

Effects of Life Insurance Price Rebating on Simulated Sales Encounters

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ABSTRACT

Pressure exists for the repeal of insurance anti-rebating laws. Research on price negotiation and insurance selling suggests consequences in terms of agent/consumer behavior, attitudes, and perception. Hypotheses are evaluated in an experimental simulation of the life insurance sales situation under different rebating conditions. Evidence suggests little actual rebating but a tendency for consumers to delay purchase as a bargaining ploy. Consumers' psychological reactions are found to be contingent on their price negotiation orientation and insurance involvement. Female negotiators and highly involved males are favorable, while others are unfavorable. Agents have a negative evaluation of participating in price negotiation and question the effectiveness of sales interaction.

Recent court cases in several U.S. states have challenged legal restrictions prohibiting insurance agents from rebating part of their commissions to consumers (see Adamec, 1988 and California Courts . . . , 1989). The Florida Supreme Court in June of 1984 upheld an Appeals Court decision declaring Florida's anti-rebating laws. Passage of the controversial Proposition 103 in California during 1988, a measure primarily aimed at reducing automobile insurance prices, had the effect of legalizing rebating for all forms of insurance in that state (see California Courts . . . , 1989).

The arguments for rebating are largely economic. Supporters believe that rebating will not only enhance price competition, but also give buyers more discretion over the level of service they wish to purchase from agents. Adamec

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(1988) documents that opponents fear an outbreak of unethical selling practices, a decline in the quality of customer service, unfair discrimination, industry concentration, and insolvency.

As Adamec (1988) reports rebating first gained the interest of insurance regulators in the early 1900's. The public's trust in the insurance industry had been seriously eroded by unethical sales practices including bribes and kickbacks to corrupt union bosses and blatant discrimination against some purchasers through the selective use of rebates. The practice of rebating was banned in all states early in this century. Subsequently, in 1945, the National Association of Insurance Commissioners (NAIC) included a prohibition against rebates in its Model Unfair and Deceptive Practices Act. This Model Act was later adopted by all states except California, thereby standardizing the anti-rebating statutes. If the courts in any state declare the provision unconstitutional, the decision would jeopardize this segment of the Unfair Practices Act in all of the states (see Albus, 1977).

The most serious limitation in attempting to assess the impact of legalized rebating is the lack of published research. Conventional survey methods are not particularly helpful given the lack of recent U.S. experience with rebating. Even in Florida and California where rebating is now technically legal, the concept is still too new to have had an appreciable impact on sales practices. Therefore, novel methods are required for investigating the phenomenon. Research on rebating's potential impact is needed to provide resource material for industry and consumer groups, and to provide reference authority for the courts, legislatures, and regulatory agencies.

Without active market behavior to provide early indications of the economic consequences of rebating, it is difficult to address the insolvency and concentration issues. This has certainly not curtailed speculation as to the future effects of rebating on the insurance marketplace (see Christensen, 1986 and Adamec, 1988). However, it is possible to simulate sales settings where the behavioral issues of discrimination, service quality, and ethicality can be addressed. Thus, the focus of this study is to identify the behavioral/relational consequences of rebating within a simulated insurance sales context.

In light of the apparent need for further research, the authors conducted a study which sought to examine the effects of rebating on the perceptions, attitudes, and sales interaction behavior of U.S. agents and consumers. The experiment involved a marketplace simulation in which practicing life insurance agents and consumer couples engaged in realistic sales meetings under different treatment conditions (i.e., levels of encouragement to negotiate price). Variations in sales outcomes were observed and the participants were questioned in-depth about their post-interaction perceptions and attitudes. These specific research questions were addressed:

- what proportion of sales are likely to be made with a rebate?
- how much commission will agents sacrifice in order to make a sale?
- are agents or consumers more likely to bring up the rebating subject?
- is the velocity of consumer decision making affected by rebating?

- are the reactions of consumers and agents generally more or less favorable when price is negotiable vs. non-negotiable?
- do individual difference characteristics predispose some consumers to react more favorably to rebating than others?
- if legal, to what extent would rebating become a major factor in the sales interaction process?

These responses of consumers and agents will contribute to understanding the implications of rebating on consumer welfare. How buyers and sellers psychologically react to price negotiation may also have important implications for the image of the insurance industry, more specifically the agency system.

Model of Rebating Effects

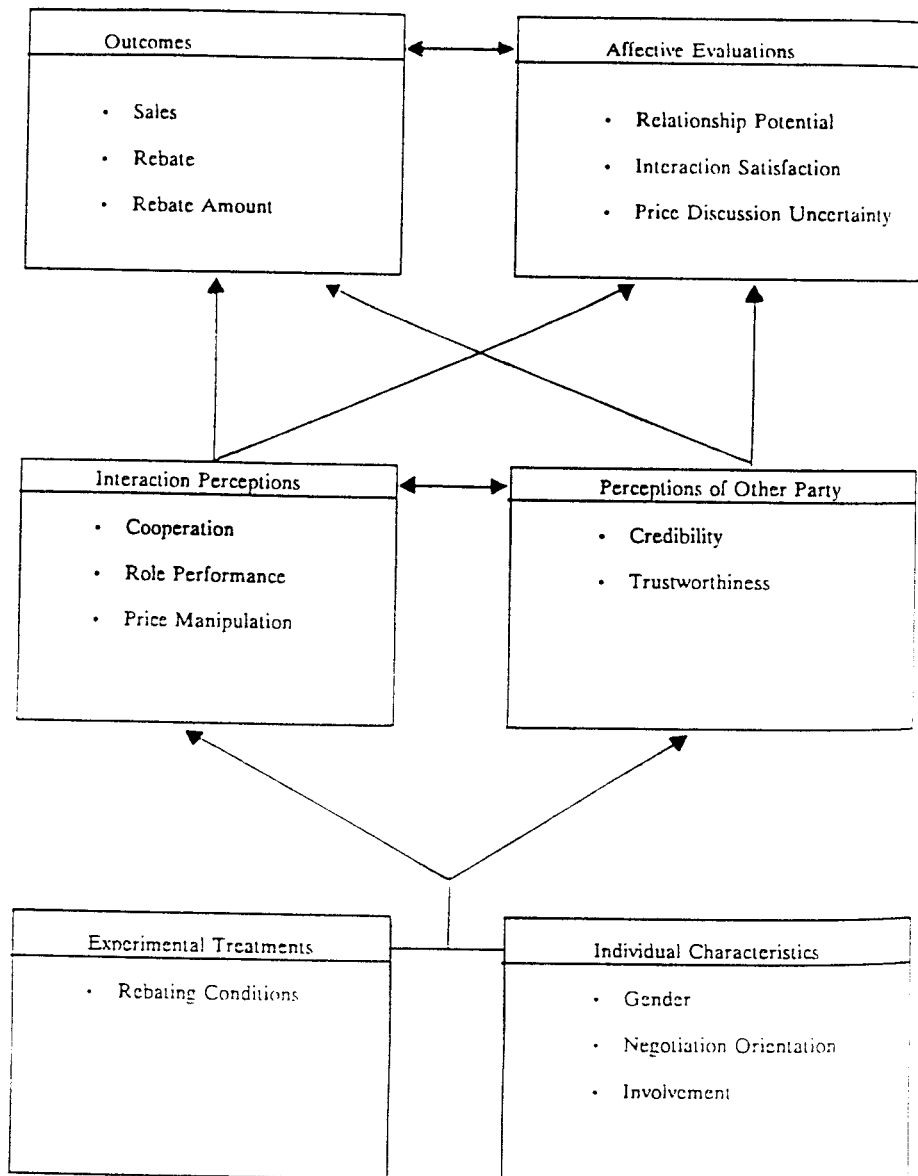
The assesment of rebating effects was guided by the conceptual model in Figure 1 which is an adaption of the more general Negotiation Process Model advanced by Evans and Beltramini (1987). The model is expressed in terms of the individual's perceptions and evaluations of the sales interaction process (except for outcomes which are dyadically determined). The model can be applied to either consumers or agents, although some of the variables were operationalized only for consumers. According to Figure 1, the experimental treatments (rebating conditions) interact with the individual's characteristics to determine how the sales interaction and other party are perceived. These perceptions, in turn, influence attitudes about the interaction experience (affective evaluations) as well as the interaction outcomes. Relying mainly on the price negotiation and personal selling literatures, hypotheses were derived concerning the impact of rebating on the components of the model.

