Christian Homburg, Michael Müller, & Martin Klarmann

When Should the Customer Really Be King? On the Optimum Level of Salesperson Customer Orientation in Sales Encounters

In today's age of relational selling, a key challenge for salespeople is to determine the degree to which their customer-oriented behaviors drive sales performance. Therefore, this study analyzes whether a salesperson's customer orientation in sales encounters has an optimum level with regard to sales performance and customer attitudes. Using triadic data from a cross-industry survey of 56 sales managers, 195 sales representatives, and 538 customers, the authors provide strong empirical support for a curvilinear, inverted U-shaped effect of a salesperson's customer orientation on sales performance, whereas the effect of customer orientation on customer attitudes is continuously positive. Moreover, the findings reveal that the optimum level of customer orientation with regard to sales performance is higher for salespeople selling individualized products, in firms pursuing a premium price strategy, and in markets with a high degree of competitive intensity.

Keywords: personal selling, customer orientation, sales encounter, salesperson performance, customer satisfaction

Customer orientation has become a key construct in the marketing literature. On the one hand, researchers have studied the customer orientation of firms. In this research stream, it is often subsumed under the larger concept of market orientation (e.g., Kohli and Jaworski 1990; Narver and Slater 1990). On the other hand, many studies examine the customer orientation of individual employees, especially salespeople (e.g., Franke and Park 2006; Hartline, Maxham, and McKee 2000).

Saxe and Weitz (1982) introduced the concept of salesperson customer orientation to the marketing literature nearly 30 years ago to oppose the prevalent selling orientation of many salespeople. Since then, salesperson objectives have changed dramatically: "The salesperson's new imperative is to help forge relationships and heighten cooperation with customer firms" (Hunter and Perreault 2007, p. 16). In this new environment, customer-oriented behaviors, such as identifying customer needs and adapting the offer, have become key elements in building relationships (Cannon and Perreault 1999; Palmatier, Scheer, and Steenkamp 2007).

At the same time, adopting customer-oriented behaviors also requires substantial resources, in terms of both salesperson time (e.g., Saxe and Weitz 1982) and complexity costs arising from customizing products and processes to meet customer needs (e.g., Niraj, Gupta, and Narasimhan 2001). According to their meta-analytic finding that there is no clear effect of salesperson customer orientation on sales performance, Franke and Park (2006, p. 700) warn that "the costs of implementing customer-oriented selling may be higher than salespeople realize." Thus, it is important for salespeople in today's sales environments to ask, "How right should the customer be?" (Anderson and Onyemah 2006, p. 59).

More formally, this amounts to the important question whether there is an optimal level of a salesperson's customer orientation with regard to sales performance. Using a rich set of survey data from 56 sales managers, 195 sales representatives, and more than 500 customers, this study addresses this question. In this context, three additional issues need to be considered.

First, it is highly likely that the magnitude of the optimum level of customer orientation depends on product and market characteristics. For example, Tuli, Kohli, and Bharadwaj (2007) find that a key problem of many suppliers of highly individualized customer solutions is that they still lack proper understanding of their customers' businesses. At the same time, according to Verbeke et al. (2008), a deep understanding of a customer's needs may even reduce sales performance, if the sales task is highly structured (as is often the case for standardized products). Therefore, we test whether product individuality as well as product importance, price positioning, and competitive intensity affect the optimum level of customer orientation.

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Second, because of today's importance of developing long-term customer relationships, the utility of using financial sales performance as outcome variable in sales research has been questioned (e.g., Hunter and Perreault 2007). In particular, scholars fear that this may be a wrong measure in a relational selling context because it neglects long-term customer reactions to a successful sale. Therefore, in this study, we also consider customer attitudes as outcomes of customer orientation. Here, the existence of an optimum level is specifically not expected.

Third, scholars have criticized that the concept of salesperson customer orientation has remained somewhat vague and imprecise (e.g., Schwepker 2003). Perhaps for this reason, instead of studying the concept as a whole, recent research has focused on specific behaviors and traits that can be considered customer oriented according to the original definition. Examples include a predisposition to meet customer needs (Brown et al. 2002), the tendency to build personal relationships with customers (Donavan, Brown, and Mowen 2004), and an employee's customer need knowledge (Homburg, Wieseke, and Bornemann 2009). In line with this development, this study focuses on salesperson customer orientation in the context of sales encounters because sales encounters represent a supplier's most important points of contact with a customer in a business relationship (e.g., Verbeke and Bagozzi 2000).

Conceptual Background

Customer Orientation in Sales Encounters

When Saxe and Weitz (1982) introduced the concept, they characterized salesperson customer orientation as commitment to understanding and meeting a customer's needs and interests and ensuring long-term customer satisfaction. Against this background, we define "salesperson customer orientation in sales encounters" as the degree to which a salesperson identifies and meets customer needs and interests in the different stages of a sales encounter.

This definition calls for further specification with regard to the different stages of a sales encounter. Typically, five major stages are considered (e.g., Jobber and Lancaster 2006): (1) the need identification stage, (2) the presentation stage, (3) the objections stage, (4) the negotiation stage, and (5) the closing stage. In each stage, a salesperson can behave more or less customer oriented. Thus, as Figure 1 depicts, customer orientation in sales encounters can be thought of as a construct with five dimensions, each corresponding to one specific stage in the encounter.

First, in the need identification stage of a sales encounter, a key challenge for salespeople is to understand a customer's requirements precisely. Thus, "identification of customer requirements" is the first dimension of customer orientation in sales encounters. We define it as behaviors aimed at identifying the customer's interests, goals, and other product-related needs.

Second, in the presentation stage of a sales encounter, customer orientation manifests by offering products that correspond to specific customer needs while clarifying the customer's benefits (Dwyer, Hill, and Martin 2000). Therefore, "presentation of customer solutions" is the second dimension of customer orientation in sales encounters. We define it as communication behaviors that focus on the products and services that meet customer needs.

FIGURE 1
Dimensions of a Salesperson's Customer Orientation in Sales Encounters

Stages of a Sales Encounter (Jabber and Lancaster 2006, p. 250)	Dimension of Customer Orientation in Sales Encounters	Definition
Need and Problem Identification	Identification of customer requirements	Behaviors aimed at identifying the customer's interests, goals, and other product-related needs
Presentation and Demonstration	Presentation of customer solutions	Communication behaviors focusing on the products and services that meet customer needs
Dealing with Objections	Collaborative handling of objections and disagreements	Behaviors aimed at stimulating customer objections and disagreements and finding an integrative solution
Negotiation	Consideration of customer interests	Behaviors aimed at achieving an agreement in sales negotiations by finding a compromise between the interests of the supplier and the interests of the customer
Closing the Sale	Use of informative closing techniques	Behaviors that emphasize the use of information in the closing stage of a sales encounter

Third, in the objection stage of a sales encounter, the conflict "inherent in buyer–seller relationships" (Malhotra 1999, p. 118) is likely to become apparent. Here, customer-oriented salespeople employ a collaboration approach (Weitz and Bradford 1999) by actively exchanging information and creatively identifying mutually beneficial alternatives. We define this "collaborative handling of objections and disagreements" as behaviors aimed at stimulating customer objections and disagreements and finding an integrative solution.

Fourth, because the collaboration approach cannot be applied to all conflicts of interest (Weitz and Bradford 1999), it is necessary to engage in compromising in the negotiation stage of a sales encounter. Here, customer orientation manifests as "consideration of customer interests," which we define as behaviors aimed at achieving an agreement in sales negotiations by finding a compromise between the interests of the supplier and the interests of the customer.

Fifth, for customer-oriented salespeople, closing a sale becomes "relatively straightforward" (Brooksbank 1995, p. 62). Instead of employing specific persuasion tactics that customers often perceive as manipulative and that reduce trust (Hawes, Strong, and Winick 1996), salespeople rely on information (Saxe and Weitz 1982). Therefore, in the closing stage of a sales encounter, customer orientation becomes apparent through the "use of informative closing techniques," which we define as behaviors that emphasize the use of information to close a sale.

