Abstract

This is a conceptual paper that discusses and presents a research project concerned with relationships and relationship marketing. The paper shows that the concept of relationship marketing is in the early stages of development, besides the huge amount of books written about the subject. We highlight that the boundaries of relationship marketing are permeable and elastic. Relationship marketing consists of a fragmented sort of different approaches, partly independent partly overlapping, inspired by different theories, with a multitude of aggregation levels and several units of analysis. We clarify the scope of this domain and we present a number of critical issues that remain unresolved. Is the concept of relationship marketing ubiquitous and can it be applied to any context? Are relationships alike whatever the market considered? The paper reviews some approaches and theories that are consider relevant: the IMP approach to business relationships, the Nordic approach to services relationships and the one-to-one approach of database marketing, related with IT and CRM. Finally, we present a research project that questions the legitimacy of this domain extension and the nature of relationships in consumer markets.

Keywords: relationships, relationship marketing, interactions, business-to-business markets, consumer markets
Introduction

In the early to mid 1990s, the issue “Relationship Marketing” (RM) became of great interest both to academics and practitioners (Buttle 1996; Payne 2000; Sheth and Parvatiyar 2000; Wilkinson and Young 1994), becoming probably the major talking point in business management (Egan 2003), “the hot topic of the marketing discipline” (Möller and Halinen 2000) or the “major development in marketing research and as the major trend in modern marketing” (Mattsson 1997). Slowly at first and then with a rush unabated, the growing interest in relationship marketing brought mature literature, increased recognition of its benefits and rapid advances in information technology (Berry 2002). Many marketing academicians accepted relationship marketing as the latest gospel and began spreading it faithfully as loyal disciples (O’Malley and Tynan 2000). Discussion about relationship marketing began to dominate the marketing agenda, with numerous articles and special journal issues dedicated. A worldwide forum for discussion on relationship marketing, its issues and promises was generated through literature, papers and conferences. A paradigm shift in marketing at the expense of four Ps was foreshadowed (Grönroos 1994). Gummesson (2002) replaces the four Ps of transactional marketing by the 30 Rs. Firms started to aim for “share of wallet” instead of market share. The idea of managing the client (instead of the product) lifecycle reveals the importance of knowing each client’s value during every stage of the relationship (Palmer and Bejou 1994) and some authors describe “the customer staircase” or “marketing ladder of customer loyalty” (Payne and Frow 2004). A brand new vocabulary showed up and a separate language of “partnerships”, “alliances” and “key accounts” started emerging, perhaps in an attempt to differentiate this concept from the milieu (Zolkiewski, 2004). However, as the dust begins to settle, inevitably questions are being asked about how much of RM is reality and how much is pure rhetoric (Fournier, Dobscha and Mick 1998; Shrivastava and Kale 2003). According to Egan (2003), RM seems to be emerging as more of a general “umbrella philosophy” with numerous relational variations, rather than a wholly unified concept strong enough to hold. For instance, Zolkiewski (2004) refers that some are already pleading for action to prevent the premature death of the construct, due to the over-use, misuse and even abuse of the term in marketing. Next, we look at the origins and development of relationship marketing, and we present the different approaches associated.

