RELATIONSHIP MARKETING – THEORETICAL CONSIDERATION

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ABSTRACT: The purpose of the paper is to propose a set of research perspectives for the relationship marketing theory. A comprehensive literature review is undertaken which entails three different understandings of relationship marketing. First, relationship marketing is considered as a marketing strategy within the unifying theory of the service dominant logic. Second, relationship marketing is presented as the new understanding or paradigm of marketing. Third, relationship marketing theory is correlated and described in the context of postmodernism thought. For each of the three mentioned approaches, the authors propose several research issues that should articulate the structure of relationship marketing theory.

Key Words: Relationship Marketing, Paradigm, Service Dominant Logic, Postmodernism

JEL Codes: M30, M31.

Introduction

The general paradigmatic framework for the existence of marketing theory is represented by market functionality. Central to market functionality and essential for marketing theory is the concept of exchange. There are two main literature streams that define the exchange concept and the understanding of the market mechanisms. The first one considers that markets can be understood through the economic behavior of its actors; thus, underlying transactions are regarded as independent and temporal discrete exchanges. The people engaged in such exchanges do not retain any information from other similar exchanges (Hedaa and Ritter, 2005). In opposition with this consideration, the second stream states that exchanges result from the individual history of the market actors, from their commercial or market relation. This second interpretation, the relational aspect of exchanges, is considered to be a new paradigm in understanding marketing (Sheth and Parvatiyar, 1995).

The change of the paradigmatic framework that has determined the rise of the relationship marketing paradigm took the forms of market fragmentation and the growing importance of services within the developed economies in the '80. Until that moment, the marketing-mix was unanimously accepted as the paradigm of marketing theory (McCarthy, 1960). The mentioned changes imposed the companies a more relational approach of their clients. Thus, their efforts weren’t only oriented towards gaining discrete and spontaneous transactions, but also for creating profitable, long-term relationships with their clients. This change of the paradigmatic framework has created favorable conditions for the emergence of a new theory that can be considered a new marketing paradigm, namely relationship marketing. Its theoretical validation is achieved through the vast researches conducted in conceptualizing it.

A first set of researches was based on the service marketing literature and used relationship marketing as a critic for the marketing-mix which followed only client attraction and not their retention (Berry, 1983). A second research stream, which was based on the B2B Marketing.

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concluded that the purpose of marketing is to create, maintain and develop the company’s relationships with its clients (Hakanson, 1982). Other researches that aimed the relationship marketing theory were the studies of the IMP Group (Industrial Marketing Purchasing Group) which conceptualized relationship marketing through the network theory. This theory presumes that markets are heterogeneous and not homogeneous from the perspectives of its elements; and that organizations are not independent entities, but are part of a network. The members of this network can be both sellers and buyers; therefore there is the possibility of initiating commercial relationships with other network members in any desired moment of business activity.

Perspectives of relationship marketing as part of the service dominant logic

The relationship marketing theory has changed, for sure, the understanding of marketing. The theory by itself cannot yet be considered a final theory or a unifying one of all marketing aspects. Marketing as a science cannot be questioned and, as every science, marketing is understood in a certain way and possesses a theoretical frame through which it can be explained.

During the evolution of marketing (as theory and practice), different theories were considered as paradigms: the functionalist paradigm, the management-marketing paradigm and the exchange paradigm, which by its relational aspect, evolved to the present paradigm – the network paradigm (Achrol and Kotler, 2012). Other authors (Vargo and Lusch, 2004) consider that the different theories or streams that conceptualize marketing beginning with the year 1980 belong to the same School of Thought which defines marketing as a social and economic process. These theories are: Market Orientation, Service Marketing, Relationship Marketing, Quality Management, Supply-Chain Management, Resource Management and Network Analysis. The mentioned list does not dilute the paradigm quality of relationship marketing, because, within the same paradigmatic framework, more paradigms can co-exist until one of them does destroy the others or a new paradigm will emerge (Kuhn, 1962). If relationship marketing is the new understanding of marketing or if it represents only a part of a bigger setting, it will be revealed by the objective reality of the present paradigmatic framework. Maybe the complexity of the marketing phenomena and the novelty of the marketing theories are such that it behooves to pursue a multi-tiered paradigmatic structure to its science (Achrol and Kotler 2012).