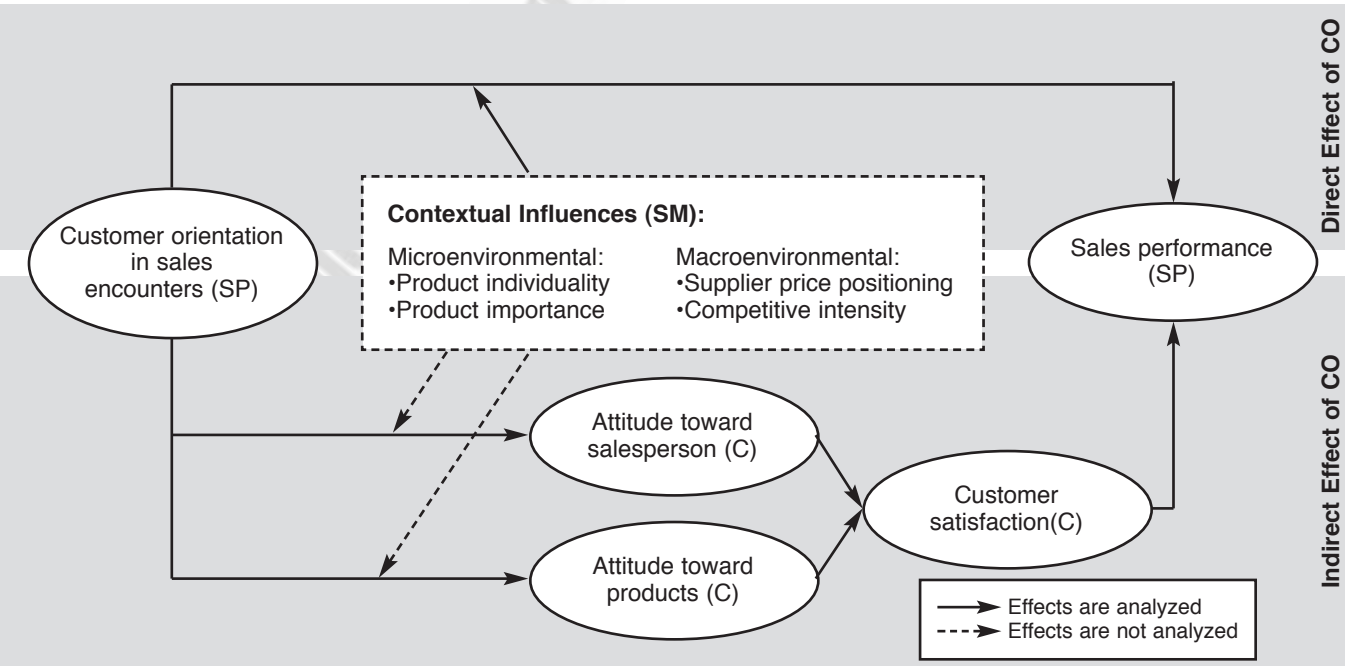
Conceptual Framework

In this study, we link salesperson customer orientation to key outcome variables. Figure 2 presents an overview of the resulting conceptual framework.

Outcomes of a salesperson's customer orientation in sales encounters. In relational sales environments, financial sales performance may not be a sufficient performance measure, because it neglects more long-term customer reactions (Hunter and Perreault 2007). Therefore, in this study, we consider two types of outcomes. As a financial outcome, we define "sales performance" as the financial result of a salesperson's selling activities—for example, the achieved sales volume or contribution margin (Oliver and Anderson 1994). Regarding customer reactions, two attitudinal constructs are included. First, customers form an impression of the salesperson. Against this background, the research model includes a customer's attitude toward the salesperson, which is the degree to which the customer exhibits a learned predisposition to respond favorably to the salesperson. Second, customers form judgments of a supplier's products. Therefore, we also consider a customer's attitude toward a supplier's products, which is the degree to which the customer exhibits a learned predisposition to respond favorably to the supplier's products. These constructs are then linked to "customer satisfaction," which we define as the customer's overall evaluation of purchase and consumption.

In turn, customer satisfaction also links to sales performance. Thus, the model includes both a direct and an indirect link from salesperson customer orientation to sales performance. As we explain in more detail in the "Hypotheses Development" section, in general these links reflect benefits and costs of customer orientation. More specifically, the indirect link from customer orientation through attitudes and satisfaction to sales performance captures one specific benefit of customer orientation. As we mentioned previously, this benefit is particularly important because it

FIGURE 2
Conceptual Framework



Notes: (SP) Salesperson data, (SM) sales manager data, and (C) customer data.

addresses possible long-term effects of salesperson customer orientation. At the same time, it is highly likely that many other benefits of customer orientation are not covered by the indirect effect. For example, Cronin, Brady, and Hult (2000) find that the degree to which services are adapted to the customers' needs (labeled in their study "service value") has a direct effect on loyalty intentions that is three times as strong as an indirect effect through customer satisfaction. The direct link from customer orientation to sales performance covers these remaining benefits as well as all the costs of customer orientation.

Contextual influences. In his contingency framework for understanding salesperson performance, Weitz (1981) proposes that the effectiveness of salesperson behaviors strongly depends on macroenvironmental and microenvironmental variables. Thus, this study also analyzes the influence of four contextual variables (two of every type) on the effectiveness of salesperson customer orientation with regard to sales performance. In this regard, we focus on the direct link from customer orientation to performance. Thus, we assess whether the optimal level of customer orientation varies depending on the context of the sales encounter.

With regard to microenvironmental variables, we examine two characteristics of the customer buying task (Weitz 1981). Product individuality is the degree to which a supplier offers individualized products, and product importance is the general importance of a supplier's products and services to the customers. With regard to macroenvironmental variables, we consider two facets of the firm's competitive position. Supplier price positioning is a supplier's relative price level, and competitive intensity is the degree of competition in a marketplace (Kohli and Jaworski 1990).

Hypotheses Development

Effects of Customer Orientation in Sales Encounters

We argue that a salesperson's customer orientation in sales encounters has a nonlinear, inverted U-shaped relationship to sales performance, whereas its relationship to customer attitudes is continuously positive. This implies that there is an optimum level of customer orientation with regard to sales performance but not with regard to customer attitudes.

Our argument is based on a distinction between two ways that salesperson customer orientation affects salesperson financial performance. On the one hand, customer-oriented behaviors trigger customer reactions that positively affect revenues and profits through increased sales volumes and higher prices. We refer to these effects as benefits of customer orientation. On the other hand, customer-oriented behaviors require inputs in terms of salesperson resources and firm resources that may negatively affect revenues and profits and, thus, salesperson financial performance. We refer to these effects as costs of customer orientation.

The reasoning behind our nonlinear hypothesis is based on the idea that the law of diminishing returns applies to the benefits of increasing customer orientation with regard to sales performance, whereas costs increase steadily. We outline these ideas in more detail next.

Diminishing benefits of customer orientation in sales encounters. By identifying and satisfying customer needs, customer-oriented salespeople create customer value (e.g., Brady and Cronin 2001; Franke and Piller 2004). This added value increases the attractiveness of a firm's offering and thus is a strong direct predictor of customer purchasing intentions (Cronin, Brady, and Hult 2000). Thus, customers are likely to respond to increases in customer value through customer orientation by purchasing more. These benefits of customer orientation have been studied extensively. Salesperson customer orientation has been shown to drive sales volume through increases in cross-buying (Siders, George, and Dharwadkar 2001), customer retention (Dean 2007; Jones, Busch, and Dacin 2003), and immediate purchases (George 1991).

At the same time, customers also reward additional value of a supplier's products with a higher willingness to pay (Pihlström and Brush 2008). Consistent with this effect, Homburg, Wieseke, and Bornemann (2009) find that customers are willing to pay more if the salesperson possesses a profound knowledge of their needs. Thus, salesperson customer orientation should also translate into better salesperson financial performance through increased revenues and margins.

However, some recent studies suggest that customer-oriented behaviors are particularly effective in creating customer value if they help customers satisfy their core needs. Beyond that, increases in customer orientation add less value for the customer. For example, with regard to the first dimension (i.e., the identification of customer requirements), Verbeke et al. (2008) find that understanding the core needs of the customers is an important source of value creation, whereas understanding intricate details of the customer's needs is not. Likewise, regarding the second dimension (i.e., the presentation of customer solutions), Franke, Keinz, and Steger (2009) find that adapting a product to the customers' needs is much more valuable if it includes features with which they are highly involved.

This logic also extends to the other dimensions of customer orientation. Regarding the third and fourth dimension (i.e., collaborative handling of objections and disagreements and consideration of customer interests), Weitz and Bradford (1999) argue that customers appreciate collaboration and compromise approaches to buyer–seller conflicts more if they pertain to issues perceived as important. Similarly, with regard to the use informative closing techniques (i.e., the fifth dimension), strategies such as summarizing the offer should focus on main benefits (e.g., Jobber and Lancaster 2006). Thus, the incremental benefits of increasing customer orientation are greater if the salesperson's initial level of customer orientation is low, which implies that there are diminishing benefits of customer orientation in sales encounters.

Costs of customer orientation in sales encounters. Prior research has repeatedly noted that increasing salesperson customer orientation is a resource-intensive endeavor (e.g., Franke and Park 2006; Kumar, Venkatesan, and Reinartz 2008). In particular, costs arise from salesperson time and in terms of added complexity for the selling organization.

Implementing a customer orientation requires a lot of time (e.g., Saxe and Weitz 1982), and this applies to all its dimensions. For example, regarding the first dimension (i.e., the identification of customer requirements), gaining insights into customer preferences is a lengthy process (Franke, Keinz, and Steger 2009). In addition, adapting sales presentations to the needs of the customer instead of using a "one-size-fits-all" style presentation (the second dimension) requires more preparation time. Likewise, finding integrative solutions or compromises in conflicts between buyers and sellers instead of relying on persuasion and/or pressure "involves the expenditure of considerable time and effort" (Weitz and Bradford 1999, p. 247).

