

Contemporary Challenges In Direct Selling

Dissertation Paper

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For Nevin. Because she deserves this title more than I do. Thank you for being the best support one can imagine.

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Table of Contents

Preface.....	5
List of Tables	3
List of Figures.....	4
Study I.....	10
Abstract.....	10
Introduction.....	11
Literature Review.....	18
Conceptual Framework and Hypotheses	23
Analytical Approach	34
Results	35
General Discussion.....	47
References	56
Appendix Study I	64
Study II.....	66
Abstract.....	66
Introduction.....	67
Study Setting and Relevant Literature	70
Conceptual Framework and Hypotheses	76
Analytical Approach	93
Results	94
General Discussion.....	100
References	110
Appendix Study II.....	118
Conclusion.....	121

List of Tables

Study I

Table 1: Comparison of study contents.....	7
Table 2: Hypotheses and related theories.....	26
Table 3: Means, Standard Deviations and Scale Intercorrelations.....	43
Table 4: Estimated Path Coefficients.....	46

Study II

Table 1: Means, Standard Deviations, and Scale Intercorrelations.....	92
Table 2: Comparison of Models.....	94
Table 3: Estimated Path Coefficients.....	100

List of Figures

Study 1

Figure 1: Characteristics of the direct selling business	18
Figure 2: Identification of the Research Gap.....	22
Figure 3: Conceptual Framework	23

Study 2

Figure 1: Conceptual Framework	76
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Preface

“The best system I’ve ever seen for intellectual distribution is the direct selling business – also known as one-to-one marketing, network marketing, referral marketing or relationship marketing” (Paul Zane Pilzer). The quote describes the business of direct selling, which is face-to-face selling without a storefront (Peterson and Wotruba 1996). Direct selling salespeople and their image are an essential part of media and addressed in books e.g., Willy Loman in *Death of a Salesman*, Blake in *Glengarry Glen Ross* or Gill in *The Simpsons* (Lee, Sandfield, and Dhaliwal 2007). In academia on the other side, there are only few studies that broach this topic: "The academic research literature on direct selling is still relatively sparse. In particular, relatively little research has been conducted on consumer responses to direct selling" (Barnowe und McNabb 1992, p. 25). This is surprising given the importance of the direct selling business and its significantly positive impact on both European and American economies, as well as the economies of developing countries. In an effort to overcome this research gap in academia and to provide direct selling companies a toolkit for tackling current challenges in the industry, the Direct Selling Association Germany and the Dr. Werner Jackstaedt Endowed Chair for Sales & Services Marketing initiated a research cooperation. In the frame of this cooperation project, several areas were identified which are showing the potential for research. From these topics two challenges were screened out as mutual concerns for theory and practice: the multilevel image of direct selling and its effects on consumer attitudes and behaviors, and, ethnic identification of salespeople and its effects on organizational identification and pro-organizational behaviors. The dissertation at hand is dedicated to the general topic of direct selling. The two separate studies, which are the building blocks of the dissertation, cover the two

topics which were identified as current challenges in the direct selling sales channel (see table 1).

Study I

Study I is dedicated to the analysis of *multilevel image* (namely the image of direct selling as a sales channel, the image of direct selling companies, and the image of their independent sales representatives) as well as their simultaneous effect on customer attitudes and behaviors (see table 1). Image can be defined as an organizational cue consisting of different associations related to the organization which manifests itself in consumers minds (Andreassen and Lindestad 1998). It has been and continues to be a challenge for the direct selling business (Lee, Sandfield and Dhaliwal 2007). In particular for direct selling companies the lack of a storefront increases the importance of psychosocial aspects such as image for customers when they assess the companies and their products (Stern, Zinkhan, and Jaju 2001). Even though previous studies address the problematic nature of image in direct selling, practitioners are still facing the following question: Where is the image problem situated – the direct selling channel, company, or salesperson level? Furthermore, in order to overcome the limitations of previous research, several facets of image were included (general, convenience, and trustworthiness) per level and all levels (sales channel, company and salesperson) were analyzed simultaneously regarding their effects on consumer attitudes and behaviors. Study I is devoted to analyzing the image topic in direct selling in a holistic manner and answer, amongst others, the following research questions:

- Are the images of different levels (sales channel, company and salesperson) similar, or do customers evaluate them as being different?
- How does multilevel image influence customers' preference for direct selling, their likelihood of contact and subsequent attitudes and behaviors

during their shopping journey e.g., product image and intention to purchase, as well as loyalty?

- Which dependent variables are affected by which level of image? To what extent?

Different theories such as social identity theory (Tajfel 1978), signaling theory (Spence 1973), and the accessibility-diagnostics framework (Feldman and Lynch 1988) are used as the groundwork for building the hypothesis for the research questions under scrutiny. The researched sample, consisting of 500 customers and 500 non-customers in direct selling, is the foundation of the multilevel regression analysis with which I examine the proposed hypotheses.

Contemporary challenges in Direct selling		
	Study I	Study II
Topic under scrutiny of research	Multilevel image	Ethnic identification of Salespeople
Exemplary research questions	How does multilevel image influence consumers attitudes and behaviors during the shopping journey?	How does ethnic identification influence the organizational identification and pro-organizational behaviors of salespeople?
Dependent variables under scrutiny of research	Preference for direct selling, likelihood of contact, product image (hedonic), product image (utilitarian), intention to purchase and multilevel loyalty	Organizational identification, adaptive selling, party booking, likelihood of recruiting, number of recruits and performance
Theories	Social identity theory (Tajfel 1978) Signaling theory (Spence 1973), and Accessibility-Diagnostics framework (Feldman and Lynch 1988)	Social identity theory (Tajfel 1978)

Table 1: Comparison of study contents

Study II

“Direct selling provides an opportunity open to absolutely everyone, regardless of background, specialized skills, or capital worth” (Paul Zane Pilzer). This statement underlines the importance of a diverse salesforce for direct selling companies. In particular regarding their ethnic background, direct selling employees are many-faceted. This arises from the fact that direct selling companies have always been trying to mirror and match their customers, especially by focusing on cultural similarity. Being the direct selling companies’ storefront, brand advocates and recruiters, salespeople play an essential role for the companies’ productivity and organizational performance. Especially, their ethnic identity and their ethnic identification are of utmost importance for organizational performance, since salespeople identification is the driving force behind salespeople motivation and behavior (Tyagi 1982) and ethnicity is very salient in direct selling organizations (Şahin and Kraus 2017). Although marketing literature acknowledges the importance of identity and identification for organizational behavior of salespeople, there is limited research on ethnic identification of salespeople (Ramarajan 2014). Not only in the world of academics this topic is of importance. Given their strategy of ethnic matching (salespeople and customers), for direct selling practitioners it is equally essential to understand the relationship between salespeople’s ethnic identification and their pro-organizational behaviors.

Study II answers, amongst others, the following research questions:

- Which behaviors of salespeople (organizational identification, adaptive selling, party booking, likelihood of recruiting and number of recruits) are influenced by ethnic identification of salespeople?

- Which aspects of ethnic identification (general, environmental, consumptive, ethnic openness) influence the different behaviors of salespeople? to what extent?

The conceptual framework and the derivation of hypotheses are built upon social identity theory (Tajfel 1978). For analyzing the research questions a large-scale data set of a major international direct selling company in the B2C sector was collected. Given the nested structure of the data (salespeople are nested within different teams and sales regions), a multilevel regression analysis was conducted to consider possible statistical interdependencies in observations.

Study I

How Does the Image of the Direct Selling Channel, Its Companies and Their Salespeople Influence Customer Attitudes and Behaviors in Their Shopping Journey?

Abstract

This study uses a large-scale data set from major direct selling companies to analyze the influence of multilevel image on consumer attitudes and behaviors in the direct selling sales channel. Multilevel image refers to the image of a) the direct selling sales channel, b) the image of the participating companies and c) the image of their independent sales representatives. Our results suggest that multilevel image in direct selling is critically significant, as it can influence consumer attitudes and behaviors on all stages of the customer journey map – starting with the likelihood of contact with a channel and company, through product attitude, to purchase intentions. Furthermore, our analyses reveal that the salesperson has an unparalleled significance for customers in direct selling, meaning that there is a tendency that salesperson image matters more regarding customer attitudes and behaviors than channel or company image. The effect of multilevel image on customers is moderated by the prototypicality of the salesperson with reference to the company. Our analyses illustrate that salesperson prototypicality regarding the direct selling company has more favorable effects than salesperson prototypicality with the channel. This study provides important implications for theory and crucial insights for direct selling associations and companies. Key managerial implications are that the classic business model of direct selling – not including advertising and only focusing on salespeople as their main customers – may need some adaptations. Also, our results provide evidence that it would be beneficial for managers to improve the

image, in particular of salespeople by advertising, training and the introduction of formal and informal management procedures. Furthermore, word of mouth communication of customers which is the key driver of lead generation in the channel, has to be properly influenced and elicited by independent sales representatives of the company.

Keywords: multilevel image, direct selling, dispersed sales teams, customer attitudes

Introduction

“Their inherently social model has the potential to make them uniquely suited to a marketplace in which trust, reliability, and a strong network are critical features of a competitive edge [...]” (Hyder 2017). This statement describes the very typical features of direct selling companies such as Amway, Mary Kay, and Tupperware. In fact, direct selling is enormously growing in popularity (Coughlan and Grayson 1998) and enjoys a prominent economic significance within the manifold array of distribution channels: Direct selling companies record sales of 21 billion dollars in Germany and expect the sales to rise by 5 percent for 2018 (University of Mannheim 2018). According to the World Federation of Direct Selling, direct selling companies have a 34.9 billion dollars direct retail impact on the economy of the US, and direct selling global sales amount to 189 billion dollars worldwide (WFDSA 2017).

Despite the success of the channel, several market research studies are showing that there is one main challenge that decision makers in this channel are facing, namely *image* (Lee, Sandfield and Dhaliwal 2007). Image is defined as a function of past experiences, as well as the result of the informational environment a company

provides to a customer (Andreassen and Lindestad 1998). It is the set of associations held in a consumer's memory (Madriral 2000) created predominantly by companies' advertising (Meenaghan 1995). Considering the fact that the number of channels available to customers is continuously growing (Valentini, Montaguti, and Neslin 2011) practitioners have to understand the reasoning behind the decision why consumers prefer to shop where they shop and what images and beliefs influence them in further shopping-related attitudes and behaviors. For a long-term marketing strategy, it is an essential part to understand how customers code and decode organizational cues such as image (Karaosmanoglu, Elmadag Bas, and Zhang 2011). For direct selling companies, image is especially important because of two reasons. Firstly, their customers indicate that the negative image of direct selling salespeople is the number one shortcoming that they associate with the sales channel (Raymond and Tanner 1994). On the other hand, practitioners are equally aware of this image challenge. In studies of the German Direct Selling Association, managers name image as the main challenge for direct selling companies (University of Mannheim 2015). Yet, they have diverging opinions regarding the source that causes this image challenge. Some of the participating directors in the survey consider the image issue as one which is situated in the direct selling sales channel: "The image problem is related to the direct selling channel rather than to the companies". Others believe that it is "the image of some salespeople that harms the image of direct selling companies" (University of Mannheim 2015).

Secondly, direct selling companies and their brands are intangible to some degree since there is rarely a physical entity, like a flagship store, for which customers could assess the physical attributes or functional benefits. Therefore, symbolic associations and psychosocial aspects such as image are very important for the consumers shopping decisions, behaviors and habits (Stern, Zinkhan, and Jaju

2001). Besides, image is also very crucial because new leads in direct selling are mostly generated through word of mouth of customers. These customers act as *partial employees* by attracting new customers through advertising the image of direct selling companies (Bendapudi and Leone 2003; Ahearne, Bhattacharya, and Gruen 2005). Moreover, specifically salesperson image plays a crucial role, because the majority of company performance in direct selling is created at the customer-salesperson interface. Similar to the services sector, in direct selling the role of salespeople in advertising and communication outweighs other advertising tools such as advertising, PR, sponsoring and even product design (Tomczak et al. 2005). The importance of image is also documented in theory: Previous research has shown that images which are established in customers minds before the sales encounter are a more important for a positive outcome of sales encounters than perceptions formed during the sales encounter. Moreover, these studies have illustrated that the quality of sales presentation and consultation is less effective in influencing attitudes than any kind of pre-formed attitudes of customers (Lieven and Schuwirth 2014). No matter from which level (sales channel, company or salesperson) the image problem arises from, it seems clear that combining the direct selling model with solving the image problem will allow these companies to perform at their best (Hyder 2017). To the best of our knowledge, there is no investigation that analyzes multilevel image in direct selling. We define multilevel image as the image of the direct selling sales channel and the image of its sub-elements, namely companies' image and salespeople image. Drawing on the literature of corporate image and retailer image research (Andreassen and Lindestad 1998; Guerhan-Canli and Batra 2004; Keaveney and Hunt 1992), we derive a framework of multilevel image and its effects on consumer attitudes and behaviors. To further investigate image effects, we analyze if the relationship between multilevel image and consumer attitudes and

behavior is contingent on prototypicality of salespeople with regards to the company and direct selling sales channel. Additionally, we investigate, if the relationship between multilevel image and dependent variables is contingent on the survey respondent being a customer of a direct selling company. Furthermore, we include the image source (How was the image built in consumers' mind? Was it adopted from friends' opinions, from family, or direct experience with the company and its products) as a potential moderator.

The purpose of this paper is to analyze the following questions: How does a) sales channel image, b) company image and c) the image of the salespeople in direct selling influence customer preference for direct selling and their likelihood of contact. Moreover, we raise the question how these images influence consumers' product image as well as their intention to purchase and their loyalty towards the channel and its sub-elements (hereafter also referred to as "multilevel loyalty"). In pursuing this proposition, we use a multilevel regression analysis and focus on salesperson image, keeping company and sales channel image in the model to differentiate their effects.

In summary, our study contributes to image as well as sales literature in several ways. To begin with, we analyze if customers perceive the image of the direct selling channel, its companies and its salespeople to be different – which in turn will allow us to derive conclusions about where the image problem might arise from. To the best of our knowledge, despite playing an important role for theory and practice, salespeople image and its effects on customer behavior have only been analyzed in a very limited way. Existing studies mainly focus on a limited number of image dimensions (image measured as expertise or appearance only), or they focus on a limited number of different attitudes and behaviors of customers during their shopping journey (only purchase intention or product image). By empirically linking

not only salespeople image, but company and sales channel image to consumer-related variables, we holistically analyze the majority of typical steps (behaviors) which customers engage in during their shopping journey.

Using our results, direct selling companies can detect where the image issue is arising from – the sales channel, companies or their salespeople. Subsequently, they can use our findings as a guideline for implementing image campaigns: e.g., shall they direct their efforts towards salespeople image, corporate branding, or cooperate within an association to solve the image challenge on a collective, sales channel level? Besides, our findings will allow practitioners to understand the differential effect of image on customer behaviors: Will salesperson image illustrate a positive relationship with customers' product attitude, while it might not influence customer loyalty? Will company image be the driving force behind customer loyalty? Or rather channel image?

A key asset of our study is testing multilevel image effects on consumers using a large-scale data set of 500 customers, and 500 non-customers of major direct selling companies in Germany. Our data set links data from two levels, salespeople and the company they belong to. The companies in the data set are from different branches, reaching from household goods companies, food sector to cosmetics and financial services. In addition, we match the companies' variables with their longitudinal sales data to check the robustness of our findings.

The remainder of this article is structured as follows: First, we illustrate the direct selling business and its main constituents. Subsequently, we present a literature review to identify our research gap. Then, we derive our hypotheses on the effects of multilevel image on consumer attitudes and behaviors, and on the moderating impact of salespeople prototypicality, and further moderators. This will be followed

by an illustration of our measures and methods. Subsequently, we close with a discussion about theoretical and managerial implications.

DIRECT SELLING SALES CHANNEL CHARACTERISTICS

Direct selling and its companies have several distinctive characteristics

1. **Direct selling business:** Direct selling includes face-to-face selling (see figure 1), without a storefront as a fixed location (Peterson and Wotruba 1996). The sales process is characterized by the direct and personal contact between seller and customer, allowing for an intensive exchange of information and individual consultation about products and services at the location of the customer (Engelhardt and Jaeger 1998). The distribution does not go from producer to wholesaler to retailer to the customer, but bypasses intermediaries. The channel can be categorized in door-to-door sales and party plan. In door-to-door sales representatives call customers, and make appointments for an in-house product demonstration (Friege, Kraus and Şahin 2013). Party plan is the second direct selling type where a commercial setting is embedded in a social context – prime example therefor is the company Tupperware (Johnson 1999; Tupperware 2008). Here, the host invites the salesperson, family and friends for a get-together at his or her house. At the gathering, the demonstrator of the party (salesperson) presents the products to the customers (Friege, Kraus and Şahin 2013). Most research defines direct selling as the sales of consumptive goods and services (Engelhardt and Jäger 1998). Direct selling companies' product portfolio for b2c customers ranges from cosmetics to household goods through to telecommunications (Ferrell and Ferrell 2012).
2. **Lead Generation:** Lead generation basically takes place via an inner sales cycle – that is induced by word of mouth behavior of customers who are asked

at in-home demonstrations to recommend the business to a friend or acquaintance. These new leads will then host or attend another party of the company (Friege, Kraus, and Şahin 2013). The outer sales cycle meaning external lead generation is another prospecting initiative of direct selling companies: Buying address data, telephone and online marketing are ways of finding new leads via external paths (Friege, Kraus and Şahin 2013).

3. **Customers:** Buyers are not only motivated to purchase by the characteristics of the goods, but because they derive utility from the social ties and exchange with the salesperson (Frenzen and Davis 1990). Similar to the services sector, customers appreciate relational ties because it reduces the risk of purchase (Wentzel 2009). Indeed, the relationship between customers and salespeople in direct selling can mostly be described as a *commercial friendship*. Direct selling companies are successful in turning customers to brand tribes, who represent an in-group who shares the same rituals, cults, and lives the brand and products of the company (Cova and Pace 2006).
4. **Salespeople:** The success of direct selling companies depends on their salespeople and on how customers perceive them (Ferguson 2017). The business relies solely on independent sales representatives (or hereafter also called ISR) to distribute the products which makes them a key success factor of direct selling companies (Coughlan and Grayson 1998). ISR are the direct selling company's brand advocates as well as showcase and advertising medium allowing them to spend low or no money for advertising (Berry 1997; Coughlan and Grayson 1998). As quasi entrepreneurs their responsibilities within the company include promotional selling, new product development, branding, ordering / payment, recruiting and mentoring, and relationship management in the retail function allowing the direct selling company to control its marketing

costs (Moorman 2017). Most of the time, the ISR are commission agents, who earn commissions for the products sold to customers, as well as from the sales team they recruit (Peterson and Albaum 2007). This method of incentivizing network marketing is the foundation of direct selling. So far, direct selling companies mostly cultivate relationships with their consultants, who are considered their 1st tier customers.

