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## **Sales Training – First Quarter**

Level I: Introduction to Sales

**Name:** \_\_\_\_\_

**Home Store:** \_\_\_\_\_

**Session Date:** \_\_\_\_\_

**Instructor:** \_\_\_\_\_

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# **The 5 Key Components of a Sale**

## **I. - The Approach**

### **First Impressions**

As with any new relationship, first impressions can be the difference between a successful, long lasting relationship with your customer and a missed opportunity. Give a good first impression and potential customers are one vital step closer to becoming *actual* customers. (And that's what being in sales is all about, right?) Give a bad first impression and watch as they stay away in droves!

When we talk about the approach, we are referring to the first impression a store makes to the people who shop there. The parking lot in front of the store should be free of debris. The glass storefront has to be sparkling clean with well coordinated merchandise displayed in the windows. People like to window shop and often what they see from outside will determine whether they come in to shop or just keep walking by. Make sure the front windows are up to par! Once they come inside, the store should smell good, the carpet vacuumed, the showroom well lit. These "little" things show people that we care about our business and are proud of what we have to offer to our customers.

A good approach also means that the merchandise in the store "pops." The furniture groups must be properly coordinated, the LCDs and surround sounds make solid, exciting presentations, the appliances are clean, and the computers have visually appealing demos running at all times. There are very obvious and distinct differences between a store that has a great approach and one that does not. *You must make sure your store has a great approach!* That kind of atmosphere says that we know the products we carry at Discover are things people will be excited to have in their homes and we're confident enough to show it!

The last and most important part of the approach comes down to the people our customers will meet in the store. A store with a solid approach is staffed with friendly, knowledgeable associates who want to earn everyone's business. They welcome everyone with a handshake and a smile and make them feel right at home. A pleasant, welcoming atmosphere not only gives your customer a fun store to shop at, but also shows how much they are valued by Discover and how great their buying experience will be with us.

Sounds pretty important, right? So, how to do it?

## **Ready, Set...Wait!**

Believe it or not, a good first impression begins long before you arrive at the store in the morning. If you are a sales person and a big part of sales is presentation then it only stands to reason that how you present yourself is just as important as how you present the products and services you are selling. So before you even arrive at the store to get the day started, make sure you have given yourself the best start possible.

First, get a good night's sleep! You'll feel on top of the world the next day armed with a positive, can-do attitude. Personal grooming, good hygiene, and adherence to our business casual dress code are also keys to starting the day the right way. The better you dress, the more confident you feel. The more confident you feel, the better you'll do in creating atmosphere. You are a sales professional, look the part and dress for success!

Now that you're looking and feeling great you are ready to see if your store is keeping up! Start when you arrive in the morning. As you walk to the front doors, look around and see how the store measures up. Pick up trash off the ground, make some mental notes about the window displays. Remember to look through your customer's eyes! It is easy to forget that what you see every day and has become "routine" to you is at the same time something completely new and (hopefully!) exciting to your customers. Keep that in mind as you make your assessments. Parking lot looking good? Windows clean? Great! On to the showroom...

## **Take A Hike!**

One of the first things the most successful salespeople do every morning is to walk their showroom floor. This is a very important first step and bears repeating so...

*One of the first things the most successful salespeople do every morning is to walk their showroom floor.* This is especially important if they were off the day before because most likely things have moved around a little and they need to get their bearings. Either way, walking the showroom floor not only helps you identify some things that need to be squared up before the store opens, but also makes you aware of everything you have for sale to your customers. Don't forget to look at the front counter, as well. At one time or another, almost all of your customers will walk up to the counter so make sure everything there is in order, too.

When walking the showroom floor remember to bring a notepad! You can make notes on things that need to be addressed and not worry about forgetting to take care of them as the day progresses. Got a living room set that's missing a price tag? Write it down. One of the surround sounds needs to be rewired? Write it down. Have a refrigerator that hasn't moved in a while and needs some promoting? Write it down. One of the lamps needs a new bulb? Well, you get the idea.

Having everything written down not only insures that all of the issues are addressed but also helps clarify the priorities. Handle the issues that need to be addressed in time

for store open first and then keep working on the rest of your list throughout the day. You may find yourself adding to the list as you go along. That's great – just keep chipping away. You should also cross each item off as you complete a task so you know you're making progress. If you have a really long list, get with your manager to see if you can delegate some of those tasks to other associates. The approach is a team effort so get everyone involved if you need help!

The clock is ticking so it's time to fire up the engines. Turn on the televisions, turn up the surrounds, and make one last quick lap. If everything is looking good - if your **approach** is ready - then you've completed one of the five key components of a sale!

### **Think You've Got It?**

If you can correctly answer the following seven questions, you probably have a good handle on this concept.

1. \_\_\_\_\_ can be the difference between a successful, long lasting relationship with your customer and a missed opportunity.

2. Part of a good approach means that the merchandise in the store \_\_\_\_\_.

3. There are very obvious and distinct differences between a store that has a great \_\_\_\_\_ and one that does not.

4. What are four things you can do to insure you have given yourself the best start the day possible?

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5. One of the first things the most successful salespeople do every morning is \_\_\_\_\_.

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6. When walking the showroom floor remember to bring a \_\_\_\_\_.

7. Name the first key component of a sale: \_\_\_\_\_.

## II - The Greeting

### **Say What?**

Did you know that the first time we meet someone their initial opinion of us has very little to do with what we actually say to them? Statistical results vary from study to study, but some say content only makes up about 7% of the overall first impression while others claim it is even less than that. Furthermore, studies have also shown that it takes only two seconds for an audience to form their an initial opinion of someone. Regardless of the conclusions, what's clear is that tone, expression and body language are the most important characteristics utilized when establishing a good first impression during those first few seconds. Later, after the initial assessment has been formed, what you say will dramatically increase in importance. If you have not acquired a willing audience, however, then what's the point?

The greeting is a very simple concept, but one that cannot be forced. For some, giving a genuine, welcoming greeting to a stranger is something that comes naturally. For others, it is more of a challenge and an ability that needs to be developed. If you are part of the latter group, rest assured that a good greeting is an acquired skill that you can master just like anything else. Practice, practice, practice! In front of a mirror at home, as a shopper in a store, as you role play with a coworker. The method doesn't matter, just be persistent. If you consistently practice a skill you can learn almost anything. Try it and see for yourself.

### **Right Back At Ya!**

Either way you should understand that a genuine greeting will set the tone of the entire interaction between a salesperson and the customer. If you are upbeat, chances are they will be, too. Conversely, if you are resistant and off-putting, you can expect the same in return.

Customers work just as hard for their money as you do. Spending their money is far less stressful when they are buying something from someone they both like and trust. If a customer is greeted properly, they will be more receptive to establishing a relationship. Developing a relationship with your customer is important if you want them to listen to all of the great things you are going to tell them about Discover and the merchandise we have to offer. You must start things off on the right foot!

Stand up straight – no slouching! – make eye contact and smile! It helps to envision that you are greeting a good friend...which is exactly what you hope your customer is going to be. Introduce yourself and offer a handshake. Don't be discouraged if your enthusiasm isn't reciprocated at first. You are a professional, after all, and this is only their first time. It's natural that a customer is wary and on the defensive when they first come into your store. Most people are, especially when they are in unfamiliar territory. It's your job to put them at ease, and a good greeting is a great way to start.

## **Can We Start Over?**

*Always* remember that you are introducing the customer to the store and Discover on behalf of the company. This means you should keep things positive and professional at all times! Proper etiquette is essential, so be polite and friendly and stay away from “sensitive” topics such as politics, religion, and off color humor. We want to establish a great relationship with all of our customers, and like everyone else our customers have individual personalities, likes and dislikes, and come from many walks of life. Recognizing your audience is important when developing a good relationship. Never put yourself in a potentially embarrassing (or worse) situation. In short, maintain a standard and stick with it. You will most likely not get a shot at redeeming yourself if you don’t.

## **Think You've Got It?**

If you can correctly answer the following five questions, you probably have a good handle on this concept.

