The Effects of Salesperson Compensation on Perceptions of Salesperson Honesty

Robert D. Straughan, Washington and Lee University
Michael L. Lynn, Cornell University

A reputation for honesty and trustworthiness is important to success in sales. In this article, we report 2 experiments examining the effects on perceived salesperson honesty of information about how the salesperson is compensated (commissions vs. straight salary). In both experiments, commissioned salesmen were perceived as less honest than were noncommissioned salesmen, but compensation method had no effect on the perceived honesty of saleswomen. The discussion of these findings focuses on their implications for sales management.

“A man is no better than his word.”
-American proverb

A reputation for honesty and trustworthiness is an asset. Trustworthiness is a necessary component of credibility, which in turn enhances persuasiveness. We all try to persuade others to see things our way and to do things we want done, so a reputation for honesty and trustworthiness is important to everyone. However, it is particularly important to salespeople, whose livelihood depends on their ability to persuade others to buy goods and services. In their popular book, Conceptual Selling, Miller and Heiman (1987) highlight the critical role of perceived honesty and trustworthiness in sales success. They list five factors that can be the “undoing” of a sale. Then they write,

But one of them stands out. In our experience with thousands of selling situations, we’ve found that the last item, lack of trust, kills more sales than the other four reasons combined....No matter what else you do well, if you don’t have credibility with your customers, the rest of it will not be worth a damn. Almost nobody buys from a person he doesn’t believe can be trusted. (pp. 218-219)

Despite its importance to sales success, little research has examined the determinants of perceived honesty and trustworthiness in a personal selling context. We begin to address this oversight in a series of experiments that examine the effects on perceived salesperson honesty and
trustworthiness of a variable unique to the personal selling situation: the form of salesperson compensation.

Some salespeople are paid a commission on each sale they complete, and others are not. Noncommissioned salespeople are generally paid a fixed salary or a base salary plus a bonus for such things as customer service, customer retention, and execution of long-term plans. There is a debate in the business community about the relative merits of commissioned and noncommissioned sales forces. Proponents of sales commissions argue that commissions improve customer service and satisfaction as a result of increased salesperson motivation (Smarr, 1989). Opponents of sales commissions argue that commissions motivate salespeople to close sales at the expense of satisfying customers’ needs in the best possible manner (Barrett, 1992).

We take this debate one step further by suggesting that a sales commission might affect consumers’ perceptions of salesperson honesty independent of its effects on salesperson behavior. Of course, this possibility is important only to the extent that consumers have reasonably strong beliefs about the manner in which salespeople are compensated. While Friestad and Wright (1994) provided indirect conceptual support for this supposition, we examined this issue in an exploratory survey administered to consumers as they exited numerous retail outlets in a major southwestern metropolitan area. The retail outlets used as survey sites varied a great deal in terms of price level, service orientation, and merchandise characteristics (e.g., furniture, kitchenware, casual apparel, maternity apparel, business apparel, athletic clothing, sporting goods, electronics, and software). Customers from 12 different stores completed a total of 562 surveys with an overall response rate of approximately 54% (see Straughan, 1995, for more details about this experiment).

Respondents were asked whether or not they believed the salespeople in the store they had just exited received a commission. Of those surveyed, 98% had some opinion on the issue. More important was the respondents’ conviction on this issue. When asked to indicate on a 10-point scale ranging from 1 (completely uncertain) to 10 (completely certain) scale how confident they were in their judgments, the average response was 7.15 (SD = 2.47). This indicates that shoppers do have reasonably strong beliefs regarding retail salespersons’ compensation, which supports the potential importance of understanding how those beliefs affect the perceived honesty of salespeople.

Because the exploratory survey was being administered as customers exited the store, it was important to also consider the cues that led to these consumers’ beliefs. Specifically, it was possible that these beliefs were simply a consequence of the interaction that took place immediately preceding the administration of the survey and were not related to a priori beliefs about compensation. To explore this
possibility, the respondents were also asked an open-ended question about the cues that led them to
draw this conclusion. Most of their responses could be classified into one of four types of beliefs: (a)
salesperson behavior-driven beliefs (e.g., “They [the salespeople] were on me the minute I walked in the
door”); (b) store-/chain-specific beliefs (e.g., “The store has too many salespeople not to pay a
commission”); (c) merchandise-driven beliefs (e.g., “All furniture stores pay a commission”); or (d)
knowledge-driven beliefs (e.g., “I used to work here”).

