

**Market response time as a new approach
for more effective marketing planning in different B2B industries**

Doctoral Conference Paper

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Abstract

Turnover increase is largely determined by industry characteristics. These characteristics need to be taken into account during planning and forecasting. This correlation which can be described among others by the Market Response Time (MRT) has even an impact upon the whole marketing planning. MRT is defined as the time between increased marketing efforts (stimuli) and the time when the market starts to react in terms of increased purchasing (response). It is expected that different industries have different MRTs which influence the analyzed planning in different ways. Thus marketing planning must be adapted to MRT, which will probably increase planning efficiency.

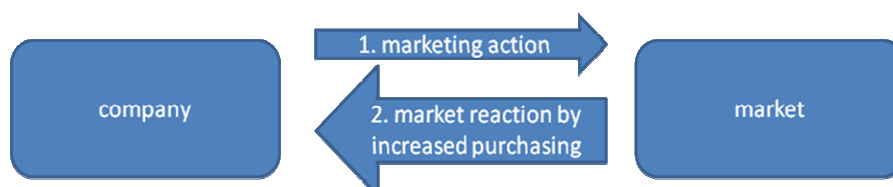
Key words: Market Response Time, Marketing Planning, Market Environment, Stimuli-Response Models, Business-to-Business

Introduction.

Good Marketing Planning is the most effective way to increase revenue and margins (Calvin, 2001: 5), hence, increase turnover. Corporate turnover is largely determined by industry characteristics (Hult et al., 2007: 59-60). This correlation between planning and industry has yet to be investigated, although the knowledge of the effectiveness of various planning processes is an important area for practitioners as well as for academics (Stratis and Powers, 2001: 165). The consideration of time in generating turnover is also not well researched, but important. Imagine the different aspects of time in business-to-consumer (B2C) and business-to-business (B2B). In B2C more effort in marketing (campaigns or incentives) can bring back more return after short time. This is not the case in B2B. Market reaction depends on many processes, that cannot be influenced directly.

Frequently there is a time lag between a companies marketing action and awareness of the customer, ending in increased purchasing. This time lag is a major element in planning (Makridakis, Wheelwright, Hyndman, 1998: 2) and describes best the correlation between industry and marketing planning. It is known as called Market Response Time (MRT) (see Source 1). The investigated MRT can be influenced by marketing in B2C but not in B2B machinery and equipment nor in automotive industry. For this reason, in some B2B industries marketing planning needs to be much more forward thought.

Source 1: Market Response Time equals time lag (source: authors' own)



Many investigations have been done to show how sales managers can influence the sales by means of better leadership, adjustment of the manpower to the desired marketing success, increased advertisements or other actions (Miao, Evans and Shaoming, 2007: 417-425) but no

research could be found indicating what time all these efforts take to increased turnover and how long these activities need themselves. It is the intention of the author, to identify MRT's in different B2B industries and to validate that marketing planning is determined by these industry characteristics and that the knowledge of MRT can increase planning efficiency.

Review of the Literature.

Marketing has become a critical factor in determining the success or failure of the organization (Herremans and Ryans Jr, 1995: 52). For this reason, much attention has been given to the challenges of planning, controlling, and forecasting sales efforts since the 1960s (Alderson and Green, 1964: 180-191, Shuchmann, 1966: 45-56). One possible answer to these challenges is the creation of market response models (Hansennes, Parsons and Schultz, 2003: 3). They are part of Marketing Planning, as this is the process of measuring and evaluating the results of marketing strategies and plans, and taking corrective action to ensure that marketing objectives are attained (Kotler, Armstrong, Saunders and Wong, 1999: 118). In research literature, the dependence of market response models on marketing planning research is quite clear.

Altogether, all the research studies of, for example, Rue and Fulmer in 1973, Sheenan in 1975, Kallman and Shapiro in 1978 and Kudla as well as Leontiades and Tezel in 1980 failed to find a significant difference between the performance of formal and informal marketing planners (Brownlie, 1985: 35-63). Grinyer and Norburn (1975: 70-97) found performance not to be related to the formality of planning, but to communication channels and the amount of information involved in the strategic decision making. Jauch (1988: 198) takes the view, that strategic marketing planning is the only effective way to anticipate threats and opportunities in today's rapidly changing business climate. Starting in 2004, market shares are more attractive to catch (Dolpp, 2004: 59). MRT as well as after which time the effort of marketing activities will deliver Return on Invest, was not considered until today. For this reason, in

most market response models time is mentioned, but not further investigated and mainly personal selling interactions are considered (Robertson, 1980: 16). The idea of market response is anything but new: The Russian scientist Pavlov recognized in the early 1910s, that a given stimulus would produce a given response, called stimulus-response view of selling. Based upon Pavlov`s recognition under an economic point of view, it is important to know, after what time the response is given to the stimulus. It is assumed that a positive response (purchase) is the typical outcome of the exchange between buyer and seller after time (Cash and Crissy, 1958: 30-31). Here, as well as the correlation studies of the impact of marketing decision variables on B2C sales were first modeled and completed in the 1960s by Seymour Banks (Parsons and Schultz, 1994: 181-189). Ten years later the first article was published that specifically addressed how market response could be used in planning and forecasting in B2B (Schultz, 1971: 153-164). Since that time in 1970, econometric and time series analysis methods have been applied to a wide variety of situations leading to the fact that, today, market response models are an important tool of academic research and practical application (Ryans and Weinberg, 1987, Parsons and Schultz, 1994: 181). However, the question remains, why is time not further considered in these market response models?

