample – such as attitudes, beliefs, concerns, and wants.

As segmentation and targeting began to penetrate academic literature as well as business, researchers in consumer markets began with demographic and socioeconomic variables, such as age, income, and education, as the basis for segmentation (Mariority & Reibstein, 1986). These variables are intuitive and easy to understand. Furthermore, they are readily available in scale as well as generally observable when face-to-face. As Wells (1975) stated:

*Among the standard fixtures in marketing research, the demographic profile is probably the most familiar. Age, income, education, and other indications of position in life space have so much influence on so many kinds of consumer behavior that users of a product or a brand, viewers of a TV program, or readers of a magazine are virtually certain to differ from the rest of the population on one or more of the common demographic dimensions. Marketing researchers collect*

*demographics as a matter of routine, and marketers feel comfortable using them.*  
(p. 196)

Despite the universality of demographic profiles, they have not been deemed sufficient. Despite their prevalence and ease, the utilization of simple demographic and socioeconomic variables has its critics. In 1964, Yankelovich, writing in the *Harvard Business Review*, indicated that:

*Sound marketing objectives depend on knowledge of how segments which produce the most customers for a company's brands differ in requirements and susceptibilities from the segments which produce the largest number of customers for competitive brands. Traditional demographic methods of market segmentation do not usually provide this knowledge. Analyses of market segments by age, sex, geography, and income level are not likely to provide as much direction for marketing strategy as management requires.* (p. 83)

Adding to this theme, he pointedly wrote “in neither automobiles, soaps, nor cigarettes do demographic analyses reveal to the manufacturer what products to make or what products to sell to what segments of the market” (p. 84). It is as though demographics provided only a nodding acquaintance, and marketers wanted to know their customers much better (Wells, 1975). A number of studies began to demonstrate that demographic variables such as age, sex, income, occupation and race are, in general, poor predictors of behavior and, consequently, less than optimum bases for segmentation strategies (Haley, 1968). While convenient and simple, demography is not the only or the best way to segment markets (Kenney & Weinstein, 2010). This class of variable cannot identify the complete characteristics of the segments because consumers in the same demographic group have very different psychographic makeups (Myers, 1996). Demographic data, by itself, does not explain consumer behavior as it is unable to consider the psychological or the social dimensions influencing consumers (Michman et al. 2003). In household consumer behavior, the low predictive ability of demographic

characteristics has led to the development of psychographics (Wells, 1974) as an alternative set of explanatory factors (Robertson & Wind, 1980).

The utilization of measures that pertain to how consumers think and feel and behave might have great import in breaking the tautology that often results from the use of demographic and socioeconomic variables in social research; psychographic measures have explanatory variables, which would help us understand why individuals with apparently similar backgrounds behave differently (Wells, 1974). By segmenting markets on the basis of the values, purposes, needs, and attitudes relevant to the product being studied, we avoid misleading information derived from attempts to divide people into types (Yankelovich, 1964). Psychographics and lifestyle research allows academics and practitioners alike to view a population as individuals with feelings and tendencies, addressed in groupings of similarity (Demby, 1996) that provide marketing management a more lifelike portrait or profile of customers through an improved multidimensional perspective (Michman et al. 2003). Furthermore, it allows researchers to move beyond simple demographics to quantitatively improve on past research for decision-making when demographics are found incomplete (Demby, 1996). Since individuals ultimately make all buying decisions, psychographics can be an important dimension in understanding purchase behavior and influences (Weinstein, 2013). As Wells (1974) stated:

*Life style and psychographic research can assist market segmentation in a variety of ways. It can provide useful descriptions of existing segments of present markets: It can help the analyst understand the results of multidimensional scaling or product benefit segmentation. It can contribute new and useful dimensions along which consumers may be segmented. It can create new segments based upon product and/or brand related interests, needs and values. And it can create new segments based upon more general aspects of life style. (p. 334)*

Empirical studies support the contention that evaluating and segmenting consumer markets based on attitude, belief, behavioral and other non-demographic variables can provide greater explanation of variance. Frank et al. (1972) and Wells (1975) conclude that the predictive validity of lifestyle with respect to purchase behavior can be substantially better than that of general observable segmentation bases, such as geographic, demographic or socioeconomic variables. In evaluating several studies, Vyncke (2002) finds that psychographic segmentations perform far superior as compared to demographic and socioeconomic segmentations.

The marketing literature regarding the “use of psychological, sociological, and anthropological factors, such as benefits desired, self-concept, and lifestyle” in understanding consumer markets and “the propensity of groups within the market to make a particular decision about a product, person, ideology, or otherwise hold an attitude or use of mediums” (Demby, 1996, p. 26) labels these categories of variables as “psychographic” or “lifestyle.” The concept of psychographics emerged in consumer behavior literature in the late 1960s in an attempt to relate personality and lifestyle variables to consumer behavior (Robertson & Wind, 1980). While each has a unique history, the two labels have become largely synonymous in recent years (Anderson & Golden, 1984; Myers, 1996). The basic premise of this category of variables, as Hornik (1989) points out, is that the more we know about an individual’s lifestyle the more effectively we can communicate with him or her. In order to attract and motivate a particular group of consumers through communication campaigns, one must gain insight into their psychological composition (Vyncke, 2002).

The origin of psychographics can be traced back to the work of Paul Lazerfeld and associates at the Bureau of Applied Research in the 1930s (Demby, 1974). Demby extended the

use of the term, integrating elements of “psychology” and “demographics” as he felt the need to (1) put more “psychological flesh” on the what was purely demographic, socioeconomic and geographic structures, (2) to add the thickness of the social and behavioral sciences to current analytical frames, (3) for the purpose of enhancing understanding of consumer behavior, and (4) to develop more successful advertising strategies (Vyncke, 2002). While first used around the time of World War I to classify people by their physical appearance, it was Demby who conducted the first study in psychographics in 1965 to depart from earlier views expressed in behavioral, demographic, and socioeconomic measures (Michman et al. 2003). As Demby (1994, p. 27) states, “In 1948, I first thought of the usefulness of a segmentation technique that would cluster people by their tendency to think or act in a certain way.”

Psychographics encompasses a wide range of consumer attributes including activities, interests, opinions, needs, values, attitudes, and personality traits (Wells, 1975). Psychographics include social class, lifestyle, personality, and other behavioral variables with the end result being the creation of a multidimensional profile of people within a market segment (Michman et al. 2003). Operationally, then, psychographic research can be defined as quantitative research intended to place consumers on psychological dimensions and because it is quantitative rather than discursive, it allows for large, representative samples of populations as well as multivariate statistical analysis of inputs (Wells, 1975). Wells’ all-encompassing definition accurately reflects the current practice of psychographic research, including diverse categories of variables such as activities, interests, and opinions, personality traits, life-style measures, and attitude measures (Robertson & Wind, 1980).

In their review of the lifestyle concept, Anderson and Golden (1984) point out that while the exact origins of the lifestyle concept are obscure its roots are traceable to the works of poets,

naturalists, and philosophers writing as early as the sixteenth century (Ansbacher, 1976). Use of the lifestyle concept as an analytical construct dates from Thorstein Veblen's turn-of-the-century classic, *The Theory of the Leisure Class* and from Max Weber's landmark studies of status (1946, 1947). Anderson and Golden, (1984) indicate that several authors (Bell, 1958; Rainwater et al. 1959; Havinhurst and Feigenbaum, 1959) initiated the concept of lifestyle in consumer behavior literature suggesting its potential significance in understanding and predicting consumer behavior. Much like psychographics, lifestyle research emerged from the recognition that meaningful demographic distinctions are non-existent in many product categories and, even where they are, no mechanism exists for effectively targeting any particular market segment unless one knows why the distinctions exist (Vyncke, 2002). In addition, the availability of actionable information may place constraints on reaching segments selectively (Claycamp & Massy, 1968).

Berkman and Gilson (1986, p. 406) define lifestyle as “unified patterns of behavior that both determine and are determined by consumption... lifestyle is an integrated system of attitudes, values, opinions and interests as well as overt behavior.” Kelley (1963, p. 168) reinforces the role of consumption in the creation and maintenance of lifestyle – “marketers are not selling isolated products which can be viewed as symbols; they are selling, or consumers are buying, a style of life or pieces of a larger symbol.” Anderson and Golden (1984) suggest that lifestyle is generally defined today to encompass both characteristic patterns of overt behavior and cognitive processes and properties. Kaynak and Kara (2001), supporting Berkman and Gilson’s role of consumption, indicate that lifestyle is usually defined as the patterns in which people live and spend their time and money. Michman et al. (2003) purport that the term

“lifestyle” broadly describes how individuals spend their time, what they consider important about their immediate surroundings, their opinions on various issues, and their interests.

While seemingly similar, Wells (1974) attempted to delineate between lifestyle and psychographics research. Psychographics, he wrote, refers to studies that place comparatively heavy emphasis on generalized personality traits. Lifestyle research, on the other hand, has tended to focus either on broad cultural trends or on needs and values thought to be closely associated with consumer behavior. Dorny (1971) aligns with this view stating that psychographic measures include those that are truly "mental" – attitudes, beliefs, opinions, and personality traits, while lifestyle should be considered consumer activities and behaviors.

Sometime during the 1960s a blend of these two traditions began to take shape, combining the objectivity of the personality inventory (psychographics) with the rich, consumer-oriented, descriptive detail of the qualitative motivation research investigation (lifestyle) (Wells, 1975). Modern definitions of lifestyle in the marketing literature generally merged the two concepts to encompass both patterns of overt behavior and cognitive processes and properties, including such dimensions of personality as values, attitudes, opinions, beliefs and interests (Engel, Warshaw, & Kinnear, 1979). Lifestyle variables are often considered the mainstays of psychographic research (Wells, 1974) and two terms are often used interchangeably as there is much overlap in what these terms are generally thought to mean (Myers, 1996).

#### *II.5.1.1.2 Business-to-Business market segmentation.*

*A Fortune 50 pharmaceutical company used a belief-based, segmentation study of physicians. Based on this analysis, the firm eliminated 39 percent of the doctors on its call panel (two market segments) due to their lack of belief alignment with the brand's proposition (61 percent of the market, comprising three segments) increased the brand's total prescriptions by 50 percent within a year, while the non-detailed physicians cut their prescription writing by only 10 percent during that period. Overall, this resulted in a \$15 million increase in annual incremental*



*sales and a \$7 million reduction in sales/marketing expenses that is projected to yield \$68 million in a three-year net present value (NPV) gain for the brand. (Weinstein, 2013, p. 121-122)*

As difficult as segmenting consumer markets is, it is much simpler and easier than segmenting industrial markets (Shapiro & Bonoma, 1984; Bingham & Raffield, 1990). This may in part due to the perceived lack of research into B2B markets. Choffray and Lilien (1978) indicate that most segmentation analysis has been aimed at consumer markets and, hence, little methodology has been developed that treats issues specific to industrial markets. This observation continued to be made in the 1980s (Bonoma & Shapiro, 1983; Plank, 1985) as well as into the 1990s when Abratt (1993) concurred, suggesting that there was still a lack of research on market segmentation in B2B markets. In acknowledging that most literature on the topic is conceptual or normative, Foedermayr and Diamantopoulos (2008) suggest that more emphasis should be placed on how segmentation in B2B markets is actually performed in practice. Weinstein (2011) agrees, indicating that while market segmentation is an intriguing academic concept, most B2B practitioners struggle with the design and implementation of such initiatives.

Segmentation is at the core of good industrial marketing (Bonoma & Shapiro, 1983) as it allows the strategic marketer to determine where and how the company should allocate its marketing efforts (Crittenden et al. 2002) to maximize profits. Segmenting B2B markets and organizational purchasers is more complex than consumer buying behavior for the purchase decision often involves (1) several people, with different responsibilities who (2) interact with one-another in an organizational contextual manner and (3) whose choices may be limited or impacted by organizational selection criteria (Choffray & Lilien, 1978). Additionally, the industrial salesperson may also be confronted with a more formula-driven buyer than is typically found in the consumer sector (Barry & Weinstein, 2009).

Many companies view their segments in an “a priori” manner simply according to products and vertical markets, often ignoring the potential variation of buying situations within these segments (Bunn, 1993). The increasing capabilities and affordability of technology, particularly customer relationship management solutions (CRM), will support the continuing shift in segmentation from one aimed at broad marketing segments to more focused micro segments and, ultimately, to the segment of the individual. These more granulated forms of customer data-rich segmentations will capture and incorporate customer and prospect life-cycle stage and event-based marketing and will add precision to customer and prospect targeting, resulting in increased conversion, cross-selling, and customer retention (Ryals & Payne, 2001). In fact, in an editorial for the Journal of Marketing Management, Dibb and Simkin (2009) refer to the Marketing Science Institute’s research priorities that suggest that marketing practitioners need new ways to segment markets that create customer value.

While the definition of segmentation has been discussed earlier and applies equally to consumer as well as industrial markets, a modified B2B-focused definition may serve as grounding in this section of the chapter:

*Business-to-business market segmentation is an ongoing and iterative process of examining and grouping potential and actual buyers with similar product needs into subgroups that can then be targeted with an appropriate marketing mix in such a way as to facilitate the objectives of both parties. The process has strategic and tactical marketing implications and should be periodically reviewed to incorporate the lessons of experience and to maintain an optimal cost/benefit ratio. (Mitchell & Wilson, 1998, p. 443)*

Mitchell and Wilson’s definition refers to market segments on the commonly used basis of product needs, one of many viable and reasonable segmentation bases. Weinstein (2013) suggests that geographics and firmographics are among the most widely used segmentation variables in industrial markets while Myers (1996) indicates that in B2B markets segmentation

basis variables are comprised of two main categories: customer type, (type of business, company size, geographic location, key accounts) and product/services related (usage, quantity, type of application, purchase process, buying criteria). In an assessment of B2B market segmentations studies and papers, Abratt (1993) found that the most common variables used to segment B2B markets were geographic (87.5%), demographics (62.5%), usage rate (62.5%), and buying situation (62.5%). Rangan et al. (1992) established a robust catalog of industrial segmentation bases including:

- Demographic descriptors (also known as “firmographic”) such as geography, standard industrial classification (SIC) code, and account size (Hlavacek & Ames, 1986)
- Product end-use or application (Wind & Cardozo, 1974)
- Buying situation (Robinson, Faris, & Wind, 1967)
- Customer benefits (Choffray & Lilien, 1978; Haley, 1968)
- Customer buying behavior (Bonoma et al. 1977; Webster & Wind, 1972)
- Customer decision-making style (Wilson, 1971)

Shapiro and Bonoma (1984) posit that marketers for industrial goods, like their consumer market counterparts, can segment markets according to the individuals involved in the purchase process across several dimensions including buyer-seller similarity, buyer motivation, individual perceptions, and risk-management strategies. Mariorty and Reibstein (1986) indicate that in industrial markets similar variables that are prevalent in consumer segmentation have been applied to organizations to serve as segmentation bases. In reviewing the literature, Wind (1978) contends “in building an organizational segmentation mode, the variables included should be not

only the characteristics of the relevant organizational decision-making units (DMUs), but also organizational characteristics such as size and SIC” (p. 319).

As indicated earlier, organizational characteristics are referred to interchangeably as demographic or firmographic variables. Commonly, organizational buying behavior has been explained using organizational demographic characteristics –SIC codes, size, and geographic location are examples (Robertson & Wind, 1980). Weinstein (2013) adds that major business demographic variables include the age of the firm, the firm’s life stage, financial factors, market size, ownership factors, and industry structure. Shapiro and Bonoma (1984) identify that firm demographics give a broad description of the company and include industry, company size, and customer location and that all variables in this category can be determined without visiting the company. Yet others identify many of these same categorical variables as “firmographic,” quite possibly due to their parallel nature to individuals’ demographic variables. Hawkins and Mothersbaugh (2009) share that firmographics involves both the organization’s characteristics such as size activities, objectives, locations, and industry category as well as the gender, age, education, and income distribution of its employees. Firm size and industry/SIC code are frequently categorized as firmographic variables (Kenney & Weinstein, 2006; Foedermayr & Diamantopoulos, 2008).

Despite their traditional use by industrial marketers as bases for market segmentation, Choffray and Lilien (1978) find little evidence of a relationship between observable characteristics of industrial organizations and their purchasing behavior. Webster and Wind (1972) concur, stating that while firm-level demographic characteristics have been found to be relatively poor predictors of organizational buying behavior, not unlike their consumer counterparts, and are subsequently poor segmentation basis variables. Despite a wealth of

demographic information on industrial markets, they are poor variables for directly identifying and targeting segments based on their likely response to marketing mix variables as they fail to capture need or benefits sought (Bonoma & Shapiro, 1983; Mariorty & Reibstein, 1986). In addressing the widely used SIC code classification system, Mitchell and Wilson (1998), suggest that while organizational characteristics are generally “quite superficial, often misleading, highly aggregated, usually out of date, and not necessarily related to need, it does have the attraction of being widely available in a standardized and comprehensive form, and it can give some preliminary indication, however crude and frail, of the potential size of a market” (p. 431).

While the size of a total market is indeed helpful it does not constitute a market’s segmentation.

Industrial segmentation frameworks expanded in the 1970s and 1980s and embraced a hierarchical approach to segmentation, acknowledging that the complexity of industrial purchasing (as a manifestation of needs and benefits sought) should be considered rather than a single layer such as industry, size, or geography. As Wind (1978) wrote:

*In building an organizational segmentation model, the variables to be included should be not only the characteristics of the relevant organizational decision-making units (DMUs) but also organizational characteristics such as size and SIC. Both sets of variables include “general” and “situation-specific” characteristics. (p. 319)*

Macro-micro segmentation (Wind & Cardozo, 1974) is a hierarchical approach in which macro segmentation variables are examined first, followed by micro segmentation variables. This approach represented the first effort to create a normative model of business segmentation by integrating business marketing programs with the buying procedures of customers, resulting in a two-stage model of business segmentation (Kalafatis & Cheston, 1997). Macro-segments are firm-level variables, such as the sales of the company, number of employees, and the customers’ location. In a macro-micro segmentation, these macro variables may be sufficient to determine

usable segments and no further investigation is required. If this first layer does not result in sufficient segments, however, micro-segments are evaluated next. Micro-segments are also based on company-specific data but represent a deeper level of understanding such as the benefits sought or the characteristics of the decision-making unit (Wind, 1978). These thicker, richer variables can then be used to develop marketing mixes aimed directly at each targeted segment's actual needs (Frank et al. 1972; Wind & Cardozo, 1974).

As File and Prince (1996) summarize, macro segmentation methods are relatively easy to implement because the data utilized for classification are readily available. However, a limitation of macro segmentation approaches is that they fail to provide insight into organizational buyer behavior – needs, benefits sought, or overall goal. Micro segmentation addresses this possible limitation by focusing on aspects of organizational buyer behavior. This level of specificity can prove particularly useful in personal selling situations in industrial markets and salespeople can utilize psychographic insights to categorize B2B purchasers and better tailor their product and value proposition to meet the specific benefits or needs desired by that buyer (Barry & Weinstein, 2009). A challenge of utilizing psychological insights is that it is difficult to apply other than to current known customers and some prospects whom the marketer has observed personally as individuals do not wear nametags asserting their psychological makeup and probably would not submit to detailed diagnostic measurements (Bonoma & Shapiro, 1983).

In the early 1980s, Shapiro and Bonoma (1983) expanded upon the macro-micro hierarchical segmentation approach by introducing the widely cited “nested approach” (Weinstein, 2011), which is “perhaps one of the most significant developments in business segmentation theory” (Kalafatis & Cheston, 1997, p. 522). This approach is based on the level

of management knowledge required to identify a particular market (Powers & Sterling, 1984). The approach's creators identified five general segmentation criteria, (see Figure 3) which suggests five nested phases (Mitchell & Wilson, 1998). Moving from the outer nest (more general or macro) toward the inner nest (more specific or micro), the five criteria are (1) firm demographics including industry, SIC code, location, and size, (2) operating variables regarding the firm such as levels and types of technology usage and other customer capabilities, (3) customer purchasing approaches such as the structure and policies governing the buying center, (4) situational factors such as the importance, size, and use of a purchase, and (5) personal characteristics of the buyers such as their motivation, relationship with the seller, and risk perceptions. Operationally, marketers should work systematically from the outer three nests to the inner two nests because data are more available and definitions clearer. However, in situations in which knowledge and analysis exists, marketers may begin at a middle nest and work inward towards the more specific nests (Weinstein, 2011). In fact, the inner two nests – situational factors, and personal characteristics of the buyers – prove often to be the most useful (Shapiro & Bonoma, 1983). However data on the innermost nest, personal characteristics, are expensive and challenging to acquire. Resultantly, it is often worthy to create effective yet simple sales information systems to incent salespeople to input the personal data they gather from customer and prospects such that the marketing department can utilize in creating successful segmented marketing strategies (Shapiro & Bonoma, 1984).

