

Winfried Daun

**The Effect of Salesperson Behavior and
the Influence of Attributional Thinking
on Customer Reactions to an "Open
Architecture" Product Offering**

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Meinen Eltern

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Die vorliegende Arbeit ist während meiner Zeit als externer Doktorand an der Forschungsstelle für Customer Insight, Universität Sankt Gallen, entstanden. Parallel hierzu habe ich meine Tätigkeit in Funktionen des Corporate Brand Management und Marketing bei der UBS AG, Zürich, fortgeführt. An dieser Stelle möchte ich daher all jenen danken, die zum Gelingen dieser Arbeit beigetragen und mich in den letzten Jahren unterstützt haben.

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Ihnen widme ich diese Arbeit.

Zürich, im November 2011

Winfried Daun

ABSTRACT

The past decade has seen the emergence of a particular sales and distribution model in which companies that manufacture products and sell them directly through proprietary distribution channels open these channels to third parties and often even competitor products. One of the industries to pioneer this model has been financial services, where the approach is referred to as “open architecture” offering. This term describes the fact that banks, for instance, do not only sell their own in-house investment products (such as mutual funds) to clients, but also those of other companies. Providers of an open architecture argue that their clients benefit from a wider choice of products and more objective, client-oriented advice. But even though such an extended offering may come at a price (e.g., loss of market share or the dilution of one’s own product brand image), there is surprisingly little if any research available on how customers actually perceive and react to an open-architecture offering.

In order to address this issue, this dissertation investigates if and how customer reactions are affected when a company sells third-party products next to its in-house ones. Specifically, the present work examines how customer reactions to an open architecture are influenced by salespeople behavior and attributional thinking. To establish a sound understanding of the specific factors and processes at play, a conceptual model is developed and tested that draws on research into behavioral cues and attribution theories. A qualitative prestudy and two experiments confirm the model’s proposition that a salesperson’s persuasiveness of reasoning, the proactiveness in offering third-party products and the “mix” of in-house and external products have a substantial influence on customer reactions. Moreover, all three cues are substantially mediated by customer-oriented attributions. The present research has important implications for the services and sales literature and it expands our understanding of the interaction among behavioral cues and customer attributions. Moreover, the dissertation contributes a number of managerially relevant propositions on how to ensure that an open-architecture offering is successfully delivered to customers.

ZUSAMMENFASSUNG

Im vergangenen Jahrzehnt ließ sich die Entwicklung eines spezifischen Vertriebsmodells beobachten, in welchem Unternehmen, die ihre eigenen Produkte über proprietäre Distributionskanäle vertreiben, diese Kanäle für Dritte, oft sogar für Konkurrenzprodukte öffnen. Eine der Branchen, die ein solches Modell zuerst eingeführt haben, ist die Finanzindustrie, in welcher der Ansatz als "offene (Produkt-) Architektur" bezeichnet wird. Dieser Begriff beschreibt den Umstand, dass etwa Banken nicht nur ihre hauseigenen Anlageprodukte (wie z.B. Investmentfonds) an Kunden verkaufen, sondern auch solche von anderen Firmen. Anbieter einer offenen Architektur unterstreichen, dass ihre Kunden von einer breiteren Auswahl an Produkten und einer objektiveren, kundenorientierten Beratung profitieren. Gleichzeitig birgt ein derartig erweitertes Angebot aber auch erhebliche Risiken, wie etwa den Verlust von Marktanteilen oder die Beschädigung der eigenen Produktmarke(n). Vor diesem Hintergrund erstaunt es, dass nahezu keine Forschung zu der Frage vorliegt, wie Kunden eine offene Produktarchitektur wahrnehmen und auf sie reagieren.

