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# The Influence of Time Aspects on Sales Processes in B2B Business

Görne, Jobst; Grohmann, Alexander; Nagel, Manuel

Prof. Dr.-Ing. Jobst Görne

Beethovenstr. 1

D-73430 Aalen

+49 7162 26183

+49 175 407 22 20

[Jobst.goerne@hs-aalen.de](mailto:Jobst.goerne@hs-aalen.de),

## Abstract

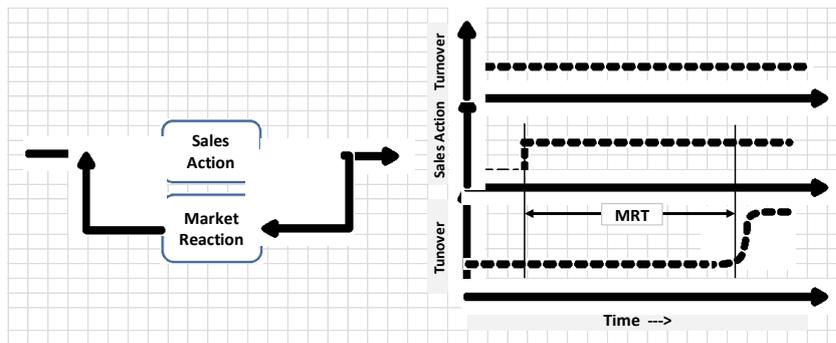
In sales research, market segmentation has been used to have more coherent results. Up to now time aspects have virtually not been used as segmentation criteria. It is shown that in B2B business there is a characteristic time lag between a sales action on the market and the market feedback in form of increased turnover, called Market Response Time MRT. If market segments with different MRT are compared, the understanding of several well know phenomena deepens and the application of sales tools becomes evident

## Introduction

For a long time, researchers have divided the market into homogenous subgroups with similar business behaviour in order to increase the relevance and applicability of sales research (Green, Krieger 1991; **Dolnicar, Leisch** 2004; Cordero 2012). According to **Kotler** (1988), the segmentation is successful, if the different segments respond differently to marketing strategies (among others). The first and most popular segmentation is the distinction into business to consumer, B2C, and business to business, B2B. The B2B activities have been subdivided further, depending on the **transaction object** (value, complexity, individualization degree (Backhaus, Voeth 2011)), the **customer relationship** (existing customer or new customer (Pepels 2015) or **cultural aspects** (national vs. international (Bush et al 2001)). The time aspects of business have been little used so far to describe market segments.

Grohmann, who worked on the reliability of sales forecasting in B2B markets, investigated different industrial markets and found typical selling cycle durations (Grohmann 2012). Due to the fact that the purchasing process has to follow market specific time consuming patterns, the duration of the selling cycle cannot be influenced by the sales person. He found that in industrial markets this time lag is linked to the nature of the business and can vary from few weeks in some markets to a double digit number of years in others. Based upon formal considerations he defined a so called Market Response Time (MRT) describing the time which elapsed between a sales impulse sent to the market and the measurable feedback in terms of turnover increase as shown in Fig.1.

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**Fig. 1: Market Response Time MRT is the Time between Sales Action and Market Reaction (Increase of Turnover)**

In order to understand the meaning of MRT concept for sales processes, it needs to be understood that in many B2B businesses sales cannot be provoked at any time, even if the sales person tries hard. A good example for this is the automotive industry. Once a car model is put on the market and produced in serial conditions, only very few changes are made by the car producer (often called "OEM") as the cost and the risk related to a change is very high. This means, that a sales person, who approaches a car manufacturer even with a very attractive and low priced part, will not be able to convince the OEM to integrate the part into the running serial production. The only chance to sell is to get the part into the next car generation. Depending on the part, the purchasing decision needs to be taken at a very early stage of a new car model launch, which can be up to 4 years before serial production starts. This example shows, that in the car manufacturing market there is a typical time lag of 3-5 years between concluding a sales and the start of money flow back to the supplier (Grohmann 2012). Seeing the risk linked to the business (think of the cost related to call back actions), a lot of trust has to be built up between supplier and customer before sales actions can be successful.