Ultimately, it is individuals and not companies that make purchasing decisions in B2B markets (Bellizzi, 1981; Shapiro & Bonoma, 1984). As the authors of the nested approach identify, the more specific elements of the organization's purchasing process – the context around the need as well as the dynamics and characteristics of the individuals involved – often

prove to be the most useful in segmenting markets. In discussing organizational buying behavior, Sheth (1973) reinforces the criticality of understanding the individuals involved in the purchasing process, stating that “the first, and probably most significant, factor is the background and task orientation of each of the individuals involved in the buying process” (p. 53). Due to its importance, the three components of the nested approach’s innermost nest, personal characteristics, will be briefly addressed: buyer motivation, buyer risk management, and buyer perception. For an extensive review of the literature on these themes see Barry and Weinstein (2009).

The motivation of the purchaser is critical to understand as marketers can better address why buyers act the way they do and enable a “selling strategy (that) can lead to better tailoring of selling tactics to buyer motivations” (Bonoma & Shapiro, 1983, p. 79). The authors indicate that traditionally motives were thought to be “rational” such as price, quality, and service but point out that the “non-rational,” or social aspects of B2B purchasing, can be equally as important. Webster (1968) indicates that B2B purchasing is a function between the personal needs of purchasers for recognition and advancement and their social needs to satisfy colleagues who will use the purchased product or service. What is needed or rewarding to one buyer may not be needed or rewarding to the next. As such, understanding both rational and non-rational motives is critical. If a vendor cannot meet the most basic of needs of buyers within a specific segment it should not be targeted. Inversely, where needs and motives can be accurately assessed and profitably met, custom marketing and sales programs as well as product, price and distribution preferences can be considered (Bonoma & Shapiro, 1983).

Whether an industrial purchase is complex and involves a large buying center or is routine and is relegated to a lone decision maker, the question of how buyers perceive a selling



company, its products and services, and its personnel is of significance to an effective segmentation effort. An updated view of this concept may be the perception of the selling company's brand (Aaker, 1992). Understanding the quality as well as the perception of a firm – its “brand” – in the eyes of market members is critical to accurately assess when segmenting a market. Perception about key elements of the purchasing decision – time, quality, cost – could differ by buying center members and be influenced by direct as well as indirect experience. On which dimensions is each market competitor particularly strong or weak? How important are those dimensions to each segment? What is the cost and possible share gains to address significant concerns? Which segments hold which views? These issues should be assessed when deciding on segments to declare as targets.

The nested approach's authors reinforce that individuals have significant impact upon purchase processes in B2B markets. If individuals differ from one another, Bonoma and Shapiro (1983) contend that personal characteristics may prove a useful basis of segmentation. Little argument is needed to support the contention that individuals are indeed different from one another. Hence, personal characteristics are indeed likely to offer a useful basis of segmentation as many studies have demonstrated. However, Bonoma and Shapiro (1983) and others place almost sole focus on these characteristics in the context of individuals' organizations and professional roles. In reference to the inner most nest of the nested model, they write:

*While this level of the nest is most like consumer goods marketing because it involves individuals, it is important to view the individuals in an organizational context... (p. 74)*

While this is sage guidance and even acknowledges the similarity to consumer market segmentation, it fails to embrace a logical next step – if individuals are in B2B decision making roles while at the same time individual consumers, is it not reasonable to evaluate them upon

consumer-oriented measures as well? Why must they be evaluated solely from an organizational context? Nearly twenty years after the publication of the nested approach, co-creator Benson Shapiro arguably sharpened the focus on the inner nests when he stated (as cited in Weinstein, 2011, p. 675) “What will give today’s marketers a competitive edge is those who can unlock the key to address personal characteristics of the buyer and situational factors that can be tapped into by the supplier.” Perhaps one of the keys is the buying center’s members’ individual psychographics and lifestyle measures in the context of B2B segmentation, the theme of this paper’s next section.

#### *II.5.1.1.3 Psychographics in B2B segmentation.*

The macro-micro and nested segmentation approaches of the 1970s and 1980s formally structured the importance of buying center members’ personality characteristics within the context of business segmentation. These expansions of structural thinking identify that a “customer” is not a firm but, instead, must be viewed as a group of individuals, each with unique interests, knowledge, and decision criteria, who make up the buying center (McWilliams et al. 1992). If the needs of each buying center member are addressed, successful marketing strategies may result (Bonoma & Shapiro, 1983). While important, it has been recognized that obtaining individual level characteristics of buying center members is not a simple task. It is challenging to pre-identify individual buyers based on individual psychographic characteristics rather than of current customers and some prospects whom the salesperson has observed personally.

By identifying that individuals, and not monolithic companies, make purchase decisions, advances in segmentation frameworks could be made. Several common examples of buying center members’ psychographic variables sought for industrial segmentation include buyer-seller similarity, attitudes toward risk, buyer motivations and purchases, and relationship management

styles (Barry & Weinstein, 2009; Bonoma & Shapiro, 1983). Understanding these dimensions amongst purchasing decision makers can help determine segment quality and alignment as well as favorable or unfavorable predispositions to marketing initiatives (Barry & Weinstein, 2009). Gains made in psychographic methods have aided in approaches to adaptive selling behaviors (Weitz et al. 1986) and product planning (Weinstein, 2004). As Barry and Weinstein (2009) point out, the value of psychographics to marketing has been demonstrated in a number of empirical studies that validate its contribution to predicting buying innovativeness (Robertson & Wind, 1980) and product adoption (Verhallen, Frambach, & Prabhu, 1998). Psychographics have been utilized to segment various business markets such as the commercial banking customer based on motivations and goals (i.e., the return seekers, the relevance seekers, and the relationship seekers) (File & Prince, 1991) as well as family businesses based on goals (File & Prince, 1996). However, the literature focuses almost exclusively on personal characteristics of the individual relative to one's role and organizational context, not a broader sense of a total individual.

While previously regarded as only appropriate to consumer buyer behavior, "psychographics" may, in a broader than professional role and organizational context, have useful applications in some organizational market situations where personal characteristics are especially influential (Mitchell & Wilson, 1998). Innovative business marketers have explored this longtime powerful consumer segmentation technique (Weinstein, 2013). While obtaining information needed to understand specific customer needs and intentions has generally been viewed as having a high cost and requiring close contact with the intended customer base (Powers, 1991), new developments in information technology provide marketers with much richer information on their customers' actual behaviors, and with more direct access to

customers' and prospects' information via database marketing and segmentation tools (Wedel & Kamakura, 2012).

Examples of broad psychographic tools that are utilized for B2B market segmentation exploration include SRI's VALS program and the Yankelovich Monitor, cofounded by segmentation pioneer Daniel Yankelovich in the 1950s (Kenney & Weinstein, 2010). The VALS system, for example, is a lifestyle segmentation system that categorizes individuals based on high or low levels of innovation and resources (Weinstein, 2013). Examples of questions from this tool include "I like a lot of variety in my life," "I like to learn about art, culture and history," and "I would like to spend a year or more in a foreign country" (Strategic Business Insights, 2015). Six segments comprise this system with descriptors including curious, literal, style conscious, moralistic, impulsive, informed, and self-sufficient. Forrester Research's Social Technographics segmentation scheme classifies individuals into overlapping levels of social technology participation that include the segments creators, critics, spectators, and inactives (Forrester, 2015).

Interestingly, neither of these tools places any specific boundary conditions or context for respondents. Questions are not focused on one's household or employer. While the respondent may choose to focus on one or more dimensions of his/her life in responding to the questions, this focus is not the intent of the tools. They are designed to provide an overall view of an individual relative to an area of focus (i.e., technology adoption, as in the case of Forrester) representing an expansion of the historic focus on buying center members' individual personality characteristics.

A buyer's orientation is rooted in personality variables, socialization processes, personal lifestyles, and situational factors (Sheth, 1976), suggesting that though a buyer's orientation is

not a personality trait, it can be relatively stable (McFarland et al. 2006). To fully assess a market and determine which segments to target in a B2B context, an expanded view of psychographic variables may prove useful for segmentation purposes while being actionable at the sales professional's level. In exploring and evaluating the application of psychographic segmentation techniques in B2B market segmentations, File and Prince (1991, 1996) suggest that sales people trained in adaptive selling techniques find psychographic models easy to implement with prospects and customers. Psychographic insights can be used to categorize individual buyers within the appropriate segment and subsequently position products and services relative to the benefits sought. By understanding the values, needs, concerns, and attitudes of a buying organization and those responsible for purchasing, a salesperson can then segment the decision maker(s) and tailor a selling strategy to fit the particular needs and objectives.

To aid in understanding a B2B purchase decision maker's psychographic and lifestyle makeup, it is important to fully understand the individual, not simply one's professional or business "self." One theoretical approach to this issue for our purpose is McConnell's (2010) Multiple Self-Aspects Framework.

#### *II.5.1.2 Multiple selves.*

*All organizational buying behavior is individual behavior. Only the individual as an individual or as a member of a group can define and analyze buying situations, decide, and act. In this behavior, the individual is motivated by a complex combination of personal and organizational objectives, constrained by policies and information filtered through the formal organization, and influenced by other members of the buying center. (Webster & Wind, 1972, p. 53)*

Organizational purchasing is a complex process involving, many times, multiple individuals with varying concerns, styles, requirements, and objectives, representing numerous functions within the purchasing organization facing off against, many times, multiple individuals

from the selling firm, each in a different role representing unique functions, each with different perspectives, pressures, and areas of focus. What is consistent on both sides of this dyad in the literature is the essential role of the individual.

Relative to nearly all challenges, the role of the individual and his or her corresponding personality identity, or self, has been a significant focus of study throughout time. Because of its explanatory power, numerous scholars in psychology, sociology, political science, anthropology, and history have adopted identity as a central concept (Akerlof & Kranton, 2000). While there are numerous theories and frameworks on the concept of self, each must confront several issues of debate. These include whether the self is a distorter, whether the self-concept is stable or malleable, whether there is one true self or many selves, and what the nature of the relationship is between the self-concept and behavior (Markus & Nurius, 1986). Current views on the self-concept offer contradictory answers to these questions.

As Triandis (1989) summarized, the self is an active agent that promotes differential sampling, processing, and evaluation of information from its environment, which leads to differences in social behavior. Empirical evidence about the link of the self to behavior is too vast to review here, however, these few examples will suffice. In experiments where people whose self-concept was manipulated so that they thought of themselves as “charitable” they gave more to charity (Kraut, 1973), as “neat and tidy” they threw less garbage on the floor (Miller, Brickman, & Bolen, 1975), and as “honest” they were more likely to return a pencil (Shotland & Berger, 1970).

An individual's past experiences in a particular domain have been shown to have a systematic and pervasive influence on how information about the self is processed and, therefore, shapes the expectations and behaviors. Importantly, they determine which stimuli are selected

for attention and what type of inferences are drawn (e.g., Kihlstrom & Cantor, 1984; Markus, 1983; Markus & Sentis, 1982). Through this process, the self-concept becomes a significant regulator of the individual's behavior (Markus & Nurius, 1986).

The self-concept has been largely regarded as a single, generalized view of the self. Ball (1972) views the identity of a person as a malleable presentation of a core self that differs according to specific definitions of situations while the more stable, core presentation of self that is fundamental to how a person thinks about himself or herself. As McConnell (2011) points out, a great deal of research examining the self in the psychological literature views it as a relatively singular entity (see Kurzban & Aktipis, 2007, for a robust critique). The impression derived from the literature suggests that there is a single self. For example, research on topics such as cognitive dissonance (Cooper & Fazio, 1984) self-clarity (Campbell, Trapnell, Heine, Katz, Lavalley, & Lehman, 1996), and self-esteem (Tice, 1993) focus on overarching explorations of the self. In other words, most work at least implicitly assumes there is a broad, overarching self to be evaluated, comprehended, and reconciled.

Most theories of the social self question whether the self is typically construed as individuated or interpersonal, however many recognize that these different self-constructs may also coexist within the same individual, available to be activated at different times or in different contexts (Brewer & Gardner, 1996). Triandis (1989) highlights that several dimensions of the self exist and play unique roles: the private, public, and collective self. The private self are cognitions that involve traits, states, or behaviors of the person such as "I am introverted," "I am honest," or "I will buy X." The public self includes cognitions regarding the generalized view of the self by others such as "people think I am introverted" or "people think I will buy X." Finally, the collective self contains cognitions concerning a view of the self that is found within a larger

social unit such as family, coworkers, and social organization. For example, "my family thinks I am introverted" or "my coworkers believe I travel too much." Triandis argues that people engage these three selves at varying times and contexts which have specific consequences for social behavior. Implicit in a comparison across these different theories is a further distinction between two levels of social selves — those that derive from interpersonal relationships and interdependence with specific others and those that derive from membership in larger, more impersonal collectives or social categories (Brewer & Gardner, 1996).

The notion that people have multiple identities has permeated the identity literature in both psychology and sociology with roots in both William James (1890) and George Herbert Mead (1934). Stets and Burke (2003, p. 8) refer to James' multiple self beliefs in that the "idea is rooted in James' (1890) notion that there are as many different selves as there are different positions that one holds in society and thus different groups who respond to the self." Goffman (1959) presented the idea that each person had a number of selves, each one focusing on the execution of one role at any given time and situation. Virtually all contemporary identity theories include an assumption of multiplicity (Deaux & Burke, 2010).

A person's sense of self is associated with different social categories and how people in these categories should behave (Akerlof & Kranton, 2000). Because the self emerges in social interaction within the context of a complex, organized, differentiated society, it has been argued that the self must be complex, organized and differentiated as well (Stryker, 1980). The overall self is organized into multiple parts (identities), each of which is tied to aspects of the individual's social structure (Stets & Burke, 2003). The authors elaborate, stating "one has an identity for each of the different positions or role relationships the person holds in society" (p. 8). This "multiple selves" perspective focuses on a person's self-conceptions derived from the



various social domains of life and has been a hallmark of self-concept and identity research (Roberts & Donahue, 1994). In firmly supporting the multiple selves concept, Markus and Nurius (1986) state:

*To suggest that there is a single self to which one 'can be true' or an authentic self that one can know is to deny the rich network of potential that surrounds individuals and that is important in identifying and descriptive of them. Possible selves contribute to the fluidity or malleability of the self because they are differentially activated by the social situation and determine the nature of the working self-concept. (p. 965)*

Identity researchers have proposed that a person's identity – one's multiple selves – is a hierarchical collection of role identities (Stryker & Serpe, 1982; Stets & Burke, 2003). Role identities are essentially role-specific self-descriptions made up of the characteristics a person ascribes to him/herself in a particular social role (Burke & Tully, 1977). This identity hierarchy, or the structure of the identity, is defined by “the probability that any given role-identity will be invoked in a given situation or across a number of situations” (Serpe, 1987, p.53). Roberts and Donahue (1994) provide a simple yet effective example. A man might see himself as more aggressive as a soldier than as a husband, because in the soldier role aggressiveness is rewarded, whereas in the husband role it is not. However, if the man's family is threatened with violence, he may now engage in aggressive actions within the context of being a husband.

In seeking to create a singular, comprehensive framework that assembles the diversity of perspectives on the multiple self (e.g., social roles, private selves, relational selves), McConnell (2010) advances the Multiple Self-Aspects Framework (MSF). He posits that the self is represented in an associative network that can activate different associative regions and give rise to context-based contributions to one's perception and behavior. Each network node is associated with other nodes which at any given moment the activation of different associative

regions within this network, gives rise to context-modulated contributions to perception and behavior (p. 3, 5).

The MSF contends that one's self-concept is viewed as a collection of multiple, context-dependent self-aspects stored in memory which, when activated, serve to guide behavior. These self-aspects (the ovals in Figure 4) reflect meaningful contextual aspects of one's life. Each self-aspect is a distinct psychological canvas that exhibits one's significant needs, goals, and motives (McConnell, Shoda, & Skulborstad, 2012). In McConnell's (2010) example of Rachel in Figure 4, they include roles (e.g., daughter, student), social identities (e.g., being Jewish, sorority sister), and social relationships (e.g., Mike's girlfriend). Self-aspects might also consist of goals (e.g., who I want to be), affective states (e.g., being moody), and behavioral situations (e.g., meeting new people). Thus, self-aspects are broad, organizing concepts, capturing roles (Roberts & Donahue, 1994), goals (Higgins, 1997), private and public selves (Triandis, 1989), and relational and collective identities (Brewer & Gardner, 1996).

The MSF suggests that each self-aspect is associated with several attributes within one's network of self-knowledge. These descriptive attributes are represented by the rectangles in Figure 4 and can include traits (e.g., shy), behaviors (e.g., philanthropic), physical characteristics (e.g., attractive), affect (e.g., proud), and social categories (e.g., female), among others (McConnell, 2010). At any given moment, a variety of contextual inputs (e.g., environmental settings, social interactions) could activate relevant self-aspects for our example of Rachel, which, in turn, influence and direct her actions. Additionally, self-aspects can be more or less accessible based on recency or frequency of use (Bargh & Pratto, 1986). Rachel's "student" self-aspect, for example, is more likely to guide her initial behavior if she spent the previous evening in the library studying, whereas her "Mike's girlfriend" self-aspect is more likely to

direct her actions, if she had been on a date with Mike instead. Distinct contexts would trigger different self-aspects, which, in turn, can induce different traits, emotions, goals, perceptions, and actions (McConnell, 2010).

Directionally similar to Ball (1972) who views the self as malleable around a singular core, the MSF states that some self-aspects should be more essential to the self and their impact should be greater than less activated self-aspects. Frequently encountered contexts should result in highly accessible self-aspects, which should reveal greater activation even in the absence of recent use (McConnell, 2010). Furthermore, simply because one can exhibit significant variability between contexts does not require that people must be so adjustable. Some individuals are able to exhibit a high degree of equanimity in all aspects of their lives. Additionally, individuals can reaffirm existing self-beliefs by structuring reaffirming environments and social interactions (Swann, 1983). Even in cultures that emphasize a true self, people have no difficulty in understanding individuals who can exhibit diversity in behavior across contexts. For example, a man living in a Southeast Asian country whose culture stressed interdependence may be forthright and directive in his home but quiet and submissive in the presence of elders (McConnell et al. 2012).

#### *II.5.1.2.1 Multiple selves and B2B purchasing.*

Consistent with the practices of adaptive selling, Goffman (1959, p. 136) writes, “information about the individual helps to define the situation, enabling others to know in advance what he will expect of them and what they may expect of him. Informed in these ways, the others will know how best to act in order to call forth a desired response from him.” For sales leads prospects, the salesperson must decide whether the subject is a prime prospect or a prospect of lesser purchase potential (Szmanski, 1988). If unacquainted with the individual,

observers can glean clues from his conduct and appearance which allow them to apply their previous experience with individuals roughly similar to the one before them or, more important, to apply an untested segment profile to him (Goffman, 1959). File and Prince (1996) posit that sales people trained in adaptive selling techniques find psychographic models easy to implement in their sales approaches with prospects and customers.

