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Salesperson Behavioral Determinants of Customer Equity Drivers: Mediational Role of Trust

Ramana K. Madupalli

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Salesperson Behavioral Determinants of Customer Equity Drivers:

Mediational Role Of Customer Trust

By

Ramana Kumar Madupalli

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

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ACCEPTANCE

This dissertation was prepared under the direction of the **RAMANA K MADUPALLI** Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctoral of Philosophy in Business Administration in the Robinson College of Business of Georgia State University.

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ABSTRACT

SALESPERSON BEHAVIORAL DETERMINANTS OF CUSTOMER EQUITY DRIVERS: *MEDIATIONAL ROLE OF CUSTOMER TRUST*

BY

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This dissertation examines the role of different types of salesperson behaviors on building and managing customer equity drivers. It is proposed that customers develop positive attitudes towards different value drivers through developed trust by different salesperson behaviors. Specifically, it is hypothesized that customer trust effects customers' perceptions of brand value, product value and relationship value; the customer trust in turn is affected by different salesperson behaviors, namely, adaptive selling, customer oriented, selling oriented and un/ethical behaviors. Thus, this dissertation integrates selling behaviors literature with customer equity literature.

This dissertation builds on past literature and proposes a conceptual model using nine different constructs representing three broader constructs, Selling behaviors, Customer trust and Customer equity drivers: Adaptive selling behavior, Selling orientation – Customer orientation (SOCO) behaviors and Un/ethical selling behavior, Customer trust with salesperson and selling firm,

Value equity, Relationship equity and Brand equity. Descriptive research design is used for investigating the role of customer trust as a mediator in the relationships between selling behaviors and customer equity drivers. The research design uses a dyadic sampling design where data for independent variables, selling behaviors and customer trust, is collected from insurance customers in St.Louis metropolitan area and the data for dependent variables, customer equity drivers, is collected from insurance salespeople. Structural equation modeling is used to analyze the data.

The results support the mediational role of trust in the relationship between selling behaviors and customer equity drivers. They also support the hypothesis that different selling behaviors have different effects on customer equity drivers. This research provides significant theoretical and managerial implications. It provides the existing body of literature with a different perspective on customer equity management. Managerially, it provides newer insights to sales managers of the effects of relational selling behaviors. This research also introduces a newer way to investigate selling behaviors by using a second order construct, relational selling behavior.

CHAPTER 1 - INTRODUCTION

The field of marketing has witnessed revolutionary developments over the last thirty years. One of those developments that has grown more rapidly than others is the field of customer management (Kumar, Lemon and Parasuraman 2006). Viewing customer as the key asset to the firm has led us to look for ways to increase value of the customer to the firm (Reinartz and Kumar 2000; Srivastava, Shervani and Fahey 1998). Concepts like customer lifetime value and valuation of customers have emerged as important traditions in investigating ways to increase a firm's value. These concepts can be merged into a broader concept called "customer equity". Customer equity is defined as the aggregate of discounted life time values of all present and future customers of an organization (Blattberg and Deighton 1996; Rust, Lemon and Zeithaml 2004).

Research investigating antecedents and outcomes of customer equity, customer value and other related concepts is limited. Most of the existing research examines different methods for valuating customer equity and link it to return on selling firm investments (Gupta and Lehmann 2003; Gupta, Lehmann and Stuart 2004; Rust, Lemon and Zeithaml 2004). Other research streams are involved in identifying possible antecedents of customer equity (e.g., Blattberg, Getz and Thomas 2001; Rust, Lemon and Zeithaml 2004).

One key antecedent that research considers as the most important antecedent for increasing customer equity is "customer value", value *to* the customer. Findings indicate that there is a direct positive relationship between "value *to* the customer – customer value" and "value *of* the customer – customer equity" (e.g., Rust, Lemon and Zeithaml 2004; Rust, Zeithaml and Lemon 2000). The basic understanding from this research can be summarized as when a customer is getting "value" from the product or service, then that customer in turn is likely to provide "value" to the selling firm. The "value *to* the customer" is their assessment about the products' basic utility – objective assessment, brand aspects – subjective assessment, and relationship with the selling firm (Rust, Zeithaml and Lemon 2000).

These assessments can be characterized as value equity, brand equity and relationship equity, and can be phrased as customer equity drivers (Rust, Lemon and Narayandas 2005; Rust, Lemon and Zeithaml 2004; Rust, Zeithaml and Lemon 2000). Whereas the "value *of* the customer" is the amount of revenue/profit the customer is bringing to the firm. In this report, "value *to* the customer" is referred to as "customer value". The different components of customer value that are presented above are referred as customer equity drivers.

Figure 1: Value

So, how can a firm increase customer value? Research investigating customer value has suggested that antecedents of increasing customer value can be grouped as organizational variables or product related variables. An organizational antecedent that is more relevant than others for customer relationship development is the customer centricity of the organization. In a customer centric organization, the main emphasis is on building long term and profitable customer relationships. All the organizational decisions must start with the customer as the focal point and employees should act as customer advocates and be customer centric or relationship centric (Shah et al 2006). As employees or representatives of a selling firm, salespeople indeed have a vital role in portraying the organization as customer centric and building customer relationships.

1.1. Role of a salesperson in building customer equity

Rust, Zeithaml and Lemon (2000) (From now on this citation would be referred to as RZL) suggests that in order to implement any strategy for increasing customer value, a firm needs investments. Though customer value improvement may be the main focus, increasing the return on investments or decreasing the investments becomes a key aspect for a firm's profitability. Along with various other investments, firms need to invest in making salespeople more customer-centric and relationship oriented (Shah et al 2006).

Research in personal selling and sales management has attributed the salesperson's role to various organizational outcomes, such as increased dollar revenue in terms of sales and most importantly long term buyer-seller relationships. The primary salesperson's role involves facilitating the relationship between the buyer and the selling firm. The salesperson's role has evolved over different eras of marketing and reflects various developments in marketing and organizations (Weitz and Bradford 1999). In the same evolutionary perspective, a salesperson's role is very dynamic and important when investigating buyer-seller relationships. Salespeople act as 'boundary spanners' and the selling firm's most immediate interface with customers. They are both gatekeepers and image makers within a buyer-seller relationship (Schneider and Bowen, 1985). Further, in a services context salespeople are often perceived by the customer as part of the service (Tansik, 1990; Daniel and Darby 1997).

In most buyer-seller interactions, a salesperson acts as a medium of transaction and method of building a relationship. These buyer-seller interactions initiate, develop or change a customer's perceptions and attitudes about the product/service. The interactions may produce different results as the sales setting is changed. When a salesperson indulges in behavior that is customer centric and relationship oriented, the customers will likely be more satisfied and will display higher levels of trust and loyalty towards the firm (Crosby, Evans and Cowles 1990). The higher levels of customer trust in turn will effect their assessment of the product/service along with their relationship with the firm, thus influencing customer value.

Figure 2: Role of Salesperson in building Customer Value

Research on salesperson behaviors suggests that salesperson training has a positive impact on a salesperson's practice of relational selling behaviors.

Similarly there is evidence that it is more time consuming and requires greater selling skill to indulge in relational selling behaviors (Berger and Nasr 1998). Although sales research suggests a strong emphasis on salesperson behaviors, a salesperson's role in customer equity management is relatively unexplored. Do salespeople have any role in building brand equity, relationship equity and value equity to the firm, drivers of customer equity? If so, what is that role? Should the salesperson be engaged in different behaviors that drive customer equity? In order to expand current understanding about customer equity and its drivers, it is pertinent that these questions be answered.

1.2. Objectives and Contributions

Most of the existing research on customer equity examines different methods for valuating customer equity and link it to higher return on investments for the selling firm (Rust, Lemon and Zeithaml 2004). While looking at different investments involved in developing customer equity, existing research has not directly considered the effects of salesperson behaviors. The influence of marketing investments, such as promotional expenditure, advertising campaigns and loyalty programs have been assessed to a much greater degree. Investigating some of the barriers to customer equity management, Bell et al (2002) indicates that maximizing customer equity should be the firm's goal. Also, research focusing on the role of salesperson behaviors in building customer value is limited. For these reasons, it is important to investigate further the sales-related antecedents of customer value building and how they can be utilized by management to make profitable investments in marketing efforts.

Hogan, Lemon and Rust (2002) proposed that a firm's customer equity management skills are positively related to customer equity. In buyer-seller interactions where a salesperson is, at times, a firm's only interface with customers, his/ her behavior is vital to building and managing customer value. Given the importance of salespeople in building customer relationships, it can be inferred that the salesperson's role cannot be ignored and should be considered as an integral part of "customer equity" research.

The primary purpose of this research is to fill the gap linking different salesperson specific antecedents to customer equity drivers. While the importance of customer equity is widely accepted, some important gaps related to various antecedents of customer equity still remain unknown. Research from traditional personal selling and sales management streams stress that salesperson behavior is a key driver influencing customers' behaviors, attitudes and perceptions. Based on this premise, this study examines how salesperson behaviors influence different drivers of customer equity, in turn the overall customer equity of an organization. The different salesperson behaviors that are considered in this study are adaptive selling, customer oriented, sales oriented and ethical behaviors. The objectives of this study are two fold: (1) to determine whether specific salesperson behaviors' can evoke favorable consumer attitudes and perceptions towards brand, relationship and value they are getting from buying and using the product or service, and (2) To determine specific behavioral and trust issues that optimizes the levels of customer equity drivers.

Another important purpose of this research is to provide an application of different drivers of customer equity. Although a fair amount of research is available on brand equity issues (e.g., Aaker 1996; Keller 1993, 1998), very little is available on the other two drivers – relationship equity and value equity. Customer equity drivers, as suggested by RZL, act as customer end drivers of a firm's customer equity, but nothing in the research provides evidence about interrelationships between these drivers. Although interrelationships between these drivers seem logical, as of now we do not have any empirical support in the literature for this idea. The present study fills this gap and investigates inter-relationships between the three customer equity drivers.

The results of this study will make key contributions to marketing theory and practice. First, this study makes a theoretical contribution by (1) testing the different targets of trust in selling behaviors – customer equity drivers' context, and (2) enhancing our understanding of drivers of customer equity. As presented earlier, investigating antecedents of customer equity drivers is warranted and the available literature is in its infant stage. The proposed conceptual model is built on established marketing theories and findings, and presents empirical support for salesperson behavioral antecedents to customer value and customer equity. This study is the first theoretically grounded and empirically based explanation of the relationships between salesperson behaviors and customer equity drivers.

Second, the results of this study make a practical contribution to marketers and sales personnel. It is vital that salespeople understand the extent to which their actions in a buyer-seller relationship build or reduce overall equity for the company. In the new marketing paradigm where relationship marketing is the key to a firm's survival, it is important not only to calculate the life time value of the customer, but also to understand how it can be managed and increased. The results of this study will give an understanding of "what not to do" and "what to do" in terms of their salesperson behavior.

1.3. Organization

The report is organized in the following manner. In chapter 2, a unifying theoretical model is presented and all the constructs in the proposed model are discussed in detail by reviewing the existing literature. Later, hypotheses were discussed and justified by using established theoretical frameworks. Social exchange theory and relationship theory are used as the overarching theories for the proposed model and are discussed under relevant hypothesis sections.

Chapter 3 provides a detailed view of research design and methodology used in this study. It starts by reporting the sampling plan in detail and data collection procedures. It continues by discussing the final instrument that was used for collecting the data. The scales used in the study are discussed in detail by listing their sources and justification for using them. Later the data analysis procedures used in the study are presented in detail.

The fourth chapter deals with results from the study. This chapter starts by discussing the results from a pilot study and then from final study. Structural equation modeling is used as the primary data analysis procedure for this study. Here, results from confirmatory factor analysis and structural model analysis are presented in detail. The proposed theoretical model is also tested against four competing theoretical models and results are provided. Finally, this chapter presents a second order factor model and results from the data analysis are compared against original model.

Chapter 5 provides a conceptual explanation of the results and implications from the findings are presented. This chapter ends by discussing contributions of the study, limitations and a conclusion. Regarding tables and figures used in this report, the ones that are most needed to explain the conceptual discussion are presented along the write up. The others are provided at the end of the report along with all the tables.

CHAPTER 2 - LITERATURE REVIEW

This chapter is divided into two main sections. The first section reviews the constructs included in the study, provides construct definitions, and summarizes relevant major research studies in the area. Second, this chapter gives a first hand view of the proposed model, theoretical reasoning to justify the posited relationships, and a detailed explanation of the stated hypotheses.

2.1. Review of Constructs

This section of the chapter reviews the literature on salesperson behaviors, namely adaptive selling, selling orientation, customer orientation and unethical behavior. Later it reviews the role of trust in personal selling and sales management and provides a summary of major research works involving trust with the salesperson and selling firm. Finally this section provides an overview of customer equity as stated in the literature and how it is considered in the present study. Also, this section provides a detailed explanation of customer equity drivers.

2.1.1. Selling Behaviors

Personal selling and sales management research over the years indicate that different selling antecedents directly affect salesperson behaviors and that salesperson behaviors in turn impact different sales outcomes like performance and customer satisfaction. The interpersonal nature of the customer-salesperson interaction is strongly embedded in personal selling and sales management research. Different learning and performance orientations influence various self regulation tactics and behaviors of salespeople (Harris, Mowen and Brown 2005). Following this premise, salesperson behaviors have been examined in a number of different research settings. Although salesperson behaviors have been presented under different terms, a fewer specific topics, such as adaptive selling, selling oriented-customer oriented, and unethical selling behaviors have been examined by a fairly large number of sales studies. These types of behaviors influence buyers' perspectives regarding the salesperson's firm and its products. Behaviors that are relational and customer centric in nature like adaptive selling, customer orientation and unethical behavior can be considered as relational selling behaviors. These behaviors were observed to influence positive customer attitudes towards the firm and its products.

Adaptive Selling Behaviors

"The practice of adaptive selling is defined as the altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation" (Weitz, Sujan and Sujan 1986). Spiro and Weitz (1990) in their seminal article on the conceptualization and measurement of adaptive selling have suggested that adaptive selling behavior consists of six different facets: (1) a recognition that different selling approaches are needed in different selling situations; (2) confidence in the ability to use a variety of different sales approaches; (3)

confidence in the ability to alter the sales approach during a customer interaction, (4) a knowledge structure that facilitates the recognition of different sales situations and access to sales strategies appropriate for each situation, (5) the collection of information about the sales situation to facilitate adaptation, and, (6) the actual use of different approaches in different sales situations (Spiro and Weitz 1990). The first three facets are related to the motivation of a salesperson to practice adaptive selling. The fourth and fifth facets pertain to the capabilities that are required to practice adaptive selling effectively. The sixth facet indicates the actual behavior of the salesperson (Spiro and Weitz 1990).

The concept of adaptive selling behavior has been tested and developed over three decades of research (Park and Holloway 2003). Although researchers have investigated adaptive selling in different contexts and found some conflicting results, the basic understanding of the adaptive selling construct is consistent. Adaptive selling behavior is the practice of changing the selling approach during the sales presentation to meet customers' needs, addressing customers' problems, overcoming objections and acting on new opportunities that may arise (Spiro and Weitz 1990; Weitz, Sujan and Sujan 1986).

The extant research in adaptive selling can be categorized into two streams: (1) Examining different antecedents and outcomes of adaptive selling (discussed in the following paragraphs), and (2) Measurement of adaptive selling (discussed in chapter 3) (Park and Holloway 2003).

Weitz, Sujan and Sujan (1986) suggested that motivation to practice adaptive selling is a key antecedent to the practice of adaptive selling behaviors.

Along with motivation, research suggests that effective listening has a significant positive effect on salesperson's adaptive selling behavior (Shepherd, Castleberry, and Ridnour (1997). While the quality of the relationship between sales manager and salesperson is found to positively affect the actual practice of adaptive selling behavior by the salesperson (DelVecchio 1998), perceptual incongruities in managerial control have no effect on adaptive selling behavior (DelVecchio 1996). Interaction involvement is positively associated with adaptive selling of the salesperson and is also found to mediate between communication apprehension and adaptive selling (Boorom, Goolsby and Ramsey 1998). When looking at the demographics, age and sales experience have found to interact with gender and education to affect the practice of adaptive selling (Levy and Sharma 1994).

Research in personal selling and sales management suggests that empathic ability (Gwinner 1968; Webster 1968; Weitz 1981), product knowledge (Sujan, Sujan and Bettman 1988), self pride (Verbeke, Belschak and Bagozzi (2004), self-monitoring ability (Weitz 1981; Weitz, Sujan and Sujan 1986), and learning orientation (Park and Holloway 2003) are all positively related to adaptive selling behavior (Park and Holloway 2003).

An example of non-adaptive selling can be delivering canned presentations to all customers irrespective of selling situations (Jolson 1975). Contrary to the results produced by Jolson (1975) and Giacobbe (1991), who found that canned presentations are more effective in the eyes of customers, Spiro and Weitz (1990) and other researchers found a significant positive relationship between adaptive selling and salesperson's self-evaluated performance. Altering adaptive selling behaviors can be effective or ineffective depending on the nature of the selling environment and the capabilities of sales personnel (Weitz, Sujan and Sujan 1986). Also buying task/situation is found to influence the relationship between adaptive selling and sales performance (Porter, Wiener and Frankwick 2003).

The sales performance related outcomes of adaptive selling are well documented in the literature. In his seminal article on sales effectiveness, Weitz (1981) suggested that adaptive selling practices influence sales effectiveness of a sales organization or a sales unit. Research indicates that adaptive selling exerts a positive influence on a salesperson's regular sales performance (Boorom, Goolsby, and Ramsey 1998), closing ratios, a dimension of salesperson performance (Pettijohn, Pettijohn and Taylor 2000) and perceived intercultural communication competence (Bush et al. 2001; McIntyre et al. 2000).

Sales Oriented and Customer Oriented Behaviors (SOCO)

Saxe and Weitz (1982) in their seminal work presented the SOCO scale as a measure of salesperson's sales orientation or customer orientation. Sales orientation refers to when a salesperson focuses mainly on immediate sales regardless of the customer benefit, and possibly at the expense of long-term buyer satisfaction. In contrast, customer orientation refers to behaviors that enhance long term customer satisfaction, possibly at the expense of immediate sales (Dunlap, Dotson and Chambers 1988; Brown et al. 2002).

Customer oriented behavior is defined as the implementation of the marketing concept in interactions between individual salespeople and their customers (Saxe and Weitz 1982). The marketing concept asserts that sales can be achieved by determining customer needs and wants, and then delivering desired satisfaction better than competitors. Research on SOCO behaviors suggest that customer orientation and selling orientation are two distinct constructs, but not on the opposite ends of a continuum (Harris, Mowen and Brown 2005; Thomas, Soutar and Ryan 2001). Brown et al (2002) found evidence to suggest the above premise and their research indicates that the measures are separate, distinct factors (Harris, Mowen and Brown 2005).

Saxe and Weitz (1982) reported several behaviors as examples of customer oriented behaviors: helping customers to assess needs; offering products to satisfy needs; accurately describing products; avoiding deceptive and manipulative tactics; avoiding high pressure tactics, and helping customers make satisfactory purchase decisions. A number of studies have investigated customer orientation, some looking at the antecedents of SOCO behaviors, others investigating the outcomes of SOCO and, finally, the remaining in exploring the measurement issues of SOCO. Antecedents and Outcomes of SOCO are discussed in subsequent paragraphs, and measurement issues are discussed in chapter 3 on methodology

According to social system and group development theories from organizational psychology, the customer orientation of salespeople is influenced and determined by the organization’s culture (Williams and Attaway 1996). The higher the level of a firm’s supportive organizational culture, the higher it will stimulate creativity in the salesperson and, in turn, customer orientation in the salesperson (Williams and Attaway 1996). Evidence from research suggests that managerial actions and policies that stress short term goals and performance negatively impact customer orientation of the salesperson. Relationship quality between sales manager and salesperson exhibited a positive relationship with customer orientation of the salesperson. Perceived psychological climate, empowerment, and leadership behavior of the sales manager have all been suggested to be associated positively with customer oriented behavior of the salesperson (Martin and Bush 2003).

Brown et al (2002) found personality traits like introversion and instability had negative influences on customer orientation of a service worker; whereas, other personality traits like conscientiousness, need for activity and social desirability (Donavan, Brown and Mowen 2004) are positively associated to customer orientation of a service worker. Salesperson’s self-monitoring; empathy and cognitive style are also found to have a direct positive effect on a salesperson’s customer orientation (McIntyre and Meloche 1995; Widmier 2002). O’Hara, Boles and Johnston (1991) suggested that the relationship between job tenure, gender, work involvement and supervisory support on customer orientation depends on the type of product/service and situation.

Findings from Siguaw, Brown and Widing (1994) suggest that a firm’s market orientation has a significant positive relationship with a salesperson’s customer orientation. However, evidence from research suggests that role variables, role conflict and role ambiguity do not have any effect on customer orientation (Hoffman and Ingram 1991; Siguaw, Brown and Widing 1994). Harris, Mowen and Brown (2005) indicated that a salesperson's learning and performance orientations are positively associated with customer orientated behavior and negatively associated with selling oriented behavior of the salesperson. They also found evidence to suggest that personality traits are related to a salesperson's customer and selling orientation through goal orientations – learning orientation and performance orientation.

Many studies have investigated different consequences of SOCO from selling firm's perspective (Dunlap et al. 1988; Swenson and Herche 1994) and others from customer's perspective (Goff et al. 1997; Tadepalli 1991). Williams and Attaway (1996) found that customer orientation of the salesperson mediates the relationship between an organization's culture and the development of buyer seller relationships. An enhanced level of customer orientation of a salesperson has been associated with higher levels of job satisfaction, organizational commitment and organizational citizenship behavior (Donavan, Brown and Mowen 2004; Hoffman and Ingram 1991). Customer orientation has also been found to be positively related to self and supervisor rated performance evaluations (Brown et al 2002; McIntyre et al 2000). Goff et al. (1997) found that customer oriented behavior of the salesperson directly leads to increased levels of customer satisfaction with the salesperson and dealer. This study also indicates that customer orientation effects customer satisfaction with the product and the company through satisfaction with the salesperson and the dealer. The selling orientation of the salesperson was found to have opposite effects on different satisfaction levels.

Unethical Selling Behavior

When a salesperson provides accurate accounts of product/service features and benefits, the customer is prepared to make informed decisions regarding his/her product/service procurement (adapted from Lagace, Dahlstrom and Gassenheimer 1991). The salesperson that deviates from the above norms could be considered to be practicing unethical selling behaviors. Unethical sales behaviors can be defined as any short-run conduct that enables the salesperson to gain at the expense of the customer (Roman and Ruiz 2005). Examples of unethical selling behavior include activities, such as lying or exaggerating about the benefits of a product, lying about the competition, selling products that customers do not need, giving answers when the answer is not really known, and implementing manipulative influence tactics or high pressure selling techniques (e.g., Lagace, Dahlstrom and Gassenheimer. 1991; Robertson and Anderson 1993; Roman 2003; Roman and Munuera 2005; Roman and Ruiz 2005). Unethical behavior hampers the existing relationship between customer and the salesperson. Evidence from literature suggests that unethical behavior not only has a negative impact on the relationship between customer and salesperson, it also has a substantial negative impact on the relationship the customer has with the salesperson's firm (Roman 2003).

