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Article

Antecedents of Delegation of Pricing Authority and its Impact on the Performance of Sales Forces Distributor Company in Jember

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Abstract: This research is aimed to test and analyze the effect of customer heterogeneity, market uncertainty and consumer price sensitivity on delegation of pricing authority as well as to test and analyze the effect of delegation of pricing authority on sales performance. This research is explanatory research which is intended to identify the level and nature of cause-and-effect relationships. The research population was all sales personnel of food and beverage distributor companies in Jember City. Samples were taken using purposive sampling and accidental sampling methods and the number of samples was determined as 100 respondents. Data analysis and hypothesis testing were carried out using structural equation modeling (SEM-PLS). The research results show that customer heterogeneity, market uncertainty and consumer price sensitivity have a significant effect on delegation of pricing authority. Delegation of pricing authority has a significant effect on sales performance. Indirect test results show that customer heterogeneity and market uncertainty have a significant effect on sales performance with the mediation of delegation of pricing authority. Consumer price sensitivity does not have a significant effect on sales performance mediated by delegation of pricing authority

Keywords: Customer Heterogeneity, Market Uncertainty, Consumer Price Sensitivity, Delegation of Pricing Authority, and Sales Performance

1. Intorduction

Business organizations are in an environment that is always changing and therefore the organization must also change both internally and externally so that the business entity will be survive [1]. An important aspect of a business entity seeking to achieve goals success in a dynamic environment is how effectively tasks and responsibilities are delegated within the organization. Top managers cannot possibly do all the work of an organization, top managers must effectively assign work to subordinates. This delegation will ensure that more individuals are involved in the work, the workload is distributed evenly and the organization runs most efficiently. Business complexity will require effective delegation of authority where subordinates participate in organizational business [2].

The increasingly complex and competitive business world encourages top managers to empower subordinates by giving them the freedom to do their work in the way they think is best without constantly having to ask for permission and hold them accountable. Top managers must be able to maximize the knowledge and experience of their employees to achieve the desired results [3]. Delegation will provide challenges to subordinates to learn new ways of doing things and also build self-confidence and realize the subordinate's abilities. Delegation of authority is interpreted as a process in organizations where top managers delegate some authority to subordinates which includes the process of giving tasks, responsibilities and authority to those who are expected to help them in carrying out their work [4]. An important issue in marketing is whether the company should delegate pricing authority to the sales force. Sales managers in competitive industrial sales situations must understand the determinants of price delegation and how the delegation of pricing authority relates to performance.

The terminology of delegation of authority is not only in the context of Human Resources Management (HRM), but also Marketing Management. One issue that is relevant to delegation of authority from a marketing management perspective is related to price delegation. The concept of price delegation is a combination of delegation of authority theory and price theory as part of the marketing mix. [4] defines delegation of authority as part of the organizing process where an executive, administrator or manager allows other people to share work in implementing company goals. This also includes the process of assigning tasks, responsibilities and authority to those who are expected to help them in carrying out their work. [5] stated that authority is delegated when company policy is given to subordinates by superiors. [6] suggests that delegation is a key feature of organizational design that according to theory must be aligned with incentive intensity. This research explores a specific form of delegation, namely price delegation, where companies allow sales staff to offer maximum discounts from the list price to customers. This research develops a price delegation decision model based on obtaining information that relies on the characteristics of the empirical context of food and beverage distributor companies in Jember City.

Marketing experts and research have studied many pressing problems in marketing, namely related to the question of whether companies should delegate pricing authority to sales personnel [7]–[10]. As is known, in marketing there is the term marketing mix which is conceptualized as a marketing strategy that combines several elements to achieve marketing goals [11]. Among the 4P elements in the marketing mix, price has a special role because price is the only marketing instrument that directly generates revenue. This is of course different from other 4P elements in that all marketing mix variables have costs associated with them and are subject to budget constraints. On the other hand, price has a subtle influence on company profits because price determines the quantity demand for a product and determines the income from its sales. That is, higher prices may decrease demand (e.g., units sold) but, depending on price elasticity, increase or decrease revenue and, consequently, increase or decrease profits. Therefore, it can be stated that poor pricing can significantly worsen company performance [12].