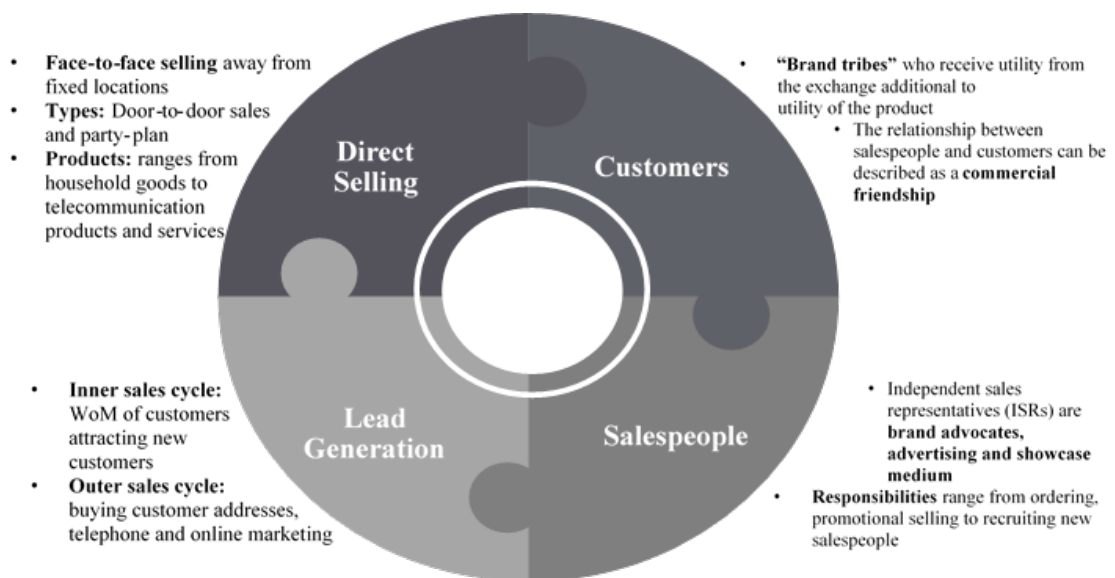


Figure 1: Characteristics of the direct selling business

LITERATURE REVIEW

Research has begun to advance knowledge with regards to image and its effects on consumer attitudes and behavior (see Figure 2 for an overview of prior research conducted in this field). Initially, the concept of image began to be studied in the early 1950s and is considered to play an important role in both attracting and retaining customers. Previous literature has mostly analyzed the effects of corporate image. In their research Andreassen and Lindestad (1998) assume corporate image to have a positive impact on customers' perception of quality, value, customers' satisfaction judgment, and customer loyalty. Many empirical papers are devoted to

revealing the nature of the relationship between corporate image and customers decision making. For example, Nguyen and Leblanc (2001) empirically test the nature of the relationship between corporate reputation, corporate image and their effect on customers loyalty decisions in the retail sector. Their main finding confirms the assumption that the “[...] degree of customer loyalty has a tendency to be higher when perceptions of both corporate reputation and corporate image are strongly favourable” (Nguyen and Leblanc, p. 231).

Some other authors incorporate evaluations, feelings, and attitudes toward a company into their conceptualizations of company image (e.g., Barich and Kotler 1991). Others refer to corporate image as the *associations and meanings* a person has about a firm (e.g., Martineau 1958). Most of the empirical research that has been conducted in image related papers tested and proved the relationship between corporate image and product evaluation (Brown and Dacin 1997; Guerhan-Canli and Batra 2004; Hsieh, Pan, and Setiono 2004; Madrigal 2000; Moon 2012). By distinguishing two types of corporate associations - corporate ability (CA) and corporate social responsibility (CSR), Brown and Dacin (1997) aimed to understand how the information consumers associate with a company affects their responses to the products and services offered by that company. Their findings demonstrate that different types of corporate associations (i.e., CA and CSR) influence product evaluations, in different ways. CSR associations have an impact on product evaluation, primarily through the overall corporate assessment. In turn, CA associations affect product evaluations both through product attribute perceptions and overall corporate evaluation.

Other researchers explored corporate image and its effect on brand evaluations (Berens, van Riel, and van Bruggen 2005; Brexendorf and Kernstock 2007; Brexendorf et al. 2010), loyalty (Andreassen and Lindestad 1998; Hart and

Rosenberger 2004; Martenson 2007; Karaosmanoglu, Elmadag Bas, and Zhang 2011; Tang 2007) and financial performance (Eberl and Schwaiger 2004; Roberts and Dowling 2002). With further development of corporate image theory, theorists have not only studied the latter mentioned variables in Western communities, but also explored the view of the Eastern scholars and consumers on the topic, and carried out comparative cross-cultural analysis (Souiden, Kassim and Hong 2006). Another limited research stream dwells on analyses related to sales channel image – testing how department store or retailer image influence consumer information processing (piecemeal vs. category-based processing) and resulting attitudes (Berry 1969; Keaveney and Hunt 1992), customer satisfaction (Yu and Ramanathan 2012), brand image (Pettijohn, Mellott, and Pettijohn 1992) and shopping habits in grocery stores (Doyle and Fenwick 1974/75). Gomez, McLaughlin, and Wittink (2004) conducted an empirical research measuring the relationship between store attribute perceptions and customer satisfaction. However, existing literature neglects the relevance of including frontline employees in image research (Barnowe and McNabb 1992; Brexendorf and Kernstock 2007; Wentzel 2009) although it acknowledges that images that customers hold of salespeople are influencing product and brand evaluations more than any external communication such as sponsoring, or other ways of advertising (Tomczak et al. 2005). Indeed, frontline employees and their image are as important as symbolic associations for positioning a company (Karaosmanoglu, Elmadag Bas, and Zhang 2011). Despite its relevance, salespeople' image virtually has been a topic under scrutiny mostly for practitioners in direct selling (University of Mannheim 2014).

Brexendorf et al. (2010) investigate the role of the salesperson as a channel of communication with customers. Their study reveals that attitudes towards a salesperson are linked to customer attitudes and behaviors on the corporate level,

meaning the loyalty to the salesperson is likely to have positive effects on customers loyalty to the products and the company. The findings support the important role of interpersonal encounters in attaching customers to a company (Brexendorf et al. 2010). Overall, the interdependence of salesperson image and customers loyalty is a first attempt towards focusing research on frontline employees' image. Wentzel (2009) further explores the relationship between employee behavior, the moderating effect of self-created employee image and the dependent variable *customers attitudes towards a company and its products / brands*. His experimental studies reveal that during commercial interactions between customers and salespeople consumers may or may not transfer their impressions of the salesperson's behavior onto the company's brand. The transfer between an employees' behavior and the customer's brand perception depends on the relevance and the content of information and associations regarding his / her person provided by the employee. For instance, when a salesperson representing the brand discloses brand-irrelevant information about his / her person, the behavior might not be transferred to the brand to the full extent. Wentzel's research confirms the proposition that employee's behavior has a significant effect on brand personality impressions depending on the image content they provide customers with, during commercial encounters.

Further investigation of previous research of salespeople image shows that studies merely analyzed salesperson appearance (Spears and Singh 2004), task competence, customer interaction competence (Brexendorf et al. 2010) gender, and expert image (Franke and Park 2006). Other research analyzed expertise of celebrities as spokespersons and their effect on customers' purchase intention (Ohanian 1991). In other disciplines, such as in studies in consumer psychology, researchers tested the effect of salesperson stereotypes (positive and negative valence primed in experiments) on consumer information processing (Babin, Boles, and Darden 1995)

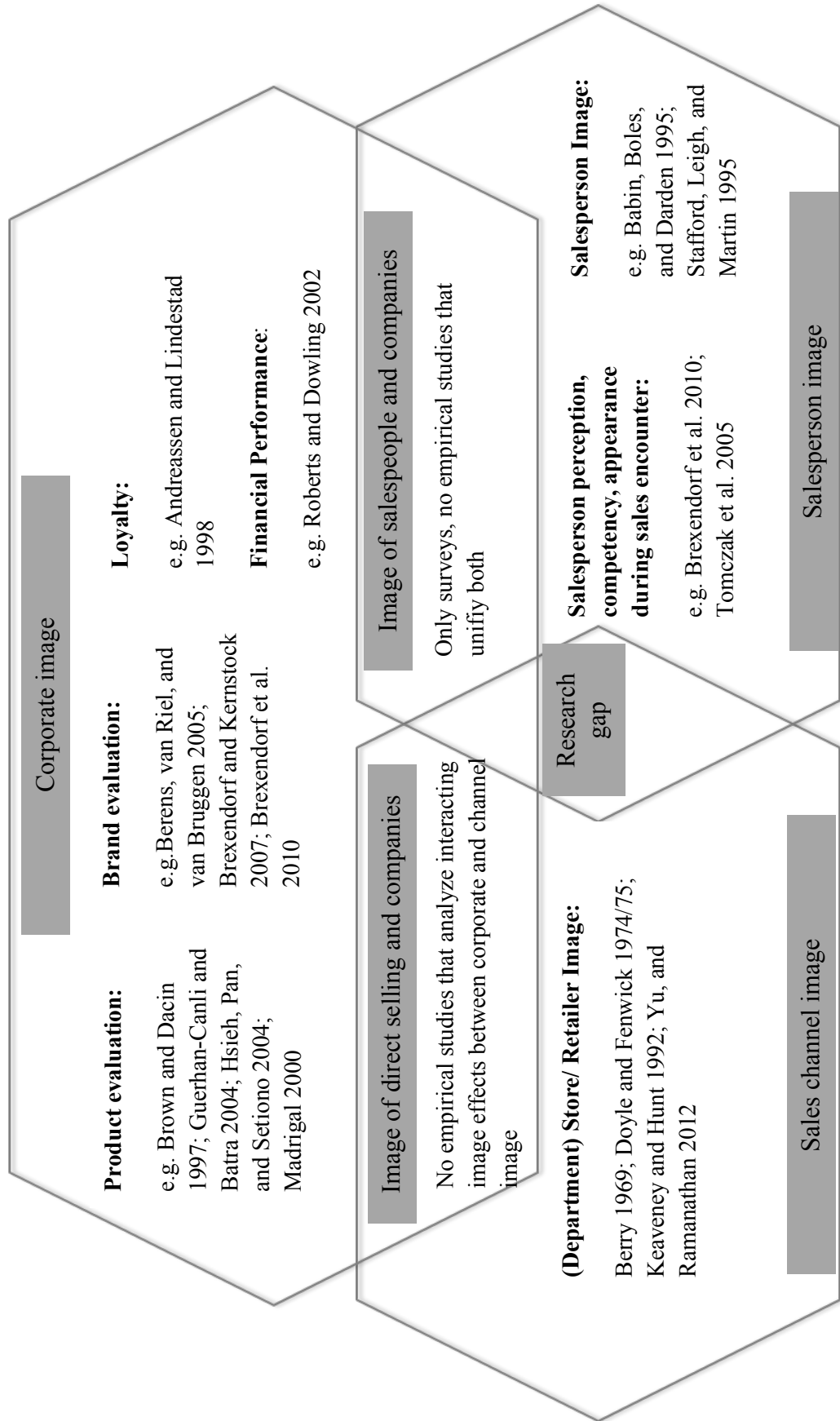
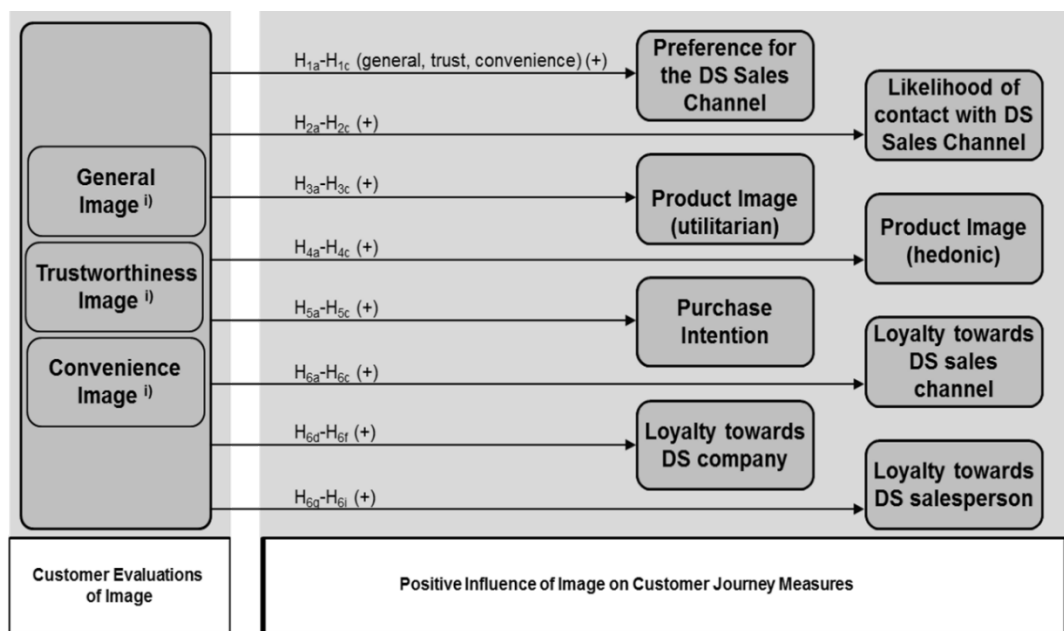


Figure 2: Identification of the Research Gap

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Figure 3 depicts the framework that guides this research and builds the basis for our hypotheses. The central construct in this framework is multilevel image: sales channel image, company image and salespeople image. As mentioned before, the inclusion of both channel, company and ISR image allows us to more comprehensively analyze the effect of image on customers.



i) Each image dimension is split into (general/trustworthiness/convenience) sales channel image, company image, and sales representative image. Note that we also controlled for customer's knowledge with reference to direct selling sales channel, company and sales representatives as well as participants' gender and education level. For reasons of simplicity moderating factors - namely, customers versus non-customers, image source (WoM, direct experience with the sales channel (or its products) or from the media), door-to-door or party-plan company, products versus services, sales representatives' prototypically with the company and sales channel - are not depicted in the figure.

Figure 3: Conceptual Framework

Below we explain the theoretical background, which underpins our conceptual framework and which we subsequently rely on to build our hypotheses: *Social identity theory, signaling theory and accessibility-diagnostics framework* explain the effects of image on attitudes and behaviors of customers. Social identity theory (Tajfel 1978) describes humans' inherent need for categorization of individuals and objects under scrutiny (Allport 1954). Signaling theory explains that relying on signals from an object under scrutiny helps to categorize it (Spence 1973). Image can be interpreted as a signal, that helps individuals to categorize objects and can be

described by the total set of beliefs in a persons' mindset. According to Fishbein and Ajzen (1975), beliefs e.g., in form of an image, form attitudes which might result in intentions and in subsequent behavior. Depending on situations, people rely on different type of beliefs that are activated (primed) by their memory. Priming refers to the activation of knowledge structures by the current situation (Bargh, Chen, and Burrows 1996). Briefly, this means that images, activated in customers mind, vary in their situational impact regarding a decision they are using the images for (Batra and Homer 2004). Which belief will have more or less impact on the cue utilization process depends on the *accessibility and diagnosticity* of beliefs (Feldman and Lynch 1988). According to this theory, the likelihood that a belief will be used is determined by the (1) accessibility of the belief in memory, (2) the perceived diagnosticity of the belief for the judgment of the decision matter and the (3) accessibility of other information in memory. In direct selling, having mostly commercial friendship relationships, social-motivational images and cues are very important for customer decision making. These cues refer for example to the credibility and likeability image of a salesperson or a company. Given the impact of image on individuals' behavior, we predict positive effects of image on customers' attitudes and behaviors. In the following, we further elaborate those behaviors, that we propose to be positively influenced by multilevel image (see table 2).

Hypothesis	Theory
Preference for direct selling	
H_{1a}: Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	Signaling theory, Accessibility-Diagnosticity framework:
H_{1b}: Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	Image is a diagnostic and an available cue that customers rely on when making decisions regarding preference and contact likelihood
H_{1c}: Direct Selling ISR convenience image Direct Selling company ISR convenience image Direct Selling ISR' convenience image	

Hypothesis	Theory
Likelihood of contact	
H_{2a}: Direct Selling general image Direct Selling company general image Direct Selling ISR general image	
H_{2b}: Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	
H_{2c}: Direct Selling ISR convenience image Direct Selling company ISR convenience image Direct Selling ISR' convenience image	
H_{3a}: Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	
H_{3b}: Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	
H_{3c}: Direct Selling convenience image Direct Selling company convenience image Direct Selling ISR' convenience image	
Product image (utilitarian)	
H_{4a}: Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	Signaling theory, Accessibility-Diagnosticity framework: Image is specifically influencing hedonic product attitude because emotionally loaded information is easily accessible in memory
H_{4b}: Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	
H_{4c}: Direct Selling convenience image Direct Selling company convenience image Direct Selling ISR' convenience image	
Intention to purchase	
H_{5a}: Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	Signaling theory, in commercial friendships salesperson images may signal trust and influence subsequent purchase intentions
H_{5b}: Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	
H_{5c}: Direct Selling ISR convenience image Direct Selling company ISR convenience image Direct Selling ISR' convenience image	

Hypothesis	Theory
Loyalty	
H_{6a}(LOYDS): Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	Signaling theory, Accessibility-diagnostics framework: corporate image not quite visible; other agents such as salespeople are signals used by customers to develop loyalty
H_{6b}(LOYDS): Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	
H_{6c}(LOYDS): Direct Selling ISR convenience image Direct Selling company ISR convenience image Direct Selling ISR' convenience image	
H_{6d}(LOYCOMP): Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	
H_{6e}(LOYCOMP): Direct Selling trustworthiness image Direct Selling company convenience image Direct Selling ISR' trustworthiness image	
H_{6f}(LOYCOMP): Direct Selling convenience image Direct Selling company convenience image Direct Selling ISR' convenience image	
H_{6g}(LOYISR): Direct Selling general image Direct Selling company general image Direct Selling ISR' general image	
H_{6h}(LOYISR): Direct Selling trustworthiness image Direct Selling company trustworthiness image Direct Selling ISR' trustworthiness image	
H_{6i}(LOYISR): Direct Selling convenience image Direct Selling company convenience image Direct Selling ISR' convenience image	

Table 2: Hypotheses and related theories

Preference for direct selling channel and likelihood of contact with a direct selling company. Preference for a sales channel refers to choosing a sales channel over other channels, whereas likelihood of contact relates to the fact that customers are likely to accept a contact request initiated by an ISR (door-to-door company) or their willingness to host or attend a party or home demonstration (party plan company). As we have explained before, lead generation is an important success factor for direct selling companies and both *preference for direct selling* and *likelihood of contact* epitomize proxies for lead generation potential.

Choosing a specific sales channel over other channels can be traced back, inter alia, to variables such as marketing efforts of companies (Knox 2005) or channel category images (Inman, Shankar, and Ferraro 2004; Kushwaha and Shankar 2005). However, in direct selling and its characteristic *commercial friendship*-relationships, there is not only utility of acquisition which is mostly related to products and channel category images, but utility of exchange, which is measured by the strength of social ties that connect the invitees to the salesperson and to the hostess of a party (Frenzen and Davis 1990). Therefore, preference for direct selling over other channels and the likelihood of contact are related to the utility of the social transaction, including more relational aspects than in other channels (Cialdini 2006). Also, since there is almost no advertising in direct selling, customers are likely to consider images they have in mind as being diagnostic, when they make decisions about where to shop. Especially salesperson image, that stands for the relational aspect in direct selling, is likely to take on prominence for preference and contact decisions (Price and Arnould 1999). Therefore, we hypothesize image has a positive impact on customers' preference for direct selling and likelihood of contact.

Hypothesis 1a-1c: Preference for the Direct Selling Sales Channel (PrefDS) is positively influenced by direct selling image, direct selling company image and direct selling ISR' image

Hypothesis 2a-2c: Likelihood of contact with Direct Selling company (ContactDS) is positively influenced by direct selling image, direct selling company image and direct selling ISR' image.

