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Sales Force Compensation: Trends and Research Opportunities

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Sales Force Compensation: Trends and Research Opportunities

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ABSTRACT

Altogether, when designing sales force compensation, decision makers are faced with a complex issue involving many variables, some of which are unobservable, interdependent, or uncertain. Moreover, compensation is often viewed as salespeople's primary motivator and in many corporations, it is the dominant sales expense. The objective of this monograph is to review the many insights provided by empirical research to date, some of which are just emerging in the marketing literature. We first discuss how plans should be designed according to the dominant research stream and contrast research findings with actual sales force compensation policies. Then, we highlight topics related to sales force compensation that are notably under-researched and show how taking them into account will enrich knowledge on compensation. Finally, we conclude with future trends in sales force compensation.

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1

Introduction

Few professions have their compensation as scrutinized as businessto-business (B2B) salespeople. Salespeople's compensation, like that for CEOs, has triggered many debates. Experts have examined issues ranging from compensation levels, structures, caps, complexity, fairness, gaps with other members of the organization, to menus of compensation. But unlike CEOs who are usually recognized as crucial members of organizations, salespeople's critical role is rarely acknowledged. A recent article in The Economist labels salespeople as the "unsung heroes of business" (2011). Indeed, salespeople are seldom portrayed as important to organizational success. However, without their contribution, there would not be revenues because customers would not be served, contracts would not be signed and sales would not be created. In fact, without their work, there would not be strong relationships with customers, let alone lasting ones. Indeed, "selling is the horse that pulls the cart of business" (Delves Broughton, 2012). In fact, sales represent a much bigger portion of a firm's employees than any other function (Delves Broughton, 2012). Thus, about one in nine or ten employees work in sales in Europe and North America respectively (Eurostat, 2009; U.S. Bureau of Labor Statistics, 2015).

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Despite its economic and corporate importance though, surprisingly, sales has traditionally carried a stigma on both academic and industry fronts: academics have viewed sales research as lacking both theoretical foundations and marketing relevance while industry experts have failed to see its applicability (Ahearne, 2017). More pressing is the concern that sales careers spark so limited interest nowadays that firms have a hard time recruiting salespeople (Weber, 2015). In many sectors, however, sales jobs have little to do with the "car sales job" stereotype. Numerous experts describe the analytical and creative dimensions of current sales jobs (e.g., Adamson et al., 2013). They point to the necessity for salespeople to use more strategic approaches because customers have now access to more information, have become more knowledgeable about available solutions to their problem and generally estimate the price they are willing to pay before they meet a salesperson. All in all, sales jobs tend to involve different and rarer skills than before. So why is salespeople's image still so poor? This may be because it allows many other employees to complain about the unfairness of their special treatment (e.g., Goltz, 2013). Indeed, sales jobs have idiosyncrasies (Gomez-Mejia and Balkin, 1992) that may justify special treatment in organizations. No other employee is in direct contact and in charge of a firm's most precious asset: its customers' relationships (Zoltners et al., 2009, p. 3). For this reason, salespeople's success is critical to their organizations' performance. This success however, may not be easy to achieve for at least three major reasons. First, because salespeople need to serve their customers' best interests as much as their organizations, they may experience role conflict. Second, often times salespeople experience role ambiguity: they often work far from their supervisors, they are likely to possess knowledge about customers that their supervisors do not have. Moreover, they can use selling strategies that supervisors cannot observe. It is difficult for supervisors in these conditions to clarify their sales role or to reward their salespeople accordingly. Third, because environmental conditions evolve and firms regularly market new offers, sales leaders need to fine-tune their salespeople's compensation plans. However, they are frequently complex, and the fine tuning implies that the sales goals are a moving target. Such issues can prevent salespeople

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from concentrating their selling efforts on activities that are in the best interest of their firm.

Altogether, when designing sales force compensation, decision makers are faced with a complex issue involving many variables, some of which are unobservable, interdependent, or uncertain. Moreover, compensation is often viewed as salespeople's primary motivator and in many corporations, it is the dominant sales expense. The objective of this monograph is to review the many insights provided by empirical research to date, some of which are just emerging in the marketing literature. We first discuss how plans should be designed according to the dominant research stream and contrast research findings with actual sales force compensation policies. Then, we highlight topics related to sales force compensation that are notably under-researched and show how taking them into account will enrich knowledge on compensation. Finally, we conclude with future trends in sales force compensation.

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