

INDUCING SALESPEOPLE TO SELL PROPRIETARY PRODUCTS: DO TRANSACTION COST FACTORS HINDER? DO RELATIONSHAL FACTORS HELP?

STEVE EDISON, *University of Arkansas at Little Rock*

SHELBY D. HUNT, *Texas Tech University*

SREEDHAR MADHAVARAM, *Cleveland State University*

Motivating salespeople to sell the full product line including proprietary products is an important, yet daunting, task. Transaction cost economics suggests salespeople may resist selling proprietary products because proprietary products may constitute a way of binding the customer to the firm, not the salesperson. In contrast, the relationship marketing literature suggests that, even in the face of the hazards identified by transaction cost economics, salespeople may be willing to promote proprietary products when such relational factors as trust and commitment are present. This article explores the roles of transaction cost and relational factors in inducing salespeople to sell proprietary products. The article develops a conceptual model and presents the results of a study involving 191 veterinary distributors' salespeople. This article finds that the transaction cost factors do not seem to hinder and the relational factors do not seem to help in inducing salespeople to sell their firms' proprietary products. Indeed, we find that one relational factor, trust, has a negative, moderating effect on the relationship between "quota percent" and the sales of proprietary products. These surprising findings need to be replicated and extended in future research.

INTRODUCTION

As part of a policy of having a complete product line, firms often develop and sell proprietary or "house-branded" products. In banking, for example, proprietary products account for about 20 percent of all sales (Hunter 2000). House brands have long been strongly emphasized in many industries. One reason is that firms are attracted to the revenues and profits that proprietary products can generate. An emerging stream of research based on transaction cost economics (e.g., Williamson 1975) offers a second reason for some multiline providers to favor proprietary products: they are "a means to safeguarding their most critical – and mobile – asset: their salespeople" (Andrews 1996, p.11). This safeguarding is accomplished, it is alleged, because proprietary products tend to tie customers to the house brands' owners, rather than to individual salespeople (Andrews 1996).

Motivating salespeople to sell the full product line is an important, yet daunting, task for sales managers. As the reasoning based on transaction cost economics suggests, it may be *extraordinarily* difficult to motivate salespeople to sell the full product line when the line includes proprietary products because, first, salespeople may fear that they will lose the personal loyalty of their customers when they buy large quantities of house brands. That is, for those customers whose purchases reflect a high share of proprietary products, their loyalty may be more to the salespeople's *firms* than to the salespeople *themselves*, which is detrimental to the self interests of the salespeople (Anderson and Robertson 1995). Second, salespeople may fear that their job mobility may suffer when they sell large quantities of proprietary products because the skills and knowledge acquired in selling the firm's proprietary products may not have value elsewhere (Anderson and Schmittlein 1984; Williamson 1975). In short, many writers maintain that transaction costs factors (i.e., fear of loss of customer loyalty and fear of loss of

job mobility) hinder the task of motivating salespeople to sell proprietary products.

However, consider another emerging stream of research: relationship marketing. Research in this area indicates that *relational* factors, that is, the characteristics of quality relationships, tend to promote numerous positive outcomes for firms (Dwyer, Schurr and Oh 1987; Gummesson 2002; Gronroos 2000; Gundlach, Achrol and Mentzer 1995; Morgan and Hunt 1994; Sheth and Parvatiyar 1996). Relationship marketing theory suggests that high-quality relationships between salespeople and their firms may assist sales managers in motivating their salespeople to sell proprietary products, even given the potential hazards that salespeople may perceive as being associated with the possible losses of customer loyalty and job mobility (Macintosh, Angkin, Szymanski and Gentry 1992). Specifically, we argue, if the relational factors of trust and commitment are present in the relationships between salespeople and their firms, this will contribute to salespeople's motivation to sell the full product line, including proprietary products. In short, the relational factors of trust and commitment should help sales managers motivate their salespeople to sell proprietary products.

This article focuses on exploring empirically two questions: (1) Do the transaction costs factors (fear of loss of customer loyalty and fear of loss of job mobility) hinder sales managers in their efforts to motivate salespeople to sell proprietary products? (2) Do relational factors (trust and commitment) help sales managers in their efforts to motivate salespeople to sell proprietary products? In exploring these questions, we control for certain factors (e.g., quotas) that traditionally have been argued to be successful in motivating salespeople. Our article is organized as follows. First, we develop an integrated model that proposes that traditional, transaction cost, and relational factors influence the sale of proprietary products. Second, we present our methodology, including sampling frame, construct measurement, and data collection. Third, we test our model using data from 191

salespeople. Fourth, we discuss the results and implications for future research.

