The Relationships in Marketing: Contribution Of a Historical Perspective

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This paper presents an historical analysis of relationship marketing. We discuss the roots and the directions of relationship marketing that are considered relevant: their origins, the Industrial Marketing and Purchasing group (IMP) approach to business relationships, the Nordic approach to services relationships and, the managerial and Customer Relationship Management (CRM) approach of relationship marketing. The paper highlights that the boundaries of relationship marketing as defined in contemporary literature have been permeable and elastic. Relationship marketing consists of a fragmented collection 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 every context? Are relationships like whatever the market considered? Do they describe the same phenomena or are they different phenomena resulting from different contexts? We present a historical analysis of relationships marketing that could contribute to a better understanding of what relationships are in marketing.

Keywords: relationships, business-to-business relationships, relationship marketing, CRM

INTRODUCTION

During the 1980s, relationships, particularly in the business-to-business context, became one of the main issues in marketing, with several authors emphasizing the importance of relationships in business. Although, as Möller and Halinen (2000, p. 31) admit, “marketing relationships as phenomena are probably as old as any trade relationship”, the Industrial Marketing and Purchasing (IMP) Group was the first to view relationships not as a process of actions and reactions, but interactions between actors (about the IMP research group and its work, see www.impgroup.org). To the IMP, relationships were considered strongly interdependent and reciprocal, based in cooperation, trust and commitment, and were supposed to evolve over time according to the combined (and unpredictable) experience of the participants (Håkansson 1982). This concept deals mainly with business contexts, where sellers and buyers exist in small numbers and are not easily changeable. Along with this approach, in the early to mid 1990s, another concept, “Relationship Marketing” (RM), evolved into one 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) or “the hot topic of the marketing discipline” (Möller and Halinen 2000, p. 29).

As the growing interest in RM picked up pace, it led to a more mature and sophisticated phase of research on it along with increased recognition of its benefits in the context of rapid advances in information technology (Berry 2002). Many marketing academicians accepted RM as the latest gospel and began spreading it faithfully as loyal disciples (O’Malley and Tynan 2000). Often described as “the emperor's new clothes” (Egan and Harker 2005), RM began to dominate the marketing agenda, with numerous articles and special journal issues. A paradigm shift in marketing at the expense of four Ps was foreshadowed (Grönroos 1990), and soon vindicated by the work of Gummesson (2002) who replaced the four Ps of transactional marketing by the 30 Rs of relationship marketing. Firms started to aim for customers’ “share of wallet” instead of share of the overall market. The idea of managing the client lifecycle appeared (Palmer and Bejou 1994) and terms such as “partnerships”, “alliances” and “key accounts” were commonly used to characterize customer relationships and loyalty.

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). Much of the research to date appears selective and frequently designed to support a particular (often consultant-based) perspective.
According to Gummesson (1994, p. 9), the basic values of the manipulative marketing mix theory have not changed: technology is only being used to make it more difficult for the customer to “slip the hook”, much like “the fisherman’s relationship to the fish”. RM may be considerably easier said than done (Egan 2001): is it possible to achieve this “customized massification” through sophisticated information technologies or is it just a paradox of opportunistic intentions? In fact, although all exchanges, by definition, involve a relationship, do we all share the same understanding of it? How many transactions equate a relationship - one, two, repeated, sporadic? Is it implied that both participants have to be active? Can passive customers ever be involved in “real” relationships (Zolkiewski 2004)? What level of interaction is required to consider a particular exchange situation a transaction or the beginning of a relationship (Pels 1999)? Some researchers are already trying to prevent the premature death of the construct, due to the over-use, misuse and even abuse of the term in marketing (Zolkiewski 2004). Fortunately, recent research provides a more balanced view of relationship marketing by highlighting that relationships are two-way streets – as much as marketers look for value from customers, customers too are very cognizant of the value they derive from the marketers (Rust, Lemon and Narayandas 2005).

Against the backdrop of the above discussion, our objective in this paper is to trace the origins and development of relationship marketing, discuss the various approaches associated with it and set a stage for examining the nature of marketing relationships. Our contribution in this paper is to provide, thereby, an understanding of the conceptual underpinning of relationship marketing, its scope and the appropriate perspective under which it can be successfully used. In the next section, we look at the origins and development of RM, and we present the different approaches associated with it.

