

**"INDUCING MULTI-LINE SALESPEOPLE TO
ADOPT HOUSE BRANDS"**

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ABSTRACT

Multi-line salespeople sell the product lines of multiple companies and are typically employees of distributors or of independent sales agencies. Many multi-line providers have recently moved to build a distinct marketing identity by adding a "house brand" to their salespeople's existing product portfolio. To do so, distributors and sales agencies have attempted to induce their salespeople to adopt the house brand so that house-branded products constitute a substantial fraction of every salesperson's sales and income. Yet, a property of house brands is that they have the potential to limit a salesperson's job mobility, as well as build customer loyalty to the multi-line provider rather than the individual salesperson. How can multi-line providers induce their salespeople to sell house brands? Using both unobtrusive measures (archival data) and direct questions, we model the extent to which salespeople adopt house brands, as well as the salesperson's perception that selling house brands can pose contractual hazards and the salesperson's dependence upon the employer. Results indicate that adoption of house brands is most pronounced for salespeople who are habitually successful, who are more dependent on the firm, or who receive high levels of company training. In contrast, salespeople who resist house brands perceive that selling these products threatens their customer bond, have greatest experience as a salesperson, and are more oriented to external than internal sources of information. Implications of the findings in terms of developing ways for multi-line providers to manage independent-minded salespeople are discussed.

INDUCING MULTI-LINE SALESPEOPLE TO ADOPT HOUSE BRANDS

OVERVIEW

In many industries people constitute the key asset of the firm and its focal point for achieving competitive advantage. This is particularly likely to be the case in service functions (e.g. personal selling), especially for providers of professional services, such as lawyers, accountants, and financial consultants. A major challenge for firms in these industries is how to safeguard human capital (Becker 1962). The difficulty for the firm is that most of its assets "go home every night," and that these key employees have considerable independence because of such factors as their close customer relationships, their product and process knowledge, and their professional credentials (education, certification, etc.).

Examples of the problem of safeguarding human capital occur in many settings. For example, hospitals try to bind their affiliated physicians more closely to prevent them from moving (with their patient base) to another hospital. They may do so by providing facilities and equipment, as well as by financial incentives, such as institution-specific pension plans. Similarly, universities attempt to bind well-known faculty via chairs and discretionary resources to prevent them from transferring the benefits of their reputation to another institution. In a similar fashion, professional service firms try to reduce the independence of key employees in order to safeguard their human capital assets.

Employee independence is enhanced in any setting in which customer loyalties are to an individual more than to the individual's firm. These customer relationships increase the employee's leverage and potential mobility (Gilson and Mnookin 1986) because employees are able to leave the firm, taking

their customer base with them. The key operational measure of relative power between employee and employer in such settings is whether customers perceive higher switching costs associated with changing their person relationship (employee power) or their firm relationship (firm power). Customers may often believe that it is less difficult and involving, both psychologically and financially, to change firms than to change people. Therefore, the leverage of employees who "own" their customers in such a manner is heightened.

In parallel, consider a seemingly unrelated development. Stern and El-Ansary (1992) indicate that many industries have experienced a wave of mergers and acquisitions among distributors in order to achieve diversification, increase market share, enter new territories, and achieve economies of scale. As a result, Stern and El-Ansary (1992) predict that more and more manufacturers will find themselves obliged to deal with a few large distributors who will control a significant degree of access to markets. In their search for competitive advantage, many of these distributors have or will develop their own brands ("proprietary brands"), which they manufacture themselves or have manufactured to their own specifications. Powerful distributors then sell their house brands *side-by-side with their principals' brands*.

A comprehensive study of wholesale distribution (McCammon 1990) found that virtually all the distributors studied had proprietary brand programs, and many emphasizes this strategy quite heavily. The essential motivation for proprietary brands is to carve out an identity that differentiates the distributor from other sources of supply, thereby creating a sustainable competitive advantage. For example, Inmac, a distributor of computer accessories and supplies, sells its own Inmac brand (which has come to

constitute 90% of its sales). W.W. Grainger, a distributor of a wide range of products (e.g. tools), sells its own manufactured goods under the proprietary names of Dayton, Demco, and Speedaire. Loblaw's in Canada has created major brand equity for its proprietary "President's Choice" label, which it sells to its own supermarkets and, outside their market area, to other supermarkets. In short, multi-line providers compete directly with their own suppliers, using the same strategy of promoting a unique brand that their manufacturers use.

Proprietary branding programs have intriguing side effects. In their drive to differentiate themselves, multi-line providers obviously risk arousing resistance from their suppliers, as well as customers, who may question whether the multi-line provider is not favoring its own brand. For example, Merck, the leading U.S. pharmaceutical maker, recently purchased Medco, the leading discount pharmaceuticals distributor to providers of managed care. Merck's stock plunged, in part in response to fears that managed care providers, a sophisticated and demanding group of customers, would view Merck as Medco's house brand and therefore question Medco's objectivity in recommending it (*Fortune* 1993).

A less obvious risk of pursuing house brands is the possibility that multi-line salespeople may resist adding the house brand to their existing (outside) lines. Their reasons may be varied: for example, salespeople may fear that their house brand will not satisfy customers, may resent the extra effort required to pioneer the brand, or may simply be settled into a comfortable, safe routine of selling other lines. However, at least some salespeople may object to the very principle of house brands, which is to bind their customers to the salesperson's employer. Some salespeople cultivate

personal relationships, strong enough to move the customer to any future employer the salesperson may choose, as a means of accumulating a portable asset in case of future need. Such a salesperson may view a house brands program as a "Trojan horse," designed to bind the customer to the brand provider rather than to the individual. A house brands program may indeed be pursued by management partly as a means to gain leverage over powerful salespeople.

In short, house brand programs may serve to safeguard a multi-line marketer's most critical asset: its salespeople. Once a salesperson "adopts" house brands, that is, begins doing a substantial fraction of his/her business in them, leaving the firm will become more difficult. Customers may be unwilling to move their business to another provider should the salesperson change to a rival firm. And salespeople may hesitate to move to a rival firm once they have invested in learning how to sell the house brand and may be less familiar with or confident in their ability to sell other products (outside, or third-party brands).

Thus, house brands may engender both passive and active resistance on the part of salespeople and may create conflict between the salesperson and his/her manager. How, then, can the firm induce its salespeople to embrace the house brand? How can multi-line providers assure that their salespeople will make house brands a substantial element of their sales?

We examine this issue using both unobtrusive and direct measures. Using direct measures, we model the salesperson's perceptions of hazards associated with selling a firm's house brands and assess selected features of the salesperson's job environment, sales background, and customer base. We relate these features and perceptions to an unobtrusive (archival) measure of

adoption of the firm's house brands, measured as the proportion of a salesperson's commission income generated by proprietary branded products. Hence, we eliminate common methods bias as an explanation for house brand sales. Our findings indicate that some salespeople are more receptive than others to selling house brands.

Below we develop propositions based on several literatures that bear on the issue of selling house brands. We then detail our data collection and model development, concluding with estimation results, discussion and managerial implications, and suggestions for future research.

DEVELOPMENT OF PROPOSITIONS

The conceptualization which we offer, presented in Figure 1, is drawn from a number of theoretical streams, notably transaction cost analysis (Williamson 1983, 1985), dependence theory (Emerson 1962, Heide and John 1988), diffusion theory (Gatignon and Robertson 1985), and the sales management literature (e.g. Cron and Slocum 1986).

Figure 1 presents a model of an individual salesperson's *degree of adoption of house brands*. By "degree of adoption" we mean the extent to which a salesperson makes house brands a proportion of his/her total sales. Note that adopting house brands should be related to (but is not synonymous with) efforts to sell them (rather than generally available brands). A salesperson may accept house brands cognitively and affectively but experience little success selling them, for such reasons as customer resistance. (These will be treated as covariates in Figure 1.) Of course, a salesperson may also accept house brands only grudgingly but find they sell readily: little effort can produce a substantial fraction of overall sales generated by proprietary brands. Hence, degree of adoption is a function of both salesperson effort

and customer receptivity *vis-a-vis* both house brands and the more generally available products in the rest of the salesperson's portfolio. Differential salesperson effort and customer receptivity are factors which will drive the development of the propositions below.

Perceived Hazards

As applied in the context of sales management, transaction cost theory (Williamson 1985) focuses on the idiosyncratic (firm-specific) nature of the investment that salespeople make in order to adopt house brands. An important question posed in transaction cost analysis is this: why does anybody make idiosyncratic investments? Presumably, they do so when idiosyncratic investments create more value than a general-purpose investment would create in the same circumstances. However, transaction cost analysis highlights a potential reason to prefer to make only general-purpose investments, namely that idiosyncratic investments are not portable. Their value is tied to their context. Hence, if the context ends, the investments lose value. For example, a salesperson who has invested in learning to sell (and persuading customers to buy) products available from several sources (a general-purpose, redeployable investment) will lose less when changing employers than will a salesperson who has invested in selling a product available only from the current employer. Hence, the salesperson who has invested in employer-specific selling is in a small-numbers bargaining position with that employer, while the salesperson who has focused on a more widely-available product line is freer to change employers. Transaction cost analysis focuses in part on the employer opportunism to which the employer-specialized salesperson is now exposed.

Transaction cost analysis would suggest that the firm's introduction of house brands may bind the salesforce in two key ways. First, the sale of house brands may reduce the customer's loyalty to the salesperson by emphasizing the uniqueness of the firm's identity rather than the customer's personal relationship with the salesperson. The notion of binding the customer to the firm and/or to the salesperson has figured prominently in earlier research, notably Heide and John (1988), who demonstrate that independent sales agents balance their dependence on their suppliers (principals) by cultivating agency bonds with the principal's customers. To the extent that agents can come to "own" the principal's customer base, the principal is made more dependent on the agent, a process which Heide and John label "dependence balancing." Heide and John (1988) show that agents who offset high principal-specific investments with strong customer bonds to the agency itself appear able to block principal opportunism and enhance their agency's performance.