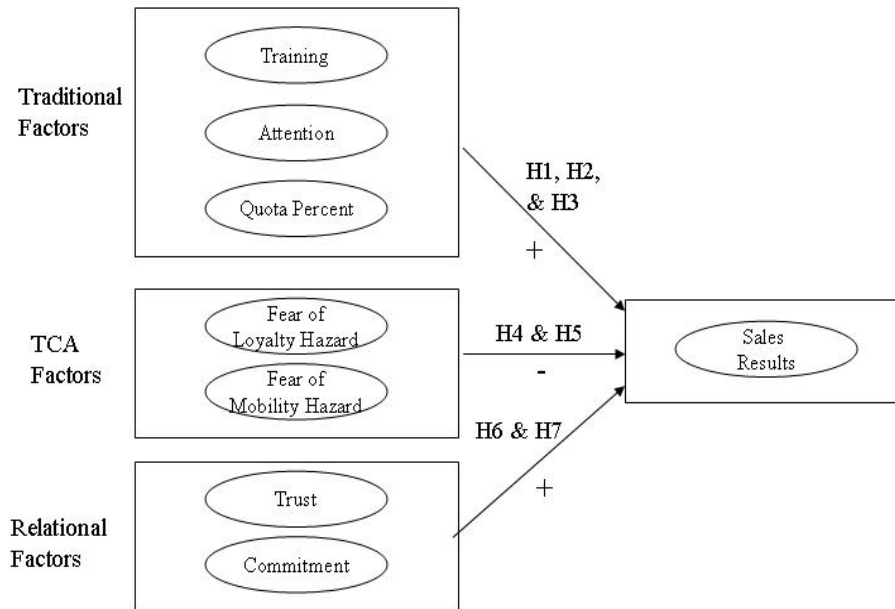
MODEL DEVELOPMENT

Many firms, including, in our study, multiline wholesale distributors, carry one or more proprietary products. Proprietary products are house-branded products or products for which the distributors have (relatively) exclusive franchise rights. Considering the advantages that firms derive from the sale of proprietary products, how do they motivate their salespeople to sell such products? The dependent variable in our model, shown in Figure 1, is sales results, which is defined as the percentage of the salesperson's total sales that are proprietary product. The model proposes that there are several "traditional" factors that (1) are under the control (or influence) of the sales manager, (2) have been successful in motivating salespeople in multiple contexts, and, we argue, (3) should be effective in motivating salespeople in the context of proprietary products. Given the focus of our study, these variables may be viewed as control variables. Second, the model proposes that transaction cost factors negatively affect the efforts of sales managers to induce the sale of proprietary products. Third, the model proposes that relational factors positively affect proprietary products' sales. We discuss each, in turn.

Traditional Factors

Of the factors that have been traditionally found to affect salespeople's sales, we specifically explore the influence of three that are under the influence of the sales manager: salesperson training, the attention given to the salesperson by the sales manager, and the percentage of the quota that is devoted to proprietary products. As to training, salespeople are regularly involved in product and process training programs that emphasize proprietary features (Anderson and Schmittlein 1984; John and Weitz 1989). *Training* of salespeople by a firm gives the firm the opportunity to communicate the benefits (and downplay the negative

FIGURE 1
An Integrated Model of Salesperson's Sales of Proprietary Products



aspects) of selling proprietary products. Anderson and Robertson (1995) find that the levels of proprietary products' sales are positively correlated with the salesperson's perception of their own level of training.

Supervisor's *attention* has been found to affect salesperson compliance with firm goals (Anderson and Robertson 1995; Churchill, Ford, Hartley and Walker 1976). In a way, this attention represents the time available to the firm for influencing the salesperson and encouraging certain behaviors, while at the same time downplaying the associated risks. Hence, sales managers can pay additional attention to salespeople in terms of encouraging them to sell proprietary products.

A third factor directly controlled by the firm is the development, assignment, and communication of quotas. Sales *quotas* are goals or targets set by sales managers and are used extensively, and often effectively, to motivate salespeople (Chowdhury 1993; Schwepker and Good 2004; Walker, Churchill and Ford 1977). Goals are signals or communications of what the firm wants the employee to do or accomplish. The more clearly defined or articulated the signal, the more likely the employee is to comply. Some firms and managers have unspecific or unclear goals, while others have very clear and specific goals. Chowdhury (1993) refers to the link between goals and a salesperson's intention to expend effort as the compliance effect. Schwepker and Good (2004) note that quotas

are a commonly used output control to help firms in achieving specific sales outcomes. Because quotas become catalysts that affect motivations, strategies, attitudes, and performance, they can be used to motivate salespeople in selling proprietary products (Schewpker and Good 2004). Therefore,

- H₁:** The greater the level of salesperson training, the greater will be the salesperson's sales of proprietary products.
- H₂:** The greater the level of attention shown to salespeople, the greater will be their sales of proprietary products.
- H₃:** The greater the percent of the salesperson's quota devoted to proprietary products, the greater will be the salesperson's sales of proprietary products.

