**Are Buyer-Seller Relationships Immune to COVID-19?**

Economists are attempting to estimate the cost of the economic impact of the COVID-19 virus. This exercise is particularly difficult because as of May 2020, it is almost impossible to acquire a helicopter view regarding how much the economy will be affected and how long it will take to recover from its collapse. At best, economists can turn to the history books and can argue whether we should compare the COVID-19 crisis with the financial crisis of 2008 or with the great depression of the 1930s. This is difficult to determine. The next question that many business leaders are asking themselves is what the business environment will be when things return to normal. What is the new normal? Will salespeople only organize video calls? Will the B2B customer order everything online? As in most cases, it depends. Based on 86 in-depth interviews with professional purchasers who manage a total of 22,962 buyer-seller relationships, we found that the future success of these relationships will depend on a differentiated value approach by salespeople. They should either focus on applying know-how for their sales offers that are categorized by the purchaser as having high supply risks, or they should help the purchasers by increasing their buyer's journey efficiency when the sales offer is not perceived as having a high supply risk.

To get to this point, let us first take a step back and realize what we can learn from the past. In times of previous global recessions, most companies have experienced a reduced demand that negatively impacted their turnover levels. Even for a successful diet, the calorie intake should be lower than the number of calories burned, and we can draw analogies to running a successful business. Equation number one of running a business is as follows: *Profit = Turnover – Cost*. In this case, what is left for companies that want to write black numbers on their balance sheets is the focus of their costs. Who is managing these costs? The purchasing department and the people with a purchasing role manage these costs. Managing the expenses and the cost structure is truly the bread and butter of the purchasing team. Moreover, research shows that the role of purchasing is critical to sustain the bottom line (Tully, 1995), especially during years of global recessions (Ammer, 1989).

Reflecting on the last global recessions since World War II (1974, 1980, 1990, 2008), we find that companies had to make some radical changes in their business set-up. The previous global recessions have all revolutionized the purchasing function due to top management support. The oil crisis in 1975 pulled purchasing out of its passive, administrative role and shaped purchasing as a supportive department of production (Ammer, 1989). The second economic recession in 1982 levelled the purchasing function to its first strategic role rather than being solely supportive. The third global recession in 1991 reinforced the evolution towards a more strategic planning role for purchasers (e.g., Spekman et al., 1994; Tully, 1995) and a decrease in inequality with other departments (McIvor et al., 1997). Finally, the great recession in 2009 caused a transformation towards an orchestrated internal support system for purchasers.

The red line in the evolution of the purchasing function throughout past global recessions is that top management increasingly empowers the purchasing function and directs organizations to a higher level of internal support for purchasing. Internal support originates from the shift made by top management and other Decision-Making Unit (DMU) members who favor and support the purchasing function to take the lead in the sourcing and decision process (Car and Smeltzer, 1997). This shift will continue to drive the practices and the agenda of the purchaser. Although there is a new global recession approaching, and thus a fifth round of purchasing empowerment ahead, most sales teams on the other side of the buyer-seller relationship still do not know how to deal with the new business environment that took shape after the last recession.

A brief reconstruction of what occurred to many sales teams after the great recession in 2009 is now drawn. Salespeople suddenly lost track of who their purchaser was. The buyer they already knew since they began working at their firm either switched positions, or they had to sell to an organized purchasing department—a purchasing department that was not so open for an easygoing coffee meeting. Salespeople were increasingly confronted with highly demanding purchasers who did their homework first and not so often perceived the value of meeting a salesperson (Forrester, 2019). As a result, the old-school sales approaches lost effectiveness on all grounds (Adamson and Dixon, 2012). What came as a surprise for many sales teams, which actually makes quite some sense, is that salespeople are being trained to avoid the purchasing function at any cost and that they overlook the purchaser's needs (Paesbrugghe et al., 2018).

Thus, sales teams should definitely know how to deal with the empowered purchaser, and now is the time to rethink their current sales approaches because the rules of the game will change again, which will be in favor of the purchasing function. In a nutshell, purchasers are gaining increasing support from their organization in a way that the future success of sales organizations will profoundly depend on the liaison with these key decision makers. Because the purchasing function is increasingly dominating roles in the DMU, it is essential for sales organizations to understand the progress of the purchasers they are dealing with.

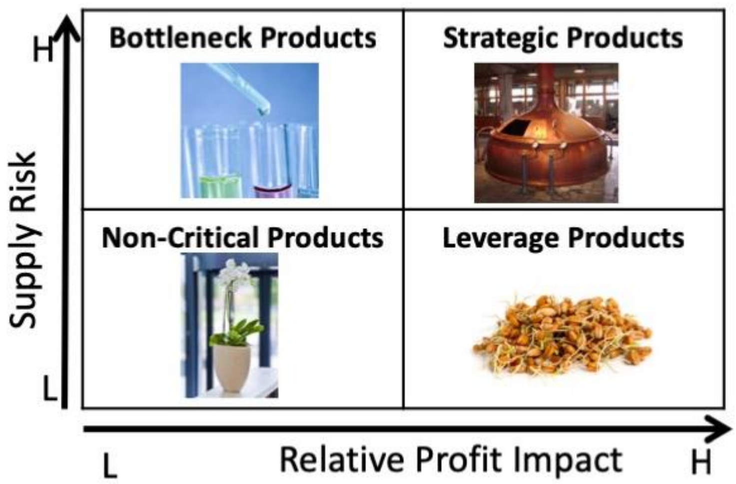
This is why it is important for selling organizations to understand the basics of their existence for purchasers. Selling firms understand that they can create value for the buying firm by optimizing their products, services, and branding to (a) decrease their cost or total cost of ownership, (b) increase their revenues, and (c) decrease their risk. But what are the specific elements that selling organizations can acquire to win business from the purchaser?

