THE DOMAIN AND CONCEPTUAL FOUNDATIONS OF RELATIONSHIP MARKETING

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Prepared for:
Handbook of Relationship Marketing
Jagdish N. Sheth and Atul Parvatiyar, Eds.
Sage Publications, Thousand Oaks, CA, 1999.

Revised August 28, 1998

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In the current era of intense competition and demanding customers, relationship marketing has attracted the expanded attention of scholars and practitioners. Marketing scholars are studying the nature and scope of relationship marketing and developing conceptualizations regarding the value of cooperative and collaborative relationship between buyers and sellers as well as the relationship between different marketing actors, including suppliers, competitors, distributors and internal functions in creating and delivering customer value. Many scholars with interests in various sub-disciplines of marketing, such as channels, services marketing, business-to-business marketing, advertising, and so forth, are actively engaged in studying and exploring the conceptual foundations of relationship marketing.

However, the conceptual foundations of relationship marketing are not fully developed as yet. The current growth in the field of relationship marketing is somewhat similar to what we experienced in the early stages of the development of the discipline of consumer behavior. There is a growing interest in the subject matter and many explorations are underway to finding its conceptual foundations. In the floodgate of knowledge, such diverse perspectives are required for understanding this growing phenomenon. Each exploration offers a perspective that should help in further conceptualization of the discipline of relationship marketing. As Sheth (1996) observed that for a discipline to emerge, it is necessary to build conceptual foundations and develop theory that will provide purpose and explanation for the phenomenon. This is how consumer behavior grew to become a discipline and now enjoys central position in marketing knowledge. We expect relationship marketing to undergo a similar growth pattern and soon become a discipline into itself.

The purpose of this chapter is to provide a synthesis of existing knowledge on relationship marketing by integrating diverse explorations. In the following section, we discuss what is relationship marketing, examine its various perspectives, and offer a definition of relationship marketing. Subsequently, we trace the paradigmatic shifts in the evolution of marketing theory that have led to the emergence of a relationship marketing school of thought. We also identify the forces impacting the marketing environment in recent years leading to the rapid development of relationship marketing practices. A typology of relationship marketing programs is presented to provide a parsimonious view of the domain of relationship marketing practices. We then describe a process model of relationship marketing to better delineate the challenges of relationship formation, its governance, its performance evaluation, and its evolution. Finally, we examine the domain of current relationship marketing research and the issues it needs to address in the future.

What is Relationship Marketing?

Before we begin to examine the theoretical foundations of relationship marketing, it will be useful to define what the term relationship marketing means. As Nevin (1995) points out, the term *relationship marketing* has been used to reflect a variety of themes and perspectives. Some of these themes offer a narrow functional marketing perspective while others offer a perspective that is broad and somewhat paradigmatic in approach and orientation.

Narrow versus Broad Views of Relationship Marketing

One narrow perspective of relationship marketing is database marketing emphasizing the promotional aspects of marketing linked to database efforts (Bickert 1992). Another narrow, yet relevant, viewpoint is to consider relationship marketing only as customer retention in which a variety of aftermarketing tactics is used for customer bonding or staying in touch after the sale is made (Vavra 1991). A more popular approach with recent application of information technology is to focus on individual or one-to-one relationship with customers that integrates database knowledge with a long-term customer retention and growth strategy (Peppers and Rogers 1993). Thus, Shani and Chalasani (1992) define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time” (p. 44). Jackson (1985) applies the individual account concept in industrial markets to define relationship marketing as “marketing oriented toward strong, lasting relationships with individual accounts” (p. 2). In other business contexts, Doyle and Roth (1992), O’Neal (1989), Paul (1988), and have proposed similar definitions of relationship marketing.

McKenna (1991) professes a more strategic view of relationship marketing by putting the customer first and shifting the role of marketing from manipulating the customer (telling and selling) to genuine customer involvement (communicating and sharing the knowledge).

Berry (1983), in somewhat broader terms, also has a strategic viewpoint about relationship marketing. He stresses that attracting new customers should be viewed only as an intermediate step in the marketing process. Developing closer relationship with these customers and turning them into loyal ones are equally important aspects of marketing. Thus, he defined relationship marketing as “attracting, maintaining, and – in multi-service organizations – enhancing customer relationships” (p. 25).

Berry’s notion of relationship marketing resembles that of other scholars studying services marketing, such as Gronroos (1983), Gummesson (1987), and Levitt (1981). Although each one of them is espousing the value of interactions in marketing and its consequent impact on customer relationships, Gronroos (1990) and Gummesson (1987) take a broader perspective and advocate that customer relationships ought to be the focus and dominant paradigm of marketing. For example, Gronroos (1990) states: “Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises” (p. 138). The implication of Gronroos’ definition is that customer relationships is the ‘raison de etre’ of the firm and marketing should be devoted to building and enhancing such relationships.

Morgan and Hunt (1994), draw upon the distinction made between transactional exchanges and relational exchanges by Dwyer, Schurr, and Oh (1987), to propose a more inclusive definition of relationship marketing. According to Morgan and Hunt (1994): “Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relationships.” Such a broadened definition has come under attack by some scholars. Peterson (1995) declared Morgan and Hunt's definition guilty of an error of commission and states that if their "definition is true, then relationship marketing and marketing are redundant terms and one is unnecessary and should be stricken from the literature because having both only leads to confusion" (p. 279). Other scholars who believe that relationship marketing is distinctly different from prevailing transactional orientation of marketing may contest such an extreme viewpoint.