Independent Variables

It seemed unlikely that consumer perceptions and attitudes would be uniformly affected by rebating. Males and females might react differently depending on their roles in price negotiation and the purchase process for life insurance (see Davis, 1976). However, the nature of husband-wife decision-making is generally unknown in this particular context, so it was not possible to make definite predictions. According to some veteran agents interviewed in the preliminary research, the female spouse is more concerned about cost because her role is often defined as the purchasing agent for the household.

The individual consumer's negotiation orientation was believed to be another variable which could moderate (i.e., make contingent) the effects of rebating on perceptions and attitudes. As noted by Evans and Beltramini (1987), negotiation orientation is determined by both general (background conditions) and specific (situational) factors. However, the major concern in this study was the more enduring elements of negotiation orientation, rooted in the individual's personality and role perception (see Furse, Punj and Stewart, 1984). This conception of negotiation orientation was judged most useful from a segmentation perspective. It was believed that consumers who

Figure 1
Conceptual Model of Rebating Impact
on Sales Interaction



are generally motivated to negotiate price would welcome life insurance rebating as another opportunity to do so. Others, however, are uncomfortable in price negotiation situations and their reaction to rebating was anticipated to be much less favorable. Proprietary studies show that the most dominant criticism of the purchase process for automobiles is the need to haggle with the salesperson over price.

H1a: Consumers with a high need to negotiate price will have more favorable perceptions and attitudes regarding the sales interaction process and agent when price is negotiable rather than non-negotiable.

H1b: Consumers with a low need to negotiate price will have more favorable perceptions and attitudes regarding the sales interaction process and agent when price is non-negotiable rather than negotiable.

The consumer's level of involvement with life insurance was another individual characteristic thought to moderate the effects of rebating. Zaichkowsky (1985) notes that involvement implies the product class has personal relevance for the individual. Involvement leads to rational problem solving behavior, extensive information search, and a deep processing of information (see Betman, 1979; Engel and Blackwell, 1982; and Greenwald and Leavitt, 1984). As reported by Zaichkowsky (1985), consumers who are highly involved tend to perceive a greater number of distinguishing attributes and use those attributes in the evaluation of choice alternatives.

The implication of involvement for rebating is that consumers who consider life insurance important will tend to engage in extensive information search and will perceive themselves as being able to obtain and utilize price information (see Newman, 1977). They should respond favorably to the opportunity to negotiate price as this will increase their knowledge about the cost/value of the policy (and the agent's services) and the agent's incentive to sell. Consumers who consider insurance less important may feel that rebating requires them to evaluate cost/value tradeoffs in more detail than they might like. In fact, their desire to avoid this kind of detailed evaluation may be the reason why they use the services of an agent. These considerations suggested the following hypothesis:

H2a: Consumers who have high involvement with life insurance will have more favorable perceptions and attitudes regarding the sales interaction process and agent when price is negotiable rather than non-negotiable.

H2b: Consumers who have low involvement with life insurance will have more favorable perceptions and attitudes regarding the sales interaction process and agent when price is non-negotiable rather than negotiable.

Dependent Variables

Outcomes: The outcomes of buyer-seller negotiation include the sale and the terms of sale (see Evans, 1963 and Evans and Beltramini, 1987). Within this

study, important terms of sale involve the use of rebating and the rebate amount. Marketers use manufacturer's rebates to stimulate sales in such diverse industries as automobiles and liquor. Success with this tactic may depend on the rebate being standardized across buyers. Chertkoff and Baird (1971) suggested that when rebates are variable and at the discretion of individual sales people, consumers may use delay tactics to gain information and improve their experience in negotiation. Delay/search may also be used for posturing purposes to achieve a more balanced power position relative to the seller, especially when the transaction is complex/uncertain and wide price variability is perceived (see Schurr and Ozanne, 1985 and Evans and Beltramini, 1987).

- H3: The introduction of rebating into the sales process for life insurance will induce consumers to postpone purchase due to consumer uncertainty and/or their hope of negotiating more favorable terms from the seller (or a different seller).

Delays, however, can incur opportunity losses for negotiating participants as was found by Green, Gross, and Robinson (1967). To the extent that rebating impedes consumer decision-making, there is additional risk exposure for those who remain underinsured. The expected value of premium savings from further negotiation or search may be less than the expected value of loss due to premature death. The value of search depends on the willingness of agents to offer rebates and the average amount of the rebate. Agent resistance might be expected, however, as agents feel they earn their commissions. In fact, the results of Crosby and Stephens (1987) study supports the agent's contention, showing a positive relation between the price of insurance and the amount of aftersale service provided.

Affective Evaluations: Participants' attitudes about the interaction process both influence and are influenced by the negotiation outcomes. For example, agents who make a sale and consumers who negotiate favorable terms may feel more positive about the interaction as noted by Punj and Staelin (1983). Conversely, the consumer's willingness to make a purchase and the agent's motivation to sell may depend on having a satisfactory interaction.

Affective evaluations of rebating can be arrayed from the more general to the more specific. Especially important in the context of insurance, is the participant's evaluation of the potential to establish a long-term relationship with the other party. Insurance interactions tend to be on-going rather than one time encounters and most consumers seek a close, counselling-type relationship with an agent (see Johnston-O'Connor, O'Connor, and Zultowski, 1984). If the sales interaction reveals little potential to establish an enduring relationship, the consumer may be less inclined to buy from the agent. By the same token, the agent may not want to invest in the relationship if the consumer is perceived to lack commitment (i.e., to be constantly shopping for a better deal). On the one hand, rebating could potentially interfere with personal rapport building so important in establishing long-term, buyer-seller relationships. On the other hand, as suggested by Johnston

and Bonoma (1983), price negotiation might reveal willingness to compromise and adapt the relationship to the other's needs.

Evans and Beltramini (1987) reported that among the dimensions of evaluation negotiation research has traditionally focused on the achievement of mutually satisfactory outcomes. Satisfaction has been defined as a psychological construct describing the emotional state that occurs in response to an evaluation of a set of experiences (see Westbrook, 1981). This suggests that satisfaction in a negotiation context depends not only on transaction outcomes but also on the process of interaction. Given their previous experience and knowledge of bargaining strategies, Kormorita and Kravitz (1981) suggested that consumers with a high negotiation orientation should derive greater satisfaction from their participation in rebating situations than non-negotiators. Negotiators are familiar with how to buy in these situations and have the expectancy of obtaining favorable outcomes.

To the extent that some agents and consumers are dissatisfied with the sales experience under rebating, this may reflect their concern about the amount and quality of non-price related information communicated during the meeting. Effective sales interactions require a balanced exchange of information not limited to the terms of sale, but also dealing with the buyer's needs, the seller's offering, and the fit between the two.

Participants in any social interaction process may become confused, uncertain, even physically anxious, when the situation has many novel aspects (e.g., the price discussion uncertainty in Figure 1). This occurs because participants are unfamiliar with their roles, sense a loss of control, have difficulty forecasting the course of the interaction, and are unable to judge whether the interaction is equitable. Stress and tension have been recognized as potential by-products of price negotiation (see Evans and Beltramini, 1987).

Interaction Perceptions: As Frazier (1983) notes, exchange interactions involve communication and role performance. Cooperative communications focused on joint problem solving are endemic to relational exchange (see Dwyer, Schurr and Oh, 1987). When interaction is dominated by competitive (uncooperative) tactics, a mutually satisfactory outcome is unlikely as reported by Evans and Beltramini (1987). In contrast, however, Kuhlman and Marshello (1975) found support for matching strategies (tit-for-tat) over the consistent use of cooperative behavior in bargaining. Price negotiation can be viewed as either a competitive activity or an effort to find mutually agreeable terms under which exchange can be consummated (see Johnson and Bonoma, 1983).

Buyers and sellers have expectations regarding the other's role in an exchange interaction. Subsequently, the interaction is judged either satisfactory or unsatisfactory depending on the other's perceived performance in meeting those expectations (see Frazier, 1983). The importance of the salesperson's role performance has been previously established in the insurance context as reported by Crosby and Cowles (1986); Parasuraman, Zeithaml, and Berry (1988) note that expectation-performance gaps are also considered the

primary determinants of perceived service quality. Under rebating, it is possible that price negotiation would become the dominant focus of interaction to the point that sellers and/or buyers might neglect aspects of their roles which the other considers vitally important (e.g., agent adopts the role of salesperson to the exclusion of insurance educator/counselor).

Legalized rebating did, and could again create fertile ground for agents to engage in opportunistic pricing behavior (i.e., manipulative tactics such as offering large rebates on overpriced policies). Opportunism has been defined as self interest seeking with guile (see Williamson, 1985). Perceptions of agent price manipulation could breed distrust, increase consumer uncertainty and dissatisfaction, and raise doubts about the wisdom of entering a lasting relationship with the agent.

