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Drivers of sales force equity in the service industry

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ABSTRACT

Based on the Stimulus–Organism–Response (S–O–R) model, this paper investigates the drivers of salesperson equity by exploring the mediating role of value added by salespeople in the relationships between salesperson attributes and both sales force loyalty and salesperson equity. A questionnaire was constructed and data were collected on customers served by financial salespeople working at five banks. A structural equation model was used to empirically assess the proposed research model. The empirical results reveal that the two dimensions of value added by the salesperson (enjoyable interaction, perceived risk) partially mediate the relationship between salesperson attributes (expertise, trustworthiness) and customer loyalty to the salesperson. In addition, the relationship between salesperson expertise and salesperson equity is partially mediated by both dimensions of value added by salespeople. However, the two dimensions of value added by salespeople fully mediates the positive relationship between trustworthiness and salesperson equity. Theoretical and managerial implications of the study are addressed.

1. Introduction

Brand equity has long been recognized as an important concept for academics and practitioners. Several factors explain this importance, particularly because brand equity is one of the most valuable intangible assets of an organization (Keller and Lehmann, 2006), since it leads to higher consumer preferences and purchase intentions (Cobb-Walgren et al., 1995). Yeung and Ramasamy (2008) define brand equity as the value that the brand adds to the total value of a firm. Surprisingly, although the brand equity concept has been extended to various contexts, such as customer equity (e.g., Rust et al., 2004), distributor brand equity (De Wulf et al., 2005), retail brand equity (e.g., Jara and Cliquet, 2012), and employee brand equity (e.g., King and Grace, 2010), to our knowledge, no study has extended the concept to the sales force.

Palmatier et al. (2007) show that salespeople are able to command a premium price from customers. In addition, those authors demonstrate that customers can become strongly attached to salespeople, and that this attachment induces customer preference for the firm. Consequently, the sales force can be viewed as a valuable firm resource that can add value to the firm by adding value to the customer, as well by increasing customer preferences and purchase intentions. Thus, the sales force can be considered an intangible value that can provide several advantages to a firm that are similar to the advantages cited concerning brand equity. Therefore, it is logical to extend the equity concept to the sales force context, which we term "salesperson equity." Given the importance of value in the definition of the concept of equity, the question arises: "What is the relationship between customer value and salesperson equity?"

Palmatier et al. (2007) study the value received by the customer as a predictor of customer loyalty to salespeople and find a significant relationship between these concepts. The authors define the value received by the customer as the customer's overall assessment of utility (Zeithaml, 1988), specifically in terms of the global trade-offs between customer benefits and costs. Thus, they consider customer-received value or customer-perceived value as a unidimensional concept. However, numerous researchers (e.g., Holbrook, 1996; Mathwick et al., 2001) consider customer-perceived value as a multidimensional concept and operationalize the value received by a customer as the firm value communicated by the salesperson. Nevertheless, in parallel with an increased focus on customer value, other researchers have started to investigate the role of the sales force in the value creation process. The primary argument underlying this interest is that the sales force not only communicates a firm's value, but can also create it (Rackham and De Vincentis,1999). This critical role of the sales force in value creation has recently been noted by Blocker et al. (2012) in terms of relationship marketing. Haas et al. (2012) also introduce a new model to show how the sales force actually contributes to value creation in relationships. By considering value added by the

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salesperson, customer loyalty to the salesperson, and salesperson equity, one pertinent question arises: "What is the relationship between those concepts?"

Based on the Stimulus–Organism–Response (S–O–R) framework developed by Mehrabian and Russell (1974), the present study aims to respond to the questions outlined above. Specifically, the goal of this research is to examine the drivers of salesperson equity by exploring the relationship between salesperson attributes, the value added by the salesperson, customer loyalty to the salesperson, and salesperson equity in the service context. This research makes four main contributions to the sales force literature. First, the study uses the S–O–R model, which can serve as a future reference for researchers examining the influence of sales force attributes on customer responses. Second, the study empirically examines the importance of the value added by the salesperson to verify the role of the sales force as a generator of value for both the buyer and the seller, as predicted by several researchers (e.g., Blocker et al., 2012; Haas et al., 2012). This issue is important, because the sales force is considered a component of integrated marketing communications, which are generally viewed as the main tool in a firm's value communication. Thus, this study provides a new approach that views communication as a tool of value creation. Third, as encouraged by Palmatier et al. (2007), the results of this research can help to explain the role of salesperson attributes as a determinant of customer-perceived value and customer behavior. Finally, we introduce the concept of salesperson equity, and explore some of its drivers.

The remainder of this paper proceeds as follows. In the literature review section, we briefly review the S–O–R model and its application in the sales force context. The next section develops a conceptual model and hypotheses, and the methodology and results follow. Finally, we discuss the practical implications of the results, including research perspectives.