Relationships and RM: A Brief Literature Review

Background

In marketing there is a long lasting tradition that has always valorized relationships, although the term “relationship marketing” has only achieved popularity in the nineties. Grönroos (2004) states that the phenomenon itself is as old as the history of trade and commerce and, Moller and Halinen (2000) admit that marketing relationships as phenomena are probably as old as any trade relationship. In fact, buyer-seller relationship is an old-fashioned way of doing business. Relationships have strong historical antecedents from the pre-industrial era (Sheth and Parvatiyar 1995a). Sellers knew each of their buyers individually and suggested appropriate, customized product offerings. This situation changed during the industrial era, in which marketers shifted their concerns towards sales and promotions of goods instead of relationship enhancement and when individualized practices were replaced by mass marketing. From the post-industrial era on, however, marketers started realizing the limitations of their transaction-oriented strategies under pressure of eroding repeat purchases and intensified competitive pressures in increasingly saturated markets (Sheth and Parvatiyar 1995a). A clear shift took place from marketing to anonymous masses of customers to developing and managing relationships with more or less well-known, or at least somehow identifiable, customers (Grönroos 2004), using highly sophisticated information technologies. Several marketing scholars, like for instance Grönroos (1990), Sheth, Gardener and Garrett (1998), Sheth and Sharma (1997), Sisodia and Wolfe (2000) or Webster (1992) believe that we are witnessing the birth of an alternative paradigm to the prominent exchange paradigm, dominant in mass consumer goods markets, already obsolete and insufficient to explain the current market context. According to Möller and Halinen (2000) these and other scholars have been welcoming relationship marketing as a “saviour from the detrimental impact of traditional marketing or marketing mix theory” and new scientific empires are being built on its shoulders (“shoulders of giant”, as Egan (2003) observes).

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1 For a detailed analysis of relationship marketing evolution, see Bejou (1997) or Sheth and Parvatiyar (1995a).
But while bookstores are overflowing with an ever-increasing number of tomes on relationship marketing, more questions are being placed about its domain of application. The fragmented nature of the theories pertaining to the evolution and management of marketing relationships creates several problems, suggesting that is misleading to talk about a single “Relationship Marketing Theory”. Knowledge on relationship marketing is still in its early stages of development, currently “enjoying” the unusual status of being an oversused and underdeveloped concept at the same time. It is characterized by a fragmented set of approaches and is surrounded by a lot of confusion and disagreement (Grönroos 1994). For instance, Egan (2003), Rao and Perry (2002) and Shrivastava and Kale (2003) note that a content analysis of 117 different sources done by Harker (1999) produced as many as 26 substantial definitions of relationship marketing with seven conceptual categories, proving there is no consensus over it and reflecting the development and evolution of RM over the last three decades. Mainly because of the multidimensional character and the relative newness of relationship marketing, literature has not yet agreed upon a common definition, resulting in quite different conceptualizations of relationship marketing between various scholars.

In a conference paper on service marketing, Berry (1983) first introduced the term relationship marketing, and a few years after, Jackson (1985) used it in a business-to-business context. Berry (1983) defined relationship marketing as attracting, maintaining, and enhancing customer relationships. Later, Morgan and Hunt (1994) suggested that “relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges” and Gummesson (2002) described relationship marketing as “marketing based on interaction within networks of relationships”. Some narrow functional perspectives emphasize database marketing, interactive marketing, customer retention and one-to-one marketing (Buttle 1996). The “relationship” concept was also a part of the interaction and network approach of the IMP - International Marketing and Purchasing Group (Ford, 2004).

Trying to shed some light on the nature of relationship marketing, Aijo (1996) questions if it is a fad, a new area of marketing, a new marketing strategy, a new marketing concept, a new emerging school of marketing, or a new marketing paradigm. Surprisingly, relationship marketing was not waiting in the wings hoping to be discovered. In fact, relationship marketing was initially conceived as an alternative to mainstream marketing, a new approach more suited to marketing in inter-organizational and service situations where markets were heterogeneous, where buyers and sellers were both active, and where interaction and relationships were important (O’Malley and Tynan 2000). This shift towards relationships took place over a decade ago and there’s where we can find the roots of key concepts of relationship marketing (Möller and Halinen 2000).

**The IMP Approach to Business Relationships**

The idea of “interaction” was first drawn up by the IMP Group during the 1980s, stressing the importance of relationships in business networks. In 1982, the IMP Group published “An Interaction Approach” (Håkansson 1982), a model based upon buyer seller cooperation instead of the traditional view of buyers and sellers as adversaries. The main idea was that the process of establishing business relationships could not be characterized as a process of actions and reactions, but interactions, which happened in multiple levels in the organization. This approach was not management or consumer-oriented, but interorganisationally-oriented and descriptive of marketing processes (Moller and Halinen 2000), focusing relationships how they are, and not how they should be (Mattsson 1997).

