Effects of Ethical Sales Behavior Considered through Transaction Cost Theory: To Whom Is the Customer Loyal?

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ABSTRACT

This paper, based on transaction cost theory and from the customer's perspective, examines the relationships between a salesperson's ethical sales behavior, the customer-perceived confidence benefits, and customer satisfaction, thereby considering to which party the customer is loyal. The results show that in consideration of transaction cost, the confidence benefits customer perceived from salesperson's ethical sales behavior are found a critical factor affecting customer satisfaction/loyalty, and that customer satisfaction has a significantly direct effect on loyalty to the salesperson but has no significantly direct effect on loyalty to the firm, in contrast to the results of previous studies. The finding indicates that the salesperson plays a key role in retaining customer loyalty to the firm.
Keywords: *ethical sales behavior, confidence benefit, customer satisfaction, customer loyalty*

INTRODUCTION

In the present competitive environment, one of the most important goals that service marketers must achieve is that of acquiring, maintaining and enhancing their existing market shares, and further retaining customer loyalty in order to develop sustainable competitive advantage through marketing efforts. Therefore, in terms of marketing management, it is critical to ensure customer loyalty and obtain the benefits from extending customer life. Particularly in the service context, customer loyalty is becoming recognized as one of the most critical factors in business operations.

In the service industry, transactions are usually conducted through the customer-salesperson interactions, and thus the salesperson is regarded as a major channel to communicate with customers. However, such a relationship may be destroyed by the salesperson's dishonest and untrustworthy behaviors (Kelly and Schine, 1992). An unethical sales behavior may hurt customer satisfaction and trust. Dissatisfaction and distrust will induce customers to take actions to protect themselves, and customer loyalty will be lost. Previous studies in this field have focused mainly on the sales supervisor's perceptions with the salesperson's ethical sales behavior in firm side (e.g., Ramsey et al.; Strout, 2002). On the contrary, from customer's perspective, customers are concerned about their perceptions of the salesperson's ethical sales behavior, what their intention to maintain a relationship with the salesperson is, and what kind of purchase behavior will be followed. Service firms have yet to develop and understanding of this issue, and there are few related studies.

In practice, the customer is the final decision maker for maintaining a long-term relationship with a firm, and so it is important to examine the customer-firm relationship from the customer's perspective. Customers expect to obtain certain benefits from the established relationship with a salesperson, especially in high-contact, and customized personal service contexts (Gwinner et al., 1998). According to the cost-benefit considerations, the reason consumers prefer engaging in certain a transaction is that they perceive the benefits they acquire will be greater than the price they pay (Jones et al., 2002). Prior research suggested that transaction costs include pre-contracting costs for information searching and contract negotiating, and post-contracting costs for supervision of contract implementation (Coase, 1937). Williamson (1981) also pointed out that transaction costs include the direct cost and the opportunistic cost. Once opportunistic behavior resulting from incomplete information emerges, distrust will raise the cost. Positive ethical sales behavior may diminish transaction cost and raise the confidence benefits, and help to form a sustained customer-firm relationship. Therefore, the role of customer-perceived confidence benefits on customer-firm relationship should be examined. But most previous studies on confidence benefits have focused mainly on the outcome of confidence benefits

(Hennig- Thurau et al., 2002, Yen and Gwinner, 2003), and little empirical evidence for the antecedents of confidence benefits has been found.

As for to whom customers are loyal, Iacobucci and Ostrom (1996) proposed that the customer relationship is different, depending on whether it is person to person, person to firm, or firm to firm. Customer loyalty to the salesperson and to the service firm are not identical constructs (Macintosh and Lockshin, 1997; Palmatier et al., 2007). Loyalty to a salesperson does not necessarily indicate loyalty to the firm, and there have been few studies about to whom customers are actually loyal. Wray et al. (1994) pointed out that ethical sales behavior in financial service is much more important than that in selling of tangible commodities. In the life insurance industry, the selling policies and their after-sale service have long been conducted by salespeople (insurance agents). The salesperson, who acts to reduce purchasing risk, to increase purchasing convenience, and to provide consulting service, has the key role in maintaining a close customer-firm relationship.