Perception of Other Party: As Weiner and Mowen (1985) note, salesperson credibility has long been linked to sales effectiveness. Credibility implies that information supplied by the salesperson is accurate, complete, and believable. Recent literature also emphasizes the importance of trust in selling and insurance selling (see Swan, Trawick, and Silva, 1985 and Crosby, Evans, and Cowles, 1990). Trust counterbalances anticipated conflicts of interest in long-term relationships and contributes to higher levels of buyer-seller cooperation as reported by Schurr and Ozanne (1985). From a dyadic exchange perspective, it is also important that the sales person believes/trusts the buyer as this may affect the salesperson's motivation to work cooperatively and invest effort in the relationship. Agents and consumers interacting in a rebating environment may perceive each other as less forthright and trustworthy given the apparent incentive to behave strictly in one's own interest.

Experimental Methodology

Technically, the study consisted of two laboratory experiments evaluating the impact of rebating on simulated sales interactions. In general, experiments afford greater internal validity than survey or field studies due to randomization, the manipulation of the treatments, and the elimination of extraneous factors that could contaminate the results. Experiment 1 is described first.

Experiment 1 Sample

The experimental simulation involved face-to-face interactions between 93 sales dyads composed of a life insurance agent and consumer couple who played roles as seller and buyers in a realistic sales setting. Agents were practicing life insurance agents and consumer couples were real-life married couples, all recruited from the Phoenix, Arizona metropolitan area during the Fall, 1987.

The consumer couples were paid subjects recruited from a panel maintained by a national marketing research firm. Couples were screened prior to their acceptance to determine that they were prime candidates for life insurance

purchases (i.e., married, male head 25 to 45 years of age, children at home if head under 30, both spouses at least high school graduates, household income between \$15,000 and \$100,000). Within these constraints, quotas were established for socio-demographic segments in accordance with the population distribution of the area. Table 1 provides a profile of the consumer sample which was a representative and diverse cross-section of the target population. To participate in the study, agents were required to have recent experience selling life insurance. The agents were volunteers solicited from

Table 1
Profile of Consumer Sample

Household Demographic Variables	Percentage	
	Experiment 1 (n = 93)	Experiment 2 (n = 23)
<i>Age of Male Head</i>		
Under 35	51.6%	30.4%
35-39	21.5	43.5
40-44	26.9	26.1
Total	100.0%	100.0%
<i>Education of Male Head</i>		
High School/Some College	44.1%	56.6%
College Graduate	39.8	39.1
Advanced Degree	16.1	4.3
Total	100.0%	100.0%
<i>Occupation of Male Head</i>		
Professional/Managerial	37.6%	34.8%
Sales	16.1	13.0
Technical/Administrative	20.4	21.7
Other	25.9	30.5
Total	100.0%	100.0%
<i>Children at Home</i>		
Yes	88.2%	100.0%
No	11.8	0.0
Total	100.0%	100.0%
<i>Household Income</i>		
Less than \$25,000	11.8%	8.7%
\$25-34,999	24.7	34.8
\$35-49,999	43.0	39.2
\$50-74,999	15.1	4.3
\$75-99,999	5.4	13.0
Total	100.0%	100.0%
<i>Home Ownership</i>		
Yes	93.5%	91.3%
No	6.5	8.7
Total	100.0%	100.0%

local chapters of the National Association of Life Underwriters. Industry experts estimate that 60–80 percent of life insurance sales are through members of this association (the exact share is unknown). As the profile in Table 2 shows, the agents' industry tenure ranged from less than one year to more than 20 years. The majority were in non-management positions which means they had continuing contact with customers. The profile in Table 2 conforms closely with the known characteristics of the association's membership.

Treatments

The subjects were randomly assigned to dyads then randomly assigned to one of three experimental conditions (31 dyads per). The option of rebating was not discussed in the control group (C) briefing. This group served as a benchmark for determining the effects of rebating. The control condition simulated the existing life insurance sales situation in all states at the time of

Table 2
Profile of Agent Sample

Demographic Variables	Percentage	
	Experiment 1 (n = 93)	Experiment 2 (n = 23)
<i>Years in Industry</i>		
5 Yrs. or Less	44.1%	56.5%
6–10	18.3	26.1
11–20	17.2	17.4
Over 20 Yrs.	20.4	0.0
Total	100.0%	100.0%
<i>Title Used With Customers</i>		
Life Insurance Agent	49.5%	43.5%
Independent Agent	4.3	0.0
Insurance Broker	7.5	0.0
Financial Planner	11.8	21.7
Other	26.9	34.8
Total	100.0%	100.0%
<i>Position in Company</i>		
Owner	14.0%	39.1%
Manager	12.9	13.0
Employee/Other	73.1	47.9
Total	100.0%	100.0%
<i>Licenses and Designations</i>		
CLU	19.4%	4.3%
ChFC	9.7	4.3
CFP	2.2	4.3
NASD	64.5	34.8
RIA	5.4	4.3

the study (no rebating was allowed in Florida until February, 1989). Every effort was made to mimic or model the essential features of the marketplace by having real-world actors, representative products, and realistic levels of information.

The two rebating treatments approximated different levels of public attention to rebating (but were otherwise identical to C). Treatment condition one (T1) was labelled mild rebating. Subjects were provided only the information that rebating was permitted, but were given no guidance or encouragement regarding the practice. This condition represented a marketplace that could exist immediately after legalization of rebating, i.e., limited information regarding the extensiveness/importance of the practice.

Consumers in T1 were told that rebating was possible and that agents might offer lower prices if pressed to do so in order to make a sale. Agents assigned to the mild rebating treatment were told they had a sales tool not presently available in the insurance industry, i.e., they could rebate a portion of their commission which equated to the first year's premium. This usually high commission rate was intended to allow agents considerable negotiation latitude. The agents were also informed that the consumer couple was aware of and might ask for a rebate.

Treatment condition two (T2) was labelled strong rebating. This condition was intended to represent the marketplace a few years after legalization of rebating, with higher levels of consumer knowledge and interest and with consumer groups strongly advocating that buyers engage in price negotiation. Consumers in T2 were told that sizable rebates could be given to consumers who asked for them. Additionally, they were told that a recent study revealed that most consumers failed to effectively pursue the discount to which they were entitled. They were then instructed to insist that the agent offer a discount, in fact, the largest discount possible. Compared to T1, agents in T2 were additionally informed that the consumer couple had been briefed to request and if necessary demand a rebate if they were not satisfied with the price of the coverage.

Procedure

Shortly after being recruited, consumers were mailed an attitudinal presurvey about life insurance. Agents completed a similar presurvey and received a packet of information to prepare them for the simulated sales experience, e.g., copies of forms, policy descriptions, and so forth. Neither the consumers nor agents were made aware of the true purpose of the study except that it was concerned with life insurance selling.

Upon arrival at the research location for their scheduled meeting, the agent and consumer couple were taken to separate rooms where they viewed a videotaped briefing containing the appropriate treatment imbedded in a set of standardized instructions. The consumers were then provided with financial scripts to follow in the form of a household income statement and balance sheet. These statements were based on national averages of household expenses, liabilities, and assets for couples of their age and income level. The

scripts were tailored to aspects of the couple's particular circumstances (e.g., home ownership, children, female employment status and so forth). The scripts provided some existing life insurance, but were designed to make the couple significantly underinsured (at one times annual income). Beyond the information supplied in the financial statements, the consumers were told that their interaction with the agent should be guided by their own experiences, preferences, and financial objectives. Finally, the couples were reminded they did not have to purchase a policy from the agent and to do so only if they were satisfied with the agent, policy, price, and services offered.

Agents were briefed on the term and universal life policies that were available for them to sell (the same policies with the same rate structures for all agents). Also described was the backroom sales support which could be requested during the meeting. This support consisted of a computer-driven, financial needs analysis and ledger forms for the universal life policy (for any valid combination of face amount, premium, length of coverage, or targeted cash value using an 8 percent interest rate assumption). The cost of the policy (mortality risk) was based upon the 1980 CSO Mortality Table. Three expense charges were involved with this universal life product including a monthly policy fee, monthly all years expense charge and a monthly first year expense charge. To obtain the financial needs analysis, the agent had to interview the couple using a special questionnaire. The immediate, on-site provision of sales support was intended to eliminate the need for a second meeting between the agent and consumer couple in order to close the sale.