Other writers have argued that customer bonding is a phenomenon with wide ranging implications. For example, Anderson (1985) finds that salesperson bonding to customers plays a substantial role in the supplier's decision of whether to use a multi-line provider or to employ a direct sales force. Jackson (1985) argues that customer bonding, both to the salesperson and to the provider firm, is a critical determinant of marketing effectiveness in industrial settings.

Of course, the prospect of small numbers bargaining (and attendant opportunism) arising from the sale of house brands may not arouse the salesperson's concern. The threat of opportunism in small numbers bargaining may appear remote to many economic actors (Granovetter 1985). Hence, the

salesperson may not believe (or think through) the possibility that selling house brands could weaken customer bonds to the individual. Or the salesperson may not believe that the ramifications are very serious. Presumably, such unconcerned salespeople are less likely to resist selling house brands, all else constant. In proposition form,

P1: The more salespeople believe that house brands weaken their personal relationships with customers, the less they will adopt house brands.

A second way that proprietary branded products may bind salespeople occurs when the sale of house brands raises the salesperson's exit (mobility) barriers. It may be more difficult to leave the firm because the knowledge-specific investments that have been made will be sacrificed, or because potential alternative employers derive little or no utility from a salesperson's ability to sell someone else's house brand.

P2: The more salespeople believe that house brands decrease their mobility, the less they will adopt house brands.

Dependence and Adoption of House Brands

The salesperson's dependence on the multi-line provider may influence adoption of the house brand. Dependence, an important concept in the sociological literature, has been operationalized by Emerson (1962) as the irreplaceability of valuable benefits. Dependence is a construct used much more in the channels of distribution literature than in the sales force management literature. This study concerns the salesperson employed by a multi-line sales organization. Keith, Jackson, and Crosby (1990) aggregate one step by examining the multi-line sales organization itself as a member of a distribution channel. They demonstrate that such organizations are considerably more responsive to requests from principals (e.g. to promote

certain products) upon whom they have higher degrees of dependence.

Similarly, Hallen, Johanson, and Seyed-Mohamed (1991) show that industrial buyers adapt more readily the greater their degree of dependence upon a supplier, and vice versa. In general, it is a well-accepted proposition that player A acquiesces more readily to the will of player B the greater A's dependence on B (Frazier 1983).

In the selling context, dependence of the salesperson upon the employer is highest when the salesperson believes that his or her performance, earnings, and other elements of utility are maximized at the present firm (valuable benefits) and that she/he would be worse off at another firm (irreplaceability of benefits). We propose that:

P3: Salespeople who are more dependent on their employer are more likely to adopt house brands.

This is because dependence gives the firm greater leverage over its sales personnel (Emerson 1962), obliging them to accommodate, at least partially, management's desires (including the desire to sell house brands). Over the long term, the adoption of these products, in turn, increases salespeople's dependence further, since these products create exchange difficulties which give the firm the potential to appropriate opportunistically some of the value of these relatively immobile assets (i.e. exploit its dependent salespeople). The salesperson, therefore, is "potentially dependent on good-faith, non-opportunistic behavior" by the firm (Heide and John 1988, p. 23). However, increased dependence happens slowly. Indeed, the very slowness of the process is one reason why salespeople may not recognize any increase in dependence. Thus, although a feedback loop from adoption of house brands to dependence is

appropriate over the long term, it is unlikely to operate in the near term (Wold 1954), hence is not shown in Figure 1.

Salesperson Background Factors

Information source preference. As noted earlier, the house brand phenomenon among multi-line providers is gathering momentum in many industries. It is particularly interesting to consider what makes a salesperson adopt proprietary products when the concept is relatively new to a given industry. In industries wherein multi-line providers follow the usual practice of selling third-party brands, presenting a house brand to a buyer can be a challenge to the multi-line salesperson. The very concept of creating and selling one's own brand alongside supplier's brands is unfamiliar to buyers, who may be unsure how to evaluate the proprietary brand--or the salesperson's motives for selling it. Firms which are early to market house brands in their industries are indeed attempting to make an innovation diffuse through the population of buyers. But to do so, they must first make the innovation diffuse through their own salesforce.

The diffusion literature highlights the potential adopter's preference for external (cosmopolitan) versus internal (local) sources of information. Research across a range of product categories generally demonstrates that innovators (those who are early to adopt) are more cosmopolitan and more integrated into external sources of information than are later adopters (Kimberly 1978; Robertson and Wind 1983; Rogers 1983). This is because by reading widely, cosmopolitan purchasers are more likely to come across descriptions of the (hidden or overlooked) benefits of the new product.

Of course, salespeople (as well as purchasers) can be innovators and can access multiple sources of information. We focus on the salesperson's

preference for external sources of information (such as trade journals and the financial press) versus internal sources of information (such as company newsletters and reports). In the house brand situation, what is hidden or overlooked about the new product (house brand) are not the benefits: these have already been trumpeted by the firm. What is hidden or overlooked is the downside: selling house brands over the long term may create mobility hazards or reduce customer loyalty. This, of course, is a feature which management would prefer salespeople not to consider.

By reading widely (outside the firm's promotional materials), salespeople are more likely to come across descriptions of these (latent or overlooked) risks of the house brand. The mechanism is the same as that in the innovation literature: by accessing external information sources, potential adopters discover alternative information about the new product. Our expectation is that:

P4a: The more salespeople rely on internal rather than external sources of information, the more they will adopt house brands.

The logic is that salespeople high on external source access will be more aware of alternative products that they could sell and less reliant on management opinions and priorities. In contrast, salespeople with a local outlook, who receive most of their product information from their employer, will be more aware of house brands and perceive fewer alternative products that meet customer needs. They will also lack exposure to objective discussions as to the merits and disadvantages of house brands and, therefore, be less sensitive to potential mobility and customer hazards of selling house brands.

We also propose that:

P4b: The more salespeople rely on internal rather than external sources of information, the higher their dependence on their employer.

This is because salespeople who obtain most of their information from their employer derive greater benefits from the employer than do salespeople who go outside the firm for their knowledge base.

To this point, we have focused on the notion that house brands will encounter salesperson resistance, in part because of their newness and uncertainty and in part because they may create long-term hazards to the salesperson's mobility and customer relationships. We have also underscored that salespeople dependent on their employer may be more prone to adopt house brands, regardless of their reservations. We now turn to propositions developed primarily from the sales force management literature. These propositions detail individual and job-related factors which influence a salesperson's inherent resistance to house brands, level of dependence on the firm, and perception that selling house brands is hazardous.

Adoption should be, at least in part, a function of the individual salesperson. The sales force management literature highlights three salesperson-specific background factors, each of which are elements of the pattern a salesperson's career has assumed, that may be particularly relevant to how the individual reacts to house brands. These are (1) career success, (2) sales experience, and (3) prior mobility.

Salesperson Background Factors

Career Success. The sales force management literature distinguishes between salespeople who have successful sales careers year in and year out (the "heavy hitters") and those whose success is yet to be established (Cron 1984, O'Neilly and Russ 1992). We propose that:

- P5: Persistently successful salespeople
- a) are more likely to adopt house brands;
 - b) are less dependent on the firm.

Following Chowdhury (1993), salespeople who have consistently succeeded in sales jobs can be expected to perceive a higher level of mastery of the art of selling (self-efficacy), which creates a higher expectancy of future success. In turn, this higher expectancy contributes to greater expenditure of effort to achieve more difficult sales goals. This line of reasoning suggests that career-successful salespeople are less likely to be daunted by the obstacles of selling a new product, such as a new house brand. This is because high performers have greatest latitude with their existing employers (Bellizzi and Hite 1989), as well as the greatest external value (Futrell and Parasuraman 1984). Management's appreciation of their value, combined with their mobility, build a safeguard against the hazards of selling house brands. Hence, these "heavy hitters" should be less vulnerable to, and less concerned about, the risks involved in losing customer loyalty or job mobility and less dependent on their current employer.

Experience. Cron (1984) argues that a salesperson's job experience is a critical determinant of his/her job attitudes and behaviors. In particular, as salespeople accumulate experience, they settle into routines which can be very difficult to change (Cron 1984, O'Hara, Boles, and Johnston 1991). Conversely, it is among less experienced salespeople that job-related attitudes and behaviors are most malleable, whereas more experienced salespeople are more set in routines, which are more difficult for management to alter (Johnston et al. 1990). Similarly, Dubinsky et al. (1986) demonstrate that novice salespeople are heavily influenced by early job experiences, which "socialize" them into a salesforce. Socialization, in

turn, has substantial and lasting effects on job-related attitudes and performance. Behrman and Perreault (1984) note that experienced salespeople have learned routines for coping with the demands of the selling task, and have thereby reduced their need for feedback and guidance from superiors.

In short, it is well established that experience in selling creates routines that become progressively more difficult for management (and even salespeople themselves) to change. For multi-line providers introducing a house brand, their salespeople's experience will have created expertise in selling the rest of the multi-line provider's portfolio of products. Experience results in a routine, which the house brand would have to dislocate if the salesperson is to adopt proprietary brands. This expertise in selling other products that compete for the salesperson's attention should reduce any incentive to learn to sell new house brands.¹

We also expect that more experienced salespeople will be less dependent on their firms and more aware of potential hazards. This is because experienced salespeople tend to reach advanced career stages that involve some level of psychological disengagement from the employer (Cron 1984). Further, experience implies greater exposure to more events. This larger view should make the salesperson more likely to recognize potential hazards and less inclined to feel that any one firm is irreplaceable or completely appealing (the elements of dependence on the firm).