Transaction Cost Factors

At the core of transaction cost economics is the concept of transaction specific assets (TSAs) (Williamson 1975, 1981). In the model (see Figure 1), the dependent variable (sales results) is an example of firm-specific assets resulting from the investments made by salespeople for the firm. These TSAs create a "hazard," or potential for opportunistic behavior (Williamson 1975). The typical transaction cost economics prescription would be for the party investing in assets to safeguard them through bureaucratic, hierarchical control (e.g., vertical integration) (Anderson 1988; Ganesan 1994). However, in this research, it is the salesperson who "invests." Since salespeople generally lack the ability to integrate "upward," the key question is to what degree does the sensitivity to and perception of TSA-related hazards affect the degree of investment in these same assets. That is, what is the relationship between the perception of risks associated with an investment in non-redeployable assets (TSAs) and the likelihood that a salesperson will invest in those assets?

There are two principal and potentially adverse consequences of TSAs. First, while a

salesperson's customer base is considered to be an asset to be nurtured and protected, it is possible that the sale of proprietary product may cause the customer to transfer their loyalty from the salesperson to the firm. This is due in part to the emphasis on the firm's uniqueness. The perceived potential for reduced customer loyalty has been shown to reduce the tendency on the part of salespeople to invest in TSAs (Anderson and Robertson 1995). In the conceptual model depicted in Figure 1, *fear of loyalty hazard* represents the fear of the loss of customer loyalty.

The second potentially adverse (to the salesperson) consequence of TSAs is that they have the effect of creating exit (mobility) barriers (Anderson and Schmittlein 1984; Williamson 1975). For example, it is possible that the skills and knowledge acquired in selling proprietary products may not have value elsewhere. That is, they do not translate into skills that are transferable to other jobs. In the model in Figure 1, *fear of mobility hazard* represents the salesperson's fear of the loss of job mobility, which, for transaction cost economics, should result in salespeople selling less proprietary products. Therefore,

- H₄:** The greater the perception of customer loyalty hazard, the lower the level of salesperson's sales of proprietary products.
- H₅:** The greater the perception of mobility hazard, the lower the level of salesperson's sales of proprietary products.

Relationship Marketing Factors

Gundlach, Achrol and Mentzer (1995, p. 79) predict that the marketing paradigm is shifting to one where "social determinants of behavior such as trust and commitment [will] play an even more important role." While the transaction cost model focuses on the negative consequences on the focal dependent variable (sales results), there is significant research that supports a more optimistic view. This relationship marketing view posits that relational factors, such as trust and

commitment, encourage cooperative behavior. In Figure 1, commitment and trust are modeled as key factors affecting sales results because “commitment and trust lead directly to cooperative behavior” (Morgan and Hunt 1994, p.22).

Although *trust* is the most universally accepted exchange variable (Gundlach and Murphy 1993), defining it is problematic. There is a wide spectrum of possible personal and social relationships, including trust in an organization and trust in the people in an organization. However, all the definitions of trust share to some extent the confidence that people have that other people or organizations will not take advantage of them. In this article, following Morgan and Hunt (1994, p. 23), we conceptualize trust as existing “when one party has confidence in an exchange partner’s reliability and integrity.”

While the relationship marketing literature views trust as a key variable, studies in the organizational economics literature are conflicted on the subject. Where Arrow (1973, p.24) sees “an element of trust in every transaction,” Williamson (1975) sees contracts and controls (central to organizational economics) as substitutes for trust. In his early work, Williamson saw a role for trust (albeit small), stating that “norms of trustworthy behavior sometimes extend to markets and are enforced, in some degree, by group pressures” (1975, p. 106), which that when credible signals (from honest firms) exist, exchange partners can trust the partner and need not monitor for opportunism, thereby lowering transaction costs. Williamson’s (1993) later work denies the value of trust as a variable in the study of organizational structure. Reacting to research emphasizing the role of trust in economic relations, he contends “that the study of economic organization is better served by treating commercial transactions without reference to trust” (p. 99). This latter position highlights major differences between the transaction cost and relational views of exchange.

In the relational literature, the results or outcomes of trust are seen to be significant by both researchers and practitioners. Indeed, Morgan and Hunt (1994) find trust to be central to many relational exchanges. Similarly, Kreps, Milgrom, Roberts and Wilson (1982) analyze cooperation from the perspective of game theory and determine that under conditions of trust exchanges take place that would not occur otherwise. Ganesan (1994) examines the relationship between trust and the investment in transaction-specific assets, and he asserts that “when trust exists, [participants] believe that long-term idiosyncratic investments can be made with limited risk” (p.14). Hence, the level of salespeople’s trust in firms could influence their willingness to sell proprietary products.

Commitment, which involves mutuality, loyalty, and the forsaking of alternatives, is a second, important, often-cited, relational factor (Gundlach, Achrol and Mentzer 1995). Dwyer, Schurr and Oh (1987) view commitment as an “implicit or explicit pledge of relational continuity between exchange partners” (p.19), which represents “the highest stage of relational bonding” (p.23). Morgan and Hunt (1994, p.23) characterize relationship commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining efforts at maintaining it.” Different forms of commitment exist, including commitment to a relationship and commitment to a firm. For this research, the relationship modeled is the salesperson’s commitment to the employing firm. Employees are thought to put more time, innovative thinking, and energy into their jobs if they are committed (Gundlach, Achrol and Mentzer 1995; Hunt, Chonko and Wood 1985). Commitment offers firms the potential for competitive advantage because of an increased ability to make *credible* commitments. Commitments are seen to be credible because of the partners’ beliefs that firms will not behave opportunistically (Jones 1995).