1. True or False: When meeting a person for the first time, the content of what they say accounts for at least 90% of someone else’s first opinion of them?  
\_\_\_\_\_.
2. The greeting is a very simple concept, but one that cannot be \_\_\_\_\_.  
\_\_\_\_\_.
3. A genuine greeting will set the \_\_\_\_\_ of the entire interaction between a salesperson and the customer.  
\_\_\_\_\_.
4. When you are greeting a customer, you are introducing them to the store and Discover on behalf of \_\_\_\_\_.  
\_\_\_\_\_.
5. Name the second key component of a sale: \_\_\_\_\_.  
\_\_\_\_\_.

### III - Determine Wants and Needs

Once you've established a relationship with your customer, it is time to start asking the questions that will help you determine which products we offer will best suit the customer's wants and needs. Put some thought into the questions you want to ask. Only by having a thorough understanding of a customer's wants and needs is a salesperson ever really successful in closing a sale. It is especially important in our industry to make sure the product fulfills the customer's desires. Purchases made on impulse or an uninformed decision will lead to buyer's remorse, which leads to returns or resistance to renewals. The store's keep rate will plummet and the General Manager may take to running in traffic! It's only fair, however, that if someone is making monthly payments for up to 25 months it had better be everything they'd hoped for.

#### **Features, Advantages, Benefits (FAB)**

When coming up with questions, it helps to think from the customer's perspective. If you were in the market for a bedroom set, what things would be important to you? Size? Color? Style? Every inventory category has its own set of key features, advantages, and benefits. It is important to determine which features are important if you're going to match any particular item to your customer's wants and needs. Some basic feature examples are:

LCDs – Brand, screen size, resolution, technology (1080p, 120hz, etc.)  
Washers and Dryers – Brand, color, cycles, drum capacity  
Refrigerators – Brand, color, capacity, water and ice, top mount, side by side  
Computers – Brand, processor, memory, operating system, DVD RW  
Living room – Color, upholstery or leather, sectional or sofa/love  
Bedroom – Style, color, size

Ask the questions that will help determine which products you should demonstrate to the customer. (Hint: *Always* ask if they have a brand preference! It is difficult to sell that great LG LCD to a customer who insists on a Toshiba.)

Some examples of good questions to ask for...

#### **Living room furniture:**

“How large is your living room?”  
“What color are you looking for?”  
“Do you want fabric or leather?”  
“Are you looking for a sofa and loveseat or a sectional?”  
“What kind of furniture do you have now? Do you like it?”  
“Do you have animals? Small children?”

Computers:

“What are you going to do with your computer?”  
“Do you have a brand name preference?”  
“Are you going to burn CDs or DVDs?”  
“Do you want a desktop or a laptop?”

Washers and Dryers:

“How many people are you doing laundry for?”  
“How many wash loads do you do a week?”  
“Will you be washing large items like comforters?”  
“Do you have a brand name preference?”  
“How important are options and cycles to you?”

Refrigerators:

“What color are the other appliances in your kitchen?”  
“Do you have a water hook up for an ice maker?”  
“How large of a refrigerator do you have now?”  
“How much space do you have for your new refrigerator?”  
“Do you have a brand name preference?”

Televisions:

“Which room is your television going to be in?”  
“How far away will you be sitting away from the television?”  
“Do you have cable, satellite, or an over the air antenna?”  
“Do you have gaming systems or a blu-ray player?”  
“Do you have a brand name preference?”

Bedrooms:

“Do you like a firm or soft mattress?”  
“What size of a bed do you have now?”  
“Do you want a sleigh style or headboard only setup?”  
“What type of color are you looking for?”  
“What type of wood do you want?”

There are many questions you can ask when determining wants and needs, these are just a few examples. Always be thinking about what questions you should ask your customer so you make the best choice possible.

## **Building Value**

Consider this scenario: I have a car for sale. The price is \$10,000. Do you want it? Chances are you're not interested, right? Not until you know a little (or a lot!) more about it, at least. If it's a brand new Ferrari, it's a steal. If it's a 2001 Explorer with 188,000 miles (and just as many scratches), then it's not!

Selling merchandise at Discover is no different than our car example. If a customer says they want a computer and all they are told is the price, chances are they're not going to be too enthusiastic about purchasing it without getting some details. You have to tell them all about the features and benefits of the item before you even come to pricing.

To sell successfully you must build value into the merchandise being offered to the customer. (The same goes for building value into the Discover program, but we'll get to that later.) Building value not only gives the customer important information about the item, but it also goes a long way in helping them justify the price they will pay for any given item.

Let's say a customer comes into the store and wants to buy a washer and dryer. They told you brand name isn't important, there are five people in the house, and they do laundry six times a week. You have a few good ideas and know exactly which laundry pair to bring them to (mostly because you walked the floor that morning, right?). But what to say once you get there?

Building value into the product means to identify the features and then explain how those particular features are going to be a benefit to your customer based on their needs. For example:

*"This is front load washer and dryer made by Whirlpool. It has a 4.2 cubic foot tub which means it has an extra large capacity so you can wash more clothes in fewer loads. It features 12 different wash cycles which means you can choose a wide variety of fabric types so that you get the best wash available for different clothing types. It also has automatic temperature control which means the water used during the wash best matches your clothing fabric so your clothes will last longer and won't shrink or bleed colors. Plus there is no agitator which means there is less friction on your wash which can damage clothing over time. It also has an automatic cleaning sensor which controls how much water and detergent will be used so you'll save money when you use it. This set is only \$109.99 a month, what do you think?"*

Notice how the price was mentioned *after* the FAB explanation. When you explain the features of the product and the benefits of those features, you will build significant value into the products you are selling which in turn helps justify the price. By doing your homework and asking your customer's wants and needs, chances are all of the features you explain will build consumer confidence in your product. A great side benefit to explaining FAB to your customer is that once you have pitched your product,

they will inevitably give you more insight on what they like and don't like about what you're selling which will give you more information to work with. For example:

“...What do you think?”

“It's nice, but do you have it in black?”

Armed with that information, you know exactly which product to bring them to next! Not every customer knows exactly what they want before they get there, but eventually they will draw certain conclusions – both positive and negative – giving you the opportunity to slide from one product to another.

By determining your customer's wants and needs you are not only able to best match a customer to an item and build value into that product, but you are also providing good customer service as well. It also helps prevent the dreaded “information overload” in which you've given your customer so many different things to think about they have a difficult time making any decision and often decide to wait to make their purchase. Narrowing down all of the choices is done by asking good, specific questions about wants and needs.

### **Think You've Got It?**

If you can correctly answer the following five questions, you probably have a good handle on this concept.

1. Only by having a thorough understanding of a customer's \_\_\_\_\_ is a salesperson ever really successful in closing a sale.
2. What does FAB stand for? \_\_\_\_\_
3. Give one original example of a good question you can ask a customer when determining a customer's wants and needs for a:

Living Room: \_\_\_\_\_

Computer: \_\_\_\_\_

Washer & Dryer: \_\_\_\_\_

Television: \_\_\_\_\_

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4. To sell successfully you must build \_\_\_\_\_ into the merchandise being offered to the customer.

5. Name the third key component of a sale: \_\_\_\_\_

## IV - Overcoming the Objections

### I Object!

Even if the store has a great approach, the customer is greeted properly, and the right product is offered based on customer wants and needs, a customer may still offer up some pretty difficult objections to making the purchase. This is a natural course of action, but one that needs to be handled properly if the deal is to be successfully closed.

Remember, a sale is only closed when a customer is off the market. They may leave your store thinking the computer you showed them is exactly what they are looking for and at a great price. They may even plan on coming back on Friday when they get paid or after they talk about it with their spouse. But unless they have filled out the order form, signed an agreement, and are scheduled for a delivery they are still “shopping” for a computer. This means that more often than not they will still shop around with our competitors, even if they are convinced they’re going to do business with us. If the competitor offers the same or similar product but does a better job overcoming the objections then they will get the sale. The worst part is you’ll never even know it!

So how can you overcome objections to insure that doesn’t happen? The first step is to recognize and understand that if the product does indeed match the customer’s wants and needs and the value in it has been built, the objection they have has nothing to do with the merchandise or price. Sounds obvious, but eliminating product choice and pricing as objections are very important. Every other objection can be overcome, but you need to address product and price first.