Additional information provided the agent included some basic background data on the consumer couple as would normally be available via a referral (e.g., age, income, occupational status, home ownership, number of children). Finally, the agents were instructed that their task was to evaluate the couple's needs and, when appropriate, attempt to close on the sale of life insurance. The incentive to sell was provided by the agent's intrinsic motivation combined with a sales contest that pitted three participating local professional associations of insurance agents against each other (points were allocated based on net, after-rebate commission earnings from sales).

After the briefings were completed, questionnaires were administered to the agents and consumers to check the experimental manipulations and to measure their expectations of the interaction. Following this, the dyad was brought together in one room, introduced, then allowed to interact on their own. The researchers observed the sales interaction behind a one-way glass window. The interaction was terminated when it became clear the couple had made a purchase or was not going to buy at this time. A record was made of key observational data regarding the sales interaction (e.g., sales outcome, rebating discussed, discount offered/taken, etc.). The sales meetings typically lasted one hour.

After the meeting ended, the consumer couple and agent were once again separated and given questionnaires to complete. The post-questionnaires measured variables in Figure 1, the perceived realism of the simulation, and what the subjects thought the study was about. Agents in the control

condition and virtually all consumers thought that study was about life insurance selling. Agents in T1 and T2 guessed it had something to do with rebating. On completion of the final questionnaires, the subjects were debriefed and dismissed.

Experiment 2

Experiment 2 was a small scale replication of Experiment 1 intended to validate some of the key findings concerning interaction outcomes. The two experiments differed with respect to the pool from which agent subjects were drawn, sample size, and the number of treatments. Otherwise, the same methods were employed. The second experiment involved only the control and T2 conditions, with 11 dyads randomly assigned to the control and 12 to T2. The agents for Experiment 2 were systematically sampled and recruited from the Yellow Pages directory. Members of the trade association sampled in Experiment 1, were screened out. The Experiment 2 agents tended to have less industry experience, represented multi-line companies (life, health, property and liability), and were more often owners/managers of small agencies (see Table 2). The consumers were recruited in the same manner as in Experiment 1. In Experiment 2, the agents and consumers were both paid respondents. The agents were paid a flat fee plus a bonus linked to net, after-rebate commission earnings from sales.

Measures

The study employed multi-item measures of variables contained in the conceptual model, thus enabling the researchers to assess reliability (this does not apply to variables assumed to be perfectly measured: sales outcomes, treatments, gender of subject). With the exception of life insurance involvement, the measures were ad hoc, i.e., designed for the purposes of this study. However, close attention was paid to similar variables appearing in the literature. Also, items were generated based on depth-interviews with agents and consumers and the measures were refined through a series of pretests. Item responses were typically recorded on seven-point scales (7 = strongly agree, 1 = strongly disagree). The multi-item measures were computed by summing responses to the component items.

The unidimensionality of the measures was assessed through factor analysis of the items, first *in toto* then for subsets of items thought to be redundant indicators of the model variables. Reliability was assessed using coefficient alpha. Separate measures were obtained for consumers and agents by making slight adjustments in the item wording. The Appendix summarizes the component items, factor loadings, and reliability of the measures.

The measurement of role performance differed somewhat from the above procedures. Drawing from work of Parasuraman, Zeithaml, and Berry (1988), role performance was assessed by measuring expectation-performance gaps as perceived by the subjects. Just prior to interacting, consumers responded to 45 items about their expectations of the agent's behavior; agents responded to 29 items dealing with the expectations of the consumer's behavior. Performance

in meeting those expectations was evaluated in the post-interaction questionnaire. The gaps were computed as in this example:

The gaps were Gap 13 =	the agent should discuss	minus	the agent discussed
	his/her qualifications		his/her qualifications
	(7 = s.agree, 1 = s.disagree)		(7 = s.agree, 1 = disagree)

Overall role performance was measured by summing the individual item gaps then dividing by 45 (consumers) or 29 (agents). Consumers reported expectation-performance gaps in such areas as agent responsiveness, relationship building, spouse inclusion, selling pressure, information provision, tangibles, needs targeting, assurance, and veracity. Agents perceived gaps in such areas as consumer responsiveness, empathy, readiness to buy, relationship building, and stereotyping of the agent.

The consumer's involvement with life insurance was measured using Zaichkowsky's Involvement Scale (1985). Involvement was computed by summing responses to 20 bipolar adjective scales indicating the personal relevance of life insurance to the subject, e.g., important = 7, unimportant = 1. The scale was found to have high reliability in this study based on coefficient alpha ($= .95$).

Manipulation and Realism Checks

Critical to the study is whether the treatments "took" as measured by responses to the post-treatment manipulation check items. The major desired impact of T1 and T2 was to establish in the participants' minds the notion of price variability in the sale of insurance. This seemed to be the case as consumers in the control group were more likely than those in T1 and T2 to agree that the price is definitely fixed for a given policy ($p < .01$).

Other questions compared the simulated selling situation to purchases with non-negotiable prices (insurance marketplace today, services of a doctor, dentist, or CPA) and to purchases where prices may be negotiable (major appliances, home furnishings, cars, homes). In every comparison, agents in the control group reported more similarity with fixed price purchases and less similarity with variable price purchases than agents in either T1 or T2 ($p < .05$). Male consumers in T2 were more likely than males in the control to agree that the experimental situation resembled examples of variable pricing ($p < .05$). T2 males were also more likely than T1 males to agree that the selling situation resembled buying home furnishings or a home ($p < .01$). Females in the two rebating groups likened the situation more to purchasing a car or home furnishings than did females in the control group ($p < .01$). On balance, then, the manipulation checks provided sufficient evidence that the manipulation achieved their desired results.

Post interaction checks of realism showed that most participants:

- found it easy to imagine having a real life meeting similar to what occurred in the study (89 percent consumers, 86 percent agents)
- agreed the study was quite realistic (90 percent consumers, 81 percent agents)

- disagreed the study seemed contrived (68 percent consumers, 58 percent agents)
- forgot the meeting was just pretend (62 percent consumers, 75 percent agents)

Based on these responses, the researchers concluded that an adequate level of realism was achieved in the study.

Results

One goal of this study was to help gauge the extent to which price negotiation would become a major factor in the sales process for life insurance if rebating was legalized. Related questions concerned the likely incidence of rebating and the average rebate amounts. In many of the meetings where rebating was permitted, the topic was never discussed. The topic of rebating was broached in 23 percent of the meetings under mild rebating and in 65 percent of the meetings under strong rebating (and never in the control). When the topic was discussed, it was usually brought up by the consumers. Agents reported that the consumers introduced rebating in 86 percent of the cases. Consumers identified themselves as introducing rebating in 70 percent of the cases.

As Table 3 indicates, the actual occurrence of rebating was fairly uncommon in the study and mainly restricted to the strong rebating condition. In Experiment 1, one sale was made with a rebate under the mild rebating condition (3 percent of 31 meetings between agents and consumers). Six sales (19 percent) were made with a rebate under the strong rebating condition. When a rebate was used to make a sale the amount of the rebate tended to be

Table 3
Effects of Rebating on Purchase Decisions

Sale Outcome Variables	Percentage for Experimental Conditions			Significance Tests			
	Control (N ₁ =31, N ₂ =11)	Mild (N ₁ =31)	Strong (N ₁ =31, N ₂ =12)	x	Prob.	Tau	Prob.
Policy Sold With Rebate ¹							
Experiment 1	0.0%	3.2%	19.4%	9.6	<.01	.17	<.01
Experiment 2	0.0	N.A.	8.3	*	*	.20	N.S.
Any Policy Sold to Household ¹							
Experiment 1	77.4%	74.2%	58.1%	3.2	N.S.	.17	<.05
Experiment 2	72.7	N.A.	41.7	1.2	N.S.	.31	<.10
Experiment 1 Close Rates ²							
Policies for Males	79.3%	82.1%	59.3%	4.4	.11	.17	<.05
Policies for Females	72.7	91.7	64.7	2.8	N.S.	.11	N.S.

¹ Among all meetings in experimental condition

² Among meetings in experimental condition where a proposal was made

* Inappropriate to compute X²

small. The average was 17 percent of the first year premium, with a range of 11 percent to 26 percent. Given the size of the policies sold, this represented an average savings of \$28.00 per sale. Perhaps noteworthy, is that a sale was made in all but one instance where a rebate was actually offered.

As Table 3 also shows, rebating was even less common in Experiment 2 which consisted of a control group and a strong rebate group. A policy was sold with a rebate in only one instance (8 percent) under strong rebating. The rebate was 19 percent of the first year premium. Rebating was discussed in 75 percent of the meetings where it was permitted.