THE ROOTS AND THE DIRECTIONS OF RELATIONSHIP MARKETING

The origins and the concept of relationship marketing

In marketing there is a long lasting tradition that has always valorized relationships. Grönroos (2004) states the phenomenon itself is as old as the history of trade and commerce. In fact, buyer-seller relationship is an old-fashioned way of doing business from the pre-industrial era (Sheth and Parvatiyar 1995). 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. Meanwhile, 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 1995). Advocates go so far as to maintain that 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; Bejou 1997), using highly sophisticated information technologies. Several marketing scholars, like for instance Grönroos (1990), Sheth, Gardener and Garrett (1998), Sheth and Sharma (1997) or Sisodia and Wolfe (2000) 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. These scholars have been welcoming RM as a “saviour from the detrimental impact of traditional marketing or marketing mix theory” (Möller and Halinen (2000, p. 30) and new scientific empires are being built on its shoulders (“shoulders of giant”, as Egan (2003, p. 148) observes). Recently, Vargo and Lush (2004) and Lush and Vargo (2006) present and discuss the service-dominant logic of marketing. These authors consider the service provision as the core element in the exchange process. According to them the boundaries between goods and services become blurred and the differences between goods and services are considered artificial (Vargo and Lush, 2004; Lovelock and Gummesson, 2004). The new perspective considers products as distributions mechanisms for service provision, i.e., customers buy products to obtain the services that they provide. Thus, marketing strategies are moving away from strategies based upon brands and product lines to strategies based upon relationships (Rust and Thompson, 2006). In sum, since the early 1980s, a new phrase has entered the marketing literature: “Relationship Marketing” (RM). This philosophy is said to have replaced the old short term marketing practices, defined as stressing sales and promotions instead of relationship enhancement, and conveniently labeled “transactional marketing” by RM proponents.

One school of thought maintains that there is nothing new in relationship marketing – it is just setting up a straw man to make the concept of RM as something of a paradigm shift. As Stephen Brown (1998) puts it, “to insinuate, as some weird and wonderful teRMites are wont to do, that establishing trust and commitment, or retaining customer loyalty, or tackling cross-functional integration was not a component of the original marketing concept is arrant nonsense. In fairness, many of the converts to the RM cause acknowledge that it involves re-emphasizing certain neglected aspects of the marketing concept, although supporting evidence is conspicuous by its absence. A somewhat superior way of interpreting the RM shift is to accept its content as no different from the original marketing concept”. In fact, many of extant thought on
marketing as a concept and marketing orientation (Hollander 1986; Fullerton 1988; Kohli and Jaworski 1993; Jones and Richardson 2007) subscribe to this school of thought, which at best implies that RM is nothing but an emphasis on certain aspects of marketing necessitated competitive pressures brought about by the advances in information technology.

Even though the “new” RM term has achieved popularity only in the nineties, the idea has existed for much longer and to ascribe it a history only 25 years or so is clearly untenable. Now, history seems to be repeating itself. What is perceived to be a different practice today has, in fact, been in use for several decades, without having been articulated (Hollander, 1986). Long before relationship marketers emerged, pioneers in the field knew very well that it was crucial to maintain good relationships with its clients (Fullerton, 1988). They may have lacked some of the sophisticated tools of contemporary marketers (Hollander, 1986), but these are matters of technology rather than orientation. Although RM is being presented as “the wheel reinvented”, it may just be a recent spin on an old marketing concept, re-emphasizing some of its temporarily neglected aspects (Brown, 1998).

Regardless of whether RM is a new concept or a re-emphasis of certain older or neglected aspects of marketing orientation, the concept of RM is still in an uncertain stage of definition, currently “enjoying” the unusual status of being an overused and underdeveloped concept at the same time. 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 RM with seven conceptual categories, proving there is no consensus over it and reflecting the development and evolution of RM over the last three decades starting with the notion of marketing orientation. Mainly because of the multidimensional character and the relative newness (or the new re-emphasis) of RM, literature has not yet agreed upon a common definition, resulting in quite different conceptualizations of RM between various scholars.

The roots of the term “relationship marketing” can be found over two decades ago (Möller and Halinen 2000). In a conference paper on service marketing, Berry (1983) first introduced the term relationship marketing, defining it as attracting, maintaining, and enhancing customer relationships. Two years later, Jackson (1985) used it in a business-to-business context. During the 70s, the channels literature introduced the discussion about efficient channel relationships (Dwyer, Schurr and Oh 1987). Later, Morgan and Hunt (1994) suggested that relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges. Gummesson (2002) described relationship marketing as marketing based on interaction within networks of relationships. More recently, some narrow functional perspectives emphasize database marketing, interactive marketing, customer retention and one-to-one marketing (Buttle 1996). But a term such RM, involving a vague notion of the term “relationships” was bound to generate multiple definitions. While bookstores are overflowing with an ever-increasing number of tomes on RM, and with managerial suggestions of what relationships should be (instead of what they are), more questions are being placed about its domain of application and definition. Möller and Halinen (2000, 34) 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”. Trying to shed some light on the nature of RM, Aijo (1996) ponders whether 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. This brings us back to the issue of newness which Stephen Brown (1998) alluded to. Whether it is a new concept or a re-emphasis of an older concept, the shift towards relationships took place over a decade ago and it is that time frame which we can trace to find the roots of key concepts of RM (Möller and Halinen 2000). Three of the main approaches and schools of thought about relationships and RM spanning that time frame will be discussed below.