Ethical behavior is consistent with widely recognized societal norms – fair play, honesty, full disclosure and so forth (Robertson and Anderson 1993). Lagace, Dahlstrom and Gassenheimer (1991) suggested that the type of unethical practice is completely situation and task specific. Ethical sales behavior has been positively associated with customer satisfaction with the core service, customer trust in the company and customer loyalty towards the company (Roman 2003). Customer satisfaction with the core service has also been found to mediate the relationship between ethical sales behavior and customer satisfaction with the company. Higher customer trust (Lagace, Dahlstrom and Gassenheimer 1991; Roman and Ruiz 2005) and higher levels of commitment with the salesperson are also been associated as the outcomes of perceived ethical behavior (Roman and Ruiz 2005). It was also found that ethical behavior has a strong positive relationship with customer satisfaction with the salesperson (Roman 2003; Roman and Ruiz 2005).

Supervisors' reaction to salespeople's unethical behaviors was investigated by Bellizzi and Hite (1989). Their findings indicate that sales managers indulge in harsher forms of disciplinary action when poor performers indulge in unethical behavior. Salespeople's perceptions of sales managers' output and process control have found to have positive relationship with unethical and opportunistic behaviors of sales personnel (Ramaswami 2002). Research on ethical practices of salespeople suggest that efforts made by sales managers to reduce the ethical conflict experienced by salespeople may lead to lower sales force turnover, improved job satisfaction, increased customer satisfaction, and increased sales and profits for the firm (Dubinsky and Ingram 1984; Howe, Hoffman and Hardigree 1994). Research indicates that ethical marketing practices in the insurance industry provide the base system for relationships between salespeople and customers (Howe, Hardigree and Hoffman 1994; Oakes 1990).

2.1.2. Customer Trust

The foundations of buyer-seller relationships are grounded in customer trust (Dwyer, Schurr and Oh 1987; Morgan and Hunt 1994). Research in marketing suggests that trust is an important variable that exerts the greatest influence on interpersonal and inter-organizational relationships. Several studies in marketing have considered trust in the context of exchange relationships (e.g., Crosby, Evans and Cowles 1990; Dwyer, Schurr and Oh 1987; Ganesan 1994; Moorman, Deshpande and Zaltman 1993; Moorman, Zaltman and Deshpande 1992; Morgan and Hunt 1994). Customer trust is related to the customer's belief that the seller (salesperson and selling firm) will fulfill all obligations of the relationship (Swan and Nolan 1985; Swan, Bowers and Richardson 1999). The level of trust a customer has in the salesperson and selling firm is considered as the central tenet to the relationship and future intentions (Doney and Cannon 1997; Swan, Trawick and Silva 1985). Customer trust is considered as a developmental and growing component in a buyer-seller relationship; it increases, decreases or maintains depending on the continuing interactions between the partners, salesperson and customer or selling firm and customer

(Dwyer, Schurr and Oh 1987; Moorman, Deshpande and Zaltman 1993; Morgan and Hunt 1994).

Plank, Reid and Pullins (1999) defined trust as a global belief on the part of the customer that the salesperson and firm will fulfill their obligations as understood by the customer. Similarly, Sirdeshmukh, Singh and Sabol (2002) defined customer trust as expectations held by the customer that the service provider is dependable and can be relied on to deliver on its promises.

There are two potential targets of trust, the salesperson and the selling firm. The buyer interacts with the salesperson and the selling firm as different. Hence, in most buyer-seller interactions, customer trust is a result of different evaluations of salesperson and selling firm (Wood 2004). In service contexts, the two targets of trust are structurally distinct nodes around which the customer makes independent judgments during the course of service exchange relationship (Sirdeshmukh, Singh and Sabol 2002). The inclusion of multiple targets of trust is well supported in marketing and sales literature (e.g., Crosby and Stephens 1987; Doney and Cannon 1997; Singh 1991; Sirdeshmukh, Singh and Sabol 2002)

Customer trust with the selling firm can be stated as the belief and feeling of the customer that selling firm can be relied upon to behave in a manner that serves the long term interest of the customer (Crosby, Evans and Cowles 1990). It can be defined as “customer confidence in the quality and reliability of the services offered by the organization” (Garbarino and Johnson 1999, pg: 73). Customer trust with the salesperson is defined as the confidence that the customer has in the integrity and reliability of the salesperson (Andaleeb 1992; Anderson and Narus 1990; Jap 2001; Moorman, Deshpande and Zaltman 1993; Morgan and Hunt 1994). This confidence in turn will result in the customer's willingness to develop and maintain a relationship with the salesperson (Biong and Selnes 1996). Honest actions, low pressure selling techniques, consistency, competence, fairness, responsible acts, forbearance from opportunism and benevolence of a salesperson are observable and are suggested to increase customer trust in the salesperson (Beatty et al 1996; Jap 2001; Kennedy, Ferrell and LeClair 2001; Strutton, Pelton and Tanner 1996; Swan, Trawick and Silva 1985; Swan, Trawick and Rink 1988).

2.1.3. Customer Equity

Customer equity is defined as the "total of the discounted lifetime values of all its customers" (Rust, Zeithaml and Lemon 2000). Although Blattberg and Deighton (1996) were considered to be the first to coin the term "customer equity", Swan and Oliver's (1989, 1991) work on interpersonal equity and buyer equity perceptions with automobile salespeople was one of the first to utilize a customer equity approach in marketing and sales settings. Customer equity is the aggregate of all the customer lifetime values of a firm's individual customers. Hence, customer equity can be considered as the sum of all present and future earnings of a firm.

According to Gupta, Lehmann and Stuart (2004), customer equity can be considered as a proxy for the value of the firm[1]. Documenting the effect of marketing expenditures on customer equity provides a measure of financial return on marketing specific investments (Rust, Lemon and Zeithaml 2005). Rust Lemon and Zeithaml (2004) also suggested that in order to ensure a thorough accountability of marketing investments, researchers and practitioners need to take into account brand switching behavior of customers in customer equity models.

The key component of "customer equity" research is the understanding of customer lifetime value concept. Customer lifetime value is the net present value of a customer's profit stream. Berger and Nasr (1998) suggest "that customer lifetime value for a firm is the net profit or loss to the firm from a customer over the entire life of transactions of that customer with the firm. Hence the lifetime value of a customer for a firm is the net revenues obtained from that customer over the life time of transactions with that customer minus the cost of attracting, selling, and servicing the customer taking into account the time value of money" (Jain and Singh 2002). The notion of customer lifetime value has evolved from traditional relationship marketing literature, which refutes the idea that development and maintenance of long term profitable relationships with customers is fundamental for a firm's long term existence (Berger and Nasr 1998). The key take away from customer lifetime value concept is that, along

[1] Some researchers consider "brand equity" as a proxy for the value of the firm. In the context it is important to understand the difference between brand equity and customer equity. Brand equity is an indicator of value of the firm with respect to brands whereas customer equity is an indicator of value of the firm with regard to customers (Kumar, Lemon and Parasuraman 2006)

with focusing on building and maintaining long term relationships with customers, firms need to look at building these relationships with profitable customers.

In order to calculate customer lifetime value, firms need to model brand switching pattern of individual customers using “Markov switching matrices” (Rust, Lemon and Zeithaml 2005). For example, an estimated markov switching matrix might tell us that if Alex bought insurance from company A, then the next time he has a 0.6 chance of renewing it, 0.2 chance of buying from either insurance company B or C. Once we know Alex’s switching matrix and the insurance firm’s name from where he bought the last time, we can then assess Alex’s future purchase probabilities for all of his future purchases (Condition: competitive situation doesn’t change). In any marketing scenario, no company wants to keep the competitive scenario constant; instead, intuitively we can say every company wants to go up the competitive chain, thus increasing customer equity. In these instances a company needs to understand and identify what attributes are most important for retaining customers or acquiring new customers. RZL (2000 and 2004) suggests that this requirement can be fulfilled by obtaining customer level evaluations of these attributes. These attributes can be categorized into three dimensions: value of the product or service, brand issues of the product, and relational aspects of the product.

As discussed earlier, to increase life time value of a customer, a firm needs to understand what drives customer retention and customer switching. In order to change these driving attributes, a firm requires investments. The investments to improve these attributes or expenditures are introduced as drivers of customer equity by RZL. RZL provided a unifying framework to understand customer equity drivers. According to this framework, customer equity is the unifying concept comprised of customer value management (product value), brand management, and relationship/retention management. They state that customer equity consists of three drivers: brand equity, value equity and relationship/retention equity. For maintaining consistency, this study utilizes the conceptualization of RZL in reviewing the drivers of customer equity and appends the conceptualization with relevant literature and developments. In this dissertation, customer value with the core product that is referred to in the literature is considered as value equity, and customer value with the relationship, which in turn is referred as relationship value by some researchers, is considered as relationship equity. The scope of the present study is limited to determining selling behavior antecedents of these drivers. A brief explanation of the role of customer equity drivers in building customer equity is given in *figure 10.*

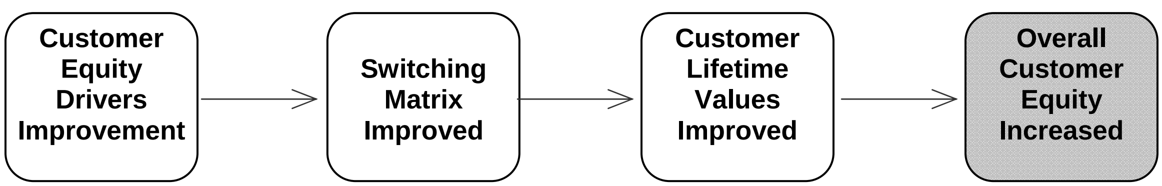


Figure 10: Customer Equity Drivers → Customer Equity

<u>Notes</u>

- *Switching Matrix Improved: This indicates that considered firm is the preferred choice over competing brands.*
- *Customer Equity* = $\sum_{i=1}^{n} CLV_i$

  Where n = no. of customers and CLV = Customer Lifetime Value

Brand Equity

Brand equity is the incremental utility or value added to a product by its brand name, such as Coke or Nike (Yoo, Donthu and Lee 2000). Various marketing researchers and practitioners have viewed brand equity from different perspectives. The point of consensus of all brand equity conceptualizations is “added value to the customer and the company by the brand name” (Aaker 1996; Aaker and Keller 1990; Keller 1993, 1998).

Brand Equity is an intangible asset that depends on associations made by the customer. Aaker (1996) and Keller (1993, 1998) conceptualized brand equity as “the differential effect of brand on customer response to the marketing of the brand”. Within the marketing literature, the operationalization of brand equity involves customer perceptions (awareness, associations and perceived quality) and customer behavior (loyalty and willingness to pay a premium price). Evidence from the literature suggests that the three dimensions of brand equity are brand loyalty, perceived quality and brand awareness/associations (Yoo, Donthu and Lee 2000).

Brand equity in the present study can be characterized as “customer based brand equity”. *Customer based* refers to measuring cognitive and behavioral brand equity at the individual customer level through customer surveys (Yoo and Donthu 2001). The basis for this characterization depends on two reasons: (1) Brand equity provides value to customers by enhancing their interpretation, confidence in purchase decision and satisfaction (Aaker 1996; Yoo and Donthu 2001), and (2) This type of characterization would help in testing customer-based brand equity theories (Cobb-Walgren, Rubel, and Donthu 1995; Park and Srinivasan 1994; Swait et al 1993; Yoo and Donthu 2001). Measuring brand equity of aggregate products at the firm level does not provide the opportunity of assessing customer based theories. What matters to an individual customer is important at the fundamental level of any marketing strategy. Hence, understanding customer based perspectives of customer equity drivers is warranted and would in turn be advantageous for testing future customer equity theories from customer perspective.

Value Equity

The use of the term "value" depends on what customers want in products and services. Customers define value in one of the following four ways (RZL): (1) value is low price, (2) value is whatever I want in a product, (3) value is the quality I get for the price I pay, and (4) value is what I get for what I give up, including time and effort. Summing up all the four different views of the definition of *value*, RZL defined value as "the customer's objective assessment of the utility of a brand on perceptions of what is given up for what is received" (Pg 68). The *value* discussed here is in fact the traditional notion of "value to the customer", product specific, in exchange view of marketing (Ulaga and Eggert 2003). In this report the term "value equity" is used as a proxy when considering product specific assessments of customers – objective assessment. Value equity occurs when the product or service matches customer expectations and perceptions.

The higher the value equity, the lower the investment required for the company to improve value components.

Literature over the years contains a variety of definitions of value concept, stressing various aspects (Ulaga and Eggert 2003): (1) customer value is a subjective concept (Kortge and Okonkwo 1993), (2) it is a trade-off between benefits and sacrifices (Zeithaml 1988), (3) benefits and sacrifices can be multi-faceted (Grisaffe and Kumar 1998), and (4) value perceptions are relative to competition (Anderson and Narus 1990). Customer value can be defined as the trade-off between the benefits, what you get, and the sacrifices (what you give) in an exchange relationship (Zeithaml 1988, p14).

From RZL's perspective, value is an epicenter of customer relationship management. Firms have to identify various implicit and explicit needs for customers along with their expectations and need to fulfill the same. Lesser levels of value equity cannot be compensated with either brand management or retention strategies; it is the customers' assessment of product/service for its basic fundamental utility to the customer. Value equity works by providing the customer more than what he/she wants, by reducing what customers have to give up and also by reducing effort needed by the customer to acquire and use the product/service.

Consistent with RZL's conceptualization, this dissertation considers value from a basic utility perspective. Although some researchers warranted value to be considered from a broader perspective, describing value as a multi faceted construct comprising of relational and service components, the focus of the present study is mainly on the “product related issues” for the following reasons: (1) the context of the study is auto insurance industry, so the service and product characteristics are basically the same, (2) the conceptual model considers three different customer equity drivers, and the relational part of the value that other researchers are arguing about is covered in the relationship equity driver, and (3) as mentioned previously, in order to be consistent with the RZL framework, the basic conceptualization of the value is taken from their works. The key components of value equity are the actual quality of the product/service, price of the product and convenience in terms of location, ease of use and availability. In the later parts of this dissertation, customer value associated with value equity is some times referred as “product value”.

Relationship/Retention Equity

According to RZL, relationship equity is defined as the customer’s tendency to stick with the brand, above and beyond objective and subjective assessments of the brand (RZL). It focuses on the relationship between the customer and the firm, built through different marketing activities of the firm. It also involves factors that increase switching costs which are not considered by value equity and brand equity. These switching costs are indirect in nature; examples are frequent buyer programs and ongoing relationship maintenance activities.

Traditional relationship literature suggests that relationships are built over time and are based on experiences within the buyer-seller dyad. Similar to this premise, relationship equity is also built over time and experiences. RZL, in its conceptualization of relationship equity, has presented the components of relationship equity as customer assessments of loyalty programs, special recognition and treatment programs, affinity programs, community building programs, and knowledge building programs. All these programs can be unified under the phrase “relationship building and maintenance programs”. This conceptualization is very context specific to the airline industry. Different businesses indulge in different relationship building programs, depending on the characteristics of the relationship. Based on this, an inference can be made that relationship equity refers to customers’ reactions to a firm’s relationship building and maintenance programs. Different products and services require different types of relationship building and maintenance programs. For example, frequent flyer programs and special recognition programs are suitable in the airline industry, and cross selling discounts, discounts on new renewals and strong interpersonal relationships between service providers and customers, are suitable in the insurance industry.

Customers stay in relationships because they want to and because they have to (Johnson 1982, p 52). According to RZL, relationship equity involves both these dimensions, namely affective relationship with the salesperson and the selling firm, and switching costs or “hostage relationship”. “Hostage” relationships are those with constraints prohibiting dissolution of the relationship (Colwell and Hogarth-Scott 2004). Based on this we can infer that relationship equity is a multi-dimensional construct involving affective reactions of the customer, and switching costs associated with the product. In an auto-insurance context, the context under investigation, customers are not involved in any direct costs for switching insurance providers. Although there might be indirect costs associated with bulk discounts and cross selling, customers are not involved in hostage relationship with the insurance company. In the auto-insurance industry any one can switch insurance providers without any direct costs. In this context, I considered relationship equity only from the perspectives of affective reactions and indirect switching costs.

2.2. Model Development

Little is known about the salesperson's role in influencing customer equity drivers. The proposed model suggests that salespeople influence customer equity drivers by increasing customer trust in both the salesperson and selling firm, through relational selling behaviors. Marketers can develop best practices in their organizations by stressing the need for a sales force to be more relational in their behaviors - adapting to the customer needs, being long-term in their thought process, and more customer oriented.

There are a total of nine constructs in the conceptual model. Four of the constructs pertain to salesperson behavior, adaptive selling, customer orientation, selling orientation and unethical behavior. Customer trust with the salesperson and the selling firm comprise the two trust components. Customer equity drivers account for the remaining three constructs, namely, value equity, relationship equity and brand equity. In linking the two research domains, salesperson behaviors and customer equity, salesperson behaviors are conceptualized as important determinants of marketing relationships. Customer trust is considered as an important first level outcome of selling interactions, a critical indicator of an expanding relationship, and a determinant of customer equity drivers. The role of trust as a mediator in buyer-seller exchanges is well documented in marketing (Morgan and Hunt 1994; Aulakh, Kotabe and Sahey 1996; Moorman, Deshpande and Zaltman 1993; Doney and Cannon 1997). Eleven different relational hypotheses are proposed to explicate the model. The remainder of this chapter provides the rationale for the nomological network of relationships proposed in the model, *figure 3.*

Salesperson Behaviors and Customer Trust

Sales processes tend to be relational in nature. Unlike the transactional view of buyer-seller interactions, research in personal selling supports the notion that buyer-seller interactions are rather relational in nature. Sales often transpire over time and only after multiple interactions between the partners can the presence of a relational bond be witnessed. This is particularly true in buyer-seller contexts where customers meet salespeople in person. In these contexts, the most important outcome in buyer-seller interactions may be the social dimensions of the relationship that determine if future intentions and actions will transpire.

Social exchange theory (SET) provides a theoretical foundation for relationship development and behavioral dependence. Trust is an important concept in this literature, and trust developed by the customer is an important indicator of an expanding relationship. Trust is also considered as an essential ingredient in successful buyer-seller relationships. SET views social exchanges as the core of relationships and is based on a central premise that the exchange of social and material resources is a fundamental form of human interaction (Cook and Emerson 1978; Humphreys 1994).

The origin of SET lies in earlier theories developed in cultural anthropology, neoclassical economics, and psychology. SET focuses on how interaction patterns are shaped by relationships between individuals, and the resulting efforts to achieve balance in exchange relations. It posits that the behavioral norms that emerge during partner interactions lead to expectations about the future role performance of the exchange partners. These exchanges between partners are driven by self-interest, are characterized by cooperation and reciprocity. They are intended to lead to mutually beneficial economic and/or non-economic outcomes (Dwyer, Schurr and Oh 1987). This view of social exchange theory on relationships corresponds closely to the kinds of relationships encountered in buyer-seller exchanges. Sellers undertake efforts towards customers through socially interacting with these customers. These efforts are intended to lead to positive relationship outcomes. Past literature in marketing has considered SET in explaining buyer-seller relationships involving relational cooperation, flexibility, trust and satisfaction in inter-partner relationships (Blau 1964; Cook and Emerson 1978; Macneil 1980; Toole and Donaldson 2002).

In a personal selling context, relational behaviors, like adaptive selling and customer orientation (Crosby, Evans and Cowles 1990) can be positive influencers, and non-relational behaviors like selling orientation and unethical behavior can be negative influencers of a customer's evaluation of salesperson's cooperation, goal-congruence, commitment to the relationship and interest in the buyer's needs, thus trust with the salesperson (Anderson and Narus 1990; Blake and Mouton 1970; Ford 1980; Nickels, Everett and Klein 1983; Weitz, Sujan and Sujan 1986). These concepts are important bases for the development of expectations in the face of uncertainty and risk, which in turn is the essence of the trust in a relationship.

Another perspective in SET that supports the link between relational selling behaviors and customer trust is the "communication expectancies" perspective (Williams and Attaway 1996). Communication expectancies are "cognitions about the anticipated behaviors of specific others, as embedded with in and shaped by the social norms for the roles, relationships and contexts" (Burgoon and Walther 1990; Williams and Attaway 1996). The expectancies interact with relational behaviors to form interpretations of the meaning of relational behaviors. Relational behaviors of the salesperson provide informational cues to the buyer as to the salesperson's positive intentions and customer centric nature, and thus customer develops relational trust with the salesperson and associated selling firm.

Customers process salesperson behaviors and presentations and develop knowledge regarding what is a good behavior and what is not (Friestad and

Wright 1994; Sharma 2001; Wright 1986). Relational selling behaviors develop credibility to the customer in which the communication source, salesperson, is perceived as trustworthy and competent. Customers understand relational behaviors over time with experience and use the same knowledge to build credible perceptions (Rogers and Shoemaker 1971; Sharma 2001). The level of information exchange between the involved parties, customer and the salesperson, influences the trust developed by the customer in the information provider, salesperson (Bejou, Ennew and Palmer 1998; Milne and Boza 1999).

In buyer-seller interactions both cognitive and affective sources inform, identify and move the levels of customer trust, either positively or negatively. Customer trust thus developed will influence customer evaluations of the product value and the relationship with the provider (Dick and Basu 1994; Petty, Cacioppo and Schumann 1983; and Morgan and Hunt 1994). Evidence from personal selling research emphasizes that customers develop trust with the salesperson, and in the selling firm by experiencing certain behaviors of the salesperson, and thus developed trust would in turn determine the future actions and attitudes of the customers (Hawes, Mast and Swan 1989; Lagace, Dahlstrom and Gassenheimer 1991; Macintosh et al 1992; Morgan and Hunt 1994; Plank, Reid and Pullins 1999; Schurr and Ozanne 1985; Swan, Trawick and Silva 1985; Swan and Nolan 1985; Swan, Trawick and Rink 1988). Hence,

Hypothesis 1: Adaptive selling behavior of the salesperson is positively related to customer trust with the salesperson

Selling Orientation – Customer Orientation (SOCO) and Trust

When working as antecedents to trust, and other buyer-seller relational parameters, selling orientation and customer orientation interact oppositely. Salespeople's use of customer oriented selling and its impact on long term relationship with the customer is best explained by trust developed by the customer (Schwepker 2003). Various studies in personal selling and sales management have associated customer orientation of the salesperson with customer trust. Evidence suggests that the higher the customer orientation of the salesperson/lower the selling orientation of the salesperson, the higher the customer trusts the salesperson (Schwepker 2003; Sengupta, Krapfel and Pusateri 2000; Swan, Bowers and Richardson 1999; Swan, Trawick and Silva 1985). The customer oriented behavior of the salesperson demonstrates characteristics and actions like assessing customer needs, developing solutions specific to customer problems and benevolence by keeping customer in mind These characteristics facilitate the customer's evaluation of the salesperson being benevolent, reliable, trustworthy and customer centric, thus customer trust with the salesperson. Hence,

Hypothesis 2: Customer oriented behavior of the salesperson is positively related to customer trust with the salesperson.