Product image that consists of beliefs regarding hedonic and utilitarian characteristics of products, is another important dependent variable we want to put in relation with multilevel image. Past literature has shown that through corporate associations marketing managers can leverage what consumers do know about a company to compensate for what they do not know about their product (Brown and Dacin 1997). In many situations, consumers cannot fully evaluate all product

attributes prior to purchase or at the time of purchase this information is missing and consumers have to draw inferences from image, as a signal, to evaluate this missing information (Brown and Dacin 1997). This is, however, most likely to happen when corporate image is dominantly visible. Especially in situations where manufacturers do not have an established brand or do not have enough advertising to signal quality, they additionally use the reputation or image of another agent to signal quality to consumers (Chu and Chu 1994). In direct selling, the face-to-face communication prevails and it is the ISR who is a marketing tool for the company rather than conventional marketing media such as advertising or public relation. Especially, customers hedonic product attitudes are influenced by salespeople image, because on parties that they attended, salespeople loaded their beliefs with emotional and symbolic benefits of the product. Emotionally loaded images are mentally more accessible and therefore more diagnostic for the decision at hand (Levine and Pizarro 2004). This reasoning leads to the following hypotheses:

Hypothesis 3a-3c: Product image hedonic (ProdHimg) is positively influenced by direct selling image, direct selling company image, and direct selling ISR' image

Hypothesis 4a-4c: Product image utilitarian (ProdQimg), is positively influenced by direct selling image, direct selling company image, and direct selling ISR' image

Intention to purchase. To predict consumer behavior, it is best to measure the customer's intention to perform a specific behavior, in this case making a purchase (Fishbein and Ajzen 1975). The higher the purchase intention, the higher is the possibility of actual purchase behavior (Dodds, Monroe, and Grewal 1991). The relationship between how customers perceive salespeople and their purchase intentions was partly analyzed in previous research. Studies have proven, that salesperson' appearance influences the intention to purchase from that salesperson (Ferguson 2017).

Ohanian (1991) reported that the perceived expertise and trustworthiness of celebrities as spokespersons impacts customer purchase intention. However, she found only limited evidence for the proposed relationship, proving that only the expertise dimension influences purchase intentions. Empirical work in direct selling illustrates that the attitudes customers hold towards a hostess of a party positively influence customers' purchase intentions (Frenzen and Davis 1990). We propose that not only the beliefs that customers hold towards the hostess influence customer purchase intentions, but the image of the company and the ISR. In direct selling the buyer-seller relationships are very close and the salesperson extensively reveals the company's and his / her own self-image. Purchase intentions are likely to be influenced by all of those images, because the image of a salesperson can signal trust and reduce risk (Comstock and Higgins 1997) which is especially important for direct selling customers (considering the lack of a storefront and advertising that could alternatively build trust). Therefore, we propose the following hypothesis:

Hypothesis 5a-5c: Purchase Intention (PurchaseInt) is positively influenced by direct selling image, direct selling company image, and ISR' image

Loyalty. Any kind of contact with products, brands and objects in general can create loyalty (Brexendorf et al. 2010). Loyalty and its influencing factors are important variables to analyze in the direct selling context because loyalty affects, inter alia, the word-of-mouth behavior of customers (Andreassen and Lindestad 1998). The latter mentioned is crucial for direct selling because direct selling companies' lead generation and advertising strategy are built on customers sharing their shopping experience with other potential customers – a sound word-of-mouth reputation is the basis for the direct selling business (Friege, Kraus, and Şahin 2013). Past research has shown that whenever companies are difficult to evaluate and advertising (such as public relations or direct marketing) is noisy or not employed

by companies, the effect of corporate image on loyalty will be strong (Andreassen and Lindestad 1998). However, similar to the reasoning we have built our hypotheses H₃ and H₄ on, here also, the effect of corporate image on loyalty will not only be dependent on corporate image, but ISR image. This lies in the fact that corporate image in direct selling is not as visible as in other sales channels and the ISR is a central connector who greatly affects attitude and commitment towards the company and its products (Jones, Taylor, and Bansal 2008) as well as towards the channel itself. Verily, the ISR contact is the only one that exists between a customer, the company and the sales channel. Therefore, we propose that beyond corporate image, it is ISR image that is used as a diagnostic signal to rely on, regarding customers' loyalty.

Hypothesis _{6a-6i}: Loyalty towards direct selling sales channel, the direct selling company, and the salesperson (LoyDS, LoyComp, LoyISR) is positively influenced by direct selling image, direct selling company image and the ISR' image

Moderators. In our analyses, we consider moderators that attenuate or magnify the effects of image levels on dependent variables. In the first place, it is of relevance to test how customers versus non-customers evaluate the different image levels and the respective dependent variables. We assume that customers versus non-customers will respond differently, because once individuals come to a party and see the atmosphere and get to know the channel, their images and stereotypes can critically change (Şahin 2014). Another moderating factor is the origin of image in customers' mind – namely elicited by word-of-mouth of other customers, direct experience with the sales channel (or its products) or from the media (advertising, social media etc.). WoM based image might have a different effect on individuals' behavior, compared to images that are based on a party experience or contact with salespeople or products (Meenaghan 1995). Another moderator that we integrate in

our analysis is *prototypicality*. Assimilation and contrast theories in categorization processes explain that the more prototypical an object under scrutiny is considered for a certain category, the more likely it will be included in that category and the more likely similar characteristics and behaviors will be ascribed to the category and object (Martin 1986). Applied to our analysis this means the following: We analyze how ISR' prototypicality regarding the company and regarding the sales channel they are working for moderates the effect between image and dependent variables. Along the same lines, we want to answer the following: Does the image of salespeople who are highly prototypical for a company affect company related attitudes and behaviors of customers differently than it is the case for salespeople with a lower company-prototypicality.

Controls. Testing our hypotheses requires considering variables that previous studies have found to be influential. Thus, we controlled for customer's knowledge with reference to direct selling sales channel, company, and salespeople. Further, we controlled for participants' gender and education level, to optimize our conceptual framework's specification.

Measurement Model

In two pre-studies we asked focus groups with participating young professionals (prestudy 1) and CEOs of leading direct selling companies in Germany (prestudy 2) to evaluate our framework.

Measures. The Appendix provides a complete list of measurement items used in the study. For all measures, we used multiple item seven-point Likert scales.

Independent Variables: Images of Direct Selling (Channel), Direct Selling Company and ISR. For the image construct multidimensionality is important in

measuring it (Brown and Dacin 1997). Including dimensions which are particularly relevant for practitioners, allows us to derive differentiated implications for direct selling companies based on our analyses: While traditional companies have to manage customer-to-customer relationships (Karaosmanoglu, Elmadag Bas, and Zhang 2011) direct selling companies, by the means of their salesforce, have direct influence on it. The question for direct selling companies, therefore, is not how to manage, but how to influence customer-to-customer interactions, e.g., WoM behavior. This is possible by considering different level images and including different facets of image that are supposed to influence customers' attitudes and behaviors at different stages of their journey. Therefore, in our prestudy 1, participants were interviewed regarding which dimensions and facets should be included in the image framework.

The dimensions that emerged in the frame of the qualitative study were general image, trustworthiness, and convenience image. To measure the general image construct, we used Ahearne, Bhattacharya and Gruen's (2005) scale. To operationalize trustworthiness and convenience image we used the scale established by Ahearne, Gruen and Jarvis (1999). For the assessment of these scales, the respondents were asked to imagine a scenario with one company in direct selling that they are familiar with and that they use as a basis for judgment of these aspects. All the following scales are assessed in the same manner.

Outcomes. Participating managers in prestudy 2 suggested the following attitudes and behaviors that customers engage in their shopping journey, as crucial for direct selling: *Preference for direct selling, likelihood of contact, product image, purchase intention, and loyalty.* We measured all dependent measures on seven-point Likert scales. We measured attitude towards the product on two subscales, assessing the product image (hedonic image) and product quality (utilitarian image). The purchase

intention measures asked the respondents to assess the intention to buy on a three-items Likert-scale. Subjects rated the multilevel loyalty on a two-item scale, respectively for direct selling sales channel, company, and salesperson.

Moderator measures. To operationalize perceived similarity and fit between direct selling sales channel and salesperson, as well as direct selling company and salesperson we used the prototypicality scale by Van Knippenberg and van Knippenberg (2003).

Validity and Reliability of the measurement. For scale validation purposes we conducted a pretest with 50 participants to test our questionnaire. Using an exploratory factor analysis and a confirmatory factor analysis we changed certain items and their constellation in the battery. Assuming that convenience image of direct selling channel, direct selling company, and ISR can be differentiated by customers, we started measuring it as three separate factors. However, as the factor analysis has shown, the scale items were not loading on separate factors: While the ISR' convenience image was loading on one separate factor, the sales channel and company convenience image were belonging to one common factor.

Based on this result, we used one factor for convenience image sales channel and company (conv DSC & COMP) allowing the items of the former two subscales to load on this factor. The same observation applied to the subscales trustworthiness image of direct selling channel and company (trust DSC& COMP). Evidently, here too, the survey respondents cannot separate between sales channel and company. This finding potentially lies in the nature of direct selling (University of Mannheim 2015): There is limited awareness for the direct selling sales channel, compared to alternative channels. Whenever there is limited amount of information about an entity or limited contact, customers tend to use stereotypes and subsume or

assimilate the object under evaluation in a category stereotype they have in mind (Pettigrew and Tropp 2006). The customer who interacts with a limited amount of direct selling companies evaluates the convenience image of a company, based on a party he attends for instance. In a second stage, the customer uses this convenience image as a prototype to generalize it to the entire sales channel – meaning that he most likely subsumes the channel convenience image under company convenience image. This effect is strengthened since there is no advertising that specifically points out to convenience factors of the channel itself.

In addition to an exploratory and confirmatory factor analysis, Cronbach's Alpha was used to assess the reliability of the items within each factor. Cronbach's Alpha of all constructs exceeded the widely recognized rule of thumb of 0.7 and therefore the scales deemed acceptable (Nunnally 1978). Discriminant validity and convergent validity were examined through a CFA analysis. All factor loadings of the indicators to their respective latent constructs were significant. Furthermore, the lowest composite reliability was .79 and the lowest average variance extracted was .6 (see table 2), providing evidence that all constructs possess adequate reliability and convergent validity (Bagozzi 1980; Fornell and Larcker 1981). In addition, all squared correlations between the latent constructs were smaller than the average variance extracted from the respective constructs, further supporting the measures' discriminant validity (Fornell and Larcker 1981).

Analytical Approach

In our questionnaire, participants were asked to imagine a scenario with a direct selling company they have purchased from (for participants who indicated to be a customer in the first part of the questionnaire) or a direct selling company that they know (in the non-customer case). Each respondent evaluating images and dependent

variables, based on one company which is used as a reference point, is nested in this exact company. Therefore, their answers could vary across different companies but observations such as image evaluations of salespeople belonging to the same company, might be interdependent. Thus, we determined that a two-level approach was warranted. We examined intra-class correlation coefficients (ICC) and corresponding design effects to ascertain the extent of systematic group-level variance (Duncan et al. 1997). The resulting ICCs indicate that the proportion of total variance accounted for by between-cluster variation is of sufficient size to substantiate a multi-level approach. In order to account for the hierarchical structure of the data, a multi-level model using Stata was estimated (Raudenbush and Bryk 2002). In our study, companies are regarded as level 2 variables because the respondents are nested within different companies. An important requirement for a profound multi-level approach is that the ratio of level 1 to level 2 variables should be at least 1 to 10 (Hox 2002). In our case, we have 26 level 2 observations and a minimum of 2 observations on level 1.

RESULTS

To begin with, we analyzed the image ratings of direct selling channel, companies, and ISR. Thereby we differentiated by ratings of the customers in our sample and average ratings of managers of major direct selling companies. Firstly, we touch upon the results of the customer ratings. On average, customers consider the general image of companies to be better than the image of ISR - independent of the gender of the respondent, independent of the respondent being a customer or non-customer, a purchaser of party plan versus door-to-door sales products, and independent of the respondent's age. Yet, for party plan companies, the ISR' image rating is higher than for door-to-door companies'ISR. Regarding trustworthiness image, the assessment

of customers regarding salespeople trustworthiness image and companies' trustworthiness image is the same. However, the sales channel is considered to be less credible than companies and salespeople. A more detailed look at the segments shows that this evaluation holds for customers – while non-customers rate trustworthiness image of companies better than the trustworthiness image of the salesforce. The lower ranking status of salespeople applies also to the convenience dimension of image. Companies illustrate a higher convenience image than salespeople for both gender types and for both party plan and door-to-door sales. The product image, hedonic as well as utilitarian, is assessed higher than all image dimensions of sub-elements (channel, company, and ISR) according to respondents. A direct comparison of image assessments done by companies and by customers reveals disparities in image evaluations: on average, high-level managers of companies rate their general company image higher than customers evaluate it. The same applies to ISR image. Company managers rate the general ISR image more positively than customers do. For the image of the direct selling channel, there is, however, an underestimating of image by company managers. Customers have a more positive image of the direct selling channel than company managers do. Besides, assessing the customer ratings with regards to preference for direct selling and likelihood of contact, there are some important insights: Regarding contact likelihood and preference for direct selling, it turns out that their ratings are below average (3.6 and 3.3 respectively) on a 7-point Likert scale. However, loyalty is relatively high (4.7) compared to the latter value.

In a second step we tested our proposed hypotheses: We employed a likelihood ratio test (LR), as well as Akaike's information criterion (AIC) and the Bayesian information criterion (BIC) to compare the fit of the models (Akaike 1974; Raftery 1995). We first conducted an intercepts-only model. The LR test, that compares the

random intercept model with the linear model confirmed that the estimated random intercept models fit the data better than linear models.

The results indicate a positive relationship between general images of sales channel and general image of ISR and preference for sales channel (H_{1a} : e.g., $\beta_{\text{gen img ISR}} = 0.12$ $p < .05$) and a positive relationship between trustworthiness image of ISR, trustworthiness image Direct selling channel & direct selling company and the dependent variable preference for direct selling (e.g., H_{1b} : $\beta_{\text{trust img ISR}} = .13$ $p < .01$ $\beta_{\text{trust img DSC\& Comp}} = .09$ $p < .01$), supporting H_{1a} and H_{1b} . We only find partial proof for our proposed H_{1c} , that posits a positive relationship between ISR convenience image, convenience image Direct Selling and Direct Selling Company, and preference for the direct selling channel. While convenience image Direct Selling and Direct Selling Company has an influence on preference, ISR convenience does not show any significant effect. Besides, we find evidence for the assumed positive relationship between all image variables and product image (e.g., H_{3c} : $\beta_{\text{ISR conv img}} = .21$, $p < .01$), which substantiates H_{3a-3c} . The positive impacts of image variables on product quality image can be partially supported. All image variables except salesperson general image have a positive influence on product quality. Hypothesis H_{5a} that relates to the dependent variable intention to purchase cannot be supported, whereas we find evidence to support H_{5b-c} (e.g., H_{5b} : $\beta_{\text{ISR trust img}} = .30$, $p < .01$). Regarding multilevel loyalty (loyalty towards the ISR, loyalty towards direct selling company and loyalty towards direct selling sales channel) we found the following results: Only direct selling general image has a positive influence on loyalty towards the channel, therefore H_{6a} is partially supported. Besides, all other image variables have a significant positive influence on loyalty towards the sales channel, therefore H_{6b-c} can be proven. We find partial evidence for H_{6d} : The direct selling company's general image has a significant influence on loyalty towards the company, while the

other general image variables are not found to be influential. The positive impacts of trustworthiness image and convenience image on loyalty towards direct selling company can all be supported, and therefore we can validate our proposed hypotheses H_{6e-f}. Regarding loyalty towards the ISR we found the following results: There is no evidence for H_{6g} because none of the general image variables have a positive impact on salesperson loyalty. H_{6h} and H_{6i} can be confirmed.

Finally, we tested whether prototypicality moderates the relationship between image variables and the dependent variables. We found a significant moderation effect (interaction term $\gamma_{\text{trust img Proto/ISR/Comp}} = .09, p < .05$) implying that the relationship between trustworthiness image and loyalty towards direct selling channel is stronger when prototypicality of salespeople regarding the company they work for is high than when it is low. Also, the effect of trustworthiness image of salespeople on loyalty towards the company is stronger when salespeople are considered prototypical for the company (interaction term $\gamma_{\text{trust img Proto/ISR/Comp}} = .09, p < .05$). We did not find a moderation effect for prototypicality between salesperson and direct selling channel and the loyalty towards the channel. The effect of trustworthiness image Direct Selling & Direct Selling Company on product quality is also moderated by salesperson prototypicality with the direct selling company ($\gamma_{\text{trust img Proto/ISR/Comp}} = .12, p < .05$). Besides, the effect of trustworthiness image Direct Selling and Direct Selling Company on company loyalty is stronger when the ISR is considered as prototypical for the respective company. Also, the effect of convenience image Direct Selling & Direct Selling Company on preference for direct selling is stronger when the salesperson is regarded as more prototypical regarding the company ($\gamma_{\text{convingISR Proto/ISR/Comp}} = .06, p < .05$).

Regarding the moderator *customer and non-customer*, our analyses showed the following results: trustworthiness image ISR affects preference for direct selling

channel stronger for non-customers than customers ($\gamma = .08$ $p < .05$). This is in accordance with previous empirical studies that showed that the trustworthiness of salesperson has a stronger effect on consumer attitudes in cases where customers had an a priori neutral or negative opinion versus an a priori positive opinion about the salesperson (Sharma 1990). This is transferable to our customer and non-customer case, because our results show that customers hold a more positive trustworthiness image regarding salespeople than non-customers (University of Mannheim 2017).

General image direct selling channel affects non-customers' product image evaluation stronger than the evaluation of customers ($\gamma_{\text{customer /gen img Comp}} = -.13$ $p < .05$). We find the same significant moderation effect between general image direct selling sales channel and product image quality ($\gamma_{\text{customer /gen img DS}} = -.09$ $p < .05$). Regarding the moderator products versus services the analyses illustrate the following: there is a tendency for customers in services to prefer direct selling less for convenience reasons than customers in products industries. However, the main and moderator effects are very little – most likely due to low proportion of companies in services industry in our sample. Another moderator which was analyzed is image source. Image source moderates many relationships between image and customer attitudes and behavior such as the following: General image direct selling, company and ISR have a stronger influence on contact likelihood when the image is obtained from friends and acquaintances, rather than through personal experience, social media, or other media ($\gamma_{\text{friends}} = .12$ $p < .05$). On the other hand, convenience image and trustworthiness image of ISR have a stronger influence on product image, quality, and loyalty when image source is personal experience rather than friends or acquaintances ($\gamma_{\text{personal}} = .09$ $p < .05$).

Controls

In examining the control variables, we found significant relationships between the controls and the dependent variables. Education showed a significant effect on product image (customers with “Hauptschulabschluss” evaluate product image significantly better, than the customers in the reference category “University degree” ($\beta_{\text{Hauptschule}} = .15$ $p < .01$). Furthermore, the control variable “knowledge” has a significant influence on several dependent variables such as product image ($\beta_{\text{knowledge}} = .19$ $p < .01$) and preference for direct selling ($\beta_{\text{knowledge}} = .21$ $p < .01$). The results show that despite the presence of knowledge, gender, age, and education as well the variable customer non-customer as controls, our predicted effects still hold.

Post-hoc Analysis

There are indications in the data that the effects of the independent variables on the dependent variables are different in their effect strength. Theoretically, the difference in effect strength in our data can be explained by information processing models and the accessibility-diagnostics framework, that we illustrated before (Feldman and Lynch 1988). Depending on the position in the customer journey map, different images have stronger influence on consumer attitude and behavior. In purpose to explain their differential influence, we categorized images according to the theory of Fishbein and Ajzen (1975). Images are regarded, as we have explained before, as beliefs. Beliefs can differ in their abstraction level. The most abstract ones are generated by tendency through indirect interaction with a stimulus and used when past knowledge (gained through friends or media for instance) is related to a current stimulus. General image (direct selling, company, and ISR) can be assigned to this category. Empirical findings support this categorization, because as the moderation analysis shows, general image has a stronger influence on customer

attitudes when the image was acquired from friends or acquaintances. The second type of beliefs belongs to informational and descriptive beliefs. These can be derived from social environment and sources such as endorsers or formed through direct experience with the stimulus. Convenience image and trustworthiness image belong to this less abstract category. In our post-hoc analysis we find patterns which image level (direct selling, company, or ISR) and within these categories which image type (general, convenience, trustworthiness) is influential at different stages of the customer journey map.