Relationship Marketing versus Marketing Relationships

An interesting question is raised by El-Ansary (1997) as to what is the difference between "marketing relationships" and "relationship marketing"? Certainly marketing relationships have existed and have been the topic of discussion for a long time. But what distinguishes it from relationship marketing is its nature and specificity. Marketing relationships could take any form, including adversarial relationships, rivalry relationships, affiliation relationships, independent or dependent relationships, etc. However, relationship marketing is not concerned with all aspects of marketing relationships. The core theme of all relationship marketing perspectives and definitions is its focus on cooperative and collaborative relationship between the firm and its customers, and/or other marketing actors. Dwyer, Schurr, and Oh (1987) have characterized such cooperative relationships as being interdependent and long-term orientated rather than being concerned with short-term discrete transactions. The long-term orientation is often emphasized because it is believed that marketing actors will not engage in opportunistic behavior if they have a long-term orientation and that such relationships will be anchored on mutual gains and cooperation (Ganesan 1994).

Thus, the term relationship marketing and marketing relationships are not synonymous. Relationship marketing describes a specific marketing approach that is a subset or a specific focus of marketing. However, given the rate at which practitioners and scholars are embracing the core beliefs of relationship marketing for directing marketing practice and research, it has the potential to become the dominant paradigm and orientation of marketing. As such, Kotler (1990), Parvatiyar and Sheth (1997), Webster (1992) and others have described the emergence of relationship marketing as a paradigm shift in marketing approach and orientation. In fact, Sheth, Gardner and Garrett (1988) observe that the emphasis on relationships as opposed to transaction based exchanges is very likely to redefine the domain of marketing.

De-limiting the Domain of Relationship Marketing

For an emerging discipline, it is important to develop an acceptable definition that encompasses all facets of the phenomenon and also effectively de-limits the domain so as to allow focused understanding and growth of knowledge in the discipline. Although Morgan and Hunt's definition focuses on the relational aspects of marketing, it is criticized for being too broad and inclusive. They include buyer partnerships, supplier partnerships, internal partnerships, and lateral partnerships within the purview of relationship marketing. Many of these partnerships are construed as being outside the domain of marketing and hence faces the risk of diluting the value and contribution of the marketing discipline in directing relationship marketing practice and research or theory development (Peterson 1995).

Therefore, Sheth (1996) suggested that we limit the domain of relationship marketing to only those cooperative and collaborative marketing actions that are focused on serving the needs of customers. That would be consistent with marketing's customer focus and understanding that made the discipline prominent. Other aspects of organizational relationships, such as supplier relationships, internal relationships, and lateral relationships are aspects being directly attended to by such disciplines as purchasing and logistics management, human resources management, and strategic management. Therefore, relationship marketing has the greatest potential for becoming a discipline and developing its own theory if it de-limits its domain to the firm-customer aspect of the relationship. However, to achieve mutually beneficial relationship with customers, the firm may have to cooperate and collaborate with its suppliers, competitors, consociates, and internal divisions. The study of such relationships is a valid domain of relationship marketing as long as it is studied in the context of how it enhances or facilitates customer relationships.

Towards a Definition of Relationship Marketing

An important aspect of Berry, Gronroos, and Morgan and Hunt definitions is that they all recognize the process aspects of relationship development and maintenance. A set of generic processes of relationship initiation, relationship maintenance and relationship termination is also identified by Heide (1994). His definition claims that the objective of relationship marketing is to establish, develop, and maintain successful relational exchanges.

Wilson (1995) develops a similar process model of buyer-seller cooperative and partnering relationships by integrating conceptual and empirical researches conducted in this field. Thus, a process view of relationship marketing currently prevails the literature and indicates that the discipline is in its early stages of development whereby marketing practice and research needs to be directed to the different stages of the relationship marketing process.

In addition to the process view, there is general acceptance that relationship marketing is concerned with cooperative and collaborative relationships between the firm and its customers. Such cooperative and collaborative relationships are more than a standard buyer-seller relationship, yet short of a merger or acquisition relationship. They are formed between the firm and one or many of its customers, including end-consumers, distributors or channel members, and business-to-business customers. Also, a prevailing axiom of relationship marketing is that cooperative and collaborative relationships with customers lead to greater market value creation and that such value will benefit both parties engaged in the relationship. Creation and enhancement of mutual economic value is thus the purpose of relationship marketing. Hence, we define:

> *Relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost.*

There are three underlying dimensions of relationship formation suggested by the above definition: *purpose*, *parties,* and *programs*. We will use these three dimensions to illustrate a process model of relationship marketing. Before we present this process model, let us examine the antecedents to the emergence of relationship marketing theory and practice.

The Emergence of Relationship Marketing School of Thought

As is widely known, the discipline of marketing grew out of economics, and the growth was motivated by a lack of interest among economists in the details of market behavior and functions of middlemen (Bartels 1976; Sheth, Gardener, and Garrett 1988). Marketing's early bias for distribution activities is evident as the first marketing courses (at Michigan and Ohio) were focused on effectively performing the distributive task (Bartels 1976). Early marketing thinking centered on efficiency of marketing channels (Cherrington 1920; Shaw 1912; Weld 1916, 1917). Later the institutional marketing thinkers, because of their grounding in institutional economic theory, viewed the phenomena of value determination as fundamentally linked to exchange (Alderson 1954; Duddy and Revzan 1947). Although institutional thought of marketing was later modified by the organizational dynamics viewpoint and marketing thinking was influenced by other social sciences, exchange remained the central tenet of marketing (Alderson 1965; Bagozzi 1974, 1978, 1979; Kotler 1972).