The IMP Approach aims to understand how relationships develop between organizations at a dyadic level in a network context, how these nets of relationships evolve and how markets work and evolve from a network perspective (Ford 2003; Håkansson and Snehota 1995). Instead of focusing solely in relationships between the marketer and the individual customer, assumed to exist in a large number and to be substitutable, this approach deals with exchanges between suppliers and buyers of various types, and even between several actors at a time, in a small number and difficult to switch. Inspired in concepts from the social exchange theory, the IMP Group looks at inter-organizational relationships as strongly interdependent and reciprocal, based in cooperation, trust and commitment (Axelsson and Easton 1992), variables that moderate the impact of potential struggles for power. The Interaction Approach takes the relationship as its unit of analysis rather than the individual transaction. Each episode is affected by and affects the overall relationship. The relationship between companies is the
receptacle for the combined experience of the participants. Furthermore, relationships evolve over time and can be considered to traverse a series of stages, characterized by increasing mutual adaptation, reduced distance and increasing commitment (Turnbull, Ford and Cunningham 1996). Industrial networks can be regarded as complex aggregations of relationships, hard to plan, predict or manage. This process of aggregation is unlikely to be simple or additive. Business markets are seen as arenas within which buying and selling companies interact with each other, and where previous experiences in that relationship and in others are important influences on attitude and behavior. This view contrasts with previous traditional studies which tended to see markets as atomistic and consisting of a large number of more or less anonymous customers with which marketers dealt at a distance (Ford 2003).

The Nordic School Approach to Services Relationships

Based on entirely different empirical data, service research found the same phenomena – relationships, networks and interaction – to be in the core of both consumer and business services marketing (Gummesson 2004). The Nordic school of services marketing was relationship-oriented from its birth, stressing (although in a basic managerial perspective) its interactive nature and long-term view (Möller and Halinen 2000). For instance, Grönroos (2000) argues that services are inherently relational and that the critical factor is whether or not firms want to make use of these relationships in the way that they manage their customers. At the time, the majority of marketing definitions were associated with sales, promotions and mass consumer markets, related with the marketing-mix theory introduced by Borden (1964). Marketing was considered a “melting pot” where several “ingredients” were supposed to be combined according to formula of guaranteed success in a homogeneous, passive and anonymous market, where buyers and sellers could not interact. This vision obviously didn’t apply to inter-organisational and service contexts. The Nordic school was one of the first to purpose a paradigm shift in orientation from transaction to relationship, when it realized that the introduction of services marketing concepts and models in business relationships could become a major breakthrough. By combining the traditional marketing management vision with the interaction and network approaches developed in the business-to-business context, the Nordic school researchers have broadened their range of vision to more general concepts of marketing-oriented management and to relationship marketing (Gummesson 2004). Distinguished academics such as Grönroos and Gummesson have been at the forefront of this debate (Zolkiewski 2004). Grönroos (2000) let relationship marketing to be the general definition of marketing: “marketing is to manage the firms marketing relationships” and Gummesson (2002) has seen relationship marketing as “…interactions, relationships and networks”.

IT, CRM and The One-to-one Approach of Database Marketing

From the mid 1980s onwards, rapidly developing information technology has been creating a primarily practice-based and consultant-driven literature on managing long term consumer relationships through databases and direct marketing activities (Gummesson, 2002; Möller and Halinen 2000; Peppers, Rogers and Dorf 1999; Rao and Perry 2002), with a heavy emphasis on marketing communications, customer loyalty and one-to-one marketing. As Berry (2002) states, "I had no idea that the information technology revolution ahead would enable relationship customization to the extent that it has." Indeed, a decade ago, thoughts of appropriating the relational perspective and transferring it into mass consumer markets would have been unthinkable, yet today relationship marketing is embraced by both practitioners and academics in a wide range of markets and contexts (O'Malley and Tynan 2000). Marketers now had both the willingness and ability to engage in relational marketing (Sheth and Parvatiyar 1995b). The intention is to treat consumers not like a homogeneous market but as individuals (Gummesson 2004; Sisodia and Wolfe 2000), a challenge difficult to meet without IT and CRM (Customer Relationship Management), "the recent vogue in management literature" (Buttle and Ang 2002; Ford 2002).