The post-hoc relationship analysis for image variables and the dependent variable *preference for direct selling* illustrates that *general image ISR* overall has the strongest influence on preference for direct selling. Consequently, with regards to the general images, *general image ISR* influences preference for direct selling more than *general image direct selling and company*. In effect, the *general image of company* does not show any significant relationship with *preference for direct selling*. The same effect strength tendency applies for the relationships between image variables and *contact likelihood*. *General image of the ISR* affects *contact likelihood* most, while the relationships between other general image variables and contact likelihood are not significant. The second most influential image variable on contact likelihood after *general image ISR*, is trustworthiness image Direct Selling and Direct Selling Company.

The post-hoc analysis of the relationship between image variables and product image shows that overall, within all image variables, *convenience image* of ISR illustrates the strongest influence on *product image*. Regarding general image variables only, the analyses show indications for the following: *general image company* is most influential (other general image variables illustrate almost no influence) on product image.

With reference to the dependent variable *intention to purchase*, the post-hoc analyses illustrate the following: None of the general image variables show a significant influence on intention to purchase. In fact, convenience image ISR has the strongest effect on *intention to purchase* followed by trustworthiness image of Direct Selling and Direct Selling Company. Loyalty towards direct selling is influenced most by convenience image ISR, followed by convenience image Direct Selling and Direct Selling Company. The only general image variable that has an influence on loyalty towards direct selling is the general image of the direct selling channel. Loyalty regarding direct selling company is determined most by convenience image ISR and general image ISR (followed by trustworthiness image Direct Selling & Direct Selling Company, and by general image company). Finally, loyalty towards salespeople is influenced most by convenience image ISR, then trustworthiness image ISR. All other general image variables are insignificant in this loyalty relationship.

Table 3: Means, Standard Deviations and Scale Intercorrelations

Variables	Mean	SD	Ave.Var	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. prodimg(hed)	5.10	1.36	.74																
2. prefDS	3.25	1.74	.76	.17															
3. prodimg(utlilit)	5.36	1.32	.79	.74	.10														
4. loyISR	4.69	1.75	.89	.35	.32	.28													
5. loyComp	4.84	1.66	.89	.45	.35	.43	.77												
6. loyDS	4.71	1.76	.85	.40	.48	.39	.71	.84											
7. imgDSgen	4.59	1.54	.82	.37	.20	.30	.22	.29	.32										
8. imgCompgen	4.71	1.47	.86	.46	.17	.38	.26	.33	.32	.80									
9. imgISRgen	4.45	1.51	.88	.42	.22	.30	.33	.31	.32	.61	.69								
10. trustingISR	4.61	1.57	.85	.41	.20	.40	.38	.38	.36	.42	.47	.61							
11. trustingDS&Comp	4.66	1.53	.84	.55	.22	.46	.35	.43	.42	.60	.65	.67	.75						
12. convimgISR	4.83	1.42	.80	.52	.16	.45	.43	.43	.41	.40	.46	.54	.67	.64					
13. convimgDS&Comp	4.95	1.47	.78	.55	.18	.43	.34	.38	.39	.52	.55	.53	.66	.74	.74				
14. knowledge	4.21	1.51	.68	.44	.29	.31	.39	.40	.41	.20	.23	.27	.31	.34	.32	.30			
15. ProtoISR/Comp	5.06	1.31	.82	.47	.12	.36	.32	.27	.26	.25	.34	.39	.47	.47	.53	.46	.33		
16. ProtoISR/DS	4.96	1.23	.71	.32	.10	.26	.20	.18	.16	.17	.20	.24	.29	.31	.42	.33	.25	.69	
17. ContactDS	3.19	1.64	.56	.22	.55	.10	.45	.42	.46	.12	.12	.19	.16	.17	.18	.13	.33	.12	.10

Individual Paths	Coefficient (rounded values)	t value
Links on Preference for Direct Selling		
imgISRgen → prefDS	0.12*	3.22
convimgISR → prefDS	0.008	0.28
trustimgISR → prefDS	0.13**	3.86
imgDSgen → prefDS	0.10	3.38
convimgDS&Comp → prefDS	0.04*	1.65
trustimgDS&Comp → prefDS	0.09**	2.50
imgCompgen → prefDS	0.01	1.2
Links on Product Attitude (Hedonic)		
imgISRgen → prodimg(hed)	0.12**	3.76
convimgISR → prodimg(hed)	0.21**	9.84
trustimgISR → prodimg(hed)	0.11**	3.78
imgDSgen → prodimg(hed)	0.08*	3.15
convimgDS&Comp → prodimg(hed)	0.20**	7.89
trustimgDS&Comp → prodimg(hed)	0.19**	6.18
imgCompgen → prodimg(hed)	0.14**	4.90
Links on Product Attitude (Utilitarian)		
imgISRgen → prodimg(utilit)	0.07	2.19
convimgISR → prodimg(utilit)	0.26**	10.32
trustimgISR → prodimg(utilit)	0.23**	8.21
imgDSgen → prodimg(utilit)	0.09*	3.46
convimgDS&Comp → prodimg(utilit)	0.24**	9.88
trustimgDS&Comp → prodimg(utilit)	0.25**	8.06
imgCompgen → prodimg(utilit)	0.13**	5.00

Links on Intention to Purchase

imgISRgen → intpurchase	0.02	0.51
convimgISR → intpurchase	0.14**	3.53
trustimgISR → intpurchase	0.30**	6.85
imgDSgen → intpurchase	-0.06	-1.46
convimgDS&Comp → intpurchase	0.15**	4.66
trustimgDS&Comp → intpurchase	0.18**	3.79
imgCompgen → intpurchase	0.001	0.973

Links on Loyalty towards Direct Selling Channel

imgISRgen → loyDS	0.019	0.40
convimgISR → loyDS	0.23**	6.07
trustimgISR → loyDS	0.16**	3.99
imgDSgen → loyDS	0.11**	2.92
convimgDS&Comp → loyDS	0.18**	4.58
trustimgDS&Comp → loyDS	0.21**	4.50
imgCompgen → loyDS	0.03	0.84

Links on Loyalty towards Direct Selling Company

imgISRgen → loyComp	0.001	0.02
convimgISR → loyComp	0.27**	7.10
trustimgISR → loyComp	0.19**	4.72
imgDSgen → loyComp	0.006	0.76
convimgDS&Comp → loyComp	0.16**	4.22
trustimgDS&Comp → loyComp	0.23**	5.02
imgCompgen → loyComp	0.09*	2.34

Links on Loyalty towards ISR

imgISRgen → loyISR	0.08	0.55
convimgISR → loyISR	0.30**	7.84

trustingISR → loyISR	0.21**	5.11
imgDSgen → loyISR	0.01	0.45
convimgDS&Comp → loyISR	0.12**	2.95
trustingDS&Comp → loyISR	0.16**	3.45
imgCompgen → loyISR	0.05	1.26

Table 4: Estimated Path Coefficients

GENERAL DISCUSSION

In marketing literature, channel choice research focuses on the comparison of different sales channels, such as the question why a consumer chooses a retailer rather than an online store (Huang and Oppewal 2006). In contrast, in our study we aimed to put some light on the inside of one specific sales channel and its sub-elements and on the question how their image attracts and affects customers.

Drawing on the idea of signaling theory and cue utilization theory, we proposed and empirically tested our hypotheses with the following takeaways:

- (1) Multilevel image illustrates a significant influence on all stages of the customer journey map (different facets of image, namely general, trustworthiness and convenience image, are significant at different stages)
- (2) *Salesperson wins all* – In the introduction of this article, we posed the question, which sub-element's image attracts customers to a channel and influences the customers attitudes and behavior on their journey. This can be answered with **independent sales representatives**. Preferences to buy in direct selling, or to host or visit a party, product attitudes, purchase and loyalty related behaviors strongly depend on the salesperson. The finding that salesperson image has not only a positive influence on customer behavior, but affects customers more than company or sales channel image, goes back to the accessibility-diagnostics framework. In the questionnaire of our survey, respondents imagine a scenario where they assess the images of different entities while they retrieve e.g., the last party they attended. Subsequently, they rate shopping related attitudes and behaviors. As the results show, at any stage of the customer journey map information regarding the salesperson is more diagnostic and accessible than other beliefs related to company and sales channel. This strong mental association between salesperson and attitudes can be explained by the fact that

the company-brand is not equally visible, or prominent, as it is the case for most traditional companies in indirect sales channels. As we have explained before, the lack of physical store location that customers can relate to is another reason that the salesperson is prevalent in any mental networks of customers. It is the salesperson who represents the company the brand and to some degree the sales channel and it is the salesperson who has the highest frequency of touchpoints with the customer. However, our analyses illustrate that the type of salesperson image (general, trustworthiness, and convenience) that customer behavior and attitude can be traced back to, is a different type at different stages of the customer journey map.

- (3) Moreover, our analyses reveal, that general and more abstract image matters more at the beginning of the customer journey map, where they decide about their channels preferences and their contact likelihood regarding a company. The more specific the attitudes become, like assessing *product image and quality*, and decide to purchase, and in a further step to show *loyalty*, the more descriptive beliefs such as convenience and trustworthiness image become diagnostic for customers' attitude formation and behavior.

Our findings are high in cross-industry stability, because our respondents in the sample refer to direct selling companies operating in different branches such as cosmetics, household goods, insurance services etc. Also, we did a robustness check, with the dependent variables and sales data to prove the legitimacy of the dependent variables. We analyzed sales data from the participating companies over five years and calculated relative total sales per year for each company meaning the following: we divided total sales through the number of their frequency in the consumer data set, in order to to assign weights to the companies with high frequency. The results

of our regression provide evidence for significant effects between this relative total sales variable and the dependent variables of the respective company.

Limitations and Theoretical Implications

The collection of a large-scale multi-level data set, such as the one on which our study is based, was only possible by working closely with the German Direct Selling Association. Although the findings are high in cross-industry stability and robust regarding sales data of companies, further research is needed to examine the multilevel image and its effect on consumers attitudes and behaviors. To begin with, the study should be replicated in traditional sales channels, such as retailers where company and channel are rather not regarded as one entity as it was the case for direct selling. Also, the questionnaire should include items in the trustworthiness and convenience image scales for company and sales channel that allow customers to better differentiate between them. Our findings show tendencies, regarding the effects of convenience and trustworthiness image of companies and sales channel, but further generalizations are limited because we could not extract two different factors for company and sales channel image regarding the dimensions trustworthiness and convenience in our exploratory factor analysis.

The current study makes important contributions to the field of cue utilization theory in marketing and sales management research (e.g., Guerhan-Canli and Batra 2004; Karaosmanoglu, Elmadag Bas, and Zhang 2011). While previous empirical studies have focused on one entity, namely company and channel image, this study investigates salesperson image and additionally the link between all image levels (channel, company, and salesperson) on several attitudes and behaviors of customers simultaneously. Furthermore, the studies that analyzed corporate image and dependent variables, such as loyalty did only find indirect relationships between

those variables, whereas we do find direct relationships. Along the same lines, past empirical work has provided proof that credibility of a brand endorser influences purchase intentions. However, only the expertise dimension of the credibility construct illustrated a significant influence on purchase intention, but not the trustworthiness dimension. In our analyses, we find significant effects between expertise (which is included in the dimension *convenience image*) and trustworthiness.

Furthermore, while previous research has concentrated on one aspect of image e.g., *attractiveness of salesperson*, this study analyzes image including several facets that are relevant according to practitioners. Thereby, we can answer which facets of image become more influential for customer attitudes with regard to different stages of the customer journey. This is an eminent finding for complementing existing stereotype literature. In stereotype research, the theoretical findings suggest that – once activated – a stereotype, or image regarding an entity or person will influence all subsequent decisions regarding them (Allport 1954; Fiske and Neuberg 1990). However, our results show different insights. Despite the presence of an initial image or stereotype, not all subsequent decisions, but only some will be based on them. For instance, while stereotyping or priming literature predicts that salesperson general image might influence all decisions of customers during the shopping journey, our findings show that salesperson general image influences preferences, but not any kind of loyalty.

Managerial Implications

Complementing the above-mentioned theoretical implications, the current study also provides crucial insights for managers. Differentiated implications for the direct

selling channel (the associations in charge e.g., WFDSA, DSA etc.) as well as for its participating companies are described below.

Our results illustrate, that there is not only a need for direct selling companies to resolve the current image gap (customer perception versus company management perception) but the image ratings themselves. In the first place, customers rate ISR' image lower than the companies do. Besides, customers regard the image of ISR as less favorable than company image, although it is ISR image which is the most influential variable for direct selling customers attitudes and behaviors. Especially with regards to variables such as contact likelihood and preference for direct selling, which are strongly driven by ISR' image, the improvement of ISR image is critical for direct selling companies. Customers evaluate the likelihood for contact with a direct selling company below average (3.9) on a 7-point Likert scale – loyalty, on the other hand, is rated relatively high (4.9) compared to the latter value. Evidently, loyalty is ensured to a certain degree, whereas the challenge for company management lies in turning non-customers to customers, which in turn is possible by improving salesperson image. This finding that image and in particular ISR image matters for lead generation, and thereby mostly for non-customers is also shown in the results that, general image of ISR, company and direct selling channel is more of importance for shopping related attitudes and behaviors of non-customers than for customers (e.g., non-customers place more value on general image of direct selling channel when they evaluate product image and quality). This finding should make direct selling companies rethink their current lead generation and marketing strategy: Although the companies pride themselves on not investing money for advertising, instead providing this money for salespeople commission, it could be beneficial to consider image advertisement for non-customers. The content should

provide a positive general image, focusing on aspects such as prestige, and promoting positive “other-customer” opinions.

Moreover, in their image building efforts, companies should work on ISR appearance and behavior. Company image (convenience and trustworthiness image) influences preference for direct selling only if ISR are considered *company prototypical*, however the effect does not occur, if they are considered *channel prototypical*. Similarly, the effect of a company’s trustworthiness image on loyalty is increased if the ISR is considered as prototypical for the respective company rather than for the channel. To work on this implication, companies and associations should engage in activities and support practical and empirical research that investigates the underlying meaning of *company prototypical* versus *channel prototypical* for customers. According to those results, direct selling companies should adapt their salespeople appearance and behavior in line with what is regarded as *company prototypical*. It is vital for direct selling companies to ensure that their salespeople are considered *typical* regarding the company. Regarding appearance, placing of logos on a company’s dress code might be a way of pursuing prototypicality. Another approach for priming prototypicality in consumers’ minds is a short introduction of the company and a personal introduction of the salesperson about his / her time as a salesperson in the respective company to create an associative link in the memory of the party participants.

Regarding the behavior of salespeople, direct selling companies should make sure they have necessary formal and informal management instruments to ensure that employees convey the image to the customer that is intended by the company as well as a behavior in line with what customers regard as company prototypical (Henkel et al. 2012). Formal management instruments are flyers, intranet, or brochures. Informal ones are talks between managers and sales employees.

Although there is no formal supervisor-employee setting in direct selling companies, it is advisable to introduce meetings with front-line employees to help the sales representatives to manage their image, and especially their behavior at different stages of the customer journey.

In addition to some formal management methods, direct selling companies need to provide training for ISR regarding image management purposes. Salespeople need to be aware of how customers perceive them, and how to deliberately modify this image that is perceived by customers. Behavior at different stages means, for instance, that salespeople who present products convey an image that is entertaining and knowledgeable, whereas when there is a one-to-one talk to initiate purchase intention the trustworthiness side of image should take on prominence. For the mentioned reasons, training of salespeople is crucial for direct selling companies' success. Both being entertaining to customers, as well as bridging the image from convenient and entertaining to trustworthy at the end of the presentation (e.g., mentioning of previous sales, guarantees certificates) should be taught. So far, training in direct selling companies is limited to brochures and self-training, which should be changed in future. Although there is no legal way to make them attend a training, they could adapt their promotion plans in a way that salespeople who attend certain seminars will earn sales credit for their attendance or offer higher possible commissions per product for salespeople who have completed trainings.

What is a huge problem for companies in traditional sales channels e.g., retail etc. is the contradicting communication between images and brands that the company advertises, and the communication of own salesforce and the salesforce at other trade levels that sell the products (Tomczak et al. 2005). It is a key challenge for those companies to have an integrated communication throughout all communication channels (Tomczak et al. 2005). Direct selling companies do not

face this challenge, because so far, the communication and advertising take place between salespeople and customers. However, for them it is crucial to manage the customer-to-customer communication and their word-of-mouth behavior. Our analyses have illustrated that after personal experience, image is formed mostly through friends and acquaintances (University of Mannheim 2017). Here, it is also crucial to motivate customers to engage in specific word-of-mouth-behavior. Customers likelihood of attending a party or hosting a new party depend to a high degree on salesperson general image, consisting of characteristics such as prestige, positive public opinion, liked by other customers etc. Therefore, not only a prestigious appearance of ISR is important, but a word-of-mouth that addresses this topic. To stimulate word-of-mouth that focuses on general image, ISR can hand out satisfaction surveys at the end of each part or in-home demonstration where aspects of general image are covered in a questionnaire. Thereby, the last information they have in mind will be the image of the salesperson which will most likely be the foundation for further talk to other customers.

Moreover, it is advisable for direct selling companies to collaborate with other companies or form associations that focus on image development. The analyses show that customers prefer ISR to be company prototypical rather than channel prototypical, which shows evidence for the fact that the channel is not seen favorable by them. Therefore, companies can work together to improve the general channel image, in the frame of collaborations. In the US, direct selling companies e.g., Mary Kay have taken steps to improve the image of the channel and the image of the companies operating in it by collaborating with the academic field. In Germany, the Direct Selling Association collaborates with the University of Mannheim. These initiatives should be extended by direct selling companies' presence on university fairs, or sponsoring of school events in order to support image building.

To conclude our analyses, direct selling companies' success is highly conditional on their ISR. However, companies should be aware of risks associated with this dependency on salespeople (Palmatier et al 2007), especially considering the high fluctuation rates for direct selling companies. For companies that operate in the substitutable goods branches, such as cosmetics, this salesperson owned loyalty can be more harmful than for companies such as Vorwerk, selling a unique product. Sometimes a strong personal connection with the employee might impede from generalizing the positive encounter and experience or image on the company or sales channel (Wentzel 2009). Therefore, loyalty-capturing strategies that have been suggested as a counteraction to salesperson owned loyalty from a company side (Palmatier 2007) are only applicable for companies such as Vorwerk, or Tupperware. For companies in substitutable goods, it is inevitable to invest in branding and advertising on the long run to establish a direct relationship with the customer. Another strategy includes focusing on how to keep the salesperson in the organization rather than establishing relationships with the end-customer. This refers to increasing salespeople's organizational identification and researching factors that influence the organizational identification of salespeople in direct selling.

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Appendix Study I

Measurement Scales

Scales

Image Scale

Homburg, Wieseke, Lukas, and Mikolon (2011) (7-point Likert scale 1 = “totally disagree,” and 7 = “totally agree”) and Ahearne, Bhattacharya, and Gruen (2005) (1 = “totally disagree,” and 7 = “totally agree”) Salesperson image scale adapted by Ahearne, Gruen, and Jarvis (1999)

General image

1. Direct selling/ the direct selling company / the direct selling sales representative has a very good image in public.
2. The public appearance of direct selling / the direct selling company / the direct selling sales representative is very good.
3. Direct selling / the direct selling company / the direct selling sales representative enjoys a high level of prestige among consumers.
4. Other consumers like the public image of direct selling / the direct selling company / the direct selling sales representative.

Trustworthiness image direct selling / the direct selling company

1. Direct selling / the direct selling company is a trustworthy shopping channel / company.
2. Direct selling / the direct selling company is a respectable shopping channel with high ethical standards.