Research on commitment in the marketing and management literatures has focused on either organizational commitment, or commitment to

a relationship. Commitment of a salesperson to the firm is an example of organizational commitment, which has been defined as an individual's degree of involvement and identification with a particular organization (Randall 1987; Steers 1977), which manifests itself in "a strong desire to remain a member of the particular organization, given opportunities to change jobs" (Hunt, Chonko and Wood 1985, p.116). Because they identify with the objectives and goals of the firm and they form a psychological bond with the organization, committed employees tend to act in ways consistent with the interests of the organization (Hunt, Wood and Chonko 1989). According to transaction cost economics theory, commitment can be thought of as irrational if it reduces the search for alternative transactions or relationships (Gundlach, Achrol and Mentzer 1995). In contrast, for relationship marketing theory, there is a strong relationship between commitment and the potential of investing in TSAs, for "committed partners are willing to invest in valuable assets specific to an exchange" (Gundlach, Achrol and Mentzer 1995, p. 78). We posit that a salesperson's commitment to an organization will tend to positively influence his or her acquiescence to the firm's plans and goals. Therefore,

H₆: The greater the level of salesperson trust, the greater the salesperson's sales of proprietary products.

H₇: The greater the level of organizational commitment, the greater the salesperson's sales of proprietary products.

METHOD

The context for the research is wholesalers of ethical drugs, instruments, and supplies to individual veterinarians, animal health clinics, commercial food animal producers, dairy operators, and retail outlets throughout the United States. These regional or national wholesalers of animal health products number approximately 100. Each wholesaler has two or more sales offices or branches, with each location typically employing between five and

ten full-time salespeople. These veterinary distributors offer a wide range of veterinary products which they sell to over 55,000 veterinarians who practice in clinics and other outlets. A continuing trend among these distributors is an increasing emphasis on proprietary branded products as sources of revenue. Annual sales (proprietary and non-proprietary) of the wholesalers are estimated to exceed \$3 billion/year (American Veterinary Distributors Association 2006).

Veterinary distributors represent an appropriate context for this research because interviews with distributors' sales managers indicated that their salespeople have the choice of selling either proprietary products or nonproprietary products in many situations. Furthermore, the interviews revealed that the sale of proprietary products was highly important to their firms. Moreover, the sales managers indicated that the three traditional factors used in this study (training, attention, and quota percent) are, indeed, often used to induce salespeople to sell proprietary products. Finally, the salespeople of veterinary distributors are appropriate because (1) the veterinary distributor's products are complex (and complex products require more time and/or effort on the part of the salesperson), (2) there are opportunities for transaction cost hazards to develop, and (3) salespeople can (and often do) develop personal relationships with their customers.

A mail survey was used for the sampling frame consisting of distributor salespeople selling ethical drugs to veterinarians and animal clinics. From a directory of 79 major distributors, firms were solicited by telephone asking the appropriate executive's permission and support in enlisting their salespeople for the study. Twenty-five firms agreed to participate in the study, six of which chose later to decline. Questionnaires for each salesperson in the firm were sent to the sales manager (or other applicable executive) for distribution. Of the 420 salespeople in the subject firms, 191 responded, for a 45.5 percent response rate.

The respondents are predominantly male (90 percent), well educated (75 percent with a college degree), and experienced (60 percent have over 11 years in sales). They have a mean total compensation of about \$55,000 per year and have had significant experience with their present firm (50 percent have been with the present firm for over five years). Compensated through a combination of commissions and salary, respondents indicated that bonuses and commissions were significantly more important to them than was salary. However, in this industry, the commission rate for proprietary and non-proprietary products is customarily equal.

Measures of the Constructs

Most of the constructs are measured with existing scales. Except where noted, all scales use five-point Likert scales anchored by "strongly disagree" and "strongly agree." See Appendix for scale items.

Training is conceptualized as participation in corporate training programs. It is measured with a four-item scale from Anderson and Robertson (1995). The scale uses items such as: "I've spent significant time in my firm's classes and seminars." *Attention* refers to the amount of supervisor's time available to spend with the salesperson. It is measured with a five-item scale from Anderson and Robertson (1995). Respondents were asked to rate their level of agreement with statements such as: "My manager is too busy to give me much time and attention." *Quota percent* is the specific quota, as related to proprietary products, that is given to a salesperson. It is the response to the single-item: "What percentage of your firm's quota is proprietary brand?"

Fear of loyalty hazard is defined as the fear of the consequences of reduced customer loyalty resulting from the sale of proprietary products. It is measured with a four-item scale adapted from Anderson and Robertson (1995). Respondents rated their agreement with statements such as: "I am concerned that selling proprietary products might cause me to lose my

customer's loyalty." *Fear of mobility hazard* is defined as the perceived potential for increased exit or mobility barriers as a result of the sale of proprietary products. It is measured with a scale adapted from Anderson and Robertson (1995). Respondents were asked to rate their agreement with statements such as: "I am concerned that I might be 'locked' into my current employer as a result of selling proprietary products."