Therefore, the purpose of this article, on the basis of transaction cost theory, is from the customer's perspective to examine the role of confidence benefits in the process of how a salesperson's ethical sales behavior affects customer satisfaction and loyalty, and to further examine roles of the salesperson and the service firm in developing customer loyalty.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Transaction cost theory

The basic concept of transaction cost theory was posed in Ronald Coase's classic paper, "Nature of the Firm"(1937). He considered that the governance structure of both firm and open market are opposing alternatives, and that which alternative is chosen depends on the transaction cost. Transaction cost analysis is used to find the optimal governance structure. Williamson (1981) extended Coase's study and pointed out that the assumption of transaction cost is based on the bounded rationality and opportunism. Bounded rationality implies that any individual in an organization has limited competence to solve complex problems and process information. Hence, the uncertainty exerted from bounded rationality resulting in contract incomplete will increase contract negotiating cost, adapting cost, and enforcing cost. Opportunism implies that the other party will probably lie, steal, cheat, and play tricks for its self-interest; thus the related costs for such opportunistic behavior will be induced from the confirmation of pre-contracting and monitor of post-contracting. A complete contract with all relevant respects is not achieved, but to prevent opportunistic behavior from incomplete contract, the transaction costs related to pre-contracting and post-contracting will increase.

An incomplete contract implies that the two parties have reached an agreement to cope with future unanticipated contingencies on a mutually profitable basis. Ganesan (1994) pointed out that hazards of opportunistic behavior will occur, when a buyer-seller relationship cannot be easily terminated with an incomplete contract. But, if trust exists between the two parties, opportunistic behavior would be eliminated. In other words, trust will reduce opportunistic behaviors and lower the risk due to opportunistic behavior. Thus, the related transaction cost will be reduced in the exchange relationship, and when the confidence benefits are perceived, the possibility of long-term relationship will be raised.

Based on the above statement, trust will diminish the pre-contracting and after-contracting costs arising from bounded rationality and opportunism. From the customer's perspective of confidence benefits, the costs related to information searching, negotiating, and monitoring will decrease while customer has confidence in the salesperson's ethical sales behavior. Once customers perceive the confidences benefits from cost reduction, the positive effects on satisfaction and loyalty would occur. Therefore, transaction cost theory could be used to explain the relationship in which a salesperson's ethical sales behavior is an antecedent of confidence benefits perceived by customers, and where customer satisfaction and loyalty is are its outcome variables.

Ethical sales behavior

According to Hunt and Vitell (1986), ethical versus unethical behavior can be adjusted by the extent to which stress is given to the values of right versus wrong, good versus evil, fair versus unfair, or just versus unjust. Ethical behavior can also be defined as conformance to social norms, such as fair play, honesty, and full disclosure (Roberson and Anderson, 1993). Moreover, in the aspect of marketing, ethical sales behavior is regarded as a reciprocal relationship based on fair and just exchange, and when customers perceive the favorable relationship, a feedback action will probably be taken.

As previous studies have pointed out, ethical sales behavior indicates that a salesperson conveys only authentic messages in their communications with customers, sells only those goods/services which can benefit their customers, promises only what can be provided, and treats customer information as confidential. Unethical sales behaviors include a salesperson giving misleading to customers (such as lying or exaggerating about product availability), lying about competitors' information, selling unsuitable products or services to their customers, or using high-pressure selling tactics (Hansen and Riggle, 2009; Lagace et al., 1991; Román and Ruiz, 2005).

In practice, from the salesperson's perspective, salespeople often behave against the firm's ethical norms in order to meet sales targets, and such unethical sales behavior could result in arguments and destroy the buyer-seller reciprocal relationship, thus losing customers or even more serious consequences. On the other hand, from the customer's perspective, customer trust in a salesperson is based on the perception that the salesperson is consistent, dependable, honest, competent, likable, and benevolent (Román and Ruiz, 2005), and that salesperson will do his/her best to provide benefits for customers (Morgan and Hunt, 1994) and further develop a favorable relationship. Thus, through repeated interactions, a positive association between a salesperson's ethical sales behavior and customer trust can be established.

Therefore, the choice between ethical and unethical sales behavior is a dilemma for salespeople. When customers purchase products or services requiring professional knowledge and they are not capable of judging the pros and cons but rely on advices from the salesperson, the salesperson's ethical attitude becomes especially important (Wray et al., 1994). However, when a salesperson is appraised by his/her short-term sales performance, he may behave unethically to increase his/her sales, to the detriment of maintaining a long-term relationship. Some studies have presented evidences that ethical sales behavior has direct (e.g., Hansen and Riggle, 2009) or indirect effects on customer loyalty (e.g., Chen and Mau, 2009), and that ethical sales behavior can earn customer trust, which facilitates the transaction process and further effects on relational outcome.