Um diese Thematik aufzugreifen, untersucht die vorliegende Dissertation, ob und in welchem Masse Kundenreaktionen davon beeinflusst werden, dass ein Unternehmen Fremdprodukte parallel zu den Eigenen verkauft. Insbesondere wird die Fragestellung behandelt, ob das Verhalten von Verkäufern und attributionales Denken von Kunden sich darauf auswirken, wie Letztere auf eine offene Architektur reagieren. Ziel der Arbeit ist es, zu einem fundierten Verständnis der spezifischen Einflussfaktoren und relevanten Prozesse beizutragen. Aus diesem Grund wird ein konzeptioneller Modellansatz entwickelt und getestet, der auf Forschungserkenntnissen in den Bereichen der Attributionstheorie und der "behavioral cues" (i.e., Verhaltenssignale) aufsetzt. Eine qualitative Vorstudie und zwei quantitative Experimente bestätigen die Hypothese, dass die Überzeugungskraft einer Verkaufsperson, ihre Eigeninitiative im Anbieten von Fremdprodukten und die "Mischung" von Eigen- und Fremdprodukten einen wesentlichen Einfluss auf Kundenreaktionen haben. Darüber hinaus wird die Wirkung aller drei dieser Verhaltenssignale durch Attributionen von Kundenorientierung mediiert. Die vorliegenden

Forschungsergebnisse haben wichtige Implikationen für die Verkaufs- und Serviceliteratur, und sie erweitern unser Verständnis der Interaktion zwischen Verhaltenssignalen und Kundenattributionen. Darüber hinaus gibt die Dissertation eine Reihe von Management-Empfehlungen, die Unternehmen dabei helfen können, ihren Kunden eine offene Architektur erfolgreich anzubieten.

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1 INTRODUCTION

1.1 Problem Orientation

Imagine yourself in the following situation. With the intention to afford yourself a new pair of running shoes, you enter the “Nike” flagship store in your hometown. After a bit of looking around the heavily Nike-branded interiors, you’re addressed by Mark, a friendly and sporty Nike shop assistant. He asks whether he can help you in any way. With a telling glance, you point at the first unmistakable signs of the potbelly you’ve been cultivating over the last years. You say “Well you know, I used to run quite a lot, but that feels as if it was back in the Middle Ages.” You go on telling him about your firm resolution to revive your old running aspirations. Mark smiles, nods approvingly and you have a conversation about how often and where you’re usually running. He then leads you to a gym-like section of the Nike store and lets you do a quick run on the treadmill. He makes notes on how you set your feet and where you put on the most pressure. After that, Mark leaves you for a couple of minutes to fetch a number of different shoes that might suit your needs. When he returns, he puts four different pairs of running shoes in front of you: Two from Nike, one from Asics and one from Adidas. He smiles knowingly and says: “The Nike ones here are great allrounders which I’m sure you’ll find very comfortable. But you said that you’re mostly running on tarmac. That’s why I’ve brought the Asics. Their shock absorption is simply unmatched; you might want to try these out. If they feel a little too heavy, take a look at the Adidas. They’re light-weight.” The guy seems to know what he’s talking about. But why, you start wondering, would a Nike shop assistant try to sell you a competitor product?

This scenario seems odd at first, but it is more common than one would think. The past two decades have seen the emergence of a particular sales and distribution model in which companies that manufacture products and sell them directly through proprietary distribution channels open these channels to third parties and often even competitor products. The form and extent of a collaboration among competitors can vary and its application reaches across industries as diverse as pharmaceuticals (Dussauge and Garrette 1999), groceries (Garella and Peitz 2007) and automobiles (Dussauge, Garrette, and Mitchell

2004). And while cooperation in research and development would seem to represent a typical and (under certain conditions) intuitively sensible case of competitor alliances (Amaldoss et al. 2000; Hagedoorn, Link, and Vonortas 2000; Hamel, Doz, and Prahalad 1989; Luo, Rindfleisch, and Tse 2007), the joint distribution of products which are in direct competition with one another appears slightly unorthodox. One example are traditional own-label retailers that add well-known manufacturer brands to their assortment (Barr 2009; Garella and Peitz 2007; Sandler 2009): the British retailer “Marks & Spencer”, a UK apparel and food retailer renowned for the upmarket quality and positioning of its products (Sandler 2009) had for decades only been selling food products under its own Marks & Spencer brand label. On November 5, 2009, that changed – when the company announced that, for the first time in 50 years, it would extend its product offering by about 200 “external” product brands, such as Kellogg’s Cornflakes or Coca Cola (Finch 2009). For British consumers, this represented a “radical change” (Finch 2009, p. 16) in their grocery shopping landscape – consequently, the announcement was broadly featured in the news (e.g., Barr 2009; Felsted 2009; Finch 2009; Sandler 2009). But Marks & Spencer are far from being the first ones to open their proprietary distribution network to external products. Few industries in fact have seen a more widespread adoption of such a model than financial services, where the approach is referred to as “open architecture” offering.

