

Relationships Marketing, as a New Direction of a Marketing Theory

Angelė Kėdaitienė

Vyr. asistentė socialinių mokslų daktarė
Vilniaus universiteto Ekonomikos fakulteto
Marketingo katedra
Saulėtekio al. 9, 2040 Vilnius
Tel. (3702) 76 89 79, faksas (3702) 76 89 69
El. paštas: angele.kedaitiene@ef.vu.lt

The interest in relationships marketing has grown in recent years and is now beginning to take center stage in marketing thought and research. Relationships marketing covers the whole spectrum of marketing's sub-disciplines and also integrates concepts and theoretical paradigms from several social science disciplines, including economics, sociology, psychology and political science. The full potential of relationships marketing has implications for organizational changes and for creating superior marketing value. Several indications suggest that it will have a broad appeal and would encourage widespread academic inquiry.

The aim of this article would be to present various points of view to relationships marketing and highlight concepts which, according to authors point of view, carry out the highest level of relationships marketing correlation with classical marketing theory and which are the most important to present practical marketing activity, to marketing management and marketing research.

Relationships marketing definition

Relationship marketing is the practice of building long-term satisfying relationships with key parties: customers, suppliers, distributors – in order to retain their long-term preference and business. Smart marketers try to build long-term, trusting, “win-win” relationships with valued customers, distributors, dealers and suppliers. They accomplish this by promising and delivering high quality, good service and fair prices to the other parties over time. Relationship marketing results in strong economic, technical and social ties among the parties. It also cuts down on transaction costs and time.

The ultimate outcome of relationship marketing is the building of a unique company asset

called a marketing network. A marketing network consists of the company and all of its supporting stakeholders: customer, employee, suppliers, distributors, retailers, ad agencies, university scientists, and others with whom it has built mutually profitable business relationships. Increasingly, competition is not between companies, but between whole networks, with the prize going to the company that has built the better network. (Kotler, 1997, p.12–13).

These paragraphs from the leading American textbook on marketing provide arguments, that relationship marketing has “arrived” in marketing theory and practice. Kotler includes relationships and networks as one of the seven

core concepts of marketing. Several terms used above are significant. The words "trusting", "promising" and "fair" in the first paragraph indicate, that relationship marketing, according to Kotler's point of view, is a concept with strong ethical content. The marketing network notion, discussed in the second paragraph, has its roots in other relationship marketers theories too. Significant is Kotler's use of "stakeholders" to describe the various constituencies, that must be satisfied if relationship marketing is to be reality.

There are also other types of general definitions of relationship marketing. Some of them focus only on just one or two relationships or properties. Relationship marketing is sometimes only suggested for industrial marketing where sales are big and often continuous, allowing a salesperson or a team to keep in close touch with the buying organization (Axelson and Easton, 1992). Sometimes relationship marketing is treated as an aspect of services marketing (Berry and Parasuraman, 1991). These approaches and definitions were related to one or several substantive areas of relationship marketing. According to the author's point of view, the relationships marketing definition, presented by Evert Gummesson in 1994, is more general and embraces all types of marketing:

Relationship marketing is marketing seen as relationships, networks and interactions (Gummesson, 1994).

A relationship requires at least two parties who are in contact with each other. The parent relationship of marketing is the exchange between a supplier and a customer. Networks are sets of relationships. In the relationships, the parties enter into an active

contact – interaction with each other. This definition is firstly a perspective and secondly an effort to set the boundaries of relationship marketing; it provides a broad view to relationship marketing. E. Gummesson picturesquely expressed his point to view to relationship marketing in the slogan "Put on the relationship eye-glasses". New categories, concepts, models and theories work as lenses through which we perceive the world. If the lenses are wrongly made, the world will look fuzzy. If they are tinted, it may look sunny when in fact it is cloudy. Certain lenses improve our vision at close range, others at a distance. As marketing is a complex field, a single pair of glasses is not sufficient. There are bifocals that allow two perspectives, but we need more than two.

The broader view to relationship marketing includes all aspects of marketing in which the concepts of relationships, networks and interactions exercise an influence. It goes beyond the supplier-customer dyad and embraces relationships between many parties: competitors, intermediaries, own suppliers, research institutes, government agencies and others. It includes both contact through information technology and face-to-face contact; both industrial marketing to few buyers and consumer marketing to thousands or millions of consumers; and both services marketing and goods marketing.