Our exploration of B2B sales and the underlying markets dynamic in which transactions take place have demonstrated a consistent identification of the importance of understanding actors' individual characteristics within the B2B purchasing context. In creating the buyclass framework, Robinson et al. (1967) identify that "with any personal interaction between representatives of using and supplying companies, each naturally reacts and adjusts according to his interpretations of the personality and psychological makeup of the other" (p. 114). Webster and Wind (1972) identify that importance of the B2B purchaser's "psychological characteristics" and its composition – personality, perceived role, motivation, cognition, and learning – all impact the response to the buying situation as well as marketing and sales activities attempted. In assessing organizational buying behavior, Sheth (1973) suggests that quantifying the psychology as well as demographic and lifestyle information on the individuals involved in industrial buying decisions is needed. Churchill et al. (1985), in evaluating the drivers of salesperson success, identified that psychological-based personal characteristics have been shown to affect the amount of effort that a salesperson is willing to expend in order to achieve particular outcomes. In evaluating the models that have created the canon of organizational purchasing, Johnston and Lewin (1996) identify the importance of buying center members' individual characteristics including "personality." Bonoma and Shapiro (1983), in one of the most cited frameworks for segmenting industrial markets, dedicate one of five related "nests"

towards understanding the “personal characteristics” of those involved in purchasing decision making, identifying that it is one of the most important elements to a successful segmentation effort. In fact, nearly twenty years after its introduction, co-creator Benson Shapiro sharpened this emphasizing, “what will give today’s marketers a competitive edge is those who can unlock the key to address personal characteristics of the buyer” (Weinstein, 2009, p. 675).

These representative seminal works in their respective fields all identify the importance of understanding the personal characteristics and/or personality of those involved in an organization’s purchasing process. However, nearly all of the examples cited of personal characteristics and personality suggest a singular focus on one’s professional role (e.g., engineer, mechanic, CEO) or role in the purchasing process (e.g., decision maker, informer, subject matter expert), another view of one’s “professional role.” Sheth (1973) identifies that educational backgrounds, task expectations, role perceptions, and personal lifestyles play a role in developing differential expectations. While “personal lifestyle” may suggest a broader perspective, Sheth stresses that “lifestyle differences can be assessed by psychographic scales on the individual’s interests, activities and values as a *professional*” (p. 53). Webster and Wind (1972) identify that “non-task” motives may be more important to the B2B purchaser in any given selling situation and identify two main categories: achievement motives (the decision maker’s desire for a promotion) and risk reduction motives (avoiding errors in purchase decisions), both oriented towards the decision maker’s professional role. In explicating the inner most nest of their nested approach to industrial segmentation (personal characteristics), Bonoma and Shapiro (1983) refer to buyer-seller similarity, buyer motivation, individual perceptions, and risk management strategies. Despite referring to the importance of the “personality and psychological makeup” of corporate purchase decision makers, Robinson et al. (1967) simply

identify that buying decision makers are human and subject to worries, fears, frustrations, conservatism, and inertia (p. 114) and that the industrial marketing manager should establish profiles of the buying habits, patterns and influences of each major customer or potential customer (p. 214). Johnston and Lewin (1996) identified that the purchase decision maker's education, personality, risk preference, and experience were important in understanding organizational buying behavior. While the term "personality" was referenced in these studies, no further explication was provided. In sum, these foundational works and others suggest that the evaluation of corporate purchase decision makers, while robust and continuously expanding, has failed to explore a complete definition of "personality" and "personal characteristics" as has been done in consumer markets as indicated by Bonoma and Shapiro (1983): "markets can be segmented at the level of the individuals involved in the purchase using many of the same methods applied for consumer products" (p. 17).

The MSF suggests that an individual's self-concept is viewed as a collection of multiple self-aspects stored in memory which, when activated, serve to guide behavior. Additionally, self-aspects are not completely context dependent but can be influenced by recency and frequency, for example. Accordingly, a member of an organizational buying center is, at the same moment, also every other self-aspect as well, theoretically able to be activated with the appropriate mechanism and circumstance. Fugh-Berman and Ahari (2007) suggest that pharmaceutical sales representatives have found that personal information may be more important than the physician's prescribing data. Sales reps may ask for and remember details about a physician's family life, professional interests, and recreational pursuits. They may visually scour an office for personal objects — a tennis racquet, Russian novels, seventies rock

music, fashion magazines, travel mementos, or cultural or religious symbols — that can be used to create a personal connection with the doctor.

These examples do not reflect the purchasing decision maker's needs, buying process, criteria, purchase motivation, or risk management strategies. They are symbols reflecting other elements of the purchasing decision maker's self, other self-aspects that, according to the MSF, could be activated in an effort to better understand the decision maker as well as make a personal connection with him or her. Obviously, these symbols as well as personal histories are easier to observe and collect once an encounter has commenced and a relationship has started to develop. However, for sales prospects, a critical element in growing sales, little may be known about the person or persons, particularly if they represent a new account.

#### *II.5.1.3 Geodemography summary.*

Salespeople can use psychographic insights to categorize individual buyers and correspondingly position their product against the benefits sought by that buyer, an approach that originates in consumer markets. As a buyer's orientation is rooted in personality variables, socialization processes, personal lifestyles, and situational factors (Sheth, 1976), it can be relatively stable (McFarland et al. 2006), thus allowing for the application of psychographic and lifestyle models.

Geodemographic systems provide marketers with rich information on individuals' actual behavior (Wedel & Kamakura, 2012) as well as lifestyle and psychographic propensities (Goss, 1995). Geodemographics combines elements of geographic, demographic, and psychographic approaches in an attempt to develop a comprehensive analysis (Kaynak & Harcar, 2005). Geodemographers identify segments by clustering neighborhoods rather than individual consumers (Wedel & Kamakura, 2012). Therefore, a geodemographic segment is a group of

individuals or households that is quantitatively derived through the analysis of geographic and individual data where the differences within any group should be less than the differences between groups.

While the data sources and computational processes differ for the varying commercial geodemographic vendors, each utilizes a broad range of data sources at the individual, household, block-group, census tract, and zip code level in an attempt to create a comprehensive picture of each segment. As the literature on sales effectiveness, organizational purchasing, and market segmentation each identifies the importance of the B2B decision maker's psychological state – not simply one's professional psychological state – geodemographic segments provide academics and practitioners an addressable solution that offers a comprehensive picture of an individual, representing all aspects of one's multiple selves, not simply the professional self.

### **II.5.2 *Buyclass framework.***

Classifying organizational buying tasks is important to the buyer-seller relationship (Wren & Simpson, 1986) because by understanding the buying center's characteristics within a taxonomic framework, a sales professional can more effectively address the customer's needs and increase the likelihood of a sale (Bunn, 1993). While the buying center construct allows for the identification of organizational decision makers and the dynamics likely contained within, it does not address potential moderating issues such as product or decision types (Jackson et al. 1984). The lack of attention to antecedent conditions and processes for buyer-seller exchange relationships is a serious omission in the development of marketing knowledge (Dwyer et al. 1987). In their book, *Industrial Buying and Creative Marketing*, Robinson et al. (1967) introduced their theory of a "buyclass," which has been called "one of the most useful analytical tools for both academics and practitioners interested in organizational buying behavior"



(Moriarty, 1980). The popularity of the framework is due to its detailed and testable propositions as well as its simplicity and intuitive appeal (Anderson et al. 1987). The authors identified that industrial purchasing can best be looked at as a problem solving process and propose three types of buying situations: the new task, the straight rebuy, and the modified rebuy. While each situation presents differing purchasing problems and requirements, the end-result of a sale is consistent. Based on empirical research, the focus of their model was on "developing and describing a specific classification system of the industrial buying process which appears to be useful from the point of view of the planning and execution of an efficient industrial marketing effort" (p. 11). In addition to the three types of buying situations, the authors identify two other dimensions (see Table 1) that can aid the sales professional in understanding a firm's buying center and its goals: how much information is required for a successful decision and the extent to which the buying center will consider all possible alternatives (Anderson et al. 1987).

The new task purchase is one that comes from a need that has not arisen before; resultantly, the buyer has little or no relevant experience to draw upon (Robinson et al. (1979). Due to the lack of direct experience, information needs are generally high and there is a general openness to considering many alternatives. Risk to the buying center is considered the highest in new task purchases. The salesperson's opportunity in new task situations is to highlight the problematic situation and persuade the buying center through information that the solutions suggested represent the best possible alternatives to the problem. The straight rebuy represents a reoccurring purchase with no modifications required. As buyers have prior experience, little if any new information is needed for this category of purchase. Generally, the company considers only the same solution set as before. This differs from the new task because the company has

faced this exact issue prior, likely many times. The straight rebuy purchase may require relatively little effort for the sales professional due to low information needs and a low likelihood of considering new alternatives. The modified rebuy represents a situation where prior experience exists but new modifications are required given a unique new need. The differentiating characteristics lie in the purchaser's perception of the problem and approach to resolving it, specifically in whether or not serious consideration is given to new alternatives. Unlike a straight rebuy where new alternative solutions are not seriously considered, an evaluation is generally made of vendors' offerings in the modified rebuy (p. 31).

Porter, Wiener, and Frankwick (2003) provide the buyclass framework with findings that support a performance link with the type of selling situation; new task, modified rebuy, and straight rebuy concepts are shown as moderating the ASB – sales performance relationship. In an assessment of empirical literature, Giacobbe et al. (2006) identified that the greatest relative advantage from engaging in adaptive selling behaviors occurs when, partially, the buying task is either a modified rebuy or new task purchase, suggesting that the nature of the purchase plays an important role.

This framework is not without its critiques. While the framework's authors identify the importance of buyer-seller interpretations of the personality and makeup of one another (p. 114), no structural guidance is included in the framework. In fact, they reference Duncan's (1965) emphasis of personal attributes' ability to impact the buyer's decision:

*It is evident that the motivation and behavior of the purchasing officer is influenced by such personal qualities as his ambitions, his eagerness to learn, his alertness as manifested by his awareness and use of 'newer' tools and methods, his desire to do a better job than the buying executives. In competing companies, his education and experience and similar personal characteristics. In addition, his family life, including the standard of living he maintains, and related-in some*

*cases at least-to his wife's desires and motivations including the social activities in which he and she may engage, and the extent to which he participates in community affairs and church work, all influence his purchasing behavior to an important degree. (p. 155)*

Additionally, Choffray and Lilien (1978) suggest a need to develop a theory of organizational purchasing for various product classes rather than a single unifying model. Anderson et al. (1987) identifies a more general critique: that the buyclass model does not take into account the importance of the purchase nor the complexity of the evaluation process. Certainly not all purchases contained within a buyclass are equal in importance, cost, or effort. Bunn (1993) indicates that a major shortcoming of the model is that elements of the situation are mixed with aspects of the decision process, limiting insights into true drivers and forces. Wind and Thomas (1996), acknowledging that numerous forces in the business-to-business market environment that began to emerge in the 1990's were considerably more dynamic than the mid-1960's, advanced that it was logical to question the model's generalizability and normative features.

The buyclass framework remains one of the most utilized and important theories in organizational buyer behavior (Johnston & Bonoma, 1981) in large part due to its parsimonious, easy-to-recognize taxonomy with specific rules about the major aspects of buyer behavior (Anderson et al. 1987). In addressing the theory's impacts, McQuiston (1989) identifies that the main contribution of the buyclass theory is that it proposes a typology of buying situations for consideration and use by researchers and practitioners alike. Twenty-five years of research and experience with the model suggest that its underlying dimensions are valid (Wind & Thomas, 1996).

## II.6 Conceptual Model

Informed by the principles of contingency theory and the multiple selves framework and supported by extant literature on organizational buying, sales effectiveness, and market segmentation, we propose the following conceptual model of sales effectiveness in business-to-business purchasing situations where the purchasing decision maker is a single individual (Figure 5). The model postulates that the independent variable, sales activities, is expected to lead directly to the dependent variable, sales effectiveness. The relationship between sales activities and sales effectiveness is expected to be moderated by the purchase decision maker's geodemographic segment as well as the purchase's buyclass category.

### *II.6.1 Selling activities.*

Walker et al. (1979) identify that "sales performance is the result of carrying out a number of discreet and specific activities which may vary greatly across different types of selling jobs and situations" (p. 22). As Moncrief (1986) points out, the nature and scope of salespeople's work assignments vary widely across industries and among firms. Churchill et al. (1981) posit that the diversity of selling activities and accountabilities among companies and industries is one reason why studies of salesperson attitudes, demographics, opinions, and behaviors have generated conflicting results.

Unlike other sales and marketing vehicles, the B2B salesperson has a unique opportunity to gather information during a sales interaction and adapt messages, communication styles, and sales activities to meet the concerns of individual customers (Lynch, 2007). In addition to the type of sales activity performed, the frequency of activities can have an impact on both sales results and cost savings (Manchanda & Chintagunta, 2004). In updating his foundational work of creating an empirically driven taxonomy of 121 sales activities (1986), Moncrief et al. (2006)

identify that the nature of B2B selling has changed dramatically over the prior 20 years driven primarily by the external business environment including technology advances and adoption, greater focus on customer relationship development and maintenance, and competitive pressure on firms to make the sales force a source of competitive advantage (Bauer et al. 1998; Leigh & Marshall 2001).

### ***II.6.2 Sales effectiveness.***

Churchill et al. (1985) identifies that sales effectiveness does not refer to behavior directly but is rather a function of other factors not directly under the individual salesperson's control such as firm policies, sales territory assignments, or competitors' actions. Behrman and Perreault (1982) identify that to the extent that quantitative measures are available per salesperson such as sales, new accounts, or conversion rates, effectiveness measures for each salesperson can be developed.

### ***II.6.3 Buyclass category.***

Identifying organizational buying tasks is important to the buyer-seller relationship (Wren & Simpson, 1986) because by understanding the buying center's characteristics within a taxonomic framework, a sales professional can more effectively address said customer's needs and increase the likelihood of a sale (Bunn, 1993). In the creation of his contingency framework, Weitz (1981) identifies the importance of the moderating role of customer buying task on sales effectiveness. Robinson et al. (1967) introduced their theory of "buyclasses" which has been called "one of the most useful analytical tools for both academics and practitioners interested in organizational buying behavior" (Moriarty, 1980). The authors stated that industrial purchasing can best be viewed as a problem solving process and identified three types of buying situations: the new task, the straight rebuy, and the modified rebuy.

Porter et al. (2003) provide the framework with findings that support a performance link with the type of selling situation; new task, modified rebuy, and straight rebuy concepts are shown as moderating the ASB–sales performance relationship. In an assessment of empirical literature, Giacobbe et al. (2006) identified that the greatest relative advantage from engaging in adaptive selling behaviors occurs when, partially, the buying task is either a modified rebuy or new task purchase, suggesting that the nature of the purchase plays an important role.

#### ***II.6.4 Geodemographic segment.***

Salespeople can use psychographic insights to categorize individual buyers and correspondingly position their product against the benefits sought by that buyer, an approach that originates in consumer markets. As a buyer's orientation is rooted in personality variables, socialization processes, personal lifestyles, and situational factors (Sheth, 1976), it can be relatively stable (McFarland et al. 2006), thus allowing for the application of psychographic models.

Geodemographic systems provide marketers with rich information on individuals' actual behavior (Wedel & Kamakura, 2012) as well as lifestyle and psychographic propensities (Goss, 1995). Geodemographics combines elements of geographic, demographic, and psychographic approaches in an attempt to develop a comprehensive analysis (Kaynak & Harcar, 2005) and provide virtually universal coverage for all households in the U.S. Although most commercially available offerings were designed for understanding consumer markets, these services can be easily applied towards business situations since individuals ultimately make all purchase decisions (Weinstein, 2013). While a meta-analysis of the relationship between personal factors and sales performance (Churchill et al. 1985) identified that they accounted for less than five percent of total variance, Landau and Werbel (1995) suggest that personal variables may act as

moderators for sales performance. Resultantly, geodemographic segment variables will be utilized in the present study as a proxy for the lifestyle and psychographic propensities of the targeted financial advisors.

#### ***II.6.5 Control variables.***

Through discussions with the participating insurance company and evaluation of prior research into sales effectiveness moderation, it was decided that the following variables would be included in the model as control variables:

- ***Firm***: identifies the two firms that employed the individual financial professional.
- ***Practice Size***: a categorical classification with five levels created by the participating life insurance company from data provided by the two distribution partners regarding the relative size (assets, client base size, growth rate) of each financial professional's practice.
- ***Number of Solution Categories Sold***: identifies how many of the four categories of life insurance commercialized by the participating life insurance company had been sold by the individual financial professional prior to 2014.
- ***Experience***: following Rapp's (2006) formative definition of experience, this variable is indexed as the average of the individual external wholesaler's years in financial products and services sales, years with the participating life insurance company, and years supporting the individual financial professional. A composite measure was formed by averaging z-scores of the three indices.

## **II.7 Hypotheses**

We propose the following hypotheses.

**H1: The geodemographic segment of the purchasing decision maker moderates the relationship between sales activities and sales effectiveness.**

**H2: The purchase decision buyclass category moderates the relationship between sales activities and sales effectiveness.**

Consistent with Weitz (1981), the proposed constructs and relationships are not intended to be comprehensive. Our purpose is to study relevant associations capable of contributing to both academic study and managerial practice. From an academic standpoint, it provides theoretical support for the study of specific market and conditional antecedents that are likely to impact sales effectiveness in organizational purchasing contexts. In addressing likely influences of sales effectiveness with pragmatic, actionable processes by companies of all sizes, this conceptualization has significant implications for marketing and sales practitioners. It provides insights into specific sales activities that yield the best results based on identifiable variables regarding the purchasing decision maker or buying situation presented. This has implications for market segment selection, prospect identification, sales and marketing prioritization and resourcing, training, and even sales person hiring.

The first hypothesis will contain a number of hypotheses as the geodemographic scheme employed in the study contains 6 unique segments. Each shall be tested and evaluated separately. See Table 4 for a complete list and descriptions of the geodemographic segments.

We have established the importance of studying sales effectiveness in B2B buying contexts. We have also proposed a model, with contingency theory as its framework, of the determinants of sales effectiveness by conceptualizing relationships among sales activities, a purchase decision's buyclass category, the geodemographic segment of the individual purchase decision maker, and sales effectiveness. In Chapter 3, we will discuss the research design and methodology that will empirically test the hypotheses.



### III CHAPTER THREE: METHODS

The objective of Chapter 3 is to present the research design, methodology, and context that will be utilized to test the proposed conceptual model. The chapter discusses the study's environment and market context, the scope of the study, the sampling plan, the measures employed, and methods of analysis.

#### III.1 Market Context

##### III.1.1 *Buying Center.*

The majority of buying and selling in advanced economies is between organizations (B2B) as compared to consumer purchases (B2C); hence, it is critical to understand organizational buying behavior (Anderson et al. 1987). Industrial buying behavior is widely considered to be more complex than consumer buying behavior. However, a low level of academic attention has been paid to studying business buying behavior due to its complexity: the business purchasing process usually involves several participants who uniquely influence the buying decision (Sheth & Sharma, 2006). Relative to consumer behavior, however, the study of organizational buying behavior is still at the conceptualization stage (Anderson et al. 1987). Not only are many individuals involved in B2B settings, but special justifications, authorizations, and approvals often limit the impact of personality on buying decisions as compared to consumer purchasing (Barry & Weinstein, 2009). For many industrial products, the purchase decision (1) is not a timely process that involves (2) several people with different responsibilities who (3) engage with one-another within a specific organizational context and (4) whose choices may be impacted by organizational selection criteria (Webster & Wind, 1972; Choffray & Lilien, 1978). The selling organization seeks to influence the buying process by positively impacting the flow of information both into and throughout the buying firm during the purchasing process (Bunn,

Butaney, & Hoffman, 2001). As industrial sales and marketing is a mutual transaction between buyers and sellers, a framework needs to be developed for research that allows for the exploration of both the marketing and purchasing disciplines (Mattson, 1988).

The concept of the buying center, originally advanced by Webster and Wind (1972), refers to all members of an organization involved in the purchasing of particular products or services (Johnston & Bonoma, 1981; McWilliams et al. 1992). The roles typically involved are those of user, influencer, decider, buyer, and gatekeeper. Members of the buying center are motivated by a complex interaction of individual and organizational goals, and their relationships with one another involve all the complexities of interpersonal interactions (Webster & Wind, 1972). While the significant purchasing “roles” within buying centers remain relatively constant across all purchasing contexts, the composition and structure of the buying center is continually changing due to the characteristics and context of the product or service being purchased (Johnston & Bonoma, 1981; Jackson et al. 1984). As such, the buying center is an “informal and transient organizational construct, an amorphous coalition which coalesces around particular purchasing decisions and permeates diverse functions within the organization” (Laing, Cotton, Joshi, Mornach, & Lorna, 1998, p. 23). The fundamental premise of the buying center model is that each member has a unique personality as well as a particular set of experiences and perceptions used to address an organizational buying problem (Bunn et al. 2001).