As expected, salesperson behavior-driven beliefs were the most common (55% of respondents
who gave one or more of these reasons). Of the other categories, merchandise-driven explanations
were the next most common (given by 23% of respondents), followed by store-/chain-specific beliefs
(given by 17% of respondents), and knowledge-based beliefs (given by 16% of respondents). In many
cases, individuals cited multiple reasons for their beliefs, resulting in percentages that total more than
100%.

These results indicate that people have many sources of beliefs about salesperson
compensation including, but not limited to, observation of salesperson behavior. The fact that beliefs
about salesperson compensation are often based on salesperson behavior is significant because it
suggests that consumers do have naïve theories linking salesperson compensation to salesperson
behavior. Additionally, the fact that beliefs about salesperson compensation are often independent of
salesperson behavior is significant because beliefs driven by these other factors are likely to be formed
prior to entering a store and might bias perceptions of interactions with the stores’ salespeople.

Compensation Effects on Perceived Honesty

Our supposition that sales commissions might affect consumers’ perceptions of salesperson
honesty is consistent with correspondent inference theory (Jones & Davis, 1965). This theory addresses
the individual’s need to seek attributions about the behavior of others. Among other things, the theory
holds that an individual will favor external or situational explanations for observed behavior to the
extent that such explanations exist. Given the presence of possible situational explanations, the
perceiver will discount any internal or dispositional alternatives (Kelley, 1972). One possible example of
this process is the discounting of a salesperson’s arguments by a customer who believes the salesperson
to be motivated primarily by monetary inducements. Recent research in the advertising literature has
found that individuals who are aware that an advertisement’s sponsor is compensating a spokesperson
will discount the arguments given by that spokesperson (Moore, Mowen, & Reardon, 1994). Similarly,
customers might perceive the performance- contingent nature of sales commissions as providing
salespeople a greater incentive to lie to their customers. Thus, there is some reason to believe that customers’ ratings of a salesperson’s honesty will be significantly lower for a salesperson thought to be paid on commission than for a salesperson thought to be noncommissioned.

**Hypothesis 1.** Consumers’ evaluations of the honesty of a salesperson believed to receive a commission will be lower than consumers’ evaluations of the honesty of a salesperson thought to be noncommissioned.

The hypothesized effect of sales commissions on perceived salesperson honesty is not a forgone conclusion. Consumers might believe that salespeople choose to work at retail outlets whose merchandise the salespeople believe in and can honestly promote. This possibility is consistent with an effect known as the fundamental attribution error (Jones & Harris, 1967) or correspondence bias (Gilbert & Malone, 1995). The fundamental attribution error occurs when individuals freely attribute behavior to an actor’s internal disposition even though obvious external explanations exist. It is unclear whether this fundamental attribution error would dominate the discounting effect in a sales context. However, this attribution error suggests that consumers might ignore prior beliefs about how a salesperson is compensated and believe that any actions or statements made by the salesperson are representative of the salesperson’s true feelings about the product in question. As a result, commissioned salespeople and noncommissioned salespeople might be judged to be equally honest and trustworthy.

**Hypothesis 2.** Consumers’ evaluations of the honesty of a salesperson believed to receive a commission will not differ from consumers’ evaluations of the honesty of a salesperson thought to be noncommissioned.

**Salesperson Gender as a Moderator of Compensation Effects**

One additional area of concern in this experiment is the differential evaluation of saleswomen versus salesmen. A variety of experiments have addressed differences between the genders in terms of sales-management issues (Bruning & Snyder, 1983; Busch & Busch, 1978; Fugate, Decker, & Brewer, 1988; Gable & Reed, 1987; Schul & Wren, 1992). At issue here, however, is the question of whether consumers consider the commissioned compensation of a saleswoman differently than that of a salesman. Experiments examining gender differences have consistently found that women value social relationships more and value material wealth and status less than do men (see Geary, 1998, for a review). These differences are consistent with traditional gender roles and stereotypes, so it is
reasonable to think that consumers might regard the motivating effects of sales commissions on salesperson dishonesty to be weaker for saleswomen than for salesmen. As a result, sales commissions might have a larger negative effect on the perceived honesty and trustworthiness of salesmen than on the perceived honesty and trustworthiness of saleswomen.