Trust is defined as the salesperson's confidence in the firm's reliability and integrity. It is measured with a nine-item scale adapted from Morgan and Hunt (1994). Respondents were asked to rate their agreement with statements such as: "I believe that my firm is trustworthy." *Organizational commitment* is defined in terms of the strength of an individual's identification with and involvement in an organization. It is measured with the nine-item version of the Organizational Commitment Scale (OCQ) suggested by Mowday, Steers and Porter (1979). Respondents were asked to rate their agreement with statements such as: "For me this is the best of all possible firms for which to work." *Sales results* represents the degree to which a salesperson successfully sells proprietary products. A single item measure is used: "What percentage of your personal total sales is proprietary product?"

Assessment of Measures

An initial exploratory factor analysis of the reflective scales was performed and the indicants loaded on unique factors. Confirmatory factor analysis was then performed using LISREL 8.3. In the initial measurement model, for all constructs with multiple indicants, the coefficient for one indicant was set to 1.00, setting the scale for the latent construct to be the same as that of the indicator. The single indicant error was also set to 0.19. As the model fit indicated that the model could be improved, several indicators were considered for deletion, based on whether they (1) displayed nonsignificant loadings on the hypothesized constructs, (2) shared common variance with indicants of other construct(s), and/or (3) shared large,

unexplained variance with indicators of other constructs.

After items were deleted, the model fit indices indicate an acceptable fit (Chi-square (226 df) = 336.79; RMSEA = 0.045; NNFI = 0.97; CFI = 0.97; and RMR = 0.047). The indicant loadings, composite reliabilities, and estimates of variance extracted for the final measurement model are shown in Table 1. Variance extracted for all the constructs is greater than 0.50, indicating reliability. Furthermore, confidence intervals for the correlations between constructs revealed discriminant validity (the value 1.0 was not included in the 95 percent confidence interval for the pair-wise correlations between any two of the study's constructs) (Anderson and Gerbing 1988). Table 2 shows the means, standard deviations, and the estimated correlations of the constructs.

ANALYSIS AND RESULTS

The hypotheses are tested using multiple regression (see Table 3). The first equation regresses the three traditional factors on the salespeople's *sales results*. The three traditional factors, which serve as controls in our study, explain 12.71 percent of the variance in sales results. However, of the three traditional factors, only quota percent is statistically significant. ($p < 0.01$). Therefore, of the first three hypotheses, only H_3 is supported.

The second equation adds the two transaction cost factors, fear of loyalty hazard and fear of mobility hazard, to the control variables. Adding the transaction cost factors increases the percentage of sales results explained to only 12.83 percent, a minuscule addition to explained variance. Furthermore, neither of the two transaction cost factors is statistically significant. Therefore, neither hypothesis 4 nor 5 is supported.

The third equation adds the two relational factors, trust and commitment, to the control variables. Compared with Equation 1, the relational factors increase the variance

explained to only 12.81 percent, which is, again, a miniscule addition to explained variance. Furthermore, neither of the two relational factors is statistically significant. Therefore, neither hypothesis 6 nor 7 is supported.

In summary, contrary to expectations based on current marketing literature, our study finds that transaction cost factors do not appear to hinder the efforts of sales managers to induce sales people to sell proprietary products, and relational factors do not appear to help the efforts of sales managers to induce sales people to sell proprietary products. Given these surprising results, we explored whether transaction cost factors and relational factors might *moderate* the relationships between traditional factors and the salespeople's sales of proprietary products. That is, perhaps the effects of the traditional factors on sales results are weaker when salespeople perceive high loyalty and mobility hazards, and the effects are stronger when they perceive high trust and commitment.

Because only quota percent was found to have a significant influence, we analyze two regressions, Equations 4 and 5, with transaction cost factors and relational factors as moderators of the relationship between quota percent and sales results. Following Aiken and West (1991), to minimize potential problems of multicollinearity, we mean-centered the relevant variables to create the interaction terms. As in equations 1, 2, and 3, quota percent continues to be significantly, and positively, related to sales results. However, as Equation 4 shows, neither of the transaction cost factors produces a significant interaction effect. In contrast, Equation 5 shows that the relational interaction factors increase the explained variance of sales results to 20.76 percent, a relatively large increase over the variance explained in equation 1. Whereas the commitment interaction term is not statistically significant, the trust interaction term is significant ($p < 0.05$). To our surprise, the trust interaction term shows a negative moderating

TABLE 1
Factor Loadings, Reliability, Variance Extracted, Means, and Standard Deviations