### Thou Dost Protest Too Much

Even the most successful salespeople face objections. How successful they are depends on how well prepared they are for the inevitable objection and how well they respond to them. Fortunately there are a number of commonly known and encountered objections and a good way to overcome them.

Objection: “I don’t get paid until Friday.”

Response: “That’s not a problem. We can lock the merchandise in your name and collect your first payment C.O.D. when we deliver.”

Objection: “I have to talk to my husband/wife first.”

Response: “There is never any obligation at Discover. If you fill out the order form and agreement today, we can make sure no one else buys the merchandise until you’ve had a chance to talk to your spouse. If you decide to go with something different, that’s great!”

Objection: “I need to think about it.”

Response: “I understand. There’s no obligation at Discover, so let’s fill out the paperwork, setup your delivery so no one else buys your item while you think about it. You can always call us if you want to change or cancel delivery, and you don’t even have to pay anything today!”

Objection: “I don’t have my license/lease agreement/payroll stub, etc. with me.”

Response: “That’s not a problem! Let’s take care of the rest of the paperwork now and we’ll handle those issues afterwards.”

These are just a few examples, but the objective is clear – find a way to get to Yes! Even under the worst possible scenario, when a customer’s objections are too numerous to overcome, you should still get their name and phone number and follow up with them in a couple of days. No deal is dead until you give up!

It’s important to understand that once a customer has taken the time to fill out the order form, sign the agreement, and schedule delivery, chances are *very* good they will consider themselves off the market. It’s already taken care of, so there’s no need to keep shopping!

There are many other objections that a salesperson will run into over the course of time. Many of them are easy to resolve provided the salesperson is prepared and the solutions work within our program. Be creative and find a way to resolve the issue. Remember, the salesperson’s job is to overcome objections, not put up new ones. Always approach an objection with the intention of getting the deal closed. A salesperson works to make a deal happen, not to find reasons to turn one down. Ultimately the requirements needed to finalize a deal are up to the General Manager – put the odds in your favor by putting as many deals in front of him or her as you can!

### **Think You’ve Got It?**

If you can correctly answer the following six questions, you probably have a good handle on this concept.

1. A sale is only closed when a customer is \_\_\_\_\_.
2. Objections can happen at any time during a sale. Give a good response to a customer whose objection is “I’m just looking.”

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3. Give a good response to a customer whose objection is “I just came from Brand X and they have a computer for \$10.00 less”:

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4. If you cannot close a deal you should always get a \_\_\_\_\_ from the potential customer for follow up.

5. A salesperson’s job is to \_\_\_\_\_, not put up new ones.

6. Name the fourth key component to a sale: \_\_\_\_\_

## V - Ask for the Sale!

### Ask and You Shall Receive

Quick! What's the one part of the sale that salespeople commonly neglect to do? If you answered "ask for the sale" then you are correct! It seems strange, but many salespeople practice and master the first four steps to a sale only to neglect the most important part. Shame, shame, shame!

If everything has gone according to plan, there is really only one thing left to do – close the sale. There are many different ways to ask for the sale – setting up the delivery date and time or bringing them to a table to fill out an order form are two examples. Which method to use should become very apparent based on the way the sale has gone so far. In fact, if everything was done correctly then asking for the sale will be a natural course of action, as if to suggest there really isn't any other option at this point. However it happens, just keep your questions open ended and always assume the sale.

If you are having a hard time asking for the sale, chances are very good that you are not confident that you have identified the customer's wants and needs or that the product you have chosen to show them will not live up to their expectations. Don't panic! It's perfectly okay to turn the sale over (called a T/O) to someone else until you have a little more experience. Working on the first four steps to a sale a little more will help, too. It is also a very good idea to spend some time on developing your product knowledge. Knowing the products you are selling inside and out are great confidence builders and can really help your customer make an informed decision.

### This or That, Not Yes or No

When you have narrowed the choices down with your customer, it is very helpful to offer choices that go one way or another, not yes or no. Avoid those close ended questions like, "Do you want this delivered?" or "Are you ready to fill out an order form?" Instead, approach asking for the sale more decisively. "Should we write up the Whirlpool or the Maytag?" or "Do you want this delivered tonight or tomorrow morning?" You may still not get the answer you were hoping for, but your chances are much better. Keep going!

### Listen Up!

One of the biggest mistakes a new salesperson can make is to not listen to their customer. This is especially a problem during the final part of a sale. Perhaps you have witnessed this kind of scenario:

Customer: "I'll take it!"

Salesperson: "Well, we also have this very nice one over here..."

It happens, and more frequently than you think. A great salesperson is tuned in to their customer and responds accordingly. Countless numbers of people in sales have been told by a customer that they're ready to do the deal, only to respond by talking about an entirely different product altogether. Pay attention to the signs!

### **Wrapping Things Up**

Now that you've successfully closed the deal, remember that our relationship with all of our new customers is just beginning. Always thank your customer for their business and address any and all questions they may have. If you don't know the answers, ask your Manager. Customers will be more appreciative of a correct answer than your ability to answer every single one they can come up with.

Be sure to introduce them to your manager and make sure they know to call you if they think of questions later or think you can help them with anything else. You are going to be seeing these people in the future – hopefully for life! Maintain that good relationship you've developed so far.

They may even tell their friends about you...

### **Think You've Got It?**

If you can correctly answer the following five questions, you probably have a good handle on this concept.

1. The one part of a sale that salespeople commonly neglect to do is

\_\_\_\_\_.

2. When asking for the sale, always use \_\_\_\_\_ questions.

3. \_\_\_\_\_ you are selling inside and out are great confidence builders and can really help your customer make an informed decision.

4. One of the biggest mistakes a new salesperson can make is to not

\_\_\_\_\_ to their customer.

5. Name all five key components of a sale:

\_\_\_\_\_

\_\_\_\_\_

## **Merchandising**

Some people have a great knack for color and style coordinating. They know exactly which colors go together and, perhaps more importantly, which ones don't. For others such a skill does not come so easily. They know that black goes with black...maybe...and after that it's anyone's guess.

Either way, understand that visual appeal is a very important part of a store's approach. It creates atmosphere and helps a customer envision our merchandise in their home. Since we cannot hope to sell much by filling the showroom with black, square boxes, your aptitude in merchandising is fundamental. Fortunately, there are tricks to the trade for those who need help putting it all together.

### **Contemporary, Traditional, Rustic, Oh My!**

Most rooms in a home are decorated with a certain environment in mind. Furthermore, that environment is often consistent and complimentary from room to room. There are always exceptions, but you won't often see a very rustic, cottage style kitchen in one part of a house and a contemporary, jazzed up living room (complete with disco ball) in the next.

When merchandising a store, it is important to have a decent representation of all furniture styles throughout the showroom. Your General Manager may favor one style over another depending on the market, but all styles will be present to one degree or another. This is because customers all have different tastes and goals (or wants and needs) and we must be able to cater to them all to be successful. When determining your customer's wants and needs, be sure to ask them about their tastes and style preferences.

### **Putting It All Together**

We want to merchandise complete groups when setting up a showroom floor. For example, sofa and loveseats are best displayed with matching cocktail and end tables and two lamps. The question is how can you be sure everything matches? Here are a few tricks that can help:

1. Check the manufacturer's website. They often have pictures of their furniture grouped together. If you do not have the exact tables for a sofa and loveseat, you will at least get some ideas of what works and what doesn't. Pick the best set in your inventory that closely resembles what is in the picture and see how it looks.
2. Match up the colors. If some or all of the colors of the lamps match some or all of the colors of the fabric, chances are they are a match. You can also use the color of the sofa feet as a good indicator when determining which colors of coffee and end tables will match.
3. Shop around. It's always a good idea to take a look at what the competition is doing. Spend a little time browsing other furniture stores in your area to see what works and what doesn't.

4. Pay attention to customer reaction. Track the number of complete room sales you are getting. Most people will buy the complete package if each piece compliments the others. If you cannot seem to keep a particular package in stock, it's a winner!

