

The U-Shaped Effect of Price Increase Magnitude in B2B

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Abstract

B2B companies are increasingly implementing price increases to counter rising costs and supply chain bottlenecks. When doing so, however, they wield a double-edged sword: In the hope of profiting from higher unit prices they can cause lasting damage to their customer relationships. With our study, we advance knowledge on price increases in B2B contexts and uncover a U-shaped effect of the magnitude of price increases on sales revenue and profit generated in B2B relationships. By drawing on a multisource dataset of an industrial supplier including objective customer performance data we employ robust panel regression models we not only observe strong declines in sales revenue and profit for low magnitudes, driven by shocks in customers' demand, but reveal significant upturns for increasing magnitudes within moderate range as rising unit prices may compensate for declines in demand. Further, we show how focal relationship contingencies shape this effect.

Keywords: pricing, sales management, customer relationship management, panel regressions.

Track: Sales Management and Personal Selling