Price delegation represents a business practice where a company allows its sales team (salesperson) to offer maximum discounts from the list price to customers [12]. Studies regarding the

benefits of price delegation still need to be carried out so that the recommendations and practical benefits have added value for marketing management. [13] suggests that one of the market conditions where the practice of price delegation tends to develop is when the class and size of customers vary greatly. [14] suggested that customer heterogeneity supports a higher degree of delegation of pricing authority because salespeople are more likely to have superior customer-related information than central sales management. In this case, customer heterogeneity can function similarly to information asymmetry. Customer heterogeneity plays a role as an independent variable in driving pricing delegation decisions to salespeople.

Uncertainty in the sales environment usually has an uncertain effect on performance measures. [15] state delegation decision making is more likely to occur when there is greater uncertainty about what the agent should do. Company managers take control of decisions, that is, centralize, when they are more certain about how input effort relates to output because thinking can make more effective decisions.

Price sensitivity reflects how consumers feel about paying a certain price for a product. In addition, individual reactions to prices are very useful for marketing purposes [16]. Customer price sensitivity is a factor that controls price elasticity [17]. Customer price sensitivity refers to the extent to which customers rely on price in choosing their suppliers. Moreover, in many industries, customers combine bargaining power by shifting procurement from the local to the global level and establishing centralized purchasing departments, which allows customers to exert greater pressure on suppliers to capture a greater share of economic profits [18]. Thus, controlling for customer purchasing centralization, which refers to the extent to which a company's customers combine price information and price negotiations at a central level.

Empirical research on the topic of delegating pricing authority includes [7], [13], [19]–[21]. The marketing literature also includes many theoretical reasons that defend giving sales staff the authority to set prices as long as the incentives are truly based on margins. gross and not on sales volume [21], [22]. On the other hand, there are also empirical research results arguing for the opposite scenario [13], [20], [23], stating that giving the highest pricing authority to sales staff will result in the lowest sales and profit results, resulting in less sales effort, and more aggressive price reductions on the part of sellers [13].

Various empirical research provides an illustration that there are companies that delegate pricing decisions and there are also companies that do not delegate them [10]. This phenomenon gives an indication that price delegation is a relevant issue and it is at this point that it is important to study the aspects of price delegation, so that you can get an answer as to why companies delegate pricing decisions. Of course, as a basis for thinking, price delegation is a business strategy for the company and its existence is greatly influenced by market conditions.

Based on this argument, this research was carried out with the aim to test and analyze the influence of customer heterogeneity, market uncertainty, and consumer price sensitivity on delegation of pricing authority as well as to test and analyze the influence of delegation of pricing authority on sales force performance.

2. Materials and Methods

This research is explanatory research [24]. The research population was all sales personnel of food and beverage distributor companies in Jember City. Samples were taken using purposive sampling and accidental sampling methods and the total sample was 100 respondents. Data analysis uses structural equation modeling (SEM-PLS).

Research variables include customer heterogeneity, market uncertainty, consumer price sensitivity as exogenous variables and delegation of pricing authority and sales performance as endogenous variables. The operational definitions of research variables can be seen in Table 1.

No	Variables	Indicators
1.	Customer heterogeneity (X1)	a. Customer differences in willingness to pay b. Customer differences in terms of product demand c. Customer differences in terms of profits d. Customer differences in terms of service requirements from sales personnel
2.	Market uncertainty (X2)	a. Changes in products offered by competitors. b. Sales strategies from competitors. c. Customer preferences for product features
3.	Consumer price sensitivity (X3)	a. The importance price for consumers in purchasing decisions b. Customers change suppliers even if the price difference is small c. Customer purchasing centers decide largely based on price. d. Customers consider price to be a sensitive matter
4.	Delegation of pricing authority (Z)	a. The general authority of sales to set prices and discounts is very high b. Compared to competitors, sales are given high pricing authority c. All sales are given pricing authority. d. Sales has the authority to decide prices/discounts for customers
5.	Sales performance (Y)	a. Sales is able to increase sales volume b. Sales can increase company income c. Sales can increase the company's market share

Source: data processed and empirical

3. Result

Respondent Demographic Profile

Demographic statistics of respondents who are sales personnel for food and beverage distributor companies in Jember City are presented in Table 2.

Criteria		Frequency (people)	Percentage (%)
Gender	Male	84	84,0
	Female	16	16,0
	Total	100	100,0
Age	20 – 30 year	33	33,0
	31 – 40 year	45	45,0
	41 – 50 year	22	22,0
	Total	106	100,0

Source: Data processed

Based on Table 2, it can be seen that the gender distribution of respondents in this study consisted of 84 men (84.0%) and 16 women (16.0%). The age distribution of the respondents was mostly 31 - 40 years old with 45 people (45.0%) and followed by the 20 - 30 years old group with 33 people (33.0%). Referring to these results, it can be stated that the majority of sales personnel of food and beverage distributor companies in Jember City are male and are of the productive age group.