	Standardized Loading	Composite Reliability	Variance Extracted Estimate	Mean	Standard Deviation
<u>Training</u>		0.87	0.70	2.91	1.04
TRN1	0.82				
TRN2	0.93				
TRN3	0.75				
<u>Attention</u>		0.81	0.6	3.59	1.02
ATT1	0.77				
ATT2	0.71				
ATT3	0.83				
<u>Fear of loyalty hazard</u>		0.9	0.7	1.98	0.79
FLH1	0.75				
FLH2	0.85				
FLH3	0.88				
FLH4	0.86				
<u>Fear of mobility hazard</u>		0.88	0.65	1.68	0.66
FMH1	0.71				
FMH2	0.76				
FMH3	0.91				
FMH4	0.85				
<u>Trust</u>		0.95	0.80	4.19	0.92
TRT1	0.91				
TRT2	0.95				
TRT3	0.83				
TRT4	0.86				
TRT5	0.91				
<u>Organizational Commitment</u>		0.77	0.53	4.3	0.74
COM1	0.53				
COM2	0.88				
COM3	0.74				

TABLE 2
Correlation Matrix

	Mean	Standard Deviation	COM	FLH	FMH	TRN	ATT	TRT	QP	SR
COM	4.3	0.74	1							
FLH	1.98	0.79	-0.03	1						
FMH	1.68	0.66	0.01	0.62	1					
TRN	2.91	1.04	0.26	-0.01	0.04	1				
ATT	3.59	1.02	0.1	-0.08	-0.01	0.04	1			
TRT	4.19	0.92	0.62	0	0.05	0.32	0.28	1		
QP	29.54	20.39	-0.01	-0.06	-0.02	0.24	-0.01	0.03	1	
SR	29.11	16.35	-0.14	-0.06	0.05	0.12	-0.01	-0.04	0.38	1

Note: COM = Organizational commitment; FLH = Fear of loyalty hazard; FMH = Fear of mobility hazard; TRN = Training; ATT = Attention; TRT = Trust; QP = Quota percentage; and SR = Sales results

TABLE 3
Multiple Regression Results

Dependent Variable	Traditional Factors			Transaction Cost Factors		Relational Factors		Transaction Cost Interaction Factors		Relational Interaction Factors		Adjusted R-Square
								QPx FLH	QPx FMH	QPx TRT	QPx COM	
Equation 1	0.054 (ns)	-0.079 (ns)	0.302**									0.1271
Equation 2	-0.033 (ns)	-0.130 (ns)	0.299**	-2.062 (ns)	2.954 (ns)							0.1283
Equation 3	0.085 (ns)	0.329 (ns)	0.294**			0.0068 (ns)	-2.304 (ns)					0.1281
Equation 4			0.301**					0.052 (ns)	0.005 (ns)			0.13
Equation 5			0.295**							-0.169*	-0.112 (ns)	0.2076

Note 1: (ns): not significant; * $p < 0.05$; and ** $p < 0.01$

Note 2: ATT = Attention; TRN = Training; QP = Quota percentage; FLH = Fear of loyalty hazard; FMH = Fear of mobility hazard; TRT = Trust; and COM = Organizational commitment

effect. That is, the effect of quota percent on sales results becomes weaker (not stronger, as one might expect) for higher levels of trust.

DISCUSSION

This study examines whether transaction cost factors hinder and relational factors help induce salespeople to sell proprietary products. Contrary to hypotheses, the results indicate that transaction cost factors and relational factors do not have a direct influence on the salesperson's sales of proprietary products. As to the three traditional factors that are investigated in this study, only quota was found to have a significant, strong, and positive effect on the sales results. That is, salespeople with a higher quota for proprietary products tended to sell more proprietary products as a percent of their total sales. Thus, our results support firms' use of quotas as a mechanism to control output in terms of the sale of proprietary products. However, we find that in organizations where salespeople have higher levels of trust in the

organization, quota percent can be perceived negatively by salespeople and, hence, the relationship between quota percent and the sales person's sales of proprietary products becomes weaker. This interesting finding of our study (i.e., that trust has a negative, moderating influence on the relationship between quota percent and sales results) indicates that sales managers and firms should be cautious with reference to using quotas as a proprietary-product control mechanism.

There have been numerous studies of transaction cost factors in a variety of contexts, and numerous studies of relational factors in a variety of contexts. In this study and context, however, neither framework was found to influence the sales of proprietary products, though extant marketing literature would suggest that the hypotheses should have been supported. Explaining these surprising findings merits discussion.

First, perhaps it is the case that the importance of both transaction cost and relational factors in marketing situations is less than marketing theorists have maintained. Perhaps transaction costs and relational factors are simply not key considerations in many marketing situations. Note that the mean scores for the loyalty and mobility hazards were 1.98 and 1.68, respectively. These scores suggest that most of the salespeople simply did not perceive there to be high transaction cost hazards. Whether salespeople in other contexts would, indeed, see high hazards, we cannot say, only further research could address this question.

Second, note also that the mean scores for trust and organizational commitment are 4.19 and 4.3, respectively. These may be viewed as relatively high values for trust and commitment. Perhaps the findings would have been different had the mean values for trust and commitment had been closer to the mid-point of the scale (i.e., 3). Again, only further research in other contexts could address this question.