Customer-perceived confidence benefits

Gwinner et al. (1998) developed three types of relational benefits, including confidence benefits, social benefits, and special treatment benefits. Among these, confidence benefits are the most critical factor in the service encounter. Some researchers have pointed out that confidence benefits, stemming from the trust in the service provider or the confidence in the provider's reliability and integrity, describe the risk reduction in the process of transactions (Morgan and Hunt 1994). In addition, consumers prefer choice reduction (Sheth and Parvatiyar, 1995); and confidence benefits may be earned by facilitating decision-making and simplifying the choice-making process (Gwinner et al., 1998).

Due to the conceptual closeness of trust and confidence, these two concepts have been combined into confidence benefits in some studies (e.g., Hennig-Thruau et al., 2002; Liu et al., 2010). In contrast, this current study is mainly from the customer perspective, based on the theory of transaction cost, to investigate the confidence benefits which customers perceive from the elimination of opportunistic behavior and reduction of the anxiety caused by uncertainty, and the effects of these benefits on the customer relationship. According to Gwinner et al. (1998), confidence benefits are feasible for high-contact, customized, and personal service sectors. The life insurance industry, considered in this study, is one of these sectors.

Customer satisfaction

There are various definitions of customer satisfaction according to the particular purpose of each study. Some researchers, based on expectancy-disconfirmation theory, have suggested that satisfaction is an emotional reaction that comes from evaluating the perceived discrepancy between prior expectation and actual experiences (Oliver, 1980). Another researcher categorized customer satisfaction into two types: transaction-specific satisfaction and overall satisfaction (Parasuraman et al., 1994). In contrast to the transaction-specific satisfaction assessment for a specific service; cumulative overall satisfaction depicts customer's overall impression of the past transaction experiences with the service provider (service firm, or salespeople). Previous researchers have assumed that customer satisfaction is an individual subjective evaluation of affective element (Hunt, 1977). Consumer satisfaction may be evaluated with an interpersonal affection from a set of interaction experiences in the past between two parties (Westbrook, 1981). Hence, this study adopts the concept of affective evaluation based on the customer's interaction experiences with salespeople.

Customer loyalty

Prior literature on customer loyalty has focused mainly on the loyalty to a given brand (Cunningham, 1956), especially emphasizing on the evaluation of actual repeat purchasing behaviors. Subsequently, psychological meaning is also considered (Jacoby and Chestnut, 1978); and consumer beliefs, affect, and intention are assessed in an attitude-based framework. Therefore, composite measures of behavioral and attitudinal loyalty are encouraged and have become the essence of loyalty (Dick and Basu, 1994). Due to the rapid development of the service industry in recent years, it is evident that the exploration of customer loyalty has evolved from tangible product brands into intangible service sectors, and from actual purchasing behavior into composite measures of behavior and attitude.

In addition, previous studies presented that customer loyalty includes two different constructs: loyalty to the salesperson and loyalty to the firm (Macintosh and Lockshin, 1997; Palmatier et al., 2007; Reynolds and Beatty, 1999). According to Bitner (1990), service employees act on behalf of their firm to play an important role by their personal contact with customers. Customers usually have intense and frequent interactions with their salesperson, and thus they establish a close relationship with the salesperson instead of the service firm. Therefore, it should be clarified whether customers render their loyalty to the service employees (salespeople) or to the service firm. Even though the salesperson is the main contact point between customers and the service firm, customer loyalty to the salesperson is different from loyalty to the service firm.

Effect of ethical sales behavior on customer-perceived confidence benefit

According to transaction cost theory, opportunistic behaviors enhance the transaction cost; ethical sales behavior will diminish the costs related to the pre-contracting and post-contracting, and thus the reduction of transaction cost deriving from trust is considered as the confidence benefit. There are empirical evidences in B2C to support the idea that a salesperson's ethical sales behavior affects customer trust (e.g., Chen and Mau, 2009; Román and Ruiz, 2005), and the same results are obtained in B2B fields (e.g., Hansen and Riggle, 2009). As a result of the attributes of life insurance, which are intangible and do not occur at the time of selling, it may be difficult for most customers to fully understand and evaluate the products they want to purchase. Similarly, salespeople often find it difficult to clearly point out what benefits the products they are promoting will offer to their customers in the future. Therefore, it is necessary for a salesperson to provide correct information and proper guidance for customer's decision-making. Only an honest salesperson can earn customer's trust. Consequently, confidence benefits will increase. Thus, the following relationship is suggested:

H1: A salesperson's ethical sales behavior will have a positive effect on customer-perceived confidence benefits.