Data Analysis Results

Data analysis is aimed at answering the research hypothesis. Data analysis was carried out with Partial Least Square (PLS) using SmartPLS software.

Assessing the Outer Model

The assessment at this stage is related to measurements on the outside of the SEM model as a result of the analysis including Convergent Validity, Discriminant Validity and Composite Reliability. The Outer Loadings values from the analysis can be summarized in Table 3.

Variables	Item	λ	α	AVE
Customer heterogeneity (X1)	X11	0,837	0,854	0,699
	X12	0,948		
	X13	0,837		
	X14	0,705		
Market uncertainty (X2)	X21	0,940	0,920	0,862
	X22	0,933		
	X23	0,912		
Consumer price sensitivity (X3)	X31	0,906	0,887	0,748
	X32	0,881		
	X33	0,878		
	X34	0,788		
Delegation of pricing authority (Z)	Z1	0,731	0,825	0,646
	Z2	0,744		
	Z3	0,874		
	Z4	0,889		
Sales performance (Y)	Y1	0,799	0,725	0,660
	Y2	0,841		
	Y3	0,770		

Source: Data processed

The results of SEM PLS processing show that the loading factor value for each indicator is more than 0.50. So, it is declared valid or has met convergent validity. The CR value for each construct is greater than 0.70 and the AVE value is also greater than 0.5. So, the SEM PLS model tested has met the recommended reliability criteria

Structural Model Testing (Inner Model)

Inner model testing is carried out with the aim of seeing whether there is a relationship between latent factors, especially exogenous and endogenous. Test results related to the R-square value can be seen in Table 4.

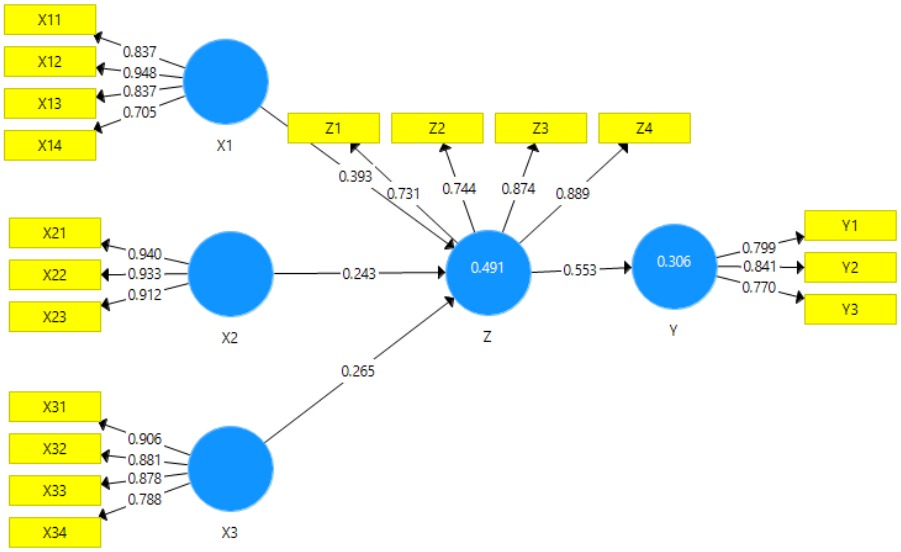
Variable	Variable NamE	R-square
Z	Delegation of pricing authority	0,491
Y	Sales performance	0,306

Source: Data processed

The R-square value of delegation of pricing authority is 0.491, which means that 49.1% of the variability in changes in delegation of pricing authority can be explained by the variables of customer heterogeneity, market uncertainty and consumer price sensitivity. The R-square value of the sales performance construct is 0.306, which means that 30.6% of the variability in changes in sales performance can be explained by the variables of customer heterogeneity, market uncertainty, consumer price sensitivity and delegation of pricing authority.

Partial Least Square (PLS) Testing

Analysis and hypothesis testing for this study uses PLS with WarpPLS software. The results of data analysis can be seen in Figure 1 as follows.