However, this approach is perhaps best characterized as a practice, with limited conceptual efforts to tackle the dynamism of relationships. Many within the academy constituency remained skeptical, arguing that due to the size of consumer markets, the nature of competition, the anonymity of customers, the limited interaction between consumer and organization and the difficulties associated with potentially intrusive technology, developing relationships in consumer markets was inappropriate (O’Malley and Tynan 2000; Thompson et al 2000).
The Problem Formulation and The Research Agenda

**Problem Formulation**

This paper is part of a Ph.D. research project investigating the nature of relationships between consumers and firms, which have so far received insufficient attention from the research community (Hennig-Thurau and Hansen 2000; Ravald and Grönroos 1996; Walter, Mueller and Helfert 2000). Although relationship marketing (RM) possesses much intuitive appeal, the basic assumptions that underpin this domain extension have not yet been tested or challenged in any meaningful way. Despite more than ten years of academic and practitioner interest in this area, knowledge has advanced little. Besides its undoubted popularity, given the diversity in operational approaches employed, and the lack of accepted definitions, it has become impossible to delimit its domain (O’Malley and Tynan 2000). Whereas some scholars are convinced of the existence of one overall relationship marketing theory, others argue that relationship marketing is context-specific. The current discussion of relationship marketing has been characterized more by rhetoric than by rigorous examination of what the concept actually involves, overtaking sound theory development (Möller and Halinen 2000). As Palmer (2000) refers, much of the published work in the field of relationship marketing is normative and descriptive, and only a limited amount of empirical work has been conducted. Researchers seemed, however, suggesting that a term such RM, involving a vague notion of the term “relationships” was bound to generate multiple definitions. According to Egan (2003), although “breadth of domain” has always been an issue, arguments appear to be coalescing around two, perhaps, irreconcilable, camps of researchers: a narrower viewpoint (solely concerned with the customer-supplier dyad or market-based theory) but with a distinctly broader application (even to consumer markets, extending the term relationships to non-personal, technology driven contact associated with direct marketing and lately CRM), on one hand; and a broad definition of RM (embracing a wide range of relationships or network-based theory), but with a narrow application (its benefits appear limited to certain industries and situations), on the other hand (Payne 2000). A second feature of this divide appears to be between the non-American (Nordic and Anglo-Australian approaches) and American researchers, which appear to be leading the move to a narrower form more than their European and southern hemisphere colleagues, who defend a holistic, multi-relationship definition of RM (Sheth and Parvatiyar 2000). However, with marketing metrics becoming more important on the mainstream marketing agenda, these “well-accepted” law-like generalisations that have grown up around relationship marketing are likely to dominate (Egan 2003).

**Research Framework**

The main purpose of this study is to develop an interaction conceptual model for relationships in consumer market context in which the activities of both parties are taken into consideration. Further, while industrial marketing research about relationships often emphasize the integration of both supplier and customer's perspective, consumer relationship marketing disregards this crucial aspect. Instead deals with the lifetime value of customers and the links between loyalty, revenue and profitability or the costs and benefits of retained customers vis-à-vis new customers (Zolkiewski and Lewis 2003). RM is mainly concerned with the behavior of consumers or of firms, but not of both simultaneously. Several authors emphasize the importance of integrating both sides of the relationship. For instance, Fournier, Dobscha and Mick (1998) refer that “...the basic questions of whether, why and which forms consumers seek and value ongoing relationships remain largely unanswered.” Sheth and Parvatiyar (1995b) advocate that “...taking the consumer perspective and understanding what motivates consumers to become loyal is important.” Or like Dwyer, Schurr and Oh (1987) state “…buyer and seller investments in a relationship jointly determine relationship outcomes.”

