INFLUENCE OF SALESPERSONS’ COMPENSATION ON PERFORMANCE DURING SALES PROMOTION OF SELECTED COMPANIES IN ILORIN, NIGERIA

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ABSTRACT

There arise some issues bothering on the efficiency and effectiveness of the salesperson performances especially during sales promotion on one hand and his/her willingness to discharge his duties as appropriate on the other hand. Field experience has shown that salesperson tries to benefit either legally or illegally from sales promotion and this has restricted severally the level of success from such promotion especially in Nigeria. One of the problems is the salespersons’ ratings of their compensation during sales promotion. This study, therefore, tries to appraise the relationship between salesperson and their compensation during sales promotion. A sample of 151 valid and purposively collected responses to questionnaire was analysed using descriptive statistics. Results of the One-way ANOVA showed that salespersons who appraised their compensation during sales promotion as very adequate performed significantly better than those who rated their compensation as very inadequate or neither adequate nor inadequate. Therefore, management must repackage compensation plans for the salesperson in order to increase their performance without jeopardising sales promotion goals or profitability of the firm. Management must also be interested in how salespersons feel about their compensation.

Key words: salesperson, sales promotion, compensation, Ilorin

INTRODUCTION

Sales promotion consists of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular product or service (see Kotler & Keller, 2006). Sellers use incentive type of promotion to attract new trials, to reward loyal customers and to increase the repurchase rate of occasional users. Sales promotion often attracts brand switchers who are primarily looking for low price, good value, or premiums (Ailawadi, Gednik & Nesin, 1999). Apart from brand switching, sales promotion encourages customers to engage in stockpiling which provide the company with immediate benefit of sales, though the sale may hit a post-promotion dip...
Influence of Salespersons' Compensation on Performance During Sales Promotion (Heerde Leetlag & Wittink, 2000), it however solves immediate problems of over stock by the company.

Apart from the use of advertising, packaging and other means to enhance or make successful sales promotion, the use of sales force cannot be overemphasised. A manufacturer may wish to offer training or support for a retailer’s sales representative who deals directly with the public. Such assistance is most likely to be found in connection with higher priced product or some complexity for which purchasers need considerable assistance at the point of sales (Brassigtin & Pettit, 2006). Sales contest, which involves various prices such as goods or holidays, may be used. These prices often need to be significant and clearly within the reach of all sales assistants if they are to move any real difference to the selling effort. And lastly, there is premium money which is paid directly as an incentive and made available to the salesperson or sales force or sales assistant who achieve target. From the above, we see that sales promotion takes two directions. One is targeted at the customers who may be a dealer or a consumer and the other to a salesperson. More often than not, there is the problem about which type of the promotion the management should undertake and when the management decides to do both, then the question arises as to the level of the mix.

The use of sales force promotion is only useful where personal selling effort may make all the difference to whether or not a sale is made. To retain consumers in the face of keen competition, the management must develop marketing strategies that will not only win customer but help to retain them. Sales promotion plays an important role in retaining old consumers and attracting new ones. Part of the essence of a business existence is to produce goods and services that will be required by customer and to make profit from such activity. Enough sales must be generated for profit to be made. Sales estimation is the foundation in budgeting or profit planning process (Ayanwale, Alimi & Ayanbimpe, 2005).

There arises some issues bothering on the efficiency and effectiveness of the sales force performances during sales promotion on one hand and his/her willingness to discharge his/her duties as appropriate and to get the best from sales promotion. Experience has shown that once a company had recorded improved sales particularly when it beats its targeted increase in sales, they hardly assess the impact of the sales force. Also, field experiences have shown that salesmen also tried to benefit either legally or illegally from sales promotion and this had restricted severally the level of success achieved from such promotion especially in a developing country like Nigeria. One of the assumed reasons for this behaviour is the salesmen/women ratings of their compensation during sales promotion. Most of the time, the management hardly gets interested in how the salesmen/women feel about their compensations or whether compensation is motivating enough to achieve required success.

Pertinent question to ask about compensation during sales promotion includes: should special incentive or compensation be given during sales promotion noting the fact that sales force are entitled to their normal salaries no matter the condition of the organisation? This study accepts that the practice of compensation is necessary during sales promotion. It is expected that the extra payment as a result of sales promotion should be motivating enough but in practice we still observe sharp practices that sometimes put the management against the sales force. Hence there is the need to further investigate factors of compensation that may affect salesmen/women aggressiveness in
sales promotion. Hence, the objective of this study is to appraise the rating of incentives or compensation of sales force during sales promotion.

Sales promotion refers to special selling effort employed by different organisations to boost the image of their product in the competitive market in order to achieve high sales maximizing profit and at the same time gain competitive advantage over other organisations of the same trade. Sales promotion may be directed at consumers in the form of consumer promotion, or middlemen/women in the form of trade promotion. Even operators of the departmental stores and supermarkets use sales promotion periodically to clear their inventories in the form of business promotion.