Remember that consistent visual appeal is key. When you find a group that looks great and sells well, write down the model numbers for future reference. You'll want to keep ordering the groups that move well and make adjustments on the ones that don't.

### **Standardized Displays**

We have a few merchandising standards to keep in mind while setting up the showroom. When walking the floor in the morning, pay close attention to these details:

Living rooms: Sofa and loveseat set at a 90 degree angle and one knee width apart. Coffee table should be parallel to the sofa with a centerpiece displayed (i.e. small plant or vase.) One end table on each end of the sofa spaced evenly (use two finger width.) Lamps in the center of each end table with cords neatly wrapped in back. Price tag for the sofa and loveseat should be attached to the left facing arm of the sofa. Price tag for the cocktail and end tables should be displayed in a plastic stand to the left of the centerpiece. Price tag for each lamp should be an inventory bar code label attached to an accessory hang tag and hanging from the turn switch.

Bedrooms: Build around the headboard. Place one nightstand on each side of bed (use two finger guide.) Display dresser and mirror at a 90 degree angle to the headboard. One lamp on each nightstand, plugged in (if available) with cords running down the back of the nightstand. Price tag for the complete bed (excluding mattress and box spring) should be in a plastic stand on the near end of the dresser.

Mattress & Box Spring: Displayed on bedroom with a comforter. If new, neatly fold back the comforter to display approximately two feet of the mattress. Price tag should be hanging on the left side.

Televisions: Price tag placed in a plastic stand on the left side. If the store has a display wall, hang the tag to the left of the television. Be sure to run the best signal possible to display full unit capability.

Computers: Desktops should have monitor, speakers (working), keyboard, and mouse. Place the desktop tower to the right or, if the store has a computer display, beneath the monitor. Price tag should be in a plastic stand in front of the tower. (If tower is beneath monitor, place price tag to the left side of the monitor.) Demos should be running during store hours. Laptops should be displayed with demos running and a theft proof cable attached. Place the price tag to the left of the laptop.

Refrigerators: Plug in unit and set all temperature dials to LOW. If the unit has an automatic ice maker, turn it off. Turn on water and ice dispenser light (if equipped.) Space refrigerators evenly apart (at least one fist width ) to prevent damage when the

doors are opened. Price tag should be displayed at the top left corner of the unit (use magnetic strip.)

Washer and Dryers: Washer on the right, dryer on the left. Place price tag for both on the front of washer (use magnetic strip).

Plants, Pictures, and Other Accessories: Use an accessory hang tag with an inventory bar code attached.

### **Speaking of Accessories**

Once you have the merchandise setup properly, put the store's accessory stock to use! Place vases and candleholders on cocktail tables or dressers. If you have candles, use them but do not light them! Hang pictures over bedroom sets, insuring that they are centered over the headboard. Place plants around groups to help setup atmosphere. Well placed accessories do a great job giving a store that added touch so use them everywhere.

### **Think You've Got It?**

If you can correctly answer the following three questions, you probably have a good handle on this concept.

1. Name four different resources available to help with merchandising:

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2. Where should you place the price tag for cocktail and end tables?

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3. How far apart should you place a nightstand from the bed?

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## **Price Tags**

Imagine that you are shopping for a new television. You know what you're looking for and are ready to make a purchase today. The electronics section is in the back of the store, so you walk by a lot of other things for sale and along the way just happen to notice they have the bicycle that you've always wanted, as well. Lucky day! Since you've done your research, you know all about it and start wondering if you'll have enough space in the car for both. Figuring you'll strap it to the roof if you have to, you take a look at the price tag and...

...walk right out the front door empty handed!

Why? Because you know that the bicycle priced for \$400 here sells at \$200 everywhere else. And if the bicycles are overpriced by that much, imagine how overpriced the televisions are! Someone at the store may have just made a mistake on a price tag, but you'll walk away thinking the prices at that store are outrageous. Instead of making the original sale plus one extra, the store loses both. Talk about a missed opportunity!

Do not underestimate the importance of accurate pricing. Someone shopping for a washer and dryer is bound to take a look at other things you have in your store. If they perceive that your pricing is too high on one item, they may certainly draw the same conclusion about your washers and dryers. If it is left up to the customer to ask (which rarely happens), you'll risk losing a potential sale and not even know why.

Walk your floor daily. Look at the price tags when you do. Our computer system allows many different options when printing price tags, so double checking your work is essential. Be sure to check for prices that seem too low, as well. There's nothing worse than having to explain a pricing issue to a potential customer so avoid the issue altogether.

## Up Selling

Ever heard a customer tell you they want the “cheapest refrigerator you’ve got?” It usually happens very early on in the conversation and it certainly helps to tell you where to start your product demonstrations. It also gives you a chance – with a little strategic planning, that is – to up sell the customer into something a lot nicer for a lot less money than they probably thought.

It begins with product selection. A store that does a lot of up selling tends to have a wide variety of items for a customer to choose from. Furthermore, the store also strategically displays these products next to each other in order of value. You may have heard the term “Good, Better, Best.” It means the same product category with different levels of options or value. Entry level, next best, next best, and so forth. If you merchandise accordingly, you can easily build value into entry level items, and then slide up to the next best option. That’s an up sell!

Take our refrigerator example. Let’s say you have an entry level, preleased top mount refrigerator on the floor. After determining that it will meet your customer’s wants and needs, you build value into the unit by explaining the features, advantages, and benefits. Now, just to make things interesting, you ask them to consider your next best refrigerator. It has a few more options (ice maker, water and ice dispenser) for you to build value into and is only a few more dollars a month. You now also have the ability to try and close the sale by asking which one of the two they want delivered. Try it and see what happens!

Like anything else, up selling is a skill acquired through practice. Be careful not to up sell too far above your initial item or to overwhelm the customer with too many options. Done correctly, a good salesperson is often successful in building value into something that is just a little better than the product with which they started.

## Perceived Value

A large part of the rent to own business relies on the ability to understand what perceived value is and how to objectively determine that value for every item in the store. Many people believe this concept only applies to preleased merchandise, but the reality is that perceived value applies to everything!

First, a definition: *Perceived value is the customer's opinion of the value of an item or service. This opinion is heavily influenced on the product's ability to satisfy wants and needs, regardless of market price.*

Or, to put it another way: It's only worth what someone is willing to pay you for it.

As you know, one way to increase the perceived value of any item is to explain the features and benefits of the product to the potential customer and how it will satisfy their wants and needs. Yet even the most successful salesperson will find it difficult to build a *true and honest* value into a product that clearly does not live up to the hype.

Take, for example, a brand new laptop...from 2007. While it may have been considered "top of the line" in its heyday and is still technically "new" in the box, technological advances have made the laptop markedly obsolete, thus lowering its perceived value. Likewise, a relatively new sofa and loveseat that hasn't been properly refurbished after only being on rent for a month won't have a high perceived value in the customer's eye, either. That is not to say these items do not have any perceived value whatsoever, only that either they are at a reduced value (the older laptop) or are burdened with unrealized potential value (the unclean sofa and loveseat in disrepair.)

A salesperson can only work with the inventory they are given to sell, however they must make it a priority to maximize the perceived value of what inventory they have. In some cases this is recognizing the market value of a product, in others it is addressing condition and workability. Later on when you learn about the depreciation of inventory and how it impacts a store's profitability, the importance of maximizing perceived value will be even clearer. For now, understand that perceived value is an important ally in building consumer confidence in a store.

Spend some time in the store assessing the perceived value of the merchandise in the showroom and the warehouse. Have a dusty, dinged up dresser marked at full price? Refurbish the item and then price it according to its new perceived value. Have an LCD that's missing a remote? Ask your General Manager to request a replacement so you do not have to compromise on the price. Don't forget to check out the warehouse, as a lot of neglected items tend to gather back there. The longer they spend in the warehouse, the more likely the pieces of a complete set will eventually break up (called "dead inventory") while other items risk physical damage, thus reduce their perceived value.

## **Phone Sales**

Every salesperson knows that the telephone is a great way to improve a store's sales. In fact, there is a new sales opportunity for the store every time the telephone rings! That is why it is important that the sales staff answers the phone first unless they are already on another line or with a customer in the store.