**Hypothesis 3.** Any differences between consumers’ evaluations of commissioned and noncommissioned salesperson honesty will be larger for salesmen than for saleswomen.

**Experiment 1**

In Study 1, participants were shown one of four different descriptions of a car salesperson. The different descriptions operationalized experimental manipulations of the salesperson’s gender (male or female) and type of work compensation (commissions or straight salary) in a between-subjects design. After reading the descriptions that they were assigned, participants rated the salesperson on a variety of different scales.

**Method**

**Participants and procedure.** Participants were 175, undergraduate business students, who each received extra class credit. No data were collected on the sex of participants. They were given one of four different sheets containing a narrative description of a car salesperson and numerous rating scales. Participants read the description and completed the rating scales in class at their own pace. The different salesperson descriptions were randomly ordered, so subjects were randomly assigned to one of the four between-subjects conditions.

**Experimental stimuli.** The stimulus materials for this experiment were contained on a single sheet of paper. At the top of the page was a brief description of a car salesperson. This description gave participants general information about the salesperson, the salesperson’s satisfaction with his or her job position, his or her experience at this and other positions, and his or her family. Embedded within this information were manipulations of the salesperson’s compensation and gender. Half of the time the salesperson was described as being “paid a commission on each car he (she) sells,” and half of the time the salesperson was described as being “paid a straight salary.” Crossed with this compensation manipulation was a manipulation of the salesperson’s gender. The gender manipulation was accomplished by describing the salesperson’s name as either James or Janice, and by using either masculine or feminine pronouns when referring to him or her.

The description of the salesperson read as follows:
James (Janice) is a salesperson for a local Chevrolet dealership. He (She) is paid a straight salary (commission on each car he [she] sells) and reports that he (she) is very satisfied with his (her) job. James (Janice) is 32 years old and has been working as a car salesperson for 10 years, the last 8 at this dealership. He (She) is married and has two children, ages 4 and 1. James (Janice) has been among the top five salespersons at the dealership for each of the last 5 years.

Following the description of the salesperson were 24 statements about James/Janice (Table 1). Each statement was accompanied by a 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Subjects were instructed to circle the number that indicated their level of agreement with each statement.

Results

The analysis of these data was conducted in two phases. In the first phase, participants’ ratings were factor-analyzed to reduce them to a smaller number of dimensions. Following this, factor indexes were computed for each respondent. In the second phase, 2 x 2 ANOVA tests were conducted using the factor indexes as dependent measures.

Factor analysis. A principal components factor analysis was used to reduce the 24 ratings obtained from each subject to a smaller number of dimensions. The results produced two factors that, after varimax rotation, were interpreted as competence and honesty. The resulting rotated factor loadings indicate that 21 of the 24 items had loaded on one factor or the other with absolute loadings greater than .50 (Table 1). Factor indexes were then calculated for each subject by averaging the ratings of items that loaded significantly on each factor. These indexes served as the input for the second phase of the analysis.

Perceived honesty. As stated in Hypothesis 1, perceived honesty was expected to be lower for commissioned salespeople than for salespeople on straight salary. To test this, an ANOVA was used to check for the compensation type main effect and a possible compensation by gender of salesperson interaction effect. This analysis indicates that there was a compensation type main effect, $F(1,172)=4.53$, $p < .04$. Consistent with Hypothesis 1, subjects thought that salaried salespeople were more honest than were commissioned salespeople ($M = 3.22$ vs. 3.03), thus ruling out the alternative hypothesis of no difference (Hypothesis 2). In addition, there was significant interaction between commission type and gender of the salesperson, $F(1, 172) = 5.16, p < .03$, consistent with Hypothesis 3. Specifically, the main effect existed only for salesmen ($M= 3.25$ vs. 2.82) and not for saleswomen ($M = 3.20$ vs. 3.21). The
gender of salesperson main effect was only marginally significant, $F(1, 172) = 2.90, p < .10$, in these analyses.