Recent literature established that only consumers with repeat purchases are profitable (Nagar, 2009). It is not every repeat purchase that connected to consumer commitment of a brand. However, consumer commitment is important for a repeat purchase. Therefore, business operators need to develop marketing programmes that will not only reinforce customer commitment but also encourage repeat purchase. Part of the function of Sales promotion is not only to reinforce commitment of consumers but to encourage repeat purchases. Effects of sales promotion on consumer behaviour have been widely studied in literature (Nagar, 2009).

Sales promotion may affect various aspects of consumers purchase decision such as brand choice, purchase time, quantity and brand switching (Nijs, Dekimpe, Steenkamps & Hanssens, 2001); consumers sensitivity to price (Bridges, Briesch & Yim, 2006). However, whether the effect of consumer loyalty and purchasing behaviour could be moderated by sales promotion has not yet been examined extensively. Regardless of a widespread interest in the relationship between Sales promotion and purchasing behaviour, most studies of this kind focus on the effect of sales promotion on choice at the time they are offered (Delvecchio, Henard & Freling, 2006). Only a few have investigated the lag effect of Sales promotion on brand preference and the resultant buying behaviour once the promotion campaign is rescinded.

Sales promotion could be in form of monetary and non monetary ones. These types provide both utilitarian and hedonic benefits to the consumers. Utilitarian benefit refers to such benefits such as quality, convenience in shopping, saving in time effort and cost (see Luk & Yip, 2008). Hedonic benefit on the other hand refers to value expression, exploration, entertainment, intrinsic stimulation and self esteem (see Chandon, Wansink & Laurent, 2000). According to Luk and Yip (2008), monetary promotions are incentives – based and transactional in nature and provide immediate rewards and utilitarian benefit to the customers. However, non-monetary promotions provide hedonic benefits but weaker utilitarian benefits (see Kwok & Uncles, 2005).

Monetary promotions have been reported to be preferred over non-monetary promotions across all consumer goods in terms of their ability to elicit purchase intention (Kwok & Uncles, 2005; Luk & Yip, 2008). Several other studies have reported different impact of Sales promotion on consumer behaviour. For example, Blatterger and Wisniewski (1989) reported that consumer gain more from price cut when buying an established up-market than a mass market brand. Pauwels, Hanssens and Siddarth (2002) argued that price promotion elicits temporary changes in brand and product choices and purchased quantity for established brand in mature market. These changes may be linked market brand, which could be associated with prestigious brand with high level of reliability, low level of risks, greater concern for customers’ needs and stronger hedonic
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benefits (Luk & Yip, 2008). It is not settled in literature whether sales promotion can enhance or undermine brand preference beyond the time they are offered (DelVecchio, Henard & Freling, 2006; Luk & Yip, 2008).

Monetary sales promotion can lead to negative impact on brand preference and trust. This is because monetary promotion can divert attention to financial incentives which may encourage brand switching behaviour, increase price sensitivity and make quality criterion less important (Aaker, 1996; Manaled, Jose & Zacharias, 2007). Gedenk and Neslin (1999) argued further that sales promotion can lead to a significant decrease in brand loyalty. From the above discussions, sales promotion could have double edge impact on consumer behaviour depending on the consumer level of commitment. A committed consumer is less receptive of sales promotional efforts. However, a less committed consumer is highly influenced by sales promotional efforts (Mariole & Elina, 2005). These contradictory findings suggest a need for more research on the effect of sales promotion on consumer loyalty. To make sales promotion work, sales forces are the necessary tools and there is the need to first research on what will make them perform at optimal level. There is a need to investigate the compensation patterns of salespersons during sales promotion.

Customer orientation refers to the practice of the marketing concept at the level of the individual salesperson and customer by providing customer satisfaction and establishing mutually beneficial long–term relationships (Saxe & Weitz, 1982). On the other hand, a firm engages in selling orientation when an organisation seeks to stimulate demand for products it produces, rather than producing products in response to customer needs (Saxe & Weitz, 1982). Customer orientation has been linked to salesperson performance in various settings, which include both industrial and retail settings (Dunlap, Dotson & Chambers, 1988; Swenson & Herche, 1994). Salespersons that adopt a customer oriented approach versus a sales oriented approach to selling appear to perform better across time. Customer orientation may also be connected with the relationship quality in a sales environment (Williams & Attaway, 1996). In addition, the greater the customer orientation a salesperson exhibits towards a customer, the greater the customer satisfaction with the salesperson and indirectly with the organisation and manufacturer (Goff, Boles, Bellenger & Stojack, 1997). These results indicate the great importance that an organisation should place on a salesperson that sells expensive or risky product/service by making them to adopt a customer oriented approach to the sales process. The question that remains to be answered is how to develop a customer oriented sales force?