Trustworthiness image direct selling sales representative

1. The direct selling sales representative is someone I can trust.
2. The direct selling sales representative is honest in his/her dealings with me.
3. The direct selling sales representative is respectable when dealing with me.
4. The direct selling sales representative never tries to mislead me when I make a purchase.

Convenience image direct selling / direct selling company

1. Direct selling / the direct selling company is a sales channel / company which allows consumers a convenient purchase.
2. Direct selling the direct selling company / the direct selling company is a sales channel where purchasing is fun.

Convenience image direct selling sales representative

1. The direct selling sales representative is an excellent source of information about the products he/she represents.
2. The direct selling sales representative is a fun person to be around
3. The direct selling sales representative is a very nice person.
4. The direct selling sales representative tailors his/her presentations to customers' needs.

Product image scale

Berens, van Riel, and van Bruggen (2005) (endpoints “very low” and “very high”)

Jiang, Hoegg, Dahl, and Chattopadhyay (2010) (7-point Likert scale 1 = “not at all”, and 7 = “very much”)

Utilitarian image

1. How favorable is your overall judgment regarding the products [of your previously selected direct selling company]?
2. How do you assess the quality of the products [of your previously selected direct selling company]?
3. How do you assess the reliability of the products [of your previously selected direct selling company]?

4. What do you think about the quality of the products in comparison with products of non-direct selling companies (e.g., retail products)?
5. How do you assess the utility for the customer regarding the products of [previously selected direct selling company] company

Hedonic image

1. Do you find the products of [previously selected direct selling company] sympathetic?
2. Do you find the products of [previously selected direct selling company] prestigious?
3. Do you find the products of [previously selected direct selling company] modern?

Preference scale

Mathwick, Malhotra, and Rigdon (2001) (7-point Likert scale 1 = “Do not agree at all” and 7 = “Fully agree”)

1. When it comes to shopping, direct selling is my first preference.
2. When it comes to shopping, I prefer direct selling to retail.
3. When it comes to shopping, I prefer direct selling over the internet.

Loyalty scale

Homburg and Giering (2001) (7-point Likert scale 1 = “Do not agree at all” and 7 = “Fully agree”)

1. The likelihood that I will buy again in / from direct selling / [previously selected direct selling company] / the direct selling sales representative in the future is...
2. The likelihood that I will recommend direct selling / [previously selected direct selling company] / the direct selling sales representative to a friend is...

Prototypicality scale

Cicero, Pierro, and van Knippenberg (2010) (5-point Likert scale 1 = “strongly disagree,” and 5 = “strongly agree”) and Van Knippenberg and van Knippenberg (2005) (1 = “strongly disagree,” and 5 = “strongly agree”)

Prototypicality with the company

1. The ISR is a good example of the kind of people that work for [previously selected direct selling company].
2. The ISR has very much in common with [previously selected direct selling company].
3. The ISR represents what is characteristic about [previously selected direct selling company].

Prototypicality with the sales channel

1. The ISR is a good example of the kind of people that work for the direct selling sales channel.
2. The ISR has very much in common with the direct selling sales channel.
3. The ISR represents what is characteristic about direct selling.
4. The ISR is similar to other sales representatives in the direct selling sales channel.

Purchase intention scale

Jiang et al. (2010) (7-point Likert scale 1= not at all, 7= very much)

1. I consider buying in direct selling / from [previously selected direct selling company]/ the direct selling sales representative in the future.

Knowledge scale

Chiou and Droge (2006) (5-point Likert scale 1 = strongly disagree, 7 = strongly agree)

1. I know direct selling as a shopping channel well
2. I know the [previously selected direct selling company] well.
3. I know the direct selling sales representative well.

Study II

How does Ethnic Identification of Salespeople Influence Organizational Identification and Pro-organizational Behaviors of Salespeople in Direct Selling

Abstract

A large-scale data set from the salesforce of a major direct selling company is used in this research paper to analyze the influence of ethnic identification of salespeople on their organizational identification and pro-organizational behaviors. Ethnic identification refers to individuals' affiliation with their ethnic group, ethnic environment, and ethnic consumption as well their attitude towards other ethnicities. Our results suggest that ethnic identification is critically significant in direct selling, as it can influence a salesperson's organizational identification and pro-organizational behaviors. Pro-organizational behaviors refer to adaptive selling, party booking, and recruiting – because these behaviors are fundamental for the success of the direct selling companies. Furthermore, our analyses reveal that ethnic identification is an indicator of a salesperson's subjective and objective performance. Besides, our post-hoc analyses reveal that there are differences in results for salespeople with a German ethnic background versus salespeople having an immigration background.

This study provides crucial insights for direct selling companies. Key managerial implications are that ethnic segmentation of salespeople becomes increasingly relevant in direct selling. Also, our results provide evidence that it would be beneficial for direct selling companies to engage in more cultural adaptation regarding their products as well as regarding their communication with salespeople.

Keywords: ethnic identity, identification processes, direct selling, dispersed sales teams

Introduction

I truly believe that direct selling is the epitome of the American Dream: entrepreneurs from all walks of life striving to better themselves and improve the lives of their families by building a business of their own. As the United States becomes more demographically diverse, so too, of course, does the consumer base that buys goods and services from direct selling companies. Common sense would decree, therefore, that ensuring your salesforce is reflective of and conversant with your customer base is not only socially responsible, but commercially prudent.

The above-mentioned statement (Mariano 2016) describes the salesforce diversity of direct selling companies such as Tupperware, Avon, and Mary Kay. Nowadays, direct selling is growing in popularity and enjoying a prominent economic significance within the manifold array of sales channels. According to the world federation of direct selling, the companies have a 34.9 billion dollars direct retail impact on the economy of the US, and global sales amount to 189 billion dollars (WFDSA 2018). The business model incorporates the similarity principle between customers and salespeople, which has been proved to significantly influence attitudes of target audiences (Aaker and Joachimsthaler 2000). Especially by focusing on cultural similarity direct selling companies try to connect with their customers. The diversity of direct selling companies' salesforce¹ can be seen for instance in findings of a study initiated by the US Direct Selling Association: The percentage of Hispanics in the direct selling salesforce is higher than the percentage of Hispanics in the American population (Direct Selling Association 2016). Increasing the diversity of their salesforce allows direct selling companies to mirror their ethnically mixed customer base and to serve them by ethnically matching salespeople. With the tendencies of a growingly diverse salesforce, sociologists, managers, and recruitment experts are interested in investigating how the strength

¹ ISR are considered to be the direct selling company's 1st tier of customers – while end consumers are considered the 2nd tier.

of ethnic identity (which corresponds to ethnic identification) and diversity within a firm affect its productivity, organizational setting, and performance. Especially for salespeople in direct selling the effect of ethnic identification on performance is important, because in this channel, salespeople assume the role of brand advocates, showcase, as well as business developer and recruiter for new salespeople. Shortly, these frontline high performers are direct selling companies' survival mechanism (Coughlan and Grayson 1998) and top-level management should consider ethnic identity and identification as important precursor-variables for salespeople behaviors and performance.

Research in marketing reveals that identification processes are the driving force behind salespeople motivation and behavior (Tyagi 1982). Identity, and identification with different roles, shape the self-concept of a person and build the foundations of personal and organizational life (Ramarajan 2014; Sluss and Ashforth 2008). A person can have several identities that are complex and multifaceted based on different attributes such as ethnicity, gender, and organization (Ramarajan 2014). Depending on the situational relevance, some identities become more, other become less salient for the individual (Cooper and Thatcher 2010). Given the similarity strategy of direct selling companies, ethnic identity is assumed to be very salient for the salesforce in sales settings.

Despite the acknowledgment of salesperson identity as a precursor for motivation and salesperson behavior in academic papers, research about multiple identities and their influence on processes and outcomes in organizations is still in its infancy (Ramarajan 2014). It has not been touched upon so far, for instance, how identities individually or together, shape the behavior of salespeople in organizations and towards customers, or the outcomes in organizations (Ramarajan 2014).

Furthermore, although ethnic identity has been analyzed as an influencing factor for salespeople attitudes in organizational settings (Chrobot-Mason 2004; French, et al. 2006; Kim and Gelfand 2003) it has not been analyzed as a precursor for organizational identification and other pro-organizational behaviors.

In our paper we want to analyze the relationship between ethnic identity and identification, and salespeople's organizational identification and pro-organizational behaviors, namely adaptive selling, party booking, likelihood of recruiting, and performance. The purpose of this paper is to analyze, inter alia, the following questions: Which behaviors are influenced by ethnic identification of salespeople? Which components of ethnic identity (general, environmental, consumption etc.) are influencing salespeople behavior? In pursuing this proposition, we derive a framework of ethnic identification and the dependent variables. To further investigate effects of identification, we analyze if the relationship between ethnic identification and organizational identification, as well as other organizationally relevant behaviors in direct selling, is contingent on different moderators. We test for instance if prototypicality of the salesperson with the company moderates the relationship between our independent and dependent variables. Additionally, we investigate, if the relationship between ethnic identification and the dependent variables is contingent on image of the company.

Germany was chosen as a research setting because of its presence of immigrants and its pluralistic society: 23.6 per cent of the citizens and 48.7 per cent of the working population in Germany in 2017 are individuals with an immigration background (German Federal Statistical Office 2018). Immigration leads, besides other factors, to the emergence of ethnically and culturally pluralistic societies with different levels of ethnic identification (Berry et al. 2006). In those societies people develop attitudes towards the culture they are coming from, as well as towards the culture of

the country their families have settled in (Berry et al. 2006). Furthermore, Germany was selected because most of the ethnicity and diversity research up to now is US based (Chrobot-Mason 2004). Therefore, we want to enlarge the empirical research in the European setting.

A key asset of our study is testing ethnic identification – composed of different facets (general, environmental, consumptive, and ethnic openness) which were defined in cooperation with managers of major direct selling companies – and its effects on salespeople using a large-scale data set of more than 3000 salespeople of an internationally renowned direct selling company operating in the household goods sector. In addition, we match the companies' variables with salespeople performance data to check the robustness of our findings.

Study Setting and Relevant Literature

Direct selling can be defined as face-to-face selling, without a storefront as a fixed location, founded on commercial friendships, where family and friends are brought together in a shopping setting, mostly at the place of the customer (Peterson and Wotruba 1996). The business can be categorized in door-to-door sales and party plan. Party plan, the fastest growing direct selling approach (University of Mannheim 2018) is the second direct selling type where a commercial setting is embedded in a social context – prime example therefore is the company Tupperware (Johnson 1999; Tupperware 2008). On direct selling parties, the host invites the salesperson, family, and friends for a get-together at his / her house. At the gathering, the salesperson presents the company's products to the group of customers (Friege, Kraus, and Şahin 2013). The parties not only serve a purpose for sales of products but for lead generation and recruiting of new salespeople. Lead generation takes place, for instance by the salesperson asking customers to host another party or

recommend the business to a friend or acquaintance. These new leads will then ideally host or attend another party of the company (Friege, Kraus, and Şahin 2013). In addition, the recruiting takes place on these parties, when the salesperson identifies and addresses customers as potential new salespeople for his/ her team. Customers at direct selling parties are by tendency friends and family of the host and often friends, family, or acquaintances of the salesperson at the same time. The business solely relies on independent sales representatives (or hereafter also called ISR) to distribute the products and recruit new salespeople. In fact, there is a strong consensus in personal selling literature regarding the essential role of salespeople for satisfying customer needs and for contributing to overall sales performance of the company (Wieseke 2009). Because of their distance to the company' s headquarter, direct selling ISR are similar to contract workers or service employees. They are often referred to as *transitory members* because they spend most of their time outside the territory of the headquarters (George and Chattopadhyay 2005). Besides, there are almost no behavioral control systems or manager-employee relationships that are the main regulating and shaping mechanisms of salespeople behavior in traditional organizations (George and Chattopadhyay 2005).

Ethnic Identity and its Relevance for Organizations

As we have discussed, individuals can have multiple identities – which identity is active depends on the situational relevance (Cooper and Thatcher 2010). Diversity and globalization in companies make ethnic identity increasingly salient in the organizational setting (Ramarajan 2014). Phinney et al. conceptualized ethnic identity as a “[...] continuum that begins with a complete lack of exploration and ends when the individual comes to terms with ethnic issues and accepts himself or herself as a member of an ethnic group” (Phinney, Lochner, and Murphy 1990,

p.54). Especially in direct selling, ethnic identity is in the foreground, because direct selling companies in Europe start to adapt product, price, and promotions to the ethnicity of the salespeople, who are considered the direct selling company's first tier of customers (Şahin and Kraus 2017).

Theory acknowledges that the process of assigning meaning to an idea or organization is dependent on predominant cultural characteristics and research proves that cultural norms and rituals influence human conduct and actions (Morales 2005). Existing literature in marketing and sales on ethnic identity focuses however mostly on the customer side. Indeed, there is a whole layer of research devoted to the study of ethnic and cultural identity of customers: A sense of ethnic identity has been found to strongly influence immigrants' consumption patterns (Deshpande and Stayman, 1994; Hirschman, 1981; Valencia, 1985) as well as their culture specific consumption behavior (Penaloza 1994; Wallendorf and Reilly 1983). For consumers with an ethnically diverse heritage, their identification with their ethnicity of origin (ethnicity related to the country they, or their ancestors emigrated from) and their identification with the ethnicity of the host country (the ethnicity of the country they live in) jointly influence their consumption patterns (Gerpott and Bicak 2011). Gerpott and Bicak (2011) suggest a model that differentiates, amongst others, between ethnically assimilated or separated customers. According to the consumers' degree of identification with their ethnicity of origin versus host country ethnicity, they can be assigned to different groups. The authors presume and subsequently prove that depending on the ethnic identification levels of the customer, ethnicity-oriented organizational activities can be predicted to be less successful or more successful. For instance, strategies that adapt the four Ps to the customer's ethnicity of origin are likely to lead to successful relationships and business performance in the segment of the so-called *ethnically separated customers* (customers who identify

more with their ethnicity of origin). However, they lead to less success in relationships with regards to assimilated and deculturated customers, because they might reject communication from companies that is adapted to their ethnicity of origin (Gerpott and Bicak 2011). Another research paper argues that consumers do not belong only to one ethnicity or another when it comes to consumption patterns – they rather are skilled navigators who frequently engage in culture swapping to sample the many tastes, themes, and sounds of different cultures during their shopping journeys (Jamal 2003).

A key reason that the study of ethnic identity and ethnic identification is moving from the margins and limited-to-customer research to a more central place in organizational scholarship is that the workforce has become markedly more diverse. This has fueled vigorous interest in the consequences of ethnic diversity in organizational settings. Kim and Gelfand (2003) found for instance that ethnic identity influences the perception of organizational recruitment practices. Besides, ethnic identity has been connected to several important psychological characteristics of employees such as self-esteem and trait favourableness in the frame of in-group out-group thinking: Employees regard the organization and its members' different ethnicities as a comparative level. Thus, they identify themselves as part of a community which is different from other communities (co-workers) on the basis of ethnicity. By identifying themselves with a particular ethnic group, individuals recognize the presence of overt characteristics (e.g., white and non-white employees in Chrobot-Mason 2004) that set them apart from other ethnic groups in the organization (French et al. 2006). They also assign traits which they consider as favorable to the same ethnicity in-group to increase their own self-esteem by increasing the group's value (Haslam et al. 1995; Phinney 1991; Roberts et al. 1999). Some attention in literature has been given to the potential association between

ethnic identity and job attractiveness (Avery and McKay, 2006; Ployhart, 2006). Other academic papers analyzed the relationship between ethnic identity (measured as part of the so-called intercultural disposition), and adaptive selling behavior of salespeople (Bush et al. 2001).

However, to the best of our knowledge, there is no paper that analyzes ethnic identification and its relationship with organizational identification and pro-organizational behaviors such as adaptive selling, party booking, recruiting as well as performance. All things considered, our study contributes to current sales and identity research in several ways: First of all, despite playing an important role for salespeople behavior, so far, identification and its influence on members of an organizations has been analyzed in a very limited way. Especially regarding ethnic identity and salesperson behavior, research is at low levels. Rather than analyzing a broad range of salespeople behavior the majority of existing studies limit the analysis to one or two salespeople behavior (s). Also, in current research the measurement of the ethnic identity construct is not holistic: In existing studies ethnic identity and identification is measured as nationality and / or intercultural disposition that neglects other important components which are of relevance. By empirically linking different dimensions of ethnic identity (general, environmental, consumptive etc.) with salesperson behaviors, we holistically analyze their effects on salesperson behavior and can derive implications for companies on a broad base.

Using our results, direct selling companies can not only use ethnic identity as an a-priori indicator to segment their salesforce, but also as a predictor for certain pro-organizational behaviors. Subsequently, they can use our findings as a guideline for e.g., improving salespeople's adaptive selling behavior. If our results reveal for instance, that ethnic openness (which is one component of ethnic identification; see Conceptual Framework section) is the key driver of adaptive selling, companies can

measure ethnic openness as one possible proxy for their salespeople's likelihood to engage in adaptive selling behaviors. By this means, individual salespeople who might be candidates for adaptive selling trainings can be identified based on these scores. Regarding the large amount of training costs, this will enable companies to channel their training towards salespeople for whom the training is relevant (De Coninck 2011). Besides, our findings will allow practitioners to understand if their salesforce is satisfied with current adaptation endeavors by the company they "work" for. If ISR base their organizational identification, for instance, more on ethnic openness than general ethnic identification, this might be an indication for their unmet requests / needs regarding ethnically adapted products and a call for the company to communicate the value of their diversity more. Currently, the diversity empowerment council established by the Direct Selling Association in the US in 2013 is just a beginning to such endeavors, which might be needed for the European region as well.

The remainder of this article is structured as follows: First, we present our conceptual framework and explicate its theoretical foundations. We then derive our hypotheses on the effects of ethnic identification on salespeople's organizational identification, adaptive selling, party booking, and recruiting behavior. This will be followed by an illustration of our measures and methods. Subsequently, after reporting the results, we close with a discussion about theoretical and managerial implications.

Conceptual Framework and Hypotheses

We propose a multilevel framework that captures the salesperson's strength of ethnic identification as well the assessment of dependent variables. Figure 1 illustrates the framework that guides this research and builds the basis for our hypotheses.

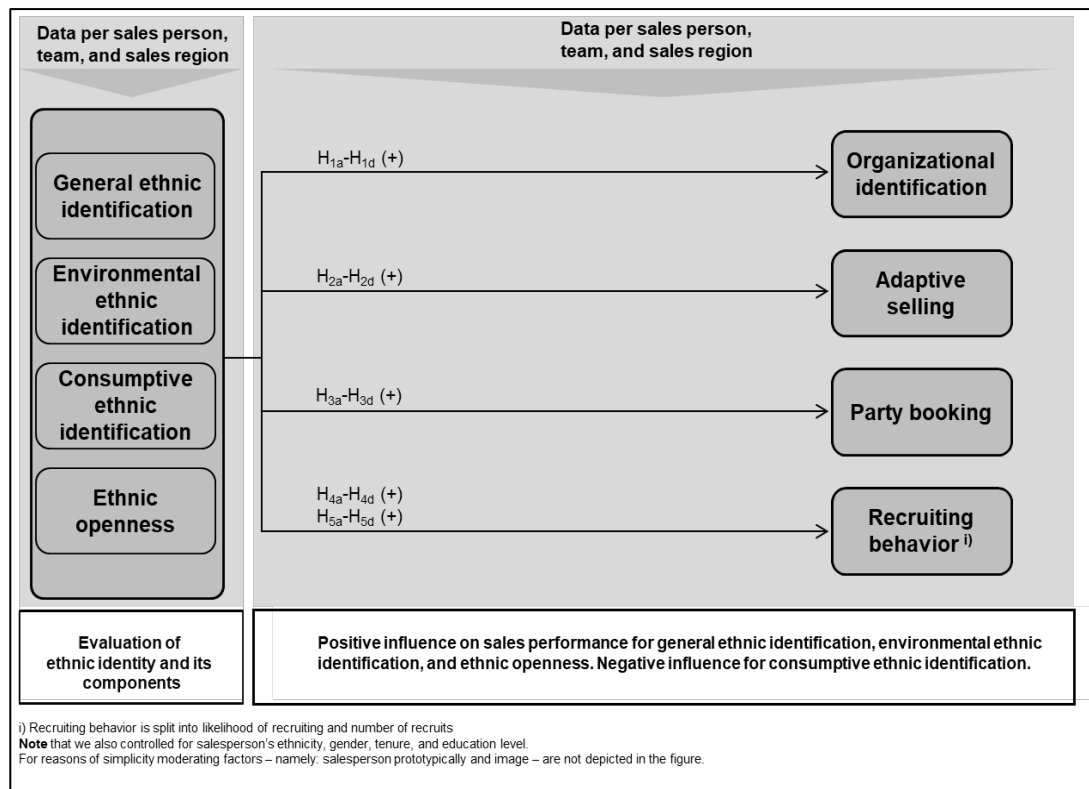


Figure 1: Conceptual Framework

Below we explain the theoretical background, which underpins our conceptual framework and which we subsequently rely on to build our hypotheses: *Social Identity theory* explains the effects of ethnic identification on organizational identification and pro-organizational behaviors of salespeople.

