



## Internet Channel Cannibalization and its influence on salesperson performance outcomes in an emerging economy context



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### ARTICLE INFO

#### Keywords:

Salesperson perceived cannibalization  
Structuration theory  
Emerging economies  
Relational capital  
Perception of fairness  
Job performance  
Client professionalism

### ABSTRACT

Businesses increasingly use internet channels to increase their market penetration. However, empirical studies have shown that salespeople perceive Internet channels to be cannibalistic, effecting other sales—an effect that past researchers have termed as salesperson perceived cannibalization (SPC). None of these studies has examined this phenomenon in an emerging economies context, which has distinct dimensions. In this paper, we explore the influence of SPC on insurance sales agents in an emerging economy context through the lens of Structuration theory. We examine the SPC's impact on job performance and client professionalism. We further examine the moderating role of relational capital and perception of fairness on the influence of SPC on job performance and client professionalism.

### 1. Introduction

“In this black-and-white world, innovations such as the Internet will either save us or sink us.” – Andrew L. Shapiro

In most industries around the globe, multi-channel selling has become the standard; few companies do not sell on the internet (Thaichon et al., 2018). By selling through internet channels, companies expect to augment their performance in existing markets and enter new markets (Geyskens et al., 2002). However, internet channels can increase ambiguity in market adherence, create real-time risks for future potential business performance, and also wipe out the worth of previous relational investments (Geyskens et al., 2002). Building on social exchange theory, Tojib and Khajezadeh (2017) posit that most firms view multi-channel initiatives as fillips to the better customer relationship. However, reducing physical presence negatively affects customers' perceived relationship investment and trust, and increases their switching intention (Cliquet and Voropanova, 2016). As Porter (2001: p73) stated, “It is largely understood that the internet is cannibalistic [and that it] will replace all usual ways of doing business.”

Tremblay (2001) suggests that extensive use of the internet will result in lower commissions for sales agents and the gradual erosion of the jobs of sales agents. Agents, in the industries previously dependent upon sales agents, such as real estate, travel and insurance, consider web-based distribution channels a threat (Díaz et al., 2015b, 2017; Eastman et al., 2002).

Sharma and Gassenheimer (2009) constructed a multi-item scale called sales agents' perceived cannibalization (SPC) to capture sales agents' perception of threat from internet distribution. This measure captures perceived loss or reduction in a sales agent's income as a result of the introduction of a competing internet channel (Díaz et al., 2015a). Examining SPC and its effects in a sample of North American sales agents, they found that SPC correlated with alienation from work and a follow-up study (Sharma et al., 2010) found that SPC negatively influenced sales agents' job satisfaction, job performance, and effort. Researchers have not tested their findings in emerging economies (EEs), where internet channels have grown in recent years (Kalia et al., 2016). The relationship between the employer (organization), employees, and customers may be significantly different in emerging economies from those in the developed (Kurtulus, 1980). EEs, feature entrenched businesses, a significant proportion of customers who do not shop online, and low awareness among vendors of the opportunities or risks associated with competing for e-commerce channels (Kalia et al., 2016; Kshetri, 2007; Molla and Licker, 2005; Moodley and Morris, 2004; Rao, 2003). Some evidence suggests that internet channels offer few sales opportunities in developing countries (Kalia et al., 2016; Kshetri, 2007; Lambert and Davidson, 2013). In the emerging economy context, SPC and its effects may be different from developed economies. The current paper investigates whether this is the case.

This study examines the effect of SPC on insurance agents' performance in an EE context (India). India was predicated on the fact that

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India is one the largest and fastest growing economies in the world. Furthermore, it has experienced a rapid increase in e-commerce in the last decade (World Bank Report, 2017). Specifically, we examine the effect of SPC on job performance and client professionalism. Further, we attempt to extend our understanding of the importance of nuances of a developing country context on SPC.

One of the distinct aspects of developing country context is the paternalistic nature of the employer-employee relationship (Sinha, 1990). Arguably, the employees' perception about the addition of internet distribution channels might be very different under a paternalistic employer-employee relationship as compared to a more egalitarian relationship seen in the developed countries. To capture the effect of these contextual nuances, we investigate the moderating role of relational capital and perception of fairness on the effect of SPC.

Our analysis draws upon tenets of Structuration theory (Giddens, 1984), which posits that "human agents draw on social structures in their actions, and at the same time these actions serve to produce and reproduce social structure" (Jones and Karsten, 2008: p 129). Linking to broad social theory, such as Structuration theory, allows the researchers to examine the context of selling as embedded in the socio-cultural context (Hartmann, Wieland and Vargo, 2018). Jones and Karsten (2008) define Structuration theory as a "general theory of social organization...explaining the relationship between individual and society" (p 129). Researchers have invoked Structuration theory to investigate the importance of contextual nuances on the human behavior (Walsham, 2014). It has notably been used in the area of Information Systems to explicate the issues in the adoption of new technologies such as how the new technologies influence the concerned actors and their social behavior (Desanctis and Poole, 1994). Past research has invoked the Structuration theory to examine the various aspects of the influence of the internet and e-commerce on organizations' performance, individual behavior such as employee-employer relationship (Couclelis, 2004). The primary purpose of our study is to explore the understanding of internet channels and SPC perceived by the salesperson and to explore the phenomenon as embedded in social and cultural dynamics. Structuration theory lens enables researchers to examine the importance of contextual nuances in shaping the behavior (Hartmann et al., 2018). Accordingly, we draw upon the Structuration theory to explain the phenomenon.