The IMP industrial approach to business relationships

The “relationship” concept was a part of the interaction approach of the Industrial Marketing and Purchasing Group (Ford 2004), which was based upon a buyer-seller cooperation paradigm instead of the traditional view of buyers and sellers as adversaries. 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). Business markets are seen as arenas within which buying and selling companies interact with each other, and where previous experiences in that relationship are important influences on attitude and behavior. This view is in contrast with previous traditional studies which tended to see markets as atomistic and consisting of a large number of more or less anonymous customers with whom marketers dealt at a distance (Ford 2003). This relational perspective 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. The idea of “interaction” was first drawn up by the IMP Group during the 1980s, thus stressing the importance of relationships in business networks.

The “Interaction Approach” (Håkansson 1982) was 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 at multiple levels in the organization. This approach was neither management-only nor consumer-only, but rather interorganisationally-oriented and descriptive of the marketing processes (Möller and Halinen 2000), and focused on relationships as how they were, and not how they should have been (Mattsson 1997). 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 levels of heterogeneity, and even between several actors at a time. Inspired by concepts from the social exchange theory, the IMP’s interaction approach views inter-organizational relationships as strongly interdependent and reciprocal based on variables that moderate the impact of potential struggles for power - cooperation, trust and commitment (Axelsson and Easton 1992). 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 “catch-all” 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.

The Nordic approach to services relationships

Based on entirely different empirical data, service research found the same concepts – relationships, networks and interaction – to be in the core of 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). The Nordic school was also one of the first to propose a paradigm shift in orientation from transaction to relationship. 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 RM. Gummesson (2002) sees RM as interactions, relationships and networks and Grönroos (2000) lets RM to be the general definition of marketing: marketing is to manage the firms marketing relationships. 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 can manage their customers. At that time, the majority of marketing definitions were associated with sales, promotions and mass consumer markets, and 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 did not interact in a long-term context. This vision obviously did not apply to inter-organisational and service contexts.

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 customer loyalty and one-to-one marketing (Buttle 1996). The intention is to treat consumers not like a homogeneous market but as individuals (Gummesson 2004; Sisodia and Wolfe 2000). But although managers espouse RM as a new important concept, in reality there is little difference from what was done before, i.e. to target mass market customers more accurately, besides the use of database advanced technology. Little is done by this narrow functional perspective to tackle the dynamism of relationships as evidenced in the application of RM to the direct marketing context.

In short, the relational perspective was initially conceived in literature as an alternative to mainstream marketing, 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. Yet, today, RM seems to be emerging as a general “umbrella philosophy” with numerous variations (Egan 2003, 147). With 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). Perhaps it is the allure of such a theory that recently tempted some scholars and practitioners to import variables from the business domain with impunity to consumer markets (Shrivastava and Kale 2003), and to call it “relationship” marketing despite having little commonality in application. The attempt to create “individualized” relationships with a massive market, where no close interactions are likely to occur, appears to be misplaced. In fact, the application of RM in such situations, although very popular in concept and management application, seems to lack the essential: the nature and development of relationships. This approach is
perhaps best characterized as a practice, with limited conceptual efforts to tackle the dynamism of relationships.

**RELATIONSHIP MARKETING AND THE NATURE OF MARKET RELATIONSHIPS**

Given RM’s undoubted popularity and intuitive appeal, the diversity in operational approaches employed, and the lack of accepted definitions, it has become impossible to limit its domain. Today, RM is embraced by both practitioners and academics in a wide range of markets and contexts (O’Malley and Tynan 2000). Whereas some scholars are convinced of the existence of one overall RM theory, others argue that RM is context-specific. For instance, Reinartz and Kumar (2000) present empirical findings that show that the contractual vs the noncontractual setting have consequences on relationships. These authors challenge the RM literature showing that long-life customers and relationships are not necessarily profitable (Reinartz and Kumar 2003). But, the current discussion has been characterized more by rhetoric than by rigorous examination of what the concept actually involves, bypassing sound theory development. As Palmer (2000) refers, only a limited amount of empirical work has been conducted and till now the concept is only something ambiguous and not-specific. 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, 151), although “breadth of domain” has always been an issue, arguments appear to be coalescing around two, perhaps, irreconcilable, camps of researchers. First is 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). The second is 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) (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-dimensional definition of RM (Sheth and Parvatiyar 2000).

