

Print ISSN: 2233-4165 / Online ISSN: 2233-5382
 doi:http://dx.doi.org/10.13106/ijidb.2019.vol10.no6.7.

Effects of Advertising Campaign on the Salesperson's Performance: Should a Multilevel Marketing Firm Advertise Its Brand to Customers?

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Received: May 10, 2019. Revised: May 23, 2019. Accepted: June 05, 2019.

Abstract

Purpose - The purpose of this study is to explore how advertising for multilevel marketing brands affect the salesperson's activity including customer-salesperson interactivity, work attitude, and perceived and actual performance after the campaign.

Research Design, data, and methodology - This study collects experimental data, survey data, and actual sales data and applies statistical analyses such as factor analysis, t-tests, and a structural equation model.

Results - The results show that advertising campaign can enhance a salesperson's selling activities and provide wide managerial implications to a multilevel marketing firm by filling the gaps for the field of advertising research.

Conclusions - Managerial implications include: i) multilevel marketing firms should consider advertising campaigns as a means of changing customer responses because advertising plays a significant role in increasing familiarity with, and knowledge of, attitudes toward the brand, which also helps salespeople interact with customers; ii) multilevel marketing firms should consider brand advertising as a means to support the sales activities of salespeople including sales effectiveness, work attitudes, and perceived performance, and iii) multilevel marketing firms should consider brand advertising as a means to enhance a salesperson's pride and motivation for selling their brand, which will lead to improved sales performances.

Keywords: Multilevel Marketing, Advertising Campaign, Customer-Salesperson Interactivity, Work Attitudes, and Sales Performance.

JEL Classifications: M37, M12, L25, M31

1. Introduction

Multilevel marketing (MLM), also called networking marketing is a form of a retail channel of distribution (Albaum & Peterson, 2011) and a specific form of direct selling. Previous studies (Peterson & Albaum, 2007) define multilevel marketing (MLM) as face-to-face selling away from a fixed retail location, or a process of communication (Peterson & Wotruba, 1996) between networks of member-distributors whose earnings come both from selling products and recruiting new members (Sparks & Schenk, 2001, 2006), and the obtaining of orders and the supply of consumer goods to private individuals away from normal

retail premises in transactions initiated and concluded by a salesperson (Berry, 1997). Sales through multilevel marketing dramatically increase in size and international expansion during the 1990s (Vander & Keep, 2002), producing over \$22 billion in 2003 with an overall membership of just fewer than 11 million people (Sparks & Schenk, 2006). Multilevel marketing experiences produce significant international growth by offering a range of products and services (Sparks & Schenk, 2006). They also foster repeat product purchases (Ella, 1973) and positive feelings among purchasers over time (Kustin & Jones, 1995) even without relying on the effects of advertising. Multilevel marketing also grows with diverse applications facilitated in part by the development of the Internet (Vander Net & Keep, 2002).

Previous studies distinguish multilevel marketing from pyramid schemes (Peterson & Albaum, 2007). The latter are illegal and considered to be unethical (Vander Net & Keep 2002; Albaum & Peterson, 2011). Negative public perceptions (Peterson & Albaum, 2007) arising from criticisms of multilevel marketing, can make it difficult for the

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salesperson to entice customers. Lack of application of integrated marketing communication tools such as advertising might make it difficult for customers to form better perceptions and assessments which might also negatively affect the effectiveness, motivation and performance of salespersons. Few studies in the field of multilevel marketing explore the effects of advertising due to limited application, particularly in practice. Therefore, the effect of advertising campaigns on perceptual change and sales in multilevel marketing is an interesting and under-researched question. While there are difficulties in measuring the exclusive effects of advertising, how studies extend to under-researched fields to prove effectiveness remains a challenge.

Among the effects of the application of promotional tools, few studies examine the effects of multilevel marketing's adoption of a TV advertising campaign. In particular, few studies explore how a salesperson encourages purchase and repeat purchase after advertising in a multilevel marketing channel. Hughes (2013) stated that advertising's impact on the sales force as a key audience has been crucial, but overlooked. The current study suggests that a multilevel marketing firm's advertising campaign influences persuasiveness and motivation by delivering messages about the products that are normally communicated by the salesperson. Furthermore, persuasive communications from advertising might help change the perception of multilevel marketing so as to avoid being mistaken for pyramid marketing. Therefore, this study posits that an advertising campaign as part of multilevel marketing efforts should boost its effectiveness. The effectiveness includes maintaining a positive image, disseminating the message, persuading customers, and encouraging purchase decisions to help the salesperson in many ways. Advertising campaigns can provide support for diverse activities in the sales process, as advertising enhances both customer awareness of the brand and salespeople's ability to explain products to customers. This study explores the supportive effect of advertising on customer response, salesperson's activities and performance in multilevel marketing. The purpose of this study is to fill this gap in advertising research by exploring the effect of advertising of a multilevel marketing firm on the effectiveness of salespersons' activities, work attitudes, and perceived performance, specifically looking at the extent to which the campaign changes customers' perceptions of multilevel marketing.

