

**EFFECTS OF A FORMAL TRAINING PROGRAM
ON SALES IN SMALL RETAIL STORES**

by

PATRICIA RAILEY PHIPPS, B.B.A.

THESIS

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APPROVED BY THESIS COMMITTEE


Robert E. McClintock, Ph.D.,
Chair


Nolie B. Mayo, Ed.D.,
Committee Member


Dennis W. Spuck, Ph.D.,
Associate Dean


C. Van Wyatt, Ph.D., Dean

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ABSTRACT
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Patricia Railey Phipps, B.B.A.
The University of Houston-Clear Lake, 1990

Thesis Chair: Dr. Robert E. McClintock

The purpose of the study was to determine if implementing a formal sales training program in small retail stores would result in increased sales. Of the six stores selected for participation, three were randomly assigned to an experimental group and three to a control group. Sales training was conducted for the experimental group of stores during the third and fourth weeks of the data collection period. Sales in all stores were monitored over a six week period: the first two weeks providing pretest data, the second two weeks containing the training sessions, and the third two weeks providing posttest data. It was concluded that the group which received sales training exhibited an increase in sales over the group which did not receive training. The increase in sales occurred during both the two week period in which the training was administered and the two week period following training.

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INTRODUCTION

The effectiveness of the salespeople in small retail operations should be a major concern of all owner/managers. However, these owner/managers must weigh the costs of formal sales training programs in terms of whether such programs actually result in increased sales. The cost of implementing a formal sales training program can be considerable. A small shopkeeper is faced with increasing competition from the expansion of larger stores; he is also faced with the problem of high sales staff turnover rates. Sales training is often dismissed as a costly waste. The major sales advantage small retailers have is that they can provide "service" to their customers. This service certainly includes well-trained, knowledgeable salespeople.

The decision by the owner/manager of a small retail business to implement a formal training program must be considered from a cost factor point of view and this is a deterrent for many merchants. An informal, on-the-job training experience is often chosen over a formal training program because owners feel confident that they are experts in all aspects of their stores and that they can train the sales staff in their own styles at considerably less expense. Formal programs requiring time spent away from the sales floor pose not only the problem of increased expense, but

also, with the present high employee turnover rates, the problem of subsidizing training of the general workforce.

Purpose of the Study

The purpose of this study was to determine whether or not a formal sales training program of two weeks duration would actually result in increased sales in small retail stores. Sales training is usually defined as anything done to help salespeople master the concepts, skills, attitudes and habits that improve their proficiency in influencing prospects to make positive buying decisions and to fulfill their other organizational responsibilities. A formal training program differs greatly from on-the-job sales training in that it is organized and presented in a structured manner.

Implementation of a training program should significantly increase benefits to the shopkeeper. The training of salespeople can improve morale, boost sales and increase profits, regardless of length of previous experience. This should be an ongoing effort on the part of merchants.

Review of the Literature

Training in any given field is considered to be a critical and very important aspect of operating a successful business; however, when applied to small business retailing, it seems difficult to justify. According to Friedman (1989), when we hire new salespeople, we tend to teach them how to

ring up sales and other store operating procedures, then we place them on the sales floor and hope they sell something. Some succeed, and some do not. Koeppe (1987) believes "too much of the training tends to dwell on handling the machinery of a job rather than the feelings of the customers."

In a comparison of the employment expansion in retail trade 1973-85, Haugen (1986) states that "One of the largest and fastest growing industries in the United States, in terms of employment, is retail trade...more than one of every six non-agricultural wage and salary workers is employed in the retail field." According to Ashmore and Pritz (1983), there are more small businesses today per one thousand population than at any other time in our history. Retailers constitute the biggest group of small businesses, representing about 40% of the 9.4 million small businesses. Although sales training is a common practice in other industries, many small retailers have dismissed it as a costly waste because employee turnover averages 60% annually (Business Week, 1980).

Sales training in the retail trade is in an abysmal state. According to Lochhead (1983), "It is a Mickey Mouse operation." Upstaged by merchandising, selling plays a lowly role in most retail operations. A pretty store might induce customers to come in to shop but it will not make them buy. Lochhead states that many observers believe that renewed attention to floor selling could yield significant results.