These time requirements may affect financial salesperson performance because they are associated with important opportunity costs. Salespeople wanting to increase their customer orientation need to reallocate how they spend their time. They are required to spend more time per customer, which reduces the total number of customers they can serve at all. Thus, increasing customer orientation means shifting resources from customer acquisition to customer retention, which does not necessarily improve performance (e.g., Reinartz, Thomas, and Kumar 2005). In addition, in the remaining customer relationships, salespeople must spend relatively more time on acquiring information and adapting their offer and less on traditional selling activities, such as promoting and persuading (Weitz and Bradford 1999). This may also result in fewer sales opportunities and, thus, reduced salesperson financial performance.

In addition, customer-oriented salesperson behaviors result in offerings that are adapted to the specific needs of the customer. As Joshi (2010, p. 94) notes, salespeople are "preeminent among the individual-level drivers of product modifications within organizations." Consequently, salesperson customer orientation is likely to be associated with complexity costs for the selling organization. For example, Tuli, Kohli, and Bharadwaj (2007) find that for firms offering their customers comprehensive product solutions, overcoming organizational complexity is a key challenge. In particular, to maintain the required flexibility for offering customized products, the efficiency of these organizations is reduced (Gilmore and Pine 1997). Such additional complexity results in "higher customer service costs and thus lower customer profits" (Niraj, Gupta, and Narasimhan 2001, p. 7). Thus, it reduces salesperson financial performance.

Optimal level of customer orientation in sales encounters. Salespeople wanting to increase their customer orientation need to focus on fewer customers, and their offerings will be more expensive to produce. Coupled with diminishing returns of customer orientation, this indicates that the relationship between customer orientation and sales performance is shaped in the form of an inverted U, implying the existence of an optimum level. Accordingly, we hypothesize the following:

H_1: The relationship between a salesperson's customer orientation in sales encounters and his or her sales performance is curvilinear in the shape of an inverted U.

Effects of customer orientation in sales encounters on customer attitudes. Other than with regard to sales performance, we expect that the effect of customer orientation on customer attitudes is continuously positive. With regard to attitudes toward the product, it is highly likely that the superior value of products and services sold by customer-oriented salespeople results in more positive customer evaluations (e.g., Woodruff 1997). Several empirical studies support the existence of a positive relationship between customer orientation and customer attitudes toward the offering (e.g., Brady and Cronin 2001; Goff et al. 1997).

In addition to enhancing product evaluations, customer-oriented behaviors are likely to reflect well on the salesperson. We expect that customers appreciate salespeople who they perceive in sales encounter as being responsive to their needs. Again, several studies support the existence of a positive effect of salesperson customer orientation on customer attitudes toward the salesperson (e.g., Brady and Cronin 2001; Ramsey and Sohi 1997).

Thus, there is reason to expect a positive relationship between salesperson customer orientation and both types of attitudes. At the same time, there is little to suggest that increases in salesperson customer orientation are associated with any significant costs in terms of customer attitudes. Consequently, it seems unlikely that situations arise in which customer attitudes deteriorate as a result of increases in salesperson customer orientation. Thus, we hypothesize the following:

H_2: The relationship between a salesperson's customer orientation in sales encounters and customer attitudes toward the salesperson is continuously positive.

H_3: The relationship between a salesperson's customer orientation in sales encounters and customer attitudes toward the supplier's products is continuously positive.

Effects of Customer Attitudes

Consistent with previous research (e.g., Crosby and Stephens 1987), we expect that customer attitudes are strong drivers of overall customer satisfaction. Thus, we hypothesize the following:

H_4: The relationship between a customer's attitude toward the supplier's products and customer satisfaction is continuously positive.

H_5: The relationship between a customer's attitude toward the salesperson and customer satisfaction is continuously positive.

Similarly, because customer satisfaction is positively associated with outcomes such as increasing share of wallet (e.g., Keiningham, Munn, and Evans 2003), we predict the following:

H_6: The relationship between customer satisfaction and sales performance is continuously positive.

These relationships are well established in sales research. Thus, in Table 1, we provide only a brief summary of the rationale behind them.

TABLE 1
Outline of H_4–H_6

Investigated Relationship	Expected Effect	Basic Rationale for Hypotheses	Selected Supporting Literature
Customer's attitude toward a supplier's products → customer satisfaction	Continuously positive (H_4)	•Customer satisfaction with the supplier represents an overall evaluation of the business relationship and is determined by various factors.	Crosby and Stephens 1987; Goff et al. 1997; Humphreys and Williams 1996
Customer's attitude toward the salesperson → customer satisfaction	Continuously positive (H_5)	•In this context, a positive attitude toward the salesperson and toward a supplier's products represent two major antecedents of overall customer satisfaction. •Empirical support for positive impact.	
Customer satisfaction → sales performance	Continuously positive (H_6)	•Customer satisfaction is a strong driver of customer loyalty. •Thus, increasing customer satisfaction is associated with increasing willingness to pay, positive word of mouth, and future purchases. •These benefits are reflected in salesperson performance. •Empirical support for positive impact.	Ahearne, Mathieu, and Rapp 2005; Anderson 1998; Keiningham, Munn, and Evans 2003

Hypotheses on Moderating Effects

The optimum level of customer orientation with regard to sales performance is likely to vary with contextual influences. In this section, we discuss the impact of four such contextual variables on the optimum level of customer orientation: product importance, product individuality, a supplier's price positioning, and competitive intensity.

Product importance. According to the theory of perceived risk (e.g., Bettman 1973), customers perceive buying decisions as risky in terms of whether the product meets their requirements and the magnitude of adverse consequences when buying the wrong product (e.g., Dowling and Staelin 1994). Thus, we expect that customers' perceived risk is greater for important products. In particular, with important products, the adverse consequences of buying a wrong product, such as monetary losses due to replacement costs or, in business-to-business settings, due to production downtimes, are more substantial (McQuiston 1989). As a result, to reduce perceived risk, customers have a higher need for information and assistance.

Thus, customers buying important products are more likely to value customer-oriented behaviors in the course of a sales encounter. For example, in the need identification stage, customers are likely to show more appreciation for any efforts aimed at understanding their specific needs. In the presentation stage, customers are likely to respond more positively to offerings adapted to their specific needs. Here, customer-oriented salespeople may be able to reduce perceived risk by offering additional services, such as specific guarantees. Likewise, a collaborative approach to handling disagreements will be more valuable because it can be interpreted as nonopportunistic. As a consequence, the optimum level of a salesperson's customer orientation is likely to be higher with important than with unimportant products. Thus, we hypothesize the following:

> H_7: The optimum level of a salesperson's customer orientation in sales encounters with regard to sales performance is higher if a supplier's products are of high rather than low importance to the customer.

Product individuality. In many industries, suppliers have begun offering their customers highly individualized solutions, in which products are customized to meet the customers' specific needs (Tuli, Kohli, and Bharadwaj 2007). In this kind of selling environments, customer-oriented salesperson behaviors play a crucial role in determining the success of a solution supplier's products. In particular, salespeople are essential to understanding the specific customer needs and ensuring necessary product modifications (Joshi 2010). This is particularly so because customers may not be aware of some of their needs (Simonson 2005). However, many solutions that salespeople offer are still ineffective in this regard, even though customers demand a better understanding of their needs, especially with regard to their own businesses (Tuli, Kohli, and Bharadwaj 2007). Thus, in environments in which highly individualized products are offered, increasing salesperson customer orientation is still a highly valuable strategy.

This situation is different for standardized products. Verbeke et al. (2008) find that a salesperson's general mental ability (and his or her ability to understand specific customer needs) is more strongly related to sales performance in situations in which highly individualized products are sold. Moreover, for more standardized products, Verbeke et al. argue (p. 55) that "customers may perceive the development of highly complex and creative business solutions as inadequate." Thus, with standardized products, customer orientation seems to be much less valuable. This leads to the following hypothesis:

> H_8: The optimum level of a salesperson's customer orientation in sales encounters with regard to sales performance is higher if a supplier's products are individualized rather than standardized.

Supplier's price positioning. We expect that the optimum level of a salesperson's customer orientation in sales encounters varies depending on the supplier's price positioning. From a customer's point of view, a supplier's general price level indicates the quality of its products and, accordingly, the equivalent value a customer receives (e.g., Rao and Monroe 1989). Consequently, if a supplier's price level is substantially above the market average, customers expect additional benefits in return for accepting higher prices.

As a primary information source for the customer, salespeople must be able to justify higher prices. On an overall basis, a salesperson's customer-oriented behaviors in the single stages of a sales encounter may strengthen a customer's benefit perceptions. For example, through the definition of customer requirements and the presentation of appropriate customer solutions, salespeople may be able to create an equivalent value for the supplier's higher prices.

