

Relationship Marketing: A Literature Review

Abstract

Marketing perspectives have evolved over time. The transactional orientation of marketing which was more into pushing products into markets was later supplemented with customer-centric focus. This nature of transaction promoted the relationship oriented marketing practices. The customer centric orientation, in turn, led to the practices such as building trust within customers, retaining customers, inducing repeat buying, and enabling future marketing. This paper is focused into exploring the transgression of marketing approaches and evolution of relationship marketing through literature review.

Keywords: Relationship Marketing, Transaction orientation, Marketing Mix Introduction

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Marketing practices during the pre-industrial era were influenced by that era's agricultural economy. Most of the farmers and traders sold their produce and products directly in the market directly and interacted face to face with the consumer (Sheth and Parvatiyar, 1995). The Industrial era witnessed the production in bulk and the consumption in bulk that manifested into shift in the marketing practices. The mad rush for attaining the economies of scale resulted in lesser prices in and loads of inventories to handle. This necessitated the special effort of selling the products. This also required the introduction of a new actor in the marketing system, i.e., middleman or retailer. The advent of this mass production era resulted in the evolution of the transaction-based marketing orientation. This transaction based orientation forced the marketer to shift their focus from building an ongoing relationship to the sales and promotion of the goods (Sheth and Parvatiyar, 1995). Relationship orientation takes a back seat in the marketing practice and eventually in the research and academic field of marketing. (Churchill, 1942; Womer, 1944; Barton, 1946; Patterson and McAnally, 1947). The marketer in this era realized the importance of repeat purchase that required fostering the brand loyalty among the customers. These perspectives led to the development of the list of marketing variables (Harker and Egan, 2006). The concept of marketing mix was first proposed by Borden (1954) that initially consists of a group of twelve constructs, namely: product, price, branding, distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis (Harker and Egan, 2006). These 12 variables further reconstructed into 4Ps (Price, Product, Promotion and Placement) of marketing mix framework by McCarthy (1960). The introduction of administered vertical marketing system in a sense was the opposite of philosophy of segregating the manufacturers from their consumers (McCammon, 1965). Likewise, several other developments in post-1970s led to the discussion on alternative perspectives on marketing orientation. Many researchers criticised the marketing mix paradigm for its simplicity and various other flaws. Gronroos (1994) pointed out that this framework represented an "oversimplification of Borden's concept" and argued that marketing mix has just become a theoretical inventory of P's without any root.

Other source of criticism was as (Waterschoot & V.D. Bulte 1992) observed that the marketing mix elements don't have properly defined properties, (Grönroos 1994a) observed that the scope of P's are not mutually exclusive, lack of integrative and integrative dimension combining either the customer or generalised marketing theory (Kent 1986), and portrayal of seller as a dynamic participant in search of passive customer in an ordinary framework called market (Clarkson et al 1997 in Harker and Egan, 2006).

With the eflux of time, systemic selling approach emerged with increasing complexity in finished goods that supplemented the transaction orientated marketing with customer-centric focus. Practitioners in industrial marketing emphasised on the buyer-seller interaction and that in turn resulted in greater familiarity and stability in the marketer-buyer relationship (Shapiro & Moriarty, 1980; Shapiro & Wyman, 1981). This approach once again gave importance to the concept of direct marketing amidst sellers and their customers (Sheth & Parvatiyar, 1995). A list of five macro-environmental factors was identified by (Sheth & Parvatiyar 1995) which were found to be responsible for the "rebirth of this direct relationship between buyer and seller". These are: Swift advancements in technology, Adoption of total quality management programs by production houses, Expansion of service economy, Empowerment of individuals and teams through the organisational development process, and the last one greater than before concern for customer retention because of increased intensity in competition. These factors gradually reduced the dependence on the middlemen and paved the way for the relationship oriented approach of marketing.

Evolution of Relationship Marketing

Although it is believed that Berry (1983) was the first to use the concept, however the idea around relationship marketing appears to have several roots. Many researchers used this phenomenon in their work specially in the field of services marketing, quality management. The parallel concepts like the new trends in organization theory and network approach to business marketing do come to existence much before. Some parallel terms used in the 1970s for relationship marketing were network and interaction approach, interactive relationships, and interactive marketing (Gummesson, 1997).

The present relationship marketing concept seems to be derived from the literature related to inter-organizational theory (Van de Ven, 1976), theory of industrial network (Jackson, 1985), social exchange theory (Anderson and Narus, 1984; Sheth and Parvatiyar, 1995b), as well as concept of database marketing (Coviello et al., 1997).