P6: The greater the salesperson's experience:

- a) the lower the adoption of house brands;
- b) the higher the perception of hazards of selling house brands;
- c) the lower the dependence on the employer.

Prior mobility. The greater the number of other firms for which the salesperson has worked (prior mobility), the less should be the salesperson's receptivity to house brands. We also expect a lower level of dependence on

the firm and a higher perception of hazards. This is because frequent job changes should be related to a lack of commitment to any one firm and its products (Mobley et al. 1979), in part because the firm is less able to socialize salespeople imported with experience from outside the firm (Ganesan, Weitz and John 1993). This lack of commitment may be accompanied by a certain cynicism about the extent to which any one firm is uniquely rewarding (Anderson and Oliver 1987). Lack of commitment also implies a reluctance to invest in house brands, which require the development of firm-specific knowledge. Prior mobility is also expected to make salespeople more aware of mobility and customer hazards, since their past behavior may have sensitized them to the complications of changing firms.

P7: The more firms a salesperson has represented in the industry:

- a) the lower the adoption of the house brand;
- b) the greater the perception of hazards of selling the house brand;
- c) the lower the dependence on the employer.

Below, we turn to four actions which the firm can take to overcome salesperson reluctance to sell house brands.

Employer Management Factors

Differential financial incentives. Because salespeople are very sensitive to financial incentives (John and Weitz 1989), management may offer differential monetary incentives. This should be effective if:

P8: Offering financial incentives to sell house brands *rather than* the other lines in the multi-product portfolio will increase salesperson adoption of house brands.

Financial incentives can be directly hinged to house brand sales (e.g. a higher commission rate, a bonus, or a contest prize), or may be indirectly connected (e.g. the promise of a salary increase if house brand sales grow). In particular, differential commissions are a potent lever. Higher commission

levels on one product versus the rates prevailing on other products the salesperson can sell will encourage the adoption of house brands. Commission salespeople are keenly sensitive to variations in commission levels for products which require similar sales efforts (Anderson and Oliver 1987); similarly, sales agencies paid on commission are very responsive to variations in the commission rates of lines with similar levels of salability (Anderson, Lodish, and Weitz 1987).

Sales training. The training function within a firm is intended to build salesperson loyalty, increase motivation, and reflect and inculcate management's goals (Churchill, Ford, and Walker 1993). Thus, if the firm sees house brands as a major priority, the content of training programs should mirror this priority. This encourages adoption because the salesperson will have developed high (company-specific) knowledge from the training program which s/he will want to leverage in order to recover the investment. That investment, in turn, makes the house brand salient, and the expertise developed makes it easier to sell the house brand.

Training oriented towards encouraging the sale of house brands may downplay the potential risks for the salesperson of lowered mobility and a customer loyalty hazard. Such training (naturally) accentuates the positive in line with the firm's objectives (greater house brand sales) and does not dwell on the hazards of house brands. And because training serves to build and reinforce company loyalty, it may increase dependence on the firm by increasing the salesperson's perception that the firm is a uniquely beneficial employer. Hence:

- P9: The greater the level of training for the salesperson,
a) the greater the salesperson's adoption of house brands;
b) the lower the salesperson's perception that selling house brands poses hazards;

c) the greater the salesperson's dependence on the firm.

Supervisory attention. The attention the salesperson's immediate supervisor gives to him/her has been shown to have the potential to influence the salesperson's behavior and to create positive outcomes, such as elements of job satisfaction (Churchill, Ford, and Walker 1976) and role clarification (Behrman and Perreault 1984). Because house brands may represent a strategic priority of the firm, first-line sales managers are likely to stress house brands to their salesforces, emphasizing their benefits, downplaying their drawbacks, and using personal influence, where possible, to encourage sales effort to be devoted to these products. Supervisor attention should also reduce the perception of hazards (by downplaying or overlooking them) and build dependence (by increasing the sense that the firm is an unusually good employer). Thus, our expectation is that

P10: The greater the amount of supervisory attention which the salesperson receives,

- a) the greater the salesperson's adoption of house brands;
- b) the less the salesperson's perception of hazards of selling house brands;
- c) the greater the salesperson's dependence on the employer.

Salesperson's perception of firm's commitment to house brands. The introduction of house brands will require resource commitment by the firm to research the opportunity, design the product, and create advertising support (Urban and Hauser 1980). The firm can be more compelling in its arguments for selling house brands, and salespeople can recommend the products with greater confidence to customers, knowing that the firm has made a substantial investment to develop and market these products. Thus, the firm's commitment to house brands can serve as a surrogate for quality, reassuring salespeople that they would not be selling a product which will disappoint their customer base. This is particularly likely in the case of services, wherein the

intangible nature of what is being sold obliges salespeople and customers to look for surrogates for quality (Berry, Zeithaml, and Parasuraman 1990, Parasuraman, Berry, and Zeithaml 1991).

P11: The greater the salesperson's perception of commitments made by the firm to the house brand, the greater the salesperson's adoption of these products.

We now turn to how the salesperson perceives his/her customer base.

Customer Factors

The salesperson's sales of house brands relative to third-party brands depends on his/her customer base, in particular, how the salesperson perceives that base. We focus on customer features (both real and perceived) which discourage the sale of house brands *relative to more widely available brands*. We address both the customer's differential resistance and the salesperson's *anticipation* of that resistance (which may cause the salesperson to exert less effort on behalf of house brands).² Less effort and greater resistance may combine to reduce the proportion of salesperson income attributable to house brands.

The reputation of a firm is a source of firm-specific capital (Gilson and Mnookin 1986) that should influence house brand adoption. By branding its own product and selling it alongside other brands, the multi-line seller is offering an endorsement above and beyond that connoted by simply carrying a third-party brand. The firm is staking its reputation on its own brand. The more the provider has a favorable reputation among customers, the more positive the connotation of the brand name, which should have utility to customers (Aaker 1991). Therefore, a positive company reputation, being an indicator of likely quality, should make the house brand easier for the salesperson to sell. Anticipating this, salespeople will make more effort to

sell the house brand if they believe customers value the brand name. To the extent that the salesperson's belief is accurate, s/he will succeed more often, given greater efforts to sell the house brand. Therefore,

P12: The stronger the salesperson's belief that the customer base values the firm's reputation, the greater the salesperson's adoption of house brands.

The customer's skepticism of the salesperson's recommendations can be expected to play an important role. A salesperson who finds customers to be habitually critical of what s/he recommends will, of course, have difficulty selling anything. However, house brands may fare particularly badly among such customers. This is because over time, the salesperson will have settled into a hard-won equilibrium with his/her more skeptical customers. To promote the house brand risks upsetting what may be a fragile relationship. Further, the habitually more skeptical customers may be more likely to question whether the salesperson has the customer's best interests in mind when s/he promotes the company's proprietary product. Habitually skeptical customers may be prone to suspect that the broker is responding to higher commissions or management preferences. Anticipating this, salespeople are expected to hesitate to present the house brand to customers they believe to be highly skeptical. To the extent these beliefs are accurate, salespeople should be less successful when they do make the effort. Hence,

P13: The more habitually skeptical salespeople believe the customers are of the salesperson, the lower the salesperson's adoption of house brands.

In a similar vein, house brands may do particularly poorly among more sophisticated purchasers. These customers may or may not be habitually more scornful of the salesperson's recommendations. However, sophisticated customers may be well aware that the firm extracts higher margins and the

salespeople enjoy higher commissions on the house brand. Therefore, when encountering sophisticated customers, the salesperson is less likely to succeed if an attempt is made to sell house brands: anticipating this, salespeople may reduce their efforts with such customers. Formally,

P14: The more the salesperson see the customer base as sophisticated, the lower the salesperson's adoption of house brands.

Summary

Figure 1 summarizes a model whose premises are: 1) multi-line salespeople may resist house brands, especially when the very concept is innovative in their industry; 2) this resistance will be stiffened if salespeople become concerned that selling house brands will put them into a small-numbers bargaining position with their employer; 3) this resistance will be weakened if salespeople are dependent on the firm. We examine four factors under the control of management that can influence adoption directly and also indirectly (via affecting dependence or perceived hazards). We also examine four salesperson-specific elements which may also influence adoption, directly and indirectly, and control for how the salesperson's perception of his/her customers may influence adoption directly.

The Research Setting

An empirical test of these propositions requires a setting which meets a number of conditions. Most notably, the potential for reactivity is substantial: studying apprehension about the long-term negative externalities associated with house brands risks increasing that apprehension. Given that the issue of house brand adoption is potentially sensitive, obtaining all measures from a single source implies a strong possibility that cognitive consistency needs will drive the results. In such a situation, the use of

unobtrusive measures is especially appropriate (Webb et. al. 1966). However, obtaining such measures requires substantial management cooperation.

An appropriate industry to examine the adoption of house brands by multi-line salespeople would be one in which 1) multi-line providers are important, 2) salespeople are an important asset to these providers, a form of human capital worth attempting to safeguard, 3) house brands have recently been introduced by a number of firms and have become a subject of discussion. The financial services in the later 1980's met these criteria.³

The provision of financial services is dominated by multi-line providers (e.g. Merrill Lynch, Prudential, Dean Witter) which are essentially distributor/dealers of investment vehicles (e.g. stock, bond, options, and bundles of assets, such as mortgages). As is common in distributor operations, customers can purchase the same product (e.g. 100 shares of IBM common stock) from many multi-line providers. During the 1980's some major financial service firms introduced their own house brands--essentially packaged and branded portfolios of stocks, bonds, real estate, etc.. The development of these house brands is driven by multiple motivations. For example, house brands may have the potential to achieve higher margins. House brands may also be viewed as responsive to mutual fund competitors (such as Fidelity and Dreyfus) which have been gaining market share at the expense of full-line financial services providers. Ultimately, such "proprietary products" (in industry parlance) may be developed because they meet the needs of particular segments within the firm's total customer base.