Effect of ethical sales behavior on customer satisfaction

Research has indicated that ethical sales behavior may not be able to enhance performance, a salesperson with good ethics could establish a favorable relationship with the customer, thereby acquiring the customer's satisfaction and trust (Lagace et al., 1991; Román and Ruiz, 2005; Vesel and Zabkar, 2009). The evidence from pharmaceutical and financial service industries also showed that a salesperson's ethical sales behavior is positively related with customer satisfaction (Lagace et al.; Román and Ruiz, 2005). According to Lagace et al. (1991), a salesperson should not disclose false information to influence a customer. Once the customer learns the truth, their trust and satisfaction will be lost. On the contrary, if the salesperson provides correct information, then the customer will feel more satisfied with the service and the trust and satisfaction will be followed by word-of-mouth recommendations. Therefore, it is clear that the positive ethical sales behavior will decrease the transaction costs that result from false information and thus have a positive effect on customer satisfaction. Thus, the following relationship is proposed:

H2: A salesperson's ethical sales behavior will have a positive effect on customer satisfaction.

Effects of customer-perceived confidence benefits on customer satisfaction/loyalty

According to the study of Gwinner et al. (1998) on relational benefits, customers will feel satisfied and develop loyalty if they perceive benefits from the service encounter. That study also found evidence that the confidence benefits perceived by customers have a positive, significant and direct effect on customer satisfaction as well as on customer loyalty. Similar results have been found for customer satisfaction in the technology-based self-service sector (Yen and Gwinner, 2003), and for customer loyalty in the airline industry (Chang and Chen, 2007). In terms of self-interested motives and reciprocal principle, when customers perceive the benefits from their relationship with a service provider, they may provide feedback to demonstrate their satisfaction and loyalty. In the life insurance industry, due to the frequent face-to-face interaction between customers and salespeople, customers will perceive the confidence benefits deriving from the long-term relationship with salespeople or the service firm, which in turn increases satisfaction and loyalty. In addition, some studies have suggested that customer loyalty to the salesperson and loyalty to a service firm are different constructs (e.g., Palmatier et al., 2007; Reynolds and Beatty, 1999). Thus, the following hypotheses are proposed:

H3: Customer-perceived confidence benefits will have a positive effect on customer satisfaction.

H4: Customer-perceived confidence benefits will have a positive effect on (a) loyalty to the salesperson; and on (b) loyalty to the service firm.

Effect of customer satisfaction on customer loyal

Dick and Basu (1994) suggested that individual affective satisfaction will affect customer loyalty and is a critical antecedent of loyalty. Although most studies have indicated that customer satisfaction is the key determinant of loyalty and has a positively significant effect on loyalty (e.g., Bitner, 1990; Han et al., 2008), on the contrary, it has also been found that customer satisfaction has no significant effect on loyalty in some service sectors (Selnes, 1993). Jones and Sasser (1995), however have pointed out that completely satisfied customers are much more loyal than merely satisfied customers and only the completely satisfied customers would retain rock-solid loyalty to the firm. The relationship between satisfaction and loyalty needs to be further examined.

Some empirical evidence indicates that satisfaction with the salesperson has a direct effect on loyalty to both the salesperson and the firm (Bloemer and Lemmink, 1992; Reynolds and Beatty, 1999); and also has a positive effect on loyalty to the service firm through loyalty to the salesperson (Palmatier et al., 2007; Reynolds and Beatty, 1999). In addition, there is evidence that customers will extend their positive relation with a salesperson to the service firm (Westbrook, 1981). Thus, the following hypotheses are proposed:

H5: Customer satisfaction with the salesperson will have a positive effect on (a) loyalty to the salesperson; and on (b) loyalty to the service firm.

H6: Customer loyalty to the salesperson will have a positive effect on loyalty to the service firm.

