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Top management attention to trade shows and firm performance: A relationship marketing perspective

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ABSTRACT

B2B marketers allocate significant resources to trade shows, but often struggle to make a strong business case for these activities. Responding to calls to justify such investments, this research examines the effect that top management attention to trade shows has on firm value. Based on attention theory, this study suggests that top management's focus on trade show relationship marketing efforts results in better trade show performance. This helps develop market-based assets that in turn augment firm value. Using an event study to extrapolate the contingent effect that top management attention to trade shows has on firm value, the basic hypothesis is supported. Additionally, this research tests three top management orientations that are key to performing trade show relationship marketing activities. The findings address the absence of top management from extant trade show research and provide marketers with new insights related to maximizing their trade show investments.

1. Introduction

The pioneering marketer, John Wanamaker, is credited with stating: "Half the money I spend on advertising is wasted; the trouble is I don't know which half!" (https://en.wikipedia.org/wiki/John_Wanamaker). Over a century later, this sentiment still captures the dilemma faced by firms in the context of their trade show investments. Business-to-business (B2B) marketers believe skipping trade show events will adversely affect organizational performance, yet they admittedly struggle when asked to make a strong case for their trade show investments (CMO Council, 2013).

The Center for Exhibition Industry Research indicates that B2B firms allocate their largest share of marketing dollars (39.2%) to trade shows; dwarfing spending on other forms of promotion (CEIR, 2012). Investment in trade shows is high because participating firms can reap numerous benefits. These include "selling" opportunities such as prospecting leads, nurturing leads, and converting leads into customers, as well as relationship marketing opportunities that include gathering competitive information, building and maintaining brand image, servicing existing customers, introducing and demonstrating offerings, meeting supply chain partners, and exploring potential partnerships and alliances (Gopalakrishna & Williams, 1992; Hansen, 2004; Kim & Mazumdar, 2016; Sarmento, Simões, & Farhangmehr, 2015). Despite these opportunities, 45% of marketers struggle to make a strong business case for their trade show investments (CMO Council, 2013). Essentially, the link between trade show participation and firm performance is unclear (Blythe, 2000; Blythe, 2014; Tafesse & Skallerud, 2017). The current study explores how B2B marketers can improve the return on their trade show investments by examining the role of top management in trade show-related activities, specifically in relation to the ability of trade shows to impact firm value.

Trade shows are a primary sales and marketing initiative for B2B firms (CEIR, 2016; Rinallo, Bathelt, & Golfetto, 2017; Tafesse & Skallerud, 2017); positioned as an important sales forum with the potential to reap additional marketing benefits (Bonoma, 1983). However, firms interact with their customers and prospects much differently than they did in the past and extant trade show studies have not kept pace with recent selling and sales management practices (Jones, Brown, Zoltners, & Weitz, 2005; Tafesse & Skallerud, 2017). The current paradigm suggests that B2B firms are more focused on building and maintaining profitable long-term customer relationships (Bradford et al., 2010; Hunter, 2014; Venkatesan, 2017). Accordingly, this study adopts a view of trade shows that is consistent with contemporary perspectives on relationship marketing (e.g., Palmatier, Dant, Grewal, & Evans, 2006; Reinartz, Krafft, & Hoyer, 2004; Tanner, Ahearne, Leigh, Mason, & Moncrief, 2005). From this vantage point, trade shows may be viewed as evolving from a one-time selling or transactional venue to a more strategic or relational role, wherein it is argued that top management can have a significant impact on the financial returns from trade show participation.

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Table 1
Selected quotes from top managers regarding the importance of B2B trade shows.

Job title	Years of experience	Industry	Quotations
Vice President	20 +	Manufacturing	"[The trade shows we participate in] are designed to showcase our programming and either kick off the year or bring in a strong finish to the year." [Y.M.]
Vice President	15 +	Manufacturing and consulting	"[Trade shows are] a place where your target audience is rich … so it is an efficient and effective place to do marketing." [E.S.]
Director	20 +	Pharmaceuticals	"Trade shows are a public representation of a company's strategies." [M.S.]
National Segment Leader	20 +	Healthcare services	"Trade shows are an investment [in] generating leads … Failure to attend will cause many to believe the company doesn't respect both the organization that is sponsoring the trade show and the audience [that attends]." [S.E.]
Vice President	20 +	Office furniture	"We participate [in trade shows] to support channel partners, to promote the brand to customers and end users, and to get feedback on our offerings" [M.G.]

The effectiveness of relationship marketing efforts depends on the specific strategies that are deployed (Palmatier et al., 2006). When implemented successfully, marketers can expect mutually beneficial outcomes including better firm performance. In this regard, the attention of top management toward trade shows is essential because it emphasizes the need for employees to take advantage of the face-to-face opportunities that trade shows present to perform key relational activities (Hunter & Perreault, 2007; Joshi & Hanssens, 2010).