1.2 The Case of "Open Architecture" in Financial Services

In financial services, the term “open architecture” describes the fact that banks, for instance, do not only sell their own “in-house” investment products (such as mutual funds) to clients, but also those of other companies (Kelleher 2007; Skinner 2006). Over the last few years, the up- and downsides of open product architectures in the financial services industry have been the subject of considerable controversy. Advocates of this sales model promote several advantages it is supposed to have. Their “best-of-breed” argument claims that an extended choice of options improves customers’ chances to get the absolutely best product for their needs (Narat 2002; Schulz 2002). In line with this point, banks are said to acknowledge that, however extensive their own product range is, they cannot always offer the best product in every category and lack the required specialized expertise (Kelleher 2007). Articles published in the

financial press claim that many financial customers have come to a similar conclusion and therefore expect their banks to offer also third-party products (Baum 2005; Severin 2002; Skinner 2006). This seems plausible, given media headlines such as “Bank-run funds are poor performers”, as proclaimed by the Financial Times (Johnson 2011). A second client benefit of an open architecture lies in the promise of greater objectiveness. Pfanner (2002) summarizes this point by saying that “advisers offer funds and other products from their own firms as well as competitors, rather than simply pushing in-house offerings.” It is argued that an open-architecture offering de-couples banks’ advisory services from their product ‘factory’ and thus lends more credibility and perceived objectiveness to the investment advice that they offer to clients (Kelleher 2007). The idea is, in other words, that by offering third-party products, a bank’s client advisor will be perceived as more of a neutral “consultant” rather than a salesperson. Some banks have quite explicitly played on this argument in their advertising: German “Commerzbank”, e.g., ran a poster campaign in their branches that featured the claim “no paternalism, please – third-party funds at Commerzbank” (Weber 2002). Another German retail bank, Hypovereinsbank, asked in an advertisement “what else is advice about, if it's not independent” (HypoVereinsbank 2001, see Fig. 1-1). It does also not surprise that arguments in favor of an open architecture are strongly supported by individual fund management companies that are interested in winning banks as distribution channel for their products – the press contributions of Baum (2005) or Shaugnessy (2009) would seem typical examples.

Figure 1-1: Open-architecture print advertisement (2001)



"My bank offers me independent advice. If another bank has a better investment fund, they will tell me. They even sell it to me. Makes you wonder what else advice is about, if it's not independent."



"If another bank has a better investment fund, then my bank will recommend it to me. That means I don't have to waste my time on running to each and every bank in order to find the right investment products. That's convenient. I know much better ways to waste my time."

Source: Hypovereinsbank (2011)

Figure 1-2 shows a recent print advertising in which Goldman Sachs encourages banking clients to explicitly ask for Goldman Sachs products (GoldmanSachs 2011).

Figure 1-2: *Print Advertisement (2011) encouraging Banking Clients to ask for Third-Party Funds*



“Talk to your advisor about mutual funds from Goldman Sachs” (Goldman Sachs 2011)

The opposite side of the open-architecture controversy is represented by critics who doubt that the promised advantages of this sales model are genuinely delivered to customers. They argue that the opening of proprietary distribution channels has not resolved a major conflict of interest that is posed by the fact that banks' in-house products often have the higher margin. “As well intentioned as open architecture is, it is in-house products that produce revenues”, claims Euromoney magazine (Anonymous 2010). Banks are accused of incentivizing the sales of their own products (Rasch 2003) and allocating their clients' money to in-house funds because they do not have to share their margin with a third party (Ross 2010). Bank representatives admit that such a temptation exists