Table 1

<table>
<thead>
<tr>
<th>Items and Rotated Factor Loadings (Experiment 1)</th>
<th>Competence loading</th>
<th>Honesty loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>James/Janice is friendly.</td>
<td>.60</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is honest.</td>
<td>ns</td>
<td>.81</td>
</tr>
<tr>
<td>James/Janice will give me a good price.</td>
<td>ns</td>
<td>.61</td>
</tr>
<tr>
<td>James/Janice is helpful.</td>
<td>.67</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is knowledgeable.</td>
<td>.73</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is truthful.</td>
<td>ns</td>
<td>.83</td>
</tr>
<tr>
<td>James/Janice is concerned about my needs.</td>
<td>ns</td>
<td>.74</td>
</tr>
<tr>
<td>James/Janice is credible.</td>
<td>ns</td>
<td>.73</td>
</tr>
<tr>
<td>James/Janice is informative.</td>
<td>.76</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is a good listener.</td>
<td>.57</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is pushy.</td>
<td>ns</td>
<td>-65</td>
</tr>
<tr>
<td>James/Janice is aggressive.</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is open to my questions.</td>
<td>.65</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is assertive.</td>
<td>.57</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is sincere.</td>
<td>ns</td>
<td>.72</td>
</tr>
<tr>
<td>James/Janice is reliable.</td>
<td>ns</td>
<td>.54</td>
</tr>
<tr>
<td>James/Janice is cooperative.</td>
<td>.53</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is patient.</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is a skilled negotiator.</td>
<td>.79</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is polite.</td>
<td>.72</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice is up to date on product information.</td>
<td>.79</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice knows a great deal about cars.</td>
<td>.64</td>
<td>ns</td>
</tr>
<tr>
<td>James/Janice will rip me off.</td>
<td>ns</td>
<td>-51</td>
</tr>
<tr>
<td>James/Janice is willing to bargain on the price and features.</td>
<td>ns</td>
<td>ns</td>
</tr>
</tbody>
</table>

*Note: All rotated factor loadings given as ns were less than .50.*

Perceived competence. In contrast to the honesty index, consumers' perceptions of salesperson competence were unaffected by compensation type, gender of salesperson, or their interaction (all $Fs<1.8$, ns). This was not surprising, as there is no theoretical reason for perceived competence to be influenced by the external attribution of compensation type.

Discussion

The results of this experiment supported Hypothesis 1 over Hypothesis 2. Subjects viewed a commissioned salesperson as less honest than a noncommissioned salesperson. Commissions had no effect on participants' perceptions of salesperson competence, so the effect on perceived honesty is
specific to that construct and not part of some more general effect. These findings suggest that people regard commissions as incentives for salespeople to deceive their customers and not as incentives for salespeople to become more competent (i.e., knowledgeable and helpful).

The experiment’s results also support Hypothesis 3. The effects of commissions on perceived salesperson honesty were stronger for salesmen than for saleswomen. In fact, the effect of commissions was observed only for salesmen. This finding suggests that saleswomen are perceived as being less influenced by monetary incentives to deceive customers than are salesmen.

Our findings permit strong causal inferences about the effects of compensation, gender, and their interaction on the perceived honesty of car salesmen. However, it is not clear how generalizable the effects are across sales positions. Car salesmen are widely regarded as dishonest (Straughan, 1995), and some car companies/dealerships (such as Saturn) have publicized their moves away from commissions in order to combat that reputation. Thus, it is possible that people have learned to associate noncommissioned salaries with honesty among car salesmen, but that these associations are specific to that type of salesperson.

Another concern with the results of this experiment has to do with the magnitude of the effect. Though statistically significant, the effect of the compensation manipulation on the perceived honesty of the salesman was fairly modest (M = 3.25 vs. 2.82). Perhaps the size of the effect was attenuated by the fact that we asked participants to rate James’ general character (e.g., “James is honest”), rather than his behaviors or characteristics as a salesperson.

Experiment 2

Experiment 2 was conducted in an effort to establish some degree of generalizability for the compensation effect on perceived salesperson honesty and to further explore the magnitude of the effect. In this experiment, participants read about and rated an electronics salesperson rather than a car salesperson. Surveys suggest that electronics salespeople are generally seen as more honest than car salespeople and that they are not as strongly associated with commissions as are car salespeople (Straughan, 1995). Thus, the use of an electronics salesperson in this experiment provides a meaningful assessment of the generalizability of Experiment 1’s compensation effect to a different type of salesperson.

