International business-to-business selling and the COVID-19 pandemic: The changing role of personal selling

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Published: 24/05/2024

Document Version:
Publisher's PDF, also known as Version of record

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Abstract

The objective of this paper is to analyze how international business-to-business selling was conducted during the COVID-19 pandemic in 2020-21 when lockdowns and travel restrictions hindered sales executives to visit their customers in foreign markets. In our exploratory research we focus on the role of personal selling in the sales model for capital goods and complex solutions before, during and after the pandemic. Semi-structured interviews were conducted online with global sales and marketing managers of 21 Austrian "hidden champions" and world market leaders in the summer of 2021. The findings show that a sales model with a diminished role of personal selling as it happened during the pandemic is not sustainable. In complex sales projects with high investment stakes the building of trust and a functioning relationship between the involved key persons in the selling and buying centers is crucial for the conclusion of a contract. The study stimulates future research on the effectiveness of the evolving hybrid sales model that combines personal selling with digital methods.

Keywords: Personal selling, COVID-19 pandemic, business-to-business markets, hidden champions, international sales, digitalization.

Introduction

The COVID-19 pandemic that haunted the world from early 2020 to late 2022 had disastrous effects on economies and individual businesses due to the public health crisis, collapse of demand and interrupted global supply chains and created a unique situation for personal selling (Cortez & Johnston, 2020). Cutting off or strongly limiting in-person meetings of salespersons with prospects and customers hit a critical element in the sales process for capital goods and complex solutions. Sales of complex and customized high-value goods thrive on personal interactions. Lockdowns, travel restrictions and disease-related vacancies hindered not just customer visits but led to the cancellation of fairs, congresses, and in-house exhibitions. Businesses quickly adopted digital tools and switched to online meetings and virtual versions of conferences as a substitute (Bages-Amat et al., 2020). Although appreciating the digital alternatives, salespersons complained about the lower effectiveness of digital media and tools in the sales process. Thus, the pandemic created a kind of experimental setting that allowed to examine the functioning of personal selling (PS) under extreme conditions. It provided the opportunity to compare the effectiveness of selling through digital channels with the classic sales approach for capital goods that is strongly rooted in physical personal interaction between the seller and buyer. The examined effect is even heightened in international selling where due to geographic, cultural, legal, infrastructural, and administrative distances physical human interaction plays a major role in creating personal relationships, initiating a sales process, and keeping it running (Ghemawat, 2001). The objective of this exploratory study is to analyze how international business-to-business sales were conducted during the COVID-19 pandemic in 2020-21. The study focuses on the role of personal selling (PS) in the sales process of complex solutions in the heavy equipment, industrial machinery, and engineering sector. Our research centers on the following questions: (1) What did the sales model look like before the pandemic? (2) What was the impact of the pandemic on the sales process and how did businesses adapt their sales model? How effective was the new hybrid model? (3) What are the learnings from these times and what are the implications for the sales model and the role of PS after the pandemic?

The development of the research design and interpretation of outcomes was informed by the extant literature on business-to-business selling ranging from organizational buying behavior (Webster & Wind, 1972), buying process (Sheth, 1973), relationship marketing (Anderson, Hakansson & Johanson, 1994; Grönroos, 2004), selling modes (Rackham & DeVincentis,

1999) and value marketing (Anderson & Narus, 1998). For the international dimension of selling, we referred to the intercultural communication and negotiations literature covering spatial and time dimensions in human interaction as well as conflicts in intercultural encounters (Adler & Aycan, 2018; Hall, 1976; Hofstede, 2001). Newer literature sheds light on the effect of rapid digitalization of international business exchanges and related organizational adaptations and innovations (Azar & Ciabuschi, 2017). These perspectives were also guiding the development of propositions for further research on the topic.

Methodology

The study follows an exploratory research approach. Given the novelty of the phenomenon a qualitative research design was used. To document changes in the use of PS the choice of the companies and their sales model was decisive. Therefore, the selected firms had to meet the following characteristics: (a) selling capital goods (equipment, machinery) or solutions combining hard-, software and services in a comprehensive sales process; (b) employing a sales model with a strong PS part; (c) being active in international B2B markets.

As target group "hidden champions" and world market leaders (i.e., grown up hidden champions) headquartered in Austria were chosen. The term "hidden champions" describes highly successful family owned, medium-sized firms that are global market leaders in their respective market niches (Simon, 1992). They pursue a niche market and premium strategy regarding quality and price that is based on a pronounced product specialization and closeness to the customer. Business growth mainly comes from international expansion. In 2019, there existed 181 "hidden champions" (annual sales < EUR 200 mio.) and 65 "world market leaders" (> EUR 200 mio.) in Austria (Pacher, 2019). Two thirds of them stem from the engineering, machine construction, metal processing and electronics sector. Sales abroad account for more than 85% of total sales. This group of companies was chosen because all of them are selling complex products and solutions to international customers in B2B markets what involves extensive consultation and exchange of views and information on different levels between the selling and the buying organization, primarily through personal selling.