However, if a supplier's price level is below the market average, salespeople probably rely on lower prices in their argument, and as a consequence, a lower level of customer orientation in sales encounters may be sufficient to achieve a desired outcome. In other words, we expect the additional benefits of higher levels of customer orientation in sales encounters to be more substantial if a supplier's prices are above rather than below the market average. Thus, we hypothesize the following:

H_9: The optimum level of a salesperson's customer orientation in sales encounters with regard to sales performance is higher if a supplier's price positioning is above rather than below the market average.

Competitive intensity. Finally, we expect that the optimum level of customer orientation in sales encounters is higher in highly competitive markets than in less competitive markets. In highly competitive environments, customers have greater relative market power (Appiah-Adu and Singh 1998). Accordingly, customers most likely have greater demands in highly competitive markets, for example, with regard to product quality and service levels. Moreover, in highly competitive markets, the quality of products and services of different suppliers is often similar, thus complicating differentiation.

As a consequence, in highly competitive environments, salespeople are pressured to be a means of differentiation—for example, by establishing a relationship with the customer that is perceived as valuable in itself (Yim, Tse, and Chan 2008). Therefore, we expect that high levels of a salesperson's customer orientation in the single stages of a sales encounter are more beneficial if competitive intensity is high. If competitive intensity is low and salespeople can more easily differentiate from competition, for example, in terms of the quality of a supplier's products and services, a lower level of a salesperson's customer orientation in sales encounters is likely to be sufficient. Against this background, we hypothesize the following:

H_{10}: The optimum level of a salesperson's customer orientation in sales encounters with regard to sales performance is higher in highly competitive markets than in less competitive markets.

Methodology

Collection of Triadic Data

To test these hypotheses, we conducted a large survey among sales managers, sales representatives, and customers. In the first step, we asked chief executives who cooperate regularly with the University of Mannheim whether they were interested in participating. In this way, 47 companies from different industries were contacted. As incentives, they were offered an individualized report of the study results (including benchmark analyses) and a consulting workshop. Of these companies, 12 that mainly operate in business-to-business markets in six different industries (financial services, logistics, health care, machine building, chemicals, and information technology) agreed to participate (a response rate of 25.6%), most with multiple business units. Overall, 33 business units participated.

In these business units, we conducted two separate surveys among the sales managers and the sales representatives. After informing them about the goals of our research, we mailed questionnaires with a request for completion within four weeks. We obtained usable responses from 56 sales managers (a response rate of 84.9%) and 195 sales representatives (67.2%).

In the second step, we obtained the contact data of, on average, ten randomly selected customers per participating sales representative, which allowed us to survey multiple customers per sales representative. After informing these customers by mail about the goals of the study, we contacted them by telephone to obtain their responses to our survey questions, which resulted in usable responses from 538 customers. Table 2 presents the respondents' characteristics.

Data from the three sources were matched using code numbers. Because the unit of analysis in this study is the individual salesperson, we matched the data at the sales-

TABLE 2
Sample Composition

	%
A. Industries According to Salespeople Surveyed	
Financial services	32
Logistics	22
Health care	14
Machine building	2
Chemicals	17
Information technology	13
B. Sales Experience of Salespeople Surveyed	
<5 years	14
5–10 years	31
11–15 years	21
16–20 years	19
21–25 years	5
26–30 years	5
>30 years	5
C. Number of Customers Served by Salespeople	
1–10	20
11–20	16
21–50	22
51–100	17
>100	25
D. Length of Relationship Between Supplier and Customer	
<2 years	5
2–5 years	8
6–10 years	11
11–20 years	26
21–30 years	16
31–50 years	20
>50 years	14

person level by averaging customer responses for each salesperson. Aggregation may be problematic if there is high variance in judgments related to the same salesperson; thus, we computed the $r_{wg(J)}$ index (James, Demaree, and Wolf 1984) for the customer constructs. The $r_{wg(J)}$ values for the three focal constructs (i.e., attitude toward the salesperson, attitude toward a supplier's products, and customer satisfaction) are all above .89, indicating strong consistency (Brown and Hauenstein 2005). As a result, aggregating the customer responses for each salesperson is a viable strategy.

Measure Development

For item generation, we modified existing scales; only a few items were completely new. We further refined the measures on the basis of an intensive pretest. A complete list of items (including the new and original wording) appears in the Appendix.

As in previous research (Franke and Park 2006), we assessed salesperson customer orientation in sales encounters using salesperson self-reports (instead of customer assessments). Given the study objectives, this is adequate because aspects related to costs of customer orientation (e.g., the degree to which an offer is customized) often cannot be easily observed by customers.

In general, items come from two sources. First, we modified items from Saxe and Weitz's (1982) original scale to match the specific context of sales encounters. Second, we based the items on existing scales that measure specific behaviors relevant for the respective stage of the sales encounter. More specifically, to measure identification of customer requirements, we combined two items from Saxe and Weitz's scale with three items referring to effective listening behaviors (Castleberry, Shepherd, and Ridnour 1999). With regard to presentation of customer solutions, again we combined one item from Saxe and Weitz's scale with items referring to customer-oriented techniques in sales presentations (Dwyer, Hill, and Martin 2000). To measure collaborative handling of objections and disagreements, we combined two new items with Rahim's (1983) scale for measuring collaborative handling of conflicts. Similarly, we combined two modified items from Rahim's (1983) compromising scale with one item from Saxe and Weitz's customer orientation scale to measure consideration of customer interests. The two items for measuring the use of informative closing techniques are specifications of a broader item from Saxe and Weitz's scale.

In line with Oliver and Anderson (1994), the participating salespeople rated their sales performance relative to that of their colleagues regarding orders, sales, and contribution margin. Thus, in line with recent sales research (e.g., Wieseke et al. 2009), we assessed performance using subjective (vs. objective) self-report (vs. supervisor-rated) measures.

We used a subjective (vs. objective) sales performance measure because otherwise the performance between salespeople from different companies could not be compared (Behrman and Perreault 1982). In addition, empirical evidence shows that subjective measures "do a better job of tapping the content domain of the performance construct" (Rich et al. 1999, p. 52).

We used a self-report (vs. supervisor-rated) sales performance measure because, to maintain employee trust, many firms did not allow their managers to share individual performance information. Moreover, it is likely that these self-report measures are valid for at least three reasons. First, supervisor performance ratings may be biased by supervisors' perceptions of the salesperson's organizational citizenship behaviors, such as whether he or she spends a lot of time complaining (MacKenzie, Podsakoff, and Fetter 1993). Second, previous research on the performance outcomes of customer orientation yields consistent results with regard to self-reported and supervisor-rated performance (Brown et al. 2002). Third, a series of tests, which we describe in the "Results" section, establishes that our findings are not due to common method variance (CMV).

Using evaluations from the participating customers, we measured a customer's attitude toward the salesperson with three items adapted from a related scale employed by Ramsey and Sohi (1997). Likewise, we measured a customer's attitude toward a supplier's products with three modified items from a scale used by Miyazaki, Grewal and Goodstein (2005). Finally, we measured customer satisfaction with four items from Homburg and Stock (2004).

We include two control variables in the model. We modeled salesperson experience (measured as the number of years the salesperson has worked in sales) as an antecedent of sales performance. Quality of services and customer-related business processes is linked to the customer attitude constructs. We measured it using two items from Homburg and Stock (2004).

We measured the moderator variables with sales manager assessments. To measure product individuality, managers assessed four new items that asked them to evaluate the individuality of typical products their business unit sells. Furthermore, we measured product importance with two items adapted from Porter, Wiener, and Frankwick (2003) and competitive intensity with five items adapted from Jaworski and Kohli (1993). Finally, we assessed the overall price positioning of managers' business units compared with their competitors with a single item because it refers to a concrete and singular concept (Bergkvist and Rossiter 2007).

Measure Assessment

We assessed reliability and validity of the measures with confirmatory factor analyses for each factor. This included a higher-order factor analysis (Brown 2006), with customer orientation in sales encounters as the second-order construct and its five dimensions as the first-order constructs. Thus, equivalent to item reliabilities, we can compute the percentage of variance of the five dimensions explained with the underlying customer orientation construct.

Overall, the measures exhibit good psychometric properties. All constructs exhibit composite reliabilities well above the recommended threshold of .70 (see Table 3). For both customer orientation and its outcomes, item loadings (as well as the coefficients linking customer orientation to its five dimensions) are all positive, high in magnitude, and statistically significant, indicating unidimensionality and establishing convergent validity (Anderson 1987).