2. Research Background and Overview of Studies

Previous studies on advertising heavily examine the relationship between advertising impact on consumer behavior and the antecedents and consequences of salesperson effort and performance (Hughes, 2013).

However, existing approaches are not directly applicable to a multilevel marketing firm because products are not sold in stores and they can only be obtained from the salesperson. Yet a recent case involving a television advertising campaign for a multilevel marketing provides an interesting context for examining the impact of advertising on the success of multilevel marketing efforts. Advertising might reduce the impression that multilevel marketing efforts are fraudulent. Further, an advertising campaign might help create a favorable brand image and enhance brand value. Potential questions to consider include i) what motivates a multilevel marketing firm to invest in television advertising; ii) what benefits does the firm expect to enjoy; and iii) how benefits are actualized. In asking those questions, the purpose of this study is to measure the effectiveness of advertising campaigns in multilevel marketing by considering sales effects such as sales activity effectiveness, and the work attitudes of salesperson as the most appropriate measurements.

The effect of advertising under the multilevel marketing scheme examines mainly the Independent Business Owners (IBOs), and their activities in selling and buying transactions in the IBO's network. Managing influential factors on the salespeople's performance is pivotal for the multilevel marketing firm, as the sales depend entirely on the sales of IBOs. This study addresses the importance of the salesperson's role and attitude associated with customer response and sales performance. Previous studies suggest that a salesperson's performance depends on how hard and how wisely they work (Sujan, Weitz, & Kumar, 1994). A study by Yoo, Youn, and Yeo (2008) suggests that aspects of a salesperson's work attitude such as pride in selling also affects their performance. Fewer studies, however, investigate the effect of advertising on a salesperson's performance. When firms sell products through the salesperson only, though, the advertising can take effect mainly through the sales performance of the salesperson. Advertising campaigns in multilevel marketing firms can also help potential customers become aware of and more knowledgeable about the brand products even before they have any contact with the salesperson. In the long term, advertising might enhance the public image of the multilevel marketing firm and motivate and boost salesperson's pride in working for the firm. Therefore, measuring the effectiveness of the multilevel marketing firm's advertising campaign can offer an excellent opportunity to discover under-appreciated outcomes.

Amway Korea, a well-known multilevel marketing firm, launched a television advertising campaign for the first time in Korea in September of 2009 and observed a significant sales increase after the campaign. This event provides us with the best opportunity to analyze the role of advertising in the context of multilevel company. This study uses three approaches to investigate the campaign's impact. First, we want to confirm that the advertising campaign is effective in

eliciting consumers' favorable responses to the brand. This study conducts an experiment to compare consumers' responses to the brand with and without exposure to advertising. Second, this study develops hypotheses of the campaign on salesperson's activities and tests those effects using an online survey. This study proposes that sales advertising campaigns will accelerate activity effectiveness. Specifically, it results in increased job commitment, defined as an individual's identification with the company's values and goals, loyalty to the company, and high involvement in work activities (Ingram, Lee, & Skinner, 1989). This study attempts to collect data from IBOs at Amway Korea. Lastly, this study examines whether advertising increases actual sales by examining the number of newly recruited salesperson and the amount of incentive per salesperson.

3. Pretest: Effects of Advertising on Customer Response

This study conducts pretest to investigate the effects of advertising on customer response including familiarity, knowledge, and attitudes. This study expects to confirm that the advertising campaign changes consumer responses toward the brand. With the premise that positive customer response toward advertising leads to a change in the salesperson's perception after the advertising campaign, this study examines how enhanced customer response affects a salesperson's activity.

Previous studies investigate customer response by examining brand familiarity, knowledge of the brand, attitudes to the advertising and brand, and post-purchase satisfaction. Stammerjohan, Wood, Chang, and Thorson (2005) examine the influences of integrated marketing communication tools on attitudes toward the advertising and brand. Phelps and Thorson (1991) investigate effects of brand familiarity on attitudes toward the ad and brand. Alba and Hutchinson (1987) defines brand familiarity as reflections of the brand-related experiences accumulated by the consumer with products or services derived from the number of brand-related experiences the consumer has. Various studies discuss the impacts of advertising campaigns on customer response, such as brand familiarity, product information, and attitude change. This study examined that an advertising campaign for multilevel marketing will help improve perceptions by enhancing familiarity and creating interest in product information, and will show that attitudes on brands and companies will be different before and after exposure to the advertising campaign.