Sales is certainly one of the areas, if not the primary area, where the possibility exists for tremendous return on investment and tremendous gains in productivity.

Meigs-Burkhard (1986) found that there had been very little previous reliable data about the state of employee sales training in the U.S. This lack of information gave impetus to a study conducted by Opinion Research Corporation and sponsored by the American Society for Training and Development. Most respondents in that survey indicated a belief that employee training is an integral part of human resources, as well as part of corporate strategic planning. As was predicted prior to the study, the larger a company's workforce the more comprehensive its employee training programs.

According to Kahn and Buschbaum (1986), there is a definite trend toward increased spending on training but, whatever the causes of this trend, companies that decide to launch training programs face the difficult decision of whether to spend the time and money to establish an in-house program or whether to hire outside consultants.

Points to consider prior to implementation of a sales training program are time, costs and benefits gained by the stores. The smaller the store's operation the more critical is the problem of time spent away from the selling floor. Nearly everyone admits that training a salesperson is worthwhile, but few retailers actually conduct training.

Karlsson (1969), who was Training Director for Allied Stores, questioned whether or not training increases productivity. This question may seem unnecessary since there is general agreement that training is positive, and yet it often requires considerable persuasion to get a manager to release his or her people to attend training classes. This becomes even more difficult in small retail operations where there may be only one or two salespeople working.

Schiller (1983) contends that small businesses are subsidizing the training and development of the U.S. labor force. He states that small businesses, with their weak market position, have been unable either to retain the workers they train or to recapture the training costs they incur. The beneficiaries of small business training have been the trained workers and the large corporations that subsequently hire them. The training losses incurred by small businesses limit their training investments and, as a result, the entire economy suffers a reduction in the development of human capital and the attendant productivity, growth and income. The sooner a person achieves or increases a level of selling competence, the more likely it becomes that he or she will be successful and continue in a selling career.

When Gimbels-Midwest implemented a program termed "Customers Really Are Everything" (CARE), they hired an outside consulting firm, Senn-Delaney. Chain Store Age

Executive (1984) reports that in this program employees were exposed to a video training film, vendors were called in to lead product knowledge seminars, action teams were implemented to brainstorm on rewards and incentive plans, and, during all this, professional shoppings were conducted to measure the progress of CARE. This plan was originally set up in a "model store," but after only three months it was taken to the balance of the chain's stores because of the strong indicators of sales achievement. By then, other managers were eager to institute the process in their own stores.

Karlsson (1969) conducted a study investigating increasing sales productivity through sales training; her study included a procedure for evaluating the increase in productivity. Each trainee had 16 hours total classroom training. The group that received the training increased their sales performance by 104.2% while the untrained group had a 28.1% increase for the same period.

Retailers will spend millions on building new stores and advertising goods but overlook the sales staff, who are the first people customers meet, says Dion R. Friedland (Business Week, 1980), founder of Mandev Training Corp. Friedland developed a training program which was individually tailored to the customers' needs, but which was basically a series of training sessions enabling supervisors and salespeople to improve their selling abilities by imitating models. The

basic fee for the Mandev Program is costly: films and training for eight supervisors costs about \$25,000. A similar program has been developed by MOHR Development Inc. (Business Week, 1980). The MOHR program, based on behavior modeling, is divided into four categories and can be purchased whole or piecemeal. The cost for two segments is approximately \$70,000 to train ten managers with the right to reproduce all materials.

Allen, Spohn and Wilson (1984) state that sales training programs vary in formality, length and content and that training never ends for the progressive salesperson of the progressive company. A good program will encourage, motivate and educate each new employee. Moreover, it should provide for continuing training for existing employees. The fundamentals of selling should be repeated frequently lest they be forgotten.

Much has been written concerning the import of training programs but despite the large sums of time and money invested in sales training programs, little published research is available to assist sales trainers in determining the adequacy of present sales training programs and what the content of the programs should be (Dubinsky & Staples, 1981). Nearly all the research that has been reported relates to large organizations. There is a definite need for experimentation with formal sales training in the small retail organization. The small merchant cannot hire Mandev

or MOHR to come in and do the training because the cost of such programs is prohibitive. It is difficult for the small merchant who is continually faced with high employee turnover rates to justify the expenditures involved in a formal training program.