Hypothesis 3: Selling oriented behavior of the salesperson is negatively related to customer trust with the salesperson.

Unethical Behavior and Trust

"Unwillingness to sacrifice ethical standards" is one the most important predictors of trust (Moorman, Deshpande and Zaltman 1993). Research involving "ethics" in marketing assert the importance of ethical standards and practices of the organization as vital to the establishment of trusting relationships. The salesperson behaviors in the buyer-seller interaction center on disseminating information. The ethical salesperson should be aware of all the information necessary to convince the customer to buy the product, but should not falsify the information they provide to the customer. Once the customer becomes knowledgeable enough to understand sales ploys, trust in the salesperson decreases (Lagace, Dahlstrom and Gassenheimer 1991). Conversely, ethical salesperson behavior positively affects a customer's perceived relationship quality, trust with the salesperson, and satisfaction (Lagace, Dahlstrom and Gassenheimer 1991)

Evidence from research suggests salesperson practices like dishonest actions and high pressure selling tactics have a negative effect on customer trust (Beatty et al 1996; Kennedy, Ferrell and LeClair 2001). The behaviors that are associated with opportunism of the salesperson when interacting with the customer are associated with negative levels of customer trust (Morgan and Hunt 1994). In the absence of others modes to bind the customer legally (absence of 'hostage' relationships), ethical practices of the salesperson and selling firm serve as foundation drivers of ethical exchange (Gundlach and Murphy 1993).

Also in contexts where customer's primary contact to the firm is the salesperson, unethical practices of the salesperson will be viewed as unethical practices of the firm and, thus, trust in the selling firm will also be jeopardy (Ganesh, Arnold and Reynolds 2000; Wray, Palmer and Bejou 1994). In a financial services context, past findings suggest that a salesperson, the direct contact between customer and the selling firm, builds or destroys the customer's trust in the selling firm (Zeithaml and Bitner 2000). Thus,

Hypothesis 4: Unethical behavior of the salesperson is negatively related to customer trust with the salesperson.

Hypothesis 5: Unethical behavior of the salesperson is negatively related to customer trust with the selling firm.

Customer trust with salesperson and selling firm

Relationship development process during buyer-seller interactions over time extends to the customer's sense of trust in the selling firm. During the initial phase of relationship development, the salesperson is the most important source of information about the selling firm. Once the salesperson is able to start the relationship beyond the exploratory stage, the trust developed in the salesperson would transfer to trust in the selling firm (Leigh and Rethans 1984; Swan and Nolan 1985). The salesperson serves as a cue to the customer about the selling firm's characteristics (Martin 1991). In cases where the customer's most important contact of the selling firm is the salesperson, primarily in the context of services, logically customers will begin to make inferences and form expectations about the firm based on their trust with the salesperson (Bitner, Booms and Tetreault 1990; Crosby and Stephens 1987).

The notion of customer trust in a salesperson influencing trust in the firm is consistent with agency theory (Bergen, Dutta and Walker 1992) and the research on causal attributions in judgments (Folkes 1988; Sirdeshmukh, Singh and Sabol 2002). In a buyer-seller interaction, a salesperson contacts a customer as the agent of the firm. In these settings, higher levels of customer trust with the salesperson is likely to generate customer trust in the selling firm – since the firm is partially responsible for the behavior of the salesperson through policies and guidelines (Sirdeshmukh, Singh and Sabol 2002).

Literature also offers support for the inverse relationship, that customer trust in the selling firm influences customer trust in the salesperson. Although evidence supporting this notion is significant (Doney and Cannon 1997), an argument can be made that this notion is context specific (Sirdeshmukh, Singh and Sabol 2002). None of the studies that supported the idea of trust in the firm influencing trust with the salesperson are in services context. It is suggested in research where customers' are evaluating service providers or salespeople with whom they are in relational exchange the process of affect transfer is less likely to determine trust in the salesperson (Sirdeshmukh, Singh and Sabol 2002). Thus, we can state that customer trust developed in the salesperson influences the customer trust in the selling firm, which in turn would influence future relationship exchange and expansion.

Hypothesis 6: Customer trust with the salesperson is positively related to customer trust with the selling firm.

Trust and Customer Equity Drivers

Customer trust is an important factor in influencing interpersonal and organizational dynamics. According to Gundlach and Murphy (1993), high trust in the partner will result in favorable relationship exchanges with the partner. Trust developed by the customer is indispensable to conceptualization of relationship marketing and could be considered as glue to buyer-seller relational exchanges over time (Crosby, Evans and Cowles 1990; Moorman, Deshpande and Zaltman 1993; Morgan and Hunt 1994). The overarching theory that supports the linkage between customer trust and customer equity drivers is the theory of relationship marketing theory, Morgan and Hunt's (1994) "commitment-trust theory".

Relationship marketing is defined as "all marketing activities directed towards establishing, developing and maintaining successful relational exchanges" (Morgan and Hunt 1994). This theory considers trust as the central construct leading to commitment and other relational outcomes. Continued participation in the relationship is considered as one of the relational outcomes of trust. In the same notion it can be inferred that higher the trust a customer develops in the salesperson and selling firm, the higher will be their evaluation of the relationship they have with the firm and of the product. In the auto-insurance industry, the context of the present study, an important function of the salesperson is to establish a long-term relationship with the customer. The outcomes of the long-term relationship in this context are a plenty, periodic renewals of insurance, cross selling of other insurance related and investment related products, and referrals.

Trust developed in the customer creates value to the customer by providing relational benefits derived from interaction with the service provider who is operationally competent and customer centric. Also it decreases exchange uncertainty and helps the customer form consistent and reliable expectations of the service provider in the buyer-seller relationship (Sirdeshmukh, Singh and Sabol 2002). Research also supports that customer trust with the salesperson and selling firm is directly related to their performance and, value and relationship evaluations by the customers (Johnson, Barksdale and Boles 2003; Sharma et al 1999). Once the customer thinks the salesperson and the selling firm are reliable, dependable, and credible in their service, their positive attitude toward the firm increases (Colwell and Hogarth-Scott 2004). When discussing long term relational outcomes, evidence indicates that customer trust works as an antecedent to various relational outcomes (Bendapudi and Berry 1997; Moorman, Zaltman and Deshpande 1993; Ganesan 1994; Anderson and Weitz 1989). Customer value can be developed only when the customer has “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt 1994, p23).

The direct influence of customer trust on ultimate relationship outcomes, like brand equity, has been questioned by various researchers (Grayson and Ambler 1999; Henning-Thurau, Gwinner and Gremler 2002). Trust is considered to create positive customer reactions of the product value and relationship and then indirectly influencing final outcomes like brand loyalty. Customer trust often develops throughout the duration of buyer-seller relationship (Doney and Cannon 1997). In the same node, customer based brand equity is regulated by the customers' primary goal of achieving value. Hence, a customer's trust will effect brand equity by influencing the perceived value provided by a salesperson and selling firm, both product specific (value equity) and relationship specific (relationship equity) (Sirdeshmukh, Singh and Sabol 2002).

Hypothesis 7: Customer trust with the salesperson is positively related to value equity of the selling firm.

Hypothesis 8: Customer trust with the salesperson is positively related to relationship equity of the selling firm.

Hypothesis 9: Customer trust with the selling firm is positively related to value equity of the selling firm.

Hypothesis 10: Customer trust with the selling firm is positively related to relationship equity of the selling firm.

Interrelationships of Customer Equity Drivers

Customer relationships are built upon different experiences of customer with the selling firm. These experiences include various interactions customers have with salespeople and selling firms. Research in sales and marketing suggests that a customer's positive experiences lead to positive customer related outcomes to suppliers, including increased revenues, customer loyalty, retention and higher profits. From the discussion in customer equity section, it is evident that positive levels of customer equity drivers are vital to the long term survival of the firm. Whether the customer equity drivers are inter-related, is not addressed in the existing literature. One of the contributions of the proposed model is to fill this gap in the literature.

Literature on brand equity suggests that its dimensions, brand knowledge, brand awareness, and attitude towards the brand, have associations with firms activities. Brand equity is often considered as a firm level marketing asset and is dependent on marketing actions by the firm. Value equity and relationship equity are marketing actions of the firm intended to impact positive behavior of the customer (Rust, Zeithaml and Lemon 2004). Customers who positively evaluate their relationship with the firm (relationship equity) tend to be loyal to the brand and have positive feelings towards the brand, hence higher brand equity.

The cognitive process that customer goes through in a buyer-seller interaction allows customers to maintain their consistent positive reaction to the brand as long as their reaction to the value they are getting from product is higher. The affective process of the customers allows them to evaluate the brand higher on the basis of their affective attachment to the service provider (relationship equity). Customers who are getting higher functional value from the product/service tend to have higher brand knowledge and are more brand-loyal (brand equity) (Wang et al 2004). Also from conceptualization of value equity and relationship equity, it can be inferred that the customer will have a better understanding and acquaintance with the brand and the firm after a customer has interacted with value and relationship oriented aspects of the brand and the firm. Value equity and relationship equity are related to the fundamental issue of the buyer-seller relationship. They form the connecting mediators between salesperson related variables like trust to organizational variables like brand equity and customer equity. Value equity is related to the cost of the product to the customer, quality of the product, availability and convenience; so we can infer that the customer first needs to be happy with the value aspects and only then he/she will assess the brand positively.

The mediational role of value equity and relationship equity is tested under service quality-loyalty relationships in past research (e.g., Chang and Wildt 1994; Grisaffe and Kumar 1998). When discussing the role of marketing mix elements on brand equity, Yoo, Donthu and Lee (2000) provided evidence that “product value” components like perceived price and distribution are positively related to customer based brand equity dimensions. If a customer is in a “hostage” relationship because of the switching costs it effects the evaluation of the brand or the firm (Sirdeshmukh, Singh and Sabol 2002). Some research supports customer value assessments -- both product specific and relationship specific -- as significant predictors of a customer's assessment of the brand (Bolton and Drew 1991; Chang and Wildt 1994; Neal 1999). Other researchers also support the idea that value equity has a direct positive effect on brand equity (Dodds, Monroe and Grewal 1991; Grewal, Monroe and Krishnan 1998; Hellier et al 2003; Jacoby and Kaplan 1972; Kaplan, Szybillo and Jacoby 1974; Sinha and DeSarbo 1998). On the other hand, research supporting relationship equity's role in positively effecting brand equity also has resulted in significant findings (De Ruyter et al 1998; Fornell 1992; Gronhaug and Gilly 1991; Hellier et al 2003; Heskett et al 1994; Jones, Mothersbaugh and Beatty 2000; Peter and Tarpey 1975; Sharma and Patterson 2000;). Hence,

Hypothesis 11: Value equity of the selling firm is positively related to customer based brand equity of the selling firm.

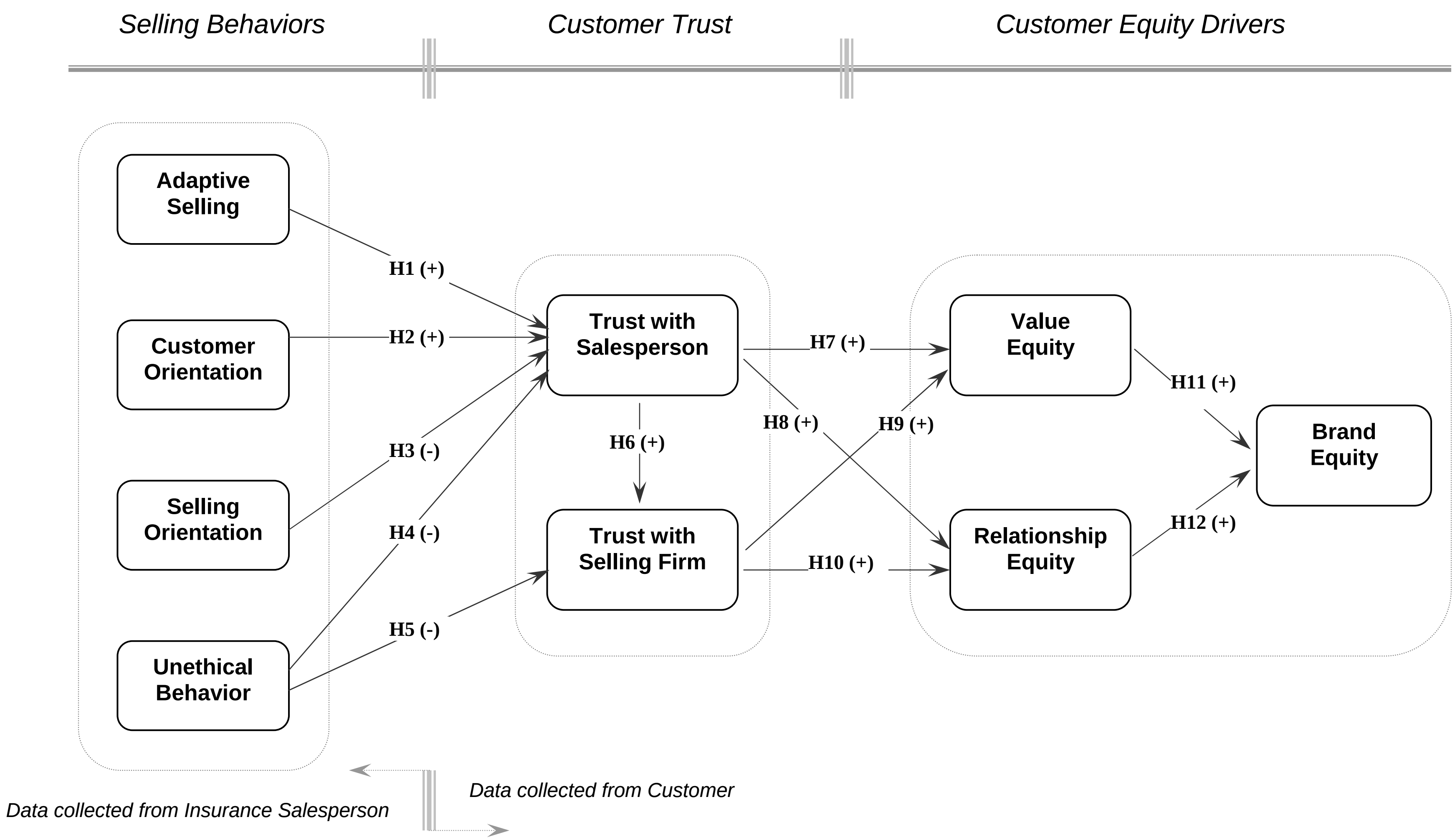
Hypothesis 12: Relationship equity of the selling firm is positively related to customer based brand equity of the selling firm.

2.3. Summary of Literature Review and Model Development

- Nine constructs are used in building the conceptual model. They are adaptive selling, customer orientation, selling orientation, unethical behavior, trust with salesperson, and trust with selling firm, value equity, and relationship equity ad brand equity.

- Value equity, relationship equity and brand equity are conceptualized as customer equity drivers based on RZL framework.
- Adaptive selling, customer orientation and ethical behavior are categorized as relational selling behaviors and others as non-relational selling behaviors.
- Customer trust with salesperson and selling firm are considered as mediators between behavioral antecedents and customer equity drivers.
- Value equity and relationship equity are considered as mediators between customer trust and brand equity.
- Social exchange theory and relationship marketing theory are used as overarching theories for developing the proposed linkages.
- Figure 3 provides a detailed conceptual model and hypotheses

Figure 3: CONCEPTUAL MODEL



CHAPTER 3 – RESEARCH DESIGN AND METHODOLOGY

This chapter describes research design, data collection and questionnaire development efforts used in this study. The sampling plan used for the final study is discussed in detail along with data collection procedures and data analysis procedures used in pre-test, pilot test and the final study.

3.1. Sampling plan and Data Collection

The auto insurance industry was selected as a suitable setting to test the proposed model. Mainly the focus was on the relationship between salesperson behaviors, customer trust in the salesperson and the selling firm, and customer equity drivers. The main reasons for selecting this industry are: (1) availability of a higher number of auto insurance customers, and (2) availability of a number of 'customer – salesperson' contacts in the industry.

The unit of analysis in this study is the "salesperson-customer" dyad. So identifying the dyads that would provide the needed information is the key to this project. In order to ensure higher number of dyads, a total of 5,000 auto-insurance customers in and around 75 miles of St. Louis Metro were approached. St. Louis metro was selected as the place setting for the following reasons: (1) diverse population base of St. Louis, giving access to different ethnic groups, income levels and age groups, and (2) availability of both rural and urban population with in the radius of 50-75 miles.

Customers provided their evaluations of the auto-insurance product in terms of its objective, subjective and relationship oriented characteristics. They also responded to questions about how well they trust the auto-insurance selling firm. Customers who bought their insurance from companies with brick and mortar insurance agencies, like State farm and All State, were asked to provide the name and contact details of the insurance salesperson they bought the insurance from. They were asked to respond to salesperson behavior related questions. This subset of respondents was also asked questions about how well they trust the salesperson and how long they have been a customer with the mentioned salesperson. Demographic information, such as age, gender, marital status, and income, and tenure with the insurance firm was obtained from all the respondents.

Out of the 1,860 filled surveys, 1,120 were customers of insurance companies with brick and mortar agencies. Out of this subset of 1,120, 983 were used leaving out surveys with incomplete information. Of the 983 usable[2] surveys, 794 gave names and contact details of the salesperson they bought the insurance from. In this subset of 794 insurance salespeople's names, 78 names were repeated in 113 surveys, bringing the number down to 681.

The 681 insurance salespeople were first contacted by phone requesting to participate in the current study by filling up a survey. Three well trained speech majors were used to call these salespeople. The callers were selected after a very careful screening process. The salespeople were given four different options to participate in the study: (1) receiving the survey by mail, (2) receiving the

[2] Criteria for usable surveys is provided in *Table 20*

survey by email, (3) filling the survey online and (4) a drop-off option, where a person drops off the survey and picks it up at a later assigned time. For increasing the response rate, the salespeople were offered $10 cash for participating in the study. After the phone calls, a total of 611 insurance agents expressed interest in participating in the study.

All the questionnaires were marked with a predetermined alpha-numeric code for linking the salespeople's responses with customers' responses. Respondents who opted for mail option were sent a questionnaire with a prepaid envelope for returning the filled questionnaire. Out of 86 people who opted for mail option, only 14 were received. One response was not usable for incomplete information. Respondents who opted for email option were sent a questionnaire in MS-Word format. Forty five salespeople opted for this option and none were received back.

A total of 331 salespeople opted for drop-off option. Five individuals were hired for dropping and picking the surveys. These individuals were selected after a careful screening process to make sure that they have good communication and interpersonal skills. They were paid based on mileage and number of hours spent on the project. A total of 293 surveys were obtained from this option. One hired individual got 96 filled surveys and the others got around 50 each. In order to make sure that the responses were genuine and not forged, all the respondents were called and checked if they actually participated in the study. The salespeople were mentioned that we are calling to thank them for their cooperation. Doing the screen check process and discarding unusable/incomplete surveys, a total of 141 responses were deemed usable.

A total of 149 salespeople opted for participating in the project using the online option. Each respondent was given an online link for the survey and the alpha numeric code they had to use to enter the survey. The online survey was equipped with an option that recorded the time spent by the respondent, on each page of the survey. Responses that reported alarmingly fewer numbers of minutes on the survey were deemed unusable. Out of 149 people, 86 filled the survey. After discarding the ones that were not usable, 55 were used for the data analysis.

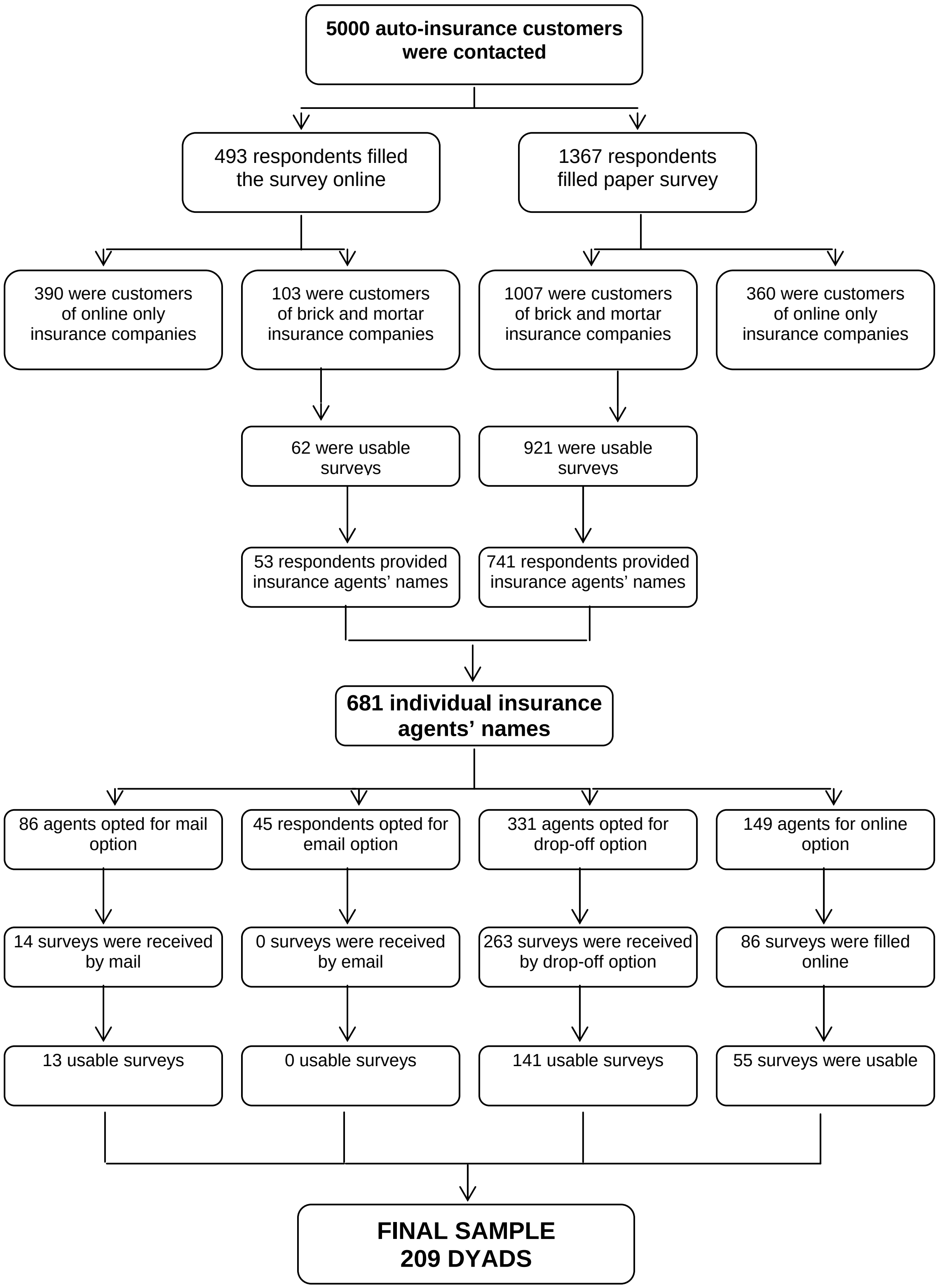
After the entire process, a total of 363 completed surveys were obtained. The resultant final sample used in the analysis is 209, leaving out the ones with incomplete information and the ones that are not usable. Salespeople were asked questions related to their selling behaviors, their roles in the agency, different products they sell at the agency, tenure with the agency and other demographic questions. The data was then entered in SPSS data sheet. Each salesperson’s response was typed next to the referred customer’s response. A detailed sampling plan is provided in *figure 4*

Summarizing the sampling plan,

- Response rate for customer surveys is 37.2% (1860/5000).
- 60.2% of the respondents in customer surveys are customers of insurance companies with brick and mortar presence (1120/1860).
- 88% of the above sample provided usable surveys (983/1120).