This experiment also differed from Experiment 1 by asking participants to rate the likelihood that the salesperson would engage in various behaviors “as a salesperson,” rather than to rate the salesperson’s characteristics as an individual. It was expected that the current role-specific ratings of
honesty would be more sensitive to compensation information than were the more general ratings of honesty used in the previous experiment.

Method

Participants. Participants were 50, graduate business students (36 males, 14 females), who each received class credit. These participants were older and had more experience with salespeople than did the undergraduate sample used in Experiment 1.

Experimental stimuli. The experimental design and materials used in Experiment 2 were identical to those used in Experiment 1, except for the following differences. First, James/Janice was a stereo and electronics salesperson rather than a car salesperson. Thus, replication of the results of Experiment 1 would yield some generalizability across salesperson types.

Second, the rating scales used in this experiment differed from those in Experiment 1. Rather than ask the participants to state their level of agreement or disagreement with a series of global statements about James/Janice, participants were asked to rate the likelihood that James/Janice would display various characteristics as a salesperson. Specifically, participants were asked to respond to the following statement: “As your salesperson, how likely is it that James/Janice will be…..,” which was followed by words such as “friendly,” “honest,” and “helpful.” Table 2 presents all of the items included in this experiment. The items were scored on a 5-point scale ranging from 1 (not at all likely) to 5 (extremely likely). It was hoped that this would encourage the respondents to evaluate James’/ Janice’s behavior as a salesperson, rather than his or her overall character.

Finally, a manipulation check was included to determine if participants were actually aware of the salesperson’s compensation type. After completing the questionnaire, participants were asked to turn the page over. They were then asked to indicate whether the salesperson in the narrative was paid a salary or a commission.

Results

Again, the analysis of these data was conducted in two phases. In the first phase, the items were factor analyzed to reduce them to the relevant dimensions, and factor indexes were computed for each respondent. In the second phase, 2 x 2 ANOVA tests were conducted using the factor indexes as dependent measures.

Manipulation check. All but two of the participants correctly identified the compensation type. This suggests that the manipulation worked as desired.
**Factor analysis.** A principal components factor analysis was used to reduce the 19 different ratings of James/Janice to a smaller number of dimensions. The results produced three factors that, after varimax rotation, were interpreted as likability, honesty, and competence. The resulting rotated factor loadings indicate that 14 of the 19 items had loaded on one of the three factors, with absolute loadings greater than .60 (Table 2). Factor indexes were then calculated for each participant. These indexes served as dependent variables in the second phase of the analysis.

Table 2

<table>
<thead>
<tr>
<th>Items and Rotated Factor Loadings (Experiment 2)</th>
<th>Likability loading</th>
<th>Honesty loading</th>
<th>Competence loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>As your salesperson, how likely is it that James (Janice) will:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>be friendly</td>
<td>.82</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be honest</td>
<td>ns</td>
<td>.76</td>
<td>ns</td>
</tr>
<tr>
<td>be credible</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be helpful</td>
<td>.80</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be knowledgeable</td>
<td>ns</td>
<td>ns</td>
<td>.69</td>
</tr>
<tr>
<td>be truthful</td>
<td>ns</td>
<td>.80</td>
<td>ns</td>
</tr>
<tr>
<td>be concerned with your needs</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be informative</td>
<td>ns</td>
<td>ns</td>
<td>.65</td>
</tr>
<tr>
<td>be a good listener</td>
<td>.66</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be pushy</td>
<td>ns</td>
<td>-.81</td>
<td>ns</td>
</tr>
<tr>
<td>be sincere</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be aggressive</td>
<td>ns</td>
<td>-.81</td>
<td>ns</td>
</tr>
<tr>
<td>be open to your questions</td>
<td>.75</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be assertive</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be reliable</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be cooperative</td>
<td>.77</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be patient</td>
<td>.72</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>be polite</td>
<td>.83</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>know a great deal about stereo and electronics</td>
<td>ns</td>
<td>ns</td>
<td>.75</td>
</tr>
</tbody>
</table>