Hypothesis 3 concerned a possible dampening effect of rebating on the velocity of consumer decision-making. By design, all of the subjects in the study needed additional insurance and, in many cases, a substantial amount. They were encouraged to consider this need as well as their evaluation of the policy and agent, in deciding whether to buy. Delay may have both positive and negative consequences. From the standpoint of acquiring additional product information, further defining their needs, and possibly getting a better deal, delay may be in consumers' interest. To the extent that family exposure to financial risk is increased through purchase delay consumers may not be acting in their best interest.

Table 3 shows that a policy was purchased by 77 percent of the Experiment 1 control group and 73 percent of the Experiment 2 control group. It did not appear that the incidence of purchase was affected by mild rebating (74 percent bought in the Experiment 1 mild rebating condition). However, a lower incidence of purchase was detected under strong rebating, with the rate dropping to 58 percent in Experiment 1 and 42 percent in Experiment 2. While not statistically significant based on the chi-square, the tau statistic suggests rejection of the null hypothesis (no difference between the treatment groups) at the 95 percent and 90 percent confidence levels for Experiments 1 and 2 respectively. Tau is an appropriate statistic for crosstabulation tables involving two ordered variables. The dichotomous (yes vs. no) purchase decision variable can be considered ordered. The treatment variable is ordered by the degree of treatment strength (none, mild, strong).

The lower incidence of purchase under strong rebating can be traced to the agent's inability to close the sale when a proposal was put on the table. As other figures in Table 3 reveal, the treatments had a significant impact on the close rates for policy proposals on the life of the male head. The close rate was approximately six in ten under strong rebating compared to about eight in ten in the control and mild rebating conditions. A similar pattern was detected in the close rates for policies on female, although the treatment group differences were not statistically significant.

The above findings suggest that when rebates were permitted, and consumers were programmed to expect a discount, the failure to offer a price reduction influenced some consumers to delay purchase. In observing the interactions and reviewing the videotapes, the research team noted that only a few of the meetings actually disintegrated into overt price bargaining. Instead, the agents were prone to give a lecture on why they do not use rebates and why

the should be adequately compensated for their services. Likewise, the consumers seemed to be using a more subtle negotiating approach. By reacting cool to the agent's proposal, they hoped to extract a price concession. When the concession was not forthcoming, they elected to holdout and (by implication) continue search.

Sales in the strong rebating condition may also have been inhibited by the unfavorable psychological reaction of some consumers assigned to this treatment. Since purchase is a dyadic decision, the indirect effort of rebating on sales via perceptions and attitudes, had to be investigated in two steps. The first step was to establish a linkage between sales and key driver variables reflecting the perceptions and attitudes of the male and/or female spouse. The second step was to establish that rebating negatively impacted these key drivers either in general or among a substantial subgroup of subjects (as suggested by H1 and H2).

Representing step one, a two-group discrimination analysis was performed using "any policy sold to the household" (yes vs. no) as the dependent variable and the perceptions/attitudes of the husband and wife as predictor variables. Discriminant analysis attempts to find the linear combination of the predictor variables (the discriminant function) which maximally distinguishes or separates the groups. The correlation of the predictors with the discrimination function provides an interpretation of how the groups are different. In order to have an adequate number of cases, the analysis was performed using all Experiment 1 dyads with complete data on the variables. Results of the discriminant analysis are reported in Tables 4A and 4B.

The ability of the discriminant analysis to effectively separate the groups is revealed in Table 4B which cross-tabulates actual group membership (sold any = yes vs. no) with predicted group membership based on classification odds derived from the discriminant function. The results show good separation of the groups with an overall correct classification rate of 83 percent, well above the chance rate.

Table 4A shows that five of the six predictors most highly correlated with the discriminant function concerned the female's affective evaluation of the sales interaction (satisfaction, relationship potential, price discussion uncertainty), her perception of the interaction (agent's role performance), and her perception of the agent (credibility). In other words, the wife's perceptions and attitudes appeared to be critical determinants of whether the meeting resulted in a sale. Among the male variables, the husband's interaction satisfaction and his perception of the agent's role performance were most highly correlated with the discriminant function. Again, the importance of these findings is to identify key variables in the conceptual model which may intervene between the rebating treatments and the sales outcomes.

The results pertaining to H1 are summarized in Table 5. The table reports mean scores for different combinations of rebating and negotiation orientation as well as the statistical significance of the rebating main effect (Rebate), negotiation orientation main effect (NO), and rebating by negotiation orientation interaction (R X NO).

Table 4A

Two-Group Discriminant Analysis of
Any Policy Sold to Household (Yes vs. No)
Using Perceptual/Attitudinal Variables as Predictors

Predictor	Variables	Correlation with Discriminant Function
		(in descending order)
1.	Interaction Satisfaction (Female)	.61
2.	Role Performance (Female)	.57
3.	Relationship Potential (Female)	.52
4.	Interaction Satisfaction (Male)	.47
5.	Price Discussion Uncertainty (Female)	-.40
6.	Agent Credibility (Female)	.36
7.	Role Performance (Male)	.34
8.	Agent Trustworthiness (Female)	.29
9.	Agent Credibility (Male)	.22
10.	Cooperation (Female)	.20
11.	Price Discussion Uncertainty (Male)	-.18
12.	Relationship Potential (Male)	.17
13.	Cooperation (Male)	.17
14.	Price Manipulation (Male)	.10
15.	Price Manipulation (Female)	-.07
16.	Agent Trustworthiness (Male)	.03

Table 4B

Discriminant Analysis Confusion Matrix

Actual Group Membership	Valid Cases	Predicted Group Membership	
		Sold = Yes	Sold = No
Sold Any = Yes	63 (100.0%)	54 (85.7%)	9 (14.3%)
Sold Any = No	26 (100.0%)	6 (23.1%)	20 (76.9%)
	89	60	29
Percent Correctly Classified = 83.2%			

Support for the hypothesized R X NO interaction effects existed with respect to the female's interaction satisfaction, her perception of the agent's role performance, and her perception of the agent's credibility (all significant at the 95 percent confidence level). Among females with a high negotiation orientation, the opportunity for rebating increased satisfaction, enhanced perceived role performance (strong rebating only), and improved agent credibility. Rebating had the opposite effects among females with a low

Table 5
Effects of Rebating on Consumers As Moderated By
The Consumers' Price Negotiation Orientation

Dependant Variables (BY Gender)	Mean Scores						Significance of F		
	High Negotiation Orientation			Low Negotiation Orientation					
	Control	Mild	Strong	Control	Mild	Strong	Rebate (R)	NO	RxNO
Relationship Potential									
Males	14.84	16.25	14.42	16.50	14.70	15.00	N.S.	N.S.	N.S.
Females	13.18	15.00	15.17	16.22	16.19	15.53	N.S.	N.S.	N.S.
Interaction Satisfaction									
Males	36.26	35.13	35.42	40.25	37.13	37.06	N.S.	N.S.	N.S.
Females	34.09	35.67	40.67	41.56	38.81	36.84	N.S.	N.S.	<.05
Price Discussion Uncertainty									
Males	10.53	9.88	8.75	8.17	9.78	10.00	N.S.	N.S.	N.S.
Females	8.36	9.67	11.08	8.11	8.38	10.63	<.10	N.S.	N.S.
Cooperation									
Males	17.21	16.75	17.15	18.27	17.39	17.39	N.S.	N.S.	N.S.
Females	17.36	17.53	16.75	18.42	17.69	17.47	N.S.	N.S.	N.S.
Role Performance									
Males	-.80	-.87	-.63	-.48	-.74	-.68	N.S.	N.S.	N.S.
Females	-1.08	-1.00	-.25	-.46	-.81	-.69	N.S.	N.S.	<.05
Agent Price Manipulation									
Males	5.21	5.63	4.77	2.82	4.74	5.11	N.S.	<.10	<.10
Females	4.09	5.53	5.75	3.53	4.44	4.47	<.10	<.10	N.S.
Agent Credibility									
Males	15.11	15.63	15.38	16.91	15.74	15.83	N.S.	N.S.	N.S.
Females	13.82	15.13	17.08	17.16	16.19	15.16	N.S.	N.S.	<.05
Agent Trustworthiness									
Males	9.74	9.63	10.69	11.58	10.83	11.22	N.S.	<.05	N.S.
Females	11.18	10.80	10.92	11.75	11.69	11.00	N.S.	N.S.	N.S.

negotiation orientation. Recall that the female's interaction satisfaction and perception of the agent's role performance and credibility were among the variables most strongly related to the agent's sales success in the previous discriminant analysis. Among males, only one significant (90 percent confidence level) interaction effect was detected. Men with a low negotiation orientation were more likely to perceive the agent as manipulating price when they were in a rebating treatment condition as compared to the control. No such effect existed among men with a high negotiation orientation. On

balance, the findings provided strong support for H1 among women but only limited support for H1 among men.