3.1. Methodology

This study conducts an experiment to measure the effects of advertising on customer responses to multilevel marketing

with and without advertising exposures. This study uses an actual brand currently sold on the market for comparison analysis. The selected brand is never advertised until the two-year period of the study. This study selects subjects who were never exposed to the brand's advertising, but who were interested in product characteristics linked to the brand (i.e., healthy functional foods and relatively expensive). The subjects are between the age of 25 and 54 years old and have a monthly income above \$2,500. This study limits the test subjects to those who have never used the brand and are not familiar with it. This study selects candidates who satisfy the screening requirements that are solicited for participation, and those who accept the request become test subjects. Sixty-two subjects make up the control group; sixty-one make up the experimental group. This study selects TV advertising as the treatment for this experiment for the measurement of effects on customer response and uses two groups of subjects – both a control and experimental group - to measure the effects of advertising. There is no exposure to the advertising for the control group, while the experimental group watches the advertising delivered in video form twice, one week and three days prior to the experiment. The video materials include actual TV programs and five minutes of advertising (ten, thirty-second ads), similar to real advertising on TV, before and after the program (a 6 minute long variety show program). All other advertising is actual advertising for other product categories. In this way, the study manipulates advertising exposure in a natural situation that is similar to the real field. The participants watch four series of brand advertising campaigns (an advertisement before and after in each program and in two video materials) based on prior research (Yoo & Lee, 2011) that suggests that at least three exposures to advertising are needed to have an impact on new brand. Both experimental and control group respondents answered questions about customer response, including brand familiarity, interests in brand information and attitudes.

3.2. Results of Pretest and Discussion

The study conducts an exploratory factor analysis and Cronbach's alpha to confirm the validity and reliability of measurement items indicating customer responses. From the exploratory factor analysis, as expected, this study extracts three factors (i.e., familiarity, knowledge, and attitude) and the loadings of each item on the factors over 0.8 with low cross-loadings. In addition, Cronbach's alpha varies from 0.81 (at minimum) to 0.93 (at maximum) indicating that the internal consistency of each construct is very high. The results show that relative to the control group, advertising enhanced brand familiarity ($F=4.01$, significant at $\alpha=0.05$) evoked interests in obtaining brand information ($F=5.59$, significant at $\alpha=0.05$), and evoked more favorable attitudes ($F=7.80$, all significant at $\alpha=0.05$). The results are summarized in Table 1. Findings from pretest suggest that

an advertising campaign affects increased customer response to the brand in multilevel marketing.

Table 1: Effects of Customer Response on the Brand: Before and After Advertising

Customer Response on the Brand	Group without Exposure to Advertising Campaign	Group with Exposure to Advertising Campaign	F
Familiarity	2.03	2.35	4.01*
Interests	3.09	3.39	5.59*
Attitude	2.87	3.24	7.80*

* p<0.05

4. Main Study 1: Effects of Advertising on Sales Activity

4.1. Hypotheses Development

Positive customer responses from advertising exposures may support salespersons' selling activity through two routes. First, this study posits that a multilevel marketing firm's advertising campaign can support the effectiveness of the diverse sales activities that comprise the sales process, which include prospecting for customers, opening relationships, presenting the sales message, and closing the sale (Johnson & Marshall, 2009). Among these processes, this study explores the effects of advertising on the customer-salesperson interactivity and closing sales. Second, this study posits that customers' favorable responses enhance a salesperson's work attitude. Because they expect to achieve better performance after the advertising campaign, salesperson may be motivated to work harder and feel more pride than before. As this study aims to examine how customers' prior exposure to the brand advertising before contacting customers' influence influences selling processes, interactivity efficiency with customers, selling performance, and work attitude were selected as dependent variables. Figure 1 summarizes the constructs examined in main study 1 and their proposed relationships.