TABLE 3
Correlations and Measurement Information

Variable	M	SD	CR	AVE	1	2	3	4	5	6	7
1. Customer orientation in sales encounters (SP)	5.83	.55	.88	.60	1.00						
2. Sales performance (SP)	4.96	.93	.88	.71	.31	1.00					
3. Customer's attitude toward the salesperson (C)	6.13	.98	.93	.81	.23	.30	1.00				
4. Customer's attitude toward a supplier's products (C)	5.33	.94	.85	.59	.25	.09	.36	1.00			
5. Customer satisfaction (C)	5.67	.96	.94	.78	.07	.32	.51	.63	1.00		
6. Salesperson experience (SP)	13.30	8.36	N.A.	N.A.	–.02	.30	.02	–.19	.02	1.00	
7. Quality of services and customer-related business processes (C)	4.89	.61	.71	.56	–.13	.26	.36	.27	.54	.08	1.00

Notes: SP = salesperson data, and C = customer data. N.A. = not applicable because the construct is measured through a single indicator, and therefore composite reliability (CR) and average variance extracted (AVE) cannot be computed.

In addition, most item reliabilities are above the recommended value of .40 (Bagozzi and Baumgartner 1994; see the Appendix). The most important exception is the consideration of customer interests dimension of customer orientation with a value of .37, which we kept in the model to preserve conceptual comprehensiveness. The few other exceptions are for items of the five dimensions of customer orientation. Again, deviations from .40 are rather small. Following suggestions to prioritize conceptual concerns in indicator selection (vs. maximizing internal consistency), we kept these items in the model (e.g., Little, Lindenberger, and Nesselroade 1999).

It is also important to assess whether the outcomes of customer orientation represent clearly distinguishable phenomena. According to Fornell and Larcker (1981), any pair of constructs exhibits discriminant validity if the average item variance extracted through both constructs is higher than their contribution to explaining the other construct (assessed with squared correlations). In a confirmatory factor analysis model with all constructs, the outcomes of customer orientation meet this criterion (as well as the remaining constructs). In addition, the fit of the confirmatory factor analysis model containing all constructs is satisfactory (χ^2/d.f. = 1.58, comparative fit index = .94, and root mean square error of approximation = .07).

Results

Results Related to Main Effects

We employed structural equation modeling (SEM) to test our hypothesized main effects (H_1–H_6) using Mplus 4.2 (Muthén and Muthén 2006). To keep the number of parameters in the model at a manageable level while preserving the multifaceted nature of the customer orientation construct, we measured it through item parcels (Bagozzi and Edwards 1998); that is, the averages of the items for each dimension serve as five indicators of customer orientation in sales encounters.

To analyze the potential nonlinear, inverted U-shaped effect of a salesperson's customer orientation on sales performance (H_1), we included the square of customer orientation ($\xi_1 \times \xi_1$) in our model. Using the unconstrained model specification that Marsh, Wen, and Hau (2006) propose, to measure the quadratic term, we squared the five indicators of customer orientation. We mean-centered all indicators before creating the product indicators to enable model convergence (e.g., Lee, Song, and Poon 2004), while facilitating the interpretation of the path coefficients (e.g., Cohen et al. 2003) without altering the form of the relationship (Echambadi and Hess 2007). With mean-centered data, the linear coefficient captures the relationship between customer orientation and the dependent variables at the mean level of customer orientation.

As in regression, H_1 is supported if $\gamma_{41 \times 1}$ linking the latent quadratic term $\xi_1 \times \xi_1$ to sales performance (η_4) is statistically significant and negative, indicating a curvilinear, inverted U-shaped effect. We also link the quadratic term to customer attitudes. Here, nonsignificant path coefficients can be viewed as support that (as we predicted in H_2 and H_3) the relationship between these constructs is indeed continuously positive (Cohen et al. 2003).

With regard to model fit, the ratio of chi-square value to degrees of freedom (1.69) indicates good fit (Kline 2004), the comparative fit index (.90) suggests acceptable fit (Bentler and Bonett 1980; Kline 2004), and the root mean square error of approximation (.07) is a sign of reasonable fit (Browne and Cudeck 1993). Overall, the model fits the data satisfactorily. Figure 3 shows the parameter estimates.

Consistent with H_1, the quadratic term of customer orientation has a negative impact on sales performance ($\gamma_{41 \times 1} = -.28$, $p < .05$), while the effect of the linear term is positive ($\gamma_{41} = .21$, $p < .05$). Thus, the overall effect is nonlinear in the shape of an inverted U, and there is an optimum level of salesperson customer orientation. The positive coefficient of the linear term implies that at the average level of customer orientation, its effect is still positive.

We also find empirical support for H_2 and H_3. More specifically, the linear term of customer orientation has a positive impact on a customer's attitude toward the salesperson ($\gamma_{11} = .24$, $p < .01$) and a customer's attitude toward a supplier's products ($\gamma_{21} = .26$, $p < .01$). At the same time, the effects of the quadratic term of customer orientation on customer attitudes are not significant ($\gamma_{11 \times 1} = -.10$, $p > .10$; $\gamma_{21 \times 1} = -.02$, $p > .10$). Thus, a salesperson's customer orientation in sales encounters has a continuously positive effect on customer attitudes.

Consistent with H_4, H_5, and H_6, a customer's attitude toward the salesperson ($\beta_{31} = .22$, $p < .01$) and a customer's attitude toward a supplier's products ($\beta_{32} = .45$, $p < .01$) influence customer satisfaction. In turn, this positively affects sales performance ($\beta_{43} = .24$, $p < .01$).

Results Related to Moderating Effects

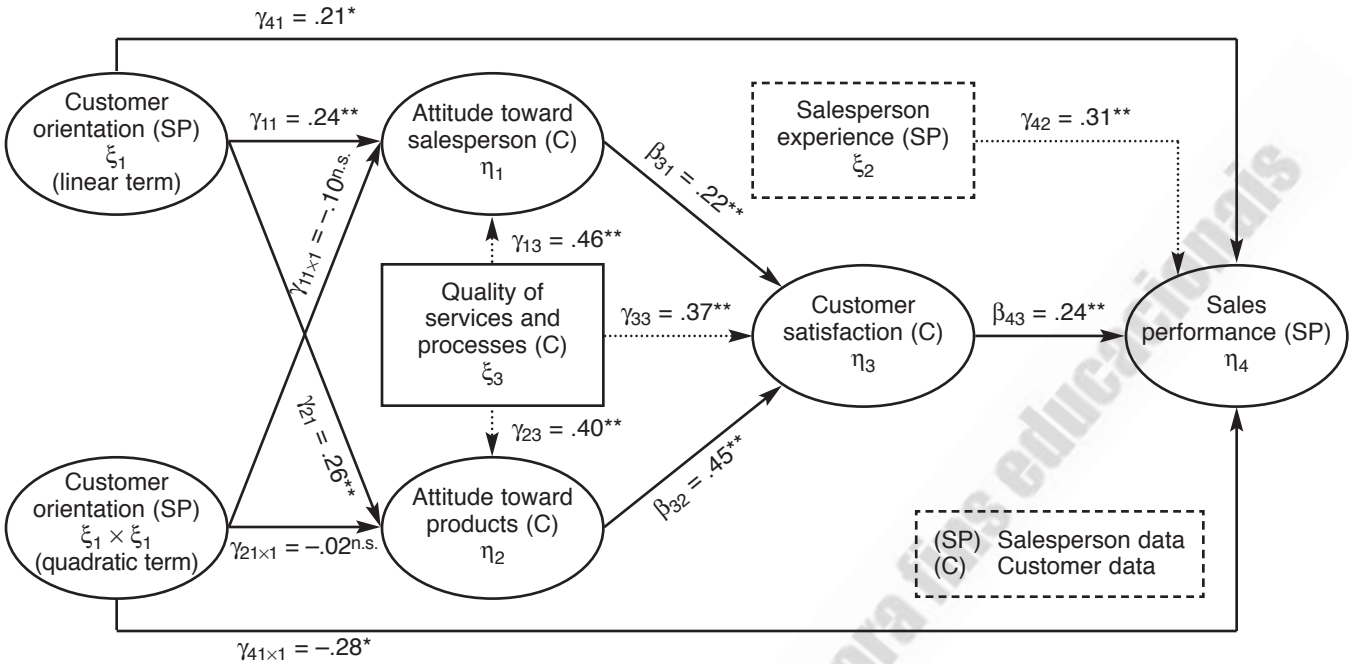
H_7–H_{10} predict that contextual variables influence the optimum level of salesperson customer orientation. To test these hypotheses, we rely on multigroup regression. First, we determined the optimum level of customer orientation across the entire sample. In line with the matching structural equation in the SEM model (see Figure 3), we regressed sales performance (SPERF) on the linear (CO) and quadratic (CO^2) terms of a salesperson's customer orientation, on customer satisfaction (CS), and on sales experience (EXP):

$$\text{(1)} \qquad SPERF = \alpha + \beta_1 \times CO + \beta_2 \times (CO)^2 + \beta_3 \times CS + \beta_4 \times EXP + \varepsilon.$$

Using ordinary least squares estimates for this model, we can compute the optimum level of salesperson customer orientation in sales encounters (CO_{opt}) based on the first derivation of the regression equation as [$\beta_l/(-2 \times \beta_2)$ = (.26/(–2 × –.35) = .37]. These values are based on the mean-centered variables; a transformation back to the original scale from 1 to 7 results in an optimum level $CO_{opt} = 6.20$.