The research framework considers four components, see Fig. 1.

(i) The seller firm’s characteristics and strategies. According to Ganesan (1994), if the firm has a long-term orientation, it needs to actively plan relationship efforts. Relationship efforts can be classified into communication with customers, customization of products according to its characteristics, differentiation between customers, personalization degree and schemes of loyalty rewarding. To develop this kind of strategy and to put
these efforts into practice, firms rely on both tangible and intangible resources like available technology, brand name, market knowledge and information, etc.

(ii) The consumers' characteristics and their proneness to develop relationships.
The clients' characteristics and the receptivity of buyers to engage in relationships with sellers is believed to affect the success of relational strategies (Sheth and Parvatiyar 1995b). The buyer is not necessarily a willing participant in relationship strategies set up by the seller (Fournier, Dobscha and Mick 1998) and not all are equally receptive (Bendapudi and Berry 1997). Bendapudi and Berry (1997) define buyer's proneness as the "consumer’s relatively stable and conscious (there is, not based on inertia or convenience, but positive motivations) tendency to engage in relationships with retailers of a particular product category".

(iii) The nature of the object exchanged affects the interaction process.
We consider that firms’ and consumers’ characteristics and actions alone are not sufficient to explain buyer-seller relationships. The product category and its nature is also important, since enhancing relationships is generally easier in high involvement contexts as opposed to low involvement ones. Product nature is represented in this model as a contextual and instrumental factor that intermediates the buyer-seller relationship. For instance, consumer products or services tend to involve low levels of purchase risk, technical complexity and service requirement. These differences may have consequences on the type of buyer-seller relationships that exist in these markets.

(iv) Finally, the research framework will consider the result of the interaction process. Does it constitute a “relationship”? This is the research crucial aspect, e.g., how are relationships in consumer markets? Are they mere interactions? Can we find some patterns or a model to describe relationships in consumer markets? And what factors are relevant to understand its nature?

These four analytical constructs have been integrated in order to develop a research arena for relationship studies in consumer settings. In fact, it's important to underline that relationships both drive and are driven by the context where they take place (Fournier, Dobscha and Mick 1998), that “marketing is context driven” (Egan 2003) and that it is “important to recognize the context in which exchanges take place” (Mattsson 1997; Möller and Halinen 2000). Relationship marketing practices are not considered to be effective in every situation or context. Not every exchange has the potential to grow into a relationship.

This area is in its first stage of development and this relationship perspective in consumer marketing can open new doors to deepen our understanding of mass markets. A research tradition exists within industrial markets, but those findings and constructs are uncritically imported and readily applied by marketers also in the context of consumer markets, despite a dearth of conceptual and empirical justification. The assumption is that consumer relationships are similar to business relationships, which in turn are similar to interpersonal relationships, where social exchange theory applies. But the differences between the two domains range across (although not limited to) issues such as switching-costs, availability of alternatives, type and frequency of interactions, level of interdependency, underlying motives, relative size and the overall importance buyers and sellers attach to relationships. These differences have consequences on the patterns of buyer-seller relationships that exist in both
markets. Social exchange theory has a role to play in situations where relationships are recognized by both marketers and consumers, where product involvement is high, demand is inelastic and interaction frequent (O’Malley and Tynan 2000). However, the majority of consumer relationships are not close and long-term, rather they are distant and discrete. Furthermore, it is neither possible nor profitable to create close, personal and long-term relationships with all consumers in all product markets. Therefore, the explanatory power of social exchange theory is reduced and the normative values associated with the popularized marriage metaphor limit understanding of relationships in consumer contexts, where other metaphors, like polygamy could be more usefully employed.