The buying center concept has been recognized as one of the most significant conceptual contributions within the study of organizational purchasing behavior (Webster & Wind, 1972; Johnston & Bonoma, 1981). It has greatly aided in solving the marketer's problem of defining the locus of buying responsibility within the customer organization and to understand the structure of roles and authority within the buying center (Webster & Wind, 1972; Speh & Hutt,

1989). For the purchasing firm, the buying center's members hold a centralized role as it is their collective perceptions that provide essential information regarding market conditions, levels of risk, and other situational factors that can critically impact the quality of purchase decisions (Wren & Simpson, 1996).

Two relationally challenging yet prevalent themes exist throughout the buying center literature – the size of the buying center and the criticality of understanding the individual within it.

#### *III.1.1.1 Buying center size.*

Overwhelmingly, empirical and theoretical studies refer to the buying center as having multiple participants. Robinson et al. (1967) identify that there is “rarely only one decision maker” (p. 161) in the buying center, Webster and Wind (1972) state that organizational buying usually “involves many people in the decision process” (p. 52), Sheth (1973) identifies that in industrial settings, there are generally at least three departments whose members are continuously involved in the varying phases of the buying process, Kohli (1989) finds that “purchase decisions in organizations often are made by committees or buying centers” (p. 50), and Anderson et al. (1987) posit that “the buying center tends to be large” (p. 72).

In a study regarding the effects of situational variables on the relative influence of buying center members, Jackson et al. (1984) found that, in general, engineering, purchasing, and, to a lesser extent, manufacturing, were perceived as the more influential members of the buying center while, in all cases, top management was perceived as the least influential member. Crow and Lindquist (1985), in studying the selection of suppliers by an organizational buyer in new task and modified rebuy purchase decisions, identified that firm characteristics are more influential than those of the organizational buyer in terms of the number of members in the

buying center. McWilliams et al. (1992), in a study of large publicly-listed South African companies, measured the mean number of individuals in the buying center to be 3.95. It must be questioned – if the buying center accounts for all B2B purchasing, must not most, if not all, buying centers be comprised of multiple people?

The foundations of business purchasing behavior theory is based largely on research of purchasing that, by definition, requires careful analysis and levels of authority due to corporate expense governance (Wilson, 2000). For example, Robinson et al. (1967) refers to “the purchase of capital equipment or technically complex or advanced items” (p. 54) as examples of industrial purchases that require disparate functions to work together. Examples such as these require multiple functional representatives for decision making which necessitates multiple people. Additionally, methodological decisions reinforced this notion by focusing research on a country’s largest firms (McWilliams et al. 1992), surveying members of trade purchasing organizations (Lewin & Donthu, 2004), or directly focusing on buying centers that have more than one member (Johnston & Bonoma, 1981). The “Buy Grid” framework (Robinson et al. 1979) resulted from a longitudinal study of three diverse companies that was empirically tested primarily with interviews of purchasing agents (Anderson et al. 1987). Many research studies, by design and focus, have examined the various management and manufacturing practices used by large firms while, unfortunately, not attending to these practices in small firms (Person & Ellram, 1995; Adams, Khoja, & Kauffman, 2012). This issue will be addressed in the forthcoming section regarding small business.

#### *III.1.1.2 Focus on Individual Buying Center Members.*

While our focus is on the buying center, it is important to recognize that several models emerged nearly 50 years ago seeking to understand the organizational buying that formed the

conceptual foundation for the study of organizational buying behavior. In 1967, Robinson, Faris, and Wind published their seminal book, *Industrial Buying and Creative Marketing*, which included a model of the industrial buying process and the Buy Grid framework. In 1972, Webster and Wind presented their General Model for Understanding Organizational Buying Behavior and in 1973, Sheth published his Model of Industrial Buyer Behavior. Since their publication, hundreds of theoretical and empirical works have been published that either extend or test (part or all) of the models proposed by these authors. To see how these models can be integrated see Johnston and Lewin (1996). The three models are important not only for their foundational role in organizational purchasing but for a key commonality: regardless of the number of individuals involved in a purchase decision, all three models address the important role of individual buyers' unique characteristics including education, motivation, perceptions, personality, risk reduction, and experience (Johnston & Lewin, 1996).

Sheth (1973) states that organizational buyer behavior consists of three distinct aspects- (1) the psychological composition of the individuals involved, (2) the context in which joint decisions are made among these individuals, and (3) the collective decision making process with its "inevitable conflict among the decision makers and its resolution by resorting to a variety of tactics" (p. 52). Significantly, Sheth identifies the most significant factor as the background and task orientation of each of the individuals involved in the buying process. All three aspects underscore the role of the individual within the collective. Webster and Wind (1972) recognize that some buying task models emphasize elements such as emotion, personal goals, and internal politics that are involved in the buying decision process but are not related to the goals of the buying task (p. 53). Expanding, they write:

*Similar to consumer markets, it is important to understand the organizational buyer's psychological characteristics and especially his predispositions,*

*preference structure, and decision model as the basis for marketing strategy decisions. (p. 57)*

Given that most organizational buying decisions involve more than a single individual, Robertson and Wind (1980) suggest that data on organizational psychographics should be collected from members of the buying center. Sheth (1973) concurs, suggesting it necessary to conduct research on the psychology of individuals in the buying center. He further posits that ascertaining individual background information is “relatively easy” (p. 53) as the educational and task differences are comparable to demographics in consumer behavior and lifestyle measures can be assessed by psychographic scales on the individual's interests, activities, and values as a professional. While it is well established that a sales professional’s role includes collecting information on prospects and customers (Weitz, 1981; Shapiro & Bonoma, 1984; Fugh-Berman & Ahari, 2007), Sheth provides no practical guidance for systematically collecting individual background information. This is particularly challenging in the case of sales prospects where no prior interaction exists. Assessing individuals on psychographic scales, particularly when trying to create long-term mutually beneficial relationships, may prove challenging to advance. As Bonoma and Shapiro (1983) write,

*It is difficult if not impossible to pre-identify individual buyers based on characteristics such as high self-confidence or risk aversion. Individuals do not wear name tags asserting their psychological makeup and probably would not submit to detailed diagnostic measurements. (p. 88)*

Webster and Wind (1972) contend, “In the final analysis, all organizational buying behavior is individual behavior. Only the individual, as an individual or as a member of a group, can define and analyze buying situations, decide, and act” (p. 57). The marketer must understand and focus on these complex issues related to the individual buying center members involved in the decision making process (Bunn et al. 2001).

### ***III.1.2 Small Business.***

Much of the organizational and business literature has focused on the practices and processes used by large firms (Robinson et al. 1979; Webster & Wind, 1972; Sheth, 1973; Kohli, 1989). Unfortunately, there is much less research concerning these practices in small firms or concerning how the size of a firm might affect the application of these practices (Pearson & Ellram, 1995; Adams et al. 2012). Little information exists about buyer–supplier relationships within small business organizations (Quayle, 2002) and practitioners and researchers often assume that purchasing practices that work in large organizations are also appropriate for use in smaller organizations (Gibb, 2000). The result has been that organizational buying theory is dominated by a default paradigm of large manufacturing organizations (Wilson, 2000).

However, are the theories and dynamics true for small businesses as well (Adams et al. 2012)?

Given its sheer size, it is surprising that small business research has received relatively limited focus. Small businesses represent the lifeblood of the economy (Hausman, 2005). In the U.S., approximately 98.2% of all firms have payrolls of fewer than 100 employees (U.S. Census, 2012). Companies with fewer than 20 employees comprise 89.6% of all firms. This concentration exists across all industrial verticals in the U.S. with the lowest concentration of firms with fewer than 20 employees being NAICS codes 55- Management of Companies and Enterprises (66.2%) and 22- Utilities (69.5%). The NAICS codes with the highest concentration include 53- Real Estate and Rental and Leasing (95.8%) and 11- Agriculture, Forestry, Fishing and Hunting (93.6%). Entire industries are effectively comprised of small businesses.

The observation that very few businesses are actually large is not unique to the United States. In Europe, for example, firms with fewer than 50 employees for 99.8% of all enterprises and account for two-thirds of all employment (European Union, 2013). Micro firms, those with

fewer than five employees, comprise more than 92% of all enterprises. In Germany, 98.7% of all enterprises have fewer than 50 employees (European Union, 2013) while in the United Kingdom firms of this size account for 97.9% of all businesses (U.K. Office of National Statistics, 2014).

While the cumulative research on small firms is overshadowed by its larger counterparts, small company research has gained recognition within academia, attracting attention from researchers originating in the fields of organization theory, strategic management and economics, among others (Ellegaard, 2006). Indeed, research on small companies has evolved and grown during the last two decades (Christensen, 2003). Given the sheer aggregate size of small companies, there's little question why there have been calls for increased research into small business purchasing (Quayle, 2002; Ellegaard, 2006).

Purchasing is a critical task within the small firm as it is particularly dependent on external resources due to its limited size and internal resources (Ellegaard, 2006). Purchasing is more than just the ordering of goods as oftentimes vendor relationships form an integral part of the small business's competitive intelligence system: a firm's purchasing strategy can be just as important as its merchandising or marketing strategy (Dollinger & Kolchin, 1986). All business must address its market environment and, in large firms, this is usually left to what is referred to as "boundary roles" (Aldrich & Herker, 1977). These functions and the employees who fill their roles find themselves at the boundary of the organization for the purpose of effecting transactions within the firm's environment. In larger organizations, these roles may include marketing and sales, purchasing, personnel, government relations, and so forth. For the small business, many of these roles are performed by the small business owner/operator (Dollinger & Kolchin, 1986).

Unlike the dominant buying center literature that suggests multiple members representing various functional organizations, small business purchasing seems to be meaningfully different.



In an evaluation of small and medium sized firm (SME) purchasing literature, Pressey et al. (2009) identified that purchasing in SMEs generally falls within the remit of the owner or a key few employees and that it is not viewed as a separate function but is an integral part of running a company (supported by Gadde & Ha°kansson, 2001) which oftentimes is the responsibility of the owner-manager (Ellegaard, 2006; Dollinger & Kolchin, 1986). Due to fewer resources and a lack of ability to specialize, purchasing may actually mean more to small firms so as to maximize scarce investment capital (Quayle, 2002). Celuch, Goodwin, and Taylor (2007) found that small-scale firms were likely to consist of an individual buyer rather than a purchasing group as found in larger organizations. This aligns with Crow and Lundquist's (1985) contention that as the size of the firm increases, the number of individuals involved in the purchase decision increases. This is consistent with the general observation that larger firms require more specialization and, therefore, more individuals will be engaged in purchase processes. However, this is not always the case, even in large firms. In a study investigating potential mediating variables on whether vendor selection decisions are made by individuals or a buying group, Patton et al. (1986) identified that in certain type of purchases, 74.2% of decisions were made by individuals, not groups.

As the NAICS Code data indicated, a preponderance of business transacts among smaller organizations within large established industries. Take, for example, the three trillion-dollar healthcare industry (Munro, 2012). In a survey of U.S. physicians, Campbell, Gruen, Mountford, Miller, Cleary and Blumenthal (2007) identified that 68% of doctors' primary practice organizations were either group practices or "solo or two-person" practices. Interacting with these medical professionals are individual sales representatives from the \$325 billion U.S. prescription industry (Staton, 2012). IN 2002, more than \$4.8 billion was spent specifically on

detailing, the one-on-one promotion of drugs to doctors by pharmaceutical sales representatives – “drug reps” (Fugh-Berman & Ahari, 2007). Pharmaceutical information is critical to the medical doctor as the selection of an individual drug for a particular patient is one of the most important clinical decisions in office-based medical practice (Soumerai et al. 1989). Physicians in solo, two-person, or group practices – the majority of U.S doctors – may have more freedom in their prescribing choices than their counterparts in hospitals and clinics, which frequently limit the prescribing autonomy of physicians (Campbell et al. 2007). In this example, prescription drugs in the U.S. are prescribed by individual decision makers (medical doctors), employed by their own small businesses, to the tune of \$325 billion annually, influenced by the type and amount of specific sales activities of individual drug reps. In essence, this industry transacts B2B commerce between only two individuals, one representing the buyer and one representing the seller with the patient (consumer) ultimately the one responsible for committing resources.

### ***III.1.3 Life Insurance Market.***

A novel yet modern approach to the study of sales effectiveness was selected. Our "research strategy" was to receive information on a very large number of sales activities and resulting sales transactions, spanning financial advisors responsible for product recommendations in both new and rebuy sale scenarios, from a leading life insurance carrier. This data represents both sides of the sales dyad- the sales activities of the carrier's sales teams and the corresponding sales from the individual financial professionals, if present. According to the dyadic viewpoint (Bagozzi, Bonoma, & Zaltman, 1978), no study is appropriate unless it integrates both parties in the transaction. This method avoids two primary issues with laboratory experiments (Weitz, 1981). One, that laboratory experiments typically sacrifice

external validity for internal validity's sake. And two, that it is difficult to create laboratory experiments that capture the effects of sales and marketing behaviors across interactions.

We selected the financial services industry as the context for our investigation, similar to Szymanski and Churchill (1990), due to two primary conditions. First, sales professionals in this field, whether selling insurance, mutual funds, or other financial instruments, rely heavily on prospect qualification for identifying potential clients. Second, the published evidence indicates wide differences in selling performance across sales professionals. As Foss and Stone (2001) suggest, although much of the research in financial services marketing has focused on the end consumer, most of the value in retail financial services is intermediated. In the case of individual life insurance in the U.S., no individual is able to purchase a product without the aid of a licensed professional. This means that companies that develop a better approach to understanding and managing their intermediaries are likely to make more profit from their marketing and sales activities. However, most of such companies' understanding is based on consumer segmentation.

The focus of our study is within the U.S. life insurance industry that, in 2014, experienced industry sales of \$10.0 billion with \$6.6 billion from independent agents (LIMRA, 2015). According to research by McKinsey and LIMRA (2012), independent advisors are reducing the number of insurance carriers with which they do business and place approximately half of all their insurance business with their top carrier. Additionally, independent advisors frequently switch insurance carriers due primarily to noncompetitive products, concerns about carrier stability, or poor service. Furthermore, it is reported, in-person sales support and marketing services, highly costly efforts by insurance carriers, are less valued by many of the independent advisors who receive them. As a result, insurance carriers can reap economic

benefits by understanding the needs of targeted market segments and tailoring solutions – sales and marketing activities – that align to the individual independent advisor’s needs.

### **III.2 Sampling Plan**

The research objectives were addressed with the cooperation of a leading U.S.-based life insurance company that offers a broad range of insurance solutions. Life insurance has a rich history of sales effectiveness exploration across a variety of theories (Merenda & Clarke, 1959; Evans, 1963; Webster, 1968; Dwyer et al. 1987; Szymanski & Churchill, 1990; Crosby, Evans, & Cowles, 1990; Kurland, 1995; Landau & Werbel, 1995; Boorum, Goolsby, & Ramsey, 1998; Boles et al. 2000). Due to the proprietary nature of the supplied data, the firm has requested that its name and the specific product category not be identified. A divisional sales force of 16 “external” sales professionals with regional responsibility that covered the entire U.S. was used in the study. This team is known in industry parlance as “external wholesalers” and has face-to-face contact with the targeted financial advisors. In addition, the firm has a dedicated team of “internal” sales professionals (“internal wholesalers”) who support the external sales team and interact with the targeted financial professionals on both a proactive and reactive basis. The participating firm sells almost exclusively through independent distribution and has shared a full year’s sales activity history and sales results for 3,178 financial professionals. Resultantly, the participating firm’s sales force’s efforts are aimed not at consumers, the ultimate purchaser of the insurance solutions, but at financial professionals with substantial client bases that are licensed to sell the product category and appointed by the firm (authorized to sell).

The sales and marketing strategies utilized within the life insurance industry meaningfully differ from those employed by other industries for several reasons. First, insurance industries are highly regulated. Second, life insurance carriers must obtain approval for each

product by each U.S. state's department of insurance prior to being marketed. And third, life insurance solutions are generally available only through a licensed financial professional, similar to a physician who must prescribe a drug prior to a patient consuming it. Based on client needs, financial professionals identify and recommend insurance solutions that are believed to be most suitable.

These financial professionals are in essence "intermediaries," defined as "an individual or business firm, with some degree of independence from the insurer, which stands between the buyer and seller of insurance" (Cummins, 2006, p. 360). It has been argued that insurance products are inherently complex which make it difficult for consumers to understand the coverage they need and to adequately review the policy features, services, and claims-paying capabilities of insurers. The role of the financial professional is to scan the market, match clients with insurers who have the skill, capacity, risk appetite, and financial strength to underwrite the risk, and then help the client select from competing offers (Cummins & Doherty, 2006). The targeted financial professionals are generally appointed with more than one insurance provider per product category (i.e., term life insurance, variable annuities, disability insurance) which means that the participating company's 16 external wholesalers are largely competing with other insurance carriers' external wholesalers for the time and consideration of the targeted financial professionals.

### **III.3 Measures**

#### ***III.3.1 Selling activities.***

The participating life insurance company provided a longitudinal record of the salesforce's activities for a single product category from January 2014 to December 2014. The firm had its own taxonomy of 21 and 42 separate activity categories for its external and internal

wholesalers, respectively. Examples of sales activities include a phone call or email, a client workshop, a single or group financial advisor (FA) meeting, creating an illustration for an advisor's client, or fulfilling a request for product literature. For a list of the firm activity categories analyzed see Table 2. These activities were entered into the firm's Customer Relationship Management (CRM) system at the level of individual financial professional by either the external and internal wholesalers. An evaluation of the utilization of these 63 categories identified that only 23 (nine for external wholesalers and 14 for internal wholesalers) were appropriate for analytical purposes. The data collected for each of these sales activities refers to the number of times each was employed within the specific time period for each individual External Wholesaler-Financial Professional dyad. The participating life insurance company sought to directly utilize the findings from the study and as a result its taxonomy was embraced instead of introducing one following extant research (Moncrief, 1986; Moncrief et al., 2006).

Although the use of longitudinal data in a non-experimental study does not necessarily establish causality, it does provide stronger support for causal relationships than can be inferred from analysis of cross-sectional data (Menard, 1991). The total number of activities made by each of its 16 sales professionals as well as those performed by the internal sales team were recorded monthly as were the sales results from the 3,178 financial professionals (similar to Shah, Kumar, Qu, & Chen, 2012). Therefore, a comprehensive picture of all firm related sales force activities for each targeted financial professional has been created. This makes it one of the most accurate sources of sales force efforts that has been used to examine life insurance wholesaling behavior.

### **III.3.2 Sales effectiveness.**

Consistent with research conducted by Syzmanski and Churchill (1990) and Boles et al. (2000) in the life insurance industry, sales effectiveness was measured by the number of policies submitted by financial professionals within each salesperson's territory for the calendar year 2014. Financial professionals averaged 1.12 submitted applications during the time period studied. Applications were submitted by 35.6% of the sampled financial professionals in 2014 and 71.3% sold the firm's solution in the 24 months prior to 2014 (see Table 3).

### **III.3.3 Buyclass category.**

The targeted financial professionals within the dataset had one of two statuses – they had either submitted a policy to the insurance carrier within the category or they had not. All insurance policies in this category require a degree of customization based on client age, marital status, health status, coverage elected, and options selected. Applying Robinson et al.'s (1967) descriptions of new buy, modified rebuy, and straight rebuy, any application submission from a financial professional who had never submitted one prior will be considered a "Newbuy" while all other submissions, stemming from those who had submitted prior applications, will constitute a combined "Rebuy." This is supported by Anderson et al. (1987) who suggest that most predictions generated by the buyclass framework are based on the distinction between two categories – "new buy" and "straight/modified rebuy" – instead of all three categories.