On the basis of median splits, for each moderator we created subsamples with low values and high values of the moderator. For every moderator, we then estimated the model from Equation 1 in both subsamples. It was then possible to compare the optimal levels of customer orientation

FIGURE 3
Results of Model Estimation



*$p < .05$.
**$p < .01$.
Notes: Completely standardized coefficients are shown. n.s. = not significant. The continuous lines indicate the effects of the major variables, and the dotted lines indicate the effects of control variables used in the model.

for low and high levels of the contextual variable. Table 4 presents the results.

Table 4 shows that for each moderator, optimum levels of customer orientation differ strongly between groups. To test whether these differences are statistically significant, we first used a Chow test to test the null hypothesis H_0: $B^{low} = B^{high}$ (i.e., the equality of the vector of regression coefficients B^{low} in the group with low values of the contextual variable and the corresponding vector of the high-values group B^{high}). As Table 4 shows, the Chow F-statistic is highly significant for all moderators. Thus, regression coefficients differ significantly between subgroups, which indicates that the optimum levels of customer orientation differ as well.

Second, using a Wald test (Muthén and Muthén 2006), we tested more specific constraints; that is, we forced the optimum level CO_{opt}^{low} of salesperson customer orientation in the low-values group of the moderator to be equal to the optimum level CO_{opt}^{high} in the high-values group (H_0: $CO_{opt}^{low} = CO_{opt}^{high}$). Table 4 shows the resulting chi-square test statistics. They are significant for all contextual variables, except product importance. In summary, these

TABLE 4
Impact of Moderator Variables on the Optimum Level of a Salesperson's Customer Orientation in Sales Encounters

	Moderator Variables							
	Product Importance		Product Individuality		Supplier's Price Positioning		Competitive Intensity	
Parameters	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**
Optimum level of a salesperson's customer orientation in sales encounters[a]	.25	1.25	.13	2.52	.18	1.63	.22	1.99
Chow statistic	3.42		4.91		4.47		3.47	
p-value	.01		.00		.00		.01	
Wald statistic	2.13		6.59		5.95		4.13	
p-value	.14		.01		.01		.04	

[a]Based on unstandardized coefficients for mean-centered variables.

analyses provide strong empirical support for H_8, H_9, and H_{10}, while H_7 is only partially supported.

Robustness Checks

Nested data. The data in this study are hierarchical in nature. Salespeople (the unit of analysis) are nested in sales units (represented by the 56 sales managers), which are nested in business units, which are nested in firms. Ignoring these dependencies may result in misleading statistical conclusions. Therefore, we also tested H_1 using the following model:

$$(2)\ SPERF_{ijkl} = \alpha_{jkl} + \beta_{1jkl}CO + \beta_{2jkl}CO^2 + \beta_{3jkl}CS + \beta_{4jkl}EXP.$$

This model takes the sample structure explicitly into account. Here, the sales performance (SPERF) of salesperson i in sales unit j, business unit k, and firm *l* is explained through customer orientation (CO), the square of customer orientation (CO^2), customer satisfaction (CS), and salesperson experience (EXP). As the subscripts indicate, this model is specified as a random coefficient model (i.e., we allow the parameters to vary across all subgroups in the sample). Hierarchical linear modeling results regarding the average effects provide additional support for H_1 because they replicate the SEM results ($\beta_{1jkl} = .16$, $p < .05$; $\beta_{2jkl} = -.37$, $p < .05$). In addition, in random coefficient models, parameters are estimated for every subgroup. Consistent with H_1, in all firms, business units, or sales units studied, the resulting regression coefficients show that the relationship between customer orientation and sales performance takes an inverted U shape.

Common method bias. We measure both customer orientation and sales performance using salesperson self-reports. Thus, CMV may bias the findings regarding H_1 (Podsakoff et al. 2003). Although this risk is reduced because H_1 is nonlinear, which implies that the relationship between both constructs has a different form in different subgroups of the sample, we conducted three tests to rule out the possibility of common method bias.

First, we employed a Harman single factor test (Podsakoff et al. 2003) to determine whether a single factor would account for a large part of the variance of all manifest variables based on salesperson self-reports. The single factor model yielded a chi-square of 226.1 (d.f. = 27), and a model in which we specified all relevant constructs individually leads to a significant improvement in fit ($\Delta\chi^2$(d.f. = 2) = 171.8, $p < .01$). This suggests that CMV is not a serious threat.

Second, we included a common method factor in the structural model used to test H_1. It loads on all items based on salesperson self-reports and thus controls for CMV in hypothesis testing. To achieve model convergence (Rindfleisch et al. 2008), we specified all loadings of the method factor as being of the same size, reflecting the assumption that CMV affects all items equally. In addition, we specified the method factor as being uncorrelated with other constructs, reflecting the assumption that the degree of CMV is independent of the true magnitude of customer orientation and/or sales performance. The results regarding H_1 are stable after we include the method factor, which also suggests that CMV does not bias the results.

Third, we replicated the nonlinear effect of customer orientation using managerial performance information at the sales unit level. We regressed unit sales (reported by the managers) on the average customer orientation in the sales unit. Again, consistent with H_1, the square of customer orientation negatively affects sales ($\gamma_{41 \times 1} = -.320$). The effect is only significant at the 10% level, but this seems acceptable given the small sample. Thus, H_1 is supported using data from multiple sources, again suggesting that CMV is not a major threat.

Additional Analyses of Costs and Benefits of Customer Orientation in Sales Encounters

The argument behind our focal nonlinear hypothesis (H_1) is based on two key propositions. First, the benefits of increasing customer orientation follow the principle of diminishing returns, and second, increasing customer orientation is costly. The preceding sections tested the general implication of these ideas, that is, the existence of an inverted U-shaped relationship between customer orientation and sales performance. This section more closely examines some data regarding these two propositions. However, the analyses we describe here can only be considered tentative because we designed the empirical study with the model in Figure 3 in mind.

Diminishing benefits of customer orientation in sales encounters. Table 5 shows the results from a nonlinear multilevel regression analysis that we designed to test whether the principle of diminishing returns applies to the benefits of customer orientation. We analyzed three models in which the square root of customer orientation (reflecting diminishing returns) acted as an antecedent to customer intentions to buy more, customer price insensitivity, and customer positive word of mouth. In all models, we specified customers as being nested in salespeople (using hierarchical linear modeling) and included several control variables pertaining to relationship characteristics.

The square root of customer orientation is linked to all three outcomes, though the effect on intentions to buy more is only significant at the 10% level. In addition, Akaike information criterion and Bayesian information criterion both indicate that the nonlinear model is a better approximation to the data than its linear equivalent in all three cases. Thus, these results confirm the idea that with increasing levels of salesperson customer orientation, the incremental benefits of further increases become smaller.

Costs of customer orientation in sales encounters. To examine the possible costs of customer orientation, we used data on the customer structure and time use of the participating salespeople. Table 6 lists the mean vales of these variables for five salesperson groups, which we created through a quintile split along the values of the customer orientation construct.

Coincidentally, the mean customer orientation of Group 4 equals almost exactly the optimum level of customer orientation we derived previously. Thus, Group 5 with even higher values represents salespeople who are too customer oriented according to our results. As we argued in the reasoning behind H_1, to maintain a very high level of customer orientation, salespeople must spend more time with the cus-

TABLE 5
Results of Multilevel Regression to Assess Diminishing Returns of Salesperson Customer Orientation in Sales Encounters

Independent Variables	Dependent Variables (Customer Data)		
	Intention to Buy More[a]	Price Insensitivity[b]	Positive WOM[c]
Customer Orientation (Salesperson Data)			
Square root of customer orientation	1.01*	.60**	1.53**
Control Variable (Salesperson Data)			
Salesperson experience	–.00	–.00	.02
Control Variables (Customer Data)			
Costs of changing the supplier[d]	.08***	.00	.11***
Size of customer firm[e]	–.05	–.09***	–.10**
Number of alternative suppliers	.27**	–.07*	.09
Length of firm relationship with supplier	–.00	–.00*	–.01
Length of respondent relationship with salesperson	.00	.01	.07**

*$p \leq .10$.
**$p \leq .05$.
***$p \leq .01$.
[a]Measured through two Likert-scaled items ($\alpha = .75$) asking customers to state their plans to expand the business relationship with the supplier.
[b]Measured through a single item (five-point scale) asking customers to state how much lower competitor prices would need to be (in percentage of the current price of the supplier) to make them change the supplier.
[c]Measured through two Likert-scaled items ($\alpha = .83$) referring to positive word-of-mouth (WOM) behavior.
[d]Measured through four Likert-scaled items ($\alpha = .65$) referring to four different aspects of costs for changing the supplier (contractual obligations, individualized products, specific investments, and costs for ending the relationship).
[e]Measured with closed-ended question (12-point scale) asking for the revenues of the customer firm.
Notes: Unstandardized coefficients are shown.

tomers they serve, which requires them to serve fewer customers in total. In line with this reasoning, the salespeople in Group 5 serve the fewest customers in terms of absolute number of customers and rank fourth in terms of the relative number of customers. At the same time, these salespeople have more purely informative customer interactions (i.e., without any sales element) than any other group. Thus, Table 6 provides some evidence that very high levels of customer orientation may be too costly in terms of how salespeople allocate their time within and across customer relationships.