Compensation of salespersons is a salient issue in sales force management (Moncrief & Shipp, 1977). Organisations typically use compensation plans as one method to direct salesperson behaviour and provide motivation. Unfortunately, given its importance to management and its influence on salesperson behaviours, empirical research concerning the effect of compensation plans is somewhat limited. Most of the academic literature examining this issue appears to focus either on the preferences of managers and salespeople for various types of reward (Chonko, Tanner & Weeks, 1992) or the role of incentives to achieve sales objectives (see Caballero, 1988; Hastings, Kiely & Watkins, 1988). While the reward attractiveness literature suggests plans that may be more or less attractive to salespeople, it provides little insight into how the plan affects behaviour other than motivation.
Previous studies examining compensation and or managerial behaviours on salesperson activities tended to focus more on the role of psychological climate on the attractiveness of reward (Evans & Grant, 1992; Tyagi, 1985) but less on the salespersons’ appraisal of the compensation system. The salespersons’ appraisal of the compensation may influence their behaviour more than the actual compensation. This may be because the salespersons’ reaction to the compensation is guided by self-evaluation of effort-reward balance rather than the organization’s evaluation of effort-reward balance (Anderson & Oliver, 1987; Cravens, Ingram, Laforge & Young, 1993; Churchill, Ford & Walker, 1997). It is, therefore, important that the connection between salespersons’ appraisal of compensation and their performance during sales promotion be investigated; which was the aim of this study.

**Hypothesis**

There is a significant influence of salespersons’ ratings of compensation on their performance during sales promotion.

**METHOD**

**Design and participants**

This study was a cross-sectional survey involving 151 salesperson selected form three large manufacturing companies (beverage = 40.5%; detergent = 35.5%; cement = 24%) in Ilorin, Nigeria. In terms of educational qualification, they had at least secondary school education. In the case of job tenure, they had spent at least 2 years in the employment of the organization.

**Measures**

The sales persons rated their perceived appropriateness of organization’s compensation system during sales promotion. Performance was measured in terms of the respondents’ willingness to exert extra effort during sales promotion. All items were rated on a 5-point scale (1 = strongly disagree; 5 = strongly agree).

**Procedure**

The 3 companies organised promotions during the same season but not the same time of the season. Therefore, using purposive sampling technique, the salespersons were sampled when each of the selected companies was conducting its sales promotion. The questionnaire was administered to salespeople in the selected organisations. A total of 200 questionnaires were distributed. Out of the 200 questionnaires, 151 were duly completed and found usable; yielding a response rate of 75%.

**RESULTS**

Based on their appraisal of sales promotion compensation, the participants were divided into 3 groups: very adequate, neither adequate nor inadequate, and very
Inadequate compensation. In order to test hypothesis 1, a One-way ANOVA was performed on the data. The results are shown in Table 1.

Table 1:

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>Df</th>
<th>MS</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between</td>
<td>146.05</td>
<td>2</td>
<td>73.03</td>
<td>4.08</td>
<td>&lt; .05</td>
</tr>
<tr>
<td>Within</td>
<td>2650.66</td>
<td>148</td>
<td>17.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2796.71</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Results in Table 1 show that salespersons who appraised their compensation during sales promotion as very adequate performed significantly better than those who rated their compensation as very inadequate or neither adequate nor inadequate \[ F (2, 148) = 4.08, p < .05 \]. The hypothesis was supported by these results.

DISCUSSION

This study adds to the body of literature by indicating how the rating of compensation affects sales performance, which in turn influences salespersons’ selling approach. Results of this study indicate that if the salesperson is happy with his/her compensation used, it would have a strong influence on the selling style and performance of the salesperson. It indicates that compensation plan is positively related to managers encouraging a customer-oriented selling approach by their salesperson and negatively related to a manager emphasizing a selling oriented style of selling in their various organisations. The degree of salesperson performance exhibited has been linked to compensation plans established by the organisation. Saxes and Weitz (1982) suggest that purchasers involved in risky situation where failure may be critical to the organisation are likely to be particularly motivated by a salesperson exhibiting a customer orientation.

This result supports the position of previous studies (e.g. Siguaw et al., 1994) that business to business customer and big-time retail buyer respond to salesperson aggressiveness. For these reasons, adequate compensation plan is very essential for the salesperson if organisation wants to achieve its organisational goal(s) in respect of sales promotion. The answer to question of what could be referred to as adequate sales compensation can be found in what the salesperson feels about the compensation. Previous studies have shown how a firm can be market orientated (Siguaw et al., 1994) and how culture (Williams & Attaway, 1996) can influence a salesperson’s customer orientation. Decisions concerning whether or not to compensate appear to be based on performance level in the three selected organisations, whereas decisions concerning the amount of pay increases appear to require comparisons among equivalent salespersons.
CONCLUSION

The more complex a product or service is the slower may be its adoption rate by
the customers and buyers. This may affect the sales effort of the sales people. This may
call for aggressive sales on the path of the salesperson before the products or services
can be pushed to the potential buyers.

Compensation plan is more centrally linked to the activities and performance of
the salesperson. Compensation plan drive management behaviour and that some
management behaviours are directly related to a salesperson efforts and performance.
Management must be interested and devise a means of understanding how a salesperson
feels about his/ her compensation particularly during critical assignment as sales
promotion.

However, larger sample size drawn from diverse organizations may yield a
different result. Therefore, future studies need to work on a larger sample size drawn
from public and private sectors manufacturing and service organizations.

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