METHODOLOGY

Framework of Proposed Research Model

Based on transaction cost theory, the proposed research model is presented as shown in Figure 1. This model is structured from customer's perspective. Once customers experience cost reduction from salespeople's ethical sales behavior in the respects of information searching, negotiating, and monitoring, confidence benefits are perceived. Thus the positive effects on customer satisfaction and loyalty would be followed. Moreover, the question of to whom the customer is really loyal is also further included in this study. This model will examine the relationships that a salesperson's ethical sales behavior is an antecedent of customer-perceived confidence benefits, and that customer satisfaction and loyalty are its outcome variables.

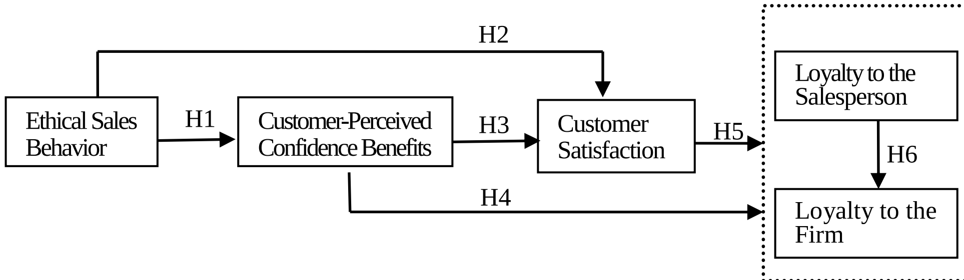

Figure 1: Research Model

Measures

The measured scales of each construct were generated based on related studies, with modifications to the wording as appropriate for practices of the life insurance industry. The scales of ethical sales behavior were measured by three items adapted from Lagace et al. (1991) and Wray et al. (1994); three items of customer-perceived confidence benefits adapted from Gwinner et al (1998) and Hennig-Thurau et al. (2002); three items of customer satisfaction adapted from Román and Ruiz (2005); items to measure customer loyalty (to the salesperson, or to the firm) adapted from Palmatier et al. (2007). To ensure that the selected constructs and items are able to measure the effect relationship, further modifications were made based on consultation with four scholars in this field and three senior insurance salespeople. Responses were rated using a 5-point Likert scale, anchored at each end by the responses "strongly disagree" and "strongly agree".

Data collection and sample

This study investigates customers who had purchased a traditional insurance policy and who were the household's primary insurance decider. Customers of Taiwan's top-four life insurance firms, Cathay, Fubon, Nanshan, and Shinkong are taken as the investigated population. Out of 600 questionnaires distributed, total of 297 were collected and 262 usable questionnaires remained after removing those which were incomplete. The response rate was 43.7%.

The following is the demographic information of the respondents. Approximately 60% of the sample is female, which is in accord with the phenomenon that wives are mostly responsible for handling insurance affairs in Taiwan. Approximately 43% of the samples are aged 41-50 and 64% are married; 51% of the respondents have earned a college or university degree; and 79% of respondents are salaried employees with an annual income of NT$240 thousands–NT$1,200 thousands. The valid samples, with the attributes of female, married, university degree and middle income, meet the requirements of the target market of life insurance in Taiwan.

Data analysis

Coefficient alpha (α) was used to test the internal consistency among the measurement items for a given construct. In this study, coefficient alpha was 0.85 for ethical sales behavior, 0.86 for confidence benefits, 0.93 for customer satisfaction, 0.77 for loyalty to the salesperson, 0.86 for loyalty to the firm. These results reveal that the reliability for each construct exceeds the general recommended criteria of 0.7 (Nunnally and Bernstein, 1994) and meets the requirement of reliability.

Additional measures were assessed using LISREL 8.7. There are two stages to test the proposed research model: testing of measurement model and testing of structural model.

In the first stage, CFA is used to assess the measurement model. The overall fit of the measurement model is evaluated on its reliability, convergent validity and discriminate validity, and estimated parameters' significant level. In this study, the overall goodness-of-fit indices for the measurement model include χ^2=184.23, df=80 ($p < 0.001$, significant), and χ^2/df=2.3 (smaller than 3). These indices demonstrate the model is acceptable (Bagozzi and Yi, 1988). The goodness-of-fit index (GFI) = 0.91, the normed-fit index (NFI) = 0.96, and the comparative-fit index (CFI) = 0.98 are each greater than 0.9; the root mean square residual (RMR) = 0.040 (smaller than 0.05), and root mean square error of approximation (RMSEA) = 0.071 (smaller than 0.08). These findings reveal that the observed variables fit measurement model well (Bagozzi and Yi, 1988).