One relatively inexpensive training program which has recently become available is "Successful Retail Selling" (Friedman, 1990). Consisting of four videotapes and workbooks it is available for approximately \$600. This set of training materials is designed for use by specialty store managers and does not require highly specialized training to administer the program. Additionally, this form of training program should require relatively few training hours during which employees are off their sales floors. Use of such training programs is probably within the financial limits of most small retail stores and may have the potential for accomplishing on a small scale what extensive programs like MOHR does on a large scale.

Statement of the Hypothesis

It was hypothesized that the implementation of a simple formal sales training program, comprised of two training sessions over a two week period, would result in an increase in sales. The salespeople who received the formal training were expected to exhibit a better grasp of selling techniques, thereby increasing their productivity as reflected in higher total sales.

METHOD

Subjects

The subjects for this study were members of the sales staffs of six small retail stores. The stores selected for study were located in Lake Jackson, Texas, a town with a population of approximately 20,000. The criteria used for store selection were that each had to 1) have ten or fewer employees; 2) be a retail establishment geared to selling a particular product; 3) have an owner/manager amenable to paying the employees for their time spent in training; and 4) have an owner who would agree to furnish detailed sales data records for each employee and for the store as a whole. Of eleven stores which were identified as meeting the above criteria and whose owner/managers wished to participate, six were selected. These six stores were similar in the nature of the items sold.

Design of the Study

The sales in all six stores were monitored over three two-week periods. For two weeks, before any training was begun, sales data were collected to form a base line for future comparisons. During the second two-week period, employees of one group of three stores received training while those of the other group of three stores did not. During the final two-week period, after training was

completed, sales data at all six stores were collected to provide evidence of any residual effects of training. After the study was completed, training was also carried out for employees of the stores in the control group as a courtesy to those owner/managers.

It was originally intended in the study that data would be collected for each employee in each store during each of the three two-week periods. As the study progressed it became apparent that, because of variable working hours and the manner in which some stores recorded sales, it would not be possible to obtain accurate per-employee data that would be comparable across all stores. Because of this limitation it was deemed necessary to analyze data from store totals only.

Training

The training program was administered in two sessions. The program used was "Successful Retail Selling" (Friedman, 1990). This program included a videotape presentation accompanied by a workbook for each participant, with each of the training sessions lasting approximately two hours. The training was administered at the Brazosport Chamber of Commerce building, which was centrally located for employees of all the stores.

The first session included an introduction, viewing of the videotapes and group discussions centered around materials from the workbooks. This session began with a

section titled "The Daily Precheck" which stressed the importance of adequate preparation for selling on a daily basis. Also included in this session were customer service points such as satisfying every customer, leaving personal problems outside the store, never qualifying a customer by appearance, and showing merchandise one dislikes as well as merchandise one is fond of. The next segment was titled "Opening the Sale" which demonstrated techniques for greeting customers and avoiding invasion of a customer's "space." Next came the segment on "Probing," demonstrating the importance of talking to customers to find out what they want by using open-ended questions. The final segment in the first session covered the "Demonstration," which taught techniques to help induce the customer to say "I'll take it." The two major goals of this session were to create customer desire and establish an impression of value.

The second training session, one week later, began with "The Trial Close," showing techniques of adding on to an initial sale. The next segment covered handling of "Objections," including showing empathy and using the "smoke-out" method of determining a customer's problem with an item of merchandise. The third segment covered in this session was "Closing the Sale." The final session in the program was titled "Confirmations and Invitations" which encouraged the participants to build up their own personal trade by continuing contacts with their individual customers.

RESULTS

Data were analyzed using a Lindquist (1953) Type I design. The results of this analysis are contained in Table 1.