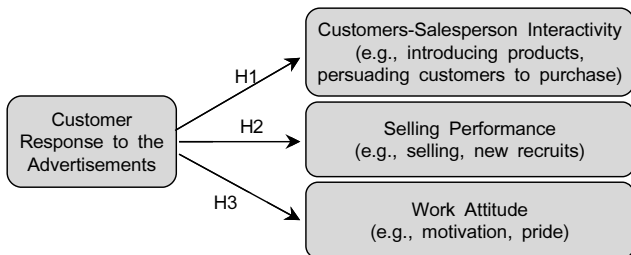


Figure 1: Salesperson's Activity in Multilevel Marketing

4.1.1. Effects of Advertising on Sales Activity

A study by Weitz (1981) states that advertising can support the salesperson's interactions with customers. Williams, Spiro, and Fine (1990) also mention that most conceptualizations of the buyer-seller interaction process treat actual communication between the buyer and seller in a very general manner, labeling it as interaction. Salespeople need to develop source credibility and legitimacy during the initial stages of an interaction to establish a base of influence. As revealed in pretest, customers may become familiar with the brand, have more interest in the brand, and regard it as more credible after advertising exposures. Customers' changed perception through advertising will help the salesperson interact with customers easily by approaching, introducing and informing them of the brand. Based on this consideration, this study hypothesizes that enhanced customer response after an advertising campaign will positively affect customer-salesperson interactivity.

H1: The customer's enhanced response after the advertising campaign will significantly improve customer-salesperson interactivity.

4.1.2. Effects of Advertising on Selling Performance

Sujan (1986) and Sujan, Weitz, and Kumar (1994) state that the degree to which a salesperson work hard significantly affects performance. Panagopoulos, Rapp, and Ogilvie (2017) investigate that salespeople's role in their firms and sales performance. Claro and Ramos (2018) examine sales networks and the performance with customer service. Recent studies discuss the salesperson performance with the relationship with sales control (Katsikeas, Aug, Spyropoulou, & Menguc, 2018) and supervisor (Husain, 2018).

For the multilevel marketing firm, the effects of advertising campaigns on sales performance manifest in two ways. First, the improved performance of an individual salesperson increases overall sales for the firm. Second, an increased number of salespersons positively affects the firm's overall sales. The current study speculates that the routes to this performance are in the selling process. Advertising in multilevel marketing facilitates not only salespeople's interacting with customers but also closing sales, because forming a positive image from advertising exposures can positively impact customers' comprehension and retention of the sales presentation and have a further positive impact on the likelihood of a sale. Therefore, a salesperson can easily recruit new salespersons from the existing customer base, since the size of the base is expected to grow after the advertising campaign. This study also asks whether advertising campaigns support recruiting activities of new salesperson by increasing the number of customers who advocate the brand products and increased purchase frequency. This study states that an enhanced performance of existing salesperson also affects customers' willingness to

join the sales force. This study hypothesizes that enhanced customer response after an advertising campaign will positively affect a salesperson's perceived performance.

H2: The customer's enhanced response after the advertising campaign will have a positive impact on the salesperson's selling performance.

4.1.3. Effects of Advertising on Work Attitudes

Various theoretical foundations support the effectiveness of sales activity and work attitude. Expectancy theory (Vroom, 1964; Oliver, 1974) and expectancy-valence theory (Walker, Churchill, & Ford, 1979) also support salesperson's motivation toward work performance (Walker, Churchill, & Ford, 1977). Nasri and Charfeddine (2012) also indicate that expectancy theory supports a conceptual model whereby motivation of people contributes to activities. By applying expectancy model as a function of salesperson's expectation with performance and the valence of those outcomes (Vroom, 1964), expectancy theory explains that a salesperson will exert a certain amount of effort toward a particular task if he or she estimates that the effort will lead to a specific performance (expectancy), which will imply a real reward that he or she really desires (valence of reward) (Bon & Merunka, 2006).

Previous studies (Weitz, Sujan, & Sujan, 1986; Churchill, Ford, Hartley, & Walker, 1985; Bagozzi, 1980) also addressed theories and models of sales performance and relationships with motivation, performance, adaptive behavior, and satisfaction. Salesperson motivation, which includes the perception of the pleasure or value of an activity itself (i.e., intrinsic motivation) and the value an individual places on the results of an action and the individual's assessment of the probability of realizing the results (i.e., extrinsic motivation), has been frequently explored in previous studies (e.g., Ingram, Lee, & Skinner, 1989) as an antecedent to work outcomes. Salesperson motivation after success or failure to exert effort in the future and their expectations of success is also supported by attribution theory (Weiner, 1985; Brown, Cron, & Slocum, 1997; Badovick, 1990; Badovick, Hardaway, & Kaminsky, 1992). Attribution theory (Weiner, 1985; Brown, Cron, & Slocum, 1997) suggests that a salesperson's motivation after success or failure will impact future effort and expectations of success; the theory addresses causal perceptions and perceived causes of success and failure in achievement-related contexts (Weiner, 1985). Prior studies on salespersons' motivation, attitude changes, and performance support this study in the context of multilevel marketing.