In financial services, salespeople ("brokers") represent a major asset for many firms. The issue of how to "bind" brokers to the firm is a crucial concern. Firms recognize that their best performers are particularly mobile

and try through compensation systems and personal recognition programs to build employee commitment to the firm. This is not an easy task: salespeople are managed, for a variety of reasons, under an extreme form of outcome control (Anderson and Oliver 1987). After an initial training period, they are paid strictly on commission and are subject to very little supervision. Brokers are generally resistant to what little supervision they do receive. Their job mobility tends to be quite high, and brokerage houses frequently "raid" each other's brokers, offering substantial signing bonuses and other inducements in the full expectation that the broker will switch his/her customer base to the new employer. Although they are employees of the brokerage house, they are highly independent in their attitudes and actions. In this respect, they are typical of the outcome control salesperson, who appears in many sales forces (Anderson and Oliver 1987). Hence, this industry offers a strong test of what management can do to induce adoption of house brands by powerful salespeople.

Industry discussions with representatives of major firms and with officers of the Securities' Industry of America (SIA) trade association reflect the rationale that house brands may help bind employees to the firm. The logic is to transfer some measure of customer loyalty from the salesperson to the firm, since these products carry the firm's name. Furthermore, it is not as easy to transfer a customer's account to a new employer if it is comprised of products bearing the previous employer's identity. In the financial services industry, the house brand strategy was quite new in the late 1980's and opinions about it were not (and still are not) crystallized. Hence, we can expect considerable variation in opinions about and adoption of

house brands by salespeople. Thus, financial services provide an ideal setting to test our propositions.

Data Collection

We model dependence and exit barriers, using perceptual data gathered directly from 208 salespeople of several cooperating firms which supplied names and addresses of a cross section of their salespeople. Surveys were sent by the researchers to home addresses and solicited cooperation in exchange for an executive summary of results. (The cooperation of firms was never identified in order to avoid potential biases.) These 208 responses represent 49.5% of the 420 brokers sampled and are the basis for measure development and for modeling dependence and perceptions of the hazards of selling house brands. The high response rate may reflect the interest (and controversy) that house brands generate in the financial services industry. The demographics of the respondents closely match those of a large-scale descriptive survey of readers conducted by *Registered Representative* (1990)--a widely read industry trade magazine--during the same time period. The firms which cooperated in supplying names are representative of large national major brokerage houses which sell house brands. This profile, together with the high response rate, suggests that our sample is reasonably representative of the U.S. national broker population.

The salesperson's adoption of house brands is modeled as a second step in our analysis. A straightforward approach to collecting data for this model would be to ask brokers about the proportion of their commissions due to house brands. However, such self-reports may be problematic. Brokers may be unaware of, or unable to recall the breakdown of house brand commission levels. Further, as the issue is sensitive in the industry, salespeople may

underreport their house brand commissions (arguably the socially desirable answer) or refuse to participate in the study altogether. Finally, priming salespeople to focus on the house brand issue could influence their other responses (e.g. their reports of perceived mobility hazards). Therefore, an unobtrusive measure of house brand commissions is preferable. The argument for unobtrusive research methods has been forcefully presented by Webb et al. (1966). Such a measure would have the additional advantage of eliminating common methods bias as an explanation of any relationships discovered.

For purposes of the study, therefore, we sought archival data from each cooperating firm as to the actual sales of house brands by salespeople, with the intent of supplementing each of the 208 perceptual responses with an unobtrusive measure of house brand adoption. One very large national firm provided an unobtrusive measure of our key dependent variable by supplying detailed commission records to supplement the perceptual responses provided by their brokers, who constituted 150 of the 208 respondents in the sample.⁴ This subset of 150 is the basis of the adoption model.

Measure Development

Adoption of house brands. In a manner analogous to the adoption of an innovation, adoption may be variously conceptualized—as to *time* of first purchase (sales of the house brands), *width* (such as range of products accepted) and *depth*, meaning the proportion of usage (broker sales) accounted for by house brands (Gatignon and Robertson 1985). In this study our focus is on the depth of adoption, which is assessed by the proportion of the salesperson's productivity (commissions) that is accounted for by house brands. Adoption of house brands is represented as the proportion of commissions coming from house brand sales divided by the proportion of

commissions coming from general products sales, i.e., the odds ratio. Odds, rather than dollars, is used to attenuate volume differences due to uncontrolled factors, such as territory sales potential (Ryans and Weinberg 1987). The proportion of house brand commissions per salesperson ranges from .03% to 48%, or from virtually zero to nearly one-half of some salespeople's income. Hence, the range in adoption is quite considerable. This range cannot be explained by commission rates, which vary across companies but not across the 150 salespeople in the one-company sample for which archival and perceptual measures are available.

Multi-item scales, i.e. the sum of a series of items reflecting facets of the construct, were used to operationalize the other constructs represented in Figure 1 and are shown in Appendix 1. These measures were developed via an extensive survey of the trade and academic literatures to develop detailed construct descriptions, followed by multiple interviews with brokers, sales managers, and trade association officials to develop clear, answerable items. Each group of items written and designed to reflect a construct was factor analyzed to test unidimensionality, using the scree test to establish one dominant factor in each set of items. Reliability was assessed via estimation of Cronbach alpha for each scale. Table 1 presents a summary of the scales and their associated reliabilities. All exceed Nunnally's (1978) suggested minimum reliability level of .7 for basic research. Table 2 presents the correlation matrix of the scale measures, which are discussed below: 208 brokers contributed to measure development.

Dependence. The nine items assessing this construct, shown in Table A-1, achieve a coefficient alpha of .83. Salesperson dependence on the firm, in Emerson's (1962) terms, increases the more the salesperson derives benefits

from the job that cannot readily be derived elsewhere (i.e. benefits are difficult to replace). The measures assess the benefits the salesperson derives from the firm (e.g., "This firm is a place where I can make a lot of money") and the negative consequences of leaving the firm (e.g., "I'd be worse off if I changed jobs right now"). Frazier (1983) notes that it is logical that benefits and irreplaceability go together because the greater the benefit level, the more rare (irreplaceable) that benefit level is likely to be.

Perceived Hazards of Selling Firm-Specific Products. The items assessing these constructs are shown in Tables A-2 and A-3. Factor analysis reflects two dimensions in this set of 8 items. The first, the *salesperson's estimation of a customer loyalty hazard*, represents a belief that customers will think less of a broker who sells house brands (coefficient alpha = .77). These items assess the broker's fear that introducing customers to firm-specific products can reduce the customer's loyalty to the broker and the perceived value of his/her advice. (This, of course, can be precisely the firm's objective--to wean customers from salespeople and deliver them to the firm).⁵

The second dimension, the *salesperson's estimation of a mobility hazard*, represents a generalized belief that selling house brands erects exit barriers that trap the broker into staying with the employer. These ideas refer directly to the prospect of changing jobs, which is not present in the customer loyalty hazard items. The adoption of house brands may make it more difficult for the salesperson to change employers because the investment in a somewhat specialized knowledge base (house branded stock and bond funds, for example) is not as readily transferable to another firm as the generic knowledge of trading publicly listed shares of stocks and bonds. The three-

item measure of the mobility hazards construct achieves a coefficient alpha of .72.

Salesperson background variables. Experience in the role of stockbroker is measured by the number of years that the salespeople has been a securities broker. *Prior mobility* is indexed by the number of brokerage firms the salesperson has worked for: this index ranges from 1 to 8, although most salespeople have worked for no more than three firms over their brokerage careers. *Career success* (Table A-4) measures consistently high achievement over time as a broker, in both absolute and comparative terms (coefficient alpha = 0.84). Behrman and Perreault (1981) demonstrate that salesperson self-reports of performance are reasonably accurate. A measure of convergent validity is provided by the subset of 150 brokers for whom both survey and archival data are available. For these brokers, records of recent annual commission income and career success self-reports are strongly and positively correlated ($r = .54, p < .001$). *Information source preference.* This construct assesses the extent to which the salesperson accesses investment information within or beyond the firm, i.e., internal versus external information sources (Table A-5, coefficient alpha = 0.74).

Employer management factors. The level of training which the broker receives is reflected as time spent in company programs, including refresher training. At the time of our research, interviews with the Securities Industry Association and several major firms documented the emphasis being given to house brands in training sessions. Cumulative and recent company training are included (Table A-6, coefficient alpha = 0.82). *Supervisor attention* received by the broker (Table A-7) reflects the intensity of interaction between manager and broker (coefficient alpha = 0.86).⁶ The

measures of the broker's belief that the firm is committed to house brands (nine items) are shown in Table A-8 (coefficient alpha = .75). These items reflect how strongly the broker believes the firm backs its house brands.

Customer Factors. Tables A-9 to A-11 indicate the items used to measure the three customer factors. *Salesperson belief that the customer base is sophisticated* in this industry is thought to correspond to the socioeconomic status of customers: more educated, upscale customers are widely believed to be more sophisticated investors. The measure includes eight items with a coefficient alpha of .82. The *salesperson's belief that the customer is skeptical of his/her recommendations* is assessed by nine items (coefficient alpha of .74) which reflect a tendency to scoff at broker suggestions and use one's own judgment instead in selecting a portfolio. The items assessing the *salesperson's belief that the customer sees the company as reputable* yields a coefficient alpha of .91 based on nine items.

Financial incentives to sell house brands are not investigated explicitly in the study because there was insufficient variation in the data. In this industry, proprietary products generally do carry higher commission levels (Morgenson 1991), designed to reflect the firm's priorities (preference to sell house brands), encourage the salesperson to invest effort in promoting house brands, and (in transaction cost analysis terms) to constitute a risk premium to compensate for the investment and contractual hazard that salespeople must undertake. The commission level for house brands was uniform across all of the brokers in our study, and uniformly higher for proprietary products than for the rest of the portfolio. Therefore, differential commissions are not a source of variation across salespeople in explaining

adoption, and the effect of uniformly higher rates on proprietary products is reflected in the intercept of the adoption model.