The reliability analysis is completed by three indices: indicators reliability (λ^2), composite reliability (CR), and average variance extracted (AVE). As shown in Table 1, most indicators of observed variables are greater than 0.5 (except "loyalty to the salesperson", which is smaller than 0.5 but with a significant t-value); composite reliability (CR), which is between 0.79-0.93 (greater than 0.6); and Average Variance Extracted (AVE), which is between 0.55-0.81 (greater than 0.5). These results reveal that all reliability indices are within the acceptable criteria and effectively measure their corresponding constructs (Bagozzi and Yi, 1988).

For validity analysis, first the convergent validity is examined by two indices: standardized factor loading (λ) and AVE. Convergent validity can be evaluated by examining factor loadings and t-values. As shown in Table 1, most standardized factor loadings are greater than 0.7 (except "loyalty to the salesperson", which is smaller than 0.7 but with a significant t-value); AVE is between 0.55-0.81 (greater than 0.5). These results reveal that all convergent validity indices meet suggested criteria and effectively measure their corresponding construct (Fornell and Larcker, 1981). Secondly, discriminant validity is evaluated by confidence interval test to examine the degrees of correlation among the constructs (Anderson and Gerbing, 1988). The results reveal that the correlation coefficient between any two constructs plus or minus two standard errors does not include 1, and thus discriminant validity is achieved.

Table 1: Testing Results of Measurement Model

Measured constructs/items	**α**	**λ**	**λ^2**	**CR**	**AVE**
Ethical sales behaviors (Reversed coded: R)	0.847			0.85	0.66
My agent is only interested in his/her own interests, not mine.(R)		0.72	0.52		
My agent exaggerates his/her policy features and benefits.(R)		0.91	0.83		
My agent lies about the competition in order to make the sale.(R)		0.79	0.62		
Customer-perceived confidence benefits	0.862			0.93	0.81
I believe there is less risk in buying an insurance policy from my agent.		0.88	0.77		
I feel I can trust my agent.		0.92	0.85		
I have more confidence in the insurance planning provided by my agent.		0.90	0.81		
Customer satisfaction	0.928			0.86	0.68
I am always delighted with my agent's service.		0.81	0.66		
I am satisfied with the efforts offered by my agent.		0.83	0.69		
Overall, I am satisfied with my dealings with my agent.		0.83	0.69		
Loyalty to the salesperson	0.774			0.79	0.55
I would consider this agent as my first choice if I need to purchase more.		0.66	0.44		
I would recommend this agent to my friends even if this sales agent changed firms.		0.85	0.72		
I would purchase less from this firm in the next few years, if my agent left the firm.		0.71	0.50		
Loyalty to the firm	0.862			0.86	0.68
For my next purchase, I will consider this firm as my first choice.		0.79	0.62		
I would recommend this firm to someone seeking my advices.		0.90	0.81		
I encourage friends and relatives to purchase insurance policy to this firm.		0.78	0.61		

α: *cronbach's alpha;* ***λ:*** *standardized factor loading;* ***λ^2:*** *indicator reliability;* ***CR:*** *composite reliability;* ***AVE:*** *average variance extracted*

The second stage is to analyze the structural model. The overall fit indices are as follows: χ^2=195.3, df=82 ($p<0.001$, significant), χ^2/df=2.39 are smaller than 3. The other indices, GFI = 0.91, NFI = 0.96 and CFI = 0.98, are smaller than 0.9; RMR = 0.045 (smaller than 0.05), RMSEA = 0.073 (smaller than 0.08). These findings indicate that the indices are all within the acceptable criteria and the structural model has a good fit (Bagozzi &Yi, 1988). The results are shown in Table 2.

Table 2: Paths of Structural Model

	Paths (Hypotheses)	Coefficients	Standard errors	t-values	Results
H1	Ethical sales behavior →confidence benefits	0.33^{***}	0.07	4.89	Supported
H2	Ethical sales behavior→customer satisfaction	0.07	0.06	1.31	Not Supported
H3	Confidence benefits→customer satisfaction	0.71^{***}	0.07	10.68	Supported
H4a	Confidence benefits →loyalty to the salesperson	0.27^{**}	0.09	3.00	Supported
H4b	Confidence benefits→loyalty to the firm	0.34^{***}	0.09	3.70	Supported
H5a	Customer satisfaction→loyalty to the salesperson	0.54^{*}	0.10	5.27	Supported
H5b	Customer satisfaction→loyalty to the firm	0.17	0.11	1.56	Not Supported
H6	Loyalty to the salesperson→loyalty to the firm	0.27^{**}	0.11	2.58	Supported
χ^2 = 195.3, df=82, p=0.000, GFI=0.91, NFI = 0.96, CFI=0.98, RMESA=0.073, RMR=0.045					

$^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$

RESULTS AND DISCUSSION

As shown in Table 2, all the hypotheses are supported except H2 and H5b.