Therefore, this study posits that a multilevel marketing firm's advertising campaign supports a salesperson's work attitudes, including motivation and pride in their work. Walker, Churchill, and Ford (1977) view motivation as the amount of effort and desire to expend energy on each of

the activities or tasks associated with the salesperson's job, and is an important factor in salesperson performance model. Lamont and Lundstrom (1977) state that a salesperson's pride in work of personal selling affects performance. The current study addresses that by offering an advertising campaign, salespersons feel supported and expect boosted sales activities due to increased customer awareness of the brand. Increased effectiveness after the campaign will improve the persuasiveness of their sales messages, and will thus help them to easily convince customers to purchase. Therefore, the salesperson's hard work will bring improved results, fostering further motivation to work hard (Churchill, Ford, & Walker, 1979; Oliver, 1974). This effect also becomes an additional consequence of the salesperson's outcome and learning orientations (Yoo, Youn, & Yeo, 2008). As a result, the salesperson feels pride in their personal selling.

Based on the consideration, this study hypothesizes that enhanced customer response after an advertising campaign will positively affect a salesperson's work attitude.

H3: The customer's enhanced response after the advertising campaign will significantly improve the salesperson's work attitude.

4.2. Methodology

In order to test the hypotheses, this study conducts in-depth interview and online survey from salespersons.

4.2.1. Depth Interview: Tests of Recall.

While the purpose of pretest is to confirm the effects of customer responses after advertising exposures, main study 1 aims to test the effects of advertising on salespeople's selling activity. Because we collect data from salespeople, we want to confirm if a salesperson recognizes the difference in customer responses before and after the advertising campaign. For this purpose, this study employs in-depth interviews with salesperson before the survey distribution. The study randomly selects respondents and checks how they recall situations before the advertising campaign. Six subjects participate in this in-depth interview.

This interview finds that respondents remember the situations very clearly. Whether the advertising campaign matters is the big issue, so subjects are strongly involved in that issue. In the beginning, they doubt the effects of advertising because they firmly believe that only their selling activity will impact sales. However, as time passes, they recognize that the advertising campaign supports their selling activities. Therefore, the interviews confirm that subjects have the capacity to answer the questions about the effects of the advertising campaign on their selling activities.

4.2.2. Online Survey

Based on the results of the depth interviews, this study conducts the following online survey to test the hypotheses.

4.2.2.1. Subjects

Salespersons for the well-known multilevel marketing firm Amway Korea serve as subjects for this study. Salespersons who started working for Amway Korea before the advertising campaign serve as subjects for this comparison analysis. Since the campaign was launched in September 2009, subjects of this study had been salesperson prior to September 2009 and they continued to work as salesperson at the time of the survey. The survey identifies three types of salesperson: consumption-type salesperson who purchases Amway products for their own use only, a sales-type salesperson who purchases Amway products not only for their own use but also for sale to other people, and a management-type salesperson who not only purchases products but also manages the salesperson they recruit. The current study includes both sales-type and management-type salesperson as subjects.

4.2.2.2. Survey Procedure & Questionnaire Development

This study administers an online survey about two years after the advertising campaign launched in November 2011. Four hundred randomly selected salesperson participated in the study. The study yielded a total of two hundred twenty-six valid responses. Therefore, the response rate was 56.5%. The questionnaire has two parts; the first part asks respondents which type of salesperson they are and whether they signed up as a salesperson before or after September 2009. In the second part, this study asks subjects questions related to customers' responses, customer-salesperson interactivity, selling performance, and work attitude after the campaign.

4.3.2. Measurement Validation

Table 2: Results of Confirmatory Factor Analyses

	Indicators	Standardized Regressing Weights	Regressing Weights	S.E.	t-value	Average Variance Extracted	Construct Reliability
Customer Response	Interests	0.853	1	-	-	0.791	0.953
	Credibility	0.937	1.058	0.057	18.67		
	Favorability	0.876	0.995	0.058	17.156		
Customer-Salespers on Interactivity	Approaching	0.858	1	-	-	0.719	0.902
	Presenting	0.904	1.21	0.071	17.148		
	Interacting	0.777	0.978	0.071	13.835		
Work Attitude	Pride	0.866	1	-	-	0.675	0.890
	Motivation	0.883	1.039	0.064	16.131		
	Active in gaining new IBOs	0.704	1.176	0.099	11.874		
Selling Performance	Persuading	0.787	1	-	-	0.720	0.899
	Selling products	0.922	1.221	0.083	14.651		
	Getting new IBOs	0.831	1.142	0.084	13.512		

4.2.2.3. Measures

First, this study applies questionnaire items such as the degree of interests in brand information, credibility of the brand, and favorability of the brand (from the salesperson's perspectives) to measure customer responses. This study selects items by examining previous studies on customer response (Sundaram & Webster, 1999). Second, this study measures customer-salesperson interactivity using three items: ease in approaching customers, introducing products, and interacting with customers in the presentation. Third, this study measures selling performance using three items: ease in persuading customers, selling products, and getting new IBOs. Fourth, this study measures work attitude using three items: changes in the level of salespeople's pride in personal selling, motivation to work hard, and aggressiveness in attracting new IBOs after the advertisement campaign. This study develops statements related to constructs and asks respondents to express their degree of agreement with each statement. For all questionnaire items, this study uses a five-point scale.