The theories that explain and conceptualize the different marketing phenomena have determined research efforts that aimed their unification within a final theory. Recent attempts (Achrol and Kotler, 2012) to build a general theory of marketing have resulted in: theory of resource based competition (Hunt, 2002) and the service dominant logic (Vargo and Lusch, 2004). The last theory is considered (Madhavaram and Hunt, 2008 and Ballatyne and Varey, 2008) a possible theoretical attendant in explaining the various marketing phenomena. According to her (Vargo and Lusch, 2004), marketing should be oriented towards services and should aim for the following objectives:

1. Identify or develop core competences, the fundamental knowledge and skills of an economic entity that represent potential competitive advantages.
2. Identify other entities (potential customers) that could benefit from these competences.
3. Cultivate relationships that involve the customer in developing customized, competitive compelling value propositions that meet specific needs.
4. Gauge marketplace feedback by analyzing financial performance from exchanges in order to learn how to improve the firm’s offering to customers and improve firm performance.

Central to the service dominant logic are the company’s resources classified in two main categories: operand resources (resources on which an act or operation is performed) and operant resources (resources that action on other resources). Based on this, marketing should focus on the
operant resources of the company that are possible sources of competitive advantage (Madhavaram and Hunt, 2008). Alongside with organizational and informational resources, relational resources (e.g. relationships with the competition, suppliers and clients) are considered operant resources that form the heart of a competitive advantage and a company’s performance (Lusch and Vargo, 2006b). Considered as an individual construct, the relational resources are at the bottom of the pyramid which ranks the company’s resources according to the following criteria: company’s engagement towards the resources, time needed for the acquisition and/or development of the resources, cost of the acquisition and/or development of the resources and the sustainability of the competitive advantage obtained after exploiting the resources.

Figure no. 1 – A Hierarchy of Operant Resources
(Source: Madhavaram and Hunt, 2008)

Figure no. 1 contains categories of operant resources that are, in fact, a mix of inferior and/or superior resources used by the company to develop an effective and efficient value proposition for the market. This ranking of the company’s resources can be used as a starting point in researching the operant resources relevant for the company’s marketing strategy. It must be mentioned that the service dominant logic sets marketing as a central piece for the company’s strategy. Relationship marketing is considered one of the four normative theories concerning the marketing strategies, along with: market orientation, brand value and market segmentation (Hunt and Madhavaram, 2006b). If marketing is understood through the service dominant logic, then relationship marketing represents a strategic level of marketing which guides the company to the identification, development and maintenance of a relationship portfolio (Madhavaram and Hunt, 2008). Through the managed relationship portfolio, the relationship marketing strategy can be source of competitive advantage for the company. A good management of this relationship portfolio implies the development of the market-related capability of the company. This capability is an interconnecting operant resource aiming for building up and maintaining a company’s relationships with its customers, through the following (Day, 1999):

1. Relational orientation of the company by including the company’s values and norms
2. A deep knowledge of its clients and usage of this know-how within the company
3. Integration of the company’s internal processes and alignment of the external processes with the corresponding processes of the company’s clients.

In this respect, researches can aim the improvement of the company’s strategy by studying: the measurement alternatives of the company’s relational performance, the causes and consequences for the company of the market-related capability.
By synthetizing this first alternative, for the development of the relationship marketing theory, it can be stated that relational marketing is considered a strategic process for the companies that embrace the marketing vision. The purpose of the relationship marketing strategy is to initiate, develop and maintain a profitable relationship portfolio for the company.

**Perspective of relationship marketing as the new understanding of marketing**

The second development alternative of relationship marketing is based on the statement that relationship marketing is the new marketing paradigm. This perspective is not unanimously accepted by the research community (e.g. is the presented service dominant logic), but, as Harker and Egan (2007) asserted: relationship marketing is here to stay, whether as dominant logic or not.