The effect of ethical sales behavior on confidence benefits is positively significant, but the path from ethical sales behavior to customer satisfaction is insignificant. Thus H1 is supported, while H2 is not. Based on the transaction cost theory, a salesperson's positive ethical sales behavior saving customer's costs in information searching will increase customer confidence in the process of purchase decision-making and so confidence benefits are perceived. However, although previous studies have presented evidence that a salesperson with positive ethical sales behavior will earn customer trust and satisfaction (e.g., Lagace et al., 1991; Román and Ruiz, 2005; Vesel and Zabkar, 2009), in the present sales environment, information flows transparently and is difficult to distort or conceal, and so customers might care more about other aspects of the salesperson's performance. Therefore, confidence benefits are examined as an important indirect effect factors, although the finding that ethical sales behavior has no direct effect on satisfaction differs from previous studies.

As expected, confidence benefits positively effect on customer satisfaction, as do customer loyalty. Thus H3, H4a and H4b are supported. The results of this study, which are specific to the life insurance industry, are consistent with prior studies of the technology-based service industry (Yen and Gwinner, 2003) and the clothing industry (Reynolds and Beatty, 1999). Moreover, hypotheses for the direct effects of confidence benefits on both customer loyalty to the salesperson and loyalty to the firm are supported.

As for the relationship between customer satisfaction and customer loyalty, H5a and H6 are supported, but H5b is not. These results reveal that customer satisfaction with the salesperson has a direct effect on loyalty to the salesperson and a further indirect effect on loyalty to the firm; but there is no direct effect on loyalty to the firm. Supplementing previous studies, which suggested that customer satisfaction is a critical antecedent of loyalty (e.g., Bitner, 1990; Han et al., 2008) and that a positive effect exists between satisfaction with salesperson and loyalty to salesperson in automobile and clothing stores (Bloemer and Lemmink, 1992; Reynolds and Beatty, 1999), this study provides the same evidence for the intangible service industry. In addition, the study also finds that customer satisfaction with the salesperson forms his/her loyalty to the salesperson, and this in turn affects his/her loyalty to the firm while customer satisfaction with salesperson has no significantly direct effect on loyalty to the firm. The results are in line with the prior studies that customer loyalty to the salesperson and to the service firm are not identical constructs (e.g., Palmatier et al., 2007). This highlights the importance of the salesperson's role.

CONCLUSION AND SUGGESTION

This study is to better understand the complex inter-relationships between ethical sales behavior, confidence benefits, customer satisfaction, and customer loyalty. The findings contribute to the literature in two ways. First, confidence benefit from customer perspective is added into the model and demonstrates the indirect effect between ethical sales behavior and customer satisfaction/loyalty. Second, this study examines both loyalty to the salesperson and loyalty to the firm as separate outcome variables and demonstrates that customer loyalty to the firm is through customer loyalty to the salesperson.

In practice, life insurance managers should understand the importance of building the customer's perception of confidence benefits, in addition to fostering salespersons' professional knowledge. When customers can perceive the confidence benefits, then an ongoing long-term relationship may be built and maintained. In addition, this study indicates that the salesperson plays a critical role in translating the customer's interpersonal loyalty into firm loyalty. Therefore, managers should be concerned that when a front-line salesperson leaves the firm, the customers will not also leave. In order to prevent customers from defecting to a competitor, life insurance firm should devise feasible strategies to retain excellent salespeople and to make the person-firm relationship closer. When the salesperson stays with the firm, then the customer loyalty is maintained.

Following this study, some further examinations should be taken. One of the study limitations is its relatively specific context, Taiwan's top-four insurance firms. The model presented here could be extended for comparison with smaller firms. In consideration of the market segmentation for better understanding and service, customer demographic characteristics, such as age, education, income and etc. could be taken as the moderated variables to further examine the differences. Since the sampling of this study is limited to customers of the life insurance industry in Taiwan, future research could test the model in other industries or other areas to generalize the results, which will help strengthen the efficacy of the present results.

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