Rebating appeared to have two general effects that did not depend on the consumer's negotiation orientation (i.e., main effects): females in the rebating conditions evidenced greater price discussion uncertainty ($p < .10$) and were more likely to perceive the agent as manipulating price ($p < .10$). Recall that female price discussion uncertainty had a strong, negative relation with any policy being sold to the household in the discriminant analysis.

Further analysis was undertaken using the women assigned to the rebating conditions (T1 and T2 only), to better understand how the female's negotiation orientation influenced the course of the interaction. Somewhat surprisingly, there was no relationship between the female's negotiation orientation and whether rebating was discussed in the sales meeting. However, negotiators tended to be more satisfied with the interaction, and non-negotiators less satisfied, when rebating was discussed ($p < .10$). More importantly, perhaps, the agent was more likely to offer the couple a rebate if the female spouse was in the high negotiation orientation group ($p < .10$). While further (formal) statistical analysis was limited by the small sample, exploratory data analysis revealed that the lowest purchase rates involved female negotiators in dyads where rebating was not discussed (40 percent bought), and non-negotiators in dyads where rebating was discussed (38 percent bought).

The results pertaining to H2 are summarized in Table 6. The table reports mean scores for different combinations of rebating and life insurance involvement as well as the statistical significance of the rebating main effect (Rebate), involvement main effect (Inv.), and rebating by involvement interaction (R X I).

Support for the hypothesized R X I interaction effects existed with respect to the male's evaluation of relationship potential ($p < .05$), interaction satisfaction ($p < .05$), price discussion uncertainty ($p < .05$), and perception of the agent's role performance ($p < .01$). Among males with high life insurance involvement, the opportunity for rebating increased the assessment of relationship potential and interaction satisfaction, enhanced perceived role performance (strong rebating only), and decreased price discussion uncertainty. Rebating had the opposite effect among males with a low level of involvement. Recall that the male's interaction satisfaction and perception of the agent's role performance were among the male variables most strongly related to the agent's sales success in the previous discriminant analysis. Among females, there were no significant R X I interaction effects. On balance, the findings provided mixed support for H3 among men but not support for H3 among women.

The results in Table 6 confirm the main (general) effects of rebating revealed in Table 5, but at a higher level of statistical significance as a consequence of controlling involvement. Regardless of their level of involvement, females in the rebating conditions evidenced greater price discussion uncertainty

Table 6
Effects of Rebating on Consumers As Moderated By
The Consumers' Life Insurance Involvement

Dependent Variables (By Gender)	Mean Scores						Significance of F		
	High Insurance Involvement			Low Insurance Involvement					
	Control	Mild	Strong	Control	Mild	Strong	Rebate (R)	Inv. (I)	RX1
Relationship Potential									
Males	14.19	15.65	16.50	16.87	14.43	13.61	N.S.	N.S.	<.05
Females	15.64	17.31	15.88	14.72	14.39	14.79	N.S.	<.10	N.S.
Interaction Satisfaction									
Males	35.00	36.88	40.42	40.80	36.29	33.72	N.S.	N.S.	<.05
Females	39.91	41.92	39.88	38.00	33.94	36.43	N.S.	<.05	N.S.
Price Discussion Uncertainty									
Males	11.00	9.41	7.67	8.13	10.29	10.72	N.S.	N.S.	<.05
Females	6.45	7.31	10.12	9.28	10.22	11.64	<.05	<.05	N.S.
Cooperation									
Males	17.87	17.65	17.92	17.33	16.71	16.83	N.S.	<.10	N.S.
Females	19.64	18.46	18.18	17.11	17.00	16.00	N.S.	<.001	N.S.
Role Performance									
Males	-.90	-.98	-.17	-.46	-.52	-1.01	N.S.	N.S.	<.01
Females	-.66	-.55	-.53	-.70	-1.16	-.51	N.S.	N.S.	N.S.
Agent Price Manipulation									
Males	4.40	4.88	5.77	4.27	5.07	4.39	N.S.	N.S.	N.S.
Females	3.00	5.08	4.35	4.16	4.89	5.71	<.05	N.S.	N.S.
Agent Credibility									
Males	15.27	15.35	16.69	16.27	16.14	14.89	N.S.	N.S.	N.S.
Females	16.36	17.15	16.88	15.68	14.61	14.71	N.S.	<.05	N.S.
Agent Trustworthiness									
Males	10.00	10.53	11.23	10.93	10.50	10.83	N.S.	N.S.	N.S.
Females	12.00	12.00	12.00	11.30	10.72	9.79	N.S.	<.01	N.S.

($p < .05$) and were more likely to perceive the agent as manipulating price ($p < .05$).

Follow-up analysis was again conducted using the men assigned to T1 and T2, to better understand how the male's insurance involvement influenced the course of the interaction. A relationship was detected, at a relatively low level of statistical significance ($p = .11$), between the male's insurance involvement and whether rebating was discussed in the sales meeting. For dyads composed of a high involvement male, rebating was discussed 40 percent of the time compared to 25 percent for dyads composed of a low involvement male.

The final analysis dealt with the agent's psychological reaction to the interaction experience. Since no moderating variables were hypothesized for the agents, the appropriate ANOVA model concerned only the main effects of rebating. The same dependent variables were employed, although some/all of the items dealing with relationship potential, satisfaction, role performance, credibility, and trustworthiness required the agent to make an evaluation of the consumer couple, rather than vice versa. Table 7 summarized the agent responses and ANOVA results, indicating that rebating had a negative impact on agent interaction satisfaction ($p < .01$), elevated their price discussion uncertainty ($p < .01$), and diminished the perceived role performance of the consumers (strong rebating only, $p = .10$).

Table 7
Effects of Rebating on Agents

Dependent Variables	Mean Scores			Significance of F
	Control	Mild	Strong	
Relationship Potential	17.94	16.57	16.40	N.S.
Interaction Satisfaction	43.39	39.33	38.27	<.01
Price Discussion Uncertainty	6.26	8.97	10.77	<.01
Cooperation	18.65	18.10	17.10	N.S.
Role Performance	.07	-.01	-.33	= .10
Agent Price Manipulation	2.16	2.23	2.58	N.S.
Consumer Credibility	18.19	17.13	16.77	N.S.
Consumer Trustworthiness	12.52	12.48	12.23	N.S.

Discussion

The findings of the study can be organized according to the research questions posed earlier:

What Proportion of Sales are Likely to be Made with a Rebate?

Little rebating was observed under any treatment condition. Even for the strong rebating condition, only 19 percent of the Experiment 1 agents and 8 percent of the Experiment 2 agents used a rebate to make the sale. Put differently, the authors note that in 74 sales meetings where rebating was permitted, a total of eight sales were made with rebates while 39 sales were closed without rebates. The ratio, therefore, was about five sales without rebates for each sale with a rebate. Seven of eight rebated sales occurred under the strong rebating condition.

It is difficult to say whether these figures would project into the real world marketplace. Certainly in goods markets where negotiation is permitted (such

as major durable, automobiles, and homes) a considerably larger portion of the purchases are negotiated. However, what is evident in the low proportion of sales made with a rebate in this study is the apparent lack of aggressive price discounting sought by the customer and/or offered by the agent. What these results may indicate is that consumers have little confidence in obtaining a large rebate adequate to offset the added effort and anxiety of price negotiation. From the agent's perspective, the low proportion of rebates may indicate a general disdain for the concept, but also could be a function of not being confident in employing this variable within his/her selling strategy.

How Much Commission will Agents Sacrifice in Order to Make a Sale?

It did not appear that agents were prepared to offer rebates much in excess of 20 percent of the first year premium (the agent's commission equalled the first year premium in this situation). This finding was consistent across the two experiments. While the average discount was fairly small (\$28.00), it did appear sufficient to induce the couples to buy. The researchers observed that rebates were employed only when it became clear the couple was leaning toward purchase but needed a discount to force them off the fence. If given, the rebate usually occurred near the end of the sales meeting after couples had expressed an interest in obtaining one.