Third, as to why trust tends to moderate the relationship between quota percent and sales results negatively, rather than positively, perhaps salespeople resent firms using an output-based control such as the use of quotas when they believe they have high quality relationships with their firms and their managers. In such circumstances, being subjected to output-based controls in the context of high quality relationships may evoke negative reactions, which then translate into reduced sales of proprietary products. That is, perhaps when salespeople trust highly their firms and at the same time are subjected to quota-based output controls, sales results are hindered. The managerial implication is that perhaps outcome-based controls such as the use of quotas should be re-thought in circumstances involving high quality relationships.

Our study is limited in that it is a single industry, that is, wholesalers in the ethical (animal) drug industry. The study is also limited in that it is survey research, not an

experimental design. However, the study's response rate (45.5 percent) is high for contemporary survey research in marketing. Another limitation is that all our measures come from a single source, the salesperson. However, we note that both sales results and quota percent are objective measures of key concepts in our study. Other key concepts are uniquely idiosyncratic to the salespeople, themselves. That is, only the salespeople themselves know the extent to which they perceive loyalty and mobility hazards.

In conclusion, motivating salespeople to sell the full product line when the line includes proprietary products is an important task for sales managers. The transaction cost economics literature suggests that salespeople may resist selling proprietary products because they may fear that proprietary products constitute their firm's way of binding the customer to the firm and not to the salesperson. Furthermore, the relationship marketing literature proposes that, even in the face of the hazards suggested by transaction cost economics, salespeople may be willing to promote proprietary products when such relational factors as trust and commitment are present. However, in the context of wholesalers of ethical (animal) drugs, this article finds that the transaction cost factors do not seem to hinder and the relational factors do not seem to help in inducing salespeople to sell their firms' proprietary products. Indeed, we find that trust has a negative, moderating effect on the relationship between quota percent and proprietary sales results. These surprising findings need to be replicated and extended in future research.

REFERENCES

- American Veterinary Distributors Association. (2006), Available from: <http://www.avda.net/aboutavda.shtml>.
- Anderson, E. (1988), "Transaction Costs as Determinants of Opportunism in Integrated and Independent Sales Forces," *Journal of Economic Behavior and Organization*, Vol. 9, April, pp. 247-264.

- _____ and Thomas Robertson (1995), "Inducing Multiline Salespeople to Adopt House Brands," *Journal of Marketing*, Vol. 59, April, pp.16-31.
- _____ and David Schmittlein (1984), "Integration of the Sales Force: An Empirical Examination," *Rand Journal of Economics*, Vol. 15, 3, pp.385-395.
- Anderson, James C. and David W. Gerbing (1988), "Structural Modeling in Practice: A Review and Recommended Two-Step Approach," *Psychological Bulletin*, Vol. 103, 3, pp. 411-23.
- Andrews, Katherine Zoe (1996), "Reducing Employee Defections for Multiline Providers, House Brands Are Key," *Harvard Business Review*, Vol. 74, 1, pp. 11-13.
- Arrow, Kenneth J. (1973), *Information and Economic Behavior*, Stockholm, Federation of Swedish Industries.
- Chowdhury, Jinhuk. (1993), "The Motivational Impact of Sales Quotas on Effort," *Journal of Marketing Research*, Vol. 30, February, pp. 28-41.
- Churchill, Gilbert A., Neil M. Ford, Steven W. Hartley and Orville C. Walker, Jr. (1976), "Organizational Climate and Job Satisfaction in the Sales Force," *Journal of Marketing*, Vol. 13, November, pp. 323-332.
- Dwyer, F. R, Paul Schurr and Sejo Oh. (1987), "Developing Buyer-Seller Relationships," *Journal of Marketing* Vol. 51, April, pp. 11-27.
- Ganesan, Shankar (1994), "Determinants of Long-Term Orientation in Buyer-Seller Relationships," *Journal of Marketing*, Vol. 58, April, pp. 1-19.
- Grönroos, C. (2000), *Service Management and Marketing: A Customer Relationship Management Approach*, New York, John Wiley and Sons.
- Gummesson, E. (2002), *Total Relationship Marketing: Marketing Management, Relationship Strategy, and CRM Approaches for the Network Economy*, (Woburn, MA, Butterworth-Heinemann.).
- Gundlach, Gregory T., Ravi Achrol, and John Mentzer. (1995), "The Structure of Commitment in Exchange," *Journal of Marketing*, Vol. 59, January, pp. 78-92.
- _____ and Patrick E. Murphy (1993), "Ethical and Legal Foundations of Relational Marketing Exchanges," *The Journal of Marketing*, Vol. 57, 4, pp. 35-46.
- Hunt, Shelby D., Lawrence B. Chonko and Van R. Wood (1985), "Organizational Commitment and Marketing," *Journal of Marketing*, Vol. 49, Winter, pp. 112-126.
- _____, Van Wood and Lawrence Chonko (1989), "Corporate Ethical Values and Organizational Commitment in Marketing," *Journal of Marketing*, Vol. 53, July, pp. 79-80.
- Hunter, Matthew. (2000), "More Banks Try to Harness Proprietary Products," *American Banker*, Vol. 165, 200, pp. 8.
- John, George and Barton A. Weitz (1989), "Sales Force Compensation: An Empirical Investigation of Factors Related to Use of Salary Versus Incentive Compensation," *Journal of Marketing Research*, Vol. 26, February, pp.1-14.
- Jones, Thomas M. (1995), "Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics," *Academy of Management Review*, Vol. 20, 2, pp. 404-437.
- Kreps, D. M., P. Milgrom, J. Roberts and R. Wilson (1982), "Rational Cooperation in Finitely Repeated Prisoners' Dilemma," *Journal of Economic Theory*, Vol. 27, 2, pp. 245-252.
- Macintosh, Gerrard, Kenneth A. Angkin, David M. Szymanski and James W. Gentry (1992), "Relationship Development in Selling: A Cognitive Analysis," *Journal of Personal Selling & Sales Management*, Vol. 12, 4, pp. 23-34.
- Morgan, R. M. and Shelby D. Hunt (1994), "The Commitment-Trust Theory of Relationship Marketing," *Journal of Marketing*, Vol. 8, July, pp. 20-35.
- Mowday, Richard T., R. Steers and L. W. Porter (1979), "The Measurement of Organizational Commitment," *Journal of Vocational Behavior*, Vol. 14, pp. 224-247.
- Randall, Donna M. (1987), "Commitment and the Organization: The Organization Man Revisited," *Academy of Management Review*, Vol. 12, 3, pp. 460-471.