Discussion

Customer-oriented salesperson behaviors are important for building lasting buyer–seller relationships. At the same time, implementing a customer orientation requires time and increases complexity for the selling organization. Taken together with the lack of evidence in support of a positive effect of customer orientation on salesperson performance (Franke and Park 2006), the question arises whether an optimal level of customer orientation exists and what factors determine its magnitude. Using survey data from 195 salespeople, 56 sales managers, and more than 500 customers, this study addresses this issue. It has implications for researchers and managers.

Research Issues

First, in his review of the salesperson customer orientation literature, Schwepker (2003, p. 166) concludes that "research is needed to fully uncover the dimensions underlying customer-oriented selling." This study addresses this issue by

TABLE 6
Descriptive Analysis of Costs of Salesperson Customer Orientation in Sales Encounters

Variable	Salesperson Customer Orientation in Sales Encounters				
	Lowest (n = 38)	Low (n = 39)	High (n = 38)	Optimal (n = 40)	Too High (n = 38)
Customer orientation	5.13	5.64	5.90	6.21	6.68
Sales performance	4.67	4.86	5.05	5.36	5.21
Number of customers served[a]	104	86	117	111	67
Number of customers served/ sales unit average[b]	.91	.95	1.03	1.16	.95
Percentage of purely informative customer interactions[a]	50.45	50.52	47.83	49.95	54.81
Percentage of customer interactions with sales elements[a]	49.55	49.48	52.13	50.05	45.19

[a]Measured with open-ended question.
[b]Average number of customers served calculated from responses from all participating salespeople in a sales unit.

acknowledging the multidimensional nature of the construct (Stock and Hoyer 2005). We conceptualize salesperson customer orientation with five dimensions, each corresponding to behaviors in one of the five stages of a sales encounter.

It is worth noting that this conceptualization explicitly refers to salesperson conflict management behaviors (e.g., collaborative handling of disagreements). Thus, this study provides evidence that salesperson customer orientation cannot be reduced to being "simply a sales presentation approach," which previous scales have implied (Schwepker 2003, p. 165). At the same time, our construct does not comprise behaviors that aim to establish a personal relationship with the customer, such as getting to know a customer personally (Donavan, Brown, and Mowen 2004). Thus, further research could analyze whether our more functional understanding of customer orientation and our results are related to these purely relational aspects of customer orientation.

Second, this study explicitly takes a nonlinear perspective on studying performance outcomes of customer orientation. In particular, we find a curvilinear, inverted U-shaped relationship between both constructs. Thus, we provide evidence that there is an optimum level of customer orientation in sales encounters with regard to sales performance. Although some scholars might find this result to be consistent with their intuition, it severely contradicts scholarly and managerial practice. For example, to the best of our knowledge, none of the studies Franke and Park (2006) use in their comprehensive meta-analysis on outcomes of salesperson customer orientation test nonlinear effects. However, it is not just the salesperson customer orientation literature that limits itself to "the-more-the-better" perspective. For example, we also find this approach in recent studies on relational selling (e.g., Palmatier, Scheer, and Steenkamp 2007; Yim, Tse, and Chan 2008). According to our study, it is advisable that researchers in these fields routinely consider nonlinear relationships between key phenomena.

Against this backdrop, we emphasize that in this study, we do not address *why* salespeople exhibit higher-than-optimal levels of customer orientation. Perhaps salespeople underestimate the costs of customer orientation (Franke and Park 2006), or they experience difficulties in identifying the appropriate time horizon in a business relationship (e.g., Ganesan 1994) and thus focus too much on securing long-term outcomes. Finally, another possible reason could be an exaggerated commitment to the customer (e.g., Siders, George, and Dharwadkar 2001), perhaps because of a personal friendship between the customer and the salesperson (Grayson 2007; Heide and Wathne 2006). Additional research could examine this issue more closely. For example, it would be important to better understand how salesperson commitment to specific customers influences decisions in the selling process (e.g., regarding price concessions).

Third, there is some discussion in the sales literature whether financial sales performance is the best performance measure in relational selling contexts. Scholars have argued that financial sales performance might not adequately account for more long-term customer reactions (e.g., Hunter and Perrault 2007). At the same time, firms adopting a customer-focused sales campaign still refer to the bottom line to judge the results (e.g., Kumar, Venkatesan, and Reinartz 2008). Therefore, in this study, we consider two outcomes simultaneously: financial sales performance and customer attitudes. The results show that customer orientation affects these outcomes differently. That is, it has a nonlinear effect on sales performance, while the effect on customer attitudes is continuously positive. This also provides an integrating explanation to the mixed findings of previous research, in which customer orientation is consistently found to affect customer attitudes (e.g., Brady and Cronin 2001; Goff et al. 1997), and (linear) effects on sales performance are small at best (Franke and Park 2006).

Fourth, this study responds to calls to identify the influence of moderator variables on the effectiveness of salesperson customer orientation (Franke and Park 2006). The optimum level of customer orientation in sales encounters is substantially higher with individualized products, in competitive environments, and for supplier firms that have adopted a premium price strategy.

These findings allow for an integration of diverging findings on salesperson customer orientation. For example, the effect of product individuality explains why Howe, Hoffman, and Hardigree (1994) do not find an effect of salesperson customer orientation on performance in insurance companies, but in a real estate context, McIntyre et al. (2000) do.

Managerial Implications

As a first important managerial implication of this study, we urge practitioners to reconsider the link between salesperson customer orientation and sales performance. In particular, while in this era of relational selling many salespeople ask themselves, "How right should the customer be?" they often only get an answer of the type, "The customer is always right." As Price (2009) recently observed, "Perhaps the most often stated value of corporate leaders is some variant of 'We put customers first.'" Consider also the advice in *Marketing Week* (Choueke 2009, p. 3) to "Put the customer first, then success will follow" or the recommendation of former Orange chief executive officer Hans Snook to "make sure that everybody in the company understands the customer is king" (Tomkins 2005, p. 13). We find that this widely held belief is only partially true because there is an optimum level with regard to customer-oriented behaviors in sales encounters. Thus, there are times when the customer should not be king.

This finding is especially important in the ongoing economic crisis, in which many sales managers are searching for ways to reduce costs while maintaining performance. Here, reducing the customer orientation of salespeople who are "too customer oriented" promises to be a viable strategy. In this context, it is worth emphasizing that the number of salespeople with customer orientation levels beyond the optimum may be quite high. For example, in our sample, approximately 30% of the salespeople exhibit customer orientation levels higher than the optimum of 6.20.

It is necessary to point out that reducing salesperson customer orientation is not a straightforward endeavor (Homburg, Droll, and Totzek 2008). In particular, as customers exhibit loss aversion, negative reactions to decreases in perceived service levels are likely to be stronger than the

positive reactions to increases they experienced previously. Thus, we advise practitioners to "soften the blow" of reducing salesperson customer orientation. For example, Kumar, Venkatesan, and Reinartz (2008) find that improving the timelines of sales calls can be an effective way to maintain perceived customer orientation levels while reducing the costs of serving individual accounts.

Another word of caution is required. In our sample, 70% of the salespeople have customer orientation levels that are optimal or lower. Thus, our study cannot be considered an invitation to simply renounce salesperson customer orientation as a whole. For many salespeople, encouraging customer-oriented behaviors is still more the issue than discouraging them.

In this context, a second important managerial implication of this study is to monitor individual salesperson customer orientation more closely. This study provides managers with a new scale to assess salesperson customer orientation. In addition, the optimum level of customer orientation from this sample (6.20) can serve as a benchmark. If salespeople score consistently higher than 6 on this scale, managers could use this as a potential warning signal that their behaviors may be potentially counterproductive. From our descriptive analysis regarding the costs of customer orientation, we identify two additional warning signals. First, salespeople who are too customer oriented in our sample serve the fewest customers in absolute numbers. Second, salespeople who are too customer oriented address sales-related issues in less than 50% of their customer interactions. Particularly when combined with a salesperson's customer orientation score, managers can use these indicators as additional warning signs for problematic levels of salesperson customer orientation.