Another example for explaining the impact of the MRT for the business behaviour can be a web shop for, say, digicams. Digicams are fast selling goods which are purchased frequently. If a web shop owner notices that his sales go down due to his outdated price list (too expensive) he may revise it and reduce them to below competitor's prices. Then he will send the sales impulse to the market in uploading the new price list to the internet. As almost all around the clock somebody is buying a digicam, very soon after the upload there will be additional sales because many people go for the cheapest source. The MRT of such a business can be measured in hours or days. These short MRT markets exist in B2B business as well: screws, nuts and bolts, standard oils, drills and simple machinery is sold and purchased without too big time restraints if the offer is advantageous. Depth of customer relationship and customer loyalty can be judged as comparatively low.

Third and last example is the defence industry. Military aircrafts, gun boats or tanks are often not purchased continuously. Up to 15 years can pass by before a country decides to upgrade its army equipment and to buy a new generation of aircrafts or tanks. Sales persons working in this sector report that they have to be close to the customer, meeting him regularly, informing him and getting to know his position during all this time of they want to have good chances for sale when the customer is ready to buy. The MRT of such a business is up to 15 years. In these businesses, relationship building is extremely important and customer loyalty has to be kept up under all circumstances.

Knowing the MRT of one's own markets is extremely important for sales management and forecasting, but as well for understanding the sales process and its success criteria. Taking MRT into consideration means that different industrial markets behave differently. According to Kotler's requirement cited above MRT fulfils the criterion for market segmentation.

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## Impacts of MRT on the Personality of the Sales Person

Based upon the leadership grid of Blake and Mouton, a corresponding sales grid has been developed where two basic sales styles have been shown (Kleinaltenkamp, Plinke, Söllner 1998):

- The motivation to sell
- The motivation to support and consult the customer

This grid describes the two extremes of a sales person's motivation. If a salesperson has a highly developed motivation to *sell* but only little motivation to *consult* and support the customer, he is called a power seller. If the salesperson is more into consulting and only little trying to conclude a deal, he can be called a soft seller. Sales persons, who have a little bit of both, may be called soft power sellers. If the sales person has little or no motivation for either selling or consulting, his presence in the sales department is doubtful.

	10										
	9										
	8										
	7										
	6										
	5										
	4										
	3										
	2										
	1										
		1	2	3	4	5	6	7	8	9	10
		Motivation to Sell -->									

**Fig. 2: Sales Grid based upon Blake and Mouton's Leadership Grid**

Many discussions have been held about the best sales person profile – more sales oriented or more consulting oriented (Brassier 2013) and no distinction has been made if one or the other profile may fit to different market segments.

If the idea of MRT is introduced into the discussion some clarification can be obtained. Power sellers certainly develop little relationship to the customers, as this may be time consuming and they are more motivated to sell and less to care. It is expected that this personality type would perform quite well in a business with short MRT, where is little supplier-customer relationship and competition is fierce and direct. This sales person would not really perform well in markets with long MRTs, like defence industry, as success in such businesses is built on long lasting personal relationship. A typical power seller would be demotivated if the earliest time he can conclude a deal would be after 10 to 15 years.

Yet, given the case a different sales person has a strong strategic mind, he would be perfectly placed in the long MRT business, as it is in his nature to implement steps leading towards the success rather than simply run and act. This person would be far-sighted and not dependent on quick success for working hard and keeping his motivation up. On the other hand, soft sellers would not necessarily be successful in power selling environment with short MRT markets, where speed matters more than developing a sales strategy. With this understanding the sales grid can be redrawn as below:

	10										
	9										
	8										
	7										
	6										
	5										
	4										
	3										
	2										
	1										
		1	2	3	4	5	6	7	8	9	10
		Motivation to Sell -->									

**Fig 3: Sales Grid and MRT. Markets with different MRTs require different Sales Person Personalities**

Selling products or components to automotive OEMs needs a lot of consulting and adaptation of the product to the wishes of the customer. So for selling successfully in this market, the sales

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person must have the wish to sell and the wish to consult at the same time. MRT in automotive is medium with 3-5 years (Grohmann 2012).

This differentiation of the markets according to their MRT helps on one hand the HR department to successfully hire the right personnel to the right job. On the other hand it helps young sales persons to better choose their future employer, where they have the greatest chances to succeed.