Shift from Distribution Functions to Understanding Consumer Behavior

The demise of the distributive theory of marketing began after World War II as marketing focus began to shift from distributive functions to other aspects of marketing. With the advent of market research, producers, in an attempt to influence end consumers, began to direct and control the distributors regarding product merchandising, sales promotion, pricing, etc. Thus repeat purchase and brand loyalty gained prominence in the marketing literature (Barton 1946; Churchill 1942; Howard and Sheth 1969; Sheth 1973; Womer 1944). Also market segmentation and targeting were developed as tools for marketing planning. Thus the marketing concept evolved and consumer, not distributor, became the focus of marketing attention (Kotler 1972). And producers, in order to gain control over the channels of distribution, adopted administered vertical marketing systems (McCammon 1965). These vertical marketing systems, such as franchising and exclusive distribution rights permitted marketers to extend their representation beyond their own corporate limits (Little 1970). However, marketing orientation was still transactional as its success was measured in such transactional terms as sales volume and market share. Only in the 80s, marketers began to emphasize customer satisfaction measures to ensure that they were not purely evaluated on the basis of transactional aspects of marketing and that sale was not considered as the culmination of all marketing efforts.

Early Relationship Marketing Ideas

Although Berry (1983) formally introduced the term relationship marketing into the literature, several ideas of relationship marketing emerged much before then. For example, McGarry (1950, 1951, 1953, and 1958) included six activities in his formal list of marketing functions: contactual function, propaganda function, merchandising function, physical distribution function, pricing function, and termination function. Of these, the contactual function falling within the main task of marketing reflected McGarry's relational orientation and his emphasis on developing cooperation and mutual interdependency among marketing actors. For example, he suggested that:

1. Contactual function is the building of a structure for cooperative action;
2. Focus on the long-run welfare of business and continuous business relationship;
3. Develop an attitude of mutual interdependence;
4. Provide a two-way line of communication and a linkage of their interests;
5. Cost of dealing with continuous contact is much less than casual contacts; by selling only to regular and consistent customers costs can be reduced by 10-20% (Schwartz 1963).

McGarry's work has not been widely publicized and his relational ideas did not lead to the same flurry of interest caused by Wroe Alderson's (1965) focus on inter and intra-channel cooperation. Although the distributive theory of marketing does not anymore enjoy the central position in marketing, interest in channel cooperation has been sustained for the last three decades, and many relationship marketing scholars have emerged from the tradition of channel cooperation research (Anderson and Narus 1990; Stern and El-Ansary 1992; Weitz and Jap 1995). They have contributed significantly to the development of relationship marketing knowledge and have been most forthcoming in applying various theoretical ideas from other disciplines such as economics, law, political science, and sociology. These are discussed in more detail in other sections of this chapter.

Two influential writings in the 60s and 70s provided an impetus to relationship marketing thinking, particularly in the business-to-business context. First, Adler (1966) observed the symbiotic relationships between firms that were not linked by the traditional marketer-intermediary relationships. Later, Vardarajan (1986), and Vardarajan and Rajarathnam (1986), examined other manifestations of symbiotic relationships in marketing. The second impetus was provided by Johan Arndt (1979) who noted the tendency of firms engaged in business-to-business marketing to develop long-lasting relationships with their key customers and their key suppliers rather than focusing on discrete exchanges, and termed this phenomenon "domesticated markets." The impacts of these works spread across two continents. In USA, several scholars began examining long-term inter-organizational relationships in business-to-business markets, while in Europe, the Industrial Marketing and Purchasing (IMP) Group laid emphasis on business relationships and networks (e.g., Anderson, Hakansson and Johanson 1994; Dwyer, Schurr and Oh 1987; Hakansson 1982; Halen, Johanson and Seyed-Mohamed 1991; Jackson 1985).

The Nordic School approach to services marketing was also relationship-oriented from its birth in the 1970s (Gronroos and Gummesson 1985). This school believes that for effective marketing and delivery of services, companies need to practice "internal marketing" and involve the entire organization in developing relationships with their customers (Gronroos 1981). Except for the greater emphasis being placed on achieving marketing paradigm shift by the Nordic School, its approach is similar to relationship marketing ideas put forth by services marketing scholars in the United States (Berry 1983, 1995; Berry and Parsuraman 1991; Bitner 1995; Czepiel 1990). To a certain degree, recent scholars from the Nordic Schools have tried to integrate the network approach popular among Scandinavian and European schools with service relationship issues (Holmlund 1996).

As relationship marketing grew in 1980s and 1990s, several perspectives emerged. One perspective of integrating quality, logistics, customer services, and marketing is found in the works of Christopher, Payne, and Ballantyne (1992) and in the works of Crosby, Evans, and Cowles (1987). Another approach of studying partnering relationships and alliances as forms of relationship marketing are observed in the works of Morgan and Hunt (1994), Heide (1994), and Vardarajan and Cunningham (1995). Similarly, conceptual and empirical papers have appeared on relationship-oriented communication strategies (Mohr and Nevin 1990; Owen 1984; Schultz, Tannenbaum, and Lauterborn 1992); supply chain integration (Christopher 1994; Payne et. al. 1994); legal aspects of relationship marketing (Gundlach and Murphy 1993); and consumer motivations for engaging in relationship marketing (Sheth and Parvatiyar 1995a).

The Emergence of Relationship Marketing Practice

As observed by Sheth and Parvatiyar (1995b), relationship marketing has historical antecedents going back into the pre-industrial era. Much of it was due to direct interaction between producers of agricultural products and their consumers. Similarly artisans often developed customized products for each customer. Such direct interaction led to relational bonding between the producer and the consumer. It was only after industrial era's mass production society and the advent of middlemen that there were less frequent interactions between producers and consumers leading to transactions oriented marketing. The production and consumption functions got separated leading to marketing functions being performed by the middlemen. And middlemen are in general oriented towards economic aspects of buying since the largest cost is often the cost of goods sold.