Social identity theory describes humans' inherent tendency for categorizing themselves to social categories such as ethnicity or organizational membership (Tajfel 1978; Tajfel and Turner 1985). Categorization and identification with other individuals or groups allows a person to define his/her self-concept and classify

oneself, since categories are a systematic means for social classification (Ashforth and Mael 1989). At this point we need to clarify the difference between identity and identification: Identity refers to what something is “[...]whereas identification refers to the degree to which a person includes that identity in their self-definition” (Sluss and Ashforth 2008, p. 807). The motivation behind identification is amongst others, to enhance one’s self-esteem (Ashforth and Mael 1989). Driven by this personal need for self-esteem, people seek positive evaluative distinctiveness of positive identity and social groups they belong to by contrasting them with relevant out-groups (Hogg and Terry 2000; Pratt 1998; Tajfel and Turner 1979). Furthermore, identities and role relationships allow individuals to fulfill their social-psychological needs (Sluss and Ashforth 2008). Self-concept (identity and self-concept can be used interchangeably) can be divided in personal identity and social identity. Personal identity, also called individual self-concept, refers to personal characteristics, psychological traits etc. (Ashforth and Mael 1989; Ramarajan 2014). Social identity is comprised of different categories individuals assign themselves to and refers to the sense of belonging to a group of individuals (Ashforth and Mael 1989). It can be defined as “that part of an individual’s self-concept which derives from [his] knowledge of [his] membership of a social group (or groups) together with the value and emotional significance attached to that membership” (Tajfel 1978, p. 63). More recent literature further distinguishes social identity into relational identity and collective identity. Relational identity refers to the identification with another person, and refers in general to a dual relationship, whereas collective identity refers to the identification with several people – e.g., ethnic and organizational identity (Cooper and Thatcher 2010).

People have several identities but place different value on each of them (Cooper and Thatcher 2010). The one that is active is called the working self-concept / identity

(Ramarajan 2014). Which self-concept is active depends on its accessibility (Cooper and Thatcher 2010). Accessibility is determined by the question which self-concept is meaningful or salient in the respective situation, e.g., category *young* is meaningful in relation with the category *old* (Ashforth and Mael 1989). As we have mentioned, the self-concept that is most likely salient for salespeople in direct selling is their ethnic identity. Identity and identification levels are important to be analyzed because they subsequently guide cognitions, attitudes, and behavior of human beings (Ashforth and Mael 1989; James and Khoo 1991; Ramarajan 2014): For instance, individuals illustrate behaviors that are in favor of the other person's or group's goals – which is called *in-group favoritism* (Ashforth and Mael 1989). Highly identified individuals will experience collective interest as their self-interest and reflect this in their actions (Knippenberg and Sleebos 2006). Given the impact of identities on individuals' behavior and the importance of ethnicity in direct selling setting, we predict the following: ethnic identification of ISR is assumed to have a positive influence on salespeople organizational identification and their pro-organizational behaviors. In the following, we further elaborate the meaning of organizational identity / identification and the behaviors that are assumed to be positively influenced by ethnic identity.

Ethnic Identification and Organizational Identification

Ethnic identity is part of an individual's social identity and contributes to a person's self-concept and social identity (Phinney 1992; Tajfel and Turner 1986). *Ethnic identification* allows individuals to create a level of emotional attachment and knowledge regarding the ethnic group they consider themselves to be part of (Phinney 1992). It is related to the degree of an individual's identification with the

ethnic group as well as the person's affiliation with the respective group's language, traditions etc. (Phinney 1992).

Organizational identification is defined as a cognitive link between the self-definition and the definition of an organization – meaning a cognitive identity that an individual and an organization share, based on common attributes (Dukerich, Golden, and Shortell 2002; Fuller et al. 2006). Organizational identification of frontline employees is relevant and especially beneficial for organizational performance because the stronger frontline employees identify with their organization the stronger they couple their sense of self with the company and the more they are motivated to contribute to its success by achieving a high-performance level (Korschun, Bhattacharya, and Swain 2014; Wieseke et al. 2009). Organizational identification is also important because identification embodies hedonic characteristics that describe favorable emotions towards an entity. In a salesperson-customer interaction, these emotions can ideally spill over to the customer (Homburg, Wieseke, and Hoyer 2009). Especially for direct selling parties this factor cannot be disregarded, as the selling atmosphere at direct selling parties is typically emotion-loaded.

Previous research has focused on organizational identification as well as identification on an interpersonal level, e.g., with a manager or supervisor as a surrogate for organizational identification (Ahearne, Haumann, and Kraus 2013) as well as on customer-company identification (Bhattacharya and Sen 2003) created by employee-company identification (Homburg, Wieseke, and Hoyer 2009). Research has shown that identification is positively associated with pro-organizational behaviors (Hogg and Terry 2000), work effort and cooperation (Bartel, 2001; Dukerich, Golden, and Shortell, 2002; Mael and Ashforth, 1995; O'Reilly and Chatman, 1986), organizational commitment (Foreman and Whetten,

2002) as well as motivation and work performance (Van Knippenberg 2000) and lower turnover (Mael and Ashforth, 1995). Especially regarding turnover, which is a main challenge of direct selling companies (turnover rates reach up to 56 per cent), variables that influence organizational identification must be under scrutiny of research (Cole and Buch 2006; University of Mannheim 2018). Turnover is associated with direct and indirect costs such as replacing the salesperson and training another salesperson (Coninck 2011). However, indirect costs associated with turnover are deemed to have a more problematic effect on direct selling companies. Indirect costs are associated with the loss of customer relationships when the salesperson leaves (Bendapudi and Leone 2001). In view of the fact that customer ratings of product image, purchase intention and customer loyalty in direct selling are empirically linked more strongly to the salesperson rather than the company, indirect costs can represent a tremendous challenge for this channel (Şahin and Kraus 2018). Particularly, for direct selling companies that sell substitutable goods this can be a challenging factor.

Organizational identity literature claims that individual and organizational identity are reciprocally linked (Ashforth and Mael 1989; Brickson, 2000; Brown 1997). Yet, researchers, so far, neglect looking at different identities' simultaneous existence and interrelatedness (Ramarajan 2014; Sluss and Ashforth 2008). Indeed, different identities and parts of the self may compete, coexist or complement each other (Sluss and Ashforth 2008). Initial research on multiple identities claimed that other identities, besides organizational identity, might compete and therefore represent constraints on work-related engagement and performance (Ramarajan 2014). However, new streams of research (Benet-Martinez, Lee, and Leu 2002; Cheng et al. 2008) argue that multiple simultaneous identities foster creativity, engagements, and performance on an organizational level (Ramarajan 2014).

For organizations it is essentially important that these identities are positively related to each other. If identities and the values associated with those identities are in conflict, individuals segregate those identities meaning that employees distance themselves from the organization and are less likely to demonstrate behaviors in the interest of the organization (Lane and Scott 2007). Therefore, it is of utmost importance for organizations to influence organizational identification by influencing the link between individual identities. Identification transfer can take place

- 1) Indirectly, based on a *personalized base*. Here, organizational identification, is created by an ongoing process conducted by members of the organization in interaction with each other (Scott and Lane 2000), – e.g., interactions between coworkers or with supervisors. Employee identification with a coworker or supervisor can spillover to the organization (George and Chattopadhyay 2005; Ramarajan 2014; Sluss and Ashforth 2008): This means that employees generalize their relationship with the coworker, or the supervisor, to the organization itself, because the coworker / supervisor is regarded as an organization's agent or representative (Eisenberger et al. 2010).
- 2) Directly, based on *common attributes*. Some theorists argue that organizational identification will form and grow as a function of common attributes between the individual and the organization (Dutton et al. 1994; George and Chattopadhyay 2005; Lane and Scott 2007). Concisely, this means that people identify with organizations when they perceive an overlap between organizational attributes and their individual attributes (Dutton et al. 1994). By common attributes the authors refer to common concepts

between the individual and the organization. (George and Chattopadhyay 2005). In this strategy, in order to create a transfer between an individuals and the organization's identity, companies try to provide employees with a surrounding in which they can behave in ways that are in accordance with the definition of their self (George and Chattopadhyay 2005). They provide an environment, where employees see the organization engaging in activities that are conforming with the employees' mindsets (Lane and Scott 2007). As a result, this *person-organization fit* influences organizational identification of an employee resulting in desired behaviors that are in accordance with the organization's interests.

In direct selling organizations salespeople are widely dispersed and there is a lack of a traditional manager-supervisor relationship which makes identification on a *personalized base* difficult. Therefore, these companies tend to use the strategy of common attributes to create organizational identification. As discussed in the beginning of this paper, they engage in so-called *intercultural accommodation*, which is primarily an attempt to serve their end customers (2nd tier customers) more effectively, but the positive side effect is that they simultaneously provide a common ground between the organization and the salespeople. Intercultural accommodation refers for instance a) to a company's adaption of its communication strategies according to different customer ethnicities or b) matching its ISR ethnicity with the customers' ethnicity. It creates a work environment that is closely tied with the salespeople's ethnic background.

Based on the described features of direct selling companies and the fact they connect to their ISR on a direct level by intercultural accommodation we assume the following: We predict salespeople to regard the ethnic (intercultural)

accommodation attempt of direct selling organizations as a common attribute between them and the organization, which serves as a common ground to connect their individual identity to the identity of the organization. We further assume that depending on the ISR' level of ethnic identification, the individual is more or less likely to recognize an intercultural accommodation attempt initiated by the organization (Holland and Gentry 1999). In summary, we posit a positive relationship between ethnic identification and organizational identification.

Hypothesis 1: Organizational identification is positively influenced

H_{1a} by General ethnic identification,

H_{1b} by Environmental ethnic identification

H_{1c} by Consumptive ethnic identification

H_{1d} by Ethnic openness

Ethnic Identification and Pro-organizational behaviors: Adaptive selling, party booking, and recruiting behavior

Besides organizational identification, another relevant variable in direct selling is customer orientation – which is essential for the organization's competitive advantage (Johnson and Ashforth 2008). Customer orientation is a philosophy that contains “[...] determining and understanding the needs of customers” and adapting their sales presentation and solutions to satisfy the customers' needs (Johnson and Ashforth 2008, p. 289). A manifestation of customer-oriented behavior is adaptive selling – defined as “the altering of sales behaviors during a customer interaction [...] based on perceived information about the nature of the selling situation” (Weitz, Sujan, and Sujan 1985, p. 175). Adaptive selling is further described as a *differentiated problem-solving* skill (Franke and Park 2006). In direct selling, where ISR are marketing tools of the company rather than conventional marketing media, adaptive selling is of utmost importance: To begin with, direct selling is face-to-face selling and only in personal selling the marketing message can be adapted to the

specific customer needs and beliefs (Weitz, Sujan and Sujan 1986). Furthermore, direct selling parties involve a group of customers rather than a single individual. Therefore, the salesperson should be able to adapt simultaneously to a variety of communication styles of party attendees (Bush et al. 2001). Besides, salespeople in personal selling have to be able to understand how customers perceive them and skillfully adjust their behavior to influence the impression that they form regarding their person (Goolsby, Lagace, und Boorum 1992; Wißmann 2007). This in turn, necessitates adaptive selling skills as well.

The literature on adaptive selling behavior has grown rapidly over the years. Consequently, significant research effort has been devoted to identifying factors that influence the practice of adaptive selling behavior (Giacobbe et al. 2006; Román and Iacobucci, 2010). These factors include role conflict, sales experience (Levy and Sharma, 1994; Siguaw 1993), empathy, management (Spiro and Weitz, 1990), intrinsic reward orientation, psychological androgyny (Goolsby et al. 1992), learning orientations, and job satisfaction (Park and Holloway 2003). In direct selling, adaptive selling might be jeopardized because ISR are more autonomous than traditional employees and are externalized – meaning they operate mostly outside the physical borders of the organization (Johnson and Ashforth 2008). This situation often reduces the tendency of employees to demonstrate pro-organizational behaviors such as adaptive selling (Johnson and Ashforth 2008). We assume that ethnic identification can be a predecessor for adaptive selling behaviors of ISR who do not engage in adaptive selling for the sake of supporting the organization. In fact, they might not engage in adaptive selling to demonstrate a behavior in favor of the organization, but they are likely to have a personal disposition that facilitates adaptive selling. The reason is that ethnically diverse individuals tend to have several identities that can be salient at the same time – making adaptive selling

behavior a habit (Ramarajan 2014). Especially, bicultural second or third generation immigrants, who represent a considerable amount of the direct selling salesforce, can switch their identity according to situation and context and act by nature on behalf of different groups (Ramarajan 2014).

One study, that has researched this topic was conducted by Bush et al. (2001). The authors analyzed the effect of intercultural disposition which was measured, inter alia, as ethnocentrism and ethnic openness, on adaptive selling. However, the authors could not find significant results for the presumed relationship. First of all, this might be ascribed to their sample composition consisting mostly of executive MBA students and not real practitioners (Bush et al. 2001). Secondly, we assume that the measurement model for the independent variable that measures *ethnic identity* as *ethnocentrism*, might be a reason for the researchers' results. Ethnocentrism is "[...] applying the standards of one's own society to people outside that society" (Hofstede and Hofstede 2005, p. 517) or "[...] the view of things in which one's own group is the center of everything, and all others are scaled and rated with reference to it" (Sumner 1906, p. 13). Ethnic identification, on the other hand, refers to self-identification as an ethnic group member. It includes attitudes and evaluations in relation to one's group, attitudes about oneself as a group member, the extent of ethnic knowledge and commitment, and ethnic behaviors and practices (Phinney, 1991). Therefore, in contrast to ethnocentrism, ethnic identity is usually perceived as a neutral manifestation without having an in-group favoritism connotation. However, having another measurement of ethnic identification than Bush et al. (2001), we predict based on the before-mentioned theoretical reasons that there is a positive relationship between ethnic identity and adaptive selling.

This reasoning leads to the following hypothesis:

Hypothesis 2: Adaptive selling is positively influenced

H_{2a} by General ethnic identification,

H_{2b} by Environmental ethnic identification

H_{2c} by Consumptive ethnic identification

H_{2d} by Ethnic openness

Sales literature shows that salespeople who are highly identified with a group will likely show behaviors in favor of that group (Homburg, Wieseke, and Hoyer 2009). The reason is that salespeople entwine their sense of self with the group and the more they are motivated to contribute to its success by achieving a high-performance level (Korschun, Bhattacharya, and Swain 2014; Wieseke et al. 2009). Especially, when they are highly identified with their group, they will show behaviors that help to enhance the value of the group (Homburg, Wieseke, and Hoyer 2009). Accordingly, we assume that the level of identification with an ethnic group will positively influence the behavior towards customers that are mostly from the same ethnic identity (social group). Therefore, party booking and the likelihood of recruiting are assumed to be in group favoritism – which in turn supports as a positive side effect – the organization itself. These behaviors can be considered as in-group favoritism, because whenever new parties are booked, the host of that party who is a member of the friends and family network usually receives products for free, depending on the sales that are made at that party.

Hypothesis 3: Number of Parties booked is positively influenced

H_{3a} by General ethnic identification,

H_{3b} by Environmental ethnic identification

H_{3c} by Consumptive ethnic identification

H_{3d} by Ethnic openness

Hypothesis 4: Likelihood of Recruiting is positively influenced

H_{4a} by General ethnic identification,

H_{4b} by Environmental ethnic identification

H_{4c} by Consumptive ethnic identification

H_{4d} by Ethnic openness

Hypothesis 5: Number of Recruits is positively influenced

H_{5a} by General ethnic identification,

H_{5b} by Environmental ethnic identification

H_{5c} by Consumptive ethnic identification

H_{5d} by Ethnic openness

Moderators. In our analyses, we consider moderators that attenuate or magnify the effects of ethnic identification on the dependent variables. First of all, it is of relevance to test corporate image as moderators. Image is proven to be a predecessor of organizational identification (Dukerich, Golden, and Shortell 2002; Scott and Lane 2000). This derives from the fact that image brings for some individuals a feeling of “reflected glory” and reinforces their self-esteem and their likelihood to identify with the prestigious group (George and Chattopadhyay 2005). Another moderator that we integrate in our analysis is the *prototypicality of the salesperson regarding the company*. Assimilation and contrast theories in categorization processes explain that the more prototypical an individual under scrutiny is considered to be related with a certain category, the more likely it will be included in that category, and the more likely category-typical characteristics and behaviors will be ascribed to the individual (Martin 1986). Applied to our analysis this means the following: We analyze how ISR’ prototypicality regarding the company they are associated with, moderates the effect between ethnic identification and dependent variables.

Controls. Testing our hypotheses requires considering variables that previous studies have found to be influential. Thus, we control for salesperson age, gender, education and tenure (hierarchy as proxy for tenure) to optimize our conceptual

framework's specification (George and Chattopadhyay 2005). Furthermore, ethnicity might be an important control variable, because the influence of ethnic identification on an individual's definition of self and subsequent attitude and behavior varies across different ethnic groups (Phinney 1992). Also, studies show that national culture represents a proxy for the likelihood of a person to identify with groups such as organizations (Cooper and Thatcher 2010). Therefore, especially for the analysis of the relationship between ethnic identification and organizational identification ethnicity might be a relevant moderator.

Measurement Model

To begin with, we conducted a pre-study 1 with top-level management representatives of companies, which are part of the Direct Selling Association, as well as a pre-study 2 with ISR of the company providing the large-scale salesforce data for this research. These pre-study participants were asked to evaluate our conceptual framework regarding two important aspects: identification of components for the concept *ethnic identity* and evaluation of dependent variables with regards to their relevance for direct selling companies' performance. Besides making adaptations to our measures, the participants of the pre-study suggested to translate the questionnaire for Turkish ISR, which make up the largest group within the non-German ISR of the company under scrutiny of research.

Measures. The Appendix provides a complete list of measurement items used in the study. For all measures, we used multiple item seven-point Likert scales. In the beginning of the questionnaire ISR were asked to indicate their team number and sales region. This is required, because we want to factor in the nested structure of the data. Besides, respondents are asked for *self-identification*, meaning attaching an ethnic label to themselves. Based on the ethnicity mentioned, the participants

subsequently are asked to rate scales that measure their identification level with that respective ethnic background. The questionnaire content is the same for all ethnicities besides minor differences for the German ISR and ISR with an immigration background (see Appendix). It is important to ensure similarity in cross-cultural studies questionnaire design for achieving equivalency (Lindridge and Dibb 2002). Although every ethnic group has their own history, traditions etc. it can be analyzed as a general phenomenon that is relevant across different groups (Phinney 1992). Therefore, as theorists suggest, we focused in our item battery on aspects that are applicable to various ethnic groups. Furthermore, we considered item equivalence by ensuring that the meaning of items is the same for all cultures participating (Lindridge and Dibb 2002; Phinney 1992).