Methodology

The most demanding analytical task in the study was to combine the concepts into a logical preliminary process model, since the creation of a testable and measurable “theory” can be viewed as a special strength of theory-generating case studies (Eisenhardt 1989). The conceptual framework presented has consciously avoided extending any particular well-known interaction theories usually applied to business markets. Instead, attempt is made to conceptualize the area from a managerial perspective and selectively choose as many theories as seem relevant to provide insights into why and how some buyer-seller interactions develop. The idea was to avoid blind domain extensions. This will help to clarify the question of whether there are several sets of language and research being used to describe the same phenomena or if, in contrast, the true is that there are different phenomena resulting from different contexts, consumers and sellers (Zolkiewski and Lewis 2003).

Under such circumstances, qualitative research can perhaps provide insights that quantitative, linear and objective quantitative approach cannot. In particular, and as Yin (2003) states, case studies are appropriate for How, Why, When and What questions. In this study, each “case” will consist in a service firm, operating in consumer markets, which tries to develop a relationship approach towards its clients. Research will collect data both from the seller and the buyer side of the relationship: on one hand, the efforts carried out by firms (through interviews with key informants); and on the other hand, the proneness and perceptions of individual customers concerning those intended “relational” efforts (through the distribution of questionnaires to a sample of the firms clients database). The empirical research will be conducted in service firms since services are inherently relational (Grönroos 2000). Also highly competitive and transparent markets were selected to prevent buyers to be constrained by limited choice or lack of information. Markets are also supposed to have reached maturity, to be overstored and to have difficulties differentiating themselves based on product characteristics only, so that relational strategies can make sense. Mature markets also contribute to have less exogenous factors (other besides the ones considered in the research framework) influencing the nature of relationships. Each case will be viewed as a planned experiment selected on theoretical grounds.

Intended Research Contributions

The contributions of this study to relationship marketing theory are twofold. First, it critically examines existing theories underlying relationship marketing in light of their potential contribution to understanding consumer relationships, selecting and developing constructs that are more relevant in this particular context. The aim is to describe buyer-seller relationships in consumer markets, an area where a number of gaps remain, particularly in terms of empirical research. Second, on a managerial level, we hope that knowing the effects of relationship marketing strategies on relationship outcomes, on one hand, and identifying those buyers who are most prone to engage in relationships, on the other, will provide powerful guidelines for companies to fine-tune their relational efforts and marketing investments.

Conclusion

Relationship marketing has reached a critical juncture, with some authors questioning the extent to which robust theories have emerged, since “the perception of relationship marketing varies between authors” (Gummesson 1994). It reflects continuing concerns relating to the delineation of an appropriate domain (O’Malley and Tynan 2000) since till now the concept is only something “ambiguous and not-specific” (Palmer 2000). Moller and Halinen (2000) also state that “what we have is a variety of partial descriptions and theories focusing on the broad content of the phenomena.
Researchers have labeled relationship marketing. The underlying bases of the different RM theories are so discrepant that one those not expect to see any unification into a “general theory of relationship marketing”. Because relationship marketing, as a concept, represents only a part of a broader issue: relationships. Most writers simply talk about relationships or a move for a transactional to a relational approach, with an implicit assumption that the reader understands what is meant by relationships and, of course, that such an assumption is undoubtedly correct. But is this true, do we all share the same understanding of what constitutes a relationship? (Zolkiewski 2004). Håkansson and Snehota (1995) suggest a tentative definition of relationship as a “mutually oriented interaction between two reciprocally committed parties”. Even so, do both parties really believe they are in a relationship? Or passive customers can ever be involved in “real” relationships. This paper show that there are still many questions unanswered. Is it implied that both participants have to be active? Are trust, adaptation, dependency and power antecedents or consequences of a relationship? Thus, research is still needed to explain and categorize where and when marketing relationships exist and what constitutes a relationship, particularly in consumer markets.

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