# THE ROLE OF TRADE SHOWS IN BUSINESS-TO-BUSINESS SELLING STRATEGIES: A METHOD FOR ASSESSING THE EFFECTIVENESS OF MARKETING COMMUNICATIONS

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ABSTRACT

The use of trade shows in the forest products and related industries has increased significantly over the past decade. However, little empirical research has addressed the impact of these events on company returns or other industrial marketing mix elements. The following paper examines the effectiveness of trade show and follow-up personal selling efforts for a woodworking machinery exhibitor. The authors report evidence of substantial economic returns and increased personal selling efficiency attributed to trade show attendance.

*Keywords*: Business-to-business, marketing communications, trade shows, personal selling, woodworking machinery.

## INTRODUCTION

The competitiveness of the forest products industry is increasingly tied to improved processing technology and increasingly more sophisticated selling strategies. However, forest products firms have generally left process innovation and the marketing of these innovations to equipment manufacturers (West and Sinclair 1991). Traditionally, the forest products industry has relied on foreign countries, primarily Germany, Italy, and Taiwan, for much of their woodworking machinery technology needs. But, U.S. firms are restricted in the degree to which they can tap into foreign technologies. Without strong domestic suppliers and a core technology base at home, it is difficult for secondary forest products firms to ensure a long-term competitive advantage (Porter 1990; Prestowitz 1988). By improving the competitive position of U.S. woodworking machinery manufacturers and their buyers through more effective sales and marketing strategies, the forest products sector stands to gain substantial synergies and thus technological advantage (Smith and Smith 1999; Smith and West 1994). To this end, the two most prevalent industrial marketing activities—personal selling and trade shows—are examined in this paper. A framework is suggested to assist woodworking machinery manufacturers, and more generally forest products marketers in measuring the effectiveness of their sales force and trade show activities.

Personal selling expenditures typically represent the largest share of industrial marketing budgets, including those of woodworking machinery manufacturers. It is also a relatively expensive resource. Personal selling has been

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found to represent nearly 50% of marketing budgets across all industry types and has been reported to account for over 60% marketing budgets among business-to-business companies (Sind 1996). Industry estimates indicate that the cost of one sales call can be as high as $240 (Marchetti 1998). Typically, an average of three calls is required to close a sale with an existing account, and the level of sales effort increases to about seven calls in the case of new accounts (Churchill et al. 1997). Therefore, the use and effectiveness of trade show expenditures are frequently viewed as playing a supporting role to the personal selling function. For instance, trade shows often act as the sole source of obtaining qualified leads for salespeople. Trade shows have also been shown to present an important selling opportunity in their own right: Parasuraman (1981) reported that trade shows rank second only to direct selling in terms of promotional factors influencing the purchasing process of industrial buyers; Kerin and Cron (1987) linked a number of exhibitor characteristics to better trade show performance; Bello (1992) matched information sources to show buyers by size of firm and hierarchical level of the individual; and Gopapalakrishna et al. (1995) demonstrated a positive return on trade show investment (ROTSI), albeit in a fairly limited selling environment.

Trade shows are a multibillion dollar industry. Projections indicate that by the year 2000, there will be over 4,700 shows featured annually in the United States, with nearly 140 million attendees and 1.5 million exhibitors participating annually. The growth of woodworking machinery trade shows to display new product innovations, enhance current customer relationships, promote corporate image, and above all, sell products has also been significant. The 1998 International Woodworking Fair (IWF '98) reported attendance growth of nearly 9% over its most previous 1996 show, representing a 34% increase in attendance from just 6 years ago (IWF 1999; Anonymous 1994). Ligna '99, held in Hannover, Germany, and Interbimall '98 (Xylexpo) of Milan, Italy, have each reported 14% increases in exhibitor attendance over their previous years' shows (Acimall 1999; Deutsche Messe 1999). Despite these impressive numbers, there is little academic research that has attempted to definitively quantify the marketing value of trade shows. Historically, a firm's trade show expenditures have been justified through ad hoc approaches (such as updating the previous year's expenditures) or plain rhetoric (we must participate in this show because our competitors will be there [Bonoma 1983]). The issue of improving marketing efficiency in the sales force context is also linked to the important issue of accountability. Firms are striving to gain a competitive advantage by treating marketing expenditures as investments (Marketing News 1999). The demand for accountability from trade shows and other marketing activities also highlights several challenges in tracking the outcomes.

The trade show industry has widely publicized its claim that, on average, less than one follow-up sales call is needed to close a lead generated at a trade show, whereas more than five times the sales calls are necessary to close a non-show lead (Trade Show Bureau 1992). While some have questioned the validity of these findings, more importantly, such studies have not attempted to account for the confounding effects of other marketing mix elements. Gopalakrishna et al. (1995) provide the only known study of trade show effectiveness in which substantial care was taken in creating a relatively "clean" environment in which sales could be directly attributed a firm's exhibit. While their work helps to provide a better understanding of the nature of trade show effectiveness, the atypical environment in which the Gopalakrishna et al. (1995) study took place limits the applicability of its results (only trade shows and direct mail activities were examined). Our study has been designed to address the effectiveness of trade show expenditures in a more common business-to-business marketing environment. By allowing the effects of personal selling efforts to enter the equation, academicians and practitioners