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Relationship Marketing as a Competitive Marketing Strategy

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Relationship Marketing is emerging as a new phenomenon however; relationship oriented marketing practices date back to the Pre-Industrial Era. In this paper, we trace the history of marketing practices and illustrate how the advent of mass production, the emergence of middlemen, and the separation of the producer from the consumers in the Industrial era led to a transactional focus of marketing. Now, due to technological advances, direct marketing is facing a comeback, leading to a relationship orientation. We believe that evolution of Relationship Marketing, the hitherto prominent exchange paradigm of marketing will be insufficient to explain the growing marketing phenomena of collaborative involvement of customers in the production process. An alternate paradigm of marketing needs to be developed that is more process rather than outcome oriented, and emphasizes value creation rather than value distribution.

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Introduction

Although marketing practices can be traced back as far as 7000 B.C. (Carratu 1987), marketing thought as a distinct discipline was borne out of economics around the beginning of this century. As the discipline gained momentum, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. However, the development of marketing as a field of study and practice is undergoing a reconceptualization in its orientation from transactions to relationships (Kotler 1990; Webster 1992). The emphasis on relationships as opposed to transaction based exchanges is very likely to redefine the domain of marketing (Sheth, Gardener and Garett 1988). Indeed, the emergence of a relationship marketing school of thought is imminent given the growing interest of marketing scholars in the relational paradigm. In this paper, we observe, that the paradigm shift from transactions to relationships is associated with the return of direct marketing both in business-to-business and business to-consumer markets. As in the pre-industrial era (characterized by direct marketing practices of agricultural and artifact producers) once again direct marketing, albeit in a different form, is becoming popular, and consequently so is the relationship orientation of marketers. When producers and consumers directly deal with each other, there is a greater potential for emotional bonding that transcends economic exchange. They can understand and appreciate each others' needs and constraints better, are more inclined to cooperate with one another, and thus, become more relationship oriented. This is in contrast to the exchange orientation of the middlemen (sellers and buyers). To the middlemen, especially the wholesalers, the economics of transactions are more important, and therefore, they are less emotionally attached to products. Indeed, many middlemen do not physically see, feel, touch products but simply act as agents and take title to the goods for financing and risk sharing.

ORIGIN OF RELATIONSHIP MARKETING

Even if the concept of relationship marketing is rather recent within the science of marketing, we must admit that the values it represents are far from new. Relationship marketing seems to be the theorization and modernization of a latent secular process present in the industrialized world. In fact, marketing has always been and still remains a science of exchange which aims to analyse and understand the relationship between supply (seller) and demand (buyer). The meeting of supply and demand of products and services involves a rather complex subject often called 'business'— an umbrella term which covers all major areas of management such as marketing, finance, production, accounting, information systems, organizational structures, and even human resources. Creating 'relationships' within business is one of the oldest jobs in the world which always required exchanges.

For instance, in the pre-industrial era, relationship development between producer and consumer was relatively easy to achieve in economies which were in an early stage of development due to small-scale production processes and relatively local markets. Buyers were able to learn through the personal experience of the abilities, consistency, and reliability of a supplier while suppliers were able to adapt simple production methods to the needs of individual customers who were known personally. Preference was judged on the basis of face-to-face contact and, from this, trust was developed; through personal knowledge and trust, a supplier was also able to judge the creditworthiness of each customer (Palmer, 1995).

But, globalization of markets, competitive pressure, brand multiplication and, above all, the ever-changing lifestyles and consumer behavior have forced companies to develop strategies to keep their clients and create consumer loyalty programmes and thus carry out relationship marketing. One of the earliest notions of relationship marketing in the academic sphere can be traced to Levy and Zaltman's (1975) statement that to maximize the value of exchanges, people or groups need to develop 'patterned relationships with one another.'

Relationship marketing appears clearly as a 'new-old' concept (Berry, 1995) for the simple reason that concern for relationship development is as old as the nature of business itself. However, even if relational exchange is not new in Western economies and has been successfully practised by smaller firms for several hundreds of years, its present form differs from that which existed in an era of relatively simple economic development. While companies seek to exploit information technology to develop relationships with their customers, the types of relationships now enjoyed are very different compared with those that existed between customers and small-scale, local producers.