Some experimental subjects were very concerned with attempting to please the researchers. During the briefing for the strong rebating condition, they had been given a clear signal that the researchers expected them to obtain a discount. That is why some may have held out even for a token rebate. In the real world, similar pressure might be provided by the consumer's peers who could define effective insurance shopping as being able to obtain a price concession. However, a factor mitigating social pressure is that the actual purchase outcome would be invisible to peers. By contrast, subjects in the study could be fairly certain that the researchers would learn the outcome of the simulated meeting.

Are Agents or Consumers More Likely to Bring up the Rebating Subject?

In the majority of cases where rebating was discussed, the topic was introduced by the consumer couple (eight out of ten cases). The likelihood of rebating being discussed seemed to depend on the level of insurance involvement of the male spouse but not the negotiation orientation of the female spouse. Thus, the verbal introduction of rebating into the meeting appeared more indicative of a pattern of motivated information search than an explicit bargaining tactic. This is also consistent with the findings that couples tended to settle for small rebates and were never observed to counteroffer.

Are Consumers Prone to Delay Purchase When Rebating is Allowed?

The agents' close rate was significantly lower under the strong rebating condition. This finding may represent both positive and negative side effects

for the consumer and the agent. From the customer's perspective, delay in purchase may extend the period of financial exposure to mortality risk, but improved information and possibly larger rebates may be the result of continued search. The present sales orientation of the insurance agency system is not designed to integrate a strong rebating strategy. What is evident, however, is that price shoppers will be difficult to close without substantial rebates and, if sold, most likely difficult to retain.

Are the Reactions of Consumers and Agents Generally More or Less Favorable When Price is Negotiable vs. Non-negotiable?

Regardless of their negotiation orientation or life insurance involvement, rebating resulted in a higher level of price discussion uncertainty among females and fostered their perception that the agent had manipulated price. No such general rebating effects were detected for the males. The substantially elevated uncertainty observed among females in the strong rebating treatment, may account (in part) for the lower rate of sales to couples in this group. This follows from the discriminant analysis which identified female price uncertainty as a key driver of sales. Also, and unlike other variables which were negatively impacted by rebating in one group and positively impacted in another, no offsetting influence was detected for female uncertainty (significant main effect of rebating and lack of statistical interaction with negotiation orientation or involvement).

The agents too felt greater price discussion uncertainty under the rebating conditions. Using the same scale, agents were found to have about the same level of uncertainty as females in the strong rebating condition. Much like consumers, most agents today are unfamiliar with price negotiation in an insurance context (except, perhaps, those who sell to commercial customers). The presence of rebating also had a negative impact on the interaction satisfaction of agents. While this finding might be dismissed as a reflection of the agents' general predisposition against rebating, items contained in the satisfaction index (see Appendix) raise cause for concern. In part, the agents were evaluating their own performance in terms of the financial counselling and insurance information provided. That more agents were dissatisfied with their performance under rebating must be viewed with some alarm whether this occurs by choice (e.g., agents' unwillingness to provide uncompensated services), a shift in orientation (e.g., from a relationship marketing to a sales mentality), or the circumstances of the interaction (e.g., agents' need to respond to the consumers' bargaining attempts).

Under strong rebating, the agents perceived a lower level of role performance on the part of the customers. While the role performance construct is multidimensional and complex, the larger gap between expectations and performance may be attributable to less candor and openness on the part of the consumers that would make it harder for agents to effectively do their jobs. To the extent that a customer understands his/her insurance needs and the assortment of products to fill these needs, the lack of candor is not of significant concern. However, in the event the consumer has

insufficient knowledge, cautious disclosure (lack of candor) is likely to restrict communication necessary to successfully identify and fill the consumer's insurance needs.

Also, of some note, is that agents reported an extremely low level of price manipulation (on their part) across the three experimental conditions. This obviously conflicts with female perceptions of agent price manipulation which were found to be elevated in the rebating conditions. In fact, the experimental procedures allowed the agents few if any opportunities to manipulate pre-rebate policy prices as these were standardized and controlled by the researchers.

Do Individual Difference Characteristics Predispose Some Consumers to React More Favorably to Rebating than Others?

The answer to this question is clearly yes, although the key moderating variable is different for males than females. Agents tend to make a fallacious assumption that they are selling insurance to the male head of the household who is much like them, i.e., interested and involved with the details of insurance. In fact, they are often wrong on both counts. Not only is the sale more contingent on the wife's reaction, but many males have low life insurance involvement and only limited interest in what the agent is saying.

The low involvement males in the study appeared to have a rather adverse, affective reaction to being placed in a price negotiation (rebating) situation with the agent. All three evaluative dimensions were affected including relationship potential, interaction satisfaction, and price discussion uncertainty. In addition, rebating fueled a rather large gap in the agent's role performance as perceived by low involvement males. Consistent with what is known about the involvement construct from consumer behavior, a male in this group would probably define a "good relationship" with an agent as one that allowed him to avoid dealing with the informational complexities of the insurance purchase (that being the agent's role). Apparently sensing that price negotiation (or the opportunity to negotiate) interfered with the agent's counselling, low involvement males in T1 and T2 had a less favorable reaction to the interaction experience.

The tendency of high involvement males to react more favorably when placed in the rebating vs. control condition, may be taken as an indication that they desire and feel they can handle detailed price information. Their positive reaction follows from the fact that rebating was discussed more often with high involvement males. Although the topic was likely to be broached by the consumer subject, agents usually responded with a rather elaborate discussion of how the insurance compensation system works and the services they provide. This, presumably, fed the high involvement males' need for information and contributed to their satisfaction. There was no difference in couple's likelihood of actually obtaining a rebate when the man exhibited high vs. low involvement.

Given the results of the discriminant analysis indicating the wife's influence on sales, her perspective of the interaction may be the more important one to

adopt. While recognizing that other interpretations are possible, the authors offer two profiles of the female subject as being consistent with the data and helping to explain the results. Consider two hypothetical females, A and B, as being representative of high and low negotiation orientation females, respectively. Female A exhibits a tendency to negotiate price in different contexts. Normally, though, she would not consider asking for a price reduction on an insurance policy (recall that rebating was not discussed by any of the participants assigned to control conditions). However, should Female A be assigned to either mild or strong rebating, cues provided during the briefing would help orient her to a negotiation role prior to the sales interaction. In the real world, consumers often receive such orienting cues via mass media and word-of-mouth information. Other questionnaire responses of negotiators assigned to the rebating conditions (not tabled), indicated that many began to plan their bargaining strategies before being introduced to the agent.

Female A's strategy could involve either verbal or nonverbal tactics (or both). There was no evidence in the data of a correlation between the female's negotiation orientation and the likelihood that rebating was discussed in the sales meeting (if permitted). However, the findings did indicate that the outcomes of the interaction, and the female's evaluation of the interaction, depended on her negotiation orientation and what actually transpired in the meeting. Perhaps due to her negotiating skill, Female A was more likely than Female B to be given a rebate, i.e., 71 percent of the rebates were to couples that had a wife scoring high on negotiation orientation. On the other hand, if she did not actually receive a rebate, Female A still tended to be highly satisfied with the interaction and willing to buy provided that rebating was at least discussed in the meeting. On the other hand, if the agent chose to stonewall the issue, then Female A was less satisfied and less disposed to buy.

Female B (low negotiation orientation) stands in marked contrast to Female A. In general, she is less inclined to negotiate price and feels uncomfortable being placed in a situation that demands a negotiator role to achieve a favorable outcome, i.e., one of the rebating treatment conditions. Perhaps sensing an imbalance of power with the agent, she is inclined to perceive the agent's character (credibility) and behavior (price manipulation, role performance) less positively/more negatively. With Female B, it may be better that the agent not discuss rebating at all. Since she is less likely to be offered a rebate (lack of negotiation skill), the agent's attempt to rationalize the decision may serve only to reinforce Female B's mistrust and sense of being taken advantage of. This in turn, reduces the odds of making a sale to the couple. The combined effect of these negative predispositions toward bargaining and the lack of bargaining effectiveness, resulted in low negotiation orientation females being less satisfied in rebating than the control condition.

If Legal, Would Rebating Become a Major Factor in the Sales Interaction Process?

Based on the results of the study, the answer to this question seems to be no in one sense, but yes in another. Supporting a negative response, the evidence

of the study suggests only limited use of rebates upon legalization. This is partly attributable to agent resistance, regardless of whether the agent belongs to an opposing trade association (Experiment 1) or not (Experiment 2). In fact, nonmember agents appeared somewhat less inclined to give rebates than the member agents. There is also the limiting factor of consumer resistance, especially among those having a low negotiation orientation or low insurance involvement.