Sometimes a potential customer will call and directly ask for a price on a computer. Other times they will be calling for some other reason (when's my next due date?). Either way, every time the phone rings you have an opportunity to sell something.

### **Old Friends**

Our current customer base calling the store is a great way to make new sales. They already know about our products and service and we already know them. That's ninety percent of the battle! Whenever a current customer calls the store, that is the time to tell them all about the great new LCD the store just got in or the sales promotion you're having on preleased inventory that day. If you took good notes about what other items they were interested in when they made their last payment, you'll have the inside track on getting a sale, as well. We already have a great relationship with the customer, so resistance (objections!) to the sale is low. Remember, the primary responsibility of a salesperson is to put as many potential deals in front of their General Manager. Take advantage of the phone calls from your current customers to help accomplish that responsibility!

### **New Friends**

Making a sale over the telephone is no more difficult as selling to a potential customer in the store. Certainly, the methods used are a little different in some places yet remain exactly the same in others.

The first and most obvious difference is that the salesperson does not have the benefit of the customer getting to see, hear, or touch the product. This does not mean that value cannot be built into the merchandise, but the way it is done is a little different. On the other hand, a salesperson does not have to work very hard to determine what the customer is in the market for. Rarely will a customer call and say they are just looking!

Start with a good, friendly telephone greeting:

*“Thank you for choosing Discover Rental Purchase, this is <YOUR NAME> how may I help you?”*

See, we've done the hard work for you. What is left to you is the tone and enthusiasm the customer will hear when they call us. Make sure you are professional and outgoing. Make their first impression a great one!

If the customer is shopping by phone, they will invariably begin the conversation by asking how much our X's are, with X being whatever type of product they are shopping for. Before you answer them, think back to one of the Five Key Components of a Sale:

***You have to tell them all about the features and benefits of the item before you even come to pricing.***

Which means that you have to know exactly what kind of "X" they are in the market for and what key features of "X" are going to be important to them. Sales over the phone and sales in the store have the same rules: Only once you have identified the customer's wants and needs and built value into the product that meets those wants and needs is a sale likely to be made.

Instead of quoting a price or, even worse, a *range* of prices, you should first ask questions to determine wants and needs. If, for example, a customer calls wanting to know how much computers are, you may ask them "What are you looking to do with your computer?" or "Are you looking for a desktop or a laptop?" Keep asking probing, open ended questions to gather as much information as you can before you even think about quoting a price.

The next step, of course, is to build value into the product (in this case a computer) that you think meets their expectations. Tell them about the processor speed (and what it means), the amount of memory your computer has (and what it means), and the fact that the DVD burner is a LightScribe (and what it means.) You are building value into the product by using the FAB techniques used in the 5 Key Components of a Sale. This is also a great time to build value into the Discover Rental Purchase program. Explain how 120 Days Same As Cash works, how our service program works, and the benefits of our early purchase option. Build value into everything we sell and do!

Once you have built value into the computer, wait for the customer's response. They may ask you how much that particular computer will cost them, when can they get it delivered, or if you have other options for them to choose from. (The latter is your opportunity to up sell, by the way.) If they do not ask a question or respond in a way that furthers the conversation, it means there is some objection that needs to be overcome. Your goal at this point is to find out what that objection is. Remember, this is when it is important to overcome objections, not put up new ones.

If you have pitched the right computer based on their wants and needs and are still met with hesitation, the objection is usually (but not always!) due to the price. Understandably, people rarely like to admit something is out of their budget, so handle this objection with care. Based on the information you have gathered from the conversation so far, this may be the right time to tell them about another computer with a lot of great features for a little less money...

You may also run into other objections when making a phone sale. Should a customer ask if they have to come into the store to buy their computer, for example, tell them you can take their information and schedule a delivery over the phone. Telling a customer they have to come into the store does NOT take them off the market...it just gives your competitor another opportunity to get the deal. Whatever the objection, you must be quick to overcome it and get the customer off the market right away!

As always, remember to get a name and a phone number to follow up on the sale. Let them know you want to call them if you find other options that you think they would be interested in. Always be polite and professional and follow through with any promises you make. Taking notes is imperative!

### **Practice, Practice, Practice**

In the beginning it can be a challenge to feel comfortable and confident selling over the telephone. The focus is all on you and what you say is the only thing the customer has to go on. You must practice selling by phone every day – in the store with a coworker, by yourself as you refurbish a bedroom, at home while you’re doing the laundry. Think about how the calls will go, what questions they’ll ask and what answers you’ll give to those questions. Be objective of the responses you give to questions or how you are building value into whatever you are selling. Would you buy from yourself based on what you hear yourself saying? Selling over the phone must feel second nature to you if you are to be successful. Practice, practice, practice!

It is also a good idea to have a list of at least one specific item for each product category in front of you when taking a sales call. This way if a customer calls asking you what you have on special, you are prepared with a list of items to sell.

Phone sales dramatically impact sales results in a store. Master the skill through practice and your store will grow!

### **Think You've Got It?**

If you can correctly answer the following six questions, you probably have a good handle on this concept.

1. There is a new sales opportunity for the store every time: \_\_\_\_\_.
2. True or False: The accounts department associates should be the first to answer the phone: \_\_\_\_\_.

3. What is the proper telephone greeting at Discover Rental Purchase:

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4. True or False: When a customer calls and asks how much an item is, giving them a price range of all the items you have in that product category is a good idea: \_\_\_\_\_.

5. True or False: The purpose of a phone sale is to get the customer excited enough about our products and service to entice them to come into the store:

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6. If a customer calls the store and asks what you have on special, what should you do? \_\_\_\_\_

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## **Friend Referrals**

Think of your favorite restaurant. Got it? Good. Now, how many people have you told about that restaurant when they asked you to recommend a good place to eat? If you were happy with the food and the service, chances are that number is pretty high, right? Now, think of the worst restaurant you've ever been to. Did you tell anybody to go there? Probably not. You may have warned people *not* to go there, even if they never asked you.

In our industry, friend referrals from our customers work exactly the same way, but the impact they make on store growth is significantly higher. Friend referrals can account for a quarter to upwards of one half of a mature store's monthly delivery volume. It's also the least expensive kind of advertising you can buy!

The key is to make sure that the products we sell, the way we handle service and account management, and the entire atmosphere of the store are always up to standard. People will patronize businesses they think are both a good value for their money and a fun place to shop. As a salesperson at Discover Rental Purchase, you play a big role in maintaining our good reputation.

Make it a habit to ask for friend referrals from your customers. Always remind them of our friend referral program and explain how it works. Just as important, let them know we'd *appreciate* their friend's business. Definitely be sure to thank the customer once one of their referrals comes in, even if that person did not purchase anything from us. Acknowledging that they made the effort to tell someone something nice about us goes a long way. The fact is, we should appreciate that!

Word of mouth is a powerful tool. That influence can work in both directions, both positively and negatively. Always be thinking about what you can do to make sure our customers think of us first when making a recommendation to their friends about where to shop. Remember...their friends have friends, too!

## **Building a File**

The customer's physical file is very important to our business and contains sensitive information. All files should be built the same way in every store. If the file building process is kept consistent, it is easy to immediately identify what information is accounted for and what is not. That not only streamlines the process, but also helps cross check each file through the entire system from build, to validation, final approval, and filing.

Here is a step by step guideline to assembling a file:

As the customer is filling out a new order form, make a photocopy of their driver's license, social security card, and any other pertinent paperwork (i.e. – utility bills, paycheck stubs, housing agreements, etc.) the customer can provide to you. You should also pull the price tags off of the items they are purchasing.

All of the paperwork associated with the customer will be kept in a tabbed, manila file folder which is secured in a locked, fireproof filing cabinet. Neatly and legibly write the customer's name on the tab, last name first, first name last, then middle initial. Next, attach the delivery ticket to the front of the file (with the customer's name on the tab facing toward you) by stapling it on the top center of the folder. Next, on the left side of the open folder, attach the photocopied documents you collected from the customer and the order form by stapling them on the top left corner of the folder. On the right side of the folder, attach the price tags for the agreement by stapling them on the bottom center of the folder. Next, attach the store copy of the printed lease agreement(s) to the file by stapling them on the top right corner of the folder. Finally, when presenting the file to the General Manager for the agreement close, put the customer's copy of the agreement, a friend referral coupon, and any store business cards into the folder.