Semi-structured interviews were conducted online with international sales and marketing managers of 21 Austrian “hidden champions” and world market leaders from June to September 2021. An overview of the sample is given in Figure 1. The interviews were complemented by secondary data on the company. Each interview lasted for 50 to 90 minutes. The questionnaire covered five sections: (a) the explanation of the business model, positioning in the market and international presence; (b) the sales model before the outbreak of the COVID-19 pandemic; (c) impact of the pandemic on sales and customer behavior; (d) adaptations of the sales model; (e) learnings from the crisis and expected changes in the post-pandemic sales model.

Findings

Sales model before COVID-19 pandemic

The classical sales model of the examined hidden champions is dominated by direct sales. Being present at fairs and personal visits of prospects and customers are the leading sales methods. Creating physical touchpoints by meeting people in-person and betting on existing personal relations as well as acting in networks is seen as the most effective approach. Contributions on social media platforms and speeches on congresses, in-house exhibitions and direct mailing represent other crucial sales methods of the classical sales model. The “look and feel” of the negotiation counterpart as well as trust building were mentioned as key for success and explain this strong tendency towards personal selling. The high purchase price, the critical importance of the purchase for the buyer’s operations and the need to accompany the buyer in this “buying and installing journey” require intensive personal interactions. Furthermore, a close contact with the buyer’s organization beyond the closure of the deal to cope with questions and troubles related to installation and activation is expected by the buyer. This close relationship also benefits the seller as it allows them to further develop the product together with the customer, gain insights in the operational performance, and learn early about future sales opportunities. Forming partnerships with customers and close personal ties between both organizations is a core element of the differentiation strategy of those firms. Of course, not all interaction is based on physical contact. To maintain relationships with clients, meetings at fairs, phone/video calls and e-mails are the main communication channels. Among the larger companies marketing and the presence in the world wide web played already a prominent role in pre-sales before the pandemic: the organization of specialist congresses, the presence at trade fairs, the design and operation of the company's website and social media account have been typical tasks. This close cooperation of sales and marketing can be seen as the answer to the increasing professionalization in procurement on the buyer's side.

Pandemic's implications for international sales

The outbreak of the COVID-19 pandemic in spring 2020 and the drastic responses by governments during the coming months had a dramatic downside effect on international sales. A rising number of COVID-19 infections, governmental lockdowns, travel restrictions and quarantine rules interrupted "business as usual". Most of our companies experienced falling demand and revenue. In-person meetings and traveling stopped, trade fairs and congresses were cancelled in 2020 and partly in 2021. All interviewees reported communication difficulties. Conversations got shorter and focused on operative necessities; social politeness lost in importance in video talks. First, at the beginning of the pandemic, they faced longer disruptions in the contact with clients and had difficulties reaching them. With the rising usage of digital communication platforms such as MS TEAMS, ZOOM, Skype and WebEx the challenges turned to the mastering of the new technology – both on the seller's and buyer's side. Interviewees mentioned the missing depth in conversations, problems with presentations in video conferences, poor comprehension of content in video or phone calls and agenda discontinuation.

The sales executives also noticed some marked changes in customer behavior that varied by region and customer type. In the Middle East, for example, the average meeting time was reduced from two hours before to 15 minutes online now. Asian customers tried to continue with business as normal via online channels. North American customers were more advanced in the use of digital communication as it was a kind of standard in business interactions there already before. Large corporations were more restrictive in distancing than smaller ones.

The client's resources and capabilities in terms of technological, personnel and administrative preparedness to handle the crisis determined the progress of the sale process. Additionally, short-time employment (or layoffs), and home office as well as different cyber security standards affected the reachability of staff. Creating an online version of the decision-making processes in the buying center depended highly on the technological readiness of the buyer's organization (e.g., signature validation).

Pandemic-induced adaptations to the sales model

The COVID-19 pandemic was an enormous boost for the acceleration and further professionalization of digitalization of businesses. The interviewed firms responded with a massive launch of digital tools to maintain contact with their customers and prospects. The expansion of existing websites and digital platforms, the introduction of virtual sales rooms, the organization of online symposia, participation in online congresses and the increased usage of social media channels (e.g., LinkedIn, YouTube) were mentioned most often. All the sales efforts "turned digital" as the increasing number of webinars, online congresses, virtual guided factory tours, blog articles, LinkedIn contributions and digital advertising shows.

While webinars attracted a strong attention at the beginning, customers started to complain about the flood of webinars they were invited to what was mirrored in quickly falling participation rates over the next months. This "digital fatigue" could be also observed in virtual congresses where the attendance slumped abruptly after the opening session. Worst hit was the acquisition of new clients. The companies stated that it was very difficult to nearly impossible to win new customers in an active sales process if the initiative did not come from the prospects themselves. Cold calling, direct mailing, and invitations to online events rarely yielded results.