Independent Variables. To measure ethnic identification variables, we used Phinney's 23-items scale (Phinney 1992) as well as the scales of Bergier (1986) and Rooney et al. (2011). In our pre-study 1 we asked the participants to rate pre-selected items of the three scales according to their importance for ethnic identity of ISR in direct selling. Based on average ratings of top-level management, we chose the item battery illustrated in the Appendix. Although some research (see Phinney 1992 for discussion) claims that attitudes towards other ethnic groups are not necessarily part of ethnic identity, other streams of literature point out to the importance of including this aspect – which validates also the practitioners' opinion in the pre-study to include ethnic openness. Especially for studies in larger societies and with regards to migration, it may interplay and interact with it – in particular the attitudes towards the host country members but also all other immigrants (Phinney 1992). Research shows that ethnic identity of immigrants, especially bicultural individuals, is defined by a sense of integration, meaning that they keep their home ethnicity traditions while being open to the host culture and other cultures (Phinney 1992; Phinney et

al. 2001). Consumption behavior of an ethnic minority was for instance depending on interactions with the own community and the dominant (host) population (Lindridge and Dibb 2002). As mentioned before, the inclusion of different aspects in the concept of ethnic identification allows us to more comprehensively analyze the effect of ethnic identification on salespeople organizational identification and pro-organizational behaviors.

Outcomes. Organizational Identification, Adaptive selling, Party booking, Recruiting, and Performance. We measured all dependent measures on seven-point Likert scales. To operationalize organizational identification, we adapted Mael and Ashforth's well-established organizational identification scale (1992) as well as Allen and Meyer's scale (1990) and Johnson, Morgeson and Hekman's scale (2012). For the assessment of adaptive selling, we used the shortened adaptive selling scale of Robinson et al. (2002). Due to the industry specific nature of the variables party booking and recruiting we wanted to combine the input of existing scales and the opinion of practitioners. Therefore, in the pre-study we asked the managers for proxies for these variables and / or changes in existing scales (e.g., performance scale: comparison level is area distributorship). Party booking was measured as the number of parties booked per month and recruiting behavior was measured both as the likelihood of recruiting (scale adapted from Maxham and Netemeyer 2002) and the number of recruits of an individual ISR per year. We use subjective as well as objective performance data of salespeople because self-reported data has the potential to inflate performance of lower performing salespeople while deflating the performance of high performing salespeople. This results in lower variance between both groups and complicates analyses (Jamarillo, Carrillat, and Locander 2003). Our subjective performance scale is adapted from the scale by Sujan, Weitz, and Kumar (1994) and for objective performance we analyzed sales per month data.

Moderator measures. To operationalize perceived similarity and fit salesperson, as well as direct selling company and company we used the prototypicality scale by Van Knippenberg and van Knippenberg (2003). For measuring the moderator image, we used the image scale by Homburg et al. (2011).

Validity and Reliability of the measurement. For scale validation purposes we asked the ISR in our pre-study 2 to assess the scales that the managers had chosen in pre-test 1. Using an exploratory factor analysis and a confirmatory factor analysis we changed certain items and their constellation in the battery. The total items were loading on four factors, namely *general ethnic identification*, *environmental ethnic identification*, *consumptive ethnic identification* and *ethnic openness*. General ethnic identification measures the affirmation and belonging towards an ethnic group (Phinney 1992). It includes items about the degree of affiliation and pride towards ethnicity as well as knowledge about one's ethnic heritage and fulfillment of traditional requirements. *Environmental ethnic identification* subsumes items addressing the preference for friends with the same ethnic background, work with customers from the same ethnicity, and the preference for media and ethnic language use. *Consumptive ethnic identification* tackles ethnic consumption preference. Finally, *ethnic openness* describes one's attitude towards other ethnicities.

Cronbach's Alpha, Composite Reliability and average variance extracted for our operationalizations confirm sufficient reliability and convergent validity of our scales (see table 1). In detail, none of the scales indicates a Cronbach's Alpha lower than the threshold level 0.7 as suggested by Bagozzi and Yi (1988). Furthermore, all constructs fulfilled the discriminant validity criterion that requests the average variance extracted to be bigger than squared correlations between all pairs of constructs (Fornell and Larcker 1981).

Variables	Mean	SD	Ave.Var	1	2	3	4	5	6	7	8	9	10	
1. adaptsell	5.46	1.17	.64											
2. performance_salesrep_subj	3.78	1.51	.70	.32										
3. orga_ident_or	5.62	1.07	.48	.34	.23									
4. rec_likelihood_salesrep	5.06	1.55	.68	.27	.19	.52								
5. std_number_recruits	0.00	1.00		.10	.20	.11	.15							
6. number_parties	4.35	18.48		.06	.10	.03	.04	.07						
7. logNumber_Parties	1.12	0.74		.24	.49	.28	.32	.28	.31					
8. gen_ethnic_ident_all	0.00	1.00		.54	.12	.16	.06	.07	.03	.09				
9. environmental_ethnic_ident_all	0.00	1.00		.42	.03	.15	.06	-.02	.06	.04	.10	.54		
10. consumptive_ethnic_ident_all	0.00	1.00		.73	-.02	.17	.09	-.02	.05	.03	.09	.64	.64	
11. ethnic_openness_all	0.00	1.00		.52	.17	.00	.09	.13	-.06	.00	-.02	-.12	-.27	-.26

Table 1: Means, Standard Deviations, and Scale Intercorrelations

Analytical Approach and Data sample

A major international direct selling company in the B2C sector, with its salesforce in Germany provides the research setting for this study. The study context is a typical direct selling organizational structure exhibiting a remote sales organization and geographically dispersed sales districts / territories with customers who are typically friends and family, and consequently often from the same ethnic background. The same questionnaire was provided online and at company meetings (with QR codes) to more than 3000 salespeople.

Each salesperson participating in the survey is nested in a specific team and assigned to a specific sales region. Therefore, answers of salespeople within the same team or sales region can be interdependent. Thus, in order to account for this interdependency, we determined that a two-level, or rather a three-level approach was warranted. We examined intra-class correlation coefficients (ICC) and corresponding design effects to ascertain the extent of systematic group-level variance (Duncan et al. 1997). The resulting ICCs indicate that the proportion of total variance accounted for by between-cluster variation is of sufficient size to substantiate a multi-level approach.

In order to account for the hierarchical structure of the data, a multi-level model using Stata was estimated (Raudenbush and Bryk 2002). In our study, teams are regarded as level 2 variables because the respondents are nested within different teams and sales regions are regarded as level 3 variables. An important requirement for a profound multi-level approach is that the ratio of level 1 to level 2 variables should be at least 1 to 10 (Hox 2002), which is fulfilled in our case.

Results

In a second step we tested our proposed hypotheses: We employed a likelihood ratio test as well as Akaike's information criterion (AIC) and the Bayesian information criterion (BIC) to compare the fit of the models (Akaike 1974; Raftery 1995). We first conducted an intercepts-only model. The LR test, which compares the random intercept model with the linear model, confirmed that the estimated random intercept models fit the data better than linear models. Furthermore, we compared the model fit parameters for the mixed model with the grouping variable team, sales region, and both team and sales region combined in one three-level model. Table 2 reports these results.

Model type	AIC	BIC
Baseline regression model (one-level)	9454.199	9588.707
Mixed model team	9053.651	9199.502
Mixed model sales region	9153.452	9365.012
Mixed model team and sales region	9030.783	9182.649

Table 2: Comparison of Models

The results of our analyses indicate a positive relationship between general ethnic identification, ethnic openness and the dependent variable organizational identification (e.g., H_{1a}: e.g. $\beta_{\text{gen ethnic ident}} = 0.19, p < .01$). We do not find any proof for the relationship between environmental ethnic identification and organizational identification, therefore H_{1b} cannot be supported by our data. Besides, we cannot find evidence for H_{1c}. The relationship between consumptive ethnic identification and organizational identification is significant, but unlike we predicted consumptive ethnic identification has a negative and not a positive effect on organizational identification (H_{1c}: e.g., $\beta_{\text{gen ethnic ident}} = -0.06, p < .05$). Furthermore, the findings show that organizational identification is significantly higher for ISR with a Russian

ethnicity (H_{1a} : $\beta_{\text{org ident Russian}} = 0.52, p < .01$) than for German ISR² to and significantly higher for salespeople with a Turkish ($\beta_{\text{org ident Turkish}} = 0.25, p < .05$) and Greek background ($\beta_{\text{org ident Greek}} = 0.33, p < .01$) as well as Polish background ($\beta_{\text{org ident Polish}} = 0.62, p < .05$). Also, organizational identification is significantly higher for higher hierarchical positions in the company: e.g., team leaders' identification is significantly higher than junior party managers organizational identification ($\beta_{\text{org ident team leader}} = 0.48, p < .01$).

Besides, we can prove $H_{2a, 2b, 2d}$, which posit a positive relationship between general ethnic identification, environmental ethnic identification, ethnic openness, and the dependent variable adaptive selling (e.g., $\beta_{\text{ethnic openness}} = .19, p < .01$). As it was the case for the dependent variable organizational identification, here too, the influence of consumptive ethnic identification on adaptive selling is negative ($\beta_{\text{consumptive ethnic ident}} = -.15, p < .01$). In addition, the results illustrate that the higher the hierarchical position, the more ISR engage in adaptive selling (e.g., $\beta_{\text{team leader}} = -.59, p < .01$; reference level: junior managers). Both general ethnic identification and environmental ethnic identification influence the number of parties booked which is why we can confirm H_{4a} and H_{4b} (e.g., $\beta_{\text{environmental ethnic ident}} = .05, p < .01$). Furthermore, we found that there is a positive relationship between general ethnic identification, environmental ethnic identification, ethnic openness, and the dependent variable likelihood of recruiting. Therefore, H_{5a} , H_{5b} and H_{5d} can be confirmed (e.g., H_{5d} : $\beta_{\text{ethnic openness}} = .17, p < .01$). As it is the case with the before-mentioned dependent variables, once again consumptive ethnic identification illustrates a significant negative influence on the dependent variable ($\beta_{\text{consumptive ethnic ident}} = -.11, p < .01$). Finally, analyzing the relationship between the independent

² German ISR is the reference category to which the ISR from other ethnicities are compared.

variables and the number of recruits, we can prove that general ethnic identification has a positive influence on the number of people recruited (e.g., H_{6a} : $\beta_{\text{ethnic ident}} = .05$, $p < .09$). Ethnic openness, on the other hand, has a negative influence on number of recruits (H_{6d} : $\beta_{\text{ethnic openness}} = -.06$, $p < .01$).

In addition, we analyzed our proposed moderators. We tested whether *prototypicality* moderates the relationship between ethnic identification and the dependent variables. Moderated regression analysis shows that the prototypicality of the salesperson reduces the effect of general ethnic identification on organizational identification (interaction term $\gamma_{\text{prototypicality gen ethnic ident}} = -.08$, $p < .01$) as well as the effect of ethnic openness on organizational identification (interaction term $\gamma_{\text{prototypicality ethnic openness}} = -.06$, $p < .01$). The negative influence of consumptive ethnic identification on organizational identification is also moderated by the prototypicality of the ISR: With increasing prototypicality of the ISR regarding the company, the negative influence of consumptive ethnic identification on organizational identification is attenuated (interaction term $\gamma_{\text{prototypicality consumptive ethnic ident}} = -.07$, $p < .01$).

Controls

In examining the control variables, we found significant relationships between the controls and the dependent variables. For instance, the control variable education is found to have a significant influence on organizational identification as the following results illustrate: Respondents with a German high school diploma (Abitur) have a significantly lower level of organizational identification than respondents with the reference category *no degree* ($\beta_{\text{org ident-Abitur}} = -1.1$, $p < .05$). Respondents with a university diploma illustrate the same tendency of a lower organizational behavior ($\beta_{\text{org ident-University}} = -1.2$, $p < .05$).

Post-hoc Analysis

As practitioners in the pre-study assumed, there are indications in the data that the effects of the independent variables on the dependent variables are varying by between German ISR and ISR with a non-German ethnicity. In order to consider these differences, we analyzed the causal relationships for German salespeople and the group of ISR with an immigration background (Turkish, Russian, Greek, and Italian) separately. The post-hoc analysis for German ISR with regard to the relationship between ethnic identification and organizational identification shows the following: general ethnic identification has the strongest influence on organizational identification ($\beta_{\text{gen ethnic ident Ger}} = .19, p < .01$), followed by ethnic openness ($\beta_{\text{gen ethnic openness Ger}} = .12, p < .01$). On the other hand, the most important factors that drive organizational identification of immigrant ISR, are ethnic openness ($\beta_{\text{environmental ethnic ident Imm}} = .17, p < .05$) and environmental ethnic identification ($\beta_{\text{environmental ethnic ident Imm}} = .16, p < .05$). There is also some indication in the data that consumptive ethnic identification has a negative influence on the organizational identification of ISR with an immigration background ($\beta_{\text{consumptive ethnic ident Imm}} = -.12, p < .09$). However, the negative influence of consumptive ethnic identification on organizational identification for Germans is very small ($\beta_{\text{consumptive ethnic ident Ger}} = -.06, p < .05$).

Further analyses illustrate the following: while ethnic openness and ethnic identification are almost equally strongly influencing adaptive selling skills of German salespeople ($\beta_{\text{ethnic openness Ger}} = .17, p < .01$; $\beta_{\text{gen ethnic ident Ger}} = .15, p < .01$) it is general ethnic identification which most strongly influences adaptive selling behavior of non-German ISR ($\beta_{\text{gen ethnic ident Imm}} = .12, p < .01$).

Ethnic openness and ethnic identification (e.g., $\beta_{\text{ethnic openness Ger}} = .18, p < .01$) are the two main precursors for the likelihood of recruiting of German ISR.

Consumptive ethnic identification, on the other hand, has a negative influence on German ISR likelihood of recruiting ($\beta_{\text{consumptive ethnic ident Ger}} = -.10, p < .05$). Analyzing the influence of ethnic identification variables on likelihood of recruiting for non-German ISR, we can only find significant effects between environmental ethnic identification and the dependent variable ($\beta_{\text{environmental ethnic ident Imm}} = .20, p < .05$).

In addition, we analyzed the relationship between ethnic identification and performance, as well as the relationship between the dependent variables and performance in order to validate the necessity and legitimacy of the independent as well as dependent variables with regards to performance of salespeople. We measured subjective performance (based on ISR self-evaluation; see appendix) and objective performance, using sales per month data of ISR as a proxy.

Firstly, we examined the relationship between ethnic identification variables and subjective performance. Here, it becomes apparent that all identification variables have a significant positive influence on subjective performance of the ISR (e.g., $\beta_{\text{gen ethnic ident}} = .09, p < .01$; $\beta_{\text{environmental ethnic ident}} = .08, p < .05$). In a next step we did the same analysis differentiating by ethnic backgrounds – with the following results: For immigrants, only general ethnic identification is found to have a significant positive impact on subjective performance ($\beta_{\text{gen ethnic ident Imm}} = .35, p < .05$). Conversely, for Germans, subjective performance of ISR is equally strongly influenced by general ethnic identification and environmental ethnic identification ($\beta_{\text{gen ethnic ident Ger}} = .07, p < .05$; $\beta_{\text{environmental ethnic ident Ger}} = .07, p < .05$) as well as by ethnic openness ($\beta_{\text{ethnic openness Ger}} = .06, p < .05$).

However, the analyses with the objective performance measure *Sales per month* reveal some different results. Regarding ethnic identification variables, we only find

evidence for general ethnic identification ($\beta_{\text{gen ethnic ident}} = .11, p \leq .01$) and environmental ethnic identification to have a positive influence on sales per month ($\beta_{\text{environmental ethnic ident}} = .10, p \leq .01$).

Secondly, we validated all dependent variables by analyzing their empirical relationship with salesperson performance. All dependent variables in our model (organizational identification, adaptive selling, likelihood of recruiting, and number of parties) are proven to have a significant positive relationship with subjective performance of salespeople. Subjective performance tends to be most strongly influenced by adaptive selling ($\beta_{\text{adapt sell}} = .36, p < .01$) followed by the likelihood of recruiting and organizational identification (respectively $\beta = .11, p < .01$), finally followed by number of parties ($\beta_{\text{number parties}} = .01, p < .05$).

Analyzing the relationship between our dependent variables and objective sales performance, we can observe that the variable *likelihood of recruiting* has the strongest influence on sales per month ($\beta_{\text{likelihood rec}} = .42, p < .01$), followed by adaptive selling ($\beta_{\text{gen ethnic ident}} = .27, p < .01$), followed by organizational identification or ($\beta_{\text{org ident}} = .14, p < .01$).

Individual paths	Coefficient (rounded values)	t value
General ethnic identification - organizational identification	.19**	8.19
Environmental ethnic identification - organizational identification	.03	1.09
Consumptive ethnic identification - organizational identification	-.06*	-2.10
Ethnic openness - organizational identification	.12**	6.64

General ethnic identification - adaptive selling	.21**	8.11
Environmental ethnic identification - adaptive selling	.06*	1.98
Consumptive ethnic identification - adaptive selling	-.15**	-5.05
Ethnic openness - adaptive selling	.19**	9.18
General ethnic identification - number of parties	.03*	1.79
Environmental ethnic identification - number of parties	.05**	2.62
Consumptive ethnic identification - number of parties	.02	.87
Ethnic openness - number of parties	.01	.89
General ethnic identification - likelihood of recruiting	.15*	5.00
Environmental ethnic identification - likelihood of recruiting	.07*	2.18
Consumptive ethnic identification - likelihood of recruiting	-.11**	-3.12
Ethnic openness – likelihood of recruiting	.17**	6.99
General ethnic identification - number of recruits	.05*	1.87
Environmental ethnic identification - number of recruits	.02	.56
Consumptive ethnic identification - number of recruits	-.40	-1.42
Ethnic openness - number of recruits	-.06**	-2.89

Table 3: Estimated Path Coefficients

General Discussion

In our study we aimed to shed some light on the relationship between ethnic identification of salespeople and their organizational identification, as well as their organizationally-relevant behaviors. Drawing on the idea of social identity theory, we proposed and empirically tested our hypotheses with the following takeaways: Ethnic identification is an antecedent of all dependent variables, namely organizational identification, adaptive selling, party booking, and recruiting behavior as well as a predictor of subjective salespeople performance.

Differentiating ethnic identity in the components general ethnic identification, environmental ethnic identification, consumptive ethnic identification, and ethnic openness, allowed us to make more distinct predictions based on our analyses. For recap purposes, we want to touch upon the meaning of these components. *General ethnic identification* refers to the general affiliation with one's ethnic group, the knowledge an individual has regarding his / her ethnic background, the pride with one's ethnic heritage as well as one's connection to traditions and festivities. *Environmental ethnic identification* refers to ethnic language use, preference for friends from the same ethnic background, and / or preference for working with individuals from the same ethnicity. *Consumptive ethnic identification* refers to preference for food and products that are adapted to one's ethnic heritage. Openness, on the other hand, describes a person's openness to other cultures.

Our analyses regarding ethnic identity components revealed that *Consumptive ethnic identification* has a negative influence on organizational identification, adaptive selling, party booking, and recruiting behavior. However, it is positively related to subjective performance of salespeople. *Ethnic openness*, namely the world-mindedness of salespeople, illustrates opposing effects on our dependent variables: while it increases organizational identification, ethnic openness is found to have a negative effect on objective performance of salespeople.