In recent years however, several factors have contributed to the rapid development and evolution of relationship marketing. These include the growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end-customers. For example, in many industries such as airlines, banks, insurance, computer program software, or household appliances and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. Databases and direct marketing tools give them the means to individualize their marketing efforts. As a result, producers do not need those functions formerly performed by the middlemen. Even consumers are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help form the producers. The recent success of on-line banking, Charles Schwab and Merryll Lynch's on-line investment programs, direct selling of books, automobiles, insurance, etc., on the Internet all attest to the growing consumer interest in maintaining direct relationship with marketers.

The de-intermediation process and consequent prevalence of relationship marketing is also due to the growth of the service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen. A greater emotional bond between the service provider and the service user also develops the need for maintaining and enhancing the relationship. It is therefore not difficult to see that relationship marketing is important for scholars and practitioners of services marketing (Berry and Parsuraman 1991; Bitner 1995; Crosby and Stephens 1987; Crosby, et. al. 1990; Gronroos 1995).

Another force driving the adoption of relationship marketing has been the total quality movement. When companies embraced Total Quality Management (TQM) philosophy to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This needed close working relationships with customers, suppliers, and other members of the marketing infrastructure. Thus, several companies, such as Motorola, IBM, General Motors, Xerox, Ford, Toyota, etc., formed partnering relationships with suppliers and customers to practice TQM. Other programs such as Just-in-time (JIT) supply and Material-resource planning (MRP) also made the use of interdependent relationships between suppliers and customers (Frazier, Spekman, and O'Neal 1988).

With the advent of the digital technology and complex products, systems selling approach became common. This approach emphasized the integration of parts, supplies, and the sale of services along with the individual capital equipment. Customers liked the idea of systems integration and sellers were able to sell augmented products and services to customers. The popularity of system integration began to extend to consumer packaged goods, as well as services (Shapiro and Posner 1979). At the same time some companies started to insist upon new purchasing approaches such as national contracts and master purchasing agreements, forcing major vendors to develop key account management programs (Shapiro and Moriarty 1980). These measures created intimacy and cooperation in the buyer-seller relationships. Instead of purchasing a product or service, customers were more interested in buying a relationship with a vendor. The key (or national) account management program designates account managers and account teams that assess the customer's needs and then husband the selling company's resources for the customer's benefit. Such programs have led to the foundation of strategic partnering relationship programs within the domain of relationship marketing (Anderson and Narus 1991; Shapiro 1988).

Similarly, in the current era of hyper-competition, marketers are forced to be more concerned with customer retention and loyalty (Dick and Basu 1994; Reicheld 1996). As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg and Czepiel 1984). On the supply side it pays more to develop closer relationships with a few suppliers than to develop more vendors (Hayes et. al. 1988; Spekman 1988). In addition, several marketers are also concerned with keeping customers for life, rather than making a one-time sale (Cannie and Caplin 1991). In a recent study, Naidu, et. al. (1998) found that relationship marketing intensity increased in hospitals facing a higher degree of competitive intensity.

Also, customer expectations have rapidly changed over the last two decades. Fueled by new technology and growing availability of advanced product features and services, customer expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-off in product and service quality. In the world of ever changing customer expectations, cooperative and collaborative relationship with customers seem to be the most prudent way to keep track of their changing expectations and appropriately influencing it (Sheth and Sisodia 1995).

Today, many large internationally oriented companies are trying to become global by integrating their worldwide operations. To achieve this they are seeking cooperative and collaborative solutions for global operations from their vendors instead of merely engaging in transactional activities with them. Such customers needs make it imperative for marketers interested in the business of companies who are global to adopt relationship marketing programs, particularly global account management programs (Yip 1996). Global account management (GAM) is conceptually similar to national account management programs except that they have to be global in scope and thus they are more complex. Managing customer relationships around the world calls for external and internal partnering activities, including partnering across a firm's worldwide organization.

A Process Model of Relationship Marketing

Several scholars studying buyer-seller relationships have proposed relationship development process models (Borys and Jemison 1989; Dwyer, Schurr and Oh 1987; Evans and Laskin 1994; Wilson 1995). Building on that work and anchored to our definition of relationship marketing as a *process* of engaging in cooperative or collaborative relationship with customers, we develop a four-stage relationship marketing process model. The broad model suggests that relationship-marketing process comprise of the following four sub-processes: formation process; management and governance process; performance evaluation process; and relationship evolution or enhancement process. The generic model is shown as figure 1. A more detailed model depicting the important components of the process model is shown in figure 2.

Insert Figures 1 & 2 here

The Formation Process of Relationship Marketing

The formation process of relationship marketing refers to decisions regarding initiation of relationship marketing activities for a firm with respect to a specific group of customers or with respect to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship. In the formation process, three important decision areas relate to defining the *purpose* (or objectives) of engaging in relationship marketing; selecting *parties* (or customer partners) for relationship marketing; and developing *programs* (or relational activity schemes) for relationship marketing engagement.