Table 1
Results of Analysis of Variance for Two Groups
Across Three Training Periods

Source	<u>SS</u>	<u>df</u>	<u>ms</u>	<u>F</u>
Total	973,106,094	17	-	-
Between Stores	927,988,961	5	-	-
Groups	588,062,080	1	588,062,080	6.920
Error(b)	339,926,881	4	84,981,720	-
Within Stores	45,117,133	12	-	-
Periods	7,031,304	2	3,515,652	1.422
PxG interaction	18,309,768	2	9,154,884	3.703*
Error(w)	19,776,061	8	2,472,008	-

*p<.10

While it was originally planned that sales data for each individual in the experimental and control groups would be analyzed, several of the store owner/managers were unable to provide complete sales information in this form. As a result, it was necessary that stores become the unit for analysis of data. Pooling individuals into store clusters removed a considerable number of degrees of freedom from the within-group error term, making it more difficult to obtain significant outcomes. Because of the necessity of pooling

individuals, it was decided that a level of significance of .10 would be appropriate for data interpretation.

From Table 1 it can be seen that the Period-by-Group interaction was significant ($F=3.703$, $df=2:8$, $p<.10$). For the group which received sales training, mean sales for the 2-week period before training was \$13,198; for the 2-week period during training was \$16,323; and for the 2-week period after training was \$16,856. For the group measured during the same time periods but not receiving training, the respective amounts were \$4,525, \$4,144, and \$3,414. These data are displayed graphically in Figure 1.

At the .10 level of significance, it was concluded that there was a significant difference in the performance of the two groups of stores during the six weeks of the study. The control stores showed virtually no change in sales amounts across the period. The stores whose employees received training were found to have increased sales during the two-week training period and this increased pattern of sales continued after training was completed.