Source: Data processed

Hypothesis Testing

Hypothesis testing is carried out using probability values (p values) as well as the t test (t test) in regression analysis. In this case the calculated p values will be compared with the alpha value of 5%. In summary, the results of hypothesis testing can be presented in Table 5.

	Regression Coefficients	SE	t Statistic	P Values	Result
X1 -> Z	0,393	0,076	5,158	**0,000**	H1 accepted
X2 -> Z	0,243	0,122	1,996	**0,046**	H2 accepted
X3 -> Z	0,265	0,122	2,169	**0,031**	H3 accepted
Z -> Y	0,553	0,101	5,451	**0,000**	H4 accepted

Source: Data processed

Note: X1 : Customer heterogeneity
X2 : Market uncertainty
X3 : Consumer price sensitivity
Z : Delegation of pricing authority
Y : Sales performance

The results in Table 5 and Figure 1 are the results of PLS analysis which will then be interpreted to answer the proposed hypothesis. The explanation of the results of the hypothesis test can be stated as follows:

1. The effect of customer heterogeneity on Delegation of pricing authority

The path parameter coefficient obtained from the relationship between customer heterogeneity and delegation of pricing authority is 0.393 with a P value of 0.000. The P value is smaller than α = 0.05, so it is stated that customer heterogeneity has a positive and significant effect on delegation of pricing authority. Thus, the hypothesis which states that **customer heterogeneity has a significant effect on delegation of pricing authority** is proven correct or H1 is accepted.

2. The effect of market uncertainty on Delegation of pricing authority

The path parameter coefficient obtained from the relationship between market uncertainty and delegation of pricing authority is 0.243 with a P value of 0.046. The P value is smaller than α = 0.05, so it is stated that market uncertainty has a positive and significant effect on the delegation of pricing authority. Thus, the hypothesis which states that **market uncertainty has a significant effect on the delegation of pricing authority** is proven to be true or H2 is accepted.

3. The effect of consumer price sensitivity on Delegation of pricing authority

The path parameter coefficient obtained from the relationship between consumer price sensitivity and delegation of pricing authority is 0.265 with a P value of 0.031. The P value is smaller than α = 0.05, so it is stated that consumer price sensitivity has a positive and significant effect on delegation of pricing authority. Thus, the hypothesis which states that **consumer price sensitivity has a significant effect on delegation of pricing authority** is proven correct or H3 is accepted.

4. The effect of Delegation of pricing authority on sales performance

The path parameter coefficient obtained from the relationship between delegation of pricing authority and sales performance is 0.553 with a P value of 0.000. The P value is smaller than α = 0.05, so it is stated that delegation of pricing authority has a positive and significant effect on sales performance. Thus, the hypothesis which states that **delegation of pricing authority has a significant effect on sales performance** is proven to be true or H4 is accepted.

Indirect Effect Test Results

In summary, the results of the indirect influence test can be presented in Table 6.

	Regression Coefficients	SE	t Statistic	P Values	Result
X1 -> Z -> Y	0,217	0,064	3,389	**0,001**	H5 diterima
X2 -> Z -> Y	0,134	0,059	2,291	**0,022**	H6 diterima
X3 -> Z -> Y	0,147	0,085	1,737	**0,083**	H7 ditolak

Source: Data processed

Note: X1 : Customer heterogeneity
X2 : Market uncertainty
X3 : Consumer price sensitivity
Z : Delegation of pricing authority
Y : Sales performance

The results in Table 6 are the results of PLS analysis which will then be interpreted as follows:

1. The effect of customer heterogeneity on sales performance through Delegation of pricing authority

The path parameter coefficient obtained from the relationship between customer heterogeneity and sales performance through delegation of pricing authority is 0.217 with a P value of 0.001. The P value is smaller than α = 0.05, so customer heterogeneity has a significant positive effect on sales performance mediated by delegation of pricing authority. Thus, it is stated that delegation of pricing authority role an intervening role in the influence of customer heterogeneity on sales performance.

2. The effect of market uncertainty on sales performance through Delegation of pricing authority

The path parameter coefficient obtained from the relationship between market uncertainty and sales performance through delegation of pricing authority is 0.134 with a P value of 0.022. The P value is smaller than α = 0.05, so market uncertainty has a positive and significant effect on sales performance mediated by delegation of pricing authority. Thus, it is stated that delegation of pricing authority role an intervening role in the influence of market uncertainty on sales performance.