4.3. Results of Main Study 1

4.3.1. Subjects Summary

Of the two hundred twenty-six respondents, one hundred eighty-three (81.0%) are sales-type salesperson and forth-three (19.0%) are management-type salespersons. Their average monthly sales are approximately 900 dollars. This study combines two types of salesperson in the data analysis, since two figures are not significantly different between the two types. Of the respondents, 41.6% are male and 58.4% are female, 5.3% are 30 years old or younger, 33.6% are 31-40 years old, 46.0% are 41-50 years old, and 15.0% are 51 years old or above. This study selected respondents who have background in this field more than 3 years.

This study applies a structural equation model to test the hypotheses. Before estimating the structural paths to test the hypothesized relationships, this study evaluates the measures for each of the constructs by conducting confirmatory factor analyses. The results find that the overall fit of the models is acceptable. All items have significant factor loadings on their corresponding construct, demonstrating adequate convergent validity. Average variances extracted are higher than an acceptable cut-off level of .50 and construct reliability is also higher than an acceptable cut-off level of .70, indicating the measures are reliable.

4.3.3. Model Specification

Based on the results of the above mentioned factor analyses, this study retains each item as a reflective indicator for each construct. Constructs are not assumed to be perfectly indicated. There are no theoretical reasons to assume that three endogenous variables are independent of each other. Therefore, this study allows the covariances of the error terms of the endogenous variables to vary. In order to test hypotheses 2, 3, and 4, this study conducts a

structural equation model after advertising (see Figure 2). Table 3 summarizes the results of model testing.

Overall, the results fit the model for before advertising ($\chi^2=216.409$ (df=48), RMR=.061, GFI=.870, NFI=.897, TLI=.886, CFI=.917). The Q plot, the low number of high normalized residuals, the t-tests, and range of values suggest that each model is acceptable. Thus the hypothesized model appears to fit the data well and the estimates of structural coefficients provide the basic tests of the proposed hypotheses.

The effects of customer responses to the advertising on interactivity (H1) show significant (coefficient=503, t-value=7.159, $p < .001$). Thus, this study accepts H1. Customer's enhanced response significantly affects closing sale (H2) showed significant (coefficient=511, t-value=7.047, $p < .001$). Thus, this study supports H2. The effects of customer responses on work attitude (H3) are also significant (coefficient=451, t-value=6.326, $p < .001$). Thus, the current study accepts H3. In summary, the results confirm that customer's enhanced response from the advertising exposure improves sales effectiveness and work attitude.

Table 3: The Effects of Customer Response on Selling Activity

Path	Standardized Regressing Weights	Regressing Weights	S.E.	t-value
Customer Response ⇒ Customer-salesperson Interactivity	0.503	0.566	0.079	7.159
Customer Response ⇒ Selling Performance	0.511	0.553	0.079	7.047
Customer Response ⇒ Work Attitude	0.451	0.419	0.066	6.328

Model fit: $\chi^2=216.409$ (df=48), RMR=.061, GFI=.870, NFI=.897, TLI=.886, CFI=.917