Figure 1 present's the relationship marketing model, made by Margaret Craig-Lees and Mary Caldwell (Australia) and refined in very few details by the author. It is a model of the marketing concept and describes relationships in that context. Transaction satisfaction is considered to have some impact on the relationship. The model pays

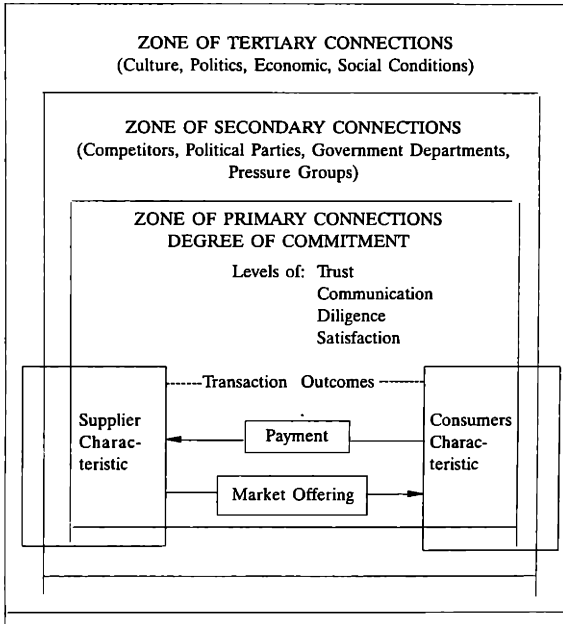


Figure 1. Relationships Marketing Model

particular attention to the characteristics of the individuals and/or groups of individuals involved in the exchange process, the different types of connections – the relationships that are associated with marketing activities and the elements, which promote relationship continuance.

How many kinds of relationships can we pick out in the relationship marketing? An elaboration of relationship marketing definition has recently been presented as a network of thirty relationships, the 30Rs of relationship marketing (Gummesson, 1994, 1995). In the 30R approach a distinction is made between four types of relationships. The first two are *market relationships* that are

relationships between suppliers, customers, competitors and others, who operate directly in the market. They constitute the core of relationship marketing. Some of these are *classic market relationships* – the supplier-customer dyad, the triad of supplier-customer-competitor. Others are *special market relationships*, such as the customer as member of a loyalty program.

The next two types are *non-marketing relationships*, which indirectly influence the efficiency of market relationships. *Mega relationships* exist above the market relationships; they provide a platform for market relationships and concern the economy and society in general. Among these are mega marketing (pub-

lic opinion and political power), mega alliances (such as the European Union as a new stage for marketing), and social relationships (such as friendship and ethnic bonds). *Nano relationships* exist below the market relationships and they concern the internal relationships of an organization. Examples of nano relationships are the relationships between internal customers, and the internal markets that arise as a consequence of the increasing use of independent profit centers, divisions and business areas inside organizations.

Christopher, Payne and Ballantyne describes (1991) six types of markets with which relationships have to be established. The customer markets (existing and prospective customers) are surrounded by supporting markets: referral markets (such as satisfied customers who recommend the supplier to others), supplier markets (to be a partner rather than a competitor to suppliers), employee markets (or the recruitment market, making certain that the right employees are

recruited), influences markets (such as financial journalists, financial institutions and governments) and the internal market (the organization and its staff).

Some other authors suggest the relationship exchanges with four partnership groups: supplier partnerships (good suppliers, service providers), lateral partnerships (competitors, non-profit organizations, government), buyer partnerships (ultimate customers, intermediate customers) and internal partnerships (functional departments, employees, business units).

Almost in all relationship marketing definitions and outlinings, presented by various authors and marketing schools, the shift from transactions to relationships as the center of marketing exchange processes is the central proposition. Numerous publications compare the old and the new exchange understanding (transactional versus relationship exchange). The main distinctive differences between them can be summarized as follows in Figure 2 (Ambler, 1994).

