Disruptions of salesperson-customer relationships. Is that always bad?

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Researchers from the University of Bochum and the University of Warwick published a new paper in the *Journal of Marketing*, which shows that sales relationship disruptions can have overall positive effects for the selling firm.

The study, forthcoming in the January issue of the *Journal of Marketing*, is titled "Understanding the Impact of Relationship Disruptions" and authored by Christian Schmitz, Maximilian Friess, Sascha Alavi, and Johannes Habel.

Salesperson-customer relationships are fragile and can be easily disrupted for various reasons. For instance, as Forbes reported recently, there is a minimum 20% annual turnover in sales—and it's up to 34% if both voluntary and involuntary turnover are counted. Among millennial salespeople, the numbers are even more disastrous, with 51% saying that they will look for a new job at another organization in the next year.

When a firm changes the salesperson, relationships with customers are disrupted and threaten a company's most valuable asset. In fact, prior studies show that relationship disruptions may create a loss of customer knowledge, diminish customers' trust, and increase uncertainty. As a result, studies indicate that a relationship disruption leads to losses of up to 17.6% of total customer revenue.

Schmitz explains, however, that "the implications of relationship disruptions are more intricate and can also be revitalizing. First, after a disruption, a new incoming salesperson and the customer become newly acquainted and can reexplore mutual opportunities. And second, a relationship disruption might create an opportunity for customers to learn about other available products if the new salesperson has different experience, industry knowledge, and product focus."

To test the idea that relationship disruption may also have positive effects, the research team surveyed 273 purchasing managers, led in-depth interviews with 11 purchasing and sales managers, and gathered data pertaining to 2,040 B2B customers of a leading European logistics company over a four-year period. Based on comprehensive sales analytics, it discovered that relationship disruptions can decrease resale revenue (from previously sold products) by 28.1% but can also increase new sale revenue (from newly sold products) by 50.6%.

The study furthermore finds that these negative and positive effects of relationship disruptions strongly hinge on the relationship prior to the disruption and how it is managed afterward. Specifically, if customers received high value from the relationship in the past and anticipate future value, they are more motivated to maintain and expand the relationship after a disruption. Furthermore, if salespeople who take over from leaving colleagues are effective relationship managers, they can further enhance customers' motivation. In favorable conditions, a relationship disruption leads to substantially lower losses in resale revenue and higher gains in new sale revenue, leading to total revenue increases of 28.9%-41.1%.

This research helps managers: (1) prioritize their efforts among customers subject to a relationship disruption; (2) select activities to retain or expand business with prioritized customers; and (3) capitalize on the revitalization of customer relationships.

First, when a relationship disruption is impending (e.g., salesperson's resignation, retirement, or promotion), managers should analyze a departing salesperson's customer relationships to identify financial risks and opportunities and prioritize which customers to target with retention or expansion efforts. In addition, to understand the financial impact of a relationship disruption, managers can apply quantitative predictive analytics derived from our research. The models proposed in the study can estimate the effects of a relationship disruption on customers' resale, new sale, and total revenues, according to the favorability of the relationship context.

Second, the findings provide guidance for managing prioritized customer relationships and preparing them for an impending disruption. If their analyses predict a significant loss of resale revenue, managers should focus on managing the retention by fortifying this relationship in advance of the disruption. They can foster stronger firm-level ties by offering more benefits to customers (e.g., customization, discounts) or seeking to renew contracts. Managers also should sensitize incoming salespeople to the risks of resale losses and the importance of relationship building. If instead the model predicts a potential rise of new sale revenue, managers should focus on managing the expansion, including training salespeople to generate new sale revenues by reexploring needs and offering corresponding and novel products to customers.

Third, to benefit from revitalization and growth in new business, managers might—very carefully—select customer relationships for proactive disruption, even if a disruption would not normally be impending. The researchers strongly urge managers to avoid the conclusion that proactively disrupting an interpersonal relationship is a certain route to increased revenue. Beneficial effects for total revenues only accrue if the specific relationship context is favorable and if appropriate replacements are available. Even then, managers must consider potential unintended effects, such as demotivation among sales staff. So extreme caution is warranted here.

Schmitz adds, "Ultimately, this study serves as a reminder that existing customers' revenue potential may not be fully realized. Managers should instruct salespeople to re-explore customer needs, even in the absence of disruptions, and seek out new opportunities."

More information: Christian Schmitz et al, Understanding the Impact of Relationship Disruptions, *Journal of Marketing* (2019). DOI: 10.1177/0022242919882630

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