A.M.A. (American Marketing Association) defines marketing (considering the definition accepted in 2004) as an organizational function and a set of processes for creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders. Gronroos (1990) considers that relationship marketing is concerned with the establishment, maintenance and enhancement of relationships with clients and other stakeholders at profit so that the objectives of all parties involved are met. This is done by a mutual exchange and a fulfillment of promises. These two definitions serve as foundation for arguing the perspective that relationship marketing is the new marketing paradigm.

Marketing is considered an organizational function (AMA, 2004), which co-exists with other organizational functions. An organizational function, alongside with its tasks and activities, is *bordered* to a department, which in our case is the marketing department. Such a limitation of the marketing concept can be useful for the companies which activate within mass-markets. In a service or network dominant environment, this kind of restriction of the marketing activities within a department, narrows the understanding of the marketing concept and its application. As a phenomenon, marketing is correlated directly with clients and their come-back for the company’s offerings (Gronroos, 2006). Because all the company’s structures contribute to the company’s value proposition, the relationship marketing specific research can aim settings that measure the influence of the company’s processes, personal and systems on the efficiency of the client relationships.

Creating, distributing and communicating value do not represent processes specific only for the company. The relational perspective considers the client as being the active element who perceives the company’s value proposition through his own value generating processes (Payne and Frow, 2005). The company’s purpose is to participate, alongside with the client in the value co-creation. Thus, communicating with the clients is essential. Researches oriented towards the implementation of communicational technologies within relationship marketing can spot two aspects (Henning-Thurau and Hansen, 2000). A first aspect targets the structure and the possibilities of setting up and managing vast data bases which contain information about the company’s clients. The information accuracy depends on the source of information (employees and/or clients) and on the trust the specific source manifests towards the company. Thus, the client’s trust in the company is an essential factor of the client-company communication. A second aspect takes into consideration how the new informational technologies and new media influence the company’s communication with its clients (Henning-Thurau and Hansen, 2000). A conceptual framework can be developed for measuring the influence of online communication specific instruments, such as domain blogs, social-media networks, and affiliation networks on the company-client relationship.

Managing customer relationships in ways that benefit the organization and its stakeholders represents another area of relationship marketing research. A conceptual limitation should emerge between the two perspectives regarding the elements of a relationship managed by the company. Thus, the focused perspective considers that every entity that manifests interest in the company activity should be part of the relationship a company manages (Gronroos, 1990; Shani and Chalasani, 1991; Ravald and Gronroos, 1996; Gummeson, 1999, 2002). The diffuse perspective
settles that only a company’s clients should be subject of a relationship that a company develops (Kotler and Armstrong, 2004; Henning et al, 2003; Rust, 2000; Parvatiyar and Sheth, 2001). Both presented perspectives describe the relationships a company should manage in profitable manner with its clients/stakeholders. The object of a relationship in terms of relationship profitability should awake research interest. Gronroos (2006) defines the purpose of a relationship managed by a company as a win-win situation resulted through the development of the supplier-client dyad (Gummeson, 2002; Morgan and Hunt, 1994). Other definitions consider the relationship’s purpose as: nurturing a rebuying behavior of the clients (Liljander and Strandvik, 1995); managing relationship marketing instruments such as: loyalty and direct mail programs (Verhoef, 2003), and as another marketing-mix element (Fournier, 1998). Relevant information could be obtained through researches that aim not the company’s relationship purpose, but the client’s motivations and desires to be a relational partner for the company. The strictly transactional exchange can be considered by the company a form of relationship with its client, a perspective not granted by the last. Thus, studying the clients’ motivations and desires to be active partners and their impact on the relationship quality and stability (Henning-Thurau and Hansen, 2000), along with identifying the benefits a client expects form the relationship with the company, could represent interesting research purposes.