- 80.8% of the usable customer surveys provided insurance agents' names (794/983).
- 85.7% of the insurance names' are used for the second leg of research leaving out the repeated ones (681/794).
- 53.3% is the response rate for salesperson surveys (363/681).
- 30.7% is the final response rate for salespeople leaving out the unusable surveys (209/681).

Figure 4: SAMPLING PLAN



3.2. Questionnaire Development

Nine different constructs were needed to test the proposed conceptual model. Multi-item, seven point Likert scales were used to measure all the nine constructs. Existing measures were used for all constructs and were adapted to the context of the study. Measures for final study were finalized using a three step approach: (1) Measures compilation, (2) Pretest and (3) Pilot Study.

Measures Compilation

This step was used for all the nine constructs. All the possible measurement scales for the constructs were collected and studied in detail for their appropriateness to the present study. The scales were assessed based on the following criteria: (1) reported reliabilities and factor structures of the scales in published studies, (2) face validity of the questions, (3) study contexts, where the scales were used (scales were studied keeping in view the context of the present study, the auto-insurance industry), and (4) length of the measurement scale, the number of items in each scale. All the measures considered in the final instrument are presented in detail at later pages of this section.

Pretest

As discussed earlier in chapter 2, research involving customer equity measurement is still in its infant stage and the scales available to measure the drivers of customer equity are used infrequently, with the exception of brand equity. Measurement scales used by Rust, Zeithaml and Lemon (2000) were adapted to the study context and tested for their face validity, content validity and reliability in the pretest. The other six constructs in the proposed model were investigated extensively in personal selling and sales management research. Mainly trust with the salesperson and the selling firm were measured using different scales in various studies. Three of the trust measurement scales that were already available were tested in this pretest for the relevance to the present study. The objectives of the pretest were four fold: (1) purifying the scale items and adapting them to the context of the study, (2) ensuring that the questions were worded in a manner that is easy to understand by the respondent, (3) choosing the most appropriate measurement scale for each construct, based on the context of the present study, and (4) obtaining a concise and reliable measurement scale for customer equity drivers.

Senior year undergraduate students and MBA students of Georgia State University were used as a pretest sample. In this pretest, two different types of surveys were distributed. One set of surveys included scales related to customer equity drivers, and details about their insurance company. A total of 121 surveys were collected as part of this subset. In the second set of surveys, scales related to their insurance salesperson's selling behaviors, trust in salesperson and insurance selling firm were asked. A total of 113 were collected in this subset. While distributing the surveys in various classes and across the university campus, respondents were told that they had the option of not participating in the study and the responses would be dealt with full anonymity. Respondents were requested orally to fill out the survey accurately and if they were not interested to refrain from participating. They were also told that the information they provide would be very important for the research study and was for the purpose of completing a PhD project.

After the pretest, measures of the customer equity drivers were refined thoroughly and measures of each of the three drivers showed evidence of validity and reliability. Exploratory factor analysis was performed to ensure clean loadings. Items with heavy cross loadings were removed and, after multiple iterations, a relatively smaller pool of items was short-listed. The resulting list of pretest items are provided in *table 18.*

Pilot Study

The pool of items and measures short listed from the aforementioned pretest were retested in the pilot test. In order to keep the pilot study reflective of the final study, the following steps were taken: (1) the instrument format, item organization, and order, were similar to the final instrument, (2) only one measurement scale for each construct was used to measure trust with the firm, trust with the salesperson, and selling behaviors, (3) for customer equity drivers, the short list obtained from the pretest was used, and (4) the sample selected was reflective of the final sample.

The pilot sample consisted of auto insurance customers in the St. Louis metropolitan area, many of whom were family members of students at Southern Illinois University at Edwardsville. Students were asked to get the survey filled out by their parents, relatives and neighbors. Also Executive MBA and MMR students were asked to fill out the surveys. After the execution of the instrument, a total of 148 completed surveys were obtained. The data was tested for measurement validity and reliability. After initial EFA, the Measurement model and structural model were tested using LISREL software to determine if the conceptual model is supported with the pilot sample data.

The objectives of the pilot study are four fold: (1) to further purify the scale items, (2) to determine and identify uni-dimensional scales, (3) to determine if the respondents will provide insurance purchase details like insurance agent's name and contact details, and (4) to test and see if the theoretical model obtains support from the data. Results from the pilot study provided the following results. First, measures of the customer equity drivers were refined and reworded according to the context of the study and insured parsimony, in terms of number of items used for measuring each of the drivers. Second, measures for selling behaviors were further refined and some of the items in each of the behaviors were eliminated for the final study (further details are provided in the next part of the section). Third, the trust measures were also refined and reduced to 4 items each. Finally, the pilot study provided some degree of confidence that the proposed model is appropriate as are the constructs and measurement scales. The short listed items are presented in *table 19.*

3.3. Measures used in the final study

As discussed earlier, all the measures were adapted from existing scales. Sufficient care was taken to ensure the suitability and appropriateness of the scales to the present context of study. It was also ensured that the number of questions asked were lesser in number considering the fatigue the respondents might go through in filling long questionnaires. The measures used in the final study are:

Adaptive Selling Behaviors

ADAPTS (Adaptive Selling Scale), first proposed by Spiro and Weitz (1990) had16 items covering over five different facets of adaptive selling. The first 7 items are accounted for measuring the actual adaptive selling behavior of the salesperson; whereas the other 9 items were accounted for aspects of adaptive selling, such as adaptive selling beliefs and preparatory knowledge (Chakrabarty et al. 2004). Herche, Swenson and Verbeke (1996) used 15 items from ADAPTS scale and found strong evidence of unidimensionality in United States and Netherlands. Confirmatory factor analysis of ADAPTS scale by Marks, Vorhies and Badovick (1996) yielded two different factors: adaptive selling beliefs (4 items) and adaptive selling behaviors (7 items). In the same note, a recent study on unidimensionality of the ADAPTS scale (Robinson et al. 2002) yielded a 5 item single factor. Reviewing all the measurement oriented works on ADAPTS scale, Chakrabarty et al (2004) concluded that Robinson et al.'s (2002) 5 item scale should be used for a multifaceted measure of adaptive selling and if a behavior only scale is wanted, the five behavioral items from original Spiro and Weitz (1990) 16 items be used.

In the present study, I used a combination of five behavioral items from Spiro and Weitz (1990) and five multi facet items scale from Robinson et al (2002). Combining both the scales resulted in 8 different items (2 items were common in both the scales). All the eight items were used in the pretest and after the analysis using EFA and CFA, were reduced to 5 items which indicated strong uni-dimensionality. All the five items were retained for the final salesperson survey.

Selling Oriented and Customer Oriented Behaviors (SOCO)

Saxe and Weitz (1982) developed the first universally accepted scale for measuring a salesperson's "selling orientation - customer orientation", SOCO scale. Measurement studies that followed this seminal article focused on investigating psychometric properties of the SOCO scale and reducing the scale to a shorter form. Michaels and Day (1985) validated the SOCO scale by using responses from customers' instead of self-reported responses from salespeople. This study indicated that salespeople, in general, report their customer orientation at relatively higher level than compared to customers.

Various other studies have adapted the original Saxe and Weitz (1982)'s 24 item SOCO scale in different field settings and reported identical psychometric properties (Michaels and Day 1985; Dunlap, Dotson and Chambers 1988; Brown, Widing and Coulter 1991; Brown, Widing and Coulter 1991; O'Hara, Boles and

Johnston 1991 (reduced 18 item scale); Howe, Hoffman and Hardigree 1994; Tadepalli's 1995 (reduced 21 item scale); Siguaw and Honeycutt 1995; Williams and Attaway 1996 (reduced 18 item scale)). Recently, a reduced version of the original SOCO scale was developed and tested with 10 items. This scale also has shown similar psychometric properties as the original SOCO scale (Thomas, Soutar and Ryan 2001). The present research uses this shorter version of the SOCO scale.

Shorter versions of the SOCO scale were used at all levels of the research, pretest, pilot study, and the final study. At all stages, the scale was able to hold up showing limited cross-loadings and also high reliability levels (above 0.80).

Unethical Selling Behavior

There is neither a universally accepted definition of ethical behavior, nor a standard measure that allows an individual to be uniformly judged as ethical or unethical (Roman 2003; Roman and Munuera 2005). Definitions of ethical behavior are based on the degree to which a proposed act is perceived as right versus wrong, good versus evil, fair versus unfair, or just versus unjust (Hunt and Vitell 1986). The scales that are available in past research cannot be used in the present study for three reasons: (1) some of the scales used some selling orientation items (SOCO) for measuring salespeople's unethical behavior, (2) some of the scales used a situation based experimental design for measuring ethical behavior, and (3)the remaining scales are very context specific. Roman

(2003) suggested that a universally accepted ethical behavior scale is not available and cannot be used because the perception of an activity to be ethical or unethical depends on the task and context. So as suggested by researchers this study uses the scale proposed by Howe, Hoffman and Hardigree (1994). This scale consists of nine different items specifically designed for insurance agents and uses a seven point likert scale.

After the pretest, the nine items were shortened to five, as three of the items were either cross loading with selling orientation construct and/or were too confusing and heavily worded for respondents to understand what they meant. The remaining five items were used in pilot study and were further shortened to three items in final study, that showed high reliability and relatively low and no cross loading with other constructs.

Customer Trust

Swan, Bowers and Richardson (1999) in their Meta analysis on trust note that customer trust has been measured using different types of scales by different researchers. Ramsey and Sohi (1997) (four item scale for measuring trust with the salesperson), Ganesan and Hess (1997) (a two dimensional scale - Benevolence and Credibility, measuring both trust with the salesperson and the selling firm), Young and Albaum (2003) (11 item scale measuring trust with the salesperson), Bansal, Irving and Taylor (2004) (five item scale measuring trust with the selling firm) and Doney and Cannon (1997) (7 item scale measuring trust with the salesperson and 8 item scale measuring trust with the selling firm) are the scales considered in the present study. In order to ensure parsimony of the instrument, a global measure of trust is considered.

In the pretest, measures used by Doney and Cannon (1997) were adapted for the present study context and tested. All the seven items that were proposed were used to measure customer trust in the salesperson, and 8 items were used for measuring customer trust in the selling firm. After the pretest, the scales were shortened to 5 items in each, eliminating those with weaker factor loadings and those that were repetitive in their wording. The resulting five items were then used in the pilot study and later were shortened further to four items each, ensuring strong reliabilities and a well defined factor structure. All the items were refined over the two stage process (pretest and pilot test) and were adapted to business-customer context.

Value Equity

As discussed in the earlier chapters, value equity is rarely used in the marketing literature and, as far as their research could determine, never been used in a personal selling or sales management research context. Rust, Zeithaml and Lemon (2000 and 2004) provided a list of items that can be used to measure value equity. The items were three dimensional in factor structure, namely quality, price and convenience. These measures were very context specific to airline industry. The measures used in other industry contexts (although the results for other industry specific studies were reported in the books) were not available in any of the sources. All the reported items in their publications were used in pretest of the present study and were adapted to the auto-insurance context.

A total of eleven items were used in the initial pretest and were analyzed using exploratory factor analysis. Due to high cross loadings with other customer equity drivers and trust with the selling firm, three of the items were removed for the pilot study. The remaining eight items were used in the pilot study along with the other constructs in the study. After the pilot test a uni-dimensional four item scale was obtained portraying strong factor structure and high reliability coefficient (0.86).

Relationship Equity

Similar to value equity, relationship equity is also a scantly researched topic in marketing literature. Rust, Zeithaml and Lemon (2000, 2004) proposed a 6 item scale to measure relationship equity and the present study uses all the six proposed items. Also two more items were added to the pool of six to adapt the scale to the auto-insurance industry. The proposed six items by Rust, Zeithaml and Lemon (2000, 2004) were airline industry specific and heavily reliant on the relationship the customers have with “sky miles” programs. Due to the unavailability of such programs in auto-insurance sector, it warrants including different measures of relationship component for the present context.

A total of eight items as discussed above were used in the pretest. After the pretest only six of the eight items survived from measure refining and purifying processes. The six were retained and tested again in the pilot study. All the six items stood well after the analysis displaying good factor structure and unidimensionality. They also showcased higher levels of reliability. These final six were ultimately used in the final instrument.

Brand Equity

Unlike value equity and relationship equity, brand equity was extensively researched in marketing literature. Brand equity was measured either from the firm side or from the customer side. This study being from the customer stand point, all the measures for *customer based brand equity* were considered in the initial phase of the questionnaire development, the measures compilation stage. Although all the *customer based brand equity* scales are different from each other in one way or the other, they are consistent in describing brand equity as a multi-dimensional construct, mainly focusing on all or some of the following – brand awareness, brand recognition, brand ethics and brand loyalty.

Although there are different ways to measure brand equity, for customer research purposes a survey based measurement scale was developed by Yoo and Donthu (2001). They used a 10 item multi-dimensional scale focusing on three dimensions: brand loyalty, perceived quality and brand awareness. Prior to Yoo and Donthu (2001) many researchers have developed and proposed different measures of brand equity, some at the firm level (Mahajan, Rao and Srivastava 1994; Simon and Sullivan 1993), and others at individual customer level (Cobb-Walgren, Rubel and Donthu 1995; Park and Srinivasan 1994; Rangaswamy, Burke and Oliva 1993). According to Yoo and Donthu (2001) these studies either did not report or fully analyze the psychometric properties of the measurement scales. Also, these scales are not appropriate to studies that examine *customer based brand equity* phenomena. For the purpose of the present study, the 10-item scale (Yoo and Donthu 2001) is extended by adding items related to brand ethics measure adapted from Rust, Zeithaml and Lemon (2000, 2004).

After the pretest, a total of 9 items were short listed based on their factor structure and cross loadings. These nine items were then considered in the pilot study and further shortened to six items. The final six items displayed good factor structure and also more importantly unidimensionality. The resultant six items were very similar to all the four items in overall brand equity scale developed by Yoo and Donthu (2001).

3.4. Data Analysis

The proposed conceptual model is tested using Structural Equation Modeling with software package LISREL 8.7 (Joreskog and Sorbom 1996). The item level correlation matrix was used for model estimation. As recommended, a two step approach was used for analyzing the proposed conceptual model, measurement model and structural Model (Anderson and Gerbing 1988).

The first comprises of analyzing all the constructs in a measurement model, also called as confirmatory factor analysis (CFA). As part of CFA, a “piecewise” model fitting strategy was utilized where components of the entire model were estimated in an attempt to isolate the sources of misspecification.

Nine Principal Factor Analyses were conducted on the individual constructs (adaptive selling behavior, customer oriented behavior, selling oriented behavior, unethical behavior, trust with the salesperson, trust with the selling firm, value equity, relationship equity and brand equity) to verify that all constructs were unidimensional and identify possible measurement problems. Once the reliability and validity were established within each construct, an overall confirmatory factor analysis was conducted on the complete set of constructs. The measurement model specifies relationships between the items and the proposed latent constructs.

In confirmatory factor analysis, a series of steps were taken to assess the reliability and validity of the measures. First, the estimated loadings were examined to determine whether each item loaded significantly ($p<0.05$) on its intended factor. Next, the fit of the confirmatory factor model was assessed by examining the Chi-square statistic (χ^2), since it is the traditional measure of model fit. However, because of the Chi-square statistic's (χ^2) demonstrated dependence on sample size (Joreskog and Sorbom 1986), several other measures of model fit including comparative fit index (CFI) (Bentler 1990) and the root mean square error of approximation (RMSEA) were also considered. CFI reportedly avoids the extreme underestimation and overestimation often found with other fit indices (Marsh, Balla and McDonald 1988). Bentler (1990) suggests that CFI values above 0.90 indicate an adequate model fit. Browne and Cudeck (1993) suggest that a RMSEA below 0.05 suggests an excellent model fit and that values up to 0.08 are reasonable. Hu and Bentler (1999) suggest using a two index presentation strategy, including both the standardized root mean square residual (SRMR) and supplementing it with an index such as the CFI, suggesting fit cutoffs of .08 for SRMR and .95 for CFI. The combination of χ^2, df, p-value, RMSEA, SRMR, CFI, NFI and NNFI will be relied upon to assess model fit in the present study.

Baumgartner and Homburg (1995) summarized structural equation modeling standards used in marketing and reported the means and inner-quartile ranges (25% to 75%) for all goodness-of-fit indices reported for 184 published articles in JM, JMR, JCR, and IJRM. The norms used in these published articles were as follows: CFI (0.95 mean, 0.91 to 0.97 inner-quartile range), SRMR (0.08 mean, 0.068 to 0.098 inner-quartile range), and RMSEA (0.06 mean, 0.03 to 0.08 inner-quartile range). Also a working Meta analytic study on reported goodness-of-fit indices by Donthu, Madupalli and Hershberger (2007)[3] witnessed the majority of published articles in JM, JMR, JAMS, and JCR, JR and JPPSM reporting Chi-Square statistic, Degrees of freedom, Goodness of fit index (GFI), CFI, Normality fit index (NFI), RMSEA and SRMR as the acceptable norms of reporting.

Later construct validity of the scales is investigated in detail. Face validity, convergent validity, discriminant validity and nomological validity were assessed to address construct validity. The reliability of each construct was assessed by examining Cronbach's alpha. Cronbach's alpha is the measure of the internal

[3] Donthu, Madupalli and Hershberger (2007) is a working paper titled "Meta Analysis of Structural Equation Modeling" investigated all the publications in Journal of Marketing, Journal of Marketing Research, Journal of the Academy of Marketing Science, Journal of Consumer Research, Journal of Retailing and Journal of Personal Selling and Sales Management in the years 1990 to 2006.

consistency of the items of each construct. It suggests the extent to which a set of indicators ‘share’ in their measurement of a latent construct. Nunnally (1978) suggests a minimum Cronbach’s alpha of 0.70 for the scale to be reliable in its structure. Other indicators of reliability, such as composite reliability and average variance extracted are also considered in detail. At the measurement model stage, all the items that have high cross loadings on different constructs were eliminated from further analysis and scales were purified.

The second step, structural model is always recommended for the estimation of the coefficients and testing the proposed relationships between the constructs, hypotheses. Here, the hypothesized relationships among the constructs were specified and the overall fit of the model was assessed. The fit indices necessary to ensure a good overall fit are consistent as described above, during measurement model/CFA discussion. All the above discussed fit indices were witnessed and helped in taking a decision on the overall fit of the proposed model.

3.5. Summary of Research Design and Methodology

- Dyadic sample is used for analyzing the conceptual model. Auto insurance industry is used as the study setting and data is collected in St. Louis Metropolitan area. Unit of analysis for the study is *salesperson-customer* ‘dyad’. A total of 209 dyads have been collected from surveying 5000 customers and 681 insurance salespeople.
- Survey design is used as the research design for the study. The instrument is developed over a three step process – measures compilation, pretest and pilot study. All the developed scales were adapted from existing literature to the present insurance industry context
- Data is analyzed using SEM methodology. Measurement model and structural model are evaluated using aforementioned dyadic data. LISREL software was used for the purpose.

CHAPTER 4 – RESULTS

This chapter describes the empirical results of testing the proposed theoretical model. The chapter is divided in five parts: (1) The results from pilot tests were presented; (2) The measurement model is described and the results of analysis are presented. Construct Validity of all the constructs is addressed in detail in this part of the chapter; (3) The results from structural model analysis are presented and fit indices are evaluated and all the hypotheses results from the structural model are presented; (4) Alternate competing models are tested and results are compared against original conceptual model's fit, and (5) A higher order factor is introduced, hypothesized and tested using SEM methodology. Results are provided and compared against the original model.

4.1. Pilot Study Results

The execution of the pilot study is detailed in chapter 3. A total of 148 responses were collected and tabulated using SPSS software. The instrument for the pilot study is developed using the short listed scale items from pretest. All the questions were adapted to the auto-insurance buyer-seller context and were refined after the pretest. Out of 148 responses, 63, 43% were customers of online insurance companies such as GEICO and PROGRESSIVE, and 85, 57% were customers of brick and mortar insurance companies such as STATEFARM and ALL STATE. A summary of demographic and auto insurance usage characteristics is provided in *table 1.*

After confirmatory factor analysis (CFA), some of the items indicated relatively high-cross loadings. Eliminating some of the cross loaded items resulted in strong factor structure and high levels of reliability. However, it was made sure that the substantive meaning of the construct did not change by eliminating these items and the face validity of the scale is intact. The resultant scales displayed correlations, both item-to-total and inter-item, higher than the minimum standards of 0.50 and 0.30 respectively (Hair et al 2006). The cronbach alpha for the resulted measures also exceeded the minimum standard of 0.70 (Hair et al 2006), with a majority of scales having alpha exceeding 0.80. Research suggests that some times cronbach alpha is not entirely the perfect indicator of scale reliability. Its positive relationship with the number of items cautions researchers to have further assessments of reliabilities of proposed scales. Composite reliabilities and average variance extracted are stated to be more stringent assessments of scale reliabilities. The scales used in the present study displayed levels relatively higher than the minimum standards for both average variance extracted (AVE) and composite reliability, 0.5 and 0.7 respectively (Hair et al 2006). The resulting final scales from pilot study are provided in *table 19.*

4.2. Measurement Model (Main Study)

Testing the measurement model of proposed constructs was considered as an integral and an important part of model testing using structural equation modeling. Testing the measurement model ensures the steps necessary to confirm the validity and reliability of the constructs' measures, thus addressing the issue of measurement quality. A measurement model can be considered reliable and valid if the results fulfill the strict CFA measurement criteria.