2. Conceptual model

Based on the S–O–R model, Fig 1 presents the proposed conceptual framework for the drivers of salesperson equity. This conceptual framework hypothesizes that salesperson attributes (expertise and trustworthiness) lead to cognitive and affective customer responses (i.e., risk reduced by the salesperson and enjoyable interaction), which in turn drive customer responses (i.e., customer loyalty to the salesperson, hereafter referred to as salesperson loyalty, and salesperson equity). Hence, the model suggests that the value added by a salesperson (i.e., risk reduced by the salesperson and enjoyable interaction) plays a mediating role in the relationship between salesperson attributes and both salesperson loyalty and salesperson equity. In addition, the model states that salesperson loyalty is a driver of salesperson equity. Finally, to further enhance the justification for the use of the S–O–R framework, we compare two alternative models for predicting salesperson equity. Specifically, we compare our global model with a model in which there is no connection between the value added by a salesperson and salesperson equity (i.e., constraining «a» equal to zero; see Fig. 1). This alternative model is adopted by some researchers, such as Yoo et al. (2000).

The choice to employ the S–O–R model and those drivers is explained in the following sections.

2.1. The S–O–R model and its relevance to our study

The S–O–R framework describes mechanisms for how environmental elements affect behaviors (see Fig. 1). The basic concept behind the S–O–R framework introduced by Mehrabian and Russell (1974) is that when a person (e.g., a consumer) is exposed to a stimulus (S), the person develops internal states or an organism response (O), which in turn dictates the person's behavioral response (R). A stimulus is something that incites action (Bagozzi, 1980). Baker (1987) classifies an environmental stimulus into three factors: ambient factors, design factors, and social

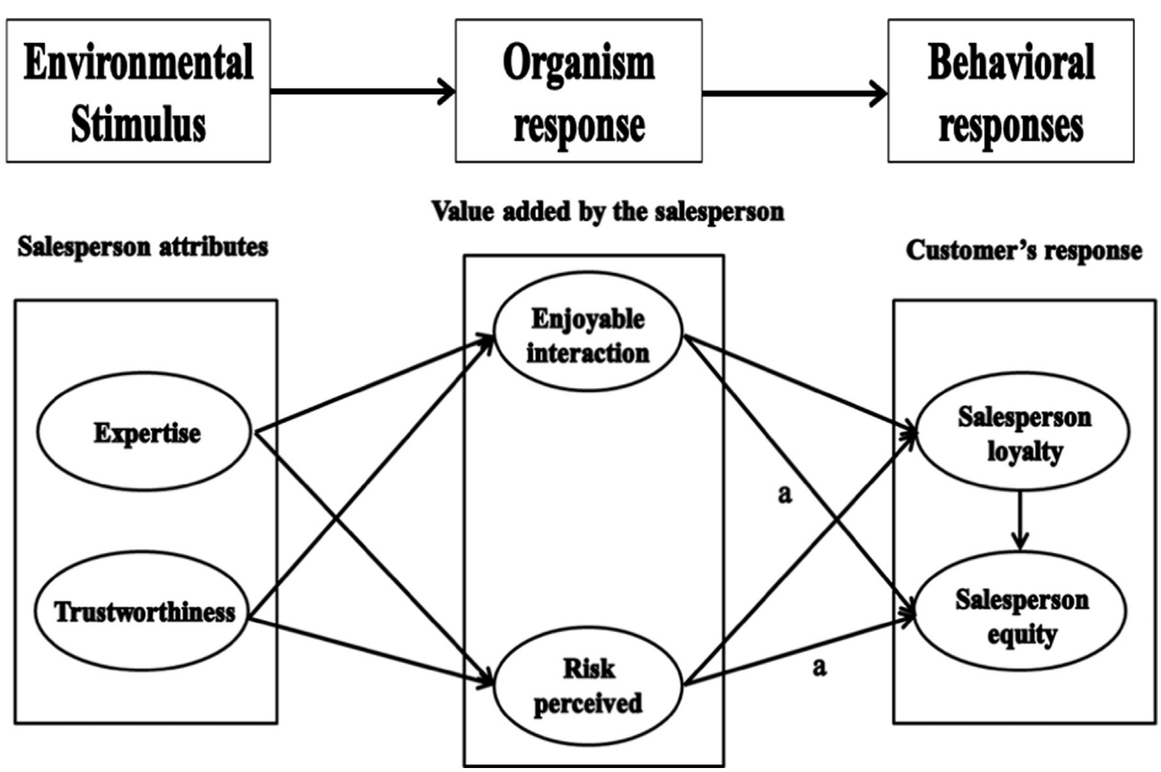

Fig. 1. The Stimulus–Organism–Response model.