During the interviews the question arose whether the move towards digital selling will reduce the competitive advantage. The effectiveness of the pure digital sales model in selling to new customers was denied by a majority of the interviewees. Without any established relationship beforehand, active selling did not work. In contrast, selling to existing customers continued nearly uninterrupted. However, the firms saw potential for covering small and medium-sized customers who are not visited personally due to a lack of time and for cost reasons via digital channels. For lead generation an increased use of digital marketing in more distant, less familiar markets makes sense too. In summary, the advantages of digital sales were obvious to the sellers and this stance is reflected in the post-pandemic sales model.

Post-pandemic sales model

All interviewees stated that physical interactions between the key persons of the selling and buying center are a core element of the business model of companies selling complex solutions to new customers. As soon as the travel restrictions were lifted, personal visits were resumed.

The main advantages of the physical contact in selling come from the higher quality of the interaction, depth of understanding, trust building and better access to market intelligence. Besides the information that is exchanged in a negotiation, the quality of the interaction is also determined by non-verbal clues. Feeling the energy of the participants, watching reactions such as face expressions and body language, together with the emotions in the room are important in the negotiations and provide a better understanding of the situation. Interviewees complained about the lack of depth in digital relationships and a lower commitment. Building trust is a precondition for successful negotiations in business everywhere, but in some countries, for instance in the Middle East or Asia, counterparts want to learn more about you as a person and your family before starting to talk about a potential deal. Commitment and trustworthiness are preconditions for closing a high value deal. A physical handshake still counts more than one expressed online. You need prior established trust for troubleshooting too as any large project does not fully run according to plan and well-known and trustworthy persons on the other side make a difference in the success of the cooperation. However, the digital tools, channels and processes will stay and become integral part of the sales processes. Too obvious are the advantages of digitalization in terms of efficiency and reach.

Further research

Based on the findings we put forward the following propositions related to international B2B selling of complex solutions after the Covid-19 pandemic.

P1: PS remains a central element in the sales model after the pandemic but is employed in a more selective and efficient way.

P2: PS is an indispensable sales method in the acquisition of new clients.

P3: In high context cultures where trust building and personal relationships play a major role in the sales process, digital sales tools do not substitute PS for initiating and closing the contract.

P4: The existence of a functioning digital infrastructure and organizational preparedness to use virtual/digital applications on the seller's and buyer's side influence the effectiveness of the use of digital tools in the negotiation, interaction and implementation process between both parties.

P5: The organizational preparedness for digitalization has become an evaluation criterion for the choice of suppliers and customers.

P6: PS is becoming even more of a differential advantage in times of advanced digitalization of communication, marketing and sales processes.

Conclusions

The findings show that the loss of the personal contact is seen as a major problem by sales executives. While the firms succeeded during the pandemic in moving sales processes to digital channels and even appreciated advantages such as fewer business trips, lower costs, and more efficient meetings, the salespersons felt the lack of physical presence in important stages of the contact and negotiation process. This is underlined by the fact that the continuation of business with existing customers worked well, while they faced a dramatic drop in new customer acquisitions. It comes as no surprise that in already existing client relationships sales were maintained due to priorly established personal connections and trust. In international selling, especially in Middle Eastern and African countries, building trust happens between humans and precedes the sales negotiations. There was a consensus among the sales executives that the firms must get back to personal selling again, although in a more selective way than before the pandemic. Many of the newly adopted digital tools are now part of the post-pandemic sales model. But it is obvious that with a reduced personal selling effort their leading market positions would be threatened – a competent and customer-oriented sales team is a core element of the competitive strategy of the “hidden champions”.

Further research is needed to examine these propositions. The coordination and integration of (digital) marketing and PS becomes a renewed topic in this post-pandemic context. This includes also the question to what extent PS can be substituted by digital channels without losing in effectiveness. Selective employment of personal contacts in the sales process (in-person/virtual, occasions, status of counterparts etc.) and its orchestration with other sales methods as well as an extended segmentation beyond purchase and buyer type covering digital preparedness of organizations and cultural acceptance of digital tools will gain in importance.

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Figure 1: Overview of the firms of the sample

	Company #	**Employees (2019)**	**Turnover in million EUR (2019)**	**Industry**
Small	1	38	12	Lighting systems
Medium	2	90	15	Security and safety
Large	3	369	192	Packaging
	4	450	80	Pharmaceutical
	5	500	100	Mechatronic systems
	6	600	70	Aerospace equipment
	7	600	200	Recycling equipment
	8	630	105	Coupling production
	9	897	739	Metal processing
	10	1,300	230	Glass processing
	11	1,359	334	Nutrition and health
	12	1,550	197	Lighting systems
	13	1,800	304	Information systems in security-critical area
	14	1,942	488	Track laying machines
	15	2,850	665	Aerospace solutions
	16	3,081	935	Transport systems
	17	5,878	1,162	Lighting solutions
	18	7,036	2,105	Chemical industry
	19	10,239	1,001	Electronic components
	20	20,900	3,800	Plastic packaging
	21	29,500	6,674	Industrial equipment