In the present study, CFA is conducted using LISREL software to refine and validate the measures. All the 42 items from pilot study are used in the initial CFA model with 9 latent constructs. From the obtained results, a series of decisions were taken either to drop or retain some of the items based on modification indices. Two items from the *"Selling Orientation"* scale, one item each from the *"Customer Orientation"* scale and the *"Adaptive Selling"* scale showed either significant cross loadings or less item-to-total correlations. Also, two items each from *"Relationship Equity"* and *"Brand Equity"* displayed high cross loadings and less item-to-total correlations. These items were dropped for increasing the reliability and validity of the measurement model. All items of *"Value Equity"* were retained from pilot study. The resulting 34 items for 9 latent constructs were used in the final measurement model. The face validity of the constructs did not appear to change significantly by the elimination these 8 items.

A correlation matrix of all the items was used to perform the CFA in this study. LISREL estimates the sample correlation matrix using the maximum likelihood estimation (MLE). Research suggests using ML estimation in SEM as it is the most robust estimation in case some variables in the data do not exhibit multivariate normality, which is a likely scenario in real data (Hu and Bentler 1995; West, Finch and Curran 1995).

The final measurement model demonstrated a good fit for the data (Chi-square = 882.70; Degrees of freedom [d.f] = 491; $p<0.001$; Comparative fit index [CFI] = 0.94; Root mean square error for approximation [RMSEA] = 0.062; Standardized root mean square residual [SRMR] = 0.050) (See table 4 for all the results). Squared multiple correlations for all items ranged from 0.54 to 0.76 (see table 3 for SMC values of all the measures). When the *p*-value is less than the Type 1 error rate of 0.05, the chi-square statistic does not indicate that the observed covariance matrix matches the estimated covariance matrix with sampling variance (Hair et al 2006). In the present study, the p-value <0.001 indicating a good fit. Also RMSEA, absolute fit index value is 0.062, below the standards of 0.08, represents a good fit of the measurement model. All the other goodness of fit statistics are also well with in the norms prescribed in the literature and suggests a good fit of the model.

Research suggests that a measurement model can exhibit a good chi-square to degrees of freedom ratio with large samples sizes and it is not unusual. This result is “the rule rather than the exception” (Rigdon 1998). In order to overcome this potential problem, this study performed an analysis of descriptive statistics (e.g. stem and leaf plot residuals). The results showed that the data is in general normally distributed.

4.2.1. Construct Validity

To assess construct validity, convergent validity, discriminant validity, face validity and nomological validity were examined. Face validity is an “assessment of the degree of correspondence of the variables to be included in a scale and its conceptual definition” (Hair et al 2006). Since all scale items used in the study are from established scales and studies, it can be stated that the measures have good face validity. Also the items were examined with regard to the conceptual definition of the constructs.

All items in the measurement model showed good convergent validity. Convergent validity is defined as the degree to which items measure the construct they are supposed to measure (Peter 1981). Measures can be considered to possess convergent validity when the indicators of a specific construct converge or share a high proportion of variance together (Hair et al 2006). Convergent validity was assessed using several criteria as suggested by Hair et al (2006). The composite reliabilities and average variances extracted provided support for convergent validity (Fornell and Larcker 1981). Convergent validity can also be demonstrated by the significance of loadings of each item on its proposed construct. The standardized loadings for the measures ranged from 0.73 to 0.90, well above the accepted norm of a minimum of 0.50 and higher (Anderson and Gerbing 1988; Hair et al 2006). Also t-values were all significant ranging from 9.8 to 17.43. Factor loadings, t-values and SMCs for all items were presented in *table 3.*

Measure reliability was assessed and confirmed using a series of criteria. Cronbach's alpha value for all the scales indicated high reliability values ranging from 0.83 to 0.94, exceeding the general acceptable limits in literature (Hair et al 2006; Nunnally and Bernstein 1994). The cronbach alpha values are obtained using SPSS software and reliabilities when any item is deleted were also observed to see if there is any deviation from the normal. Reliabilities of the measures were also assessed using composite reliabilities obtained from CFA. The procedure to obtain composite reliability is outlined by Fornell and Larcker (1981) and is as follows

$$CR = \frac{\left(\sum_{i=1}^{n} \lambda_i\right)^2}{\left(\sum_{i=1}^{n} \lambda_i\right)^2 + \left(\sum_{i=1}^{n} \delta_i\right)}$$

CR stands for composite reliability; λ_i stands for factor loadings for each item; δ_i represents error variance for each item.

The composite reliabilities of all the multi-item constructs ranged between 0.82 and 0.91, exceeding the acceptable standards (Gerbing and Anderson 1992; Hair et al 2006). Fornell and Larcker (1981) also suggested that the average variance extracted is a more stringent measure for reliability than composite reliability. The procedure for obtaining average variance extracted is as follows

$$AVE = \frac{\left(\sum_{i=1}^{n} \lambda_i^2\right)}{\left(\sum_{i=1}^{n} \lambda_i^2\right) + \left(\sum_{i=1}^{n} \delta_i\right)} \quad \text{or} \quad AVE = \frac{\left(\sum_{i=1}^{n} \lambda_i^2\right)}{n}$$

AVE stands for average variance extracted; λ_i stands for factor loadings for each item; δ_i represents error variance for each item. Both the formulae results in almost same answers

The AVEs for the constructs in the proposed model ranged from 0.60 to 0.72, exceeding the recommended level of 0.5 (Fornell and Larcker 1981; Hair et al 2006). All three methods of evaluating reliabilities provided evidence that the final measurement scales used for all the constructs are reliable. Based on these results, it can be confirmed that the measures possess good convergent validity. Reliabilities of all constructs are reported in *table 5.*

Discriminant validity is assessed using established approaches in the literature. The conservative approach for assessing discriminant validity is comparing the variance extracted estimates for each factor with the squared inter-construct correlations associated with the factor (Hair et al 2006). Results from this analysis did not outline any significant problems with discriminant validity. Another approach for assessing discriminant validity was suggested by Anderson and Gerbing (1988). According to them, discriminant validity should be tested for every pair of constructs by constraining their correlations to 1.0 and then conducting a chi-square difference test between the constrained and the unconstrained measurement models. If the constrained model has a higher chi-square value than unconstrained model, then discriminant validity is supported. This test is performed on all pairs of multi-item constructs and the results suggest no significant problems with discriminant validity among the proposed constructs.

Nomological validity can be confirmed when the constructs makes accurate, pre-suggested predictions of other constructs in the theoretical model. After assessing the correlation matrix between the constructs, all the constructs were related to each other as expected. Hair et al (2006) suggests that nomological validity can also be supported by demonstrating that the constructs are related to other constructs not included in the model in a manner that supports the theoretical framework. Using this notion, all the constructs are correlated against customer satisfaction and found to be related to it in the expected manner. Thus, it can be confirmed that the constructs posit nomological validity. In summary the measurement model presents a good fit with the data displaying acceptable fit indices and construct validities. Measurement model results are provided in tables 3, 4 and 5.

4.3. Structural Model

Overall the data supported the theoretical framework of the proposed model. The model in figure 3 was estimated using LISREL software, and the results show a good fit between the model and observed data (Chi-square = 815.34; Degrees of freedom [d.f] = 501; $p<0.001$; Comparative fit index [CFI] = 0.94; Root mean square error for approximation [RMSEA] = 0.055; Standardized root mean square residual [SRMR] = 0.055) (See table 6 for all the results). Examining the loading estimates revealed that they have not changed substantially from the CFA. Most of the differences of loading estimates fell in the range of +/- 0.03, exception being 0.09 for one item of trust with the firm. This indicates acceptable parameter stability among the measured items. The lack of significant interpretational confounding effects confirms the support for measurement model's validity. Also squared multiple correlations of structural equations indicate that the proposed model explains 8 percent, 66 percent, 60 percent, 56 percent and 58 percent of the variance in trust with salesperson, trust with selling firm, value equity, relationship equity and brand equity, respectively (see *table 7*). Reviewing the goodness of fit statistics indicate that the proposed structural model is a good fit on the whole. Further validation of the model is assessed using individual parameter estimates. Out of 12 proposed hypotheses, five relationships turned out to be in the proposed directions but insignificant. The remainder of this section addresses the results of each hypothesis test as presented in *table 8*. The correlation matrix of all the nine constructs is provided in *table 19*.

Hypotheses 1-5: Selling Behaviors → Customer Trust

It was hypothesized that relational selling behaviors -- adaptive selling and customer oriented behavior of the salesperson relate positively to customer trust in the salesperson. As expected, the parameter estimates are positive but unexpectedly t-values suggest insignificant results. Hypothesis1: γ_{11} = 0.09 and *t*-value = 1.21 indicates insignificant fit between adaptive selling and customer trust in the salesperson as it falls below the required 1.96 at 0.05 significance level. Similarly Hypothesis 2: γ_{12} = 0.03 and *t*-value = 1.08, indicating a non-significant relationship between salesperson's customer oriented behavior and customer trust in the salesperson.

It was also hypothesized that non-relational behaviors of salesperson -- selling oriented behavior and unethical selling behavior are negatively related to customer trust in the salesperson. Also, unethical selling behavior is hypothesized to be negatively related to customer trust in the selling firm. While the selling oriented behavior → customer trust in the salesperson relationship is supported (Hypothesis 3: γ_{13}= -0.18 and *t*-value = -2.23), the relationships between unethical selling behavior → customer trust with the salesperson and the selling firm are not supported, Hypothesis 4: γ_{14}= -0.08 and *t*-value = -1.01; and Hypothesis 5: γ_{24}= -0.00 and *t*-value = -0.03 respectively.

In summary, except for the relationship between selling oriented behavior and customer trust in the salesperson, none of the other relationships between selling behaviors and customer trust are supported.

Hypothesis 6: Customer Trust with the Salesperson and the Selling Firm

It was hypothesized that as customer trust in the salesperson increases his/her trust in selling firm increases. As expected, a positive association is supported by the data: Hypothesis 6: β_{21}= 0.81 and *t*-value = 8.74. Although some past research suggests a reciprocal relationship between trust with the salesperson and the selling firm, the present study suggests otherwise in the auto insurance context.

Hypotheses 7-10: Trust → Customer equity drivers

It was hypothesized that customer trust in the salesperson and the selling firm positively affects customer equity drivers -- value equity and relationship equity. All hypotheses are supported with the exception of the hypothesis linking customer trust in the selling firm with relationship equity. Hypothesis 7, customer trust with salesperson → value equity, is supported with β_{31} = 0.35 and *t*-value = 2.59. Hypothesis 8, customer trust with salesperson → relationship equity, is supported with β_{41} = 0.65 and *t*-value = 5.54. Customer trust with the salesperson's → value equity is, likewise supported (Hypothesis 9: β_{32} = 0.46 and *t*-value = 3.21), its relationship with relationship equity is not supported (Hypothesis 10: β_{42} = 0.12 and *t*-value = 0.85).

Hypotheses 11 and 12: Interrelationships of Customer Equity Drivers

It was proposed that customers' assessment of objective and relational oriented characteristics of the buyer-seller relationship have a positive impact on their subjective assessments of the relationship. Value equity and relationship equity are hypothesized to be positively associated with brand equity (Hypotheses 11 and 12 respectively). Parameter estimates and t-values suggested significant relationships between the hypothesized constructs (Hypothesis 11- β_{53} = 0.40 and *t*-value = 4.84; Hypothesis 12: β_{54} = 0.46 and *t*-value = 5.54)

4.4. Competing Models

Competing model tests were conducted to observe if indeed the data fits any other models better than the one described above. The approach recommended by Anderson and Gerbing (1988) was used for testing competing models. They suggested using at least two alternative models: a less constrained with more structural paths and fewer degrees of freedom, and other more constrained with fewer structural paths and more degrees of freedom. Following their suggestions, the theoretical model is compared with five competing models. One unconstrained model, three constrained models and one second order factor models were created and compared with the proposed theoretical model. The purpose of these models is three fold: (1) to substantiate the theoretical reasoning behind the relationships in the proposed conceptual model; (2) to test other potential theoretical linkages that literature might suggest otherwise, and (3) to identify other factor structures that might give us new understanding regarding how the constructs under investigation behave when related to other constructs.

First the theoretical model was compared to unconstrained model A (figure 5) to test whether the data indicated both direct and indirect effects among the model's constructs. Additional paths were added from all the salesperson behaviors to both customer trust in the salesperson and the selling firm. The path linkages from trust in the selling firm and trust in the salesperson to brand equity were added, and value equity is hypothesized to effect relationship equity positively. Results show that although the fit statistics have improved from that of the theoretical model, the change is not substantial. The proposed theoretical model posits a better fit considering the aspects of parsimony and underlying theoretical basis. Further information about the results are provided in table 9 and 10

Second, a constrained model B (figure 6) was compared with the proposed theoretical model. This model is less constrained compared to the proposed theoretical model; three linkages are added from all selling behaviors to customer trust in the selling firm. The resulting fit showed no improvement from the original model; instead, the relationships between all the selling behaviors to both customer trust with the selling firm and the salesperson have turned out to be insignificant. This reiterates my logic of trust in the salesperson's mediating role between selling behaviors and customer trust in the selling firm. The results and accompanied statistics show that the original model is a better fit and has better explanatory power than the latter in explaining the relationship between selling behaviors and customer trust. Further results are provided in *table 9 and 11*

Another less constrained model tested against the original model is model C (*figure 7*). Two additional linkages were considered: (1) customer trust with the salesperson → brand Equity and (2) customer trust with the selling firm → brand equity. Results indicated the betterment of the fit over the original model, but not substantial. Considering the aspects of parsimony, it can be stated that the original model posits an acceptable fit with the data over the competing model C. Results are provided in *table 9 and 12*. Later, another constrained model D (*figure 8*) was tested against the original model. This model has more constraints than the original model. One linkage from the original model was removed, unethical behavior→ customer trust with the selling firm. The results showed practically no difference from the proposed conceptual model. Results are provided in *table 9 and 13.*

Findings from the competing models show that the proposed theoretical model is a better fit with the data than the above mentioned three constrained models. In the case of the unconstrained model, although the fit was better, it was not substantially better. Chi-square difference tests suggest that the proposed model is an acceptable fit with the present data over the above mentioned four competing models. Further, the normed fit index (NFI) of 0.90 is consistent for all the competing models, indicating that there is no loss of explanatory power in the theoretical model that is caused by additional constraints. Under these conditions it is suggested that a parsimonious theoretical model can be accepted (Anderson and Gerbing 1988). A comparative picture of the analysis is provided in *table 9*.

4.5. Second Order Factor Model

The purpose of this section is to introduce the idea of a second order factor model (figure 9) linking 'salesperson behaviors' to customer trust and customer equity drivers. This study proposes that all the proposed selling behaviors form a second order factor, relational selling behavior. In the literature the selling behaviors are often characterized as either relational selling behaviors or non-relational selling behaviors (e.g., Crosby, Evans and Cowles 1990). Earlier in the report (Chapter 2: Literature), adaptive selling and customer orientation behaviors are conceptualized as relational behaviors, and, selling orientation and unethical behaviors are considered as non-relational behaviors. In the same vein, a second order factor is introduced and termed as "Relational Selling Behavior". Relational selling behavior refers to when a salesperson focuses on building the relationship with the customer as more important than selling the product/service. Also when a salesperson exhibits behavior focusing on cultivating buyer-seller relationship and its growth and maintenance, it can be inferred as the practice of relational selling behavior (Crosby, Evans and Cowles 1990).

Sales research indicates that relational selling behaviors are activities that lead to customer relationships (Boles et al 2000; Crosby, Evans and Cowles 1990). The relational behaviors are multi faceted, mainly focusing on cooperative intentions, mutual disclosure and interaction intensity. Customer centricity and relationship orientation of the salesperson are also deemed as characteristics of relational selling behaviors of a salesperson. The selling behaviors considered in the present study have all the above mentioned characteristics and hence be considered as first order factors of relational selling. Evidence from research suggests that relational variables like customer trust in the salesperson and the selling firm, customer satisfaction and relationship quality as possible outcomes of practice of relational selling behaviors (Doyle and Roth 1992; Parsons 2002; Also see chapter 2, description of selling behavior→customer trust linkage). Thus

Hypothesis 1A: Relational Selling Behavior is positively related to Customer Trust with the Salesperson

Hypothesis 2A: Relational Selling Behavior is positively related to Customer Trust with the Selling Firm

The theoretical basis for the remaining hypotheses is presented in chapter 2

Hypothesis 3A: Customer Trust with the Salesperson is positively related to Customer Trust with the Selling Firm

Hypothesis 4A: Customer trust with the salesperson is positively related to value equity of the selling firm.

Hypothesis 5A: Customer trust with the salesperson is positively related to relationship equity of the selling firm.

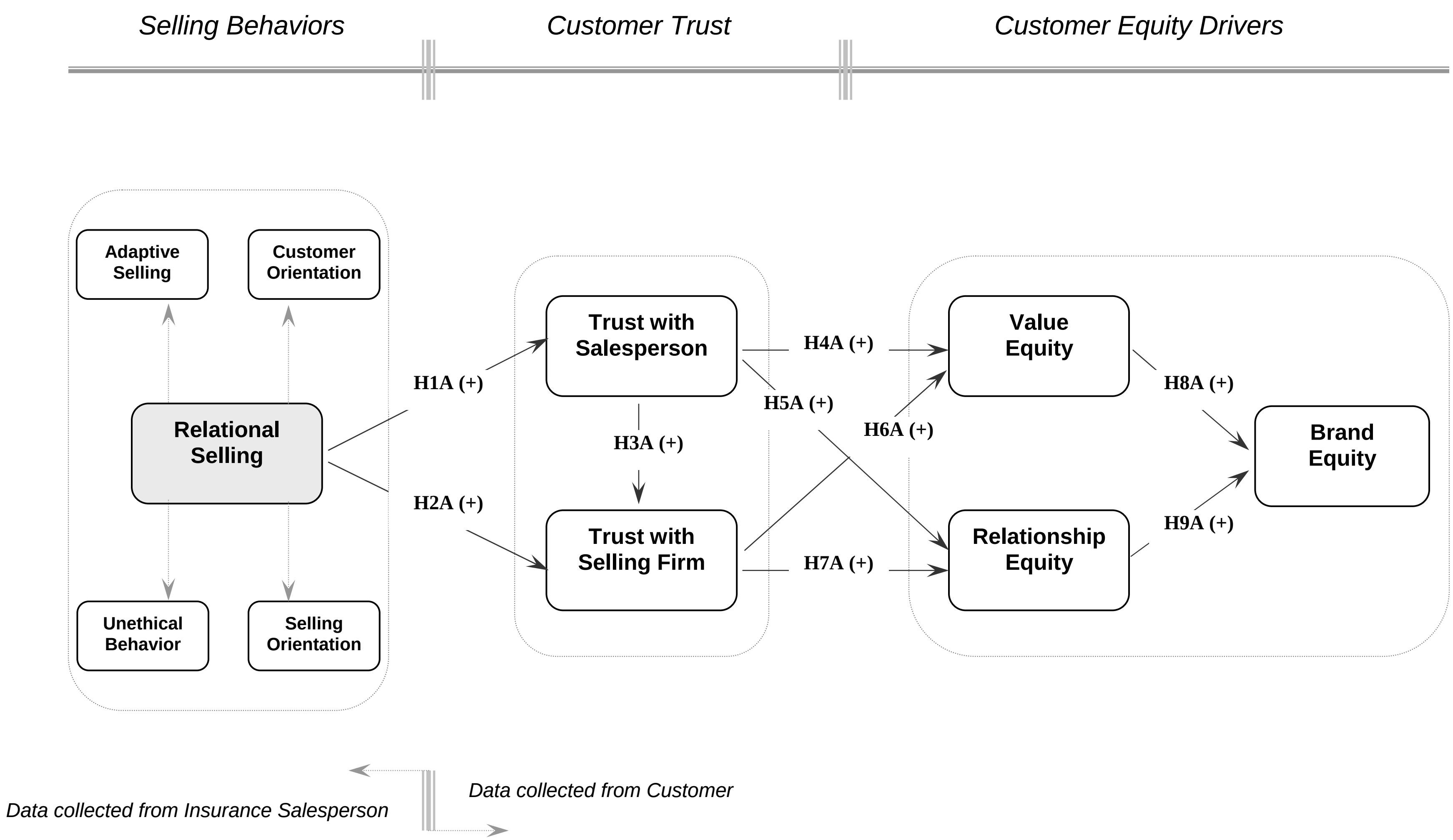
Hypothesis 6A: Customer trust with the selling firm is positively related to value equity of the selling firm.

Hypothesis 7A: Customer trust with the selling firm is positively related to relationship equity of the selling firm.

Hypothesis 8A: Value equity of the selling firm is positively related to customer based brand equity of the selling firm.

Hypothesis 9A: Relationship equity of the selling firm is positively related to customer based brand equity of the selling firm.

Figure 9: SECOND ORDER FACTOR MODEL



4.5.1. ***Results***

Results from structural model analysis using the second order factor show interesting findings. The model in *figure 9* was estimated using LISREL software, and the results show a good fit between the model and the observed data (Chi-square = 824.11; Degrees of freedom [d.f] = 506; p<0.001; Comparative fit index [CFI] = 0.94; Root mean square error for approximation [RMSEA] = 0.055; Standardized root mean square residual [SRMR] = 0.059) (See table 14 for all the results). Also squared multiple correlations of structural equations indicate that proposed second order factor model explains 16 percent, 66 percent, 61 percent, 55 percent and 58 percent of the variance for customer trust with the salesperson, trust with the selling firm, value equity, relationship equity and brand equity, respectively (see table 16). Analyzing parameter estimates and associated t-values indicate that all but two of the hypotheses are supported (See Table 15).

The hypothesis between relational selling → customer trust in the selling firm was not significant (Hypothesis 2A: γ_{12} = 0.00 and *t*-value = 0.03), which is consistent with the first order factor model results. This finding displays the importance of customer trust in the salesperson as a mediating variable to various relational outcomes. Unlike the first order factor model where the associations between selling behaviors and customer trust are not supported (exception: selling orientation → customer trust with the salesperson), the second order factor model provides evidence supporting the linkage between selling behaviors and customer trust with the salesperson (Hypothesis 1A: γ_{11} = 0.32 and *t*-value = 3.41). The relationship between trust in the salesperson and trust in the selling firm is supported and is consistent with the original model (Hypothesis 3A: β_{21} = 0.82 and *t*-value = 7.83)

Although customer trust in the selling firm is found to have a positive effect on value equity (Hypothesis 6A: β_{32} = 0.48 and *t*-value = 3.17), the linkage between trust with the selling firm and relationship equity is not supported (Hypothesis 7A β_{42} = 0.13 and *t*-value = 0.96). Both of these findings are consistent with findings from the first order factor model. The findings related to hypothesized relationships of trust with the salesperson to value equity and relationship equity are consistent with the original results (Hypothesis 4A: β_{31} = 0.36 and *t*-value = 2.61; Hypothesis 5A: β_{41} = 0.64 and *t*-value = 4.25 respectively). Similarly the interrelationships between customer equity drivers are also found to be consistent with the first factor model (Hypothesis 8A: $\beta_{5,3}$ = 0.41 and *t*-value = 4.84; Hypothesis 9A: $\beta_{5,4}$ = 0.48 and *t*-value = 5.57).