**Purchaser Need: Buyer's Efficiency.** Based on today's most influential B2C companies, such as Amazon, Netflix, Tesla, Google, and Uber, their customer-centric approaches come to mind. To be fair, we may also wonder why we did not buy (more) stocks in these firms. These companies are performing so well that it is almost no longer permissible to mention them as examples in a business school lecture. Many business school students groan about receiving the same set of examples of B2C companies in the classroom. If you ask them why these companies are continuing to be appealing to consumers and what sets them apart from their early competitors, they should be able to tackle these questions with ease. Namely, these companies are continuously striving to offer the best buyer experience. One key aspect is their dedication to making the ordering process as easy as possible. Amazon has a "buy now" button in its app that makes it simple to purchase products to be shipped. One step further, Dominos introduced a "zero click" app. As a consumer, you simply launch the Dominos app, and your favorite pizza will be delivered within 30 minutes. Not even a click of a button is needed. The list of intriguing and successful company examples on this topic seems endless.

This is particularly true for the B2C world. When we zoom in on the B2B world, the number of companies that make it horribly difficult to purchase from them is surprising. It seems that B2B companies have not progressed their selling approaches as much as their B2C counterparts. Taking a closer look at the contrasting B2B landscape, we find that many sales managers and commercial directors of B2B companies have grasped the necessity to understand the customer needs and to plot a buyer's journey. While B2C companies are at the forefront of making the buying process as swift as possible, the largest part of B2B companies is still organizing their sales approach to maximize their own turnover levels rather than actually incorporating the purchaser's needs.

Similarly to the students hearing the "Netflix/Amazon-of-this-world" examples in business school, many sales academics groan when they hear the 57% statistic. Buyers have completed 57% of their buying journey before they have their first contact with the sales organization. What does understanding the customer journey mean?

A long list of statistics states that buyers do not perceive the value of a salesperson's visit (Forrester, 2019; CEB 2020). Purchasers at a customer firm want to increase their purchasing efficiency by allocating their time resources wisely. The framework that is commonly used to categorize sales offers is the Kraljic purchasing portfolio matrix (Nellore and Söderquist 2000; Lamming and Harrison, 2001; Dubois and Pedersen, 2002; Gelderman and van Weele, 2003; Caniëls and Gelderman, 2005; Knight, Tu, and Preston 2014; Formentini et al. 2019). This is known by heart by almost all purchasers yet totally unknown and overlooked by salespeople. The two-by-two matrix is based on the relative profit impact for the purchasing firm on the one hand and the supply risk (number of suppliers available and the consequence of not having the product or service for the purchasing firm) on the other hand. This results in four product groups (profit impact-supply risk): Non-critical products (low-low); Leverage products (high-low); Bottleneck products (low-high); and Strategic products (high-high), which are shown in the figure below for the example of a brewery.




The relative profit impact for the purchasing firm is determined by the turnover potential and the Total Cost of Ownership (TCO), which is a calculation of all the costs involved over the product/service lifetime. What is important here is that purchasers are also measuring their efforts to find the sales offers they need for their firms as well the time they spend on maintaining the buyer-seller relationships. A significant cost is actually the sourcing of new products and the ordering process. One way salespeople can create value for their customers is thus by also assisting them in reducing these costs.

**Solution for Sales Management: Make Buying Easier.** The key for sales managers is to first understand how their sales offers are being categorized by different purchasing firms. Note that this is an exercise that is highly subjective in nature to the purchasing firm. When we take the example of detergents for different purchasing firms, the foam could be categorized completely differently depending on the access to the product and for what it will serve (e.g., a small lawyer firm or a big facility services firm).

***Strategic Products.*** Though many selling firms would prefer it, few of their customers consider their sales offer a strategic product. This misinterpretation of sales offer positioning is costing considerable money, resources, and even customers. Selling firms invest resources, such as customization, consulting, co-creating, C-level sales visits, etc., in relationships with buyers that should not be treated in such an expensive way. The cost of selling and the cost of serving for such relationships is extremely high. Since the 1980s, researchers have calculated the average cost of a sales visit and have found that it costs more than USD 250 per sales visit. Even more concerning is that it is almost as costly for the buyer to have this sales meeting, but again, this is completely overlooked even in today's customer-centric era. It is worth the investment when the purchaser categorizes the sales offer as a strategic one; however, it is very often a profit paradigm to be viewed as a strategic offer. Given the much lower cost to serve and the lower cost to sell, it is possible to have a more profitable relationship when the sales offer is categorized as a leverage product.