Relationship Marketing Purpose

The overall purpose of relationship marketing is to improve marketing productivity and enhance mutual value for the parties involved in the relationship. Relationship marketing has the potential to improve marketing productivity and create mutual values by increasing marketing effectiveness and/or improving marketing efficiencies (Sheth and Parvatiyar 1995a; Sheth and Sisodia 1995). By seeking and achieving strategic marketing goals, such as entering a new market, developing new product or technology, serving new or expanded needs of customers, redefining the company's competitive playing field, etc. marketing effectiveness could be enhanced. Similarly, by seeking and achieving operational goals, such as reduction of distribution costs, streamlining order processing and inventory management, reducing the burden of excessive customer acquisition costs, etc. firms could achieve greater marketing efficiencies. Thus, stating objectives and defining the purpose of relationship marketing helps clarify the nature of relationship marketing programs and activities that ought to be performed by the partners. Defining the purpose would also help in identifying suitable relationship partners who have the necessary expectations and capabilities to fulfill mutual goals. It will further help in evaluating relationship marketing performance by comparing results achieved against objectives. These objectives could be specified as financial goals, marketing goals, strategic goals, operational goals, and general goals.

Similarly, in the mass-market context, consumers' expect to fulfill their goals related to efficiencies and effectiveness in their purchase and consumption behavior. Sheth and Parvatiyar (1995a) contend that consumers are motivated to engage in relational behavior because of the psychological and sociological benefits associated with reduction in choice decisions. In addition, to their natural inclination of reducing choices, consumers are motivated to seek the rewards and associated benefits offered in relationship marketing programs of companies.

Relational Parties

Customer partner selection (or parties with whom to engage in cooperative or collaborative relationships) is another important decision in the formation stage. Even though a company may serve all customer types, few have the necessary resources and commitment to establish relationship marketing programs for all. Therefore, in the initial phase, a company has to decide which customer type and specific customers or customer groups will be the focus of their relationship marketing efforts. Subsequently when the company gains experience and achieve successful results, the scope of relationship marketing activities is expanded to include other customers into the program or engage in additional programs (Shah 1997).

Although partner selection is an important decision in achieving relationship marketing goals, not all companies have a formalized process of selecting customers. Some follow intuitive judgmental approach of senior managers in selecting customer partners and others partner with those customers who demand so. Yet other companies have formalized processes of selecting relational partners through extensive research and evaluation along chosen criteria. The criteria for partner selection vary according to company goals and policies. These range from a single criterion such as revenue potential of the customer to multiple criteria including several variables such as customer commitment, resourcefulness, management values, etc.

Relationship Marketing Programs

A careful review of literature and observation of corporate practices suggest that there are three types of relationship marketing programs: continuity marketing; one-to-one marketing; and, partnering programs. These take different forms depending on whether they are meant for end-consumers, distributor customers, or business-to-business customers. Table 1 presents various types of relationship marketing programs prevalent among different types of customers. Obviously, marketing practitioners in search of new creative ideas develop many variations and combinations of these programs to build closer and mutually beneficial relationship with their customers.

Insert Table 1 here

Continuity Marketing Programs

Given the growing concern to retain customers as well as emerging the knowledge about customer retention economics have led many companies to develop continuity marketing programs that are aimed at both retaining customers and increasing their loyalty (Bhattacharya 1998; Payne 1995). For consumers in mass markets, these programs usually take the shape of membership and loyalty card programs where consumers are often rewarded for their member and loyalty relationships with the marketers (Raphel 1995; Richards 1995). These rewards may range from privileged services to points for upgrades, discounts, and cross-purchased items. For distributor customers, continuity marketing programs are in the form of continuous replenishment programs ranging anywhere from just-in-time inventory management programs to efficient consumer response initiatives that include electronic order processing and material resource planning (Law and Ooten 1993; Persutti 1992). In business-to-business markets these may be in the form of preferred customer programs or in special sourcing arrangements including single sourcing, dual sourcing, and network sourcing, as well as just-in-time sourcing arrangements (Hines 1995; Postula and Little 1992). The basic premise of continuity marketing programs is to retain customers and increase loyalty through long-term special services that has a potential to increase mutual value through learning about each other (Shultz 1995).

One-to-one Marketing

One-to-one or individual marketing approach is based on the concept of account-based marketing. Such a program is aimed at meeting and satisfying each customer's need uniquely and individually (Peppers and Rogers 1995). What was once a concept only prevalent in business-to-business marketing is now implemented in the mass market and distributor customer contexts. In the mass market individualized information on customers is now possible at low costs due to the rapid development in information technology and due to the availability of scalable data warehouses and data mining products. By using on-line information and databases on individual customer interactions, marketers aim to fulfill the unique needs of each mass market customer. Information on individual customers is utilized to develop frequency marketing, interactive marketing, and aftermarketing programs in order to develop relationship with high yielding customers (File, Mack and Prince 1995; Pruden 1995). For distributor customers these individual marketing programs take the shape of customer business development. For example, Procter and Gamble have established a customer team to analyze and propose ways in which Wal-Mart's business could be developed. Thus, by bringing to bare their domain specific knowledge from across many markets, Procter & Gamble is able to offer expert advice and resources to help build the business of its distributor customer. Such a relationship requires cooperative action and an interest in mutual value creation. In the context of business-to-business markets, individual marketing has been in place for quite sometime. Known as key account management program, here marketers appoint customer teams to husband the company resources according to individual customer needs. Often times such programs require extensive resource allocation and joint planning with customers. Key account programs implemented for multi-location domestic customers usually take the shape of national account management programs, and for customers with global operations it becomes global account management programs.