### **III.3.4 Geodemographic segment.**

In addition to the monthly sales activities recorded by each of the company's 16 sales professionals and the monthly submissions from each of the 3,178 targeted financial professionals in the supplied dataset, the life insurance company appended both populations with several external variables from a leading international data and analytics firm with 100% match

rate attained. These variables included household income, net worth, marital status, home ownership, value, and tenure as well as geodemographic cluster. The geodemographic cluster is from a leading commercial household-level segmentation system that clusters U.S. households into one of 21 life stage segments based on specific consumer behavior and demographic characteristics. For a listing and brief description of the six segments represented and analyzed in the final dataset see Table 4.

### **III.3.5 Control variables.**

Through discussions with the participating insurance company and evaluation of prior research into sales effectiveness moderation, it was decided that the following variables would be included in the model as control variables:

- **Firm:** identifies which of the two firms employed the individual financial professional.
- **Practice Size:** a categorical classification with five levels created by the participating life insurance company from data provided by the two distribution partners regarding the relative size (assets, client base size, growth rate) of each financial professional's practice.
- **Number of Solution Categories Sold:** identifies how many of the four categories of life insurance commercialized by the participating life insurance company had been sold by the individual financial professional prior to 2014.
- **Experience:** following Rapp's (2006) formative definition of experience, this variable is indexed as the average of the individual external wholesaler's years in financial products and services sales, years with the participating life insurance company, and years supporting the individual financial professional. A composite measure was formed by averaging z-scores of the three indices.



### **III.4 Method of Analysis**

#### ***III.4.1 Descriptive statistical analysis.***

In descriptive statistical analysis, the information provided by the data generated from this research was analyzed. Descriptive statistics of mean, median, standard deviation, variance, minimum, maximum, standard error of the mean, kurtosis, and skewness were performed using SPSS version 22 software. Frequency counts and general descriptive statistics are necessary to develop profiles of various subgroups from the dataset provided. Testing of assumptions usually involves obtaining descriptive statistics (Pallant, 2013).

#### ***III.4.2 Moderator analysis.***

A moderator variable has been defined as one which systematically modifies either the form and/or strength of the relationship between a predictor and a criterion variable (Sharma, Durand, & Gur-Arie, 1981) and is essential to testing contingency theories (Weitz, 1981). Moderating effects can be examined by including interaction variables in an additive model or by estimating parameters of an additive model for subgroups of a total sample (Arnold, 1982; Sharma, et al., 1981). As the goal of this study is to assess the strength of relationship of the two hypothesized moderators on the relationship between sales activities and sales effectiveness, subgroup analysis was employed.

#### ***III.4.3 Hierarchical regression.***

To evaluate differences in the regression coefficients within the subgroups, the preferred method of hierarchical regression (Helm & Mark, 2012) was applied. Hierarchical regression analysis enabled us to determine the relative impact of the sales activities on sales effectiveness after accounting for control variables (Olson, Slater, & Hult, 2005).

## **IV CHAPTER FOUR: DATA COLLECTION, ANALYSIS, AND RESULTS**

The purpose of this chapter is to describe the source and parameters of the data, the analytical framework and methods applied, and the results of the analysis.

### **IV.1 Source Data**

A leading U.S.-based life insurance company provided the data that was used in the study. A full year's detailed sales activities was supplied for a divisional sales force of 16 external sales professionals with regional responsibility that covered the entire U.S. as well as team of internal sales professionals who support the external sales team. The participating firm sells almost exclusively through independent distribution and has provided a full year's sales results for the 3,178 financial professionals whom were serviced by the external and internal wholesalers. This external and internal sales force focused exclusively on one product category. The 3,178 financial professionals in the original dataset were associated with two similar nationwide financial advisory firms.

While the participating firm provided monthly sales activity data for the 63 categories within its taxonomy, it identified that only 23 (nine for external wholesalers and 14 for internal wholesalers) were appropriate for analytical purposes. The data collected for each of these sales activities refers to the number of times each was employed within the specific time period for each individual External Wholesaler-Financial Professional dyad. In addition to the dyadic sales activities and results for relationships between the 16 external wholesalers and 3,178 financial professionals, the life insurance company had additional data elements appended at the level of individual financial professional, including demographic and geodemographic segment, by a commercial data provider. A 100% match rate was attained for all records. Another integrated data element was provided by the two life insurance company's distribution partners that employ

the 3,178 financial professionals: the size of each financial professional's practice. This was provided for 85.3% of the sample, yielding a final sample size of 2,710.

While the dyadic data supplied by the participating life insurance company was monthly in structure, it was decided to aggregate all sales activities and sales effectiveness measures into annual measures. The company's view of the length of the sales process supported this decision – “upwards of nine to twelve months” (executive sales leader). This is consistent with both general historical as well as recent B2B sales cycle findings. Clarke (1976) identified that published econometric literature suggested that “90% of the cumulative effect of advertising on sales of mature, frequently purchased, low-priced products occurs within 3 to 9 months of the advertisement” (p.355). Dekimpe and Hanssens (1995) identified that sales and marketing expenditures may not have their full impact in the time period in which they are deployed. More recently, in a report on B2B marketing, it was identified that 60% of B2B organizations experience a sales cycle of longer than 3 months (Marketing Sherpa, 2012).

## **IV.2 Moderator Analysis**

A moderator variable has been defined as one which systematically modifies either the form and/or strength of the relationship between a predictor and a criterion variable (Sharma, Durand, & Gur-Arie, 1981). See Helm and Mark (2012) for a summary of moderator definitions. While subtle differences exist between definitions, Dawson and Richter's (2006) example holds true: a variable  $Z$  is a moderator variable of the relationship between an independent variable  $X$  and a dependent variable  $Y$ , when the magnitude of this relation varies across levels of  $Z$ , which can be a continuous or categorical variable. The concept of moderation is essential to testing contingency theories and represent meaningful developments in various organizational themes including sales effectiveness (Weitz, 1981), job satisfaction (Kohli, 1989),

individual and organizational sales performance (Baldauf & Cravens, 2002), the impact of strategy, marketing structure, and behavior on business performance (Olson, Slater, & Hult, 2005), and optimum levels of customer orientation in sales encounters (Homburg, Müller, & Klarmann, 2011).

Moderating effects can be examined in two primary ways. One, by including interaction variables in an additive model. And two, by estimating parameters of an additive model for subgroups of a total sample (Arnold, 1982; Sharma, et al., 1981). Analysis using interaction terms examines the *form* of a relationship while subgroup analysis examines the *strength* of a relationship. In order to test for different strengths of relationships, Arnold (1982) identifies that differences of correlation coefficients for the different values of the moderator must be evaluated. It is assumed that a variable is a moderator if significant differences in the regression coefficients occur within the subgroups (Sharma et al., 1981; Zedeck, 1971; Ping, 1995). As the goal of this study is to assess the strength of relationship of the two hypothesized moderators on the relationship between sales activities and sales effectiveness, subgroup analysis was employed.

Sharma et al. (1981) identify that subgroup analysis is appropriate to test for moderation when the moderator variable is categorical. To evaluate differences in the regression coefficients within the subgroups, the preferred method of hierarchical regression (Helm & Mark, 2012) was applied. Hierarchical regression analysis enabled us to determine the relative impact of sales activities on sales effectiveness after controlling for market structure (Olson, Slater, & Hult, 2005). Consistent with Baldauf and Cravens (2002) and Olson et al. (2005), regression analyses were first conducted for all observations in the dataset, not considering the subgroups (restricted run). Regression analyses for each subgroup were then performed, allowing the regression coefficient estimates to take on different values across the subgroups (unrestricted run). The four

control variables were entered in the first step of the hierarchical regressions followed by the 23 independent variables in the second step. As outlined in Sharma et al. (1981), the Chow-test (Chow, 1960) was then applied using the differences in the sums of squared residuals from the restricted and unrestricted regression runs. The statistical significance of the difference in the regression coefficients in sales effectiveness across the different subgroups were then examined.

Table 5 presents means, standard deviations, and correlation coefficients for the variables in the study. The independent sales activity variables represent the number of times each activity was utilized. Two checks for multicollinearity of the independent variables were performed. First, the intercorrelations among the independent variables were examined and while several of the correlations were found to be significant, none of the variables were highly correlated with the others. The highest correlations between the participating company supplied 23 independent variables was found between *proactive* and *Proactive Email* ( $r=.58$ ), followed by *Illustration* ( $r=.31$ ) and *Proactive* ( $r=.31$ ). Second, none of the variance inflation factor statistics exceeded 1.89, the level in which multicollinearity may pose a problem (Littell, Freund, & Spector, 1991). As a result, it was concluded that multicollinearity was not a concern.

### **IV.3 Results**

There is substantial support for the moderating effects of geodemographic segment membership on the relationships between sales activities and sales effectiveness and partial support for the moderating effects of buyclass category on the relationships between sales activities and sales effectiveness. The results of the statistical analysis are presented in Table 8.

#### **IV.3.1 H1: Moderator effects of geodemographic segment.**

There is strong support for H1 and the moderating effect of geodemographic segment on the relationship between sales activities and sales effectiveness. Chow test results on the total

population yielded statistically significant results ( $F = 16.273$ ,  $df = 28, 2,710$ ,  $p < .001$ ) as did Chow tests on the moderator within the populations of Rebuy dyads ( $F = 20.182$ ,  $df = 28, 1,918$ ,  $p < .001$ ) and Newbuy dyads ( $F = 43.356$ ,  $df = 28, 792$ ,  $p < .001$ ). These findings support the generally untested proposition that personal characteristics of the purchasing decision maker in B2B environments beyond those of a professional nature (Sheth, 1973; Bonoma & Shapiro, 1983; Robinson et al., 1967; Johnston & Lewin, 1996) may play a meaningful role in the purchase process. To the best of the author's knowledge, these findings represent some of the first empirical evidence documented.

#### ***IV.3.2 H2: Moderator effects of buyclass category.***

There is partial support for H2 and the moderating effect of the individual purchase decision maker's buyclass category on the relationship between sales activities and sales effectiveness. While Chow test results on the total population yielded statistically significant results ( $F = 2.43$ ,  $df = 28, 2,710$ ,  $p < .001$ ) as did additional Chow tests of the moderator within two of the six geodemographic segments (see Table 8), results were found not to be statistically significant within four of the six individual geodemographic segments. This finding, in part, supports Weitz's (1981) contention that the customer's buying task should act as a moderating variable and suggests that the implications of the buyclass model for sales effectiveness may be considerable (Anderson et al., 1987).

#### ***IV.3.3 Total sample.***

Separate regressions were run for the total sample (restricted run) as well as for the six specific geodemographic segments (unrestricted run) and two buyclass categories (unrestricted run) evaluated allowing the regression coefficient estimates to take on different values across the subgroups. An "all other" category for segments with small membership counts was also

evaluated for the purposes of the Chow test but will not be addressed here due to its aggregated nature.

Consistent with literature, the four control variables were entered in the first step of the hierarchical regressions, followed by the 23 independent variables in the second step. This process allows for the measurement of the explained variance of the control variables prior to integrating the independent variables.

In the first step of the initial hierarchical linear regression (restricted), the four control variables accounted for .081 of the explained variance ( $R^2$ ). See Table 6 for specific model performance measures and variable weights. In addition, three of the four control variables – *Practice Size*, *Number of Categories Sold*, and *Experience* – were each deemed significant ( $p < .01$ ). The variable *firm*, representing the two firms employing the 2,710 financial professionals in the study, was not found to be significant ( $p < .856$ ), supporting the decision to expand the sample to more than a single distribution firm.

The subsequent step of the hierarchical linear regression with 23 independent sales activity variables resulted in .401 explained variance, an increase of .320. Two of the control variables – *Practice Size*, *Number of Categories Sold* – remained significant ( $p < .001$ ). Of the 23 separate sales activities measures representing the number of times each was utilized within individual dyads, eight were identified as significant at the  $p < .001$  level while, two were deemed significant at the  $p < .01$  level and one was found to be significant at the  $p < .05$  level. Of the nine External Wholesaler activities, three were judged significant while eight of the 14 Internal Wholesaler activities were identified as significant.

#### **IV.3.4 Geodemographic subgroup model performance.**

While the control variables in step one (restricted run) explained .081 of the explained variance, its range within the subgroups was varied: a low of .063 for Segment 3 to a high of .128 for Segment 2. Additionally, as can be seen in Table 6, the number of control variables identified as significant as well as the specific variables also varied by subgroup.

The explained variance for step two (unrestricted run) for each of the subgroups exceeded that from the restricted run's second step. Segment 1 represented the lowest explained variance (.403) while Segment 4 represented the highest (.875).

Twenty-three separate independent variables (individual sales activities) were included in all of the regressions, nine for the participating firm's External Wholesalers and 14 for its Internal Wholesalers. These variables represent the number of times each was utilized within individual dyads. In the restricted run for the total sample, 12 sales activities were identified as being significantly related to sales effectiveness: eight at  $p < .001$  (*COI Meeting, FA Meeting, Email, Illustrations, Literature Order, Proactive, Product Question, and UW Follow Up*), three at  $p < .01$  (*Call/Email, Case Status, and Point-of-Sale*), and one at  $p < .05$  (*Proactive Email*).

While all wholesalers, external and internal, need to have the appropriate licenses and designations required to represent life insurance products, it is the External Wholesaler who is the "face of the company" and develops the relationship with the financial advisor. Consequently, the External Wholesaler is generally compensated to a much higher degree. Within this context it is noteworthy that of the 12 sales activities significantly related to sales effectiveness, eight were activities performed by Internal Wholesalers. This result also holds true across each of the six geodemographic segments: the number of statistically significant sales activities by Internal Wholesalers outnumber those of External Wholesalers. In fact, only one



variable – *Proactive* – undertaken by Internal Wholesalers, was identified as significantly related to sales effectiveness in both the total population ( $p < .001$ ) as well as in each of the six subgroup regressions (four segments at  $p < .001$ , one segment at  $p < .01$ , and one segment at  $p < .05$ ). This supports the contention made by Workman, Homburg, and Jensen (2003) that initiating activities may lead to better performance.

The range of significant sales activities per segment spans a maximum of eight (Segment 2) to a minimum of five (Segments 5 and 6). As mentioned prior, *Proactive* is the lone significant variable that is found in each of the six segment regressions. *FA Meeting*, for example, representing the number of times an External Wholesaler conducted a face-to-face meeting with a financial advisor within the study period, is found to be significant ( $p < .05$ ) in five of the six segments. Strength of beta coefficients also varies by segment. For example, *Literature Order* was found to be significant ( $p < .01$ ) in Segments 2 and 3 (in addition to two other subgroups) but its impact to sales effectiveness differs greatly (Segment 2,  $\beta = .122$ , Segment 3,  $\beta = 3.143$ ).

#### ***IV.3.5 Buyclass subgroup model performance.***

While H1 hypothesized about the moderating effect of personal characteristics of the individual B2B purchase decision makers on the relationship between sales activities and sales effectiveness, H2 focused on the selling situation, the buyclass nature of the sales. H2 hypothesized that the buyclass category of the individual purchase decision maker moderates the relationship between sales activities and sales effectiveness and was found to be partially supported. Chow test results on the total population yielded statistically significant results ( $F = 2.43$ ,  $df = 28, 2,710$ ,  $p < .001$ ) as did additional Chow tests of the moderator within two of the six

individual geodemographic segments (see Table 8). However, results were found not to be statistically significant within four of the six individual geodemographic segments.

Two-step hierarchical linear regressions were run for the two subgroups. The second step allows for comprehensive variable and model variance comparison across the two buyclass categories (subgroups). The results are displayed in Table 6.

Unlike geodemographic segments, the range of variance explained for the two models was much more narrow ( $R^2 = .401$  for Rebuy,  $R^2 = .364$  for Newbuy). Additionally, the role of the control variables differed between the two subgroups and while there were similarities in significant sales activity variables, there were nearly as many unique significant activities per buyclass category.

Step one of the hierarchical linear regressions identified that the four control variables accounted for .061 of the variance for the Rebuy category ( $n=1,918$ ) and .018 for the Newbuy category ( $n=792$ ). When analyzed with all 23 independent variables in step two, several interesting observations emerge. First, while both categories experienced two significant control variables, there is no overlap between them. The variables of *Practice Size* ( $p<.001$ ) and *Number of Categories Sold* ( $p<.001$ ) were found to be significant under the Rebuy scenario but not within the Newbuy subgroup. Within the Newbuy subgroup, the variable *Firm* had a negative relationship with sales effectiveness ( $p<.05$ ,  $\beta = -.072$ ), suggesting that the degree of support (training, materials, administrative support, other) non-product selling financial professionals received from their firms may differ and be insufficient to drive adoption and subsequent sales.

Of the 23 sales activities analyzed in the regression models per buyclass subgroup, both yielded 11 that were significantly related to sales effectiveness. However, the activities differed somewhat and highlight an important opportunity: financial advisors in the Newbuy subgroup

yielded more External Wholesaling sales activity variables that were significantly related to sales performance than the Rebuy subgroup. Of the nine sales activities analyzed for External Wholesalers, four were found to be significantly related to sales effectiveness within the Newbuy subgroup – *Call/email* ( $p < .001$ ), *Client Workshop* ( $p < .001$ ), *FA Meeting* ( $p < .001$ ), and *Point of Sale* ( $p < .001$ ). Three External Wholesaling activities were deemed significant for Rebuy scenarios - *COI Meeting* ( $p < .001$ ), *FA Meeting* ( $p < .001$ ), and *Point of Sale* ( $p < .05$ ). It should be noted that *COI Meeting* (short for “center of influence” meeting in which a financial advisor is introduced to another services professional such as a lawyer or accountant for the purpose of offering financial services assistance to the new service professional’s client base) is truly a sales activity aimed at experienced financial advisors (Rebuy) and not unexperienced ones (Newbuy). Resultantly, for comparison purposes, it can be argued that Rebuy scenarios have two significant sales activities.

In addition to both External Wholesaler sales activities that engage directly with a financial advisor’s clients being significant for the Newbuy subgroup (*Client Workshop* and *Point of Sale*), the coefficients were also significantly higher (*Client Workshop*,  $\beta = .101$ , 3.39 times larger than Rebuy subgroup; *Point of Sale*,  $\beta = .134$ , 2.19 times larger than Rebuy subgroup).

## V CHAPTER FIVE: DISCUSSION, IMPLICATIONS, & LIMITATIONS

### V.1 Discussion of Results

While “personal characteristics” of the industrial purchaser has been identified as a critical element in understanding and optimizing the buyer-seller relationship (Robinson et al., 1967; Webster & Wind, 1972; Sheth, 1973; Bonoma & Shapiro, 1983; Churchill et al., 1985; Johnston & Lewin, 1996), data existence and availability have made this an area of promise more than reality. As stated by Bonoma and Shapiro (1983), individuals do not wear nametags professing their personality categories and psychological composition. Shapiro (as cited in Weinstein, 2011, p. 675) added focus and importance to the promise of “personal characteristics” when he stated “What will give today’s marketers a competitive edge is those who can unlock the key to address personal characteristics of the buyer and situational factors that can be tapped into by the supplier.” In outlining his contingency framework for sales effectiveness, Weitz (1981) indicated that “customer characteristics and needs are considered in the framework, but only in terms of their moderating influence on the effectiveness of a salesperson’s behavior” (pg. 91). Both of this study’s hypothesized moderators reflect “customer characteristics and needs.”

The purpose of this research was twofold. First, to investigate the moderating effect that a purchase decision maker’s geodemographic segment, a proxy for an individual’s “comprehensive” self, has on the relationship between specific selling activities and sales effectiveness. Second, to investigate the moderating effect that a purchase decision maker’s buyclass scenario has on the relationship between specific selling activities and sales effectiveness.

The results on the current study support that, as hypothesized, geodemographic segment moderates the strength of relationship between specific selling activities and sales effectiveness.

They further indicate that there is partial support that buyclass moderate the strength of relationship between specific selling activities and sales effectiveness. Moreover, the results indicate that specific selling activities have varying impacts within differing geodemographic segments and buyclass scenarios.