***Leverage Products.*** Purchasers know what type of solution they want when they are dealing with leverage products, and they know they can leverage their purchasing position to obtain a good price. For these types of products, it is extremely important for the purchaser to have a swift buying process. This implies that there must be an easy access to information, and this information must be complete for the purchaser even when these deals imply a large sum of money. Hence, purchasers seek explicit information (the what) and have a strong preference for digital marketing channels for their entire buying journeys. Counterintuitively, salespeople do not create much value here for the purchaser through their visits. Sales visits are only of value for purchasers when they need to assess the trustworthiness of the selling firm.

Order-taking salespeople are not only expensive for a selling firm but are also reducing the purchaser's buying efficiency and are costly for them as well. Despite spending considerable money on leverage products (i.e., flour for a bakery), purchasers want to increase their entire purchasing efficiency for this type of product. This is why purchasers often go for tenders for these types of products. Purchasers thus want to order via digital marketing channels or via any medium they find convenient, ranging from a voicemail message to a personalized app. At the same time, they want to be updated with essential knowledge regarding how they can further cut costs from their value chains. Hilti is an exemplar B2B firm that understands that an efficient buying journey differentiates it from its competitors in the hand tools industry.

Moreover, selling firms should focus on creating value for the purchaser through value-added services that actually matter to the purchaser. For example, invoice handling implies a significant cost for the purchasing firm, and salespeople can help improve the invoicing efficiency and handling cost. As an example, the chemical conglomerate BASF is allowing approved suppliers to debit their accounts but demands the use of the invoice that fits its ERP system. Another service that could enhance value for the purchaser is an automated ordering system using artificial intelligence that suits the purchaser's preference. Even a tracking system, such as when take-away dishes are ordered, can help improve the purchaser's efficiency. This avoids a written email or call to the selling firm to determine where the ordered goods are.

***Bottleneck Products.*** Next, for bottleneck products, purchasers want to secure supply. A typical example is the defrosting liquid at airports. For these types of products, it is all about risk reduction for the purchaser. This implies that there must be a swift move to a touchpoint with a salesperson to build trust that the ordered goods will be delivered in the desired condition on time. Intense global sourcing could be increasingly viewed as an increased risk for these products, and it is assumed that the purchaser will go into de-globalization mode; however, this will only be the case for purchased products and services that are categorized as strategic and bottleneck products, given their higher supply risks for the purchasing firm.

Selling firms should focus on how the prospects and customers can easily contact salespeople. They could integrate a booking platform to book meetings with salespeople or have a "call me back" option. Other suggestions are sharing qualitative information on the subject, such as whitepapers. The condition is that the prospects should leave their contact details to be contacted by salespeople. Purchasers seek tacit information (the how) and have a strong preference for personal selling for their entire buying journeys. Counterintuitively, it is not recommended for selling organizations to share complete information on the product or service offered through digital channels. This knowledge should be shared via salespeople. As an example, consider the website of any high-end consultancy firm. They do not share all the information needed to make a decision. Instead, they attempt to convince the qualified prospect to schedule a meeting with a salesperson (or consultant) as soon as possible.

***Non-Critical Products.*** Research has shown that purchasers want to reduce their time spent on non-critical products (i.e., a flower at the reception desk) as much as possible. When the sales offer is viewed as a non-critical product, sales organizations should not allocate their salespeople to these purchasers, which is in the best interest of both. Purchasers strongly prefer to have all information they need to go through the buying process (from need identification to invoicing) as conveniently as possible. They want to click a few buttons, have the credit card and shipping details pre-filled, and be *done with it*. Any touchpoint with a salesperson is one too many. The purchaser will follow the path of least resistance and go to a different selling firm when feeling even the slightest buying pain.

**Solution for Sales Management: Adapt Segmenting and Sales Visits to Purchasing Needs.** There are various degrees of segmenting the customer base. Obviously, the worst approach is not to segment or to categorize customers at all. Second, and most commonly, sales managers segment based on an ABC-classification that is grounded on the different turnover levels generated by their customers. In short, the A-segment here relates to companies that make the highest percentage of turnover for the selling firm; a customer falls in the B-segment because they generate less turnover; and the C-segment generates the lowest percentage of turnover. This segmentation approach only counts the turnover. The better student-in-class companies choose to also include the profitability of the customer. This is already more effective because a higher turnover level does not always equal higher profitability levels. Finally, best-in-class companies also account for the future profitability of the customer firm. This is acceptable, but what is disturbing is actually how this ABC-approach influences the sales call plan, or in other words, how often a salesman has to visit his A, B, or C-type of customer. This is not correct. The number of sales visits should be based on the type of value the purchaser wants from the sales offer, which strongly influences how often the customer wants to be visited.

Consider aligning resources (number of sales visits and sales efforts) with the categorization of the sales offer viewed through different purchasing goggles. To conclude, sales resources should be moved from the Non-critical and Leverage to the Bottleneck and Strategic product categorizations, or to an SBLN segmentation.