Partnering Programs

The third type of relationship marketing programs is partnering relationships between customers and marketers to serve end user needs. In the mass markets, two types of partnering programs are most common: co-branding and affinity partnering (Teagno 1995). In co-branding, two marketers combine their resources and skills to offer advanced products and services to mass market customers (Marx 1994). For example, Delta Airlines and American Express have co-branded the Sky Miles Credit Card for gains to consumers as well as to the partnering organizations. Affinity partnering program is similar to co-branding except that the marketers do not create a new brand rather use endorsement strategies. Usually affinity-partnering programs try to take advantage of customer memberships in one group for cross-selling other products and services. In the case of distributor customers, logistics partnering and cooperative marketing efforts are how partnering programs are implemented. In such partnerships the marketer and the distributor customers cooperate and collaborate to manage inventory and supply logistics and sometimes engage in joint marketing efforts. For business to business customers, partnering programs involving co-design, co-development and co-marketing activities are not uncommon today (Mitchell and Singh 1996; Young, Gilbert and McIntyre 1996).

Management and Governance Process

Once relationship marketing program is developed and rolled out, the program as well as the individual relationships must be managed and governed. For mass-market customers, the degree to which there is symmetry or asymmetry in the primary responsibility of whether the customer or the program sponsoring company will be managing the relationship varies with the size of the market. However, for programs directed at distributors and business customers the management of the relationship would require the involvement of both parties. The degree to which these governance responsibilities are shared or managed independently will depend on the perception of norms of governance processes among relational partners given the nature of their relationship marketing program and the purpose of engaging in the relationship. Not all relationships are or should be managed alike, however several researches suggest appropriate governance norms for different hybrid relationships (Borys and Jemison 1989; Heide 1994; Sheth and Parvatiyar 1992).

Whether management and governance responsibilities are independently or jointly undertaken by relational partners, several issues must be addressed. These include decisions regarding *role specification, communication, common bonds, planning process, process alignment, employee motivation* and *monitoring procedures*. Role specification relates to determining the role of partners in fulfilling the relationship marketing tasks as well as the role of specific individuals or teams in managing the relationships and related activities (Heide 1994). Greater the scope of the relationship marketing program and associated tasks, and the more complex is the composition of the relationship management team, the more critical is the role specification decision for the partnering firms. Role specification also helps in clarifying the nature of resources and empowerment needed by individuals or teams charged with the responsibility of managing relationship with customers.

Communication with customer partners is a necessary process of relationship marketing. It helps in relationship development, fosters trust, and provides the information and knowledge needed to undertake cooperative and collaborative activities of relationship marketing. In many ways it is the lifeblood of relationship marketing. By establishing proper communication channels for sharing information with customers a company can enhance their relationship with them. In addition to communicating with customers, it is also essential to establish intra-company communication particularly among all concerned individuals and corporate functions that directly play a role in managing the relationship with a specific customer or customer group.

Although communication with customer partners help foster relationship bonds, conscious efforts for creating common bonds will have a more sustaining impact on the relationship. In business to business relationships, social bonds are created through interactions, however with mass-market customers frequent face-to-face interactions will be uneconomical. Thus marketers should create common bonds through symbolic relationships, endorsements, affinity groups, membership benefits or by creating on-line communities. Whatever be the chosen mode, creating value bonding, reputation bonding and structural bonding are useful processes of institutionalizing relationship with customers (Sheth 1994).

Another important aspect of relationship governance is the process of planning and the degree to which customers need to be involved in the planning process. Involving customers in the planning process would ensure their support in plan implementation and achievement of planned goals. All customers are not willing to participate in the planning process nor is it possible to involve all of them for relationship marketing programs for the mass market. However, for managing cooperative and collaborative relationship with large customers, their involvement in the planning process is desirable and sometimes necessary.

Executives are sometimes unaware, or they choose to initially ignore the nature of mis-alignment in operating processes between their company and customer partners, leading to problems in relationship marketing implementation. Several aspects of the operating processes need to be aligned depending on the nature and scope of the relationship. For example, operating alignment will be needed in order processing, accounting and budgeting processes, information systems, merchandising processes, etc.

Several human resource decisions are also important in creating the right organization and climate for managing relationship marketing. Training employees to interact with customers, to work in teams, and manage relationship expectations are important. So is the issue of creating the right motivation through incentives, rewards, and compensation systems towards building stronger relationship bonds and customer commitment. Although institutionalizing the relationship is desirable for the long-term benefit of the company, personal relationships are nevertheless formed and have an impact on the institutional relationship. Thus proper training and motivation of employees to professionally handle customer relationships are needed.

Finally, proper monitoring processes are needed to safeguard against failure and manage conflicts in relationships. Such monitoring processes include periodic evaluation of goals and results, initiating changes in relationship structure, design or governance process if needed, creating a system for discussing problems and resolving conflicts. Good monitoring procedures help avoid relationship destabilization and creation of power asymmetries. They also help in keeping the relationship marketing program on track by evaluating the proper alignment of goals, results and resources.

Overall, the governance process helps in maintenance, development, and execution aspects of relationship marketing. It also helps in strengthening the relationship among relational partners and if the process is satisfactorily implemented it ensures the continuation and enhancement of relationship with customers. Relationship satisfaction for involved parties would include governance process satisfaction in addition to satisfaction from the results achieved in the relationship (Parvatiyar, Biong and Wathne 1998).

Performance Evaluation Process

Periodic assessment of results in relationship marketing is needed to evaluate if programs are meeting expectations and if they are sustainable in the long run. Performance evaluation also helps in making corrective action in terms of relationship governance or in modifying relationship marketing objectives and program features. Without a proper performance metrics to evaluate relationship marketing efforts, it would be hard to make objective decisions regarding continuation, modification, or termination of relationship marketing programs. Developing a performance metrics is always a challenging activity as most firms are inclined to use existing marketing measures to evaluate relationship marketing. However, many existing marketing measures, such as market share and total volume of sales may not be appropriate in the context of relationship marketing. Even when a more relationship marketing oriented measures are selected, it cannot be applied uniformly across all relationship marketing programs particularly when the purpose of each relationship marketing program is different from the other. For example, if the purpose of a particular relationship marketing effort is to enhance distribution efficiencies by reducing overall distribution cost, measuring the programs impact on revenue growth and share of customer's business may not be appropriate. In this case, the program must be evaluated based on its impact on reducing distribution costs and other metrics that is aligned with those objectives. By harmonizing the objectives and performance measures one would expect to see a more goal directed managerial action by those involved in managing the relationship.