Prior calls to study top management in more varied B2B contexts (e.g., Tanner & Chonko, 1995; Yadav, Prabhu, & Chandy, 2007) have been largely ignored. This is unfortunate because establishing firm strategy is the principal responsibility of top management (Boyd, Chandy, & Cunha, 2010; Hambrick & Mason, 1984) and approximately 90% of marketers view trade shows as having strategic value (CMO Council, 2013). Moreover, previous academic studies have been limited because they categorize trade show activities as either selling or marketing, and studies focused on the former have outnumbered those on the latter (Tafesse & Skallerud, 2017). This oversight is significant because information-exchange, and brand- and relationship-building activities are related to the development of market-based assets that have long-term relationship building and performance implications (Hansen, 2004; Palmatier et al., 2006; Srivastava, Shervani, & Fahey, 1998). This study finds that investors respond positively and significantly to information describing top management attention to trade shows. The data also support the conceptualized impact of top management attention on trade show relationship marketing activities as moderating the financial returns associated with trade show participation. Therefore, this research reveals: i) the key role of top management attention to trade show performance, and ii) the important link between top management attention and trade show activities related to relationship marketing.

This research makes a number of contributions. First, it builds on behavioral theory of the firm while introducing top management conceptualizations (Hambrick & Mason, 1984) to trade show research. Second, this study conceptualizes trade show efforts within the context of firms' relationship marketing strategies (e.g., Palmatier et al., 2006) and demonstrates the financial impact of top management orientation specific to trade show relationship marketing efforts. Third, by examining firm value, this research employs a measure that affords a robust determination of the effect of top management's attention to trade show strategy on firm performance (Katsikeas, Morgan, Leonidou, & Hult, 2016). Fourth, this research utilizes an event study to determine the financial effect of top management's engagement in trade shows in a manner that avoids managerial biases and other potential confounds (e.g., Boyd & Spekman, 2008). For practitioners, this study highlights the role of top management in decisions related to trade shows, and provides guidance on how to optimize their trade show investments in line with contemporary relationship marketing strategies.

2. Conceptual background

2.1. Trade shows in practice

The term "trade show" connotes events such as exhibitions, fairs, and expositions (Kirchgeorg, 2005). Their importance is reflected in the size of the industry, a $13.8 billion business expected to grow to $15.4 billion in revenue by 2021 (Morea, 2016). Meanwhile, trade show related expenditures exceeded $263 billion in 2009 (PWC, 2011). The Convention Industry Council estimates that 10,000 trade shows are held in the United States each year (PWC, 2011).

While the importance of trade shows has been well-established (e.g., Tafesse & Skallerud, 2017), the authors sought to gain a deeper understanding of their strategic value by specifically considering the perspectives of top management. Exploratory in-depth interviews were conducted with a group of senior level managers and executives (N = 8) employed at B2B firms who, crucially, had experience with trade show planning and management. The interviews followed recommended guidelines (e.g., Willis, 2000) and consisted of a set of open-ended questions related to firms' trade show activities, particularly as they relate to top management involvement in trade shows and their role in firms' relationship marketing strategies.

As outlined in Table 1, participants' quotes are indicative of each firm's reliance on trade shows as an integral aspect of their firm's overall marketing strategy. Moreover, comments from the participants revealed the influential role of top management in trade show activities, specifically drawing attention to relationship marketing efforts. For example, one vice president at a manufacturing firm pointed to how "senior management gets involved in determining what sponsorships to invest in at the show, what will be promoted or emphasized and what events will take place during the show, such as cocktail parties" [I.S.]. Therefore, consistent with recent industry reports (e.g., CEIR, 2016), there was clear evidence of top management's importance to the execution of relationship marketing at trade shows.

2.2. Trade shows and relationship marketing

Historically, B2B marketers have perceived the primary value of trade show participation as facilitating sales either at the trade show or soon after the event (Blythe, 2014; CEIR, 2016). However, trade shows also provide the opportunity for long-term returns that arise as a result of a firm's development of strong linkages between itself and important external stakeholders like customers, distributors, and alliance partners (Blythe, 2014; Borghini, Golfetto, & Rinallo, 2006; Hunter, 2014; Rinallo et al., 2017; Sarmento et al., 2015). Palmatier et al.'s (2006) relationship marketing framework suggests that dyadic antecedents to relationship marketing success, those that involve both sellers and customers, unfold at venues such as trade shows where both the firm and its customers interact face-to-face. Marketers that engage directly with their customers; uncover congruent goals and values with their customers; and interact frequently and consistently with their