Following this procedure not only keeps our files orderly and universal as a company, but also helps prevent the loss of vital documentation.

**Class Exercise:** Build a mock file.

## **Order Form Verification**

Order form verification is a simple but very important part of the approval process. Once we have gathered all of the necessary information and documentation to open a new lease agreement with a customer, all of that information must be verified before any agreement can be considered for final approval and delivery.

While we do collect certain documents that help during the verification process, a paycheck stub for employment verification for example, the best rule of thumb is to *always* talk to someone to verify information whenever possible. This means you have to call an employer or a landlord even if you already have supporting documentation! The reason is simple – things can change at any time, even at the last minute. Our program relies on accurate, up to date information at all times. The only way a General Manager can insure he or she is making a good business decision during the final approval process is to be certain the order form verification has been done correctly and accurately.

Due to liability concerns, some landlords and employers may be hesitant to release information about our new customers without a signed release. Take a look at the bottom of our order form under “ADDRESS, EMPLOYMENT AND CONSUMER LOAN INFORMATION RELEASE:” By signing the order form, the customer is giving Discover Rental Purchase consent to inquire and obtain that information. The landlord, employer, and/or reference is now authorized to discuss pertinent information with us because the customer has given us this release. This is why it is important that both the primary and secondary customer sign and date the order form after they have filled it out.

It is not unusual for certain landlords and employers to request that the release be faxed to them and, upon receipt, will fax information back to you. In the event that a landlord, employer, or reference does not return your calls, the best thing to do is call your customer *before the scheduled delivery*. Explain to them that everything is still on schedule but that you need their help in contacting certain people to help finish the process on our end. It is very important to call the customer before the delivery to give them enough time to help resolve the verification issue. Calling a customer after their delivery time has come and gone will only cause further issues – namely, “why didn’t you call me earlier?” So be proactive and contact them first!

It is also important to relay all of the information you receive during the verification process to your General Manager. While you should document the verification activity on the back of the order form in the appropriate places, talking directly to the General Manager about what happened during the verification will be much more helpful to them than a simple check mark on a form. The General Manager relies on the verification process to make a good business decision – any and all input from the person who worked the verification is crucial.

Finally, people are curious by nature. Never discuss with any 3<sup>rd</sup> party the specific nature of our business with a customer. If someone asks what our customer is buying or

why you are calling, make sure you simply tell them that their employee, tenant, or relative/friend is a new customer at Discover and had put them down as a reference. Explain to them that we have great deals on home furnishings, electronics, and appliances but unfortunately we are unable to discuss anything specific in regards to our customers. You can certainly ask the reference if they're interested in something we have for sale – you might turn them into a customer as well!

### **Think You've Got It?**

If you can correctly answer the following five questions, you probably have a good handle on this concept.

1. All information must be verified \_\_\_\_\_ any agreement can be considered for final approval and delivery.
2. True or False: When verifying an order form, the best rule of thumb is to always talk to someone to verify information: \_\_\_\_\_.
3. Why is it important to make sure that every customer signs the order form?

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4. If you run into problems contacting a landlord, employer, or reference you should contact the customer for help \_\_\_\_\_ their scheduled delivery.
5. True or False: If a reference asks what our customer is buying, it's okay to tell them because the customer signed a release: \_\_\_\_\_.

## **Understanding The Discover Program**

As with merchandise, our salespeople also have to build value and sell the Discover Rental Purchase program to our customers. There is no “fee” for the program, but explaining the advantages of doing business with Discover is a great sales tool. Our “Free Advantages Program” comes with each and every agreement and is only a part of the service we provide to our customers.

Each time you build value into merchandise to a potential customer, you should also build value into our program. It’s as simple as explaining the features, advantages, and benefits of the program, and what each means to our customer (sound familiar?) Understanding the program is key to successfully building value into it. Keep in mind, however, that any and all of the Discover Programs are valid provided that the agreement is active (or, renewed.)

### **Free Liability Waiver Protection**

In the event of fire or acts of God, Discover will waive a customer’s liability of any item damaged or destroyed due to those specific events. Understand that theft, misuse, mysterious disappearance, abandonment or intentional acts are *not* covered under this program. It also should be made clear that a waiver does not work the same as insurance – we do not replace the item, we are only waiving the customer’s responsibility of the remainder of the agreement.

### **Free “Defer a Payment” Program**

With this program, a customer is automatically entitled to defer a one week payment provided that the previous four months of payments have been on time and the deferment request was made on or before their next due date. What’s important to understand is that the payment is deferred, not credited. That means that the payment they are deferring is still owed but is moved to the end of the agreement. A deferment request must be made at the store and the customer must sign an extension agreement in order to take advantage of this program.

### **Free \$20 Bonus for Referrals**

Every time a customer sends a friend to Discover, their account will be credited \$20.00 (provided that their friend made a purchase.) Be sure to tell each and every customer about this program. It’s like getting a free twenty dollar bill!

### **Platinum Club Status**

Every customer who pays off their agreement with Discover will receive 50% off of the first monthly payment of any new agreement.

### **Never a Processing Fee / Never a Credit Check**

Our customers are never subject to processing fees or credit checks.

### **Free Repair**

While on an active rental agreement, Discover agrees to service any item for repairs necessitated due to manufacturer defect. This does not cover misuse or neglect!

### **Free Extended Service**

Discover will cover any and all repairs due to manufacturer defect for 60 days after the agreement is paid out.

### **Loaners**

It may come as a surprise to you, but loaners are not part of our written agreement with customers. The reason is because the customer is paying money towards ownership of the merchandise, not renting the merchandise for a specific period of time. (In general, the intent of a loaner is to compensate a *renting* customer for lost time of use.) That said, it is our policy to provide a loaner to our customers as a courtesy in the event that their original merchandise is in need of service. It is important to choose the proper inventory to loan out and to explain that we offer loaners regardless of the fact that it is not part of our agreement. If a customer needs a loaner, consult with your General Manager before making a promise to your customer.

## **120 Days Same As Cash, Early Payout, TCO**

There are three different ways for our customers to acquire ownership of the merchandise they have put on a rental agreement with us. Each of the different options are beneficial to our customer in their own ways, but all three can be difficult to understand if improperly explained. It is very important for every associate to have a clear understanding on how ownership is achieved through our program. After all, ownership is the most important goal we have with every customer on every agreement!

### **How Rent To Own Really Works**

In order to best explain to a customer how they can achieve ownership of our merchandise, you must first understand how ownership through a rent to own program actually works. It is one of the least understood concepts in the industry, yet is possibly one of the easiest to explain. So easy, in fact, that it can be explained in one sentence:

*In rent to own, a customer acquires ownership of merchandise by paying off the total cost of ownership per the rental agreement plus any fees or taxes, or an amount equivalent to the full retail price of the merchandise calculated per the terms of the rental agreement plus any taxes or fees.*

Notice there is no talk about finance charges, annual percentage rates, principle, interest, points, the Dow Jones Industrial Average or voodoo magic. There is a reason why you won't see those terms in our agreement and it's a good one: because there aren't any! To acquire ownership, all one has to do is pay off the full retail price or the total cost of ownership (also known as TCO) per the terms of the agreement. This simple concept is easier to grasp with the understanding of the terms of the agreement.

Take a look at some term definitions and examples:

### **Total Cost of Ownership (TCO)**

The **TCO** of any rental agreement is the full balance due at the inception of the contract, excluding any fees or charges a customer may incur over time. The **rental term** of the agreement exhibits the acceptable number of payments a customer can make to satisfy the TCO and at which frequency (time period per payment.) The **rental rate** is the dollar amount of each of those payments made at an interval that depends on the frequency (i.e. monthly, biweekly, semi-monthly.) Read that again.

Simply put, the TCO is equal to the Rental Rate multiplied by the Rental Term.