The rest of the paper proceeds as follows. The next section illustrates the insurance industry in India, highlighting insurance agents' existing role as salespeople and the changing dynamics brought in by internet channels. The third section discusses the phenomenon from a Structuration perspective, establishing the theoretical foundation. Next, we build hypotheses through theoretical arguments. The fifth section presents the results of the study, and the sixth discusses the implications of the results for theory and practice. The paper also identifies the limitations of the study and proposes directions for future research.

## 2. The context: insurance industry in an EE context

The flow of foreign direct investment (FDI) suggests the importance of EEs as an opportunity for growth in the changing world economic order. In the course of a three year (2007–2009) period, US\$1673 billion flowed to developing nations and India alone attracted US\$100 billion, with the service sector receiving 32% of these funds (Reserve Bank of India, 2011). Within the service sector, the insurance industry presents immense growth opportunities. India has 360 million life insurance policies, making it the world's largest life insurance market. India's life insurance market is forecast to surge at a compound annual growth rate of 12–15% in the five years period 2014–2019. Analysts suggest that by 2020, the Indian insurance market will be approximately \$1 trillion (IBEF, 2014).

In spite of a large number of life insurance policy offerings in India, the penetration of insurance is very low as compared to the developed countries. One study estimated the penetration of life insurance in India

at 4% (Yadav, 2014). The resulting sellers' market conditions result in little focus on service quality (Firoz and Maghrabi, 1994; Sami Kassem, 1989). Further, the dyadic relationships between the employer and agent and between the agent and the customer arguably differ because developed economies have a buyer's market for insurance but India has a seller's market.

The effect of internet channel adoption in India's insurance sector may be significantly different from that of the developed countries. Insurance agents have acted as mediators between insurers and customers for decades. The insurance company and insurance salesperson exist in a relationship of principal and agent. The agent receives commissions for sales from the principle, calculated as a percentage of the premiums paid by the customers. Agents receive the most significant percentage of the first premium and a smaller portion of subsequent premiums, which acts like an annuity. This system incentivizes the agent to serve the customer as long as the policy is active. Agents often pass the commission from the first premium payment to the customers as a cash incentive to create a revenue stream.

Under these circumstances, Indian insurance companies are rapidly increasing their online presence. Fifty-one insurance companies, including 24 life and 27 non-life insurance providers have their own websites to provide information to the customers (Umamaheswari and Chandrasekaran, 2015). Twenty-one out of the 24 companies in the life insurance space provides financial transaction facilities through the internet such as having an online account and premium payment facility, while 14 allow online purchase of policies (Umamaheswari and Chandrasekaran, 2015). The recent trend of adoption of internet channels by insurance companies in India to reach out to their customers directly poses a threat to the traditional model and customers are increasingly migrating to these online distribution channels. Insurance companies assign policies created online to individual agents for providing ongoing service but have lowered the premium amount that the agents receive on purchases through the internet.

Though internet penetration in India is rapidly progressing, only about 12% of the population has access to the net (Kumar and Thapa, 2015). Unlike the West, Internet access came to India relatively recently, and perceptions about the technology are still evolving. Insurance agents still play a significant role for insurance companies, especially in rural areas where market penetration is low. Interrupted electricity, illiteracy and perceived inability to use complex technological platforms further act as barriers to technology access (Kumar et al., 2011). Moreover, it has been observed that customers are wary of adopting significantly innovative services, such as internet banking and online insurance purchase, in emerging economies (Vaithianathan, 2010). There is a range of consideration that enters into the analysis of consumers' perceptions, concerns, anxieties, and attitude towards innovative offerings, such as perceived risk and uncertainty (Littler and Melanthiou, 2006). Internet-based retail services are still in the early development phase in India. In such circumstances, a considerable proportion of customers buy insurance directly through agents, and those who buy policies through internet seek and expect to have direct access to agents for service. For, example, the State initiated an Internet shutdown in the state of Gujarat during communal violence to prevent mob mobilization. During the internet shutdown, customers who had to submit their premium and could not do so online clamoured their agents for assistance. Agents, therefore, remain crucial to the organizations and practitioners as well as scholars have reason to understand agents' perceptions about the introduction of internet channels. Thus the insurance sector in India proffers an exciting case for examining the influence of adoption of technology (internet distribution channels) on the work organization, specifically to understand the perspective of insurance sales agents.

To summarize, the Indian insurance sector is on a high growth path and several firms have started adopting internet channels for distribution. Further, the internet penetration is also increasing. The consumers' and the salespersons' perception about the use of internet

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