For measuring relationship marketing performance, a *balanced scorecard* that combines a variety of measures based on the defined purpose of each relationship marketing program (or each cooperative/collaborative relationship) is recommended (Kaplan and Norton 1992). In other words, the performance evaluation metrics for each relationship or relationship marketing program should mirror the set of defined objectives for the program. However, some global measures of the impact of relationship marketing effort of the company are also possible. Srivastava, et. al. (1998) recently developed a model to suggest the asset value of cooperative relationships of the firm. If cooperative and collaborative relationship with customers is treated as an intangible asset of the firm, its economic value-add can be assessed using discounted future cash flow estimates. In some ways, the value of relationships is similar to the concept of brand equity of the firm and hence many scholars have alluded to the term relationship equity (Bharadwaj 1994; Peterson 1995). Although an well-accepted model for measuring relationship equity is not available in the literature as yet, companies are trying to estimate its value particularly for measuring the intangible assets of the firm.

Another global measure used by firms to monitor relationship marketing performance is the measurement of relationship satisfaction. Similar to the measurement of customer satisfaction, which is now widely applied in many companies, relationship satisfaction measurement would help in knowing to what extent relational partners are satisfied with their current cooperative and collaborative relationships. Unlike customer satisfaction measures that are applied to measure satisfaction on one side of the dyad, relationship satisfaction measures could be applied on both sides of the dyad. Both the customer and the marketing firm have to perform in order to produce the results in a cooperative relationship and hence each party's relationship satisfaction could be measured (Biong, Parvatiyar and Wathne

1996). By measuring relationship satisfaction, one could estimate the propensity of either party's inclination to continue or terminate the relationship. Such propensity could also be indirectly measured by measuring customer loyalty (Reicheld and Sasser 1990). When relationship satisfaction or loyalty measurement scales are designed based on its antecedents, it could provide rich information on their determinants and thereby help companies identify those managerial actions that are likely to improve relationship satisfaction and/or loyalty.

Evolution Process of Relationship Marketing

Individual relationships and relationship marketing programs are likely to undergo evolution as they mature. Some evolution paths may be pre-planned, while others would naturally evolve. In any case, several decisions have to be made by the partners involved about the evolution of relationship marketing programs. These include decisions regarding the continuation, termination, enhancement, and modifications of the relationship engagement. Several factors could cause the precipitation of any of these decisions. Amongst them relationship performance and relationship satisfaction (including relationship process satisfaction) are likely to have the greatest impact on the evolution of the relationship marketing programs. When performance is satisfactory, partners would be motivated to continue or enhance their relationship marketing program (Shah 1997; Shamdashani and Sheth 1995). When performance does not meet expectations, partners may consider terminating or modifying the relationship. However, extraneous factors could also impact these decisions. For example, when companies are acquired, merged, or divested many relationships and relationship marketing programs undergo changes. Also, when senior corporate executives and senior leaders in the company move relationship marketing programs undergo changes. Yet, there are many collaborative relationships that are terminated because they had planned endings. For companies that can chart out their relationship evolution cycle and state the contingencies for making evolutionary decisions, relationship marketing programs would be more systematic.

Relationship Marketing Research Directions

Wilson (1995) classified relationship marketing research directions into three levels: concept level, model level and process research. At the concept level he indicated the need to improve concept definitions and its operationalization. Concept level research relates to identifying, defining and measuring constructs that are either successful predictors or useful measures of relationship performance. Several scholars and researchers have recently enriched our literature with relevant relationship marketing concepts and constructs. These include such constructs as trust, commitment, interdependence, interactions, shared values, power imbalance, adaptation, mutual satisfaction, etc. (Doney and Cannon 1997; Gundlach and Cadotte 1994; Kumar, Scheer and Steenkamp 1995; Lusch and Brown 1996; Morgan and Hunt 1994; Smith and Barclay 1997).

At the model level, scholars are interested in presenting integrative ideas to explain how relationships are developed. Several integrative models have recently begun to emerge providing us a richer insight into how relationships work and what impacts relationship marketing decisions. The IMP Interaction model (Hakansson 1982) was based upon insights obtained on more than 300 industrial marketing relationships. By identifying the interactions among actors, the IMP model traces the nature and sources of relationship development. The IMP model and its research approach have become a tradition for many scholarly research endeavors in Europe over the past 15 years or more. The network model (Anderson, Johansson and Hakansson 1994; Iacobucci and Hopkins 1992) uses the social network theory to trace how relationships are developed among multiple actors and how relationship ties are strengthened through networks. Bagozzi (1995) makes a case for more conceptual models to understand the nature of group influence on relationship marketing.

A more evolutionary approach of integrative models is to look at the process flow of relationship formation and development. Anderson and Narus (1991) and Dwyer, Schurr and Oh (1987) along with numerous other scholars have contributed towards our understanding of the relationship process model. By looking at the stages of the relationship development process, one could identify which constructs would actively impact the outcome considerations at that stage and which of them would have latent influences (Wilson 1995). The process model of relationship formation, relationship governance, relationship performance, and relationship evolution described in the previous section is an attempt to add to this stream of knowledge development on relationship marketing.