It is 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, 154) and that it is “important to recognize the context in which exchanges take place” (Möller and Halinen 2000, 41). But, 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 (or, at least, interpersonal relationships) in consumer markets was inappropriate (O’Malley and Tynan 2000; Thompson et al 2000). Maybe it would be better to view relationships as being diverse rather than adhering to one common format of development from arms-length to increasingly close relationships. Thus, it is important to re-consider what a relationship in a consumer market context means. However, in these markets, the concept rarely is defined at all, constituting a “glaring omission” (Bagozzi 1995, p. 275). The term “relationship” is often used to underpin a supplier’s marketing activities, to the neglect of the customers’ perspective, although a relationship takes two (Fournier, Dobscha and Mick 1998). The establishment of customer relationships appears to have been equated with the concept of customer retention (which includes loyalty programs and database marketing). However, viewing the establishment of customer relationships as something as simple as the next stage in the manipulation of consumer data will detract from a relationship approach and does a disservice to the complexity of the concept (Dibb and Meadows 2001). Also assuming that a “relationship” is what customers’ want or need, even when sometimes they are not even aware they are participating, might mean a new kind of marketing myopia.

Thus, RM practices may not be effective in every situation or context. Not every exchange has the potential to grow into a relationship, especially if consumers and/or firms do not perceive “equitable exchange”. This area is in its initial 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 should not be uncritically imported and readily applied by marketers within the context of consumer markets, without conceptual and empirical justification. The underlying assumption whenever such inappropriate application is carried out 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 need not be 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 as Rust, Lemon and Narayandas (2005) advocate. The interaction approach argues that in most industrial relationships both parties are positively committed. The analogy used is that of a marriage - an exclusive, enduring and personal relationship between two people, which forsakes all others (Tynan 1997). However, this kind of relationship is not usual in consumer 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 (Tynan 1997).

While research about relationships in industrial marketing contexts often emphasize the integration of both supplier and customer’s perspective, consumer relationship marketing literature, by and large, disregards this crucial aspect (with the notable exception of Rust, Lemon and Narayandas 2005). Instead, the literature - as for instance the cited Reinartz and Kumar (2003 and 2000) - deals mostly 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). Moreover, RM has been viewed mainly as being 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, 343) refer that “...the basic questions of whether, why and which forms consumers seek and value ongoing relationships remain largely unanswered.” Sheth and Parvatiyar (1995, 256) advocate that “…taking the consumer perspective and understanding what motivates consumers to become loyal is important.” Also Dwyer, Schurr and Oh (1987) recognized that buyer and seller investments in a relationship jointly determine relationship outcomes. Rust, Lemon and Narayandas (2005) argue that customer equity (value of customers as seen from the view of firms) cannot exist without the notion of value equity, brand equity and relationship equity (value that the customers derive from the firm) being in balance. This strengthens our own premise that relationships are two-way streets – they involve concepts of “reciprocity” and “equitable exchange”. Both firms and consumers need to realize value in a relationship, and RM as a concept focuses on ensuring that this prevails.

Thus, this discussion helps to clarify the question of whether there are several sets of language and research being used to describe the same phenomena or in contrast, the state is that there are different phenomena resulting from different contexts, consumers and sellers (Zolkiewski and Lewis 2003).

CONCLUSION

RM has reached a critical juncture. The historical analysis of the concept shows that there are different underlying bases and various RM approaches. These approaches are so discrepant that it is difficult to see any unification into a “general theory of relationship marketing”. We analyze relationships in industrial, services and consumer setting, and we argue that the application of the concept to consumer markets requires care and may not entirely appropriate in all contexts. Nowadays, it is possible to database market direct mail to consumers, but does it necessarily mean that all consumers desire to establish relationships with their supplier? And does this truly constitute a genuine “relationship”? Or is this only in the mind of the seller? Is the traditional interpersonal concept wholly applicable? What are the basic relationships behind relationship marketing? This paper shows that there are still many questions unanswered. Drawing on research from industrial, services and consumer marketing, we have presented a historical analysis and a discussion about RM, a concept that represents only a part of a broader issue: relationships.

REFERENCES