Our post-hoc analyses reveal that relationships between independent and dependent variables are different for German ISR and ISR with an immigrant-ethnicity. Apparently, ISR with an immigrant background have different common bases than German ISR to connect themselves with the organization: Immigrant ISR base their organizational identification on environmental ethnic identification and ethnic openness, while general ethnic identification does not influence their level of organizational identification. This result can be explained as followed: The first part

of the results, namely the importance of environmental identification (which is a proxy regarding preference for social environment with the same ethnic-background) for immigrant ISR can be explained by the fact that the majority of the cultures which are summarized under the immigrant ISR are from countries that score relatively low (e.g., Turkey scores 37) on the individualism dimension of the Hofstede index³ (Hofstede and Hofstede 2005). This dimension describes the tendency of a culture to prefer individualism and individualistic values rather than a relationship or groups (Hofstede and Hofstede 2005). In contrast, Germany scores 69 on a Hofstede index for individualism. Therefore, ISR who score high in environmental identification, are likely to score high on organizational identification, because collectivity is a common attribute between them and the organization. It is considered a common attribute since direct selling organizations value sales settings which are based on the collective – namely friends and members of other networks.

The reason why ethnic openness is a precursor of organizational identification of non-German ISR is the following one: If one's minority status, e.g., group ethnicity is important for them, working for a majority culture company will equal some kind of isolation that goes in hand with a feeling of low self-esteem (James and Khoo 1991). Therefore, in order to compensate for this, openness might be a factor that reduces the isolation and allows a connection with the majority organization in the case of ISR with an immigrant ethnic background.

Furthermore, our results illustrate that consumptive ethnic identification has a negative influence on organizational identification for all groups. However, the negative influence on organizational identification is stronger for the salespeople

³ The Hofstede index rates cultures according to different comparison dimensions such as power distance, uncertainty avoidance, masculinity etc.

with an immigration background. Furthermore, we can detect that ethnic openness positively influences adaptive selling behavior of German salespeople and does not influence immigrant ISR' adaptive selling behavior. Also, ethnic openness is negatively correlated to number of recruits of the non-German ISR, while the German ISR' number of recruits is not affected by this variable.

Our analyses further reveal that ethnic identity and performance are significantly related to each other – all ethnic identity variables are antecedents of subjective salespeople performance (considering Germans and immigrant ISR together). Beyond ethnic identity, we examined the relationship between all our dependent variables and subjective performance of salespeople: subjective sales performance is most strongly driven by adaptive selling, followed by organizational identification and likelihood of recruiting (equally strong influence), and party booking. Objective performance, on the other hand, is influenced by likelihood of recruiting, adaptive selling, followed by organizational identification and general ethnic identification (equally strong influence).

Limitations and future research

The collection of a large-scale multi-level data set, such as the one on which our study is based, was only possible by working closely with this German direct selling company as well as the German Direct Selling Association. Firstly, we contribute to theory and empirical research on identification processes of salespeople in personal selling. Previous research has recognized the importance of identity and identification as a precursor of salesperson behavior and performance (Ahearne, Haumann, and Kraus 2013; Tyagi 1982) and tested the empirical relationship between ethnic identification and some variables in organizational settings (e.g., attitude towards organizations' recruitment practices, job attractiveness, self-esteem

at work, etc.). Our study extends this research by validating the hypothesis that ethnic identification is a precursor for a salesperson's organizational identification, pro-organizational behaviors as well as performance. Besides, in the frame of our robustness checks, where we analyzed the relationship between dependent variables and salesperson performance we identified key performance indicators for salespeople in direct selling organizations, namely organizational identification, adaptive selling, likelihood of recruiting and party booking behavior.

Moreover, while previous research has concentrated on one or two aspect of ethnic identity (e.g., ethnocentrism and openness), this study analyzes ethnic identity including several facets that are relevant according to practitioners. Thereby, we can answer which facets of ethnic identity are more influential for salespeople behavior and performance. This is an eminent finding for complementing existing identification literature.

Although the findings are based on a large-scale sample of practitioners and were checked for robustness, further research is needed to examine ethnic identity of salespeople, identification processes, and their effects on salespeople behavior. To begin with, the study should be replicated in other direct selling companies in order to increase cross-industry stability of findings. Furthermore, we differentiated ethnic identification effects for German and immigrant ISR and reported an overall effect. For our *total* effects we did not include frequency weights to calculate our regressions, because we were not provided with the real ratio between German and immigrant ISR in the company. Therefore, future studies should replicate our analyses, considering the frequency ratios of different ethnicities in the sample.

Secondly, a differentiated analysis within the immigrant group is needed in future empirical research. Gerpott and Bicak (2011) suggested in their study, to group

consumers with an immigration background in different types based on their ethnic identification: e.g., deculturated or multi-cultural. The authors claimed that, depending on the segment, an organization's ethnic adaptation activities will be more or less successful. Regarding the high percentage of population with first generation immigration background and their follow-on generations, companies try to strategically meet their specific cultural needs in the marketplace (Gerpott and Bicak 2011) as well as in the employee system. However, not all individuals in the culture follow the views that are dominant in that culture or that were dominant in our sample. Ethnic identification may vary across members within a culture (Cooper and Thatcher 2010) and therefore there might be a need for proper segmentation and differentiation between 1st and 2nd generation immigrant salespeople. The strategy of an organizational identity based on ISR ethnicity is promising as long as it is directed towards first or second-generation immigrant ISR. However, it has to be analyzed in future studies to which extent people with a mixed identity like Turkish-Germans or Italian-Germans identify with an organization that is based on their ethnicities of origin only (Scott and Lane 2000) and how promising this ethnic strategy is for the future.

Besides, analyzing prototypicality in our data has shown that the more prototypical the salesperson is the lower is the effect of ethnic identification on organizational identification. It might be relevant to analyze in future studies if customers' organizational identification or attitude based on their ethnic heritage is reduced by a highly prototypical salesperson at a party. Also, it needs to be defined what "highly prototypical" exactly means in that context.

Managerial Implications

The study at hand allows us to derive crucial implications for direct selling companies. Our results illustrate that ethnic identity and its components influence salespeople behavior and performance.

First of all, the positive ethnic identification on organizational identification of ISR is diminished with increasing prototypicality of the ISR with the company. Therefore, direct selling companies have to keep an eye on ISR' prototypicality. ISR should definitely be identified as an *obvious* part of the organization by customers. Usually, this is ensured by physical symbols such as the logo of the company on the ISR' car etc. (Cradador and Pratt 2006). A certain amount of prototypicality with the company is required for ISR in order to illustrate an expert status towards new salespeople and for communicating company identity e.g., in the frame of their recruiting practices on parties. However, direct selling companies are advised to make sure that ISR are seen more as a part of the ethnic in-group of the customers than an *outsider* from a direct selling company.

Consumptive ethnic identification was found to be a controversial part of ethnic identity. Consumptive ethnic identification tends to have a negative effect on organizational identification, while it is positively related to performance. Interpreting this, we can conclude, that consumptive ethnic identification is important for sales but not fully considered by the company. A comparison of consumptive ethnic identification levels of Germans and immigrant ISR shows the following: ISR with an immigration background consider ethnic consumption to be more important. Taken together, these findings imply that it would be advantageous for direct selling companies to adapt products according to different ethnic backgrounds. For instance, products can be adapted to the size of typical household

of an ethnic group. Also, products can be designed according to ethnicity specific color preferences, style, occasion etc. The organization under scrutiny of this research has only recently started ethnicity specific product adaptations – which is one possible explanation for the above-mentioned findings. Overall, in most of the direct selling companies in Germany, there is little product adaptation.

Ethnic openness is another factor we want to direct selling organizations' attention towards. Ethnic openness has been found to reduce the performance of some salespeople, and also the number of recruits for immigrant ISR in our sample. This can be explained as follows: the described salespeople might be be 3rd generation immigrants who are too world-minded to accept the company's ethnic strategy (Şahin 2017). A major direct selling company assigns their ISR to ethnically matching customers for instance by asking them for their ethnic heritage and not their nationality. This can result in the fact that they falsely assign a “cosmopolitan” bicultural individual to customers from their (or rather their ancestors') ethnic background. This in turn might cause a reactance on the side of the cosmopolitan ISR – who wants to be addressed differently: For instance, these ISR might want to serve all kinds of customers rather than only customers from their ethnic background. In general, we recommend direct selling companies not to subsume immigrant ISR under the general group of *immigrants* (Şahin 2017). They can further cluster immigrants, e.g., based on Hofstede indices, and combine cultures that can be reached in a similar fashion.

Another finding of our study is related to indicators of adaptive selling behavior of ISR. Adaptive selling is positively related to sales performance and an organization's performance when its benefits outweigh the costs of training salespeople to learn this approach (Bush et al. 2001; Franke and Park 2006; Spiro and Weitz 1990). In addition to the antecedents, that are provided by current

academic research, we found that ethnic identity is a predecessor of adaptive selling behavior – especially the component general ethnic identification. Direct selling companies can measure these indicators (together with a catalogue of other indicators) to assess how likely a candidate or ISR is to engage in adaptive selling behaviors. This indicator list can also be used to identify ISR who need training in adaptive selling.

Besides, we found out that immigrant ISR have different bases to connect with their organization than Germans. Immigrant ISR' organizational identification level is influenced by their level of identification with their ethnic environment and the level of their ethnic openness. However, this effect is not valid for German ISR. Consequently, immigrant ISR' surrounding, their identification with friends, and their preference to organize their parties with customers from their ethnic background are the factors which connect them to the organization – but not their affiliation to their values, traditions, and their pride for being a member of an immigrant group. Taken together with the importance of ethnic openness for immigrant ISR' organizational identification, this shows the following: Their general ethnic identification, namely their diversity, is not regarded as a common factor that ISR from an immigrant background share with the organization – they rather need openness to connect to the organization. This in turn implies the necessity for direct selling companies to communicate the value which they put on a diverse salesforce. Ideally, direct selling organizations find different bases to connect with immigrant salespeople (especially because ethnic openness is negatively related to performance). Connecting with them via *general ethnic identification* is specifically important because the latter does not only influence the behavior of immigrant ISR but also their subjective performance. If direct selling organizations want to foster organizational identification in their immigrant groups

they have to show their interest and their appreciation for their cultural background. Direct selling companies usually organize multiple salespeople meetings per year to reward the best performing ISR. These occasions, as well as an internal online platform are ways of communicating their appreciation for ethnically different salespeople. Furthermore, direct selling companies can show immigrant ISR their knowledge about their traditions and culture. Not only e-mails but promotions on specific days such as religious holidays etc. are ways of connecting with immigrants via general ethnic identification. Direct selling companies advertise their ethnic interest towards salespeople, but not all of them follow what they propagate. If organizations present themselves in a certain way, but their actions do not correspond to their self-introduced and advertised image, this can create imbalances in ISR' identification with the organization (Lane and Scott 2007).

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Appendix Study II

Measurement Scales

Scales

Ethnic identification scales

Self-categorization, adapted from Valencia (1985) (1 = “very weak,” and 7 = “very strong”)

How strongly do you identify yourself with the ethnic group you mentioned above?

Adapted from Bergier (1986), Phinney (1992), Rooney et al. (2011) (1 = “very weak,” and 7 = “very strong”)

Immigrants

1. I consider myself to be more Turkish* than German. (Bergier)
2. More of my friends are Turks. (Bergier)
3. I watch more Turkish television than German television. (Bergier)
4. At work, I speak more Turkish than German. (Bergier)
5. With friends, I speak more Turkish than German. (Bergier)
6. At home, I speak more Turkish than German. (Bergier)
7. It annoys me when members of my ethnic group hide their ethnic background. (Rooney)
8. I prefer to have [company name] parties with customers from a Turkish ethnic background. (Phinney)
9. I feel great pride in being a member of my ethnic group (Turks). (Rooney)
10. I know a lot about my ethnic heritage, history, traditions and customs. (Phinney)
11. I participate in cultural and religious events of Turks. (Phinney)
12. I prefer food to be prepared and served according to the Turkish traditional way. (Rooney)
13. I buy products that are adapted to my ethnic background (ethnically-marketed products). (Rooney)
14. I have a strong sense of belonging to Turks. (Rooney, Phinney)
15. I often spend time with people who are from other ethnic groups (than Turks) (Phinney)
16. I consider it to be good, when different ethnic groups socialize with each other (Phinney)
17. I am perfectly okay when people marry someone from a different ethnic background (than their own ethnic background). (Rooney)

* adapted respectively to the different ethnic backgrounds of the participating salesperson (Greek, Russian, Italian etc.) depending on their prior self-categorization.

Germans

1. More of my friends are Germans. (Bergier)
2. I watch more German television than international television. (Bergier)
3. I prefer to have my [company name] parties with customers from a German ethnic background. (Phinney)
4. I feel great pride in being a member of my ethnic group (German). (Rooney)
5. I know a lot about my ethnic heritage, history, traditions and customs. (Phinney)
6. I participate in cultural and religious events of Germans. (Phinney)
7. I prefer food to be prepared and served according to the German traditional way. (Rooney)
8. I buy products that are adapted to my ethnic background (ethnically-marketed products). (Rooney)
9. I have a strong sense of belonging to Germans. (Rooney, Phinney)
10. I often spend time with people who are from other ethnic groups. (Phinney)

11. I consider it to be good, when different ethnic groups socialize with each other. (Phinney)
12. I am perfectly okay when people marry someone from a different ethnic background (than their own ethnic background). (Rooney)

Image scale

Adapted from Homburg, Wieseke, Lukas, and Mikolon (2011) (1 = “strongly disagree,” and 7 = “strongly agree”)

13. [...] has a very good public image.
14. The public appearance of [...] is very good.
15. [...] enjoys high levels of prestige with consumers.
16. [...] is modern.
17. Other consumers like the public image of [...].

Prototypicality scale

Cicero, Pierro, and van Knippenberg (2010) (1 = “strongly disagree,” and 5 = “strongly agree”) and Van Knippenberg and van Knippenberg (2005) (1 = “strongly disagree,” and 5 = “strongly agree”)

Prototypicality with the company

18. The ISR is a good example of the kind of people that work for [company name]
19. The ISR has very much in common with [company name]
20. The ISR represents what is characteristic about [company name]

Performance scale

Adapted from Sujan, Weitz and Kumar (1994) (1 = “strongly disagree,” and 7 = “strongly agree”)

21. I sell more [company name] Products (than other PartyManagers of my area distributorship).
22. My customers are more satisfied than average [company name] customers
23. My performance is higher than the performance of other PartyManagers in my area distributorship

Adaptive selling scale

Robinson, Marshall, Moncrief, and Lassk (2002) (1 = “strongly disagree,” and 7 = “strongly agree”)

24. When I feel that my sales approach is not working, I can easily change to another approach.
25. I like to experiment with different sales approaches.
26. I am very flexible in the selling approach I use.
27. I can easily use a wide variety of selling approaches.
28. I try to understand how one customer differs from another.

Recruiting scale

Adapted from Maxham and Netemeyer (2002) (1 = “strongly disagree,” and 7 = “strongly agree”)

29. I consider it to be important to recruit PartyManagers on [company name] parties
30. I believe that recruiting new PartyManagers contributes to the success of my [company name] area distributorship.
31. I consider to recruit new PartyManagers on future parties
32. I consider to recommend my occupation at [company name] to my friends and acquaintances

Organizational identification scale

Adapted from Allen and Meyer (1990), Mael and Ashforth (1992) and Johnson, Morgeson, and Hekman (2012) (1 = “strongly disagree,” and 7 = “strongly agree”)

33. When someone criticizes [company name], it feels like a personal insult. (Mael and Ashforth)
34. I am very interested in what others think about [company name]. (Mael and Ashforth)
35. When I talk about [company name], I usually say ‘we’ rather than ‘they’. (Mael and Ashforth)
36. [Company name]’s successes are my successes. (Mael and Ashforth)
37. When someone praises [company name], it feels like a personal compliment. (Mael and Ashforth)
38. If a story in the media criticized [company name], I would feel embarrassed. (Mael and Ashforth)
39. I am proud to be a [company name] Party Manager. (Morgeson and Hekman)
40. I feel a strong sense of belonging to [company name] (Morgeson and Hekman)
41. I feel happy to be a part of [company name]. (Morgeson and Hekman)

Conclusion

The dissertation at hand was dedicated to shed some light on contemporary challenges in direct selling both for academics and practitioners. Central research issues were identified which are the following: Multilevel image and its influences on consumers attitudes and behaviors, and ethnic identification of salespeople and its influence on organizational identification and pro-organizational behaviors of salespeople. In study I and in study II we conducted analyses in order to validate our hypotheses. Based on the results of our studies several insights were gained and managerial implications were determined – which will be considered below.

Study I

Tackling the issue of image in direct selling covers the first steps to understand how customers decode organizational cues such as image and which components of image influence their attitudes and behaviors to a greater or lesser extent. The results of study I illustrate that customers indeed assess the images of direct selling channel, company and independent salespeople differently. Overall, company image is being assessed to be better than salespeople image, and channel image ranks third compared to the other two entities. Comparing the image assessments of customers with managers' rankings from previous studies, the first thing to discover is that there are disparities in judgments. E.g., the managers assessment regarding salesperson image is more positive than the assessment of customers. The results of our analyses reveal that image of all levels (sales channel, company and salesperson) is proven to have a significant influence on the attitudes and behaviors of customers in direct selling during the customer shopping journey. Besides, the salesperson plays the most important *image* role within the multilevel construct. Although customers rating for salespeople image is lower than company

image, the causal relationship between salespeople image and their behaviors is stronger than between company image and their behaviors. With particular regard to contact likelihood and preference for direct selling, which are strongly driven by salespeople image, the need for image improvement is evident.

Study II

The purpose of study II was to analyze the relationship between ethnic identification of salespeople and their organizational identification as well as their pro-organizational behaviors. The analyses revealed that ethnic identification is a precursor for all dependent variables which were scrutinized. Besides, the post-hoc analyses pointed out differences in effects for different ethnic identification components (general, environmental, consumptive and ethnic openness). Another important finding in the post-hoc analysis is the difference in results between the German ISR and immigrant ISR such as the following example illustrates: Organizational identification of immigrant ISR is determined by environmental ethnic identification and ethnic openness – while this effect cannot be found in the German ISR group. This suggests that immigrant ISR identify with the organization through their connection with friends and family as well as through their open-mindedness towards other ethnic cultures rather than through their affiliation with their values, and traditions which make up their personality. Consequently, direct selling organizations are advised to put more value on communicating their appreciation for the culture and identity of immigrant ISR. This will provide a common attribute for immigrant ISR to “connect” their personality to the organization rather than having to rely only on ethnic openness to “tolerate” the organization.

These are only some aspects of the results and managerial implications section from both studies. Working on this dissertation, I realized how multifaceted the direct selling business and the companies are. My purpose is – as it is the goal of the cooperation between the Direct Selling Association Germany and the Dr. Werner Jackstaedt Endowed Chair for Sales & Services Marketing, to set a ground work for academic publications in direct selling. During my doctorate research time, image and ethnic identification have been constituting challenges and research fields for practitioners and theorists – which still offer scope for future research. However, given the dynamic nature of direct selling companies, and the hands-on mentality of the C-suite authorities in direct selling companies, there are many other research areas that can be studied in the future: Direct Selling Managers are for instance eager to understand whether the party plan is a plan or just an event. They are looking for ways to improve the buying experience of customers at parties. Another topic which is of great relevance for practitioners is multichannel, and the question if in-home-selling should be combined with personalized online selling and / or combined with storefronts / flagship stores.

I would like to conclude my dissertation with the following quote from a direct selling industry expert – which puts the academic and practitioner future in direct selling in a nutshell:

“We’re all sitting right in the middle of the change right now“

(Duncan 2018)