

Overcoming the Stigma of Commission-Based Sales

By Vinita Sangtani, Ph.D. and John Andy Wood, Ph.D.

Recent polls suggest that the public continues to hold a dim view of the sales profession and to rate commissioned salespeople as dishonest and unethical (Gallup 2006). The public views commissioned salespeople as fast-talking, pushy, and insincere (Butler 1996). The real estate profession is not immune to these negative opinions as a recent Harris Interactive (Harris, 2006) poll shows only 7% of the respondents completely trust real estate agents and 20% do not trust agents at all. It is fair to say that the negative societal view of the sales role has reached levels at which one could construe a stigma being attached to it.

In this article, when we talk about a stigma, we mean “an association with a particular attribute that identifies it as different and deviant, flawed or undesirable” (Kasperson et al., 2001). For salespeople, it is not the product or service being sold but the sales role that is stigmatized. The target of stigmatization faces labeling and stereotyping along with the associated loss of status (Link and Phelan 2001). This low evaluation of the sales role presents a dilemma for salespeople according to differential association theory (Leonard et al. 1999) and classic sales motivation theory (Walker et al. 1977). This dilemma occurs because, in commission-based sales positions, the same individuals that ultimately generate revenue for the salesperson through compensation, the clients, are the same individuals that may hold the negative view about the sales role.

We propose the impact of stigmatization is particularly evident in sales roles where the compensation plan is based solely on commission.

Sales agents and sales managers, who operate in industry or company contexts where a commission-based compensation plan is in effect, need guidance on what can be done to mitigate the negative influence of stigma. Our research examined commission-compensated salespeople from the highly stigmatized automobile sales profession. Accordingly, our work concludes by examining the mediation of support mechanisms on the effects of stigma awareness upon sales effort.

Discussing and Diffusing the Stigma of Commission-Based Sales



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Stigma

Our understanding of stigmas, as a condition that influences interpersonal interactions, comes from the social sciences and marketing (Adkins and Ozanne 2005; Link and Phelan 2001). Stigmatization of the sales role suggests sales in a stereotyped group and members of such a group face patterns of social rejection. Signs of stigmatization include existence of an outward indicator of class, negative connotations attached to the stereotyped category, and wide dissemination of the stigma through popular media. An additional component of stigmatization is that the target of this stereotyping must be aware of the negative categorization for it to have an impact on self-image (Oyserman and Swim 2001). Our research found extensive evidence of the awareness of stigmatization.

Our research indicates that negative stereotyping likely extends to real estate sales agents. This means that sales agents are faced with stigmatization by some clients. Some of these negative views derive from the actions of sales agents who favor expending effort on actions, such as deception, that they believe will enhance the probability of a successful transaction and thus earn their commission. And so, while it is likely that part of the stigma associated with commission-based salespeople stems from the actions of a small group of agents that unscrupulously engages in any behavior that completes the sale, that is not the only reason for stigma.

Even customer-oriented agents can contribute to the negative views of some clients. As these customer-oriented salespeople encounter clients with negative views of their profession, they may naturally react with withdrawal. These agents may distance themselves from the stress associated with negative client comments. This distancing and barrier may lead to poor communications and reinforce the client's negative views. Additionally, due to the very nature of commission compensation, some percentage of the sale must transfer from the seller to the agent, and can prompt feelings of regret on the part of the client.

Stigma and Effort

While we suggest that the use of commissioned-based compensation may provide some of the basis of customer stigmatization, we do not suggest this form of compensation is wrong or inappropriate. In fact, the sales literature has extensive evidence supporting the idea that a commission structure, regardless of type, positively influences the motivation of salespeople to expend effort. Salespeople consciously or subconsciously make probability estimates that their specific effort will lead to the sale and that they will then get paid. These estimates will have higher probabilities when "salespeople are compensated solely or partly by commissions" (Walker et al. 1977 p. 165). Another influence on these probabilities is sales agents' role perceptions or more specifically, the accuracy with which the salesperson understands the linkages between their efforts and rewards.

But salespeople do not make these connections between effort and compensation in isolation.

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Many of perceptions of salespeople about their sales role come from ‘role partners’ (Johnston and Marshall 2003). These partners communicate their expectations about the sales role. An example of one such role partner is the sales manager. Sales managers can have a positive influence on a salesperson's effort (Boles et al. 1997; Brashear et al. 2003) through managing role expectations.

However, the positive influence the sales manager as a role partner can be offset by a customer's negative opinions. Clients are the dominant role partner. The customer's words and actions will influence the salesperson's social identity, role perceptions, and motivation. If the customer holds negative views of the role the agent is fulfilling, it creates stress in the interaction.

Evidence suggests that when an individual is in a salient reference group, such as the client to the agent, and holds significant negative views of the sales role, this condition will negatively influence the salesperson's work motivation and effort (Leonard et al. 1999). This occurs when salespeople perceive their interactions with customers to be affected by stereotyping (Pinel 2004). Confronted by a client who holds negative opinions about the role of the sale agent, many agents may feel they are left with only two choices. They may perceive that they are stigmatized and discount the likelihood of a successful sale as a consequence of the stigma associated with their sales position. This choice leads to lower effort. The second choice is to discount or ignore the opinions of the customer and focus on completing the transaction. This strategy may lead to increases in negative opinions as customers perceive the salesperson is unconcerned with their needs. We suggest this second choice could also increase the vicious cycle of the negative stereotyping or the stigmatization of commission-based sales leading to lower sales agent effort.

Overcoming Stigma

While our empirical results indicate that stigmatization exists and salespeople are aware of the societal stigma, there are solutions for sales agents. First, agents and their managers need to be aware of this stigmatization and its implications. Despite the fact that this stereotyping may be inaccurate and unfair, it is prevalent. It is important for agents and their managers to acknowledge that some clients may hold negative views about the sales position. Attention should be taken to ensure that this dialogue is about clients' opinions about the position and not client opinions about the agent as an individual. The questions included in the stigma scale are a point of reference to begin the dialogue about the existence of the stigma and its impact (see accompanying visual).

Another important method for countering the stigma associated with commission-compensated sales agents is to consciously articulate the value that the agent brings to the sales encounter. While celebrating sales and commissions is common practice, what is less common is to focus the conversation in sales and reporting meetings on how the consummation of the sale delivered on the client's desires.

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A real key to managing customer stigmatization is for the agent to obtain and maintain a clear understanding of the value of the agent in the sales process. Clear perceptions may come naturally to the agent as previous research shows salespeople have to be self-motivated in order to be successful (Rich 1999). However, our study indicates that this internal clarity and assurance can be bolstered by the sales manager for commission-compensated salespeople for whom self awareness is particularly important.

Management can also help agents disconfirm the client's expected stereotype. First impressions can confirm or disconfirm expectations and these begin with the introduction of the client and agent (Wood 2006). Educating salespeople on the appropriate display of initial nonverbal signals can have a huge impact on the balance of the client/agent interaction. Handshakes, eye contact, and genuine smiles begin the relationship on a positive note and are more than a formality. Managers should be aware of the impact of these displays and role play with their agents to practice nonverbals.

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