The origin of transactional marketing paradigm made its universal applicability questionable. Marketing based on transactions relies on the foundation that customers are easily available in plenty and that they are passive in the marketplace (Harker and Egan, 2006). It also prescribes that the objective of marketing is fulfilled with the attraction of customer, i.e., by completion of the exchange. But with the growth in service sector it was realized that primary concern of the marketer should be to build a long term connection with customer in order to retain them (Bitner et al. 1994) as setting up of service include majority of costs and recovery of this costs requires repeat purchases (Berry and Parasuraman 1991; Booms and Bitner 1981). This led to the drift in the concept of transaction based marketing to the relationship based marketing. (Berry and Gresham 1986: 43) on account of Berry (1983) used the relationship marketing term with reference to the

service marketing and argued that the exchange between buyer and seller should only be considered as a small phase in the overall marketing process and retention of customers should be the primary objective. Berry (1983) observed that the Relationship Marketing is a process of attracting, nurturing and improving relationships with customers.

Aim of the Study

The aim of this study is compilation of knowledge around evolution of customer centric approach and Relationship orientation of marketing through literature review.

Definition of Relationship Marketing

Although various scholars defined relationship marketing but still it is far from the consensus. Scholars from different streams defined relationship marketing in various contexts. Such as Berry (1983) defined relationship marketing in the context of services marketing and states "Relationship marketing is attracting, maintaining and in multi-service organizations- enhancing customer relationships (Berry, 1983, p. 25)" and Berry and Parasuraman (1991, p. 133) argued that "relationship marketing concerns attracting, developing, and retaining customer relationships."

Doyle and Roth (1992) described relationship marketing from the industrial marketing perspective and stated that the aim of the relationship marketing is to become a leading supplier for the key accounts by developing a relationship of trust over a period of time. Jackson (1985) also defined relationship marketing in a similar context and proposed that relationship marketing as a process of building sturdy and durable relationships with key customers. (Spekman & Johnston, 1986; Prince, 1989; Beltramini & Pitta 1991) described relationship marketing on the similar lines in the areas like advertising, business strategy and bank marketing. (Morgan & Hunt 1994) discussed the relationship marketing in B2B context and proposed that it comprises of a gamut of all the marketing activities that are focussed toward establishing rapport and deriving fruitful exchanges. In a sense, it is the most comprehensive definition as it includes all the marketing activities directed toward facilitating the relationship establishment.

(Sheth & Parvatiyar, 2000) mentioned that (Bickert 1992) defined relationship marketing in the context of database marketing and opined that promotional aspects of marketing linked to database has deep foundations in relationship marketing. On the similar lines, (Peppers & Rogers 1993) suggested that relationship marketing is the integration of information technology with marketing orientation having a growth and long-term customer retention strategy mediated by database knowledge.

Some more definitions are listed below

(Hammarkvist 1982) defined relationship marketing as all activities of a firm directed towards building, maintaining and developing customer relations.

(Gronroos 1990 & 1996) introduced other stakeholders in the picture other than customers and suggested that relationship-marketing is a practice

of seeking and fostering long term relationships with the key accounts. He further adds that this relationship is established by giving promises and maintained by keeping these promises, and finally, the relationship is enhanced by giving new promises and keeping old ones.

Relationship marketing was defined by (Gummesson 1990) as a process of forming, maintaining and capitalisation of interactive networks and relationships amid business and its key accounts with a long-term perspective.

(Christopher et al. 1991) defined relationship marketing regarding the dual focus on getting and keeping customers. In this sense, it includes both transactional and relational aspect of marketing orientation.

(McKenna 1991) emphasized that marketing role is getting the genuine involvement of customer (communication and sharing the knowledge) rather than manipulating (telling and selling) them.

(Pathmarajah 1993) described relationship marketing as a practice of integrating the buyer and supplier under the ambit of sound professional and mutually profitable association over time.

Evans and Laskin (1994) also defined it as a process that aimed at building alliances with long-term prospective with the key customers so that both customers and sellers can satisfy their common set of specified goals.

Gummesson (1994) stressed on long-term and interactive relationship among the provider and the consumer with a focus on long-term productivity. He also argued that this relationship sees marketing as networks and interactions.

(Matthyssens & Van den Bulte 1994) from account of (Christy et al., 1996) propagated that rather than directly aimed at immediate transactions, the concept of relationship marketing should be based on developing, supporting and widening relationship with customers.

(Bennett 1996 a) also defined the relationship marketing in the context of consumer markets and stressed upon establishing a long term relationship with customers based on trust and co-operation. He also proposed that this relationship should be open and have a genuine concern for each other to enable exchange of optimum value for each party. The supplier should shift his focus from attaining short term high profits to the nurturing long lasting and permanent bonds with customers (Harker, 1999).