**Application of MRT to the Sales Management Style**

Controlling the sales force can be done in two ways: Outcome Control (OC), where only the achieved output counts or Behaviour Control (BC), where the behaviour of the sales force has to follow a clear pattern (Baldauf et al 2001). In OC sales management little or no input into the sales is given, in BC clear rules are set up and the outcome of the sales efforts is considered to be a consequence of correct behaviour (Baldauf 2001). Many researchers try to find out which of both extremes or in between mixtures is better for a successful sales department (Nigel et al 1998, Oliver and Anderson, 1995). Little thought is given if there are special fields of application for one or the other management style.

Knowing that different market segments have different MRTs, one has to ask if all segments require the same sales management styles. As said above, short MRT markets are characterized by the possibility to acquire business quickly, which means in return that customers can be lost quickly as well. The rapid pace of selling teaches a lot of lessons to the sales force and the result of a good sales approach or an insufficient sales approach can be seen after a short while. Sales persons can improve their sales approach by themselves. It is not said that there is no input in form of sales training required, but a mere OC management can be applied and leads to at least acceptable results. Whether or not the effort of implementing BC components in short MRT markets is worthwhile will need further investigations.

Long MRT markets show the opposite situation. If by the nature of the business no deal can be closed over many years, it is impossible for the sales force to learn lessons on their own experience. It seems that long MRT markets absolutely need strong BC sales control. Sales management has to define which sales behaviour leads to the desired customer relationship building and creates a good potential to win the business once the opportunity shows up. OC sales control seems inappropriate as the time lag for

market response is way too long. Thus the Figure 3 can be completed with the management styles as seen below.

Motivation to Consult ^	10										
	9	Long MRT (> 5 y)			Mid MRT (2-5 y)						
	8	Soft Seller			Soft Power Seller						
	7	BC Mgmt			BC/OC Mgmt						
	6										
	5										
	4	Take it			Short MRT (<2 y)						
	3	or leave it			Power Seller						
	2				OC Mgmt						
	1										
		1	2	3	4	5	6	7	8	9	10
		Motivation to Sell -->									

**Fig 4: Markets with different MRTs require different Management Styles**

Staying in the argumentation line, markets with mid MRT may show good results with a mixture of OC and BC: relationship building with the customers' needs to be done and measured (BC) and the outcome in form of closed deals needs to be taken into account in sales management. It becomes evident that from the

nature of the business behaviour control and output control needs to be applied at the same time.

The time lag linked to the MRT has an impact on judging the sales persons, too. In case a new sales person is hired, it needs to be understood from sales management that the OC control can only start to be effective after the MRT time lag has passed. The new sales team member can immediately send sales impulses to the market, but he needs to wait until the MRT is over before he can show up with measurable turnover results.

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### **Application of MRT to the Incentives of Sales People**

Motivation of and incentives for the sales team is a big issue (Miao et al 2009). Finding the correct incentives is a difficult subject. It may be helpful to consider the different incentives in keeping the MRT of the served markets in mind: in markets with short MRT incentives may be heavily outcome based in form of a major share of commission based remuneration. In markets with long MRTs it appears more logical to use fixed remuneration schedules or base the incentives on the application of the behaviour rules. Markets with mid MRT should be in the middle of the two extremes. Here some outcome commission should be paid, but much less than in markets with small MRTs.

### **Impact of MRT on Sales Research**

The above considerations which are based upon logic conclusions need to be validated by field tests. This means that different B2B markets need to be defined, their MRT measured and the validity of the statements be confirmed. If this is done with positive results, at least in B2B markets the sales process and sales success criteria and as a consequence the sales management are not common for all markets.

If this is the case, sales research work has to be planned carefully to stay within one market segment in order not to mix apple and pears. If different markets are taken into the same sample lot, different sales behaviours are mixed. What is true for some of the investigated companies may not be true for the others and research results will not be fully applicable. As long as it is not proven that different market segments react similar, it will be difficult to justify from a scientific point of view to integrate different market segments into one and the same sample group.

It will be of great interest to see if the market segmentation according to MRT is sufficient to explain the differences of selling behaviour or if other variables must be taken into consideration. And it will be of great interest to find out in future research if the impact of MRT in B2C markets is similar to B2B markets.

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