Of the 12 sales activities found to be significantly related to sales effectiveness, eight were activities performed by Internal Wholesalers while four were by the External Wholesalers. This result also holds true within each of the six geodemographic segments: the number of statistically significant sales activities by Internal Wholesalers outnumber those of External Wholesalers. While all wholesalers, external and internal, need to have the appropriate licenses and designations required to represent life insurance products, it is the External Wholesaler who is the “face of the company” and develops the personal relationship with the financial advisor. Accordingly, the External Wholesaler is generally compensated to a much higher degree. These findings strongly suggest that the activities of sales organizations with both Internal and External sales teams should be evaluated relative to sales impact and, if consistent with the current study’s findings, sales function resource allocation and compensation should be appraised.

## **V.2 Geodemographic Segment Discussion**

Empirical exploration of personal characteristics of small business or individual buying center’s members has been limited and largely focused on segmentation efforts. Celuch et al., (2007) explored the attitudes of small business (fewer than 50 employees) purchasers regarding internet usage and information access relative to purchasing industrial equipment. For the purposes of marketing and ultimately selling to self-employed individuals, Kenney and Weinstein (2010) created a four segment psychographic segmentation schema utilizing content analysis. File and Prince (1996), in exploring aspects of professional services purchasing criteria

by small family businesses, identified eight statistically derived psychographic-based segments. Somewhat larger in scale, Weinstein (2011) applied Bonoma and Shapiro's (1983) nested approach to B2B segmentation in a technology market. Despite identifying the importance of the inner most nest (personal characteristics) and offering examples of variables that could apply (technology adoption, risk), he was unable to employ them due to lack of data availability.

While the evaluation of personality traits and behavioral predispositions relative to sales effectiveness (rather than organizational purchasing) has a broad and lengthy history [for a robust chronicle see Weitz (1981), Churchill et al. (1985)], the results have been equivocal. Furthermore, many studies have been merely correlational in nature, failing to fully address the multidimensionality of the buyer-seller dyad (Johnston & Lewin, 1996).

Organizational buying behavior has been most commonly explained using organizational "demographic" characteristics: SIC code, company size, geographic location, and others (Robertson & Wind, 1980). Similar to their evaluation in consumer markets, this class of variables have been shown to be relatively poor predictors of organizational purchasing behavior (Webster & Wind, 1972). As a result, the development of psychographics and lifestyle variables emerged (Wells, 1974; Demby, 1996) to better explain consumer behavior and can be equally applied to business markets as individual ultimately make all purchase decisions (Weinstein, 2013).

The basic premise of psychographic and lifestyle variables, such as the geodemographic segment data employed in the current study, is that the more we know about an individual's lifestyle the more effectively we can communicate with them (Hornik, 1989). In order to attract and motivate a particular group of consumers through communication campaigns, one must gain insight into their psychological composition (Vyncke, 2002). The practice of psychographics

includes a diverse set of variables such as the AIO battery (activities, interests, and opinions), personality traits, attitudes, and lifestyle measures (Robertson & Wind, 1980).

In order to empirically test the role of non-professionally related individual characteristics within the buyer-seller relationship, geodemographics was selected as a proxy due to its inclusive character and near universal availability for every individual or household in industrialized markets. Geodemographics combines elements of geographic, demographic, and psychographic approaches in an attempt to develop a comprehensive view of a consumer (Kaynak & Harcar, 2005). This study's finding that a B2B purchase decision maker's geodemographic segment, a proxy for one's psychographic or lifestyle composition, moderates the relationship between sales activities and sales effectiveness, supports the generally untested proposition that personal characteristics of the purchasing decision maker in B2B environments, beyond those of a professional nature (Sheth, 1973; Bonoma & Shapiro, 1983; Robinson et al., 1967; Johnston & Lewin, 1996), may play a meaningful role in the purchase process. These findings represent some of the first empirical evidence documented.

While there is strong support for H1 and the moderating effect of geodemographic segment on the relationship between sales activities and sales, it is the hierarchical linear regression that allows for comparison across the six individual geodemographic segments (subgroups). As displayed in Table 6, separate hierarchical linear regressions were run for each of the six evaluated geodemographic segments. The results suggest two important findings. One, that the range of variance explained for the six models varies meaningfully and provides greater predictive ability than looking at the population as a whole. Two, that the set of sales activities that are significantly related to sales effectiveness varies by subgroup. In fact, only one variable – *Proactive* – undertaken by Internal Wholesalers, was identified as significantly related

to sales effectiveness in both the total population as well as in each of the six subgroup regressions. This supports the contention made by Workman, Homburg, and Jensen (2003) that initiating activities may lead to better performance.

As evidenced in Table 6, the specific sales activities deemed significantly related to sales effectiveness differ in count and degree by geodemographic segment. This allows a firm to not only evaluate which activities will be most impactful per segment but also allows for the more impactful deployment of limited and costly resources (Wind & Cardoza, 1974; Wind, 1978) such as the face time spent with financial professionals by the firm's External Wholesalers. As an example, *COI Meeting* is found to be significant in just one subgroup, suggesting that the firm should not treat all segments equally when deploying External Wholesalers nor expect them to conduct *COI Meetings* with all financial advisors equally.

A challenge in evaluating non-professionally related variables such as geodemographic segments in the context of B2B purchasing is the limited academic and commercial literature. As mentioned earlier, the majority of study in this area has focused on the topic of segmentation. Nearly exclusively, geodemographic systems have been employed and studied in B2C environments which serve, at best, as reference points. Furthermore, the commercial manufacturers of such systems created them for widespread consumer application and do not generally explore B2B applications (C. Frohlich, personal communication, February 2, 2015; C. McClave, personal communication, January 30, 2015), let alone the specificity of life insurance B2B sales dynamics. Despite this challenge, the study's results empirically demonstrate that geodemographic segment, a proxy for the B2B purchase decision maker's comprehensive self (Kaynak & Harcar, 2005), both moderates the relationship between sales activities and sales effectiveness as well as sheds light on which specific sales activities significantly impact sales



effectiveness. How firms can build upon this finding and further extend the value of geodemographics will be discussed in the Managerial Implications section.

### **V.3 Buyclass Category Discussion**

The selling environment in which the sales professional must operate has been described as the combination of the customer's needs as well as the nature and importance of the buying task (Weitz, 1981). The marketer's best opportunity lies in formulating improved solutions to customers' problems (Robinson et al. 1967) regardless of the nature of the buying situation. The current study identified partial support for the hypothesis that buyclass category moderates the relationship between sales activities and sales effectiveness. At the aggregate level (all cases either categorized as Newbuy or Rebuy), a Chow test yielded statistically significant results. However, when analyzed at the geodemographic segment level, results were found not to be statistically significant within four of the six individual geodemographic segments.

Porter et al. (2003) and Giacobbe et al. (2006) identified that the buyclass nature of the purchasing decision moderated the relationship between adaptive selling and sales performance. However, two differences in methodology may explain the partial difference in findings. First, the samples for each category in the studies referenced above were comprised of separate firms, salesforces, and products sold on the assumption that each salesperson's total focus was primarily a Newbuy or Rebuy. This was addressed in the current study at the level of each individual dyad per salesperson, allowing for each salesperson's sales activities per financial advisor to be analyzed at the buyclass level. Second, the analytical procedures differed. Porter et al. utilized moderator regression analysis (MRA) while Giacobbe et al. applied the "multiple sample model" procedure, a chi-square difference test. The current study employed subgroup analysis.

Buyclass has also been found to moderate the variance of sales professional's performance. Churchill et al. (1985), for example, concluded that a substantial proportion of the unexplained variance in salesperson performance can be explained by examining the type of sales job. In other words, it is possible that the interrelationships, as well as the importance of each variable presented in the model of determining of salesperson performance (Walker, Churchill, & Ford, 1977) may be moderated by the type of selling situation.

The hierarchical linear regressions per buyclass subgroup identified interesting findings. The control variable *Experience* was identified as significant within the Newbuy group and not the Rebuy group. Newbuy sales situations require more time to gather pertinent information needed to reduce customer decision making risk (Bunn, 1993; Porter et al., 2003) as they are generally more complex (Robinson et al., 1967; Giacobbe et al., 2006). This is consistent with Weitz (1981) who proposed that a salesperson's expertise will be most impactful in new buying situations. Additionally, the control variables *Practice Size and Number of Categories Sold* were found to be significant under the Rebuy scenario but not within the Newbuy subgroup. While Anderson et al. (1987) propose that loyalty may be a rational method to engage prospects and customers to approach some new task purchases, the significant relationship between *Number of Categories Sold* and sales effectiveness solely in the Rebuy subgroup suggests that it may also be relevant in repurchase scenarios.

When evaluating the independent variables by buyclass subgroup, similar to geodemographic segment, the results suggest that the set of sales activity variables that are significantly related to sales effectiveness vary and highlight an important opportunity- financial advisors in the Newbuy subgroup yielded more significant sales activity variables from External Wholesaling (customer facing) than the Rebuy subgroup. This is supported by Porter et al.

(2003) who identified that Rebuy situations do not generally require the same time requirements with salespeople as Newbuy conditions. This is also consistent with Weitz (1981) who notes that “since these [buying] tasks differ in amount of information needed and the level of uncertainty or risk associated with the purchase decision, one would expect that different sales behaviors would be appropriate for each situation” (p. 93). Finally, these results support the practice of adaptive selling, the process a salesperson uses to gather information about the selling situation in order to address the unique needs of the client (Spiro & Weitz, 1990). In a test of the contingency model, Giacobbe et al. (2006) found evidence that the relationship between adaptive selling behavior and sales performance is “increasingly dependent upon the selling condition.”

In assessing the literature on adaptive selling, Giacobbe et al. (2006) summarize that advantage comes from engaging in these practices when the buying task is complex as in a new purchase situation. Our findings suggest that adaptive selling practices – the salesperson’s ability to adjust and use different sales behaviors (Weitz, 1981) – within a buyclass framework yields advantage across both Newbuy and Rebuy subgroups. These advantages can be seen in predictive variance explained, the number of sales activities significantly related to sales effectiveness, the degree of significance per sales activity, and the strength of the beta coefficients.

#### **V.4 Managerial Implications**

The results of this study have important implications for B2B marketing managers. It has been long held that understanding the personal characteristics of the B2B purchasing decision maker is critical for a successful sales transaction and relationship. However, little guidance has been provided on how to accomplish this in scale rather than on a customer-by-customer basis (Fugh-Berman & Ahari, 2007). The present study not only empirically demonstrates support for

this contention but provides a practical example of how to employ. The results establish that the predictive power of the geodemographic segmentation data used exceeds, in each of the six segments modelled, that of the total population.

Commercial geodemographic systems have been created for consumer applications, not B2B applications (C. Frohlich, personal communication, February 2, 2015; C. McClave, personal communication, January 30, 2015), let alone to account for the dynamics of any specific B2B market. However, data exists for virtually every individual or household in most industrialized nations making this source immediately available and scalable for firms with names and addresses of customer and prospects. This overcomes two significant barriers currently faced by businesses of all sizes: identifiability and accessibility of segments (Wedel & Kamakura, 2012). As such, these systems offer a viable, scalable approach for firms and sales organizations to better understand both current customers as well as prospects and allocate resources accordingly.

By evaluating the commercial options available and integrating a data solution that best aligns with an organization's needs, a firm can empower marketing managers to better analyze historical performance and its drivers as well as to develop more efficient and effective marketing and sales plans due to the ability to more accurately identify and apply specific sales activities. For example, by integrating geodemographic segment data with prior purchasing history (buyclass), a sales organization can determine which specific sales activities to employ. In the current study, an assessment of Segment 5 provides an excellent example (see Table 7). Each of the segment's two buyclass categories have five sales activities significantly related to sales effectiveness. For existing customer that have purchased prior (Rebuy), two External Wholesaler activities – *Call/email* and *POS* (point of sale) – should be emphasized over the other

activities when possible. Internal Wholesaler activities should focus on *Proactive*, *Product Question*, and *Underwriting Follow-up*, the latter two representing prompt and thorough responses to financial advisors' questions regarding specific solutions and the status of submitted applications within the participating firm's underwriting function. For Segment 5's new customers (Newbuy), External Wholesalers should emphasize *Client Workshops* whenever possible while the firm's Internal Wholesalers should focus on *Case Status* and *Proactive* communications. Also note that for Internal Wholesalers the sales activity *Proactive Email* is negatively related to sales effectiveness, suggesting that other communications tools – phone, voice mail, text – should be attempted first. Finally, the variable *Other* was found to be significantly related to sales effectiveness but due to its broad nature it is currently not operational by the sales team.

As Table 7 demonstrates, this level of segment and buyclass sales activity specificity is available to each of the participating firm's six geodemographic segments. By integrating the purchasing history and segment data, we clearly see with Segment 5 that the two buyclass categories have, with the exception of the activity *Proactive*, completely unique sales activities to emphasize. This would have been masked had the analysis focused on segment alone. While each firm employing this approach will have a different taxonomy of activities as well as differing results due to the unique nature of its products, sales process, distribution focus, and competitive environment, the opportunity to gain insights into activity-level specificity is high.

To gain deeper insights into understanding which specific sales and marketing activities have or have not been historically successful and to identify possible future marketing opportunities *per segment*, it is further recommended that post-geodemographic data integration, an organization conduct a quantitative study of current and former customers as well as

prospects. A study of this nature, with geodemographic segment appended for each respondent, will enable the organization to explore important company- and market-specific issues such as former, current, and future usage, intentions and needs related to products and services. Results can be aggregated at the segment level enabling easier institutionalization within a firm (educational training materials, CRM integration, usage for planning purposes).

Unlike segmentations that require reactive assessments of face-to-face client engagements for categorization purposes (File & Prince, 1996), commercial geodemographic solutions may provide meaningful insights prior to any allocation of sales or marketing resources. While it is well established that a sales professional's role includes collecting information on prospects and customers (Weitz, 1981; Shapiro & Bonoma, 1984; Fugh-Berman & Ahari, 2007), this data can be used to refine and augment segment-level understanding. It is often worthwhile to create simple sales information systems to incent salespeople to input observed personal data they gather from customer and prospects such that the marketing department can utilize in creating successful segmented marketing strategies (Shapiro & Bonoma, 1984). In cases where customer or prospect segment membership warrants sales and marketing attention, strategies can be tailored to meet the specific needs and objectives of the purchasing decision maker prior to an engagement, increasing the probability of success.

The study's results also suggest that companies with external *and* internal sales functions should fully understand the value that each function creates for customers and which specific activities drive sales effectiveness. Consistent with life insurance industry practices, the participating firm allocates far more resources and incentives towards its external sales teams. However, as demonstrated in Table 6, more sales activities undertaken by the firm's internal sales team were found to be significantly related to sales effectiveness.

Increasing the rate and pace of adoption of the firm's CRM system by a salesforce will enhance insights and increase the effectiveness of sales and marketing activities. The data used in this study reflected a sales force's first year of mandatory compliance of information entry into a CRM system. Weitz (1981) stressed that a salesperson's ability to adapt to the client environment is predicated on one's ability to gather information, design an effective message and solution set, and then gather feedback from the buyer to determine the true degree of effectiveness. In order to institutionalize insights from the salesforce's ongoing engagements with customers and prospects, accurate information input and analysis within a CRM system is required.

To aid in CRM adoption by a sales team as well as increase the value of the data collected, it is suggested that a simple yet granular taxonomy of sales and marketing activity be created by organizations. The participating firm had created its own taxonomy of 63 separate sales activities spanning both sales teams. However, analysis of these activities across more than 3,000 dyads for an entire year indicated that (1) there was no data for several categories, (2) many categories had such sparse data as to be useless for statistical purposes, and (3) overlap existed for several categories (i.e., *Proactive*, *Proactive Email*, and *Proactive Voicemail*). Of the 63 original activities categories representing the number of times each each was utilized per individual dyad, only 23 were used in the final analysis (nine for external wholesalers, 14 for internal wholesalers). Marketing and operations analysts, in collaboration with their sales colleagues, should discuss the types, nature, and processes of activities undertaken in an effort to create an accurate, actionable, and agreed upon sales activity taxonomy.

## V.5 Theoretical Implications

Weitz (1981) was instrumental in investigating the nature of the salesperson-customer dyad with his contingency framework that posited that sales effectiveness is moderated by certain factors. His insight enabled him to recognize that his framework was far from comprehensive. The elements and propositions included in his framework were “selected on the basis of past research in personal selling and leadership” (p. 91) and were “not intended to exploit completely the potential set of propositions that can be developed from the framework” (p. 91), indicating that the moderating variables identified were not exhaustive. Weitz (1981) himself called for the continuous updating and improving of his model such that further progress could be advanced in the area of buyer-seller relationships (p. 64), in essence allowing for and encouraging the “uncovering” of additional constructs.

We are pleased to follow in the works of others who have extended Weitz’s contingency framework (Porter et al., 2003; Menguc & Barker, 2004; Miao & Evans, 2013; Autry et al., 2013) by identifying additional themes that moderate sales effectiveness within the sales dyad. Similar to Porter et al. (2003) and Giacobbe et al. (2006), our findings mostly support the moderating nature of buyclass in the sales process. However, our findings on the moderating role of geodemographic data, a proxy for the purchase decision maker’s “comprehensive” self versus merely professionally-related personality variables, represents a unique contribution that delivers upon the promise identified more than 30 years ago (Robinson et al., 1967; Webster & Wind, 1972; Sheth, 1973; Bonoma & Shapiro, 1983; Churchill et al., 1985; Johnston & Lewin, 1996) that should be explored further.



## V.6 Limitations

While this study makes promising steps forward in understanding the role of the individual purchase decision maker's personal characteristics it is not without its limitations. Because of the exploratory nature of utilizing geodemographic variables in a B2B context, the study did not have the benefit of a solidly grounded foundation of empirically rich literature. As a result, the usage of this type of data is largely based on consumer literature.

Despite being one of the largest datasets of buyer-seller dyadic data, the results are based on a single sales organization within one firm operating within a specific category of insurance. While the findings are encouraging for increasing the sales effectiveness of sales organizations in B2B environments with a sole purchase decision maker, this area of exploration needs to be further evaluated and tested within different industries such as pharmaceuticals or within sales organizations focused on the small-to-medium business market, for example.

The sales activity data shared by the participating life insurance company reflects its sales teams' first year of required compliance with the logging and categorizing of its specific activities into the company's CRM system. Consequently, errors and omissions are likely to be more present in this first year than in subsequent years as the sales teams become more comfortable modifying their daily behaviors. Furthermore, the data entered was self reported by the sales organization on whose accuracy we are relying.

The range of sales and marketing activities undertaken by a firm can far exceed those undertaken solely by sales teams. Examples of these include consumer-targeted advertising seen by a B2B purchase decision maker, trade and industry advertising, direct mail and email. While many of these activities could be captured at the level of targeted individual financial advisor, the participating firm had not matured to this level of CRM sales and marketing data integration.

Thus, a complete picture of potential sales and marketing influences on the B2B purchase decision maker was not created. In the same vein, our analysis did not take into account the competitiveness of other firms' offerings nor the sales and marketing efforts of competitors whose sales and marketing efforts are also aimed at influencing the financial advisors in the 2,710 dyads analyzed.

### **V.7 Future Research**

This study's findings suggest several possible insightful research paths. With a tenured, professional, and stable sales organization, it may prove beneficial to evaluate the specific conditions under which each individual sales professional best performs (buyclass category, customer or prospect geodemographic segment, etc.). A salesperson's natural style and approach may resonate more effectively with specific segments than others. In addition, buyer-seller similarity relative to segment membership should be evaluated, in line with Weitz (1981) who proposed that establishing buyer-seller similarity can be positively related to sales effectiveness. Despite its historical lack of broad predictive ability as a standalone category of variables, demographics have been shown to add incremental exploratory power when layered into analysis (Robertson & Wind, 1980) and should be evaluated.

Consistent with literature and the participating firm's sales experience, the current study evaluated annualized sales activities and results. Future research, within the context of individual psychographic and lifestyle characteristics (rather than professional characteristics), should explore the role of sales activity sequencing as well as timing within a customer's or prospect's lifecycle. Modern CRM systems allow for easy access to such detailed and possibly insightful longitudinal data.