	<i>TRANSACTION</i>	<i>RELATIONSHIP</i>
<i>Objective</i>	<ul style="list-style-type: none"> • to make a sale (sale is end result and measure of success) • customer need satisfaction (customer buys values) 	<ul style="list-style-type: none"> • to create a customer (sale is beginning of relationship) • customer integration (interactive value generation)
<i>Customer understanding</i>	<ul style="list-style-type: none"> • anonymous customer, • independent buyer and seller 	<ul style="list-style-type: none"> • well known customer • interdependent buyer and seller
<i>Marketers task and performance criteria</i>	<ul style="list-style-type: none"> • assessment on the basis of products and prices • focus on gaining new customers 	<ul style="list-style-type: none"> • assessment on the basis of problem solving competence • focus on value enhancing of existing customer
<i>Core aspects of exchange</i>	<ul style="list-style-type: none"> • focus on products • sale as conquest • discrete event (episodic perspective) • monologue to aggregated customer base 	<ul style="list-style-type: none"> • focus on service • sale as an agreement • continuing process (historic, holistic perspective) • individualized dialogue

Figure 2. Marketing Exchange Understanding

Characteristic of Ethical Relationships Marketing

In this section I will examine three important aspects of relationship marketing. The first is that for relationship marketing to keep its promise, it must be free from coercion between the parties in the exchange. The second is, that the relationship must be "genuine" – that is, organizations do not pretend to practice relationship marketing while still attempting to exploit other opportunities or channel arrangements. Finally, if we want to consider relationship marketing as ethical relationship marketing (because relations without an ethical side will be insufficient), three distinct virtues are required: trust, commitment and diligence.

It must be stressed that if we consider relationship marketing as ethical marketing, then the relationships cannot be imposed on parties, but must be mutually agreed upon. Marketing transactions always contains some power of imbalances, coercion is possible, relationship is not voluntary and we cannot consider it as ethical marketing. To be ethical and true to its own philosophy, *relationship marketing must be voluntary*. Ethical relationships need to establish a means for equitable distribution of any surplus. If a power imbalance is exploited then the relationship is not ethical, and because exploiting of partners' vulnerability will not lead to the development of long-term relations, it does not fit the conception of relationship marketing either.

The potential for abuse and vulnerability is greater the closer the relationship between those involved in relationship marketing. Such companies must, by necessity, develop strong communication links in order that ethical

dialogue does occur. Otherwise, actions and motives may be misinterpreted.

Both consequences-based and duty-based ethical theories have been applied to marketing situations. Partners in a relationship usually go beyond the cost-benefit calculations associated with consequences-oriented ethical approaches. Even the best intentions and sense of honor of the partners (duty based theories) are sometimes not enough to make relationships endure over a long period of time. Therefore, a set of "good habits", commonly called virtues, are essential for the individuals and organizations involved in relationship marketing.

A number of virtues associated with relationship marketing are identified in the literature: honesty, fairness, benevolence, integrity, reliability, reputation, commitment, trust, diligence. Although this impressive list of virtues has been associated with relationship marketing, the authors point of view is that some of them are building basis for any long term relations. For relationship marketing to operate as intended, it appears to be a multi-stage process drawing on three essential virtues. Hosmer (1995) identified these as outcomes in effective stakeholder management. They are as follows:

Trust > Commitment > Diligence

Organizations involved in relationship marketing increase their vulnerability to opportunistic behavior of their partners and if they cannot trust to those partners they will step back from the relationships. *Trust is at the centre of ethical relationship marketing*. Trust is widely regarded as being the critical element for exchanges moving from transaction-based to relationships based marketing. Over time many definitions of trust have been

proposed. The majority of writers within marketing recognize a definition presented by Rotter more than 30 years ago (1967): trust is a generalized expectancy held by an individual that the word of another can be relied upon. Using this definition and some other points of view, trust implies a certain expectation and confidence about the behavior of others and an implicit vulnerability to that person's actions. One of the driving forces for trust in relationship marketing is the "self-heightening circle" (trusting behavior requires trusting behavior). Managers within two organizations who begin trusting relationships often expand the scope of this trust over time. This mutual trust leads to a number of positive outcomes – greater communication and feedback, better problem solving, effective delegation and acceptance of common goals and sharing of responsibility.

Once trust is established, the partners then move to a level of commitment to the relationship. What precisely is the nature of commitment? The characteristics of commitment are considered to be stability, sacrifice and loyalty. Morgan and Hunt (1994) define relationship commitment as "*an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it, that is, the commitment party believes that the relationship is worth working on to insure that it endures indefinitely*". In other words it seems to be a time and loyalty orientation to commitment, which may not be evident in the virtue of trust. The connection between trust and commitment may be the same as between engagement and marriage. Trust very often leads to the stimulation of communication that

makes commitment possible. Commitment often involves managerial actions such as: cross ownership, mutual board service, information sharing among partners, the development of linkages between many people at different levels of the partnership organizations. Commitment in relationship marketing also implies both making and keeping the promises. *The promise concept is an integral part of relationship marketing.* Promise keeping is part of commitment; sometimes it requires keeping promises even when it might be advantageous not to do so.