Supporting an affirmative response, the study provides considerable evidence that behavior would be impacted in other ways and that interaction perceptions and attitudes would be materially affected by rebating. To the extent that a marketplace resembled strong rebating, consumers would be induced to delay purchase trading off mortality risk with the benefits derived from additional information and possibly lower prices. Also, low involvement/negotiation oriented consumers would probably exit the sales process feeling their needs were less satisfied and, perhaps, feeling less favorable toward the industry and those who changed the nature of insurance selling. High involvement/negotiation oriented consumers would presumably feel the opposite. Agents would initially be reluctant and somewhat awkward participants in rebating behavior. If rebating were to become a necessary tactic, the evidence suggests that the agent views him/her trading off quality service for price. The extent to which agents' diminished their offering of uncompensated services would severely alter non-selling role performance in the agency system.

Limitations/Need for Further Research

The obvious limitation of the study concerns the question of external validity, i.e., are the results of a simulation projectable to real world circumstances? Unfortunately, there is no definite answer to this question except to the extent that experts in the industry agree/disagree the study obtained an adequate level of realism. At least as far as the subjects were concerned, the study seemed very realistic. It is also appropriate to question the external validity of alternative research designs that would not provide respondents with the same level of first-hand rebating experience. For example, the validity of survey responses obtained from agents or consumers unfamiliar with the practice of rebating, would be highly suspect. To the extent that respondents could be found with rebating experience, perhaps in a lead state such as Florida, this concern might be mitigated.

As an experiment, this study is higher in internal validity than external validity. Internal validity concerns whether the observed effects are due to the hypothesized causes or extraneous factors. In this regard, confidence can be placed in the findings as representing the generalized impact of price negotiation on consumers and agents.

One important gap in the study that needs to be addressed by future research, involves the long-term effects of rebating. A key question concerning those who initially obtain rebates, is what happens in subsequent years? Since

the bulk of the agent's commission is earned on the first year premium, the only way an agent can make a rebate in subsequent years is out of his/her own pocket (not likely to happen). Yet, the consumer may have been conditioned by the initial rebate to expect a discount. The disconfirmation of this expectation may lead to early termination of policies when rebates are not continued. It is well known that early termination of permanent policies can be very disadvantageous to the consumer. Future research might address this question through a multiperiod simulation.

Conclusions

Rebating appears to delay consumer purchase behavior of insurance products. One interpretation of the results of purchase delay is that the consumer could/would use this additional time for information acquisition, thus contributing to higher levels of purchase satisfaction. Alternatively, this delay is of value only if the improved product fit and/or price reduction offsets the extended exposure of mortality risk incurred due to inadequate coverage and cost of search. Further, the information acquisition assumption inherent in the delay scenario is complicated by the restricted information flow evident when rebating is expected. It appears that while the opportunity to rebate may delay decision-making for the purposes of obtaining additional price information, it may restrict, rather than enhance, the quality of information available to the consumer within the sales dyad. This is a common behavioral phenomenon in many negotiation settings where parties are cautious in revealing too much information fearing less strategic advantage (see Evans and Beltramini, 1987). Improvements in alternative information sources (e.g., brochures, work shops, and so forth) may be necessary in a rebate marketplace due to erosion in the consumer's perceived credibility and trust in the conventional channel of distribution.

Beyond this, it appears that the legislation of rebating would disenfranchise one segment of the public in favor of another, thus creating a serious policy dilemma. Essentially, rebating discriminates against insurance consumers based on their buying style and needs. Evidence of price discrimination of sales people directed toward purchases of identical products in negotiated pricing environments indicates that race, socioeconomic status, and gender of the customer serve to elicit stereotyping biases on the part of the salesperson. The demand for cooperative buyer-seller interaction, free of negotiation anxiety, is a legitimate consumer need providing the basis for the development of long-term relationships. Particularly in a purchase environment already characterized by high uncertainty (e.g., product proliferation and complexity, effect of financial service deregulation, and so forth), buyers and sellers seek relationships in which they can share resources and pursue mutual goals—such that each has more to gain than to lose by continuing to interact. However, as many of the subjects in the study perceived, rebating moves insurance selling away from a counselling relationship and toward negotiated pricing settings such as automobile sales and appliances.

Agents were understandably reluctant to participate in rebating and their responses to the perceptual and attitudinal items indicated a strong negative bias. Certainly part of the reluctance to participate in rebating behavior was due to their unfamiliarity with its use in a sales setting. Those agents that remained in rebate dominated industry would most assuredly become more adept in using this price tactic. The undesirable effects of rebating, however, would be to carry a negative stereotype of negotiated purchases (e.g., automobile and appliances) into the insurance industry. This would be unfortunate given the significant investment which has been made in developing and nurturing professionalism in the agency system. An unfortunate side effect of the repeal of anti-rebating statutes might be the loss of some of the better, more professional agents.

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APPENDIX

CONSUMER NEGOTIATION ORIENTATION Alpha = .7436		
Factor Loadings		
.77505	I am always more satisfied with purchases which can be negotiated, when I've negotiated the lowest price possible.	
.75765	When money is concerned, I will do whatever is necessary to get the best price.	
.74163	I enjoy negotiating about price since this is the way I often get the most for my money.	
RELATIONSHIP POTENTIAL Consumers: Alpha = .8993 Agents: Alpha = .7339 Factor Loadings		
.88264	I would be willing to designate this agent (these prospects) as my primary insurance agent (key clients).	.70217
.84527	I would be willing to invest more time in the future working with this agent (these prospects) on my (their) life insurance needs.	.70456
.83172	I would be willing to discuss (buying) other financial services (from this agent) with these prospects.	.57273
INTERACTION SATISFACTION Consumers: Alpha = .9382 Agent: Alpha = .8059 Factor Loadings		
.93452	I am satisfied with the insurance and financial counselling that was given (I gave).	.64278
.89859	I am satisfied with the customer needs and insurance information that was communicated at the meeting.	.55719

Consumers Alpha = .9382 Factor Loadings	INTERACTION SATISFACTION (continued)	Agents: Alpha = .8059 Factor loadings
.87491	I am satisfied with the agent (prospects) as a life insurance salesperson (potential life insurance customers).	.57963
.84172	I am satisfied with the quality and value of the policies that were offered (I presented).	.60030
.77255	I am satisfied with the social contact that took place.	.68091
.75266	I am satisfied with the agent (prospects) as a financial service provider (potential financial planning customers).	.49506
.75621	I am satisfied with the financial terms of sale that were discussed.	.78458
Consumers: Alpha = .8394 Factor Loadings	PRICE DISCUSSION UNCERTAINTY	Agents: Alpha = .7624 Factor loadings
.86067	Our discussion of price made me question that soundness of the company the agent (I) represent(s).	.80513
.84247	The agent's (prospects) discussion of price seemed "unprofessional" (offensive).	.80199
.76777	Our discussion of price made me question the soundness of the life insurance industry in general.	.78595
.74919	I felt nervous and "up-tight" when we were discussing the price of the policy.	.49104
Consumers: Alpha = .6254 Factor Loadings	COOPERATION	Agents: Alpha = .7638 Factor loadings
.78470	Both sides exhibited flexibility in working with the other.	.84912
.81559	There was a cooperative atmosphere surrounding this meeting.	.74345
.69098	It seemed like the agent (prospects) was in competition with me to determine who would come-out on-top (reverse coded).	.87598

Consumers: Alpha = .8779 Factor Loading	AGENT PRICE MANIPULATION	Agents: Alpha = .7049 Factor loadings
.88215	In order to get a good commission, the agent (I) offered a reduced price on a form of insurance that is relatively costly.	.86659
.89810	In order to get a good commission, the agent (I) offered a reduced price on a policy that was much larger than I (they) need.	.86462
Consumers: Alpha = .8903 Factor Loadings	CREDIBILITY	Agents: Alpha = .7098 Factor loadings
.86407	I am inclined to believe what the agent says about most financial services. (prospects said about their existing relationships with other financial service providers).	.85058
.65959	I am inclined to believe what the agent says about life insurance (prospects said about their needs, financial situation and preferences).	.81494
.63937	The agent (prospects) is (are) a credible source of information.	.70929
Consumers: Alpha = .6722 Factor Loading	TRUSTWORTHINESS	Agents: Alpha = .5192 Factor loadings
.75680	The agent (prospects) is (are) trustworthy.	.76691
.87366	I would find it necessary to be cautious with this agent (these prospects) (reverse coded).	.84709

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