Methodology.

It is the aim of the thesis to describe special aspects of the planning behaviour of corporations in different industries and to show the reasons for acting in the detected manner. In order to display this best, the thesis will be a deductive and qualitative study by investigating three industries with the “case study” research methodology. Setting up case studies is a research approach, situated between concrete data taking techniques and methodological paradigms (Flyvbjerg, 2006) and is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009: 18). The pilot case studies in the 1st part will

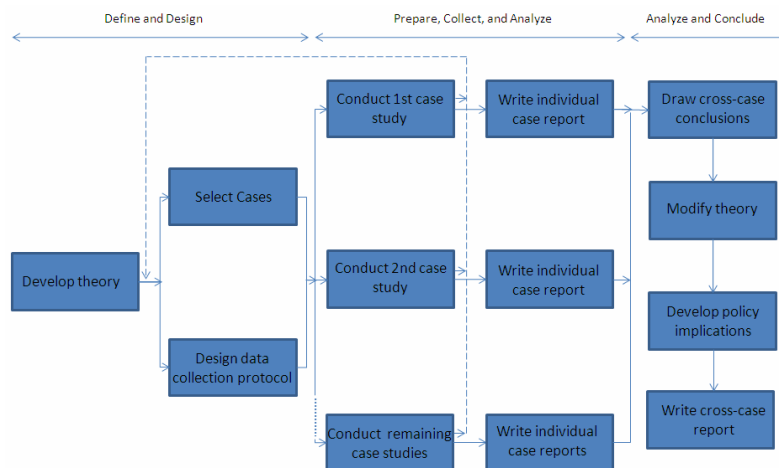
be identical for all industries (units of analysis); the case studies in the 2nd part will be identical as well.

The most appropriate type of design for this research topic is the embedded multiple-case study, as there will be three industries with more than one company. The decision to investigate three industries is based on source 4 and the expected outcome of MRT in these three industries. Referring to Yin (2009), it is possible to change the amount of context (industry), if it appears during the case study that some hypotheses have changed. The decision to analyse more than one company (embedded unit of analysis 1 to X) is based on the reason of evidence and matter explained above.

Data Collection

The three principles of data collection are relevant to establish the construct validity and reliability of the case study evidence 1) use multiple sources of evidence, 2) create a case study database, and 3) maintain a chain of evidence (source 2) (Yin, 2009). In addition, two characteristics distinguish case study questions from those in a survey instrument: The general orientation of questions and the levels of questions (Yin, 2009).

Source 2: Case study method (source: Yin (2009), p. 57)



Primary Data Collection 1st Part. Pilot case study

Pilot case studies will help to refine the data collection plans with respect to both the content of the data and the procedures to be followed in the primary data collection 2nd part. Nevertheless, the scope of the inquiry for the pilot cases can be much broader and less focused than the ultimate data collection plan.

Primary Data will be collected using case studies to get a first overview and understanding about sales management in B2B as well as to develop relevant lines of questions, possibly even providing some conceptual clarification for the research designs.

Primary Data Collection 2nd Part. Embedded multiple-case studies.

Primary Data second part will be collected by embedded multiple-case studies to determine the state-of-the-art of B2B marketing planning in the investigated industries, e.g. planning methods and frequencies and determine the effects of MRT on planning frequency and planning.

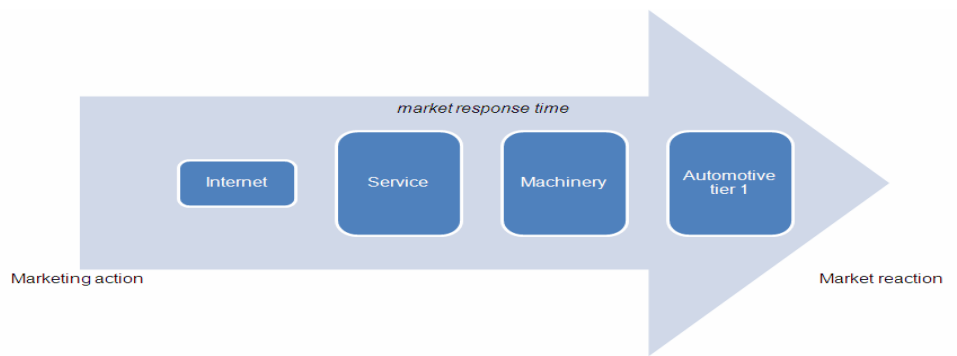
Research Statement.

MRT is ignored during marketing planning in different B2B industries

Expectations

Source 3 displays some expectations. It says that the MRT depends mainly on the type of industry. It is expected that in the automotive industries MRT, tier 1 to Original Equipment Manufacturer (OEM) relationship depends on the product life cycle and the internet industry will have a very short MRT as changes in prices on the web result directly in an increase in customer attraction and increased turnover.

Source 3: Market Response Time depends on industries (source: authors' own)



Discussion.

If it is important to keep sales and turnover in a planned corridor and if there are markets which react with a time lag of several years, companies in these markets cannot correct any drop in sales by additional sales efforts. It would take too long for the turnover to follow. In this case it must be expected that marketing management, respective to investigate, is very different from other companies in markets with short MRT. It can be expected that markets with long MRTs demand much more forward thinking and strategic behavior than markets with short ones. If MRT is included in marketing planning, it can be done much more efficiently. Furthermore, the knowledge of MRT will have an impact on sales force thinking, on sales recruiting and leadership as well as on production times. For this reason knowledge of MRT is very important, more than what is thought to date.

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