

Should salespeople disclose their sales incentives? The effect of incentive transparency on sales performance.

Customers' perception of salespeople is a major driver of customer loyalty and customers' purchase intention. Nevertheless, a considerable challenge for salespeople is that only 18% of the buyers conceive them as trusted advisors. One explanation for such low trust levels may be related to salespeople's selling incentives and accompanying conflicts of interest between salespeople and customers. This situation clearly constitutes a dilemma for firms, because the incentives that they design to increase salespeople's efforts may simultaneously undermine the effectiveness of these efforts. In this paper we examine whether voluntary disclosure of sales incentives can aid salespeople in increasing customer trust during sales encounters. Across four experimental studies (one in the field and three online) we show that voluntary incentive disclosure can be beneficial for firms, as it is perceived as a credible and kind gesture. Our research contributes to a growing literature on information disclosure in sales contexts and extends it to financial incentives, by exploring customer's psychological mechanisms, underlying effects of disclosure on sales performance. While the results contradict the current industry practices and prevailing beliefs, they provide straightforward implications to sales practitioners.