Where relationships are established, disagreements and conflicts sometimes are inevitable. But where the ethical relationship marketing has been adopted it leads to the "*functional benefit of conflicts*". It requires to create relationships developing mechanisms which assists resolution of conflicts by improved communication, instituting grievance procedures, seeking equitable distribution of resources and power, and by adopting standardized approaches to resolution of conflict. If the parties learn to handle conflicts positively and with mutual satisfaction, then this serves the purpose of deepening the relationships, because the trust grows and the partners become more committed to their relationship.

The presents of trust and commitment provide a bond among parties in the relationship, that leads to extraordinary effort – sometimes called the virtue of diligence – over the "*care and feeding*" of the relationships. In scanning business and marketing ethics texts and the relationship marketing literature, the term diligence does not appear in any conspicuous way. The author's assessment is that the diligence, like implementation, is what

happens after the relationship has been formed. Very often the implementation rather than the design of a strategy is the key to company's competitive success, so the diligence in relationship management and development may be more crucial to effective relationship marketing than the original logic underlying the relationship.

I would like to end this section with the statement, that in present marketing the partnership development is as important as a product development.

Consequences for Classical Marketing Theory, Marketing Management and Marketing Research

Relationship marketing has a series of profound consequences for classical marketing theory. The major consequence would be – the necessity of humanisation of the whole marketing activity. Such ethical virtues as trust, commitment and diligence are required to become as a background of the practical marketing activity. By authors point of view the consequences for the classical marketing theory can be expressed in more concrete way through consequences for marketing management and marketing research. The most significant consequences in this context would be:

- Relationship marketing requires to concentrate on the taking care about existing customers instead of the putting major marketing resources into attracting new customers and increasing market share.
- Relationship marketing requires focusing on the individual customers instead of the anonymous customers.
- The relationships must be “win-win” if it is going to be long term relationships; both parties must derive value out of relationships.
- In relationships marketing it is not just one party that pushes the other; it is an interaction on equal and respectful teams. Both suppliers and customers can be active parties as all others involved in the network of relationships.
- The necessity of customer retention and increasing of the duration of the relationships as well as the building of broader networks provide security and stability to the whole marketing activity.
- The concept of relationships marketing requires understanding the mechanisms of interactions on a deeper level and in a wider context.
- Relationship marketing increase the importance of more reflective, qualitative research and common sense, i.e. the mobilising of researcher's whole personality (more subjectivity and intuition in its good sense).
- The theory of the relationships requires putting into marketing research more cases, critical incidents and real stories about real peoples (and less statistical materials).

Future Prospects for Relationships Marketing

Although relationship marketing has been extensively studied by marketing academics and put into practice by marketing managers, it is not yet a highly developed field. Though some marketing experts go so far as to call it a “paradigm shift” in marketing, relationship marketing needs further refinement. If it is going to have a staying power in academic circles, both future theoretical and

empirical studies are important. The author hope, that this article about relationship

marketing may stimulate further though and study in this important area.

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SANTYKIŲ MARKETINGAS – NAUJA MARKETINGO TEORIJS KRYPTIS

Santrauka

Santykių marketingas – tai procesas, kurio tikslas kurti ir palaikyti patikimus ir ilgalaikius santykius su pagrindiniais marketingo veiklos dalyviais. Santykių marketingo principų įsigalėjimas lemia gerų, patikimų ir sąžiningų santykių su pagrindiniais rinkos dalyviais kūrimą. Konkurencinėje veikloje šiuo atveju laimi tas dalyvis, kuriam pavyko sukurti tobulesnį santykių tinklą. Nors santykių marketingo teorijos patrauklios ir humaniškos, tai kol kas daugiau teorija nei praktika. Pagrindinė to priežastis yra ta, kad santykių marketingo koncepcija grin-

džiama etišku požiūriu į verslą ir pačius santykius – pasitikėjimu, sąžiningumu, besąlygišku susitarimų vykdymu, prievartos nebuvimu, stropumu. Minėtos savybės kartais sunkiai prigyja šių dienų verslo aplinkoje.

Santykių marketingas yra viena iš naujausių marketingo teorijų. Pirmą kartą jo sąvoką pavartojo 1980–1985 m. savo darbuose tiek Jungtinių Amerikos Valstijų, tiek Europos marketingo teoretikai. Dabar ši teorija ypač intensyviai plėtojama P. Kotlerio, E. Murphy, R. Laczniako ir kitų darbuose.

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