Model Estimation and Results

We first test a model explaining the mediating factors of dependence, perceived mobility hazard, and customer loyalty hazard. These relationships are estimated using ordinary least squares regression as a function of the variables delineated in Figure 1; career pattern variables, training, supervisory attention, and the salesperson's information source preference. This model, which uses complete information provided by 201 of our 208 respondents from multiple firms, is of substantive interest. It also allows us to assess and partial-out the substantial covariation that is hypothesized between the mediating variables and some of the other variables hypothesized to influence adoption of house brands. In our second analysis, these mediating variables become independent variables in a weighted least squares estimation of the degree of salesperson adoption of house brands. One hundred and forty three brokers of the 150 for whom commission records are available comprise the data for this model.

Using this two-step procedure enables us to assess whether, as hypothesized, dependence and contractual hazards affect adoption *for reasons other than* the ties between these mediating variables and other constructs--career pattern variables, firm's actions, and information source preference. These latter constructs are hypothesized to influence adoption *directly* (by making house brands easier to sell), *as well as indirectly* (by influencing the salesperson's perceptions of the hazards of selling these products). Hence, two distinct but complementary rationales are tested in

this two-step procedure, which Judge et al. (1980, p. 461) label "auxiliary regressions."

Model 1: Dependence and Perceived Hazards

Table 3 provides results testing the hypotheses affecting dependence and perceived hazards, using 201 complete observations from the 208 brokers from multiple firms. Coefficients are shown in two columns: the first column is based on standardized independent variables to facilitate comparison of effect size within each model, while the second column is based on the uncorrected variables. In general, the results shown are encouraging in our attempt to understand these phenomena.

Dependence. We are able to explain 32% of the variance in how much the salesperson depends upon the firm. Results indicate that, in terms of their career patterns, the more dependent salespeople are more successful in their careers as brokers (coefficient of .19 using standardized variables), are more experienced as brokers (.15), have had lower levels of prior mobility (-.14), and rely less on external (rather than internal) sources for their information (-.19). Dependence increases as the firm invests in the salesperson via training (.35) and manager attention (.28). We had anticipated the opposite of the first two relationships. It appears that career success and experience build dependence rather than independence.

Mobility Hazard. In accord with expectations, the salesperson's perception that house brands erect a mobility hazard (block job changes) increases with his/her external information source preference (.36) and decreases with attention from the manager (-.31). But contrary to our hypotheses, lower awareness of mobility risks is evinced by those with greater

career success (-.19) or experience (-.20). Training and prior mobility appear to have no impact. These factors explain 15% of variance.

Customer Loyalty Hazard. Table 3 further indicates that a broker's perception that losing customer loyalty is a result of selling house brands is influenced by four factors, which account for 27% of variance. The perception of a customer loyalty hazard decreases with training (-.41), manager attention (-.18), and career success (-.10) and increases with exposure to external information sources (.32), as hypothesized. Prior mobility and experience have no significant impact.

Model 2: Adoption of House Brands

A robust way to model a diffusion process is to represent adoption as the log of the odds ratio, where, in this case, the odds represent the proportion of commissions from house brands, versus commissions from the sale of generic investment products. Given a limited dependent variable (a proportion), a logit (log odds) transform is an accepted approach for analyzing such data, which yields consistent estimates of the effects of each predictor. In this case, OLS yields estimates that are consistent but inefficient. Hence, weighted least squares was used to obtain efficient estimates of coefficients (Gatignon and Reibstein 1986).⁷ In this analysis, the mediating variables are represented in terms of the variance in dependence and awareness of mobility barriers that is not due to the salesperson's background, nor to the firm's training and supervision of the salesperson. In other words, the mediating variables are cast in terms of residuals (auxiliary regression). Thus, any effects the mediating variables have upon adoption cannot be attributed merely to their antecedents.

Table 4 shows weighted least squares regression results based on 143 salespeople for whom complete archival adoption data and self reports were available. Results indicate that 29% of variation in the salesperson's adoption of house brands can be explained by six variables. The coefficients of the mediating variables indicate that salespeople who are more dependent on the firm exhibit higher levels of adoption (.11), whereas their perception of a customer loyalty hazard reduces adoption of house-branded products (-.26). Salesperson background factors also affect the likelihood of adopting house brands. Salespeople with greater career success are more likely to adopt (.16), while more experienced salespeople are less likely to adopt (-.14). Salespeople who rely on external sources of information are also less likely to adopt house-branded products (-.25). These findings are in line with expectations.

The examination of employer management factors shows that adoption increases, as hypothesized, with the level of training to which the salesperson has been exposed (.35), although managerial attention does not appear to have a direct impact. Finally, we do not find any significant findings involving the relationships between any customer factors and house brand adoption.

DISCUSSION

A number of factors appear to influence the degree to which salespeople adopt house brands. Financial service brokers are more likely to make such products a significant source of their income if they are highly dependent on their employer or if they discount or fail to recognize a customer loyalty hazard that may be incurred by selling such products. Additionally, adoption of house brands increases with career success and with higher exposure to

company training programs. Prior experience as a broker reduces the adoption of house brands, as does a preference for external sources of information. In terms of our conceptual model for explaining adoption of house brands (Figure 1), we have achieved some reasonable level of success, but further conceptualization and refinement are necessary.

Career success plays an interesting, and somewhat counterintuitive, role. Sales managers in many industries prize their most successful salespeople for their accomplishments, and give them more latitude in their actions, even to the point of being more tolerant of less ethical behavior (Bellizzi and Hite 1989). Simultaneously, sales managers are often exasperated by the difficulty of managing an employee who is fully cognizant of his/her high value to the organization. In the financial services industry, as in many others, highly successful salespeople are often portrayed as cynical, cantankerous *prima donnas*, highly skeptical of management initiatives and prone to defy management and assert their power and importance (*Wall Street Journal* 1987). For example, among the many factors to which E.F. Hutton's demise has been attributed is the strong influence of its most successful brokers, who blocked cost-cutting initiatives by simply threatening to quit (*Fortune* 1988).⁸ It is commonly believed in the industry that it is these "heavy hitters" (in sales force jargon) who are most resistant to adopting house brands.⁹

Transaction-cost analysis makes the opposite prediction, suggesting instead that *success insulates salespeople against employer opportunism*. This frees "star" salespeople to sell more of everything in pursuit of commission income, without discriminating against house brands. Our results are consistent with this line of reasoning. Our results concerning the actual

sale of house brands, using archival data, suggest that successful salespeople are inclined to promote *any saleable product*, paying little attention to the question of mobility barriers. Further, the most successful salespeople are the ones least suspicious that house brands will erect a barrier to changing jobs or weaken the bond between salespeople and customers.

Interestingly, it is also the most successful salespeople who report their employers provide them with substantial and irreplaceable benefits. Several explanations may operate: the firm may be a contributing factor to the salesperson's success, or the salesperson may have parlayed his/her success, via threatened or actual job changes, into a level of benefits so high that it would be difficult to find elsewhere (Frazier 1983).

It is notable that experience as a broker has the same effect on perceptions of hazards of selling house brands as does career success: experienced salespeople, like successful people, are less likely to think that these products reduce salesperson mobility. Yet, experience and success have opposite effects on adoption. More experienced salespeople, although not hostile to house brands, are less likely to sell them, whereas successful salespeople are more likely to sell them. The successful salesperson may be more willing (and perhaps more able) to undertake the efforts and the risks involved in selling a recently-created company brand. In contrast, long-time salespeople may have "plateaued," or settled into a pattern of repetitive behavior (Cron 1984, Cron and Slocum 1986), which creates resistance to selling new types of products. This is consistent with Cron's (1984) proposition that salespeople in later stages of their careers are less likely to engage in skill-building activities, such as learning new products. Note that experience effects are in addition to the effects of prior job changes.

The more salespeople have changed jobs (in the industry), the less they feel that their current employer offers them special, irreplaceable benefits: such brokers do not depend as much on the latest employer. Neither are they particularly suspicious of house brands, and they have no propensity either to accept them or to reject them. Prior mobility aside, however, experienced salespeople report greater dependence on their employer: perhaps over time they have come to feel appreciative of the benefits of their current position and have lost the sense that better jobs are to be had elsewhere (Cron 1984). Along these lines, Brown and Peterson (1993) indicate, via meta-analysis, that high performers (in a given time period) develop stronger attachments to their employers. A potential explanation is that salesperson give some credit for their performance to their employer. Should high performance become habitual, a career successful salesperson may have accumulated positive affect towards the employer. This, in turn, can result in a sense that the employer offers considerable benefits, thereby increasing the "star" salesperson's dependence on the employer.

The more that salespeople have taken recent training, the more they report the firm gives them irreplaceable benefits and the less they perceive that house brands pose a generalized threat to a broker's customer relations. Further, the results in terms of adoption suggest that managements emphasizing house brands seem most able to encourage such sales by high levels of training. Thus, the overall effect of training is to decrease awareness of the customer loyalty hazard and to increase sales of house brands by exhorting salespeople to sell them and making it easier to acquire the necessary expertise. Our findings are consistent with the observation that sales training can be an effective motivator and guide (Churchill, Walker, and Ford

1975). These findings also accord with the view that training represents an investment of resources by the firm in its salespeople, which may be viewed as "balancing" the commitments being called for on the salesperson's side in order to sell house brands (Williamson 1983; Heide and John 1988).

