

Want to optimize sales performance? Reduce commissions on sales of popular items and provide sales incentives

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According to new research published in the INFORMS journal *Marketing Science*, companies can improve sales performance when they adjust sales commissions for the sale of more popular items. Further, the researchers found that when companies provide incentives to the sales force, that is more cost-effective than offering consumers discount pricing. The research centered on automotive sales at the dealership level.

The study in this month's edition of the INFORMS journal *Marketing Science* is titled "A Salesforce-Driven Model of Consumer Choice," by Bicheng Yang of the University of British Columbia and Tat Chan and Raphael Thomadsen, both of Washington University in St. Louis.

The researchers examined how sales commissions as compensation influences total sales and which products consumers choose. To achieve this, they developed a model that took into account the decisions of both salespeople and consumers.

"The selling process is structurally modeled as a joint decision that involves two parties," said Thomadsen. "Although the consumer makes the final decision, the sales representative's decision of how much service effort to invest in each product also influences the consumer's choice."

The researchers conducted their research using data from a [car dealership](#) in Japan, combined with comprehensive and global literature research.

"Our research showed us that not only do [consumers](#) have certain product preferences, but sales representatives and their incentivization through commissions has a powerful impact on sales performance," continued Thomadsen. "Our findings shed some light on how companies can strike the right balance to optimize sales."

Provided by Institute for Operations Research and the Management Sciences

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