The present study evaluated the dyadic relationship between a professional sales force and their sole targets: financial advisors who must first agree to represent a company's products and solutions and then present them to clients when appropriate. Much like the pharmaceutical industry, final decision makers and product users (consumers) cannot legally obtain insurance solutions without the assistance and guidance of a licensed and appointed financial professional. It is for this reason that professional sales organizations within the life insurance and pharmaceutical industries exclusively focus their time and energy on these B2B relationships. Future research should replicate the nature of this study with pure B2B purchasing decision makers, thus expanding beyond intermediaries.

In order to test this study's first hypothesis, geodemographic data was utilized as a proxy for individual personal characteristics. With available data increasing at more than 50% per year (Lohr, 2012) and improvements being made in understanding and predicting the needs and wants of individuals (i.e., Amazon.com, Netflix.com, Match.com), "Big Data" (Manyika et al., 2011) and its continued evolution may provide greater predictive capabilities and more accurately reflect an individual's personal characteristics.

## VII TABLES AND FIGURES

**Table 1 Distinguishing Characteristics of Buying Situations**

Type of Buying Situation (Buyclass)	Newness of Problem	Information Requirements	Consideration of New Alternatives
New Task	High	Maximum	Important
Modified Rebuy	Medium	Moderate	Limited
Straight Rebuy	Low	Minimal	None

Robinson, Faris, & Wind (1967)

**Table 2 External and Internal Wholesaler Sales Activities**

<b><u>External Wholesalers</u></b>	Sales professionals employed by the life insurance carrier who represent the firm's products and services to financial advisors. External wholesalers often specialize in a single product category and are frequently the only firm representative that engages with the advisor in person.
Call	Inbound or outbound call with a financial professional
Call/E-mail	Inbound or outbound call or email with a financial professional
Client Workshops	A joint in-person event with a financial professional and his/her clients
COI Meetings	Center of Influence- meeting with key person within an outside organization that can create opportunities for increased access and/or sales
Informal Visit	Unplanned or unexpected office visit with a financial professional or their staff
FA Meeting (Group)	In-person meeting with a group or office of financial professionals
FA Meeting (Single)	In-person meeting with an individual financial professional
Literature Order	Fulfilment of financial professional request for marketing and sales materials

Point of Sale	In-person meeting with a financial professional and his/her client to discuss the client's circumstances
<b><u>Internal Wholesalers</u></b>	Sales professionals employed by the life insurance carrier who represent the firm's products and services to financial advisors. Internal wholesalers often specialize in a single product category, work within the carrier's home office in tandem with an external wholesaler, and primarily engage with advisors via telephone or email.
Email	Inbound or outbound email with a financial professional
Underwriting Follow-Up	Investigating a specific application's underwriting status
Case Status	Investigating a specific application's status
Illustration	Creation of a client proposal for a specific insurance product for a financial professional
Illustration Research	Investigating a client proposal or competitive offerings for a specific insurance product for a financial professional
Literature	Fulfilment of financial professional request for marketing and sales materials
Literature Order	Fulfilment of financial professional request for marketing and sales materials
Other	All sales activities other than those listed
Proactive	Outbound marketing or sales effort to a group or financial professionals
Proactive Email	Outbound marketing or sales communication to a group or financial professionals
Proactive VM	The delivery of a voicemail to the financial professional with a specific marketing message
Product Questions	Responding to financial professional's request for information regarding a specific product or category of products
Sales Activity	General sales related conversation with a financial professional
Software / System Tools	Questions, issues, or education regarding the firm's systems and tools

Source: partnering U.S.-based life insurance company

**Table 3 Distribution of Financial Professional's Status**

<b>Type of Buying Situation (Buyclass)</b>	<b>Percent of Sample</b>
New Task	28.7%
Modified Rebuy	71.3%
Straight Rebuy	

Source: partnering U.S.-based life insurance company

**Table 4 Geodemographic Clusters and Descriptions**

<b>Segment ID</b>	<b>% of U.S. Households</b>	<b>% of Financial Professional Sample</b>	<b>Segment Description</b>
Segment 1	7.2%	32.9%	Among the wealthiest of segments, big money is made, traded or banked. Members of this group enjoy peak education levels and professional occupations, with many concentrated on or near the East and West Coast. Primarily comprised of married couples with children under 18, with some having grown children. Income is high, with nearly 80% of the group earning \$100,000 or more. Segment members focus on the future, with college savings plans and life insurance valued at \$500,000 or more.
Segment 2	4.7%	16.7%	Mostly between the ages of 46 and 65, the members of this segment share affluence

			and spending habits. Buying and doing most everything their money can afford, these cohorts tend to be concentrated in costly markets in New England, the Mid-Atlantic and Pacific. Half of the segment's members are in the top income category, earning \$150,000 or more. Three-quarters are married, and virtually all children are over 18.
Segment 3	4.6%	5.8%	This segment is one of the more affluent, with high household incomes and home values, as well as having a higher percentage of households with college educations. Childless and relatively mobile, this segment seems committed to enjoying the good life. They are more likely to be single, none have children and all have an estimated income of at least \$50,000.
Segment 4	7.1%	7.0%	Parents of older, school-aged children, the members of this segment are well educated with upper-middle incomes and net worth. Typically, owners of homes in the metro fringes and suburbs, these households are commonly absorbed in the lifestyles dictated by traditional parental roles. Many are 50-year old homeowners with children under the age of 18 and approximately half are married. More than 90% have income from \$50,000 to \$99,000.
Segment 5	6.0%	8.5%	This group is approaching retirement on solid financial footing and enjoying the

			perks of financial security. Well off enough to enjoy the option of early retirement, many of the members of this segment continue to work, often in upscale, white-collar occupations. Sharing high rankings for both education and net worth, the this segment's members often exhibit similar investment and spending patterns as well, such as for real estate, luxury cars and foreign travel.
Segment 6	4.9%	7.4%	All members have children at home – many under the age 18 – with middle to upper income levels and net worth. Nearly all are married and most own their own home, with home values spanning all ranges. Many live in the Midwest and one-third of segment members live in a household that includes five or more members. These families make significant expenditures on their children.

Source: partnering U.S.-based life insurance company and its data partner



**Table 5 Descriptive Statistics and Correlations**

		Descriptives		Correlations																													
				Control						External Wholesaler						Internal Wholesaler																	
		Mean	Std. Dev.	(Firm)	(Size)	(Cat.)	(Exp.)	(Call)	(CE)	(CW)	(COI)	(FAM)	(GFAM)	(INF)	(LIT_O)	(POS)	(CS)	(E)	(ILL)	(IIR)	(LIT_O2)	(LIT)	(OTH)	(PRO)	(PRO/E)	(PRO/EVM)	(PROD)	(SA)	(SST)	(UW)			
Control	Firm (Firm)	N/A	N/A	1.000																													
	Practice Size (Size)	2.46	0.95	-.043*	1.000																												
	# Categories Sold (Cat.)	0.60	0.65	-.247**	.356**	1.000																											
External Wholesaler	Experience (Exp.)	0.03	0.60	-.106**	.143**	.266**	1.000																										
	Call (Call)	0.15	0.93	-.044*	0.026	.040*	-.0008	1.000																									
	Call_Email (CE)	0.06	0.44	-.042*	0.008	.038*	-.0025	.436**	1.000																								
	Client_Wkshop (CW)	0.07	0.33	-.0005	0.014	0.011	0.027	.052**	-.0020	1.000																							
	COI_Mtg (COI)	0.09	1.24	-.0007	0.009	0.031	-.0004	-.0006	-.0009	0.037	1.000																						
	FA_Mtg (FAM)	1.87	2.76	-.063**	.069**	.141**	.099**	.218**	.210**	.070**	.073**	1.000																					
	Group_FA_Mtg (GFAM)	0.17	0.63	-.090**	.041*	.094**	0.034	0.007	0.006	0.014	0.025	.160**	1.000																				
	Informal_Visit (INF)	0.32	0.70	-.0009	0.013	-.0030	-.065**	0.011	.046*	-.0027	-.0024	0.021	-.0013	1.000																			
	Lit_Order (LIT_O)	0.02	0.18	-.048*	0.034	0.034	0.027	-.0014	-.0012	0.012	0.007	.127**	0.018	-.0033	1.000																		
	POS (POS)	0.37	1.29	.116**	-.0004	0.005	.086**	-.0029	-.0024	.162**	.070**	.129**	0.032	-.042*	-.0004	1.000																	
	Internal Wholesaler	Case_Status (CS)	0.09	0.36	0.020	.056**	.107**	.056**	-.0007	-.0010	.047*	.103**	.051**	0.036	-.0014	-.0010	.092**	1.000															
		Email (E)	0.01	0.12	-.0030	0.034	.057**	-.063**	-.0005	0.021	.052**	-.0028	.073**	-.0010	0.005	.068**	0.037	1.000															
		Illus. (ILL)	1.40	2.67	.091**	-.0018	-.0015	-.0036	0.021	0.014	.055**	-.0018	.148**	-.0023	-.040*	-.0003	.200**	.062**	0.030	1.000													
		Illus_Rsch (IIR)	0.02	0.15	0.002	0.013	.041*	0.013	.061**	0.006	.061**	.217**	.045*	-.0004	0.013	-.0011	.084**	.055**	0.007	.097**	1.000												
Lit_Order (LIT_O2)		0.57	0.90	.100**	0.035	.058**	.102**	0.029	.051**	.109**	.073**	.152**	0.014	-.0016	0.014	.135**	.055**	0.033	.248**	0.020	1.000												
Literature (LIT)		0.05	0.20	.083**	0.021	0.028	0.024	-.0016	-.0016	.061**	-.0002	.047*	.038*	0.021	-.0015	.128**	.071**	0.012	.097**	-.0012	.179**	1.000											
Other (OTH)		0.01	0.08	0.029	0.030	.043*	.038*	-.0013	-.0014	0.029	-.0004	0.003	0.005	-.0012	-.0009	.085**	.069**	-.0011	0.031	0.022	0.024	0.015	1.000										
Proactive (PRO)		3.54	7.00	0.019	.077**	.128**	.126**	-.0033	0.007	.075**	-.0018	.118**	.050**	-.0023	0.016	.202**	.151**	.189**	.314**	.079**	.292**	.086**	.058**	1.000									
Proactive_Email (PRO/E)		1.04	2.23	-.0029	.078**	.117**	.237**	-.0038	-.0004	.045*	0.011	0.010	.054**	-.059**	0.014	.088**	.130**	.122**	.084**	0.017	.150**	0.018	-.0006	.564**	1.000								
Proactive_VM (PRO/EVM)		0.67	1.31	-.220**	0.031	.130**	.058**	0.034	0.005	0.030	.088**	.126**	0.027	0.006	0.017	.047*	.104**	.128**	.153**	.046*	.066**	0.025	-.0001	.268**	.241**	1.000							
Product_Question (PROD)		0.30	0.70	.063**	0.021	.071**	0.034	-.0017	0.005	0.030	.083**	.074**	0.012	-.045*	0.001	.084**	.148**	0.020	.180**	.091**	.242**	.143**	0.026	.182**	.095**	.082**	1.000						
Sales_Activity (SA)		0.01	0.09	-.0021	-.0002	0.009	-.0010	-.0015	-.0013	0.003	-.0007	-.0008	0.004	-.042*	-.0008	.074**	.038*	.068**	0.033	-.0011	.078**	0.005	-.0009	0.037	0.009	-.0013	.059**	1.000					
Software_Systems_Tools (SST)		0.10	0.40	-.0013	-.0030	0.007	-.0004	0.027	0.015	0.026	-.0009	0.017	0.017	0.002	-.0007	0.017	.046*	0.016	.091**	-.0010	.096**	0.006	0.026	.058**	-.0001	.041*	.151**	0.025	1.000				
UW_Follow_Up (UW)		0.04	0.33	-.0027	.062**	.050**	-.040*	-.0021	-.0010	-.0018	0.008	0.009	0.025	-.0004	-.0011	-.0004	.084**	0.017	-.0028	0.011	.043*	-.0002	-.0013	0.025	-.0011	.061**	.060**	-.0002	0.007	1.000			

\* Correlation is significant at the 0.05 level (2-tailed).  
 \*\* Correlation is significant at the 0.01 level (2-tailed).

Table 6 Standardized Hierarchical Regression Results

		Total Population (n=2,710)	Geodemographic Subgroups							Buyclass Subgroups		
		Standardized $\beta$	Segment 1 (n=912)	Segment 2 (n=457)	Segment 3 (n=153)	Segment 4 (n=190)	Segment 5 (n=236)	Segment 6 (n=193)	All Other (n=569)	Repeat Buyclass (n=1,918)	New Buyclass (n=792)	
			Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	
Step 1	Control	Firm	-.003	-.039	.005	.062	-.014	.052	-.061	.061	.004	-.047
		Practice Size	.096 ***	.087 *	.226 ***	.144	-.029	.039	.096	.100 *	.112 ***	.027
		# Categories Sold	.211 ***	.217 ***	.188 ***	.153	.297 ***	.233 **	.130	.203 ***	.175 ***	.008
		Experience	.062 ***	.053	.054	.036	.026	.101	.143	.081	.052 *	.115 **
	R <sup>2</sup>	.081	.081	.128	.063	.090	.083	.081	.081	.061	.018	
	Adj. R <sup>2</sup>	.079	.077	.120	.037	.070	.067	.061	.075	.059	.013	
	F-value	59.378***	20.067***	16.570***	2.478*	4.582**	5.232***	4.126**	12.431***	31.252***	3.637**	
Step 2	Control	Firm	-.021	-.036	.015	.539	.038	-.037	-.137	.010	-.021	-.072 *
		Practice Size	.077 ***	.071 *	.155 ***	.404	-.008	-.007	.083	.069	.083 ***	.034
		# Categories Sold	.116 ***	.134 ***	.074	2.169 *	.072 *	.134 *	.012	.111 **	.094 ***	.005
		Experience	.029	.031	.028	-1.123	.067 *	.060	-.047	.048	.020	.081 **
	External Wholesaler	Call	.010	.060	-.011	-.791	-.074	.016	-.037	.008	.014	.005
		Call Email	.049	-.020	.083 *	-.166	.041	.143 **	-.040	.171 ***	.039	.139 ***
		Client Wkshop	.029	-.030	.135 ***	2.249 *	-.007	.053	.290 ***	.001	.023	.101 **
		COI Mtg	.216 ***	-.015	-.059	.010	.725 ***	.041	-.005	-.012	.234 ***	-.022
		FA Mtg	.158 ***	.167 ***	.124 **	2.303 *	.119 **	.099	.187 **	.117 **	.161 ***	.131 ***
		Group FA Mtg	.004	-.002	.047	1.460	.015	-.079	-.061	-.007	-.001	.013
		Informal Visit	.009	.011	.001	.177	.023	-.021	.006	-.046	.003	.030
		Lit Order	-.017	-.036	.010	.243	N/A	.053	N/A	-.025	-.018	-.040
		POS	.052 **	.058 **	.048	1.797	-.125	.058	-.050	.141 ***	.042 *	.134 ***
		Case Status	.052 **	.039	.017	1.287	2.680 **	.153 **	-.058	.044	.043 *	.146 ***
	Internal Wholesaler	Email	.118 ***	.328 ***	-.004	-.055	-1.133	.076	.086	.038	.131 ***	.042
		Illus.	-.112 ***	-.112 ***	-.064	-.457	-4.252 ***	-.019	-3.927 ***	-.172 ***	-.104 ***	-.091 *
		Illus Rsch	.023	-.030	.033	-.275	1.439	.003	1.012	-.062	.021	-.006
		Lit Order	.115 ***	.112 ***	.122 **	2.639 **	.657	.089	2.956 **	.158 ***	.136 ***	.015
		Literature	-.026	-.046	-.002	-.898	.173	.011	1.458	-.058	-.026	.010
		Other	.012	-.024	.043	3.142 **	1.715	.067	-1.797	.007	.008	.060 *
		Proactive	.332 ***	.366 ***	.323 ***	2.338 *	3.018 **	.411 ***	5.552 ***	.336 ***	.337 ***	.296 ***
		Proactive Email	-.047 *	-.054	.024	-1.666	-.470	-.061	.510	-.081 *	-.055 *	-.054
		Proactive VM	.028	-.019	.084 *	-.171	.788	-.116	1.948	.039	.028	.034
		Product Question	.081 ***	.078 **	.029	2.195 *	1.702	.134 *	.224	.090 *	.076 ***	.107 **
		Sales Activity	-.002	.013	-.063	N/A	.588	-.054	.406	.017	-.013	.098 **
		Software Systems Tools	.028	.009	.088 *	.771	-.756	-.038	-.386	.065	.027	.052
		UW Follow Up	.132 ***	.033	.316 ***	1.393	2.500 *	.137 **	.834	.161 ***	.126 ***	.189 ***
R <sup>2</sup>	.401	.403	.522	.569	.875	.486	.451	.414	.401	.364		
Adj. R <sup>2</sup>	.395	.385	.492	.480	.856	.419	.365	.385	.392	.342		
F-value	66.375***	22.133***	17.380***	6.391***	44.041***	7.284***	5.238***	14.180***	46.789***	16.219***		
$\Delta R^2$	.320***	.323***	.395***	.506***	.785***	.403***	.370***	.333***	.340***	.346***		

\* p<.05  
 \*\* p<.01  
 \*\*\* p<.001

**Table 7 Variables Statistically Related to Sales Effectiveness per Subgroup**

		<u>Total Population</u>		<u>Segment 1</u>		<u>Segment 2</u>		<u>Segment 3</u>		<u>Segment 4</u>		<u>Segment 5</u>		<u>Segment 6</u>	
		<u>Repeat</u>	<u>New</u>	<u>Repeat</u>	<u>New</u>	<u>Repeat</u>	<u>New</u>	<u>Repeat</u>	<u>New</u>	<u>Repeat</u>	<u>New</u>	<u>Repeat</u>	<u>New</u>	<u>Repeat</u>	<u>New</u>
		<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>	<u>Buyclass</u>
<b>Control</b>	Firm		-												-
	Practice Size	+		+		+									
	# Categories Sold	+		+						+		+			
	Experience		+										+		
<b>External Wholesaler</b>	Call									-					
	Call_Email		+				+					+			
	Client_Wkshop		+			+							+		+
	COI_Mtg	+				-				+					
	FA_Mtg	+		+	+	+	+			+					
	Group_FA_Mtg		+												
	Informal_Visit														+
	Lit_Order								+						
	POS	+	+		+		+						+		
<b>Internal Wholesaler</b>	Case_Status	+	+		+						+		+		
	Email	+		+											
	Illus.	-	-	-	-					-				-	-
	Illus_Rsch														
	Lit_Order	+		+		+								+	
	Literature												+		
	Other		+				+								
	Proactive	+	+	+	+	+	+					+	+	+	+
	Proactive_Email	-											-		-
	Proactive_VM														
	Product_Question	+	+	+	+				+			+			+
	Sales_Activity		+												-
	Software_Systems_Tools				+	+									+
UW_Follow_Up	+	+			+	+			+	+		+			

A "+" or "-" sign identifies that the standardized beta coefficient of the variables is significantly (p<.05) related to sales effectiveness within the subgroup. A blank indicates that the variable is not significantly related (p<.05) to sales effectiveness within the subgroup.

Table 8 Variables Statistically Related to Sales Effectiveness

		Total Sample	# of Subgroups		
			None	Some	All
<b>Control</b>	Firm			x	
	Practice Size	x		x	
	# Categories Sold	x		x	
	Experience			x	
<b>External Wholesaler</b>	Call		x		
	Call_Email			x	
	Client_Wkshop			x	
	COI_Mtg	x		x	
	FA_Mtg	x		x	
	Group_FA_Mtg		x		
	Informal_Visit		x		
	Lit_Order		x		
	POS	x		x	
<b>Internal Wholesaler</b>	Case_Status	x		x	
	Email	x		x	
	Illus.	x		x	
	Illus_Rsch		x		
	Lit_Order	x		x	
	Literature		x		
	Other			x	
	Proactive	x			x
	Proactive_Email	x		x	
	Proactive_VM			x	
	Product_Question	x		x	
	Sales_Activity			x	
	Software_Systems_Tools			x	
UW_Follow_Up	x		x		

An "x" identifies that the standardized beta coefficient of the variable is significantly ( $p < .05$ ) related to sales effectiveness within the population.