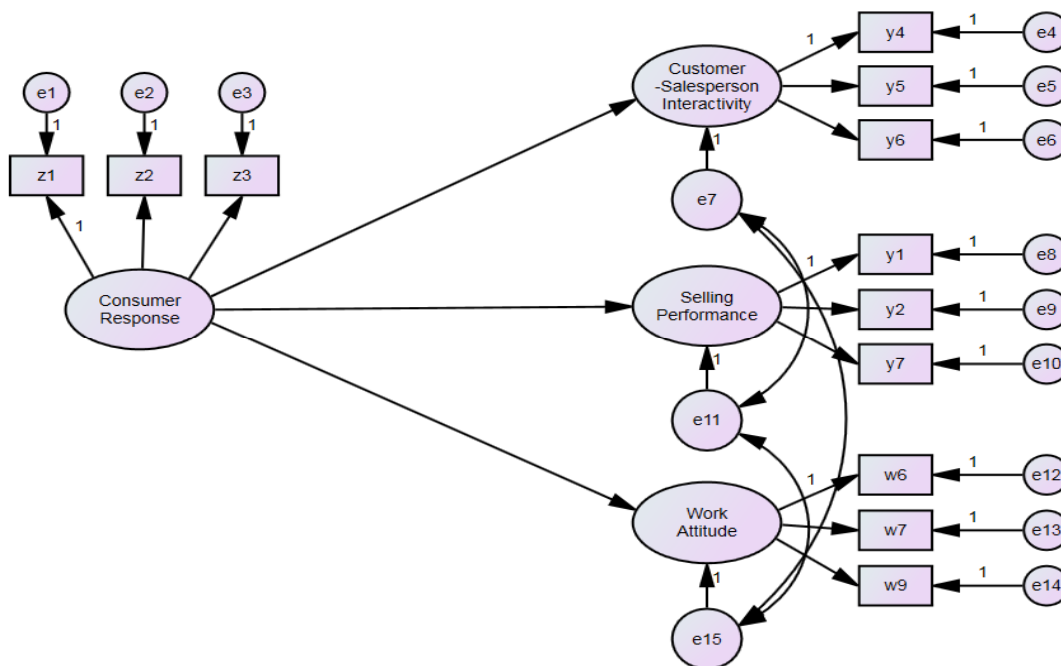


Figure 2: Structural Equation Model of Effects of Customer Response on Selling Activity

5. Main Study 2: Effects of Advertising on Actual Sales Performance

5.1. Propositions

Finally, this study addresses the question of whether advertising's effect on sales activity leads to an increased actual sales performance. In addition to the effects of advertising on salesperson's activity, this study also proposes effects on actual sales performance. Thus we design the main study 2 to investigate enhanced actual performance at this company after the advertising campaign. Main study 2 analyzes actual sales performance data before and after an advertising campaign by applying the number of newly recruited salespeople and the amount of incentive per salesperson from the firm. By applying the actual data, collected from a multilevel marketing firm before and after advertising, this study considers the number of newly recruited salespeople and the amount of incentive per salesperson that are results of the sales, as a measure of actual sales performance. By comparing sales performance data for four years before and after an advertising campaign, this study proposes that the number of newly recruited salespeople and the amount of incentive per salesperson increase after the advertising campaign.

Proposition 1: The number of newly recruited salespeople will increase after the advertising campaign.

Proposition 2: The amount of incentive per salesperson will increase after the advertising campaign.

5.2. Methodology

This study applies actual data collected from Amway Korea to measure actual sales performance before and after the advertising campaign. Amway Korea provides us with the actual sales performance data per salesperson. Amway Korea spends approximately six million dollars in 2009, eight million dollars in 2010 and 2011 on the campaign respectively. There are no major changes in sales promotion policies except advertising activities during these periods. Therefore, any changes in the sales outcome before and after September 2009 can be attributed to the advertising campaign. This study examines sales data collected on a yearly basis starting from September, 2007 until August 2011. Consequently, there are four periods (years) of data to compare. The two periods up to August, 2009 counted as periods before the campaign, and the other two periods from September, 2009 counted as periods after the campaign. This study investigates the number of newly recruited salespeople per period as a proxy measure of performance. This study considers those who are actively involved in purchasing and selling products during each period. This study also collects data on sales incentives earned by each salesperson per period. Only those who are

active since September 2007 are considered, and as a result this study analyzes the data based on 9,763 salespersons. Sales incentives serve as a reliable measure of sales performance and of the company's ability to recruit and manage salesperson.

5.3. Results for Main Study 2

Main study 2 proposes that both the number of newly recruited salespeople and the amount of incentive per salesperson could be indirect but still good indicator of sales performance. After comparing the number of new salesperson per period, this study finds large increases in the number between periods 1 and 2, which are both before the campaign. The number does not change significantly between the two periods right before and after the campaign. This study observes another increase between periods 3 and 4, which are both after the campaign. According to the management, Amway Korea strengthens the firm's support for recruiting new salespeople at the beginning of 2009, which explains the big increase in the number between periods 1 and 2. Management determines that the only influential factor on the increase between periods 3 and 4 is the advertising campaign. The comparison analysis of incentive per salesperson shows that the incentive amount paid increases every year, not only between the year before and after the campaign. Deeper investigations reveal that the increase between the years 2008 and 2009 is attributable to a change in the incentive calculation method in 2009. The new method allows more incentives to be paid. However, this type of increase is a one-time event and cannot be expected to continue. Therefore, the increase between the years 2009 and 2010 (period 3 & 4) is attributable to the campaign. This study observes only a slight increase between the years 2010 and 2011 despite the continuous campaign. The law of diminishing marginal utility interprets the results. In other words, the size of the effect of the campaign gets smaller as time passes. The results of actual data find that the advertising campaign improves sales-related performance such as the number of newly recruited salespersons and per-salesperson incentives. By considering an advertising campaign as a major change during those periods, the results of the increased number of new salesperson and average incentive earned per salesperson imply the effects of advertising. This study also indicates that the results could be an important indicator for the measurement of a salesperson's performance. The following section discusses the implications of this study and suggested future research.