For practitioners, process level research could provide useful guidelines in developing and managing successful relationship marketing programs and activities. Some research has now started to appear in the marketing literature on relationship marketing partner selection (Schijns and Schroder 1996; Stump and Heide 1996). Mahajan and Srivastava (1992) recommended the use of conjoint analysis techniques for partner selection decisions in alliance type relationships. Dorsch et. al. (1998) propose a framework of partner selection based on the evaluation of customers' perception relationship quality with their vendors. At the program level, key account management programs and strategic partnering have been examined in several research studies (Aulakh, Kotabe, and Sahay 1997; Nason, Melnyk, Wolter, and Olsen 1997; Wong 1998). Similarly within the context of channel relationships and buyer seller relationships several studies have been conducted on relationship governance process (Biong and Selnes 1995; Heide 1994; Lusch and Brown 1996). Also, research on relationship performance is beginning to appear in the literature. Kalwani and Narayandas (1995) examined the impact of long-term relationships among small firms on their financial performance. Similarly, in a forthcoming paper, Naidu et. al. (1998) examine the impact of relationship marketing programs on the performance of hospitals. Srivastava, et. al. (1998) examine the economic value of relationship marketing assets. However, not much research is reported on relationship enhancement processes and relationship evolution. Although, studies relating to the development of relationship marketing objectives are still lacking, the conceptual model on customer expectations presented by Sheth and Mittal (1996) could provide the foundation for research in this area. Overall, we expect future research efforts to be directed towards the process aspects of relationship marketing.

The Domain of Relationship Marketing Research

Several areas and sub-disciplines of marketing have been the focus of relationship marketing research in recent years. These include issues related to channel relationships (Robicheaux and Coleman 1994; El-Ansary 1997; Weitz and Jap 1995); business-to-business marketing (Dwyer, Schurr and Oh 1987; Hallen, Johanson, and Seyed-Mohamed 1991;

Keep, Hollander and Dickinson 1998; Wilson 1995); sales management (Boorom, Goolsby, ad Ramsey 1998; Smith and Barclay 1997); services marketing (Berry 1983 &1995; Crosby and Stephens 1987; Crosby, Evans and Cowles 1990; Gronroos 1995; Gwinner, Gremler and Bitner 1998); and consumer marketing (Gruen 1995; Kahn 1998; Sheth and Parvatiyar 1995a; Simonin and Ruth 1998). Marketing scholars interested in strategic marketing have studied the alliance and strategic partnering aspects of relationship marketing (Bucklin and Sengupta 1993; Sheth and Parvatiyar 1992; Vardarajan and Cunningham 1995). Gundlach and Murphy (1993) provided us a framework on public policy implications of relationship marketing. In the context of international marketing, relationship marketing concepts and models are used in the study of global account management programs (Yip and Madsen 1996), export channel cooperation (Bello and Gilliland 1997), and international alliances (Yigang and Tse 1996).

Convergence of relationship marketing with some other paradigms in marketing is also taking place. These include database marketing (Shani and Chalasani 1992; Schijns and Schroder 1996), integrated marketing communications (Duncan and Moriarty 1998; Schultz et. al. 1993; Zhinkan, et. al. 1996), logistics, and supply-chain integration (Fawcett, et. al. 1997; Christopher 1994). Some of these are applied as tools and work processes in relationship marketing practice. Figure 3 illustrate the tools and work processes applied in relationship marketing. As more and more companies use these processes and other practical aspects such as total quality management, process reengineering, mass customization, electronic data interchange (EDI), value enhancement, activity based costing, crossfunctional teams, etc. we are likely to see more and more convergence of these and related paradigm with relationship marketing.

Insert Figure 3 here

A number of theoretical perspectives developed in economics, law, and social psychology is being applied in relationship marketing. These include transactions cost analysis (Mudambi and Mudambi 1995; Noordeweir, John and Nevin 1990; Stump and Heide 1996), agency theory (Mishra, Heide and Cort 1998), relational contracting (Dwyer, Schurr and Oh 1987; Lusch and Brown 1996), social exchange theory (Hallen, Johanson and Seyed-Mohamed 1991; Heide 1994), network theory (Achrol 1997; Walker 1997), game theory (Rao and Reddy 1995), interorganizational exchange behavior (Rinehart and Page 1992), power dependency (Gundlach and Cadotte 1994; Kumar, Scheer, and Steenkamp 1995), and interpersonal relations (Iacobucci and Ostrom 1996). More recently resource allocation and resource dependency perspectives (Lohtia 1997; Vardarajan and Cunningham 1995), and classical psychological and consumer behavior theories have been used to explain why companies and consumers engage in relationship marketing (Iacobucci and Zerillo 1997; Kahn 1998; Sheth and Parvatiyar 1995a; Simonin and Ruth 1998). Each of these studies has enriched the field of relationship marketing. As we move forward, we expect to see more integrative approaches to studying relationship marketing, as well as a greater degree of involvement of scholars from almost all sub-disciplines of marketing into it. Its appeal is global, as marketing scholars from around the world are interested in the study of the phenomenon, particularly in Europe, Australia, and Asia in addition to North America.

Conclusion

The domain of relationship marketing extends into many areas of marketing and strategic decisions. Its recent prominence is facilitated by the convergence of several other paradigms of marketing and by corporate initiatives that are developed around the theme of cooperation and collaboration of organizational units and its stakeholders, including customers. Relationship marketing refers to a conceptually narrow phenomenon of marketing; however if the phenomenon of cooperation and collaboration with customers become the dominant paradigm of marketing practice and research, relationship marketing has the potential to emerge as the predominant perspective of marketing.

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