Interestingly, the amount of attention a branch manager gives a broker does not have an equally powerful impact. Manager attention makes the broker value the firm more highly, consistent with literature that demonstrates that behavior of supervisors has a substantial effect on salesperson attitudes and behavior (Johnston et. al 1990). Manager attention also reduces concerns about the mobility hazards of house brands, but it does not appear to influence adoption directly. This may be due to the extreme output orientation of this industry, which is likely to render managers less effective in influencing their salespeople (John and Weitz 1989, Anderson and Oliver 1987). Of course, it is precisely in such industries that a firm will be most interested in inducing adoption of house brands as a means of gaining leverage over salespeople.

The firm's level of commitment to house brands (as perceived by the broker) appears not to be a factor in influencing adoption. A possible explanation is the single-firm nature of our archival data. On average, this firm was perceived to have invested heavily in developing branded products and to be dedicated to its house brand strategy, an impression echoed in the financial press. However, it is conceivable that a firm could be seen by its brokers as merely affixing its name to a hastily developed or poorly conceived product, in which case salespeople can be expected to discount accordingly to protect their customer relationships.

Salespeople who are externally oriented in their information search appear to be more difficult for management to control. They report lower levels of firm dependence and are more cognizant of mobility barriers. But *above and beyond their reservations about mobility barriers*, salespeople who rely on external information sources are less likely to allow house brands to become a mainstay of their income. A likely explanation is that their external orientation may make these salespeople more aware of other investment vehicles to present to their clientele or more critical of their performance record (Morgenson 1991).

A central thesis in our analysis is that the salesperson's dependence on the firm encourages adherence to the firm's priorities, in this case the sale of house brands. This posited relationship is confirmed, although at a low level of significance. We can conclude that if the salesperson believes his/her job-related benefits are maximized at the present firm and believes that such benefits are difficult to find elsewhere (Emerson 1962), then there is a tendency to fulfill management's desire to sell the firm's own branded products. The wording of our questions (assessing the elements of dependence rather than the feeling of dependence) bears on the interpretation of this result. Had salespeople been asked if they *feel dependent* upon their firm, they would surely have replied negatively, if only from reactance. But those who are *dependent* (in Emerson's terms) do indeed appear to cooperate more with management's strategy of selling a house brand.

However, the repeated sale of house brands over a significant time horizon builds increased dependence by creating exit barriers. Brokers cannot readily move an account from one firm to another if the account has a high proportion of house branded products. Furthermore, the promotion of house

brands may reduce loyalty to the broker and transfer that loyalty to the firm, since the customer is now relying on the representation of the firm's product rather than the broker's ability to design a portfolio of investments that can be purchased from other multi-line providers. Therefore, salesperson mobility is potentially threatened. Since our research is cross-sectional, we cannot test the long-run effects on dependence. However, we do test whether salespeople who perceive increased mobility and customer loyalty hazards due to house brands are less likely to adopt them, and this is indeed the case. A strong relationship is shown between recognition of a customer loyalty hazard and reduced adoption of house brands. Further, this attitude-behavior link cannot be attributed merely to the precursors of the attitude (as the influence of career pattern variables, information source preference, or firm investments in salespeople are partialled out), nor to cognitive consistency (as the behavior measure is archival).

The posited relationship between recognition of a mobility hazard and reduced house brand sales does not materialize, however. It is striking that the effect of concern about contractual hazards appears to revolve around the salesperson's relationship with the customer, rather than with the employer. Concern about being trapped by one's current employer is influenced by much the same forces as drive concern about losing customer esteem. But it is only the latter that appears to deter adoption of house brands. However, given the extreme output orientation of this industry, it may not be surprising that customer concerns outweigh employer issues, for the customer has a greater impact on the salesperson's future than does the firm. Put differently, the salesperson may feel that one's mobility is not so much affected by what one sells as it is by to whom one sells.

We had expected that adoption would be more likely if salespeople believe their customers hold the firm in high esteem, take the salesperson's recommendations seriously, or are less sophisticated. We had expected that salespeople would heighten their efforts under these circumstances, and that their efforts were more likely to be rewarded. These hypotheses are not supported, for reasons which are unclear. Perhaps salespeople's impressions of their customers are inaccurate (Lambert, Mormorstein, and Sharma 1990); if so, their direction of effort would not be rewarded by higher success rates. This is plausible, as most brokers handle large numbers of retail clients, often failing to develop a close relationship with and understanding of many of their customers. It is also possible that these customer factors are minor determinants of salesperson effort. This would be consistent with Brown and Peterson's (1994) argument that salesperson effort is a complex construct with many determinants.

Limitations and future research. This exploratory study is suggestive, though certainly not definitive. Perhaps the most serious limitation of our research is the single-industry focus, combined with the single-firm source of the archival data needed for the adoption model. While it is expected that these relationships should generalize, further research would be needed to establish the applicability of our findings, as well as to improve on the measures developed here. In terms of generalizability, it would be interesting to assess the extent to which our framework applies to salespeople contemplating any new product or process. To what extent are house brands a special case of a more general phenomenon?¹⁰

It would also be a valuable contribution to conduct longitudinal research, both to demonstrate how unfolding attitudes influence adoption and

to trace the feedback effects of current adoption of house brands upon later dependence on the employer. Do house brands truly bind the employee to the employer? Can and do employers exploit that dependence to extract greater cooperation from their salespeople?

We have focused on house brands at a point when the concept is new. Adoption should be particularly difficult for multi-line providers to induce at this point. It would be interesting to ascertain whether the dynamics of adoption change when the concept itself is not so new to the industry.

CONCLUSION

A salient problem in many industries is how to safeguard human capital. House brands are one mechanism for attempting to transfer some degree of customer loyalty from the service provider (such as the salesperson) to the firm in order to increase the service provider's bonding to the firm. The logic of these arguments has been pursued and tested in this research. We have shown some success in explaining the adoption of house brands by professional service salespeople within a single industry and have tested the role of dependence and perceived hazards as mediating variables.

What, then, should the firm do to increase adoption of house brands among its salespeople? These results suggest that training is highly effective, both directly and in terms of dampening concern about losing customer loyalty to the salesperson. Meeting this concern is important because salespeople who fear house brands will "steal" their customers and "deliver them to the employer" are much less likely to adopt the house brand. Attention from the supervisor complements training as an effective counter to this concern. Hence, firms which economize on training expenditures and first-line sales supervision can expect lower rates of adoption when they

introduce house brands. This is a powerful example of how short-term profits can be had at the expense of achieving long-term strategic goals of the firm.

Which salespeople should be expected to adopt earlier and more thoroughly? And which salespeople should management target (e.g. in pilot programs) to influence them to become early adopters of house brands and provide management with "success stories" to use to sway "holdout" salespeople? These results suggest targeting habitually successful salespeople, who appear to be least resistant to house brands. (Ironically, this suggests that management should ask more of those who are already giving the firm the most.) Long-term successful salespeople appear to master quickly any saleable products, particularly if given financial incentives, such as favorable commission rates on house brands. Further, habitually successful salespeople are the least suspicious that house brands will undermine their customer relationships, and are also the most dependent on the firm.

This is important because more dependent salespeople embrace house brands more fully. Hence, dependent salespeople are also a good target for management seeking early adopters of house brands. Firms can increase dependence by increasing training and managerial attention. However, the firm should expect that salespeople who have worked for many of their competitors before joining the firm will not become as dependent as salespeople who have relatively limited experience with other employers in the industry. Such salespeople are often derided as "mercenaries," a term which may indeed be apt.

Management should expect lower penetration of house brands among those salespeople who obtain their information from many sources. Such salespeople

are less likely to adopt house brands *per se*, as well as more suspicious of mobility hazards and less dependent on the firm.

Should experienced salespeople *per se* be targeted as early adopters? On the whole, no: experienced salespeople are more resistant. However, they are also more dependent on the firm, a factor which management can use to induce some level of adoption even from industry veterans with hardened sales routines.

Of course, there are multiple ways to attempt to control highly valued, highly independent employees. For example, the salesforce motivation literature addresses methods of increasing a salesperson's drive to work harder (Churchill *et al.* 1985). The organizational commitment literature addresses factors that bind an individual, either in affective or calculative terms, to an employer (O'Reilly and Chatman 1986). The supervisory feedback literature addresses how the manager can influence salesperson behavior (Kohli 1985, Teas 1983). And literature on economic incentives assesses how variations in methods of payment can be used to control salesperson activity (John and Weitz 1989): interestingly, the financial services industry is beginning to shed its longtime obsession with commission rates keyed to volume and is experimenting with rates determined in a more complex fashion (*Institutional Investor* 1986c), in keeping with Grossman and Hart (1986). Future research on the complementarity and relative effectiveness of such methods would be a valuable contribution.

Transaction-cost analysis has concerned itself with the effects of making firm-specific investments, while saying little about the process by which parties decide to make them (Williamson 1985). The present findings cast light on how individuals come to find themselves in small-numbers

bargaining with their employers. It appears that many individuals are only dimly aware of, or concerned about, the small-numbers prospect, and go about their daily business making investments in house brands for reasons of immediate payoff or pressure. Salespeople accustomed to success may be taking a calculated risk that their employer will not abuse their investment in house brands. Of course, over the long term, some of these entrepreneurial salespeople may discover that they have become subject to substantial barriers to leaving their firm.