Table 9 Results of Regression Analysis and Chow Tests for Moderator Variables

Moderator Variable	Dependent Variable	Population Filter	Moderator Subgroup	R <sup>2</sup>	Chow Test
Geodemographic Segment	Sales Effectiveness		Segment 1	0.403	16.273***
			Segment 2	0.522	
			Segment 3	0.569	
			Segment 4	0.875	
			Segment 5	0.486	
			Segment 6	0.451	
			Segment 7	0.385	
Geodemographic Segment	Sales Effectiveness	Newbuy	Segment 1	0.405	43.356***
			Segment 2	0.736	
			Segment 3	0.700	
			Segment 4	0.707	
			Segment 5	0.588	
			Segment 6	0.729	
			Segment 7	0.225	
Geodemographic Segment	Sales Effectiveness	Rebuy	Segment 1	0.422	20.182***
			Segment 2	0.499	
			Segment 3	0.623	
			Segment 4	0.910	
			Segment 5	0.575	
			Segment 6	0.443	
			Segment 7	0.398	
Buyclass category	Sales Effectiveness		Newbuy	0.364	2.426***
			Rebuy	0.401	
Buyclass category	Sales Effectiveness	Segment 1	Newbuy	0.405	1.666*
			Rebuy	0.422	
		Segment 2	Newbuy	0.736	0.572
			Rebuy	0.499	
		Segment 3	Newbuy	0.700	0.686
			Rebuy	0.623	
		Segment 4	Newbuy	0.707	1.097
			Rebuy	0.910	
		Segment 5	Newbuy	0.588	1.615*
			Rebuy	0.575	
		Segment 6	Newbuy	0.729	0.929
			Rebuy	0.443	

\* p&lt;.05

\*\* p&lt;.01

\*\*\* p&lt;.001

**Table 10 Financial Advisor Demographics and Characteristics**

<b>Geodemographic Segment</b>	<b>Firm 1</b> n= 1,265		<b>Firm 2</b> n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Segment 1	457	36.1%	455	31.5%
Segment 2	273	21.6%	184	12.7%
Segment 3	65	5.1%	88	6.1%
Segment 4	71	5.6%	119	8.2%
Segment 5	117	9.2%	119	8.2%
Segment 6	60	4.7%	133	9.2%
Segment 7 (Other)	222	17.5%	347	24.0%

<b>Household Income</b>	<b>Firm 1</b> n= 1,265		<b>Firm 2</b> n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Less than \$50,000	190	15.0%	279	19.3%
\$50,000 to \$100,000	405	32.0%	540	37.4%
\$100,001 to \$150,000	146	11.5%	162	11.2%
Greater than \$150,000	524	41.4%	464	32.1%

<b>Household Net Worth</b>	<b>Firm 1</b> n= 1,265		<b>Firm 2</b> n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Less than \$100,000	133	10.5%	197	13.6%
\$100,001 to \$500,000	250	19.8%	420	29.1%
\$500,001 to \$1,000,000	210	16.6%	281	19.4%
\$1,000,001 to \$2,000,000	240	19.0%	251	17.4%
Greater than \$2,000,000	432	34.2%	296	20.5%

<b>Marital Status</b>	<b>Firm 1</b> n= 1,265		<b>Firm 2</b> n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Married	844	66.7%	1006	69.6%
Not married	421	33.3%	439	30.4%

<b>Home Ownership</b>	<b>Firm 1</b>		<b>Firm 2</b>	
	n= 1,265		n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Own	1,193	94.3%	1,368	94.6%
Rent	72	5.7%	78	5.4%

<b>Prior Categories Sold</b>	<b>Firm 1</b>		<b>Firm 2</b>	
	n= 1,265		n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
None	478	37.8%	855	59.2%
One	604	47.7%	539	37.3%
Two	183	14.5%	47	3.3%
Three	0	0.0%	4	0.3%

<b>Practice Size</b>	<b>Firm 1</b>		<b>Firm 2</b>	
	n= 1,265		n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
New/Very Small	27	2.1%	27	1.9%
Small	142	11.2%	177	12.2%
Medium	557	44.0%	508	35.2%
Large	354	28.0%	515	35.6%
Very Large	185	14.6%	218	15.1%

<b>Tenure with Current Firm</b>	<b>Firm 1</b>		<b>Firm 2</b>	
	n= 1,265		n= 1,445	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Less than five years	82	6.5%	329	22.8%
Five to ten years	236	18.7%	468	32.4%
Eleven to twenty years	533	42.1%	527	36.5%
More than twenty years	414	32.7%	121	8.4%

**Table 11 Participating Life Insurance Company's External Wholesalers' Demographics & Characteristics**

<b>Geodemographic Segment</b>	<u>Count</u>	<u>%</u>
Segment 1	5	31.3%
Segment 2	3	18.8%
Segment 3	1	6.3%
Segment 4	1	6.3%
Segment 5	3	18.8%
Segment 6	0	0.0%
Segment 7 (Other)	3	18.8%

<b>Household Income</b>	<u>Count</u>	<u>%</u>
Less than \$50,000	2	12.5%
\$50,000 to \$100,000	4	25.0%
\$100,001 to \$150,000	2	12.5%
Greater than \$150,000	8	50.0%

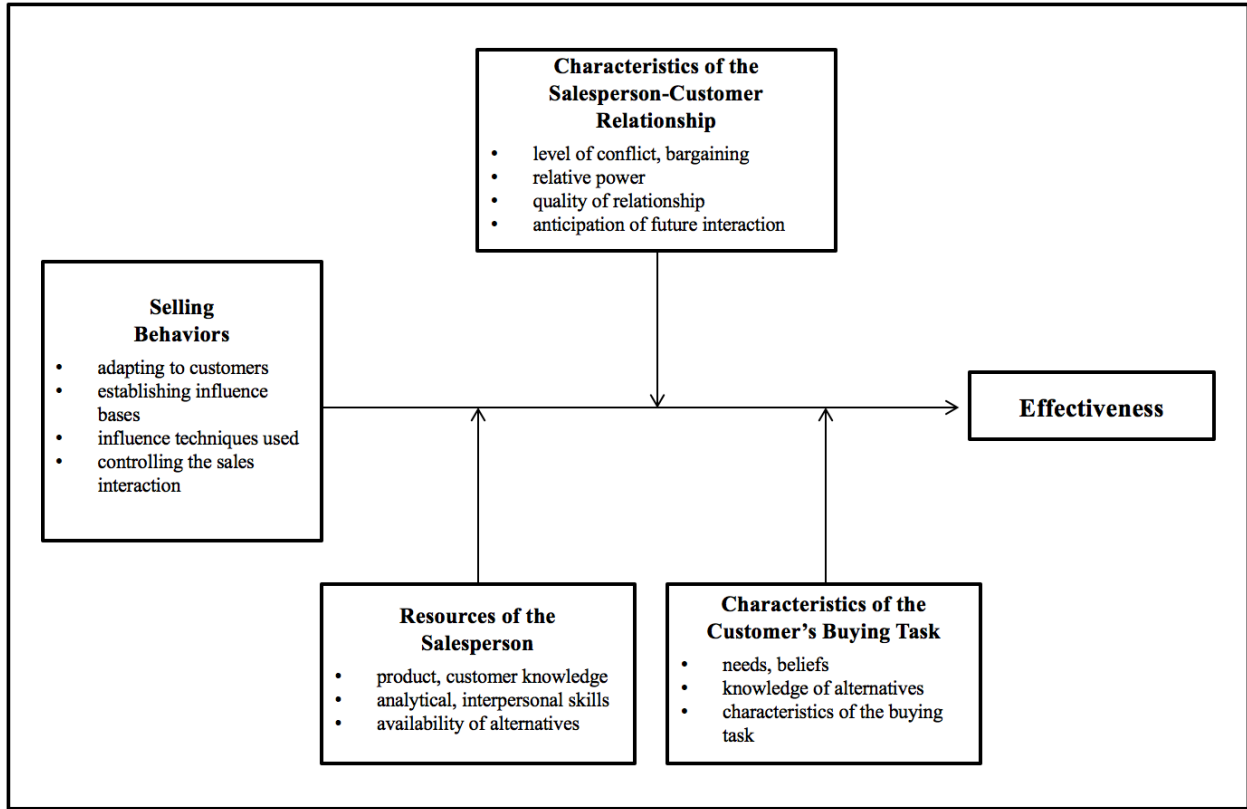
<b>Household Net Worth</b>	<u>Count</u>	<u>%</u>
Less than \$100,000	1	6.3%
\$100,001 to \$500,000	5	31.3%
\$500,001 to \$1,000,000	3	18.8%
\$1,000,001 to \$2,000,000	3	18.8%
Greater than \$2,000,000	4	25.0%

<b>Marital Status</b>	<u>Count</u>	<u>%</u>
Married	11	68.8%
Not married	5	31.3%



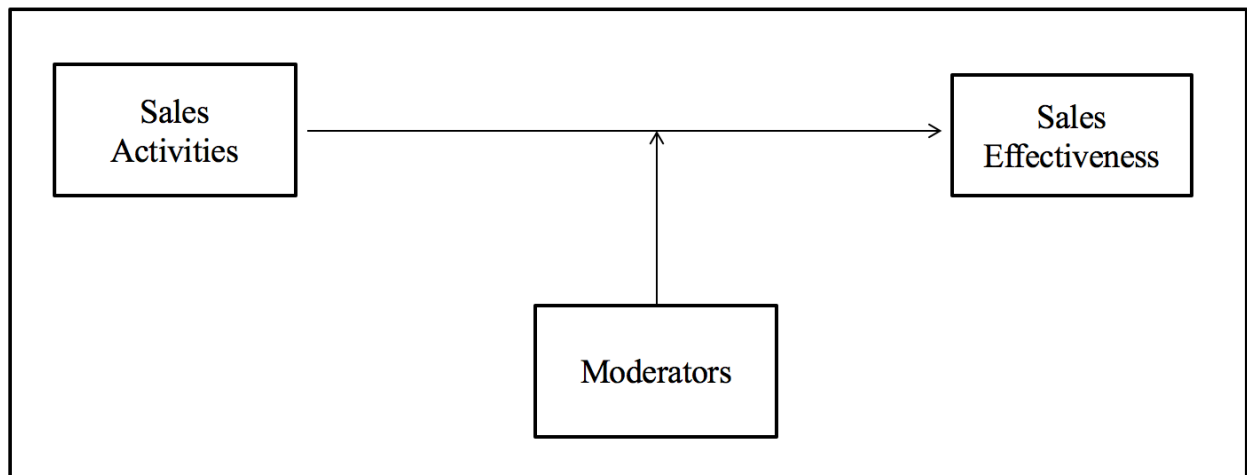
<b>Home Ownership</b>		
	<u>Count</u>	<u>%</u>
Own	14	87.5%
Rent	2	12.5%

<b>Tenure with Life Insurance Company</b>		
	<u>Count</u>	<u>%</u>
Less than five years	7	43.8%
Five to ten years	3	18.8%
Eleven to twenty years	6	37.5%
More than twenty years	0	0.0%



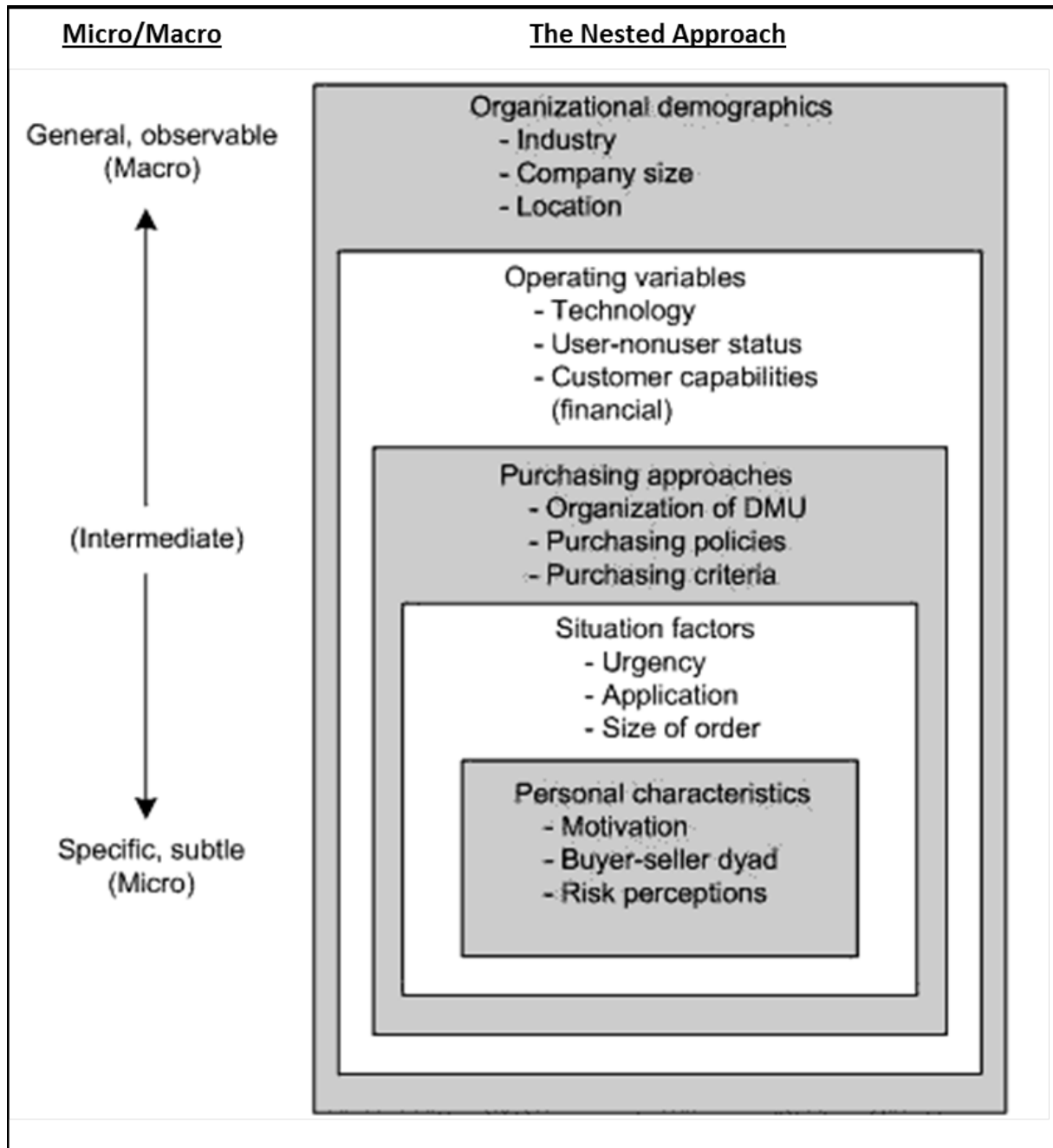
**Figure 1 Weitz's Contingency Model of Salesperson Effectiveness**

Source: Weitz (1981)



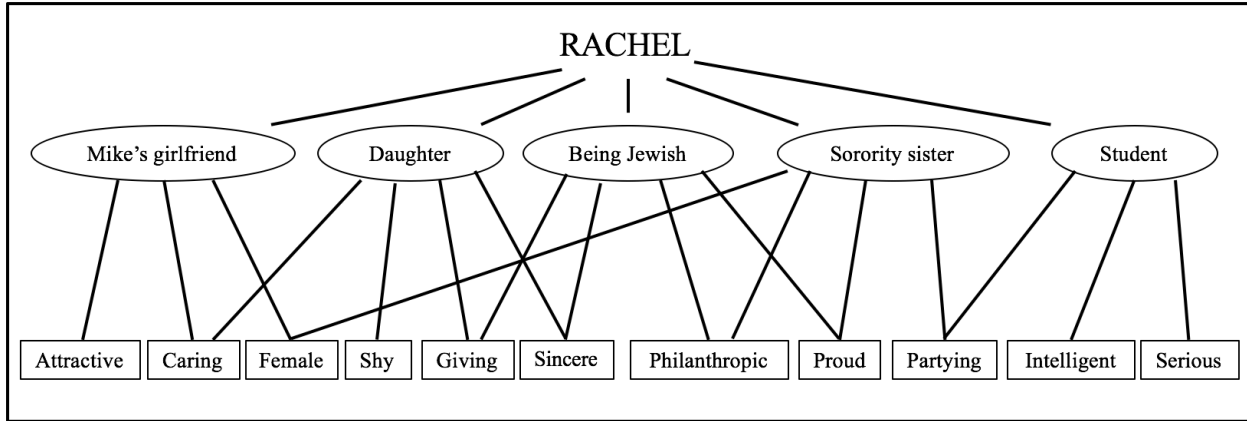
**Figure 2 Contingency Framework to be Employed**

Adapted from Weitz (1981)



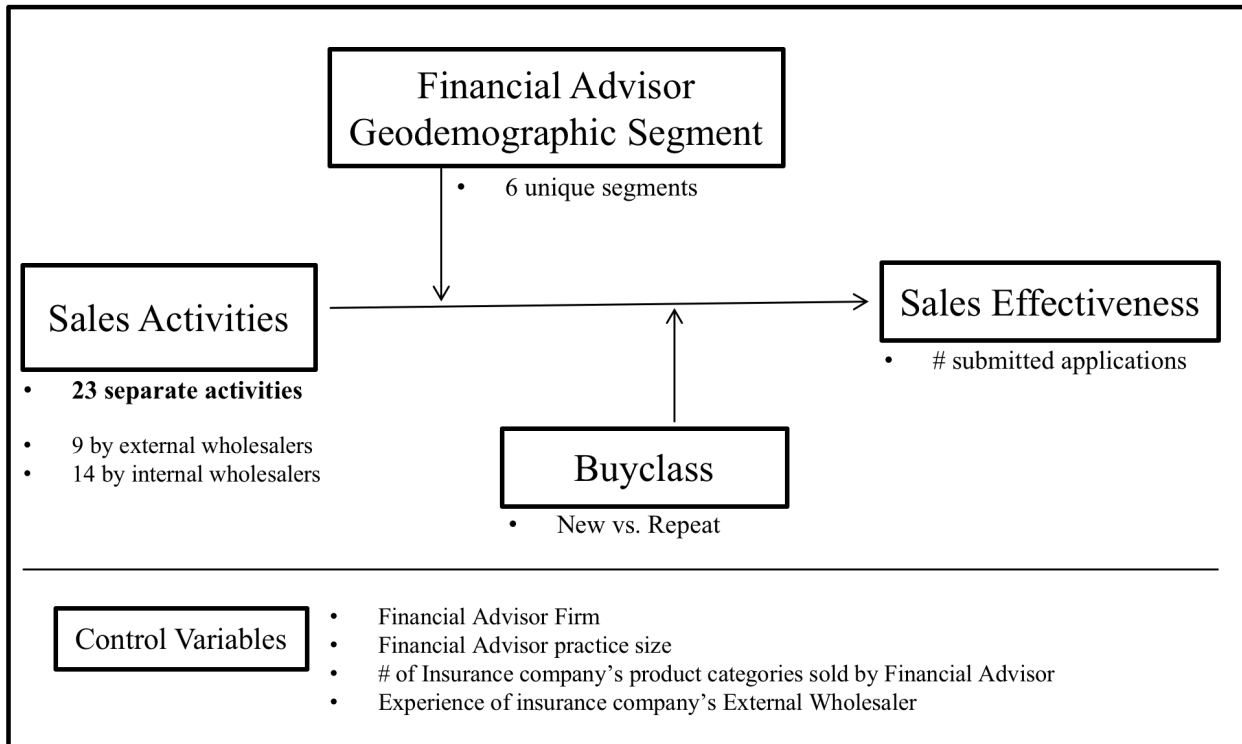
**Figure 3 A Comparison of Micro/Macro Segmentation and the Nested Approach of Segmentation**

Source: Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: Free Press, 1998)



**Figure 4 The Multiple-Selves Framework**

Adapted from McConnell's (2010) Multiple-Selves Framework



**Figure 5 Proposed Model**

Adapted from Weitz's Contingency Model (1981)

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