Bennett (1996 b) proposed that relationship marketing is developing and maintaining the mutually rewarding relationships with consumers that are achieved through integrating entire management process and delighting the customer and securing the profitable, lasting business (Harker, 2000).

(Paravatiyar 1996) defined the relationship as a process of improving marketing productivity by co-operation with customers and through efficiency and effectiveness.

(Ravald & Gronroos 1996) argued that the creating customer loyalty is the first and foremost purpose of relationship marketing so as to enhance

the mutually profitable and long term relationship between business and its customers.

(Takala & Uusitalo 1996) stressed on gainful commercialisation of customer relationship in their definition and proposed that the focus should be on establishing, strengthening, and developing relationship with customer.

(Buttle 1996) defined it as development and maintenance of mutually beneficial relationships with strategically significant markets.

(Gummesson 1997) defined relationship marketing in a more simplistic manner and proposed that "RM is marketing seen as relationships, networks and interaction".

(Ballantyne 1997) defined relationship marketing in terms of value exchange between the parties involved in the exchange and proposed that it should be directed towards building, and sustaining the exchange of values among the parties.

Yet another view on relationship marketing starts with identification of key accounts, initiating and defining specification of such relationships individually and wherever necessary, suitable termination of long term targeted relationships mediated through mutual exchange, fulfilment of obligations and sticking to relationship standards so as to satisfy the mutual goals and augment the experience of the parties involved (O'Malley et al., 1997) from account of (Harker 2000).

(Gummesson 1999) introduced total relationship marketing and described it as the marketing orientation relying on establishing relationship with important customers and other parties, managing the networks of the selling organisation and interactions thereof in a specific market and society. Relationship marketing is focussed towards creating long-term win win associations with important stakeholders. It holds the premise that the value is mutually formed amid the parties concerned in such mutually beneficial associations.

(Ramani & Kumar 2000) defined it as "a process for developing innovation capability and providing a lasting competitive advantage (Ramani and Kumar in Agariya and Singh, 2011)".

Lambert (2010) viewed relationship marketing "as strategic, process oriented, cross-functional, and value-creating for buyer and seller and as a means of achieving superior financial performance.

Although, all definitions cited above provide a distinct view of relationship marketing, but there is some commonality in these definitions; such as cooperative and collaborative relationships with customers and other stakeholders, long-term mutually profitable relationship and a process view.

Constructs Defining Relationship Marketing

Detailed literature review on relationship marketing was conducted by (Agariya & Singh 2011). They assessed the top 10 constructs used by various studies in describing their views on relationship marketing. These constructs are: Trust, satisfaction/customer's experience, loyalty, service quality, commitment, communication, orientation of customer

or empathy, relationship's value/ quality/ length, reciprocity, and finally the culture.

Antecedents, Mediators, Moderators and Outcomes of Relationship marketing as mentioned in various studies:

Antecedents

The antecedents can be classified into three major categories, i.e. customer focused, seller focused and dyadic antecedents.

The customer focused antecedent comprises of constructs like benefits from relationship and dependence on seller. Relationship investments and expertise of seller were considered as antecedents that are seller focused whereas the communication, homogeneity among relations, duration of relationships, and frequency of interactions, scope and nature of conflict were considered as dyadic antecedents (Palmatier et al. 2006).

Mediators

The quality of commitment between parties, trust, satisfaction, and the quality of relationship etc., play mediator role for the relationship marketing (Palmatier et al. 2006). The effects of the antecedents mentioned above is manifested through these mediators.

Moderators

(Palmatier et al. 2006) found that service v/s product based exchanges, individual v/s organizational relationships, channel v/s direct exchanges, business v/s consumer markets are moderating variables for the relational outcomes.

Outcome

(Palmatier et al. 2006) outcome of the relational exchange is also categorised into three categories, i.e., 1). customer focused, 2). seller focused and 3). dyadic outcome. The expectation from continuous association, propagation of favourable word of mouth communication, and customer loyalty is taken as outcome associated with customers whereas the objective business performance of the seller was related with seller focused outcome. Cooperation was the dyadic outcome of the relational exchange.

Conclusion

The conventional marketing mix approach had its own limitations and that it is often criticised for its limited applicability, overlapping scope of various P's, in such a scenario, relationship marketing has offered a solution for the some of the unanswered questions specially in services and business to business marketing case. It is advisable to expand the elements of marketing mix paradigm for more comprehensive perspective on modern day marketing.

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