PURPOSE OF RELATIONSHIP MARKETING

Relationship marketing attempts to involve and integrate customers, suppliers and other infrastructural partners into a firm's developmental and marketing activities (McKenna 1991; Shani and Chalasani 1991). Such involvement results in close interactive relationships with suppliers, customers or other value chain partners of the firm. Interactive relationships between marketing actors are inherent as compared to the arm's length relationships implied under the transactional orientation (Parvatiyar, Sheth and Whittington 1992). An integrative relationship assumes overlap in the plans and processes of the interacting parties and suggests close economic, emotional and structural bonds among them. It reflects interdependence rather than independence of choice among the parties; and it emphasizes cooperation rather than competition and consequent conflict among the marketing actors. Thus, development of relationship marketing points to a significant shift in the axioms of marketing: competition and conflict to mutual cooperation, and choice independence to mutual interdependence.

One axiom of transactional marketing is the belief that competition and self interest are the drivers of value creation. Through competition, buyers can be offered a choice, and this choice of suppliers motivates marketers to create a higher value offering for their self-interest. This axiom of competition is now challenged by the proponents of relationship marketing who believe that mutual cooperation, as opposed to competition and conflict, leads to higher value creation (Morgan and Hunt 1994). In fact, some social psychologists have gone so far as to suggest that competition is inherently destructive and mutual cooperation inherently more productive (Kohn 1986).

The second axiom of transactions marketing is the belief that independence of choice among marketing actors creates a more efficient system for creating and distributing marketing value. Maintaining an 'arm's length relationship' is considered vital for marketing efficiency. Industrial organizations and government policy makers believe that independence of marketing actors provide each actor freedom to choose his/her transactional partners on the basis of preserving their own self-interests at each decision point. This results in the efficiency of lowest cost purchases through bargaining and bidding. However, this belief is also challenged recently in economics (Williamson 1975). It argues that every transaction involves transaction costs in search, negotiation and other associated activities, which add to, rather than reduce the cost, and thus lead to inefficiencies instead of efficiencies for the firms engaged in exchange transactions.
Relationship marketers, therefore, believe that interdependencies reduce transaction costs and generate higher quality while keeping governance costs lower than exchange marketing (Heide and John 1992; Williamson 1985). In short, better quality at a lower cost is achieved through interdependence and partnering among the value chain actors. The purpose of relationship marketing is, therefore, to enhance marketing productivity by achieving efficiency and effectiveness (Sheth and Sisodia 1995). Several relationship marketing practices can help achieve efficiency, such as customer retention, efficient consumer response (ECR), and the sharing of resources between marketing partners. Each of these activities have the potential to reduce operating costs of the marketer. Similarly, greater marketing effectiveness can be achieved because it attempts to involve customers in the early stages of marketing program development, facilitating the future marketing efforts of the company. Also, through individualized marketing and adoption of mass customization processes, relationship marketers can better address the needs of each selected customer, making marketing more effective.

DEVELOPMENT OF RELATIONSHIP MARKETING

Relationship marketing refers to a man and a woman who is both interested in the same marketing objectives. Often they have the same products and services and if they love each other very much then a baby-marketer will be produced. Sometimes one of the entities in the relationship chooses to break the relational vows and thus black-marketing is created.
According to Berry Leonard (1983), relationship marketing can be applied when there are competitive product alternatives for customers to choose from; and when there is an ongoing and periodic desire for the product or service.

Fornicatell and Wernerfelt (1987), used the term "defensive marketing" to describe attempts to reduce customer turnover and increase customer disloyalty. This customer-retention approach was contrasted with "offensive marketing" which involved obtaining new customers and increasing customers' purchase frequency. Defensive marketing focused on reducing or managing the dissatisfaction of your customers, while offensive marketing focused on "liberating" dissatisfied customers from your new customers. There are two components to defensive marketing: increasing customer satisfaction and increasing switching barriers.

CONCLUSIONS

Theory transgresses economies whether they are emerging or not. Marketing has always studied relationships between institutions (B2B) and relationships between institutions and customers. The basic rules of marketing, therefore, remain the same whatever the economy. What changes is the context. The recognition of the importance of establishing and maintaining long-term relationships has led both marketing theorists and practitioners to focus on an emerging framework termed relationship marketing.

However, relationship marketing cannot be a universal paradigm capable of having uniform global application. The environment is and remains multi-cultural. In that sense, the dangers of ethnocentrism must be avoided and, on the contrary, the phenomena of acculturation and local Appropriation need to be taken into consideration.

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