6. Conclusion

6.1. Managerial and Theoretical Implications

This study investigates i) customer response to

advertising; ii) the effect of advertising on a salesperson's sales effectiveness, work attitudes, and perceived performance; and iii) actual sales performance before and after the advertising campaign. In applying the three stages (i.e. pretest and two main studies) of the study, the findings of this research present several managerial implications. First, multilevel marketing firms should consider advertising campaigns as a means of changing customer responses. As the study reveals, advertising for multilevel marketing firms plays a significant role in increasing familiarity with, and knowledge of, and attitudes toward the brand, which also helps salesperson interact with customers. Studies (Peterson & Albaum, 2007; Vander Net & Keep, 2002; Albaum & Peterson, 2011) addresses that traditionally, there exists a negative perception of multilevel marketing firms due to their image being confused in the public mind with those of unethical pyramid schemes. Those perceptions and the limited application of promotional tools in practice make difficult to make multilevel marketing appeal enough to customers to introduce and sell products. Hybrid approaches using promotional tools, such as technology-oriented marketing applications in virtualized e- and m-commerce environments and advertising campaigns in offline environments, will enhance the company's image to the customers. Second, multilevel marketing firms should consider brand advertising as a means to support the sales activities of salespeople including sales effectiveness, work attitudes, and perceived performance. The conventional approach of multilevel marketing firms includes a major focus on directly supporting salespeople through means such as promotions, education and training and sales incentives, but not through application of other integrated marketing communication tools. This study shows that an indirect support mechanism such as brand advertising can also be an effective way to enhance recognition and image. This study finds that exposure to the advertising of multilevel marketing leads customers to be more open and receptive to the brand, as they are more aware of and feel more familiar with branded products. As a result, a salesperson finds it easy to approach and convince customers with their sales messages. Recruiting capable salesperson is the starting point for a multilevel marketing firm's success but has always been a challenge. Therefore, this study strongly stresses the value of advertisements in securing capable salespeople. Third, multilevel marketing firms should consider brand advertising as a means to enhance a salesperson's pride in and motivation for selling their brand, which will lead to improved sales performance. When firms rely solely on sales incentives to motivate salespeople, salespeople might try to maximize their incentives over the firm's benefit. Advertising can help both parties pursue their best interest without causing any conflicts of interest.

The findings of this research also present several theoretical implications. Previous studies frequently explore the effects of advertising on customers rather than

salesperson. This study implies the need for further investigation of the effects of advertising on salespersons, particularly those in multilevel marketing by filling the gap in the advertising research. The results of this study find that advertising affects a salesperson's activity significantly and lead to increased sales performance. Therefore, the findings of the study imply that the effects of advertising on actual sales should be probed by considering both the customer and salesperson's responses. Second, this study examines the effects of advertising by examining both the responses of the customer and salesperson and those interactional effects. The results imply the adoption of different sales strategies based on the customer response. Further, well-known theories such as expectancy and attribution theories support this study by proving the effects of advertising on sales motivation and performance in multilevel marketing. Therefore, the results help develop theoretical backgrounds on salesperson motivation and performance.

6.2. Limitations and Future Research

The results of this study have the following limitations. First, the survey in this research does not include new salespeople as subjects. This is to enable the changed perception after the advertisement campaign. Therefore, the results of this study do not generalize the demonstrated effect to new salespeople without a further study. Second, this study asks salesperson to evaluate the effects of advertising on customer responses and their selling activities. Since salesperson need to recollect their selling activities before the advertising campaign, their responses might not be as accurate as they might be if this study collects responses from two different groups of respondents. In order to improve data accuracy, future studies could collect responses before the advertising campaign from established salespersons. Third, this study shows that the advertising campaign improves a salesperson's pride and motivation, but does not explain the detailed process of accomplishment results. Future studies could identify and test mediating variables which link the campaign with the changes in salespeople's work attitudes. Lastly, the advertisement campaign might not be the only factor influencing changes in sales performance. Future studies should identify these other potential variables and control their impact.

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