If a customer buys a living room group at a **rental rate** of \$99.99 per month on a **rental term** of 25 months, the **TCO** for this agreement would be \$2,499.75, or:

$$\text{Rental Rate} \times \text{Rental Term} = \text{TCO}$$

$$\$99.99 \times 25 = \$2,499.75$$

If a customer renews (pays) the full payment on their due date every month for the life of the agreement, they will spend \$2,499.75 to acquire ownership. (Remember that these numbers do *not* include taxes or any fees incurred during the term.)

TCO Quiz: What is the TCO of an item priced \$84.99 per month for 15 months?

**HEY! NO PEEKING!**

Answer: \$1,274.85 (or  $\$84.99 \times 15 = \$1,274.85$ )

The TCO of any rental agreement is the maximum dollar amount that will be paid (not including any incurred fees and taxes) to acquire ownership of the item(s) on a rental agreement.

One key point of TCO (and ownership terms in general) is the understanding that it is the *balance* that must be met to acquire ownership, not the *time period*. This means that a rental agreement with a term of 25 months is referring to 25 on time payments that are equivalent to the monthly rate, not 25 calendar months of time. Therefore, a customer that pays every month but for more than the monthly rate will reach the TCO sooner than the terms of the agreement. Likewise, a customer that pays less (i.e. has an extension to their agreement) will take longer to reach the TCO. It is the number of payments that add up to the TCO that count!

**Early Payout Option (EPO)**

Some customers will want to acquire ownership of their merchandise sooner than the rental terms of the agreement. With a rental agreement at Discover, paying off their agreement early not only gives them ownership sooner, but also saves them money! It involves paying the “remaining” retail price of the merchandise in one lump sum and here is how it works:

Let’s say a customer has made 10 monthly payments on a computer. The monthly rate was \$99.99 a month on a rental term of 15 months. Let’s also assume that the cash (retail) price of their computer was \$749.99. (As usual, none of these amounts include tax.)

Per our agreement with this customer, if they would like to exercise the Early Purchase Option they are entitled to deduct 50% of all rental payments made to date from the original cash price provided that the rental agreement is active (renewed) at the time they want to pay out. The remaining balance after this deduction is made (plus taxes) is the EPO amount due.

So, in our computer example, the customer has made 10 payments at \$99.99 each, or \$999.90 in rental payments. They are entitled to take 50% of that total and apply it towards the original cash price. 50% of \$999.90 is \$499.95. If the original cash price is \$749.99 and we deduct \$499.95, then the EPO amount is \$250.04 (plus tax.)

Here are the formulas:

$$\begin{aligned}10 \text{ payments at } \$99.99 &= \$999.90 \\\$999.90 \times .50 \text{ (or 50\%)} &= \$499.95 \\\$749.99 - \$499.95 &= \$250.04 \\\$250.04 + \text{sales tax} &= \text{EPO}\end{aligned}$$

(Note about taxes – since a customer pays sales tax on every payment, do not calculate tax for the original retail price until after deducting the 50% of rental payments credit otherwise you are charging sales tax twice! At the same time, do not include taxes and fees when calculating the 50% rental payment credit as we do not deduct fees and taxes from the original retail price.)

Now for the benefit of exercising an EPO...

If this same customer had gone full term to pay off the computer, they would have had 5 more monthly payments of \$99.99 each to make before satisfying the TCO (remember, they had already made 10 payments on an 15 month agreement, leaving 5 to go.) That means they would pay \$499.95 (or  $5 \times \$99.99$ ) more before acquiring ownership. By taking advantage of the EPO program and paying only \$250.04 in one lump sum, they save \$249.91 ( $\$499.95 - \$250.04 = \$249.91$ )! By now you may have deduced that the earlier a customer exercises an EPO, the more money they will save acquiring ownership.

**EPO Quiz:** Assume a customer has made 8 monthly payments of \$74.99 on a 20 month agreement. The original retail price of their merchandise is \$749.99. Provided that they are exercising the option on or before their next due date, how much will the EPO amount be and how much will they save over the TCO? (For this example, do not calculate taxes as those rates vary from store to store.)

**Answer:** The EPO amount will be \$450.03 and they will save \$449.85 over TCO.

**Formulas:**

$$\begin{aligned}\$74.99 \times 8 &= \$599.92 \text{ (Total Amount of Rental Payments Made to Date)} \\\$599.92 \times .50 \text{ (or 50\%)} &= \$299.96 \text{ (50\% Credit of Rental Payments Made)} \\\$749.99 - \$299.96 &= \$450.03 \text{ (Retail Price - 50\% RTD = EPO Amount)}\end{aligned}$$

$$\begin{aligned}\$74.99 \times 12 \text{ (number of payments left to TCO)} &= \$899.88 \\\$899.88 - \$450.03 &= \$449.85 \text{ (Amount Saved over TCO)}\end{aligned}$$

Don't worry if you didn't get it right the first time. Keep practicing with different rate, term, and retail variables until you get the formulas down. Remember, our customers rely on us being able to answer their questions regarding ownership so take the time to practice calculating EPOs.

### **A Word of Advice on EPO**

Now that you have a handle on calculating EPO amounts, it is time to explain an important eligibility requirement for a customer to meet before exercising the EPO option.

EPO is part of the rental agreement and therefore is only valid provided that the rental agreement is active (renewed.) If an agreement has expired, it must first be renewed with a regular rental payment in order to then exercise an EPO. There is no EPO amount for any agreement that has not been renewed because there is no EPO on an inactive agreement!

Our computer system already makes the proper calculations for the correct payout on expired agreements (specifically, it adds however many renewal payments it takes to reactivate the agreement, calculates the rent to date which now includes that amount, and then makes the regular EPO calculation to give the proper pay out amount). You should, however, understand why it is calculating EPO in that manner.

### **120 Days Same As Cash (120 SAC)**

By now it should be evident why this ownership option is being explained last. It is far easier to learn how 120 SAC works once you are familiar with all of the terms and rates involved in TCO and EPO.

The 120 SAC amount is equal to the Retail Amount less 100% of rent paid to date plus tax on the difference provided that the agreement is active and this amount is paid within 120 days of the agreement inception date.

For example, say a customer has paid \$1,000 in rent (not including fees and taxes) on a bedroom set that has an original cash price of \$1,450.00. Assuming their agreement is active and is also still within 120 days of when it was written (not *delivered*), the customer is entitled credit for the entire amount they have paid in rent to date. This means that the full \$1,000 in rent will be deducted from the original cash price leaving a 120 SAC balance of \$450.00 plus taxes and any fees.

$$\$1,450 \text{ (cash price)} - 1,000.00 \text{ (rent to date)} = \$450.00$$

Simple, right?

## **Putting It All Together**

At first glance, calculating the TCO, EPO, and even 120 SAC formulas can seem complicated. It may even seem irrelevant as these amounts are all calculated for us by our point of sale program. While that is true, the problem is that the computer cannot explain *how* those amounts are calculated to our customer. That part is left to us. Incorrect explanations lead to confusion and confusion is detrimental to our superior customer service objectives. Make sure you understand how these programs work so you can properly take care of your customers!

### **Think You've Got It?**

If you can correctly answer the following five questions, you probably have a good handle on this concept.

1. What is the TCO of an agreement that has a rental rate of \$129.99 over 25 months?

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2. A customer has paid 24 biweekly payments at \$42.84 per payment on an item with a retail price of \$986.46. What is their EPO provided they are four days past due (not including any incurred fees or taxes)?

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3. Explain why the answer to Question #2 is *not* \$472.38: \_\_\_\_\_

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4. From what date does the 120 SAC period begin?: \_\_\_\_\_

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5. What are the three ways to acquire ownership on items leased on a rental agreement?

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## **Glossary of Terms and Abbreviations**

There are many different terms and abbreviations used in our industry. Here are some of the ones you'll want to be familiar with.

**% Rent Collected – *Percent Rent Collected*** – the percentage of rental revenue collected by a store. Calculation:  $(\text{Rent Revenue} / \text{Beginning UD}) \times 100 = \% \text{ Rent Collected}$ .