**Perspectives of relationship marketing in the postmodernism setting**

The perspectives of relationship marketing cannot omit the visionary ideas exposed by the authors R.Achrol and P.Kotler in their article “Frontiers of the marketing paradigm in the third millennium” (2012) and within the well-known book – Marketing 3.0. (Kotler, Kartajaya and Setiawan, 2010). Thus, the future of the marketing phenomena is based on changes that involve: (1) consume experiences, (2) marketing networks and (3) sustainable development. Consumer experience (1) represent the main factor through which the initial consume need is satisfied (Achrol and Kotler, 2012). Thus, felt satisfaction is the consequence of a complex of experiences filtered by the five human senses: hearing, sight, smell, touch and taste (Cătoiu and Teodorescu, 2004). The two sensation principles (Cătoiu and Teodorescu, 2004) and the theories regarding consumer’s attitude, perception, learning and other endogenous variables are the main subject of the theory and research of consumer behavior, which has ascendants in cognitive psychology. According to these theories, the consumer behavior is a black-box type model where inputs (economic, situational and marketing-mix factors) are received by perceptual sensors (the five senses) and outputs take the form of a visible buying behavior. What happens between the sensorial reception and the resulting buying behavior can be only deduced, certainly not measured. Evolution in neuropsychology enables the correlation of certain maps of nervous cells with certain parts of the sensorial receptors which explain some behavior. This domain represents a fertile research field for developing studies that aim the understanding if the sense and intensity of consume experiences. Thus, satisfaction could be better understood and controlled by the relationship marketing advocates. Knowing the insights of consumer experiences could serve as a benchmark in understanding the client’s process of value co-creation. For the company, this would mean an optimization of the value-proposition and of the services that assist the co-creation.

(2) Marketing networks are based more on relational processes than on hierarchical authorities or power (Achrol, 1997). Multi- and transnational companies are characterized by a spatial decentralization of their organizational functions due to externalization processes. Achrol and Kotler (2012) consider the following phases in the evolution of a company’s network. The first phase is known for its backward integration (production, acquisition and external logistic), whereas the second phase contains the externalization of innovation. Thus, modern companies are considered pure marketing companies which have as purpose the creation of a value proposition by an efficient management of their marketing relationships. The last phase, a visionary one, proposes
a forward integration of the company’s functions by reducing the spatial and temporal differences between production and consumption. Relationship marketing theory has as theoretical antecedents marketing networks and their dynamic. The focused perspective considers the relationships a company manages with its stakeholders as central to relationship marketing (Egan, 2003). Thus, the decentralization of the management functions could attract researches that study the efficiency of communicational systems between different network partners and that improve the existent relational control systems (Bruhn, 2010). The closeness of production-consume and the emergence of production-consume distribution networks (Achrol and Kotler, 2012) are relevant for all the components of a value-proposition: products, services and ideas. Services and ideas are highly important for relationship marketing because of their characteristics proper for value co-creation.

(3) Sustainable marketing is tied with market capacity and resource capacity (Achrol and Kotler, 2012). Both indicators describe how the present consumption of the society will directly affect the environment and indirectly the future consumption of society. High levels of market capacity (market saturation) and the increasing trend of depletion of non-regenerable resources impose an ecological approach to marketing. Regardless of the business model adopted, sustainable marketing is initiated at the beginning of the product life-cycle and ends with the disposal of the negative effects resulted from selling and consumption (Achrol and Kotler, 2012). Sustainable marketing practices attract higher costs for the company (environmental costs are added to the company’s costs) that produce a smoothing of the company’s selling curve and, in some cases, a market shrinkage. In such a setting, the profitable demand could be the poorer side of the society or, as Prahalad (2005) described it – the fortune from the bottom of the pyramid, which represent almost half of the world’s population (in relative terms).