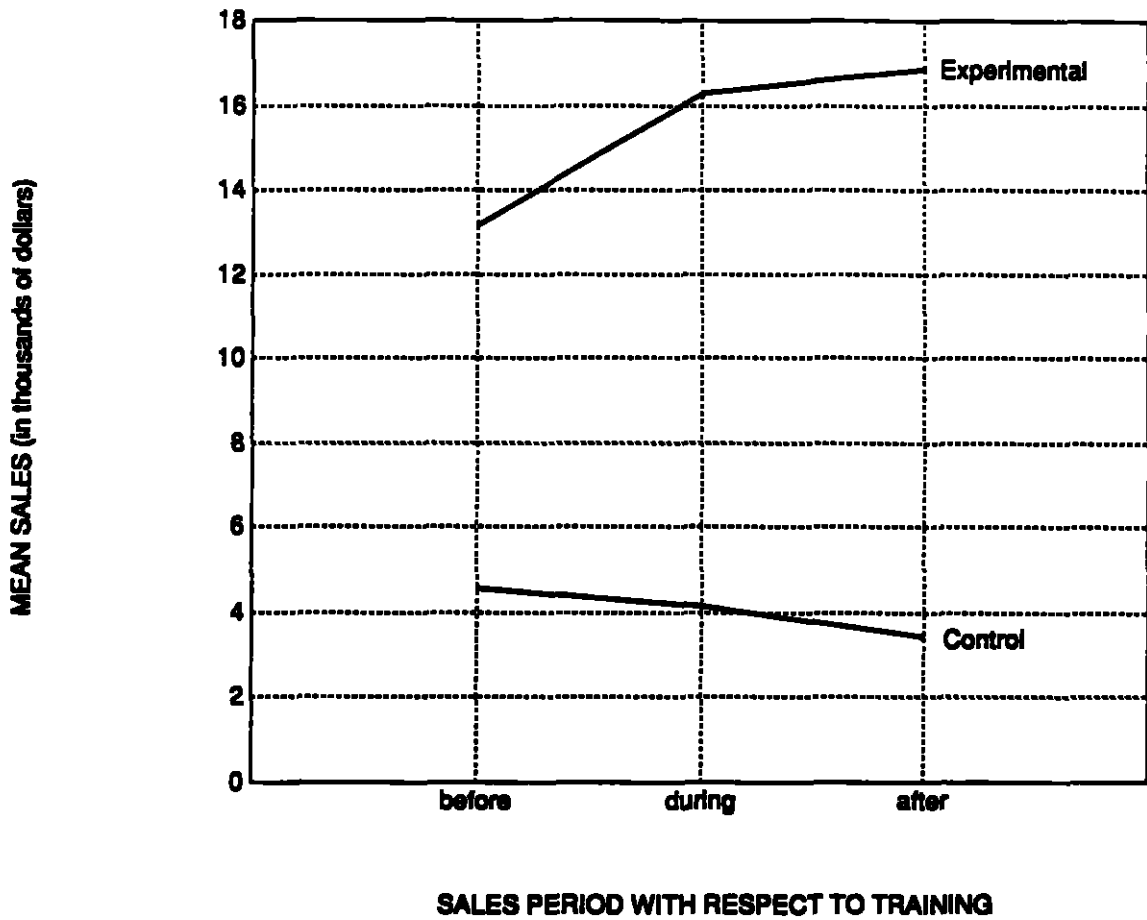


Figure 1. Mean Sales For Two Groups Across Three Training Periods

DISCUSSION

This study was designed to determine the effects of a formal sales training program on the sales personnel of small retail stores. The results of the study support the research hypothesis that implementation of a formal sales training program, in small retail stores, would result in an increase in sales. Specifically, the three stores that received the sales training program produced a definite increase in sales not seen in the three stores that did not receive the training.

Retail specialty stores exhibit seasonal variations in sales patterns. Since all six stores in the study were similar in type of merchandise and in type of potential customers, there should have been no difference in the two randomly assigned groups. Further, the six-week span of the study was planned for a calendar period when seasonal variations were expected to be minimal.

It is possible that sales increases noted in the experimental group during the training period may have resulted, at least in part, from enhanced motivation or a "Hawthorne Effect." Since the enhanced level of sales was observed in the period after the training was completed, it seems likely that the change is a real effect and not an experimental artifact.

It would have been desirable to obtain sales data from both the experimental stores and the control stores after an interval of two to three months to determine whether the gains were long-term. For this study such a delayed collection of data was not possible since arrangements were made with the owner/managers of stores in the control group to conduct sales training for their employees immediately after the present research project ended. Future data would reflect results of training conducted for both groups if collected.

The trainer noted that the participants' response to the training materials was enthusiastic. None of the trainees who participated had previously attended a formal sales training program and several of them expressed a desire for more of this type of training. The setting of the Friedman videotapes was in a store similar to those in which the participants were employed, and this seemed to cause them to relate to the material presented in a very positive manner. Additionally, the behavior of the salespeople demonstrated on the videotapes encouraged the training program participants to speak freely, questioning points that were new to them or that they disagreed with. It was also noted by the trainer that the trainees' reactions to the sessions would seem to recommend spacing the training sessions differently in future studies of this type. Rather than conducting the training during two two-hour sessions a week apart, it is suggested

that future studies implement the training sessions on a one hour per day basis for four or five consecutive days.

Future studies of this kind should utilize data from individual salespersons rather than store composites if this is feasible. Individual data collection was intended for the present study, but cash register recording limitations in some stores made it impossible for owners to maintain precise information. Individual data would provide a more precise statistical test of the effect training had on sales.

A major concern of owner/managers in small stores has always been their emphasis on service. With the advent of mass merchandising, the service provided by larger stores has been in a steady decline. The small merchant who can implement a program, whereby his sales staff has an improved grasp of the techniques of selling, will ultimately provide better service to his customers, thereby increasing their sales.

Small stores must search for training programs that are both affordable and appropriate to small sales staffs. As stated by Allen, Spohn and Wilson (1984), a good program will encourage, motivate and educate new employees; it should also provide continuing training for existing employees. The fundamentals of selling should be repeated frequently lest they be forgotten. The present study demonstrated that at least one such training program exists and is effective. It is to be emphasized that such a program should be presented

on a formal basis as opposed to informal or on-the-job training. By presenting sales training sessions in a formal manner with workbooks, scheduled content, and planned trainee participation, the impact will be more intense.

Appendix

Approval Form: Committee for the
Protection of Human Subjects

**University
of Houston**

39-925

Clear Lake

Houston, Texas 77058-1098

COMMITTEE FOR THE PROTECTION OF HUMAN SUBJECTS

REVIEW ACTION

Dear Dr. McClintock (Student-[✓]Patricia Phipps)

Date: 2/1/90

Proposal Title Effects of a Formal Training Program on Sales in Small Retail Stores

- Was approved on 2/1/90 according to institutional guidelines. You may begin work.
- Was tentatively approved with the conditions listed below. When the conditions have been met work may proceed.
- Was not approved for the following reason(s):

Sincerely,



UH-CL Committee for the Protection
of Human Subjects

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