*Note. All rotated factor loading given as ns were less than .60.*

**Perceived honesty.** As before, an ANOVA was used to check for the compensation type main effect and a possible compensation by gender of salesperson interaction effect. This analysis indicates that there was a compensation type main effect, $F(1, 47) = 5.4, p < .03$. Consistent with Hypothesis 1, subjects thought that salaried salespeople were more honest than were commissioned salespeople ($M = 3.63$ vs. 3.14). In addition, there was a marginally significant interaction between commission type and gender of the salesperson, $F(1, 47) = 3.77, p < .06$. As with Experiment 1, the simple main effect of compensation existed for salesmen ($M = 3.77$ vs. 2.88) but not for saleswomen ($M = 3.50$ vs. 3.43). This
result supports Hypothesis 3. The gender of salesperson main effect was not statistically significant, F(1, 47) = 0.44, p < .52.

*Perceived competence.* As in Experiment 1, participants’ perceptions of salesperson competence were unaffected by compensation type, gender of salesperson, or their interaction (all Fs<1.5, ns). Again, no relationship had been expected between salesperson competence and any of the independent variables.

*Perceived likability.* The dimension of perceived likability, which was not present in Experiment 1, was not affected by compensation type, gender of the salesperson, or the interaction of the two (all Fs<2.2, ns). These results are also reported purely as a matter of thoroughness, as no hypotheses were stated with respect to this dimension.

**Discussion**

The results of this experiment support and extend those of Experiment 1. The compensation type main effect was replicated in this experiment, suggesting that the effect generalizes across at least some product or salesperson types. That the effect was larger in this experiment, which used more role-specific ratings than did Experiment 1, suggests that the small magnitude of the effect in the earlier experiment might be attributable to the insensitivity of the rating scales used in that experiment. The interaction between compensation and gender of salesperson found in Experiment 1 was also replicated in Experiment 2. Although the interaction was only marginally significant in the later experiment, meta-analytically combining the two experiments’ effects produces a highly significant interaction (combined z=2.93, p < .002).

**General Discussion**

The major finding of the present research can be stated simply. In the absence of direct communication or other behavioral cues, consumers view salesmen thought to be paid a commission as less honest than those thought to be noncommissioned. This finding has important implications for sales management.

First, our results speak to the ongoing debate over the merits and dements of commissioned sales forces. Critics of commissions contend that they motivate salespeople to complete sales with little regard for customer satisfaction (Barrett, 1992). Our findings provide another argument against sales commissions. Apart from any effects on salesperson behavior, commissions reduce salesperson credibility in the eyes of consumers. Thus, managers might want to eliminate commissions as a way of
enhancing salesperson credibility and effectiveness. Moreover, to the extent that consumers project their perceptions of salespeople on to the stores that employ those salespeople, then the decision not to pay commissions can also be used to strategically position retail stores as more “honest” and “customer friendly” than competing stores that do pay commissions.

Of course, the reputation-related benefits of noncommissioned sales forces depend on consumer awareness of the retail stores’ sales compensation system. This suggests that managers of noncommissioned sales forces should communicate this fact to consumers. This information should be included in advertising copy or point-of-sale displays. In addition, salespeople should be trained to mention that they are not on commission.

Although our results point to a benefit of moving away from sales commissions, many sales managers will resist this move. Some managers might feel that commissions are needed to motivate their salespeople or that moves to eliminate commissions will provoke open revolt from their salespeople. For those who continue paying commissions, our results point to a need to proactively disconfirm biases that exist in consumers’ minds about the dishonesty of commissioned salespeople, especially if the sales force is predominantly male. Care should be taken to train commissioned salesmen to establish a degree of trust with customers, as opposed to pressuring them to make hasty purchase decisions. In addition, stores’ commitment to honesty and customer service should be promoted in advertising and in-store displays.

Hopefully, these efforts will dominate consumers’ evaluations of salesperson honesty and override the effects of consumer knowledge that the sales force is commissioned. Although the efficacy of such efforts is not established, the results of the current experiments suggest that, in the absence of these or other honesty cues, consumers are likely to doubt the honesty of commissioned salesmen.

References