The fit statistics of the second order factor model displays interesting results. As described above, the second order factor model fits the data very similarly to first order factor model (See table 9 for results of both models together). Traditionally first order factors are known to fit better than the second order factors, so it can be considered that the performance of the second order factor in the present study indicates a good fit. Unlike the first order model where selling behaviors did not appear to affect customer trust, the second order factor model did a commendable job in explaining how it affects the customer trust, both with the salesperson and the selling firm.

4.6. Summary of Results

Overall, the data supports both the original model and the higher order factor model; it also supports most of the proposed hypotheses in the study. The model also explains an acceptable percentage of variance in the key outcome variables. On the whole, the results are:

- Customer trust in the salesperson is the key antecedent of customer trust in the selling firm, value equity and relationship equity. (Hypotheses leading from customer trust with salesperson to these variables are all supported)
- Customer trust in the salesperson is a key mediating variable between salesperson behavioral antecedents and customer equity drivers
    - o While adaptive selling, customer orientation and unethical behavior have no significant effects on customer trust in salesperson in the original model, in the second order factor, relational selling has a significant effect on customer trust in salesperson.
- Customer trust in the selling firm has a significant effect on value equity, but is not significant in its effect on relationship equity. This also outlines the importance of customer trust with the salesperson.
- Value equity and relationship equity are significant predictors of customer based brand equity. Hypotheses are supported in both the models.

- Relational selling is a useful second order factor that integrates different selling behaviors. The second order factor model provides a better explanation of the role of salesperson behaviors than the single order factor model.

CHAPTER 5: IMPLICATIONS, LIMITATIONS AND CONCLUSION

This chapter first provides a discussion of the findings that are presented in chapter 4 and an assessment of this study's contributions to marketing theory and management practice. Later, this chapter focuses on the limitations of the study and future implications. This chapter ends the report with a conclusion statement.

5.1. Implications

The results described in chapter 4 have provided some interesting observations. A higher order factor model has explained the role of salesperson behaviors in customer equity management better than the proposed single factor model. In the following sections of this chapter, the findings of the study are discussed in detail.

Selling Behaviors → Customer trust

Results suggest that salespeople have a role in building customer equity through customer trust and customer value, both product based and relationship based. Selling firms must concentrate their efforts on training salespeople with relationship building and maintaining skills. When salespeople exhibit relational behaviors, customers trust them more and hence want to be involved in stronger buyer-seller relationships. This is especially true in the business – customer sector and when the customer is the sole contact between the customer and the selling firm. Also in business-business segments, evidence suggests that these findings are true.

Results from the original proposed model suggest that except for the selling orientation of the salesperson, other behaviors are not significant in affecting customer trust. This is contrary to the present knowledge of selling behaviors' role in customer trust. There are a couple of reasons for these anti findings. One might be the presence of social desirability bias, because salespeople are responding about their own behavior; another reason is that the behaviors are not completely independent of each other. This is a limitation for this study and can be addressed by using multi-respondent measures for measuring selling behaviors. The multi-respondent measures can be obtained by combining customer and self evaluations of selling behaviors.

Results from the second order factor model suggest otherwise. Relational selling behavior is considered as a second order factor for adaptive selling, customer orientation, selling orientation and unethical behavior of salespeople. The effect of relational selling behavior on customer trust is found to be positive and significant. This finding is consistent with past findings and suggest that the selling behaviors are rather not be hypothesized separately. Relational selling behaviors are not obvious behaviors for individuals. On the contrary, salespeople must be trained to be equipped with relational skills. These behaviors would result in relational outcomes from customers, such as trust, satisfaction and future intentions.

Another noteworthy finding from second order factor model suggest that in spite of relational selling's significant positive influence on customer trust with the salesperson, the relationship with trust in the selling firm is not supported. This is an interesting finding in view of past research. This finding emphasizes the role of customer trust with the salesperson as an important first level outcome of salesperson behaviors. It appears from results that customers trust selling firm through the trust they have in the salesperson. The significant positive relationship between trust with salesperson and trust with selling firm reiterates the importance of trust with salesperson.

As discussed earlier, unlike some past research in sales and marketing, a reciprocal relationship between customer trust in the salesperson and the selling firm is not considered in the original model. In one of the constrained model this relationship is considered and the results indicate that the original model is a better fit with the data. This reiterates the discussion that the affect transfer is from salesperson to selling firm in contexts, such as the present study's context.

Customer Trust → Customer Equity Drivers

Customer trust with salesperson and selling firm are considered as two targets of trust. While both targets of trust exhibited significant relationships with value equity, only trust with the salesperson has displayed significant influence on relationship equity. This again asserts the importance of trust with the salesperson in buyer-seller relationships. When customers trust salespeople, their objective assessments of the relationship, product value increases. This is especially true in the context of study where the product is auto insurance, a service. Literature in marketing and personal selling suggest that customers some times see the salesperson as the “service” itself. So in service product contexts, customer trust in the salesperson is an important ingredient in building customer value. Here a customer is in cognitive communication with the firm name, STATEFARM INSURANCE. So the product value that the customer is getting can be perceived to be provided by the firm that is reliable and trustworthy. Hence, the higher the customer’s trust in the selling firm the higher is the value equity.

While looking at the linkage between targets of customer trust and relationship equity, it was found that customer trust in the salesperson is significant in relationship with relationship equity but not customer trust in the selling firm. This reiterates earlier discussion that when salesperson is the only contact between the selling firm and the customer, the customer trust in the salesperson is more relevant than trust in the selling firm. It appears from results that the customers perceive the affective relationship they have with the firms is same as their relationship with the salespeople. This is not unusual as salesperson is the sole contact of the selling firm. In these contexts, researchers should focus more on trust in the salesperson over trust in the selling firm.

It has been hypothesized that targets of trust indirectly effect brand equity through value equity and relationship equity. The reason for this is lack of support in literature for direct linkage. The results show that (Conceptual model v/s Constrained model C; Conceptual model v/s Unconstrained model A) value equity and relationship equity does indeed act as mediators between targets of trust and brand equity. This is consistent with the literature (refer to chapter 2 for further discussion). Also these findings are consistent across two main models, the conceptual model and the second order factor model. Both the models support that customer trust with the salesperson has a positive effect on value equity and relationship equity; whereas, customer trust with the selling firm has a significant positive effect only on value equity.

Interrelationships between Customer Equity Drivers:

Value Equity → Brand Equity; Relationship Equity → Brand Equity

As mentioned earlier, value equity and relationship equity are hypothesized to act as mediators between targets of trust and brand equity. Results suggest that both value equity and relationship equity have a significant positive effect on brand equity. This result is consistent with the past findings which suggest that once a customer evaluates the product and relationship attributes positively, his/her loyalty, knowledge and associations with the brand increases. These findings emphasize that value equity and relationship equity are important first level final outcomes in a buyer-seller relationship. Both the main models, the original model and the second order factor model, supported these hypotheses and provided strong evidence of the importance of value equity and relationship equity on ultimate relationship outcomes. It can be inferred from these findings that it is important for firms to concentrate more on providing higher levels of basic utility of the product. Providing product value is fundamental in a relationship. Also as customers by nature are social beings, it is important to have a good relationship with the customers. Salespeople and selling firms should indulge in different relationship building activities for increasing relationship equity. As discussed earlier (Chapter 2: Literature Review), improvement of customer equity drivers would result in better switching matrix for a firm, which in turn would result in higher customer equity.

5.2. Contributions

The main objective of this project is to integrate two major research domains – selling behaviors and customer equity. Primarily investigating the role of salesperson behaviors in customer equity management. Contributions from the study are mainly two fold – theoretical and practical:

Theoretical contributions

The results from the study on the whole demonstrate relevance and application of customer equity drivers. A theoretical grounding is provided for the development of customer equity drivers. The relevance of traditional marketing theories – social exchange theory and relationship marketing theory, was confirmed by finding that customer trust plays an important mediating role in improving customer equity drivers. Existing sales and marketing research suggests that customer centric and relational oriented behaviors of salespeople have a significant effect on buyer-seller relationships. But specifically, none before have investigated the role of salesperson behaviors on customer equity drivers. This study fills this void in literature by introducing new antecedents to customer equity drivers – selling behaviors.

Also, this study provides an application of customer equity drivers. Although the importance of customer equity drivers in buyer-seller interactions is intuitive and supported by researchers, very few studies have investigated it explicitly. The boundaries and past findings of customer equity drivers were recast in the auto-insurance context. Past research on customer equity drivers focused primarily on the role of organization as such in buyer-seller relationships. Organizational level strategies were considered as ways to improve customer equity. In the present study, salesperson is introduced into model as a key role player in increasing customer equity.

This study provides another theoretical contribution from selling behaviors perspective. Adaptive selling, selling orientation, customer orientation and unethical behaviors were tested separately as single order factors and also as one higher order factor. The second order factor model fitted the data better and this provides us further understanding how selling behaviors are related to each other. This finding would be useful for future researchers in testing complex buyer-seller interaction models involving different selling behaviors.

Results show that customer trust in the salesperson has more significant effects on customer equity drivers than trust in the selling firm. Also the direct relationship from selling behaviors→ customer trust in selling firm, is not supported. These findings suggest that customer trust in salesperson is a more relevant target of trust in the present context. From these results, it can inferred that building customers' trust in the salespeople is fundamental in building buyer-seller relationships. In summary, this study provides a rich conceptual framework and an empirically testable model that connected different research domains.

Practical contributions

This study is the first theoretically grounded and empirically based explanation of the role of sales personnel in customer equity management. Earlier studies in customer equity management focused mainly on increasing customer equity using firm level investments. Instead, this study makes a important contribution by explaining the salesperson level antecedents of customer equity.

From a managerial perspective, the results from this study suggest that firms and sales managers should invest resources in building customer trust. Building customer trust in the salesperson and the selling firm is necessary for marketing organizations to increase customer value. This customer value in turn will create and influence overall customer equity for the selling firm. Results from the present study suggest that in buyer-seller interactions where salesperson is the sole contact between the selling firm and the customer, customer trust in the salesperson should be the first priority for the organization to invest resources.

Results indicate that salespeople's practice of relational selling behavior has a significant effect on customer trust in the salesperson. Research indicates that relational selling skills are not obvious behaviors for salespeople, instead they must be trained to be equipped with relational skills. So firms should invest resources in getting relational skills to their sales personnel.

The results from the present study suggest another important managerial contribution to practitioners. Value equity and relationship equity are important first level relationship outcomes in buyer-seller relationship. These drivers of customer equity are of fundamental importance to customers and cannot be substituted by other strategies of the firm. Value equity fulfills the basic utility for the customer and relationship equity includes the social and relationship oriented needs of the customer. Based on the findings it can be noted that apart from using regular marketing strategies for increasing customer equity, firms should concentrate their resources on providing basic product and relationship values to customers.

5.3. Limitations and Future Implications

The limitations of the study provide insights for future research. The following limitations are mainly two-fold, theoretical and methodological.

1. While the data for dependent variables is collected from customers of auto insurance, the data for independent variables is collected from insurance salespeople. Doing so, has limited the sources of common method bias error (Podsakoff et al 2003), gave rise to potential social desirability bias. Social desirability (SD) is the tendency of the respondent to respond to survey questions in a way as to present themselves in a socially desirable manner in turn for gaining approval of the others. Also in research (Michaels and Day

1995) it is suggested that salespeople in general report higher scores on their own behavior than customers. In the present study, a couple of measures were taken to counter SD bias: (1) all the selling behaviors' scales were compared against consumer reported selling behaviors. The correlations were moderate between both the measurements (e.g., adaptive selling behavior measured from salesperson is correlated against consumer reported adaptive selling scale). (2) Questions were worded in a manner that would minimize a respondents' inclination for giving a socially desirable response. Although by taking these steps, SD bias level probably is decreased, it is impossible to negate it completely. This is a potential limitation for this study.

Future research can be directed towards building an index for selling behaviors that can negate SD bias. One direction could be using composite measure of salesperson behavior, by combining evaluations from the salespeople themselves, supervisors and customers. The composite behavior measure can be created by taking the average of all the evaluations.

2. The sample was limited to the St. Louis metropolitan area. In spite of St. Louis's diverse population base, some ethnic and age groups might have been ignored. In order to generalize the study to the whole population, more samples from other parts of the country and from different field settings must be drawn.
3. The study context, auto insurance, contributes to some limitations. Are the results generalizable to other industries? The conceptual basis can be generalized to other industry contexts, but the "service" component in the

auto insurance product might make the proposed model not fit for true "product" scenarios. In order to prove otherwise, more data needs to be collected in different industry settings. Further research can be done using the same constructs in different industry contexts (e.g., consumer electronics, real estate).

4. From a theoretical stand point a second order construct, relational selling, explained the role of salesperson behaviors than the proposed model. Although, this can be viewed as a limitation, it is indeed a limitation in disguise. It has provided justification for using a relational selling behavior construct, instead of other behaviors.

   Although, research investigating and defining relational selling behaviors exists in sales literature, it is limited (Jolson 1997). The multi-factor scale proposed by Crosby, Evans and Cowles (1990) is widely used in literature for relational selling. This scale can be revisited and furthered for future use.

5. When considering relational behaviors in theoretical building, relationship stages (e.g., exploration or advanced stage) could provide better understanding of the outcomes. The effect of relational sales behavior might have different effects on customer attitudes based on relationship stage the customer is in. As customers build trust with the salesperson and the selling firm over a period of interactions, considering so might provide better understanding to the research problem. This could be another future direction

5.4. Conclusion

The study provides evidence that salespeople have a significant role in building and maintaining customer equity of an organization. They can achieve this by increasing the value a customer gets from the product or service, or relationship with the firm. Salespeople should direct their resources in practicing behaviors that exhibit relationship building with the customer rather than just transactional, making money the first time and the only time. In a buyer-seller interaction, where a salesperson is the only contact with the customer, the salesperson becomes a proxy for the selling firm. Customers experience salesperson behaviors and these experiences would then transpire into future attitudes and behaviors.

The results also reiterate that customer trust is a significant medium of exchange in a buyer-seller relationship. Marketers must identify ways to increase customer trust and thus increasing customer equity of the selling firm. Unlike prior studies, this study shows that customer trust with the salesperson is more important than customer trust with the selling firm. This is especially true in contexts where the salesperson is considered as the firm itself. Relational behaviors are the most influential behaviors from salespeople who can produce positive results in buyer-seller relationships. This study also provides an application of customer equity drivers. Doing so becomes one of the first in many to come in the future.

Table 1: SAMPLE CHARACTERISTICS OF PILOT STUDY

Type of Insurance Companies

Category	*Frequency*	*Percent*
Online	63	42.6
Brick and Mortar	85	57.4
Total	***148***	***100***

Age of the Customer

	Online		Brick and Mortar		Total	
Category	*Fre*	*%*	*Fre*	*%*	*Fre*	*%*
18-25	7	11.1	6	7.1	13	8.8
26-35	8	12.7	8	9.4	16	10.8
36-45	22	34.9	31	36.5	53	35.8
46-55	23	36.5	22	25.9	45	30.4
> 55	3	4.8	18	21.2	21	14.2
Total	***63***	***100***	***85***	***100***	***148***	***100***

Income of the Customer

	Online		Brick and Mortar		Total	
Category	*Fre*	*%*	*Fre*	*%*	*Fre*	*%*
< 15000	0	0	6	7.1	6	4.0
15001 – 35000	5	7.9	8	9.4	13	8.8
35001 – 55000	27	42.9	36	42.5	63	42.6
55001 – 75000	18	28.6	12	14.1	30	20.3
> 75000	13	20.6	23	27.1	36	24.3
Total	***63***	***100***	***85***	***100***	***148***	***100***

Education of the Customer

	Online		Brick and Mortar		Total	
Category	*Fre*	*%*	*Fre*	*%*	*Fre*	*%*
High School	27	20.6	36	42.5	63	42.6
College	33	52.4	33	27.1	66	44.6
Graduate	3	4.8	8	9.4	11	7.4
Post-Graduate	0	0	8	9.4	8	5.4
Total	***63***	***100***	***85***	***100***	***148***	***100***

Marital Status of the Customer

Category	Online Fre	Online %	Brick and Mortar Fre	Brick and Mortar %	Total Fre	Total %
Married	41	65.1	43	50.6	84	56.8
Single	13	20.6	19	22.4	31	21.6
Divorced	3	4.8	6	7.1	9	6.1
Widowed	6	9.5	17	20.0	23	15.5
Total	***63***	***100***	***85***	***100***	***148***	***100***

Gender of the Customer

Category	Online Fre	Online %	Brick and Mortar Fre	Brick and Mortar %	Total Fre	Total %
Male	41	65.1	55	64.7	96	64.9
Female	22	34.9	30	35.3	52	35.1
Total	***63***	***100***	***85***	***100***	***148***	***100***

Insurance Companies

Online

Category	Fre	%
GEICO	31	49.2
PROGRESSIVE	18	28.6
LIBERTY MUTUAL	6	9.5
SAFE AUTO	2	3.2
ESURANCE	2	3.2
OTHERS	4	6.3
Total	***63***	***100***

Brick and Mortar

Company	Fre	%
STATE FARM	34	40.0
ALLSTATE	17	20.0
FARMERS	14	16.5
AMERICAN	6	7.1
MADISON MUT	5	5.9
OTHERS	9	10.6
	85	***100***

Table 2: SAMPLE CHARACTERISTICS OF MAIN STUDY

AGE (Customer)

Category	*Frequency*	*Percent*
18-25	58	27.8
26-35	74	35.4
36-45	24	11.5
46-55	27	12.9
> 55	15	7.2
Total	***198/209***	***94.8/100***

INCOME (Customer)

Category	*Frequency*	*Percent*
< 15000	12	5.7
15001 – 35000	66	31.6
35001 – 55000	69	33.0
55001 – 75000	9	4.3
> 75000	42	20.1
Total	***198/209***	***94.8/100***

EDUCATION (Customer)

Category	*Frequency*	*Percent*
High School	82	39.2
College	82	39.2
Graduate	29	13.8
Post-Graduate	6	2.9
Total	***199/209***	***95.2/100***

MARITAL STATUS (Customer)

Category	*Frequency*	*Percent*
Married	116	55.5
Single	66	31.6
Divorced	12	5.7
Widowed	3	1.4
Total	***197/209***	***94.2/209***

GENDER (Customer)

Category	*Frequency*	*Percent*
Male	86	41.2
Female	115	55.0
Total	***201/209***	***96.2/100***

INSURANCE COMPANIES

Company	*Frequency*	*Percent*	*Company*	*Frequency*	*Percent*
Statefarm	72	34.5	Madison Mutu	13	6.2
All State	28	13.4	American Family	10	4.8
Countrywide	18	8.6	Others	34	16.3
AAA	18	8.6			
Farmers	16	7.7			
			Total	***209***	***100%***

Table 2: SAMPLE CHARACTERISTICS OF MAIN STUDY (Contd)

Number of Automobiles Insured

Category	***Frequency***	***Percent***
1	81	38.8
2	58	27.8
3	40	19.1
4	16	7.6
> 4	12	5.7
Total	***207/209***	***99/100***

Age (Insurance Agent)

Category	***Frequency***	***Percent***
18-25	9	4.3
26-35	37	17.7
36-45	104	49.8
46-55	39	18.7
> 55	18	8.6
Total	***207/209***	***99/100***

Tenure as an Agent

Category	***Frequency***	***Percent***
0-5	51	24.4
6-10	32	15.3
11-15	43	19.1
16-20	34	16.3
> 20	43	19.1
Total	***203/209***	***97.1/100***

Tenure with Agency (Insurance Agent)

Category	***Frequency***	***Percent***
0-5	57	
6-10	35	
11-15	48	
16-20	24	
> 20	40	
Total	***204/209***	***97.6/209***

Gender (Insurance Agent)

Category	***Frequency***	***Percent***
Male	133	63.6
Female	71	34.0
Total	***204/209***	***97.6/100***

Role in Agency (Insurance Agent)

Category	***Frequency***	***Percent***
Owner	87	41.6
Employee	117	56.0
Total	***204/209***	***97.6/209***

Table 3: SCALE CHARACTERISITICS OF PILOT STUDY

ID	Construct/Item	FL	t-value	SMC
TS	**Trust with Salesperson**			
TS1	- My salesperson is trustworthy	0.79		**0.62**
TS2	- My salesperson is not completely open in dealing with me	0.81	12.49	**0.66**
TS3	- My salesperson is reliable in promises s/he makes	0.79	12.20	**0.63**
TS4	- I do not trust this salesperson	0.76	11.56	**0.58**
TF	**Trust with Selling Firm**			
TF1	- I believe the information my auto insurance company provides me	0.74		**0.54**
TF2	- My auto insurance company is trust worthy	0.87	12.35	**0.75**
TF3	- I trust my auto insurance company to keep its customers' best interests in mind	0.73	10.35	**0.53**
TF4	- When making important decisions, my auto insurance company considers my welfare as well as its own	0.87	12.44	**0.76**
VE	**Value Equity**			
VE1	- The quality of the auto insurance I purchased is worth the price paid	0.76		**0.58**
VE2	- My auto insurance company provides all the features that I ask for in auto insurance	0.74	10.58	**0.55**
VE3	- It was easy to purchase my auto insurance	0.74	10.72	**0.55**
VE4	- My insurance is a very good value for money	0.84	12.28	**0.71**
RE	**Relationship Equity**			
RE1	- My auto insurance company recognizes me as being special	0.77		**0.59**
RE2	- The relationship I have with my auto insurance company is important to me	0.79	11.76	**0.63**
RE3	- The preferential treatment I get from auto insurance company is important to me	0.78	11.59	**0.61**
RE4	- I am happy with the different programs my auto insurance company conducts to reward my loyalty	0.80	11.81	**0.64**
BE	**Brand Equity**			
BE1	- I can quickly recall the symbol or logo of my auto insurance company	0.79		**0.63**
BE2	- My auto insurance company would be my first choice among insurance companies	0.80	12.01	**0.64**
BE3	- I am very proud of my auto insurance company	0.75	11.18	**0.56**
BE4	- The likely quality of my auto insurance company's products is extremely high	0.75	11.26	**0.57**

FL – Factor Loading; SMC – Squared Multiple Correlation;

Table 3: SCALE CHARACTERISITICS OF FINAL STUDY (Contd)