ENDNOTES

1. Churchill, Ford, and Walker (1990) point out that any new product or service may encounter resistance from salespeople who have established routines because the new product may require new selling methods and result in new expectations and demands from role partners.
2. Brown and Peterson (1994) demonstrate that greater effort increases selling output significantly. How to induce salespeople to make the effort to sell house brands is a major issue in the adoption of house brands. How well the effort, once exerted, will work is a second major issue. The issues are co-mingled is approaching the impact of customer factors as perceived by the salesperson. Salespeople's beliefs about their customers will influence their efforts. To the extent these beliefs are accurate, results, given effort, will be affected as well.
3. This description is based on a survey of the financial press, a sample of which appears in the references, as well as extensive discussions with brokers, managers, and trade association officials. These discussions served to frame the problem, develop the measures, and generate the extensive firm cooperation needed to carry out this study.
4. Survey (perceptual) responses for these 150 salespeople are similar to those of the 58 additional brokers who responded from individual offices of the several large national firms that supplied names but not commission records. These 58 brokers were part of a pilot study to establish the reliability of the perceptual measures. After the pilot, management was asked to agree to a much larger request: more names and home addresses, as well as commission records. Although several managements appeared close to agreement, all but one eventually refused on grounds that the request was too large and would take too much time away from field personnel. One management did agree, only to go out of business before the study could be completed.
5. One of the more difficult elements of obtaining cooperation with multi-line providers of financial investments was the potential sensitivity of assessing perceived hazards of selling proprietary products. Trade association officials were of the opinion that salespeople already had considered these issues and had formed strong opinions. Managements we contacted tended to agree: they did not believe that the act of surveying their brokers would create suspicions that did not already exist.
6. Attention, as measured here, contains elements of what appear to be two variables considered by Churchill, Ford, and Walker (1976). These are closeness of supervision and frequency of contact, which are positively correlated (.27) in their data. Judging from the Churchill, Ford, and Walker (1976) description, our measure of manager attention is closer to their frequency of interaction, as their closeness of supervision construct appears to cover active intervention and direction (removing some of the salesperson's autonomy).
7. The weight used in a logit transformation is $[np(1-p)]^{1/2}$, as noted in Gatignon and Reibstein (1986). In our case, p is the proportion of commission

dollars coming from proprietary products, $1-p$ is the proportion from non-firm-specific products, and n , the number of "trials" on which the commission split is "observed," is the dollar sales volume of the sales representative. Thus, higher-volume salespeople, for whom the proportion of commissions generated by proprietary products is less affected by small volume fluctuations, are more heavily weighted. In this data set, some salespeople sold very little of any kind of product: their proportional split may be less stable and is less heavily weighted.

8. The business press abounds with stories about the power of successful brokers and their lack of reticence about using that power to their own benefit. For example, one high-performing broker has committed his employer to paying him commissions in perpetuity, that is, even after his death. (The commissions in question are supposedly current payment for current services rendered to clients.) For the amusing details, see *Forbes*, July 19, 1993, "The Night of the Living Fees," p. 236.

9. An important element in this research setting is that house brands had not been extant very long when these data were collected (1987-88). Hence, salespeople could not have derived their career success from having sold large amounts of house brand products.

10. These findings have proven a useful aid in structuring a popular case series, National Mutual A through D (HBS case 9-191-102). National Mutual is an insurance company seeking to transform its output-oriented, insurance-product-focused salesforce into customer-oriented "financial advisors" selling any financial investment vehicle from an enormous product line. Management proposes to effect this radical transformation by inducing its salespeople to adopt a radical innovation in the form of an expert system. The decision issue is which salespeople to target in a pilot program to gain early adoption of the expert system and how to present the innovation to them. In particular, these results suggest targeting the more successful salespeople (an idea which students find counterintuitive). The followup case (B) indeed shows that more successful salespeople adopted the expert system more completely.

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Figure 1

Conceptual Framework

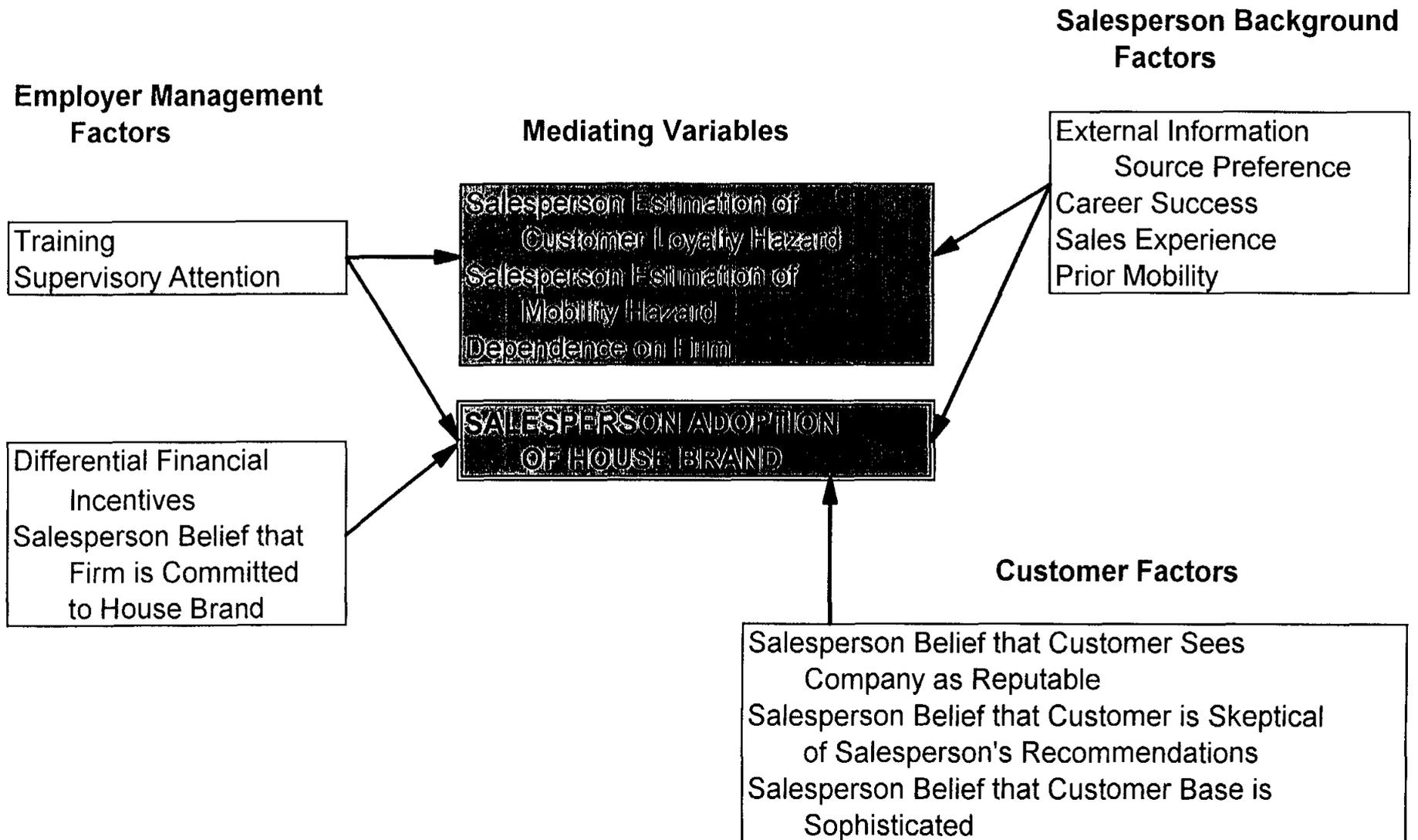


Table 1
Measures and Reliabilities

Scale Name	Number of Items*	Coefficient Alpha
<u>MEDIATING VARIABLES</u>		
Dependence	8	.83
Customer Loyalty Hazard	5	.77
Mobility Hazard	3	.72
<u>ANTECEDENT VARIABLES</u>		
<u>Salesperson Background Factors</u>		
Career Success	5	.84
Experience	1	NA
Prior Mobility	1	NA
External Information Source Preference	5	.74
<u>Employer Management Factors</u>		
Training	5	.82
Manager Attention	10	.86
Salesperson's Perception of Firm's Commitment to Private Label Products	9	.75
<u>Customer Factors as Perceived by Salesperson</u>		
Upscale Customers	8	.82
Customer Direction of Portfolio	9	.74
Firm's Reputation Among Customers	9	.91

*Items are given in Appendix

Table 2
Correlation Matrix of Measures
Pairwise Deletion of Missing Observations⁺

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	1.00													
2	-.35**	1.00												
3	-.02	.23**	1.00											
4	.21**	-.45**	-.13	1.00										
5	.02	-.21**	.02	.21**	1.00									
6	.38**	-.41**	-.03	.39**	.20**	1.00								
7	-.07	-.21**	-.23**	.32**	.14*	.19**	1.00							
8	-.28**	.33**	.22**	-.23**	-.12*	-.17*	.00	1.00						
9	-.31**	.15*	.03	-.17*	-.01	-.20**	.05	.21**	1.00					
10	-.32**	.06	-.15*	.05	.02	-.28**	-.02	.09	.24**	1.00				
11	-.01	-.03	-.12	.16*	-.01	-.04	-.00	.16*	.11	.30**	1.00			
12	.12	-.25**	.00	.27**	.27**	.26**	.13	-.17*	-.05	-.12	.01	1.00		
13	-.14	.12	.05	-.20**	.10	-.15*	-.02	.13	.07	-.02	.19**	.02	1.00	
14	-.01	.01	.09	-.11	-.20**	-.06	-.07	.02	.04	.08	-.22**	-.21**	.05	1.00

KEY

- 1 = Adoption: Ln [Proportion of Private Label Commissions/Proportion of Other Commissions]) n = 150
- 2 = Perception of Customer Loyalty Hazard
- 3 = Perception of Mobility Hazard
- 4 = Dependence on Firm
- 5 = Perception of Firm's Commitment to House Brand
- 6 = Training
- 7 = Supervisor Attention
- 8 = External Information Sources
- 9 = Prior Mobility (number of previous employers as a broker)
- 10 = Experience (number of years as a broker)
- 11 = Career Success
- 12 = Firm's Reputation Among Customers
- 13 = Sophisticated Customer Base
- 14 = Customer Skepticism of Salesperson Recommendations

n = 208

* p < .05
 ** p < .01

+ All correlations involving variable 1 have 150 observations, while all other correlations have up to 208 observations.