A third important managerial implication from this research is that for firms offering a broad product portfolio in heterogeneous markets, a one-size-fits-all approach to salesperson–customer interactions and sales force control systems leads to a substantial misallocation of resources. In particular, the results suggest that customer orientation contributes more strongly to sales performance in some market environments and less in others. Thus, we advise managers to develop different customer interaction models depending on the characteristics of the product and its specific market. For example, in business units offering individualized products at a premium price in highly competitive environments, the optimum level of a salesperson is very high. In such a context, sales force control systems should consist mostly of outcome controls, which are likely to strengthen salesperson focus on the customer (Anderson and Onyemah 2006). At the same time, in business units offering mostly standardized products in marketplaces with little competition, sales force control systems should focus on behavioral controls (e.g., a maximum number of follow-up calls with respect to a specific customer) to strengthen the firm focus of the salespeople.

Limitations

At least four limitations of this study should be considered; they also provide avenues for further research. First, the multidimensional measurement model for salesperson customer orientation reveals that most items and dimensions have good psychometric properties. However, only 37% of the variance of the consideration of customer interests dimension is explained with the customer orientation construct. In addition, the properties of the items of the dimension "Use of informative closing techniques" are not entirely satisfactory.

Second, the overarching theme behind our prediction of a nonlinear effect of customer orientation on sales performance is that the law of diminishing returns applies to the benefits of customer orientation, whereas the costs of customer orientation increase steadily. Although we describe several additional analyses that provide some evidence for this reasoning, the data collected for this study do not allow us to test these ideas fully. Thus, further research is necessary to better understand the mechanisms linking customer-oriented behaviors to performance.

Third, most of the buyer–supplier relationships covered in our sample were rather old, with less than 25% lasting for ten years or less. However, the effectiveness of salesperson customer orientation might also depend on the specific stage of the buyer–seller relationship. For example, customer-oriented behaviors could be more effective in earlier stages of a relationship with the customer. Unfortunately, hypotheses of this kind cannot be effectively studied using our data.

Fourth, this study relies on data from a cross-sectional survey. This limits our ability to make causal inferences. Most important, because all our variables are measured at the same time, we do not completely cover the long-term effects of salesperson customer orientation. In particular, customer attitudes may affect sales performance more strongly in the long run. Therefore, further research could complement this study by analyzing its focal hypotheses using longitudinal data (Rindfleisch et al. 2008).

APPENDIX
Scale Items for Construct Measurement

Item Used in Study	Item Reliability[a]	Original Item	Source
1. Customer Orientation in Sales Encounters			
•Identification of customer requirements	.78[b]	N.A.	N.A.
•Presentation of customer solutions	.82[b]	N.A.	N.A.
•Solution-oriented handling of objections and disagreements	.62[b]	N.A.	N.A.
•Consideration of customer interests	.37[b]	N.A.	N.A.
•Use of informative closing techniques	.46[b]	N.A.	N.A.

APPENDIX
Continued

Item Used in Study	Item Reliability[a]	Original Item	Source
2. Facets of a Salesperson's Customer Orientation in Sales Encounters			
Identification of Customer Requirements (Salespeople): seven-point scale: "totally disagree" to "strongly agree"			
•I ask my customers about their specific performance requirements.	.42	"I try to figure out what a customer's needs are."	Saxe and Weitz (1982)
•I ask directed questions to determine the specific needs of my customers.	.58	"I ask probing questions."	Castleberry, Shepherd, and Ridnour (1999)
•I actively involve my customers in meetings to determine their specific needs.	.69	"I try to get customers to discuss their needs with me."	Saxe and Weitz (1982)
•I attentively listen to my customers to get a proper understanding of their specific needs.	.63	"I make an effort to understand the buyer's point of view."	Castleberry, Shepherd, and Ridnour (1999)
•I summarize my customers' statements to get a proper understanding of their specific needs.	.36	"I summarize what the buyer has said."	Castleberry, Shepherd, and Ridnour (1999)
Presentation of Customer Solutions (Salespeople): seven-point scale: "totally disagree" to "strongly agree"			
•I particularly focus on functional information which is especially relevant for my customers.	.41	"Make a sales presentation that is customized or specifically tailored to each prospect."	Dwyer, Hill, and Martin (2000)
•I focus on those benefits of our products and services which are of particular relevance for my customers.	.48	"Focus the sales talk on the product and the benefits it offers."	Dwyer, Hill, and Martin (2000)
•I adapt my sales pitch very much to my customers' interests.	.73	"I offer the product of mine that is best suited to the customer's problem."	Saxe and Weitz (1982)
•When presenting our products and services, I respond very individually to my customers' requirements.	.70	"Make a sales presentation that is customized or specifically tailored to each prospect."	Dwyer, Hill, and Martin (2000)
Collaborative Handling of Objections and Disagreements (Salespeople): seven-point scale: "totally disagree" to "strongly agree"			
•I am very attentive to customer objections.	.36	Newly developed	N.A.
•I routinely ask my customers for the reasons behind their objections.	.49	"I try to work with X for a proper understanding of a problem."	Rahim (1983)
•I am very committed to resolve disagreements between my customers and me.	.60	Newly developed	N.A.
•I actively create win/win situations to resolve disagreements between my customers and me.	.40	"I try to work with X to find solutions to a problem that satisfy our expectations."	Rahim (1983)
•I bring all difference between my customers and me out in the open to resolve disagreements.	.46	"I try to bring all our concerns out in the open so that the issues can be resolved in the best possible way."	Rahim (1983)
Consideration of Customer Interests (Salespeople): seven-point scale: "totally disagree" to "strongly agree"			
•In sales negotiations, I extensively account for my customers' interests.	.30	"A good salesperson has to have the customer's best interest in mind."	Saxe and Weitz (1982)
•I reconcile my interests with my customers' interests to achieve an agreement in sales negotiations.	.55	"I try to find a middle ground to resolve an impasse."	Rahim (1983)
•I make compromises with my customers to achieve an agreement in sales negotiations.	.44	"I negotiate with my boss so that a compromise can be reached."	Saxe and Weitz (1982)
Use of Informative Closing Techniques (Salespeople): seven-point scale: "totally disagree" to "strongly agree"			
•I recommend my customers products and services that are appropriate from my point of view in a non-obliging way to facilitate their buying decision.	.49[c]	"I try to influence a customer by information rather than by pressure."	Saxe and Weitz (1982)

APPENDIX
Continued

Item Used in Study	Item Reliability[a]	Original Item	Source
•I summarize for my customers the major benefits of our offer in a non-obliging way to facilitate their buying decision.	.36[c]	"I try to influence a customer by information rather than by pressure."	Saxe and Weitz (1982)
3. Outcomes of Salespeople's Customer Orientation			
Salesperson Performance (Salespeople): seven-point scale: "much worse" to "much better" How do you evaluate your sales performance in comparison with your colleagues, based …			
•on the achieved sales in the last 12 months?	.79	"Compared with other salespeople working for your company, how would you evaluate your overall performance?"	Oliver and Anderson (1994)
•on the achieved orders in the last 12 months?	.80		
•on the achieved total contribution margin in the last 12 months?	.55		
Customer's Attitude Toward the Salesperson (Customers): seven-point scale: "totally disagree" to "strongly agree"			
•I consider my account manager at company X to be very customer-oriented.	.60	"In general, I am pretty satisfied with my dealings with this salesperson."	Ramsey and Sohi (1997)
•Overall, I have a very positive opinion about my account manager at company X.	.96	Newly developed	N.A.
•Overall, I am very satisfied with my account manager at company X.	.88	"I am satisfied with the level of service this salesperson has provided."	Ramsey and Sohi (1997)
Customer's Attitude Toward a Supplier's Products (Customers): seven-point scale: "totally disagree" to "strongly agree"			
•The products and services of company X are of high quality.	.69	"This is a high quality product."	Miyazaki, Grewal and Goodstein (2005)
•The products and services of company X extensively meet our requirements.	.81	Newly developed	N.A.
•Compared to other suppliers, the products and services of company X are very good.	.50	"The quality of this product is very good."	Miyazaki, Grewal and Goodstein (2005)
Customer Satisfaction (Customers): seven-point scale: "totally disagree" to "strongly agree"			
•We are very pleased with the products and services of company X	.61	"We are very pleased with the products and services of company X."	Homburg and Stock (2004)
•We intensively enjoy collaborating with company X.	.76	"We enjoy collaborating with this company."	Homburg and Stock (2004)
•On an overall basis, our experience with company X has been very positive.	.85	"On an overall basis, our experience with company X has been very positive."	Homburg and Stock (2004)
•On an overall basis, we are very satisfied with company X.	.92	"On an overall basis, we are satisfied with this company."	Homburg and Stock (2004)

[a]Squared factor loading: indicating the percentage of item variance explained through the underlying construct.
[b]Percentage of dimension variance explained through the customer orientation construct in a second-order confirmatory factor analysis.
[c]Item reliabilities from model with two factors: consideration of customer interests and use of informative closing techniques.
[d]Item reliabilities from model with two factors: product individuality and product importance.
[e]Construct measured through a single indicator; therefore, item reliability cannot be computed.
[f]Item reliabilities from model with two factors: customer satisfaction and quality of services and business processes.
Notes: N.A. = not applicable.

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