

# Do retailers profit from ambidextrous managers? : influence of frontline mechanisms during new and existing product selling

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# DO RETAILERS PROFIT FROM AMBIDEXTROUS MANAGERS? INFLUENCE OF FRONTLINE MECHANISMS DURING NEW AND EXISTING PRODUCT SELLING

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## SUMMARY

Many modern-day retailers feel an increasing pressure to adopt and sell new and innovative products to their customers. Not only are customers eager to buy newer products, also upstream players such as manufacturers often provide new product selling incentives to retailers to increase its probability of market success (e.g., Desiraju 2001; Rao and Mahi 2003). These incentives may be direct (e.g., a premium on new products sold, slotting allowances) or indirect (e.g., inform customers through a marketing campaign) and make selling new products an attractive proposition for retailers. However, retailers also need to sell their stock of existing products rapidly, as these items take up storage space and quickly devalue upon new product introductions (Tsay 2001). For instance, in the digital camera market, some models have witnessed a price slip of nearly 60% from introduction to model discontinuation, which took just over one year (4/3Rumors 2011). This leaves sales managers in retail stores with a challenge to combine the competing objectives of new and existing product selling such that they can profit from both activities.

Despite the growing interest in the area of new product selling, few studies provide insights on how managers can motivate their sales force to balance the sales of new and existing products. While ample research has been conducted to identify the drivers of overall sales performance (Verbeke et al. 2011), and predictors of selling intentions of new-to-market products versus line extensions have been compared (Fu et al. 2010), it remains virtually unexplored how salespeople can be guided to specifically sell new and existing products. Nevertheless, as retail sales managers need to make decisions on where to allocate their resources, it is imperative they have insight into the underlying mechanisms that influence employees' selling choices. Thus, the aim of this study is to delineate management mechanisms to direct a salesperson's performance in selling new or existing products in such a way that his/her contribution to the firm's net profit can be optimized.

New and existing product selling differ in terms of selling approach, risk, and profit obtainment (Atuahene-Gima 1997). The two may be conflicting activities,

because a customer often will buy only one product within a product category per sales encounter. This could be the new or the existing product. When taking into account a series of customer encounters, the trade-off may be less evident, because a salesperson can decide to push alternatively new or existing products and achieve the selling goals for both types of products. However, trade-offs across encounters may still occur when they originate from managerial demands. When a manager emphasizes selling new or existing products, employees are expected to follow managerial preferences, thereby potentially mismatching customer needs and product features. Tensions of this kind are amplified or dampened by a firm's frontline mechanism: the specific design of task autonomy, manager performance feedback, and employee age (Marinova et al. 2008). In our conceptual framework we examine the chain of sales manager orientations, task autonomy, sales person sales performance, and net profit obtainment. In addition, we examine the moderating effects of salesperson age and manager performance feedback on the task autonomy-performance relationships.

To test our conceptual model we selected a Norwegian subsidiary of a large European consumer electronics retailer as our research setting. The consumer electronics industry is appropriate for our study as new product launches are frequent. Each sales agent was responsible for the complete portfolio of products and operated on an individual basis. Based on company records, we selected three product categories that ranked among the top 5 percent sold in 2009. To discriminate new from existing products we defined a product as "new" when it was introduced into the company's product portfolio during the last six months. An existing product, on the other hand, is defined to be introduced into the company's product portfolio over 12 months ago.

We collected data from two separate sources at two different moments in time. First, manager selling orientation, task autonomy, individual sales performance, and manager performance feedback were collected by means of a sales employee survey. We then obtained from company records a salesperson's age, educational level, and his/her individually realized net profit of the three product categories for the six-month period following the survey. We surveyed 280 sales representatives and

obtained 104 usable responses (response rate: 37.1%). We assessed “salesperson net profit” with a three-item formative scale that included the profit obtainment for the three different product categories (i.e., mobile phones, headphones and laptops). All latent constructs were assessed with multiple statements to which respondents answered on a five-point Likert scale, ranging from “strongly disagree” to “strongly agree.” We tested our conceptual model using a partial least squares (PLS) approach. This approach models both reflective and formative constructs and concurrently estimates all conceptual relationships. Tests indicate that the model shows high convergent and discriminant validity.

The results show that ambidextrous sales managers outperform their singular-minded counterparts if they properly utilize the frontline mechanisms. Ambidextrous managers should provide little feedback on salespeople’s performance, especially when the sales force is aging. They should also be aware that the balance between emphasizing new and existing product selling is not overly skewed towards existing product selling. This may have negative bottom-line consequences on net profit. In addition, a remarkable finding is that more aged sales agents tend to outperform their younger counterparts when working under an ambidextrous manager. References are available upon request.

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