**120 SAC – *120 Days Same As Cash*** – Program that allows a customer to payoff an agreement at retail price (plus taxes and incurred fees) within 120 days of agreement inception.

**AIA – *Average Income per Agreement*** – This is the average monthly dollar value of the store's agreements. Calculation:  $\text{UD} / \text{AOR} = \text{AIA}$

**AOR – *Agreements On Rent*** – The total number of active agreements on rent at a store.

**AM – *Assistant Manager*** – (see Discover Operations Manual)

**CAM – *Customer Account Manager*** –(see Discover Operations Manual)

**C/O – *Charge Off*** – 1. Any account that is 60 days past due as of the 1<sup>st</sup> of every month. 2. Any agreement that is covered under the Liability Waiver program. 3. Any inventory item disposed due to skip, junk, or LDW.

**COR – *Customers On Rent*** – the number of active customers in a store.

**CSR – *Customer Service Representative*** – (see Discover Operations Manual)

**EOB – *End of Business*** – abbreviation referring to the end of a business day.

**EPO – *Early Purchase Option*** – Program that allows a customer to payoff an agreement prior to the full rental term at a discounted amount.

**Free Time** – used to compensate time to an agreement, payment moves to the back end of the agreement.

**Free Rent** – used to compensate rent dollars to an agreement, payment is no longer owed to store.

**Frequency** – refers to the frequency of a payment:

1. Weekly – payment is due once a week (usually Saturday)
2. Biweekly – payment is due every other week
3. Semi-monthly – payment is due twice a month
4. Monthly – payment is due once a month

**GM** – *General Manager* - (see Discover Operations Manual)

**JUNK** – an item that has been deemed worthless by the Regional Manager and disposed from inventory.

**LDW** – *Liability Damage Waiver* – part of the Free Advantage program which free a customer from any liability for items lost to fire or acts of God.

**M/E** – *Month End* – abbreviation referring to the end of the month

**MT** – *Management Trainee* - (see Discover Operations Manual)

**Negative Adjustment** – the return of only some of the items on an active agreement. The remaining items not returned keep the agreement active.

**Past Due %** - *Past Due Percentage* – the percentage of all agreements that are past due. Calculation:  $(\# \text{ of Past Due Agreements} / \text{AOR}) \times 100 = \text{Past Due \%}$

**PCR** – *Petty Cash Receipt* – 1. document that exhibits a petty cash expenditure, 2. total amount of petty cash receipts reported from a store to the home office.

**P/O** – *Pay Out / Paid Out* – 1. an agreement that has been satisfied by a customer (see also TCO, EPO, and 120 SAC), 2. An item that has been disposed to PAID OUT.

**P/U** – *Pick Up (also Return)* – an agreement or inventory item that has been returned to the store from an active agreement.

**P/T** – *Product Technician / Delivery Driver* - (see Discover Operations Manual)

**Quality %** - *Quality Percentage* – the percentage of all agreements that are 15 or more days past due. Calculation:  $(\# \text{ of 15+ Past Due Agreements} / \text{AOR}) \times 100 = \text{Quality Percentage}$ .

**RM** – *Regional Manager* - (see Discover Operations Manual)

**Rental Rate** – the payment amount of an item, is based on frequency.

**Rental Term** – the number of payments of an agreement at inception.

**SM** – *Sales Manager* – (see Discover Operations Manual)

**TCO** – *Total Cost of Ownership* – the total dollar amount of an agreement at inception (not including taxes and incurred fees.) Calculation:  $Rental\ Rate \times Rental\ Term = TCO$

**UD** – *Ultimate Dollars* – the total dollar value of all active agreements that come due each month per agreement frequency.

**W/E** – *Week Ending* - abbreviation referring to the end of the week (Saturday.)

## Level I: Introduction to Sales Exam

**1. Name each key component of a sale:**

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**2. Give three examples of things that define a store's approach:**

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**3. Once at the store, the first thing the most successful salespeople do every morning is:**

- a. – Eat breakfast
- b. – Check email
- c. – Update the goal board
- d. – Walk the showroom

ANSWER: \_\_\_\_\_

**4. Name four things a salesperson can do to make sure they have given themselves the best start to the day possible:**

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**5. Why should you carry a notepad with you when you walk the showroom floor?**

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**6. True or False: The sales staff is solely responsible for the store's approach.**

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**7. What can you do to improve your skills at greeting a customer?**

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**8. True or False: Sometimes it's okay to make a less than good impression at first because you can always "win" the customer back with a good joke.**

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**9. What does FAB stand for?**

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**10. How can you best determine a customer's wants and needs?**

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**11. Give a good example of a wants and needs question you could ask a customer who is shopping for a:**

**Living room:** \_\_\_\_\_

**Washer/Dryer:** \_\_\_\_\_

**Bedroom:** \_\_\_\_\_

**Television:** \_\_\_\_\_

**Computer:** \_\_\_\_\_

**12. To sell successfully, what should you build into the merchandise being offered to the customer?**

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**13. True or False: The best way to handle a customer who cannot make the first payment on merchandise until they get paid again is to setup a time and date for them to come back to the store:**

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**14. A salesperson job is to \_\_\_\_\_, not put up new ones.**

**15. A sale is only closed when a customer is:**

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**16. Give a good response to the objection “I don’t like that color, can I get it in a different one?”**

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**17. Give a good response to the objection “I don’t see anything here that I like. Do you have a catalog I can look at?”**

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**18. True or False: You should always show your customer every item you have in the store because you want them to see you have a large selection to choose from.**

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**19. Name the one key component of a sale that salespeople commonly neglect to do.**

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**20. When asking for a sale you should always ask what type of questions?**

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**21. Name four resources available that can help with merchandising.**

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**22. True or False: The way to display merchandise in the store is to set everything up however it looks best to you.**

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**23. Where does the price tag go on a coffee and end table?**

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**24. True or False: The refrigerators should be turned up high so that the customer can feel how cold they get.**

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**25. True or False: It is okay if a few items are missing a price tag because you can always write up a quote for a customer.**

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**26. Explain in your own words what “up selling” means:**

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**27. True or False: Perceived value is our professional opinion of what an item and/or service is worth, generally based on market conditions.**

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**28. Name one way to increase the perceived value of a preleased bedroom.**

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**29. Who in the store should answer the phone first?**

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**30. What is the proper Discover Rental Purchase telephone greeting?**

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**31. True or False: You should always explain the features, advantages, and benefits of an item before quoting a price.**

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**32. True or False: During a phone sale, a good way to take a customer off the market is to invite them into the store to fill out an order form.**

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**33. Name one way to increase friend referrals:**

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**34. True or False: All order forms must be verified before delivery.**

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**35. Why is it important to make sure that every customer signs the order form?**

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**36. Under what circumstance is a customer covered by the Free Liability Waiver Program?**

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**37. True or False: a customer's liability is waived if their item is lost or stolen as long as they provide us with a police report.**

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**38. What requirements need to be met for a customer to qualify for the Defer a Payment Program?**

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**39. How much off of the first monthly payment does a Platinum Club customer receive on a new agreement?**

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**40. True or False: Loaners are part of our written agreement with customers.**

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**41. What does 120 SAC stand for?**

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**42. When does the 120 SAC term begin?**

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**43. What does TCO stand for?**

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**44. Calculate the TCO of a computer that is \$74.99 per month on a 15 month term with a retail price of \$559.99.**

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**45. What does EPO stand for?**

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**46. What is the EPO for a renewed agreement in which a customer has made 15 of 25 monthly payments at \$114.88 on an item that retails at \$1,436.00? (Do not include fees and taxes)**

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**47. True or False: An agreement only two days past due still has a valid EPO amount because it falls within our renewal grace period.**

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**48. True or False: It is okay to give an extension on a 120 SAC expiration date provided the General Manager has approved it first.**

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**49. True or False: The easiest way to explain how EPO works to a customer is to tell them it is always 50% of their balance.**

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**50. List or explain at least one thing you learned today.**

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Name: \_\_\_\_\_ Store#: \_\_\_\_\_

Position: \_\_\_\_\_ Date: \_\_\_\_\_

Raw: \_\_\_\_\_ / 50 Score Percentage: \_\_\_\_\_