3. The effect of consumer price sensitivity on sales performance through Delegation of pricing authority

The path parameter coefficient obtained from the relationship between consumer price sensitivity and sales performance through delegation of pricing authority is 0.147 with a P value of 0.083. The P value is greater than α = 0.05, so consumer price sensitivity does not have a significant effect on sales performance with the mediation of delegation of pricing authority. Thus, it is stated that delegation of pricing authority does not role an intervening role in the influence of consumer price sensitivity on sales performance.

4. Discussion

The Effect of Customer Heterogeneity on Delegation of Pricing Authority

The research results show that customer heterogeneity has a positive and significant effect on the delegation of pricing authority. [13] suggest that one market condition where the practice of price delegation tends to thrive is when the class and size of customers vary widely. [14] suggest that customer heterogeneity supports a higher degree of delegation of pricing authority because salespeople are more likely to have superior customer-related information than central sales management. In this case, customer heterogeneity can function similarly to information asymmetry. Customer heterogeneity plays a role as an independent variable in driving pricing delegation decisions to salespeople. Greater customer heterogeneity implies a greater value for price adjustments, that is, adapting prices to different customer willingness-to-pay characteristics.

The Effect of Market Uncertainty on Delegation of Pricing Authority

The research results show that market uncertainty has a positive and significant effect on the delegation of pricing authority. Uncertainty in the sales environment usually has an uncertain effect on performance measures. [15] state delegation decision making is more likely to occur when there is greater uncertainty about what the agent should do. Company managers take control of decisions, that is, centralize, when they are more certain about how input effort relates to output because thinking can make more effective decisions. Additionally, delegating responsibility to agents who have better access to necessary information in a highly uncertain environment makes sense because it (i) reduces the company's costs in gathering the information needed to reduce uncertainty and make better decisions, and (ii) minimizing intra-company information transmission inefficiencies such as leaks and delays, which affect the quality of decisions and their eventual implementation in the field.

The Effect of Consumer Price Sensitivity on Delegation of Pricing Authority

The research results show that consumer price sensitivity has a positive and significant effect on delegation of pricing authority. Price sensitivity reflects how consumers feel about paying a certain price for a product. In addition, individual reactions to prices are very useful for marketing purposes [16]. Customer price sensitivity is a factor that controls price elasticity [17]. Customer price sensitivity refers to the extent to which customers rely on price in choosing their suppliers. Moreover, in many industries, customers combine bargaining power by shifting procurement from the local to the global level and establishing centralized purchasing departments, which allows customers to exert greater pressure on suppliers to capture a greater share of economic profits [18]. Thus, controlling for customer purchasing centralization, which refers to the extent to which a company's customers combine price information and price negotiations at a central level.

The Effect of Delegation of Pricing Authority on Sales Performance

The research results show that delegation of pricing authority has a positive and significant effect on sales performance. Marketing experts emphasize that giving decision-making rights to individuals who have knowledge relevant to the decision will increase efficiency. This view is supported by early research in the marketing literature showing that price delegation increases company profits [14]. Additionally, delegation of pricing authority at any level implies pricing flexibility and greater opportunities for customized pricing by the sales force. In general, price adjustments are more profitable than following a policy of one price for all customers [25]. Furthermore, salespeople who are given autonomy in pricing decisions tend to be more motivated and successful than their counterparts who do not have autonomy [26]. Finally, information gathered from five in-depth interviews with sales managers shows that customers are also more positive toward companies that have delegated pricing authority to their sales force.

5. Conclusion

Based on the results of the analysis, conclusions can be drawn that customer heterogeneity, market uncertainty and consumer price sensitivity have a significant effect on delegation of pricing authority. Delegation of pricing authority has a significant effect on sales performance. Indirect test results show that customer heterogeneity and market uncertainty have a significant effect on sales performance with the mediation of delegation of pricing authority. Consumer price sensitivity does not have a significant effect on sales performance mediated by delegation of pricing authority.

Like other research, this research has limitations. First, there is the problem of the size and number of samples which were only taken from one region, namely Jember Regency. Second, the limitations of the research focus are only examining customer heterogeneity, market uncertainty, and consumer price sensitivity as antecedents to delegation of pricing authority. Thus for future research agendas it is recommended to examine other factors outside the model studied that are able to explain delegation of pricing authority and marketing performance. Therefore, it is recommended for further research to add other variables such as use of information technology, company size, competitive intensity, etc. So that we can obtain better and useful findings for the development of science, especially marketing management.

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