Table 3
Ordinary Least Squares Estimation Results:
Mobility Hazard and Customer Loyalty Hazard Models

	Dependence			Perception of Mobility Hazard			Perception of Customer Loyalty Hazard		
	Coefficient Standardized Measures	Coefficient Uncorrected Measures	t-statistic	Coefficient Standardized Measures	Coefficient Uncorrected Measures	t-statistic	Coefficient Standardized Measures	Coefficient Uncorrected Measures	t-statistic
Intercept	4.00	4.40	a) 12.69** b) 64.08***	4.75	3.84	a) 7.74*** b) 53.30***	4.40	3.13	a) 7.76*** b) 60.47***
Salesperson Background Factors:									
Career Success	0.19	0.14	2.81***	-0.19	-0.14	2.00**	-0.10	-0.07	1.28*
Experience	0.15	0.02	2.11**	-0.20	-0.02	2.02**	-0.06	-0.01	0.69
Prior Mobility	-0.14	-0.10	2.05**	-0.02	0.01	0.19	0.06	0.04	0.75
External Information									
Source Preference	-0.19	-0.20	2.92***	0.36	0.36	3.77***	0.32	0.32	4.11***
Employer Management Factors:									
Training	0.35	0.45	5.10***	-0.01	-0.01	0.08	-0.41	-0.54	5.19***
Manager Attention	0.28	0.43	4.46***	-0.31	-0.47	3.42***	-0.18	-0.27	2.46***
R²= F(6,194)		0.32 15.02***			0.15 5.89***			0.27 11.96***	

- a) uncorrected measures
- b) standardized measures (independent variables only)
- * p<.10 (one-tailed test)
- ** p<.05 (one-tailed test)
- *** p<.01 (one-tailed test)

Table 4
Weighted Least Squares Estimation Results:
Adoption of Private Label Products

	Adoption = Ln		
	[$\frac{\text{Proprietary Product Commissions}}{\text{Total Commissions}}$ / $\frac{\text{Non-Proprietary Commissions}}{\text{Total Commissions}}$]		
	Coefficient: Standardized Measures	Coefficient: Uncorrected Measures	t - statistic
Intercept	-2.10	-0.91	a) 0.83 b) 25.84***
MEDIATING VARIABLES			
Dependence (Residuals from Table 3)	0.11	0.13	1.28*
Mobility Hazard (Residuals from Table 3)	0.03	0.02	0.36
Customer Loyalty Hazard (Residuals from Table 3)	-0.26	-0.25	2.81***
ANTECEDENT VARIABLES			
Salesperson Background Factors:			
- Career Success	0.16	0.12	1.77**
- Experience	-0.14	-0.02	1.72**
- Prior Mobility	-0.06	-0.04	0.59
- Reliance on External vs. Internal Information	-0.25	-0.25	2.94***
Employer Management Factors:			
- Training	0.35	0.46	3.74***
- Supervisor Attention	0.00	0.00	0.03
- Salesperson Perception of Firm's Commitment to House Brands	0.03	0.04	0.28
Customer Factors Perceived by Salesperson:			
- Sophistication of Customer Base	-0.03	-0.05	0.37
- Customer Skepticism of Salesperson's Recommendations	0.01	0.02	0.16
- Firm's Reputation among Customers	-0.10	-0.09	1.13
Pseudo R ² @	29%		
F (13,129)	3.98***		

- a) uncorrected measures
- b) standardized measures (independent variables only)
- * p < .10 (one-tailed test)
- ** p < .05 (one-tailed test)
- *** p < .01 (one-tailed test)

@ squared correlation: predicted and actual unweighted values

APPENDIX 1: MEASURES

Table A-1
Salesperson Dependence Upon Firm

This firm is a place where I can make a lot of money.^a
My firm's support makes me a much more effective broker.
At another firm, I'd have to work harder to make the same money as I do now.
Few firms would offer me the advantages I get from being with this firm.
I wouldn't be as effective a broker in another firm as I am here.
I'd be worse off if I changed jobs right now.
I would take a pay cut if I worked somewhere else.
I could get a better job tomorrow if I wanted to look. (R)^b
Other brokerage firms are good places to work, but here is best.

Coefficient alpha	Mean	Standard Deviation
0.83	4.00	1.05

Table A-2
Customer Loyalty Hazard

Brokers who sell proprietary products lose their customers' loyalty.^c
Customers who buy proprietary products don't care who their broker is.
Proprietary products keep my customers coming back to me. (R)
I like proprietary products because they make my customers think more highly of my advice. (R)
The more proprietary products I sell, the better my grip on my customers. (R)

Coefficient alpha	Mean	Standard Deviation
0.77	4.39	1.18

- ^a In all tables, respondents indicated their degree of agreement with statements via a 1-7 scale with endpoints labeled "strongly disagree" and "strongly agree." Where multiple formats appear in a scale, items were standardized before edition.
- ^b In all tables, (R) indicates a reverse-worded item.
- ^c The reader will note that the language used in the questionnaire items is "proprietary products." This is the standard industry terminology.

Table A-3
Mobility Hazard

Proprietary products lock you in to your current employer.

Selling proprietary products is all right as long as you never want to change jobs.

If you have to change jobs, your clients are less likely to follow you if you sold them proprietary products.

Coefficient alpha	Mean	Standard Deviation
0.72	4.77	1.34

Table A-4
Career Success

I am one of the most successful brokers I know.

I am one of the highest earners in my firm.

Other brokers see me as an example of how much money there is to be made in this business.

Other brokers consider my career as a broker to be highly successful.

I make out all right, but I'm not in the top earnings' category in my firm. (R)

Coefficient alpha	Mean	Standard Deviation
0.84	4.02	1.34

Table A-5
External Information Source Preference

When it comes to economic and financial affairs, I read widely.

I get most of my investment information from sources within my firm. (R)

I get ideas about investments from many sources.

I am very attuned to outside ideas about investments.

I get most of my investment information from outside my firm.

Coefficient alpha	Mean	Standard Deviation
0.74	4.82	0.99

Table A-6
Company Training

I go in for a lot of refresher training courses.

I've spent significant time in my firm's classes and seminars this year.

Over the years I've had a lot of training from my present firm.

How much time have you spent in company-sponsored training programs in the last 18 months?

_____ days

Our training program is a joke. (R)

Coefficient alpha	Mean	Standard Deviation
0.82	0.00	0.78

Table A-7
Supervisor Attention Received by Salesperson

My branch manager is too busy selling to give me much time and attention. (R)

My branch manager basically leaves me alone to do my thing. (R)

My branch manager doesn't have much time to spend with any individual broker. (R)

My branch manager supervises too many brokers to give me much time. (R)

My branch manager is always available to meet with me.

My branch manager gets very involved in what I'm doing.

My branch manager has the time to meet with me.

I talk with my branch manager often.

As far as I'm concerned, my branch manager is invisible. (R)

In a typical week, how many hours do you spend talking with your branch manager (about any subject)?

_____ hours per week

Coefficient alpha	Mean	Standard Deviation
0.86	0.00	0.66

Table A-8

Salesperson Estimation of Firm's Commitment to Private Label Products

My firm is going all out to push products that bear the company name.

My firm has invested a lot of time and money in proprietary products.

My firm is just flirting with proprietary products. (R)

Proprietary products are not one of the highest priorities in this company. (R)

This firm is very serious about developing and marketing its own proprietary products.

This firm simply hasn't put enough talent and resources behind getting top-performing proprietary products. (R)

Management makes noise about selling proprietary products, but they haven't put much firepower behind developing them. (R)

My firm carefully researches and develops its proprietary products before introducing them.

My firm's proprietary products' program is rather half-hearted. (R)

Coefficient alpha	Mean	0.83
0.75	5.47	0.79

Table A-9

Salesperson's Estimation of Sophistication of Customer Base

% of customers holding at least a bachelor's degree.

% of customers holding a graduate degree.

% of customers holding professional degree or certification.

% of customers working in blue collar jobs. (R)

For the most part, my customers are highly educated.

Most of my customers hold professional jobs.

Most of my customers work in blue- or grey-collar jobs. (R)

My customers are white-collar professionals.

Coefficient alpha	Mean	Standard Deviation
0.82	-0.01	0.68

Table A-10

Salesperson's Estimation of Customer Skepticism of Salesperson's Advice

- My customers decide what they want, then tell me.
- My customers actively direct their financial affairs.
- My customers tend to seek and use my advice. (R)
- My customers get their investment ideas from many sources.
- My customers spend a lot of time selecting and following their portfolios.
- My customers treat my ideas as just another opinion.
- My customers tend to view my opinions with some skepticism.
- I have a lot of influence over my clients' investment decisions. (R)
- My clients are rather cynical about a broker's opinions on financial matters.

Coefficient alpha	Mean	Standard Deviation
0.74	3.01	0.71

Table A-11

Salesperson's Estimation of Company Reputation Among Customers

My customers think my firm is: (Please give us your opinion on each.)

- | | | | | | | | | |
|-------------------------|---|---|---|---|---|---|---|----------------------------|
| Not reputable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Highly reputable |
| Trustworthy | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Not trustworthy (R) |
| Usually correct | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Usually wrong (R) |
| A leader | 1 | 2 | 3 | 4 | 5 | 6 | 7 | A follower (R) |
| Uninformed | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Well informed |
| First with new products | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Last with new products (R) |
| Knowledgeable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Ignorant (R) |
| Reputable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Not reputable (R) |
| Reliable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Unreliable (R) |

Coefficient alpha	Mean	Standard Deviation
0.91	5.03	1.09