ID	Scale Item	FL	t-value	SMC
AS	**Adaptive Selling**			
AS1	I am very flexible in the sales approach I use	0.87		**0.75**
AS2	I vary my sales style from situation to situation	0.90	17.43	**0.82**
AS3	I treat all customers in the same manner	0.79	13.89	**0.62**
AS4	I try to understand how one customer is different from the other	0.83	15.28	**0.69**
CO	**Customer Orientation**			
CO1	I try to offer my customers with products that help solve their problems	0.79		**0.63**
CO2	I have my customers' best interests in mind	0.76	11.05	**0.58**
CO3	I try to find out which product would be most helpful to my customers	0.81	11.77	**0.65**
CO4	I try to figure out what are my customers' needs are	0.77	11.28	**0.60**
SO	**Selling Orientation**			
SO1	I try to sell as much as I can convince my customers to buy	0.75		**0.57**
SO2	I try to sell as much as I can rather than to satisfy my customers	0.85	11.75	**0.72**
SO3	I paint a rosy picture of my products, to make them sound as good as possible.	0.87	11.89	**0.76**
UEB	**Unethical Behavior**			
UEB1	I give answers when I don't really know answers	0.79		**0.63**
UEB2	I twist/replace customers' insurance without offering full disclosure of the consequences to them	0.81	10.15	**0.65**
UEB3	I lie about the competition in order to make the sale	0.74	9.80	**0.54**

FL – Factor Loading; SMC – Squared Multiple Correlation;

Table 4: CONFIRMATORY FACTOR ANALYSIS RESULTS

Chi-Square (χ^2)	882.70	
Degrees of Freedom (df)	491	
Probability	0.000	

Fit Indices	**Observed**	**Benchmark***
Comparative Fit Index (CFI)	0.94	≥ 0.9 *or* ≥ 0.95
Root Mean Square Error of Approximation (RMSEA)	0.062	≤ 0.08 *or* ≤ 0.05
Standardized Root Mean Square Residual (SRMR)	0.050	≤ 0.08
Normed Fit Index (NFI)	0.89	≥ 0.90
Non-Normed Fit Index (NNFI)	0.93	≥ 0.90

* Benchmark criteria are based on Hu and Bentler (1999) and Hair et al (2006) recommendation that fit statistics close to the benchmark criteria represents an acceptable model. For CFI and RMSEA, the first value is an acceptable value and second is the preferred value

Table 5: MAIN STUDY CONSTRUCT RELIABILITIES

Construct	α	ρ	AVE
Adaptive Selling	0.94	0.91	0.72
Customer Orientation	0.87	0.86	0.61
Selling Orientation	0.88	0.87	0.68
Unethical Selling Behavior	0.83	0.82	0.61
Trust with the Salesperson	0.89	0.87	0.62
Trust with the Selling Firm	0.89	0.88	0.65
Value Equity	0.87	0.85	0.60
Relationship Equity	0.88	0.87	0.62
Brand Equity	0.87	0.86	0.60

α - Cronbach Alpha; ρ - Composite Reliability; AVE – Average Variance Extracted

Table 6: STRUCTURAL MODEL ANALYSIS RESULTS (MAIN MODEL)

Chi-Square (χ^2)	815.34
Degrees of Freedom (df)	501
Probability	0.000

Fit Indices	Observed	Benchmark*
Comparative Fit Index (CFI)	0.94	≥ 0.9 *or* ≥ 0.95
Root Mean Square Error of Approximation (RMSEA)	0.055	≤ 0.08 *or* ≤ 0.05
Standardized Root Mean Square Residual (SRMR)	0.055	≤ 0.08
Normed Fit Index (NFI)	0.90	≥ 0.90
Non-Normed Fit Index (NNFI)	0.94	≥ 0.90

* Benchmark criteria are based on Hu and Bentler (1999) and Hair et al (2006) recommendation that fit statistics close to the benchmark criteria represents an acceptable model. For CFI and RMSEA, the first value is an acceptable value and second is the preferred value

Table 7: EXPLANATORY POWER OF STRUCTURAL MODEL (PROPOSED THEORETICAL MODEL)

Construct	Squared Multiple Correlation
Trust with the Salesperson	0.08
Trust with the Selling Firm	0.66
Value Equity	0.60
Relationship Equity	0.56
Brand Equity	0.58

Table 8: PARAMETER ESTIMATES AND HYPOTHESES TESTS (PROPOSED MODEL)

ID	Hypothesis	Estimate	t-value	Result
H1	***Adaptive Selling → Trust with Salesperson***	***0.09***	***1.21***	***Not Supported***
H2	***Customer Orientation → Trust with Salesperson***	***0.03***	***1.08***	***Not Supported***
H3	Selling Orientation → Trust with Salesperson	-0.18	-2.23	Supported
H4	***Unethical Behavior → Trust with Salesperson***	***-0.08***	***-1.01***	***Not Supported***
H5	***Unethical Behavior → Trust with Selling Firm***	***-0.00***	***-0.03***	***Not Supported***
H6	Trust with Salesperson → Trust with Selling Firm	0.81	8.74	Supported
H7	Trust with Salesperson → Value Equity	0.35	2.59	Supported
H8	Trust with Salesperson → Relationship Equity	0.65	5.54	Supported
H9	Trust with Selling Firm → Value Equity	0.46	3.21	Supported
H10	***Trust with Selling Firm → Relationship Equity***	***0.12***	***0.85***	***Not Supported***
H11	Value Equity → Brand Equity	0.40	4.84	Supported
H12	Relationship Equity → Brand Equity	0.46	5.54	Supported

χ^2 - 815.34; df – 501; p-value – 0.000; CFI – 0.94; RMSEA – 0.055; SRMR – 0.055; NFI – 0.90; NNFI – 0.94

TABLE 9: FIT STATISTICS FOR COMPETING MODELS

COMPETING MODEL	χ^2	DF	CFI	RMSEA	SRMR	NFI	NNFI
Theoretical Model	**815.34**	**501**	**0.94**	**0.055**	**0.055**	**0.90**	**0.94**
Unconstrained Model A	795.78	495	0.95	0.054	0.053	0.90	0.94
Less Constrained Model B	813.99	498	0.94	0.055	0.054	0.90	0.93
Less Constrained Model C	796.15	499	0.95	0.054	0.053	0.90	0.94
Constrained Model D	815.36	502	0.94	0.055	0.055	0.90	0.94

χ^2 - Chi-square; DF-Degrees of Freedom; CFI – Comparative Fit Index; RMSEA – Root Mean Square Error of Approximation;
SRMR – Standardized Root Mean Square Residual; NFI – Normed Fit Index; NNFI – Non-Normed Fit Index

Table 10: PARAMETER ESTIMATES AND HYPOTHESES TESTS (UNCONSTRAINED MODEL A)

ID	Hypothesis	Estimate	t-value	Result
H1	***Adaptive Selling → Trust with Salesperson***	***0.09***	***1.13***	***Not Supported***
H2	***Customer Orientation → Trust with Salesperson***	***0.09***	***1.06***	***Not Supported***
H3	Selling Orientation → Trust with Salesperson	-0.20	-2.51	Supported
H4	***Unethical Behavior → Trust with Salesperson***	***-0.08***	***-0.95***	***Not Supported***
H5	***Unethical Behavior → Trust with Selling Firm***	***0.00***	***0.02***	***Not Supported***
H6	Trust with Salesperson → Trust with Selling Firm	0.80	8.46	Supported
H7	Trust with Salesperson → Value Equity	0.43	3.22	Supported
H8	Trust with Salesperson → Relationship Equity	0.81	5.00	Supported
H9	Trust with Selling Firm → Value Equity	0.40	2.92	Supported
H10	***Trust with Selling Firm → Relationship Equity***	***0.13***	***0.89***	***Not Supported***
H11	Value Equity → Brand Equity	0.63	4.23	Supported
H12	Relationship Equity → Brand Equity	0.89	5.44	Supported
Added Linkages				
H13	***Adaptive Selling → Trust with Selling Firm***	***-0.02***	***-0.38***	***Not Supported***
H14	***Customer Orientation → Trust with Selling Firm***	***-0.02***	***-0.24***	***Not Supported***
H15	***Selling Orientation → Trust with Selling Firm***	***-0.03***	***-0.49***	***Not Supported***
H16	***Trust with Salesperson → Brand Equity***	***-1.07***	***-4.07***	***Reverse/Significant***
H17	Trust with Selling Firm → Brand Equity	0.48	2.84	Supported
H18	***Value Equity → Relationship Equity***	***-0.18***	***-1.48***	***Not Supported***

χ^2 - 795.78; df – 495; p-value – 0.000; CFI – 0.95; RMSEA – 0.054; SRMR – 0.053; NFI – 0.90; NNFI – 0.94

Table 11: PARAMETER ESTIMATES AND HYPOTHESES TESTS (CONSTRAINED MODEL B)

ID	Hypothesis	Estimate	t-value	Result
H1	***Adaptive Selling → Trust with Salesperson***	***0.10***	***1.33***	***Not Supported***
H2	***Customer Orientation → Trust with Salesperson***	***0.09***	***1.06***	***Not Supported***
H3	***Selling Orientation → Trust with Salesperson***	***-0.16***	***-1.92***	***Not Supported***
H4	***Unethical Behavior → Trust with Salesperson***	***-0.09***	***-1.05***	***Not Supported***
H5	***Unethical Behavior → Trust with Selling Firm***	***0.01***	***0.20***	***Not Supported***
H6	Trust with Salesperson → Trust with Selling Firm	0.80	8.62	Supported
H7	Trust with Salesperson → Value Equity	0.33	2.40	Supported
H8	Trust with Salesperson → Relationship Equity	0.63	4.32	Supported
H9	Trust with Selling Firm → Value Equity	0.49	3.42	Supported
H10	***Trust with Selling Firm → Relationship Equity***	***0.14***	***1.03***	***Not Supported***
H11	Value Equity → Brand Equity	0.40	4.84	Supported
H12	Relationship Equity → Brand Equity	0.46	5.55	Supported
Added Linkages				
H13	***Adaptive Selling → Trust with Selling Firm***	***-0.05***	***-0.85***	***Not Supported***
H14	***Customer Orientation → Trust with Selling Firm***	***-0.02***	***-0.27***	***Not Supported***
H15	***Selling Orientation → Trust with Selling Firm***	***-0.10***	***-1.56***	***Not Supported***

χ^2 - 813.99; df – 498; p-value – 0.000; CFI – 0.94; RMSEA – 0.055; SRMR – 0.054; NFI – 0.90; NNFI – 0.93

Table 12: PARAMETER ESTIMATES AND HYPOTHESES TESTS (CONSTRAINED MODEL C)

ID	Hypothesis	Estimate	t-value	Result
H1	***Adaptive Selling → Trust with Salesperson***	***0.08***	***1.10***	***Not Supported***
H2	***Customer Orientation → Trust with Salesperson***	***0.08***	***1.03***	***Not Supported***
H3	Selling Orientation → Trust with Salesperson	-0.20	-2.51	Supported
H4	***Unethical Behavior → Trust with Salesperson***	***-0.08***	***-0.95***	***Not Supported***
H5	***Unethical Behavior → Trust with Selling Firm***	***-0.00***	***-0.07***	***Not Supported***
H6	Trust with Salesperson → Trust with Selling Firm	0.80	8.72	Supported
H7	Trust with Salesperson → Value Equity	0.40	2.97	Supported
H8	Trust with Salesperson → Relationship Equity	0.74	4.95	Supported
H9	Trust with Selling Firm → Value Equity	0.42	3.02	Supported
H10	***Trust with Selling Firm → Relationship Equity***	***0.04***	***0.31***	***Not Supported***
H11	Value Equity → Brand Equity	0.54	4.95	Supported
H12	Relationship Equity → Brand Equity	0.83	5.76	Supported
Added Linkages				
H13	Trust with Salesperson → Brand Equity	-1.00	-4.31	Inverse/Significant
H14	Trust with Selling Firm → Brand Equity	0.54	3.10	Supported

χ^2 - 796.15; df – 499; p-value – 0.000; CFI – 0.954; RMSEA – 0.054; SRMR – 0.053; NFI – 0.90; NNFI – 0.94

Table 13: PARAMETER ESTIMATES AND HYPOTHESES TESTS (CONSTRAINED MODEL D)

ID	Hypothesis	Estimate	t-value	Result
H1	***Adaptive Selling → Trust with Salesperson***	***0.09***	***1.20***	***Not Supported***
H2	***Customer Orientation → Trust with Salesperson***	***0.08***	***1.03***	***Not Supported***
H3	Selling Orientation → Trust with Salesperson	-0.18	-2.23	Supported
H4	***Unethical Behavior → Trust with Salesperson***	***-0.08***	***-1.03***	***Not Supported***
H6	Trust with Salesperson → Trust with Selling Firm	0.81	8.80	Supported
H7	Trust with Salesperson → Value Equity	0.36	2.60	Supported
H8	Trust with Salesperson → Relationship Equity	0.65	4.42	Supported
H9	Trust with Selling Firm → Value Equity	0.46	3.21	Supported
H10	***Trust with Selling Firm → Relationship Equity***	***0.12***	***0.85***	***Not Supported***
H11	Value Equity → Brand Equity	0.40	4.84	Supported
H12	Relationship Equity → Brand Equity	0.46	5.54	Supported
Deleted Link				
H5	Unethical Behavior → Trust with Selling Firm			

χ^2 - 815.36; df – 502; p-value – 0.000; CFI – 0.94; RMSEA – 0.055; SRMR – 0.059; NFI – 0.90; NNFI – 0.93

Table 14: STRUCTURAL MODEL ANALYSIS RESULTS (SECOND ORDER FACTOR)

Chi-Square (χ^2)	824.11
Degrees of Freedom (df)	506
Probability	0.000

Fit Indices	Observed	Benchmark*
Comparative Fit Index (CFI)	0.94	≥ 0.9 *or* ≥ 0.95
Root Mean Square Error of Approximation (RMSEA)	0.055	≤ 0.08 *or* ≤ 0.05
Standardized Root Mean Square Residual (SRMR)	0.059	≤ 0.08
Normed Fit Index (NFI)	0.90	≥ 0.90
Non-Normed Fit Index (NNFI)	0.93	≥ 0.90

* Benchmark criteria are based on Hu and Bentler (1999) and Hair et al (2006) recommendation that fit statistics close to the benchmark criteria represents an acceptable model. For CFI and RMSEA, the first value is an acceptable value and second is the preferred value

Table 15: PARAMETER ESTIMATES AND HYPOTHESES TESTS (SECOND ORDER FACTOR MODEL))

ID	Hypothesis	Estimate	t-value	Result
H1A	Relational Selling → Trust with Salesperson	0.32	3.41	Supported
H2A	***Relational Selling → Trust with Selling Firm***	***-0.00***	***-0.03***	***Not Supported***
H3A	Trust with Salesperson → Trust with Selling Firm	0.82	7.83	Supported
H4A	Trust with Salesperson → Value Equity	0.36	2.61	Supported
H5A	Trust with Salesperson → Relationship Equity	0.64	4.25	Supported
H6A	Trust with Selling Firm → Value Equity	0.48	3.17	Supported
H7A	***Trust with Selling Firm → Relationship Equity***	***0.13***	***0.96***	***Not Supported***
H8A	Value Equity → Brand Equity	0.41	4.84	Supported
H9A	Relationship Equity → Brand Equity	0.48	5.57	Supported

χ^2 - 824.11; df – 506; p-value – 0.000; CFI – 0.94; RMSEA – 0.055; SRMR – 0.059; NFI – 0.90; NNFI – 0.93

Table 16: EXPLANATORY POWER OF STRUCTURAL MODEL (PROPOSED SECOND ORDER FACTOR MODEL)

Construct	Squared Multiple Correlation
Trust with the Salesperson	0.16
Trust with the Selling Firm	0.66
Value Equity	0.61
Relationship Equity	0.55
Brand Equity	0.58

Table 17: CORRELATION MATRIX AND VARIANCE STATISTICS

	Mean	Standard Deviation	AS	CO	SO	UEB	TRUS	TRUF	VE	RE	BE
AS	6.22	1.03	**0.94**								
CO	6.37	0.56	0.27	**0.87**							
SO	1.75	0.65	-0.18	-0.10	**0.88**						
UEB	1.57	0.65	-0.04	-0.13	0.19	**0.83**					
TRUS	5.83	0.87	0.15	0.14	-0.22	-0.13	**0.89**				
TRUF	5.62	0.80	0.12	0.11	-0.18	-0.11	0.81	**0.89**			
VE	5.72	0.87	0.11	0.10	-0.16	-0.10	0.73	0.75	**0.87**		
RE	5.16	0.86	0.11	0.10	-0.17	-0.10	0.75	0.65	0.56	**0.88**	
BE	5.31	0.99	0.10	0.09	-0.14	-0.08	0.64	0.60	0.66	0.69	**0.87**

Table 18: SCALE ITEMS FROM PRETEST

Constructs and Items
Brand Equity (9 items) - I consider myself to be loyal to my auto insurance company - My auto insurance company would be my first choice among insurance companies - I am very proud of my auto insurance company - I often notice and pay attention to my auto insurance company's advertisements - I know a great deal about my auto insurance company - Some characteristics of my auto insurance company come to my mind quickly - I can quickly recall the symbol or logo of my auto insurance company - The quality of my auto insurance company's products is extremely high. - The quality of my auto insurance company's products is consistent.
Value Equity (8 items) - The quality of the auto insurance I purchased is worth the price paid - The price I paid for my auto insurance is competitive in comparison with other competing insurance companies - My auto insurance company provides all the features that I ask for in an auto insurance - It was easy to purchase my auto insurance - The offers and packages provided by my auto insurance company are very desirable in comparison with other insurance companies - My auto insurance is a very good value for money - On the whole, my auto insurance is worth the amount of time and money I invested in buying it - My auto insurance appears to be a bargain
Relationship Equity (6 items) - I discuss my auto insurance company with other people - My auto insurance company recognizes me as being special - I know my auto insurance company's procedures very well - The relationship I have with my auto insurance company is important to me - The preferential treatment I get from auto insurance company is important to me - I am happy with the different programs my auto insurance company conducts to reward my loyalty
Trust with the Salesperson (5 items) - My salesperson is trustworthy - My salesperson does not make false claims - My salesperson is not completely open in dealing with me - My salesperson is reliable in promises s/he makes - I do not trust this salesperson

TABLE 18 Contd

Trust with the Selling Firm (5 items) - I believe the information my auto insurance company provides me - My auto insurance company is trust worthy - I trust my auto insurance company to keep its customers' best interests in mind - When making important decisions, my auto insurance company considers my welfare as well as its own - I find it necessary to be cautious with my auto insurance company
Adaptive Selling (5 items) - I am very flexible in the sales approach I use - I use the same approach in all situations and at all times - I vary my sales style from situation to situation - I treat all customers in the same manner - I try to understand how one customer is different than the other
Selling Orientation (5 items - I try to sell as much as I can convince my customers to buy - I try to sell as much as I can rather than to satisfy my customers - decides what products to offer on a basis of what s/he can convince me to buy, not on the basis of what will satisfy me in the long run - I paint a rosy picture of my products, to make them sound as good as possible. - I stretch the truth in describing a product to a customer.
Customer Orientation (5 items) - I try to offer my customers products that help solve their problems - I have my customers' best interests in my mind - I offer the product that is best suited to their problem/s - I try to find out which product would be most helpful to my customer/s - I try to figure out what my customers' needs are
Unethical Selling Behavior (5 items) - I give answers when I don't really know answers - I twist / replace customers' insurance without offering full disclosure of the consequences to them - I lie about the competition in order to make the sale - I exaggerate the benefits of the product - I help my customers against the policies of the firm

Table 19: SCALE ITEMS FROM PILOT STUDY

Constructs and Items

Brand Equity (6 items)
- I consider myself to be loyal my auto insurance company
- I can quickly recall the symbol or logo of my auto insurance company
- My auto insurance company would be my first choice among insurance companies
- I am very proud of my auto insurance company
- I know a great deal about my auto insurance company
- The likely quality of my auto insurance company's products is extremely high

Value Equity (4 items)
- The quality of the auto insurance I purchased is worth the price paid
- My auto insurance company provides all the features that I ask for in auto insurance
- It was easy to purchase my auto insurance
- My insurance is a very good value for money

Relationship Equity (6 items)
- I discuss my auto insurance company with other people
- My auto insurance company recognizes me as being special
- I know my auto insurance company's procedures very well
- The relationship I have with my auto insurance company is important to me
- The preferential treatment I get from auto insurance company is important to me
- I am happy with the different programs my auto insurance company conducts to reward my loyalty

Trust with the Salesperson (4 items)
- My salesperson is trustworthy
- My salesperson is not completely open in dealing with me
- My salesperson is reliable in promises s/he makes
- I do not trust this salesperson

Trust with the Selling Firm (4 items)
- I believe the information my auto insurance company provides me
- My auto insurance company is trust worthy
- I trust my auto insurance company to keep its customers' best interests in mind
- When making important decisions, my auto insurance company considers my welfare as well as its own

Adaptive Selling (5 items)
- is very flexible in the sales approach s/he uses
- uses the same approach in all situations and at all times
- varies sales style from situation to situation
- treats all customers in the same manner
- tries to understand how one customer is different than the others

TABLE 19 Contd

Selling Orientation (5 items)

- I try to sell as much as I can convince my customers to buy
- I try to sell as much as I can rather than to satisfy my customers
- decides what products to offer on a basis of what s/he can convince me to buy, not on the basis of what will satisfy me in the long run
- I paint a rosy picture of my products, to make them sound as good as possible.
- I stretch the truth in describing a product to a customer.

Customer Orientation (5 items

- I try to offer my customers products that help solve their problems
- I have my customers' best interests in my mind
- I offer the product that is best suited to their problem/s
- I try to find out which product would be most helpful to my customer/s
- I try to figure out what my customers' needs are

Unethical Selling Behavior (3 items)

- I give answers when I don't really know answers
- I twist / replace customers' insurance without offering full disclosure of the consequences to them
- I lie about the competition in order to make the sale

Table 20: APPENDIX

Criteria for "Usable Surveys"

Surveys were deemed unusable (otherwise usable) if they fall under any of the following categories:

1. If more than 20% of the questions were unanswered,
2. Presence of erratic data, where surveys were seemed to be filled without spending any time on reading the questions.
3. Responses that were unable to satisfy "question checks" where some questions were asked twice to ensure that the responses obtained were genuine.
4. In case of online surveys, time spent for each page is noted and all the surveys that used < 30 seconds on each page were eliminated.
5. As majority of insurance salesperson surveys were filled and collected by hired individuals, it was warranted to have random checks to see if they actually got them filled truthfully. While calling insurance agents, it was informed that we are calling them to thank for their participation. Doing so has informed me that one of the hired individual has not done his job truthfully. Following this 96 filled surveys provided by this individual were voided from the final data analysis.