- Schweperker, Charles H., Jr. and David J. Good (2004), "Marketing Control and Sales Force Customer Orientation," *Journal of Personal Selling & Sales Management*, Vol. 24, 3, pp. 167-179.
- Sheth, J. N. and Parvatiyar, A. (1995), "Relationship Marketing in Consumer Markets: Antecedents and Consequences," *Journal of the Academy of Marketing Science*, Vol. 23, 4, pp. 255-71.
- Steers, Richard M. (1977), "Antecedents and Outcomes of Organizational Commitment," *Administrative Sciences Quarterly*, Vol. 22, March, pp. 46-56.
- Walker, Orville C., Gilbert A. Churchill, Jr. and Neil M. Ford (1977), "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research*, Vol. 14, May, pp. 156-168.
- Williamson, Oliver (1975), *Markets and Hierarchies: Analysis and Antitrust Implications*, (New York: Free Press).
- ____ (1981), "The Modern Corporation: Origin, Evolution, Attributes," *Journal of Economic Literature*, Vol. 19, 4, pp. 1537-1568.
- ____ (1993), "Opportunism and its Critics," *Managerial and Decision Economics*, Vol. 14, March-April, pp. 97-107.

APPENDIX

Scale Items Training

1. I take a lot of my firm's training courses
2. I've spent significant time in my firm's classes and seminars
3. Over the years I've had a lot of training from my present firm
4. My firm offers training programs for its salespeople

Attention

1. My manager is too busy to give me much time and attention (Reverse)
2. My manager supervises too many salespeople to give me much time (Reverse)

3. My manager doesn't have much time to spend with each individual salesperson (Reverse)

4. I talk with my manager often
5. My manager has the time to meet with me

Quota percent

1. What percentage of your firm's sales quota is proprietary brand?

Fear of loyalty hazard

1. I am concerned that selling proprietary/private label products might reduce my customers' loyalty
2. I am concerned that if I sell proprietary/private label products, my customers might not care who their salesperson is
3. I am concerned that selling proprietary/private label products might reduce my customers' interest in my advice
4. I am concerned that selling proprietary/private label products might result in my losing my grip on my customers

Fear of mobility hazard

1. I am concerned that I might be locked into my current employer as a result of selling proprietary/private label products
2. I am concerned that if I have to change jobs, my customers might be less likely to follow me if I have sold them proprietary/private label products
3. I am concerned that selling proprietary/private label products might make it more difficult for me to find new employment
4. I am concerned that I might be unable to change jobs as a result of selling proprietary brands

Trust My firm:

1. ...is honest and truthful.

2. **...can be counted on to do what is right**
3. **...is faithful**
4. ...is one that I have confidence in
5. **...has high integrity**
6. ...is not reliable (Reverse)
7. ...is capable
8. ... is competent
9. **...is trustworthy**

Commitment

1. **I am willing to put in a great deal of effort beyond that normally expected in order to help this firm be successful**
2. **I talk up this firm to my friends as a great organization to work for**
3. I would accept almost any type of job assignment in order to keep working for this firm
4. I find that my values and the firm's values are very similar
5. I am proud to tell others that I am part of this organization
6. This firm really inspires the very best in me in the way of job performance
7. I am glad that I chose this firm to work for over others I was considering at the time I joined
8. I really care about the fate of this firm
9. **For me this is the best of all possible firms for which to work**

Sales Results

What percentage of your personal total sales is proprietary/private label brand?

Note: The items in bold were retained for the final measurement model