In describing the perspectives of relationship marketing, the characteristics of modernism and postmodernism schools of thought should not be omitted. The phases of marketing evolution (Pop, 2006), including relationship marketing, absorb traits of the modern thought. The project of modernism entails the idea of progress, revivals the power of reason, praises scientific discoveries and technological innovation, sustains human progress, predicts the freedom from oppression and believes that the known physical and social world can be analyzed, planed and controlled (Smart, 1992). Marketing science has deep roots in modernism thinking. Marketing researchers advocate for the existence of an external reality, that can be understood, modeled and controlled (Brown, 1992). Postmodernism conditions are opposed as significance to those of modernism, containing ideas like: celebration of skepticism, irony, anarchy, style, paradox, and spectacle and, above all, hostility from generalization (Brown, 1992). By analyzing the traits if the two general thoughts, it can be asserted that modernism is characterized by scientific virtues of objectivity, rigor, detachment, precision, logic and reason; while postmodernism is built around the artistic attributes of intuition, creativity, spontaneity, emotion and engagement (Brown, 1992). The postmodernism character represents a challenge for the modern understanding of marketing centered on prediction and generalization. Uniqueness, diversity, plurality and idiosyncrasies of each individual can influence the company’s marketing approach. Such influences are validated by the ideas contained in P.Kotler’s book (2010), which considers marketing 3.0. as the new understanding of marketing. Thus, marketing 3.0. is considered a sophisticated form of client orientation dominated by the client’s demands towards more collaborative, cultural and spiritual marketing approaches from the company (Kotler, 2010). The clients’ desire for individualized experiences felt after consuming an offer which was created by their co-creation processes are clear signs of postmodernism. The ways companies react to this reality will, eventually, determine the success of applying the marketing concept. Based on its fundamental concept – relationships with clients – relationship marketing may be the way of understanding the marketing concept in this postmodernist setting.
Conclusions

The purpose of this paper is to offer some development perspectives regarding the relationship marketing theory. Relationship marketing is considered by some authors a new paradigm for marketing (Hedaa and Ritter, 2005). According to this paradigm, the companies’ efforts are not oriented towards gaining discrete and spontaneous transactions, but for creating profitable, long-term relationships with their clients. The marketing literatures, in general, and the relationship marketing literature, in particular, contain different understandings and association of the relationship marketing theory.

A first perspective regarding the development of relationship marketing is correlated with a more general marketing theory – the service dominant logic (Vargo and Lusch, 2004). This theory is considered a unifying one, in terms that it can explain all aspects of marketing. Central to this theory are the two different resource categories that a company can exploit: operand (resources on which an act or operation is performed) and operant resources (resources that act on other resources). Alongside with organizational and informational resources relational resources (e.g. relationships with the competition, suppliers and clients) are considered operant resources that form the heart of competitive advantage and company’s performance (Lusch and Vargo, 2006). Based on this resource, relationship marketing is considered a marketing strategy aiming to identify, develop and maintain a relationship portfolio (Madhavaram and Hunt, 2008). Thus, the service dominant logic is equal to the whole marketing concept, while relationship marketing represents a part of it. In this respect, the future research of the authors will target the improvement of the company’s strategy by studying: the measurement alternatives of the company’s relational performance, the causes and consequences for the company of the market-relating capability.

A second development perspective of relationship marketing assumes relationship marketing as the new understanding of marketing. Central to relationship marketing is the relationship portfolio that a company manages. There are two approaches emerging out of the relationship marketing literature concerning the parts involved in the company’s relationships: a focused approach (considers that every entity that manifests interest in the company activity should be part of the relationship a company manages Gronroos, 1990) and a diffuse one (states that only the client should be subject of the company’s relationship, Kotler and Armstrong, 1994). Based on this difference, the authors will direct their research efforts towards future studies that aim not only the company’s relationship purpose (profit), but the client’s motivations and desires to be a relational partner for the company. By studying the drivers of the client’s engagement within a client-company relationship, the authors could identify possible links or dependencies between engagement and perceived relationship quality and further relationship profitability.

Common patterns can be identified if relationship marketing theory is linked with the visionary ideas contained in the work of Kotler (2010, 2012). According to him, present marketing is characterized by: consumer experiences, marketing networks and sustainable marketing. The authors will structure their future research of relationship marketing theory by aiming a better understanding of satisfaction (due to advances in neuropsychology), the communication efficiency between the network partners and towards the characteristics of the consumers at the bottom of the pyramid. Regardless of the chosen understanding of relationship marketing, all research concerning it, should take into consideration the traits of the general thought from which it has emerged: postmodernism - uniqueness, diversity, plurality and idiosyncrasies of each individual.
References