Figure 3: CONCEPTUAL MODEL

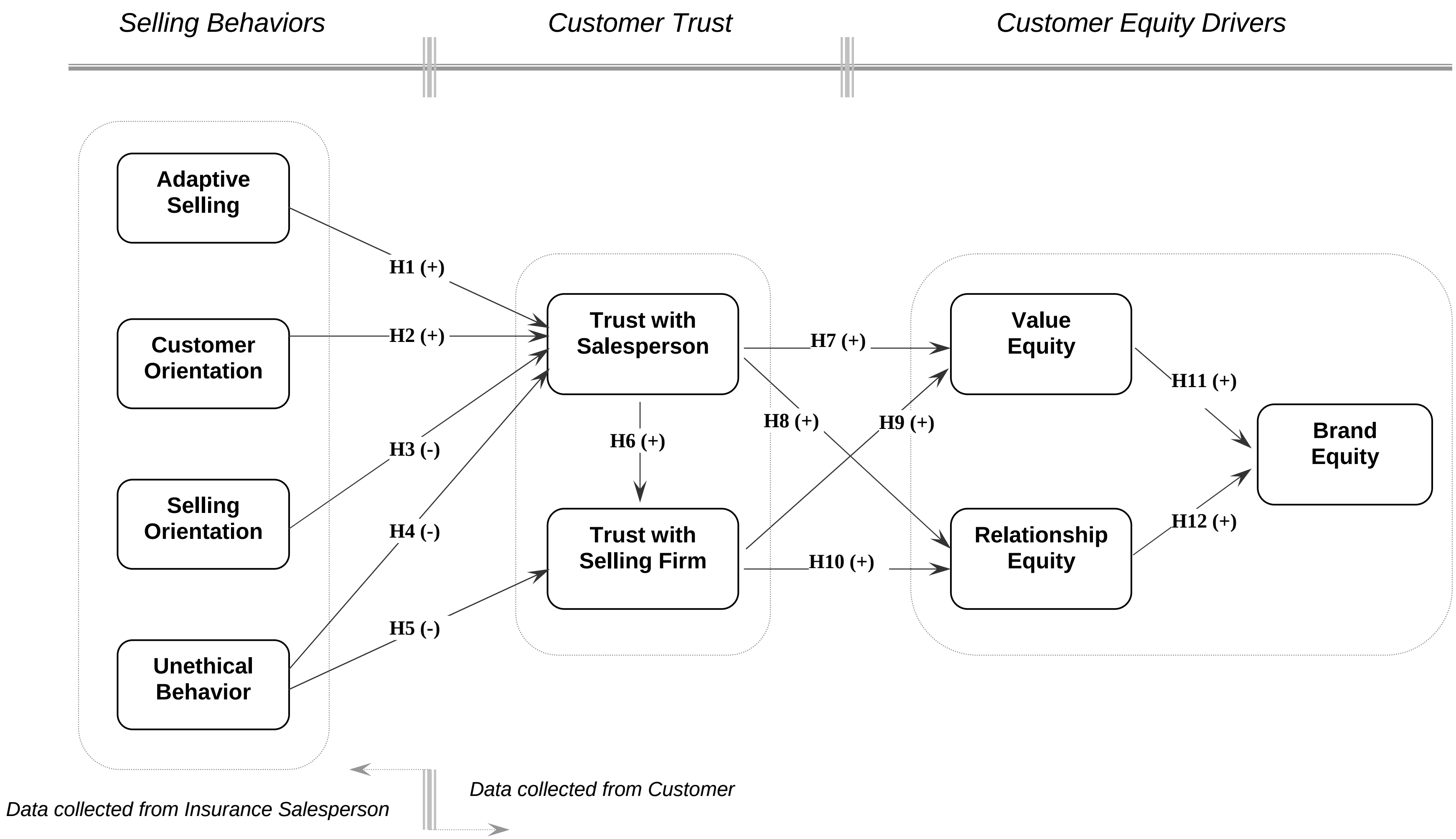


Figure 5: UNCONSTRAINED MODEL A

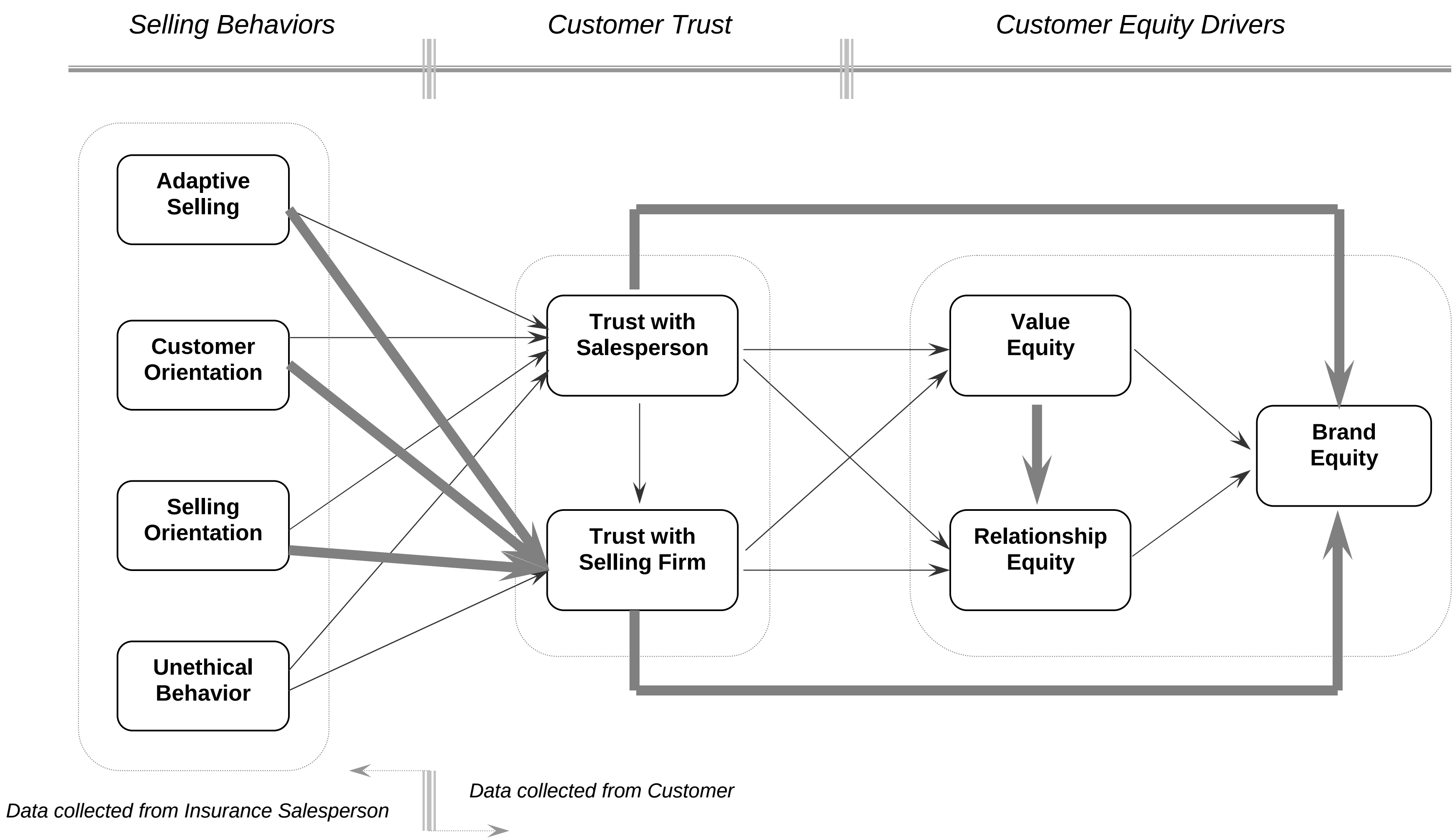


Figure 6: CONSTRAINED MODEL B

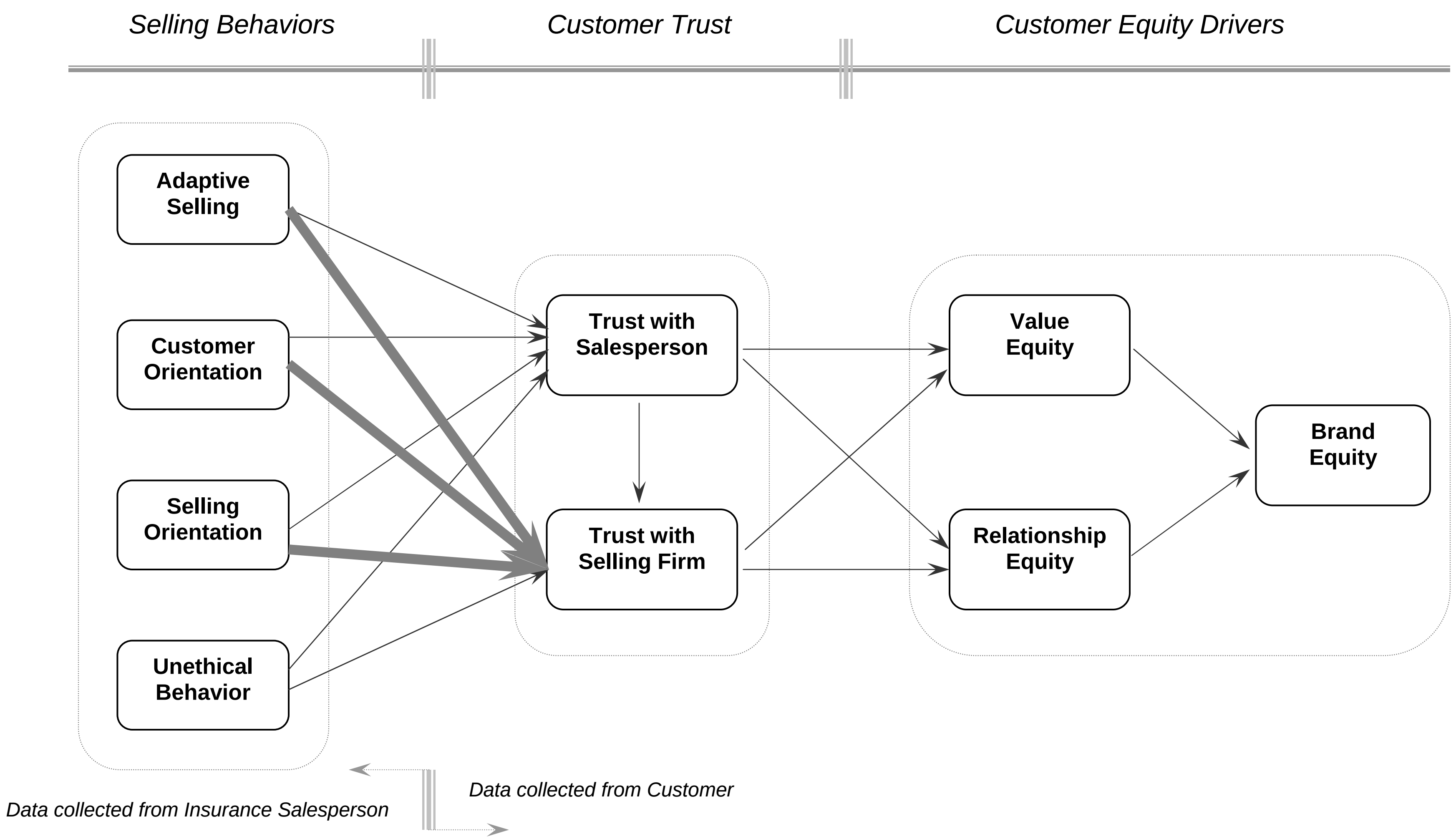


Figure 7: CONSTRAINED MODEL C

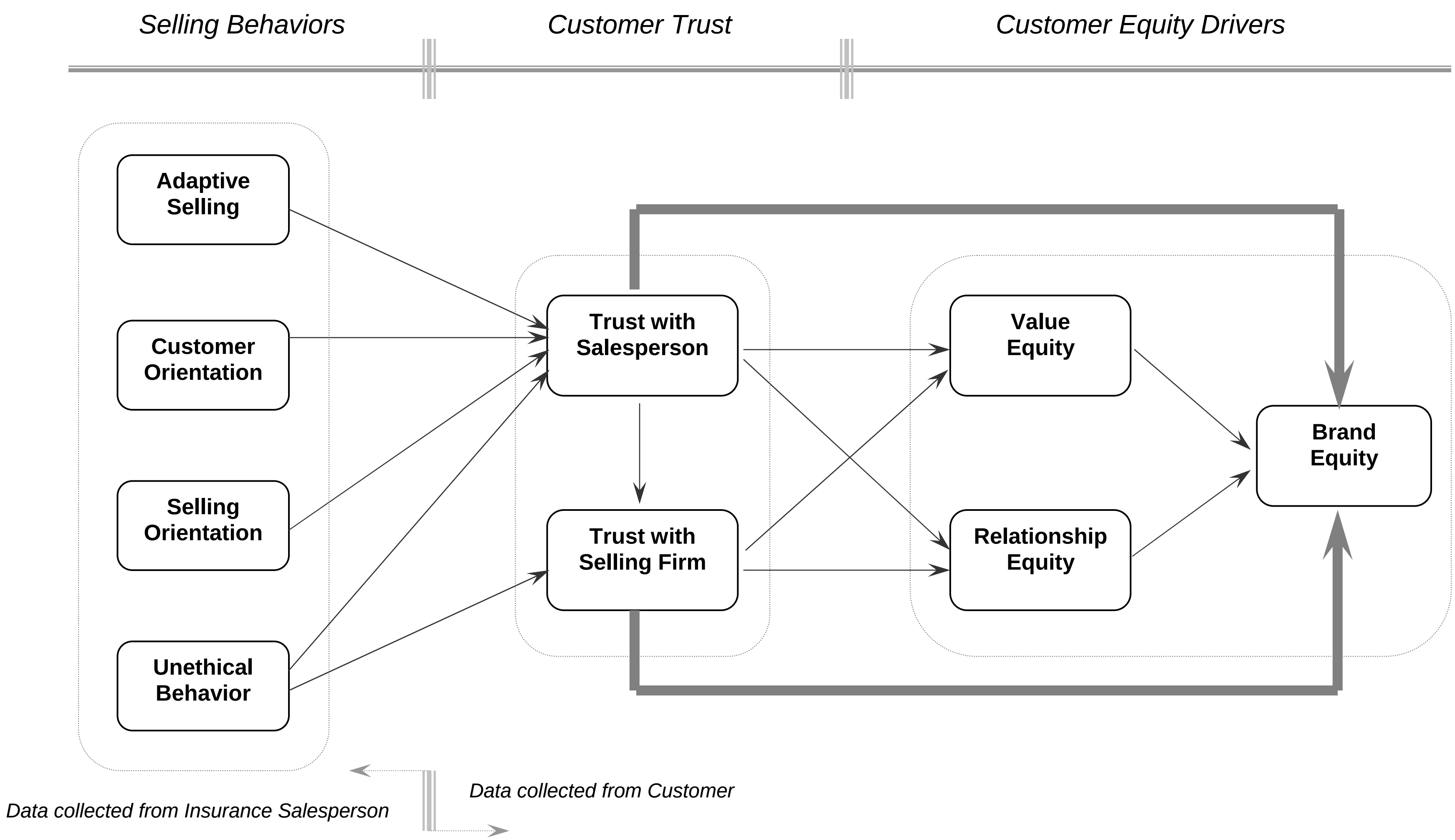


Figure 8: CONSTRAINED MODEL D

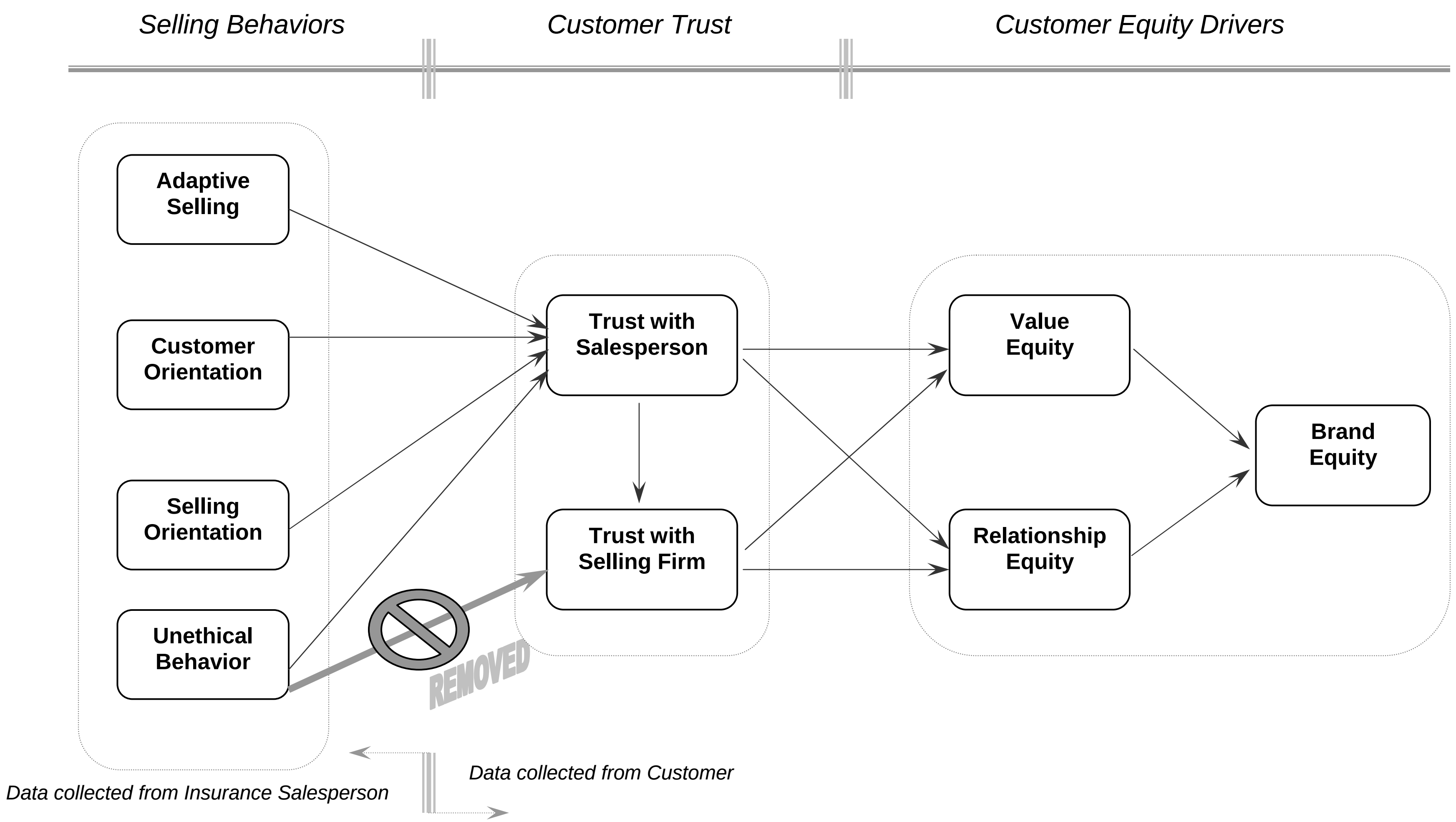
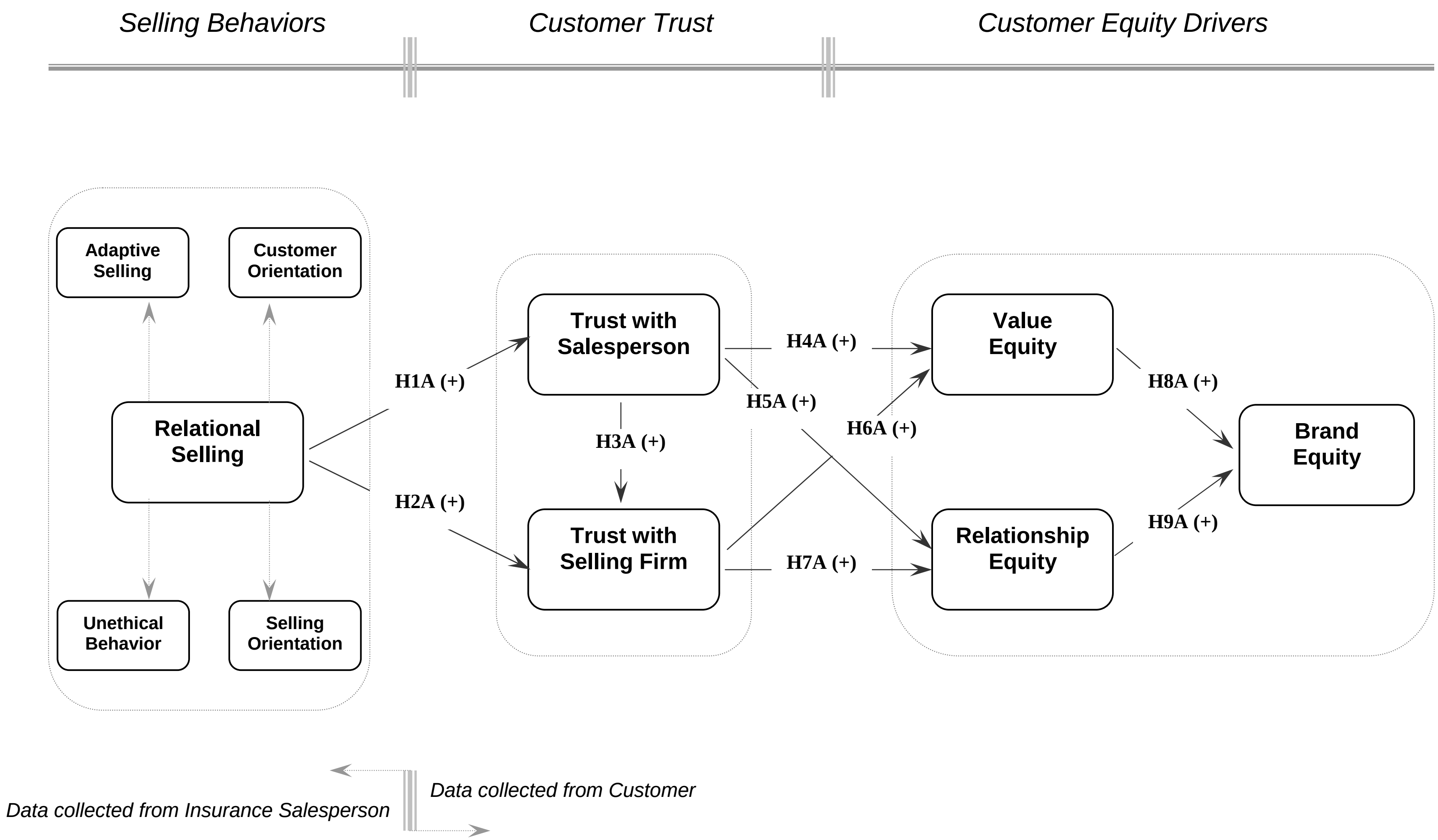


Figure 9: SECOND ORDER FACTOR MODEL



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